

DEVELOPMENT CO-OPERATION DIRECTORATE

OECD UNDP Impact Standards for Financing Sustainable Development

Implementation Guidance Note for Standard 2 – Impact Management

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JT03510554

Consultation process

On 26 March 2021, members of the OECD Development Assistance Committee (DAC) officially approved the [OECD-UNDP Impact Standards for Financing Sustainable Development](#). Therein, Standard 2 is dedicated to development partners' impact management approach.

This document presents the accompanying Implementation Guidance Note for Standard 2 and was developed by an OECD team comprised of Priscilla Boiardi and Esme Stout, under the oversight of Paul Horrocks and Haje Schütte. The Detailed Guidance Note for Standard 2 benefited from the senior strategy review of Fabienne Michaux, Director UNDP SDG Impact.

Like the Impact Standards for Financing Sustainable Development (IS-FSD) themselves, the Implementation Guidance Note for Standard 2 was developed through a process of multi-stakeholder and consensus-seeking consultation. Originally presented as a draft during a dedicated meeting of the [OECD DAC Community of Practice on Private Finance for Sustainable Development \(CoP-PFSD\)](#) on 26 October 2021, a public online consultation followed, spanning 27 July – 31 December 2021. Both the presentation and the subsequent online consultation enabled development finance and impact communities, including donors, development finance institutions (DFIs), asset managers, civil society organisations (CSOs), experts and other relevant stakeholders, to provide their comments and insights. As a result, this document reflects the comments and feedback received throughout the process.

The Detailed Implementation Guidance will remain a living document that the Secretariat will update in the future to reflect new developments in impact measurement and management, other best practice examples and research. Readers are invited to send feedback and comments to dcdpf4sd@oecd.org.

Introduction

On March 26 2021, the OECD Development Assistance Committee (DAC) approved the **OECD-UNDP Impact Standards for Financing Sustainable Development** (henceforth referred to interchangeably as “IS-FSD” and “the Standards”) (OECD/UNDP, 2021^[1]). The Standards provide a framework that aims to assist donors, development finance institutions (DFIs) and their private sector partners seeking to optimise their positive contribution to the sustainable development goals (SDGs), promote impact integrity and avoid impact washing.

The Standards constitute a best practice guide and self-assessment tool; they are provided as a public good, free for any organisation to use. Applying the Standards allows organisations to reduce the risk of making sub-optimal decisions.

The **Detailed Implementation Guidance** is being developed to accompany the Standards, and it is intended to enhance meaningful alignment with the Standards themselves. In particular, the Guidance aims to support organisations in the process of revising their strategy, management approach, governance systems and transparency policies, and make them fit for achieving development impact and the SDGs.

Aligning organisational practices to the Standards allows organisations to take decisions that maximise the impact of their investments, by improving the impact measurement and management (IMM) approaches. In particular, organisations that align their practices to the Standards:

- set ambitious and rigorous goals for their expected impact and for that improvement;
- understand that sustainable development means increasing people’s well-being;
- understand what “measuring for decision making” means;
- recognise the risks involved in making a decision and the risks involved in *not* making decisions;
- Strive for continuous improvement.

The OECD-UNDP Impact Standards for Financing Sustainable Development are part of a broader set of Standards developed by the UNDP SDG Impact team (UNDP, 2021^[2]).

The Detailed Implementation Guidance is composed of four Guidance Notes, one per each Standard. This document constitutes the draft Guidance Note for Standard 2 – Impact Management.

Overall structure of the Detailed Implementation Guidance

The OECD UNDP Impact Standards for financing Sustainable Development (US-FSD) are articulated around the four standards (illustrated in Figure 1), each one accompanied by 3 to 5 sub-Standards, elaborating in further detail the provisions made by each Standard¹.

Figure 1. The OECD UNDP Impact Standards for Financing Sustainable Development (IS-FSD)

<p>STANDARD 1 - IMPACT STRATEGY</p> <p>The partner sets development impact objectives, framed in terms of the SDGs, with particular attention to the overarching commitment to "leave no one behind". Objectives are aligned with donor and partner country priorities and are embedded in the impact-centred investment strategy.</p>
<p>STANDARD 2 - IMPACT MANAGEMENT APPROACH</p> <p>The partner adopts an impact management approach that integrates development impact, human rights safeguards, the SDGs and ESG into the design and management of its operations</p>
<p>STANDARD 3 - TRANSPARENCY AND ACCOUNTABILITY</p> <p>The partner discloses towards donors and beneficiaries how it manages and measures the development impact and contribution to the SDGs of the private sector operations deploying public resources, as well as how development impact is integrated in its management approach and governance practices.</p>
<p>STANDARD 4 - GOVERNANCE</p> <p>The partner's commitment to contributing positively to the SDGs is reflected in its governance practices and arrangements.</p>

Note: For the purpose of these Standards, "partner refers to any organisation deploying public or public/private capital through debt, equity or mezzanine instruments, as well as guarantees and other unfunded contingent liabilities for investments contributing to the SDGs. When a donor is investing directly, the "partner" is the donor itself.

Source: (OECD/UNDP, 2021^[1])

The Detailed Implementation Guidance is composed of four Guidance Notes, one per each Standard. For each sub-Standard, each guidance note provides:

- A. **Success signals** – Grounded in concrete actions that the partner can take, "success signals" are designed to be used as part of mandatory self-assessment, and indicate the minimum requirements to meet operationalisation of the provisions made in each sub-Standard; **EXTRA** – where success signals indicate the basic operationalisation of the Standards, actions marked "extra" are available to those partners with the possibility (in terms of resources or influence on the stakeholders) to go the extra mile.
- B. **Alignment Checklist** – this section provides a step-by-step questionnaire guiding partners through actions they can take to assess whether they adhere to the sub-principles.
- C. **Useful Examples and Guidance** – In order to make the provisions of the success signals concrete, this section provides several examples of practice from different organisations, and Guidance from key sources. The practice examples seek to demonstrate different possible ways of aligning with the key elements of the sub-Standard.
- D. **Anchor impact management principles** – Standards help put impact management principles into practice by systematising requirements and levels of quality or attainment. The impact management principles that relate to each sub-standard are thus presented for each of the sub-standards.
- E. **Principles and Frameworks specific to this sub-Standard** – Each sub-standards is accompanied by references to existing frameworks that guide partners in the

implementation of the standards. In the spirit of the Standards, the Detailed Implementation Guidance does not aim to “reinvent the wheel”, but to provide coherence to what already exists in the market, with the aim of guiding development finance practitioners in their journey to constantly improve their impact management (and measurement) practices.

The Detailed Implementation Guidance accompanies the joint OECD-UNDP Impact Standards. As part of the overarching Guidance the OECD Secretariat is working with leading donors, DFIs and asset managers active in the Impact Management and Measurement Space to provide institutional mapping **case studies**². The case studies will be dedicated to examining how specific organisations integrate and align with the Standards. The case studies are intended to represent a first step towards understanding how the conceptual design of the Standards works in practice and contribute to the continuous improvement of impact management practices.

The Detailed Implementation Guidance and the four Guidance Notes will remain **living documents**, subject to future updates by the Secretariat in order to reflect new developments in impact measurement and management, other best practice examples, as well as incorporate new research, evaluation reports, and other relevant knowledge.

Standard 2: Investment management approach – implementation guidance

This document constitutes the Implementation Guidance Note for Standard 2.

Standard 2 focuses on the partner’s impact management approach, and provides guidance on embedding impact considerations into the design and management of an organisation’s operations.

More specifically, the sub-Standards of Standard 2 require the Partner to:

- *Assess* compliance with local and international legal frameworks, ESG integration and responsible business conduct (RBC) standards;
- *Possess* an effective stakeholder engagement strategy and conduct meaningful stakeholder engagement through the investment cycle;
- *Employ* a robust monitoring and evaluation system to analyse progress and identify areas for improvement;
- *Manage* exits from investments in a manner that optimises sustained effects of development;
- *Review* its impact-centred investment strategy based on the information collected and analysed through monitoring and evaluation.

These provisions are articulated in the five sub-Standards of Standard 2, which are presented in Figure 2 below.

Figure 2. Standard 2: Impact management approach and sub-Standards

<p>The partner adopts an impact management approach that integrates development impact, human rights safeguards, the SDGs and ESGs into the design and management of its operations.</p>
<p>2. 1 The partner assesses the investment's compliance with local and international legal frameworks, including international human rights frameworks, when conducting both the due-diligence and ex-post impact assessment of investments. The partner also establishes criteria for investees' integration of ESG factors and compliance with responsible business conduct (RBC) standards. The partner ensures that an independent functioning grievance and reparation mechanism is in place.</p>
<p>2. 2 The partner has effective processes to identify stakeholders affected (or likely to be affected) by its operations and implements a plan to conduct Meaningful Stakeholder Engagement ex ante, throughout the investment cycle (when circumstances change or when needed) and ex post.</p>
<p>2. 3 The partner has a monitoring and evaluation system in place that is used to assess progress against impact targets and portfolio level impact goals, identify the partner's contribution, and to identify areas for improvement. Adequate resources are provided for monitoring and evaluation, proportionate to the size of the investment.</p>
<p>2. 4. The partner manages its exits from investments in a manner that optimizes sustained effects on development impact and contribution towards the SDGs post-exit.</p>
<p>2. 5 The partner periodically reviews and refines its impact-centred investment strategy and impact goals based on the learnings and evidence collected through monitoring and evaluation to guarantee that the impact strategy and goals remain fit-for-purpose in the changing development context.</p>

Source: (UNDP/OECD, 2021^[3])

In this document, we take a deeper dive into Standard 2, focusing on several key thematic areas identified as more ambitious and challenging for implementing organisations to align with. In particular, we examine (i) the implementation of robust human rights safeguards and responsible business conduct provisions, (ii) the inclusion, participation and accountability in relation to stakeholder engagement, (iii) responsible exits, and (iv) the development of a continuous learning culture. Below, readers will find contextual information illustrating why these areas have been selected.

(i) Implementation of robust human rights safeguards

The Sustainable Development Goals (SDGs) (United Nations, 2015^[4]), 2030 Agenda and the Addis Ababa Action Agenda (United Nations, 2015^[5]) are grounded in human rights law, and recognise that true sustainable development necessarily involves the enhancement and strengthening of human rights for all, without discrimination. At a baseline level, development finance institutions (DFIs), via their government shareholders, are obliged to uphold human rights under international law. Added to this, human rights frameworks, with their emphasis on the principles of equality and non-discrimination, speak directly to the DFI development mandate to “leave no-one behind”.

DFIs, alongside other development partners, tend to understand human rights safeguards in the context of Responsible Business Conduct (RBC). In essence, RBC implies that businesses should be as invested in the risks they create for the planet, people and society as risks to their own operations. The major aligned frameworks related to Responsible Business Conduct, the OECD Guidelines for Multinational Enterprises (OECD, 2011^[6]), the United Nations Guiding Principles on Human Rights (OHCHR, 2011^[7]) and the ILO Tripartite Declaration Concerning Multinational Enterprises and Social Policy (ILO, 1977^[8]), allow business to translate human rights considerations into due diligence requirements. While RBC and human rights considerations have always been vital, recent years have witnessed a sea-change in the way that society views these issues. This is evident in the increasing soft and hard law developments influencing the RBC practice of organisations, the calls for greater transparency across all areas of the supply chain, and the rise of commitment to decent work as a basic condition for companies to access global markets and supply chains.

This considerations, alongside the results of a recent benchmarking exercise (OHCHR, 2019^[9]), which revealed a widespread variety among the different DFI approaches to operationalising

respect for human rights, alongside well documented CSO difficulty to ensure DFI compliance with human rights (Coalition for Human Rights in Development, 2019^[10]) underscores its inclusion as stand-alone sub-Standard 2.1 and a cross-cutting thematic area.

(ii) Inclusion, participation and accountability in stakeholder engagement

The focus on inclusion, participation and accountability³ in stakeholder engagement should be seen in the context of a broad human rights-based approach to effective impact management. As the United Nations Guiding Principles (OHCHR, 2011^[7]) clarified, in particular through their focus on remedy⁴, businesses have a fundamental responsibility to respect and uphold human rights. Active and inclusive stakeholder engagement is recognised as a crucial element of this approach; “all DFIs have requirements concerning stakeholder participation and several, including the World Bank, EIB and EBRD have self-standing performance standards” (OHCHR, 2019^[9]).

The Equator Principles (The Equator Principles Association, 2010^[11]) also call for systematic and transparent stakeholder engagement. Dialogue with local communities is also an important component of environmental impact assessment. For example, Principle 10 of the Rio Convention clearly states that “environmental issues are best handled with the participation of all concerned citizens” (United Nations, 1992^[12]), a requirement that assumes renewed importance in the context of the climate crisis.

Despite the critical importance of stakeholder engagement, evidence indicates that practice often falls short of ambition; stakeholder engagement strategies are insufficient and, occasionally, superficial. For instance, half of all IFC’s Compliance Ombudsman Advisory (CAO) cases in 2018 involved complaints about stakeholder engagement (OHCHR, 2019^[9]). Elsewhere, a detailed review of DFI-funded projects in the Amazon found that lack of, or ineffective, stakeholder engagement was one of the three main reasons for project failure (OHCHR, 2019^[9]). The COVID-19 pandemic has added to the challenge by increasing the difficulty of practical stakeholder engagement and reducing the resources and attention dedicated to engaging stakeholders. Given the central importance of involving and engaging stakeholders to maximise development outcomes, this is included as stand-alone sub-Standard 2.2 and a cross-cutting thematic area.

(iii) Responsible exit

The difficulty of ensuring sustained impact beyond exit is well-documented. BlueMark’s recent benchmarking analysis of over 30+ investors against the Operating Principles for Impact Management found that Principle 7 was the most challenging to apply in practice (BlueMark, 2021^[13]). Despite the fact that impact investors, by definition, “seek to create sustained, positive impact through their investments, even after exit” (GIIN, 2018^[14]) only just over half (57%) of the BlueMark sample implement an approach to impact at exit (BlueMark, 2021^[13]). Even more starkly, just 17% of the same sample have a documented process to assess the sustainability of impact at exit (BlueMark, 2021^[13]). This confirmed earlier research which indicated impact management practices are often less robust at the later stage (BlueMark, 2021^[13]). However, responsible exits are crucial, and this goes beyond their broad signalling power; improperly executed, they risk negatively impacting those left behind. On the other hand, when achieved with care, responsible exits can contribute to lessons learned and promote positive impacts via the long-term success of their investee organisations (OHCHR, 2011^[7]). Given the relevance of this area for development finance providers, this is included as stand-alone sub-Standard 2.4.

(iv) Development of a continuous learning culture

Principle 5 of the Guiding Principles on Managing for Sustainable Development Results, entitled “Fostering a culture of results and learning”, foresees that organisations promote and sustain a culture of learning from results through (i) consistent leadership, (ii) appropriate guidance, tools and capacity building as well as (iii) by using proper incentives (OECD, 2019^[15]). Compliance with Principle 5 helps to create an enabling environment for all the other Principles, and for organisational change.

As the ultimate aim of the Standards is to support organisations in the process of changing their culture and processes towards being more impact-oriented, some partners might find it necessary to go through a process of change management through which they learn how to use the data and information coming from the IMM processes and turn them into information that is useful and used for decision-making.

The internal organisation and governance changes needed for this process to be successful will be further analysed in the Guidance Note of Standard 4. However, it is important to highlight that the Guiding Principles on Managing for Sustainable Development Results highlight three areas that organisations can strengthen to facilitate a result-oriented culture: (i) a leadership that can be a role model and that has the appropriate skills for results-based management, (ii) adequate resourcing and (iii) having in place the right incentives (OECD, 2019^[15]).

Reviewing the performance of investments and projects supported, regularly documenting performance and learning allows partners to assess which strategies work and which not, improving performance. Sharing the learnings with peers helps improve the development finance field at large.

Recent research shows that the average investor that subscribes to the OPIM reviews the impact performance of each investment on a regular basis, but does not consistently monitor and review unexpected positive or negative impacts nor does routinely incorporate learnings from the review process to inform future investment decisions and portfolio management (BlueMark, 2021^[13]), showing there is room for improvement in this domain.

As changing the culture of an organisation towards more impact-oriented practices is a cornerstone of the Standards, developing and fostering a learning culture is included as sub-Standard 2.5.

Guidance on how to implement Standard 2: Impact management approach

Box 1. Standard 2: Impact management approach

The partner adopts an impact management approach that integrates development impact, human rights safeguards, the SDGs and ESGs into the design and management of its operations.

Sub-Standard 2.1

The partner assesses an investment's compliance with local and international legal frameworks, including international human rights frameworks, when conducting both the due-diligence and ex-post impact assessment of its investments. The partner also establishes criteria for investees' integration of ESG factors and compliance with responsible business conduct standards. The partner ensures that an independent and functioning grievance and reparation mechanism is in place.

A. Success signals for mandatory self-assessment⁵

The partner:

- 2.1.1** Supports investees' (including financial intermediaries) compliance with all applicable (including local) laws and regulations as well as internationally recognized Human Rights and other standards.
- 2.1.2** Ensures commitment to the UN Guiding Principles for Business and Human Rights throughout the organisation, and responsible business conduct (RBC) practices, holding staff accountable and seeks ways to honour the principles of internationally recognized human rights and other standards when faced with conflicting requirements. *(see the example "The importance of Responsible Business Conduct (RBC) provisions for development")*
- 2.1.3** Establishes due diligence criteria and standards that ensure that the appropriate due diligence is carried out which includes respect for human rights (including labour rights, gender, diversity and inclusion, confidentiality and privacy considerations), anti-corruption and environment in its direct (and where relevant, indirect) operations and throughout its supply and value chains *(see the example "The Ferrero Group: Human Rights in Responsible Sourcing")*.
- 2.1.4** Assesses the investees' compliance with local and international legal frameworks and Human Rights norms when pre-screening potential investments, and ensures this

compliance is reflected in financial contracts with investees (including financial intermediaries), while striving to maximise investees' compliance with the highest possible level of industry best practice on the protection of human rights and on environmental safeguards, particularly in cases where there is a lack of local regulation or the local standard is comparatively low. This will also ensure that jobs created as a result of the investments are in line with ILO Decent Work Agenda.

- 2.1.5** Establishes and participates in effective grievance mechanisms for stakeholders (including the avoidance of doubt, whistleblowing and safeguards), as directed by the UN Guiding Principles for Business and Human Rights, as well as the Ten Principles of the UN Global Compact (where possible, in partnership with the investee) (*see the example “DEG, FMO & Proparco’s Independent Complaints Mechanism”*)

B. Alignment checklist

Step 1: Ensure commitment to standards in the organisation

- Does the organisation commit to the UN Guiding Principles for Business and Human Rights, RBC principles and standards and with internationally recognised human right standards?
- Is the organisation's staff held accountable for upholding these principles and standards?

Step 2: Assess investees/projects compliance at due diligence stage

- Does the organisation have due diligence criteria that assess the respect for human rights, anticorruption provisions and the respect for the environment?
- Does the organisation assess the investee's/project compliance with human right norms in the screening and due diligence phase?

Step 3: Support investees compliance with Standards:

- Does the organisation support the investees/project compliance with human rights principles and standards and all laws and regulations? Does it do it through TA or through other mechanisms? Which ones?

Step 4: Guarantee grievance mechanisms

- Does the organisation establish and participate in effective grievance mechanisms for stakeholders (including the avoidance of doubt, whistleblowing and safeguards), as directed by the UN Guiding Principles for Business and Human Rights, as well as the Ten Principles of the UN Global Compact?

C. Useful examples and guidance

The importance of responsible business conduct (RBC) provisions for development

The OECD defines Responsible Business Conduct (RBC) process of “integrating and considering environmental and social issues within core business activities, including throughout the supply chain and business relationships” (OECD, 2018_[16]). Operating according to RBC principles and standards means that an organisation avoids and addresses the negative

consequences of its operations, while contributing to sustainable development of the countries where it operates. (OECD, 2018^[16])

The OECD Guidelines for Multinational Enterprises (OECD Guidelines) are the most comprehensive set of government-backed recommendations on responsible conduct available, and support organisations in aligning their business operations with government policies, with the final aim of positively contribute to sustainable development (OECD, 2011^[17]). At present, 50 countries have signed up to the OECD Guidelines. Combined, they represent two thirds of Foreign Direct Investment, more than half of global GDP, and two thirds of trade flows. In other words, the Guidelines have the broad backing of the global economy.

Notably, the OECD Guidelines call for aligning governments to establish a National Contact Point, which now exist in the 50 aligning countries. These 50 National Contact Points have a twofold-mandate, both to promote adherence to the Guidelines and overall policy coherence via websites, trainings, workshops and events, as well as facilitating access to remedy (non-judicial grievance mechanisms). Overall, there have been 575 cases since 2000, in 100 countries and territories.

The 2018 OECD Due Diligence Guidance for Responsible Business Conduct complements the OECD Guidelines, by providing standards for due diligence on RBC in all sectors. The Due Diligence Guidance covers risks related to human rights, labour, the environment and corruption (OECD, 2018^[18]).

The Ferrero Group: Human rights in responsible sourcing

The Ferrero Group is a family business that prides itself on both its long-term outlook, and the social and environmental sustainability of its raw materials along its supply chain. As one of the largest chocolate confectioners worldwide, the enterprise has a presence in over 50 countries, which includes 31 manufacturing plants globally and 6 agricultural companies.

Ferrero's Materiality Assessment is undertaken on an annual basis, and aims to identify and assess the relative importance of key sustainability topics for the organisation's ability to create value and relevance for stakeholders. One of the most materially-relevant sustainability topics is human rights in the supply chain.

Ferrero's Human Rights Commitment statement is fundamental to embedding human rights safeguards in their due diligence process, the way the organisation does business, and their businesses code of conduct. At the group policy level, there is a Code of Ethics and a Code of Businesses Conduct. The organisation has also published a publicly available directional Human Rights Policy Statement (Ferrero, n.d.^[19]) and a Supplier Code (Ferrero, 2020^[20]). The former is a directional statement, informed by the United Nations Guiding Principles (OHCHR, 2011^[7]) and international norms like the ILO Declaration on Fundamental Principles of Rights at Work (ILO, 1998^[21]), which guides the organisation's strategy, actions, and implementation practices on the ground with regards to human rights. The scope of the document covers the entirety of the value chain, from agricultural operations to manufacturing. The latter, the Supplier Code, is a tool of engagement that Ferrero requires their suppliers to commit to, and includes thorough due diligence requirements.

Ferrero also employed Shift⁶ in 2018 to undertake an assessment on the most salient human rights issues and/or risks in their supply chain. These were primarily identified as child labour, forced labour, fair wages, working hours, diversity & inclusion, discrimination and harassment, freedom of association and collective bargaining, health & safety, privacy, environmental human rights issues, rights to consumer health and responsible marketing. The list will be updated and

revised according to knowledge Ferrero acquires during the course of their due diligence process.

Ferrero's Due Diligence Principles are guided by the UNGP's Human Rights Due Diligence Model. Their Due Diligence Model involves identifying and assessing risks of potential adverse impact, as well as attempting to integrate the knowledge and findings into Ferrero's businesses practices; tracking their implementation and communicating to stakeholders how they intend address issues raised (all commitments and progress are advertised through the organisation's corporate websites, annual Sustainability Report, Modern Slavery Statements and internal channels).

Hazelnuts are a highly fragmented supply chain (hazelnuts are mainly grown on family farms which can render traceability very challenging), typically characterised by the exploitation of seasonal workers (for instance, in Turkey), and systematic and engrained issues such as child labour. Ferrero's approach to these challenges is based on a long-term commitment, outlined in the Hazelnut Charter (Ferrero, 2021^[22]). The Charter itself is based on three interrelated pillars, including human rights, environmental protection and social sustainability, and supplier transparency. The Charter, and Ferrero's other human rights commitments like the Ferrero Farming Values Programmes, are based on impact assessments. For example Ferrero, in partnership with the Development Workshop Cooperative, a local Turkish development NGO, conducted a study on seasonal workers and impacts and their children in hazelnut agriculture, providing an overview of existing and potential human rights risks in the sector.

Policies, commitments and frameworks are also complemented by more practical initiatives. For instance, the Hazelnut Growers Capability Building, which provides social practice training on good labour working conditions for growers, including raising awareness of the vulnerability of seasonal migrant workers, and incentivising growers to become ambassadors to protect the rights of these workers. Finally, the organisation has worked to establish key partnerships with expert organisations, including the ILO's local office in Turkey, and GIZ (with whom they developed a comprehensive internal monitoring and evaluation system).

DEG, FMO & Proparco's Independent Complaints Mechanism

In 2014, DEG and FMO established the Independent Complaints Mechanism to ensure that individuals have the right to be heard and the right to raise complaints with both institutions in cases where they believe there has been a breach of policies and/or procedures. The Mechanism operates in accordance with the United Nations' Guiding principles (OHCHR, 2011^[7]) and the OECD Guidelines on Multinational Corporations (OECD, 2011^[6]), and is party to the Independent Accountability Mechanisms Network (IAMnet)⁷. Proparco joined the Independent Complaint Mechanism in 2019.

In terms of process, an Independent Expert Panel decides on the admissibility of each complaint, performs a preliminary review to determine whether a complaint should proceed to the next stage and, when applicable, either performs a compliance review or supports and Dispute Resolution.

In 2020, the Independent Complaints Mechanism published its sixth (publicly available) annual report. In the report, the authors acknowledged that while COVID-19 and the continuing after-effects of the pandemic had resulted in a delay in handling and monitoring cases in the reporting period, work had continued via videoconferencing.

An example of a complaint featured in the report is the allegations of harm relating to properties (mainly houses, land and crops) damaged during the Nyamagasani projects. Complainants also raised allegations of procedural irregularities and unfair treatment by the project's grievance

mechanism. Following discussions amongst the Independent Expert Panel, all parties agreed to a Dispute Resolution process.

Linked to the mechanism, DEG, FMO and Proparco developed a **Non-Retaliation Statement**, in which the following principles are outlined:

- Zero tolerance for reprisals. The ICM considers threats or incidents of reprisal related to its operations unacceptable;
- Confidentiality: in line with its Policy, the ICM is committed to safeguarding individual identifies and confidential information;
- Participatory preventative approach: the ICM aims to systematically identify risk factors and prevent harm by implementing preventative measures based on a case by case analysis;
- Collaborative response to threats or incident of reprisals: the ICM will work closely with persons concerned to identify and implement appropriate measures when responding to threats or incidents of reprisals;
- Transparent communication of the ICM's limitations: the ICM is not an enforcement mechanism, it cannot physically protect complainants. The ICM strives to be realistic and transparent about the limitations of its mandate and capabilities.

D. Anchor impact management principles

Operating Principles for Impact Management, Principle #5.1 “Where appropriate, the manager shall engage with the investee to seeks its commitment to take action to address potential gaps in the current investee systems, processes, and standards, using an approach aligned with good international industry practice (e.g. IFC’s Performance Standards, IFC’s Corporate Governance Methodology, UN Guiding Principles for Business and Human Rights, OECD Guidelines for Multinational Enterprises”.

United Nations General Assembly, ‘The Report of the Working Group on the Issue of Human Rights and Transnational Corporations and Other Business Enterprises A/73/163 2018, paragraph 59. “Business strategies to contribute to the Sustainable Development Goals are no substitute for human rights due diligence. On the contrary, robust human rights due diligence enables and contributes to sustainable development. For businesses, the most powerful contribution to sustainable development is to embed respect for human rights in their activities and across their value chains, addressing harm done to people and focusing on the potential and actual impacts – as opposed to starting at the other end, where there are the greatest opportunities for positive contribution. In other words, businesses need to realise and accept that not having negative impacts is a minimum expectation and a positive contribution to the Goals”.

E. Principles and frameworks specific to this sub-Standard

Table 1: Principles and frameworks specific to this sub-Standard that can guide in achieving the success signals of sub-Standard 2.1

Success signal	Relevant principles and frameworks
2.1.1 Supports investees' (including financial intermediaries) compliance with all applicable (including local) laws	International Finance Corporation (IFC), (2012) Performance Standards (IFC, 2012 ^[23]) European Development Finance Institutions (EDFI), (2019) Principles for Responsible Financing of Sustainable Development (EDFI, 2019 ^[24])

Success signal	Relevant principles and frameworks
and regulations as well as internationally recognized Human Rights and other standards.	<p>CFO Principles on Integrated SDG Investments and Finance (developed by UN Global Compact convened CFO Taskforce for the SDGs), (2020), Principle 2: INTEGRATED SDG STRATEGY AND INVESTMENTS, “Adopt investment criteria and decision-making processes based on SDG impact alongside financial risk and return investment criteria”; “Leverage and strengthen corporate governance mechanisms to incentivize and monitor the implementation of the integrated SDG strategy and investments (board oversight, internal controls and audit, executive remuneration and disclosure”. (UN Global Compact, 2020^[25])</p> <p>UNEPFI Principles for Responsible Banking, (2019) Principle 3: Clients and Customers – “We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generation” (UNEP-FI, 2019^[26])</p>
<p>2.1.2. Ensures commitment to the UN Guiding Principles for Business and Human Rights throughout the organisation, and responsible business conduct (RBC) practices, holding staff accountable.</p>	<p>Office of the High Commissioner for Human Rights (OHCHR), (2011) United Nations Guiding Principles on Business and Human Rights (OHCHR, 2011^[7])</p> <p>The OECD, (2011) Guidelines for Multinational Enterprises (OECD, 2011^[17])</p> <p>OECD, (2018), Due Diligence Guidance for Responsible Business Conduct, (OECD, 2018^[27])</p> <p>International Labor Organization (ILO), (1977), Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (ILO, 1977^[8])</p> <p>ILO Fundamental Convention, (1948), Freedom of Association and Protection of the Right to Organise Convention (No. 87) (ILO, 1948^[28])</p> <p>ILO Fundamental Convention (1949), Right to Organise and Collective Bargaining Convention (No.98) (ILO, 1949^[29])</p> <p>ILO Fundamental Convention (1930) (2014), Forced Labour Convention (No.29 and its 2014 Protocol) (ILO, 1930^[30])</p> <p>ILO Fundamental Convention (1957), Abolition of Forced Labour Convention (No. 105) (ILO, 1957^[31])</p> <p>ILO Fundamental Convention (1973), Minimum Age Convention (No. 138) (ILO, 1973^[32])</p> <p>ILO Fundamental Convention (1999), Worst Forms of Child Labour Convention (No. 182) (ILO, 1999^[33])</p> <p>ILO Fundamental Convention (1951), Equal Remuneration Convention (No. 100) (ILO, 1951^[34])</p> <p>ILO Fundamental Convention (1958), Discrimination (Employment and Occupation) Convention, (No.111) (ILO, 1958^[35])</p>
<p>2.1.3 Establishes due diligence criteria and standards that ensure that the appropriate due diligence is carried out which includes respect for human rights (including labour rights, gender, diversity and inclusion, confidentiality and privacy considerations), anti-corruption and environment in its direct (and where relevant, indirect) operations and throughout its supply and value chains.</p>	<p>Doing Business with Respect for Human Rights (2016) “Stakeholder Engagement” (Business Respect Human Rights, 2016^[36])</p> <p>OHCHR (1948), The International Bill of Human Rights, (OHCHR, 1948^[37])</p> <p>United Nations, (2007), Declaration on the Rights of Indigenous Peoples, (United Nations, 2007^[38])</p> <p>ILO, (1998), Declaration on Fundamental Principles and Rights at Work, (ILO, 1998^[21])</p> <p>The Equator Principles Association, (2010) The Equator Principles (The Equator Principles Association, 2010^[11])</p> <p>European Union (EU), (2021) Guidance on due diligence for EU businesses to address the risk of forced labour in their operations and supply chains (EU, 2021^[39])</p> <p>EU (2017) Regulation (EU) 2017/821 – Conflict Minerals Regulation (EU, 2017^[40])</p> <p>OECD, (2011), Responsible Minerals Due Diligence Guidance (OECD, 2011^[41])</p> <p>OECD, (2017), Child Labour in Minerals Supply Chains Due Diligence Guidance (OECD, 2017^[42])</p> <p>OECD, (2016). Agriculture Due Diligence Guidance (OECD-FAO, 2016^[43])</p> <p>OECD, (2017), Extractives Due Diligence Guidance (OECD, 2017^[44])</p> <p>OECD (2019) Financial Sector Due Diligence Guidance (OECD, 2019^[45])</p> <p>OECD (2020) The Alignment of Industry and Multi-stakeholder programmes with the OECD garment and footwear guidance (OECD, 2020^[46])</p> <p>OECD (2018) Methodology for the Alignment Assessment of Industry programmes with the OECD Minerals Guidance (OECD, 2018^[47])</p> <p>OHCHR (2017-2021 (2022), Universal Periodic Review (UPR) 2017-2021 (2022), Third Cycle (OHCHR, 2022^[48])</p>
<p>2.1.4 Assesses the investees’ compliance with local and international legal frameworks and Human Rights</p>	<p>ILO, (1998), Declaration on Fundamental Principles and Rights at Work, (ILO, 1998^[21])</p> <p>ILO, (2008), Declaration on Social Justice for a Fair Globalization, (ILO, 2008^[49])</p>

Success signal	Relevant principles and frameworks
<p>norms when pre-screening potential investments, , and ensures this compliance is reflected in financial contracts with investees (including financial intermediaries), while striving to maximise investees' compliance with the highest possible level of industry best practice on the protection of human rights and on environmental safeguards, particularly in cases where there is a lack of local regulation or the local standard is comparatively low. This will also ensure that jobs created as a result of the investments are in line with ILO Decent Work Agenda.</p>	
<p>2.2.5 Establishes and participates in effective grievance mechanisms for stakeholders (including the avoidance of doubt, whistleblowing and safeguards), as directed by the UN Guiding Principles for Business and Human Rights, as well as the Ten Principles of the UN Global Compact (where possible, in partnership with the investee)</p>	<p>United Nations, The Ten Principles of the UN Global Compact, (United Nations, 2000^[50])</p>

Sub-Standard 2.2

The partner has effective processes to identify stakeholder affected (or likely to be affected) by its operations, and implements a plan to conduct Meaningful Stakeholder Engagement ex ante, throughout the investment cycle (when circumstances change or when needed), and ex-post.

A. Success signals for mandatory self-assessment

The partner:

2.2.1 Identifies “who” experiences the outcomes and “how underserved are the affected stakeholders in relation to the outcome” in line with the IMP Standard Norms, “Who” (see the example “Meaningful Stakeholder Engagement”)

EXTRA: Where the proximity to the investees allows it, demonstrates that investments pursued are first and foremost client-centric, in line with the call of the Universal Standards for Social Performance Management. This includes proof that transparent mechanisms exist for involving Stakeholders and ensuring they have meaningful agency in decisions relating the investment that affect them both directly and indirectly.

EXTRA: Involves trade unions in domestic and partner countries, to monitor compliance with human and labour rights

2.2.2 From the outset, at the deal screening and due diligence stage, considers the local and national context when assessing how the proposed investment contributes to the overall strategic aims of the investor organisation, as well as the investee.

EXTRA: To the maximum extent practicable, ensures local governments and local beneficiaries are consulted at different times along the investment processes (including before the investment is made, during the monitoring and the evaluation), and have the

opportunity to provide feedback as to what extent the investment fulfils local stakeholder needs.

2.2.3 Together with the donor and other shareholders and partners, defines the relevant local stakeholders, the strategy to engage them and the resourcing plan (*see the example “Stakeholder engagement: Inclusion, Participation and Accountability in Practice”*)

EXTRA: Includes CSOs, feminist and women’s rights groups, indigenous communities as well as trade unions in multi-stakeholder dialogue consultations, as appropriate, and based on the resourcing availability agreed with donor.

2.2.4 Transparently keeps stakeholders informed of actions, progress and lessons learnt through the lifecycle of the investment/project. Implementing reporting mechanisms best suited to stakeholders needs in order to facilitate this.

B. Alignment checklist

Step 1: Identify stakeholders:

- *Who* are the organisation’s (primary) stakeholders and how underserved there are vis-à-vis the identified outcome(s)?
- *Who* are the relevant *local* stakeholders?
- *Who* are the *local* stakeholders? Will they be consulted throughout the investment process? How?
- Will the investment/project contribute to the development of the local and national context? How?

Step 2: Engage stakeholders:

- What is the strategy to engage the local and primary stakeholders? Has the engagement plan been discussed/shared with the donor(s) and other shareholders and partners?
- Which resources will be directed to engaging stakeholders?
- How will the stakeholders be informed of actions, progress and lessons learnt through the lifecycle of the investment/project? Through which reporting mechanisms?

C. Useful examples and guidance

Stakeholder engagement: Inclusion, participation and accountability in practice

A recently launched UNDP-UNDESA framework allows governments and development partners alike to examine the quality of stakeholder engagement. The tool divides stakeholder engagement into three broad dimensions (i) inclusion (including non-discrimination and accessibility), (ii) participation (covering access to information in relation to the substance on which the engagement takes place and influences decision-making), and (iii) accountability (spanning transparency regarding the engagement process and responsiveness). (UNDP-UNDESA, 2021^[51]) The assessment provides each of the projects with a ‘score’ under each of the dimensions. The score ranges from 0-3, with 0 being the lowest, and 3 being the highest⁸.

The report details the results of an initial framework test against a selection of developed and developing country stakeholder engagement practices. Here, we list selected good practice examples detailed in the findings. While they do not specifically cover investments made in

support of the SDGs, the examples nevertheless remain useful for development partners seeking to render their stakeholder engagement practices more inclusive, participatory and accountable:

- **Finland’s multi-stakeholder operational tool, ‘Society’s Commitment to Sustainable Development’** (kestavakehitys.fi, n.d.^[52]). The tool, which aims to promote multi-stakeholder engagement towards the implementation of the 2030 Agenda, scored 3 on “accessibility”. This score was given based on the fact Finland conducted consultations to identify accessibility needs, shared resources in multiple languages and images in order to reduce language and literacy barriers, and created ownership by providing stakeholders with access and space to collaborate (UNDP-UNDESA, 2021^[51]).
- **Jamaica’s Auditor General’s Department’s audit of the ‘Government’s Preparedness to Implement the 2030 Agenda’** (Auditor General’s Department Jamaica, 2019^[53]). The audit scored 3 on “access to information”, under “participation”. This result was given on the basis that information was shared publicly through official means (such as websites, VNR), citizen awareness campaigns (e.g. video presentations, school visits, trade fairs, brochures, town hall meetings), and interactions by email and telephone, which afforded stakeholders across different sectors the opportunity to contribute and react (UNDP-UNDESA, 2021^[51]).
- **Timor-Leste established several multi-stakeholder engagement mechanisms and a community consultation process** to ensure representation and inclusion of stakeholders at risk of being left behind (Green Climate Fund, 2016^[54]). For this, Timor-Leste scored 3 on “transparency” as the information on the process is extensive in official government means (e.g. websites) and mention consultation with several stakeholders. Civil society websites and reports confirm how the process was developed and the state that it was followed (UNDP-UNDESA, 2021^[51]).

Meaningful stakeholder engagement

Social Value International “Standard on applying Principle 1: Involve stakeholders” explains options and processes for identifying stakeholders and meaningfully engaging stakeholders, including sample questions to ask. This Standard talks about how speaking to and involving people who experience change is an essential part of the process. At the same time, it also acknowledges that speaking directly to stakeholders is not the only source of relevant information: third party research may complement information coming directly from stakeholders or may be a substitute if stakeholders are particularly difficult to reach, or if they do not feel comfortable sharing their opinions (Social Value International, n.d.^[55]).

D. Anchor impact management principles

The Global Impact Investing Network (GIIN), ‘Characteristics of Impact Investing, #1.2 states that investors should consider “the interests of affected stakeholders, such as shareholders, customers, suppliers, communities or global and local environments, at each stage of the investment process”

United Nations Environment Programme Finance Initiative Principles for Responsible Banking, #4 “Stakeholders – We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society’s goals”

International Finance Corporation, Performance Standards #1, 'Assessment and Management of Environmental and Social Risks and Impacts' Paragraph 23

Social Value International, Principles of Social Value: Principle 1 Involve stakeholders – “inform what gets measured and how this is measured and valued in an account of social value by involving stakeholders (the people who experience change as a result of your activity)”.

E. Principles and frameworks specific to each sub-Standard

Success signal	Relevant principles and frameworks
2.2.1 Identifies “who” experiences the outcomes and “how underserved are the affected stakeholders in relation to the outcome” in line with the IMP Standard Norms, “Who”	Impact Management Project (IMP) (2018), Five Dimensions of Impact (IMP, 2018) ^[56] Social Value International (SVI), Seven Principles (Social Value UK, 2007) ^[57] ILO (1989) Convention 169 – Indigenous and Tribal Peoples Convention (ILO, 1989) ^[58]
2.2.2 From the outset, at the deal screening and due diligence stage, considers how the proposed investment contributes to the overall strategic aims of the investor organisation, as well as the investee, in its local and national context.	OECD (2017), Due Diligence Guidance for Meaningful Stakeholder Engagement in the Extractive Sector, (OECD, 2017) ^[44]
2.2.3 Together with the donor, defines the relevant local stakeholders, the strategy to engage them and the resourcing plan	UNDP-UNDESA (2021) Framework to analyse the Quality of Stakeholder Engagement in Implementation (UNDP-UNDESA, 2021) ^[51]
2.2.4 Transparently keeps stakeholders informed of actions, progress and lessons learnt through the lifecycle of the investment. Implementing reporting mechanisms best suited to stakeholders needs in order to facilitate this.	United Nations, (2015) Sustainable Development Goals (SDGs), SDG 16.6 ‘Effective, Accountable and Transparent Institutions’ (United Nations, 2015) ^[4] United Nations, (2015) Sustainable Development Goals (SDGs), 16.10 ‘Access to information and fundamental freedoms’ (United Nations, 2015) ^[59]

Sub-Standard 2.3

The partner has a monitoring and evaluation system that is used to assess progress against impact targets and portfolio level impact goals, identify the partner’s contribution, and to identify areas for improvement. Adequate resources are provided for monitoring and evaluation, proportionate to the size of the investment.

A. Success signals for mandatory self-assessment

The partner:

2.3.1 Establishes a monitoring system to be used throughout the investment, based on the size of the operation and the resources available, and shares it with relevant stakeholders (*see the example “Monitoring” below*)

EXTRA: Insofar as possible, the monitoring system is co-developed with the investee

2.3.2 Establishes how operational data will be collected and used to monitor and evaluate the achievement of its portfolio impact goals and each investment’s impact target including monitoring of ESG and human rights compliance as well as regulatory

compliance (to ensure that adverse human rights effects are addressed). (see the example *Impact measurement and management (IMM) frameworks*).

EXTRA: Insofar as possible, the data collection system is agreed upon beforehand with the investee.

- 2.3.3** Insofar as possible, employs standardised indicators derived from existing databases (see examples *“Databases of Harmonised Indicators”* and *“Monitoring and reporting on indirect impacts”*).

EXTRA: Where necessary, the partner can create new indicators, clearly stating why standardised metrics were not relevant.

EXTRA: Where feasible monitors social and environmental results, financial risks and compliance with ESG and human rights provisions at project level to track progress and develop mitigation plans in case additional risks or unexpected events arise. Specifies the terms of the monitoring process within the legal documents of the financing agreement.

- 2.3.4** Combines standardised output indicators with clearly defined outcome measures, defined as “the likely or achieved short-term and medium-term effects of an intervention’s outputs that allow the assessment of the change achieved in target population”.

- 2.3.5** Determines at the due diligence phase whether an investment will be subject to in-depth ex-ante and/or ex-post evaluation, establishing an evaluation framework schedule. The evaluation framework is in line with the OECD DAC Quality Standards for Development Evaluation. The decision on whether an investment shall be subject to ex-ante and ex-post evaluation are based on strategic priorities and learning needs (see below the example *“Independent Evaluations”*).

EXTRA: Resources and funds permitting, subjects selected projects to external evaluation.

- 2.3.6** Provides adequate resources for M&E, proportionate to the size of the investment
- 2.3.7** Ensures a degree of flexibility in the system. Where monitoring results indicate than an investment is off-track, responds by undertaking appropriate measures

B. Alignment checklist

Step 1: Establish a monitoring system:

- Does the organisation have an impact monitoring system?
- How will data be collected and used to monitor the achievement of the impact goals?
- How will the organisation monitor investees’/projects’ compliance with ESG and RBC?
- Which indicators does the partner use to monitor the achievement of outputs and outcomes? Are they from standardised databases?
- How will the organisation respond when an investment is off-track?

Step 2: Decide on how to use evaluations:

- How does the organisation decide on which investment/projects will be subject to evaluation?

- Which mechanisms other than evaluations does the organisation have to verify the achievement of outcomes and impacts?

Step 3: Provide resources for M&E:

- Which resources will be allocated for M&E? Will the organisation support the investee in collecting the information?

C. Useful examples and guidance

Monitoring

Monitoring means comparing progress in the achievement of impact (performance) against the ambitious and rigorous targets (defined as part of Standard 1).

The partner should have a framework to identify, analyse and report internally on deviations from expected performance and the reasons why these happen as well as mechanisms in place to take corrective actions to address any deviations. Potential actions include a justified change to targets, a change to aspects of the investment strategy or a decision to accept the difference without further action. Although the focus should be on first addressing negative impacts, the partner should also collect data on unexpected positive impacts to influence design of products and services and to increase future targets.

The deviations are opportunities for insights that lead to consider options for improved decision-making. For the avoidance of doubt, mitigation plans include options to avoid negative impacts and/or diminution or cessation of future positive impacts.

A critical source of insights is comparison of the impacts, across the dimensions, experienced by a stakeholder group based on different characteristics within the group. Alternative characteristics or groups of characteristics should be considered, differences reported and insights generated, and options created and choices made.

Impact measurement and management (IMM) frameworks

Impact measurement and management (IMM) frameworks are tools that allow to effectively set impact objectives ex-ante, monitor results and assess ex-post according to specific organisational requirements and in line with each organisation's mandate, strategy and incentives.

- Most providers of development finance have developed and used proprietary IMM frameworks, rather than trying to develop a one-size-fits-all solution, or to re-design them based on existing harmonised initiatives, to select, design and adjust their projects in order to maximise and assess their impact before, after and during the course of an investment (IFC, 2020^[60]). Many of these proprietary frameworks help streamline and refine the partner's business model by providing a direct feedback loop when considering future project design, especially with regards to optimising impact according to geographical and sectoral specificities. Some examples of proprietary IMM frameworks include:
- **IFC's Anticipated Impact Measurement and Monitoring (AIMM)** – The AIMM, launched in July 2017, replaced the original Development Outcomes Tracking System (DOTs). Whereas the DOTs assessed development impact of a project three years following completion, the AIMM is an ex-ante tool that helps IFC to estimate the expected development impact of their investments (Bretton Woods Project, 2018^[61]).

The AIMM includes four sector frameworks and enables IFC's to estimate both project-level outcomes and examine the systemic effects on the overall market by promoting competitiveness, resilience, integration within and across markets, inclusiveness and sustainability (IFC, 2021^[62]).

- **The US DFC IQ system** – The United States' "Better Utilization of Investments Leading to Development (BUILD)" Act of 2018, which led to the establishment of the new Development Finance Corporation (DFC), also created a modernized development impact measurement tool, the Impact Quotient (IQ). IQ is used primarily to provide an "objective and systematic assessment of potential and current projects" undertaken by the organisation, including any potential negative environmental, social or development risks" (DFC, 2021^[63]). The team also "analyses data on expected and actual impact" to guide future investment decisions. The main evaluation criteria are (i) growth (economic, assessed via infrastructure improvements, contribution to local income, trade benefits and job creation), (ii) inclusion (provision of products and/or services, diversified workforces and inclusive supply chains) and (iii) innovation (advancement of new products and services, knowledge or technology transfer, environmental sustainability) (DFC, 2021^[63]).
- **J.P. Morgan's Development Finance Institution Methodology** – Recently J.P. Morgan created their Development Finance Institution Methodology, based on the AIMM framework, to perform ex-ante assessments of J.P. Morgan's Corporate and Investment Banking (CIB) transaction. Based on the AIMM, J.P. Morgan define eligible transactions and anticipate their impacts, to help attract private investment to developing countries, and aim to increase engagement with clients and investors interested in financial critical projects and transactions in emerging markets (J.P. Morgan, 2020^[64]) (J.P. Morgan, 2020^[65]).
- **DEG's Development Effectiveness Rating (DERa)** – DEG, the German DFI and member of the KfW Group, has been using DERa for monitoring purposes since 2017. DERa establishes the basis for DEG's impact reporting and rates individual client's contribution to development and follows up on changes in performance in investments which allows DEG to steer the overall development quality of its portfolio and provide impetus for improvements. Guided by 2030 Agenda for Sustainable Development and the SDGs, the DERa uses five outcome categories to assess the development contributions of each customer, which outlines the development effects of investments made by DEG's customers and their contribution to the SDGs presented along these five categories: (i) decent jobs; (ii) income; (iii) market and sector development; (iv) environmental stewardship and community benefits. Each of these five categories consists of a set of indicators and are used for scoring and reporting. DEG uses DERa to measure how the private sector contributes to development and to identify how impacts can be increased. The average DERa score increased from 79 in 2017 to 81 in 2019 and around 60% of DEG customers achieved higher DERa scores in this period. From 2021 onwards, DERa will allow to analyse three-year trends for all customer clusters in detail.
- **Finnfund's Development Effect Assessment Tool (DEAT)** – Finnfund's ex-ante DEAT scoring system uses a combination of qualitative and quantitative indicators to assess all prospective investments. Comprised of three dimensions, 'strategic relevance', 'market impact' and 'additionality', this bespoke system considers an investment's expected impact relative to Finnfund's organisational objectives (Finnfund, 2021^[66]). For instance, the 'strategic relevance' criterion is more heavily weighted than its counterparts (contributing to 40% of the total development impact score), meaning Finnfund's 'definition' of impact is highly specific to its organisational properties and the

contexts in which they operate. Finnfund's selection of indicators is nevertheless informed by HIPSO and EDFI harmonised indicators (Finnfund, 2021^[66]). Finnfund endeavour to establish a direct feedback loop between the indicators used to project impact and ex-post learnings by monitoring portfolio level impact quarterly. DEATalive, a tool under development, is also expected to improve the implementation of learnings by annually reviewing a larger sample of investments than those reviewed by the Project Management Committee ex-post to isolate causes for discrepancies between expected and achieved impact. DEAT scoring differentiates between short- and long-term impacts. For instance, whereas a short-term impact would be broadening access to internet, the longer-term impact would be its implications for job creation or improvements in quality of life.

Databases of harmonised indicators

Collecting, monitoring, and evaluating data requires a resource commitment. Therefore, data and metrics selection should focus on information that is decision-useful and proportionate to the decision being made (i.e., enough precision for the decision), including taking into consideration the risks to stakeholders if decisions based on that data and metrics results in outcomes that are different from what is expected.

When selecting metrics, there are benefits of choosing standardized metrics as they allow aggregation for portfolio analysis and comparison (not only between options but also Vis a Vis other organizations). Standardized metrics are more likely to be clearly defined and use the same unit of measure. There is also more data publicly available for standardized indicators. However, first and foremost, the focus should be on selecting data and metrics that are decision-useful, which may require the use of internally generated, non-standardized or bespoke metrics.

When it is not possible to obtain reliable impact metrics, proxies (activity or output metrics) are often used instead. When using proxies, it is important to determine whether there is a strong enough and evidence-based causal link between the activities or outputs and the intended impacts and take into account additional risks that using proxies may present in decision-making.

- The **Harmonised Indicators for Private Sector Operations (HIPSO)** is a set of development results indicators that was initially designed to mitigate the burden of different DFI reporting requirements on investees. Through using the aligned metrics, investees avoid having to report separately to different DFIs all using roughly similar indicators. For example, in the event that multiple DFIs invest in the same company, HIPSO means investees are obliged to provide data on a common set of indicators only. The efforts underpinning HIPSO began in 2008, and four years later over 20 DFIs formed a Working Group on Indicator Harmonisation. The first set of 27 indicators was agreed in the form of a Memorandum of Understanding (MoU), signed in October 2013. Based on the MoU, the DFIs commit to do the following:
 - use the harmonised definitions and units of measurement to track development results;
 - Replace all indicators in the tracking system that are similar to the harmonised ones accordingly.

In 2015, the MoU was amended and expanded to include 11 additional indicators. This produced a total of 38 indicators aligned to the SDGs across 15 sectors and industries.

- There are currently 28 DFIs in the HIPSO Whole Group, with a private sector operations portfolio of around USD 300 billion (HIPSO, 2021^[67]). HIPSO data is available to the

public and helps both DFIs and their investees to better understand the impact of their investments and report to their financiers on their activities.

- The Global Impact Investing Network Impact Reporting and Investing Standards (GIIN IRIS+) Catalogue of Metrics or **IRIS+ system**, released by the GIIN in 2019, provides a generally accepted impact accounting system that helps investors translate impact metrics into practices (GIIN, 2021^[68]). The system encourages investors and companies to align behind and engage with a common understanding of how to effectively manage, measure and optimise their positive development impact. Within this, the system promotes transparency, credibility and accountability in the use of impact data for decision making. One of the key features of IRIS+ is its catalogue of metrics, which provides a standard set of metrics by theme that can be used to understand impact performance. Globally, roughly 15,000 stakeholders, including impact investors, DFIs, fund managers and banks report using the IRIS+ materials.
- In May 2021, the **GIIN released COMPASS: The Methodology for Comparing and Assessing Impact**. This work “builds on the GIIN’s ongoing efforts to help impact investors integrate impact decisions across their investment processes” by providing investors with a methodology to assess and compare their impact results across three key performance figures: scale, pace and efficiency **Invalid source specified.**
- In 2021, HIPS0 and IRIS+ launched the “**Joint Impact Indicators**” (JII), a sub-catalogue of impact metrics that align HIPS0’s and IRIS+ metrics on jobs, gender and climate. The teams managing HIPS0 and IRIS+ have the intention to align impact metrics in other areas over time, adding them to the common JII catalogue. Proposed future areas of work include financial inclusion and infrastructure. The JII was launched with the endorsement of more than 50 leading impact investing institutions, including DFIs and private impact investors that are also OPIM signatories, calling on other providers of finance to adopt the harmonised impact metrics (GIIN; HIPS0, 2021^[69]).
- **UNEP-FI Corporate Impact Analysis Tool** is a tool to help banks and investors gain an understanding of the actual and potential impacts of their clients and investee companies and identify sustainability topics. Organizations can use the indicator library embedded within the tool to review existing metrics. UNEP_FI has collated metrics and made them available in a worksheet within the excel-based tool. This indicator library primarily supports use of the Tool but is also a useful standalone resource (UNEP FI, 2020^[70]).

Monitoring and reporting on indirect impacts

The Joint Impact Model (JIM), launched in November 2020, was designed by a group of DFIs, alongside the specialist development consultancy Steward Redqueen. The model was built in a bid to estimate the indirect economic, social and environmental impacts of investments.

JIM is an input-output model derived from social accounting matrices. This is used to measure five types of financial output: direct, supply chain, wage-induced, power-enabled and finance-enabled. These financial flows are then translated into three key impacts (value added, employment and GHG emissions) using sectoral and geographical multipliers.

Data sources used in the model include the Global Trade Analysis Project (social accounting matrices and GHG data for 121 countries and 65 sectors), the International Labour Organization (employment data for 189 countries and 14 sectors) and the World Bank (various indicators including GDP growth, private sector capital formation and electricity consumption for 217 countries). (JIM, 2020^[71])

The Model allows institutions to tap into communal or group resources. In doing so, it has lowered the barrier to allow smaller institutions with less resources to calculate the indirect jobs as an outcome. Proparco is currently using the tool to estimate job value added by country at the project level, as well as for ex ante assessment during the due diligence stage of an investment. Elsewhere, British International Investments (BII – former CDC Group) use the tool to estimate the number of jobs supported by CDC at the portfolio level **Invalid source specified.**

Independent evaluations

Comprehensive evaluations are generally third-party independent assessments undertaken by qualified evaluators. These are additional to the regular impact assessment and monitoring activities conducted internally by management. An independent comprehensive impact evaluation may be appropriate where the potential impacts (especially risks to stakeholders) are especially high (for example, a large mining operation situated on indigenous lands). They won't be feasible (on a cost-to-value basis) for many activities, nor relevant to many types of impact decisions enterprises will need to make.

The criteria on whether an investment shall be subject to ex-ante and ex-post evaluation should be defined, transparent and based on:

- a) The size of the investment (in absolute terms as well as relative to the overall portfolio);
- b) The extent of deployment of public concessional resources;
- c) The assessment of the investment's human rights risk and impact;
- d) The country and sector risk;
- e) The learning potential (e.g. investments in new markets and sectors);
- f) The Strategic importance of the investment (relative to the organisation's mandate and mission or to the donor's priorities);
- g) And the financial instrument deployed.

Results of any comprehensive evaluation should also be made available to stakeholders.

D. Anchor impact management principles

Operating Principles for Impact Management, Principle #6 'Monitor the progress of each investment in achieving impact against expectations and respond appropriately'

OECD Blended Finance Principles, 'Unlocking Commercial Finance for the Sustainable Development Goals'

GIIN #2.1 call on investors to ensure they are "identifying a clear and established social or environmental need and setting goals and expectations about our investment's contribution to improvement in line with the scale and depth of that need"

UNEP FI Principles for Positive Impact Finance – Principle 2: To promote the delivery of Positive Impact Finance, entities (financial or non-financial) need adequate processes, methodologies, and tools, to identify and monitor the positive impact of the activities, projects programmes, and/or entities to be financed or invested in. *"Implement specific processes, criteria and methodologies to identify Positive Impact. The analysis should cover activities, projects and programmes but also underlying companies."* *"Seek second opinions and/or third-party assurances on the implementation of the above processes as appropriate."*

UNEP FI Principles for Responsible Banking, Principle 2: Impact & Target Setting – We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and the environment resulting from our activities, products, and services. To this end, we will set and publish targets where we can have the most significant impacts.

UNEP FI Principles for Responsible Banking, Principle 4, Assessment: The assessment of Positive Impact Finance delivered by entities (financial or non-financial), should be based on the actual impacts achieved. The assessment of Positive Impact Finance can be internally processed, i.e., for internal monitoring and evaluation purposes, or undertaken by qualified third parties (i.e., auditing companies, research providers, and rating agencies), for certification and/or rating purposes.

E. Principles and frameworks specific to this sub-Standard

Success signal	Relevant principles and frameworks
2.3.1 Establishes a monitoring system to be used throughout the investment, based on the size of the operation and the resources available, and shares it with relevant stakeholders.	
2.3.2 Establishes how operational data will be collected and used to monitor and evaluate the achievement of its portfolio impact goals and each investment's impact target including monitoring of ESG and human rights compliance as well as regulatory compliance (to ensure that adverse human rights effects are addressed)..	
2.3.3 Insofar as possible, employs standardised indicators derived from existing databases..	Harmonised Indicators for Private Sector Operations (HIPSO), (HIPSO, 2013 ^[72]) GIIN, (2020), IRIS+ Database (GIIN, 2020 ^[73]) GIIN, HIPSO (2021), Joint Impact Indicators (JII) (GIIN; HIPSO, 2021 ^[69]) OECD Glossary of Key Terms in Evaluation and Results Based Management (OECD, 2002 ^[74])
2.3.4 Combines standardised output indicators with clearly defined outcome measures, defined as "the likely or achieved short-term and medium-term effects of an intervention's outputs, that allow the assessment of the change achieved in target population"	OECD (2002), Glossary of Key Terms in Evaluation and Results Based Management (OECD, 2002 ^[74])
2.3.5 Determines at the due diligence phase whether an investment will be subject to in-depth ex-ante and/or ex-post evaluation, establishing an evaluation framework schedule. The evaluation framework is in line with the OECD DAC Quality Standards for Development Evaluation. The decision on whether an investment shall be subject to ex-ante and ex-post evaluation are based on the factors listed above.	OECD (2010) DAC Quality Standards for Development Evaluation, (OECD, 2010 ^[75]) OECD (2019) Better Criteria for Better Evaluation, Revised Evaluation Criteria, Definitions and Principles for Use (OECD, 2019 ^[76])
2.3.6 Provides adequate resources for M&E, proportionate to the size of the investment	
2.3.7 Ensures a degree of flexibility in the system. Where monitoring results indicate that an investment is off-track,	

responds by undertaking appropriate measures	
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Sub-Standard 2.4

The partner manages its exits from investments in a manner that optimizes sustained effects on development impact and contribution towards the SDGs post-exit

A. Success signals for mandatory self-assessment

The partner:

2.4.1 Engages early on in documented discussions with the investee about their vision for the organisation and long-term opportunities

2.4.2 Monitors and reassesses its exit options and pathways throughout the investment's lifecycle to optimise impact on sustainable development and the SDGs.

EXTRA: Embed development impact within investee's organisation's processes, policies and culture (*see example on LeapFrog's investment in, and subsequent exit from, Express Life*)

EXTRA: Ensures aligned buyers at exit through examination and verification of (i) positive track record of regulatory compliance and ESG standards by performing Know Your Customer Checks), (ii) the potential buyer's organisation track record of acquisitions (iii) experience in the industry and (iv) rationale for purchase.

2.4.3 Assesses the overall impact of each investment at exit, relative to the investment's impact goals, taking into account baseline performance and contribution to the SDGs.

2.4.4 When prematurely exiting a controversial investment, consider publishing a report detailing the reasons and consequences related to any potential human rights abuses (and remedies) (*see example on Finnfund and FMO's exit from the Agua Zarca Dam Project below*).

2.4.5 Incorporates learnings from the exit into management practices and shares these learnings with partners (*see the example "How aligned investors facilitate a responsible exit: Adobe Capital's Investment in Natgas"*).

EXTRA: Demonstrates how expected effects on sustained development impact and the SDGs post-exit influences decision making (e.g. timing and/or course of action).

EXTRA: Evaluates the development impact and the impact of exit on stakeholders.

EXTRA: Where possible, follows up on investments post-exit to understand drivers for sustaining and optimising impact post-exit.

B. Alignment checklist

Step 1: Plan exit early in the process:

- Does the organisation engage early on in documented discussions with the investee about their vision for the organisation and long-term opportunities?
- Does the organisation consider exit pathways from the due-diligence phase?

Step 2: Monitor and execute exit:

- How does the organisation monitor and re-assesses exit opportunities throughout the investment process?
- How does the organisation assess the overall impact of the investment at exit? Does it document it?
- How does the organisation incorporate learnings from exits? How are the learnings shared with the partners?
- How does the organisation learn from premature exits?

C. Useful examples and guidance***FMO, Finnfund, the Central Bank for Economic Integration (CABEI), and the Agua Zarca Dam***

The Agua Zarca was a controversial hydroelectric project in Honduras which received funding construction from FMO, Finnfund, and the Central American Bank for Economic Integration (CABEI).

The controversy surrounding the project related to the perceived mismanagement of stakeholder engagement, specifically the failure to obtain 'Free, Prior and Informed Consent of indigenous peoples', as mandated by the United Nations Declaration on the Rights on Indigenous Peoples (United Nations, 2007^[38]). In this specific case, the project threatened the access of indigenous peoples' to the river Gualcarque, an important resource for swimming, washing and fishing which held both cultural and spiritual value (Banktrack, n.d.^[77]).

Following mounting violence against the communities opposing the project, which culminated in the killing of Berta Caceres in March 2016, FMO and Finnfund issued a public statement announcing their decision to seek a responsible exit from the project (OHCHR, 2019^[9]). Although the DFIs hired an independent consultant to provide a thorough assessment of what a responsible exit should look like, the DFIs pre-empted this by announcing their intentions to:

- Avoid additional escalation of tensions and aim to provide a roadmap towards peaceful coexistence;
- Meet local community development needs, irrespective of project opinion;
- Respect existing contractual obligations.

This was subsequently followed by the publication of report written by the independent consultant, and Finnfund and FMO's exit was finalised in 2017. The Office of the High Commissioner for Human Rights (OHCHR) declared this example to be "the first publicly available example of an attempt to address the principles of a responsible exit" (OHCHR, 2019^[9])

Instilling impact in processes, policies and culture: Leapfrog's exit from Express Life

Established in 2007, Leapfrog is a private equity firm specialised in financial services and healthcare investments (LeapFrog, 2021^[78]). Leapfrog seeks to achieve impact by targeting underserved and low-income populations across Africa and Asia. On average, the firm invests in businesses for four to seven years before exiting via an International Public Offering (IPO), trade Sale or Management Buyback (GIIN, 2018^[14]).

In May 2012, Leapfrog invested a USD 5.5 majority stake in Express Life, a Ghanaian insurance provider. At the time, this was the largest foreign investment in Ghana's insurance industry (LeapFrog, 2021^[79]). Working within an agreed four to six year timeframe, Leapfrog and Express Life aimed to jointly restructure the investee organisation to expand insurance coverage to 500,000 low-income Ghanaians (GIIN, 2018^[14]). In practice, this involved working via a range of different channels, including establishing a new senior management team and improving the company's corporate governance and insurance risk management to align with global best practice; streamlining the number of available products from six to two; increasing the number of agents and physical branches; and expanding distribution of Express life's products via mobile phones (GIIN, 2018^[14]).

By December 2013, Leapfrog had already exceeded its goal, reaching 860,000 low-income Ghanaians. When Prudential Plc, a UK-based insurer, expressed interest in purchasing a stake in Express life, Leapfrog worked with Express Life and Prudential to ensure the follow-on investor both saw the opportunity in targeting emerging consumers and committed to improve Express Life's corporate governance and labour practices. The sale was completed in March 2014 (GIIN, 2018^[14]).

How aligned investors facilitate a responsible exit: Adobe Capital's Investment in Natgas

Founded in 2012 and based in Mexico City, Adobe Capital provides mezzanine financing for socially and environmentally impactful Small and Medium Enterprises (Adobe Capital, 2021^[80]). Adobe Capital operates by screening companies to determine firstly whether impact is centrally embedded in the business, and secondly whether there is a potential for financial return (GIIN, 2018^[14]).

In 2013, the German DFI, DEG, put Adobe Capital in touch with NatGas, an alternative energy company that converts public buses and taxis to natural gas. The conversion to natural gas serves to cut 30% of CO₂ and is in line with Mexico's national development pledge to cut greenhouse gas emissions by 22% by 2030 (ImpactAlpha, 2017^[81]).

Adobe Capital initially provided mezzanine investment in 2014, and, as NatGas grew, Adobe continued to support its growth through three follow-on equity investments (totalling USD 1.2 million 2014-2016) (GIIN, 2018^[14]). Via the equity investment Adobe Capital took a seat on NatGas' board of directors, and helped NatGas secure a technical assistance grant from DEG to help strengthen its corporate governance practices, culminating in helping the investee organisation to secure a GIIRS impact rating, certifying its positive social and environmental practices and impact (GIIN, 2018^[14]).

After helping NatGas convert 2,500 vehicles and eliminate 150 tonnes of CO₂ (ImpactAlpha, 2017^[81]), Adobe Capital helped negotiate an investment from the private equity firm Northgate Capital, which "had the resources and institutional capital needed to accelerate NatGas' growth" (GIIN, 2018^[14]). Adobe Capital also knew the buyers had been aligned with NatGas' mission from the beginning.

D. Anchor Impact Management Principles

Operating Principles for Impact Management, #7 "Conducts exits considering the effect on sustained impact"

E. Principles and frameworks specific to this sub-Standard

Success signal	Relevant principles and frameworks
2.4.1 Engages in documented discussions with the investee about their vision for the organisation and long-term opportunities	
2.4.2 Monitors and reassesses its exit options and pathways throughout the investment's lifecycle to optimise impact on sustainable development and the SDGs	European Venture Philanthropy Association (EVPA), (2014), A Practical Guide to Planning and Executing an Impactful Exit (EVPA, 2014 ^[82])
2.4.3 Assesses the overall impact of each investment at exit, relative to the investment's impact goals, taking into account baseline performance and contribution to the SDGs.	Global Impact Investing Network (GIIN), (2018) Lasting Impact: the Need for Responsible Exits (GIIN, 2018 ^[14])
2.4.4 When prematurely exiting a controversial investment, consider publishing a report detailing the reasons and consequences related to any potential human rights abuses (and remedies)	
2.4.5 Incorporates learnings from the exit into management practices and shares these learnings with partners	

Sub-Standard 2.5

The partner periodically reviews and refines its impact-centred investment strategy and impact goals based on the learning and evidence collected through monitoring and evaluation to guarantee that the impact strategy and goals remain fit-for-purpose in the changing development context

A. Success signals for mandatory self-assessment

The partner:

- 2.5.1 Employs a dynamic approach to ensuring the realisation of its impact thesis, regularly communicating and consulting with donors on their priorities and goals in changing development contexts, and checks that the impact thesis and strategy remain fit for purpose
- 2.5.2 Incorporates lessons learned from impact management activities and impact performance, including analysing deviations from expected outcome/impact performance. This is to support its own learning culture, as well as to guarantee that the impact strategy and goals remain fit-for-purpose in the changing development context and continue to align with donor priorities (*see example "World Bank Adaptive Management"*)
- 2.5.3 Has a system in place to ensure that results and evidence-based learning effectively inform investment decisions.
- 2.5.4 Is transparent about how evidence on results influences decision-making, including which internal organisational mechanisms, if any, ensure this.

- 2.5.5** Periodically refines its impact management processes and practices in close collaboration with donors, and in line with periodic reviews of its impact centred investment strategy, portfolio-level impact goals and impact performance
- 2.5.6** Responds to current and anticipated changes in sustainable development context, including changes to in-country SDG priorities, and accounting for sector advances, as well as new and updated research/evidence, and lessons from engagement with investees, partners and other stakeholders
- 2.5.7** Discloses updated impact-centred investment strategy with donors and partners, as appropriate
- 2.5.8** Voluntarily subjects itself to internal and/or external verification and audit of its impact management practices and results (including of impact data, impact assessments and/or evaluations, sustainability and/or impact reporting).

B. Alignment checklist

Step 1: Build a learning culture and systems:

- What system does the organisation have in place to ensure that results and evidence-based learnings effectively inform decision-making?
- How does the organisation incorporate lessons-learnt into decision-making?
- How does the organisation share how positive and negative results affect decision-making?
- Does the organisation openly share revisions to the strategy with partners?

Step 2: Revise strategy and processes based on learnings

- Does the organisation periodically revise its strategy and processes based on learnings from investments/projects supported?
- How does the organisation respond to changes in context? How does the partner learn from past investments/projects and from failures?
- Does the organisation voluntarily subjects itself to external verification and audit?

C. Useful examples and guidance

Swedfund's approach to learning

Swedfund conducts regular reviews of the actual impact achieved in individual projects, which is assessed through direct dialogue with investees as well as through data to support the identification of potential gaps and needs. Swedfund has also started demand-driven impact studies to better understand the development effects from different investments and to challenge assumptions that given conditions will create the desired impact. These studies are generally delivered by a third party.

World Bank's adaptive management

The World Bank Corporate Scorecards and International Development Association (IDA) Results Management System (RMS) provide an overview of results and performance in selected areas. These areas are defined for a period of three to five years, and indicators agreed

at Board level. With COVID striking, the World Bank had to adapt the set of priorities and indicators, to make them fit for the new challenges that the countries supported were facing. The World Bank had to add a set of indicators to the Scorecard in the middle of a programming cycle for COVID tracking. These additional indicators are now reported separately, and allow the World Bank to report on the response they provide to the crisis.

Making this change required adaptations in the IT system, but also the work of the teams on the ground manually reviewing the indicators and evidence provided.

Lessons from BlueMark's OPIM verifications

In its revision of the verification statements provided by organisations that subscribe to the OPIM, BlueMark has identified a few organisations that can be considered 'Practice Leaders' in learning from the data and information they collect. According to BlueMark to be a practice leader an organisation should (i) regularly review the impact performance of each investment, including both the comparison of actual and expected impact performance and the analysis of any unanticipated positive or negative impacts that arise and (ii) identify key learnings from these reviews to refine their investment strategy and impact management processes.

D. Anchor impact management principles

Operating Principles for Impact Management (OPIM), Principle #8 "Review, document and improve decisions and processes based on the achievement of impact and lessons learned"

Global Impact Investing Network (GIIN), #3.4 "Committing to learning and updating our investment strategies as evidence is available about how positive and negative impacts are delivered"

Principles for Responsible Investment "We will each report on our activities and progress towards implementing the Principles"E. Principles and frameworks specific to this sub-standard

Success signal	Relevant principles and frameworks
2.5.1 Employs a dynamic approach to ensuring the realisation of its impact thesis, regularly communicating and consulting with donors on their priorities and goals in changing development contexts, and checks that the impact thesis and strategy remain fit for purpose	
2.5.2 Incorporates lessons learned from the impact management activities and impact performance, including analysing deviations from expected outcome/impact performance.	OECD, (2019). Learning from Results-Based Management evaluations and reviews (Vähämäki and Verger, 2019 ^[83]) OECD (2019), <i>Managing for Sustainable Development Results: Guiding Principles</i> , OECD Publishing, Paris (OECD, 2019 ^[84]).
2.5.3 Has a system in place to ensure that results and evidence-based learning effectively inform investment decisions.	
2.5.4 Is transparent about how evidence on results influences decision-making, including which internal organisational mechanisms, if any, ensure this	
2.5.5 Periodically refines its impact management processes and practices in close collaboration with donors, and in line with periodic reviews of its impact-centred investment strategy, portfolio level impact goals and impact performance	OECD, (2019). Learning from Results-Based Management evaluations and reviews (Vähämäki and Verger, 2019 ^[83]) OECD, (2002) Evaluation and Aid Effectiveness - Glossary of Key Terms in Evaluation and Results Based Management, (OECD, 2002 ^[74])

Success signal	Relevant principles and frameworks
2.5.6 Responds to current and anticipated changes in the sustainable development context, including changes to in-country SDG priorities, and accounting for sector advances and new and updated research/evidence, as well as lessons from engagement with investees, partners and other stakeholders.	
2.5.7 Discloses updated impact-centred investment strategy with donors and partners, as appropriate	
2.5.8 Voluntarily subjects itself to internal and/or external verification and audit of its impact management practices and results (including of impact data, impact assessments and/or evaluations, sustainability and impact reporting).	

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Notes

¹ For a complete overview of all Standards and sub-Standards as approved by the Development Assistance Committee (DAC) on 26th March 2021, please see (OECD/UNDP, 2021_[11]).

² The case studies for the Standards are under development, and are not yet included in this document.

³ For reader awareness, following the UNDP-UNDESA Stakeholder Engagement Tool (UNDP-UNDESA, 2021^[51]), we identify inclusion as non-discrimination and accessibility; participation as access to information and influence in decision-making; and accountability as transparency and responsiveness.

⁴ Access to effective remedy is a core component of the UN Guiding Principles on the Business and Human Rights (UNGPs). Guiding Principle 1 requires States to take "appropriate steps to prevent, investigate, punish and redress" business-related human rights abuses within their territory and/or jurisdiction (OHCHR, 2011^[7]). Essentially, this means when an enterprise has caused or contributed to adverse impacts, it should address the impacts by providing for or cooperating in their remediation

⁵ Self-assessment success signals indicate the minimum requirements to meet operationalisation of the Standards. All parties publicly reporting to align with the Standards should be undertaking these concrete actions and reporting on how they do so.

⁶ <https://shiftproject.org/>

⁷ <http://independentaccountabilitymechanism.net/>

⁸ More information on the structure of the tool and the scoring system can be found at <https://sdgs.un.org/sites/default/files/2021-01/UNDP-UNDESA%2C%20Stakeholder%20Engagement%20Report%20FINAL.pdf>