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OECD UNDP Impact Standards for Financing Sustainable Development

Implementation Guidance Note for Standard 4 – Governance

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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 4 is dedicated to development partners' impact governance approach.

This document presents the accompanying Implementation Guidance Note for Standard 4, and was developed by Priscilla Boiardi, under the oversight of Paul Horrocks and Haje Schütte.

Like the Impact Standards for Financing Sustainable Development (IS-FSD) themselves, the Implementation Guidance Note for Standard 4 was developed through a process of multi-stakeholder and consensus-seeking consultation. A first draft was presented during a dedicated meeting of the OECD DAC Community of Practice on Private Finance for Sustainable Development (CoP-PFSD) on 19 October 2022, followed by a public online consultation period of 2 weeks. Both the presentation and the subsequent online consultation ensured development finance and impact communities, including donors, development finance institutions (DFIs), asset managers, civil society organisations (CSOs), experts and other relevant stakeholders, were able to provide their comments and insights. This document has been revised to reflect 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.

1 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 4 – Governance.

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 Standard[1].

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

STANDARD 1 - IMPACT STRATEGY

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.

STANDARD 2 - IMPACT MANAGEMENT APPROACH

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

STANDARD 3 - TRANSPARENCY AND ACCOUNTABILITY

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.

STANDARD 4 - GOVERNANCE

The partner's commitment to contributing positively to the SDGs is reflected in its governance practices and arrangements.

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]. Distinct from the useful examples embedded in this document, 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 4: Governance – implementation guidance

This document constitutes the *draft* Implementation Guidance Note for Standard 4.

Standard 4 focuses on how the partner's commitment to contributing positively to the SDGs is reflected in its governance practices and arrangements.

More specifically, the sub-Standards of Standard 4 require the Partner to:

- actively *engage shareholders* in the decision-making processes **at the strategic level;**
- guarantee the presence of *impact competences* in decision-making positions of *governing bodies*, and not just in technical positions;
- develop a system of *incentives* that foster staff to make decisions based on impact considerations, and not **uniquely** financial sustainability, and foster an *organisational culture* that puts impact at the centre;
- allocate *resources* to impact measurement and management.

These provisions are articulated in the four sub-Standards of Standard 4, which are presented in Figure 2 below.

Figure 2. Standard 4: Governance and sub-Standards

The partner's commitment to contributing positively to the SDGs is reflected in its governance practices and arrangements
4. 1 The partner engages actively its shareholders, based on its governance structure.
4. 2 The partner ensures the presence of impact management competences in its governing bodies, promoting a culture of learning and development.
4. 3 The partner incentives its staff to embed impact considerations at all investment stages and decision-making levels, to facilitate the adoption of the impact-centred strategy and approach.
4. 4 The partner allocates adequate (financial and non-financial) resources to the development and implementation of a sound impact management process.

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

The governance provisions are of particular relevance for donors that work through a wide array of partners, including DFIs, asset managers and other private sector organisations. Existing Principles and the accompanying verifications do not have any provision covering the topic of Governance and the key thematic areas identified above, which are the focus of this document.

The overarching question when analysing the governance structure of a partner is “How does the organisation embed impact-driven decision-making into its culture, operations and decision-making processes?”. As we explore in this guidance document, key elements to succeed at this are (i) ensuring active shareholders engagement, (ii) ensuring the presence of impact competences in decision-making and governing bodies that foster an impact-centric organisational culture (iii) providing the right incentives and (iv) resources for managing and measuring impact.

Below, readers will find contextual information on each of these areas.

(i) Active shareholders engagement

Donor governments mobilise the private sector and invest via a variety of partners, including DFIs, MDBs or private asset managers. The relationship with these partners is directly overseen by the government, but not necessarily by the ministry in charge of foreign affairs. When there are multi-layered governance patterns, the donor might end up having little oversight and sub-optimal communication with the partner. As a result, despite being a shareholder the donor cannot access the information that it needs to ensure a transparent use of public resources that allows it to exercise its steering and control functions (Winckler Andersen et al., 2019[4]).

When collaborating with partners in the context of development cooperation, donor governments should act as engaged shareholders, in order to steer the partner towards aligning with the highest level of quality in impact management, while investing time and effort in understanding better the operating model(s) of partners.

By engaging, donors help set the right expectations in terms of IMM approaches, maximise alignment and coordination and ultimately create an enabling environment for better impact reporting and thus enhance transparency and accountability (BlueMark, 2022[5]).

Ensure the presence of impact competences in decision-making and governing bodies and foster an impact-centric organisational culture

For impact management to be effective, the whole organisation needs to be engaged in it, at all levels and throughout the investment cycle. It is crucial to ensure: (i) that the leadership, including the Board of Director as the highest decision-making body in the organisation, is perceived to be steering for impact and that (ii) all decision-making levels, including the Board itself, have impact competences.

The partner’s leadership has a key role to play in building and embedding an impact-centred culture. As suggested by Principle 5 of the OECD Guiding Principles for Managing for Sustainable Development Results (OECD, 2019[6]), leadership within an organisation can:

- clearly communicate the purpose of Results-Based-Management (RBM) – and of the impact measurement and management tools available,
- lead by example in terms of using information – team leaders, in particular, can act as role-models and coach their staff so that they acquire the necessary skills,
- provide guidance, training and resources, while enhancing the scope for peer learning within the organisation.

As the highest-ranking decision-making body in a partner organisation, Boards of Directors send a strong message to their internal and external stakeholders about what’s important by virtue of what does and does not make it to the Board agenda and gets discussed during board meetings. The CEO and senior executives that engage directly with the Board take their cues from what they see is important to the Board. If the Board isn’t engaged and actively driving the agenda on managing for impact and making positive contributions towards achieving the SDGs, it’s unlikely that these will be embedded in the culture, purpose, and strategy of the organization. Sound governance policies and oversight practices – including consequences for breaches – are needed to ensure the Board’s intent is realized and to create a culture

of accountability for decisions and actions in line with stated policies and commitments (UNDP SDG Impact, 2022[7]).

The core decision-making bodies within the partner need to show that the data that is collected at all levels is correctly interpreted and used to make decisions. To do so, teams need to have the right skillset and be allowed and incentivised to build the expertise over time.

(ii) Incentives

One of the critical themes in governance and impact is how to incentivise staff at all levels to make investment decisions based on both the forecasted financial returns and the development impact potential. Despite the fact that often socially-motivated business practices enhance financial returns, while also adding positive value to society, today, the incentive structures of partners are still heavily geared towards financial returns (Hehenberger, 2022[8]).

The practice of linking remuneration structures to impact goals remains limited. Only 38% of impact management systems verified by BlueMark explicitly integrate impact considerations into staff incentives. More specifically, annual bonuses or impact-linked carry are adopted by respectively 17% and 3% of verified organisations (BlueMark, 2022[5]).

Very few organisations at present link staff compensation and rewards to the achievement of social and environmental outcomes (or to what we define as “development additionality” in Standard 3) for example through impact incentives.

Impact incentives can be incorporated in the compensation of the partner’s staff, to encourage a focus on social and environmental impact and to reduce the risk of mission drift away from social and environmental goals and towards financial returns. We explore these mechanisms further in the dedicated section under Standard 4.3.

Staff incentives are an essential element of results-based management (RBM) systems, as recalled by Principle 5 of the OECD Guiding Principles for Managing for Sustainable Development Results (OECD, 2019[6]). In particular “organisations should provide incentives to motivate staff to collect, report and use data and results information adequately to adapt and improve programme interventions”. However, staff incentives are complicated to design and implement and sometimes risk igniting unintended consequences. For example, they might push staff to report only on positive results, hiding the negative outcomes that have high potential for organisational learning. In addition, they might push staff engaging with the origination of investments to focus only on the potential impact of single transactions, and miss the overall portfolio view.

The issue of incentives is tightly linked with the issue of shareholders engagement and oversight. In particular, DFIs and MDBs are often mandated to act (and thus evaluated) as traditional banks, incentivised to achieve certain financial returns (Winckler Andersen et al., 2019[4]). As a result, there is less incentives to make decisions based on potential development impact and to take higher risks (Horrocks, 2022[9]).

(iii) Resources for managing and measuring impact

Steering an organisation towards becoming impact-centred requires resources. Integrating a logic of results-based management (RBM) and IMM has budgetary implications, due to the time and effort commitment required for staff at all levels, the cost of introducing new management systems and procedures and the risks associated with resistance to change.

Although results-based management is not a new topic for development cooperation providers, recent OECD work shows that many development agencies report that their current organisational set-up does not fully support the implementation of RBM (OECD, 2019[10]). The Guidance in this document explores how private sector partners are resourcing their IMM systems and what can be done to improve them.

The next sections present the Guidance on Standard 4. It is worth noting that the Governance structure or an organisation is tightly linked to having a clear impact strategy (as foreseen in Standard 1), and thus the four Standards and Guidance Notes should be seen as interconnected system and coherent.

2 Guidance on how to implement Standard 4: Governance

Box 1. Standard 4: Governance

The partner's commitment to contributing positively to the SDGs is reflected in its governance practices and arrangements.

Sub-Standard 4.1

> *The partner engages actively its shareholders, based on its governance structure.*

A. Success signals for mandatory self-assessment[3]

The partner:

4.1.1 Actively engages the donor at a strategic level. Based on the partner's governance structure, the donor provides strategic guidance and steering, audits and evaluations, when public resources are deployed. *(see the examples "Governance at US DFC", "Finnfund and the Finnish Ministry of Foreign Affairs", "A cooperative model – Governance at iDB Invest"* and "*Governance model of a fund – the UN Joint SDG Fund").*

EXTRA: Engages partner governments at local level and beneficiaries in the development of the strategy

4.1.2 The Board oversees that the impact strategy is implemented at the highest level

B. Alignment checklist[4]

Step 1: Engage Shareholders

- How are shareholders involved at strategic levels? Do donors have the possibility to provide guidance and steering? How often?
- Are local stakeholders involved at strategic level? How?

Step 2: Guarantee implementation of the impact strategy

- Does the organisation periodically revise its governance structure to guarantee that it is fit-for-purpose to achieve its impact strategy?

C. Useful examples and guidance

Governance at US DFC

When Congress set up the US DFC in 2018, DFC was created with strong linkages to the Department of State, USAID and other governmental agencies. In particular, the creation of the office of the Chief Development Officer was instrumental to "ensure close effective collaboration to support U.S. foreign policy priorities and deliver development impact" (US Government, 2019[11]).The Chief Development Officer sits on DFC's Investment Committee and reports directly to the Board of Directors.

In addition, the Board of Directors of the US DFC includes the Secretary of State, the Administrator of USAID, the Secretary of the Treasury, the Secretary of Commerce, and four non-Governmental members. This alignment guarantees engagement of the US Government interagency in the US DFC. The Board also has to approve all finance deals above USD 50 million and all equity transactions.

Congress maintains a role in the governance of DFC through oversight and annual appropriations functions. To execute its role effectively, Congress relies on mandatory reporting of DFC transactions. For example, DFC must notify Congress about deals above USD 10 million prior to commitment; Congress then has 15 calendar days to raise questions and concerns. This opens a space for dialogue between DFC and Congress for public stakeholders to better understand the projects and how taxpayer's money is to be used in supporting DFC.

Finnfund and the Finnish Ministry of Foreign Affairs

Finnfund is the Finnish development finance institution (DFI), owned by the Finnish Ministry of Foreign Affairs (MoFA). Each year the MoFA produces an Annual Guidance Note, that is shares with Finnfund and contributes to steering the DFI towards certain geographies or cross-cutting themes that are of strategic relevance to the Ministry. This document highlights, for example, the relevance of making investments that contribute to climate mitigation, that have a gender lens, or that contribute to the development of local communities. Finnfund then decides autonomously which priority sectors to focus on, as described into more detail in the Guidance Note for Standard 1. The priorities are high-level enough to serve as a steer without interfering with the daily work of the DFI, which is an independent limited private company.

Finnfund includes the Ministry's priorities in the ex-ante assessment of the projects. In the DEAT system[5], "strategic relevancy", which highlights the MoFA's priorities, counts for 40% of the total score of a project, showing that the MoFA has a certain weight in steering the resources deployed by Finnfund.

One representative of the Finnish MoFA sits on the Board of Finnfund. The high-level advisory steering group includes members of the Parliament as well as members of various interest groups, and meets on a quarterly basis.

A co-operative model – Governance at iDB Invest

To carry out its mission and deliver its strategy, the IDB Group relies on a **cooperative model**, encapsulated in the principles and shareholding structure of both the IDB and IDB Invest. It is underpinned by the principle of ownership, joint-responsibility, and alignment of interests, and is embedded in a model of financial sustainability reinforced by a rules-based decision-making system, **ensuring balanced representation of borrowing and non-borrowing members**, following key mandates approved by the Board of Governors and overseen by the Boards of Directors.

Governance of IDB Invest is vested in the **Board of Governors**, which sits on top of IDB Invest's organizational structure and is the highest decision-making authority. **Each member country** appoints a Governor, whose voting power is proportional to capital in the Bank subscribed by their country. The Board

of Governors holds an annual meeting and extraordinary meetings to review the Bank's operations, make major policy decision on key issues. The IDB's Governors are ultimately responsible for overseeing the Bank's activities and administration, although in practice, they delegate many of those responsibilities to the Board of Executive Directors.

The **Board of Executive Directors** oversees the operations of IDB Invest. The 13 Executive Directors and their alternate Executive Directors serve three-year terms, representing one or more member countries. The Board of Executive Directors establishes the basic organizational structure of IDB Invest and approves the institution's budget as well as all loans and investments with certain exceptions where this authority has been delegated to Management. IDB Invest's Board of Directors receives **quarterly updates** from Management, including on strategy, risk management and both impact and financial metrics. The Board also receives technical briefings, including on impact management tools and the Development Effectiveness Overview (DEO), which includes Corporate Results Framework (CRF) reporting.

Governance model of a fund – the UN Joint SDG Fund

The United Nations' Joint SDG Fund (hereafter "Fund") is a multi-partner trust fund established by the United Nations Sustainable Development Group (UNSDG) to leverage the UN Development System to help accelerate the Sustainable Development Goals (SDGs). The Fund supports countries by funding UN Joint Programmes (JPs) that drive cross-sectoral integrated policy and financing solutions to accelerate the achievement of the SDGs.

The Fund has set up a **Strategic Advisory Group (SAG)**, which includes representatives from donor countries, programme countries, member states, private sector, foundations, civil society, and the UN Development system. Chaired by the United Nations' Deputy Secretary General and Chair of the United Nations Sustainable Development Group and composed of 20 members, the SAG provides leadership, vision, and direction to the Fund.

At project level, **each JP also has a governance body** that includes donors, investors, and other local stakeholders. The governance arrangement of the BUILD Malawi Fund is, for instance, composed by a board of directors responsible for the overall supervisions and management, an advisory committee that meets twice a year and is responsible for consulting on investment policy, conflicts of interest, valuation principles, co-investments, and an investment committee in charge of all investment decisions which holds monthly meetings. While the structure and frequency of the governance bodies' meetings varies across the JPs and financial mechanisms, **the Fund requires JPs to engage donors at the country-level at least once a year to share results achieved and give stakeholders the opportunity to provide strategic guidance and steering**.

D. Anchor impact management principles

N/A.

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 4.1

Success signal	Relevant principles and frameworks
The partner:	

4.1.1 Actively engages the donor at a strategic level. Based on the partner's governance structure, the donor provides strategic guidance and steering, audits and evaluations, when public resources are deployed.	
The donor: **4.1.2** The Board oversees that the impact strategy is implemented at the highest level	

Sub-Standard 4.2

> *The partner ensures the presence of impact management competences in its governing bodies, promoting a culture of learning and development.*

A. Success signals for mandatory self-assessment

The partner:

4.2.1 Ensures that at least one impact specialist sits on its key decision making bodies. If necessary, this is done in agreement with the shareholders. This individual is responsible for advising on all issues related to development impact, based on learnings from past investments and evaluations and personal expertise, and promotes a more general impact lens within the organisation.

4.2.2 Has governing bodies that have competencies concerning sustainable development issues and impact management and that promote an internal culture of learning, development and results. *(see the examples "Maximising impact-related skills in the Board and across the organisation"* and *"Impact at Finnfund").*

4.2.3 Holds its governing bodies accountable for the implementation and achievement of the impact-centred strategy. *(see the example "Boards and management responsibilities for impact management").*

4.2.4 Has internal mechanisms (e.g. internal audit, employees' and stakeholders' surveys, regular reporting to the governing body) to effect oversight of sustainable development issues. *(see the example "iDB Decision making flow").*

EXTRA: Demonstrably promotes the creation of an impact-centred, open, transparent, co-creation and learning culture within and among all partner organisations.

4.2.5 Proactively discloses how decisions are made, and how impact reporting affects decision-making *(see the example "Defining and disclosing impact-oriented decision-making processes")*.

4.2.6 Proactively engages internal stakeholders at all level, clarifying roles and responsibilities for impact measurement and management *(see the example "Engaging internal Stakeholders: the ISO 32210, Sustainable Finance").*

B. Alignment checklist

Step 1: Ensure impact competences at all levels

- Does the organisation have staff with impact competences in all decision-making bodies? This includes the Board-level, investment committees and other bodies responsible for making decision regarding investments and divestments. Is this achieved through having impact specialists or through spreading the competences across the staff?

Step 2: Hold governing bodies accountable for impact

- Does the organisation hold its governing bodies to account for the implementation of the impact-oriented strategy? How?
- Does the organisation have internal mechanisms to effect oversight of sustainable development issues? Which ones?
- How does the organisation clarify impact-related roles and responsibilities among staff members?

Step 3: Engage stakeholders and disclose impact decision-making

- How does the organisation disclose to stakeholders how decisions are made, and how impact reporting affects decision-making?

C. Useful examples and guidance

Maximising impact-related skills in the Board and across the organisation

IMM is an intrinsic part of the investment process, so the investment team should be able to assess a deal's potential impact as well as its potential for financial sustainability (Boudoux d'Hautefeuille and Hehenberger, 2021[12]). Thus, the investment team should be equipped with the competences necessary to make sound impact-oriented investment decisions. Ideally, investment committees should have at least one impact specialist who is responsible for advising based on learnings from past investments, ensuring investments are screened for impact, as well as promoting a risk-return-impact culture across the board.

Other options to maximise the presence of impact-related skills in the organisation include (UNDP SDG Impact, 2022[7]):

- nominating an independent director/member to have responsibility for championing human rights/sustainability/SDG/impact management issues
- creating an independent sustainability/SDG/impact management advisory committee of suitably qualified and experienced personnel
- promoting diversity for example by including representation by women and under-represented stakeholder groups.

In impact investing funds it is common to have a member of the investment committee focussed on impact, who is responsible for responding to related questions and concerns (Boudoux d'Hautefeuille and Hehenberger, 2021[12]).

Disclosure 2-9 (Governance Structure and Composition), of the Global Reporting Initiative (GRI) Standards 6 requirement c. recommend organisations' highest governance body has competencies relevant to the impacts of the organization. These include competencies relevant to impacts commonly associated with the organization's sectors, products, and geographic locations (GRI, n.d.[13]).

Boards and management responsibilities for impact management

Boards and governing bodies should be held accountable for the implementation of the impact-centred strategy. Evidence-based discussions on impact strategies and results should occur at the Board level. Investors should also be transparent and Board documents should report on how often impact-related issues are discussed at board level. It may be appropriate for the agendas of regular board meetings to include an item to address impact.

Section 3 of the Global Reporting Initiative (GRI) Standards 7 contains thirteen disclosures, which provide information about the organization's governance structure, composition, roles, and remuneration. In particular, this Section addresses how the governance bodies should be set up and how well equipped they are to oversee the management of the organization's impacts, including their responsibilities with respect to these impacts. (GRI, 2021[14])p. 60).

According to GRI, the highest governance body and senior executives in an organisation should (i) have a role in developing, approving, and updating the organization's purpose, value or mission statements, strategies, policies, and goals related to sustainable development, (ii) oversee the organization's due diligence and other processes to identify and manage the organization's impacts on the economy, environment, and people, (iii) review periodically the effectiveness of the organization's processes related to impact (GRI, 2021[14]) (Disclosure 2-12).

The organisation should also document the system through which the highest governance body delegates responsibility for managing the organization's impacts on the economy, environment, and people, including:

i. whether it has appointed any senior executives with responsibility for the management of impacts;
ii. whether it has delegated responsibility for the management of impacts to other employees;

and describe the process and frequency for senior executives or other employees to report back to the highest governance body on the management of the organization's impacts on the economy, environment, and people (GRI, 2021[14]) (Disclosure 2-13).

Impact at Finnfund

At Finnfund, the Director of Impact and Sustainability sits on the investment committee – responsible for making investment decisions – and on the project management committee – responsible for the annual monitoring of the impacts of the investees. Each investment committee presentation starts with an impact assessment, which features on the first page of the investment memo. Similarly, Board meetings start with a discussion of the development impact of the various projects.

Impact-related topics are included in the official staff induction programme, with the aim to create curiosity and interest in the topic, which the staff then further develops through the daily work.

iDB decision-making flow

As soon as an operation enters the pipeline, a **Development Effectiveness Officer (DVF Officer)** is involved to assess the potential development impact of the transaction throughout its entire lifecycle (structuring, execution, and final evaluation).

At the beginning of the **structuring phase**, a kick-off meeting takes place for the investment officer to present the transaction to the other members of the transaction team. The DVF officer provides preliminary advice on the transaction's impact profile, potential eligibility and impact risks, and reports on lessons learned from similar past transactions or past transactions with the same client. The transaction team can also access lessons learned from similar transactions directly on IDB Invest's business process

management system, where a virtual assistant tool automatically matches relevant lessons from past operations to new ones in pipeline.

During **due diligence**, the investment officer ensures that all the information required for the assessment of the development impact of the transaction is obtained (to the extent it is available). With the support and input of the transaction team and investment officer, the DVF Officer prepares the **DELTA analysis and development effectiveness assessment** for the Investment Proposal (IP), which **is presented to the Board of Directors**.

During the supervision stage, based on information provided by the client and information gathered by the other transaction team members, among others, the DVF Officer updates annually the DELTA project score, the Results Matrix, and classify projects into "Satisfactory", "Alert", "Problem" or Lack of/ Unclear Data. These results are documented in Annual Supervision Reports, consolidated in quarterly Development Impact Supervision Reports, and presented to the **IDB Invest Portfolio Supervision Committee** on a quarterly basis. Aggregate results are also **reported to IDB Invest's Board of Executive Directors**.

To keep Directors abreast of how IDB Invest measures and manages impact, IDB Invest provides ongoing information and updates to its Board of Directors about the tools and practices that make up its Impact Management Framework, including periodic technical briefings on the DELTA Impact Rating System and an online training course on its end-to-end framework launched in 2022.

Defining and disclosing impact-oriented decision-making processes

Proactive disclosure of how decision-making processes function doesn't only help achieve transparency (see Guidance Note on Standard 3 for more info), but is also key for internal learning. In particular, internal communication is key to incentivise staff toward focussing on impact, but sometimes ignored or even forgotten. Staff needs to know, for example, what happens in the discussion with stakeholders, hence the need to record and share internally the information.

One useful reference guide in this respect is the implementation guide for Principle 8 "Be Responsive" of the Social Value International (SVI) Principles of Social Value (Social Value International, 2022[15]). Principle 8 encourages organisations to use information to make decisions that optimise impacts on wellbeing for all materially affected stakeholder groups. This principle requires organisations to implement an impact management approach based on three types of decisions: *strategic* - setting impact goals in alignment with stakeholder needs and societal goals; *tactical* - choosing activities that best achieve impact goals; and *operational* - making improvements to existing activities. The management approach must also include scheduling of decision-making, social value accounting to an appropriate degree of rigour, and external reporting for accountability.

Being responsive is thus about assigning responsibilities for decision-making at the three levels (strategic, tactical and operational) and communicating (primarily internally, but also externally, when necessary) who is responsible for the decisions. While recognising that every organisation is different, the principle states that it is important to record and report the mechanisms through which decisions are made. The principle puts the accent on the importance of having a mechanism and policies that ensure that impact-driven decisions are made and acted upon, and on disclosing how internal reports on impact influence/have influenced/will influence decision-making.

Engaging internal Stakeholders: the ISO 32210, Sustainable Finance

The ISO 32210 is the first ISO standard on Sustainable Finance and focuses on Sustainability Reporting (ISO, 2022[16]). The Standards highlights that successful integration of sustainability within an organisation's operations requires engagement with many internal stakeholders, including those responsible for:

- fulfilling fiduciary responsibilities
- setting and monitoring progress against strategic goals
- understanding and monitoring risks
- developing new products and services
- ensuring legal compliance
- approving investments and capital allocation
- monitoring portfolios
- engaging with and reporting to external stakeholders.

The engagement of internal stakeholders and a system of internal controls are necessary to guarantee that impact considerations are considered at all levels in the organisation and that, ultimately, impact reports are treated as seriously as financial reports.

The role of evaluation offices in managing impact governance in MDBs

Independent evaluation offices play a key role in and ensuring accountability and promote learning through evaluations of organizations, strategies, programs, and projects that Multilateral Development Banks (MDBs) pursue. In many MDBs, self-evaluation of projects are undertaken by MDB's management while independent evaluation offices validate the results of self-evaluation and report aggregated results to the Board.

From a governance perspective, MDBs' independent evaluation offices directly report to the Board, and thus to the MDBs shareholders. The reports provided by the evaluation offices facilitate active engagement by the shareholders (linked to sub-standard 4.1) and complement the skillsets of the Board (as per Standard 4.2.3), which do may not necessarily have such in-depth impact management competences.

The evaluation offices contribute provide their experience and expertise to ensure impact measurement and monitoring of MDB's projects are implemented and generate relevant lessons.

Although most DFIs and asset managers do not have independent evaluation offices currently, mainly due to a lack of resources, it is recommended they periodically invest in independent external evaluations whose results are reported at Board level.

D. Anchor impact management principles

N/A

E. Principles and frameworks specific to each sub-Standard

Table 2: Principles and frameworks specific to this sub-Standard that can guide in achieving the success signals of sub-Standard 4.2

Success signal	Relevant principles and frameworks
4.2.1 Ensures that at least one impact specialist sits on its key decision making bodies. If necessary, this is done in agreement with the owners. This individual is responsible for advising on all issues related to development impact, based on learnings from past investments and evaluations and personal expertise, and	

Success signal	Relevant principles and frameworks
promotes a more general impact lens within the organisation.	
4.2.2 Has governing bodies that have competencies concerning sustainable development issues and impact management and that promote an internal culture of learning, development and results.	
4.2.3 Holds its governing bodies accountable for the implementation and achievement of the impact-centred strategy.	GRI, Consolidated set of GRI Standards (GRI, 2021[14])
4.2.4 Has internal mechanisms (e.g. internal audit, employees' and stakeholders' surveys, regular reporting to the governing body) to effect oversight of sustainable development issues	
4.2.5 Proactively discloses how decisions are made, and how impact reporting affects decision-making	Social Value International (SVI) Principles of Social Value Principle 8 "Be Responsive" of the (Social Value International, 2022[15])
4.2.6 Proactively engages internal stakeholders at all level, clarifying roles and responsibilities for impact measurement and management	ISO 32210, Sustainable Finance (ISO, 2022[16])

Sub-Standard 4.3

> *The partner incentives its staff to embed impact considerations at all investment stages and decision-making levels, to facilitate the adoption of the impact-centred strategy and approach.*

A. Success signals for mandatory self-assessment

The partner:

4.3.1 Has internal incentives systems, linked to the achievement of impact objectives. The incentives are set at the level of the CEO and executive team and at the level of each team, and in line with existing best practice. *(see the examples "Impact-based incentives", "Variable remuneration incentives – the example of the British International Investment's Remuneration Framework", "Incentivising impact-oriented decision-making", "Staff incentives at Finnfund"* and *"Staff incentives at iDB Invest").*

4.3.2 Provides incentives for the investees that achieve development impact objectives through rewards systems *(see the examples "Investees incentives at iDB Invest"* and *"Investees incentives through SIINCs").*

B. Alignment checklist

Step 1: Incentives for Staff

- Does the organisation have an incentive system that incentivises staff to achieve the development impact objectives? Is this based on monetary incentives/career development? If not, are there other types of incentives (like KPI-ownership)?

Step 2: Incentives for investees

- Does the organisation have an incentive system that incentivises investees/projects to achieve the development impact objectives? Is this based on a reward system? Are resources provided for this?

C. Useful examples and guidance

Impact-based incentives

Aligning staff incentives to the impact and financial objectives of the organisation is a key component of good governance. In impact investing, this is done through (i) impact carried interest structures and through (ii) variable remuneration incentives (Boudoux d'Hautefeuille and Hehenberger, 2021[12]).

Impact-based incentive structures (also known as responsible rewards) for fund managers are the most common type of impact carried interest structures tested in impact investing and are a growing trend for fund managers. They thus work in the setting of a partner that invests using a traditional private equity or fund of funds compensation model as the basis for the incentives structure (GIIN, 2011[17]) (Acre, n.d.[18]).

When designed for investment managers, impact-based incentives can tie the compensation to the achievement of specific "impact targets" by a single investment or an entire portfolio, and to short-term performance (though a bonus) or long-term performance (through the carry).

In the case of a fund-of-funds, or to incentivise a partner's executive team, the incentives can be linked to the achievement of specific investment policy targets (e.g. having a certain percentage of portfolio companies active in LDCs or in high-risk sectors), the implementation of ESG policies and the quality of impact reporting or of the transparency provisions. Compensation can also be reduced in case certain targets are not met.

For impact-based incentives to work, it is important to properly design and implement them. In particular:

- they must be coupled with rigorous measurement and assessment of social and environmental performance (see Standard 2) to increase accountability and transparency. The social and environmental targets (quantitative and/or qualitative) tied to the compensation should be clearly defined and tracked
- stakeholders must be involved in the determination of the metrics and targets used
- independent third-party verification of impact objectives, quality of the monitoring system and ex-post impact performance must be provided
- shareholders must provide resources (through, for example, technical assistance) to pay a third party to measure and validate the social impact achieved, as well as to enhance business development services in portfolio companies and facilitate knowledge sharing (including lessons learned), and information on business models that do (and don't) work in different sectors/contexts.

Despite having been tested and being on the rise, this approach hasn't been adopted widely, as it is likely less than 5% of impact funds use this structure (Patton Power, 2020[19]). This is due to a number of challenges in designing and using these instruments, which include:

- to set targets that go beyond outputs (e.g. # of people served) and more towards outcomes
- to find metric(s) that can be tracked across the portfolio (the only option is often output metrics)
- to identify and measure the most appropriate impact targets at the time of initial investment. This problem can make it unrealistic to reward staff according to impact-based incentives (i.e. what happens if targets change in the course of an investment, in case of external shocks, etc).

All three challenges call for a common solution: **better data.** Designing and adopting impact incentives at scale will require partners to share data on business models that work in a more extensive and transparent way (see Guidance Note on *Standard 3: Transparency* for more on this topic).

Variable remuneration incentives – the example of the British International Investment's Remuneration Framework

The British International Investment (formerly known as CDC) is UK's DFI. It has a dual mandate of delivering development impact while remaining financially sustainable, which is reflected in its remuneration scheme. The scheme is based on four elements, which include a basic salary, retirement arrangements and employment benefits, plus the Long Term Incentive Performance Plan (LTIPP) (British International Investment, 2021[20]).

The LTIPP reflects the organisation's dual mandate and incentivises employees to invest with the aim of maximising long-term impact, while making investments financially sustainable in the long term. The LTIPP employs a scoring mechanism comprised of three components: (i) financial return on total portfolio (40%); (ii) development impact of its portfolio (40%); and (iii) corporate objectives (20%). In particular, the Development Impact Component is measured by an Aggregate Impact Score (AIS), which is calculated yearly and verified by a third-party.

The LTIPP applies to the decision-making levels of the organisation, including all members of the Executive Committee, all managing directors and directors, all managers, and all executives in investment and impact functions and the Corporate Strategy Department.

Incentivising impact-oriented decision-making

In the realm of responsible and ESG investing, a number of principles and standards call for the compensation of executive staff to be linked with the non-financial performance of an organisation.

The ISO 32210, for example, recommends for the compensation of the executive team and the Board to be aligned with sustainability performance and outcomes of the organisation, where possible (ISO, 2022[16]). Similarly, the Principles for Responsible Investment (UNPRI) executive pay recommendations expressly require the link between corporate performance, implementation of environmental, social, and governance (ESG) targets, and the determination of pay outcomes, starting at the executive level (PRI, n.d.[21]).

Though monetary incentives are not always applicable in all contexts and to all organisations partners can still incentivise their staff towards being impact-oriented through other channels.

In fact, the most powerful way to incentivise an impact-orientation in an organisation is through the development of an **organisational culture and structure that assigns responsibilities and ownership of specific impact KPIs to individuals in the organisation**, at all levels. This implies having investment committees that are responsible for achieving portfolio-wide impact KPIs, investment managers that are responsible for managing and delivering on such KPIs and shareholders that require Boards to report periodically on such KPIs.

To foster an impact-centred organisation culture, all impacts should be:

i. *owned* by someone in the organisation,
ii. linked to each person’s individual KPIs,
iii. linked to the resources.

Ownership should be communicated internally and monitored over time.

In particular, the executive team and the Board should be held accountable for sustainability matters within the organisation. A systematic review of existing organisational processes and resources shall help keep track of roles and responsibilities related to impact in the partner organisation.

In addition, the person responsible for IMM should either be part of the investment committee or have a direct route to it via an impact memorandum document or by reporting to a higher authority than the investment team (Boudoux d’Hautefeuille and Hehenberger, 2021[12]).

Staff incentives at Finnfund

At Finnfund, investment managers have incentives that are linked to sets of KPIs. The volumes of the investments make up to 2/3 of their score, while development impact makes up 1/3 of the score. This system should incentivise staff to look for the most impactful investments. However, the impact scores are calculated looking at the ex-ante assessments of the investments, hence only at the potential impact and not at the realised impact. However, thanks to this system, investment managers are incentivised to originate deals that have a high development impact potential. The ex-ante assessments are revised during the annual monitoring meetings, with the aim of constantly improving their reliability.

Staff incentives for staff at iDB Invest

The DELTA, which stands for Development Effectiveness, Learning, Tracking and Assessment, is a rigorous, evidence-based rating system that iDB uses to assess the expected impact of each investment and tracks results achieved over time.

IDB Invest sets portfolio targets for its DELTA score. At the portfolio level, IDB Invest must have a median DELTA score of 8 (out of 10), a target that is cascaded down to investment officers in operational areas.

For each project, the DELTA Score is combined with a Financial Contribution Rating (FCR) for each investment to make decisions on its eligibility. Investments must have a minimum DELTA score of 5 to advance. This operates on a sliding scale -- when the FCR is lower, the DELTA score must be higher.

Setting these thresholds and a median portfolio target of 8 for the DELTA score incentivizes investment officers to originate better deals, as this is reflected in their performance reviews.

More broadly, IDB Invest's Compensation and Rewards strategy includes incentives and recognition programs designed to reward the performance of employees at the individual and team levels in relation to the annual objectives that are linked to the impact of IDB Invest.

Investee incentives at iDB Invest

IDB Invest provides incentives to clients that achieve development impact objectives through rewards system. For instance, IDB Invest has paired advisory support for tackling gender gaps with performance-based financial incentives. Using blended finance resources, IDB Invest offers gender-based performance incentives whereby the interest rate of a loan is reduced upon the completion of key milestones set in the gender action plan, such as an increase in the number of women hired in non-traditional roles or the establishment of an internship program for women. Based on offering this incentive to 12 companies since 2015, 83 percent have effectively had their interest rate reduced by meeting their gender targets.

Another example is a pioneering mechanism to monetize the cost of decarbonization (i.e., to compensate generators for the avoidance of greenhouse gas emissions). The mechanism is the key feature of a US$125 million financing package to build a 151-megawatt wind farm in Chile's northern desert. The novel mechanism – developed by IDB Invest, building on a study financed by grants from the Nordic Development Fund and the governments of Austria, The Netherlands and Sweden – provides a financial incentive to bring forward the closure of two coal-fired plants by several years, avoiding over 4,880 tons in greenhouse gas emissions over 2022-2041. If Chile already possessed a functioning carbon market, those early offsets could be certified, priced and traded. In lieu, the deal's mechanism sets a minimum price for avoided emissions from not using those thermal plants as well as from generating electricity with wind turbines. Those offsets will then be converted into a reduction in interest payments on the loan granted by the Clean Technology Fund (blended finance).

Investees incentives through SIINC

The partner can help incentivise investees to achieve its impact goals by tying disbursements to the achievement of pre-defined outcomes. An example of a tool using this logic are Social impact incentives (SIINCs), which have been in operation since 2017. SIINCs, developed by the Swiss Agency for Development and Cooperation and Roots of Impact, directly reward high-impact enterprises with premium payments for achieving social impact (Roots of Impact, 2018[22]). The focus of SIINCs is to mobilise private sector investment towards the highest impact enterprises and simultaneously create incentives for enterprises for positive social outcomes. Investors' and enterprises' interests are aligned in that both carry financial and impact risks. The outcome payer in this model is only responsible for the marginal premium payments linked to impact.

When investing through debt or equity, the partner will have a different leverage on investees, depending on whether it is, for example, a strategic investor or a small borrower. This needs to be taken into account to manage expectations.

D. Anchor impact management principles

UNEP-FI PRB #3.2 "Develop strategies and define measures for the identified focus areas, such as development of new products and services or sustainability-related incentives and contractual conditionality". (UNEP-FI, 2017[23])

UNEP-FI PRB #6 "We will periodically review our individual and collective implementation of these principles and collective implementation of these Principles, and be transparent about and accountable for our positive and negative impacts, and our contribution to society's goals". (UNEP-FI, 2017[23])

OPIM #2: "As part of the process, the Manager shall consider aligning staff incentive systems with the achievement of impact, as well as with financial performance". (OPIM, 2019[24])

OPIM #9 "Publicly disclose alignment with the Principles and provide regular independent verification of the extent of alignment". (OPIM, 2019[24])

E. Principles and frameworks specific to this sub-Standard

Success signal	Relevant principles and frameworks
The partner: **4.3.1** Has internal incentives systems, linked to the achievement of impact objectives. The incentives are set at the level of the CEO and executive team and at the level of each team, and in line with existing best practice.	ISO 32210, Sustainable Finance (ISO, 2022[16])
4.3.2 Provides incentives for the investees that achieve development impact objectives through rewards systems	

Sub-Standard 4.4

> *The partner allocates adequate (financial and non-financial) resources to the development and implementation of a sound impact management process*

A. Success signals for mandatory self-assessment

The partner:

4.4.1 Allocates adequate financial and human resources to:

- Deliver its impact goals;
- Engage and manage stakeholders;
- Design and implement a solid impact measurement and management system;
- Collect data and report on the development impacts achieved;
- Strive to comply with the provisions made in the standards.

4.4.2 Ensures staff are trained with appropriate skill sets to articulate development impact using quantitative data on monitoring and evaluation, as well as qualitative interviews with local stakeholders, and on leadership skills.

4.4.3 Strives to guarantee that investees/project supported and other third parties that have to report on impact are equipped with adequate resources (financial and non-financial, including capability and

local leadership) to establish an impact measurement and management system, monitoring and – where necessary – evaluation practices.

4.4.4 When the donor is investing through DFIs or other private sector partners, it provides partners with the necessary (financial and non-financial) resources to guarantee that the burden of setting up and rolling out the impact measurement and management process does not fall on the shoulders of the investee(s).

4.4.5 Avoids overburdening the investees with irrelevant reporting, and sticks to asking for relevant and material information.

B. Alignment checklist

Step 1: Secure resources for impact

- Does the organisation have adequate resources to achieve the impact goals and to track and report on their achievement?
- Do investees and other third parties have adequate resources to achieve the impact goals and to track and report on their achievement? Does the partner focus on reporting of relevant and material information?
- Does the donor provide adequate resources to achieve the impact goals and to track and report on their achievement? Does the donor provide them to the partner, the investee or other third parties?

Step 2: Train staff

- Is the organisation's staff trained to manage and measure impact? Which skills' trainings are offered to staff?

C. Useful examples and guidance

DFIs human and financial resources allocation for IMM

US DFC

While development impact is integrated across DFC, DFC has two offices that focus on impact:

1. **Office of the Chief Development Officer**. The BUILD Act introduced the Chief Development Officer (CDO) position, which reports to the DFC Board of Directors. The Office of the Chief Development Officer (OCDO) is responsible for guiding the Agency's development impact and ensuring that DFC's portfolio advances its development strategy. OCDO establishes mechanisms and processes to measure and evaluate the development performance of DFC's portfolio, which includes setting specific goals, metrics, and priorities. OCDO works across DFC to identify which types of projects, sectors, and financial structures lead to the greatest development impacts and where challenges prevent goals from being achieved.
2. **Office of Development Policy**. The Office of Development Policy (ODP) implements DFC's development impact methodology and ensures that DFC-supported investments comply with international environmental and social standards. This office has a dedicated Impact Management,

Monitoring, and Learning (IMML) division, a Technical Assistance division, Social and Environmental Analysis divisions, an Economic Impact Analysis division, and a Portfolio Performance Evaluation division. The Office of Development Policy manages DFC's impact management framework (IQ Framework), which is used to assess anticipated development impact at a transaction-level for each DFC supported project. These ex-ante projections are monitored and assessed on an ongoing basis by gathering and analysing development impact data from clients on a bi-annual basis, conducting site visits, and conducting broader portfolio performance evaluations. The Office of Development Policy leverages data gleaned from these sources to identify where adjustments may be needed and surface learnings that can improve the development impact performance of individual projects as well as overall for DFC at a portfolio level.

Finnfund

Finnfund, the Finnish DFI, has a portfolio of about €600 million and between €200 and €250 million in new investments per year, and a total staff of about 80 people, four of which are fully dedicated to IMM. Finnfund can also count on a large research budget that can be used for different types of impact studies. In particular, Finnfund has been experimenting with *rapid impact studies*. These studies are not as expensive and thorough as complete evaluations but allow to get a sense of whether the investments made are delivering on their impacts. One of these studies is focussing on microfinance institutions, trying to get a better sense of the socio-economic background of clients, their poverty-probability index (PPI) and how they perceive the impact, through simple, open questions and the net-promoter score (NPS). Another one is looking more into job decency and understanding whether the investments of Finnfund are ensuring good-quality jobs.

Training staff with the right impact competencies

With respect to specific impact competencies, the partner should include human rights/sustainability/impact skills in its skills matrix, in all of its decision-making bodies, from the Board to the investment committee. Where possible, teams could be directed to human rights and sustainability trainings, or trainings on relevant scientific or social sustainability subjects, related to the SDGs that are most relevant to the partner's context. Investment committee members should be taught specifically on development impact, 2030 Agenda and SDG and leaving no one behind, and the effectiveness principles.

D. Anchor impact management principles

UNEP-FI Principles of Positive Finance #2.2: "Allocate and equip staff with relevant mandates and skill sets to enforce the above processes" (UNEP-FI, 2017[23])

E. Principles and Frameworks specific to this sub-Standard

Success signal	Relevant principles and frameworks
4.4.1 Allocates adequate financial and human resources to: - Deliver its impact goals; - Engage and manage stakeholders; - Design and implement a solid impact measurement and management system; - Collect data and report on the development impacts achieved; - Strive to comply with the provisions made in the standards	
4.4.2 Ensures staff are trained with appropriate skill sets to articulate development impact using quantitative data on monitoring and evaluation, as well as qualitative interviews with local stakeholders, and on leadership skills.	
4.4.3 Strives to guarantee that investees/project supported and other third parties that have to report on impact are equipped with adequate resources (financial and non-financial, including capability and local leadership) to establish an impact measurement and management system, monitoring and – where necessary – evaluation practices.	
4.4.4 When the donor is investing through DFIs or other private sector partners, it provides partners with the necessary (financial and non-financial) resources to guarantee that the burden of setting up and rolling out the impact measurement and management process does not fall on the shoulders of the investee(s).	
4.4.5 Avoids overburdening the investees with irrelevant reporting, and sticks to asking for relevant and material information.	

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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[1]).

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

[3] 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.

[4] Please note that this section will need to be revised based on the final list of success signals and is thus provided only for reference.

[5] DEAT is Finnfunds impact measurement and management tool. For more information on DEAT see the Guidance Note on Standard 2.

[6] The Global Reporting Initiative (GRI) Standards *"represent global best practice for reporting publicly on a range of economic, environmental and social impacts. Sustainability reporting based on the Standards provides information about an organization's positive or negative contributions to sustainable development"*. (GRI, n.d.[13]).

[7] The Global Reporting Initiative (GRI) Standards *"represent global best practice for reporting publicly on a range of economic, environmental and social impacts. Sustainability reporting based on the Standards provides information about an organization's positive or negative contributions to sustainable development"*. (GRI, n.d.[13]).