

Understanding Impact Performance:

Quality Jobs & Climate Change Mitigation

February 9, 2022

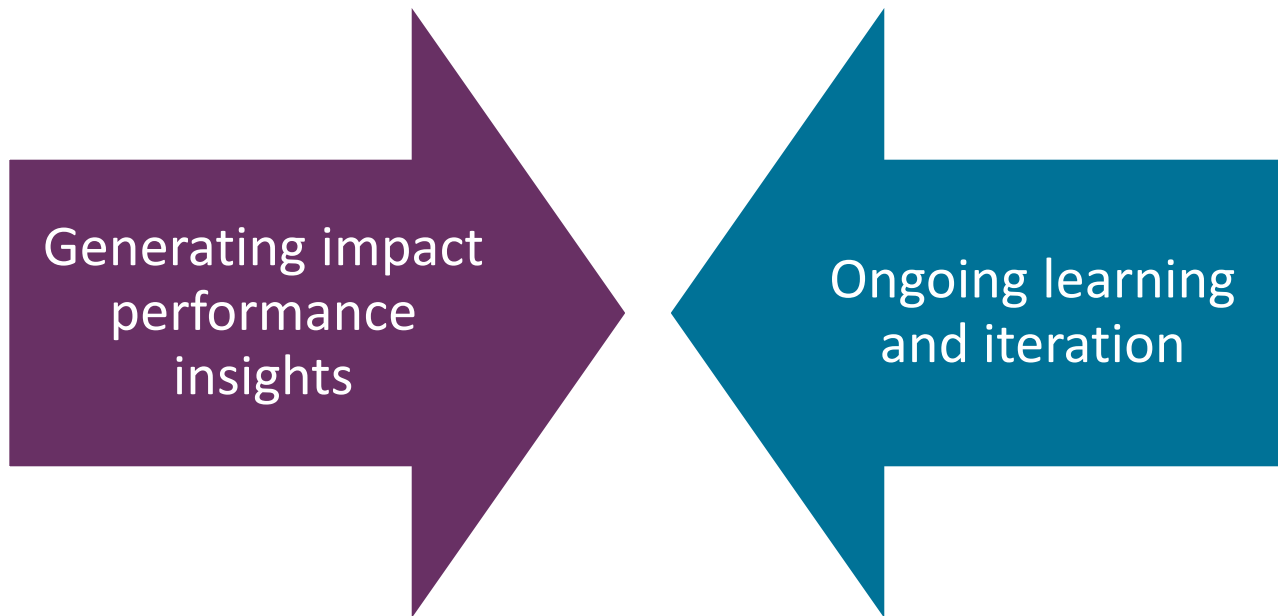
Agenda

- Introduction & Welcome
- Understanding Impact Performance: Overarching trends
- Climate Change Mitigation Investments: Impact results
 - *Key research findings*
 - *Spotlight: Emily Simso – Sustainability Manager, New Forests*
- Quality Jobs Investments: Impact results
 - *Key research findings*
 - *Spotlight: Bhairvee Shavdia – Principal, HCAP*
- Q&A

In pursuit of a world in which all investors integrate **impact** into **investment decisions**, simply by default...

the GIIN is assessing investors' **impact performance** to uncover insights, build tools and resources, & transform financial markets.

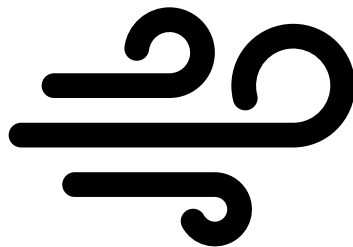
Objectives



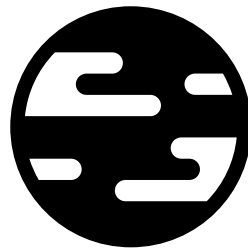
Why now?



Rapid market growth
(and corresponding risk
of impact washing)

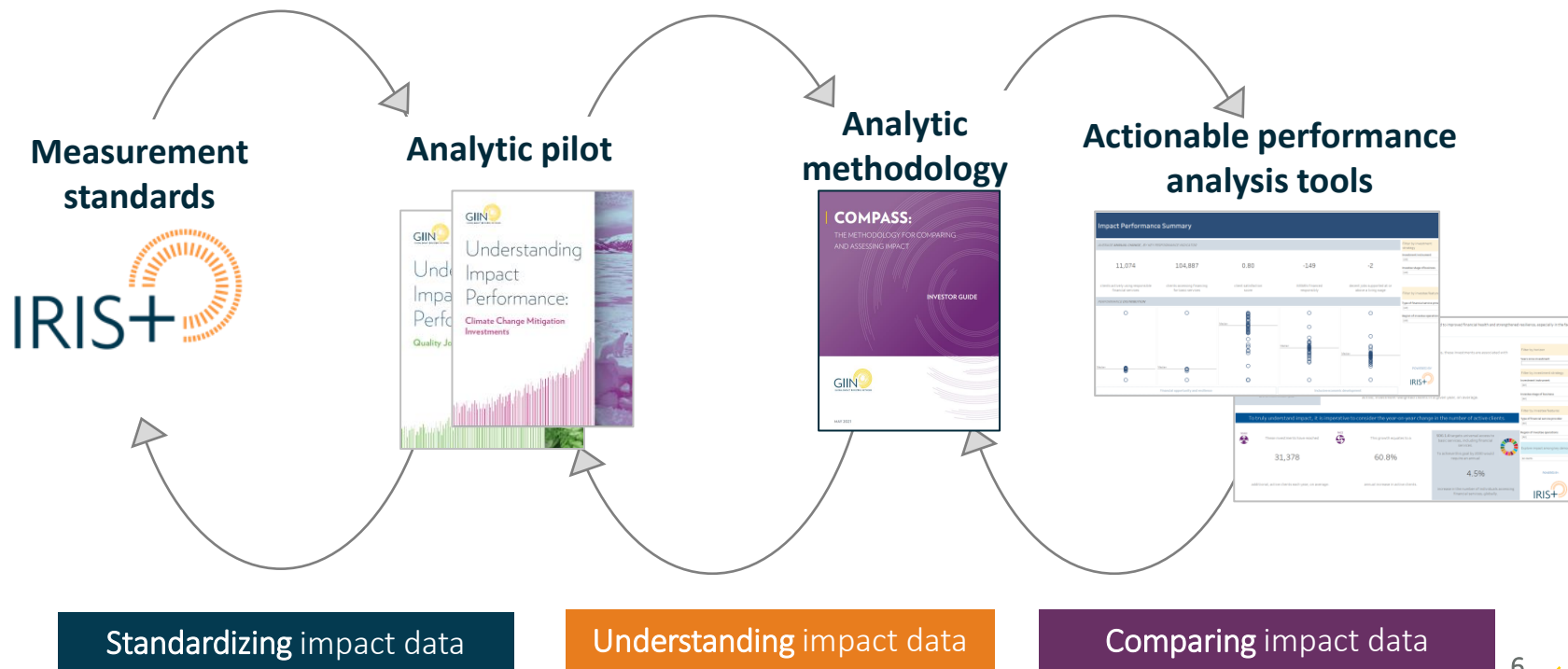



Changing regulatory
winds and pressures



Global social and
environmental urgency

An interconnected suite of impact performance work



A solid blue triangle pointing downwards from the top right corner of the slide, with a thin orange border.

Understanding Impact Performance: Key learnings

Engaging research process

Scoping and questionnaire design

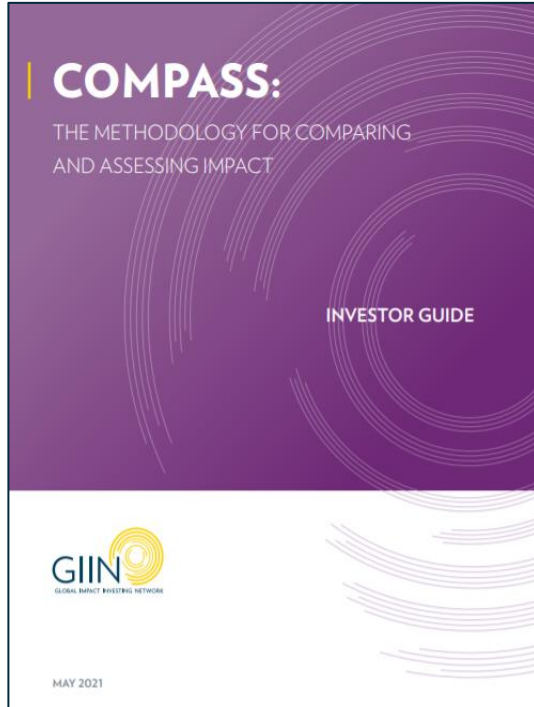
Data collection

Analysis and drafting

IRIS+



Analyzing impact investment performance



Assess impact outcomes

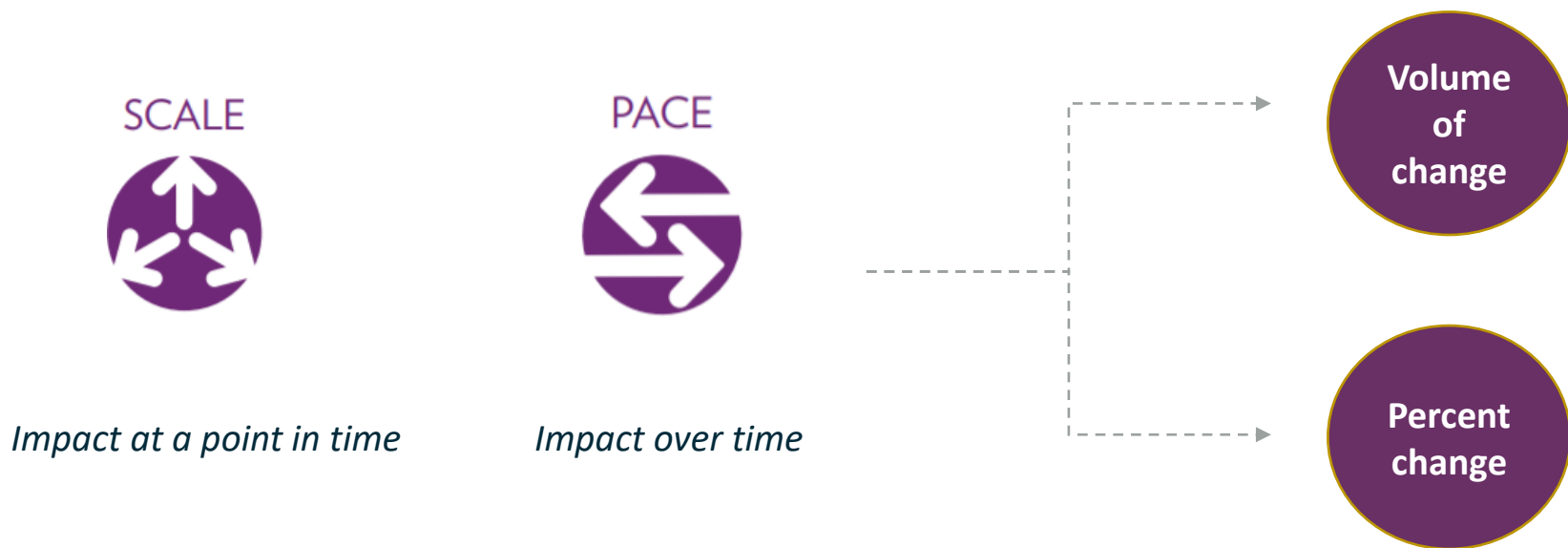


Normalize impact results



Generate analytic figures

Change over time is the crux of impact performance



Point-in-time impact data is important for ***context***; however, assessing ***change in impact over time*** is ***critical*** to understanding and comparing impact performance

Investors play a critical role in influencing impact results through **engagement mechanisms**

Mechanisms including

- Stakeholder engagement,
- Non-financial support,
- Catalytic capital structures, and
- Longer investment holding periods

may be associated with stronger impact results, but additional research is needed to understand the relationship between mechanisms and impact results.

More progress is needed to tackle climate change and support quality employment globally

Climate Change Mitigation



Investments in the sample reduced Scope 1 GHG emissions by 6.4% from the previous year, compared to a yearly reduction of 7.6% needed to limit warming to 1.5 degrees Celsius.

Quality Jobs

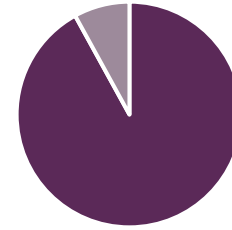


Investors in the sample reported a gender wage equity ratio of 0.95 across investee organizations, falling below the 1.0 level of global wage equity.

Climate Change Mitigation Investments: Impact Results

Nearly **20%** of the planet will be unlivable hot zones by 2050

1.2 billion people may be displaced due to climate disasters by 2050, and **96%** of displacement will occur in cities and regions at high risk of social unrest



1.5°C maximum yearly temperature increase to prevent climate catastrophe

7.6% yearly reduction in GHG emissions required until 2030 to meet **1.5°C** target

A diverse set of investments seeking to mitigate climate change



Across 818 annualized investments...



82% of investors are based in developed markets, while investees more evenly span emerging and developed markets



73% of the sample consists of asset managers



The average investor managed **USD 748.6 million**



A majority of investments were made via **private equity (36%)** and **private debt (32%)**.



The most common strategic goals targeted are **sustainable agriculture (46%)** and **clean energy and heat production (41%)**

Progress toward mitigating climate change

1. Investees in this sample **decreased their emissions by 6.4%** per year. This leaves a **significant gap to the target 7.6% annual decrease** in emissions required to limit warming to 1.5°C in alignment with IPCC recommendations.
2. Across annualized investments focused on clean energy, a given investee generated **2.9 million kWh of renewable energy**, on average each year.
3. Investments focused on **nature-based solutions sequestered 3.2 million metric tons of emissions** on average each year
4. The number of **decent jobs supported each year increased by 28%** on average at climate-conscious investees.

A large blue triangular graphic with a thin orange border, pointing towards the bottom right corner of the slide.

Climate Change Mitigation Spotlight: **New Forests**

Emily Simso, Sustainability Manager

About New Forests

Founded in 2005 to manage institutional forestry investments

- Investing in both the productive use and long-term stewardship of forests and land through sustainable real assets investment
- More than AUD 7.7 billion in assets under management and capital under management¹ including approximately 1.1 million hectares (2.6 million acres)² of forests, rural land, and conservation investments across the Asia-Pacific region and the United States as at 30 June 2021
- Regional investment strategies offering focused investment opportunities in Australia-New Zealand, Southeast Asia, and the United States
- Head office in Sydney; 90+ employees in Australia, New Zealand, Singapore, the US, and Africa



¹ The AUM number includes audited figures as at 30 June 2021. The AUM also includes transactions settled in July and September 2021 as well as approximately USD 550 million of committed uncalled capital from fund vehicles and managed accounts.

² Gross area under management includes a variety of land uses such as timber plantations, natural forest areas, conservation areas, and carbon projects. In some carbon projects in the United States, New Forests manages carbon projects held on third-party owned land.

Why does Greenhouse Gas Accounting Matter?

- Using a standardised greenhouse gas (GHG) accounting methodology allows for comparability and action around high-emitting sectors and/or companies
 - GHG Protocol – Scopes 1, 2, and 3
- GHG removals accounting can help scale natural climate solutions
- Comprehensive accounting is necessary for net zero commitments and broader climate action
- Part of New Forests' Climate Action Plan¹



Challenges to Supporting Forestry Investment via GHG Accounting

Accounting Framework

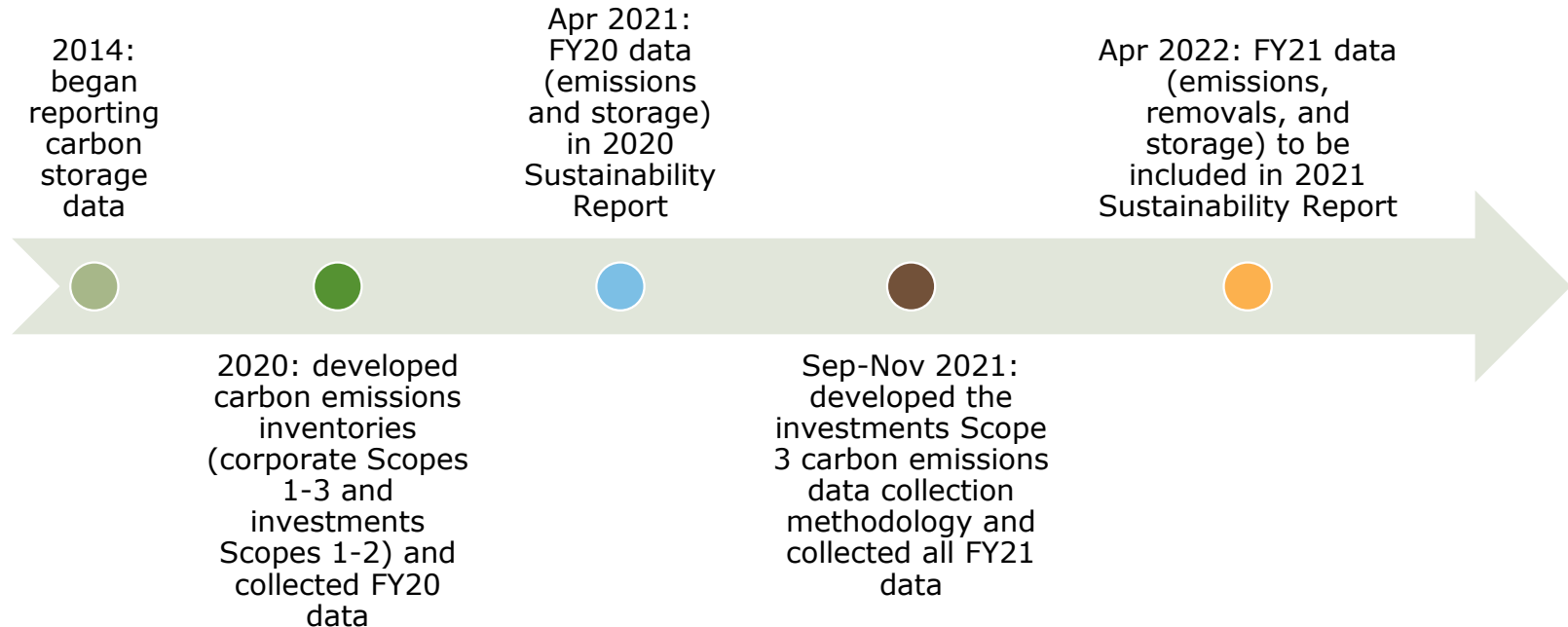
- Need to recognise and encourage increasing carbon stocks on the land
 - Focus on net carbon changes (flux) rather than gross emissions/removals and straightforward boundaries and reporting requirements
- Need to incorporate carbon storage benefits in harvested wood products (HWP)
- Accounting for emissions and removals alike
- Challenges and opposition
 - Lack of standardised approach for forestry investment managers
 - Lack of belief in data for HWP
 - Over-conservatism around permanence of carbon stocks in forests and HWP

Development and Resourcing

- New Forests partnered with a consultant to develop our emissions methodology and tools

Greenhouse Gas Emissions Accounting Process

- Project goal was to measure Scopes 1, 2, and 3 GHG emissions data across our corporate and investment management operations
- Aligned to the GHG Protocol Corporate Accounting and Reporting Standard



Functional Tool

- Excel-based tool
- Individual data collection spreadsheets sent to third-party property managers and investee companies
- Data is uploaded to the tool to convert primary data to emissions
- Summarised and visualised to understand Scopes 1, 2, and 3 breakdown and compare emissions sources

What's Next?

- Publish our FY21 carbon emissions and removals data in our upcoming 2021 Sustainability Report
- Release a public disclosure of our carbon emissions and removals methodology
- Continue to support the update to the GHG Protocol Land Sector and Removals Standard
- Identify and adopt more sophisticated data collection methods including direct feeds as part of business wide process improvement projects
- Use our FY20 and FY21 data to inform:
 - Net zero targets
 - Fund-level emissions reduction plans
 - Science-based Targets for our business and investments
- Continuous improvement aligned with best practice



A solid blue triangle pointing downwards from the top right corner of the slide, with a thin orange border along its hypotenuse.

Quality Jobs Investments: Impact Results

2 billion workers around the world are informally employed



3 million people die every year of work-related injuries

71% of healthy working-age men worldwide are employed, compared to **45%** of healthy working-age women



Sample overview: Quality Jobs



Across 867 annualized investments...



68% of investors based in developed markets, while **32%** are based in emerging markets.



The average investor managing **USD 735** million and at the median, **USD 116 million**.



A majority of investees (**52%**) are **growth-stage companies**.



Most common sectors of investment in the sample include **food & agriculture (36%)**, **financial services (20%)**, and **microfinance (15%)**

Progress toward quality employment

1. The delivery of **skill-building trainings or mentorship opportunities** has grown over time, with an **18% annual average increase** in the number of full-time permanent staff receiving trainings.
2. Across the sample, **17% of investees provided health & safety training, maintained health & safety policies, and implemented employee feedback and grievance mechanisms.**
3. The **gender wage equity ratio** was **0.95** across the full sample, and **1.01** among **the subset of investees with anti-discrimination and anti-harassment policies** in place to reduce workplace inequities.
4. An average of **796 staff were paid at least a living wage**, representing **73%** of their average total employee base.

A large blue diagonal graphic element that starts from the top right corner and extends towards the bottom left, creating a triangular shape on the right side of the slide.

Quality Jobs Spotlight: **HCAP Partners**

Bhairvee Shavdia, Principal

A COMMITMENT TO QUALITY JOBS



HCAP Partners' mission is to improve the lives of the employees of our portfolio companies. Our impact thesis focuses on building quality jobs at small businesses, particularly for low-to-moderate income wage earners. This work is done alongside deeply committed management teams who value and understand the benefits of quality jobs within their companies.

Gainful Jobs Approach™

Developed through collaboration with our LPs and industry thought leaders, HCAP Partners' Gainful Jobs Approach™ is our operational impact framework for understanding job quality standards at our portfolio companies through:

- A robust quantitative measurement system to assess existing job quality standards and improvements
- Active portfolio engagement to identify and implement workplace initiatives aimed at creating and maintaining high-quality jobs.
- Exits aligned with our impact thesis of improving job quality through “carrot agreements”



INTENTIONAL IMPACT THROUGH PORTFOLIO ENGAGEMENT

HCAP Partners works diligently towards its longstanding commitment to creating and preserving quality jobs. Through its proprietary impact framework, the Gainful Jobs Approach™, HCAP Partners actively engages with its portfolio companies to improve job quality standards following the methodology below.

Gainful Jobs Approach™ Methodology



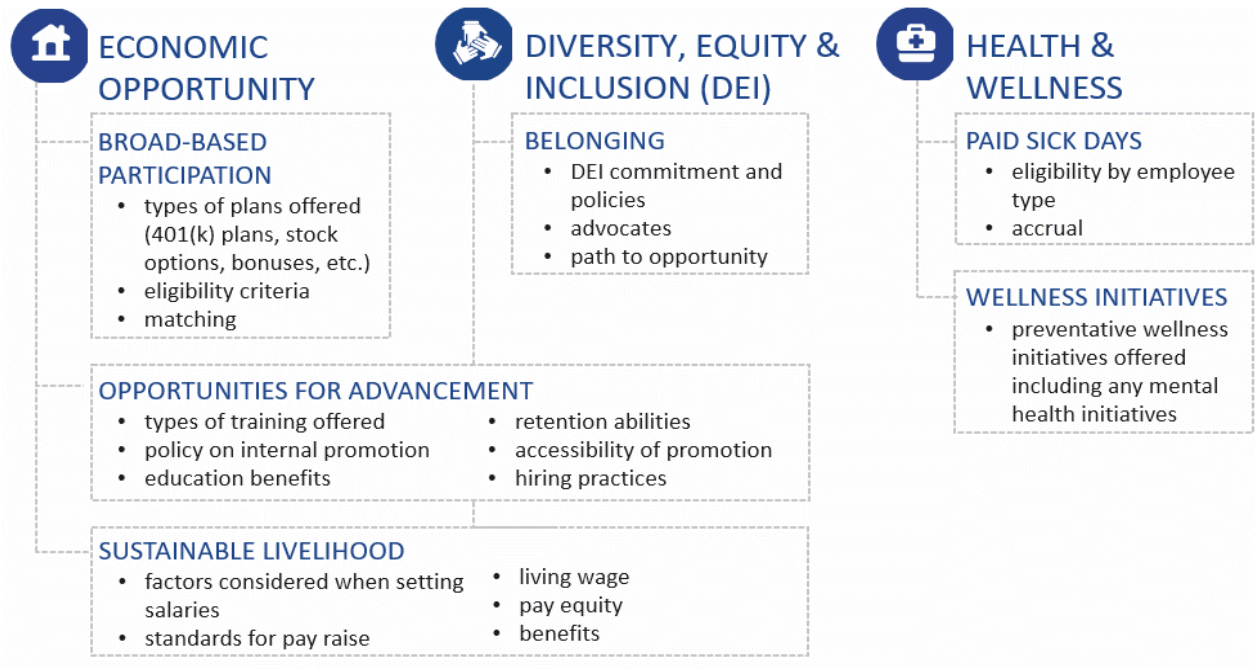
The Baseline: At the time of investment, HCAP Partners works with portfolio company leadership to understand current job quality standards.

Strategic Roadmap: HCAP Partners collaborates with management teams to develop a tailored Strategic Roadmap which includes actionable steps to improve job quality standards over time.

Impact Creation / Portfolio Engagement: HCAP Partners engages with portfolio companies on a consistent basis to understand progress towards goals in the Strategic Roadmap. HCAP Partners also works with management teams to provide tools and resources to aid in the implementation of new workplace practices aimed at improving job quality standards.

KEY IMPACT THEMES

HCAP Partners is committed to improving job quality standards across the themes of Economic Opportunity, Health & Wellness, and Diversity, Equity, & Inclusion in the Gainful Jobs Approach™.



INVESTING IN MEANINGFUL JOB QUALITY IMPROVEMENTS

CONFIRM BIOSCIENCES



Leading provider of high-quality, comprehensive screening tools and solutions across the full spectrum of health and wellness.

Acquired by Clinical Reference Laboratory (CRL) in Dec. 2020

- Throughout our investment, each employee **realized job quality improvements across 4 out of the 5 attributes of the Gainful Jobs Approach™**, including broad-based participation, opportunities for advancement, wellness, and paid sick leave.
- As part of HCAP's exit and carrot agreement capital contribution, HCAP worked with Confirm Biosciences to structure **bonuses for all employees**
- Total bonus pool for all employees was \$1.4M** with HCAP Partners contributing \$190K; remaining funds provided by majority owners of Confirm BioSciences
- \$225K was distributed amongst the LMI wage-earning staff with an average of **\$13K per employee**

INITIAL INVESTMENT

MARCH 2019

PRE-EXIT

JUNE 2020

58

66

NUMBER OF
EMPLOYEES

34.5%

22.7%

% EMPLOYEES
EARNING LMI
WAGES

\$20.51

\$35.76

AVE. HOURLY WAGE

JOB QUALITY IMPROVEMENTS ACHIEVED DURING INVESTMENT PERIOD

100%

% OF JOBS
IMPROVED

3.2

AVE # OF IMPROVEMENTS
PER JOB

CARROT AGREEMENT OUTCOMES

94.4%

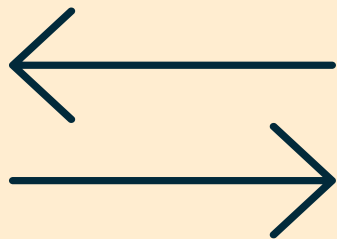
% OF TOTAL JOB QUALITY IMPROVEMENT
GOALS COMPLETED

\$225K

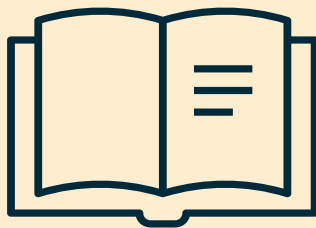
DISTRIBUTED AMONGST LMI WAGE-EARNING
EMPLOYEES AT EXIT

Next Steps

Key learnings in impact performance analytics



Change over time is the crux of impact performance

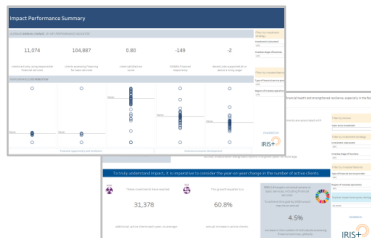


Investors can leverage strategies to **influence impact results**, but additional research is needed on how to most effectively use those strategies



While investors have made some progress, **significantly more is needed** to address climate solutions and quality jobs

What's next on the impact performance horizon?



Impact Performance Benchmark in Financial Inclusion

- *Stay tuned for the upcoming launch!*

The IRIS+ List

- *An interactive database that connects investors with the information they need to inform investment decisions*



Theme Development

- *Scoping for the IRIS+ Climate Resilience and Adaptation theme is underway*

Q&A

Please feel free to reach out with any thoughts or questions:

- *Lissa Glasgo - Director, IRIS+ & IMM: lglasgo@thegiin.org*
- *Sophia Sunderji - Associate Director, Research: ssunderji@thegiin.org*
- *Ben Ringel - Senior Associate, Research: bringel@thegiin.org*



Global Impact Investing Network

One Battery Park Plaza
Suite 202
New York, NY 10004, USA
646.837.7430

www.thegiin.org