



Operating Principles for  
Impact Management

## COMMON AND EMERGING PRACTICES

# Principle 9 & Verification Guidance

*Presentation at Signatory Open Forum  
September 5, 2024*

# About this Guidance

## Common & Emerging Practices: First in the Series

### COMMON & EMERGING PRACTICES

# Principle 9 and Verification Guidance

v1.0

*The* Common and Emerging Practices, a new series of resources from Impact Principles, aims to capture the convergence of common practices in the implementation of the Impact Principles by our Signatories and highlight promising emerging practices as well as key gaps.

By sharing these common and emerging best practices in impact management, we seek to elevate impact practice in the market and ensure that capital is being mobilized to scale with integrity to drive collective impact outcomes.



# About this Guidance:

## Principle 9 and Verification Guidance

- Developed in collaboration with our **Independent Verifier Working Group**, a group of independent verifiers who have conducted verifications for our Signatories and meet regularly to share and discuss common experiences and challenges.
- **Why:** Still a nascent field, independent verification is a crucial and differentiating element of the Impact Principles, fostering transparency, rigor, and discipline in the impact investing market.
- **Goal:** Support better understanding of the types of verifiers and verification services, as well as for more consistency between them

### Key Content

1. Overview of Disclosure & Independent Verification Requirements
2. Section A: Timing & Frequency of Independent Verification
3. Section B: Types of Providers for Independent Verification
4. Section C: Types of Services Offered, Approaches, Methodologies
5. Section D: Scope of Work
6. Section E: Conflict of Interest



## Overview

# Disclosures Related to the Independent Verification

- What should be included in disclosure for Principle 9?
  1. The **name** and registered **address** of the verifier;
  2. A paragraph summarizing the **operations and qualifications** of the independent verifier;
  3. The **dates of the most recent and the next planned verifications**, or if the first independent verification has not yet been completed at the time of the Disclosure Statement, the planned date when the first verification will take place;
  4. A **link** to a public statement by the independent verifier (verification summary).

More detailed guidelines for annual Disclosure Statements are provided in the *Reporting Requirements and Template for Annual Disclosure Statement* distributed to Signatories.

### ! Important Note

Independent verification provides assurance of the alignment of a Signatories' impact management systems and processes with the Impact Principles.

While the verification should include assurance of the consistency of the Disclosure Statement with the actual impact management system, it is *not* a verification of the Disclosure Statement as such.



# Signatory Disclosure Practice Related to Verification

Preliminary, working analysis

% of Signatory Disclosures  
(100% = 166 recent disclosures reviewed)

Affirming review of alignment

Affirms Annual Review of Alignment w/ OPIM



Verifier Information

Discloses Verifier name



Provides Verifier name, address & description



Verification timing

States date of last verification



States frequency of verifications



States date of next verification



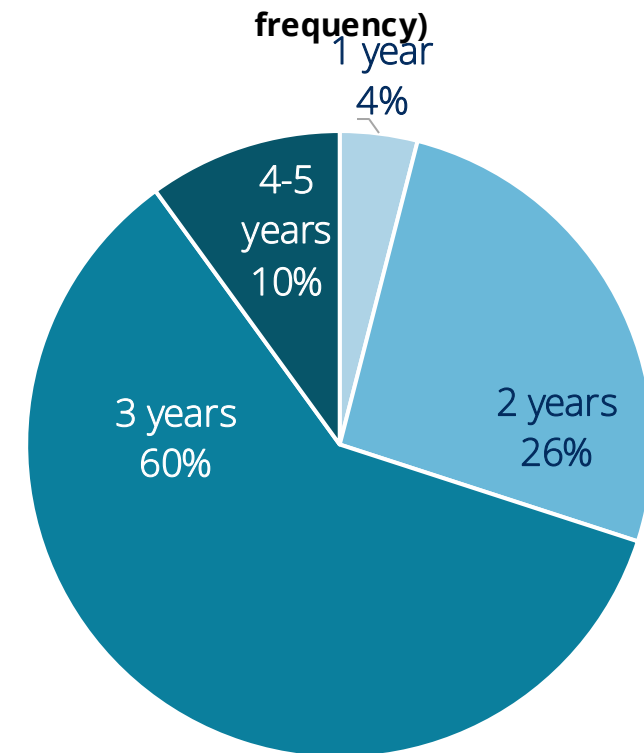
More consistent disclosure of **Verifier information** (name, address, description) and **dates of last and next verification** would support transparency and promotion of best practices.

## Section A:

# Timing & Frequency of Verification

- **Average frequency:** Every two to three years
- **Range:** Every one to five years.
- When/after material changes are made to the impact management system/process
- **The first verification:** Typically conducted within the first two years of becoming a Signatory, or within one year of the publication of the first Disclosure Statement.

**Frequency of verifications**  
(100% = 80 disclosures stating verification)



### Important Note:

The first verification should be conducted **concurrently with, or after, the first Disclosure Statement** to include assurance of the consistency of the Disclosure Statement with the actual impact management



## Section B:

# Types of Providers for Verification

% of Signatory Verifications

Impact + ESG Service Providers

74%

- The **most common** type with a variety of firms:
  - 1) Broad **Impact consulting or advisory service providers**
  - 2) Specialized **ESG or impact investing-related technical solutions/services providers**
  - 3) Specialized **ESG or sustainability rating and/or impact verification providers**

Auditing Firms

18%

- Typically provide **limited or reasonable assurance**, following standards like ISAE 3000
- Independent verification has been conducted by all the “big four” accounting firms
- Typically selected when they are also providing other professional services

Internal Audit Department

6%

- Typically done by **large Signatory organizations** with the existing structures and capacity for **internal audit activity**, such as DFIs or large banks

Independent Verification Committee

3%

- **External** verification committee of **at least three qualified persons**
- *Recommend contacting the Secretariat ahead of time to confirm qualifications & independence of committee members*



Important Note: Across all four types, the firm, team, or persons conducting the verification should be totally independent from the development and implementation of the Signatory's impact system and investment decision processes. (More on Section E: Conflicts of Interest )





## Section C:

# Types of Services, Approaches, Methodologies

### Purpose of Independent verifications

- Assure that a Signatory's impact management systems and processes align with the Impact Principles.
- While not solely verifying the Disclosure Statement, should **review the Disclosure Statement to confirm** that it corresponds to the findings and the actual impact management practice.
- *Not* intended to provide verification of the quality or adequacy of the impact management system, impact measurement data, or the impact results reported.
- May include **recommendations** for future improvements, but this is *not* a requirement.





## Section C:

# Types of Services, Approaches, Methodologies

## Type of Services

- Limited or reasonable assurance, generally guided by standards like [ISAE 3000](#)
- Verifications that affirm the alignment and may additionally include a letter to management or report describing the Signatory's level of alignment using the verifiers' internal methodology and areas for improvement.

## Approaches & Methodologies

Range of approaches and methodologies:

- Use scoring or benchmarking, comparing against other verifications completed
- Base assessments on market knowledge, professional experience, and firm expertise
- Both approaches may be used together and are not mutually exclusive.

## Note on Reports and Publications of Verification Results

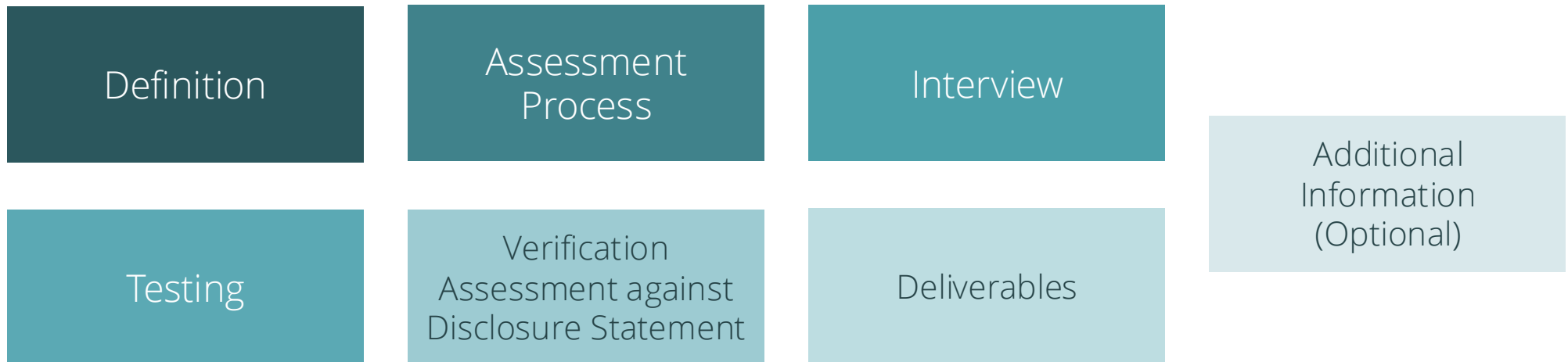
- Both service types may include either a letter to management with a detailed assessment and recommendations (*not for publication*) or a report on how to improve impact management practices and their alignment with the Impact Principles (*that may or may not be published*), along with a verification or assurance statement (for publication).
- Individual rating, scoring or benchmarking results may be public or private, depending on the service provider and the specific nature of services offered.



## Section D:

# Scope of Work (Recommendations) - 1/4

- Verifiers should provide a **Scope of Work** outlining the process, steps, and deliverables of the verification.
- **Recommendation:**
  - Include this Scope of in the **published verification statement**.
  - Include the following in the Scope of Work:



## Section D: Scope of Work (Recommendations) - 2/4

### Definition

- 1) Define what is being reviewed and verified:
  - The Signatory's **impact management (IM)** systems, policies, processes, key documents and tools for **their alignment with the Impact Principles**
  - The **consistency of the Disclosure Statement** with their findings and actual practice
- 2) Define the **Covered Assets** that are part of the Scope of Work
  - If **multiple funds** within Covered Assets, describe the specific scope and level at which the verification is taking place
  - Where relevant, briefly describe the **status of the covered assets** at the time of the verification for context of IM practice (e.g., no capital deployed yet/fundraising)

### Assessment Process

- Assess the **alignment** of the IM systems and policies with the **Impact Principles**
- Assess the IM system using **specific criteria**\*
- Review **organization capacity, governance structure** and their effectiveness, including investment and impact evaluation oversight
- As part of the process, may request to fill out a **questionnaire** or provide a **set of data and key documents** to support the verification process.



## Section D:

# Scope of Work (Recommendations) - 3/4

### Interview

- Meet with and/or survey **key internal stakeholders** including:
    - **Staff** responsible for defining and implementing the **IM system and processes**;
    - **Staff & senior management** to evaluate how IM is incorporated into **decision-making**;
    - **Key employees** to understand and collect additional information on the IM system;
    - **Board or investment or impact-related committee** members to understand and collect information on **governance** related to IM system;
  - Where possible, interview, meet with and/or survey **key external stakeholders**, potentially including LPs and investees
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### Testing

- Assess the **implementation** of the Impact Principles by **testing a representative investment/project(s)** or based on a **selection of transactions** diversified by type, location, and date of investment.
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### Verification Assessment against Disclosure Statement

- Review the **consistency of the information** provided in the Disclosure Statement with the findings of the verification and the Signatory's actual impact management practice



## Section D:

# Scope of Work (Recommendations) - 3/4

### Deliverables

- A final verification statement or summary document provided to the Signatory that may be published (required).
  - Consolidated findings and recommendations provided in an internal report for the management team (optional).
  - Detailed assessment findings outlining alignment and recommended improvements (optional).
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### Additional Information (Optional)

Verifiers may include additional information in the verification statement or report that provides helpful context for their findings and recommendations including:

- A description and explanation of rating, scoring or benchmarking methodologies;
- A list of regulations and other standards and frameworks used as guidance.



## Section E:

# Conflict of Interest

- Requirement**
- The independent verifier must be **independent** of the development and implementation of impact strategy and management system and the overall investment process.

- Recommendation**
- Include a **Statement of Independence** in the verification summary document to evidence this independence.

- Particularly relevant in cases of verification being conducted by:
  - **Independent verification committee** formed by Signatory/Signatories, or
  - **Impact + ESG service provider** that may also have provided advisory or technical services to the Signatory in the development and implementation of their impact management system.
- The Statement of Independence may be modeled after [ISAE 3000](#).
- The Statement should confirm that there is **no conflict of interest**, including:
  - Verifier has not built the impact management system nor been involved in its ongoing development and maintenance
  - Verifier did not write the Disclosure Statement
  - Verifier is not involved in operations, management or investment processes.



# End of Document

## Note

- This document is an excerpt from the presentation shared at the Impact Principles Signatory Open Forum on September 5, 2024.
- For full, current guidance, please visit the Impact Principles website [https://www.impactprinciples.org/commonpractices\\_Principle9](https://www.impactprinciples.org/commonpractices_Principle9). The guidance will be updated on an on-going basis with feedback and consultations.
- For comments or questions, please email the Impact Principles Secretariat at [secretariat@impactprinciples.org](mailto:secretariat@impactprinciples.org)

