



PLEDGE FOR THE DEVELOPMENT OF IMPACT FINANCE

We, the signatories of this declaration, recognize the need for a shared approach to Impact Finance. We support an ambitious definition of Impact Finance as stated in this document. We affirm our will to implement the key principles and operational tools that underpin this definition. We also bring to the attention of regulators the importance of changing regulatory and market frameworks to foster the development of Impact Finance and, ultimately, the contribution of the financial sector to the implementation of the Paris Agreement and the Sustainable Development Goals (SDGs).

Today, there are many reflections on how to define and promote Impact Finance: international initiatives shouldered by regulators, but also approaches by practitioners, carried out by financial center working groups or networks promoting Impact Investing (for example GIIN, GSG, EVPA - the European network of Investors for impact etc..., or the Forum pour l'Investissement Responsable (French SIF), France Invest, FAIR or the French Impact to cite national examples).

In this context of emulation and building on existing work, we are convinced that the following principles and their implementation are necessary to develop Impact Finance on a large scale and ensure the robustness and credibility of impact initiatives.

IMPLEMENTING A STRUCTURED AND DEMANDING DEFINITION OF IMPACT FINANCE

We believe that impact investing should be based on a definition that applies to **all types of financial products explicitly committed to an impact approach**, from solidarity finance to new entrants. This definition enables to include financial players with different levels of commitment. **The nature of the funded assets**, which determines an important part of how each investment / financing product can have a social or environmental impact, must be fully taken into account in assessing its potential beneficial effects. Considering the type of asset class, each investor / financing institution then has the responsibility to define its objectives in terms of social or environmental impact (intentionality), to ensure the compatibility of the sought financial return with these objectives and to demonstrate the beneficial effects of the strategy implemented.

Impact Finance is an investment or financing strategy that aims to accelerate the just and sustainable transformation of the real economy, by providing evidence of its beneficial effects.

It is based on the pillars of **intentionality, additionality and impact measurement**, to demonstrate:

1. The joint search, over time, for an ecological and social performance and a financial return, while controlling the occurrence of negative externalities;
2. The adoption of a clear and transparent methodology describing the causal mechanisms through which the strategy contributes to the targeted environmental and social objectives, the relevant period of investment or financing, as well as the measurement methods – according to the concept of theory of change.
3. The achievement of environmental and social objectives aligned with frameworks of reference, in particular the Sustainable Development Goals, defined at the international, national and local levels.

PROMOTING AN UPSTANDING IMPACT APPROACH, A CLEAR AND TRANSPARENT COMMUNICATION AND SUITABLE MEASUREMENT AND REPORTING TOOLS.

We consider it is essential to foster **credibility** and **confidence** in Impact Finance, and to prevent all forms of impact washing. To this end, the use of **a scientifically based assessment method, within a reference framework specifying societal values and objectives**, is therefore essential.

This is why we support the development of suitable impact measurement tools and we will strive to implement and promote the following good practices when offering impact products:

- Apply the three fundamental principles of impact: intentionality, additionality and measurement.
- Communicate clearly and transparently on the actions taken, outcomes and impacts obtained.
- Estimate the "contribution potential to sustainable transformation" of products promoted as "impact" products through:
 - An explicit formulation of impact intention in relation to the social or environmental need to be met
 - The establishment of an investing or financing strategy consistent with the original intention
 - The assessment and monitoring of beneficial effects and consideration of negative externalities associated with the product



INTEGRATING IMPACT FINANCE INTO REGULATORY AND MARKET FRAMEWORKS

Despite the emergence of the notion of sustainable finance in certain regulatory frameworks, particularly in those of the European Union, the notion of Impact Finance appears, at this stage, not yet enough present in policies and regulations. **As such, we call on national, European and international regulators and policy makers to better integrate the concept of Impact Finance into their strategies and regulatory work on existing texts, for investing but also for financing instruments.**

Social issues should be fully incorporated into regulatory and market frameworks. Indeed, while environmental objectives are a growing concern, social issues, in particular those related to the ecological transition, are not yet sufficiently considered. They must be the subject of increased attention from regulators and policy makers, because the ecological transition cannot succeed without the simultaneous integration of the social dimension.

In addition, we are convinced that the development of Impact Finance will require **the implementation of concrete measures**, some of which already exist and should be globalized (taxonomies, classification of assets, non-financial accounting methods, etc.).

In particular, transparency and sustainability reporting obligations and standardization works should include, for both companies and financial actors, in addition to ESG criteria, the control of negative externalities and the contribution to a positive ecological and social impact.

Adopting collective definitions of what impact assets are, by means of taxonomies, is also a concrete step that will provide the benchmarks that investors and funders need. In this regard, we welcome the promising work of the International Platform on Sustainable Finance launched by the European Union to encourage the convergence of sustainable finance frameworks and tools on an international scale.

Finally, **the establishment of classifications of investment and financing products according to their degree of potential impact**, using standards or labels, must be accelerated to provide investors and final beneficiaries the clarity needed to develop Impact Finance.

We are convinced that the more globalized the adoption of such tools, the more the implementation of a common language of Impact Finance on an international scale will be promoted. We call for the acceleration of these developments to massively strengthen the contribution of the financial sector to the achievement of the international sustainable development goals.

Finance for Tomorrow, as coordinator of this declaration, is committed to updating this pledge regularly, in collaboration with the signatories, to take into account all future contributions enabling to advance the stakeholders' commitment in the development of Impact Finance.

SIGNATORIES



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