

# IMPACT PRINCIPLES VERIFICATION REPORT

**alphamundi**

*Investment Solutions  
For People and Planet*

---

**AlphaMundi Group**



**Operating Principles for  
Impact Management**

Date of assessment: 19 April 2023

## 9 IMPACT PRINCIPLES

The Impact Principles\* are a framework for investors for the design and implementation of their impact management systems, ensuring that impact considerations are integrated throughout the investment lifecycle. They may be implemented through different types of systems, each of which can be designed to fit the needs of an individual organization. They do not prescribe specific tools and approaches, or specific impact measurement frameworks. The expectation is that industry participants will continue to learn from each other as they implement the Impact Principles.

The Impact Principles are scalable and relevant to all types of impact investors and sizes of investment portfolios, asset types, sectors, and geographies. The Impact Principles may be adopted at the corporate, line of business, fund, or investment vehicle level. Asset managers with a diverse set of investment products may decide to adopt the Impact Principles for only specific funds or vehicles that they consider impact investments and need not adopt the Impact Principles for the entirety of their assets. As well, asset owners that invest in bonds, funds, and other investment vehicles may apply the Impact Principles to their own investment processes. The Impact Principles do not have to be followed by the investee company, fund, or asset.

The way in which the Impact Principles are applied will vary by type of investor. Asset owners and their advisors may use them to screen impact investment opportunities. Asset managers may use the Impact Principles to assure investors that impact funds are managed in a robust fashion.

## VERIFICATION PROCESS

Since 2018 Phenix Capital Group has been in contact with the Secretariat of the Impact Principles and was part of the initial consultation process to create the principles. Since then it has been offering verification as one of its services. Phenix provides a limited assurance conclusion as to the level of a fund manager's alignment to each of the 9 Impact Principles. The verification process is as follows;

- Data Request to collect documentation relevant to each of the 9 Impact Principles
- Preliminary scoring of alignment to each Impact Principle based on an assessment methodology
- Call with the fund manager to verify preliminary scoring and initial findings
- Presentation of final assessment report including highlights and opportunities for improvement

## SCORING EXPLANATION

**High:** Full alignment to the Impact Principle requirements, with only minor areas for improvement identified

**Medium:** Significant alignment to the Impact Principle requirements, some areas for improvement identified

**Low:** Poor alignment to the Impact Principle requirements, significant and material improvements identified

---

\* [The 9 Principles | Operating Principles for Impact Management \(impactprinciples.org\)](https://www.impactprinciples.org/)

## VERIFIER STATEMENT

Phenix Capital reviewed the AlphaMundi Group's (AMG) set of impact management policies and processes, with the purpose to assess the degree of alignment to the Impact Principles. As of 19th April 2023, AlphaMundi Group's AUM covered by this assessment is USD 55.3 million, comprising of the SocialAlpha fund, currently in investment period, and the AlphaJiri fund, a fully invested fund. A summary of the assessment can be found below, and is explained in more detail in the next section.

Impact Principle 1	MEDIUM	Clear pathway to reach impact goals defined in a Theory of Change. Impact objectives can be further quantified and granular.
Impact Principle 2	MEDIUM	Standardized processes to manage for impact. Further opportunity to link team incentives to impact objectives.
Impact Principle 3	HIGH	AMG identifies its contribution as a catalytic player.
Impact Principle 4	MEDIUM	AMG has standardized processes in place to select and manage investees based on impact performance. Opportunity to quantify the concrete, positive impact potential of investments.
Impact Principle 5	HIGH	A solid ESG risk identification and mitigation process is in place, and investees are managed to reduce potential negative outcomes.
Impact Principle 6	MEDIUM	AMG tracks impact performance aligned to industry standards e.g. 2x challenge. However, in order to monitor progress towards the expected impact, this must first be quantified.
Impact Principle 7	HIGH	AMG considers the continuity of positive impacts at exit. Opportunity to formalize this process.
Impact Principle 8	MEDIUM	AMG reviews and documents its impact performance publicly. It also interviews investee CEOs for feedback. Opportunity to create a standardized monitoring evaluation and learning process (MEL).
Impact Principle 9	HIGH	AMG disclosure is publicly available and has been screened in alignment with this assessment. The disclosures were also previously verified.

Based on the findings of the assessment nothing came to the attention of Phenix Capital Group that would indicate that AlphaMundi Group has not complied, in all material aspects, with the Impact Principles.



*Dirk Meuleman, CEO Phenix Capital Group  
19th April 2023*

## DETAILED ASSESSMENT FINDINGS

### Impact Principle 1: Define strategic impact objective(s) consistent with the investment strategy

AlphaMundi Group has clearly defined impact objectives for both AMG and sector/impact theme specific. These are underpinned by a Theory of Change and linked to the UN SDGs.

#### *Areas of improvement:*

- Align documentation not just to the SDGs but also to the target indicators.
- Quantify the impact objectives to enable a better assessment of whether the intended impact is proportionate to the investment of the portfolio

### Impact Principle 2: Manage strategic impact on a portfolio basis

AlphaMundi Group has a standardized investment process to establish and manage impact performance for the whole portfolio. The fund manager has aligned individual objectives and development plans to the achievement of impact objectives KPIs.

#### *Areas of improvement:*

- Create a formal alignment of staff incentive systems with the impact objectives and KPIs of AMG.

### Impact Principle 3: Establish the Manager's contribution to the achievement of impact

As part of its due diligence process, AlphaMundi Group identifies their own financial contribution, as well as their potential to play a catalytic role in the growth trajectory and positive impact of the company.

#### *Areas of improvement:*

- More clearly identify extra-financial contributions e.g. by aligning to IMP's investor contribution matrix

### Impact Principle 4: Assess the expected impact of each investment, based on a systematic approach

In the due diligence phase, AlphaMundi Group has a standardized process to assess a company's impact related potential and performance. As part of the impact screen, the fund manager also uses IMP's 5 dimensions of impact to identify the 'What, Who and How'. The fund manager identifies investment risks but these are more focused on financial and operational risks. The fund manager also assesses the impact potential, the magnitude (scale and depth) of impact, and opportunities to increase the impact of the investments.

#### *Areas of improvement:*

- Identify the expected positive impact of each investment in quantifiable KPIs and include an assessment of the likelihood of achieving this intended impact.
- Create a standardized process to identify and mitigate impact risks e.g. using IMP's 9 dimensions of risk framework.

### Impact Principle 5: Assess, address, monitor, and manage potential negative impacts of each investment

AlphaMundi Group has a standardized process to identify and mitigate ESG risks, aligned to industry standards such as SFDR and OECD. Once the ESG risk profile is complete, a risk management plan is created to address them. In the case of heightened or realised risks, the fund manager will engage with investees to mitigate any negative outcomes. The lender commits to notify AMG of any potential or realised sustainability risks in the deal terms.

#### *Areas of improvement:*

- Option to describe the engagement policy in the deal terms.

## Impact Principle 6: Monitor the progress of each investment in achieving impact against expectations and respond appropriately

AlphaMundi Group tracks both a standard set of impact KPIs and investee related indicators. These are aligned to industry standards such as IRIS+ and the 2X Challenge. AMG agrees in advance with the lender in the deal terms on the KPIs that will be tracked, the frequency of data reporting, and the method of data collection. If the investees do not meet impact goals AMG will engage using appropriate methods. The AlphaMundi Foundation also provides technical assistance on impact topics.

### *Areas of improvement:*

- Once AMG identifies the intended impact of each investment, then it can more accurately measure progress of each investment against these expectations.
- Not all impact objectives have outcome level indicators identified, some are still in progress.

## Impact Principle 7: Conduct exits considering the effect on sustained impact

On a case by case basis, AlphaMundi Group considers the continuity of positive impacts at the end of the contract period e.g. by extending the loan if necessary.

### *Areas of improvement:*

- Option to also create a standardized buyer-selection process in the event a loan is exited

## Impact Principle 8: Review, document, and improve decisions and processes based on the achievement of impact and lessons learned

AlphaMundi Group reviews and documents the impact performance of each investment and publishes this in its annual impact report. Learnings and evaluations to improve investment decision making are integrated on an ad-hoc basis. Every 2 years AMG surveys their investee CEOs for feedback and insights and uses this to update their processes

### *Areas of improvement:*

- Opportunity to better identify the expected impact, so that the fund manager can more accurately measure the progress of each investment against these expectations.
- Create a standardized Monitoring, Evaluation and Learning (MEL) process to embed a continuous improvement process in its impact management practices, and share lessons learned with investees and partners.

## Impact Principle 9: Publicly disclose alignment with the Impact Principles and provide regular independent verification of alignment

AlphaMundi Group's 2023 disclosure of alignment to the Impact Principles is publicly available and has been screened in alignment with this assessment. There was no evidence that the assertions in this disclosure statement were materially misstated. The disclosures were also previously verified (2020).



## CATALYSING INSTITUTIONAL CAPITAL TOWARDS THE SDGS

---

Phenix Capital Group is an impact investment consultant that enables institutional investors to make impact investments.

We assist asset owners and asset managers in aligning their investments with their values, financial objectives, and the Sustainable Development Goals.

### Our Vision

We envision a world in which institutional capital helps to end poverty, protect the planet and ensure prosperity for all

### Our Mission

Our mission is to enable and catalyse institutional investments that realise financial, social and environmental returns

### What we do

To achieve our mission, we enable institutional investors to allocate capital to impact investments through our advisory and impact investing intelligence products

E: [info@phenixcapitalgroup.com](mailto:info@phenixcapitalgroup.com)

T: +31 20 240 27 31

[www.phenixcapitalgroup.com](http://www.phenixcapitalgroup.com)