

Overview of the French Impact Investment Market 2023



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Editorial



As impact investing becomes a distinct approach across asset classes, we are proud to present to you this Impact Finance Overview, which aims to size the impact investment market in France.

Led by FAIR and France Invest, this first publication from the National Advisory Board France (NAB, national advisory committees on impact investment) contributes to the discussions on a global level by the Global Steering Group for Impact Investment since 2015 and on a regional level by the European Impact Investing Consortium convened by EVPA.

This exercise enables us to track market developments quantitatively each year.

France holds a unique position in the European market, as highlighted in the Demanding Definition of Impact Investing* adopted by France Invest, the French SIF, and FAIR in 2021. This definition is the key to understanding our overview: how much funding is allocated to impact investment in France? Who allocates and manages these investments? How is impact measured and managed? What dimensions of impact are generated by the funds? The French market is developing in an encouraging manner. Our

findings confirm that impact investors seek both financial returns and impact. It can also be observed that investors want additionality, meaning they want to show that their vehicles make a difference, and to that end investors actively support funded companies (through financial and non-financial contributions). Finally, for impact measurement, international standards are just as widely referenced as local standards.

This illustrates the work that lies ahead: bridging the local and global, understanding all types of impact creation in listed and non-listed assets, and adapting our theoretical models to practical experience. Only under these conditions will impact investment continue to thrive.

Year after year, both national and international collaborations to assess the impact investment market are intensifying, lending credibility to our approach. 2024 presents an opportunity to expand our reflections to listed assets. To further these efforts, FAIR, the French SIF, and France Invest will work hand in hand within the NAB for the next edition of the Impact Finance Overview.

We do hope that this Impact Finance Overview will inspire you to become (and/or remain) curious, to get (even more !) involved in our organizations, and

to strengthen the action of the NAB France.

NAB France



Mathieu Cornieti,
President, France
Invest's Impact
Commission



Cyrille Langendorff,
Vice-président, FAIR



Nathalie Lhayani,
President, French SIF

*<https://www.franceinvest.eu/wp-content/uploads/2021/12/Impact-Handbook-FIR-France-Invest-march-15-2021.pdf>

Résumé exécutif

- ▶ Le marché français de la finance à impact se compose de 66 acteurs (voir section 2.1) qui représentent 14,8 milliards d'euros d'actifs sous gestion répartis dans 153 véhicules d'investissement (voir section 2.2). 11,74 milliards de ce capital sont investis dans des organisations à impact (voir section 2.2), principalement sur le continent européen (voir section 3.1).
- ▶ Les acteurs français soutiennent particulièrement les organisations à vocation sociale, avec 65 % des véhicules dont l'ODD principal a une dominance sociale (ODD 1, 4, 8, 10) et 19 % une dominance environnementale (7, 11, 12, 14) (voir section 3.2).
- ▶ Une majorité des véhicules sont investis en plaçant les objectifs d'impact et de rendement financier au même niveau (62 % des véhicules d'investissement), alors que 35 % privilégient la génération d'impact (voir section 3.3). Si 55 % des véhicules d'investissement ont des attentes de rendement inférieures à celles du marché, seuls 31 % s'attendent à ce qu'elles soient significativement inférieures au taux du marché. Il s'agit là d'un aperçu encourageant sur le traitement de l'arbitrage entre le rendement financier et l'impact (voir section 3.3).
- ▶ Les investisseurs soutiennent activement la création de valeur dans les entreprises dans lesquelles ils investissent en offrant un soutien extra-financier (80 %), notamment sur les thématiques de la mesure de l'impact (98 % d'entre eux) et la stratégie et l'opérationnalité (89 % d'entre eux) (voir section 3.3).
- ▶ Les acteurs opèrent la majorité des véhicules d'investissement (68 %) en s'efforçant de gérer et mesurer leur l'impact avec des cadres internationalement reconnus tels que les PRI (61 %), les SDG Impact Standards (33 %) ou encore ceux développés par Impact Frontiers et l'Institut de la Finance Durable (IFD) (tous deux à 26 %) (voir section 3.3).

Executive summary

- ▶ The French impact investment market is made up of 66 players (see section 2.1) representing €14.8 billion in assets under management spread across 153 investment vehicles (see section 2.2). €11.74 billion of this capital is invested in impact organisations (see section 2.2), mainly in Europe (see section 3.1).
- ▶ French players are particularly supportive of socially oriented organisations, with 65% of vehicles having a main SDG with a social focus (SDGs 1, 4, 8, 10) and 19% a main SDG with an environmental focus (7, 11, 12, 14) (see section 3.2).
- ▶ A majority of vehicles are invested with impact and financial return objectives at the same level (62% of investment vehicles), while 35% give priority to impact generation (see section 3.3). While 55% of investment vehicles have lower return expectations than the market, only 31% expect returns to be significantly lower than the market rate. This is an encouraging insight into the treatment of the trade-off between financial return and impact (see section 3.3).
- ▶ Investors actively support the creation of value in the companies in which they invest by providing extra-financial support (81%), particularly in the areas of impact measurement (98%) and strategy and operability (89%) (see section 3.3).
- ▶ For the majority of investment vehicles (68%), investors strive to measure and manage impact using internationally recognised frameworks such as the PRI (61%), the SDG Impact Standards (33%) or those by Impact Frontiers and the Institute for Sustainable Finance (both 26%) (see section 3.3).



Introduction

As the Impact investment sector continues to grow, structure itself and attract the attention of new players, the need to better understand its mechanisms and realities is also gaining importance. **The goal of this 2023 Overview is to present the French impact investment market, the characteristics of its players and funded organizations, as well as the financing and impact management strategies in place.** It is part of a broader global context of efforts conducted at the French, European, and international levels, aimed at gaining a better understanding of impact investment in terms of its definition, quantitative aspects, and promotion of best practices.

In France, the foundations were laid by the French SIF (TN: in French : FRI, i.e. Forum pour l'Investissement Responsable) and France Invest in 2021, with their publication « **Impact Investing: A Demanding Definition for Listed and Non-listed Products** ». Regarding the sizing dimension, the Impact Invest Lab (iiLab), followed by FAIR, began conducting market assessments of the French Impact investment market as early as 2018. It is therefore natural for FAIR, the French SIF, and France Invest to direct the work of the National Advisory Board (NAB) France, which they jointly oversee, towards this dimension, and to participate in European harmonisation efforts that engage impact ecosystems in Europe through the networks of the Global Steering Group (GSG) and the European Venture Philanthropy Association (EVPA).

At the European level indeed, harmonisation efforts have been led by EVPA and resulted in the publication, in 2022, of « **Accelerating Impact - Main takeaways from the first harmonised European impact investment market sizing exercise** ». This report, through improved data comparability and the creation of a space for sharing best practices, should foster mutual learning among European ecosystems. The overview of impact investment is also part of this dynamic.

The ultimate goal of these various players, as well as this overview, is as follows: **to grow the impact finance impact investment market in France and worldwide, to contribute to solving social and environmental issues.**

I. Scope and Methodology

The Impact investment Overview 2023 being situated at the intersection of French and international debates on what constitutes impact investment, it is crucial to specify the boundaries of this publication, both in terms of the scope of the players considered and of the methodology employed.

The data presented in this study includes social impact funders who are members of FAIR, asset management companies that are members of the Impact Commission of France Invest, the Social and Territorial Cohesion Department of the Investments Committee of the Caisse des Dépôts et Consignations, as well as Proparco, the subsidiary of the French Development Agency (AFD) responsible for investment¹. This overview of impact investment could not have been accomplished without their contribution to a data collection exercise.

Regarding the methodology, **this overview relies on the definition of impact investment proposed by the French SIF and France Invest, which includes the three pillars of impact: intentionality, additionality, and impact measurement.** The data collected this year included valuable statistics for a better mapping of impact, though it was not fully possible to make the most of them below, due to incomplete submissions or poor data quality. This is particularly the case for additionality dimensions. Furthermore, any impact created by listed assets has been excluded from this year's overview because the mechanism for creating such impact, as well as their inclusion methodology, have not yet been clarified in France and Europe. The 2024 edition of this overview will strive to address these issues, in order to widen its scope and include listed impact assets. Finally, it should be noted that some Finansol-unlabeled debt instruments offered by banking networks (outside of their investment subsidiaries) were also not included. This is for example the case of the funds from the Livret de Développement Durable et Solidaire (LDDS) directed towards social and solidarity economy (SSE).

Thus, to be eligible for inclusion in the overview and to avoid double counting, the considered players were asked to only report investments that:

- ▶ comply with the three pillars of impact (intentionality, additionality, measurement).
- ▶ are carried out by teams operating primarily in France.
- ▶ are made in direct form (excluding investments made in other investment vehicles) in the non-listed universe.

The data presented in this overview corresponds to figures as at 12/31/2022.

Due to changes in methodology and player scope, comparisons with previous years are made more difficult. In terms of scope, the refocusing of FAIR on social impact funders, excluding this year companies raising funds directly from individuals, and the inclusion of Proparco, largely explain the differences obtained. As for methodology for assets under management, if part of the listed assets had been included last year (notably for '90/10' funds), it was decided this year to exclude them to maintain a strict scope. Thus, for '90/10' funds, the amount filled as invested in non-listed impact assets was also used for the aggregated data of assets under management.

Nevertheless, this overview of impact investment is becoming one of the pillars of the works of NAB France and will, therefore, be subject to regular annual publications. Once the methodology and scope are harmonized and stable, it will be easier to make year-on-year comparisons.

6 ¹ See appendix page 19 for the list of players included in the Impact Finance Overview 2023.

II. Size of the Impact Investment Market

1. Players in the French Impact Investment Market

There are 66 players in the French impact investment ecosystem. Almost all of them are impact fund managers (47%) and general asset management companies (30%).

Figure 1 : Distribution of impact investment players by category in 2022

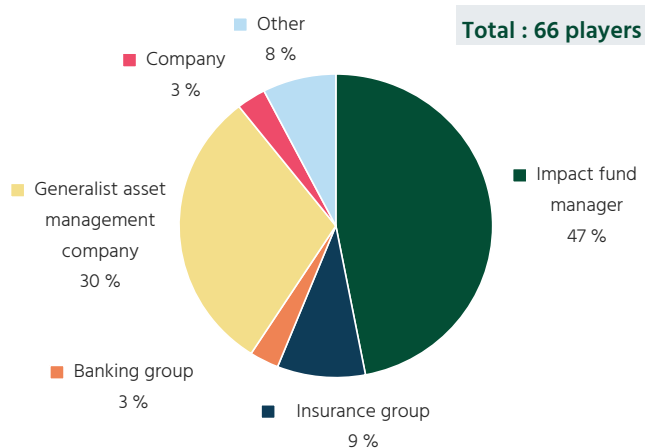
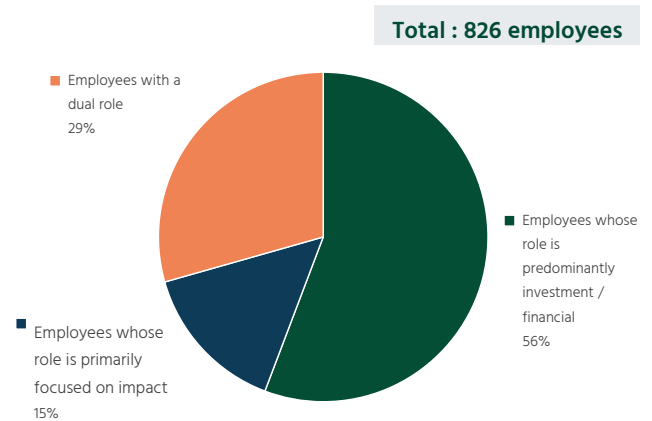


Figure 2 : Distribution of Employees in Impact Investment Organizations based on the dominance of their roles



In 2022, impact investment institutions employed 826 staff members in their management teams. While the majority (56%) held positions predominantly related to investment or finance, the growth of impact investing has led to changes in the expertise of sector professionals. For example, 15% of employees held positions primarily focused on impact management. On average, each player employed 12 professionals.



Guillaume de Vauxmored
Head of Socially Responsible Investment Analysis
Ecofi

Ecofi is the asset management company of the Crédit Coopératif Group, a reference bank in the social and solidarity economy, and a member of BPCE. As an agile and human-sized asset management company, Ecofi has been committed to sustainable finance for 50 years.

This commitment has grown over the years, evidenced by :

- ▶ a status as a purpose-driven company, making it the first French asset management company to adopt such a status.
- ▶ its offering of a range of 100% SRI (Socially Responsible Investment) open-end funds and thematic sustainable development funds and solidarity funds with a strong social or environmental impact.
- ▶ the implementation of a rigorous and consistent SRI process that includes sectoral exclusions and exclusions related to tax havens, ESG (Environmental, Social, and Governance) selection, controversy management, and the integration of carbon intensity into management objectives.

Ecofi's mission is to combine financial performance with respect for humanity and the planet. Today, Ecofi is more committed than ever to a long-term approach with the goal of generating a positive impact.

🔊 What makes Ecofi an impact funder?

Ecofi's range of impact funds is a hallmark of the company. These funds consist mainly of thematic funds that have a positive impact on both people and the planet, as well as solidarity funds that contribute from 5 up to 10% to the financing of non-listed companies with a strong social and/or environmental added value.

In 2022, these solidarity investments benefited 81 social and solidarity economy organizations, with a total outstanding amount of 75 million euros, covering social themes such as employment through economic activity, very social housing, social microfinance, and international solidarity, as well as environmental themes including recycling, short supply chains, organic or fair trade, and biodiversity.

These solidarity financing and investments meet the criteria of impact investment by integrating the three pillars of impact: intentionality, additionality, and measurement.

In terms of impact measurement, Ecofi has worked on the relevance of its reporting and has notably incorporated specific indicators in line with the European Union's taxonomy of green activities.



Cédric Weinberg
Partner
Weinberg Capital Partners

© Raphaël Dautigny

The purpose of the WCP IMPACT DEV Fund is to identify the most responsible companies and guide them towards greater sustainability, with the belief that sustainability creates financial value.

In practical terms, we propose to:

- ▶ Identify and direct our investments towards French companies with high potential, whose products and services have a positive social/environmental impact, in line with the Sustainable Development Goals («SDGs») defined by the United Nations in 2015. Our intervention aims to address environmental, social, or societal issues. Our preferred sectors are Health, Education & Training, Responsible Consumption, Energy Transition, Circular Economy, and Inclusion.
- ▶ Define a roadmap to enhance the sustainability and differentiation elements of the company. Based on this roadmap, 3 to 5 non-financial criteria will be established, accompanied by ambitious, specific objectives, measurable over time, through the assistance of an impact expert (appointed by WCP) and in full agreement with the Management and shareholders of the Company.
- ▶ Fully engage in and embrace this sustainable approach, as if the goals assigned to these criteria are not met, the Fund's management team commits to donating up to 50 % of its carried interest to the Télémaque association, which supports deserving students from humble backgrounds.

In the long term, we believe that a company that is responsible and exemplary throughout the value chain will create more value because:

- ▶ It will be able to outperform its market.
- ▶ It will meet the expectations of its stakeholders and ecosystem.
- ▶ It should benefit from a valuation premium on exit.

Our investment tickets range from €5 to €20 million per company. Furthermore, we are also completely open to reinvestment in additional development projects.

🎙️ What kind of relationship does Weinberg Capital Partners hold with its portfolio companies?

Our approach involves selecting French companies with an established and profitable business model that we understand, in a resilient market, with a management team in which we believe. Our minority stake, friendly, and long-term approach is intended to provide the necessary autonomy to the management teams to lead their group. We want to keep a limited number of portfolio companies (between 9 and 11) to dedicate the necessary time to our leaders, and serve as a sounding board on all topics they would deem useful.

2. Figures for the French Impact Investment Market

Managed vehicles – 153 vehicles

This term refers to funds, programs, or other impact investment vehicles managed by these organizations.

In 2022, French impact investment players managed 153 impact investment vehicles.

Assets under management – 14.8 billion euros

Assets under management include both invested/lent capital and capital available for investment/lending with the intention of generating social or environmental impact alongside financial returns.

The French impact investment market weighed in at 14.8 billion euros in 2022.

The following year, if the forecasts of the constituent players come true, it should experience a 21% growth and represent 17.9 billion euros.

Invested capital – 11.7 billion euros

Invested capital corresponds with the amount of capital that has been invested in organizations, projects, and/or assets with the intention of generating social or environmental impact alongside financial returns, as a part of the total capital managed.

In 2022, the capital invested by impact investment players amounted to 11.7 billion euros, supporting approximately 9,000 organizations with social or environmental impact.

These players anticipate a 16% growth in invested capital the following year, which would push invested capital past 13.5 billion euros and the number of supported organizations to around 10,800.

New investments – 1.4 billion euros

New investments are equivalent to the investments made in the year.

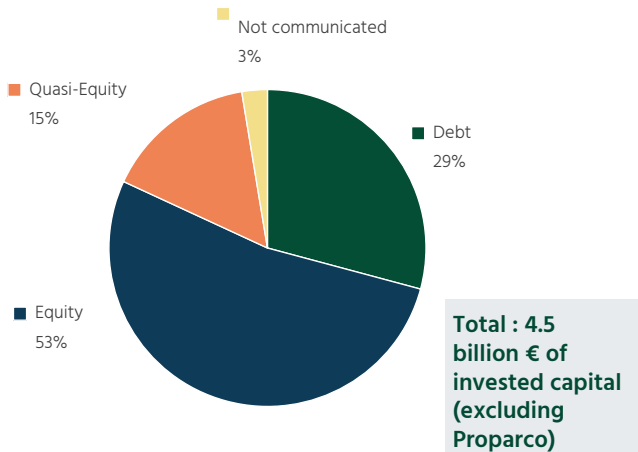
In the year 2022, French players in social impact investment made investments totalling 1.4 billion euros, which supported approximately 2,280 organizations.

Once again, they are confident about the future prospects and anticipate 2.2 billion euros in investments and funding for approximately 3,270 organizations in 2023.

III. Strategies implemented by impact investment players.

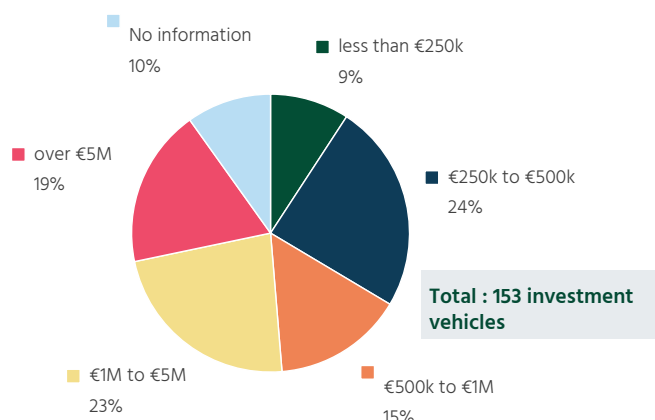
1. Financings carried out

Figure 3 : Distribution of invested capital by financing tool used (excluding Proparco)



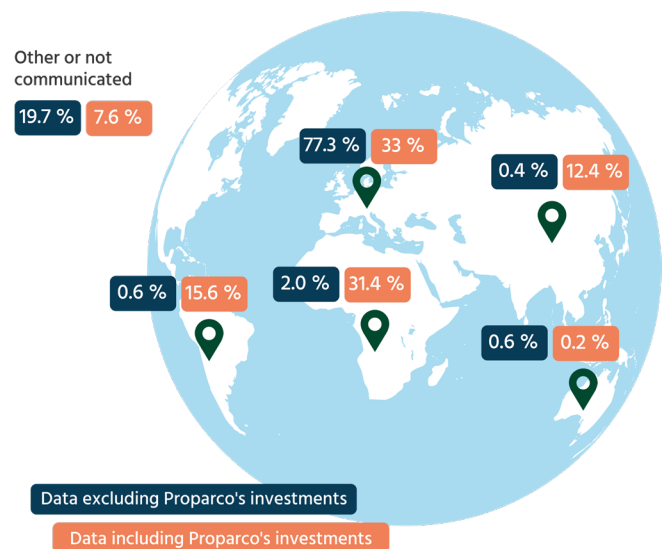
When focusing on the tools used by impact investment players to support projects with social or environmental objectives in 2022, the majority of invested capital was in the form of equity (53%). Debt came second (29%), and quasi-equity accounted for only 15% of the invested capital. These analyses were conducted excluding Proparco’s data, as the significant amount of invested capital by Proparco had a strong impact on the results and tended to overshadow the specificities of other players in this Overview. If Proparco’s data were included, debt would become the primary tool (57%), followed by equity (33%), and quasi-equity (9%).

Figure 4 : Distribution of vehicles by average investment ticket



The analysis of average investment tickets per vehicle highlights a significant diversity in the financing strategies of French impact investment players. However, the latter seem to have a particular preference for relatively high-value tickets, with 42% of investments in 2022 falling into the category of over 1 million euros.

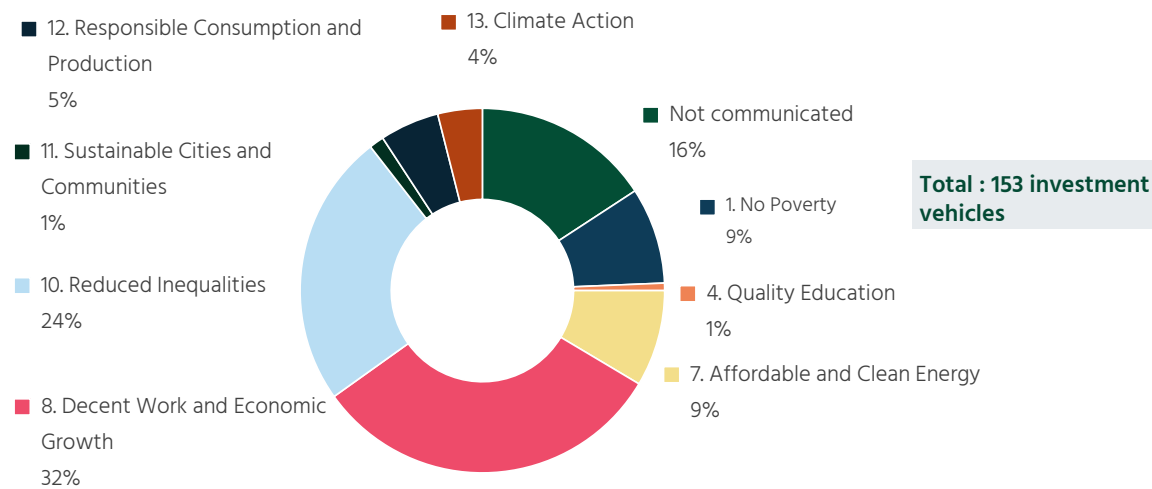
Figure 5 : Distribution of invested capital by geographic destination



Regarding the geographical orientation of these investments, a distinction was also made in the analyses based on the inclusion or exclusion of investments made by Proparco, which, due to their significance, tend to have a strong impact on the distributions. Excluding investments made by Proparco, the invested capital in 2022 was almost exclusively directed towards the European continent (77.3%). However, if investments made by Proparco are included, this figure drops to 32.9%, in favour of the African continent (31.4%), Latin America (15.6%), and Asia (12.4%).

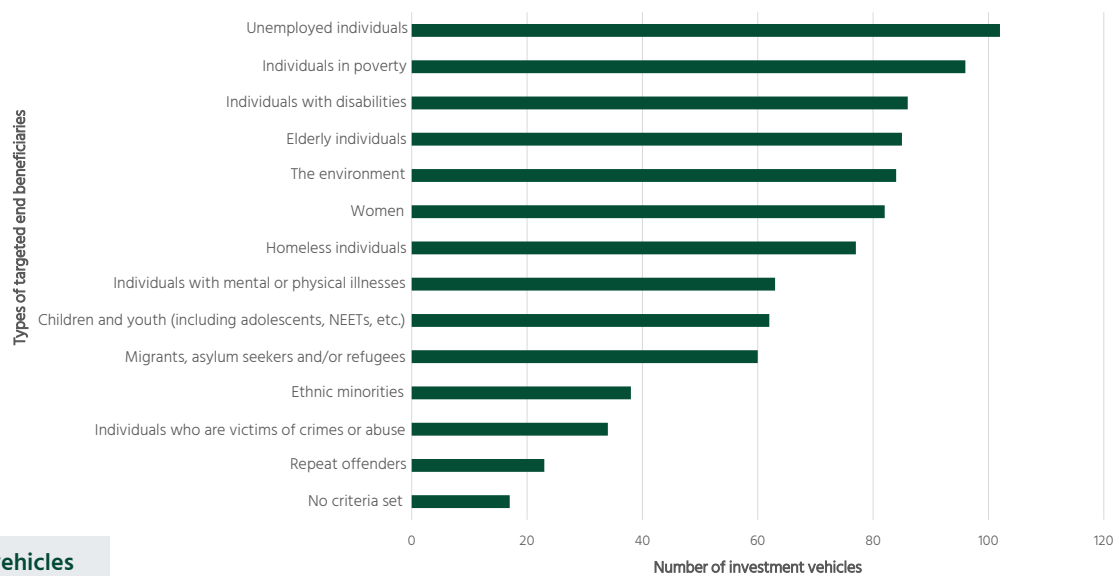
2. Pursued impact objectives

Figure 6 : Distribution of investment vehicles by the primary targeted Sustainable Development Goal (SDG)



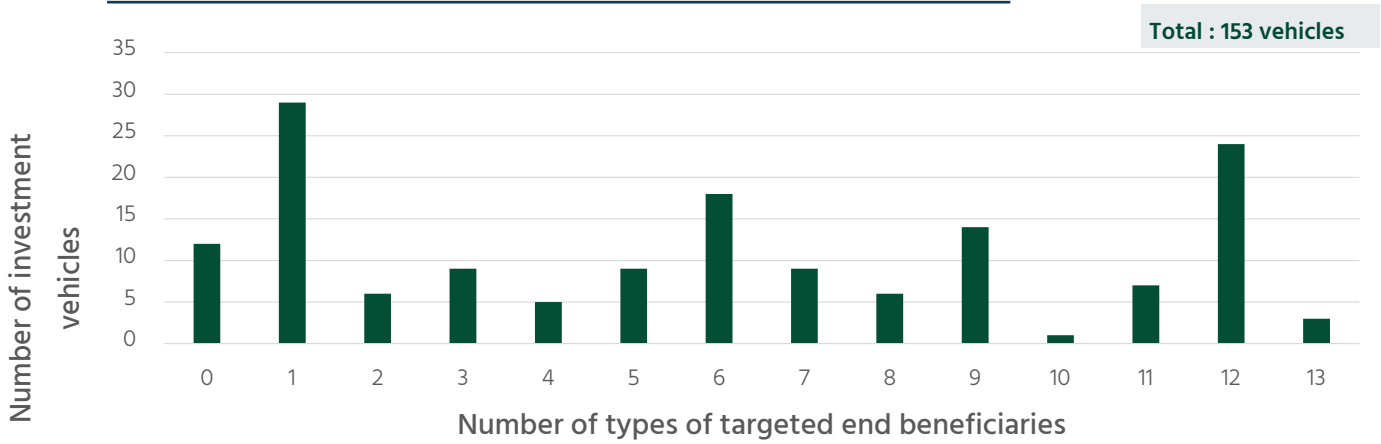
The two main SDGs targeted by impact investment vehicles managed were SDG 8 - Decent Work and Economic Growth (32%) and SDG 10 - Reduced Inequalities (24%). This demonstrates the significance placed by impact investment players on social dimensions. It is also worth noting that 65% of the vehicles have a primary SDG with a social focus (SDGs 1, 4, 8, 10), and 19% have a primary SDG with an environmental focus (SDGs 7, 11, 12, 14). From a methodological perspective, in order to represent the real impact objectives of the players and to prevent «SDG washing» only one SDG per impact investment vehicle was requested from the players.

Figure 7 : Presentation of targeted end beneficiaries in relation to investment vehicles



Unemployed individuals (targeted by 67% of investment vehicles), individuals in poverty (63%), individuals with disabilities (56%), elderly individuals (56%), the environment (55%), women (54%), and homeless individuals (50%) represented the most targeted end beneficiaries by French impact investment players: they were all targeted by over half of the investment vehicles. The two least targeted categories of end beneficiaries were repeat offenders (15%) and individuals who are victims of crimes or abuse (22%).

Figure 8 : Presentation of the number of targeted end beneficiaries per investment vehicle



The strategies implemented by impact funders regarding the number of targeted end beneficiaries are highly diverse. 19% of vehicles were dedicated to a single category of end beneficiaries, while, conversely, 23% of vehicles were dedicated to 10 categories or more (out of the 13 proposed), and 8% had not defined criteria in this regard.



Patrick Kic
CEO
WAAT

WAAT is a French operator of electric vehicle charging stations, catering to condominium associations, fleet managers, tertiary real estate, social and private landlords, and real estate developers. Our expertise covers the entire spectrum: technical analysis, supply and operation of state-of-the-art open-protocol charging stations, installation work, maintenance, and monitoring.

Every day, we work to promote electric mobility by covering the entire territory with our 360° charging offer: at home, at work, and on the go. We aim to make electric vehicle charging accessible to as many people as possible.

🎧 What have you been able to achieve thanks to your funding from Raise? And beyond the funding, what has Raise brought to you?

Regarding our funding from Raise, it has indeed allowed us to accelerate our growth. With our 200 employees, we can deploy our solutions throughout France, close to our customers (condominiums, real estate professionals, businesses, and social landlords). Our revenues increased by over 270% in 2022, and we deployed hundreds of charging stations for a wide range of customers to whom we provide personalized solutions.

Beyond the financial support, Raise Impact teams accompany us daily in facing the challenges of being a rapidly growing company (hiring, organization, digitalization, etc.). With their assistance, for example, we aim to implement a value-sharing system based on a simple indicator that resonates with both employees and customers: the number of installed charging stations, translated into CO2 savings. Raise Impact has also assisted us in establishing a method for measuring and improving our environmental, social, and societal impacts.



Chloé Saxod
Partner Relations
Manager
Les 3 Colonnes

Les 3 Colonnes is a French social and solidarity-based real estate company (ESUS accreditation, SGEI), specializing in enabling elderly individuals to remain in their homes through an innovative solution called “Viager solidaire” (TN: solidary life annuity). We have been in operation for 10 years and are recognized as a key player in the field of social impact investment. Our mission is to ensure an optimal quality of life for

economically vulnerable elderly individuals while allowing them to stay in their familiar environments. We offer tailor-made solutions that address the specific needs of our beneficiaries, who are typically between 75 and 90 years old.

Our company operates on multiple fronts to:

- ▶ Finance the ability of economically vulnerable elderly individuals to continue living at home through Viager solidaire.
- ▶ Maintain a comfortable living environment and provide compassionate support.
- ▶ Foster social connections.
- ▶ Encourage intergenerational relationships.
- ▶ Assist elderly individuals with their daily lives and various administrative tasks.

Our aim is to create a protection and financing scheme for the fifth risk (TN: the 5th branch of Social Security, in France, or branch of the 5th risk, was created to address a gap in the care of dependent elderly people).

This mission is in line with a decree issued on September 29, 2020, known as Decree 2020-1186.

In summary, our actions can be described as follows:

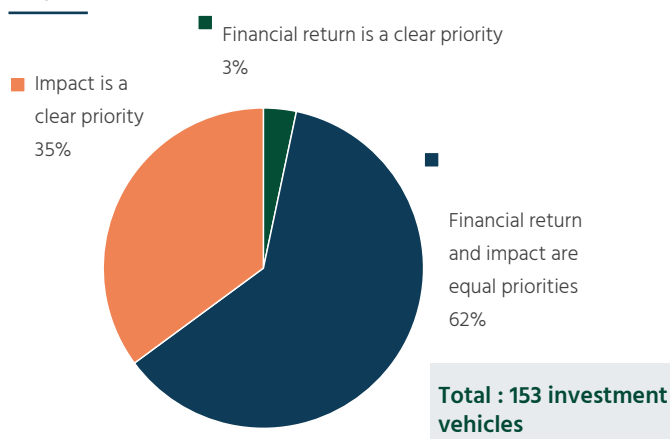
- ▶ We have created a solution to anticipate dependence, allowing elderly individuals to continue living at home while fostering crucial social connections for successful aging.
- ▶ We have established a tool for territorial development, generating value and non-offshorable jobs, revitalizing urban centres through elderly individuals who once again have the means to consume.
- ▶ We have created a mechanism for producing social housing.

🎙️ What have you been able to achieve thanks to the funding obtained from the Banque des Territoires? And beyond the funding, what has the Banque des Territoires brought to you?

Regarding the financing obtained from the Banque des Territoires, it has been a significant catalyst for our growth. It enabled us to implement geographical expansion projects and innovate in our service offerings. Beyond mere funding, the Banque des Territoires has been a strategic partner, providing us with a network, credibility, and increased visibility within the social impact investment ecosystem. Their support has helped us refine our business model and enhance our social impact. Thanks to this partnership, we were able to broaden our areas of operation and substantially increase our financing capacity, all while contributing to an improved quality of life for elderly individuals in France.

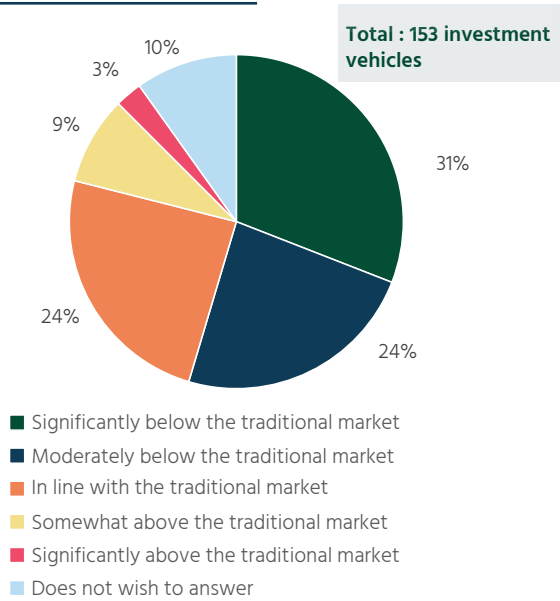
3. Impact management methods

Figure 9 : Distribution of investment vehicles based on the importance given to impact and financial returns



The question of the respective importance placed on financial returns and/or impact holds a special place in the world of impact investment. In 2022, the vast majority of French players prioritized impact and financial returns (62% of vehicles) equally. Impact alone was a priority for 35% of vehicles. Only 3% of vehicles considered financial returns as a clear priority.

Figure 10 : Distribution of investment vehicles based on expected financial returns

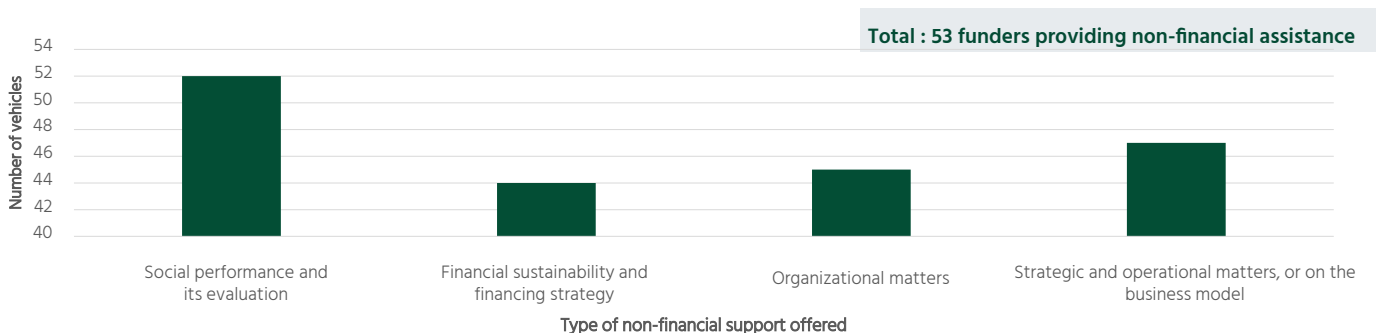


Regarding financial returns, another question arises : the expected financial returns by impact funders in the French market. The majority of these funders (55%) anticipate returns below the traditional market, with 31% even expecting them to be significantly below. Conversely, 12% of the players considered in this overview hope for returns above the traditional market.

Beyond mere financing, impact investment players can support portfolio companies through non-financial assistance. In 2022, 80% of the players in this overview offered this type of support. However, they differentiated themselves in terms of the themes of assistance they provided.

In 2022, nearly all impact funders providing non-financial assistance (98%) focused on the theme of social performance and its evaluation (for example, by supporting impact strategy development and impact measurement). This underscores the importance placed on generating impact and demon-

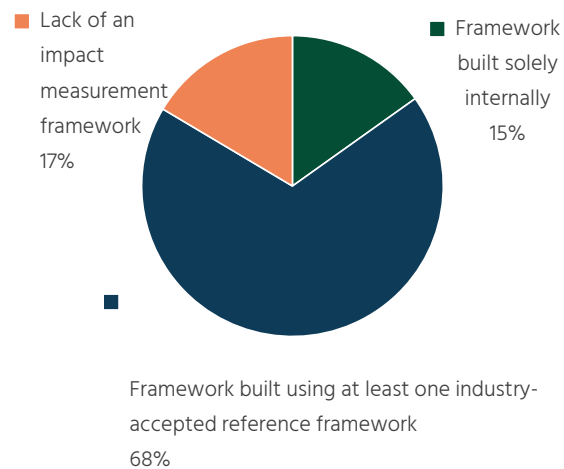
Figure 11 : Presentation of non-financial assistance themes offered by considered players



strating it. The second most addressed theme was assistance on strategic and operational matters or on the business model (such as strategic planning, support for the development of new products and services, or the development of new corporate systems or procedures), which concerned 89% of players. The least addressed theme was financial sustainability and financing strategy (such as assisting in obtaining funding from other sources or leveraging investors' reputation to help beneficiaries secure funding from other sources), although it was still addressed by 83% of funders offering assistance.

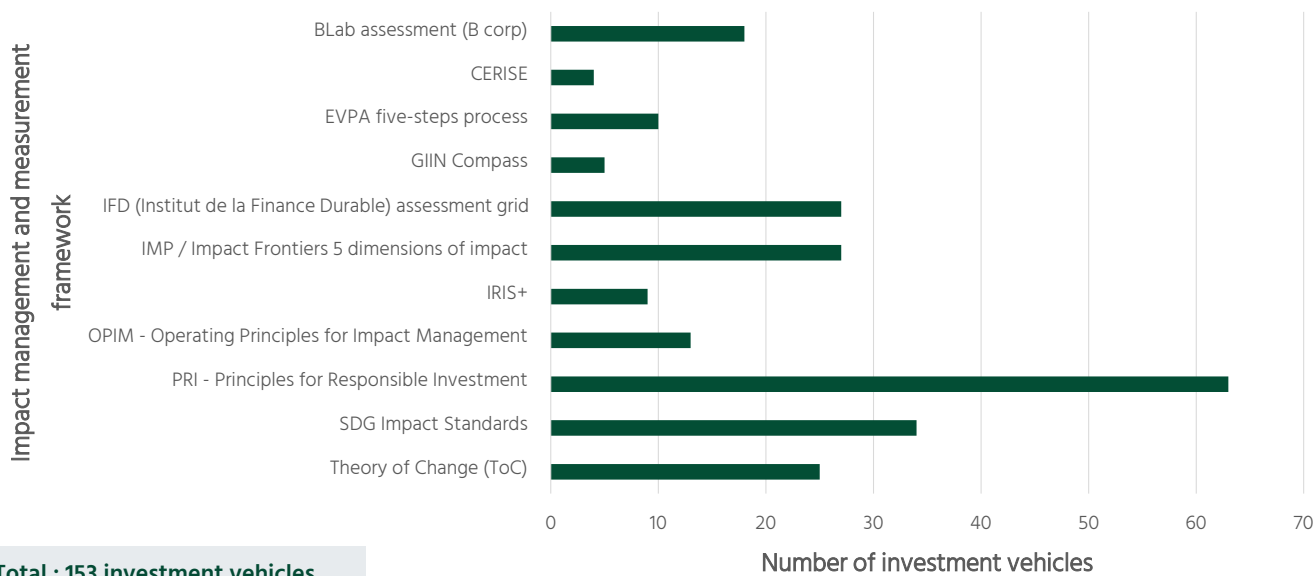
These figures are relatively high, in part because 79% of funders offering assistance cover all four of the considered themes. Only 15% address one or two themes.

Figure 12 : Distribution of vehicles with regard to the method of constructing an impact management and measurement framework



The emergence of the impact economy has led to the development of impact measurement and management practices. This has facilitated the creation of tools for players to establish and improve their impact practices. While 15% of vehicles structure themselves on internally developed impact management and measurement frameworks, 68% have drawn inspiration from a commonly accepted industry framework. However, it should be noted that 17% of players report not having any impact measurement frameworks.

Figure 13 : Presentation of impact management and measurement frameworks used by vehicles



The most commonly used tool by French players is provided by the Principles for Responsible Investment (PRI), as it is used by 61% of vehicles drawing inspiration from a commonly accepted industry framework. It is followed by the SDG Impact Standards (33%), the framework proposed by the IFD - Institut de la Finance Durable, formerly known as Finance for Tomorrow (26%), the 5 dimensions of impact by Impact Frontiers, formerly known as IMP, and the Impact Management Principle (26%), and the Theory of Change (24%).

According to the last two graphs above, it appears that no single impact management and measurement framework enjoys unanimous consensus, and that players draw from different frameworks to construct their own.



Guillaume Barberousse
 Director of Sustainable
 Development
Proparco

Proparco is a financial institution that is a subsidiary of the AFD Group, the French Development Agency, which holds the majority of its capital and is itself owned by the French government (Proparco also has partner institutions and private investors in its capital). Proparco is involved in financing and supporting private companies and financial institutions in Africa, Asia, Latin America, and the Middle

East. Its actions focus on key development sectors, including infrastructure with an emphasis on renewable energy, agro-industry, financial systems, health, education, etc. Its interventions aim to strengthen the contribution of private players to achieving the Sustainable Development Goals (SDGs) adopted by the international community in 2015. To achieve this, Proparco finances companies whose activities contribute to job creation, decent incomes, the provision of essential goods and services, and the fight against climate change. They contribute to building sustainable economic growth and reducing poverty.

🎤 What approach to impact measurement and management have you implemented ?

Proparco seeks to identify and support as many positive impacts as possible through its financing. The pursuit of impact is therefore at the heart of the project lifecycle. It is also inseparable from the analysis of environmental and social risks and governance inherent in each financing, even more so, as their management also contributes to generating and strengthening the positive impacts of a project.

Proparco's approach is consistent with best practices promoted by the *Impact Principles* (of which Proparco is a member of the *Advisory Board*). It is structured around several key elements :

- ▶ A renewed strategy in late 2022 (<https://www.proparco.fr/en/ressources/proparcos-strategy-2023-2027-narrative>) that clearly establishes the institution's impact objectives.
- ▶ Careful project selection, supported by (i) sectoral impact fact sheets for all sectors in which Proparco operates, aligned with strategic priorities, and (ii) a «sustainable development rating» system that measures each project against seven dimensions of sustainable development (biodiversity, low carbon trajectory, climate change resilience, inequality reduction/inclusion, economy, governance).
- ▶ A robust organization to ensure that projects adhere to the best standards in terms of social and environmental performance (notably IFC-Performance Standards) and are aligned with the goals of the Paris Agreement.
- ▶ Annual data collection from our clients to measure performance around five key impact indicators (including employment, access to essential goods and services, carbon emissions avoided, etc.).
- ▶ Regular project communication and annual consolidated reporting on impacts (<https://www.proparco.fr/en/ressources/impact-report-2022-key-points>).



Jean-Michel Lecuyer
CEO
INCO Ventures

INCO Ventures is a specialized asset management company that focuses on equity investment in impact-driven businesses, those that place social or environmental impact at the core of their strategy. Over the past decade, funds managed or advised by INCO Ventures have invested in nearly 140 companies. These include early-stage impact-driven startups like Lita, Phenix, Moulinot, 1083, Simplon, and many others, as

well as more mature enterprises such as UCPA, Solidarités International, Ethiquable, and the La Varappe Group. INCO Ventures provides capital investment to companies operating as SAS (Société par actions simplifiée) and invests in associative or profit sharing securities with associations and cooperatives. The company offers intensive support to accelerating businesses, particularly in helping them structure for scaling effectively. The five private equity funds managed or advised by INCO Ventures are financed by around fifteen institutional investors from employee savings and social insurance. Some investors, such as Abeille, Generali, and Sycomore Asset Management, have entrusted the management of their impact-focused private equity funds to INCO Ventures, while others have chosen to invest in a « multi-investor » fund like INCO Investissement. INCO Ventures also advises several funds on impact measurement

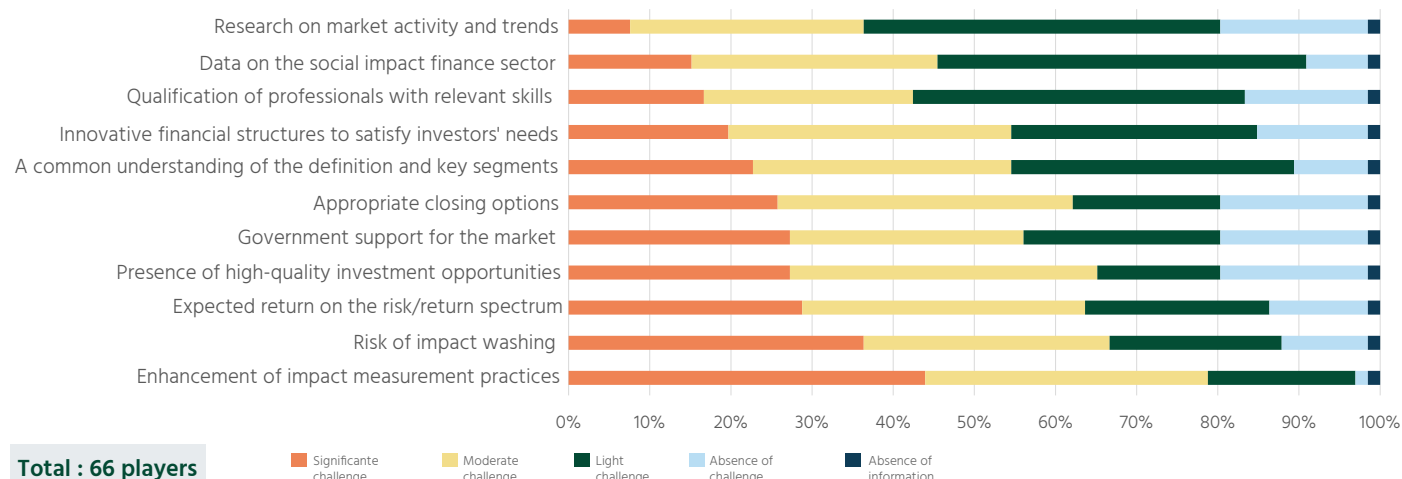
🔊 What approach to impact measurement and management have you implemented?

Impact assessment is at the core of our business. It is because we can demonstrate that the money entrusted to us generates both impact and financial returns that our investors choose to work with us. We have developed methodologies called INCO Ratings and MESIS (the latter in collaboration with the Banque des Territoires and BNP Paribas for the NOVESS fund), which are focused on impact assessment. Our process includes: impact and ESG due diligence before investment, evaluation of the additionality of our financing, definition of an enterprise's strategic impact objectives and associated indicators, in line with SDG targets, then precise determination of the measurement method for these indicators, and development of a « roadmap » for achieving quantifiable objectives over 3 to 5 years. Each year, we measure achievements, compare them to the roadmap, and discuss them with the enterprise. We also conduct an annual ESG check-up with each company, working closely with the management team, in particular in order to identify potential negative externalities and address them. We are signatories of France Invest's impact investment charter, and all the funds we manage are labeled Finansol and declared Article 9 SFDR (Sustainable Finance Disclosure Regulation).

IV. Challenges, Opportunities, and Growth Perspectives

1. Perception of challenges and growth prospects by players

Figure 14 : Distribution of players based on their perception of sector challenges



The development and structuring of the impact investment sector come with their share of challenges. In 2022, the three main challenges as perceived by French impact financiers were the improvement of impact measurement practices (with 44% of players considering it a significant challenge), the risk of impact washing (36%), and achieving the expected return within the risk/return spectrum (29%).

However, the sector appears confident about the future outlook and anticipates growth in key market figures (see 2.2 - Key Figures of the French Impact investment Market, page 9).

2. Calls to Action

The work carried out in recent years has opened up several reflections and questions. These should continue to develop the French impact investment market further. This Impact Investment Overview aims to foster growth in this sector and calls on the market to take three next steps to promote greater impact generation :

1. Continue collective thinking to establish a position on how to measure the impact generated by listed assets.
2. Promote the culture of social impact investment among institutional investors.
3. Deepen efforts to measure the impact of both investors and invested assets.

Collaboration among market players is key to the success of this effort, from agreeing on definitions to actual investment and measurement, as well as communication, management, and improvement of practices.

We call upon all ecosystem players to continue their work, cooperate without hierarchy within the framework of NAB France to explore, learn, and improve.

Appendices

Glossary

- **IMP** : *Impact Management Project* – A set of standards resulting from work carried out from 2016 to 2018 by a community of practitioners consisting of more than 3,000 businesses and investors. It aims to provide a common framework to help businesses and investors understand their impacts on people and the planet. These resources are now hosted by Impact Frontiers.
- **IRIS +** : A framework developed by the Global Impact Investing Network (GIIN) to promote transparency and credibility in the use of impact data for decision-making.
- **LDSS** : *Livret de Développement Durable et Solidaire* (i.e. Sustainable and Inclusive Development Booklet) - A French regulated savings product that contributes to financing the energy transition and the social and solidarity economy.
- **NAB** : *National Advisory Board* - A national advisory committee within the Global Steering Group, whose role is to promote and facilitate the development of impact investing in its operating country.
- **NEET** : *Not in Education, Employment or Training* - A social classification for a category of individuals who are neither employed, pursuing education, nor undergoing training.
- **SDG** : *Sustainable Development Goals* - 17 goals established by United Nations member states and compiled in the 2030 Agenda.
- **OPIM** : *Operating Principles for Impact Management* – A reference framework consisting of 9 principles designed to help investors ensure that impact considerations are integrated throughout the investment lifecycle. They were developed by the International Finance Corporation (IFC), a part of the World Bank Group focused exclusively on the private sector.
- **PRI** : *Principles for Responsible Investment* – 6 principles launched by the United Nations in 2006 with the aim of promoting the incorporation of extra-financial factors into all aspects of financial business.
- **SSE** : *Social and Solidarity Economy* - A set of businesses, organizations, and activities defined, in France, by the July 31, 2014 law on the SSE (Art. 1 and Art 2). This includes cooperatives, mutuals, foundations, some associations, as well as commercial enterprises that adhere to SSE principles.

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List of players included in the Impact Investment Overview 2023

A Plus Finance	Energie Partagée Investissement	La Nef
AG2R La Mondiale Gestion d'Actifs	Engie Rassembleurs d'Energies	Lita.co
Allianz Global Investors	Eutopia Gestion Sas	Macif
Alter Equity	Fadev	MAIF
Amundi	FAMAE Impact	makesense
APICIL Asset Management	FemuQui	Mandarine Gestion
Arkea Investment Services	Five Seasons Ventures	Microfinance Solidaire
Autonomie et Solidarité	France Active Investissement	Mirova
BDF Gestion	FrenchFood Capital	Novaxia Investissement
BNP Paribas Asset Management	Garrigue	Ofi invest Asset Management
CIGALES	Gay-Lussac Gestion	Phitrust Partenaires
Citizen Capital	GENEO Capital Entrepreneur	Proparco
Colam Impact	Go Capital	Raise
Covéa Finance	Herrikoa	Renault
Crédit Agricole Assurances	Idia	RGREEN INVEST
Crédit Coopératif	Iés Initiatives pour une Economie Solidaire	Schneider Electric Energy Access
Crédit Mutuel Asset Management	Impact Partners	Shift4Good
Département Cohésion Sociale et territoriale de la Direction de l'investissement de la Caisse des Dépôts et Consignations	Inco Ventures	SIDI
Ecofi	Janngo Capital Partners SAS	Sienna Gestion
Educapital	La Banque Postale Asset Management	Starquest
Eiffel Investment Group	La Financière de l'Echiquier	Swen Capital Partners
	La Financière Responsable	Sycomore Asset Management
		Weinberg Capital Partners



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