

# OBVIAM

## A HARMONISED APPROACH TO MEASURING IMPACT

Obviam is a small investor with a big impact. This US\$ 500m fund of funds manager, previously integrated within SIFEM, the Swiss development finance institution (DFI), contributes to sustainable economic growth by investing in private equity funds in emerging and frontier markets. It is able to demonstrate the impact of its investments by systematically including environmental and social performance indicators in its investment process.

This case study describes how Obviam approached this challenge, by developing meaningful due diligence and reporting indicators which map against clear expectations of impact and corresponding strategic objectives. It looks at Obviam's attempts to facilitate comparability and data collection by using similar indicators to measure impact as its peer investors (institutional investors, private investors, DFIs and impact investors). It complements the paper 'Understanding the impact of your investments – Measuring environmental and social performance'.<sup>1</sup>

### TAKEAWAYS FOR INDIRECT INVESTORS

- Map impact expectations to strategic objectives, designing indicators that are aligned with these.
- Engage with peers and industry initiatives to understand what indicators are commonly tracked and consider the applicability of these to your strategic objectives. Using standardised indicators allows for comparability when selecting and monitoring fund managers, and can result in cost savings.
- Consider what the trade-off may be between using indicators that are aligned with your specific investment objectives and using publicly available standardised indicators.

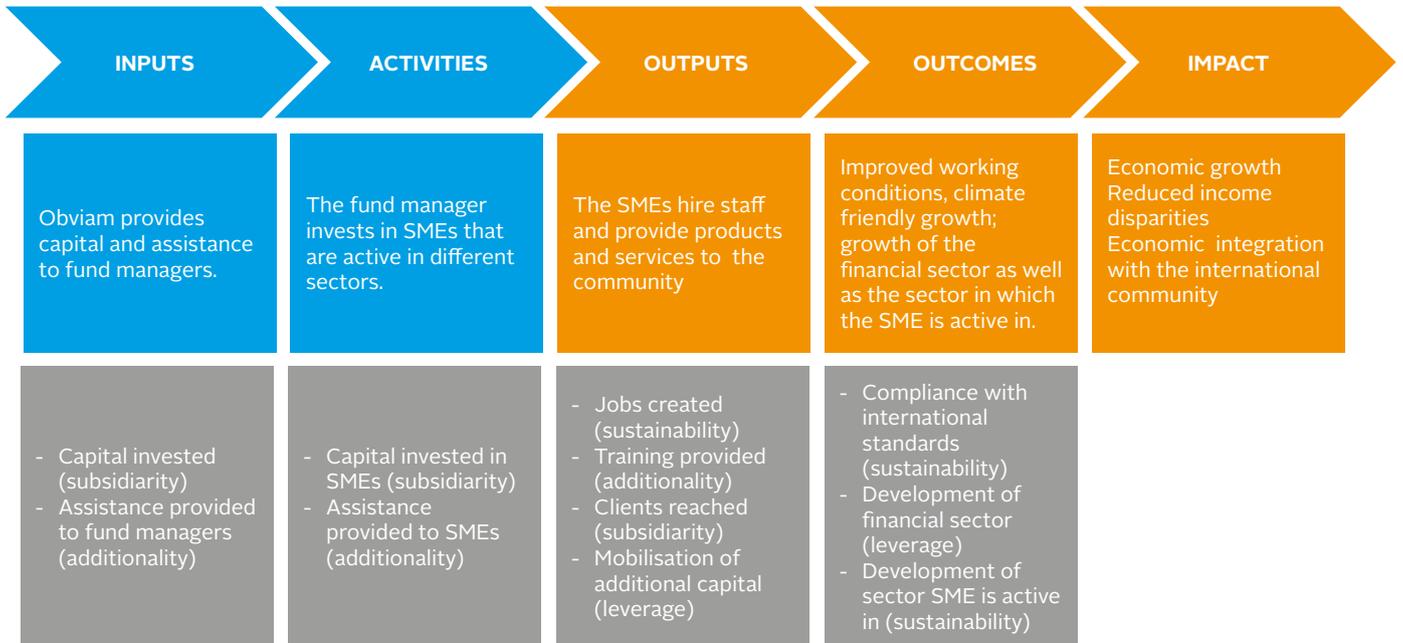
### SETTING OBJECTIVES

SIFEM expects Obviam to foster economic growth, reduce income disparities and facilitate economic integration with the international community for the countries in which it invests. SIFEM's investment decisions must therefore meet four guiding principles or strategic objectives:

- **Subsidiarity:** providing long-term financing in markets where it is scarce.
- **Leverage:** mobilising third-party capital by providing a 'signalling' effect to the market through investments.
- **Additionality:** taking an active approach to investing, Obviam aims to assist private equity funds it invests in (especially new investment teams and first-time funds) to develop and improve according to international best practice.
- **Sustainability:** ensuring investments made are both financially viable and follow ESG best practices.

The indicators Obviam uses to measure the inputs, activities, outputs and outcomes of its investments are related to these objectives. See Figure 1 on the next page for example indicators along the impact chain.

Figure 1: Examples of indicators in the impact chain. Source: Dalberg, Obviam and PRI research

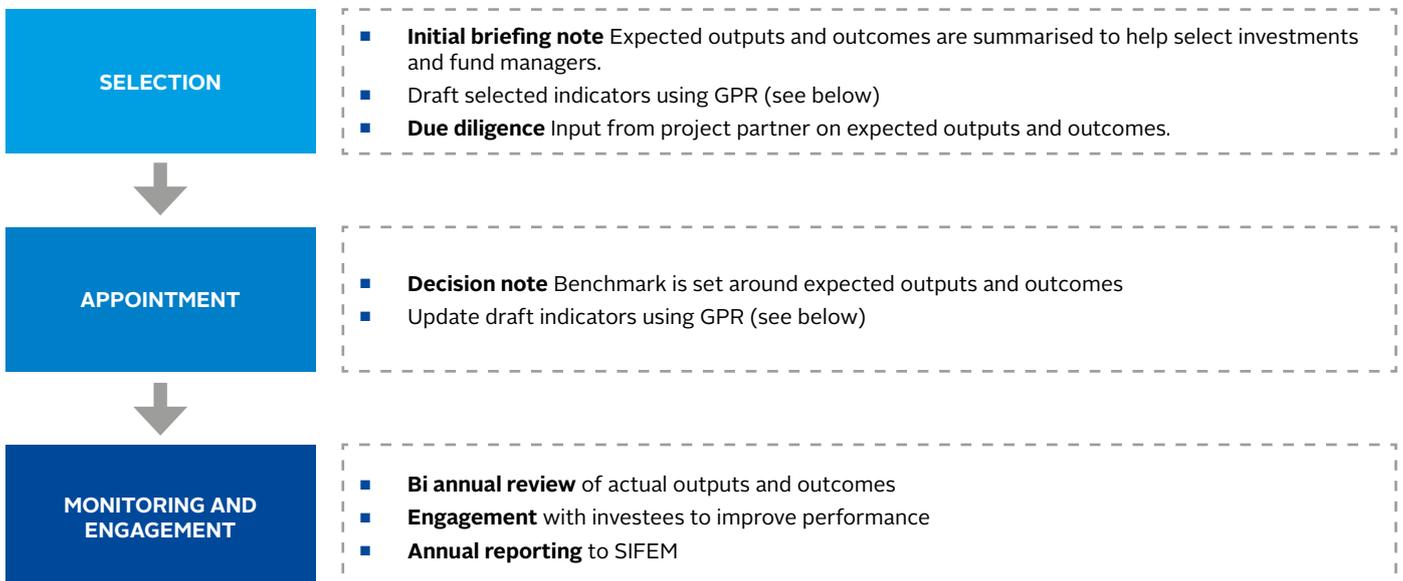


## USING INDICATORS IN THE INVESTMENT PROCESS

These objectives and indicators guide Obviam's fund manager selection, engagement and monitoring activities, as well as its reporting to SIFEM. Obviam uses the indicators to measure the expected outputs and outcomes of the investment at the appraisal stage, helping it to select investments and fund managers. It then uses the expected

outputs and outcomes to set a benchmark against which the actual outputs and outcomes related to the fund and its investee companies are measured every two years, which is used as a basis for engagement. Obviam reports to SIFEM annually, using these indicators to aggregate data, which allows SIFEM to monitor the progress of their investments in achieving the expected impacts. Figure 2 below shows how the investment journey is tracked.

Figure 2: Tracking the investment journey. Source: adapted from Obviam



## SELECTING INDICATORS

In selecting indicators, Obviam sought to strike a balance between using and promoting standardised indicators, which can save costs and improve comparability of data, while ensuring that the data collected can still be mapped against SIFEM's specific impact expectations. A related challenge is the trade-off between having indicators that can be used across different sectors to allow for comparability, and using more relevant sector-specific indicators.

Since 2005, Obviam has addressed these issues by adopting a standardised tool, the GPR (Geschäftspolitisches Rating). This tool was developed by the German DFI DEG (part of KfW) and is currently used by 15 investors, including eight European DFIs. The GPR rating tool provides specific indicators that can be used to track progress in the following four benchmarks: (1) long-term profitability of the project; (2) development effects/sustainability; (3) strategic role of the DFI and (4) return on equity.

Not all of these are relevant to Obviam, given its own specific strategic objectives. Obviam uses elements of benchmarks 2 and 3, selecting indicators specific to the financial services sector such as number of end clients reached. Certain core indicators such as job creation (tracking new jobs created and jobs lost at both the fund and company level) are applied to all investments, to allow for cross-sector comparability.

Using the GPR tool, Obviam is able to more easily compare environmental and social outputs and outcomes across

investments, both when selecting new investments and when reporting on actualised investments to SIFEM (see Figure 2). The GPR tool has also helped Obviam to save costs, in two ways. First, it avoided having to develop an entirely bespoke system in-house. Second, Obviam has found that data collection from funds that report to two or more investors that use the GPR has improved as the funds are more likely to have processes in place to collect the data and also faced a reduced reporting burden. Currently, the collection and reporting of data amounts to around one day's work per project per year for Obviam.

## SCOPE FOR FURTHER HARMONISATION

A recent independent evaluation<sup>2</sup> of the development effects of SIFEM's investments made recommendations to SIFEM and Obviam to seek further harmonisation with peers on indicators and to further adapt its indicators to better align with the strategic objectives and impact expectations. In order to strike a balance between these two recommendations, Obviam will continue to work closely with its peers to improve its impact reporting. Obviam is involved in a project with other international finance institutions and DFIs to agree on a set of core indicators across different investment sub-sectors. It also supports the development of the Impact Reporting and Investment Standards (IRIS)<sup>3</sup>, a public taxonomy of performance metrics, and has mapped some of its indicators against this framework.

<sup>2</sup> Dalberg Development Effects of SIFEM's Investment Interventions. April 2013. <http://www.sifem.ch/development-effect/independent-evaluation/>

<sup>3</sup> IRIS [iris.thegiin.org](http://iris.thegiin.org)

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