



Impact Report 2015

LGT Impact Ventures



“Social enterprises will find in LGT Impact Ventures an excellent partner to accelerate their development. LGT Impact Ventures accompanies them in their growth from early stages until they reach significant scale – as they have done with M-KOPA Solar.”

Chad Larson, co-founder M-KOPA Solar

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“Efficiently investing capital to create value and great social and environmental impact is at the core of what we do.”

H.S.H. Prince Max von und zu Liechtenstein, CEO LGT

Dear Reader,

The objective behind LGT Impact Ventures has always been to develop a competence that can successfully invest capital with a strong focus to create social and environmental impact. More than ever I am convinced that such a specialized investment effort is needed to respond to the broader problems of our times – and I am equally convinced that LGT is an ideal platform to scale it.

From the very beginning of our efforts we wanted to combine excellent business skills with a deep understanding of social and environmental problems and a strong desire to create positive impact.

Over the years we could enhance our know-how about the social and environmental problems of our world and strengthen the business skills that we apply to our investment efforts. Our ability to invest capital to create value and social and/or environmental impact continues to improve and we have developed a strong reputation in the industry as a leading impact investor. A good share of the organizations and companies that we have backed have achieved amazing things and created substantial positive impact. They are viewed as leading examples in the sector and have won numerous awards. A good share of those organizations and companies also feel that we have been an important supporter for their development.

To date we have invested in over 50 organizations and companies. Some are for-profit companies that are seeking both financial and social/environmental returns and others are non-profit organizations that we have funded through grants. While we have found excellent partners in both categories, we have also learned that investing in these two different categories requires different approaches. Our work reflects this distinction through the following two, separate approaches:

- Through LGT Impact Ventures we raise and invest capital with the objective to achieve positive financial returns in combination with positive social and/or environmental impact.
- Through LGT Venture Philanthropy we raise and invest capital that is purely philanthropic. It is important to note that this capital is also invested with great care and ambition, and with the very clear expectation that it can unleash social and environmental benefits.



For both approaches, social and environmental impact remains the overarching motivation and a key measure of success. The following report highlights the social impact achieved by our portfolio in 2015.

We hope you enjoy the read.

A handwritten signature in blue ink, appearing to read 'Max C.', written in a cursive style.

H.S.H. Prince Max von und zu Liechtenstein
CEO LGT

2015 highlights



US President Barack Obama talks with June Muli, head of Customer Care at M-KOPA Solar, about solar power during the Power Africa Innovation Fair, an initiative to increase the number of people with access to power in sub-Saharan Africa, on July 25, 2015 on the sidelines of the Global Entrepreneurship Summit at the United Nations Compound in Nairobi. Obama said today "Africa is on the move", as he praised the spirit of entrepreneurship at a business summit in Kenya during his first visit to the country of his father's birth since his election as president.

Our highlights

- Our portfolio companies reached approximately **3.8 million** less advantaged people
- Total committed capital increased by **USD 28.7 million**
- Total number of active portfolio organizations increased by four to **30** and 52 cumulatively since 2008
- Working capital was provided to portfolio company M-KOPA Solar involving institutional investors
- Total number of LGT Impact Fellows placed with social ventures increased by **25** to 113 since 2009

Selected highlights from our portfolio organizations

- **850 000** people in East Africa were able to afford M-KOPA Solar home systems (86 percent living below USD 2/day)
- Educate Girls enrolled 78 000 new girls into school and contributed in improving learning outcomes for **955 000** children
- Varthana disbursed **USD 31.1 million** in loans to 1651 affordable private schools in India, that educate approximately **735 000** children

- **2 900** BIA pupils took the national exam in Kenya (the KCPE). 766 of them performed significantly above the national average
- Institute of Public & Environmental Affairs (IPE) Green Choice Alliance worked with **150** international companies to improve environmental performance in their supply chains in China

Awards

- Educate Girls and IPE received the Skoll Award 2015
- M-KOPA Solar won the 2015 Zayed Future Energy Prize and is the first company in sub-Saharan Africa to win the prize in the enterprise and SME categories
- Bridge International Academies (BIA) received the WISE Prize for Education for its creative approach to learning
- Big White Wall was recognized with the Digital Entrepreneur Award for Technical Innovation within the public sector
- LGT Impact Ventures together with Kennemer Foods International (KFI) won the Singapore Venture Capital & Private Equity Association (SVCA) Award in the category "Most Impactful Funder/Social Enterprise of the year"

A true triple A platform of social value creation

“LGT Impact Ventures’ (LGT IV) team had the vision to position themselves alongside us at a time when what we were doing was far from obvious to many people. They saw what others didn’t. Their creativity and flexibility came into play when they proposed a tailor made solution to specifically fit our needs, in order to seal our partnership, and that has come into play more than once.

LGT IV’s global footprint enables them to gather global best practices in many industries and apply their expertise to the organization they partner with. Through their Fellowship Program LGT IV has been able to connect us with top talent, which is key for us.

Lastly, the LGT IV team has leveraged their solid business network in our favor as many times as we required. I am extremely grateful and feel privileged to have had the opportunity to work with them, we are breaking paradigms together and building a great business. The result is shaping a better world.

A true triple A platform of social value creation!”

Thomaz Srougi
Founder and CEO of dr.consulta, Brazil



Our approach

Across the globe, social and environmental problems are root causes for political conflicts and enormous economic and moral challenges. Far too many people struggle to access products and services catering to their basic needs, such as food security, medical care, education and energy supply.

We seek to find and support companies and organizations that deliver effective and scalable solutions to less advantaged people with the aim to create value and social and/or environmental impact thereby contributing to healthy ecosystems and communities.

Our teams invest in both for-profit and non-profit companies and organizations that provide access to affordable products and services, tailored to the needs of less advantaged people.

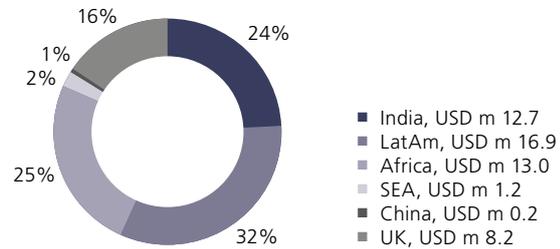
Since 2007, we have supported over 50 social companies and organizations across five sectors and six world regions. We aspire to apply best in class private equity principles to use capital efficiently and to support our portfolio companies and organizations in their growth and development.

While we intend to implement a consistent discipline and methodology and to share experiences and benchmarks across our offices, we seek to provide each company or organization with the tailored support and financing structure it needs. Our approach is influenced by regional context, thematic variations, business model and growth stage.

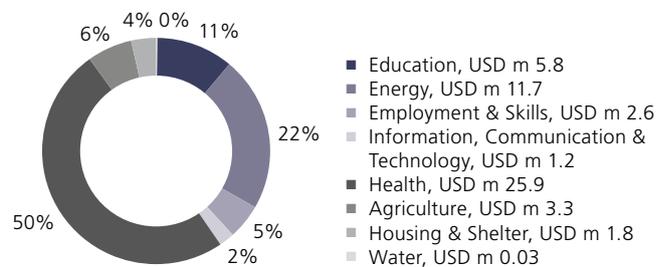
We value a strong interaction with our portfolio companies and organizations that is well organized, comprehensive, direct and hopefully efficient and value-add for all participants. Our relationship is based on our desire to create sustainable value in the long term and while we typically work from a board level, our experience with the LGT Impact Fellowship program has been very good. It allows us to connect dedicated professionals from our broader network with our portfolio. The fellows use their skills in operative areas where our portfolio companies and organizations see a need.

We believe the broad spectrum of support we offer, combined with flexible and tailored financial capital, expands creation of positive social impact.

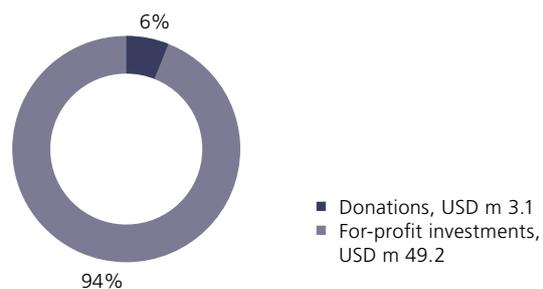
Split of total capital invested since 2008 per region



Split of total capital invested since 2008 per theme



Split of total capital invested since 2008 per type



Affordable solar energy for low-income households in Africa



For years Nathaniel and Grace Kimani Mai Mahiu have been benefiting from the access to clean energy through their M-KOPA Solar home system.

Impact Story

Nathaniel lives with his family in a rural region in Kenya with no access to the national grid and only a few USD to spend on basic needs every day. Nathaniel's family used to spend a big share of their available budget on kerosene. The light provided by kerosene lamps is of poor quality and health risks are associated with the fumes.

About M-KOPA Solar, Nathaniel says: "No, I did not think I could afford a thing like this. This is like a miracle. The home solar system improved the quality of life of my entire family."

M-KOPA SOLAR

M-KOPA Solar's solution

- M-KOPA Solar strives to help poor consumers in emerging markets – like Nathaniel – to get rid of kerosene and other costly and inefficient energy substitutes
- Solar power products are offered to consumers for less than their daily spending on kerosene and phone charging
- M-KOPA Solar enables consumers to use clean, renewable energy using a convenient and affordable Pay-As-You-Go model

Did you know?

Close to 600 million people in sub-Saharan Africa – about two-thirds of the population – live without grid electricity and rely heavily on kerosene for home energy. On average, rural households pay 35 percent more for kerosene than their urban counterparts, leaving them with barely enough funds to cover their basic needs. (Source: Lighting Africa)

Our global footprint

In a world that has become more and more interlinked from an economic, environmental and political perspective, we like to assess issues with the mindset of a global citizen, rather than taking a nationalistic or regional perspective. As a result, we have not focused on just one part of the world, but we have consciously engaged with a much broader geographic scope. Investing in such a broad way is rare and difficult, but also fascinating. It requires a larger organization to achieve critical mass in the various regions, and excellent communication and processes to optimally leverage resources and to foster organizational learning.

While we aspire to be global in our motivation and mindset we need to have a very deep local, regional and national understanding and network to invest successfully in the various regions in which we are active. To facilitate global learning and a transfer of best practices is an effort that is rewarding not just for ourselves but also for our portfolio companies who highly appreciate our broader network and perspective. On the next two pages we outline our regional achievements as well as our priorities going forward.

Africa with focus on Southern/East Africa

Economic growth across sub-Saharan Africa has remained slow but stable over the past couple of years. A recent review of the continent's progress towards achieving the Millennium Development Goals indicated that impressive gains were made across key areas including promoting gender equality, combating HIV/AIDS and other diseases and achieving universal primary education. Despite this, a rapidly expanding population, high levels of unemployment, disease, inequality and environmental damage remain significant stumbling blocks for the future.

To contribute to the development of the region, we focus our engagements on the following areas:

- Advancing education and youth skills development
- Fostering job creation through inclusive and sustainable economic growth
- Developing agriculture supply chains
- Providing access to affordable and renewable energy

1 462 000 people reached in 2015
4 active portfolio organizations
USD 12.3 million invested since 2008
USD 702 000 donations deployed since 2008

Latin America with focus on Brazil/Colombia

Brazil is the 7th largest economy in the world, with USD 11 000 GDP per capita and a young population (median age of 31). 80 percent of the population belong to the low-income class and earn less than USD 9/day. Brazil has one of the most unequal income distribution indexes in the world. This vulnerable segment of society is affected by an overcrowded and underfunded public health system where waiting times for an ultrasound can be as long as eight months. In addition, despite an increased investment in education, Brazil still lags far behind other emerging nations regarding quality of education.

Colombia has one of the region's most stable economies (GDP growth of 4.6 percent from 2011–15) and the middle class has doubled in size in the last 10 years to over 30 percent of the population. Yet Colombia remains one of the most unequal countries in the region. The peace agreement putting an end to over 50 years of civil conflict will open access, attract investment, and generate confidence in the rural economy. In addition, a strong public policy focus on education will begin to provide more equal opportunities for students.

To contribute to the development of the region, we focus our engagements on the following areas:

- Improving agriculture supply chains
- Advancing education technology and skills training
- Providing better and more affordable access to health care

151 000 people reached in 2015
5 active portfolio organizations
USD 16.4 million invested since 2008
USD 470 000 donations deployed since 2008

India

India is one of the fastest growing economies in the world (estimated 7.5 percent in 2016). Despite this frenetic growth, huge gaps continue to persist in delivery of critical services for the masses which provide opportunities for entrepreneurs and private investors to make a difference. Education for example is a USD 133 billion industry, but the quality of education is sub-par resulting in skills-gaps, loss of economic potential and low likelihood of formal employment. Services contribute to more than 55 percent of the economy, however, financial services are restricted to the top tier of society. In healthcare, the situation is even worse as out-of-pocket

expenses continue to push people into poverty whilst government spending, at just 1 percent of GDP, remains lower than in Lebanon or Iraq.

To contribute to the development of India, we focus our engagements on the following areas:

- Healthcare: increasing access to quality, affordable primary/secondary/diagnostic services/eHealth
- Education: improving access to pre-schools, affordable private schools, tech-enabled accelerated learning
- Fintech: Establishing e-payments/POS solutions for SMEs/tech-enabled credit assessment

2 094 000 people reached in 2015
6 active portfolio organizations
USD 11.1 million invested since 2008
USD 1.6 million donations deployed since 2008

Southeast Asia with focus on the Philippines

The Philippines is enjoying a stable period of economic growth coupled with low inflation and strong job creation in the service sector. This positive momentum is expected to continue to be supported by economic reforms and pro foreign investment policies. The Philippine government has prioritized the nurturing of inclusive businesses, which is seen as an essential tool to generate mass employment and reduce poverty.

In this context, we aspire to contribute to the development of vibrant communities across the country with a focus on investments in the following sectors:

- Healthcare: increasing access to quality and affordable care for vulnerable segments of society
- Agriculture: utilizing the country's rich resources and improving the livelihood of farmers in sustainable ways
- Renewable energy: implementing innovative clean solutions to bring electricity to a nation of 7000 islands

Indonesia has the largest economy in ASEAN (Association of Southeast Asian Nations) with a GDP of USD 888.5 billion in 2014 supported by a population of 254.5 million people. Economic development has led to rising income inequality with 20 percent of the population holding 80 percent of the wealth and nearly half of the country's citizens living on less than USD 2/day. Indonesia has the world's second greatest environmental biodiversity and third highest greenhouse gas

emissions, which is a motivation for us to focus investments on the sectors of agriculture and renewable energy.

37 000 people reached in 2015
8 active portfolio organizations
USD 1.1 million invested since 2008
USD 130 000 donations deployed since 2008

China

Environmental challenges, healthcare and income inequality are major social issues resulting from China's rapid economic growth. China is the largest CO₂ emitter but also the largest investor in renewables in the world. By 2025 there will be 316 million people over 60 years of age, or 25 percent of the population, and spending in healthcare is expected to reach USD 1 trillion in 2020. Hence over the coming years we will focus on engaging with organizations that provide innovative and/or technology solutions to address the issues mentioned above, and improve access to as well as affordability and quality of products and services for disadvantaged people.

12 000 people reached in 2015
1 active portfolio organization
USD 50 000 invested since 2008
USD 180 000 donations deployed since 2008

UK

Despite an improving economy, "vulnerable" and "socially excluded" groups have not participated enough in that positive development. Notably 15 million people (31 percent of the population) report one or more signs of financial distress, 850 000 young people are currently not in education, employment, or training and one in four people experience a mental illness every year.

With this in mind, there is a clear role for us to play in addressing unmet needs in these sectors, among others.

15 000 people reached in 2015
6 active portfolio organizations
USD 8.2 million invested since 2008

Impact in 2015 by sector

Naturally our role across our various portfolio companies and organizations differs from case to case. In some cases we have larger ownership stakes than in others, and for some companies' development we are more important than for others. The statistics provided below list information across a number of impact areas and consolidate information we get from our portfolio without making adjustments for our ownership or role.

Education, Employment & Skills

- **1 794 000** children and students benefit from better access to education (primary, secondary, vocational, tertiary) and improved learning outcomes
- **58 000** children and adolescents benefit from better child protection through access to awareness and protection programs
- **70** people benefit from increased employability through technical skills training
- **161** unskilled artisans improve their income through upskilling and producing eco-friendly products
- **160** students train in marine conservation
- **10** active portfolio organizations
- **USD 4.4 million** invested since 2008
- **USD 1.5 million** donations deployed since 2008

Education portfolio organizations



Health

- **429 000** people have better access to quality healthcare services and health education
- **15 000** people use digital platforms to improve their physical or mental well-being
- **6** active portfolio organizations
- **USD 24.6 million** invested since 2008
- **USD 1.3 million** donations deployed since 2008

Health portfolio organizations



Housing & Shelter

- **131** people live in affordable social housing
- **1** active portfolio organization
- **GBP 2 million** invested since 2008

Housing & Shelter portfolio organizations



Energy

- **1 038 000** household members have access to affordable, fume-free, reliable electricity. By replacing traditional energy sources such as kerosene, households are able to significantly reduce their energy expenditure
- **3** active portfolio organizations
- **USD 11.7 million** invested since 2008

Energy portfolio organizations



Agriculture

- **39 000** farmers and family members improve their livelihoods. Farmers have access to high-quality planting material, farm inputs, financing for such up-front investments, skills training and ultimately, access to selling into commodities markets
- **395 000** farmers have insurance to protect them from agriculture and climate risks
- **10** active portfolio organizations
- **USD 3.1 million** invested since 2008
- **USD 210 000** donations deployed since 2008

Agriculture portfolio organizations



Sound business models and innovative solutions for scalable social impact

With its end-to-end solution Kenner Foods International increases farmers' income through quality cacao growing.

Problem

In the Philippines, about twelve million people work in the agricultural sector, where the poverty incidence rate is estimated at 37 percent. The average wage earned by an agricultural worker is approximately USD 3.50/day, or USD 840/year. Most farmers in the country are not able to access nor afford high-quality farm inputs and training, resulting in low annual yields and a perpetual cycle of poverty and indebtedness.

Solution

Kenner Foods International (KFI) delivers an end-to-end solution for improving the livelihoods of cacao farmers in the Philippines. Built upon the Cacao Development Model (CDM) of Mars, the model grants farmers continuous supply to high-yielding planting materials, farm inputs, ongoing technical training and support as well as access to global markets with guaranteed purchasing at a minimum of 70 percent of the cacao world market price. After purchasing beans from farmers, KFI ferments, dries, sells, and transports the cacao to international buyers. Finally, KFI arranges access to crop-appropriate financing, allowing farmers to make the necessary investments for planting cacao.

Impact

KFI increases the quality of life of less-advantaged farmers by providing them with sustainable means of increasing their annual income by an average of 340 percent. By rolling out the Cacao Growership Program in partnership with cooperatives, provincial governments and indigenous tribes, KFI has signed up over 10 000 contract growers who have planted well over 13 million cacao trees as of 2015.

Our engagement

USD 500 000 (equity) and USD 250 000 (debt), USD 1 million (debt) from LGT IV's clients, to finance the development of additional post-harvest centers, nurseries, and a managed farm. Two LGT Impact Fellows have been placed assisting in business development and operations improvement projects.

Outlook

KFI aims to integrate up to 35 000 farmers into its value chain by 2020 and to continue to improve cacao yields through better farming practices building on its sustainable and inclusive business model. KFI is working with the Grameen Foundation to track the improvements of the material well-being of farmers and their communities through the "Progress out of Poverty Index" (PPI).



© Kenner Foods International

In 2015 KFI's nurseries supplied more than 3.7 million seedlings to smallholder farmers across Mindanao and Palawan.

Impact through talent

The lack of access to talent is often identified as the number one obstacle for the growth of social enterprises. In order to address that challenge, we launched the LGT Impact Fellowship Program to connect private sector professionals with our portfolio organizations for one-year, full-time, on-the-ground placements. Since 2009, 113 fellows with an average of six years of work experience have joined the program. Fellows take on clear roles and responsibilities, commit to clear goals and report monthly on the progress. Typical roles are business developers, financial analysts, marketing specialists or operations managers.

Fellows come from all over the world and have a strong desire to build a purpose-driven career to contribute to a better society. Our program supports this by offering a professional environment, where participants work with vetted organizations of our portfolio which we have invested our own funds into. Our fellows become an integral part of our investment support and contribute significantly to achieving the overall investment objectives. This is where our program differs dramatically from many other, pure match making fellowship programs.

The majority of participants say that the fellowship program has been an important stepping stone for their career. Our alumni's career paths are varied and range from staying with the portfolio organization, starting their own company or working with a variety of organizations in the impact investing, social enterprise or corporate space.

Our portfolio organizations highly value the fellowship program, as it provides them with a very efficient tool to get access to top talent. As the program takes care of finding and pre-selecting candidates, organizations can start their recruiting efforts directly by interviewing top candidates, hence reducing their recruiting efforts significantly.

“The fellowship led me to understand the financial inclusion landscape in India and the unique challenges that players in this segment face in operations and growth.”

Priyamvada, 2014 Finance Fellow with Varthana, now Vice President with Lok Capital (India)

Our fellows drive impact beyond their work in our program



Aman Singh (India)

2012: Country Manager Fellow with OpAsha in Cambodia
Now: Malaria Program Manager at Clinton Health Access Initiative, Cambodia



Jessica Martin (US)

2011: Business Development Fellow with Driptech in US/India
Now: Senior Innovation Associate at Acumen

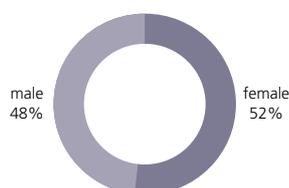


Alexander Mette (US)

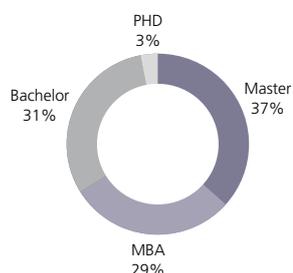
2012: Fundraising Fellow with EG in India
Now: Business Development Manager at Living Goods

Facts and figures

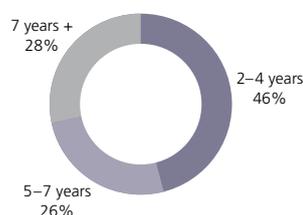
Gender split



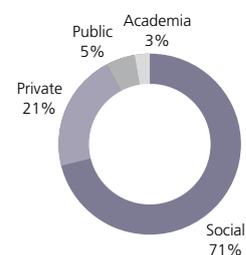
Education level



Work experience



Alumni work now in



A strong partnership to improve education in India

“LGT Venture Philanthropy (LGT VP) has been a staunch supporter of Educate Girls (EG) initiatives in Rajasthan since 2011. Their continued support has helped us bring more out-of-school girls back to school with significantly improved learning outcomes. They have helped us achieve landmark milestones in our programs as well as promote our work at global platforms. Apart from funding our programs, LGT VP is helping us with capacity building and

in securing external funding post their committed tenure of three years. EG has also benefited from LGT VP’s Impact Fellowship Program for several years now, which has provided EG with an eclectic talent pool of exceptional professionals.”

Safeena Husain

Founder and Executive Director of Educate Girls, India



Bringing girls back to school

Educate Girls increases school enrollment rates of girls in India and improves learning outcomes.



Girls from rural areas in India attend school thanks to EG.

Background

India has the world's largest illiterate population – women and girls in rural areas are especially affected. Poverty is one cause, but more importantly, cultural and social barriers, bad quality of education and inadequate infrastructure keep many parents from sending their children, especially girls, to school.

Educate Girls (EG) works with communities, schools and the government to increase the enrollment of out-of-school girls and improve learning outcomes for all children studying at the schools EG works with. They do this by:

- Working with communities to raise awareness of the necessity of girls' education
- Working with schools to provide improved infrastructure (e.g. building toilets dedicated for girls to increase retention in schools)
- Training school teachers in improving pedagogy and teaching techniques
- Working with the government in advocating for additional resources for girls' education

LGT VP's contribution to EG's impact growth

Prior to the start of our engagement, EG was working in the district of Rajasthan in India, reaching 250 000 children in 2342 schools.

2011 (start of engagement)

- LGT VP supports EG by granting USD 500 000 paid out in three tranches for expansion to one additional district, the district of Jalore

- With Nadine Haegeli, LGT VP's Impact Fellowship program places the first professional as PR expert to define and implement a communication strategy, which supports the organization to scale their model from rural Rajasthan to a national and international presence

2012–2013

- EG expands to 6000 schools, reaching 570 000 children each year
- LGT VP's advisory activities channel an additional USD 1.3 million in grant capital from clients to EG, which is used for recruiting, covering operational costs and expanding into an additional three districts
- LGT Impact Fellows Alexander Mette (US) and Louise Andre (France) support EG in marketing and fundraising
- LGT VP's investment manager supports EG to build a three year strategy and a fundraising plan

2014

- LGT VP assists EG in procuring USD 4 million funding from Qatar Foundation and raises additional grant capital from clients
- LGT VP makes necessary introductions in the fund raising community particularly to launch a Development Impact Bond

2015

- LGT Impact Fellows Camille Barras (CH) and David Hayman (UK) support EG's fundraising and national/international expansion
- EG improves quality of education of 955 000 children, enrolls 78 000 additional girls into school and works in 7695 schools in seven districts

Outlook

- Expand operations to eight districts by 2016/17
- Reach four million children by 2018

Impact through co-funders

Our work has attracted a broad range of supporters from private individuals and families to foundations and corporates. Our stakeholders appreciate our presence on the ground, our rigorous due diligence and our hands-on collaborative approach.

As a catalyst for social impact, we help donors and impact investors implement their intended impact across various sectors and geographies through investments and grants to our portfolio organizations. Since inception, co-donors/co-investors have committed USD 21.5 million to our portfolio organizations in the form of investments (equity, debt, funds, and other financial products) or grants.

We have helped advance the venture philanthropy and impact investing sector by attracting more capital and sharing our global experiences, learnings and insights through in-depth workshops and regional events. With this objective, our staff have also contributed significantly to major conferences and industry gatherings.

Co-donor grants have been instrumental in unlocking additional impact from portfolio organizations. Examples include:

- Funding of a dental research project for children in Colombia
- Establishment of a farmer cacao training center in a remote region in the Philippines
- Launch of a school quality improvement program in India



Katie Mountain presents the solution of Unforgettable – one of LGT IV's portfolio companies.



We advise funders on how to invest for positive social impact.



Social entrepreneurs and representatives from companies, foundations, and family offices come together at the House of Philanthropy Solutions in Zurich.

Impact management

Impact Management Framework

Our global team uses a standardized impact management framework to guide them through the full life-cycle of an engagement.

Framework objectives

- Support deal teams to assess and manage the impact of pipeline and portfolio organizations
- Provide transparency and insights to learn and improve the effectiveness of solutions
- Evaluate impact to increase our confidence that we are fulfilling our mission
- Report to our stakeholders

The core of the framework was built on the basis of two highly recognized concepts:

- United Nations Millennium Ecosystem Assessment¹ defining the five constituents of human wellbeing
- Kellogg Logic Framework² to describe the Theory of Change of solutions through logical relationships between resources, activities, outputs and outcomes

Impact is built into our investment process

1. Assess potential for positive impact

At the beginning of a due diligence exercise (DD), our teams use the "Positive Impact Threshold," a quick-screen tool for positive social and environmental impact, to do a preliminary assessment whether or not a solution meets our entry-level impact criteria. If the solution passes that hurdle, the regional teams conduct on-site impact assessments as part of the overall DD. During this stage the teams collect evidence of the effectiveness of solutions at delivering positive social impact. The stronger the cause-and-effect link, the higher the chances for a positive investment decision.

2. Agree on positive impact objectives

During the deal execution stage, we define binding objectives with the organization:

- Agree on key output and outcome indicators (using IRIS taxonomy³) and define goals for the next three years
- Impact milestones which trigger tranche payments
- Means of verification and reporting format/frequency
- Capacity building in impact measurement & evaluation

Funds can be allocated to capacity building to support organizations to improve their systems and processes with regard to impact measurement and reporting.



Impact Fellow Junjie Crisante providing data collection training to KFI field staff.

3. Impact Measurement and Validation

Portfolio organizations provide updates on their impact performance as part of the regular quarterly reports. Performance data is stored in our social impact data management tool. The quarterly reporting process ensures regular assessment of performance against targets. This hands-on approach enables us to:

- Collaboratively learn and improve the impact of solutions
- Adhere to good governance principles to achieve our mission

To ensure that portfolio organizations deliver the intended impact, we apply a variety of methods:

- Self-reported data from organizations
- Site visits as part of our post-investment monitoring
- Collaboration with researchers to independently evaluate the positive impact of solutions
- Adhere to industry standard impact measurement frameworks such as Grameen's "Progress Out Of Poverty Index" (PPI)

4. Keep our stakeholders informed

The following information is provided to report on the progress of our engagements to our stakeholders:

- Annual impact report
- Annual update on our website
- Quarterly reports to investors and donors

¹ www.millenniumassessment.org

² www.wkkf.org

³ iris.thegiin.org

Outlook



KFI trained a cacao farmer on how to increase his yields.

Improving the quality of life of less advantaged people is at the core of everything we do and our definition of success. Impact measurement and evaluation is of great importance to us. At the center of our efforts stands the question, how can we measure the qualitative side of social impact? Can we ultimately say which models work in the long term and have the potential to create sustainable positive impact? There are no standard answers. By nature social change is very much influenced by individual contexts and the complex interplay of unpredictable factors over the course of time.

We will continue with our efforts to measure positive impact by applying a mix of standardized models, field data analysis, and impact evaluation collaborations with research institutes and Impact M&E service providers. These efforts have provided us with great insights into the effectiveness of solutions of our portfolio organizations. However, we still have a lot to learn.

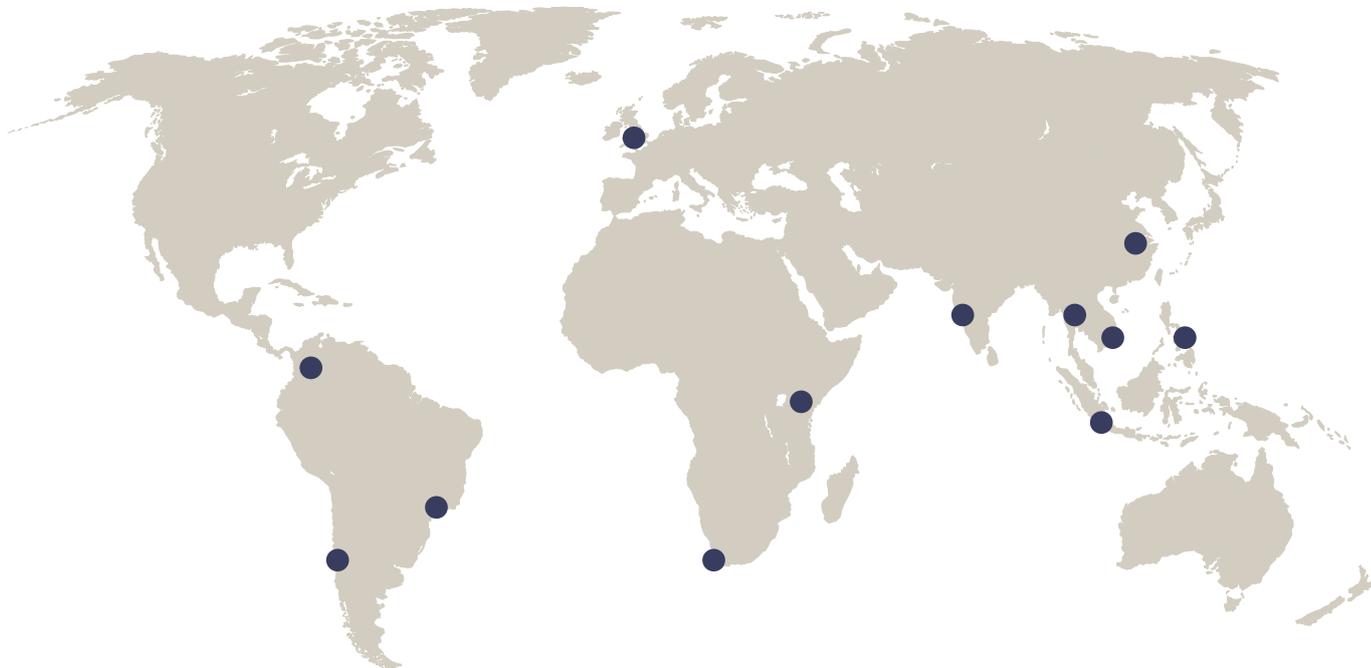
We are taking steps to enhance our impact management capabilities. For example, we will continue to collaborate with partners to increase the level of evidence supporting our social investments. In the Philippines we are working with our portfolio organization KFI and the Grameen Foundation to integrate the "Progress Out Of Poverty Index" into KFI's management information system to track changes in poverty levels of small-holder farmers. Another example is the funding of impact evaluations, such as our collaboration with J-PAL, Acumen and USAID. With this study, we are exploring Husk Power Systems' contribution to education, economic and health improvements by providing solar home systems to disconnected rural villagers in Bihar India. Finally, we are increasing our internal capacity with dedicated impact management team members.

We look forward to continuing our impact measurement journey and further collaborations with experts in the field of Impact Monitoring and Evaluation.

Overview of portfolio organizations and their impact in 2015

Sectors	Sub-themes	Organizations	Regions	Impact
Education	Access to/ quality of education	Educate Girls	India	955 848 school children benefitted from EG's initiatives of empowering girls in villages, educating communities on the importance of girls' education and improving infrastructure and teaching quality in public schools.
		Varthana	India	734 822 children had access to quality education in India through Varthana's debt financing to affordable private schools which enabled them to enhance infrastructure and improve education quality.
		Bridge International Academies	Africa	76 019 children from across Kenya's poorest communities received quality basic primary education.
		Enseña Chile	Latin America	26 825 low-income students became better learners as well as more independent, resilient and socially aware members of society.
		Lumni	Latin America	1 267 underprivileged students from Mexico, Colombia, Peru and Chile entered tertiary education through Lumni student loans.
		Töhe	Vietnam	180 disadvantaged children increased their creative, perceptual and cognitive skills as well as their social competencies through participating in Töhe's visual arts development program.
	Safety and resilience	Aangan Trust	India	58 400 vulnerable children in India have a better chance for a safer childhood through Angaans prevention, mentorship and advocacy programs.
	Employability	K10	UK	151 young people in the UK started an apprenticeship, increasing their capability to achieve longterm, rewarding employment through high quality work-based learning programs in London's construction sector.
		Rags2Riches	Philippines	161 women from marginalized communities earned regular income to sustain their families by producing eco-friendly products.
	Environmental Conservation	New Heaven Reef Conservation Program	Thailand	160 students trained how to scuba dive while restoring coral reef areas.
Agriculture	Improved livelihoods	Kennemer Foods International	Philippines	7 172 new smallholder farmers improved their farming knowledge and increased their household income through higher quality outputs.
		ACRE Africa	East Africa	395 472 smallholder farmers obtained affordable insurance which enabled them to invest in improving and increasing farm outputs, and at the same time mitigated the impact of potential losses due to weather-related risk e.g. drought or floods.
		SUGRUVI	Philippines	2 691 new farmers increased their income on average by 20 percent through sales of high value cassava products.
		Driptech	India	The Driptech technology enabled farmers and their families to exit the poverty cycle by increasing water efficiency – saving up to 70 percent of water – and enhancing the crop yield by 20 percent to 90 percent.
		Shangrila Farms	China	11 800 farmers increased their income by USD 1020 (28 percent increase) through better access to markets to sell coffee or honey.
		Ecolink	Vietnam	6 285 farmers trained to plant organic products and increased their income due to improved market access.
		Grassroots Innovation Company	Thailand	10 000 farmers were organized into cooperatives and benefitted from technical and market access assistance.
		Hilltribe Organics	Thailand	170 farmer families tripled their income by setting up organic chicken farms and selling free-range eggs.
		Kakoa	Indonesia	160 farmers partnered with Kakoa and tripled their income through a combination of yield improvement and a high premium price paid for their quality production.
		Mukatri	Colombia	Over a hundred families are continuously providing fruit to Mukatri collectively protecting around 13 000 hectares of the Amazonian Piedmont, while having an average income increase of up to 40 percent.

Sectors	Sub-themes	Organizations	Regions	Impact
Healthcare	Preventive care, wellbeing and lifestyle	Big White Wall (BWW)	UK	14 073 adults registered on BWW's digital platform to improve their mental well-being through digital courses, therapy and peer to peer support groups.
	Primary care	Bive	Colombia	18 500 low-income families had access to quality and timely primary care, avoiding future complications that may result from their medical condition or disease.
	Secondary and specialized care	dr.consulta	Brazil	103 472 patients, with 80 percent being women and children, had better access to quality healthcare services with a focus on preventive care for most prevalent chronic diseases.
		MyDentist	India	166 825 middle- and low-income clients were able to access affordable dental care, reducing future incidences of oral and related diseases.
	Tertiary, rehab and long term treatments	mothers2mothers	Southern Africa	140 355 HIV+ pregnant women were empowered to prevent mother-to-child transmission (PMTCT) of HIV/AIDS during and after pregnancy, and to combat stigma within families and communities.
		Unforgettable	UK	Platform launched in 2015 to improve the lives of those living with memory loss and dementia by bringing together specialized products, practical advice and a supportive community. 969 unique customers bought products on the platform.
Energy	Off-grid energy access	M-KOPA Solar	East Africa	850 114 household members got access to affordable, fume-free, uninterrupted electricity through M-KOPA home solar systems.
		Husk Power Systems	India	178 862 clients in rural India got access to affordable, clean and reliable electricity and saved on average 3000 Rs. p.a. on energy expenditure.
		One Renewable Energy Enterprise	Philippines	9925 rural low-income clients got access to renewable and affordable energy and increased savings by at least USD 94 p.a. from reduced spending on kerosene.
Other	Social Housing	Homes for Good	UK	131 disadvantaged people in "housing need" in Glasgow improved their housing situation through access to safe, affordable, and good quality housing in the private-rented sector.

Countries with portfolio activity**Media contact**

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