



Principle 9: Disclosure and Verification

Presentation

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PDF 16 KB



Introduction

The ***Common and Emerging Practices***, a new series of resources from the Impact Principles, aims to capture key insights from notable trends in common practices in implementing the Impact Principles by our Signatories and highlight promising emerging practices and key gaps. By sharing these common and emerging best practices in impact management, we seek to elevate impact practice in the market and ensure that capital is mobilized at scale with integrity to drive meaningful impact outcomes.

The resources related to ***Common and Emerging Practices*** will be released in phases through website publication of initial drafts for each of the nine principles in series, followed by draft and final consolidated reports with stakeholder engagement.

Principle 9

Publicly disclosure alignment with the Impact Principles and provide regular independent verification of the alignment.

The Manager shall publicly disclose, on an annual basis, the alignment of its impact management systems with the Impact Principles and, at regular intervals, arrange for independent verification of this alignment. The conclusions of this verification report shall also be publicly disclosed. These disclosures are subject to fiduciary and regulatory concerns.

The Components of Principle 9

- Publishing an annual **Disclosure Statement** affirming the alignment of their impact management system with the Impact Principles
- Conducting an **independent verification** assuring this alignment on a regular basis and publishing their summary statements

Principle 9 is an important and distinguishing requirement of the Impact Principles, central to bringing transparency, discipline and market credibility to investors' impact management practice. The Disclosure Statement and verification summary, both published on the Impact Principles' website, help to reduce the risk of impact washing and enable comparison, benchmarking, and peer learning to advance best practices and learning in the market.

In Principle 9, Signatories meet the requirements of the Operating Principles for Impact Management by:

1. Publishing an annual **Disclosure Statement** affirming the alignment of their impact management system with the Impact Principles, and
2. Conducting an **independent verification** assuring this alignment on a regular basis and publishing their summary statements.

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Signatory Current Disclosure Practices Related to Verification

Note: The findings and observations are primarily based on analysis of the most recently published 166 Signatory Disclosure Statements at the time of review in early to mid-2024.

The disclosures on the implementation of Principle 9 show a range of timing, frequency and types of providers Signatories use for their independent verification as well as the different levels of detail in the information Signatories provide regarding their verification practices.

Disclosure Related to Verification

- 84% affirmed annual review of alignment with the Impact Principles
- 68% disclosed date of last verification
- 64% disclosed verifier name
- 48% disclosed frequency of verifications
- 46% disclosed date of next verification
- 23% disclosed verifier address and/or provided description of the verifier

Timing and Frequency of Verification

- 60% disclosed conducting or planning verification every 3 years
- 26% disclosed conducting or planning verification every 2 years
- 10% disclosed conducting or planning verification every 4-5 years
- 4% disclosed conducting or planning verification every year

Types of Providers for Verification

- 74% of Signatories are verified by impact or ESG service Providers, including impact consulting or advisory service providers, specialized ESG or impact investing-related

technical solutions/service providers, and specialized ESG or sustainability rating or impact verification providers

- 18% of Signatories are verified by auditing firms
- 6% of Signatories are verified by internal audit departments
- 3% of Signatories are verified by external verification committees

See below for more information on the types of providers

Guidance on Disclosure and Verification

1. Disclosure Statements

Updated annually and published on the Impact Principles' website, Disclosure Statements affirm the alignment of the Signatory's impact management system with each of the 9 Principles, including information on the independent verification provider and status. The first Disclosure Statement of a new Signatory should be published by the end of the month of the first anniversary of their signing of a Signatory Letter. The guidelines for annual Disclosure Statements are provided in the *Reporting Requirements and Template for Annual Disclosure Statement* distributed to Signatories.

Disclosures related to the Independent Verification

The Disclosure Statement should include the following information about independent verification:

- The name and registered address of the verifier;
- A paragraph summarizing the operations and qualifications of the independent verifier;
- The dates of the most recent and the next planned verifications, or if the first independent verification has not yet been completed at the time of the Disclosure Statement, the planned date when the first verification will take place;
- A link to a public statement by the independent verifier (verification summary).

2. Independent Verification

Independent verification provides assurance of the alignment of a Signatories' impact management systems and processes with the Impact Principles. While the verification should include assurance of the consistency of the Disclosure Statement with the actual impact management system, it is *not* a verification of the Disclosure Statement as such.

Independent verification of impact management practice is a nascent field playing a crucial role in the impact investing ecosystem to ensure the growth of the market with transparency, discipline, and integrity. Since the launch of the Impact Principles in 2019,

we have seen a growing number of new and existing firms developing and offering this new service and related insights to impact investors and the market. However, awareness, access, affordability and consistency in scope and quality of independent verification services remain challenges to be addressed as the field evolves.

There is a range of types of independent verifiers and services offered, and more than 40 firms have conducted independent verifications to date for Signatories to the Impact Principles globally. Note that while the Secretariat cannot endorse or recommend any particular verifier, we can provide Signatories with a list of firms that have conducted verifications in the past.

We would like to acknowledge the contribution of the independent verifier community to the market, and in particular, the firms that have participated in the **Impact Principles Independent Verification Working Group**. In collaboration with this Working Group, we have created the following summary of the types of providers, services offered, and example scopes of work and deliverables.

Section A.

Timing and frequency of independent verification

Signatories conduct independent verifications, on average, **every two to three years**, with a range of every one to five years. Signatories also state planning to conduct independent verifications when or after material changes to the impact management systems and processes are made.

The **first verification** is typically completed within the first two years of becoming a Signatory, or within one year of the publication of the first Disclosure Statement.

The first independent verification should be conducted concurrently with, or after, the first Disclosure Statement to include assurance of the consistency of the Disclosure Statement with the actual impact management system as part of the verification process.

Section B.

Types of providers for independent verification

Independent verifications may be performed by various types of external firms, Signatories' internal independent audit/evaluation departments, or independent verification committees of qualified persons established by one or more Signatories.

Signatories work with four broad types of providers:

- Auditing Firms
- Impact + ESG Service Providers
- The Internal Audit Department of a Signatory
- An Independent Verification Committee formed by Signatory/Signatories

Auditing Firms typically provide limited or reasonable assurance, following standards like ISAE 3000, and independent verification has been conducted by all the “big four” accounting firms. Signatories typically select Auditing Firms for independent verification when they are also providing other professional services.

Impact + ESG Service Providers are the most common type of independent verifier selected by Signatories. There are a wide variety of firms that fall into this category, including:

- Those that provide broad impact consulting and advisory services;
- Those that provide specialized ESG or impact investing-related technical solutions or services;
- Those that focus specifically on ESG or sustainability rating and/or impact verification.



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with the existing structure and capacity for internal due diligence, such as Development Finance Institutions.

Signatories may form an **external verification committee** of at least three qualified persons to provide independent verification. We recommend that Signatories considering this option contact the Secretariat ahead of time to confirm the qualifications and independence of the committee members.

Across all four types of verification providers, the firm, team, or persons conducting

Signatory Practice Spotlights

implementation of the signatory's impact system and investment decision processes. See more about conflicts of interest below.

Section C.

Types of services offered, approaches and methodologies

Independent verifications assure that a Signatory's impact management systems and processes align with the Impact Principles. While they are not solely verifying the Disclosure Statement, the verifier reviews the Disclosure Statement to confirm that it corresponds to their findings and the Signatory's actual impact management practice.

Independent verification is not intended to provide verification of the quality or adequacy of the impact management system, impact measurement data, or the impact results reported. The verification may include recommendations for future improvements, but this is not a requirement.

Types of Services

- Verifications that provide limited or reasonable assurance, generally guided by standards like ISAE 3000;
- Verifications that affirm the alignment and may additionally include a letter to management or report describing the Signatory's level of alignment using the verifiers' internal methodology and areas for improvement.

Approaches and Methodologies

Verifiers take a range of approaches and have differing methodologies and scopes of work:

- Verifiers may use scoring or benchmarking, comparing against other verifications they have completed;
- Verifiers may base their assessments on market knowledge, professional experience, and firm expertise;
- Both approaches may be used together and are not mutually exclusive.

Both of the above service types may include either a letter to management with a detailed assessment and recommendations (not for publication) or a report on how to improve impact management practices and their alignment with the Impact Principles (that may or may not be published), along with a verification or assurance statement (for publication).

Individual rating, scoring or benchmarking results may be public or private, depending on the service provider and the specific nature of services offered.

Section D.

Scope of work

Verifiers may provide a Scope of Work outlining the process, steps, and deliverables of the verification. This Scope of Work may be included in the published verification statement.

Verifications may include the following in the Scope of Work:

Definition

Define what is being reviewed and verified.

- The Signatory's impact management systems, policies, processes, key documents and tools with respect to their alignment with the Impact Principles;
- The consistency of the Disclosure Statement with their findings and actual practice.

Define the Covered Assets that are part of the Scope of Work.

- In the case of multiple funds within a Signatory's Covered Assets, describe the specific scope and level at which the verification is taking place (e.g., entirety of Covered Assets or a sub-set of funds, manager/firm level or fund level);
- Where relevant, include a brief description of the status of the Signatory's covered assets at the time of the verification that may be important to contextualize the impact management practice (e.g., no capital deployed yet/fundraising, active investment period, fully deployed etc.)

Assessment Process

- Assess the alignment of the impact management systems and policies with the Impact Principles;
- Assess the impact management system using specific criteria, , e.g. quality, completeness, and robustness of the impact management system design, process, policy and tools, and consistency and depth of the system implementation in assessing, managing, monitoring, recording and reporting impact;
- Review organization capacity, governance structure and their effectiveness, including investment and impact evaluation oversight;
- As part of the process, the verifier may request the Signatory to fill out a questionnaire or provide a set of data and key documents to support the verification process.

Interview

Meet with and/or survey key internal stakeholders including:

- Staff responsible for defining and implementing the impact management system and processes;
- Staff and senior management to evaluate how impact management is incorporated into team decision-making;
- Key employees to understand and collect additional information on the impact management system;
- Board or investment or impact-related committee members to understand and collect information on governance related to impact management system;
- Where possible, interview, meet with and/or survey key external stakeholders, potentially including LPs and investees, to understand and collect additional information on the impact management system from the perspectives of external partners involved in the process.

Testing

- Assess the implementation of the Impact Principles by testing a representative investment/project(s) or based on a selection of transactions diversified by type, location, and date of investment.

Verification Assessment against the Disclosure Statement

- Review the consistency of the information provided in the Disclosure Statement with the findings of the verification and the Signatory's actual impact management practice

Deliverables

- A final verification statement or summary document provided to the Signatory that may be published (required).
- Consolidated findings and recommendations provided in an internal report for the management team (optional).
- Detailed assessment findings outlining alignment and recommended improvements (optional).

Additional Information (optional)

Verifiers may include additional information in the verification statement or report that provides helpful context for their findings and recommendations including:

- A description and explanation of rating, scoring or benchmarking methodologies;
- A list of regulations and other standards and frameworks used as guidance.

Section E.

Conflict of interest

It is a requirement that the independent verifier must be independent of the development and implementation of impact strategy and management system and the overall investment process. It is recommended that a Statement of Independence be included in the verification summary document to evidence this independence.

Independence without conflict of interest is particularly relevant in cases of verification being conducted by "an independent verification committee formed by Signatory/Signatories" or an "Impact + ESG service provider" that may also have provided advisory or technical services to the Signatory in the development and implementation of their impact management system.

The Statement of Independence may be modeled after ISAE 3000.

The statement should confirm that there is no conflict of interest, including:

- Verifier has not built the impact management system nor been involved in its ongoing development and maintenance;
- Verifier did not write the Disclosure Statement;
- Verifier is not involved in operations, management or investment processes.

The Operating Principles for Impact Management (the "Impact Principles" or "OPIM") are a global standard for integrating impact throughout the investment lifecycle. The Impact Principles are hosted by the Global Impact Investing Network, Inc. ("GIIN") is a nonpartisan, nonprofit 501c(3) organization dedicated to increasing the scale and effectiveness of impact investing through research, education and other activities.

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