

STICHTING IMPACT-LINKED FINANCE FUND – POLICY AND FINANCIAL PLAN 2020 - 2023

Date last reviewed: June 2020

1. Objectives and activities

The Stichting Impact-Linked Finance Fund, hereinafter referred to as the “Foundation” aims to provide finance to high-impact organizations that directly rewards these organizations for positive outcomes generated through their business activities.

In addition to its direct funding activities the Foundation aims to promote incorporating impact considerations into the provision of finance leading to lower financing cost and/or better financial terms for creating measurable positive impact. It actively advocates for applying this approach to other areas of business, policy and finance, too.

The Foundation aims to provide innovative finance in multiple forms to projects and organizations independent from their geography and legal form, incl. (recoverable) grants, outcomes-based premium payments, impact-linked loans and equity, as well as other impact-linked financing instruments - in any case providing rewards for positive social and environmental outcomes. It is designed to facilitate a concerted effort between the private sector, non-profits, and the public sector to provide financing for social and impact enterprises, impact-driven SMEs and NGOs with market-based activities. It also aims to provide funding to intermediaries that provide financial and/or technical support to these organization (e.g. by compensating them for providing concessional finance linked to positive outcomes)

The Foundation aims to catalyze private sector investment for high-impact opportunities by improving the risk-return profile of selected enterprises, funds and organizations by (partly) enhancing their financial return and/or mitigating their risk, thereby mobilizing additional resources and catalysing deeper impact, while improving the effectiveness and efficiency of development financing as well as impact investment.

The Foundation envisages having ring-fenced funding windows related to specific themes, programs and/or geographies, allowing donors and funders to earmark their contributions as well as to participate (if wished) in corresponding investment decisions. Supplementary investment guidelines might be implemented for these funding windows. However, the guiding principles of the general investment guideline apply for all funding windows.

2. Method of acquisition of income

The income will be acquired from donors and other catalytic funders (including corporations, foundations, public donors, philanthropists, and similar) in the form of grants and used in a revolving manner in order to fulfill the mission of the Foundation.

3. Management and use of the Foundations assets

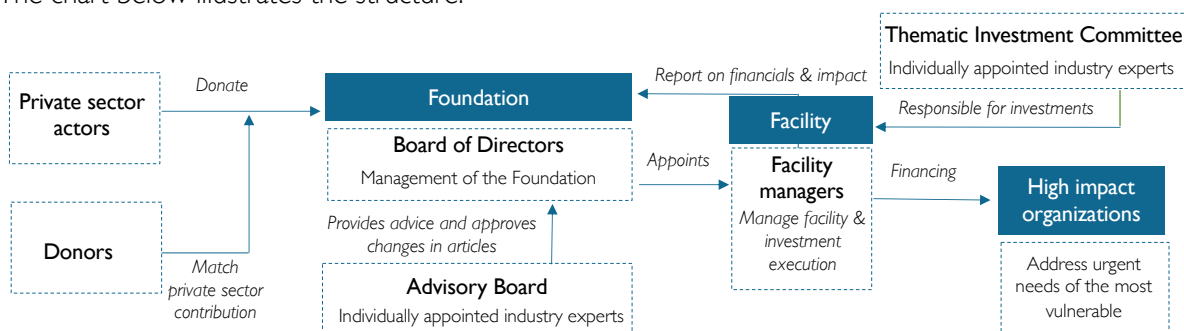
Overall responsibilities for the management of the Foundations assets rests with the Board of Directors (the “Board”) in accordance with the Articles of Association.

The Board is supported by an Advisory Board that provides strategic guidance and is responsible for the amendment of key documents such as the Articles of Association and the General Investment Guideline. The Board appoints a Facility Manager for each dedicated funding window as well as (in collaboration with funders) a Thematic Investment Committee which will take the final investment decisions based on the recommendations of the Facility Manager.

- **Board of Directors (BoD)** in charge for operational management of the Foundation (i.e. the executive team). The BoD appoints members of the Thematic Investment Committees in coordination with the funders of the respective funding window.

- **Advisory Board** acting as an advisory body to the Board of Directors and comprised of independent industry experts. Responsibilities include among others to provide strategic advice to the Board of Directors, approve changes in the Articles of Association as well as approve changes in this general Investment Policy & Guideline binding for all Investment Committees.
- **Thematic Investment Committee** set-up for every funding window (typically a program funded by one or more donors or catalytic funders) and representing key funders and financing and thematic experts to oversee the investment strategy and follows closely the pipeline as well as the proposed transactions. Members agreed upon by BoD and funders of relevant program.
- **Facility Manager** is responsible for research and due diligence of new investments, structuring of transactions according to the design principles, investment management and monitoring as well as maintenance of the database and deal pipeline, etc.

The chart below illustrates the structure:



Details about the investment process can be found in the General Investment Guideline.

4. Financials

As described in chapter 2 the income of the Foundation will be acquired from donors and other catalytic funders (including corporations, foundations, public donors, philanthropists, and similar) in the form of grants.

There are three types of cost to be considered:

- Investments (capital provided to high-impact organizations in various forms)
- Cost for the managing the different facilities (funding windows) of the Foundation (typically paid to a Facility Manager)
- Administrative costs such as administration, accounting, audit, etc

Income and cost planning 2020 – 2023

In EUR mio	2020	2021	2022	2023
Income	5	6	8	13
Investments	3.2	3.2	6.4	12
Managing costs	0.6	0.6	1.2	2.25
Administrative costs	0.2	0.4	0.6	0.9
Balance	1.0	2.8	2.6	0.45

5. Activities

In the years 2020 the Foundation will focus on launching a funding windows providing emergency response financing to high-impact organizations, called the Emergency Response Facility. The main goal of this Emergency Response Facility is to maintain and safeguard future impact from impact enterprises and SMEs in

sub-Saharan Africa by providing emergency financial support to help these organizations continue operations as well as (when applicable) propel digital models to reach even more people in need. In order to implement this facility income of EUR 5M in the form of grants is expected to be acquired from donors and other catalytic funders, in particular European foundations and public donors. The investment activities shall start immediately after launch of the program and the majority of the investments (EUR 3.2M) are expected to be executed in 2020.

In the year 2021 the Foundation will start to engage in creating a knowledge platform and community of practice for Impact-Linked Finance, called the Open Platform for Impact-Linked Finance. The platform is meant to act as a catalyser of practice-driven knowledge of Impact-Linked Finance instruments and contain all the necessary resources to transform this knowledge into ready-to use tools for practitioners. From the community side, the platform will connect and facilitate collaboration between these organisations, support the proof-of-concept based on successful practices and ultimately accelerate and multiply the application of Impact-Linked Finance solutions.

In 2021 the Foundation also aims to acquire EUR 6M in additional grants in order to launch a new funding window for financial inclusion benefiting in particular women in developing countries. The investment activities for this program will start in 2021 and continue in 2022 and 2023.

In the years 2022 and 2023 the Foundation aims to acquire additional grants in the amount of EUR 21M in order to top up the existing program for financial inclusion and launch new programs as well as expand its activities around the Open Platform for Impact-Linked Finance. The focus of new programs is dependent from market developments and the priorities of future funding partners.