

Impact Investing Policy (IIP)
Developed for:



KL Felicitas Foundation

By:

sonen capital

Social & Environmental impact investment management

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1. Overview

Policy Scope and Purpose

The Impact Investment Policy (IIP) is guided by the founders' values and the Foundation's mission with the explicit goal of optimizing economic, social, and environmental returns.

The purpose of this Policy is to document KLF's objectives and guidelines for the investment of its assets, including the requirements for a successful integration of Impact Investments. This Policy guides the Foundation's board, staff, money managers, philanthropic advisors, and investment advisors to effectively invest, monitor, evaluate and manage these assets.

Mission

The mission of KLF is to:

- Enable social entrepreneurs and enterprises worldwide to develop and grow sustainably; and
- Advocate the Foundation's Impact Investing Strategy.

Guiding Principles & Values

One important objective of the Foundation is to inspire others to leverage their assets for creating positive impact. Aligning the investment strategy with the mission and values of the Foundation not only creates greater leverage for impact, but also is the right and ethical thing to do.

Transparency, accountability, and open source sharing of information are therefore core guiding principles and values.

In addition, the founders of KLF subscribe to the following guiding principles and values:

- Commitment to a high touch approach
- Belief that a grass-roots rather than a top-down approach is more successful and sustainable
- Belief that systemic societal problems are best addressed through cross-sectoral partnerships and/or hybrid business solutions, leveraging market forces where possible
- Commitment to leveraging as many aspects of the Foundation's structure and activities as possible to maximize impact
- Commitment to assessing the holistic impact of our work
- Commitment to an entrepreneurial approach of taking measured risks in order to achieve significant impact; by taking a strategic portfolio approach with disciplined pipeline and deal flow analysis and a focused approach on results and metrics; by being innovative and challenging the status quo

Objective

KLF recognizes that its fiduciary responsibility does not end with maximizing return and minimizing risk. It believes that in light of the systemic social, environmental and economic challenges, fiduciary responsibility, as defined for foundations, must include integration of prudent financial management practices with principles of environmental stewardship, concern for community, and corporate accountability to shareholders and stakeholders alike.

KLF believes aligning the investments of its corpus with its mission and values amplifies over time the opportunity to maximize its philanthropic impact. A “spending down” approach would deprive the corpus of realizing its full long-term impact potential. Therefore, during the lifetimes of its founders, KLF’s return objective is to maintain its giving capacity on an inflation-adjusted basis while maintaining an approximate yearly payout of 5% in grants and ‘Program Related Investments’ (as defined by the Tax Reform Act of 1969 under Section 4944). Upon second death of the founders, more assets will move into the Foundation. The structure of the foundation is designed to allow the future trustees to have maximum flexibility to adjust the strategy as they see fit, including, but not limited to, spending down of assets, in pursuit of philanthropic objectives.

Risk Tolerance

Portfolio return volatility is reduced through asset class diversification and monitored on an ongoing basis by comparison to the target asset allocation and the portfolio benchmark. KLF recognizes and acknowledges that some risk must be assumed in order to achieve long-term investment objectives, and that there are uncertainties and complexities associated with investment markets. KLF’s strategic asset allocation seeks to avoid significant total portfolio declines that would impair achievement of long-term return objectives, with the expectation that return fluctuations will fall within an acceptable range in normal market conditions.

2. Roles & Responsibilities

KLF targets value-aligned partners and advisors. Team members work together to support the mission and values of the Foundation.

KLF Board

The KLF Board is the fiduciary of the Foundation's assets as well as the guarantor of the Foundation's mission and values.

Primary responsibilities of the KLF board are:

- Ensuring alignment with mission and values;
- Approving Impact Investing Policy and changes to it;
- Monitoring and evaluating implementation of Impact Investing Policy (at least once a year); and
- Hiring and managing the team.

Investment Advisor and Investment Committee

The Investment Advisor develops the Impact Investing Policy with an emphasis on investment portfolio strategy and oversight. The Investment Advisor is responsible for guiding KLF through a disciplined and rigorous investment process. The Investment Advisor participates in and/or chairs the Investment Committee. The Investment Committee is a non-executive advisory committee responsible for recommendations regarding the Impact Investing Policy.

The primary responsibilities of the Investment Advisor are:

- Obtaining relevant information in order to quantify KLF's investment objectives and risk tolerance;
- Facilitating portfolio design (asset allocation) and implementation process, including the full integration of Impact Investments;
- Preparing and updating the Impact Investing Policy;
- Conducting manager searches for investment managers as needed;
- Monitoring the asset allocation of the overall portfolio relative to the Impact Investing Policy;
- Reviewing and monitoring investment expenses including fee structures;
- Performing ongoing due diligence on the chosen managers or funds and recommend changes as warranted; and
- Supporting the KLF's board in the effective evaluation process of Impact Investments

Investment Managers

The Investment Managers construct and manage investment portfolios consistent with the investment philosophy and disciplines they were hired to implement. They have discretion to select specific securities and, on an ongoing basis, adjust and modify their asset mix within the guidelines specified in their management agreement. The Investment Managers use only acceptable investment vehicles as defined in this policy. With regard to allocating brokerage and commissions, each investment manager must make every effort when trading securities to do so on a best execution basis.

As distinguished from the Investment Advisor, who is responsible for managing the investment process, Investment Managers are responsible for making investment decisions (security selection and price decisions).

The primary responsibilities of the Investment Managers are:

- Managing the assets under their supervision in accordance with the guidelines and objectives outlined in their respective Prospectus, Private Placement Memorandum, Policy Statement, or Contract;
- Exercising full investment discretion with regards to buying, managing, and selling assets held in the portfolios, subject to any listed restrictions;
- Promptly voting all proxies and related actions in a manner consistent with this policy (the investment manager shall keep detailed records of the voting of proxies and related actions and will comply with all applicable regulatory obligations);
- Communicating all significant changes pertaining to the portfolio or the firm itself, e.g., changes in ownership, organizational structure, financial condition, and professional staff;
- Using the same care, skill, and prudence under the circumstances then prevailing that experienced investment professionals acting in a like capacity and fully familiar with such matters would use in similar activities for like clients with like aims in accordance and compliance with all applicable laws, rules and regulations; and
- Reporting performance on a quarterly basis.

Custodian

The custodian serves as a third party independent fiduciary used to hold cash and marketable securities. Monthly reports summarizing these holdings will be available for review by the KLF board. In addition, a bank or other depository arrangement may be used to accept and hold cash prior to allocating it to an investment strategy or manager, and to invest such cash in liquid, interest-bearing instruments.

3. Asset Classes & Impact Categories Defined

In accordance with the methodology of the investment advisor, the Foundation allocates assets among three major categories: Stable Assets, Growth Assets, and Inflation Protection Assets. Each category contains one or more asset classes; and each asset class contains one or more sub-asset classes.

Stable Assets

Definition: Stable assets include cash and fixed income asset classes. The underlying characteristics of this broad asset category are low risk and low dispersion of investment returns. The asset category is presumed to provide relative stability and liquidity in volatile or downturn market conditions, but at the same time produce lower returns over time than broad equity market indexes.

Stable Asset Classes:

- Cash and Equivalents – accounts offering daily liquidity or with maturities of 1 year or less, where principal risk is minimal
 - a. Cash Money Markets, Demand Deposit and Time Deposits (CD's)
- Fixed Income: global fixed income securities both public and private
 - a. Notes & Other Debt
 - b. Global Bonds
 - i. Sovereign and Supranational Bonds
 - ii. Municipal Bonds
 - iii. Securitized Bonds
 - iv. Corporate Bonds

Growth Assets

Definition: Growth assets include public equities, absolute return, and private equity asset classes. This category of assets provides growth in the portfolio with higher risk, resulting in potential value fluctuations in different market cycles. Public equities are presumed to achieve respective broad equity market returns with underlying volatility. Absolute return investments are deemed to have risk and return characteristics between those of fixed income and public equities, providing relative growth as well as some relative stability in downturns. Private equity consists of illiquid value generation strategies with high prospects of growth with significant risk of failure.

Growth Asset Classes:

- Public Equity
- Absolute Return
- Private Equity

Inflation Protection Assets

Definition: Inflation protection assets consist of investments in real assets such as real estate, timber, and sustainable natural resources. The characteristics of this asset category exhibit relatively strong

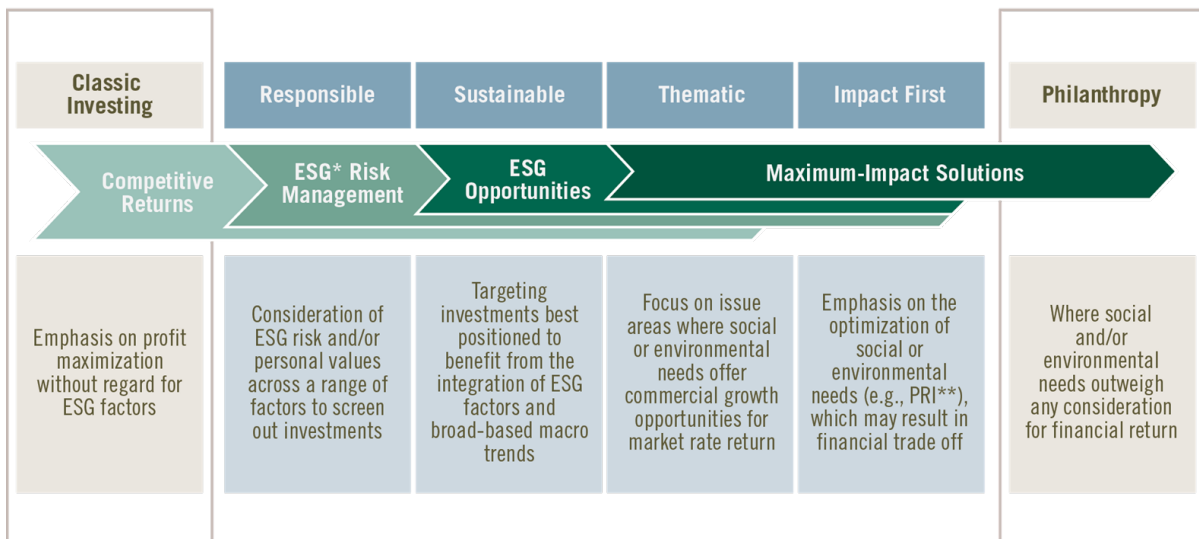
correlation with inflation, intended to provide some portfolio protection during inflationary periods.

Inflation Protection Asset Classes:

- Real Assets
 - Public Core Real Estate
 - Timber
 - Private Real Estate
 - Natural Resources

Impact Investments

KLF uses ‘*Impact Investments*’ to mean investments which have a stated social and/or environmental return objective in conjunction with a financial return objective. KLF does not view impact investing as singular approach, rather as range of approaches which exist between the traditional paradigms of Classical Investing being solely a profit maximizing effort and pure Philanthropy as the Foundations only means to advance its social and environmental objectives.



Adapted from Bridges Ventures and Clara Barby, June 2012

ESG- Environmental, Social and Governance factors

**PRI- Program Related Investments available to US Foundations as defined by the Tax Reform Act of 1969

- I. Responsible investing, also known as Socially Responsible Investing or SRI. In practice, this invariably involves the negative screening of investments due to conflicts or inconsistencies with personal or organizational values, non-conformity to global environmental standards, adherence to certain codes of practice or other such binary impact performance criteria. In addition KLF, will use Responsible investing as home for it prior use category of Social Component Investments.

- II. Sustainable investing, which moves beyond a defensive screening posture and actively looks for investments that are positioned to benefit from market conditions by integrating environmental, social and governance factors into core investment decision making processes. This can include innovations and new markets that are recognized as a path to growth, with positive social and environmental benefits, e.g. alternative energy.
- III. Thematic or Mission investments have a particular focus on one or more impact themes, such as clean water or deforestation, and works to channel investment allocations in those particular directions. These are highly targeted investment opportunities, in which the social or environmental benefits are fully blended into the value proposition of a commercially positioned investment.
- IV. Impact first investments seek to optimize a desired social or environmental outcome, putting competitive financial returns in a secondary position when prioritizing goals. They are open to trading off financial return for more impact return in certain situations. For properly qualified investments, KLF will designate these as Program Related Investment (PRI), as defined by the US tax law. In pursuit of its overall impact objectives, KLF may deploy capital into other Impact First investments, not seeking to qualify them as PRI's.

4. Strategic Asset Allocation Targets & Ranges

Based on KLF's investment objective, time horizon, risk tolerance and constraints, the following asset allocation guidelines have been established:

Asset Class	Policy Target	Allowable Range
Stable Assets		
CASH AND EQUIVALENTS	5.0%	3%-10%
FIXED INCOME INVESTMENTS	30.0%	15%-40%
Notes and Other Debt Obligations	10.0%	2%-10%
Global Bonds	20.0%	5%-30%
Growth Assets		
PUBLIC EQUITY INVESTMENTS	10.0%	10%-30%
Public Equity	10.0%	10%-30%
HEDGE FUNDS	20.0%	5%-20%
Absolute Return	20.0%	5%-20%
PRIVATE EQUITY	20.0%	15%-25%
Private Equity	20.0%	15%-25%
Inflation Protection Assets		
REAL ASSETS	15.0%	5%-15%
Real Assets	15.0%	5%-15%

Impact First Investments and Asset Allocation

KLF actively seeks to deploy Impact First Investments in support of its philanthropic activities. Those which qualify as Program Related Investments (PRI) may be allocated outside the risk budget and target allocation for the total portfolio - given PRI replaces the highest risk capital - grants. Impact First Investments not qualified as a PRI must fit within the policy targets.

Rebalancing

There will be periodic deviations in actual asset weights from the long-term/current policy asset weights specified above. Causes for periodic deviations are market movements, cash flows, and varying portfolio performance. Significant movements from the asset class policy weights can alter the intended expected return and risk of the portfolio. Additionally, it is expected that the portfolio allocation will remain within the upper and lower limits of this Policy. In the event that

the portfolio allocation breaches the upper or lower limits, the entire portfolio will be evaluated for rebalancing. KLF and the Investment Advisor together shall decide on any rebalancing initiatives.

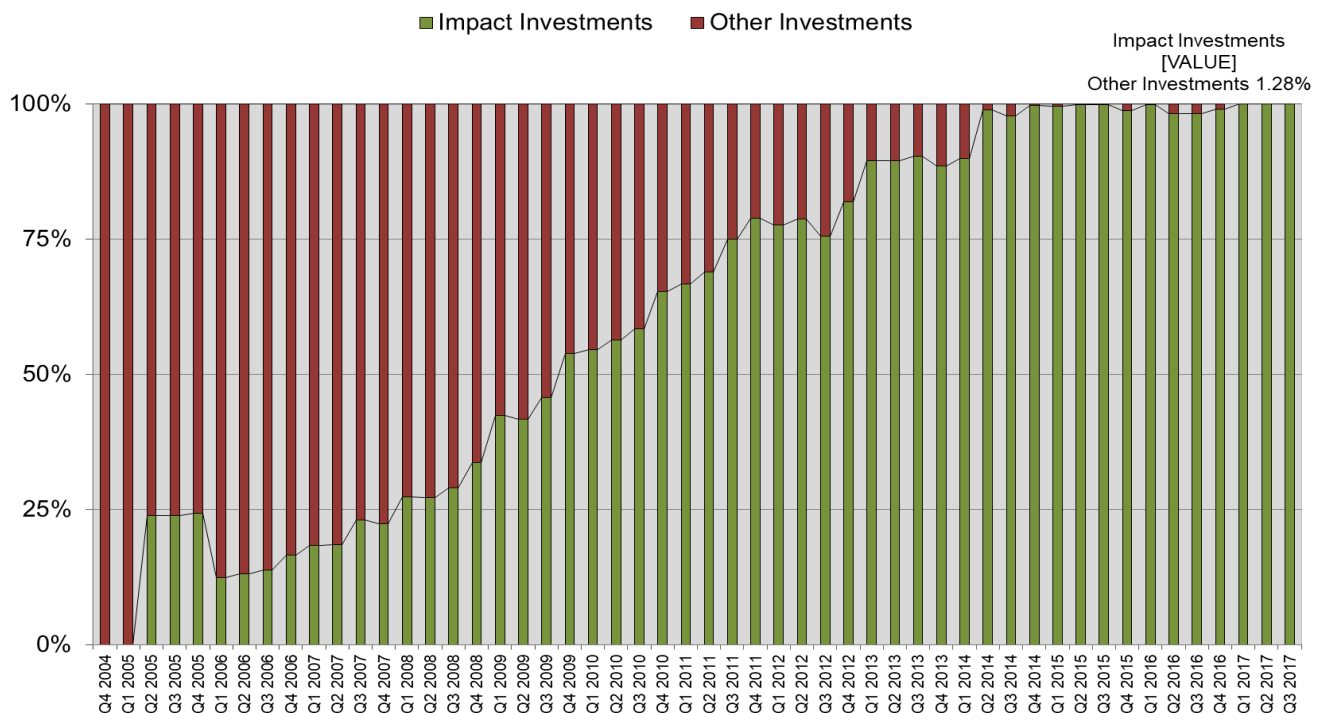
Diversification

- Investment Managers are expected to maintain appropriate diversification based on their specific strategy and mandate.
- Investment Managers are generally expected to remain fully invested. Investment Managers will notify KLF and the Investment Advisor if cash positions exceed acceptable ranges based on the Investment Manager's specific strategy and mandate. In no case shall cash comprise more than 25% of an Investment Managers's portfolio without notification to KLF and the Investment Advisor.
- No single Investment Manager (with the exception of Fund of Funds) shall exceed 10% of the portfolio value.
- No single direct investment shall exceed 5% of the portfolio value.

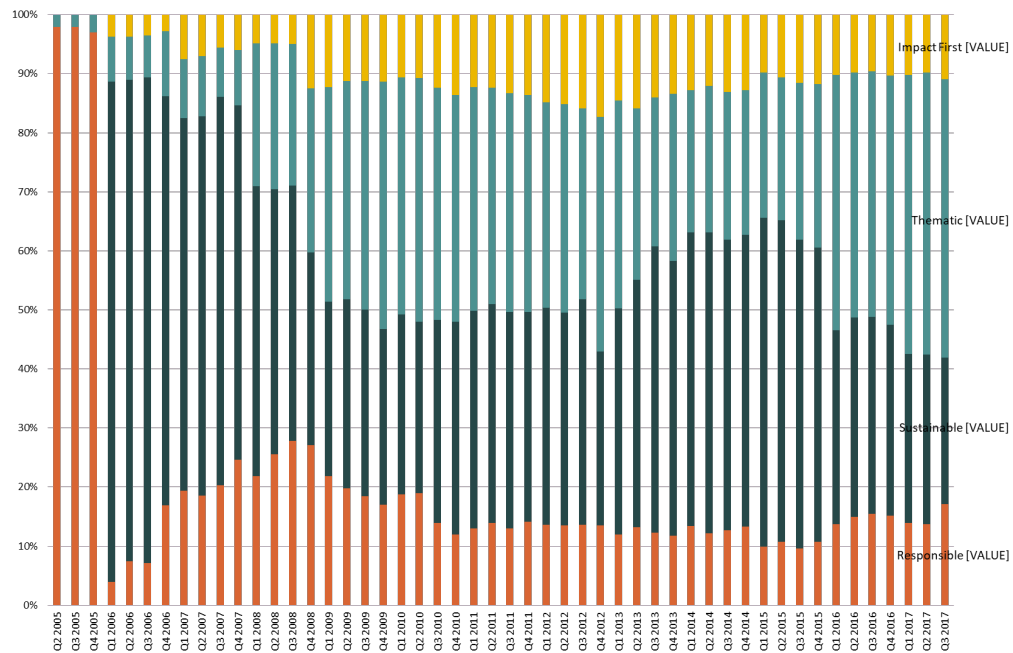
Impact Investment Targets

As of December 2015, KLF achieved 100% alignment of its assets with its impact objectives. This was accomplished over many years following a disciplined approach of migrating from no impact to impact investments. Now the Foundation seeks to maintain its 100% impact exposure while driving to a higher exposure of Thematic investments. The Chart below shows the actual growth of impact investments between 2005 and 2016.

Impact investment versus No-Impact Quarter over Quarter



Impact Category Quarter over Quarter



5. Performance Benchmarks

KLF measures and compares financial returns on three different levels:

1. Comparison of the overall portfolio to an absolute benchmark;
2. Comparison of the various impact classes (i.e., program related investments, corpus impact investments, mission related investments, sustainable investments, social component investments) to a similarly weighted non-impact benchmark; and
3. Comparison of each individual investment to an asset class benchmark.

Performance of all investments is reviewed on a quarterly basis. Primary emphasis is placed on risk-adjusted relative rates of return.

Following are the specific benchmarks for all three levels (performance expectations are over a market cycle, typically 3-5 years):

Portfolio Level

- The total return of the portfolio should meet or exceed inflation as measured by Consumer Price Index (CPI), plus 5%.

Asset Class / Manager Level

The Foundation has adopted the following performance benchmarks for each asset class:

Cash & Cash Equivalents	1 Month T-Bill
Notes & Other Debt Obligations	CPI + 2%
Global Bonds	Barclays Global Aggregate USD
Public Equity	MSCI World Index
Hedge Funds	Composite Index HFRI Fund of Funds
Private Equity	Cambridge Private Equity
Real Assets	CPI+7%

In addition to the above stated benchmarks, any specific investments may require or be best evaluated relative to an alternative benchmark not listed. In such case, KLF and the Investment Advisor together shall decide on an appropriate benchmark.

6. Impact Measurement

KLF uses quantitative and qualitative metrics to measure impact.

Quantitative Metrics

KLF uses IRIS (Impact Reporting and Investment Standards) to measure its impact. KLF uses a set of core metrics across its entire portfolio as well as sector specific metrics – where appropriate.

Core Metrics:

	IRIS Indicator (taxonomy code)	Definition
Product Impact	Number of Clients (PI7094)	The number of individual consumers served by the organization
	Jobs Created in Financed Enterprise (PI3687)	Net number of new FTE jobs at financed enterprise (including self-employed individuals and owners of businesses)
Financial Performance	Direct Investment – Number of Investments (FP4359)	Number of debt and equity investments on balance sheet
	New Investment Capital (FP8293)	Value of cash flows from both loans and investments
	Contributed Revenue (FP3021)	Contributed revenue (operating grants and in-kind donations)
	Earned Revenue (FP5958)	Revenue resulting from all business activities
	Net Income (FP1301)	Net income from all business activities, including all contributed revenue.

Sector Specific Metrics:

Impact Cluster	Supporting IRIS Indicators	Description
Health, Energy and Water	Clients provided new access to energy, healthcare, water (PI2822)	Number of clients, individuals or households, who were served by the organization and provided access to products or services they were previously unable to access.
	Energy Produced (PI8706)	Energy produced during the reporting period (MWh)
	Potable Water Produced (PI8043)	Amount of potable water produced (l)
Land Conservation and Restoration	Land Reforested (PI4907)	Hectares of land reforested during the reporting period
	Land Preserved (PI2012)	Hectares of land designated as a nature reserve
	Sustainable Cultivated Land Area (OI2605)	Hectares under sustainable cultivation

Qualitative Metrics

KLF uses the following qualitative metrics to measure its impact:

Qualitative Impact Indicators	Description
Catalytic Investment (Stage I)	Early stage investment that continues to second and third rounds.
Attraction of Additional Capital	Matching fund opportunity or co-investment with another impact investor.
Business Model Development and Innovation	Support to help test, develop and refine a business model for subsequent roll-out.
Investment Combined with Grant Funding	Equity investment or loan combined with grant capital provided by KLF.
Investment Combined with Public Support	Investment support goes alongside sizable publicly-sourced investment (e.g. public healthcare).
Alignment with Foundation Core Values	Close alignment with one or more of the foundation's core values regarding sustainability, rural communities and scaling innovation for high social impact.

7. Investment Process

Deal Flow Generation

- KLF's Investment Advisor is primarily responsible for generating deal flow for investments.
- KLF's Board is primarily responsible for generating deal flow for all impact first investments.
- All potential investments need to adhere to the Asset Allocation and Impact Investing Policy statement (with the exception of Program Related Investments, which do not have to adhere to the Asset Allocation policy).
- KLF is particularly interested in exploring blended investments, i.e., impact first investments together with a capacity building grant, etc.

Due Diligence

- KLF and its Investment Advisor shall use an integrated process of evaluating financial and impact due diligence concurrently. For impact first investments, in particular those being qualified as PRI's, impact due diligence is usually done first.
- KLF uses the evaluator template (see Appendix A) to document its impact due diligence.
- Once financial and impact due diligence is completed, the Board makes the go/no-go decision.

Implementation

- The Investment Advisor takes the lead in implementing the investment, e.g., gathering, reviewing and executing the Investment Agreement Document, articulating the monitoring and reporting requirements, etc.

Monitoring and Reporting

- Investment reports are prepared by the Investment Advisor on a quarterly basis.

8. Investment Manager Evaluation & Review

Investment Manager Selection

In selecting the funds or managers, the Investment Advisor considers the following:

- Firm Quality and Depth - Investment companies should have a history of reliability and sound financial background. Management should demonstrate quality and stability and a business approach consistent with a prudent fiduciary.
- Consistent Approach - Portfolio managers should exhibit a consistent investment process and style.
- Performance - The Manager should exhibit competitive performance relative to an appropriate benchmark and peer group based on investment objectives, holdings, investment style, and market capitalization.
- Diversification - Portfolio managers should diversify the portfolios so as to minimize non-systematic risk.
- Risk - Investment performance should be competitive on a long-term risk-adjusted basis within each appropriate asset class.
- Commitment to and ability to deliver 'Impact' outcomes.
- Fees - Selected funds/managers should have competitive fees similar to other comparable offerings.

Monitoring of Investment Managers

KLF acknowledges fluctuating rates of return characterize the securities markets, particularly during short-term time periods. Therefore, KLF evaluates manager performance with a long-term perspective.

On a timely basis, but not less than quarterly, the Investment Advisor shall provide KLF with a review of the following:

- Each investment's performance and risk levels relative to an appropriately weighted market index and peer group.
- Each fund or manager's adherence to stated strategy and style.
- Any organizational or portfolio manager changes.
- Views on important developments within the economy and the securities markets, and their potential effect on investment strategy, asset allocation, and investment portfolio performance.
- Environmental or Social Impact performance as provided by the Manager or specific investment.

Termination of Investment Managers

Any decision to terminate or retain a Manager will be made based upon the findings of an appropriate review and analysis conducted by the Investment Advisor. If, after this review and analysis, the Investment Advisor determines that the Manager warrants replacement, this recommendation will be presented to KLF prior to action being taken. It is ultimately KLF's responsibility to make the decision to terminate or retain a Manager.

9. Additional Constraints or Considerations

Tax Considerations

KLF is a private non-operating foundation subject to excise taxes of 1-2% of its interest & dividend income received and realized capital gains along with certain other kinds of realized income subject to excise tax. KLF is also subject to Unrelated Business Income Tax (UBIT) on its Unrelated Business Taxable Income (UBTI). UBTI is generally limited to LPs and other illiquid investments that have utilized debt as part of their investment strategy. UBTI is taxable at the maximum corporate tax rate and any investments subject to UBIT are evaluated on an after tax basis.

Proxy Voting

KLF currently does not implement an active proxy voting policy. However, since 100% of KLF's public equity portfolio is managed in funds operating across the impact spectrum, managers are expected to be actively voting proxies in support of best practices for environmental, social or governance practices. If this were deemed not be the case, KLF may consider this a factor in terminating a Manager.

Investment Advisor Review

KLF reviews the performance of its Investment Advisor at least annually to determine if the Investment Advisor is successfully executing its responsibilities as outlined by this Investment Policy Statement. Emphasis will be placed on evaluating the Investment Advisor's success in achieving KLF's desired level of impact investments, while achieving the stated financial portfolio objectives and manager performance results relative to benchmarks.

Impact Investing Policy Review

This version of the Impact Investing Policy Statement was originally approved in May 2012 and has been updated as of April 2018. KLF reviews this Policy at least annually to determine if stated investment objectives are still relevant and makes adjustments accordingly.

The Investment Advisor reviews this Policy at least annually to determine the continued feasibility of achieving the investment objectives.

It is not expected that this Policy will change frequently. In particular, short-term changes in the financial markets should not require Policy adjustments.

Exceptions to this Policy need to be approved by the Board.

APPENDIX A. Evaluator Template

Impact Investment Evaluator Primer – KL Felicitas Foundation
To be used as an explanatory tool for an impact investing due diligence process.
Explanatory notes are in *italics*.

☐ Impact First Investment

☐ Financial First Investment

☐ Program Related Investment

☐ Thematic Investment

☐ Sustainability Investment

☐ Responsible Investment

Investment Name:	Investment Amount: \$
Investment Date:	
Asset Class:	Region of Impact:

Investment Due Diligence by: _____ Signature: _____ Date: _____

Impact Due Diligence by: _____ Signature: _____ Date: _____

Summary Description of Investment:

This section summarizes the main activities of the investment and the key attributes of the investment's structure. Also include how this investment aligns with the programs and mission of the foundation.

Main Contacts:

Supporting Documents:

-
-

Impact Due Diligence Update:

Financial Due Diligence Update:

* Questions are scored by -1, 0 and +1, estimating a degree of alignment with the Foundation's programs, mission, intended impact and investment strategy.

-1 is a low alignment score; +1 is a high alignment score

Program/Mission/Sustainability Due Diligence (Foundation Directors and Investment

Advisors)		
Alignment with the Foundation		Score*
<p>1a. How does this investment align with the impact objectives of the foundation?</p> <p>b. In what area(s) does the foundation believe this investment will contribute the greatest degree of impact?</p>	<p>a. <i>Describe how the investment aligns with the foundation's social, economic, environmental and other impact objectives. Include any references to investment policy or sustainability policy where possible.</i></p> <p>b. <input type="checkbox"/> Program Impact <input type="checkbox"/> Mission Impact <input type="checkbox"/> Sustainability Impact</p> <p>Notes: KL Felicitas Foundation evaluates its investments along program, mission and sustainability impact dimensions.</p>	
<p>2a. Are there any elements of this investment that are contrary to any value(s) of the foundation?</p> <p>b. If so, how is this being addressed?</p>	<p>a. <input type="checkbox"/> Yes <input type="checkbox"/> No <i>Evaluate potential tradeoffs of the investment, including any aspects of the investment's activity that is not consistent with the values and purposes of the foundation.</i></p> <p>b.</p>	
<p>IRS Compliance: If this is a Program Related Investment, answer questions (3a-c) and question (4) below. If not, proceed to question 5. This <input type="checkbox"/> IS <input type="checkbox"/> IS NOT a Program Related Investment.</p>		Score
<p>3. Is this investment compliant with the definition of PRI in the Tax Reform Act of 1969 section 4944?</p> <p>a. Is its primary purpose to advance the foundation's charitable objectives?</p> <p>b. Is a significant purpose of the investment to generate financial return (either income production or property appreciation)?</p> <p>c. Will funds be used either directly or indirectly to lobby or for political purposes?</p>	<p><input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>a. <input type="checkbox"/> Yes <input type="checkbox"/> No <i>Notes: Describe connection between investment and foundation's specific charitable objectives. Provide evidence that this connection is the primary motivation for the investment.</i></p> <p>b. <input type="checkbox"/> Yes <input type="checkbox"/> No <i>Describe any investment terms that differ from a commercially viable investment (e.g. providing a first-loss provision; or agreement to a lower return than commercial investors going into transaction; or that the transaction's risk profile is such that no commercial investors are available; etc.)</i></p> <p>c. <input type="checkbox"/> Yes <input type="checkbox"/> No <i>Insert specific language and/or comments from PPM or other due diligence material that may refer to the intended uses of the funds provided through any investment.</i></p>	
<p>4. What conditions exist that suggests this PRI is a more effective or appropriate vehicle for achieving the foundation's</p>	<p><i>Evaluate the capital market environment, or lack thereof, for such an investment.</i></p>	

programmatic objectives versus a grant?		
Relationship & Reputation		Score
5a. How well does the foundation know the investment and/or strategy? b. What is the nature and duration of this relationship? c. Have members of the foundation made site visit(s)?	a. Document the personal and direct understanding of the investment strategy by the foundation. b. c. <input type="checkbox"/> Yes <input type="checkbox"/> No Notes: Include any relevant information that relays how well the foundation knows the investment and its key activities.	
6a. Have other foundations recognized this as an impact investment? b. Do other respected partners of the foundation have a relationship with or experience with this investment?	a. <input type="checkbox"/> Yes <input type="checkbox"/> No Notes: b. <input type="checkbox"/> Yes <input type="checkbox"/> No Notes: Capture any peer or trusted partner knowledge on the investment.	
7a. How integral to the success of the investment is: <input type="checkbox"/> Program Impact <input type="checkbox"/> Thematic Impact <input type="checkbox"/> Sustainability b. What is the form and level of personal commitment by the investment principals and/or founders to the impact described above? c. How much personal financial capital have the investment principals and/or founders committed to the investment?	a. Identify any alignment of interest by investment principals and/or founders; Identify how/if social or environmental impact is central to the enterprise's own success. (KL Felicitas evaluates investments according to their intrinsic alignment with the foundation's program, mission and sustainability guidelines). b. c.	
Impact Monitoring & Reporting		Score
8a. What approach will be used to evaluate the impact of the investment? Are there specific metrics for reporting? b. What is the proposed nature and scale of the impact, e.g. in 1 year, 3 years, long-term?	a. Pre-established metrics and evaluation intervals for impact reporting should be requested or developed with the investee. b. Notes: Specific milestones/metrics, with timeframe, where possible. KL Felicitas encourages the adoption of IRIS-based impact indicators, and includes its own IRIS indicators for all new investments starting in	



	2011.	
9. Will the Investment Manager provide impact-related reporting?	<input type="checkbox"/> Yes <input type="checkbox"/> No Notes: <i>Include specific impact indicators where possible (see 8 above).</i>	
10. Does the investment scale, accelerate, support or re-enforce other Impact Investments in the investment or grant portfolios?	<input type="checkbox"/> Yes <input type="checkbox"/> No Notes: <i>Identify any other investments that will be impacted; evaluate any synergies between investments or instances where mission or program impact will be leveraged.</i>	

Investment Due Diligence (Investment Advisor)		
Investment Structure & Portfolio Implications		Score
11. Investment due diligence process	<input type="checkbox"/> Impact First due diligence process <input type="checkbox"/> Financial First due diligence process <input type="checkbox"/> Other (describe any exceptions or modifications to the due diligence process). <i>Describe the motivations of the foundation to make this investment and the due diligence process prior to making any investment. Where appropriate, identify who in the foundation is responsible for due diligence (financial, programmatic and otherwise).</i>	
12a. What is the structure of the investment under consideration? b. Is the investment structure ideally suited to achieve both the appropriate risk adjusted rate of return while promoting the foundation's impact objectives?	a. <i>Direct investment, public or private, fund or fund of funds, partnership, etc. Describe the type of investment, its duration and/or repayment if applicable.</i> b. <input type="checkbox"/> Yes <input type="checkbox"/> No Notes: <i>Consider the investment's structure and ability to offer sufficient or appropriate diversification to mitigate risk.</i>	
13. Asset Class <i>Illustrate the foundation's commitment to remain within the established investment policy guidelines and risk budget.</i>	<div> <input type="checkbox"/> Cash and Equivalents <input type="checkbox"/> Fixed Income <input type="checkbox"/> Notes & Other Debt <input type="checkbox"/> Public Equity Notes: <i>(Identify Sub-Asset Class as defined in investment policy)</i> </div> <div> <input type="checkbox"/> Absolute Return <input type="checkbox"/> Private Equity <input type="checkbox"/> Real Assets <input type="checkbox"/> Other (Describe) </div>	
14a. Will members of the foundation play an active role in the investment? b. If so, will questions of self-dealing arise?	<i>Consider any regulatory concerns regarding active participation in investments.</i> a. <input type="checkbox"/> Yes <input type="checkbox"/> No b.	
Investment Monitoring & Reporting		Score
15a. What is the financial benchmark that will be used to evaluate this investment? b. Over what period(s) of time will	<div> 15a. <input type="checkbox"/> Market indices Specify: <input type="checkbox"/> Absolute Return </div> <div> 15b. <input type="checkbox"/> < 1 year <input type="checkbox"/> 3-5 years <input type="checkbox"/> 5-10 years </div>	



<p>we measure the investment performance?</p> <p><i>Investment benchmarks are established by the investment due diligence process. Investment performance is reported when available and as appropriate for the investment structures and/or asset class.</i></p>	<p>Specify: <input type="checkbox"/> Peer Group Comparison Specify: Notes:</p>	<p><input type="checkbox"/> 10-20 years <input type="checkbox"/> > 20 years Notes:</p>	
Additional Comments or Observations			

Impact Reporting and Investment Standards (IRIS) (Taxonomy codes are listed in parentheses)		
<p>This investment will track the following core IRIS impact indicators:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Number of Clients (PI7094) – <i>The number of individual consumers served by the organization</i> <input type="checkbox"/> Jobs Created in Financed Enterprise (PI3687) – <i>Net number of new FTE jobs at financed enterprise(s)</i> <input type="checkbox"/> Direct Investment (FP4359) – <i>Number of Debt and Equity investments on balance sheet</i> <input type="checkbox"/> New Investment Capital (FP8293) – <i>Value of Cash flows from both loans and investments</i> <input type="checkbox"/> Contributed Revenue (FP3021) – <i>All contributed revenue, including operating grants and in-kind donations</i> <input type="checkbox"/> Earned Revenue (FP5958) – <i>Revenue resulting from all business activities</i> <input type="checkbox"/> Net Income (FP1301) – <i>Net income from all business activities, including all contributed revenue</i> <p>Reporting Schedule: <input type="checkbox"/> Bi-Annual <input type="checkbox"/> Annual <input type="checkbox"/> Other</p> <p>Notes:</p>	<p>Data at time of investment:</p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p>	<p>Future Impact Data (specify date)</p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p>
Supporting IRIS Indicators for KL Felicitas Foundation		
<p>This investment will track the following supporting IRIS impact indicators:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Number of clients provided new access to energy, healthcare, or water (PI2822) – <i>The number of clients, individuals, or households who were served by the organization and provided access to products or services that they were previously unable to access.</i> <ul style="list-style-type: none"> <input type="checkbox"/> New access to energy <input type="checkbox"/> New access to healthcare <input type="checkbox"/> New access to water <input type="checkbox"/> Energy Produced (PI8706) – <i>Total amount of energy produced during the reporting period (MWh)</i> <input type="checkbox"/> Potable Water Produced (PI8043) – <i>Amount of potable water produced during the reporting period (L)</i> <input type="checkbox"/> Land Reforested (PI4907) – <i>Hectares of land reforested during the reporting period</i> <input type="checkbox"/> Land Preserved (PI2012) – <i>Hectares of land designated as nature reserve</i> <input type="checkbox"/> Sustainable Cultivated Land (OI2605) – <i>Hectares of land under sustainable cultivation</i> 	<p>Data at time of investment (date):</p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p>	<p>Future Impact Data (date):</p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p>



Reporting Schedule: ☐ Bi-Annual ☐ Annual ☐ Other

Notes:

Foundation Qualitative Indicators

The following qualitative indicators pertain to this investment. Add detail for each where needed.

☐ Attraction of Additional Capital - *Matching fund opportunity or co-investment with another impact investor.*

Notes:

☐ Business Model Development and Innovation - *Support to help test, develop and refine a business model for subsequent roll-out.*

Notes:

☐ Investment Combined with Grant Funding - *Equity investment or loan combined with grant capital provided by KLF.*

Notes:

☐ Investment Combined with Public Support - *Investment support goes alongside sizable publicly-sourced investment (e.g. public healthcare).*

Notes:

☐ Alignment with Foundation Core Values - *Close alignment with one or more of the foundation's core values regarding sustainability, rural communities and scaling innovation for high social impact.*

Notes:

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