

# OPTIMISING FOR IMPACT, RISK AND RETURN

HOW SNOWBALL CONTRIBUTES TO CHANGE:  
FINDINGS FROM AN INDEPENDENT VERIFICATION



# DEMONSTRATING THE FUTURE OF INVESTING

How we invest today shapes our future. The financial system is powerful, and our view at Snowball is that it has to serve the world better. A singular focus on extracting short-term financial returns has been imbalanced. The costs on people and the planet have been accumulating for decades and it's time to put fairness and sustainability back into our capital system. Transparency and accountability are key tools that demand all investment decisions pursue a better future for everyone.

At Snowball, we place equal importance on impact, risk, and financial return in every investment we make. We believe this represents a better way to invest. We hope to help others by sharing our experience, and working with others looking to create a better way of investing.

We invited The Good Economy to hold us to account. They carried out an independent verification of our impact approach to see if we are living up to our ambitions. This report presents what they found. The Good Economy highlights where we lead the market in integrating positive returns with positive change, and where we need to improve. We don't know of any other asset manager who has made this level of information public before (if you have, please get in touch as we would love to collaborate with you).

This report is very different from standard impact reports in the sector. You will not read tallies of lives touched and emissions avoided. Unfortunately, this data often lacks nuance, frequently without context and value. You will instead read about the importance of intention and processes, because this is more important for creating long-term change.

Our goal in publishing this report is to hold ourselves accountable for the continual improvement we want to make. It is also a challenge to all asset managers to undertake a similar independent verification, and ultimately share a more transparent view of their own impact practice. If you are an investor who wants to mitigate the risk of 'impact washing', you can use the themes in this report as a framework to ask your managers for a clearer picture of the impact of your investments.

In the ongoing debate about what responsible investing is and isn't, it is my hope that this report brings clarity to what the future of all investing looks like.



*Daniela Barone Soares*

Daniela Barone Soares, CEO, Snowball





# VERIFICATION FINDINGS

In early 2022, The Good Economy conducted an independent verification and review of Snowball's impact management system. Assessing Snowball's impact processes against industry standards and best practices using our Impact Assured methodology, we found that Snowball:

- ▶ is a mission driven manager that practices what it preaches. Snowball invests all its assets for impact, is mission-locked and a certified B-Corporation;
- ▶ has developed a market-leading approach to embedding impact considerations throughout the investment process, with a comprehensive and rigorously applied impact framework;
- ▶ is an engaged and knowledgeable investor that frequently challenges its managers to improve further;
- ▶ makes an outsized contribution to growing the impact investing ecosystem. Snowball's industry collaboration and willingness to share its learnings can be a model for others in the sector; and
- ▶ has demonstrated a commitment to being an open and transparent organisation – not least by sharing the findings of this impact verification publicly.

In order to meet the high standards Snowball sets for itself, and to continue to not just align with, but inform, best practice on how to manage towards impact, we identified four areas for Snowball to strengthen:

- ▶ tracking the success of engagement activities to understand if Snowball's dialogue with managers leads to improved impact practices;
- ▶ evidencing progress towards Snowball's ambitious vision to change behaviours in capital markets;
- ▶ leveraging Snowball's track record in transparency to introduce regular external oversight of impact performance, for example by becoming a signatory of the Impact Principles; and
- ▶ applying the same level of robustness that it uses to assess positive impacts to check managers have sufficient systems in place to mitigate the risk of negative impacts.

These are all areas where the impact investing industry as a whole needs to improve, so there is potential for Snowball to continue to play a role innovating – and sharing – impact measurement and management solutions.



A handwritten signature in black ink, appearing to read 'S. Forster'.

Sarah Forster, CEO, The Good Economy



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## ABOUT SNOWBALL

Founded in 2016, Snowball’s mission is to change behaviours in capital markets so that all capital is invested for social and environmental impact as well as financial returns.

The portfolio is constructed as a diversified multi-manager, multi-asset, public and private market portfolio, selected and managed to deliver measurable impact and competitive financial returns. The fund is invested across two interconnected themes of social equity and environmental sustainability.

Snowball’s portfolio comprises 41 investments, with the majority invested through funds managed by 30 managers.

## AN OVERVIEW OF SNOWBALL’S IMPACT FRAMEWORK

Snowball invests in managers dedicated to improving their own impact as well as that of their underlying investments. Snowball has developed an impact framework informed by evolving best practice across the sector, such as the Impact Management Project (‘IMP’) and the Operating Principles for Impact Management (‘Impact Principles’).

The framework has three levels.

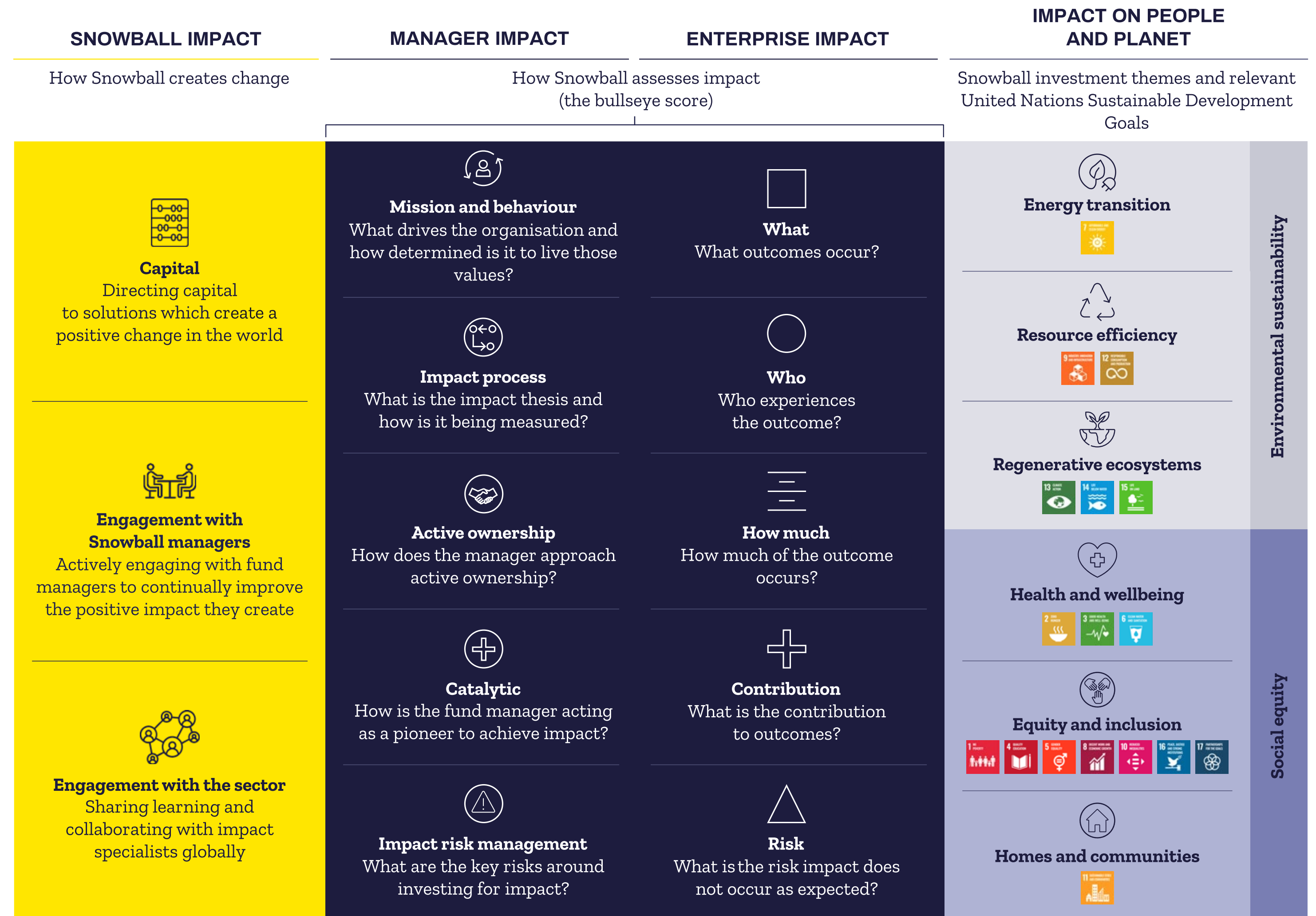
- ▶ **Snowball impact:** how Snowball allocates capital to high impact managers and engages with them to maximise their impact.
- ▶ **Manager impact:** whether Snowball’s managers are mission-driven, with a robust impact practice and work with their investees to improve their impact.
- ▶ **Enterprise impact:** the potential and actual impact on people and planet of the investments that managers hold on behalf of Snowball.

A set of 50 questions is used to score the **manager impact** and **enterprise impact** of each investment – both during due diligence and on an annual basis post-investment to monitor impact performance. An example of how three investments have been assessed against the framework is included in the section ‘A look inside the Snowball portfolio’.

The combination of the manager impact score and the enterprise impact score creates the **bullseye score**, which quantifies the impact intensity of the Snowball portfolio, as shown in Figure 1.

## 1. About Snowball

Figure 1: Snowball’s impact framework



### ABOUT THIS REPORT

This is the final report in a series of three that sets out Snowball’s approach to measuring and managing impact, in line with the three levels of Snowball’s impact framework.

- ▶ The first report was co-authored with the IMP and published in 2018. It set out how Snowball assesses **enterprise impact**, giving guidance on how investors can articulate the impact goals of a portfolio of assets and make data-driven investment allocation and impact management decisions to achieve them.
- ▶ The second report, published in 2020, explains how Snowball assesses **manager impact** in public and private markets, presenting the results of a survey to assess and benchmark its managers’ impact performance.
- ▶ This third report focuses on **Snowball impact**. To hold Snowball to account, The Good Economy conducted an independent review and verification of Snowball’s impact management system.

In March 2022, The Good Economy conducted a verification of Snowball’s impact measurement and management system. Snowball’s impact practices were assessed using The Good Economy’s verification methodology, Impact Assured. This report presents The Good Economy’s findings and recommendations, organised by the five categories of impact in Snowball’s manager framework.<sup>1</sup> Snowball’s response to the review is also included, alongside a series of spotlights that highlight specific Snowball impact processes and practices.

### IMPACT ASSURED: VERIFYING SNOWBALL’S IMPACT MANAGEMENT SYSTEM

Impact verification provides an independent assessment of the extent to which investors are managing for impact in line with industry best practices and standards.

Impact Assured, The Good Economy’s impact verification methodology, is informed by over a decade of experience advising on and evaluating impact management systems. This includes as a strategic partner to the Impact Programme – the UK government’s flagship initiative to build the global impact investing ecosystem, which supported the development of impact management norms through the IMP and widely adopted tools such as IRIS+.

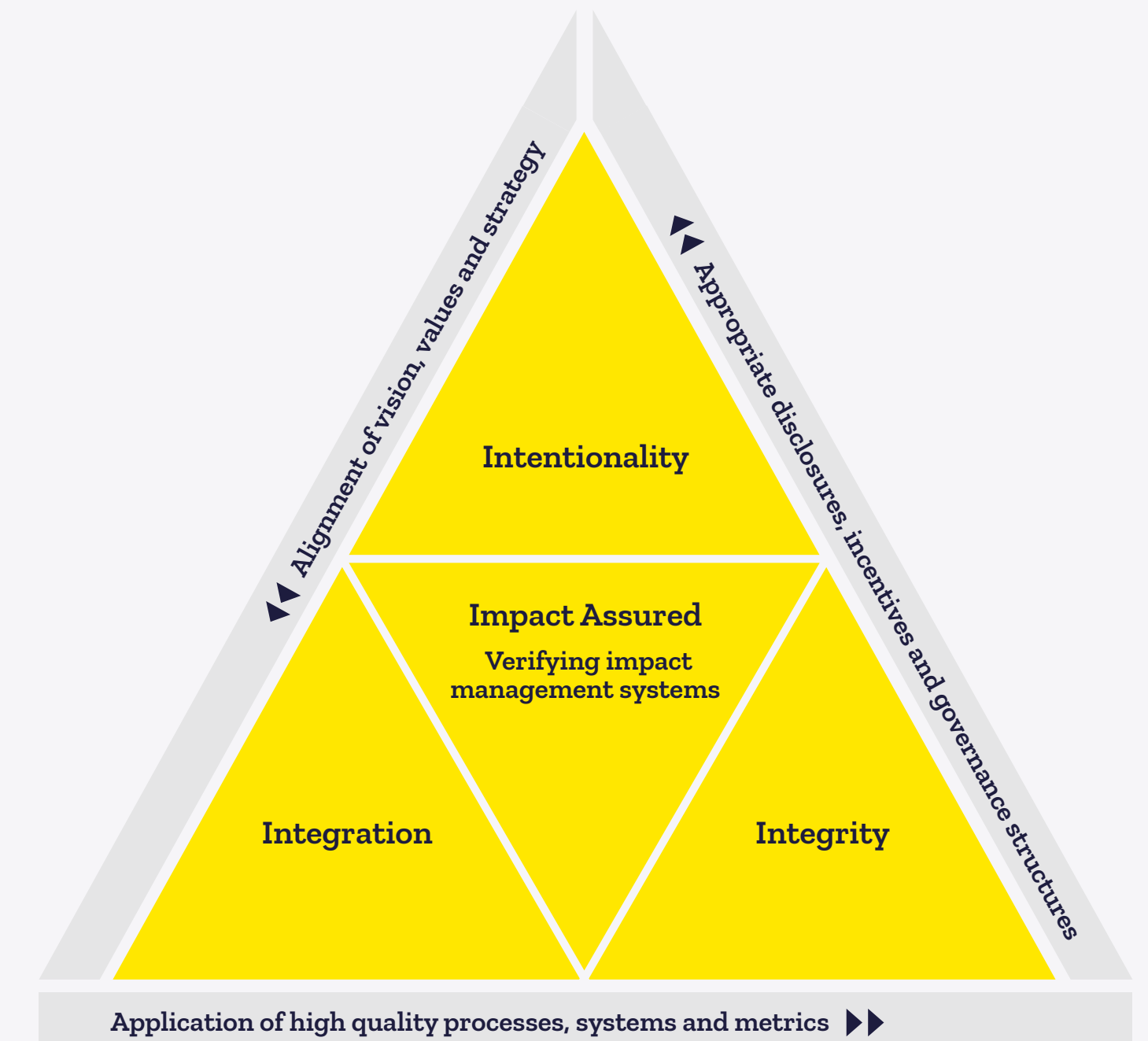
Impact Assured checks adherence to baseline expectations of how to manage towards impact, as well as how investors are aligned with – and actively contribute towards – best practice related to intentionality, integration and integrity which drives effective impact management.

- ▶ Clear **intentionality** to contribute towards improved social and environmental outcomes, and how these outcomes will be achieved through the investment strategy and engagement activities.
- ▶ Degree of impact **integration** across the investment process to support decision-making in line with the stated impact intentions.
- ▶ Maintaining impact **integrity** through transparency, learning and disclosures, thus ensuring an honest appraisal of impact performance that avoids over-claiming and reports on actual results achieved.

These form three control points, around which a set of criteria verify the impact management system. The criteria assess operational processes, as well as the overall orientation of incentives, strategies and resources towards impact creation. Evidence is gathered through a series of interviews, document review and a walk through of the investment process as applied to a sample of investments. The verification methodology as applied to Snowball is detailed in Annex A.

1. All findings and recommendations resulting from the impact verification have been included in this report, but have been edited for the sake of brevity and clarity. Snowball commented on and provided suggested edits to the text but The Good Economy was the lead author and had editorial control over the final content. The full verification is available on request.

Figure 2: Impact Assured methodology for verifying impact management systems



THE  
GOOD  
ECONOMY

IMPACT  
ASSURED  
by The Good Economy

Comment from Snowball:

“ The verification process has been incredibly valuable. Optimising a portfolio for impact, risk and returns is hard. At Snowball, we’ve been doing this for longer than most, but we certainly don’t have all the answers. We hope sharing our approach to impact will help others, and we will continue to work with fellow travellers looking to create a better way for investment



– Jake Levy, Investment Manager, Snowball.



### 3.1 Mission and Behaviours

Snowball believes that investing in mission-aligned managers is crucial to ensure that managers deliver on their impact thesis. With a mission to act as a catalyst for the financial system to operate as it should – by promoting the wellbeing of all people and the planet – it is equally important for Snowball to walk-the-walk itself.

#### SUMMARY

The Good Economy found that Snowball is a mission driven manager that practices what it preaches. Snowball invests all its assets for impact, is mission-locked, backed by not-for-profit founding investors, and is a certified B-Corporation. Snowball’s industry collaboration, transparency and openness about learnings can be a model for others in the sector.

There remains scope for improvement. In particular, there could be more systematic independent oversight of impact. This report – and the impact verification exercise – is a good first step on that journey.



**Snowball’s industry collaboration, transparency and openness about learnings can be a model for others in the sector.**

#### IMPACT ASSURED: KEY FINDINGS

The Good Economy assessed the extent to which Snowball is clear about what social and environmental effects it is aiming to continue towards, and how it sets out to achieve them through its investment strategy.

#### Impact intentionality – what Snowball sets out to do

CRITERIA		FINDINGS
Is Snowball intentionally and primarily investing for impact?	✓	Snowball was founded with a mission to catalyse change in the investment industry such that every investment considers, and prices in, its environmental and social impact.  The Good Economy found clear evidence that Snowball does deliver on its mission. Impact drives the decision-making process and there is evidence of this throughout the organisation and investment process. The investment strategy sets out strategic asset allocation, including through investment restrictions, to meet the fund’s impact and financial performance objectives.
Is Snowball’s AUM allocated in impact investing strategies?	✓	Snowball is an outcomes focused fund with exposure across a broad range of Sustainable Development Goals (SDGs). For portfolio construction purposes, the SDGs are aggregated into six impact themes.  100% of Snowball’s AUM is invested for impact, along a spectrum of impact intensity as captured in their bullseye tool (see page 10).
Does the team possess a track record of achieving positive social or environmental impact?	✓	Snowball has a small but experienced team in both the impact and investment domains. CEO Daniela Barone Soares has over 28 years’ experience in the commercial and impact worlds, including nine years leading Impetus. In transitioning from an established legal career into Snowball, Investment Manager Jake Levy spent time working in the investment teams of leading impact investors Guy’s and St Thomas’ Foundation and Big Society Capital. Colin Baines of Friends Provident Foundation, acts as impact lead on Snowball’s Investment Committee. Snowball draws on a Leadership Council and Expert Network of diverse leaders, thinkers and experts.

#### Impact integration – how Snowball does it

CRITERIA		FINDINGS
Is Snowball collaborative?	✓	Snowball has collaborated with other organisations seeking to build out the impact investing ecosystem. For example, it was an early adopter of the IMP methodology, publishing a co-authored report to apply it across a multi-asset portfolio. Snowball is a member of the Impact Frontiers initiative (see page 10). Snowball has open-sourced its impact methodology in its two previous impact reports in the hope that these can be adopted and adapted by its peers.

CRITERIA		FINDINGS
Does Snowball live its values?	✓	Snowball’s mission “to change behaviours in capital markets so that all capital is invested for social and environmental as well as financial returns” is written into the management company’s articles of association. Since 2020, Snowball has been a Certified B Corporation.  Snowball is built on a mutual model – owned by its founding investors and operating at cost. Committed to a principle of fair and appropriate fund management fees, Snowball aims to pass on the benefits of scale to investors by reducing the management fee as the fund grows.
Are financial rewards tied to impact?	✗	Financial incentives are not linked to impact.

#### Impact integrity – how Snowball holds itself to account

CRITERIA		FINDINGS
Does Snowball adhere to best practice around governance, including board composition?	✓	Snowball has strong internal governance and oversight of impact, including at senior levels. Snowball was awarded “Best for The World 2021 and 2022™” by B Corp for a top 5% score in the category of governance. Snowball’s board members are made up of executive directors, independents and representatives of institutions that funded the company and are aligned to its mission.
Is Snowball an open, transparent and learning organisation?	✓	Snowball seeks to model the behaviour it expects from the wider industry by sharing shortfalls and learning. It is open to recommendations about how to improve its own impact management practices – as demonstrated by this report. There is evidence that Snowball has improved its internal impact processes via feedback loops and has taken feedback on board, for example in making improvements to the bullseye score.
Is there independent oversight of impact?	✗	Snowball has shared details of its impact framework for public scrutiny in two prior impact reports and continues to develop its impact management practices in discussion with leaders in the sector. However, there is no mechanism for systematic independent oversight of impact processes or performance data. The Good Economy’s verification of Snowball’s impact management system represents the first time a fully independent view on Snowball’s performance has been conducted.





**SPOTLIGHT:**



► **Snowball's commitment to diversity, equity and inclusion**

The Good Economy found that Snowball strives to maintain and improve its performance across multiple aspects of diversity, equity and inclusion (DEI), including through recruitment practices. Half of board directors and 67% of the team are women. Snowball contributes to sector initiatives such as The Diversity Project, Equality Impact Investing and a peer learning group of B Corp Finance Working Group. Snowball is a Stewardship Council member of ACT: The Corporate Culture Standard for Investment Companies.

**SPOTLIGHT:**



► **Snowball's commitment to environmental sustainability**

Snowball has a Net Zero strategy for its own operations and achieved Net Zero in 2020/21 through carbon offsetting and has offset all historic emissions since its formation through BeZero's quality assessed offset projects. Snowball's emissions calculation methodology was internally audited by BeZero based on the GHG Protocol and UK Streamlined Energy and Carbon Reporting guidelines.

**What Snowball could do differently**

To strengthen the alignment between Snowball's mission and its behaviours, The Good Economy recommends that Snowball does the following.

► **Explores linking financial incentives to achievement of impact.**

This could incentivise Snowball and its managers to continue to drive greater impact intensity across the portfolio. A number of other investors are introducing mechanisms such as impact-linked carry, but there are questions over whether performance-based compensation can drive real impact creation. This could be an opportunity for Snowball to showcase aligning financial incentives and impact performance in a meaningful way.

**SNOWBALL RESPONSE:** We have considered tying remuneration to impact, but the diverse nature of our multi-asset, multi-SDG portfolio makes this difficult. A limitation to this approach which we identified is that motivating staff using the portfolio bullseye score could distort incentives as scoring funds inevitably has an element of subjectivity. Following these recommendations, we will review this again.

► **Boosts independent oversight of impact management.** Snowball could become a signatory to the Operating Principles for Impact Management. This would involve formally adopting the nine Principles and publishing an annual Disclosure Statement on the alignment of Snowball's impact management system with each of the Principles.

**SNOWBALL RESPONSE:** We believe that impact assurance and verification is critical to improving behaviours in investing, this independent verification is part of that. We have reviewed the Operating Principles for Impact Management and plan to sign up once we reach sufficient scale. To date, we have prioritised our limited resources building out a high-quality team to execute on our ambitious mandate.

We identified the B Corporation movement as the right external certification to pursue first, in part due to their focus on the governance structures required to understand the purpose of the organisation. To become a certified B Corp, a company must first submit to an independent assessment – conducted by a non-profit organisation called B Lab – of its social and environmental performance, accountability, and transparency. If the company scores highly enough, it must then formally incorporate its societal mission into its governance articles. It is subsequently reassessed every three years, to make sure it is maintaining the requisite standard.





### 3.2 Impact Process

Snowball’s strategy is to select the best managers to optimise its portfolio for impact, risk and return. It therefore requires a robust impact methodology to assess and compare managers across asset classes and impact themes, from social housing providers to renewable energy infrastructure operators, from impact venture in education to charity bonds.

#### SUMMARY

The Good Economy found that Snowball has developed a market-leading approach to embedding impact considerations throughout the investment process. The foundation of this approach is the bullseye score, which is consistently applied in order to review investment and portfolio level performance.

Snowball could do more with the bullseye score (see active ownership on page 12) and should also place a greater emphasis during its impact analysis on how managers are engaging with stakeholder voice.



**Snowball has developed a market leading approach to embedding impact considerations throughout the investment process.**

#### IMPACT ASSURED: KEY FINDINGS

The Good Economy assessed the extent to which Snowball has a system for managing impact achievement on a portfolio basis, as well as its tools and processes for assessing both the anticipated and actual impact of each investment.

#### Impact intentionality – what Snowball sets out to do

CRITERIA		FINDINGS
Does Snowball have a clear theory of change or impact thesis to achieve its impact objective?	✓	Snowball has a clear impact thesis and a compelling rationale for why it exists and what it aims to achieve. Snowball’s impact strategy is aligned with the SDGs through broad impact themes. Assumptions underpinning the theory of change could be more clearly stated.

#### Impact integration – how Snowball does it

CRITERIA		FINDINGS
Does Snowball have a robust impact practice embedded throughout the investment process?	✓	Snowball has a standardised and consistently applied process to assess impact potential and performance across the investment cycle. The questions in the manager and enterprise frameworks form the basis of Snowball’s screening, diligence and portfolio management tools and processes. Snowball’s impact and investment functions are managed within the same team, meaning impact analysis is integral to all decision-making.
Does Snowball have, and use, a robust impact measurement and management framework to measure and benchmark the impact of its investees?	✓	Since inception, Snowball has been using a proprietary bullseye framework to assess and monitor the impact of its managers to optimise the portfolio for impact, risk and return. Bullseye scoring takes place during impact diligence and is updated every year. Bullseye scores are aggregated to track portfolio-level performance and compare investments and asset classes.
Does Snowball use impact data to improve outcomes and mitigate negative impacts?	✓	Snowball compares expected and actual performance using a risk-based approach to monitoring the impact of each investment. A monthly review report is prepared for the investment committee and board, summarising the ongoing monitoring and management of the portfolio. Snowball tracks impact performance solely through the bullseye, which is a form of impact rating. Specific impact metrics and targets are not tracked at the portfolio level.

#### Impact integrity – how Snowball holds itself to account

CRITERIA		FINDINGS
Does Snowball produce regular, reliable and insightful impact reporting?	✓	Snowball produces regular reporting on its impact activities for an investor audience, primarily via quarterly updates on portfolio performance. These give equal prominence to impact and financial reporting. Snowball publicly discloses its impact activities – but not impact performance – through regular updates on its website blog. Snowball’s overall approach to impact has formed the basis of this current series of impact reports.



**SPOTLIGHT:**

► **Impact Frontiers**

Snowball collaborates with other multi-asset class investors through a peer learning and market-building network known as Impact Frontiers. Impact Frontiers explores ways of constructing a portfolio of investments along an efficient impact frontier that offers the highest level of overall impact, relative to the expected risk-adjusted financial return of those investments. As part of this initiative, Snowball has plotted its portfolio by asset class, with target return on one axis and impact on the other (see Figure 3<sup>3</sup>).

**Figure 3: Portfolio impact and financial returns**



3. The chart does not include risk which is also an integral part of portfolio construction. For example, many of the investments with the lowest expected return and bullseye score are in Fixed Income (denoted by circles in the chart). These bring diversification benefits, reducing the risk and volatility of the portfolio.

Snowball seeks to optimise the portfolio for impact, risk and return, driving the portfolio to the top right quadrant. The approach Snowball takes is as follows.

- Invest in the most impactful fund managers that meet its risk return requirements for each asset class. Snowball's most recent investments (those made in the last two years are highlighted in yellow in Figure 3) have typically been higher impact and return than the portfolio average.
- Work with its managers to help them improve their impact practice (see active ownership section on page 12) which leads to their bullseye score increasing over time.

Impact practitioner comment:

“ Snowball is a leader not only in the rigor of its impact management practice, but also in the openness with which it shares candid insights with other investors to advance impact management for the field as a whole. – Mike McCreless, Executive Director, Impact Frontiers.





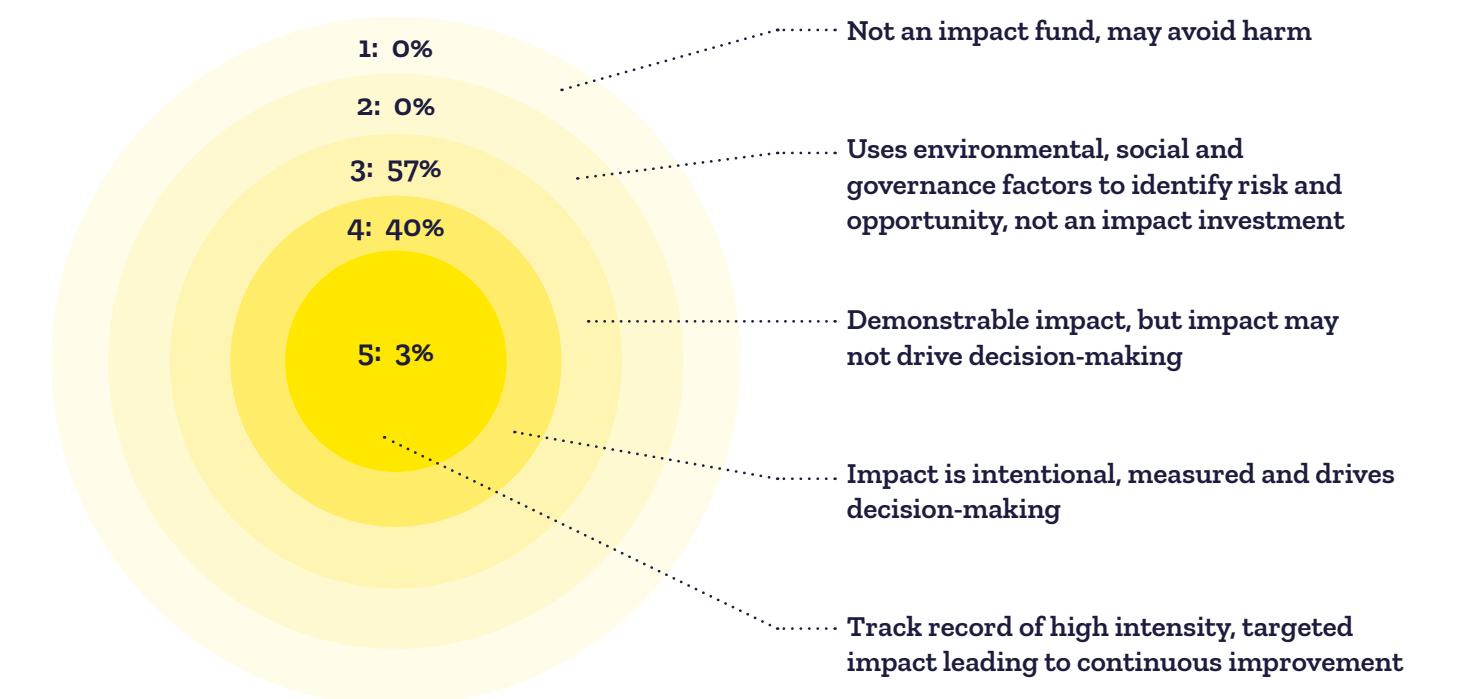
**SPOTLIGHT:**

► **Bullseye analysis**

Figure 4 shows the distribution of bullseye scores across the Snowball portfolio, based on scoring each investment out of 5. The higher the impact intensity the closer to the centre of the bullseye.

Snowball drives the portfolio towards the centre of the bullseye through its engagement and allocation activities. Currently, 3% of the portfolio is scored at the highest level of '5', which requires a track record of high-intensity impact delivery, targeted impact leading to continuous improvement. This reflects the deliberately high aspiration Snowball has for impact and the challenge it has set itself and its managers for continuous improvement. The Good Economy also believes that Snowball's drive towards greater impact intensity compares favourably to the wider industry, where the bar for meeting impact expectations is generally lower – as reflected in the last GIIN investor survey, where only 1% of respondents reported that their impact expectations have not been met (compared to over 10% for financial expectations).

**Figure 4: Bullseye score and % of portfolio**



“ Snowball's drive towards greater impact intensity compares favourably to the wider industry.







#### What Snowball could do differently

In the spirit of continuing improvements of the Snowball impact framework, The Good Economy recommends that Snowball does the following.

- ▶ **Engages with managers on end-user voice.** Snowball could have a stronger focus on assessing whether and how managers understand the stakeholder experience of outcomes. Noting that stakeholder voice is an industry wide area for improvement, Snowball does not yet systematically assess how fund managers engage with end-users as part of the bullseye score, manager framework or during diligence.

**≡+ SNOWBALL RESPONSE:** We agree understanding stakeholder experience is often lacking for impact funds, although some of our managers already do this well, notably Resonance for their homelessness funds. Currently, we review the integration of user voice and experience in our scoring of impact reports, but not systemically in fund diligence. We're keen to collaborate across the sector to improve in this area.

- ▶ **Defines, collects and reports on a small number of Key Performance Indicators (KPIs) per investment and impact theme.** While recognising that aggregating metrics across fund investments and diverse themes is challenging, Snowball could consider setting specific impact objectives (such as "increase quality and affordability of housing"), against which it would be possible to standardise high-level KPIs.

**≡+ SNOWBALL RESPONSE:** We have included on the right some impact KPIs reported by our funds. We have considered aggregating KPIs across the portfolio and we are aware of this as a growing trend across the industry. However, given the diversity of our portfolio, we are not convinced aggregation brings value.

For example, the impact of an individual housed by Triple Point Social Housing REIT (which provides specialised supported long-term housing for adults with longstanding care needs) differs from our Resonance homelessness funds (which provide short-term accommodation for people experiencing or at risk of homelessness). What do we learn by aggregating the number of people housed? How does this lead to better decision-making and ultimately better outcomes? However, it may be valuable to report some additional impact metrics to better communicate the nature of the investments and types of impact in the portfolio.

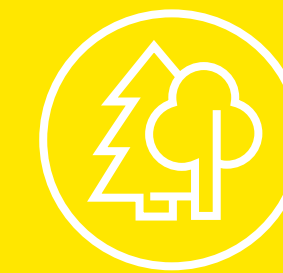
#### A SAMPLE OF IMPACT KPIS FOR 2021



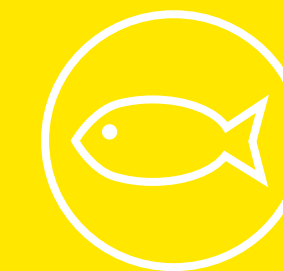
**Bridges Social Outcomes Fund II,** an outcomes-based contracts fund:  
**103,391 days of care averted for children**



**The Renewables Infrastructure Group,** an investment company with European wind and solar operating assets:  
**1.3m homes powered with clean energy**



**Lyme Forest Fund V,** a sustainable forestry fund:  
**917,009 acres of sustainably managed forests** (certified by third party sustainable forestry standards)



**Aqua-Spark,** an open-ended sustainable aquaculture fund:  
**58.6m fish saved with alternative feed ingredients**



**Circularity European Growth Fund I,** a growth capital fund investing in circular economy companies:  
**29,552 tonnes of avoided manufacture**



### 3.3 Active ownership

As an active steward of capital, Snowball can contribute to impact by helping managers improve their performance, leading to better outcomes for people and planet.

#### SUMMARY

The Good Economy found that Snowball is an engaged, active and knowledgeable investor that frequently challenges its managers to improve further. Snowball's constructive approach to scoring manager impact reports and providing feedback is unique in the market.

Snowball does not systematically track the success of engagements, but based on responses from the small number of managers interviewed as part of the verification, The Good Economy found that Snowball's stewardship activities were welcomed and there was evidence of concrete changes being made to impact practices as a result.



**Snowball's constructive approach to scoring manager impact reports and providing feedback is unique in the market.**

#### IMPACT ASSURED: KEY FINDINGS

The Good Economy assessed the extent to which Snowball has a systemic approach to entering into, and evaluating the success of, dialogue with its managers.

#### Impact integration – how Snowball does it

CRITERIA	FINDINGS
Does Snowball actively engage with, and support, its investees?	<p>Snowball engages in a systematic way across the portfolio, with four areas focused on in particular.</p> <ul style="list-style-type: none"> <li>▶ <b>Impact practice:</b> how impact is integrated in decision-making; better communication of impact; rationale behind individual investments; and impact reporting (see page 13). In 2021, Snowball engaged with over half of its managers on aspects of impact management practice.</li> <li>▶ <b>Diversity:</b> how diversity is being addressed through new hires and succession planning; what diversity and inclusion practices are in place; and what steps managers are taking to implement a diversity lens to their investments. This is a particular focus of engagement in Snowball's private market investments, with 40% of managers in this asset class engaged with on diversity issues in 2021.</li> <li>▶ <b>Net Zero:</b> whether the manager has a clear climate engagement strategy with its portfolio in line with the Paris Agreement; and whether it has set clear and ambitious targets and timelines against which it can be held to account. In 2021, Snowball engaged with all its public equity managers regarding Net Zero.</li> <li>▶ <b>Renewables:</b> a standalone engagement with all of Snowball's managers with renewable infrastructure assets around: <ul style="list-style-type: none"> <li>(i) supply chains; and</li> <li>(ii) the level of local community engagement and support. Snowball engaged with all but one of its renewable infrastructure managers on this theme in 2021.</li> </ul> </li> </ul> <p>Snowball's engagement topics also vary across asset classes. In 2021, the following were covered.</p> <ul style="list-style-type: none"> <li>▶ <b>Private equity:</b> fee structure; levels of transparency; alignment with strategy; and impact reporting.</li> <li>▶ <b>Public equity:</b> systemic tracking of manager engagements with their investee companies and their effects; engagement escalation policy; importance of additionality.</li> <li>▶ <b>Public debt:</b> manager contribution on new debt issues; and reporting.</li> </ul>

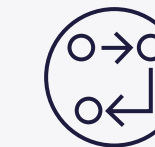
#### Impact integrity – how Snowball holds itself to account

CRITERIA	FINDINGS
Is Snowball transparently reporting on its engagements and the influence it has had?	<p>Snowball tracks and reports on both the number of engagements and topics discussed. In 2021 it engaged with all but one of its managers, representing over 96% of the portfolio. Reporting of engagements is included in portfolio reviews alongside progress updates, but their outcomes are not captured systematically.</p>

#### IN 2021



Snowball engaged with **over 96%** of its **portfolio**



Snowball engaged with **over 50%** of its managers on aspects of **impact management practice**



Snowball engaged with **40%** of its private market managers on **diversity issues**



Snowball engaged with **100%** of its public equity managers on **Net Zero**



Snowball engaged with **83%** of its renewable infrastructure managers around issues in their **supply chains**



**SPOTLIGHT:**

► **An asset manager perspective on Snowball’s engagement**

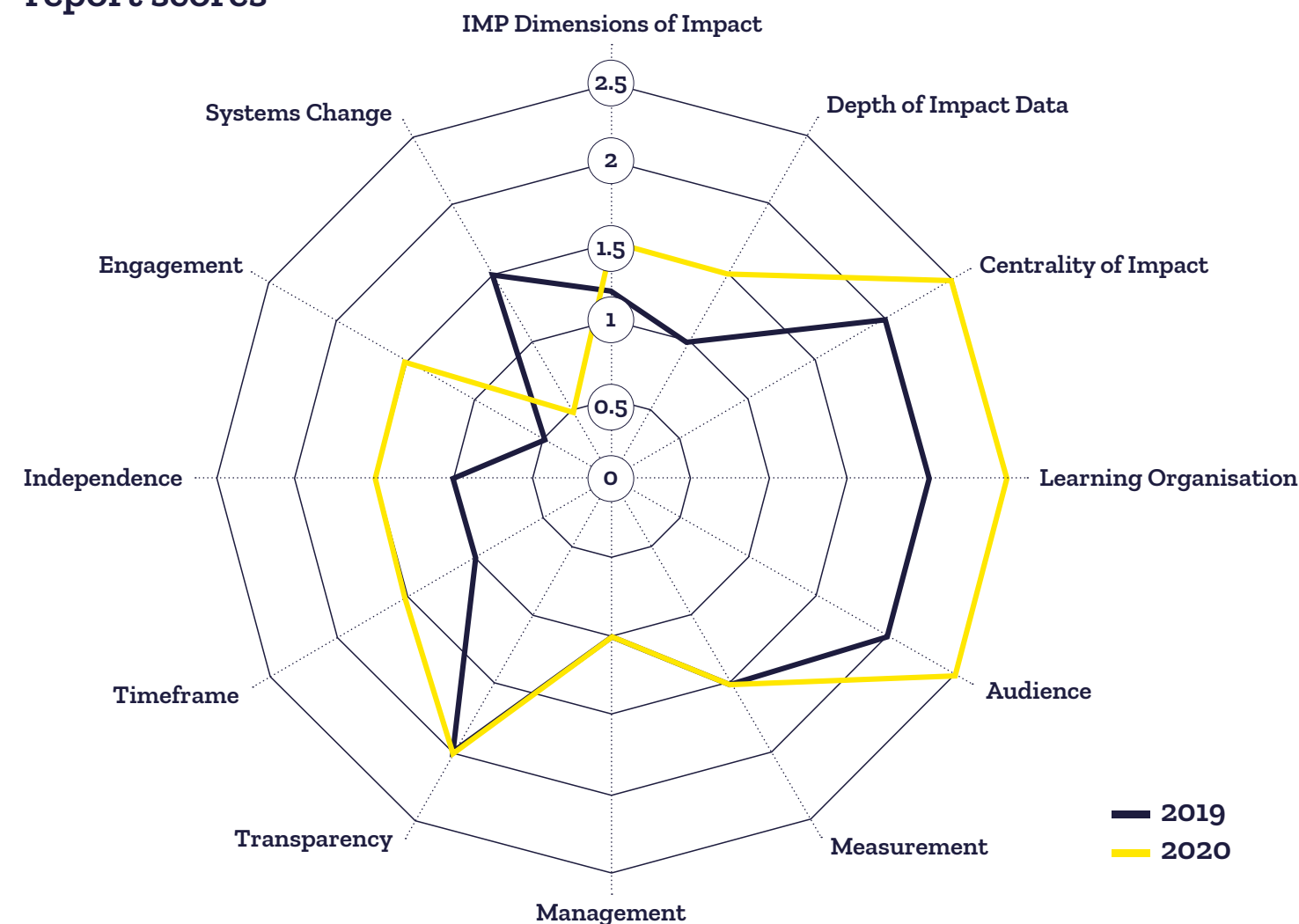
One manager interviewed by The Good Economy sees Snowball as one of a very small number of investors that use a highly targeted engagement approach that has helped develop the manager’s impact processes and practices.

One element of this is impact reporting. Snowball scores its managers impact reports and, where appropriate, gives feedback to the manager, including the managers interviewed by The Good Economy for the purpose of this report. The depth and frequency of Snowball’s approach is unique, informing decision-making and guiding engagement with managers. The report is scored against a set of questions that are aligned to the manager and enterprise frameworks, an example of which can be seen below.<sup>4</sup>

CATEGORY	SUB CRITERIA	EXAMPLE QUESTIONS
Enterprise Impact	– IMP Dimensions – Depth of Impact Data	Is there reporting against the five IMP dimensions either explicitly or indirectly?
Mission and Behaviour	– Centrality of Impact – Learning Organisation – Audience	Does impact feel like it has equal standing to financial reporting?
Impact Measurement, Management and Transparency	– Measurement – User Voice – Management – Transparency – Timeframe – Independence	How robust are the methods to measure and analyse the data? Is it clear whether the impact data is used to improve ongoing delivery? Is the report open about negative impacts and failures?
Active Ownership	– Engagement	Does the report consider how the manager has supported its investees and contributed to the impact?
Catalytic	– Systems Change	Does it report on systems change either at the ecosystem level or enterprise level?

Snowball provides detailed feedback to the manager on areas to strengthen both in terms of reporting practices and impact performance. Figure 5 below shows how the impact reporting of one of the managers interviewed by The Good Economy improved year-on-year.

**Figure 5: Example manager’s year-on-year change in impact report scores**



Although these changes cannot be definitively attributed to Snowball’s engagement, Snowball has observed significant progress in the areas identified in its initial feedback, with the manager acknowledging during the interview with The Good Economy that it had incorporated Snowball’s feedback to improve its reporting. Other managers interviewed by The Good Economy reacted positively to detailed review of their reports, seeing the feedback from Snowball as part of a “genuine partnership”, as one put it.

**What Snowball could do differently**

To further raise the quality of its engagement opportunities, The Good Economy recommends that Snowball does the following.

- **Sets clear expectations for aspects of manager performance that Snowball wants to see improved over time.** Snowball could consider sharing the bullseye score with managers and setting directional targets for specific aspects of manager or enterprise impact to be improved. Changes in their scores – rather than just the aggregate score – can then be tracked over time to understand the effectiveness of Snowball’s engagement.

**SNOWBALL RESPONSE:** We have considered sharing the bullseye score with managers, but, on balance, have decided not to as we think the individual scores can end up being a distraction – or even make the manager defensive. We do however agree that our diligence should be more focused on where we see scope for improvement. We have integrated this for a recent investment and, following completion, had a feedback session to share our thoughts on how the manager could improve its impact practice.



**One fund manager noted Snowball is one of a very small number of investors that use a highly targeted engagement approach that has helped develop the manager’s impact processes and practices.**

4. The full scorecard can be shared on request. Please contact [hello@snowball.im](mailto:hello@snowball.im)



### 3.4 Catalytic

Snowball looks to support pioneering fund managers and innovative strategies which improve upon the status quo. A catalytic role is critical for enabling impact investing to continue to reach new sectors and crowd in capital to contribute to solving social and environmental challenges.

#### SUMMARY

The Good Economy found that Snowball makes an outsized contribution to growing the impact investing ecosystem. It supports new managers, products and themes where there is a gap in the market; while its investment product is catalytic by design. Snowball plays a prominent role in field building, particularly by sharing its own practices and perspectives about what good impact practice looks like.

There remains scope for Snowball to further develop thinking around systems change, especially to ensure the measurement framework can capture and communicate progress towards Snowball's long-term vision of changing behaviours in financial markets.



**Snowball makes an outsized contribution to growing the impact investing ecosystem.**

#### IMPACT ASSURED: KEY FINDINGS

The Good Economy assessed the extent to which Snowball's investments and industry-level activities could be considered catalytic.

#### Impact intentionality – what Snowball sets out to do

CRITERIA	FINDINGS
Is Snowball growing new or undersupplied markets?	<p>As an investment product, Snowball itself aims to grow new markets – with the ultimate aim of creating a listed investment vehicle to give retail investors exposure to a diversified base of high-impact investments.</p> <p>✓ Snowball launched in 2016 as a first-time fund. Snowball was seeded by six mission-aligned founding investors<sup>5</sup> who transferred some of their own catalytic impact investments into Snowball's fund.</p> <p>At its inception, Snowball was an innovative product – a diversified impact fund which invests across the full spectrum of market-rate impact investments. At that time, few investment products enabled investors to access real-world impact across multiple areas alongside attractive risk-adjusted financial returns in a diversified portfolio.</p>

#### Impact integration – how Snowball does it

CRITERIA	FINDINGS
Does Snowball actively contribute to the impact investing ecosystem?	<p>✓ To deliver on its market-building vision, Snowball has an extensive track record contributing to, and helping grow, the field of impact investing by supporting industry initiatives, sharing best practice, influencing policy, setting standards, developing networks and supporting other managers. Snowball's team members maintain a high profile in the industry, regularly participating in webinars, panels and contributing to research.</p>
Is Snowball catalytic by providing flexible capital?	<p>✓ Snowball does not provide concessionary finance, but actively targets investments that can be considered as catalytic. These are categorised by Snowball as:</p> <ul style="list-style-type: none"> <li>(i) investing in a first-time fund;</li> <li>(ii) investing at first or early close; and/or</li> <li>(iii) investing in a new strategy.</li> </ul> <p>Investments can fit into multiple categories, for example a first-time fund launching a new strategy. Figure 6 breaks down investments Snowball has classified as catalytic by asset class.</p>

Over 56% of investments in Snowball's portfolio can be classified as catalytic

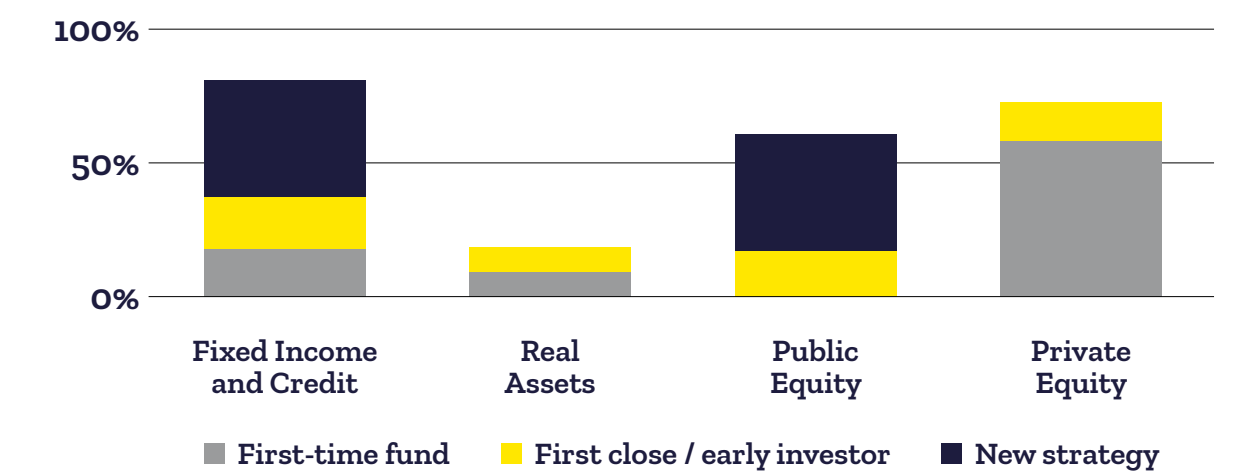


There were a greater share of catalytic investments within private markets



Figure 6: Breakdown by asset class<sup>6</sup>

(% of each asset class categorised as catalytic)



#### Impact integrity – how Snowball holds itself to account

CRITERIA	FINDINGS
Does Snowball assess how it can unlock wider systemic change and act accordingly?	<p>✗ Snowball aims for systems change, but the pathways towards realising this high-level vision – and any associated assumptions – have not been articulated in the theory of change.</p>

5. Friends Provident Foundation, Golden Bottle Trust, Panahpur, Skagen Conscience Capital, Gower Street, and The Taylor Family Foundation.

6. For the purposes of this report, each fund has been allocated into one of three catalytic buckets. Some funds may be catalytic for multiple reasons, such as the WISH fund (see page 15).





**SPOTLIGHT:**

**EXAMPLE CATALYTIC INVESTMENTS**

**eka**



**First-time fund: Eka Ventures**

Eka Ventures works with founders to build consumer technology companies that shape the world positively, making it more sustainable, healthy and inclusive.

**How Snowball was catalytic:** this is Eka's first fund and Snowball invested at the first close to support the firm's fundraising. Since then it has actively helped the manager develop its impact practice.

**WOMEN IN SAFE HOMES FUND**



**Early Investor: Women in Safe Homes Fund (WISH)**

The WISH fund invests directly in UK residential and refuge accommodation to provide a solution to the lack of affordable, safe and secure homes for homeless women.

**How Snowball was catalytic:** alongside several foundations, Snowball was one of the first institutional investors in the fund before it reached scale. The fund represents a new strategy as it is believed to be the world's first gender-lens property fund.

**Rathbones**  
Look forward



**New Strategy: Rathbones Discretionary Bond Portfolio**

Rathbones manages a portfolio of high impact social, environmental and charity bonds, such as Thera Trust, a charity which supports people with learning disabilities.

**How Snowball was catalytic:** this is a discretionary portfolio launched by Rathbones for Snowball which aims to support the nascent social and charity bond market.



**What Snowball could do differently**

To strengthen its understanding of its catalytic role, The Good Economy recommends that Snowball does the following.

- ▶ **Analyses catalytic investments using an impact-financial lens.** Snowball could further build on Impact Frontiers thinking to examine catalytic investments in terms of their risk-return-impact profile relative to the rest of the portfolio. This may help to determine whether the current figure of 56% catalytic is optimal.

**SNOWBALL RESPONSE:** The Impact Frontiers work remains an ongoing project to help us optimise the portfolio for impact, risk and return – and to make investment decisions accordingly. Catalytic investments are very varied and it is hard to have a generalised view on their risk-return-impact profile. Catalytic funds often have greater degrees of risk attached and this is important for us to consider at a portfolio level. We are looking to be catalytic where we can, whilst constructing a portfolio to deliver compelling risk-adjusted financial returns.

- ▶ **Improves evidence of systems change.** Snowball has an ambitious long-term vision for the systemic transformation of financial markets. Measuring whether this change is happening – and how it is contributing – will be complex, but Snowball could draw on recent innovations in systems change measurement to better articulate and evaluate its mission fulfilment.<sup>7</sup>

**SNOWBALL RESPONSE:** Measuring and evidencing systemic change is still a new and emerging area of impact practice. Scale is the primary driver of our ability to create impact in the wider investment system, so we have used AUM growth as a proxy. As we grow, we can develop our processes to measure our systemic impact and we welcome sector collaboration around the many recent innovations to help with this.

7. For example, by piloting or applying the systems change measurement frameworks adopted by Big Society Capital or adapting those developed by organisations such as FSG ('The Water of Systems Change') or rubric-based approaches developed by the Laudes Foundation.



### 3.5 Impact risk management

Snowball can only deliver against its mission if it can effectively execute its impact thesis. This requires assessing the likelihood that impact may not occur as expected and putting in place strategies to mitigate and manage environmental, social and governance (ESG) risks.

#### SUMMARY

The Good Economy found that Snowball has a robust system for assessing impact risk, and is prepared to take remedial action when impact is off-track. The potential for negative impact is not always examined to the same level of robustness. There remains scope for Snowball to develop a more systematic approach to assessing ESG risks.



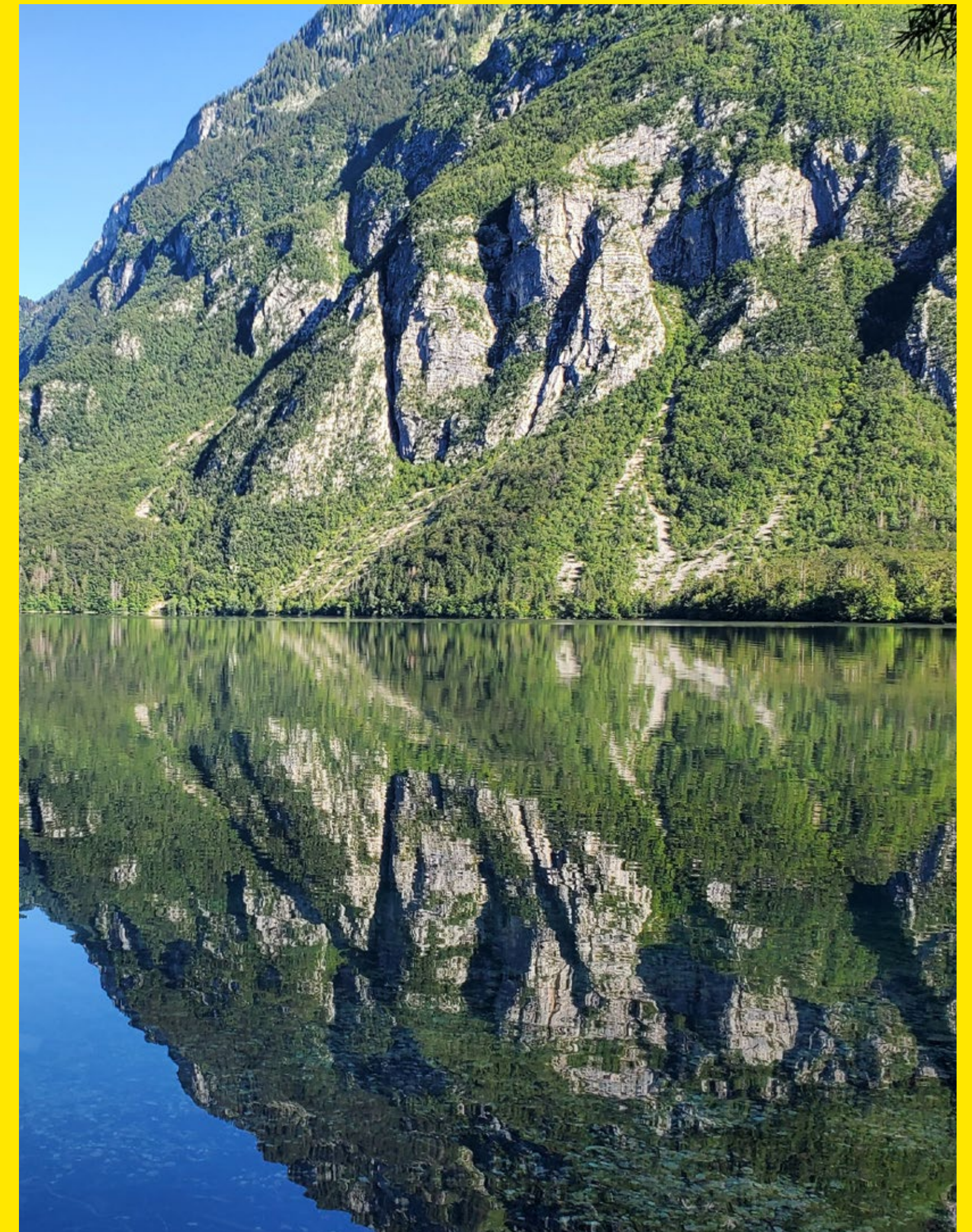
**Snowball has a robust system for assessing impact risk, and is prepared to take remedial action when impact is off-track.**

#### IMPACT ASSURED: KEY FINDINGS

The Good Economy assessed the extent to which Snowball has a process to identify and manage the potential negative impacts of each investment, and risks to achieving intended positive impact.

#### Impact integration – how Snowball does it

CRITERIA		FINDINGS
Snowball systematically identifies and documents ESG risks and opportunities.	⊗	Snowball's impact framework and resulting bullseye score combines the potential for negative impacts (ESG risks) with the prospect for positive impact.  As a result, manager ESG practices are touched on during screening and diligence, but – apart from the engagement issues of diversity and net zero strategies – are not systematically assessed.
Snowball manages and mitigates ESG risks for each investment, where relevant.	✓	During the portfolio management phase, potential negative impacts are discussed and noted in the Investment Committee minutes, and there is evidence of follow-up action being taken based on ESG-related concerns. However, ESG risks are not systematically identified and documented, so there is no basis for creating mitigation or management plans.
Snowball assesses the likelihood of achieving the investment's expected impact and identifies risks to the achievement of positive impact.	✓	The IMP's risk categories are fully integrated into both the enterprise framework and the manager framework. Snowball scores impact risk for each investment at diligence and at regular intervals after investing, as well as scoring the underlying investments' impact risk. In addition, a narrative is provided which explicitly details findings against specific impact risk categories.





**SPOTLIGHT:**



► **Snowball's view on evidence risk**

Sufficient high-quality data is required in order to know whether impact is occurring – and to enable impact-driven decisions. The level of 'evidence risk' has been identified by the IMP as one of nine key types of impact risk that investors should track. Based on manager impact reports, Snowball has identified the following limitations in impact data.

- **Quality:** Impact data is frequently self-reported and unverified. Moreover, it is often not reported in a consistent manner, thus limiting comparability. Snowball notes that “we see this across our renewable energy infrastructure managers (predominantly operating wind and solar assets) which do not report avoided CO2 emissions and energy generation in a consistent manner, despite the similarity of their businesses”.
- **Relevance:** Impact data is often incomplete and out-of-date by the time it is reported up the chain. Snowball believes that “we should only be requesting our investees collect impact KPIs which are relevant to them to improve decision-making, and ultimately lead to better outcomes for people and planet. For example, we have different expectations for our early-stage venture managers whose investees may be pre-revenue where their business model may pivot, and those investing at a later stage where the business is established”.
- **Usability:** Rather than focus on data points, Snowball states that “we primarily want to know whether our managers understand and analyse the impact data being collected and whether it is being used to improve outcomes...[This] is where our bullseye framework comes into play”.

**SPOTLIGHT:**



► **Putting impact risk management into practice**

Snowball sold its exposure to an investment in the social housing sector due to increasing concerns over governance issues, especially the financial profile and experience of management teams in partner organisations. Snowball judged that this had the potential to have negative impacts on residents and that the quality of the tenancy management groups could damage the trust's overall financial profile.



**What Snowball could do differently**

To strengthen its approach to impact risk management, The Good Economy recommends that Snowball does the following.

- **Ensures ESG risks are identified and documented.** Snowball could more systematically assess manager systems for selecting, screening, managing and reporting investees' ESG performance. This might involve separating out the risk of negative impacts as a separate section – distinct from positive impact potential – during diligence and investment committee papers and portfolio reviews.

 **SNOWBALL RESPONSE:** We welcome this feedback and acknowledge our focus on impact means we may not always give ESG risks requisite consideration. We do look at the risk scoring an ESG framework offers in our diligence, but this could be done more systematically – we agree this could have a standalone section in our Investment Committee papers.



# CONCLUSION: FROM THE GOOD ECONOMY

Impact verification helps investors reflect on and refine their impact management systems, based on industry best practice.

This report highlights a number of Snowball's innovative approaches to impact management. The bullseye, for example, shows how it is possible to develop a practical tool to measure and assess the impact of a multi-asset class portfolio. The attention to detail that Snowball places on all aspects of impact management – illustrated by the extent to which impact reports are read, reviewed and scored – places it in the cohort of investors who can evidence how they systematically elevate impact considerations to an equal footing with financial ones.



**Snowball is playing an important role by “beating the drum” for good impact practice.**

However, there remains some scope for improvement. Few investors, including Snowball, currently perform well on emerging areas of good practice such as assessing how fund managers and underlying enterprises capture stakeholder voice. At the ecosystem level, Snowball's mission is to change behaviours in capital markets. While Snowball clearly sets a positive example, it is difficult to determine the extent to which Snowball has influenced systems change and other financial institutions to embrace impact investing. Other aspects like articulating the assumptions underpinning their theory of change, becoming a signatory to the Impact Principles and assessing the risk of negative impact are areas for Snowball to prioritise as it continues to refine its impact management processes.

We commend Snowball for their honest and open approach to impact measurement and management. We know of only one other investor who has commissioned an assessment of their impact management system and published the detailed findings in order to influence industry practice.<sup>8</sup> By sharing the impact verification results, Snowball has demonstrated its commitment to being a learning organisation and to contributing to improved levels of transparency across the industry. As one fund manager we interviewed stated, Snowball is playing an important role by “beating the drum” for good impact practice. We hope this report plays a valuable role as part of that ongoing endeavour.

8. The 'Impact Strategy Audit' that Nesta Impact Investments commissioned in 2018. The Impact Principles requires public disclosure of the conclusions of an independent verification of the alignment of an investor's impact management system with the Principles, but these verification summaries only present the high-level findings and recommendations.

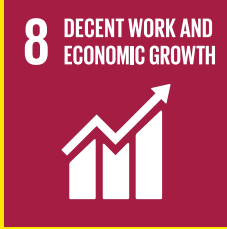






LENDABLE MSME FINTECH CREDIT FUND | PRIVATE DEBT | EQUITY AND INCLUSION

Expanding fair access to credit using data analytics in Africa and Asia



Founded in 2014, Lendable was established as an impact-driven organisation to expand fair access to credit using data analytics. In 2016, Lendable began providing debt capital to fintech lenders in Africa and Asia. These fintechs make small scale loans to micro businesses and individuals, to support job growth, economic growth and improve access to financial services.

MANAGER IMPACT



All of Lendable's assets are focused on impact-led strategies of financial inclusion, improving opportunity and creating access to essentials goods.



Lendable has a clearly defined impact thesis of wealth creation for those excluded from the traditional finance sector. Impact is fully integrated into the investment process, from filtering, through screening and due diligence. Lendable utilises an internal four-dimension impact assessment framework, and demonstrates good transparency around impact KPIs, which are verified via the data analytics platform.



Lendable is engaged at both an industry and a portfolio level, with the goal of growing capabilities in the non-bank lending sector in emerging markets. Using grant funding, Lendable offers technical assistance to borrowers, to help with operational improvements, improve gender equality, and establish responsible consumer finance protection practices and currency hedging education.



Lendable is serving a market of fintechs who themselves are lending to the unbanked or underbanked in frontier markets, particularly women.



Fintech MSME<sup>9</sup> lending is a relatively new sector of the market, but Lendable benefits from a 5 year+ track record of lending in this space and their investment process is underpinned by an impressive data analytics platform that allows comprehensive risk management.

ENTERPRISE IMPACT



Fintech lenders in frontier and emerging markets, who are on-lending small size loans to small businesses and individuals.



Underserved and unbanked individuals and MSMEs in Asia and Africa, who benefit from expanded access to credit.



Considerable, with over 63,000 SME loans and 1.9m consumer/MSME loans financed.



Bringing additional capital to underserved markets, companies and end-customers.



Fintech MSME lending is relatively new, so there are some risks for how the industry develops over time.



9. MSME refers to micro, small and medium enterprises and SME refers to small and medium sized enterprises.



ANANDA IMPACT FUNDS I & IV | IMPACT VENTURE | EQUITY AND INCLUSION & ENVIRONMENTAL SUSTAINABILITY

Improving the terms on which individuals and groups take part in society



Founded in 2010, Ananda was an early pioneer in impact venture capital and is now on its fourth fund. European venture fund which invests in, and scales, impact-driven for-profit enterprises across healthcare, education, sustainability and social justice.

MANAGER IMPACT



Ananda walks-the-walk when it comes to impact – for example, the manager’s carry is tied to impact, it has an impact term sheet which is genuinely pioneering and an independent advisory committee which signs off on KPIs and targets.



Ananda has developed and refined rigorous impact processes over three prior funds. Impact and ESG considerations are integrated from the first meeting through to post-investment impact assessment and management.



Ananda is an active investor typically taking a board seat and supporting management teams. It brings additional value through its impact support, sharing best practices on diversity and inclusion, pushing each company to be a category leader in reducing its environmental footprint and supporting founder mental health. Ananda sees its role as embedding impact into the DNA of each portfolio company to mitigate any risk of mission drift, particularly where the leadership team changes or following an acquisition.



As an early pioneer, Ananda believes it is the first pan-European impact venture capital fund. As the impact venture community has matured, Ananda retains a commitment to build the impact investing venture community and support new funds entering this space.



Ananda is a seasoned manager with a track record of investing for impact. The consistency of its strategy over the four funds is proof that it is sound and viable and therefore mitigates execution, efficiency and drop-off risk.

ENTERPRISE IMPACT (UNDERLYING HOLDING SPOTLIGHT: NATURE METRICS)



A nature intelligence platform for species and ecosystem monitoring which represents a scalable solution to monitoring biodiversity.



Biodiversity is often overlooked at the expense of carbon which is easier to measure. Yet The Living Planet Index warns that global animal, bird and fish populations have plummeted more than two thirds in less than 50 years and, according to the UN, one million animal and plant species are at risk of extinction within decades.



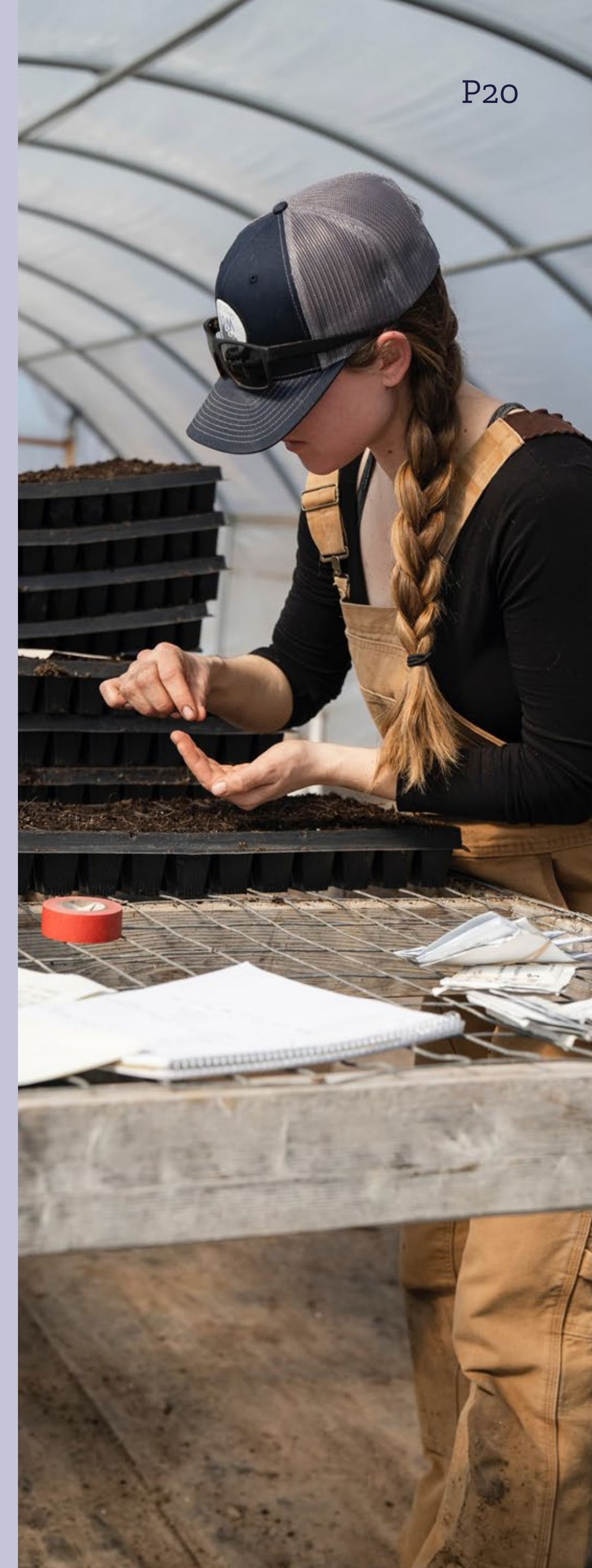
The scale and depth of impact will increase as the company develops a platform with accurate biodiversity data to tackle biodiversity loss.



Enables biodiversity assessments in a way that wasn’t previously achievable and trying to achieve systems change by making corporates more responsible for their impact on nature.



Execution risk. Will corporates pay to monitor biodiversity where not required to do so by regulation?





WOMEN IN SAFE HOMES (WISH) | REAL ASSETS | HOUSING AND COMMUNITIES

Homes for women who are experiencing or at risk of homelessness



The fund provides housing for women who are experiencing homelessness, survivors of domestic abuse, are leaving prison or have other complex needs such as mental health problems. The fund is a joint venture between Patron Capital Advisers and Resonance Impact Investment Limited. Patron has been a pan-European property investor for over 20 years whilst Resonance launched its first social impact property fund in 2013 and since then has helped to provide homes for almost 3,000 individuals and families in over 1,000 properties.

MANAGER IMPACT

- 


Mission and behaviour

The manager is intentionally investing for impact. The investment management of the fund is undertaken by Resonance (a B Corp). Fund carry is tied to impact target criteria being met as well as financial performance. The intention is for some of the carry to be shared with housing partners.
- 

Impact process

The manager has a clear theory of change as a result of carrying out extensive research in this area. Snowball has developed high confidence that the impact of the fund will be monitored, with data used to improve outcomes through high levels of tenant involvement.
- 

Active ownership

The manager works closely with the housing partners that are leasing the properties. Strict property criteria are set by each individual partner and every single property acquired has to be approved and scored by the partner before it is progressed to the WISH Investment Committee. Refurbishment specification is also agreed in consultation with each housing partner.
- 


Catalytic

We think that this is the world's first gender-lens property fund. The manager is employing a new lease structure that acts as a half-way house between the needs of the housing partner and the investor as well as the introduction of an indirect lease (otherwise known as 'midwife') arrangement.
- 

Impact risk management


The manager has deep experience but is working with some less experienced housing partners which may delay execution. The fund can be impacted by changes to housing benefits as well as potential property market dynamics in specific geographies.


ENTERPRISE IMPACT

- 


What

The fund targets an improvement in safety, health, wellbeing and life chances through providing support and accommodation.


  - Women experiencing domestic abuse – approximately 1.6 million women experience domestic abuse, more than twice as many than their male counterparts.
  - Homeless women, who are almost twice as likely to suffer from mental illness (50% to 60%) compared to men.
  - Ex-offenders – prison sentences often lead to difficulties regarding maintaining employment and accommodation. Stability and space in rental accommodation can lower the risk of ex-offenders reoffending.
  - Women who have been victims of human and sex trafficking.
  - This fund also provides housing for women who have children in their care.
- 

Who
- 

How much

The scale of impact is tied to fund size and the number of properties provided to tenants (£100m: 650 properties). Support and accommodation can lead to deep and long-lasting improvement in outcomes for women and their children.
- 

Contribution

The fund is bringing additional property where demand exceeds supply as well as offering good quality housing to support its tenants. Through the midwife lease the fund is also enabling housing partners to skill up and improve financial resilience as well as property management expertise.
- 

Risk

There is evidence that providing homes can improve outcomes for tenants – this should be a focus of current KPIs and will also be highlighted in subsequent fund social impact reports.





**IMPACT VERIFICATION METHODOLOGY**

Verification plays an important role in building stakeholder confidence in the systems that investors are using to maximise the positive and minimise the negative outcomes associated with their investments.

**Intended users**

The intended primary users of the verification are Snowball’s management, board and investors.

**Competence**

The Good Economy is dedicated to enhancing the role of business and finance in inclusive and sustainable development. Established in 2015, The Good Economy has rapidly established itself as a trusted adviser working at the forefront of impact investing in the UK and internationally. Our team has a combined 60 years’ experience in sustainable development, impact investing and impact measurement. We are AA1000 Assurance Standard Licensed Providers.

**Independence**

Before commencing, The Good Economy examined its suitability to take on this role and confirmed that there was no conflict of interest. We act as an impact adviser to a number of funds in which Snowball is invested, but these engagements are led by a team operationally and geographically separate from the verification team. Our CEO is a member of Snowball’s advisory network, but this is an informal, unremunerated position. The Good Economy has never been contracted by Snowball to provide advisory services, nor have we advised on the development of any elements of Snowball’s impact management system.

**Methodology**

The Good Economy’s verification methodology incorporates several applicable standards and best practices guidance, including:

- ▶ The Operating Principles for Impact Management
- ▶ SDG Impact Standards
- ▶ AA1000 Assurance Standard
- ▶ UNEP Principles for Positive Impact Finance
- ▶ PAS 7340 Framework for embedding the principles of sustainable in financial services organisations, and
- ▶ Jurisdictional requirements, such as the EU Sustainable Finance Framework and the FCA Guiding Principles.

The Good Economy mapped the Impact Assured criteria to Snowball’s five manager framework categories.

Each criterion was examined from the perspective of the following.

- ▶ Responsibilities: Clarity on ‘who does what’ (e.g. origination, screening, due diligence, impact assessment, investment decision, data collection, maintaining records, reporting, engagement).
- ▶ Alignment: Level of alignment with emerging standards and good practices.
- ▶ Documentation: Whether policies and procedures have been formally documented and kept up to date.
- ▶ Execution: Evidence that policies and procedures are implemented across the investor’s activities and contribute to impact creation.

We use three scoring bands from High to Low for each criterion. To reach our verification findings, we used the following process.

1. Desk review of all documents related to Snowball’s impact processes.
2. Enquiries, primarily to Snowball team members responsible for the design and operation of its impact management system.
3. ‘Walk-through’ interviews with Snowball’s investment team to follow an end-to end investment process for a typical manager.
4. Analysis using the Impact Assured criteria.
5. Deep dive interviews with a selection of Snowball’s fund managers to triangulate findings.
6. Present findings from the verification process to the Snowball team, providing opportunity for feedback and to discuss the implications of each specific finding.

**Limitations**

Managers interviewed were not randomly selected but proposed by Snowball, in consultation with The Good Economy, to provide coverage across asset classes and examples of a range of types of Snowball engagement and experiences, both positive and negative.

IMPACT ASSURED PILLARS	CATEGORIES OF VERIFICATION	SNOWBALL IMPACT FRAMEWORK
<b>Intentionality</b> to contribute to positive social and environmental impact	<ul style="list-style-type: none"> <li>– Clarity of impact goals</li> <li>– Alignment of impact objectives with the investment strategy</li> <li>– Alignment with international frameworks such as the SDGs</li> <li>– Articulation of pathways to investment additionality</li> </ul>	<ul style="list-style-type: none"> <li>– Mission and behaviours</li> <li>– Impact process: Intent</li> <li>– Catalytic</li> </ul>
<b>Integration</b> of impact across the investment process	<ul style="list-style-type: none"> <li>– Consistent application of impact management processes</li> <li>– Likelihood that all outcomes of importance to stakeholders have been considered</li> <li>– Comprehensiveness of the approach used to assess the full range of investee impacts, both positive and negative</li> <li>– Use of good practice measurement tools and techniques</li> <li>– ESG risk management processes</li> <li>– Evidence of impact data driving improved decision-making, including through engagement and stewardship</li> </ul>	<ul style="list-style-type: none"> <li>– Mission and behaviours</li> <li>– Impact process: Measurement</li> <li>– Active ownership</li> <li>– Impact risk management</li> </ul>
<b>Maintaining impact integrity</b> through decision-making and disclosures	<ul style="list-style-type: none"> <li>– Quality of the evidence base, assumptions and proxies used to assess impact</li> <li>– Sustainability of impact</li> <li>– Completeness of documentation and disclosures</li> <li>– Consistency of information on impact performance</li> </ul>	<ul style="list-style-type: none"> <li>– Mission and behaviours</li> <li>– Impact process: Transparency and accountability</li> </ul>



# GET IN TOUCH

If you would like to talk about this report, or about changing behaviours in investment more widely, please email us on [hello@snowball.im](mailto:hello@snowball.im)

