



**CERISE+SPTF**

# **Measuring impact and the impact of the measure:**

**A new frontier for social  
investors considering the  
Sustainable Finance  
Disclosure Regulation (SFDR)**

**May 2024**



## Introduction

In an era characterised by increasing global awareness of environmental and social challenges, the role of investors has evolved beyond the pursuit of financial returns. A new paradigm has emerged: social investors seek to generate positive social and environmental impacts alongside financial gains.

The Sustainable Finance Disclosure Regulation (SFDR) represents a landmark development in this shift, providing a comprehensive framework for measuring and disclosing the sustainability impacts of investments.

This regulation is not just about compliance; it catalyses a transformational change in how investors approach their portfolios.

**Based on years of experience, we explore the significance of measuring impact and the impacts of measurement on the landscape of impact investing in light of SFDR and Cerise+SPTF works with our social investor working group.**





### SFDR and the changing landscape.

In 2019, the EU introduced the Sustainable Finance Disclosure Regulation (SFDR) to set strict minimum disclosure standards, increase transparency, and prevent greenwashing for investors. SFDR distinguishes between Article 8 funds, which promote ESG credentials, and Article 9 with explicit ESG objectives. It defines sustainable investments as those that contribute to environmental or social goals without causing significant harm to people or the planet and with adherence to good governance practices.

### Measuring impact: A key to purposeful investing.

Social investors recognise that their investments can influence the world beyond profits. They aim to allocate capital to projects, companies, and organisations contributing to societal and environmental well-being.

But to ensure they achieve their goals; they need robust social and environmental performance management and impact measurement frameworks. Impact measurement involves quantifying the effects of investments on various stakeholders, including communities, the environment, and the investors themselves.

Traditional financial metrics like ROI and Earnings Per Share (EPS) no longer suffice in this context. Investors use a variety of tools and methodologies to assess the social and environmental impact of their investments, such as the Social Return on Investment (SROI), Environmental, Social, and Governance (ESG) ratings, and alignment with the United Nations Sustainable Development Goals (SDGs).

As the global industry network, coordinating the worldwide inclusive finance stakeholders to develop and implement actionable and relevant social and environmental strategies and impact measurement and management, Cerise+SPTF has for years worked with investors and financial services providers to complement best practices, defined in the [Universal Standards for Social and Environmental Performance Management](#) (the USSEPM), with adapted outcome indicators. Our [Social Investor Working Group](#) (SIWG) counting 100+ active members, open to all investors and asset managers who wish to advance responsible investment in financial inclusion, meets once a year in person (ndlr: the 2023 meeting was in June in Luxembourg, 2024 scheduled October 1st and 2nd in Paris) and holds monthly global webinars.

The SIWG members also form sub-groups that collaborate on developing and testing new guidelines and tools for the investor community. These increase transparency and efficiency in evaluating and reporting social and environmental performance. In 2023, efforts have been focused on client protection- and regulatory reporting obligations linked to SFDR.

### The impact of the measure: uncovering hidden truths.

Measuring impact alone is not enough. Social investors must also explore the “impact of the measure” – the intended or unintended consequences of their impact management strategies. This is critical in ensuring that pursuing positive change does not inadvertently lead to unforeseen adverse outcomes.

As investors seek to maximise their positive impact, they must also confront ESG risks, encompassing environmental, social, and governance factors.

That is why Cerise+SPTF goes the extra mile and offers a space to support social investors in what they need to measure and provides the tools to do so. As such, the SPI Online platform, designed by Cerise+SPTF, is a valuable resource for impact-driven organisations seeking to assess and improve their social and environmental performance. The platform offers a range of tools and resources to help organisations evaluate their impact and address, particularly ESG risks. By using SPI Online, impact-driven organisations can gain a deeper understanding of their ESG risks and take steps to mitigate them, aligning effectively their activities with the “Do No Significant Harm” requirement.

### **Walk the Talks: the challenges and opportunities of SFDR.**

While SFDR represents a significant step forward to accelerate the transition of the financial sector to fully integrate social and environmental performance into the decades-long pure (and mostly short-term) financial performance focus, it comes with many challenges in its present version.

The regulation's complexity, the potential of misuse for greenwashing, and the need for standardised metrics are all areas that require continuous improvement and oversight. In addition, the collection of specific Principal Adverse Impact (PAI) indicators represents a key challenge when investee companies are located in the “Global South”.

This is hampering necessary investments, particularly outside the EU. However, these challenges also present opportunities for innovation and collaboration within the sustainable finance sector.

### **Reflections on the Cerise+SPTF SIWG Group: Highlights from 2023.**

Faced with a dual challenge under the SFDR – the need to define and adhere to new, complex indicators for reporting on PAI Indicators, coupled with the unique characteristics of markets and clients in the Global South – investors in the inclusive finance sector quickly recognized the urgent need for peer coordination. Despite years of experience and insights in “triple bottom line” reporting in our industry, this regulation demanded far more than anticipated, making it too burdensome for any single entity to manage effectively on its own.

As of 2022, Cerise+SPTF formed an SFDR subgroup together with volunteers from within the Social Investor Working Group (SIWG), joined by many new asset managers from the sector reaching out for guidance and exchange.

This work includes regular working calls in a variety of thematic groups, covering topics from the integration of ESG risk checks in updated Universal Standards, in-depth discussions on indicators, definition, raw data necessary, collection at the investee level or portfolio/end beneficiary level, content review for due diligence tools proposed by Cerise+SPTF (ESG Risk, ALINUS), exchanges with proxy providers (Joint Impact Model, Impact Institute, etc), other data platforms (Atlas), pilot-tests with financial service providers in summer 2022, and integration of results in assessment tools and guidance.



In 2023 the SIWG/SFDR subgroup presented proposals for final approval by the SIWG to establish a global industry position on key areas relevant to useful implementation of SFDR in our sector. Three such proposals, or guidelines, have been finalised and are accessible as common good on our [webpage](#) with an invitation and strong recommendation to any asset manager and/or fund to take them up:

- **A harmonized economic sector classification for investment portfolios,**
- **An alignment on Standard Disclosure Statements, and**
- **Minimum Safeguards.**

Three remaining topics are still being addressed in our subgroup: ESG risk ("outside-in"), biodiversity-sensitive areas, and exclusion lists. As the financial landscape continues to evolve, the work of organisations like Cerise+SPTF and the efforts of the SIWG/SFDR subgroup remain pivotal in reshaping the investment landscape toward a more sustainable and responsible future. These guides and practical tools have guided an efficient data collection for SFDR reporting and first lessons on how to assess and support investees in stronger ESG risk management.

An opportunity to voice our sector's observations and challenges with the SFDR arose in September 2023 when the European Commission announced a targeted public consultation on SFDR implementation.

To share our voice and key messages, Cerise+SPTF partnered with a Brussels affairs specialist and organized two webinars and several working sessions and exchanges to help our members identify the most effective ways to respond to the consultation and provide their concrete feedback on what is useful for SFDR reporting.

### Impact Investors' Feedback on Cerise+SPTF's SFDR Initiatives

In early 2024, Cerise+SPTF conducted a series of 12 interviews delving into the practical approaches of impact investors in navigating SFDR, their perspectives on the SIWG-SFDR subgroup's efforts, and the primary benefits they got from this collaborative initiative.

The results of the interviews have been highly enlightening:

- **100% of respondents** answered that, yes, the SIWG-SFDR group work has been useful for their work or their organisation's work.
- The 3 primary merits of the SIWG-SFDR group are **Alignment, Simplification, and Coordination.**
- 80% of respondents consider that it was **very useful and relevant to draw up a joint industry response** to the European Commission's consultation on SFDR.
- 40% of respondents expressed significant concern regarding the implications of the SFDR's mandatory Principle Adverse Impact (PAI) indicator on biodiversity for MicroFinance institutions.
- Looking into 2024, the respondents said that the number one priority was to **stay tuned in the EC Regulatory process** and participate in workshops and commission subgroups.

Collaboration and proactive engagement are key as we navigate the evolving landscape of sustainable finance regulation and its implications and implementation for our sector and investments in the Global South. Within one year of extensive exchanges, this SIWG-SFDR group orchestrated various inputs seamlessly, maintaining transparency throughout the process, and encouraging feedback to ensure everyone's voice was heard. It is a democratic forum that provides concrete deliverables for the sector.

It's inspiring to witness the sector uniting and collaborating to address the regulatory hurdles presented by SFDR.

**Discover our exclusive document on the results of the interviews!**

***Unveiling Impact: Conversations with Impact Investors from the SIWG on SFDR***

[\*\*View the document\*\*](#)



**Unveiling Impact: Conversations with Impact Investors from the Social Investor Working Group (SIWG) on SFDR**

March 2024



## Conclusion

The Sustainable Finance Disclosure Regulation (SFDR) marks a transformative moment for social investors.

Measuring the impact and understanding the impacts of measurement are pivotal in steering investments toward a more sustainable and responsible future.

This regulation sets the stage for greater transparency, accountability, and innovation, ultimately propelling the world of sustainable finance into uncharted territories.

**As we navigate these new frontiers, we must ensure that pursuing positive impact remains at the heart of every investment decision.**

Cerise+SPTF acts as a pivotal organisation supporting social investments in this shift, solidifying field expertise of more than 25 years.

**Join and Meet us on**

[cerise-sptf.org](https://cerise-sptf.org)



# OUR TEAM

## Welcoming New Board Members in 2023!

Last year, SPTF welcomed new Board Members. Check out their bios by clicking on the pictures!



**Joanna Afonso**  
from e-MFP



**Jacqueline Mbabazi**  
with the Association  
of Microfinance  
Institutions of  
Uganda



**Upoma Antara Husain**  
with BRAC International  
Microfinance



**Genevieve  
Hennessy Barrett**  
with 4G Capital



**Syed Mohsin Ahmed**  
with the Pakistan  
Microfinance Network

## OPERATIONAL TEAM

### Cerise

### SPTF



**Cécile Lapenu**  
EXECUTIVE  
DIRECTOR



**Fanny Le Maguet**  
CHIEF OPERATING  
OFFICER



**Snezana Jovic**  
HEAD OF INCLUSIVE  
FINANCE



**Marc Davoust**  
HEAD OF DATA AND  
DIGITALIZATION



**Laura Foose**  
EXECUTIVE  
DIRECTOR



**Amelia Greenberg**  
DEPUTY DIRECTOR  
AND DIRECTOR OF  
RESPONSIBLE  
INCLUSIVE FINANCE  
FACILITY FOR SUB-  
SAHARAN AFRICA



**Cara S. Forster**  
DIRECTOR  
RESPONSIBLE  
INCLUSIVE FINANCE  
FACILITY FOR  
CENTRAL AMERICA  
AND THE CARIBBEAN



**Nitin Madan**  
DIRECTOR OF THE  
RESPONSIBLE  
INCLUSIVE FINANCE  
FACILITY FOR  
SOUTHEAST ASIA



**Marion Allet**  
HEAD OF  
ENVIRONMENT  
& IMPACT



**Célia Fernandez**  
HEAD OF  
COMMUNICATION  
& IMPACT



**Céciliane Mananjara**  
INCLUSIVE FINANCE  
PROJECT MANAGER



**Ruth Nzuzi  
Nsamu**  
RESOURCES AND  
DATA PROJECT  
MANAGER



**Tony Sheldon**  
ADVISOR TO THE  
SPTF SECRETARIAT



**Jurgen Hammer**  
MANAGING DIRECTOR,  
SPTF EUROPE



**Anne-Laure  
Behaghel**  
CLIENT PROTECTION  
PATHWAY DIRECTOR



**Deborah Drake**  
DIRECTOR OF THE  
FINANCIAL INCLUSION  
EQUITY COUNCIL



**Jill E. Greenberg**  
DIRECTOR OF IT,  
OPERATIONS, AND  
MEMBERSHIP



**Rula Mheissen**  
CLIENT  
PROTECTION  
SPECIALIST AND  
HEAD OF  
OUTREACH TO THE  
MIDDLE EAST AND  
NORTH AFRICA



**Gladys Bessane**  
ASSISTANT FOR  
RESPONSIBLE  
INCLUSIVE FINANCE  
FACILITY FOR SUB-  
SAHARAN AFRICA



**Aracely Castillo**  
RESPONSIBLE  
INCLUSIVE FINANCE  
FACILITY FOR  
CENTRAL AMERICA  
AND THE  
CARIBBEAN  
IMPLEMENTATION  
SUPPORT AND  
EXECUTIVE  
DIRECTOR OF  
REDCAMIF



**Diana Summerlin**  
ADMINISTRATIVE  
COORDINATOR



**Ally Ryder**  
PROJECT  
MANAGER, CLIENT  
PROTECTION  
PATHWAY



**Manon Loison**  
HEAD OF  
COMMUNITY  
ENGAGEMENT



#### United States

Washington DC, New York,  
Seattle, San Francisco

#### France

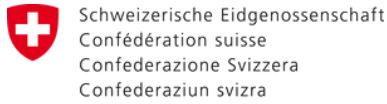
Bordeaux, Paris, Lyon

#### Luxembourg

# OUR DONORS & PARTNERS

## MAIN DONORS

En partenariat avec



Swiss Agency for Development and Cooperation SDC



## SPONSORS AND PARTNERS



And a deep thank you to our contributing and annual members!

[View Our Members](#)



**CERISE+SPTF**

**Advancing social and environmental  
performance management  
for inclusive finance.**

[cerise-sptf.org](http://cerise-sptf.org)

