

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
- Corpus Impact First Investment
- Financial First Investment

- Program Related Investment
- Sustainability Investment
- Mission Related Investment
- Social Component Investment

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|-------------------------|------------------------------|
| 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:



KL Felicitas Foundation

KL Felicitas Foundation Post Office Box 37 Los Gatos, California 95031-0037 USA www.klfelicitasfoundation.org

* 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 Philanthropic 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 <i>Notes: KL Felicitas Foundation evaluates its investments along program, mission and sustainability impact dimensions.</i></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.</p> <p style="text-align: center;">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 programmatic objectives versus a grant?</p> | <p><i>Evaluate the capital market environment, or lack thereof, for such an investment.</i></p> | |
| Relationship & Reputation | | Score |
| <p>5a. How well does the foundation know the investment and/or strategy?</p> <p>b. What is the nature and duration of this relationship?</p> | <p>a. <i>Document the personal and direct understanding of the investment strategy by the foundation.</i></p> <p>b.</p> | |

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| <p>c. Have members of the foundation made site visit(s)?</p> | <p>c. <input type="checkbox"/> Yes <input type="checkbox"/> No Notes: <i>Include any relevant information that relays how well the foundation knows the investment and its key activities.</i></p> | |
| <p>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?</p> | <p>a. <input type="checkbox"/> Yes <input type="checkbox"/> No Notes: b. <input type="checkbox"/> Yes <input type="checkbox"/> No Notes: <i>Capture any peer or trusted partner knowledge on the investment.</i></p> | |
| <p>7a. How integral to the success of the investment is: <input type="checkbox"/> Program Impact <input type="checkbox"/> Mission 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?</p> | <p>a. <i>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).</i> b. c.</p> | |
| <p>Impact Monitoring & Reporting</p> | | <p>Score</p> |
| <p>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?</p> | <p>a. <i>Pre-established metrics and evaluation intervals for impact reporting should be requested or developed with the investee.</i> b. Notes: <i>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.</i></p> | |
| <p>9. Will the Investment Manager provide impact-related reporting?</p> | <p><input type="checkbox"/> Yes <input type="checkbox"/> No Notes: <i>Include specific impact indicators where possible (see 8 above).</i></p> | |
| <p>10. Does the investment scale, accelerate, support or re-enforce other Impact Investments in the investment or grant portfolios?</p> | <p><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></p> | |

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| Investment Due Diligence (Investment Advisor) | | | Score |
|---|---|---|-------|
| Investment Structure & Portfolio Implications | | | |
| 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> | <input type="checkbox"/> Cash and Equivalents <input type="checkbox"/> Fixed Income <input type="checkbox"/> Public Equity <input type="checkbox"/> Hedge Funds Notes: <i>(Identify Sub-Asset Class as defined in investment policy)</i> | <input type="checkbox"/> Venture Capital <input type="checkbox"/> Private Equity <input type="checkbox"/> Real Estate <input type="checkbox"/> Real Assets | |
| 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 we measure the investment performance? <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> | 15a. <input type="checkbox"/> Market indices Specify: <input type="checkbox"/> Absolute Return Specify: <input type="checkbox"/> Peer Group Comparison Specify: Notes: | 15b. <input type="checkbox"/> < 1 year <input type="checkbox"/> 3-5 years <input type="checkbox"/> 5-10 years <input type="checkbox"/> 10-20 years <input type="checkbox"/> > 20 years Notes: | |
| Additional Comments or Observations | | | |
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| Impact Reporting and Investment Standards (IRIS) (Taxonomy codes are listed in parentheses) | | |
|---|---|---|
| This investment will track the following core IRIS impact indicators: <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> Reporting Schedule: <input type="checkbox"/> Bi-Annual <input type="checkbox"/> Annual <input type="checkbox"/> Other Notes: | Data at time of investment: <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> | Future Impact Data (specify date) <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> |

Supporting IRIS Indicators for KL Felicitas Foundation

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| This investment will track the following supporting IRIS impact indicators: <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> <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> Reporting Schedule: <input type="checkbox"/> Bi-Annual <input type="checkbox"/> Annual <input type="checkbox"/> Other Notes: | Data at time of investment: (date): <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> | Future Impact Data (date): <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> |
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