



# Case study: Application of SDG Impact Standards for PE Funds

November, 2021



# ▲ Salkantay Exponential Fund

- Early stage VC fund focused on Andean founders and startups targeting Spanish-speaking LatAm
- We invest in high-impact sectors, in companies that are solving the region's problems, through the use of technology
  - Nine investments made
- We are currently fundraising and have secured anchor investments from IDB Lab, Capria and other institutional investors



# ▲ Target Sectors and Opportunity


SXF invests in companies that solve big regional market pains or bridge gaps, using technology


 Smart Cities

 Gig economy/  
Livelihoods

 Healthcare,  
Education and  
Finance


 B2B / Digital  
Transformation


 eCommerce represents c. 5% of retail sales


 80% urbanization

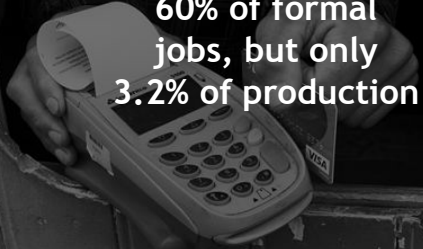
 53% workforce in the informal or gig-economy

 30% living below poverty line

 1/3 without access to healthcare

 70% don't have a bank account

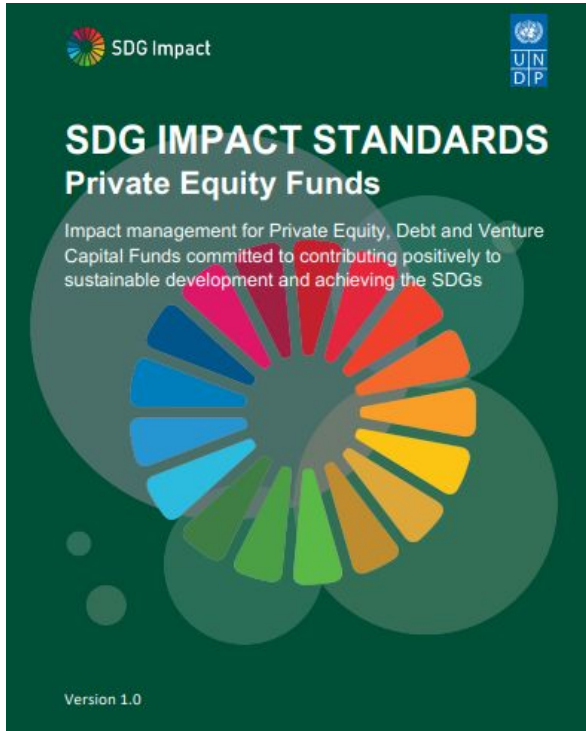
 99% of companies are micro or small

 60% of formal jobs, but only 3.2% of production

# ▲ Our Objective: Develop an Impact Management System for Salkantay

1. How can we leverage our impact mission to better position SXF within the increasingly competitive VC ecosystem in Latam?
2. How can we set up a professional impact management system that will allow us to go from claiming that we have an impact to actually measuring and managing it?
3. How can we go beyond monitoring statistics to gaining insights that can help manage impact at the portfolio level and add value to our investees?
4. **Where to start?**

# ▲ Using the SDG Impact Standards



1. Identify the best practices/ “gold standard” within impact measurement and management  
➤➤ No need to reinvent the wheel
2. Identify where we are today - key gaps  
➤➤ Humbling process, but at least we know where to start!
3. Define priorities going forward  
➤➤ On-going process, no need to do all at once

# ▲ Our Process

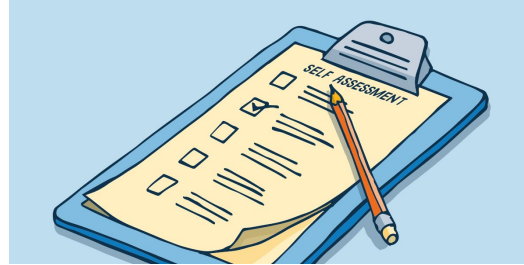
Understand SDG Impact Standards



Perform Self Diagnosis and Prioritize



[Link](#) to download Self-Assessment Tool



Develop our MVP and Roadmap



# ▲ MVP + Roadmap

Theme (SDG Impact Standards for PE Funds)	Activity/ document	Draft (estimated date)	Approved (estimated date)	Implemented (estimated date)
<b>Strategy</b>	Impact + do no harm purpose and goals	4Q 2021	1Q 2022	n.a.
	Impact thesis	<a href="#">Draft</a>	4Q 2021	n.a.
<b>Management approach</b>	Identify key impact metrics and define reporting standards	4Q 2021	4Q 2021	n.a.
	Responsible Investment and Operations Policy	<a href="#">Draft</a>	4Q 2021	1Q 2022
	ESG Policy	<a href="#">Draft</a>	4Q 2021	n.a.
	ESG Questionnaire for screening, due diligence, monitoring and exit	<a href="#">Draft</a>	3Q 2021	1Q 2022
	Legal documentation: Impact and do no harm provisions (side letter/ SPA)	4Q 2021	4Q 2021	1Q 2022
	Impact rating	1Q 2022	1Q 2022	2Q 2022
	Gender lense for investments	1Q 2022	2Q 2022	3Q 2022
	ESG and impact trainings for the team	n.a.	n.a.	2Q 2022
<b>Transparency</b>	Annual Impact Report	1Q 2022	1Q 2022	1Q 2022



# ▲ Two-pronged Impact Thesis (WIP!)

*We are convinced that investments that improve lives and close gaps are more resilient, less risky, and more profitable than investments that do not solve fundamental problems*



## Systemic and catalytic impact

- Catalyze additional investment capital to the Andean region
- Connect companies to regional and global ecosystems, to support their international expansion

## Identified metrics

- **Capital mobilized:** Funds raised in subsequent rounds
- **Growth and expansion:** revenues and jobs generated in countries other than the country of origin



## Investees as agents of change

- Promote the provision of products or services that bridge gaps and generate well-being
- Promote decent employment creation

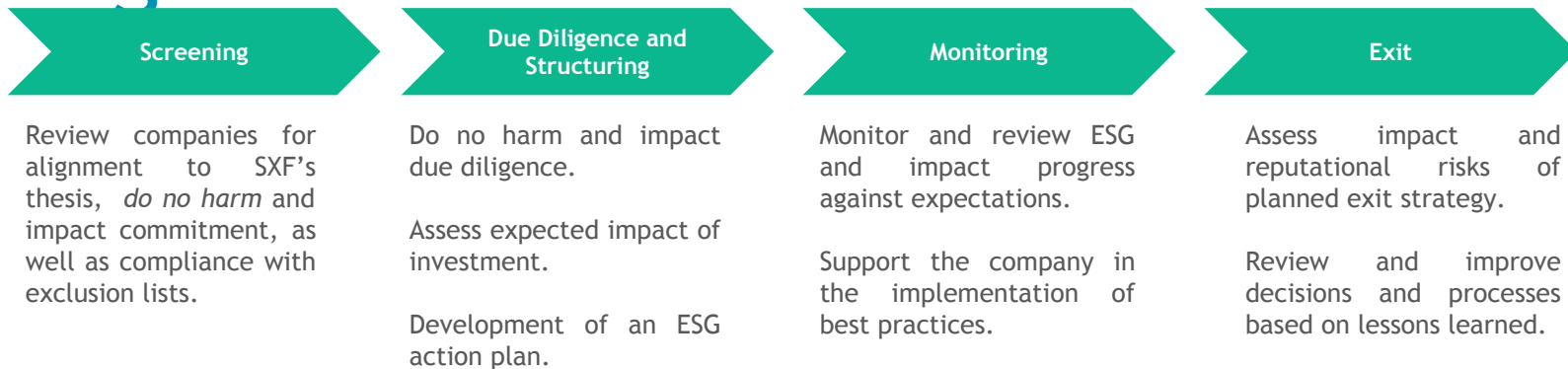
## Identified metrics

- **Specific industry metrics**
- **Lives touched:** # of lives impacted by product or service
- **Job creation:** # of full-time jobs created by company
- **Diversity:** % of women founders and in leadership positions





# Integrating Impact into Investment Decisions and Portfolio Management



2.2 The Fund establishes criteria and pre-screens potential investments to assess strategic alignment with its purpose and strategy, including its impact thesis and portfolio level impact goals

2.4 The Fund engages openly, proactively and collaboratively with LPs and potential Investees during the due diligence and investment structuring phase, to agree on how to embed impact considerations within the investment terms, and so optimize future impact performance.

2.5 The Fund systematically monitors and manages its ongoing impact performance overall and for each investment, and acts to optimize impact (including managing unexpected outcomes).

2.6 The Fund proactively manages its exits from investments to optimize impact on sustainable development and achieving the SDGs post exit.



Thank you!