

# Environmental and social impact framework development

## Case Study: &Green Fund

### Name of fund:

&Green Fund



### Type of fund:

The &Green Fund is a blended finance fund which makes use of a range of credit instruments (including term loans, notes, subordinate and senior loans, and guarantees). &Green only invests in countries with progressive forest and/or peat protection agendas and sustainable development strategies. A dedicated Technical Assistance (TA) facility supports current and prospective borrowers.

### Mission Statement:

&Green works across tropical forest landscapes to support agri-commodity businesses that empower communities, protect forests and optimize production to drive transformational change of global supply chains.

### SDG Focus:



### Overview

The &Green Fund was first developed in 2017 by the IDH Sustainable Trade Initiative, with Norway's International Climate and Forest Initiative (NICFI) as the anchor investor. As a large government donor working to advance tropical forest protection and restoration, the Norwegian government was keen to explore blended finance as a new approach to incentivizing behavior change across companies and value chains. SAIL Investments, a Dutch asset management company, has developed and run &Green Fund since its inception.

&Green's vision statement is for *'tropical agricultural commodity production that is deforestation-free and socially inclusive.'* This vision has stayed the same since the fund's inception, but much more detail has been developed around key definitions and means of implementation. This development has been guided by the requirements of other large investors that have joined the fund, for example the Dutch entrepreneurial development bank (FMO) and the Green Climate Fund (GCF). A theory of change has been articulated which guides the fund's approach to delivering impact. Country- and commodity-specific guidance has been developed, alongside templated protocols and processes. All of this has enabled &Green to streamline its risk and impact management processes in parallel to securing deals and carrying out assessments.

### Challenges

The &Green Fund has the mission to work *"across tropical forest landscapes to support agri-commodity businesses that empower communities, protect forests and optimize production to drive transformational change of global supply chains."* The fund has created an environmental and social management system (ESMS) that is working across multiple country and commodity contexts, and is responding to investors' E&S requirements. Additionally, as &Green looks at landscape level impacts and actions, the fund has developed a process to operationalize the landscape approach in its ESMS.

**A key challenge for &Green has been managing the varied expectations of the different investors** who have contributed to the USD 363 million in capital committed through grants, redeemable grants and loans. NICFI committed the NOK equivalent of USD 100 million as a grant. Unilever added USD 25 million at the beginning of 2018, and in 2019 FMO committed USD 25 million in long term funding. The UK government, through the *Mobilising Finance for Forests (MFF)* program, invested USD 33 million in 2021. In December 2023, GCF committed an investment of USD 180 million, doubling &Green's capital committed. **Many of these investors have their own requirements related to risk and impact management** that they expect the fund to implement as a condition of funding.



UNEP and &Green have a Memorandum of Understanding setting out their collaboration in catalyzing private finance for sustainable agricultural commodity production decoupled from deforestation. As &Green's partner, UNEP acts as the implementing agency for the USD 2 million contribution from the Global Environment Facility (GEF) and supports &Green's communications and MRV efforts.

## Key Performance Indicators

The following KPIs are used across all &Green transactions:

- Number of hectares of forest protected
- tCO2e of climate benefits
- Number of hectares of ecosystems with improved resilience
- Number of people with increased resilience
- Number of people benefiting
- USD of capital mobilized

[1] The Forest & Biodiversity screening aims to (1) Understand the land use and land use change dynamics in the transaction's area of impact; (2) Assess the biodiversity-related risks that should be considered for alignment with IFC PS6 requirements; (3) Assess the priority areas in terms of biodiversity importance and sensitivity that can be considered in the LPP to mitigate negative impacts and maximize positive ones; (4) Define the scope and inform proper resources planning of the due diligence.

[2] At the moment, 8 Jurisdictions have been approved across Latin America, South East Asia and Africa. An Approved Jurisdiction must meet the JEC. &Green periodically reassesses jurisdictions, to ensure continued suitability for the Fund. We continue to assess additional jurisdictions and those that are approved will be added to this list from time to time.

**A second major challenge has been scalability.** &Green has been successful in securing both investors and investees, with USD 144 million of capital currently deployed and a fast-growing pipeline. This provides a challenge for portfolio management, as a growing number of investments need to be assessed in parallel, on a yearly basis, ahead of the release of their annual report.

## Solutions

&Green's initial version of the ESMS was a relatively high-level set of principles, broadly setting out how the fund would address risk and impact management. However, as the fund developed more transactions, and these principles started to be applied to the real world, additional details (definitions, country and commodity context) were needed to address the challenges laid out above. Conversations were also held with new funders, including FMO, who had further requests in line with their own Environmental and Social Action Plan, which &Green needed to address.

Therefore, **in 2021 &Green overhauled the ESMS.** As part of this overhaul, the team developed a **unifying Theory of Change** to align investments around. The team also worked with The Biodiversity Consultancy to create a specialized [Forest and Biodiversity Framework \[1\]](#). This framework aligned with the International Finance Corporation Principle Standards 6 and the Taskforce on Nature-related Disclosure (TNFD), and leveraged cutting-edge earth observation technologies. To revise headline KPIs, the team benchmarked the [Positive Impact Indicators Directory](#) and other existing frameworks (such as the IRIS+ metrics and those suggested by the TNFD) and heavily fleshed out their existing protocols. This revision ensured that the **ESMS was streamlined and scalable**, and accommodated the rapidly increasing volume of transactions. A gender framework was also developed, which proved a useful learning opportunity to reflect on how the fund could ensure gender equality outcomes associated with its investments. Another key development was around risk and impact management, which was embedded into &Green's [Investment Principles](#), the guiding document that sets out &Green's approach to deciding if an investment is a good fit or not. Detailed guidance is provided in multiple [annexes](#).

Country-level assessments are conducted before &Green commit to any deals. These assessments are updated every two years. This is part of the fund's **Jurisdictional Eligibility Policy [1]**, a pre-vetting system that ensures that &Green only invests in "jurisdictions where the authorities demonstrate commitment to, and are making progress on, reducing deforestation". Five clear criteria ensure a consistent approach to this process. [All jurisdictional assessments are publicly available](#).

## The Positive Impact Indicators Directory

UNEP and UNEP-WCMC have developed the **Positive Impact Indicators Directory**, which can be found on the [Land Use Finance Impact Hub](#). This Directory of indicators is designed to help funds to draft their own E&S impact frameworks, particularly when it comes to capturing positive impacts, and is the culmination of several years of learning from working with multiple impact funds. It should be seen as a starting point for funds looking to develop their own indicators – indicators can either be taken up wholesale or tweaked and adapted to the specific needs of individual funds.

**“We found it very useful to work with UNEP and UNEP-WCMC to fine-tune our KPI framework and contribute to the effort of establishing a best-practice benchmark for sustainable land use financing. Credible impact data is key for providing credible impact reports to our investors and towards emerging frameworks and taxonomies globally.”**

- Michael Schlup,  
Head of Impact and ESG at  
SAIL Investments

&Green works with investees to put in place a **tailored Landscape Protection Plan (LPP) for every investment**. According to &Green, the “*LPP describes the Borrower’s strategy to contribute to sector transformation, and the additionality of this strategy compared to sector practices in the landscape in which the Borrower operates*”. The LLP also formalizes the output and outcome targets for the investment, and the Monitoring, Reporting and Verification (MRV) framework against which they will be assessed. The LPP is developed based on the findings of a due diligence process carried out by an external consultant and is guided by the Forest and Biodiversity Framework to shape inputs. This forms the final step in the pre-investment process, and it ensures that the learnings from the ESMS process are captured and addressed.

To future-proof processes, &Green ensured that **processes are scalable** and will still be manageable as the number of transactions being assessed in parallel grows. To this end, the team has ensured that policies and processes are clear, well defined, and applicable across all relevant sectors and geographies. The team has also looked at creating efficiencies through the creation of **template documents** where possible. For example, template terms of reference have been developed for consultants for readily repeated tasks. So too are report templates to ensure that consultants’ outputs are consistent.

Further forward-looking developments will include moving the ESMS processes into an **online fund management platform** where consultants and investees can directly input data, which will further streamline environmental and social data processing. This will be paired with an investigation into how **AI tools** can help the team more efficiently source and process data. Additionally, the team is field-testing a protocol for **climate hazard assessments**, which will be integrated into the jurisdictional assessments, and will strengthen the climate resilience and adaptation actions in Environmental and Social Action Plans (ESAPs).

### Successful characteristics of &Green’s impact framework

- **Theory of Change** ensures aligned understanding of mission, from which impact management process flows.
- **Detailed, well defined framework and protocols** allows it to be scaled across different commodities and contexts. **Templates** save time and enable scale.
- **Alignment with the needs of key funders** has helped enhancing the overall strength and quality of the framework – meaning it is robust and able to adapt to needs of subsequent funders.

### Results and Additionality

Considerable time was invested to ensure that the updated ESMS is robust. Best practice was strived for on every aspect, with the aim of developing an impact management process which lasts over time. This has proven to be beneficial when it comes to responding to the needs of new investors.

&Green’s clear, transparent and robust approach to impact management is evident in the fund’s annual impact reports, which have been produced on a yearly basis since 2018. Clear demonstration of impact has been crucial in securing their latest round of investment - GCF and FMO jointly committed to an investment of USD 180 million in December 2023, doubling &Green’s capital committed.

## Lessons Learned

- **Focus on what is material to the fund while developing the impact framework.** Otherwise, there is a risk of drowning in the requirements of the many frameworks in the public domain.
- **The process needs to meet the needs of its clients while delivering against the objectives of the fund.** &Green steered the framework's development to ensure pragmatism and applicability to all investees.
- **Don't underestimate the resources required** to create a robust impact framework. Internal E&S specialists and external consultants are vital to the development and execution of a thorough impact measurement procedure, but staff costs must be accounted for.
- **Refining and piloting impact management processes takes time.** &Green is spending a year piloting the KPIs and working through issues with investees before the indicators are finalized.
- **Look critically at how the impact framework can be scaled** as the fund's deal flow increases. Provide templates and standardize processes when possible.
- **When developing KPIs, consider what datapoints are actually feasible for investees to collect and report.** It is advisable for investees to have a dedicated E&S staff member, to ensure impact management and measurement is of a high standard.
- **Adapt definitions** from global frameworks to be understandable in local contexts to ensure consultants, investees and country partners report back with a shared understanding.

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E DELLA SICUREZZA ENERGETICA

