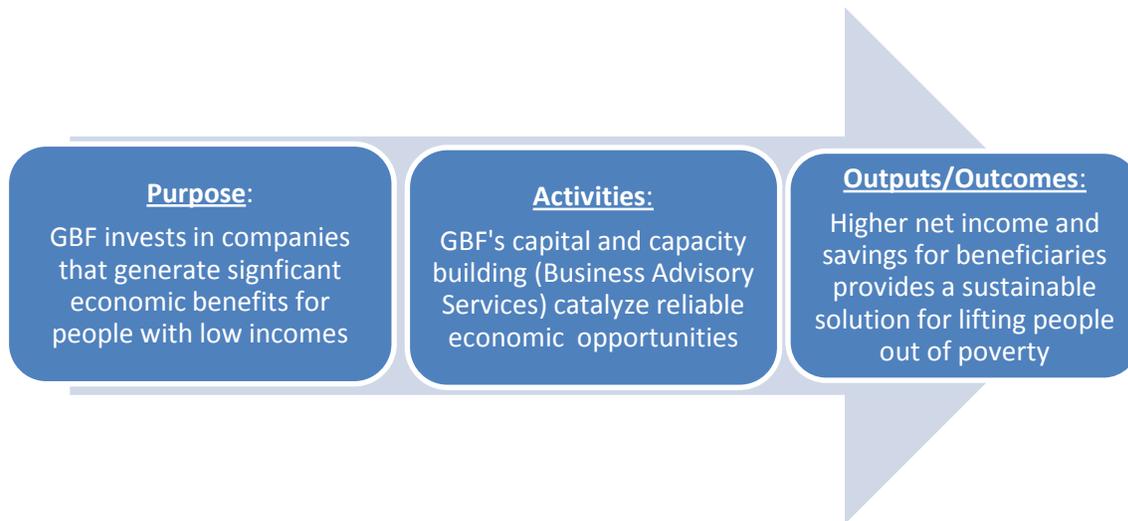


Grassroots Business Fund *Social Impact Executive Summary*

Grassroots Business Fund's (GBF) investments adhere to GBF's Social Impact Criteria: ***GBF invests in businesses that generate direct and significant incremental income or savings to low-income suppliers or customers.***



Social Impact through Business Advisory Services

GBF's unique approach has a strong impact on investee firms themselves, achieved via GBF's Business Advisory Services ("BAS") program. BAS work has a primary focus on financial management, corporate governance, and overall management team capacity-building — the key characteristics of a sustainable enterprise. ***The right investment structure, coupled with robust business advisory services, sets an excellent foundation for a scaleable company to create lasting and widespread economic benefits for the poor.***

GBF's measures and verifies the development impact of its investment and BAS programs by:

- **Promoting social impact due diligence activities**, which are conducted on all pipeline companies. These activities develop impact metrics and evaluation systems, and calculate the economic value generated for low-income beneficiaries. This information tells GBF the percentage of payments to farmers, artisans, and workers that represent net income and the net cost savings of goods provided to low-income consumers.
- **Ensuring accurate and timely client reports**, which track outcome indicators over time, and add value to investee companies by strengthening their ability to report on finances and operations and use that information to improve management decisions. Examples include financial statements as well as operational and social indicators (number of suppliers and workers, payments to suppliers and workers, etc.)
- **Aiding in the development and execution of surveys and social impact verification studies**, which identify specific beneficiaries reached. GBF conducts primary research in the field to see how economic opportunities provided by investees companies are actually increasing incomes and promoting the alleviation of poverty in the communities they serve. For poverty changes to be measured, GBF needs to continually support the deployment of surveys to track poverty levels over time.

METRICS PROGRAM OVERVIEW

Gathering Data

GBF's metrics system includes client-reported data, social impact surveys, and 10-year projections of economic value creation.

The table below outlines the sources of social impact information and the conclusions drawn from this data:

	Data Source	Conclusions researched:
Analyzing Impact	Quarterly reports from investees	<p>Reports capture two basic metrics:</p> <ol style="list-style-type: none"> 1) The number of people the enterprise reaches (suppliers with purchases, workers with pay, units sold to consumers) 2) The amount of value created (value of purchases from suppliers or wages to workers)
	Data Analysis	<p>GBF takes these operational metrics and applies conservative assumptions to determine portfolio figures for the number of beneficiaries reached, the economic value generated for the beneficiaries (see below), and the income level of these beneficiaries relative to a \$1 / day poverty line.</p>
Projecting Impact	Economic Rate of Return (ERR)	<p>GBF calculates an ERR for each client to reflect the rate at which a company generates economic value relative to the capital employed to operate the business. The ERR projects the capital needs of the company as measured in CAPEX and Working Capital and the economic flows to investors, government, employees and low income suppliers, workers, and consumers for a ten year period. The figures are based on a series of conservative assumptions and projections.</p> <p>From these projections, we measure the proportion of economic value generated that accrues to the poor. This proportion substantiates that a business generates significant benefits to poor stakeholders.</p>
Confirming Impact	Social Impact Verifications and Supplier-Level Surveys	<p>In order to verify the relationship between low-income workers, suppliers, and consumers with the company, GBF has conducted impact verification studies with a selection of investee companies. Verifications use a small number of interviews with suppliers or workers, and include information relevant to the business relationship. For example, verifications ask what other support (inputs, extension services) the client provides, and what costs the smallholder farmer incurs to deliver the good.</p> <p>GBF has also conducted supplier-level surveys, which include detailed understanding of the supplier (farmers and artisans) demographics and poverty levels. Surveys measure common proxy poverty indicators as well as outcomes such as education levels and asset ownership.</p> <p>Information gathered in this process helps refine the assumptions used to drive ERR models discussed above.</p>

Supervision Routine

GBF conducts an annual review, with quarterly and bi-annual milestones in between. An overview of the process is as follows:

Clients report data to regional offices 45 days after end of quarter

Regional offices apply assumptions to client data; beneficiary income level and client ERR calculated

Assumptions applied across global portfolio to develop Impact Dashboard for stakeholder reporting

CEO conducts bi-annual reviews of metrics reports in Fall and Spring, with half of the portfolio reviewed during each review period

- Regional teams and CEO examine the assumptions applied in determining beneficiary numbers, income level of beneficiaries, and the investees' ERR
- Adjustments made based on any relevant findings over the past year

100% of clients are reviewed annually

E&S Management

GBF's Environmental and Social Management System (E&S) supports investee companies to identify, evaluate, and address risks. Through this process, companies can develop more sustainable and efficient operations, reduce expenses, and improve relationships with customers, employees, and other stakeholders.

During due diligence, all companies in GBF's portfolio are given an E&S Risk Categorization, which ranks companies within Tiers 1-4 based on the type of business, GBF staff judgment, and information from consultants and E&S experts. This categorization determines the E&S monitoring routine for the investment.

During E&S reviews, GBF often utilizes external consultants with local expertise to conduct on-site visits with the investee companies and determine their compliance with any relevant environmental legal requirements. The consultant then works with the GBF team to develop an "Action Plan" with agreed upon steps and timeline for implementing the requirements and high-priority recommendations.



Consultants also help implement measures to improve compliance and reduce negative impacts. This longer term relationship promotes continued compliance and evaluation of new risks.

GBF is working on implementation phase of the existing E&S action plans, beginning with high priority needs such as fire safety equipment and energy use plans. The E&S system is strengthening companies and moving towards making them examples in the business community for quality, practical E&S management.