



ImpactConnect

Partners in Transformation



Partners in
Transformation
ImpactConnect

KFW DEG

ImpactConnect

Partners in Transformation

THE PROGRAMME

ImpactConnect provides attractive loans to European companies to assist them with their investments in developing and emerging countries. The programme supports companies as a long-term partner through its many years of experience and the network of DEG – Deutsche Investitions- und Entwicklungsgesellschaft mbH. ImpactConnect is funded by the German Federal Ministry for Economic Cooperation and Development (BMZ) and implemented by DEG. Since the start of the programme in 2019, the focus has been on Africa. Now, after 53 successfully provided financings, the programme is being expanded globally and will be available in Africa and BMZ partner countries in America, Europe and Asia*.

WE FINANCE PROGRESS

ImpactConnect is focused on four additional impact categories. Companies that exceed country and industry standards in these areas and successfully implement our impact categories can receive interest rate reductions.

The impact categories include:

- Better jobs
- Female empowerment
- Fair and sustainable supply chains
- Reduction of the carbon footprint

Interest rate reductions of up to 100 basis points (bp) may be granted per impact category. The interest rate can be reduced by an overall maximum of 200 bp. The reduction is not granted retrospectively, but after the defined targets have been achieved.

CONDITIONS

- Loans in EUR, USD and many local currencies
- Terms of 3 to 7 years
- Loan amounts from EUR 750,000 to EUR 5 million
- Usually unsecured
- Attractive conditions, with interest rate reductions for projects that have a particularly strong impact
- Support for implementing international environmental and social standards
- Access to the DEG network and wide-ranging expertise in developing and emerging-market countries based on 60 years of experience

WHAT INFORMATION IS NEEDED?

- A description of your company
- The last two audited annual financial statements of the European group and the local subsidiary
- A qualitative and quantitative business plan that shows sustainable development over the coming years
- An organisational chart showing the corporate structures of the company and of the group
- Evidence of a strong economic link to the EU, e.g. registered office of the group of companies
- A description of the developmental impact of the investment, in particular the planned jobs

*Despite corresponding BMZ partnerships, China is currently not financed by ImpactConnect for development policy reasons.

PLEASE CONTACT US!

ImpactConnect@deginvest.de
<https://www.deginvest.de/ImpactConnect/>



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Better jobs

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Since the start of the programme, the focus has been on creating sustainable jobs. ImpactConnect is also focused on four additional impact categories. Companies that exceed country and industry standards in these areas are eligible to receive interest rate reductions.

Better jobs

Female empowerment

Fair sustainable supply chains

Reduction of the carbon footprint

ImpactConnect + BETTER JOBS

Companies that already have high standards with regard to better jobs or would like to implement these can receive interest rate reductions or a grant. A company can become eligible by adopting one of the following measures:

What we also promote: Better jobs

1. Living wage

Proof of an external audit/certification, e.g. SAI, fair wage. Or:

1. Determine the regional living wage through ImpactConnect
2. Calculate the discrepancy
3. Develop an action plan
4. Implement living wage

100 bp*

2. Certified working conditions

- Social & ethical certificates, such as SA8000, For life and similar
- Certificate of high occupational health and safety standards: ISO45001

50 bp

Up to 100 bp interest rate reduction if one of the criteria is met

* if living wage exceeds legal requirements

Living wage: A living wage is the wage that enables workers and their families to enjoy a reasonable standard of living. Companies that pay all employees at least a living wage receive a 100 bp interest rate reduction. This can be officially verified by means of recognised certificates such as SAI or fair wage. Alternatively, it may be calculated using the Roadmap on Living Wages from IDH – The Sustainable Trade Initiative together with the ImpactConnect team. If necessary, an action plan is developed to close the gap.

Certified working conditions: An interest rate reduction of 50 bp is granted for certified working conditions that exceed the legal requirements and the social minimum standards of ImpactConnect. High standards with regard to working hours and employee rights, for example, can be demonstrated with the SA8000 and For life certificates. The ISO45001 certificate is also accepted as evidence of particularly high occupational health and safety standards.

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Female empowerment

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Better jobs

Female empowerment

Fair and sustainable supply chains

Reduction of the carbon footprint

ImpactConnect + FEMALE EMPOWERMENT

In developing and emerging countries, as elsewhere, women remain at a disadvantage in terms of economic participation. Young women in particular are often treated less favourably, receive lower wages and face worse working conditions compared to men. ImpactConnect is committed to equality of opportunity and the economic empowerment of women. On these issues ImpactConnect follows the principles of the *2X Challenge*, a G7 initiative that represents an outstanding international standard, especially used by development banks. It provides the framework for supporting female entrepreneurship and management, and equal employment conditions in particular.

As borrowers, companies that meet the *2X Challenge* criteria receive an interest rate reduction of 50 bp.



What we also promote: Female empowerment

| | Founder/owner | Management | Female employees | Products for women |
|----------------------------------------------------------|--------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------|
| 2X Challenge: At least 1 criterion must be met | <ul style="list-style-type: none"> ≥ 51% female ownership | <ul style="list-style-type: none"> ≥ 20-30% share of women in senior management (depending on sector) | <ul style="list-style-type: none"> ≥ 30-50% share of women in the workforce (depending on sector) | Products or services that specifically or mainly benefit women |
| | or <ul style="list-style-type: none"> Female founder | or <ul style="list-style-type: none"> ≥ 30% share of women on management board | and <ul style="list-style-type: none"> A qualitative indicator | |
| | 50 bp | 50 bp | 50 bp | 50 bp |

50 bp interest rate reduction for meeting the 2X Challenge

One of the above criteria must be met in order to meet the challenge.

Qualitative indicators include measures that are not required by law in the country concerned. Examples are anti-discrimination policies or closing the gender pay gap.

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Fair and sustainable supply chains

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| |
|------------------------------------|
| Better jobs |
| Female empowerment |
| Fair and sustainable supply chains |
| Reduction of the carbon footprint |

ImpactConnect + FAIR AND SUSTAINABLE SUPPLY CHAINS

ImpactConnect supports companies that implement environmental and/or social standards along the supply chain and have them verified by third parties with an interest rate reduction of 100 bp. There are two approaches to implementation.

What we also promote: Fair and sustainable supply chains

1. Quality label

- The company may use quality labels for its own products which exceed market and industry standards
- 50-80% of revenue covered by quality label, depending on sector
- The following quality labels and similar:
Fairtrade, Rainforest Alliance, FSC

100 bp

2. Supply chain initiatives

- Membership of a supply chain initiative and implementation of the requirements
- After 3 years' membership, 2/3 of the suppliers with a high risk profile must be audited
- The following initiatives and similar:
Sedex, BSCI Amfori, SAI

100 bp

100 bp interest rate reduction where one of the criteria is met

Quality label: Quality labels are affixed to products and give guidance to consumers choosing a product. To obtain such a label, products must meet defined environmental or social standards along the supply chain. Depending on the label, industry and product, 50-80% of revenue must be generated with products bearing quality labels. ImpactConnect accepts Fairtrade, Rainforest Alliance or FSC quality labels, among others. An interest rate reduction will be granted after only one year from the start of certification if the company can sufficiently demonstrate that the certification will be implemented promptly.

Supply chain initiatives: Companies can join 'supply chain initiatives' that require member companies to commit to implementing certain standards along the supply chain. The initiatives also offer support for risk assessment and the step-by-step implementation of fair and sustainable supply chains. To receive an interest rate reduction from ImpactConnect, two thirds of supplier companies with an elevated risk profile must be audited by independent auditors within three years. Initiatives that meet the requirements defined by ImpactConnect include, for example: Sedex, BSCI Amfori and SAI.

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Reduction of the carbon footprint

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| |
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| Reduction of the carbon footprint |

ImpactConnect + REDUCTION OF THE CARBON FOOTPRINT

Reducing CO₂ emissions is an essential part of the fight against climate change. Companies that are committed to this goal can receive an interest rate reduction from ImpactConnect. Companies become eligible by meeting one of the three following criteria:

| What we also promote: Reduction of the carbon footprint | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| CO₂ reduction targets <ol style="list-style-type: none"> 1. Assessment of the carbon footprint by consultants 2. Registration & declaration of commitment for CO₂ reduction targets under the Science Based Targets initiative (SBTi) 3. Setting of CO₂ reduction targets (within 24 months) | Renewable energies <p>Business models based on the expansion of renewable energies</p> | Construction measures <ul style="list-style-type: none"> • Implementation of measures that demonstrably reduce the carbon footprint, such as PV systems • 20% reduction or substitution of energy consumption |
| 100 bp from declaration of commitment | 100 bp | 50 bp |
| Up to 100 bp interest rate reduction if one of the criteria is met | | |

CO₂ reduction targets: To promote a long-term reduction in CO₂ emissions, ImpactConnect supports companies that set ambitious targets in this area with an interest rate reduction of 100 bp. Such targets are aimed at achieving either a significant reduction of the carbon footprint by 2030 or 'Net-Zero' by 2050. For this purpose, ImpactConnect follows the principles of the Science Based Targets initiative (SBTi). Based on scientific findings, the initiative advises on, verifies and certifies targets to reduce greenhouse gases generated by companies. The process involves assessing the carbon footprint, registering with the initiative and making a declaration of commitment to pursue the targets, setting reduction targets and a validation by the initiative. The interest rate reduction is granted on receipt of the declaration of commitment.

Renewable energies: The expansion of renewable energies plays a key role in achieving climate neutrality. To support the positive impact of climate-neutral energy systems in developing and emerging countries, companies whose business models revolve around the expansion of renewable energies receive a 100 bp interest rate reduction.

Construction measures: Companies can receive an interest rate reduction of 50 bp for projects involving construction measures such as the installation of solar systems that demonstrably reduce the carbon footprint. The measure(s) must lead to a 20% reduction or substitution of energy consumption through renewable energy.