Peace Equity Standard - Summary

The Peace Equity Standard establishes a global benchmark for embedding peace impact into equity investments. It provides simple and practical guidance for companies and investors to integrate conflict sensitivity and peace-positive impact approaches into the investment cycle.

The Peace Equity Standard is based on the Operating Principles for Impact Management (OPIM)[1] Impact Principles which are a globally recognised standard for investors to design investments with the intent to generate social or environmental impacts alongside financial returns. The Peace Equity Standard specifies peace criteria for equity investments based on the Peace Finance Impact Framework (PFIF) that has been developed by Finance for Peace.

Alignment of the Peace Equity Standard with the five key steps of the OPIM process:

1. *Strategy:* The Peace Equity Standard requires issuers to align their overall strategy with peace-enhancing objectives.
2. *Origination and Structuring:* Issuers must ensure that Peace Equity investments align with pre-issuance criteria (= origination) and manage impact at the portfolio level (= structuring).
3. *Portfolio Management:* Involves continuous monitoring and evaluation of peace impact.
4. *Impact at Exit:* The Peace Equity Standard emphasises the consideration of sustained impact upon exit, resonating with the Impact Principles' focus on considering the effect of exits on long-term impact.
5. *Independent Verification:* The Peace Finance Standard requires regular, independent verification to ensure alignment with the stated impact goals and principles.

Alignment of the Peace Equity Standard with the OPIM principles:

Principle 1: Define strategic impact objective(s) consistent with the investment strategy.

The Peace Equity Standard requires the creation of a Peace Equity Framework, ensuring the portfolio's strategic objectives are aligned with peace-enhancing goals. Issuers must detail how their investments contribute to peace, specifying the expected outcomes and how these align with the broader peace objectives.

Principle 2: Manage strategic impact on a portfolio basis.

Issuers are required to engage with stakeholders to manage peace impacts at the portfolio level, establishing systematic monitoring and evaluation mechanisms. This includes the development of a collaborative theory of change, integrating key performance indicators (KPIs) that are actionable and verifiable, ensuring a portfolio-wide approach to impact management.

Principle 3: Establish the Manager's contribution to the achievement of impact.

The Standard specifies that managers must actively engage with local communities and incorporate feedback into their impact strategies. This hands-on approach ensures the manager's contributions are tangible and directly tied to the achievement of peace outcomes.

1 https://www.impactprinciples.org/. The Operating Principles for Impact Management which are followed by over 140 privately and publicly owned funds and institutions. These principles support the development of the impact investing industry by establishing a common discipline around the management of investments for impact and promote transparency and credibility by requiring annual disclosures of impact management processes with periodic independent verification.

Principle 4: Assess the expected impact of each investment based on a systematic approach.

For each investment, managers[2] must conduct a thorough impact assessment, which includes consultations with local stakeholders, consideration of the peace rationale, and evaluation of the targeted community's needs. This systematic approach ensures that each investment's impact is anticipated, planned, and aligned with the peace objectives.

Principle 5: Assess, address, monitor, and manage potential negative impacts of each investment.

The Standard requires a rigorous assessment of potential negative impacts, ensuring investments comply with Eligibility, Exclusionary, and Do No Harm (DNH) criteria. Managers are tasked with ongoing risk monitoring and engaging with investees to address any identified risks proactively.

Principle 6: Monitor the progress of each investment in achieving impact against expectations and respond appropriately.

Managers must continuously monitor the impact of investments, comparing actual outcomes against expected results. This involves the collection and analysis of data to ensure investments are on track to achieve their intended peace impacts and making adjustments as necessary.

Principle 7: Conduct exits considering the effect on sustained impact.

The exit strategy must consider the long-term sustainability of the impact. Managers are required to document how the exit process will maintain the investment's contributions to peace, ensuring that the benefits persist beyond the investment period.

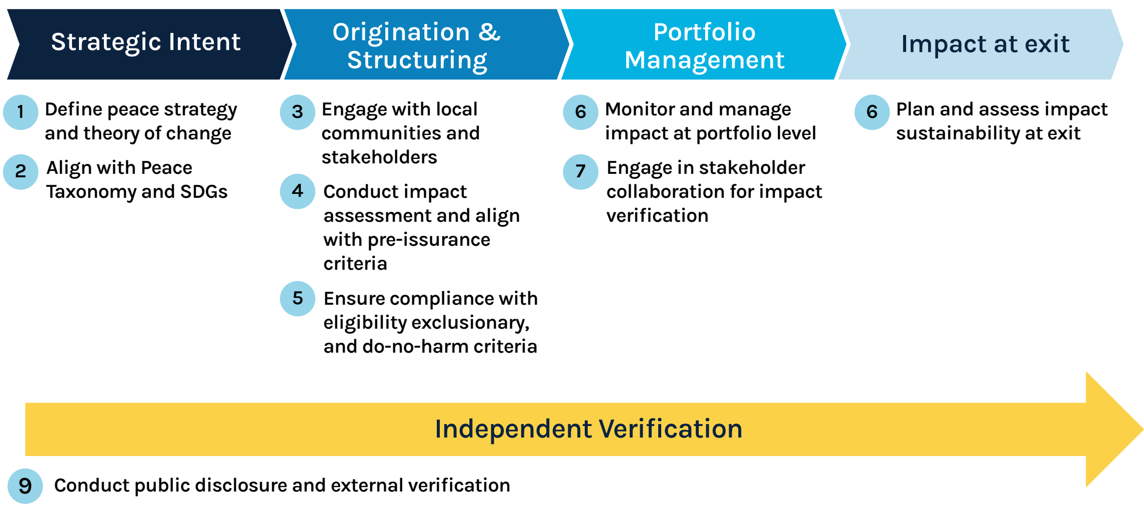
Principle 8: Review document and improve decisions and processes based on the achievement of impact and lessons learned.

Post-investment, managers must review the impact outcomes, document the lessons learned, and use this information to refine future investment decisions and processes. This reflective practice ensures continuous improvement in impact management.

Principle 9: Publicly disclose alignment with the principles and provide regular independent verification of the alignment.

The standard calls for public disclosure of the Peace Equity Framework and regular, independent verification to confirm alignment with the Peace Finance Principles and OPIM. This ensures transparency and accountability in the management and reporting of peace impacts.

Figure 1: Peace Equity Standard Process



2 The term 'manager' is used to refer to the asset manager, a fund's general partner or the institution responsible for managing investments for impact.