



# Disclosure Statement Operating Principles for Impact Management

## Water.org

May 27, 2022

Water.org hereby affirms its status as a Signatory to the Operating Principles for Impact Management. This Disclosure Statement applies to Water.org's work to catalyze sources of capital to power water and sanitation solutions for those living in poverty.

Water.org is a global nonprofit organization that works to bring water and sanitation to the world by helping people get access to safe water and sanitation through affordable financing. As of May 4, 2022, together with our 155 partners around the world, we've catalyzed more than US\$3.7 billion in capital to support small loans that bring access to safe water and sanitation to more than 45 million people in the 11 countries in which we operate.

This Disclosure Statement affirms that Water.org's core business is conducted in alignment with the Impact Principles. Total assets under management in alignment with the Impact Principles are US\$0 million as of May 27th, 2022.

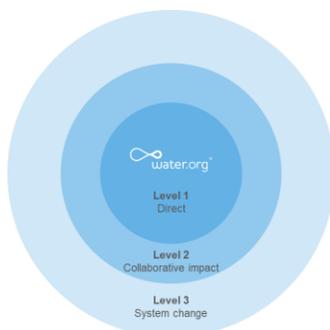
A handwritten signature in black ink that reads "Gary White".

**Gary White**  
*Chief Executive Officer*  
Water.org  
May 27, 2022

## PRINCIPLE 1: Define strategic impact objective(s), consistent with the investment strategy.

*The Manager shall define strategic impact objectives for the portfolio or fund to achieve positive and measurable social or environmental effects, which are aligned with the Sustainable Development Goals (SDGs), or other widely accepted goals. The impact intent does not need to be shared by the investee. The Manager shall seek to ensure that the impact objectives and investment strategy are consistent; that there is a credible basis for achieving the impact objectives through the investment strategy; and that the scale and/or intensity of the intended portfolio impact is proportionate to the size of the investment portfolio.*

- Water.org is a registered 501(c)(3) global non-profit organization that empowers people living in poverty with access to safe water and sanitation through affordable financing.
- Water.org aims to catalyze blended forms of private and public finance to enable households to obtain their own improved water solutions while also enabling water service providers to enhance the quality, availability, and accessibility of water and sanitation services and supply chains.
- Water.org is committed to achieving SDG 6, and specifically helping bridge the financing gap to deliver access to safe water and sanitation for people living at the base of the economic pyramid (BOP) using market-driven financial solutions.
  - Water.org addresses SDG6.1 and 6.2 by increasing access to improved WSS services through scalable, market-based solutions. Moreover, our interventions contribute toward SDG 6 achievement by utilizing a model that is financially sustainable and therefore scalable.
  - The assets Water.org borrowers construct with water and sanitation loans move their households upwards along the JMP service ladder towards the goal of safely managed services.
- Water.org takes a holistic approach to create impact and defines its solutions at three levels:



- **Direct impact:** We partner with local financial institutions, by providing technical assistance, connections and small grants, where needed, so they can provide small, affordable loans to people in need of water and sanitation at home.
- **Collaborative impact:** We work with partners across sectors, including water and sanitation and financial services, and other international development organizations to expand access to affordable financing for water and sanitation. We provide technical assistance, share best practices, and collaborate with stakeholders so they can develop, implement, and scale effective solutions.
- **System impact:** We work with governments, sector institutions, and other partners at a systems-level to influence policy and practice changes that increase the flow of capital for household water and sanitation solutions.
- These solutions are aligned with the following strategic impact objectives:
  - increase people reached with improved WSS,
  - increase the amount of financing for WSS improvements,
  - develop partnerships and ensure partnership sustainability,
  - implement changes in policy and sector systems to improve the enabling environment for WSS financing, and
  - improve the efficiency of capital for Water.org and across the WSS sector



## PRINCIPLE 2: Manage strategic impact on a portfolio basis.

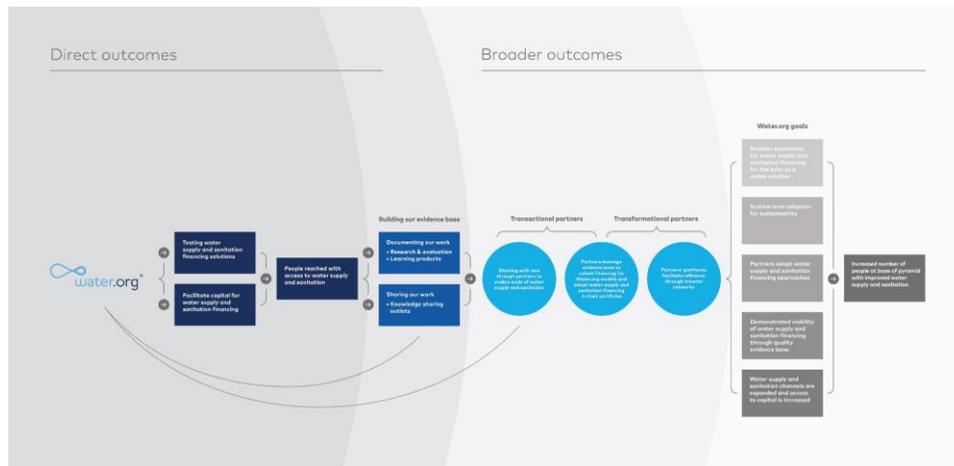
*The Manager shall have a process to manage impact achievement on a portfolio basis. The objective of the process is to establish and monitor impact performance for the whole portfolio, while recognizing that impact may vary across individual investments in the portfolio. As part of the process, the Manager shall consider aligning staff incentive systems with the achievement of impact, as well as with financial performance.*

- Water.org manages impact on a portfolio basis by analyzing monthly partner loan portfolio reports and progress, conducting household visits and viability assessments, and through rigorous research. These methods allow Water.org to evaluate the outcomes of its interventions, explore different financing solutions, and work through multilateral partnerships to bring about system-level policy and practice change.
- The Global Operations Team is responsible for integrating impact into program design. This is reflected in annual performance reviews and through quarterly impact reporting. In addition, Water.org's staff incentive system incorporates organizational performance, including measures of impact, to determine employee incentive payments.

### PRINCIPLE 3: Establish the Manager’s contribution to the achievement of impact.

*The Manager shall seek to establish and document a credible narrative on its contribution to the achievement of impact for each investment. Contributions can be made through one or more financial and/or non-financial channels. The narrative should be stated in clear terms and supported, as much as possible, by evidence.*

- Water.org believes that access to capital is the most important barrier to overcome in order to solve the global water crisis – a crisis that requires a radical increase in global financing, 3x the current investment. Water.org’s solutions strategically use donor funds to attract private investment and fill in the financing gap.
- Our solutions are grounded in the concept of our flagship WaterCredit model. Through WaterCredit, Water.org provides technical assistance to institutions to help structure small, affordable loan products for households for their water and sanitation needs.
- We have broadened our efforts and joined forces with others to increase financing for water and sanitation, helping even more people in need. Water.org also established WaterEquity, the first-ever impact investment manager dedicated to ending the global water crisis, with an exclusive focus on raising and deploying capital to water and sanitation enterprises throughout Asia, Africa, and Latin America.
- Water.org’s contribution to the achievement of impact for each intervention is documented using our monitoring and evaluation framework. Grounded in our theory of change, our framework is the underlying process we use to capture and understand the performance of our work across all three levels of impact.



## PRINCIPLE 4: Assess the expected impact of each investment, based on a systematic approach.

*For each investment the Manager shall assess, in advance and, where possible, quantify the concrete, positive impact potential deriving from the investment. The assessment should use a suitable results measurement framework that aims to answer these fundamental questions: (1) What is the intended impact? (2) Who experiences the intended impact? (3) How significant is the intended impact? The Manager shall also seek to assess the likelihood of achieving the investment’s expected impact. In assessing the likelihood, the Manager shall identify the significant risk factors that could result in the impact varying from ex-ante expectations. In assessing the impact potential, the Manager shall seek evidence to assess the relative size of the challenge addressed within the targeted geographical context. The Manager shall also consider opportunities to increase the impact of the investment. Where possible and relevant for the Manager’s strategic intent, the Manager may also consider indirect and systemic impacts. Indicators shall, to the extent possible, be aligned with industry standards and follow best practice.*

- Water.org assesses the potential positive impact prior to beginning a new intervention by working together with our partners to set program targets, including for people reached and capital mobilized.
- Continuous monitoring through the processes outlined in Principle 6 ensures that our interventions are meeting performance targets and creating positive impacts. Program evaluations are also frequently used to gain an independent assessment of the intervention’s impacts.
- Key performance indicators (KPIs) are collected throughout the intervention and are used to measure impact and inform our work. The types of KPIs we collect on a regular basis include:



### **Reach:**

- Number of people reached
- Amount of mobilized capital
- Efficiency of capital



### **Household:**

- Characteristics: household size, age, gender, location, income
- User satisfaction with the water and sanitation improvement and intervention
- Changes in socioeconomic status and water and sanitation practices, safety and time savings



### **WASH products:**

- Types, functionality, usage



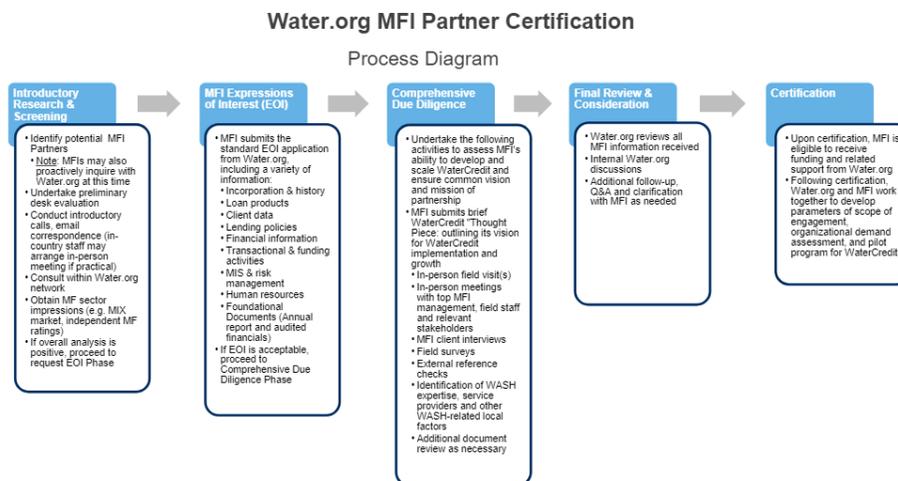
### **Partners and interventions:**

- Channels and innovations
- Forecasts vs. actuals
- Sustainability of business operations
- Partner capacity and progression against set milestones
- Capital efficiently

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

*For each investment the Manager shall seek, as part of a systematic and documented process, to identify and avoid, and if avoidance is not possible, mitigate and manage Environmental, Social and Governance (ESG) risks. Where appropriate, the Manager shall engage with the investee to seek its commitment to take action to address potential gaps in current investee systems, processes, and standards, using an approach aligned with good international industry practice. As part of portfolio management, the Manager shall monitor investees' ESG risk and performance, and where appropriate, engage with the investee to address gaps and unexpected events.*

- Water.org's monitoring and evaluation framework allows us to identify potential risks and negative impacts, while validating the resulting change that often occurs in complex environments. The practice and tools of our framework allow for flexibility to adjust to various local contexts and impact levels. It ensures global practices and standards for measuring and reporting our impact with confidence.
- Water.org's partners undergo a rigorous due diligence process to ensure they are aligned with corporate governance standards. During the due diligence process, Water.org gauges the potential partner institution's interest in water and sanitation lending, assesses their financial health and operational capacity, and estimates the potential for impact, while also ensuring that the institution is operationally and ethically sound.



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

*The Manager shall use the results framework (referenced in Impact Principle 4) to monitor progress toward the achievement of positive impacts in comparison to the expected impact for each investment. Progress shall be monitored using a predefined process for sharing performance data with the investee. To the best extent possible, this shall outline how often data will be collected; the method for data collection; data sources; responsibilities for data collection; and how, and to whom, data will be reported. When monitoring indicates that the investment is no longer expected to achieve its intended impacts, the Manager shall seek to pursue appropriate action. The Manager shall also seek to use the results framework to capture investment outcomes.*

- As a data and evidence-driven organization, Water.org is committed to rigorous monitoring, evaluation, and learning processes. To conduct our monitoring, evaluation, and learning practices effectively and objectively, the Insights and Innovations team operates as a separate unit within the organization. To remain accountable to our global stakeholders the Insights and Innovations team regularly engages with vetted 3rd parties to conduct independent monitoring visits, research, and evaluations. This allows for the Insight and Innovations team to remain lean and adapt to regional contexts.
- Core areas of the Insight and Innovations team’s activities include:
  - Monitor: Measure and track progress and impact.
  - Evidence: Build an objective and credible evidence base to instill confidence in our work through data analysis, program tracking, result measurements, research, and business case studies.
  - Learning: Synthesize learnings and incorporate best practices to improve performance through efficient adaptation and uptake for future interventions.
  - Validate: Conduct due diligence to confirm results to inform current and future strategies.
- Water.org’s monitoring framework ensures that progress is monitored regularly and through a variety of methods outlined below:



- Following partner certification, Water.org and the partner work together to develop parameters of the scope of engagement, organizational demand assessment, and a pilot program for WSS lending. Water.org partners set impact targets based on market assessments and agreed-upon key performance indicators. Water.org staff forecasts expected impact data on a quarterly basis.
- Partner institutions regularly collect and report performance data. This data is uploaded through Water.org’s MIS platform, WaterPortal. This platform is used to track, manage and report all partner and intervention-related data. Water.org partners upload portfolio

data on a monthly basis and undergo monthly and quarterly quality checks to ensure accuracy.

- Impact data from the WaterPortal is extracted and analyzed to understand loan data (number of loans, principal disbursed and collected, product types), as well as borrower trends (age, gender, income levels, location). This data is used to assess the program progress with respect to key program targets and draft quarterly reports. These reports are shared internally with Water.org staff, as well as externally with our partners and other external stakeholders.
- Program Monitoring Visits (PMVs) are used to validate information reported by the partner and to ensure that interventions are meeting the goals set out between Water.org and its partners. PMVs take place during the implementation of the intervention, through head office and client visits, allowing staff to troubleshoot challenges prior to the intervention's end.
  - Head office visits are used to assess partner's progress towards sustainability, provide feedback to the partner and adjust workplans and budgets as needed, capture lessons learned for future implementation, and check and validate information reported in the MIS.
  - Client visits involve borrower interviews conducted by third party contractors to verify that loans disbursed were used for an approved water or sanitation improvement and that the improvement is functional. The frequency of these visits is determined prior to the intervention in collaboration with the partner staff, water.org staff and according to funder requirements. These survey reports are uploaded into the mWater platform. These forms/surveys are managed by Water.org staff, and are updated at minimum annually, including review of indicators/activity categories.
- Using Outcome Harvesting, Water.org also captures qualitative impact data related to our systems change efforts. This method allows us to track changes in behavior, relationships, actions, activities, policies, and practice as a result of our interventions. This information is collected on a quarterly basis by Water.org staff.



## PRINCIPLE 7: Conduct exits considering the effect on sustained impact.

*When conducting an exit, the Manager shall, in good faith and consistent with its fiduciary concerns, consider the effect which the timing, structure, and process of its exit will have on the sustainability of the impact.*

- Water.org's exits are built into the structure of its interventions and partnerships. Water and sanitation loans create social and economic value for lending institutions, which inspires our partners to continue lending after our involvement ends and creates interest among new partners to explore lending for water and sanitation.
- Prior to conducting an exit, partner progress towards sustainability is assessed using the WaterCredit Sustainability tool. The WaterCredit Sustainability Tool (WCST) uses qualitative and quantitative techniques to determine the sustainability of a partner's water and sanitation portfolio, assess the degree to which the microfinance partners are operating sustainable WSS portfolios, the potential challenges to scale, and the partner's technical capacity.
- Water.org completes a final assessment prior to the end of a partnership. During the last year of an intervention, Water.org discusses the portfolio strategy with partners after Water.org's exit. This will determine the partner's ability to continue scaling WSS portfolio after current program ends, and if a new program should be considered. This involves several activities:
  - Endline survey and Impact assessment (as applicable): Ensures proper comparison of household level impact. Engage a third party for enumeration.
  - Program/Initiative evaluation: Assesses program effectiveness.
  - PMV requirements: Ensures that all the required visits and borrower surveys have been completed.
  - Final partner financial (and/or program) audit: Ensures that the final partner financial and/or program audit is completed.
  - Partner budget management: Assesses the budget burn rate and determines if the partner will be able to spend down the budget by the end of the program.
  - Wrap up visit: Closing meeting to debrief the program and exchange lessons learned from both parties, discuss partner's plans to continue WSS lending and reporting expectations.



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

*The Manager shall review and document the impact performance of each investment, compare the expected and actual impact, and other positive and negative impacts, and use these findings to improve operational and strategic investment decisions, as well as management processes.*

- Through the regular monitoring and evaluation of its interventions through the tools and processes previously mentioned, Water.org constantly reviews its interventions to assess progress against targets, and identify lessons learned, challenges, and best practices.
- Insights generated as a result of these activities are disseminated to relevant internal and external stakeholders, and learnings are regularly incorporated into future intervention design and through annual operational planning.

## PRINCIPLE 9: Publicly disclose alignment with the Principles and provide regular independent verification of the alignment.

*The Manager shall publicly disclose, on an annual basis, the alignment of its impact management systems with the Impact Principles and, at regular intervals, arrange for independent verification of this alignment. The conclusions of this verification report shall also be publicly disclosed. These disclosures are subject to fiduciary and regulatory concerns.*

- This Disclosure Note re-affirms the alignment of Water.org's policies and procedures with the Operating Principles for Impact Management and will be updated annually.
- Water.org engaged BlueKey Inc. to conduct an independent verification of this alignment in December 2021. The independent assurance letter is included at this [link](#).
- Water.org will replicate this independent assurance by December 2026 or when material changes are made to impact-related policies and procedures, whichever comes first.