CLIMATE SMILE

PRIME

The Climate Impact Investing **IMM Playbook**

COMMISSIONED BY CLIMATE SMILE
DEVELOPED BY PRIME COALITION
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Acknowledgements

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Provide Feedback on the Playbook

We expect this resource to continue evolving alongside guidance across the field. As such, we welcome your feedback. If you'd like to share comments or suggestions, please click the survey link below to access a brief feedback form.

Submit Feedback on the Playbook

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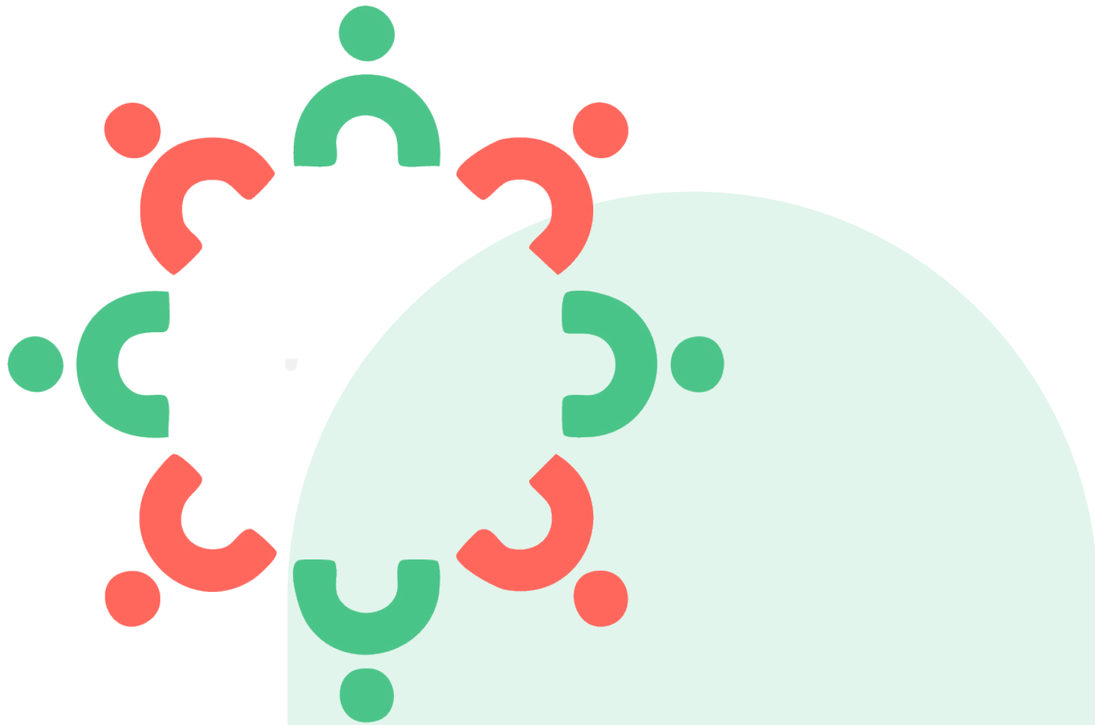


Introduction

Why a Climate Impact Investing IMM Playbook is Needed

As the window to limit the worst impacts of climate change narrows, investors' need for actionable guidance on how to invest to deliver real, measurable climate impact has become increasingly urgent. New entrants to climate impact investing are uniquely positioned to drive meaningful outcomes, but they need strong Impact Measurement and Management (IMM) frameworks to deploy their capital effectively. At the same time, today's tools and methodologies remain fragmented, creating barriers that limit climate finance's potential to accelerate solutions. Robust IMM enables investors to distinguish genuine impact from intention, allocate capital toward the highest-impact opportunities, manage tradeoffs, learn from data to adapt strategies, and remain accountable to stakeholders. Measuring and managing impact alongside financial performance strengthens the business case for climate finance, demonstrating how impact outcomes and financial returns can be mutually reinforcing rather than in tension.

The Climate Impact Investing IMM Playbook—conceptualized and funded by Climate SMILE's Social Finance Workstream and developed by Prime Coalition—bridges traditional IMM and climate-specific guidance. It consolidates best practices, frameworks, and methodologies from seasoned practitioners into a single, actionable resource tailored to the demands of investing for climate impact. Serving as a roadmap for integrating IMM across the climate impact investment process—from strategy and due diligence to management, reporting, and exit—the Playbook is meant to make IMM more accessible to climate impact investors, and climate more understandable to IMM professionals entering or considering the climate space. Recognizing the interconnected nature of climate and environmental objectives, the Playbook also addresses biodiversity, water, circular economy, pollution prevention, and Just Transition.

The Playbook is designed to support a broad and inclusive community, coordinating with other collaboratives and engaging a wide range of climate actors across the globe. It is intended as a dynamic resource that will be updated as the field evolves.

What We Mean by Climate Impact Investing

In this report, "climate impact investing" refers to investments intentionally made to generate positive, measurable climate impact alongside a financial return, where climate impact includes addressing the **causes** and/or **effects** of climate change.

The **cause** of climate change is greenhouse gases (GHGs). Climate change mitigation includes activities that reduce, remove, and/or avoid greenhouse gas emissions.

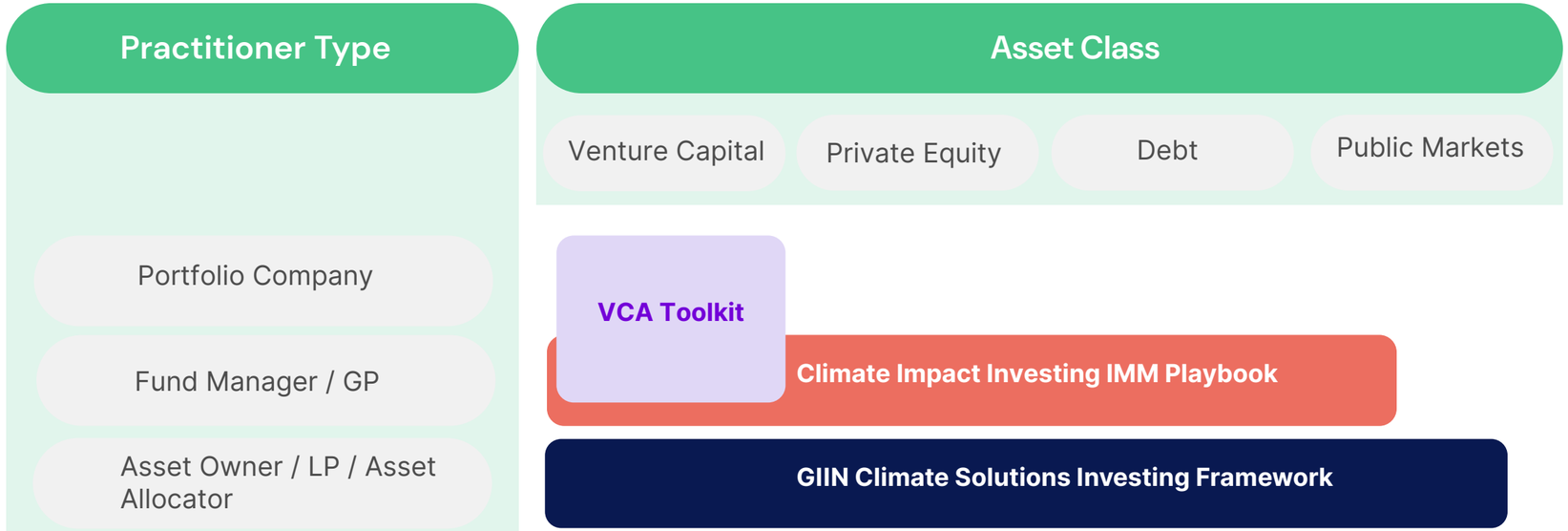
The immediate **effects** of climate change include rising temperatures, shifting precipitation patterns, sea level rise, and more frequent and severe extreme weather events, which in turn create complex downstream harms. Climate adaptation & resilience includes activities to adjust to current and future climate effects, and strengthen the capacity of people, infrastructure, and natural systems to withstand, respond to, and recover from climate shocks and stresses.

Who the Playbook is For

The Playbook is designed for investing practitioners and impact measurement and management (IMM) professionals seeking practical, right-sized guidance on climate impact measurement tailored to the impact investing landscape. It is intended primarily for those who have a basis in IMM but want to define and credibly measure impact objectives related to climate, and it emphasizes impact investing over broader ESG or sustainability strategies. It has been built to be relevant to a wide range of private market investors across diverse return profiles and asset classes.

We also expect this Playbook will be useful for philanthropic organizations, consultants, philanthropic advisors, and other practitioners advising investors as they seek to explore and apply climate IMM frameworks and tools to their work.

Although this Playbook is focused on private investors, some emerging climate-specific IMM resources for public investors are included in the accompanying table of recommended resources.



Two other resources that cover similar themes but are aimed at different audiences are the Venture Climate Alliance Toolkit and the GIIN Climate Solutions Investing Framework. The diagram to the left shows the primary audience for each resource, mapped by practitioner type and asset class. While each resource offers insights that are useful beyond its primary audience, this illustration highlights their overall relationship to one another in terms of practical utility in the field.

Table of Practitioner-Recommended Resources

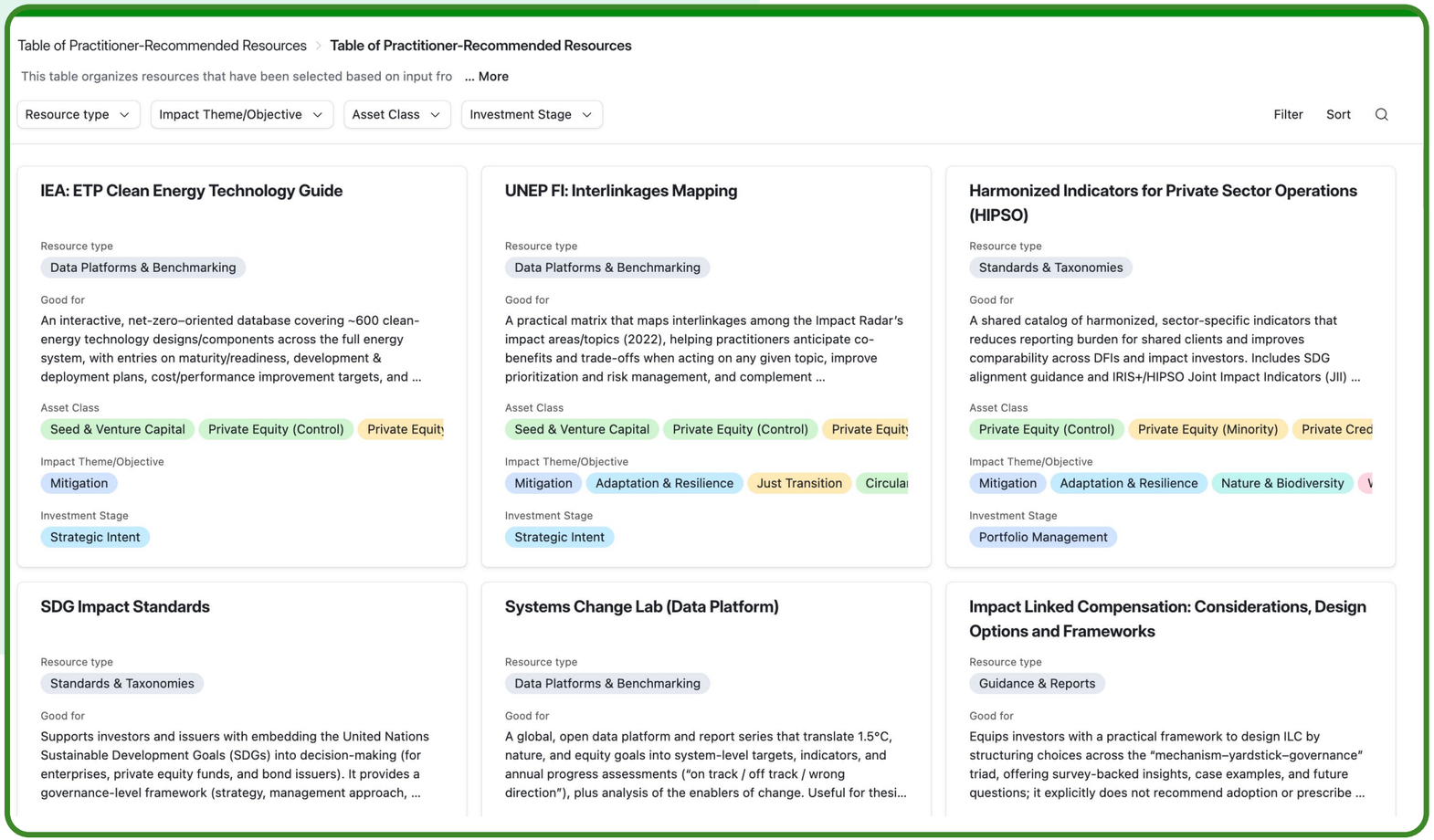
An essential element of this Playbook is the Table of Practitioner-Recommended Resources, which is to be used alongside the following narrative guidance. This table organizes resources that have been selected based on input from investors and thought leaders.

Resources are searchable and tagged by impact objective, asset class, investment stage, starter vs. best practices, and whether it's well-established or innovative. Although not exhaustive, the table highlights leading frameworks and widely recognized tools to support effective climate-specific IMM practice.

If you would like to suggest an additional resource, please submit it for the Climate SMILE team's review and consideration via the "Suggest Additional Resources" button below.

View the Table

Suggest Additional Resources



How to Navigate This Playbook

You can read the Playbook from start to finish by scrolling page by page, or use the clickable buttons at the top to jump directly to specific sections.

We have also created user pathways based on common needs. Review the statements to the right to identify what you're looking for, then **click the corresponding button** to go directly to the sections most relevant to you.

I am **new to IMM for climate impact investing** and want to start with the basics

Key Concepts

Consider prioritizing
Key IMM Frameworks; Strategic Intent

I am **familiar with IMM overall**, but want to understand what is specific to IMM for climate

Defining Climate Impact Objectives

Consider prioritizing
Mitigation and Adaptation & Resilience

I already **have a clear climate-focused impact goa**l but need help incorporating it into my investing approach

Case Studies by Impact Objectives

Consider prioritizing
The Investment Lifecycle

If you already know which impact objective you'd like to focus on, you can also jump right to **your specific area** of choice:

Mitigation

Make sure to
Read "Choosing the right assessment type"
Filter the Table of Resources by Mitigation

Adaptation & Resilience

Make sure to
Filter the Table of Resources by Adaptation & Resilience

Other Environmental Impact Objectives

Make sure to
Filter the Table of Resources by impact objectives beyond Mitigation and Adaptation & Resilience

Throughout the Playbook, we have highlighted gaps in the field which will require more research with this symbol.

Key Concepts
for Climate Impact Investing

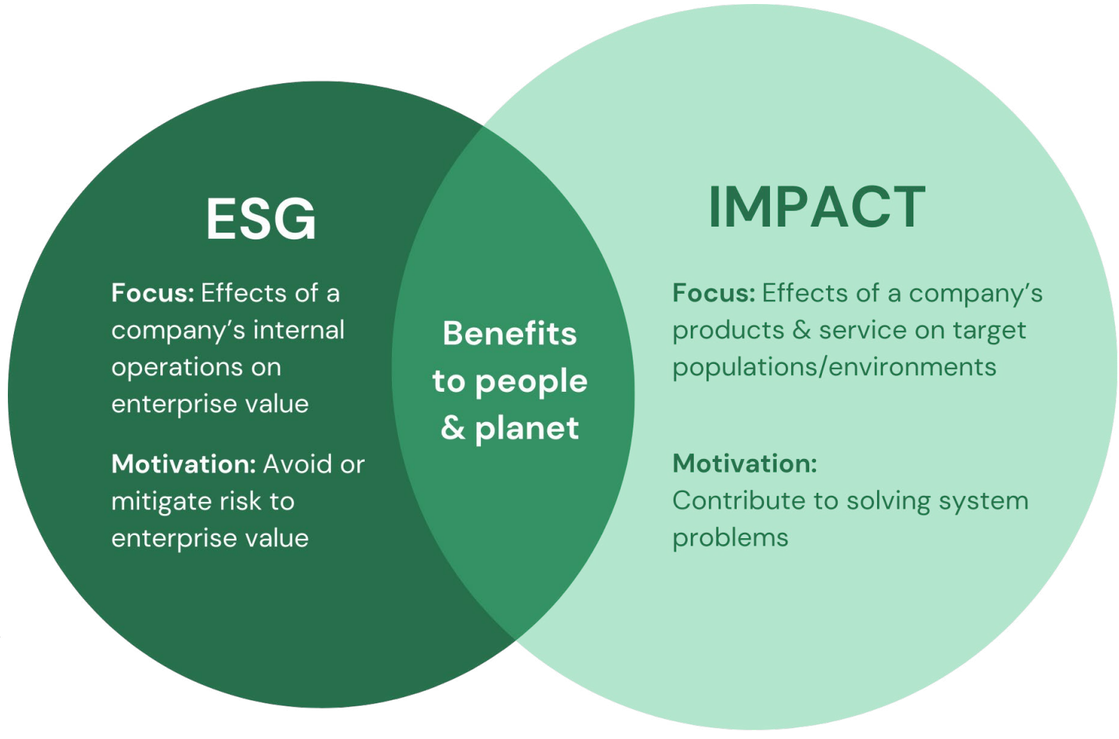
Climate Impact Investing vs. ESG and Net Zero

There are dozens of terms and sub-terms used in climate-related investment strategy, which are often confused or used interchangeably across different contexts. For the purposes of this report, we distinguish among three primary categories and their subcategories, for descriptive purposes only.

Climate Impact Investing

Climate impact investing, the central focus of this report, refers broadly to investments—of any asset class—intended to address the causes and/or effects of climate change. Within this category, we distinguish between investments in two types of activities:

- **Climate solutions**: Climate solutions are generally understood as products, services, or technologies designed to displace a status quo or incumbent that does not adequately address the causes or effects of climate change. These solutions often aim for systemic change at scale. Investors can support novel technologies in their earliest stages or enable expansion and adoption of mature technologies across markets.
- **Climate transition**: For climate solutions to scale, millions of actors across sectors and markets must be able to integrate them into their processes, infrastructure, and behaviors. While these actors are not responsible for developing the solutions themselves, they are critical to addressing the causes or effects of climate change in practice. For example, decarbonization often refers to the actions companies take to reduce emissions by changing how they operate, adopt solutions, or structure their value chains.



Environmental, Social, and Governance (ESG)

ESG is a framework for assessing corporate sustainability and ethical practices across environmental, social, and governance dimensions. It evaluates factors such as labor policies, board diversity, and pollution management, helping investors identify and manage risks and opportunities within traditional financial markets. ESG is not a type of investing; it is a framework for assessment grounded in the evidence-backed assumption that sustainability and ethical practices are financially material. The application of climate solutions within business operations can improve specific ESG metrics.

Net Zero & Net Zero Targets

Net zero refers to a state in which the amount of greenhouse gases (GHGs) released into the atmosphere is balanced by an equivalent amount removed, resulting in no net increase in atmospheric emissions over a given period. Actors of all kinds—including investors, companies, and individuals—can set net zero targets, which are time-bound commitments to reach net zero by a specified date. Credible targets are typically supported by interim milestones to track progress. A company may make a climate investment in applying a mitigation solution as one strategy within a broader plan to achieve its net zero target. Targets are guided by frameworks like the Science Based Targets initiative (SBTi) and the Paris Agreement.

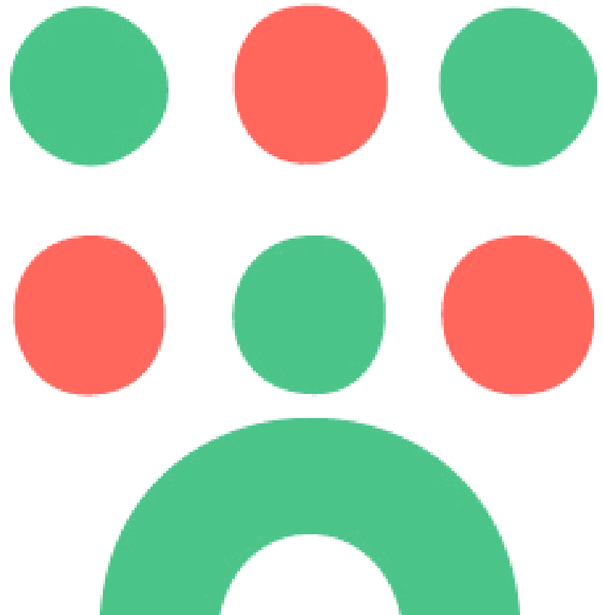
Climate Impact Investing Across Asset Classes

Investors in different asset classes face distinct fiduciary responsibilities that shape how much they can prioritize impact, with interpretations of what fiduciary responsibility entails (often debated in the context of environmental disasters and risk mitigation) varying by local policy context.

Further research and advocacy on this topic are needed to build on initial efforts spearheaded by UNEP FI and The Generation Foundation.

Innovation Capital	Scaling Capital	Signaling Capital
Grants	Private Equity (Minority)	Public Equity (Secondary Market)
Seed & Venture Capital	Private Credit	Public Fixed Income (Secondary Market & Refinancings)
Private Equity (Control)	Project Finance	
	Public Equity (IPOs)	
	Public Fixed Income (New Issuances)	

An investor's ability to influence impact outcomes varies significantly across asset classes. For a full summary of how different investors can exert influence, see the section Differences by Asset Class: Levers of Influence.



Key IMM Frameworks and Concepts and How They Are Reflected in Climate IMM

IMM frameworks provide a structured approach for investors to assess, manage, and report social and environmental impacts. While many core frameworks are not climate-specific, they offer foundational principles that translate well to climate impact investing. Below are some of the most widely used and influential frameworks that underpin climate impact investing.

Operating Principles for Impact Management (OPIM): A theme-agnostic global standard for investors, OPIM (or "the Impact Principles") applies directly to climate investing. It outlines nine principles that provide a roadmap for integrating impact across the investment lifecycle, from defining climate impact objectives and engaging stakeholders to assessing outcomes such as greenhouse gas (GHG) emissions reductions or resilience improvements.

Impact Management Norms (Impact Frontiers): A theme-agnostic platform that provides shared language, standards, and tools for consistent impact management across investments. These norms can be directly applied to climate impact investing. Some key components include:

- Five Dimensions of Impact: A structured method for understanding the outcomes of an investment. In climate investing, "What" can include outcomes like GHG emissions reductions. "Who" can include the planet, people affected by the effects of climate change, or ecosystems—it could be a business, a sector in the economy (like transport, industry, etc.), or a geographical region. "How Much" can be determined using established climate methodologies highlighted in this Playbook. "Risk" is especially important due to system interdependencies.

- Impact Performance Reporting Norms: Establishes shared expectations for the structure and content of impact performance reports. For climate impact investors, the norms provide a disciplined framework to report on both positive and negative climate outcomes (e.g., GHG reductions, resilience gains) and to clearly articulate investor contribution.

Additional norms for investors to explore: ABC of Enterprise Impact, Investor Contribution, Investment Classification, and Impact-Financial Integration.

IRIS+: Developed by the Global Impact Investing Network (GIIN), IRIS+ provides a taxonomy of standardized metrics and benchmarks specific to various impact strategies. In climate impact investing, it helps investors select relevant climate-related metrics that align with the UN Sustainable Development Goals (SDGs).

SDGs Impact Standards: A framework developed to help investors integrate the UN Sustainable Development Goals (SDGs) into investment management and decision-making. Climate investors can use these standards to ensure that their climate objectives align with globally-recognized sustainable development priorities.

Target Setting Expectations

Net Zero Targets

Actors set net zero targets to balance greenhouse gas (GHG) emissions within a defined boundary of their influence, such as their operations or investment portfolio. Achieving net zero means that any emissions within that boundary are offset by reductions or removals. A net zero investment portfolio can include investments in climate solutions, such as technologies or services that reduce, avoid, or remove emissions, because these investments help neutralize the portfolio's net emissions.

Climate Impact Targets

Climate impact targets, by contrast, focus on achieving measurable, positive climate outcomes within the defined boundary of the **impact initiative or climate solution**, which may be different from the actor's operational or portfolio boundary. These targets often emphasize additionality and systemic GHG impact that would not have occurred under business-as-usual conditions. A company or investor can have climate impact without being net zero, for example by supporting emission reductions outside its operational or portfolio footprint.

Timeline Expectations

The time horizons for assessing impact can vary widely across impact objectives. While mitigation outcomes such as emissions reductions can sometimes be measured annually or even quarterly, objectives like biodiversity conservation, water security, or Just Transition outcomes typically require multi-year lead times and monitoring to capture meaningful results. For instance, reforestation programs may take several years before measurable habitat benefits and carbon sequestration are realized, and workforce reskilling or community-level resilience improvements often unfold over years. Investors should account for these differing timelines when setting expectations, designing monitoring frameworks, and evaluating the effectiveness of their interventions, recognizing that shorter-term indicators may not fully reflect long-term outcomes. It is best practice to report realized impact and be clear where impact is a projection.

Defining Climate Impact Objectives

Mitigation and Adaptation & Resilience

The primary methods of addressing climate change in climate investing fall into two broad categories: mitigation and adaptation. These represent distinct but complimentary impact investment objectives:

- **Mitigation** aims to reduce or prevent greenhouse gas (GHG) emissions. This includes efforts like transitioning to renewable energy, improving energy efficiency, decarbonizing industrial processes, and scaling carbon removal technologies (which may include nature-based solutions).
- **Adaptation & Resilience (A&R)** focuses on preparing communities, ecosystems, and economies for shifting conditions resulting from climate change. A&R actions vary based on context, and can include strengthening infrastructure, enhancing disaster preparedness, wetland restoration, and drought-resistant and regenerative agriculture.

These impact objectives are not mutually exclusive and investment strategies may pursue multiple objectives. For example, restoration of mangrove forests can simultaneously advance mitigation and A&R, as well as other environmental objectives such as water and marine resources, and nature and biodiversity (which we discuss in the Environmental Justice Impact Objectives section). Conversely, infrastructure projects designed for A&R may inadvertently pose risks to objectives like biodiversity conservation or pollution control.

Within mitigation, climate solutions investing can be further divided into **established solutions**-focused and **novel solutions**-focused strategies, as they address different challenges and require distinct measurement approaches. As novel solutions mature and eventually become established solutions, there is not always a clear dividing line between the two, but climate solutions investing strategies often center on one or the other.

Established solution strategies focus on scaling the deployment of existing solutions. Backward-looking assessments to quantify GHG capture or removal are the primary indicators of success. These investments prioritize more immediate, measurable impacts through activities like improving industrial efficiency, deploying renewable energy, removing carbon, and curbing emissions from high-polluting sectors. Forward-looking impact assessment of these investments likely focuses on "planned impact", based on expected sales volume in the near-term.

In contrast, *novel solution*-focused investing prioritizes early-stage solutions that may not yet have measurable emissions reductions but have the potential to drive significant decarbonization in the future. Because these solutions are still in development or early deployment, forward-looking impact assessments focus on "potential impact", i.e. the potential emissions reductions or removals a company could achieve at scale based on long-term projections. Backwards-looking impact measurements may not be feasible for these solutions during the investment lifetime (but, as best practice, should be measured and reported at Portfolio Management and Exit stage when possible).

Impact Objective	Description & Goal	Illustrative Indicators	Solution Examples
Mitigation: Established Solutions	Reducing emissions from existing industries and infrastructure by transitioning or disrupting high-emitting companies and assets to significantly reduce emissions. Prioritizes immediate and measurable reductions in carbon footprints (Scope 1-3 emissions)	• GHG reductions (tons of CO_2e avoided or sequestered) • Renewable energy capacity installed (MW or GW) • Reduction in methane emissions from industrial processes • Efficiency gains in energy use (%)	• Renewable energy deployment (solar PV, onshore wind, geothermal, etc.) • Methane leak detection and reduction • Electrification of transport and heating • Precision agriculture (nitrogen reduction) • Sustainable forest management / avoided deforestation
Mitigation: Novel Solutions	Investing in breakthrough solutions that have the potential to drive deep future decarbonization. Requires forward-looking impact analysis.	• Potential or planned GHG impact (tons of CO_2e) – see Project Frame methodology for details • Deployment of novel technologies	• Green ammonia production • Bioplastics • Thermal energy storage • Lab-grown meat and dairy • Direct air carbon capture and storage • Enhanced restoration approaches (e.g., liana thinning, assisted natural regeneration)
Adaptation & Resilience	Strengthening communities, infrastructure, and ecosystems to withstand climate-related shocks and stressors while maintaining essential functions and building back stronger.	• Climate risk reduction (decrease in probability) • Infrastructure resilience scores • Increase in community preparedness or adaptive capacity • Number of people reskilled for climate impacted industries	• Flood-resistant urban development • Energy storage for grid stability • Drought-resistant irrigation systems • Climate-resilient agriculture • Mangrove and wetland restoration

Environmental and Justice Impact Objectives

While mitigation and A&R define the core climate impact objectives, other environmental and just transition goals can also contribute to climate outcomes. Taxonomies and classification systems offer useful ways to categorize sustainable activities, though investors need not align exclusively to any single one.

This Playbook references six overarching environmental objectives: the two described above that are directly linked to climate change (mitigation and A&R) and four others (**circular economy, nature & biodiversity, pollution prevention, and water & marine resources**) which frequently intersect with mitigation and A&R, either reinforcing them or standing as distinct environmental priorities. Each objective also can include many sub-objectives or strategies, some of which are outlined in the following table.

Just Transition refers to ensuring the shift to a low-carbon economy is equitable, maximizing carbon reduction opportunities, while minimizing and addressing harms for affected people and communities. Rather than a mandated framework, Just Transition is best understood as a distinct, supportive lens through which investors can integrate equity intentionally, ensuring climate impact investing serves communities as well as carbon outcomes. This lens recognizes the importance of both global and local equity, addressing disparities between regions while supporting the resilience and livelihoods of those most affected by the transition. While this is an area requiring broader attention, some tools and resources are highlighted in the Table of Practitioner-Recommended Resources that offer guidance on how to incorporate this perspective effectively.

As with mitigation and A&R, these impact objectives are not mutually exclusive, and solutions may fall under multiple strategies. Considering these overlapping impacts holistically is essential, as optimizing for one objective can sometimes come at the expense of another. For more on this point, see Five Dimensions of Impact: Risk.

Impact investing resources and frameworks remain more developed for mitigation-focused investing than for other climate impact objectives. While these objectives are far from new, they are only recently gaining mainstream traction across impact investing, leaving a gap in strategy-specific guidance and resources.

While resources are emerging, there remains an overall gap in strategy-specific guidance for impact objectives beyond mitigation.

For resources that provide in-depth guidance specific to individual impact objectives, see the Table of Practitioner-Recommended Resources.

View the Table

Impact Objective & Primary Goal	Investing Strategy Examples	Illustrative Indicators	Examples
Circular Economy Minimize waste and extend the life cycle of materials by promoting reuse, recycling, and sustainable resource management.	• Circular materials • Circular products & packaging • Circular manufacturing/zero-waste	• Tons of waste diverted from landfills or waste combustion facilities • Tons of plastics or metals kept in circulation • Percent of a product's components designed for reuse or recycling	• Battery recycling • Plastic waste-to-fuel technologies • Durable product design • Material sourcing from recycled metal, plastics, or textile fibers • Reusable packaging
Just Transition Ensure the transition to a low-carbon economy is equitable and inclusive, particularly for those affected by climate change and/or the shift away from high-carbon industries.	• Community-owned and managed energy transition • Community-led land conservation • Supporting fossil fuel workers (e.g., coal miners) through reskilling, upskilling, and early plant retirement initiatives	• % or $ of collective wealth generated and re-invested in the community • Number of board positions held by community members • % of land owned and restored by community	• Clean energy investments that grow workforce in historically coal-focused communities • 3-year reforestation project led by local community

Nature & Biodiversity
Preserve and restore ecosystems to maintain biodiversity, protect species, and sustain natural habitats.
	• Nature-based solutions
	• Regenerative agriculture
	• Biodiversity conservation
	• Sustainable forestry
		• Change in biodiversity indices over time, such as Living Planet Index or Red List index
		• Acres or hectares of land protected or restored
		• Species protected or reintroduced
		• Measured by:
		  • Satellite and remote sensing for biodiversity monitoring
		  • eDNA monitoring tools (for biodiversity baselining and change detection)
		  • Remote sensing biodiversity indicators (e.g., spectral diversity, habitat fragmentation indices)
			• Reforestation or afforestation
			• Wetland restoration
			• Regenerative agriculture

Pollution Prevent and control harmful pollutants in air, water, and soil to protect ecosystems and human health.	• Plastic and waste reduction • Pollution reduction • Clean air & water • Clean chemistry	• Reduction in microplastic concentration • Tons of plastic waste diverted from landfills or the ocean • Reduction in air and water pollutants (e.g., NO2, PM2.5, pH levels, turbidity)	• Water filtration systems • Scrubbers or filters for industrial processes • Waste-to-energy projects • Pesticide, fertilizer, or herbicide reducing agricultural practices
Water & Marine Resources Ensure clean and sustainable water supplies for human consumption, agriculture, and ecosystems while maintaining the health of aquatic environments.	• Ocean health / blue economy • Water security and resilience • Sustainable fisheries and aquaculture	• Gallons/liters of water saved per year • Acres or hectares of watersheds under improved management • Number of households benefiting from water-efficient solutions	• Wastewater reclamation • Urban water reuse systems • Desalination technologies • Rainwater harvesting • Decentralized water treatment solutions

Integrating Multiple Impact Objectives & Systems-Level Investing

Holistic and integrated approaches to incorporating multiple impact objectives into an investment strategy can be complex, and currently no widely accepted methodology offers a “silver bullet” solution. This continues to be a gap in the field that requires further research and practical development.
At the same time, climate impact investors frequently measure additional, non-climate outcomes such as effects on jobs, incomes, wealth creation, health, and overall wellbeing. Because climate change is inherently systemic and intersects with economic, social, and environmental systems, a holistic approach to impact measurement and management can be necessary. While comprehensive methodologies are still evolving, there are resources under development that practioners can reference when considering how their investment in one area could affect another.

- UNEP FI Tools for holistic impact analysis (in particular, the Investment Portfolio Impact Analysis Tool)
- UNEP FI Impact Mappings (Sectors Mapping, Needs Mapping, Interlinkages Mapping)
- Systems Change Lab
- MIT Sloan Systemic Investing for Social Change: A Starter Kit
- Systems Thinking for Impact Investing

Further research and practical development are needed to address the knowledge gap around incorporating multiple impact objectives.

Visit our Worksheets section for examples that walk through both mitigation and adaptation impact diligence sequencing.

Case Studies
by Impact Objective

The following examples illustrate how investors have applied climate impact measurement and management approaches across a range of objectives. Cases highlight practical strategies, lessons learned, and innovative solutions, demonstrating how impact considerations can be integrated into investment decisions.

Clicking on the buttons below will guide you to each case study.

Mitigation (Established Solutions)

Read **The Glasgow Financial Alliance for Net Zero**

Mitigation (Novel Solutions)

Read **Project Frame Case Study Library**

Adaptation & Resilience

Read **4. Financing Adaptation Through Green Bonds**

Nature & Biodiversity

Read **3. Market Enablers to Nature-Based Solutions**

Water & Marine Resources

Read **TransCap Initiatives review of Builders Vision's Ocean Strategy**

Circular Economy

Read **Closed Loop Partners' Case Study Library**

Pollution

Read **Clean Air Fund Innovative Finance for Air Quality**

Just Transition

Read **Parnassus Investments, Managing Pollution: The Investment Case for Environmental Justice**

The Investment Lifecycle

Integrating IMM Into Climate Investing Practice

To ensure that impact considerations are embedded throughout the entire investment process, IMM should be integrated across every stage of the investment lifecycle. The Operating Principles for Impact Management provide guidance on identifying, measuring, and managing impact at each stage. This approach is adaptable to any impact strategy.

The following diagram provides a clickable version of OPIM's Impact Principles, showing which IMM activities align with each stage of the investment lifecycle. For each stage, the Playbook offers illustrative examples of applying these principles in a climate-specific context, drawing on Prime's approach from catalytic venture capital programs.

The 9 Principles

Click the following buttons to learn more about each principle, as developed by Operating Principles for Impact Management.

Strategic Intent →

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

2. Manage strategic impact on a portfolio basis

Origination & Structuring →

3. Establish the manager's contribution to the achievement of impact

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

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

Portfolio Management →

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

Impact at Exit →

7. Conduct exits considering the effect on sustained impact

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

Independent Verification →

9. Publicly disclose alignment with the Impact Principles and provide regular independent verification of the alignment

For resources that provide in-depth guidance specific to lifecycle phases, see the Table of Practitioner-Recommended Resources

In addition to the information represented in the overview below, OPIM has published Common and Emerging Practices, which include examples of challenges, practices, and spotlights for various principles.

→ Strategic Intent (1-2)

At the outset, managers should identify the strategic impact goals alongside capital limitations and then ensure that investment opportunities have a clear narrative for how they advance the impact goals of the investment strategy.

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

Activities
Articulate the climate impact goals of the fund via a fund-level theory of change, narrowing in on a select set (2-3) of primary impact themes and objectives.

Example Approach from Prime Coalition's Catalytic Venture Capital Program
When Prime Coalitoin launched in 2014, they identified a funding gap for early-stage climate tech ventures, known as the innovation valley of death. Prime syndicated transactions with a learning-by-doing approach and ultimately launched Prime Impact Fund, a $50MM catalytic investment fund, and later Azolla Ventures Fund I, a $239MM blended investment fund, to address this critical need.

+ Origination & Structuring: Screening, Due Diligence & Deal Close (3-5)

+ Portfolio Management (6)

+ Impact at Exit (7-8)

+ Independent Verification (9)

+ Strategic Intent (1-2)

→ Origination & Structuring: Screening, Due Diligence & Deal Close (3-5)

Through the screening, diligence, and deal close phases, managers should consider the potential positive and negative impacts of the investment opportunity, as well as the manager's contribution to the achievement of impact.

3. Establish the manager's contribution to the achievement of impact

Activities

- **For screening and diligence, create a framework that determines the investor's contribution** to the investment's impact by outlining the unique capabilities or characteristics of the manager that can further the achievement of impact.
- **Leverage the framework to consider investor contribution at the individual investment level.**
- **Decide if and how the management team will be held to delivering impact milestones,** for example, impact-linked compensation.

Example Approach from Prime Coalition's Catalytic Venture Capital Program

For each investment out of Prime Impact Fund and Azolla Ventures Fund I, Prime gathered evidence to establish the counterfactual of what would happen to this funding round and to this company long-term in the absence of Prime's investment (analogous to the "but for" test for U.S. PRIs). Prime's nonprofit team convened a commercial climate investor advisory body to assess disproportionate risk and review feedback the company received during fundraising. The fund could only invest when evidence showed the company cannot achieve its climate impact goals without them.

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

Activities

- **Incorporate impact objectives into investment decisions** by evaluating an investment's potential impact during screening and due diligence, using the impact management framework established for the fund or portfolio.
- Keep the process streamlined by **focusing only on the key data points that will influence decisions.**
- **Engage key stakeholders**—such as the investee, co-investors, and industry experts—**to make sure your impact assessment approach is practical**, aligns with industry standards, and provides useful insights.
- **Leverage insights from the impact potential assessment to inform decisions** and draft initial climate-related targets and KPIs, and establish how these KPIs will be monitored.

Example Approach from Prime Coalition's Catalytic Venture Capital Program

During initial impact diligence for Prime Impact Fund and Azolla Ventures Fund I, Prime's nonprofit team gathered information from literature and company leaders to model the investment's impact logic. Using the Project Frame methodology, they built a quantitative model of forward-looking emissions reduction or removal, with multiple plausible scenarios based on the solution's potential to scale. At least one scenario was required to meet our threshold for cumulative impact potential for the investment to proceed.

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

Activities

- **Assess and consider how to manage potential negative impacts and risks** of each investment during screening and diligence.
- **Identify and avoid**, and if avoidance is not possible, **mitigate and manage risks and negative impacts** associated with investments.
- **Engage with the investee where appropriate to seek its commitment** to address systems, processes, and standards that may lead to negative impacts.

Example Approach from Prime Coalition's Catalytic Venture Capital Program

In Prime Impact Fund and Azolla Ventures Fund I, Prime's nonprofit team assessed environmental and social co-benefits alongside potential risks of harm. For significant risks, they commissioned further research to guide effective risk mitigation strategies. Post-investment, Prime monitors these risks on an ongoing basis and support the investment leads in advising companies on actions needed to avoid harm.

+ Portfolio Management (6)

+ Impact at Exit (7-8)

+ Independent Verification (9)

+ Strategic Intent (1-2)

+ Origination & Structuring: Screening, Due Diligence & Deal Close (3-5)

→ Portfolio Management (6)

Strategically monitor and manage investments to assess progress, balancing impact goals and financial performance and adjusting as necessary. These activities overlap substantively with MRV (Monitoring, Reporting, and Verification), which generates a standardized, verifiable record of outputs related to climate interventions.

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

Activities

- **Engage with investees on an ongoing basis**, serving as a resource to help advance progress toward achieving impact targets
- **Collect data (based on the KPIs established in Principle 4) to monitor progress toward impact targets**, and surface risks to impact performance
- **Share relevant data** back with investees to facilitate value creation
- **Manage data collection in a structured fashion** that stores data and allows for analysis over time and across your portfolio
- **Establish a regular cadence of impact reporting**, both internal and external (either biannually or annually)
- **Consider other ways to promote value-creation** around IMM or otherwise

Note: For more on this, see Impact Capital Managers' December 2025 research

Example Approach from Prime's Catalytic Venture Capital Program
Prime's nonprofit team sets climate impact milestones such as "Targeted initial deployment year" for each company in the Prime Impact Fund and Azolla Ventures Fund I portfolios, reflecting their potential impact trajectory. Semiannual data from the company informs progress ratings, which are then shared with LPs and used by Prime to assess impact alignment for follow-on investments.

+ Impact at Exit (7-8)

+ Independent Verification (9)

+ Strategic Intent (1-2)

+ Origination & Structuring: Screening, Due Diligence & Deal Close (3-5)

+ Portfolio Management (6)

→ Impact at Exit (7-8)

Consider how your investment's exit strategy affects the sustainability of positive outcomes.

7. Conduct exits considering the effect on sustained impact

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

Example Approach from Prime's Catalytic Venture Capital Program
The Azolla Ventures team uses an active management strategy for Prime Impact Fund and Azolla Ventures Fund I to steer portfolio companies toward an impactful exit outcome, often as Board members during the earliest stages of the company's growth, while Prime's nonprofit team supports the investment leads with impact guidance.

+ Independent Verification (9)

+ Strategic Intent (1-2)

+ Origination & Structuring: Screening, Due Diligence & Deal Close (3-5)

+ Portfolio Management (6)

+ Impact at Exit (7-8)

→ Independent Verification (9)

Seek third-party verification of alignment with principles.

9. Publicly disclose alignment with the Impact Principles and provide regular independent verification of the alignment

Activities
Secure third-party support to verify and disclose impact management activities and to ensure transparency and verify accuracy.

Example Approach from Prime's Catalytic Venture Capital Program
In 2025, Bluemark conducted an independent practice verification of Prime Impact Fund and Azolla Ventures Fund I to assess alignment with impact management principles. Prime has also committed to commissioning a third-party impact evaluation every five years in order to learn from successes and failures across their programming.

Choosing the Right Assessment Type

Mitigation

Understanding climate impact requires different types of assessments depending on a company's stage, activities, and objectives. Some assessments look backward, quantifying emissions that have already occurred, while others look forward, estimating the future climate impact of emerging technologies or investments. Distinguishing between these approaches helps practitioners, investors, and companies select the most appropriate method for evaluating climate performance and guiding decision-making.

One common point of confusion for many who are new to this work is the difference between carbon footprinting and climate impact. The table below, which is outlined in more detail in the Appendix, distinguishes between company-specific assessments and those that provide intentionality toward overall emissions reductions. The goal of this Playbook is to help investors be more deliberate about how they manage and deliver climate impact.

Greenhouse Gas Footprint	Avoided Emissions
Greenhouse gas footprinting is the exercise of accounting and reporting on the six greenhouse gases covered by the Kyoto Protocol (carbon dioxide (CO_2), methane (CH^4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and sulphur hexafluoride (SF6)) with the purpose of preparing a GHG inventory that represents a true and fair account of a company's emissions through the use of standardized approaches and principles (GHG Protocol).	Avoided emissions, distinct and methodologically independent from greenhouse gas (GHG) footprint, are the reductions in systemic emissions resulting from a project, product, or service (also referred to collectively as "climate solution") compared to a counterfactual scenario, or put simply, emissions reductions that would not occur should the project, product, or service in question not exist (Project Frame). Avoided emissions give an estimated emissions reduction in society due to the use of the solution and can occur both within the solution provider's value chain as well as outside it (WBCSD).

Realized GHG Corporate Footprint (Scopes 1, 2, and 3)

Scope 1, 2, or 3 Reduction (Realized reduction, forward-looking reduction)

Realized avoided emissions (Realized GHG Impact)

Forward-looking GHG impact assessment (Planned impact, potential impact)

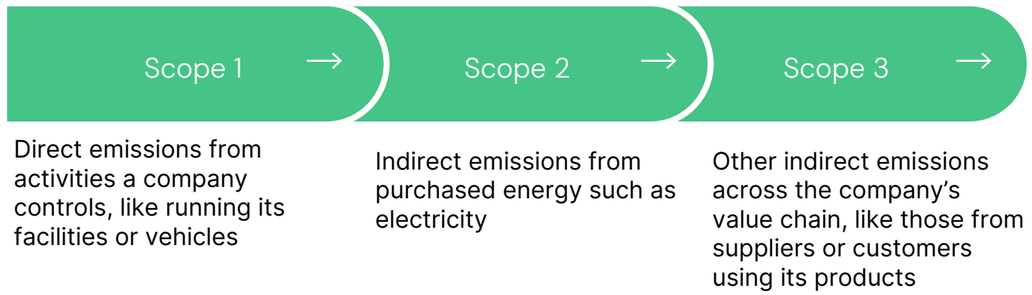
Legend

Company-specific

Intentionality towards overall emissions reductions

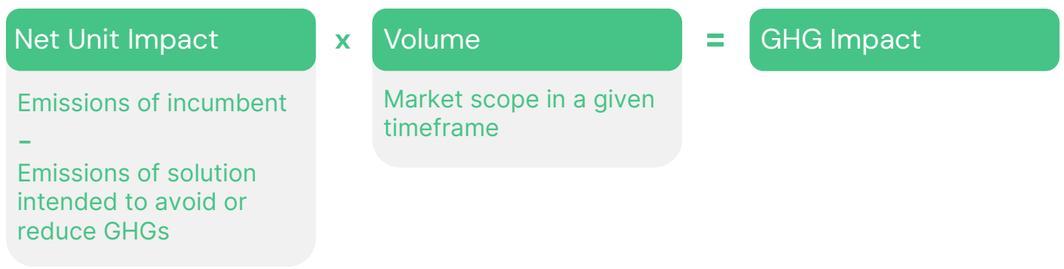
Backward-Looking vs. Forward-Looking Assessments

Backward-looking or **realized GHG impact assessments** focus on measuring GHG emissions that have already occurred. These assessments typically categorize emissions into three "scopes."



These methods are well-suited for commercialized companies that have a history of emissions, providing a retrospective view of their emissions impact. As such, investing strategies focused on mitigation through decarbonization and Net Zero will focus on Scope 1-3 emissions. This type of assessment is also often referred to as a company's "carbon footprint."

For startups or emerging technologies that may not yet have significant operations or emissions, these backward-looking approaches are often a poor fit. Instead, **forward-looking GHG impact assessments** are used. These assessments, sometimes called climate impact potential or emissions reduction potential, estimate the future climate impact of a company or technology.



This approach is particularly valuable for guiding investment decisions, focusing on their future contributions to a low-carbon economy. For more information, see the Project Frame Methodology: Evaluating Greenhouse Gas Impact for Early Stage Investments.

Backward-Looking vs. Forward-Looking Assessments
(cont'd)

The following table compares backward-looking and forward-looking GHG impact assessments, highlighting their key components, uses, and relevant standards.

	Backward-Looking	Forward-Looking
Definition	Assessment of the amount of greenhouse gases produced directly and indirectly from a business's or organization's activities. Can be measured independently or relative to another company or scenario.	Assessment of the potential greenhouse gas impact of a technology, business, or investment by estimating future emissions reductions compared to a counterfactual scenario. Uses modeled projections, scenario analysis, and system-level considerations to evaluate the anticipated climate benefit of innovations and emerging solutions.
Includes	• Carbon Accounting: Scope 1, 2, 3 • Carbon Inventory (or GHG Inventory) • Carbon Footprint • Life-Cycle Assessment (LCA) • Realized Impact / Avoided Emissions	• Potential GHG Impact • Planned GHG Impact
Uses	• Identify large emitters of GHG • Establish baselines, goals, and targets for reductions • Track GHG emissions and understand trends • Meet reporting requirements • Measure annual reductions • Regulatory compliance	Evaluate potential benefits to inform investment decisions or to understand trade-offs
Units of Measure	Tons or metric tons of CO_2e (ideally distinguished by emissions type)	
Standards and Frameworks	• GHG Protocol • World Business Council for Sustainable Development (WBCSD) • ISO 14064 (GHG Inventory) • ISO 14040 (LCA)	Project Frame

For an in-depth description of how backward and forward-looking assessments relate to each other and where each fits within an investor's evaluation toolkit, see How Mitigation Assessment Types Fit Together in the appendix.

Worksheets & More

This section includes two sample diligence roadmap worksheets: one for mitigation and one for adaptation & resilience (A&R).

These templates give practitioners a structured starting point for conducting climate-focused impact diligence, helping them capture key assumptions, map impact pathways, and evaluate risks and co-benefits. They are compiled here in full so readers can easily access, review, and adapt them for use in their own processes.

Download Worksheets

Diligence Roadmap: Mitigation

Overview

Solution(s) Describe the climate solution		
Sector(s) In what economic sector(s) does the solution operate?		
Impact pathway Explain the logical mechanism for how an enterprise generates impact via a given climate solution		
Other applicable solutions (not included in model): Are there non-climate applications to this technology? How does investment in the company affect the deployment of those applications?		
Experts Document the expert individual(s) consulted for this analysis. Prioritize available evidence, ideally peer-reviewed literature and meta-analyses, before seeking input from individual experts.	**Name**	
	Title & Organization	
	Reason for Inclusion	
	Email Contact	

Diligence Roadmap: Mitigation (continued)

GHG Model

Serviceable Addressable Market (SAM)
The portion of the Total Addressable Market that can realistically be reached

Unit of Deployment
What is the unit of analysis?

Incumbent Displaced
Type of product or service the climate solution is replacing (e.g., internal combustion vehicles)

GHG effects (positive or negative)
Select from the listed options

Raw Materials | Manufacturing | Distribution | Use | End of Life | Other

Emissions Reduction Logic
Sum of all effects

Unit Impact =

Scenario parameters
Include any available links to references for selected values

	Low-Impact Scenario	Default Scenario	High-Impact Scenario
Parameter 1			
Parameter 2			
Parameter 3			
Etc.			

Key assumptions (if not varied in scenarios)
See provided list for example assumptions

Market size (static, or changing over time)

Market penetration speed

Emissions intensity of solution

Emissions intensity of incumbent

Initial deployment year

Diligence Roadmap: Mitigation (continued)

Non-Climate Impact

What is the counterfactual? What would likely happen in the absence of this solution, beyond greenhouse gas emissions?		
Are there applications of the solution beyond what's being assessed? Consider the potential co-benefits and risks of harm presented by the solution	**Potential Co-Benefits**	
	Potential Risks of Harm	

Diligence Roadmap: Adaptation & Resilience

A&R Outcomes	Enabling or Adapted Investment	Example of Investment Types	Aspect of A&R Impact Addressed	Output-Level A&R Metrics Focus on scale	Outcome Level A&R Metrics More depth required	Example Indicators from Other Sources
Increased provision of adaptation and resilience solutions (technologies, products or services)	Enabled Adapted		People			
	Enabled Adapted		Planet			
	Enabled Adapted		Economy			

Download Worksheets

Ideal Skills Required to do this Work

Skills for IMM in Climate Impact Investing	
For All Impact Objectives	• **Impact Investing Fluency**: Understanding of investment strategies, deal structures, and portfolio dynamics • **Familiarity with IMM Standards**: Experience applying core IMM frameworks like IRIS+, Impact Principles, etc. • **Communication & Reporting**: Ability to synthesize technical impact data into investor-friendly narratives and decision-making tools • **Systems Thinking**: Ability to understand interconnected environmental, social, and economic factors and how changes in one part of a system creates intended and unintended ripple effects
Mitigation	• **Climate Science Literacy**: Understanding of GHG emissions sources and solutions • **GHG Accounting**: Familiarity with carbon accounting frameworks like GHG Protocol, PCAF, etc. to assess organizations' emissions • **Forward-looking Impact Assessments**: Understanding of and ability to conduct forward-looking impact assessments using relevant tools and methodologies • **Lifecycle Assessment (LCA)**: Ability to assess environmental impacts across a product's entire lifecycle to find opportunities for reducing emissions and improving efficiency
Adaptation & Resilience	• **Climate Risk Analysis**: Understanding physical climate risks (flooding, heatwaves, etc.) and how they affect different populations, sectors, and regions • **Stakeholder Engagement & Equity**: Experience ensuring solutions prioritize vulnerable communities and ecosystems • **Understanding of infrastructure investments** • **Climate Science Literacy**

Regulatory Compliance Requirements

As countries work to implement policies supporting net zero commitments, governments are introducing new legislation and reporting guidance to foster a more transparent and accountable ecosystem for companies and investors. The table below highlights a select set of prominent regulations from the EU, United States, and Australia as representative examples. These are included for their relevance and influence, but users should consult local guidance for jurisdiction-specific requirements. In addition, individual states or countries may have additional climate-related disclosure rules that operate alongside national or regional standards.

Regulation	Country	Synopsis	Responsible
Sustainable Finance Disclosure Regulation (SFDR)	European Union	SFDR 2.0, a significant revision, was proposed by the European Commission in November 2025. The revision shifts from a disclosure-based system to a simpler three-tier product categorization (Transition, ESG-Basics, and Sustainable) requiring sustainability-related funds to meet at least 70% portfolio alignment with the stated objective. It combats greenwashing by restricting the use of ESG or impact-related terminology in marketing to only those products that officially meet the new classification criteria.	Financial market participant/asset manager Based in the EU
Securities and Exchange Commission (SEC) Climate Disclosure Rule (Postponed)	United States	Intended to go into effect December 31, 2025, certain US issuers would be required to report their material climate risks, Scope 1 & 2 emissions, and climate targets. The requirements align heavily with the Framework created by the Taskforce for Climate-Related Financial Disclosures (TCFD). However, implementation of the rule is currently on hold pending litigation, and its future remains uncertain.	Large Accelerated Filers and Accelerated Filers (U.S. Securities and Exchange Commission)
Australian Securities and Investments Commission (ASIC)	Australia	As of January 1, 2025, filers are required to report the entity's material climate-related financial risks and opportunities; the entity's metrics and targets for the financial year relating to climate that are required to be disclosed by the sustainability standards, including in relation to scope 1, 2 and 3 emissions of greenhouse gas; and any information about the entity's governance, strategy, or risk management in relation to these risks, opportunities, metrics and targets (Australian Securities & Investments Commission).	Large Australian Businesses and Financial Institutions

Comparison of Key Climate Reporting Disclosures

Source: David Carlin, originally visualized by Sightline Climate.

The table below provides a comparison of key climate reporting disclosures. This builds on the previous table of select national regulations by showing how major global reporting frameworks align, or differ, in their scope, metrics, and requirements for climate-related disclosures.

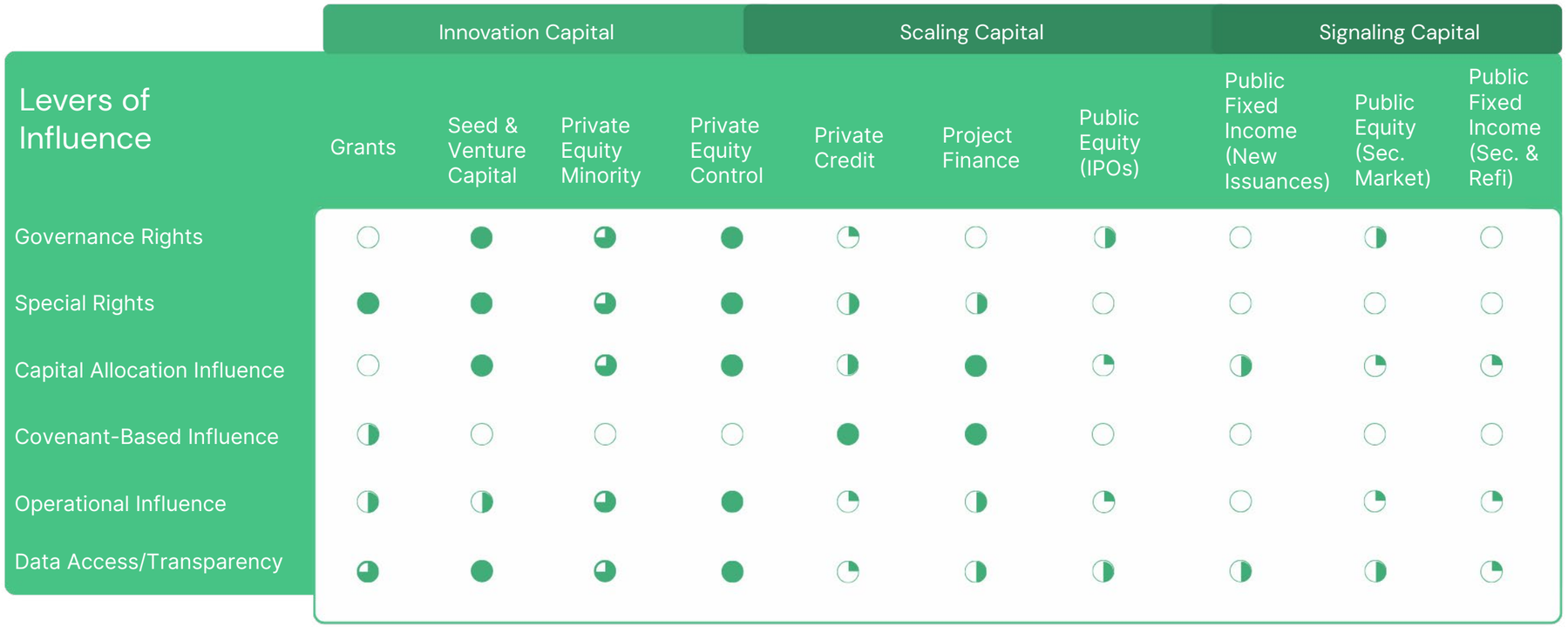
	ISSB IFRS S1 + S2	EU CSRD/ESRS	US SEC Rule
Region	Worldwide (adoption dependent on individual states)	EU	US
Developed by	International Financial Reporting Standards Foundation (IFRS)	European Financial Reporting Advisory Group (EFRAG)	United States Securities and Exchange Commission
Initial filing year	2024	2024	2025 for climate risks; 2026 for emissions
Breadth	Environment, Social, and Governance, all Sustainability	Environment, Social, and Governance, all Sustainability	Climate only
Treatment of specific topic	Broader sustainability covered in IFRS S1, climate-specific disclosures in IFRS S2	Two general sustainability reporting standards and ten issue specific reporting standards (5 environmental, 4 social, 1 governance)	Single climate standard
Relationship to TCFD	Closely aligned to TCFD in structure. IFRS S2 is the direct successor of TCFD. Builds on TCFD in terms of depth and guidance.	Broadly aligned to the elements and recommendations of TCFD, but recommendations are structured differently. Builds on TCFD in terms of depth and guidance.	Broadly aligned to the pillars of TCFD, but recommendations are structured differently. Not all TCFD recommendations required.
For whom	For profit-oriented entities, including public sector business entities, dependent on local jurisdictional adoption	All entities subject to the EU CSRD ultimately nearly all sizable EU entities and certain non-EU entities	Initially, only large accelerated listed entities
How many filers	TBD based on local jurisdictional adoption	Ultimately >50,000	Presently <10,000
Safe harbor provisions for SMEs	Yes, delayed phase-in	Yes, delayed phase-in	Yes, TBD on SME requirements
Disclosure	Single materiality (financial)	Double materiality (both financial and impact). Specific disclosures are required based on materiality	Single materiality (financial)
Emissions scope required	Scopes 1, 2, and 3	Scopes 1, 2, and 3	Scopes 1 and 2 if deemed material
Scenario analysis	Required to assess the resilience of the business strategy	Required to assess the resilience of the business strategy	Not required, unless conducted and deemed material by the filer
Executive compensation	Requires disclosure of executive compensation linked to climate related issues	Requires disclosure of executive compensation linked to climate related issues	Does not require disclosure of executive compensation linked to climate-related issues

Differences by Asset Class

Levers of Influence

An investor's ability to influence outcomes can vary drastically across asset classes, largely as a function of their proximity to the underlying investment decisions and activities. For example, influence tends to diminish as capital becomes more intermediated (e.g., LP investments) and increase with direct ownership combined with the amount of investment made.

While not specific to climate impact, awareness of these "levers of influence" can help investors understand the most effective ways to shape impact performance within a portfolio. In the diagram below, each circle indicates the potential for influence in that respective category, with fully shaded circles representing maximum influence, and empty circles indicating little to no influence.



For resources that provide in-depth guidance specific to asset classes, see the Table of Practitioner-Recommended Resources.

Governance Rights

Governance rights refer to formal control mechanisms such as *board seats, voting rights, and veto powers*. These rights enable investors to embed sustainability practices into strategic decisions, ensure accountability, and influence the long-term direction of a company or project. In **private markets,** investors with controlling or significant ownership can directly influence business strategy, management decisions, and oversight processes to advance impact goals. For **public equity**, while investors typically do not have controlling ownership, they can still exercise influence through *proxy voting* and shareholder resolutions to encourage improved corporate behavior. **Grants and public fixed income** generally do not offer governance rights, though large fixed-income holders may exert some influence over issuers.

Special Rights

In **private markets** and **grantmaking**, investors and funders can negotiate a range of special rights to enhance influence and ensure alignment with impact goals.

Common examples include:

- *Side letters* that secure customized commitments (e.g., impact reporting, participation in strategic planning);
- *Information rights* for ongoing access to performance and impact data;
- *Observer rights* to attend board meetings;
- *Exit provisions* that protect mission integrity;
- *Performance-based incentives*, such as impact-linked carry or pricing adjustments.

These mechanisms allow investors to embed impact accountability directly into deal structures, leveraging contracts rather than ownership control. Because public securities are regulated and widely held, investors in those markets cannot negotiate bespoke terms.

Data Access and Transparency

Data access reflects how much visibility an investor has into underlying performance metrics, particularly those related to impact. High-quality data is essential for monitoring outcomes, ensuring accountability, and aligning capital with sustainability goals. **Private equity** investors—especially those in control positions—typically have the highest level of access to performance and impact data, allowing for close alignment with sustainability goals.

Covenant-Based Influence

Most relevant in **private credit**, covenants are contractual clauses embedded in financing agreements that define specific requirements, restrictions, or triggers the borrower must comply with. These can be financial, operational, or impact related. Covenants provide a formal and enforceable mechanism for investors to ensure that the use of capital aligns with impact goals, especially when they lack equity control. While this lever of influence may exist in **blended finance** and **grant** structures, it is typically tailored and project-specific. Covenant-based influence is generally not applicable to **private equity** or **public equity**, with the only exception in public markets being public fixed income, where bond covenants may impose limited financial restrictions on the issuer.

Operational Influence

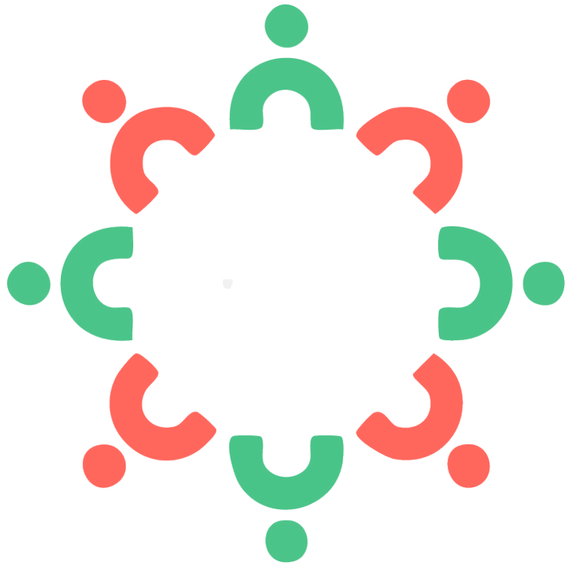
Operational influence represents the degree to which an investor can affect day-to-day operations, such as *hiring practices, supply chain management or type of vehicles used*. This lever is often more available in **private markets** and is critical for driving measurable operational improvements in impact performance.

Capital Allocation Influence

Capital Allocation Influence captures the investor's ability to direct how a company's capital is used—whether toward specific projects, business lines, or geographies. In impact contexts, this influence can steer funding toward certain climate solutions or underserved markets. Compared to other asset classes, **private equity** as a whole tends to offer greater levers of control, allowing investors to directly align capital deployment with their financial or impact objectives. However, within **public fixed income**, use-of-proceeds bonds—particularly those labeled as green, social, or sustainability bonds—also provide a meaningful degree of influence. Investors can engage with issuers and underwriters to help shape frameworks that define eligible allocations, ensuring proceeds align with desired impact outcomes.

Conclusion

Climate impact investing is a rapidly evolving field, and the solutions we need to meet the climate challenge require capital, surgically deployed through coordinated action, collaboration, and ongoing learning. This Playbook is designed as a practical guide to help accelerate market and philanthropic investors' ability to integrate impact measurement and management into their climate investment strategies today, while also signaling the importance of supporting broader field-building efforts like knowledge sharing, elevating best practices, and advancing climate justice. We encourage readers to actively apply this Playbook in their own work, engage with their broader community, share insights, and contribute to the ongoing evolution of these resources, recognizing that collective action and continuous improvement are essential to scaling effective climate solutions.



By doing so, **together** we can break down silos and strengthen the ecosystem that enables long-term, **systemic impact** across the climate impact investing landscape.

Appendix

About Climate SMILE and Prime Coalition

CLIMATE SMILE

The Climate SMILE (Strategy, Monitoring, Impact, Learning, and Evaluation) initiative, a fiscally sponsored project of RF Catalytic Capital, Inc. (RFCC), is a community of practice that brings together practitioners working in climate philanthropy. It aims to reshape the evidence, knowledge, and learning ecosystem in climate philanthropy to accelerate innovation, scaling, and collective impact at the pace that is needed to address the climate crisis. We do this by boosting the ability of the climate philanthropic ecosystem to produce and access evidence and knowledge of what works and what does not to address climate change.

PRIME

Prime Coalition is a U.S.-based 501(c)3 public charity that empowers philanthropists to advance untapped climate solutions with speed and scale. Since 2015, Prime has mobilized over $312 million in catalytic capital, unlocking $2.2 billion in commercial investment into climate solutions. Prime accomplishes this by building catalytic investment opportunities for capital gaps that no one is already addressing, such as our venture capital programs, Prime Impact Fund and Azolla Ventures Fund I, and Trellis Climate, which accelerates the deployment of first-of-a-kind (FOAK) climate projects. Prime is also expanding our catalytic capital platform and is market testing a curated docket of the highest and best uses of catalytic capital in climate. Our evolution will allow us to expand our scope beyond emissions reduction in North America, build partnerships in other regions, and place greater emphasis on adaptation and resilience alongside climate change mitigation. Within its knowledge sharing programs, Prime convenes Project Frame, representing 400 investment management firms and climate experts, the free and open-access CRANE tool, and the Catalytic Capital Intermediation Resources Library. These programs promote alignment among investors, commercial and catalytic, around best practices in climate impact assessment.

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How Mitigation Assessment Types Fit Together

While backward- and forward-looking assessments differ in purpose and method, together, they form a continuum from measuring current emissions to estimating the potential impact of future solutions. The table below, drafted by Project Frame, shows how these assessment types relate and where each of them fits within an organization's or investor's evaluation toolkit.

Table drafted by Project Frame, a program convened by Prime Coalition

	Greenhouse Gas Footprint		Avoided Emissions	
	Greenhouse gas footprinting is the exercise of accounting and reporting on the six greenhouse gases covered by the Kyoto Protocol (carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and sulphur hexafluoride (SF6)) with the purpose of preparing a GHG inventory that represents a true and fair account of a company's emissions through the use of standardized approaches and principles (GHG Protocol).		Avoided emissions, distinct and methodologically independent from greenhouse gas footprint, are the reductions in systemic emissions resulting from a project, product, or service (also referred to collectively as "climate solution") compared to a counterfactual scenario, or put simply, emissions reductions that would not occur should the project, product, or service in question not exist (Project Frame). Avoided emissions give an estimated emissions reduction in society due to the use of the solution and can occur both within the solution provider's value chain as well as outside it (WBCSD).	
Category	Realized GHG Corporate Footprint (Scopes 1, 2 and 3)	Scope 1, 2 or 3 Reduction (Realized reduction, forward-looking reduction)	Realized GHG Corporate Footprint (Scopes 1, 2 and 3)	Scope 1, 2 or 3 Reduction (Realized reduction, forward-looking reduction)
Description	This category encompasses the emissions from the operations, as well as products and services purchased or owned by a company or a financial institution. In the realm of financial institutions, operational emissions usually represent 1% or less of a financial institution's GHG footprint, with financed emissions (Scope 3 Category 15) usually making up the remaining 99% of the total footprint. Financed emissions encompass the GHG footprint of the organization's lending and investment activities (covers the following asset classes: listed equities, corporate bonds, business loans, unlisted equities, project finance, commercial real estate, mortgages and motor vehicle loans).	Taking a company's point of view, emissions reductions in Scopes 1, 2 and 3 occur only when the same company's emissions see a decrease in the same scope relative to previous years. This category also applies to financial institutions, either due to a decrease in operational emissions or financed emissions. A reduction in these scopes of emissions can be realized (achieved over a period of time) or forward-looking (through modelling the impact of specific actions taken to reduce a company's footprint).	Realized avoided emissions or realized GHG Impact is intended to serve as the most accurate representation or metric of a company's positive GHG impact within a designated market and historical timeframe. The solution and incumbent unit emissions should be validated with real-world data.	Both Planned Impact and Potential Impact estimate the future positive GHG impact or avoided emissions of a project, product or service. The first estimates what could realistically be achieved, considering unit impacts alongside detailed forecasts and/or installed base, and usually spans into a period of 5 to 10 years. The second is based on a standardized growth trajectory that assumes the proposed solution takes over the Serviceable Obtainable Market (SOM), and usually covers a longer time frame (i.e., "through 2050").
Purpose	**Inventory**: A GHG corporate footprint helps organizations understand and develop an inventory of emissions through the use of standardized approaches and principles. Organizations can also leverage the realized GHG corporate footprint data to indicate which levers exist and are most impactful towards achieving emission reduction goals.	**Understand realized improvements**: Data on Scope 1, 2 or 3 reductions help organizations understand their reduction trajectory within the value chain through the use of standardized approaches and principles that allow for direct comparison. This metric proves useful to assess the progress of "brown to green" transitions of hard-to-abate sectors but can also be used in other contexts. **Model future improvements**: Organizations with reduction targets or objectives may conduct forward-looking reduction assessments to understand the impact that certain actions will have on the reduction of their GHG footprint.	**Understand the achieved GHG impact to society of a product or service**: Organizations and investors can rely on this metric to assess the realized impact of projects, products or services (may also be referred to as "climate solutions") for several purposes, including but not limited to reporting, comparing realized results to predictions, or setting targets.	**Understand the potential impacts of a climate solution to society to inform financial decisions**: Investors should use this practice to assess the impact potential of a solution beyond an asset's direct footprint and examine the prospect of investing in them as a deliberate contribution to decarbonization.
Weakness	GHG footprints take an accounting approach, conveying a picture of the past. Additionally, Scope 3 has inherent uncertainties associated with indirect emissions, which exacerbates with the accounting of financed emissions given a higher degree of separation or data availability and consolidation issues.	The blurred lines between a footprint reduction and avoided emissions make the distinction of these categories challenging. Another layer of difficulty emerges when it comes to factoring in elements such as the use of proceeds, natural technological advance, national decarbonization trends, or boundary conditions, among others.	There are inherent limitations to the accurate measurement of avoided emissions, such as methodological subjectivities, limited comprehensive or LCA data, or the selection of counterfactuals from which avoided emissions are assessed. All the above may limit the validity of these results, making it difficult or almost impossible to draw apples-to-apples comparisons. Third-party verification is needed; however, the market for these services is nascent.	In addition to the weaknesses outlined for realized avoided emissions, forward-looking avoided emissions (both planned and potential) have an additional degree of uncertainty since they are the result of scenario analysis that may be realized in a different scale than the one initially intended or not realized at all. Investors should revisit unit impact and incumbent scenario impact on a regular cadence.

Company-specific

Intentionality towards overall emissions reduction

Appendix

Climate Change 101

Climate change refers to long-term shifts in temperatures and weather patterns. Since the 1800s, human activities have driven rapid and unprecedented changes to our climate, primarily (though not exclusively) through the burning of fossil fuels such as coal, oil, and gas. This has led to a sharp rise in greenhouse gas (GHG) emissions, which act like a blanket trapping heat inside Earth's atmosphere, and driving temperatures higher. Greenhouse gases are those that trap heat in the atmosphere, which include: carbon dioxide, methane, nitrous oxide, fluorinated gases, and water vapor. (EPA)

The Paris Agreement, adopted in 2015, set a goal of limiting global temperature rise to well below 2°C above pre-industrial levels while pursuing efforts to limit the increase to 1.5°C. The aspirational 1.5°C target has since gained greater emphasis, as more recent research established that surpassing 1.5°C significantly increases the risks of severe and potentially irreversible consequences. Today, the average temperature of the Earth's surface is already about 1.2°C warmer than it was in the late 1800s—the warmest it has been in at least 100,000 years.

While temperature rise is the primary measure of climate impact, because the Earth operates as a complex interconnected system, changes in one area inevitably affect others. The consequences of climate change now include, among others: intense droughts, water scarcity, severe fires, rising sea levels, flooding, catastrophic storms, and declining biodiversity—all of which in turn impact the natural systems upon which humanity depends.

These changes to Earth's systems result in a broad spectrum of impacts on humanity, including but not limited to:

- Decreasing crop yields
- Spread of infectious disease
- Water scarcity
- Economic costs and disruption
- Exacerbated inequality
- Displacement
- Increased risk of conflict

Glossary of Acronyms

CO_2e: Carbon dioxide equivalent
ESG: Environmental, social, and governance
GHG: Greenhouse gas
IMM: Impact measurement and management
KPI: Key performance indicator
LCA: Life cycle assessment
LP: Limited Partner
MRV: Monitoring, reporting, and verification
SAM: Serviceable available market
SOM: Serviceable obtainable market
VC: Venture capital

Want to learn more?

Access these free resources for further information on the science behind climate change and known solutions

UN environment programme
WORLD BANK GROUP
PROJECT DRAWDOWN