Private credit's next chapter: measurable impact

Private credit has become a vital source of capital for the real economy. As impact investing expands and frameworks mature, it is finding its way into every corner of financial markets, now reaching European private credit.

By *our editorial team*

The Global Impact Investing Network (GIIN) estimates the market exceeds $ 1.57 trillion in AUM worldwide[1]. This growth reflects more than a new label. It signals a shift towards deploying capital to deliver both financial returns and social or environmental goals.

To see what this looks like in practice, we spoke with Niamh Whooley of Pemberton Asset Management, a European multi-strategy private credit manager. The firm developed its impact approach in close dialogue with institutional investors, including Dutch pension funds, integrating themes such as climate, healthcare, biodiversity and sustainable food systems into its private credit investments.

What inspired you to take the step towards dedicated impact investing in private credit?
'We have always believed that responsible investing is about more than just managing ESG risks, there is also an opportunity to create positive outcomes. As the European private credit market has matured, so too has the opportunity to be more deliberate about where capital flows. Investor feedback helped turn that ambition into an approach tailored to direct lending, with Pensioenfonds PGB in particular challenging us to adopt best practice impact frameworks across our investment process. With support from expert impact advisor Bridgespan, we built an approach fully embedded in our underwriting, ensuring impact is intentional and measurable at every step.'

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What does 'tailored to direct lending' mean in practice?
'It means our design starts from the realities of direct lending deal flow and tight underwriting timelines. Every prospective investment begins at sourcing, with European origination teams screening opportunities for alignment with our four core themes. The result preserves the rigour of credit discipline while adding a layer focused on outcomes that address global challenges, including climate change, healthcare access, biodiversity loss and sustainable food systems. A 'do no significant harm' assessment follows, flagging risks such as pollution, labour rights issues, or governance weaknesses. This step is designed to avoid 'impact offsetting' where a borrower may have a compelling positive proposition in one area, while creating negative externalities in another.

For those that progress, we run impact due diligence using our proprietary scorecard, anchored in the five dimensions of impact: What, Who, How Much, Contribution, and Risk. Investors value this approach because it is comparable across investments and asset classes. In healthcare, for example, we look for evidence that a business improves patient outcomes, either through expanding access for underserved groups, lowering costs, or delivering measurable health gains. We evaluate who benefits, the depth of the benefit, and whether impact goes beyond business as usual. In short, we apply impact with the same rigour as financial underwriting.'

How do you separate impact from traditional ESG, and are there shared challenges?
'We do not see ESG and impact as separate tracks. Rather, we are building on a strong ESG foundation. In private credit, downside protection is paramount, so robust ESG sits at the core of underwriting and portfolio monitoring. Impact

is an intentional, additional layer on top, focused on identifying, delivering, and measuring positive outcomes alongside financial performance.

There are shared challenges, particularly around data availability and quality in private markets. Reliable, decision-useful data is essential for both ESG risk management and credible impact measurement. To address this, our company introduced its annual ESG Borrower Questionnaire in 2016 to collect ESG data systematically from private companies. In our latest climate resilience reporting, 82% of portfolio assets disclosed carbon data, a transparency level still uncommon in private markets.

Stewardship is also an important pillar of both ESG and impact. We engage borrowers in practical ways, including portfolio company workshops on topics like supply chain due diligence and carbon reduction guidance. Where possible, we link incentives to outcomes, for example using margin ratchets that adjust interest rates based on achieving agreed targets.

Finally, none of this works if it sits only with the Responsible Investing and Impact team. The impact framework has been embedded in the existing direct lending process, while Bridgespan analysts and associates worked alongside the company's investment team on impact analysis to support knowledge transfer.'

How do you balance financial returns with impact goals?

'The intention is not to treat impact and returns as mutually exclusive. The framework is built onto existing underwriting and monitoring processes and has been back-tested to ensure consistent application without compromising returns. This means impact assessment sits alongside financial analysis, rather than apart from it.'

Can you share a real-world example of impact measurement in your portfolio?

'Absolutely. Take Satlink, which helps protect marine life while boosting fishing efficiency. The company is a European leader in ocean technology and science, focused on the sustainable management of marine resources. Satlink develops technology and generates data that are essential for understanding the ocean ecosystem and addressing marine operational challenges. Its solutions serve more than 10,000 customers in over 130 countries, including leading companies in the marine and fisheries sectors, regulators, researchers, and NGOs.

A clear example of Satlink's impact is in fisheries management. The company equips fleets with technology that supports selective fishing, improves compliance, enhances transparency, and strengthens resource management. Using conservative assumptions in our modelling to capture both the reach and depth of impact, we estimated that Satlink's technologies have supported improved management practices across more than 20 million hectares of ocean. In fleets using its technology-enabled solutions, between three and seven times more bycatch (that is, accidental catches of non-target species) was detected than with traditional methods. This shows how innovation can deliver measurable environmental gains while improving operational performance.'

Are there any unique benefits to Impact Private Credit?

'Direct lenders play a vital role in financing Europe's more than 25,000 mid-market companies[2]. These privately owned businesses form the backbone of the European economy, driving growth, fostering innovation and underpinning economic resilience. According to the OECD's report, SMEs account for almost 65%[3] of employment in the Dutch non-financial business economy, highlighting their importance to local prosperity.

In a world grappling with accelerating environmental and social challenges, Europe's private mid-market companies are uniquely positioned to drive meaningful change. Their role in local economies can support targeted impact in areas such as healthcare in Europe, while some businesses can also contribute to broader global benefits, as in the case of Satlink and marine ecosystems. Direct lending provides the capital to scale these solutions, with positive outcomes embedded in these businesses' growth strategies.' ■

1 Data as of October 2024.
2 Pemberton estimates - with mid-market defined as companies with an EBITDA of €15-75 million
3 OECD's Financing SMEs and Entrepreneurs 2024 report

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SUMMARY

A maturing European private credit market and investor demand for stronger impact frameworks drives a shift from ESG to dedicated impact investing.

Investments are screened for themes such as climate, healthcare, biodiversity and sustainable food systems.

An evidence-backed, five-dimension impact scorecard drives rigorous impact due diligence.

ESG remains the risk-management foundation, while impact adds intentional, measurable outcomes alongside financial returns.

Impact assessment is integrated into standard underwriting and portfolio monitoring.