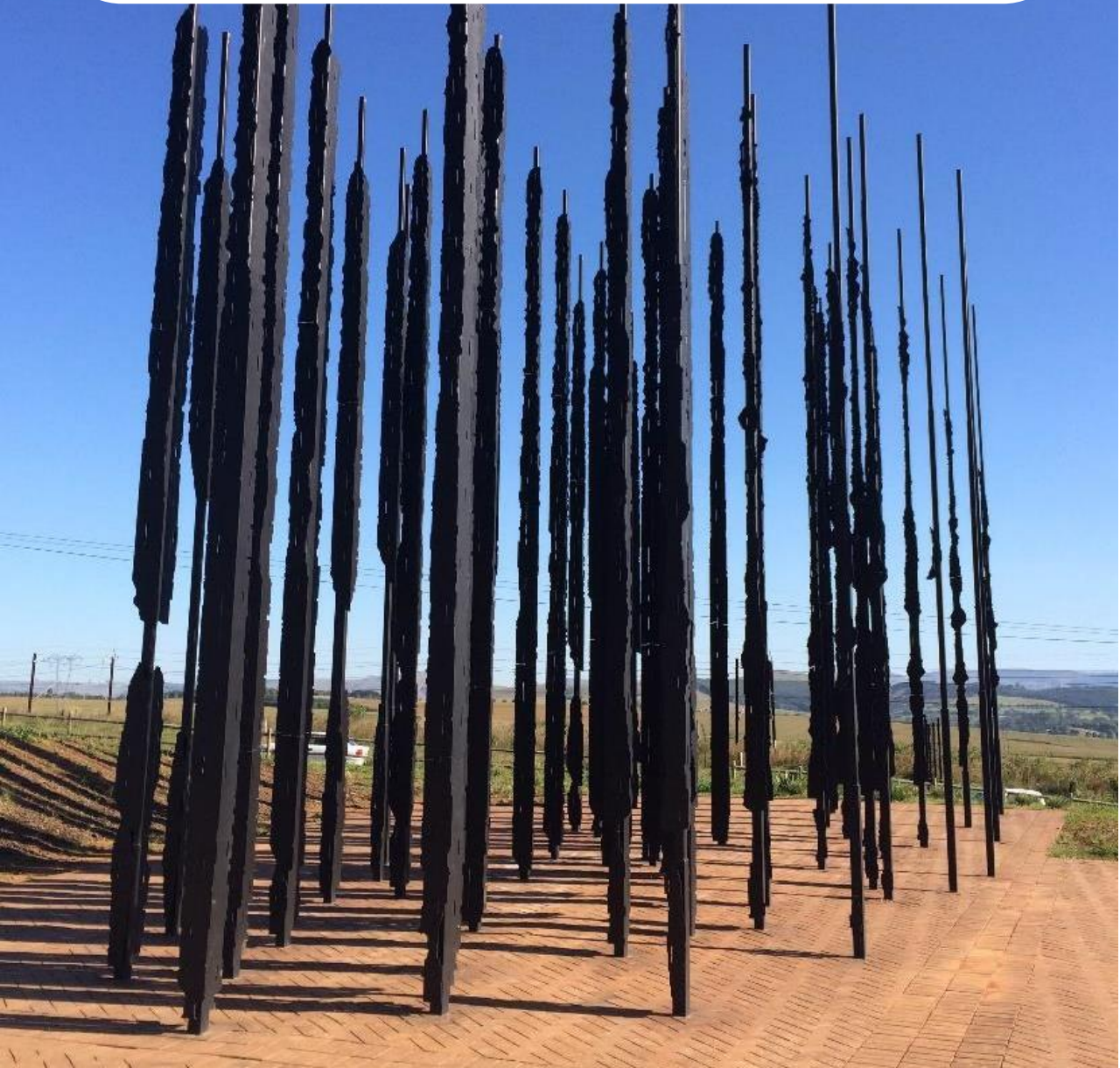


From interesting data...



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Karl H Richter
@KarlHRichter



From interesting data...

When viewed from the place of Nelson
Mandela's capture by the police

Place: 29°28'06.1"S 30°10'15.7"E

Date: 5 August 1962

50 columns, built 50 years after arrest

...to evidence with meaning

Be alert to different perspectives

**Sustainability (impact) is in the
eye of the beholder**

Fact ^(x1) + Interpretations ^(∞) = Insights ^(∞)

Context

- From measuring impact towards managing impact
 - From counting “what” happens to understanding “why” things happen*
 - The “why” informs “what” to measure, & “how” to measure it
 - Empowered to select indicators appropriate
- Ultimately – better judgement
 - From compliance...
 - > management information
 - > strategic decision making

* OECD: Outputs measure the results of production, outcomes assess the effectiveness of decision-making in achieving goals

Agenda

- i) What is impact investing?
 1. Different pathways
(6 strategies)
 2. A common journey
(1 process)
 3. Tool-kit of useful things
(methods & techniques, use according to your strategy)

What is
impact investing?

Sustainable Finance<>Impact Investing. What's the difference?

The media often uses the terms interchangeably, sometimes also with ethical/ responsible investing etc

Opinion **FTfm**

Impact investing must resolve its identity crisis

Investors are helping the poor as well as being offered risk-adjusted market returns



Dadtco Nigeria has developed a technology for growing and processing cassava in Africa © Adrien Barbier/AFP

MAY 1, 2018 by Wendy Abt

We know impact investing is a hot topic: chief executives of investment companies, celebrities and entrepreneurs talk about it at every opportunity. But outside of a few buzzwords — ethical, sustainable and so on — there is no consensus as to what impact investing is.

Consider a few numbers. A 2017 survey conducted by the Global Impact Investing Network reported **\$114bn** in assets under management. In 2017, the Sustainable Investment Forum estimated the global size at **\$22.9tn**. The two groups cannot be talking about the same things.

Vague definitions will lead to dashed expectations among investors. In some

* Updates:

- Impact Investing: \$228 billion in 2018, \$502 billion in 2019 (GIIN <https://thegiin.org/research-and-opinions/>)
- Sustainable Investment: \$30.7 trillion in 2018 (GSI, http://www.gsi-alliance.org/wp-content/uploads/2019/03/GSIR_Review2018.3.28.pdf)

Discrepancy:

200x (0.5%) *

Need to clarify definitions

Definitional characteristics *

For creating YOUR definition for profiling, segmenting and comparable analysis

1. Asset class

Equity

Debt

Underwriting

Entitlement/
rights

Direct holdings

Grants

2. Financial instrument

Stock, shares,
units

Loan, bond,
quasi-equity

Guarantee,
insurance

Social Impact
Bond, etc.

Cash,
commodities

Capital or
revenue grant,
debt relief

3. Stage of development

Maturity of investee organisation

Funding stage of investee

4. Thematic area

Type of activity

Target beneficiary group

Social concern

5. Legal ownership

Source of capital

Legal form of investee

Investment vehicle

6. Geography

...of capital owner

...of investment manager

...of frontline organisation

...of target beneficiary

7. Business model viability §

Full subsidy

Partial revenue

Preserve capital/
break-even

Below risk-
adjusted returns

Commercial risk-
adjusted returns

Commercial
windfall (alpha)

8. Methodological intensity †

Avoid harm

Want good

Get facts

Explain why

Assess effects

Interpret
meaning

Different pathways

1.

Different stakeholders have different needs

I am an
institutional
asset owner

I am a
fund
manager

I am a
foundation

I am a
faith-based
investor

I am a
policy
writer for
the public
sector

I am a
corporation
listed on a
stock
exchange

I am a
private
investor

I am a
venture
philanthropist

I am an
NGO/ NPO
charity

Definition of sustainability (impact) + purpose for data = methodology

Less intense

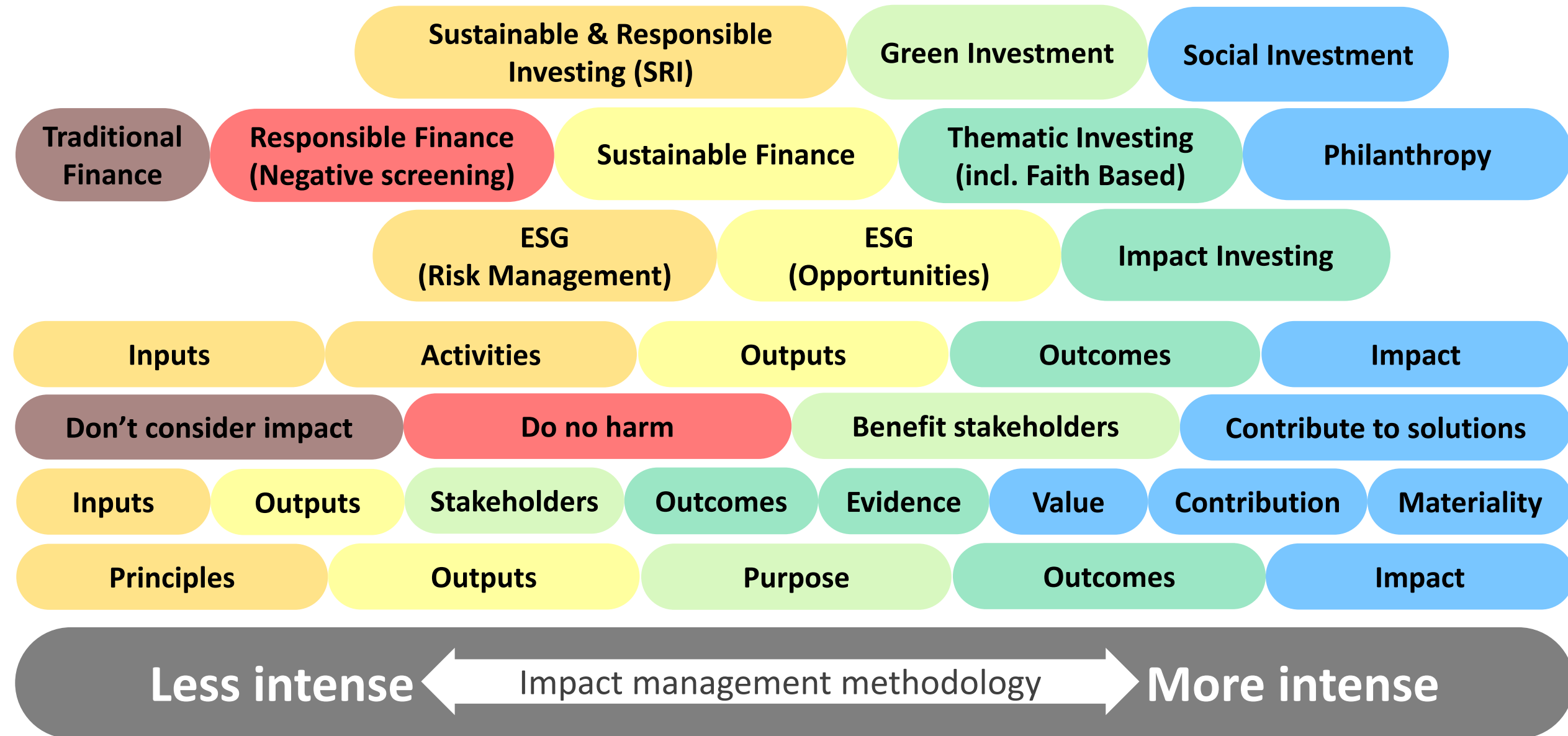
Impact management methodology

More intense

Prescriptive requirements/ standardisation/ factual (x1)

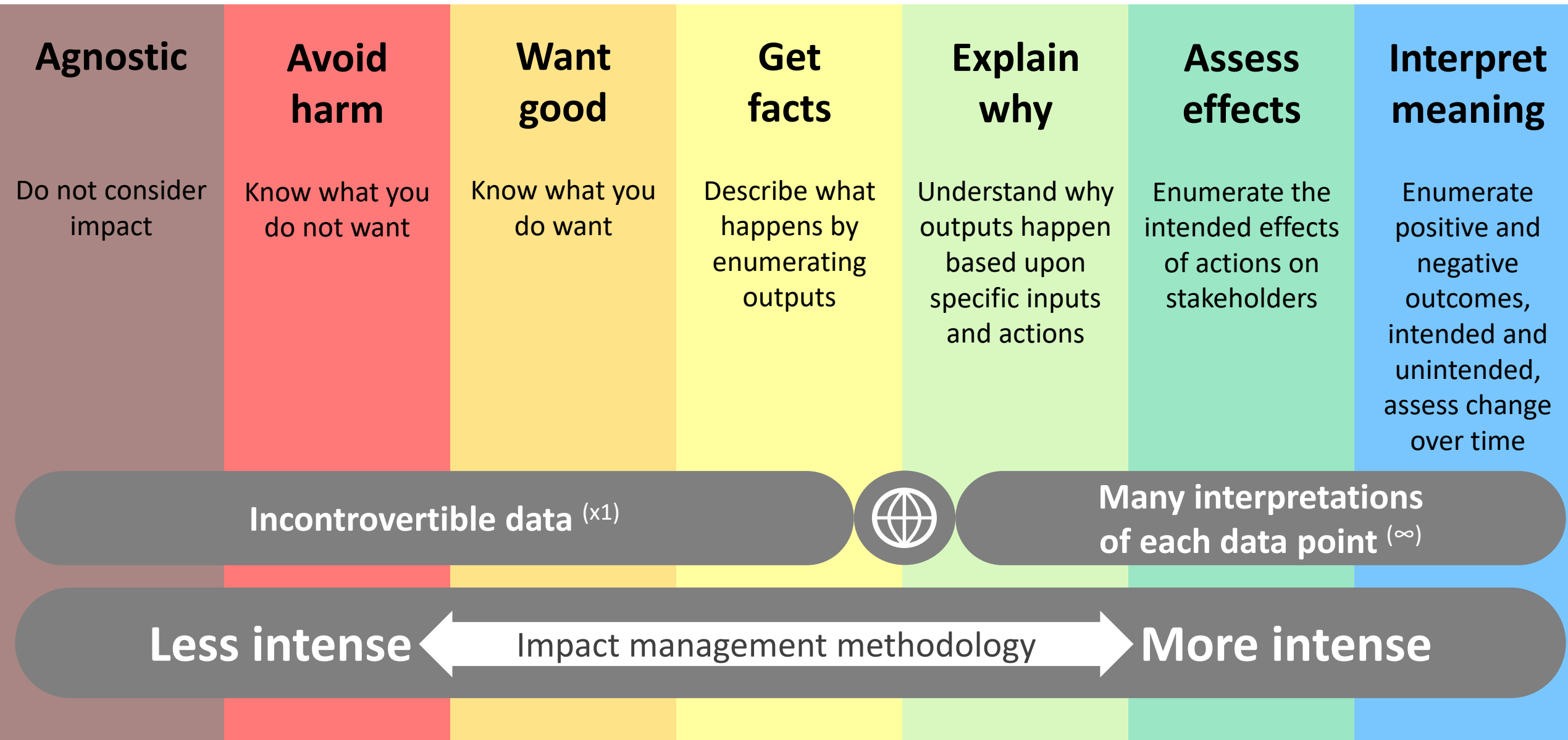
Descriptive specification/ customisation/ interpretive (∞)

Spectrum of capital (...or management mandates?)



Discrete pathways for the impact management journey

Select the pathway that suits your definitional framework and mandate for impact management



Pathways of methodological intensity

Different levels of resource (time, money) and expertise required

Agnostic

**Avoid
harm**



**Want
good**



**Get
facts**



**Explain
why**



**Assess
effects**

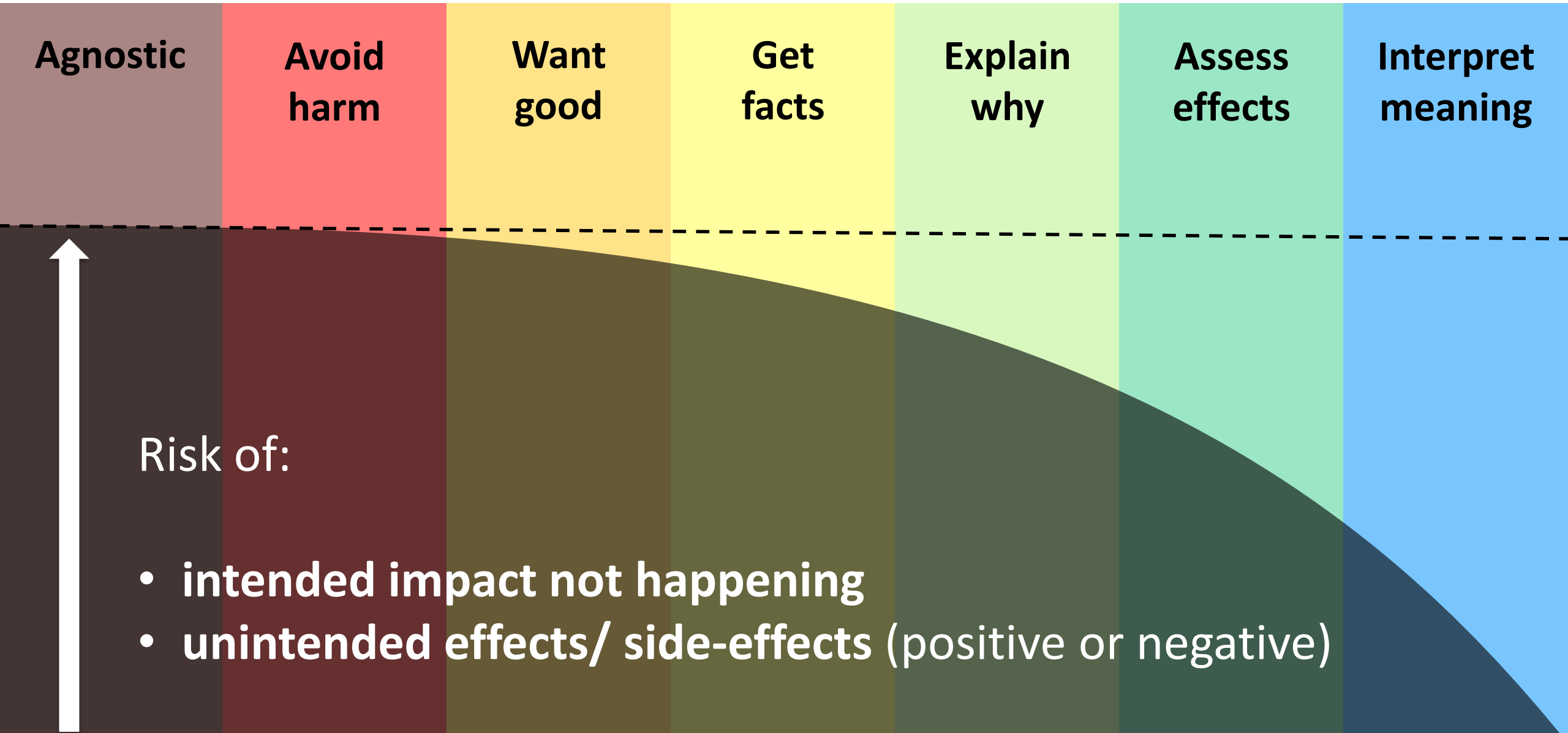


**Interpret
meaning**



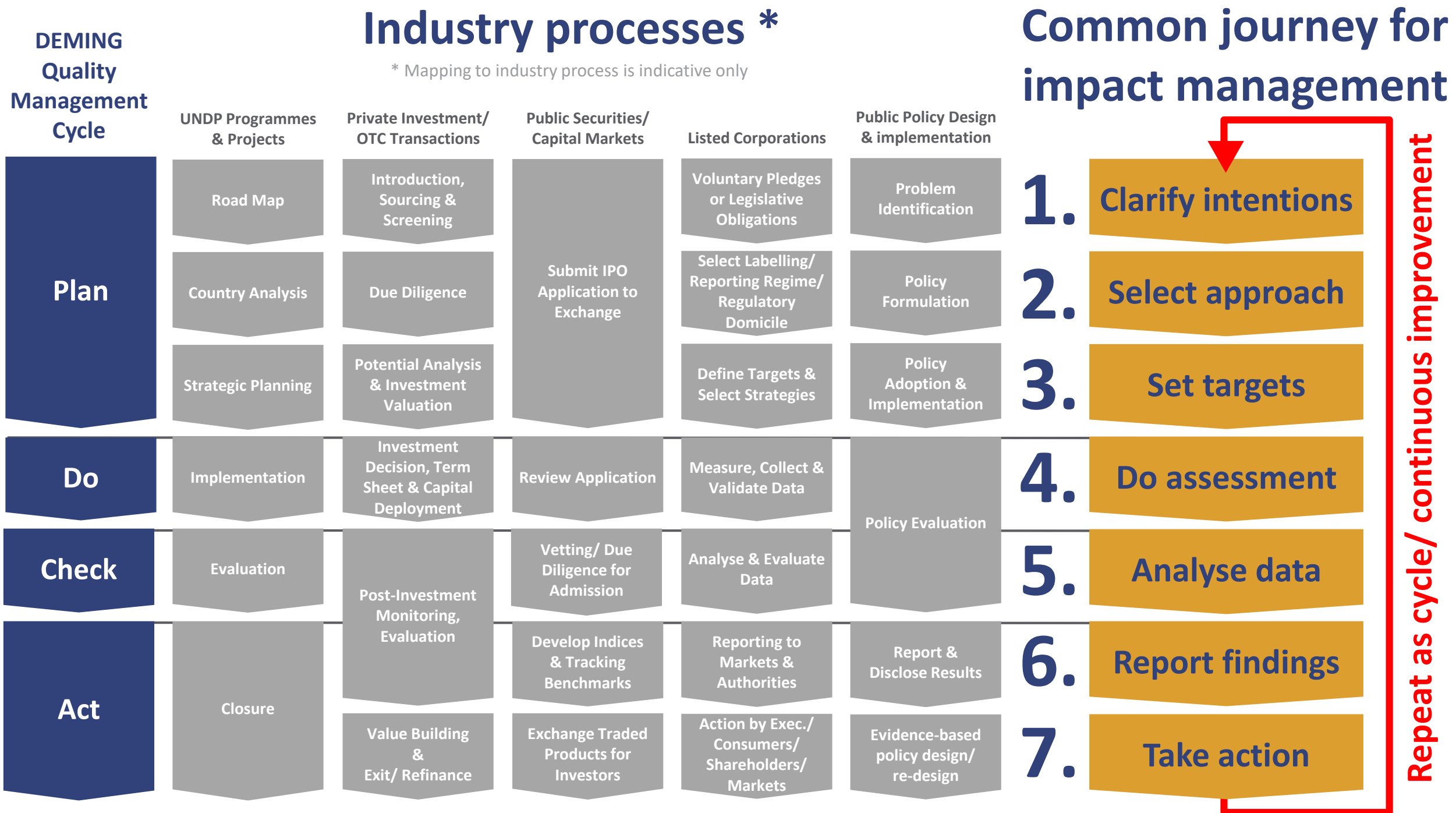
Impact risk

(pathways signal process rigorous – not amount of positive or negative impact)



A common journey

2.



Industry processes *

* Mapping to industry process is indicative only

Common journey for impact management

Pathways of methodological intensity

Different levels of resource (time, money) and expertise required

Agnostic

**Avoid
harm**

**Want
good**

**Get
facts**

**Explain
why**

**Assess
effects**

**Interpret
meaning**

Clarify
intentions

Select
approach

Set
targets

Do
assessment

Analyse
data

Report
findings

Take
action



Example application - a rubric for practical action



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1. **Definitional framework > Market Segmentation**
2. **Common Processes > Quality Assurance**
3. **Common Functionality > Software (Assisted workflows)**
4. **Basis for Data Interoperability > Reporting Rigour**
5. **Resource Allocation > SDG Prioritisation**

Tool-kit of useful things

3.

Methods & techniques

(Cumulative)

Agnostic

**Avoid
harm**

**Want
good**

**Get
facts**

**Explain
why**

**Assess
effects**

**Interpret
meaning**

Exclusion criteria (negative screening)

Inclusion criteria (positive screening/ activity filters/ goal alignment)

Principles (norms)

Labels & certifications (binary pass-fail)

Ratings & indices (absolute score/ relative ranking)

Track KPIs against targets (outputs/ primary impact)

Theory of causation

Appraise decision-making

**Deep
analysis**

Methods & techniques

(...continued)

Agnostic

**Avoid
harm**

**Want
good**

**Get
facts**

**Explain
why**

**Assess
effects**

**Interpret
meaning**

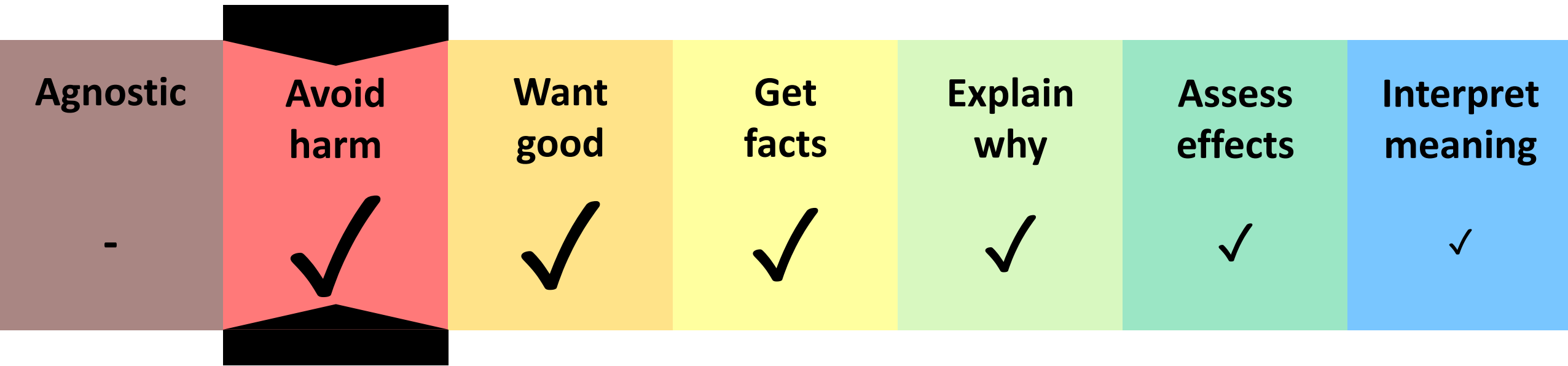
General considerations – burden of proof

- **Levels of Evidence**
(Anecdotal <> Scientific)
- **Self reported or 3rd Part Assurance**
(e.g. Green Bonds)



Methods & techniques

(...continued)



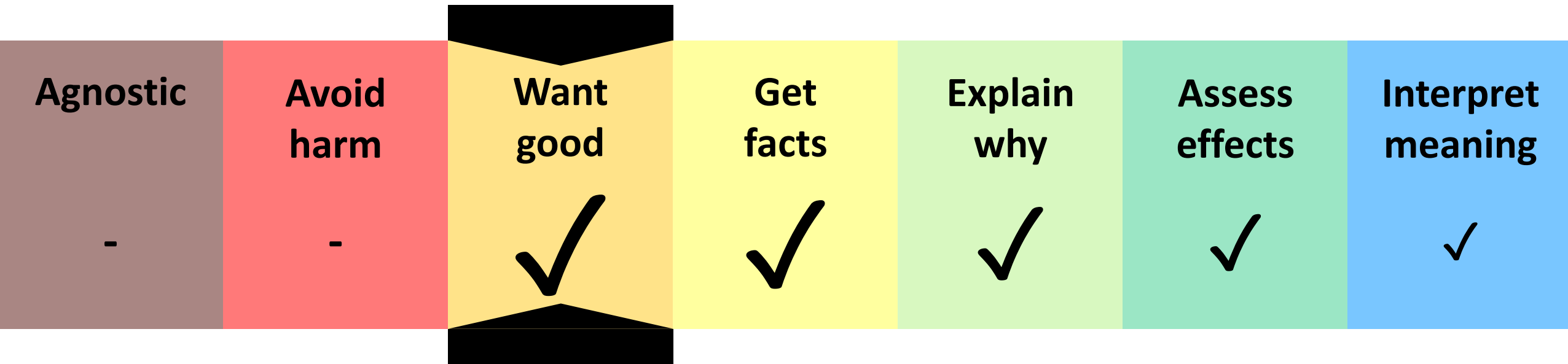
Exclusion criteria

- Negative screening



Methods & techniques

(...continued)



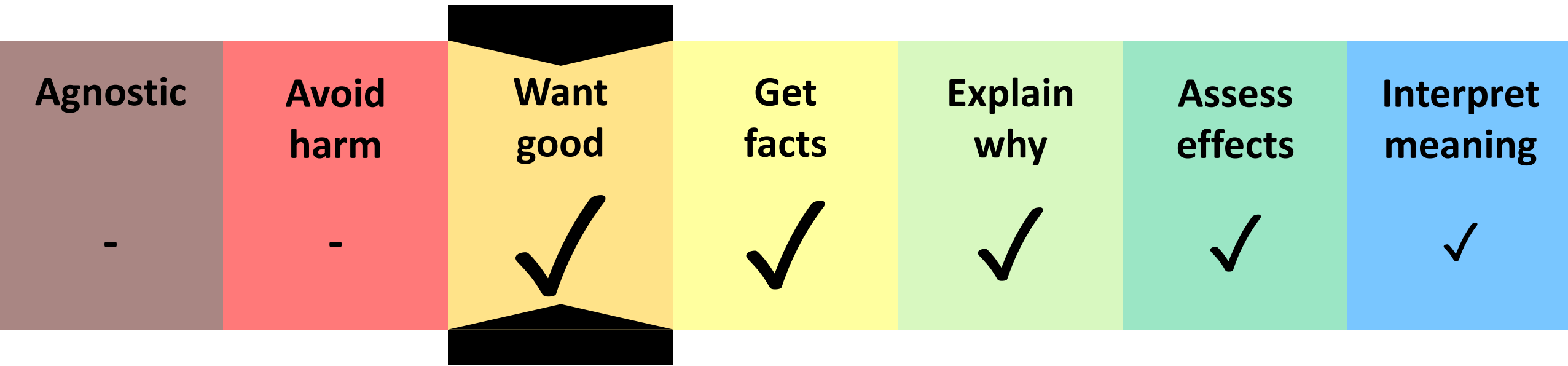
Inclusion criteria

- Positive screening
- Activity filters
- Goal alignment



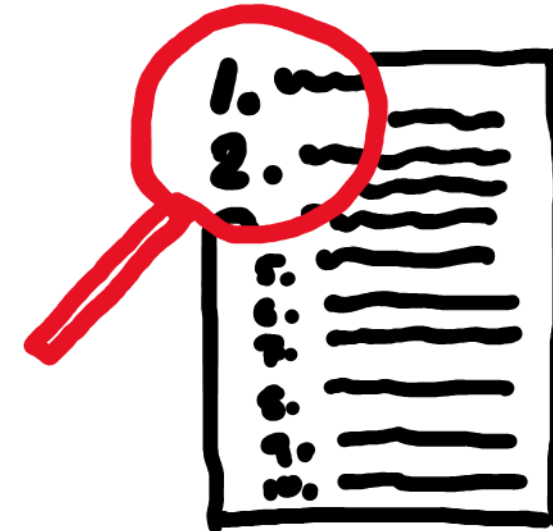
Methods & techniques

(...continued)



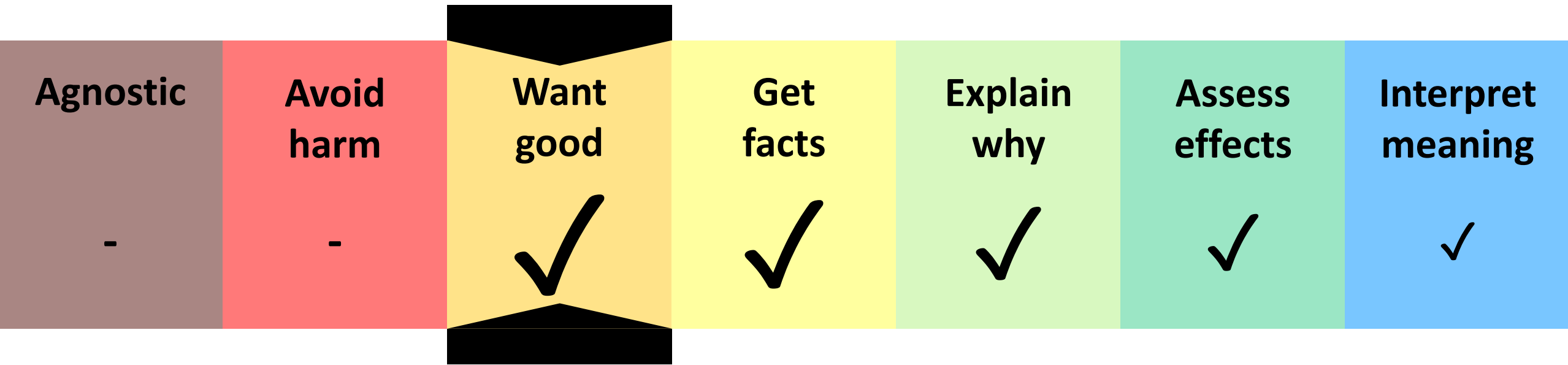
Adhere to principles

- Norms & conventions
- Best practices to consider ESG issues
- Commitment to disclose / report



Methods & techniques

(...continued)



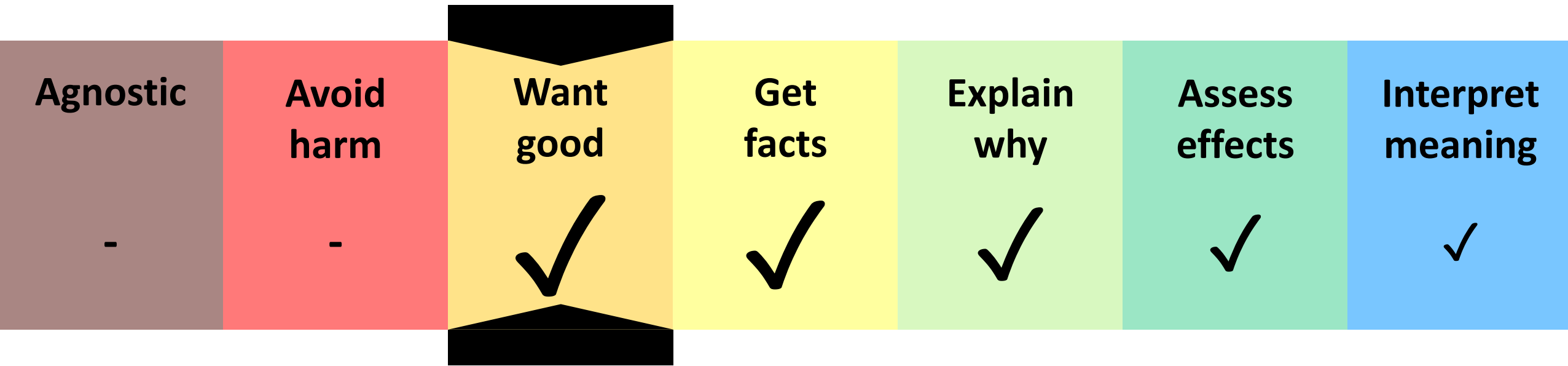
Labels & certifications

- Binary pass-fail



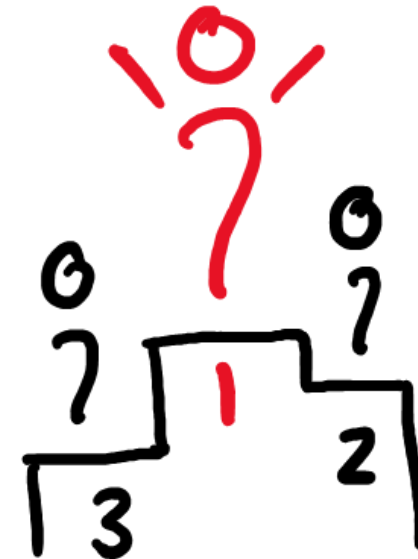
Methods & techniques

(...continued)



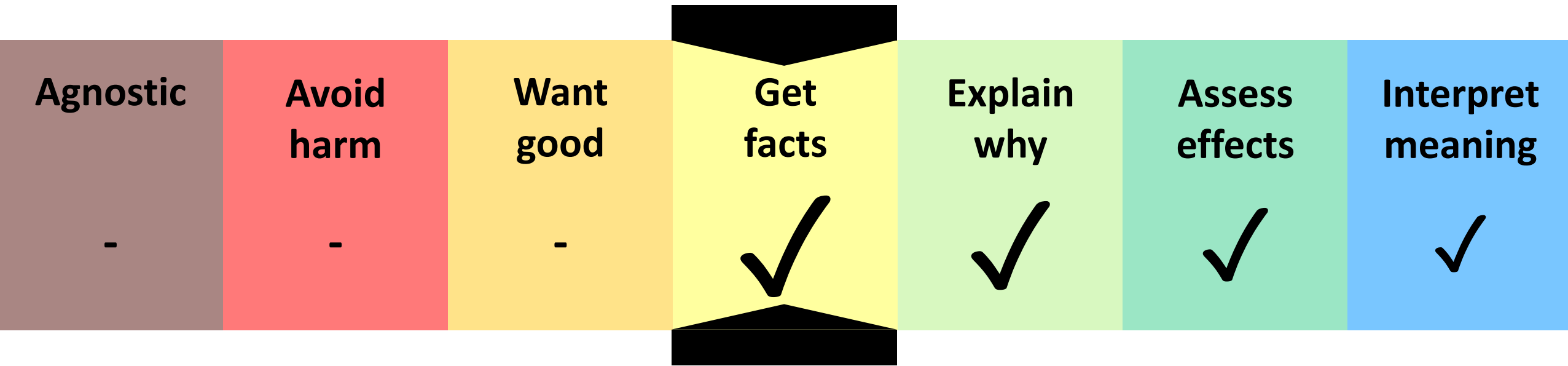
Ratings or indices

- Absolute score
- Relative ranking



Methods & techniques

(...continued)



Track KPIs against targets

- Outputs
- Quantitative or qualitative



(...continued)



Avoid harm

**Want
good**

Get facts

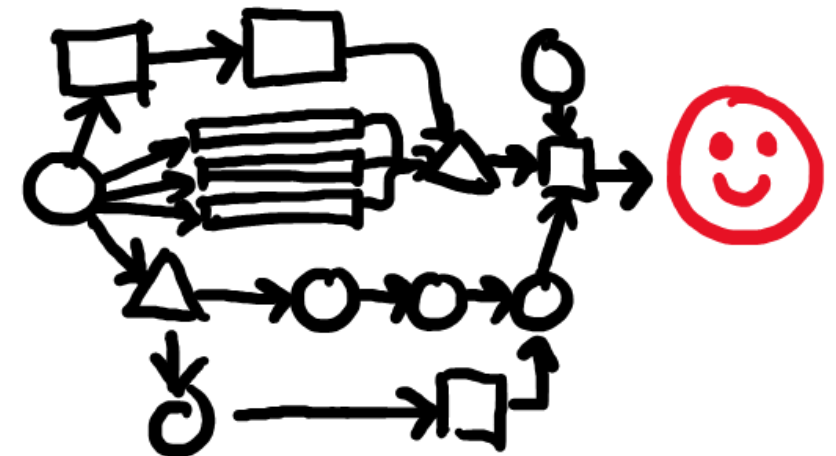
Explain why



- **Logic Models**

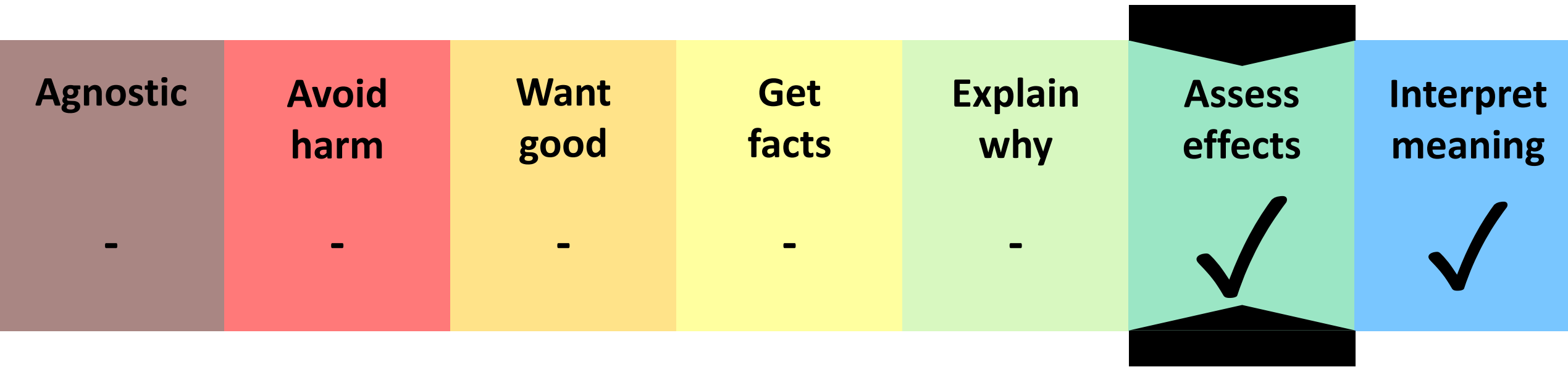
- **Theory of Change**

(identify pre-conditions and external dependencies that are needed to consistently achieve results)



Methods & techniques

(...continued)

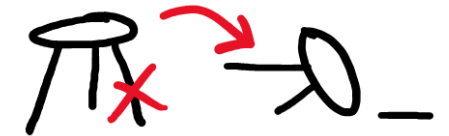


Appraise decision-making

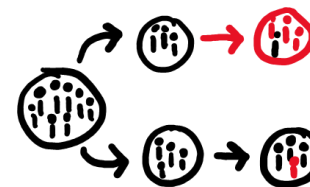
- Study resulting changes
- Outcomes & experiences
- Assess how good your decisions were in achieving your goals



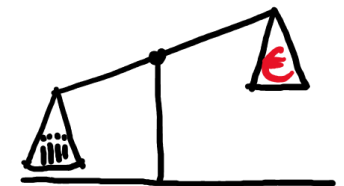
Surveys



Counterfactual Analysis



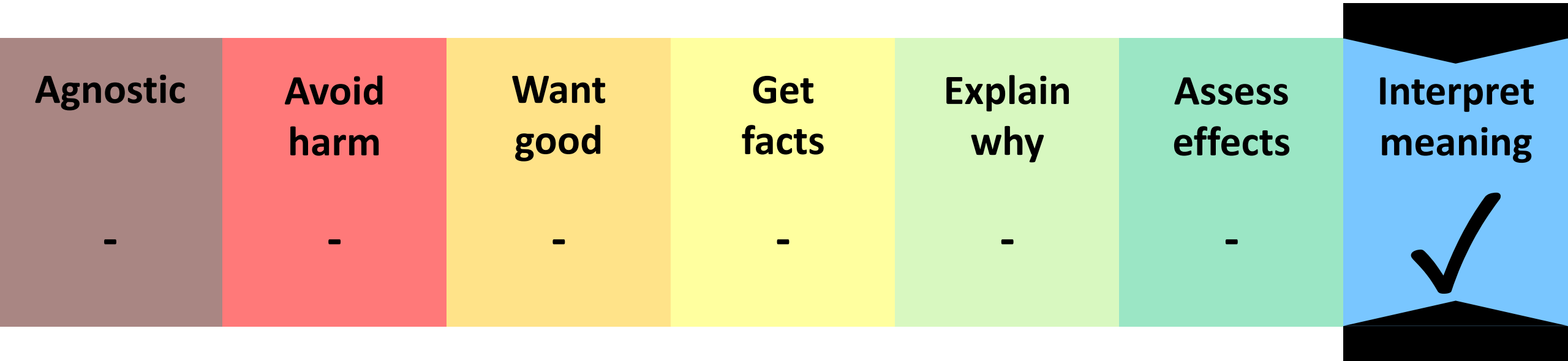
Randomised Control Trials (RCTs)



Monetisation of impact

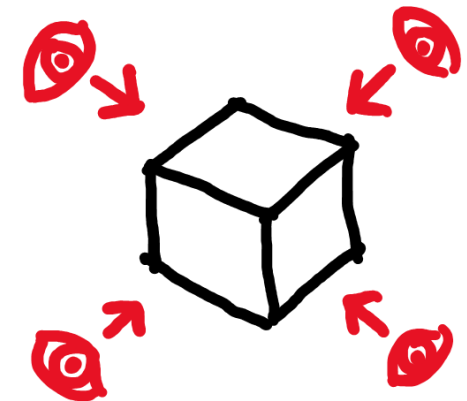
Methods & techniques

(...continued)



Deep analysis

- Multi-dimensional
- Intended & unintended consequences
- Positive effects & negative side effects







The end – thank you

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Karl H Richter
@KarlHRichter