

# Overview

What has been achieved and what needs to be done

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## A forum for building consensus on impact measurement and management

Since 2016, the Impact Management Project (IMP) has brought together more than 2,000 practitioners to agree on the dimensions of performance that matter for impact measurement, management and reporting.

### ADVISORS AND FUNDERS

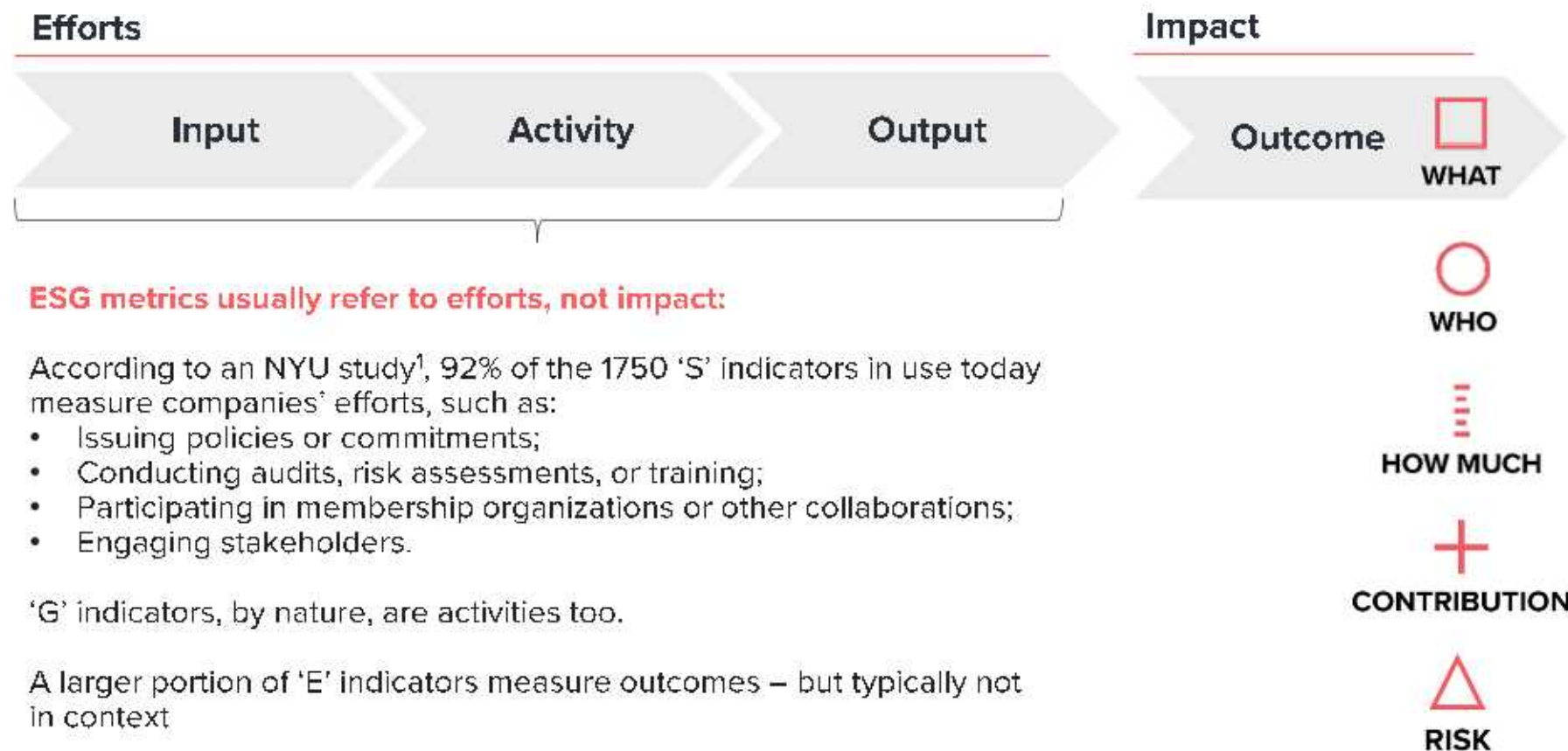


### ILLUSTRATIVE CONTRIBUTING AUTHORS



## Context: ESG vis-à-vis Impact measurement

Environmental, Social and Governance (“ESG”) factors typically measure ‘efforts’, based on evidence that those efforts are likely to **mitigate negative impact**. This is a practical and essential part of overall impact management. It is the floor or on-ramp.



<sup>1</sup> “Putting the “S” in ESG: Measuring Human Rights Performance for Investors, NYU Stern, March 2017

## Context: ESG vis-à-vis Impact measurement

Impact data builds on ESG data and measures the change in outcome that an effort generates, in context. This is essential for understanding the **level of positive impact** that an asset has, and how much it contributes to the SDGs.







## Five dimensions of impact

Everything we do has impacts on people and the planet.

An impact is a change in outcome that would likely not happen anyway.

To understand any impact, we need to understand five dimensions of performance.

### Impact dimension



**WHAT**

### Questions to guide measurement

What outcome occurs? Is it positive or negative? Is it important to the people or planet experiencing it?



**WHO**

Who experiences the outcome? How underserved are they in relation to it?



**HOW MUCH**

How much of the outcome occurs – in terms of how many people experience it, the degree of change and how long it lasts for?



**CONTRIBUTION**

What is the enterprise's contribution to the outcome, relative to what would likely happen anyway?



**RISK**

What is the risk to people and planet that impact does not occur as expected?



## Worked example – hourly wage

IMPACT DATA CATEGORY	INDICATOR	COMPANY DATA	EXTERNAL DATA	
□	a Outcome level	Income per hour	£9.50	
	b Outcome threshold	Local living wage per hour	£8.75	
	Importance of the <outcome> to stakeholder	Survey results (5=very important)	Mean = 5	
○	Stakeholder	n/a	Employees	
	Boundary	Region, Country	North West, UK	
c	Baseline	Income per hour in prior period	£7.50	
d	<b>Scale</b>	<b>Total no. of employees</b>	<b>746</b>	
≡	e Depth	Difference between outcome in period (a) and baseline (c)		
	f Duration	Average tenure of employees (months)	38	
g	Depth	Industry benchmark: average wage per hour	£8.28	
+	h	Duration	Industry benchmark: average tenure of <employees> (months)	14
△	Type and level of relevant impact risks	n/a	Evidence Risk, Low	





1. A sufficient level of outcome for the person/ planet

2. peer/ industry benchmark



## The ABC of impact performance

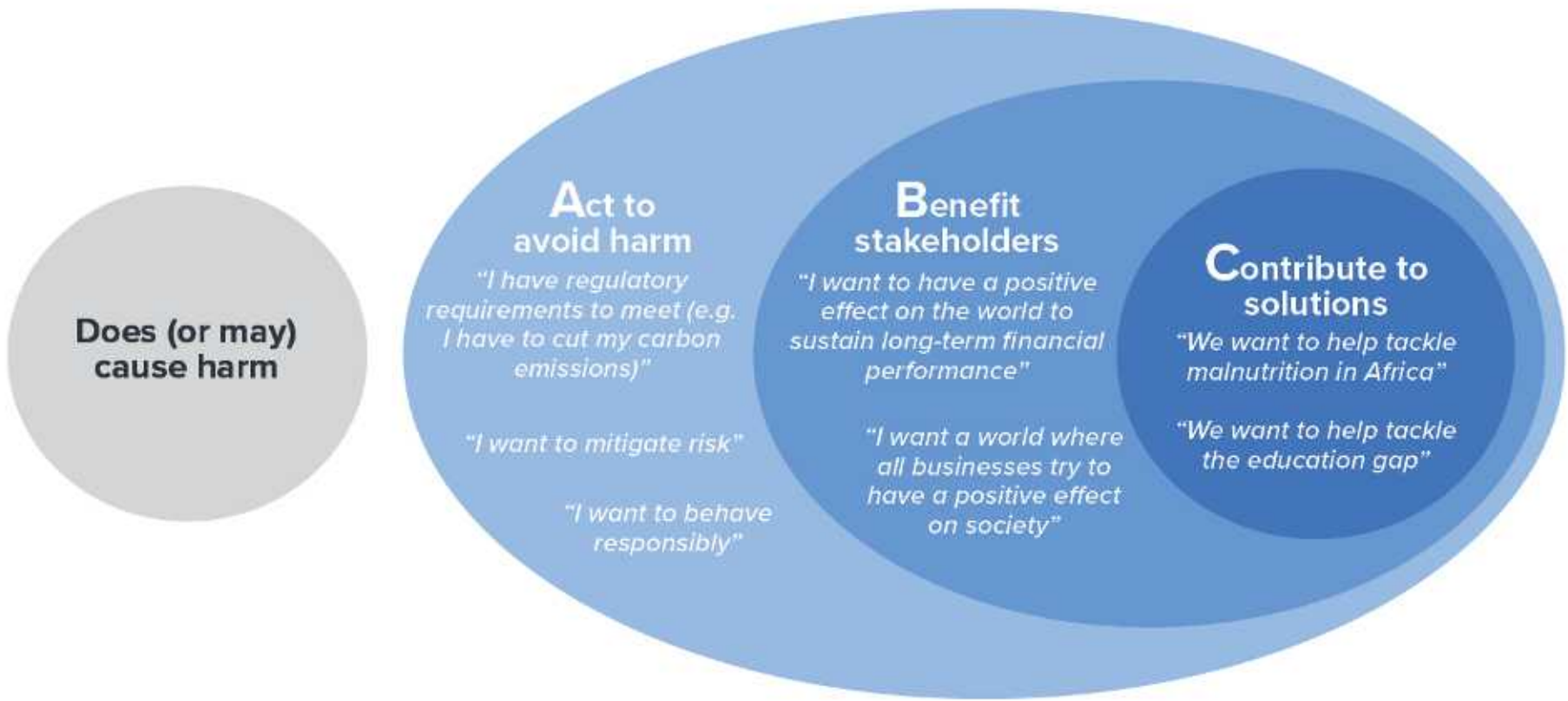
Assessment of data across the five dimensions tells us if an impact is 'Acting to Avoid Harm', 'Benefitting Stakeholders' or 'Contributing to Solutions'. The *total* impact of any asset – or portfolio of assets – is the combination of its impacts on people and the planet.

Dimension	Data category	Acting to avoid harm	Benefitting stakeholders	Contributing to solutions
 WHAT	Outcome level	Important negative outcome	Important positive outcome	Important positive outcome
	Outcome threshold			
	Relative importance of the outcome to the stakeholder			
 WHO	Baseline	<i>Various</i>	<i>Various</i>	Underserved
	Scale	<i>Various</i>	<i>Various</i>	For many and/or
 HOW MUCH	Depth	High degree of positive change	<i>Various</i>	High degree of positive change and/or
	Duration	<i>Various</i>	<i>Various</i>	Long-term
 CONTRIBUTION	Depth counterfactual	Likely same or better	Likely same or better	Likely better
	Duration counterfactual			
 RISK	Type and level of risk	<i>Various</i>	<i>Various</i>	<i>Various</i>



## The ABC of impact intention

The ABC of impact performance matches the impact of an asset, or portfolio of assets, to an investor's intentions.





Bringing it all together

(EXPECTED) FINANCIAL PERFORMANCE	Accept competitive risk-adjusted financial returns				Accept disproportionate risk-adjusted returns	Accept partial preservation of capital	Accept full loss of capital
INTENTIONS	"I am aware of potential negative impact but do not try to mitigate it"	"I have regulatory requirements to meet" "I want to mitigate risk"	"I want to back businesses that benefit society to sustain long-term financial performance"	"I want to help tackle climate change" "I want to help tackle the education gap"			
(EXPECTED) IMPACT PERFORMANCE	<b>A</b> void Harm						
	<b>B</b> enefit stakeholders						
	<b>C</b> ontribute to solutions						
	May have negative outcomes for people and the planet	Mitigate or reduce negative outcomes for people and the planet	Generate positive outcomes for people or the planet	Generate <i>significant</i> positive change for <i>otherwise underserved</i> people or the planet			

Efforts data  
(focus of ESG)

Outcome data

Impact data

## ⋮⋮ The **investor's contribution** makes a difference, too

The impact of an investment is not just the impact of the underlying assets / enterprises. Investors use four strategies to contribute to impact, often in combination.

**Signal that measurable impact matters** = Investors can choose not to invest in, or to favour, certain investments such that, if all investors did the same, it would ultimately lead to a 'pricing in' of social and environmental effects by the capital markets. Often referred to as values alignment, this strategy expresses the investors' values and is an important baseline. But alone, it is not likely to advance progress on societal issues when compared to other forms of contribution.

**Engage actively** = Investors can use expertise, networks and influence to improve the impact of businesses. Engagement can include a wide spectrum of approaches - dialogue with companies, creation of industry standards, taking board seats and providing hands-on management support (as often seen in private equity).

**Grow new or undersupplied capital markets** = Investors can anchor or participate in new or previously overlooked opportunities. This may involve more complex or less liquid investments, or investments in which some perceive risk to be disproportionate to return.

**Provide flexible capital** = Investors can recognise that certain types of enterprises do require acceptance of lower risk-adjusted financial return to generate certain kinds of impact.

# Impact Classes compare *type* of performance

		IMPACT OF UNDERLYING ASSETS / ENTERPRISES			
		A	B	C	
		ACT TO AVOID HARM			
		BENEFIT STAKEHOLDERS			
				CONTRIBUTE TO SOLUTIONS	
INVESTOR'S CONTRIBUTION	<b>SIGNAL</b>	E.g. Ethical bond fund	E.g. Positively-screened / best-in-class ESG fund	E.g. Sovereign-backed bonds (secondary market) funding vaccine delivery to underserved people or renewable energy projects	
	<b>ENGAGE</b>	E.g. Shareholder activist fund	E.g. Positively-screened / best-in-class ESG fund using deep shareholder engagement to improve performance	E.g. Public or private equity fund selecting and engaging with businesses that have a significant effect on education and health for underserved people	
	<b>GROW</b>	E.g. Anchor investment in a negatively-screened real estate fund in a frontier market	E.g. Positively-screened infrastructure fund in a frontier market	E.g. Bond fund anchoring primary issuances by businesses that have a significant effect on environmental sustainability, access to clean water and sanitation	
		<i>Investment archetype not widely observed</i>	<i>Investment archetype not widely observed</i>	E.g. Private equity fund making anchor investments in businesses that have a significant effect on income and employment for underserved people	
	<b>CATALYSE</b>	<i>Investment archetype not widely observed</i>	<i>Investment archetype not widely observed</i>	E.g. Below-market charity bonds, or an unsecured debt fund focused on businesses that have a significant effect on employment for underserved people	
		<i>Investment archetype not widely observed</i>	<i>Investment archetype not widely observed</i>	E.g. Patient VC fund providing anchor investment and active engagement to businesses that have a significant effect on energy access for underserved people	
			Mitigate or reduce negative impacts that matter to people and the planet	Generate positive impacts for people or the planet	Generate <i>significant</i> positive impacts for <i>otherwise underserved</i> people or the planet

The impact of underlying assets is derived from performance across the five dimensions of impact







# A range of investment products have already self-classified by impact class

	ACT TO AVOID HARM		
		BENEFIT STAKEHOLDERS	
			CONTRIBUTE TO SOLUTIONS
SIGNAL		<ul style="list-style-type: none"> <li>• Neuberger Berman Quantitative ESG Factor</li> </ul>	
ENGAGE	<ul style="list-style-type: none"> <li>• Standard Life Investments Ethical Corporate Bond Fund</li> <li>• Standard Life Investments European Ethical Equity Fund</li> </ul>	<ul style="list-style-type: none"> <li>• Clearbridge International Value ESG Strategy</li> <li>• Clearbridge Dividend Strategy ESG</li> <li>• Clearbridge Appreciation ESG Strategy</li> <li>• Neuberger Berman Sustainable Equities</li> <li>• Neuberger Berman Emerging Markets Equity Select</li> </ul>	<ul style="list-style-type: none"> <li>• Neuberger Berman Municipal Impact Fund</li> <li>• Aberdeen Standard Global Equity Impact Fund</li> </ul>
GROW			<ul style="list-style-type: none"> <li>• Calvert Impact Community Notes</li> </ul>
		<ul style="list-style-type: none"> <li>• Bridges Property Alternatives Funds Lok Capital Growth Fund (Lok II)</li> </ul>	<ul style="list-style-type: none"> <li>• Christian Super Renewable Energy Sleeve A</li> <li>• Nests Impact Investment Fund</li> <li>• Bridges Social Impact Bond Fund II</li> </ul>
CATALYSE			<ul style="list-style-type: none"> <li>• Deutsche Bank New Initiatives Fund</li> </ul>
			<ul style="list-style-type: none"> <li>• Acumen Capital Markets</li> <li>• Bridges Social Impact Bond Fund</li> <li>• Deutsche Bank New Initiatives</li> <li>• Fund Ford Foundation's PRI Fund</li> <li>• GABV SFRE Fund</li> <li>• Root Capital Loan Fund</li> </ul>





## Where do we need to get to?

### VISION

All enterprises and investors have **processes** to...

**Measure and disclose** their ESG risks + positive impacts that matter to people and the planet so that stakeholders can...

**Compare** ESG risks + positive impacts to understand where they could do better, with the result that they...

**Improve** performance by mitigating/minimising ESG risks + increasing positive impacts

## Why a structured network?

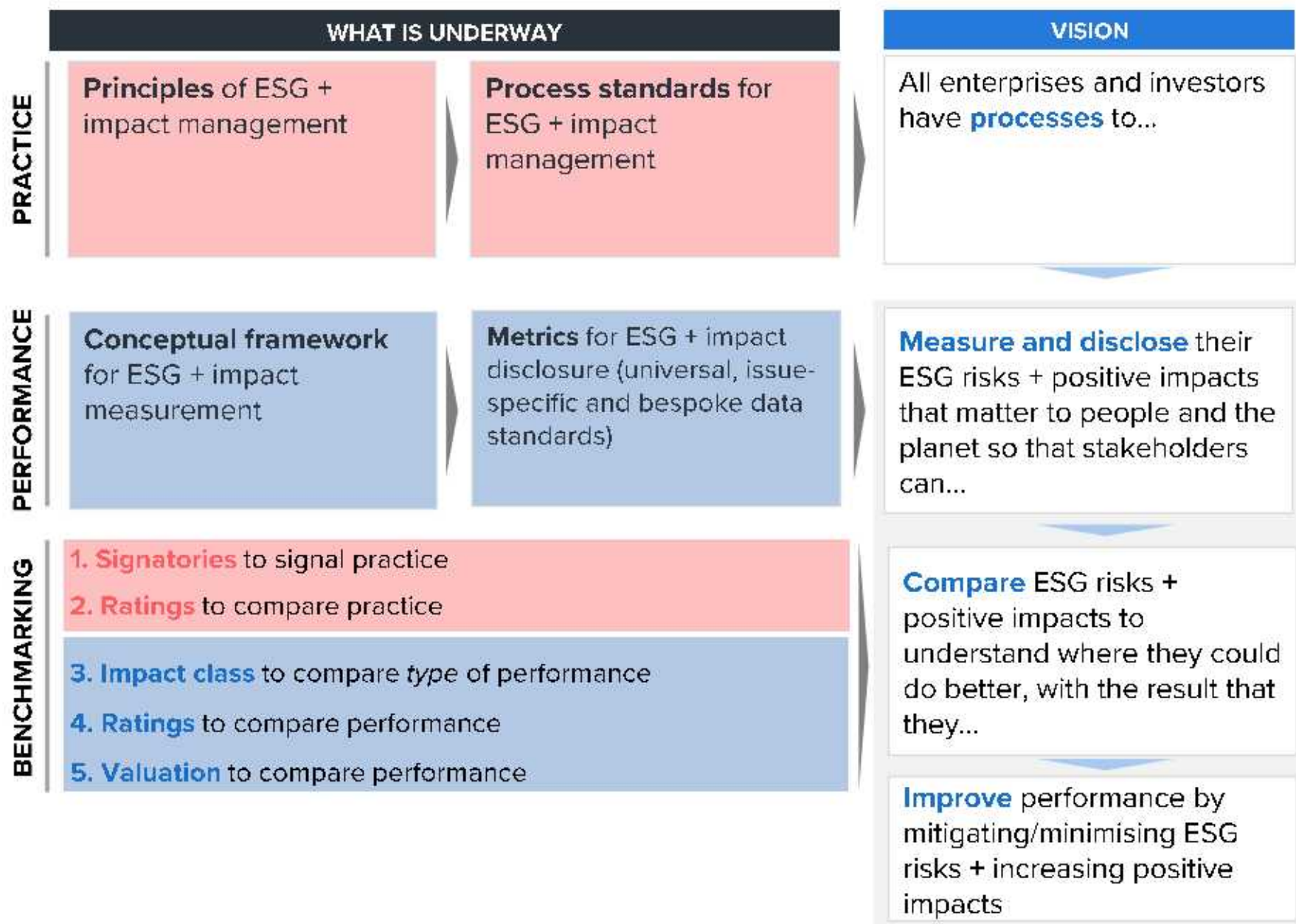
The IMP team facilitates and provides significant technical support to a 'structured network' of standard-setting organisations, whose expertise and audiences are complementary and who, taken all together, have the potential to provide complete and generally accepted principles, frameworks and standards for impact measurement and management.

From 2019-21, the IMP Structured Network has three workstreams:

- Processes for managing impact (**Practice**)
- An accounting framework and data standards for measuring and reporting impact (**Performance**)
- Rating and valuation techniques for comparing impact (**Benchmarking**)








# ••• A strategy to achieve the vision










## How ratings relate to the five dimensions

		IMPACT MEASURE	RATING
 WHAT	<b>Outcome</b>	Skill level achieved by participants and its importance	e.g. Score level of outcome
			e.g. Score importance of outcome
 WHO	<b>Baseline</b>	Skill level of participants in prior period	e.g. Score how underserved the population is
 HOW MUCH	<b>Depth</b>	<i>Degree of change in skill level (= outcome – baseline)</i>	<i>Addressed by outcome &amp; baseline scoring</i>
	<b>Scale</b>	No. of participants achieving skill level	e.g. Score how many people experience the outcome
	<b>Duration</b>	Duration of skill level	e.g. Score how long the outcome lasts for
 CONTRIBUTION	<b>Counterfactual</b>	(Estimation of) counterfactual	e.g. Score how much better the outcome is than the relevant benchmark
 RISK	<b>Risk type</b>	Evidence risk etc.	e.g. Score level of risk
	<b>Risk level</b>		



## How valuation relates to the five dimensions

		IMPACT MEASURE	RATING	VALUATION
 <b>WHAT</b>	<b>Outcome</b>	Skill level achieved by participants and its importance	e.g. Score level of outcome	Average \$ increase in wages for up-skilled employees
			e.g. Score importance of outcome	
 <b>WHO</b>	<b>Baseline</b>	Skill level of participants in prior period	e.g. Score how underserved the population is	
 <b>HOW MUCH</b>	<b>Depth</b>	<i>Degree of change in skill level (= outcome – baseline)</i>	<i>Addressed by outcome &amp; baseline scoring</i>	
	<b>Scale</b>	No. of participants achieving skill level	e.g. Score how many people experience the outcome	
	<b>Duration</b>	Duration of skill level	e.g. Score how long the outcome lasts for	x Adjustment for duration
 <b>CONTRIBUTION</b>	<b>Counterfactual</b>	(Estimation of) counterfactual	e.g. Score how much better the outcome is than the relevant benchmark	x Adjustment for counterfactual
 <b>RISK</b>	<b>Risk type</b>	Evidence risk etc.	e.g. Score level of risk	x Discount factor
	<b>Risk level</b>			

## Appendix – publications and resources

These have been further translated into Spanish and Mandarin, accessible on our website: <http://www.impactmanagementproject.com/latest/imp-resources-now-available-mandarin/>



### **Investor's Perspective: A shared convention**

投资者视角：影响力管理共识

影响力的管理有赖于我们对不同的人究竟受到何种影响的认知，这其中就包括：受影响的人，制造影响力的商业人，提供资金、支持和服务的人，以及那些通过政策、学术或评估而实施影响力的人。

### **Investor's Perspective: An illustration of how we can build portfolios that match impact and financial goals with intentions and constraints (UBS)**

投资者视角：构建将影响力目标和财务目标与投资者的意图及约束相匹配的投资组合 (UBS)

影响力管理的基本原则用于描述不同基础业务或业务组合对人与地球环境的影响，它有助于投资者了解每种资产类别中适用的不同选项。基于此，投资者便可以构建一个符合其意图、约束、财务和影响