



avpn



# HOW AVPN MEMBERS ARE PRACTICING IMM

RESEARCH FINDINGS



22<sup>nd</sup> March 2022

# Presentation Outline

1. About the Research
2. Findings of the Research
3. Find out More
4. Q&A

# About the Research

- 1. Objective of the Research:** To share the examples of best practices in IMM through the AVPN Academy
- 2. Scope of the Research:** IMM in impact investments in organizations of various sizes, scope, and mandate within Asia-Pacific
- 3. Research Methodology:** Secondary research and primary research (In-depth interviews)
- 4. Sample:** Impact Investors and Fund Managers
- 5. Sampling:** Convenience sampling
- 6. Timeline:** December 2021-February 2022
- 7. Limitations of the Research:**
  - Very small sample size
  - Sample not necessarily representative
  - Practices covered here do not cover all the processes of IMM

# Findings of the Research

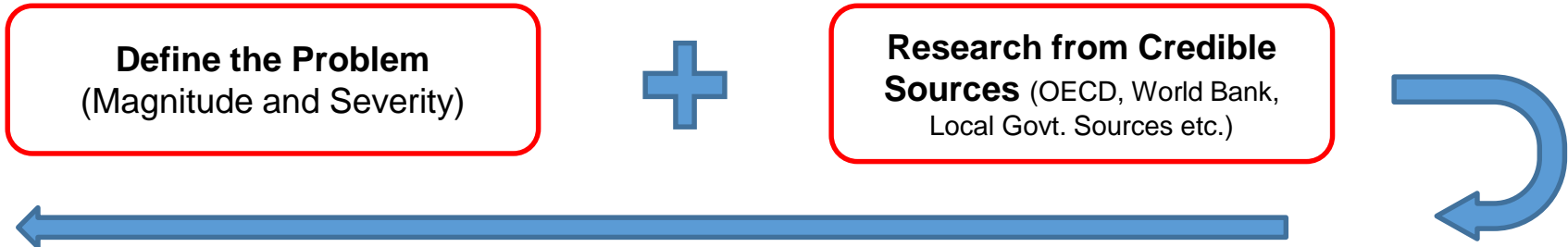
1. We found impactful practices that our members have integrated across different stages of their IMM practice
2. These best practices can largely be bunched under the following three categories:
  - A. Strategizing for IMM**
  - B. Impact Assessment and Management**
  - C. Performance Management**

# Best Practices in Strategizing for IMM

## 1. Co-created Logic Models: Creating logic models along with the Investees

- **During Impact Due Diligence**-Start with a preliminary impact hypothesis to discover enterprises that have impact built in their business models
- **Post Investment**- Define the problem and create a robust logic model based on data from the enterprise and credible research sources so that most standardized metrics can be used for monitoring, evaluation, and reporting (Example)
- **Setting the Exit Strategy**- Use the logic model to define the exit strategy so as to ensure the enterprise's direction towards impact

# Co-creating Logic Model with the Investee



| Input   | Activities   | Output   | Outcome  | Impact   |
|---|--|--|--|--|
| What resources does the enterprise use that has environmental and social impacts      | What products/services does the enterprise offer for the desired output? | What are the results of the products/services offerings? | What is the social/environmental impact of the enterprise? | What ultimate change in the enterprise looking at? |
| In depth interview with the management + financial statements, accounts, ledgers etc. |  |  |  | In-depth interview with the founder/CEO            |

# Best Practices in Strategizing for IMM

## 2. Creating Structural Maps of Impact Issues

- **Pre-investment Strategy Making:** Before developing the logic model, thoroughly investigate the impact problem, integrate the government's SDG priorities, and then look at possible solutions that can create the desired impact.
- Create a structural map of the impact issue to ascertain that the issue can be addressed through impact investing
- **Co-creating the Logic Model with the Investees-** Empower the investee to own the logic model by suggesting modifications
- **Enabling the Investees to Communicate Impact Strategically:** Since the logic model is derived from the government's SDG priorities, it enables the enterprise to communicate its impact strategically, to stakeholders and investors during the course of an IPO

# Best Practices in Strategizing for IMM

## 3. Co-Creating Metric Sets:

- **Deciding Impact Metric Sets through Logic Model:** Once the logic model is created, use it to guide the choice of impact metric sets
- **Refining and Evolving the Metric Sets:** Over the process of investment as more evidence emerges through engagement with investees and end-beneficiaries, continue refining and evolving the metric sets
- **Creating End-beneficiary Centric Metric Sets:** Ask end-beneficiaries what 'impact' means to them and incorporate the considerations into the metric sets
- **Balancing the Data Collection Requirements:** Balance the need for more data, investee efforts required to collect that, and the value it will add to the insights for impact
- **Mitigating Impact Risks:** Look out for possible impact risks such as Evidence, Materiality, Stakeholder, and Impact thesis, and incorporate required data collection need in your Metric sets



# Best Practices in Strategizing for IMM

## 4. Creating Weighted Metric Sets: Integrating Impact and Financial Considerations

- **Creating Impact Rating:** Assign numerical values to the various social and environmental impacts associated with an investment, and then calculate a weighted sum of those values to calculate a numerical 'impact rating' for an investment that can be compared to the 'ratings' of other investments
- **Balancing the Complexity of Assigning Weights Vs Leaving Out Impact Considerations:** Not making it too complex that it results in opportunity loss while deal making, and not making it too simplistic that crucial dimensions of impact are left out
- **Availing Two-pronged Benefits:** An impact rating system can be used to evaluate the expected impact of prospective investments during due diligence, and/or to monitor ongoing impact performance
- **Listing Out Drawbacks:** Representing 'multidimensional' impact through single numerical forms can have limitations and drawbacks. These should be clearly outlined

# Best Practices in Measuring and Managing Impact

## 1. Assessing Impact Performance through Stakeholder Engagement

- **Helping Investees with Data Validation:** Review the data gathered by investees and identify gaps or irregularities, and help them improve their data practices
- **Involving End-beneficiary/stakeholders for Impact Validation:** Start with good-enough 'Output' level data and move to involve end-beneficiary insights for 'Outcome' level data, and finally conduct Third-party impact evaluation to validate stakeholder impact
- **Budgeting for Time and Resource Requirement:** Carefully consider how and how often to engage with stakeholders for assessing the impact on them as this process can put undue demand on stakeholders' time and resources

# Best Practices in Measuring and Managing Impact

## 2. Assessing Impact Performance through 'Benchmarking'

- **Comparing Impact Performance to Projected/Expected Impact:** Determine if impact performance matches, exceeds, or falls below the expected or projected targets
- **Comparing Impact Performance to that of Peers/Benchmarks:** Compare with applicable peers or established benchmarks
- **Comparing Impact Performance to SDG Target Thresholds:** Compare to SDG Target thresholds and if using IMPs A, B, C level look for the change. A-level investments should show improvement compared to their own performance in prior periods. B- and C -level investments should exceed the good enough threshold
- **Aggregating by Rolling Up Data At Portfolio Level:** If investments have common KPIs or metric sets, then roll up data for segments relevant to the stakeholders, to determine Portfolio level Impact

# Best Practices in Performance Management

## 1. Logic Model and Metric Sets Revision:

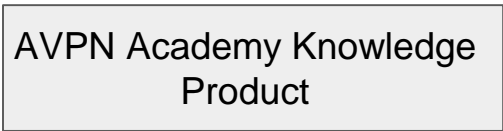
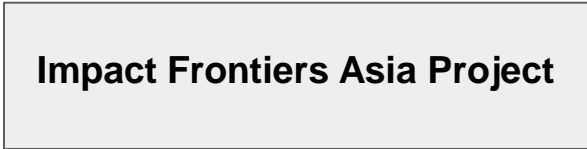
- **Analysing Reasons for Deviation of Impact Performance:** Determine if impact performance deviated due to internal strategic reasons or extraneous reasons such as a change in the landscape that the enterprise operates
- **Revising The Logic Model:** Revisit your impact thesis and revise your logic model for 'if...then' assumptions to align with the internal strategic shift or the external landscape change
- **Revising The Metric Sets:** Revisit your metric sets to align with assumptions of your revised logic model, changed external landscape, and revised expected outcomes
- **Proactively Managing Future Performance:** Help investees recalibrate their strategies to effectively impact their stakeholders

# Best Practices in Performance Management

## 2. Targeted Capacity Building:

- **Analysing Reasons for Deviation of Impact Performance:** Determine if impact performance deviated due to the enterprise's lack of capacity to execute the impact strategy at any level
- **Building Capacity of the Investees for Targeted Support:** Share your and your network's expertise, financial and non-financial resources, to build the investees' capacity in the areas that need support
- **Proactively Managing Future Performance:** Help investees build capacity to execute the impact strategy at every level

# Find Out More: The Impact Frontiers Asia Project



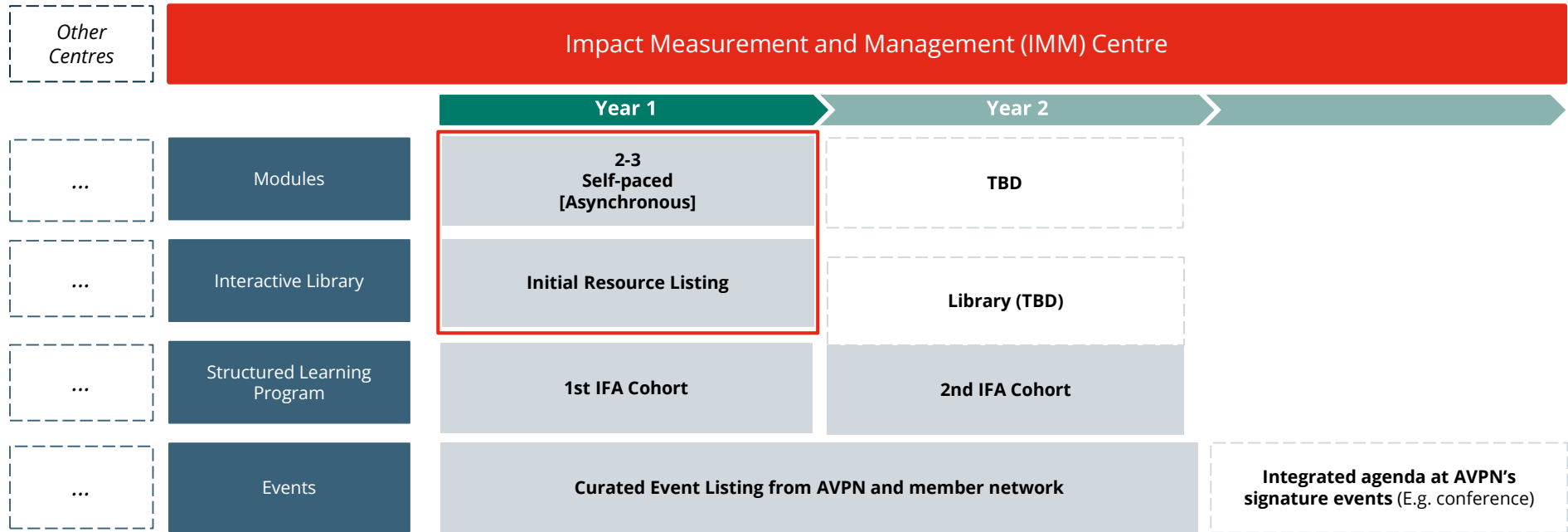
AVPN has teamed with Impact Frontiers to offer a 15-month consultative journey that will help asset owners and managers integrate impact into their investment practice.

Content that leverages the journey of the Impact Frontiers Asia cohort to benefit a wider audience of Asian asset owners and asset managers. This content will help them navigate the glut of information about IMM, by learning from peers in Asia.

*This content will be available on the AVPN Academy*

# About The AVPN Academy and The IMM Centre

AVPN  
ACADEMY



# Knowledge Product for the Impact Frontiers Asia Project

## Target Audience

The course targets impact leaders who are struggling to make way through the glut of information available about IMM. The experience of their peers will act as flag posts for them to understand how the others are doing IMM in practice.

## Module Type & Format

### **Self-paced Modules/ Asynchronous Modules** — *Unrestricted audience size*

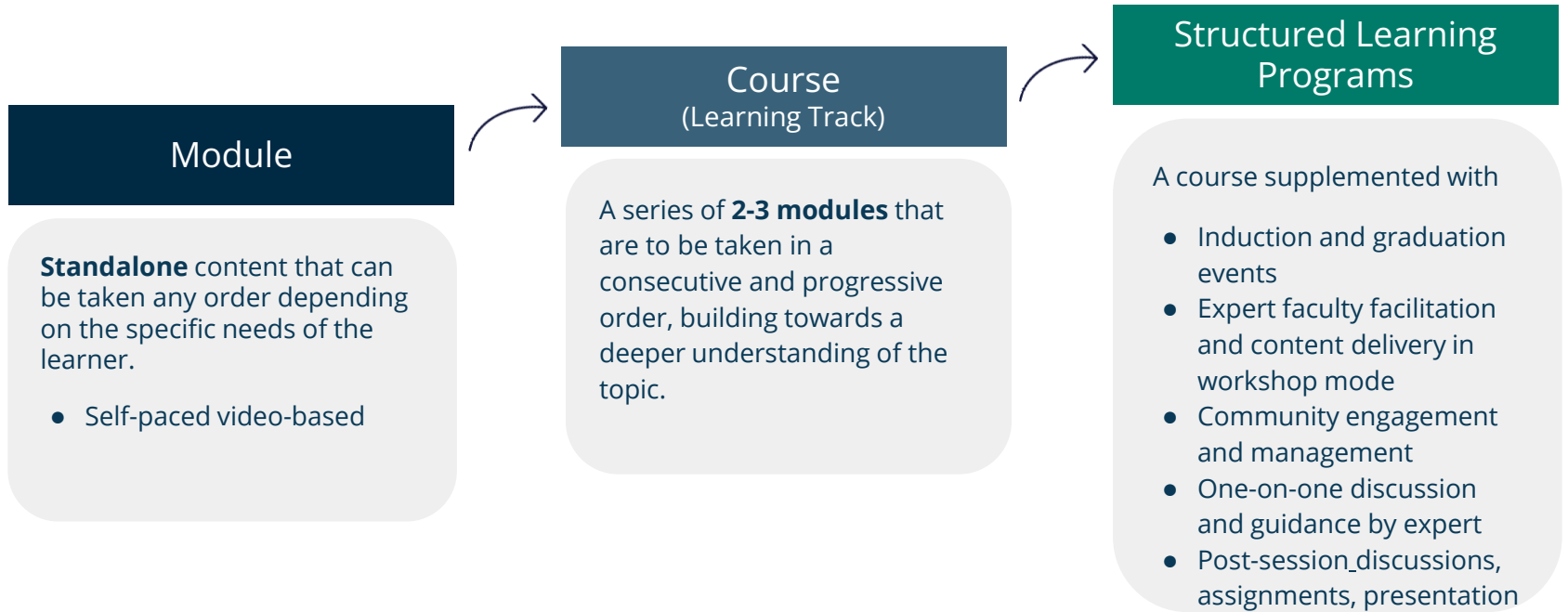
- Each asynchronous module will include **(1)** pre-reads [3-4 hours], **(2)** 3 to 4 short video lessons [20-30 mins total]
- The content will be reviewed with Impact Frontiers to ensure coherence with the IFA learning process

## Potential Topics

- **Module 1: Strategising for IMM**
- **Module 2: Assessing and Managing Impact**
- **Module 3: Managing Impact Performance**



# The IMM Centre Structure



# The Impact Frontiers Asia 2022 Cohort



## Collaboration:



AVPN



Impact Frontiers



Centre for Advancement of Social  
Entrepreneurship  
Duke University's Fuqua School of  
Business

**A participatory cohort-based program to support investors in establishing or improving their own practice of impact management.**

**For asset managers of all asset classes and for asset owners such as family offices, foundations and endowments.**

**When: 4<sup>th</sup> May 2022 (12 Months)**

**Visit: <https://avpn.asia/impact-frontiers-asia-2022/>**

**Write to: [kevin.teo@avpn.asia](mailto:kevin.teo@avpn.asia)**

## Course Facilitators:



**Mike MacCreless**  
Founder & ED  
Impact Frontiers



**Cathy Clark**  
Faculty Director, CASE  
Founding Director, CASEi3

**Thank You**