

LEVEL EEI

AN IMPACT POTENTIAL ASSESSMENT FRAMEWORK
(IPAF) FOR FINANCIAL PRODUCTS

2° Investing Initiative



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An overview of the framework

A framework to assess the impact potential of various financial products based on their actions

- Different to other frameworks that include other dimensions (intentions, impact management processes, measurement of investees' outcomes)
- No rating of the achieved investor impact as data is missing
- Based on public information provided by the product manufacturers
- Applicable to various types of financial products (funds in public markets, funds in private markets, deposits, crowdfunding investments)

A two-level framework

- Level 1: assess the (maximum) impact potential of the product based on impact mechanisms it supposedly applies (based on communications in marketing documents)
- Level 2: assess the implementation of the impact potential based on the intensity with which it actions the mechanisms

An aggregate score/rating as a synthesis

- $\text{Aggregate score} = \text{Impact potential score} * \text{Implementation score}$

A factsheet that synthesizes information, including additional pieces that do not participate to the rating

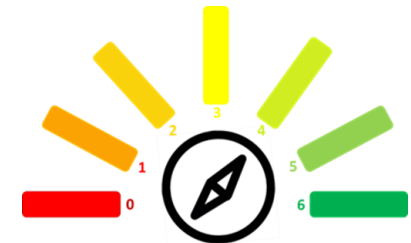
- Intentionality details (how precise is the intention of the financial product to generate impact?)
- Evaluation details (what kind of real-life outcomes does the financial product carefully evaluate?)

Level 1: the impact potential compartment of the product

The product is assigned an impact potential compartment (from 0 to 6) based on IMP's taxonomy of investor contributions and receives an adequate compartment's impact potential score

- An impact potential score based on impact mechanisms supposedly applied (based on the product's communications)
- Remark: in the same product category (i.e., private equity funds), products may be assigned different impact potential classes as they may not action the same mechanisms or communicate the same way
- Displayed in the form of a position on a speedometer

Compartment's impact potential score = product's impact potential class



	No impact potential	Low impact potential	Median impact potential		High impact potential		
IMP Investor contribution categories	0	1	2	3	4	5	6
Applied impact mechanisms	None	S	SE	SG	SEG	SGF	SEGF

Legend: S=Signal that impact matters; E=engage actively; G=grow new/undersupplied markets; F=provide flexible capital

Level 2: the impact implementation score of the product

The product is then attributed an implementation score after reviewing how it fares with relevant criteria for its impact potential class

- Based on its impact potential class, the product is assessed by using an appropriate questionnaire made of a maximum of 18 questions
- It is attributed an implementation score based on its total score out of the maximum score for its impact potential class
- The implementation score is displayed as a rating in the Impact Factsheet with 4 levels (0,+,,+,+++)

Implementation score = total score / maximum possible score for the product's impact class

Implementation Rating	Implementation Score (as % of maximum score for the product's impact compartment)
0	0
"+"	$0 < x < 33\%$
"++"	$33\% \leq x < 66\%$
"+++"	$x \geq 66\%$

The (final) Impact Potential Score and Rating

The (final) Impact Potential Score is the product of the two intermediary scores

The Impact Potential Score is transformed in a letter rating that is displayed in the Impact Potential Factsheet with seven levels from A to G

**Impact Potential Score =
Compartment's Impact Potential Score *
Product's Implementation Score**





IP Score	IP Rating
0	G
]0;1[F
[1;2[E
[2;3[D
[3;4[C
[4;5[B
[5;6]	A

The Impact Potential Factsheet gathers all information from the framework in a one-pager

It includes additional information that does not participate to the scoring and rating of products:

- Intentionality details (how precise is the intention of the financial product to generate impact?)
- Evaluation details (what kind of real-life outcomes does the financial product carefully evaluate?)

	Impact intention	(Compartment's) impact potential	(Product's) impact implementation	Impact evaluation
	<i>How specific is the intention of the product to generate impact?</i>	<i>How high is the impact potential of the product compartment? From 0 to 6</i>	<i>How much does the product exploit the impact potential of its compartment through appropriate actions? From 0 to +++</i>	<i>Which effects on the real economy does the product carefully evaluate (quantitatively or qualitatively)?</i>
Product XXX	<div style="display: flex; flex-direction: column; align-items: flex-start;"> <div style="display: flex; align-items: center; margin-bottom: 5px;"> <div style="background-color: #FFD700; padding: 5px; border-radius: 5px; margin-right: 10px;">Articulated theory of change</div> <div style="background-color: #FF0000; color: white; padding: 5px; border-radius: 5px; display: flex; align-items: center; justify-content: center;">✗</div> </div> <div style="display: flex; align-items: center; margin-bottom: 5px;"> <div style="background-color: #00FF00; padding: 5px; border-radius: 5px; margin-right: 10px;">Quantified objectives</div> <div style="background-color: #008000; color: white; padding: 5px; border-radius: 5px; display: flex; align-items: center; justify-content: center;">✓</div> </div> <div style="display: flex; align-items: center;"> <div style="background-color: #0000FF; padding: 5px; border-radius: 5px; margin-right: 10px;">Clear intention</div> <div style="background-color: #008000; color: white; padding: 5px; border-radius: 5px; display: flex; align-items: center; justify-content: center;">✓</div> </div> </div>		<p>++</p>	
<h3>Product's Impact Potential Rating</h3> <p><i>(based on compartment's impact potential and impact implementation scores)</i></p>				
<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="background-color: #008000; color: white; padding: 10px 20px; border-radius: 10px; font-weight: bold; font-size: 24px;">A</div> <div style="background-color: #90EE90; color: white; padding: 10px 20px; border-radius: 10px; font-weight: bold; font-size: 24px;">B</div> <div style="background-color: #ADFF2F; color: white; padding: 10px 20px; border-radius: 10px; font-weight: bold; font-size: 24px;">C</div> <div style="background-color: #FFD700; color: white; padding: 10px 20px; border-radius: 10px; font-weight: bold; font-size: 24px; border: 2px solid red;">D</div> <div style="background-color: #FFA500; color: white; padding: 10px 20px; border-radius: 10px; font-weight: bold; font-size: 24px;">E</div> <div style="background-color: #FF4500; color: white; padding: 10px 20px; border-radius: 10px; font-weight: bold; font-size: 24px;">F</div> <div style="background-color: #FF0000; color: white; padding: 10px 20px; border-radius: 10px; font-weight: bold; font-size: 24px;">G</div> </div> <p style="display: flex; justify-content: space-between; width: 100%; margin-top: 5px;"> Highest impact potential Lowest impact potential </p>				

Summarizing the steps towards the Impact Potential Factsheet

- **Step 1:** assign to the product a product category to select the appropriate impact questionnaire,
- **Step 2:** browse the product's marketing and legal documents to i) identify impact mechanisms that are (supposedly) actioned by the product, ii) observe the specificities of the impact intention of the product, and iii) note which impact dimensions are carefully assessed by the product manufacturer,
- **Step 3:** select the impact potential class (from 0 to 6) of the product compartment based on the presumed impact mechanisms obtained in step 2,
- **Step 4:** apply the relevant sections of the (adequate) impact questionnaire for the product compartment (i.e., only the S and G questions for a product claiming to apply the S and G mechanisms) and calculate the potential implementation score,
- **Step 5:** transform the potential implementation score into a potential exploitation rating (using the matching table displayed in table 7),
- **Step 6:** multiply the impact potential score of the product compartment by the implementation score of the product to obtain the product's CIP Aggregate Score,
- **Step 7:** transform the product's CIP Aggregate Score into a CIP Aggregate Rating (using the matching table displayed in table 9).