

IWAF IN PRACTICE | USE CASE SERIES

**IMPACT
INVESTING WITH
THE IMPACT
MULTIPLE OF
MONEY (IMM).**

Wire Private Markets Fund



Impact
Economy
Foundation

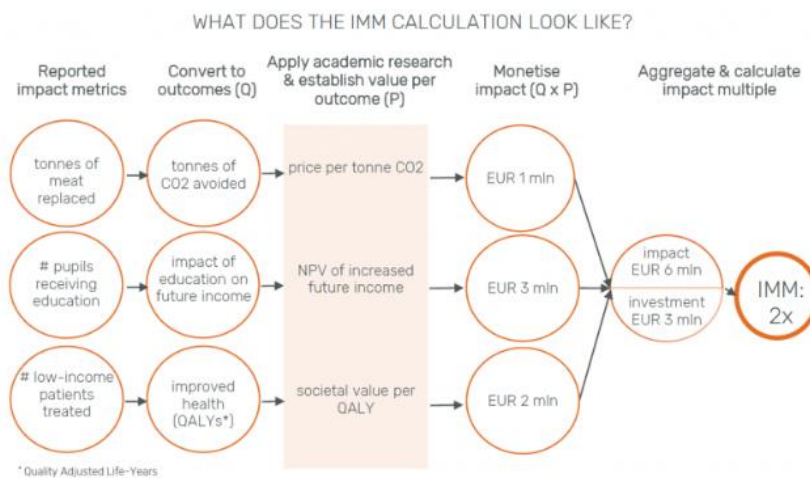


IMPACT[™]
INSTITUTE

INTRODUCTION

Wire Private Markets Fund (WPMF) is at the forefront in the field of **impact investing**, leveraging the **Impact-Weighted Accounts Framework (IWAF)** to quantify and value the impacts of the investments. In collaboration with the Impact Institute, Wire Group has tailored IWAF to support the application of the **Impact Multiple of Money (IMM)**. IMM aims to measure the tangible social and environmental returns per Euro invested, aspiring to a multiplier effect of impact. Specifically, Wire Group targets a 2,0x return (Figure 1), indicating that every Euro invested is expected to generate twice the same amount in positive social and environmental impact. Leveraging IWAF for its IMM calculation reflects Wire Group's commitment to redefine investment analysis by integrating impact considerations, thereby promoting a more inclusive and integrated approach to investment strategies. By developing IMM from IWAF's valuation capabilities,, Wire Group reinforces its role in advancing the impact investment field, highlighting its contribution to shaping a future where investments are evaluated on both their social and financial returns.

Figure 1: What does the IMM calculation look like.



HOW WIRE GROUP USED IWAF

- Holistic Impact Valuation:** Wire Group implemented IWAF to deepen its understanding of the social and environmental impacts related to the fund and its portfolio companies. This initiative reflects the group's dedication to advancing a conscious economy by transcending traditional financial assessments. With IWAF, WPMF integrates impact considerations into investment analysis, promoting a well-rounded view of non-financial factors. Acknowledging the intricacy of fully capturing these dimensions, Wire Group's approach represents a



forward-thinking effort to enrich the understanding of investments' broader impacts.

- **Impact Management:** While WPMF may not have a direct influence on the operations of underlying portfolio companies as a fund-of-funds, it uses IWAF to actively contribute to impact management by supporting and educating its portfolio funds on impact measurement. By doing so, WPMF helps its portfolio funds understand how their actions lead to specific impacts on society and the environment, what results they achieve, and what scenarios they can use as a benchmark for comparison. This proactive approach empowers portfolio funds to make more informed decisions and align their actions with the broader goals of sustainable and responsible investing.
- **Ex-ante Impact Assessment for Investments:** While IWAF has been used by WPMF for backward-looking impact measurement to align with current reporting needs, it also holds the potential for forward-looking activities. In recognition of these broader capabilities of IWAF, Wire Group, in collaboration with peers in the impact investing sector, is exploring the extension of a standardised methodology for ex-ante impact assessments. IWAF and IMM serve as foundational elements in this new approach, aiming to enhance forward-thinking applications that facilitate the creation of impact investing portfolios.

HOW IWAF HELPED WIRE GROUP WITH STEERING AND PERFORMING ON IMPACT

- **Impact Measurement and Portfolio Benchmarking with IWAF:** Leveraging the Impact-Weighted Accounts Framework (IWAF), Wire Group uses this robust methodology to quantify the societal value created per euro invested (Figure 1), directly comparing the performance of different companies within its portfolio. This application of IWAF allows for the precise calculation of the 'societal return on investment,' facilitating portfolio-wide evaluations and enabling Wire Group to align its investment decisions with its impact goals. This point emphasizes the utility of IMM as a tool for measuring and managing the impacts directly attributable to investments. As this methodology evolves, IMM based on IWAF, is poised to become essential for WPMF and future impact funds, ensuring that each investment maximises social and environmental returns.
- **Strategic Integration with IWAF's Comparable Impact Language:** IWAF plays a crucial role in embedding societal and environmental considerations into Wire Group's broader corporate strategy by translating diverse impacts into standardised monetary units. This process simplifies the inclusion of non-financial indicators into financial analyses and decision-making frameworks, ensuring that every aspect



of business operations aligns with Wire Group's commitment to a conscious and regenerative economy.

- **Transition from Output to Impact with IWAF:** With the adoption of IWAF, Wire Group was allowed to refine its focus from merely tracking outputs/outcomes to evaluating impacts. This shift ensures that its investment decisions are conscious of the tangible difference they make on societal and environmental welfare. IWAF provided the necessary methodology that allowed Wire Group to emphasise and quantify these impacts. By using IWAF, Wire Group shifted its evaluation metrics from simple outputs to impacts. This transition means moving from counting quantifiable outcomes – such as the number of low-income patients treated – to assessing the broader implications of these actions, such as the increase in healthy life years. Similarly, instead of merely tracking the quantity of meat replaced with sustainable alternatives, Wire Group now focuses on the overall reduction in its contribution to climate change through CO₂ emissions. This approach changes the emphasis from immediate outputs to their long-term contributions to societal well-being, allowing Wire to prioritise investments that yield significant, positive impacts.

HOW IWAF HELPED TO GRASP NEW OPPORTUNITIES

- **Opportunity identification:** By quantifying and valuing non-financial impacts, Wire is better positioned to predict future trends, evaluate the long-term profitability of projects, and identify risks and opportunities that may not be apparent through conventional financial metrics alone. This comprehensive scope supports more informed decision-making and investment planning, enabling Wire to adapt to and capitalise on emerging sustainability trends and market demands.
- **Strategic Positioning:** By adopting IWAF and leading the monetary valuation of impacts, Wire Group solidifies its position as a leader in impact investing. The harmonised impact language, attracting investors aligned with a vision for a conscious economy, and a growing demand for the integration of sustainability issues in corporate and financial planning.

TIPS FOR APPLYING IWAF: *Insights from Wire Group's Experience*

1. **Clear Impact Pathways¹:** Clearly define impact pathways for as many portfolio companies as possible, prioritising the most material ones and

¹Impact pathways are the quantifiable chain of effects linking an organisation's specific activity to its impact through a comparison of outcomes with those in the reference activity.



considering potential negative impacts and establishing a fair sampling methodology across your portfolio. Defining impact pathways for portfolio company involves mapping out the sequence of actions and processes undertaken by the company that contribute to its broader social and environmental outcomes. It's essentially identifying the steps from a company's activities to the intended impact it seeks to achieve. This process allows organisations to understand how their operations influence societal and environmental welfare, empowering them to make strategic decisions aligned with their values and overarching goals.

2. **Impact-Centric Approach:** Embrace an 'impact thinking' approach to assess how outputs translate into impacts. This ensures a thorough understanding of the 'true' impact of investments. By emphasising impacts, organisations gain a deeper understanding of how their activities translate into changes in their (operating) environment and what further (social) outcomes their activities entail, positive or negative, direct or indirect. This shift from outputs to impacts grounds corporate activities into the real-world and acknowledges that organisations do not operate in a vacuum.
3. **Report Data Transparently:** Transparently report impact data to stakeholders, providing a clear picture of the societal value created by portfolio companies. Be open about data sources and challenges to enhance the credibility of impact assessments. Impact information is essential for making informed and effective decisions, whether they pertain to sustainability strategies, resource allocation, or risk management.
4. **Start Impact Assessment Efforts Early:** Initiating the process of impact assessment is vital, even if it's not yet possible to evaluate every investment in your portfolio. Starting the journey allows both you and your co-investors, as well as the companies you invest in, to gain firsthand experience in assessing achieved impacts—both positive and negative. This foundational step is crucial for developing a more nuanced understanding of your investments' impacts and paves the way for more targeted impact-driven investment strategies in the future.

CONCLUSION

Through the strategic adoption of the Impact-Weighted Accounts Framework (IWAF), Wire Group transformed its impact measurement practices and demonstrated a commitment to the vision of a conscious and value-driven economy. The adoption of IWAF provided actionable insights to impact investors,



facilitated enhanced communication among them, and fostered a collaborative environment among fund managers and the underlying portfolio companies. This use case illustrates how IWAF can be a catalyst for organisations aspiring to lead in the realm of impact investing, providing a roadmap for robust impact assessment and strategic decision-making. It also underscores the importance of viewing IWAF's implementation as an evolving process, one that is part of a broader, collective journey within the impact investing community towards more accurately capturing and integrating the full spectrum of investment impacts.

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