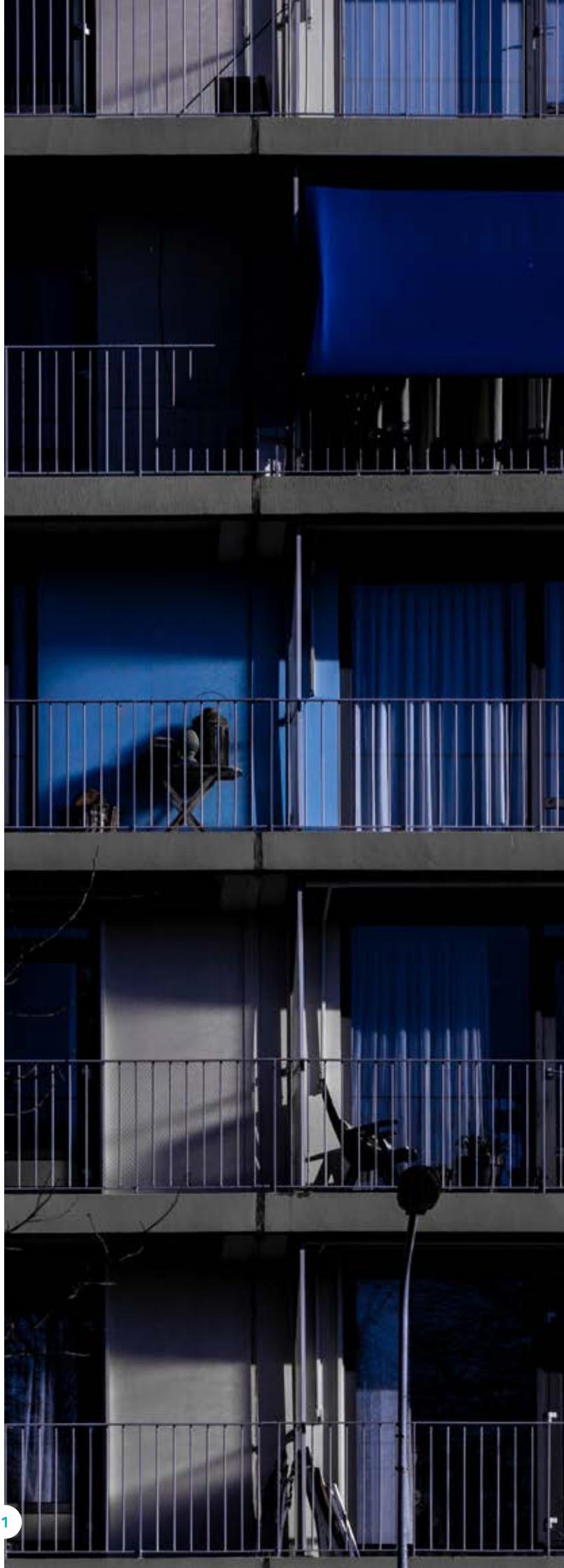




Learning Framework

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Foreword

The Impact Investing Institute

This framework has been developed by the Impact Investing Institute's learning panel. The Impact Investing Institute is an independent, non-profit organisation which aims to accelerate the growth and improve the effectiveness of the impact investing market. It will do this by raising awareness of, addressing barriers to and increasing confidence in investing with impact.

Our vision is for lives to improve, as more people choose to use their savings and investments to help solve social and environmental challenges, as well as seeking a financial return.

Developing broad competency in impact investing is one of the Institute's key areas of activity. Our intent is to educate the mainstream investment sector so that impact investing and more capital contributes to the achievement of the UN's Sustainable Development Goals.

The learning panel is composed of representatives from across the investment sector, each of whom has knowledge and experience of impact investment.

The framework is intended to be used by providers of qualifications or training to help investment professionals integrate impact into their advice and products and to help asset owners (and their advisers) understand how to integrate impact into their investment philosophy and portfolio. The framework is designed to help professional bodies, trade associations and training providers develop educational content quickly to meet these growing needs.

Introduction

Impact Investing – Learning framework

This learning framework lists the different competencies that individuals need to attain a basic understanding of impact investment and outlines the skills and knowledge that educational providers should incorporate into current programmes or qualifications or should use to build new courses or qualifications. The items highlighted in yellow indicate the material that is regarded as core and should be included in any educational programming. All of the content in the framework can be covered in more or less depth to provide foundational or more advanced knowledge and skills.

The Impact Investing Institute believes that the framework has value primarily as a basis for learning and development materials, but could also be used by individuals and firms to:

- Benchmark their knowledge and skills to threshold competence in impact
- Evaluate staff and recruit for roles, for which understanding of impact is a value-add
- Understand how impact integrates with broader investment skills and where it sits in the spectrum of capital, and
- Signal to the market that the sector is maturing



Knowledge

Sections:

- Introduction to impact investment
- The purpose of impact investment
- The impact investment market
- Asset classes and products
- Impact investment sourcing and due diligence
- Impact management and measurement
- Impact monitoring and reporting

Learning outcome:

Has sufficient knowledge of impact investment principles, the purpose of impact investment (and its origins), good practice in measuring and managing impact (and monitoring and reporting on impact investments), the nature of the impact investment market and its constituent participants and products to be able to apply impact investment skills.

Introduction to impact investment

- What is meant by impact investing
- Impact investment in context – the spectrum of capital
- Impact investing's defining characteristics
- History of impact investing
- Market participants: Investors, investees, intermediaries, policy-makers and standard setters
- Key global frameworks and standards
- Impact investing across asset classes and public/private markets
- Challenges and opportunities
- Terminology
- Background reading

Learning outcomes:

- Recognises the nature of impact investments as offering financial and non-financial returns
- Understands impact investing in the context of the wider investment landscape and within the spectrum of capital
- Demonstrates knowledge of characteristics that distinguish impact investments from traditional investments and philanthropy
- Is able to explain key characteristics of impact investing, including intentionality (and measurement), additionality and materiality
- Has basic knowledge of the origins of impact investing
- Is aware of key market participants, frameworks and standards (notably the UN SDGs, the Impact Management Project and the IFC standards)
- Is conscious of the positioning of impact across different asset classes and in private and public markets
- Understands current market challenges (definition/impact 'washing', measurement, myths) and opportunities (demand, data, policy support) and the evolving nature of the market
- Understand the main uses for key terms relating to impact investing, the potential for confusion and how best to avoid it

The purpose of impact investment

- Objectives and frameworks
- Target beneficiary
- Social
- Environmental
- Growth drivers and constraints

Learning outcomes:

- Understands the key aims of impact investing to achieve social and environmental returns alongside financial returns
- Understands how to identify target beneficiaries and how to monitor the impact upon them
- Can describe some of the key social and environmental challenges and how impact investing can channel capital to help address these
- Can explain how growing awareness of social and environmental challenges is driving the growth of impact investment
- Is aware of the perceived barriers that inhibit wider adoption of impact investing

The impact investment market

- Impact investing in context – different interpretations and the spectrum of capital
- Supply and demand across key issuer and investor types
- Impact investing strategies
- Market size and trends

Learning outcomes:

- Can explain the different ways that impact investing can be defined, impact's location in the spectrum of investment capital and its relationship to other forms of sustainable investment
- Knows about and can use the IMP's impact class matrix
- Is aware of the landscape of impact investors and understands key drivers for investment
- Is conscious of the major users of impact capital and their drivers for seeking investment
- Understands the diversity of different investor impact strategies (e.g. carve out, integrate into existing strategies, 100% impact approach)
- Is aware of the main sources of information on market size and the reasons for their different estimates

Asset classes and products

- Debt, equity and hybrid models
- Private vs public markets
- Funds
- Structured products
- Blended finance

Learning outcomes:

- Can contrast investing in public and private markets in terms of risk and impact intensity
- Can describe and differentiate between types of impact investment across debt (e.g. term loans, syndicated loans, mezzanine debt, bonds, loan notes), equity (e.g. public equity and venture capital) and hybrid models (e.g. quasi equity, revenue share, variable payment obligation)

- Can recognise and describe different forms of funds and pooled vehicles (e.g., private equity, real estate funds, blended finance funds, fund of funds)
- Can recognise and explain different forms of structured products (e.g. social impact bonds, payment by results)
- Understands how different structures align with differing objectives and investment requirements
- Is familiar with key elements of term sheets and principles of due diligence on impact investments

Impact investment sourcing and due diligence

- Purpose, process and tracking of sourcing
- Due diligence mechanisms and challenges

Learning outcomes:

- Understands the importance of establishing a selection process consistent with the intended strategy
- Understands need for good governance of sourcing
- Is aware of the role of due diligence assessment in helping to determine the strategic fit of a potential investment, its value proposition, the sponsor's capacity to deliver (and its adherence to standards of accountability and transparency) and in helping to identify other risks that could affect the investment's ability to deliver financial or impact returns

Impact measurement and management

- Impact management and measurement principles, frameworks, standards, tools and data sets
- Breadth, depth and duration
- Logic frameworks (Theories of Change)
- Targets
- Risk

Learning outcomes:

- Understands the purpose and value of impact management and measurement
- Is aware of common challenges in relation to impact management, measurement and reporting
- Is aware of key principles, frameworks and standards for impact management and measurement (IMM), how they interrelate and the IMM lifecycle
- Recognises widely-used measurement approaches such as GIIRS and SROI and how these interact with frameworks such as the IMP
- Can explain how to distinguish and balance between impact breadth, depth and duration
- Understands the basis of a logic framework (a 'theory of change') and performance measurement outputs
- Recognises the differences between inputs, outputs, outcomes, and impacts
- Understands how impact measurement and management varies according to asset class
- Is aware that impact investments carry impact risk as well as financial risk and how impact underperformance can be mitigated

Impact monitoring and reporting

- The purpose of reporting
- Good practice in impact monitoring and reporting
- Impact data and data providers

Learning outcomes:

- Understands the 'how', 'what' and 'why' of impact reporting by investees and investors
- Is aware of the value of system-wide approaches to reporting on impact (such as the standard for ESG reporting by Housing Associations)
- Understands good practice in impact monitoring and reporting by investors (consistency, clarity and accessibility)
- Has a basic understanding of how to source impact data and how to interpret impact data

Skill

Sections:

- Impact investment thesis and strategy
- Impact measurement, management, monitoring and reporting
- Impact investment sourcing and due diligence

Learning outcome:

Is able to formulate an impact investment strategy, screen and map impact investments, execute impact investment decisions, monitor and report to stakeholders, whilst applying the core elements of good impact management throughout all processes

Impact investment philosophy, thesis and strategy

- Impact investment philosophy and thesis
- Strategy
- Criteria
- Indicators and tools

Learning outcomes:

- Understands the importance of an impact investment philosophy (within a broader investment policy statement) and can contribute to the development of a philosophy
- Can develop and interpret a basic impact thesis
- Is able to articulate the difference between alternative impact strategies
- Identifies, analyses and assesses key impact criteria in investment parameters
- Can define key indicators and data to assess performance relative to a theory of change
- Can apply investment decision-making processes based on impact analysis

Impact investment sourcing and due diligence

- Screening and suitability
- Due diligence mechanisms and challenges

Learning outcomes:

- Can develop and manage relationships to support a pipeline of potential investments for review
- Is able to determine screening criteria, conduct basic assessment of suitability, and make basic comparisons of impact across investments
- Can weight screening criteria, set clear guidelines for rejecting opportunities and recognises the need for diversification
- Can develop and implement a due diligence process for impact investments
- Is able to interpret the quality of impact data and recognise the potential limitations of due diligence materials
- Can communicate and explain sourcing and due diligence processes to clients and their advisers

Impact measurement, management, monitoring and reporting

- Theories of change
- Risks
- Outputs vs outcomes
- Monitoring at investment and portfolio level
- Good practice reporting

Learning outcomes:

- Is able to assess investment for impact as well as for financial considerations
- Can interpret a theory of change and distinguish between outputs and outcomes
- Can assess primary impact risks and potential for unintended consequences of investment
- Can identify the link between impact capital provision and impact delivery
- Tracks impact, assesses alignment with impact strategy and performance and is able to engage to influence alignment
- Is able to assess progress towards impact goals at the investment and portfolio level
- Recognises that best practice involves being able to rethink strategy and devise contingency plans to preserve value and impact
- Is able to prepare an audience-relevant impact report at portfolio or investment level using leading frameworks and processes
- Can monitor and evaluate impact, seeking evidence of outputs, outcomes and impact are forthcoming and can explain its absence if required

Applied Impact Investing

Sections:

- Advising on impact investment
- Building and managing impact investment products
- Investing in and owning impact assets

Advising on impact investment

- Client communication
- Regulation
- Tax
- Incorporating impact
- Impact fund selection

Learning outcomes:

- Can explain impact investing to clients, positioning it in the context of other sustainable investment strategies and noting its distinguishing characteristics
- Understands key principles relating to working with clients to identify sustainability preferences (including impact)
- Is able to develop and/or use a principles-based framework to work with clients to identify impact preferences alongside other sustainability preferences
- Knows the regulatory requirements relating to impact and other sustainable investments
- Is aware of tax regimes applicable to impact investing and able to integrate them into tax advice for clients
- Can incorporate impact alongside ESG factors in constructing client portfolios
- Is confident in selecting impact funds that meet client preferences

Building and managing impact investment products

- Developing an impact investment thesis and process
- Impact investment selection and portfolio construction
- Risk management
- Regulation
- Investor reporting

Learning outcomes:

- Is able to develop a coherent impact investment philosophy and to construct implementable processes around it
- Has a consistent process for selecting impact investments and can construct an appropriate portfolio taking account of financial and impact risks
- Is able to monitor, measure and mitigate financial and impact portfolio risks
- Is aware of the regulatory framework around impact investment products and understands the suitability of the investment product for different audiences
- Is able to report in a timely, consistent and appropriate manner

Investing in and owning impact assets

- Determining your impact investment strategy

- Impact investment risk and return and portfolio effect
- Fiduciary duty and regulation
- Beneficiary communication

Learning outcomes:

- Knows how to develop an appropriate approach to impact investing that takes account of the governance budget and accords with the owner's investment philosophy and processes
- Understands the potential effect of impact investments at the portfolio level and can assess the differing risk and return characteristics of impact investments
- Is aware of the regulatory requirements with respect to impact investments and understands how impact investments can meet fiduciary requirements
- Is aware of the potential benefit of impact investing in terms of beneficiary engagement and understands good practice with respect to reporting to beneficiaries on impact



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