



WHAT IMPACT MEANS TO US

We're often asked: what do you mean when you talk about "impact"?

There was a time when the term was synonymous with private markets and lower returns. Impact investing, historically, has been a label attached to private equity investments intentionally made with positive social or environmental outcomes in mind. And these outcomes, at least in the past, have been prioritised over investment performance.

Impact Cubed works across all asset classes and we don't limit ourselves to just private equity. So, for us, there needs to be a practical way of measuring impact that's relevant to public equity and fixed-income investors who are aiming for above market returns. We do this to [increase the cost of capital](#) for companies with high environmental and social costs.

There are useful frameworks around - we've aligned ourselves to the objectives of the [Impact Management Project](#) and [Global Impact Investing Network](#). Measuring impact using these frameworks, however, still requires data. And we need a lot of it - enough to cover more than 40,000+ listed firms and every sovereign issuer.

This also means we have a problem. Regrettably, most issuers don't disclose information about their ESG performance. We have written about the [ESG disclosure cliff](#) in other articles. We need a way, therefore, of assessing a company (or, indeed, a country) when this information is lacking.

This can't be subjective, so we've mapped this analysis to the United Nation's [Sustainable Development Goals](#) (SDGs). The text associated with the 17 goals has been given many thorough reads and then used to inform the creation of Impact Cubed's very detailed industry classification. How detailed? It divides the global economy into 2,300 types of revenue and maps each of these to the goals. We also take geographic region into account, because the SDGs recognize there are regional differences in sustainable development.

Products and Services

Now we're ready to ask questions about issuers' impact. We analyse, for example, companies' business models. What products do they make? What services do they offer? From an environmental and social standpoint, is their business activity aligned with the SDGs? We identify every regional revenue stream, and then map that to our detailed industry activity classification.

Pollution and Natural Resources

We also we look at how companies are managed. How much pollution does a firm create to generate a dollar of revenue? What level of natural resource use does this company need to survive? Are companies using large amounts of water in regions where it is scarce?

Societal Impacts and Governance

For every dollar invested in a portfolio, we also measure societal impacts. We analyse companies from the point of view of jobs created, taxes paid, and the firms' diversity and compensation policies. How large is the gap between executive pay and that of regular employees? What's the diversity makeup of the company's board?

Outcomes, not intent or sentiment

For us, impact is about outcomes. Intent and sentiment can be applauded, but they don't offer an objective snapshot of an organisation's real-world impact. We'd rather address the here and now than subjectively estimate the quality of long-term

corporate policies. To be credible, policies need to show up in the annual outcomes.

Companies can make net-zero commitments for the future or put a diversity and inclusion plan in place. They can even tick off a box for doing so. But, for us, we want to see whether a firm's emissions are increasing or decreasing. We want to know how diverse its staff is now.

This allows us to cut through marketing spiel and zone in on actual impact.

Want to know more? You can find all of our short reads [here](#).

ABOUT IMPACT CUBED

Impact Cubed provides ESG analytics and investment solutions for building more sustainable portfolios with greater impact. It combines an award-winning approach to integrating impact into risk and return with technology-enhanced portfolio design and management. The outcome is a seamless approach to customised sustainable investing.

You can find out more about our data and portfolio models at www.impact-cubed.com and if you would like to contact us at info@impact-cubed.com we would be happy to hear from you.

DISCLAIMER

No reliance: Impact Cubed LLP provides this material as a general overview of our firm and our capabilities. It has been provided for informational purposes only. Impact Cubed LLP has taken all reasonable care to ensure that the information contained in this material is accurate at the time of its distribution, no representation or warranty, express or implied, is made as to the accuracy, reliability or completeness of such information. Any distribution, reproduction or other use of this material by recipients is strictly prohibited. Hyperlinks: If the material contains links to websites provided by third parties, these links are provided for your convenience only and you may access them at your own risk. Impact Cubed LLP does not make any representation as to the accuracy or completeness of such websites and will not review or update such websites or information contained therein. No offer/no advice: This material does not constitute or form part of any offer to issue or sell, or any solicitation of any offer to subscribe or to purchase, shares, units or other interests in investments that may be referred to herein and must not be construed as investment or financial product advice. References to "Impact Cubed LLP" may include Impact Cubed Ltd, an affiliated business. Impact Cubed has offices in London and Jersey. Impact Cubed LLP is registered in England and Wales