



**17Africa**  
A model for catalytic capital

# Open Source Process Mapping: Outcomes Architecture

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Coordinator &  
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Co-Creation  
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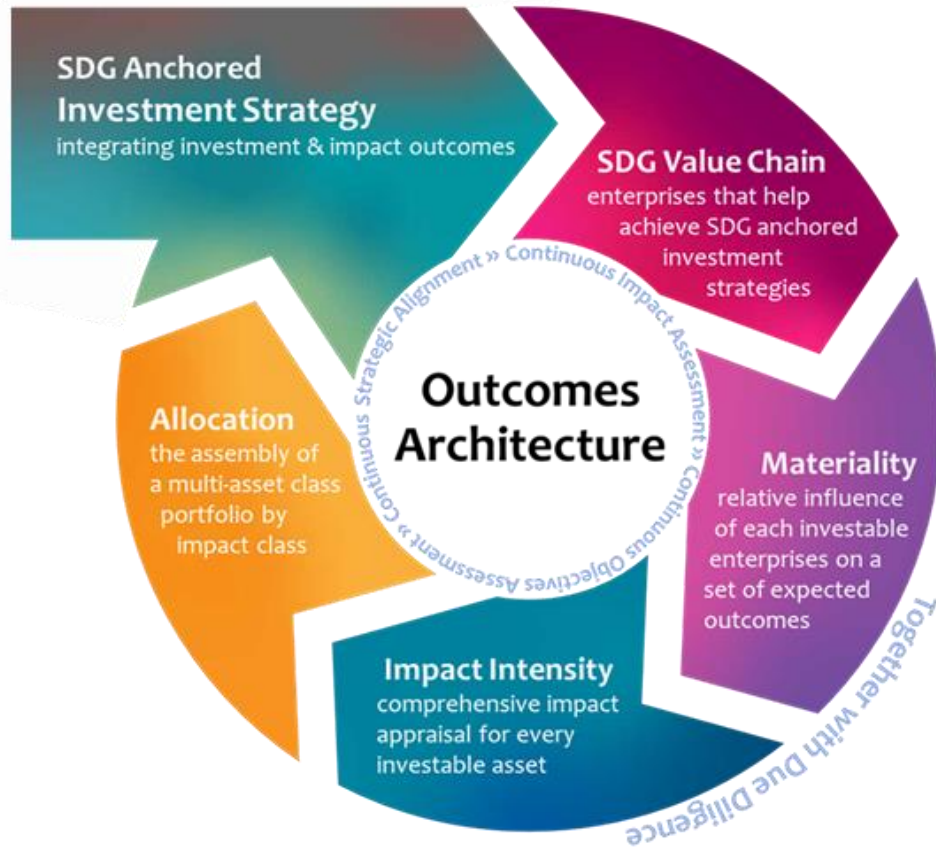


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## A Structured Approach to Building Purpose Driven Portfolio's



**Outcomes Architecture is** a structured approach to building investment portfolios that seek social, environmental and financial outcomes. It's a methodology where strategic asset allocation gives way to asset selection based on the influence of an asset on a desired outcome. The resulting portfolio not only reflects the intentions of an investor but also allows the investor **to assess performance in line with purpose** across the asset classes.

17Africa introduces **SDG Value Chains** to identify a pool of enterprises that help achieve specific outcomes; **Outcomes Materiality** to test the relative influence of an enterprise to an objective; and **Impact Intensity** to enhance due diligence by articulating a set of expected non-financial returns.

The process by which impact oriented investors are able to **translate their purpose into an investment portfolio**



## What is an SDG Anchored Investment Strategy?



The Sustainable Development Goals represent **a new model for growth and development** that help guide an objective, fair and just transition to greater social inclusion and environmental sustainability.

**An SDG anchored investment strategy** bakes the expectation of inclusive and sustainable outcomes into an investment portfolio in order to address an investor's objectives. It is a first step in translating purpose into portfolio and is undertaken with consideration of investor return thresholds and reflecting risk factors.

An articulation in the context of the SDG drivers, expectations and limitations that define an investors approach



## What is an SDG Value Chain?



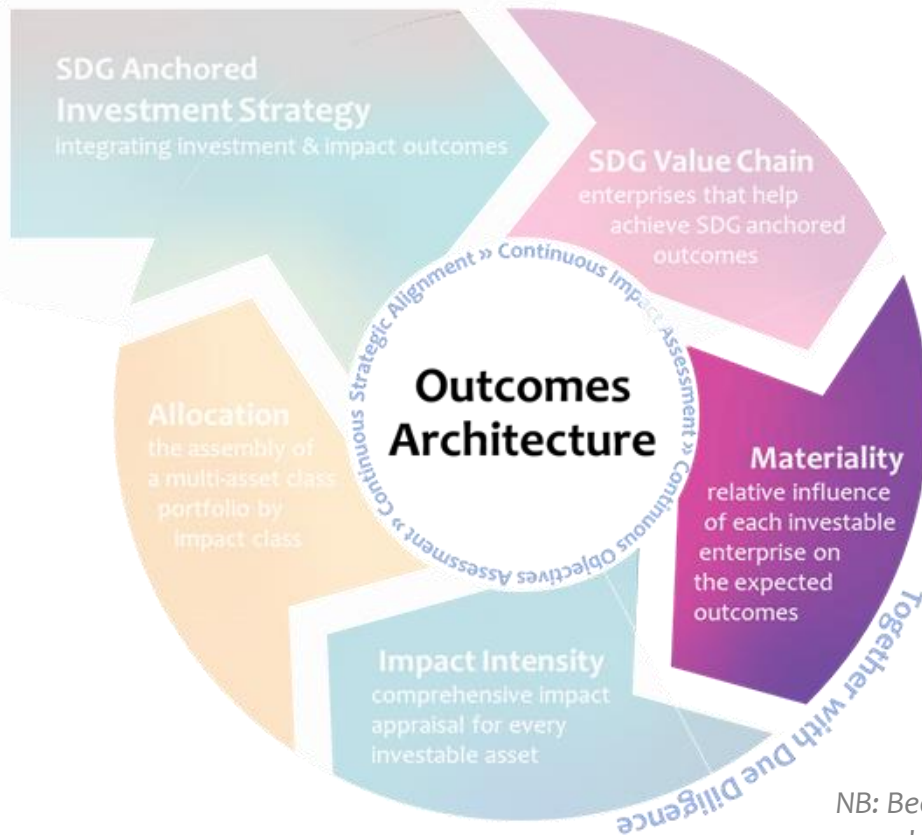
Whereas traditional value chains represent a set of **sequential enterprise level activities** that shepherd a product or service from conception to customer, **an SDG value chain is a map of autonomous enterprises** whose products or services, when considered independently and in aggregate, provide a transition pathway that helps to achieve a targeted SDG.

As a working tool, an SDG Value Chain translates a purpose driven investment strategy into a selection pool of investment opportunities that informs and enables both strategic and tactical investment allocation. It provides an investor with a **relevant unit of analysis** to understand the impact potential generated by an investment strategy.

Neither linear nor circular, an SDG Value Chain helps is a **universe map of outcome contributing enterprises**



## What is Outcomes Materiality?



**Outcomes Materiality is** an assessment tool that links a prospective portfolio investment to expected outcomes. It is a relative measure of influence that an asset may have on achieving portfolio outcomes.

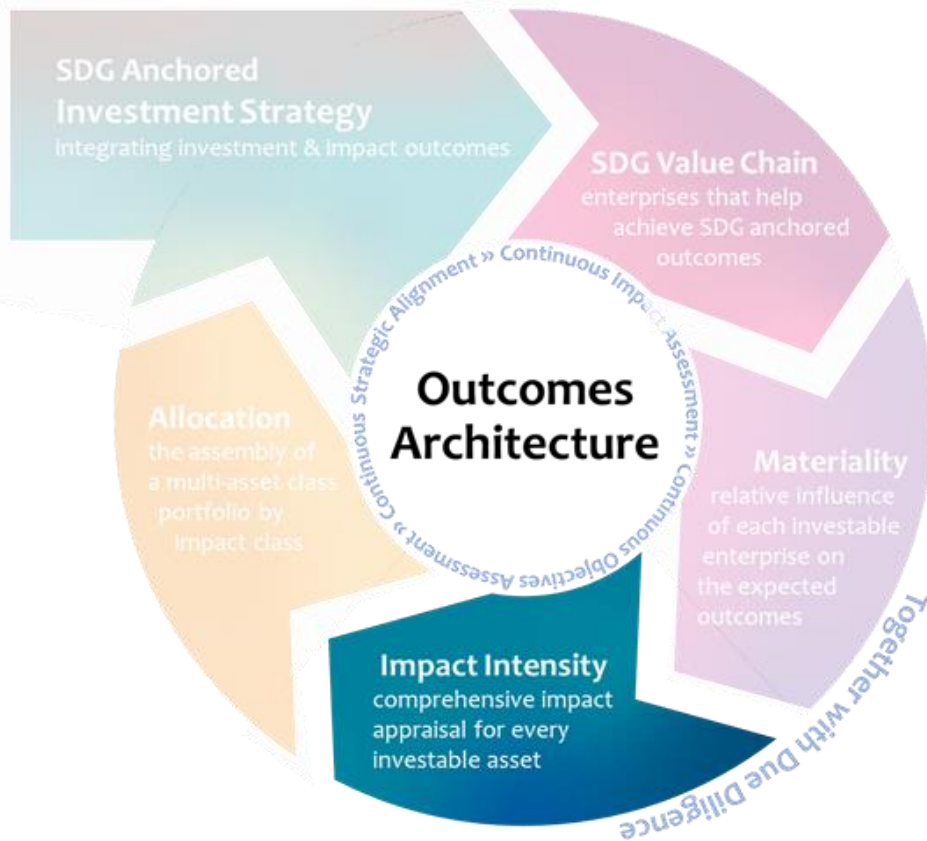
Each of the eight criteria alone may not be enough to disseminate the full extent of influence an asset may have on expected outcomes, but taken together, these criteria can **help discern the relative material influence** amongst a selection of potential investments.

*NB: Because this process ranks the influence of a particular asset on a particular set of target outcomes, the same asset could very well have a substantially different materiality score when applied to a different set of expected outcomes.*

**As assessment rather than a screen of the potential influence an asset or enterprise may have on an investment portfolio**



## What is an Impact Intensity?



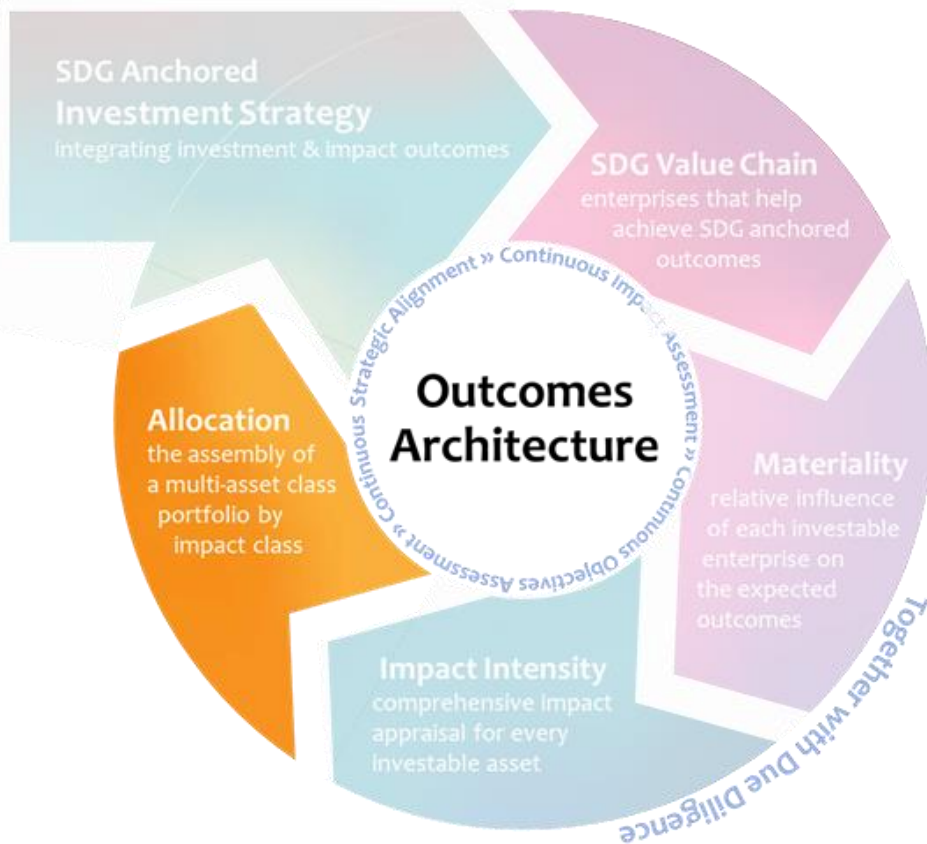
**Impact Intensity** is an extensive outcomes diligence process. Similar to a traditional financial diligence process, impact intensity is focused on teasing out expected outcomes that affect each of the stakeholder groups of a potential asset, as well as identifying inherent impact risks for each asset.

The objective is a deeper understanding of the **impact contribution an asset could add** to the optimization of the overall outcome potential of an investment portfolio. Taken together with the financial contribution, it is a powerful additional tool.

Providing insight into **the net social & environmental contribution** that an asset or enterprise brings to a portfolio



## What is Outcomes Allocation?



**Outcomes Allocation is** the assembly of an investment portfolio to optimize financial, social and environmental outcomes. In practice, this is an iterative process to select and weight portfolio constituents guided by the logic map of the SDG Value Chain and the subsequent assessments.

An outcomes approach to allocation is **less a paradigm shift than a perspective shift** as return thresholds and risk parameters are respected on the journey to achieving the investment strategy outcomes.

As an investor is able to assess outcomes across a portfolio of investments with greater clarity and in line with a measurable pathway towards one or more SDGs, **allocation to deeper impact** should be anticipated.

An impact class perspective provides a **clear view of what the portfolio is solving for**



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