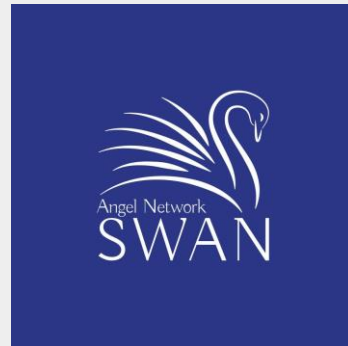


Angel Investing 203: Assessing Impact in Early-Stage Startups



SWAN Impact Angel Network



Meagan Packard

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- Angel Investor



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- Executive Director
- Board of Directors
- Angel Investor

Agenda

- Welcome to SWAN
- What is impact investing
- How SWAN assesses impact potential
- How SWAN incorporates impact into our investing
- Examples: SWAN impact assessments

Welcome to SWAN





The Network

- First investment made in 2016
- Primarily pre-seed investments
- 85 angel investors
- Chapters in Austin, Dallas and Houston
- Fund companies from across the US

Investments

- \$14M invested in 40 impact companies
- Per year
 - ~350 companies apply
 - ~ 6 companies get initial funding
 - ~6 portfolio companies get follow-on funding

We Recognize That There Can Be No Impact Without Business Success



We Evaluate Two Bottom Lines

Considered

Financial return to shareholders

Impact created by company's primary product or service offering

Not Considered

ESG
(Environmental, Social, Governance)

SWAN's Impact Focus

Companies whose primary business mission is to address serious societal or environmental challenges

Focused on environment, health care, education, wealth inequality, social justice

Highly supportive of under-represented founding teams

50% of investments have gone to these teams

Other networks may define impact as supporting diversity or promoting regional economic development

What is impact investing



What is impact investing?

Impact investments are investments made with the **intention** to generate positive, **measurable** social and environmental impact **alongside a financial return.**

Global Impact Investing Network (GIIN)



What is the difference between impact and ESG investing?

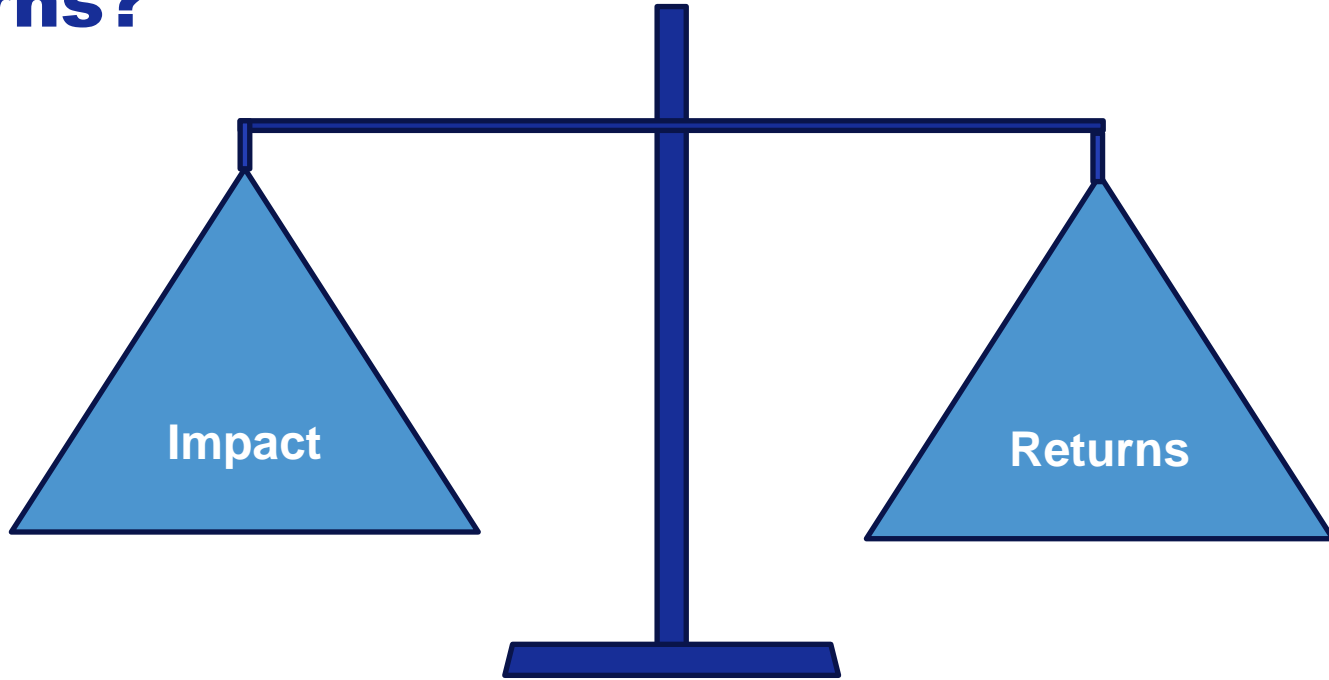
ESG Investing <i>Identify companies that exhibit operational best practices for people and planet</i>	Impact Investing <i>Identify companies that will drive measurable positive change for people and planet</i>
Guideline	Strategy
Inward facing	Outward facing
Backward looking	Forward looking
Focused on risk	Focused on change

How is impact defined?

regenerative agriculture
empowerment of women
financial inclusion
mental health
social determinants of health
underserved communities
natural resources
affordable housing
edtech
circular economy
disaster planning & response
climate change
improving health outcomes
underrepresented founders
indigenous rights
biodiversity
food waste
sustainable livelihoods
upskilling
developing countries
improving access to basic goods and services
access to energy
clean water
regional development
renewable energy
women's health
early-childhood development
job creation
water recycling & reuse
workforce upscaling
sustainable fashion
food security
access to health services or products
and more...

Impact is in the eye of the angel investor

What matters most - impact or financial returns?



Find your own balance of risk, impact & returns

Why impact investing?



Angel investors have the
power to do good in the world
alongside seeking a compelling
financial return



How SWAN assesses impact potential



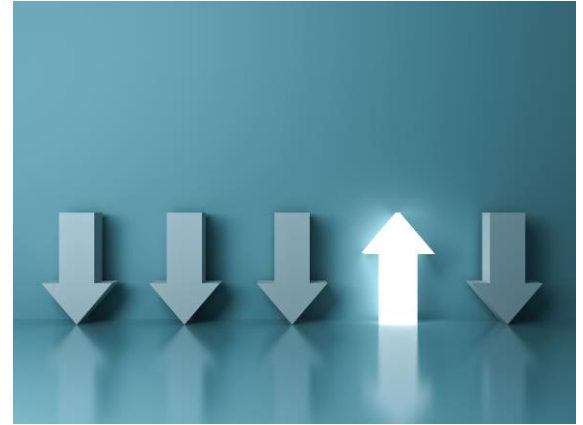
SWAN impact criteria

CRITICAL CRITERIA

- Intent / mission of the company
- Efficacy with supporting evidence base

Secondary criteria

- Contribution
- Scale of impact
- Beneficiaries
- Plan for impact measurement and management (IMM)



**There is no impact without
business success**

Impact assessment frameworks and tools



1. UN Sustainable Development Goals (SDGs)
2. Impact Management Project's Five Dimensions of Impact
3. IRIS Catalog of Metrics



SUSTAINABLE DEVELOPMENT GOALS

17 GOALS TO TRANSFORM OUR WORLD



Impact Management Project's Five Dimensions of Impact



What

What tells us what outcome the enterprise is contributing to, whether it is positive or negative, and how important the outcome is to stakeholders



Who

Who tells us which stakeholders are experiencing the outcome and how underserved they are in relation to the outcome



How Much

How Much tells us how many stakeholders experienced the outcome, what degree of change they experienced, and how long they experienced the outcome



Contribution










Contribution tells us whether an enterprise's and/or investor's efforts resulted in outcomes that were likely better than what would have occurred otherwise



Risk

Risk tells us the likelihood that impact will be different than expected

Impact Management Project's 9 Impact Risks

Evidence risk		The probability that insufficiently high-quality data exists to know what impact is occurring
External risk		The probability that external factors disrupt our ability to deliver impact
Stakeholder participation risk		The probability that the expectations and/or experience of stakeholders are misunderstood or not taken into account
Drop-off risk		The possibility that the positive impact does not endure and/or that negative impact is no longer mitigated
Efficiency risk		The probability that the impact could be achieved with fewer resources or at a lower cost
Execution risk		The probability that the activities are not delivered as planned and do not result in the desired outcomes
Alignment risk		The probability that the impact is not locked into the enterprise model
Endurance risk		The probability that the required activities are not delivered for a long enough period
Unexpected impact risk		The probability that significant unexpected positive and/or negative impact is experienced by people and the planet

IRIS Catalog of Metrics

⌵ Impact Category

⌵ SDGs

⌵ Joint Impact Indicators

⌵ Dimensions of Impact

⌵ Operational Impact

⌵ Product Service Impact

⌵ Focus

⌵ Investment Lens

⌵ Financials

⌵ Impact Category

- Agriculture
- Air
- Biodiversity & Ecosystems
- Climate
- Diversity & Inclusion
- Education
- Employment
- Energy
- Financial Services
- Health
- Real Estate
- Land
- Oceans & Coastal Zones
- Pollution
- Waste
- Water
- Cross Category
- Infrastructure



Non-hazardous Waste Avoided (PI8177)

Amount of non-hazardous waste disposal avoided through refurbishing, reusing, and recycling as part of delivering or developing the organization's products and services during the reporting period.

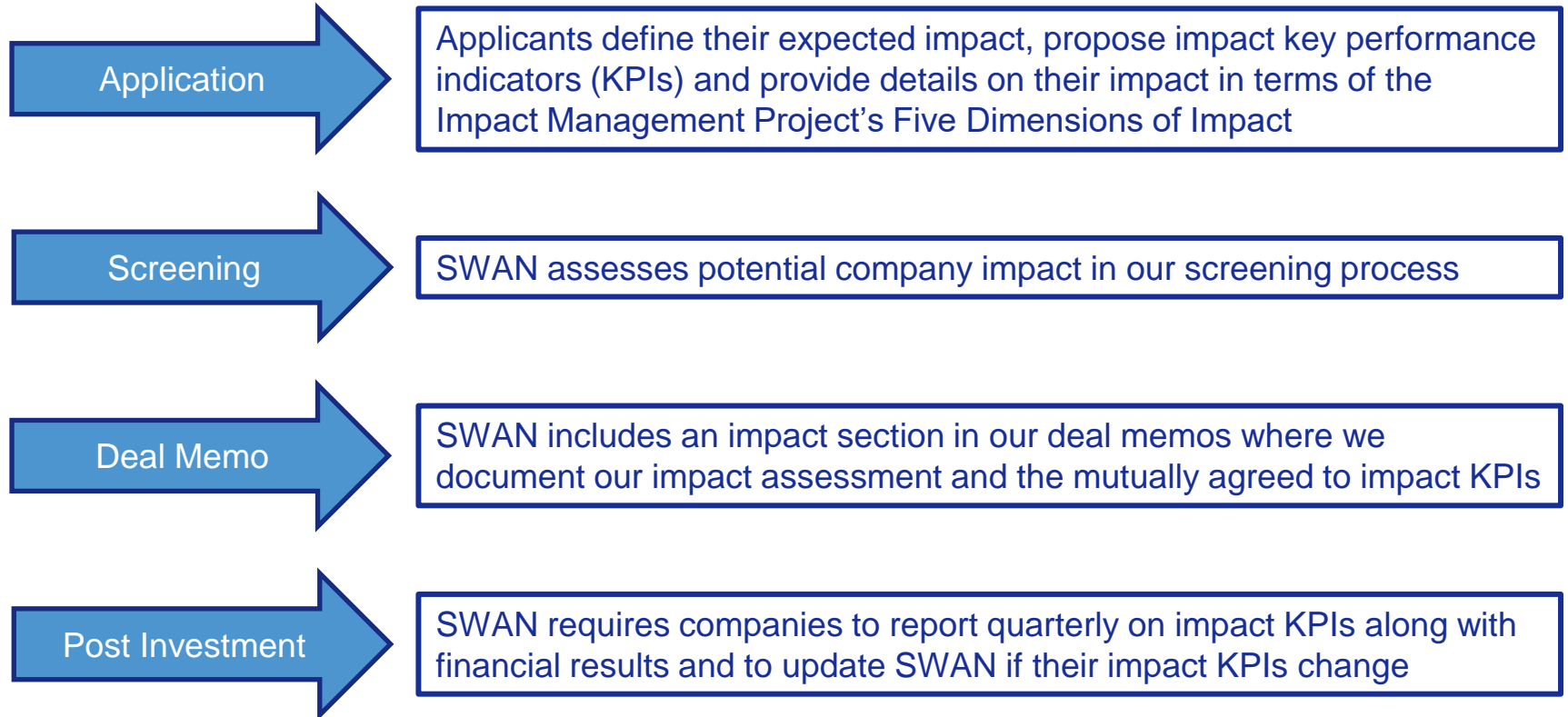
Waste

Waste

How SWAN incorporates impact into our investing



SWAN methodology



The all important impact KPI

1. Determine which impact KPIs to track
2. Track outcomes vs outputs when possible
3. Target 2-3 impact KPIs
4. Request portfolio companies create targets, baselines and/or benchmarks
5. Remember there is often a time delay

GOALS FOR IMPACT KPIs:

Measureable

Useful

Beneficial

In Sync

Ongoing

Planned



Indirect impact is challenging to measure

If your venture is:

- Donating 5% of revenue to non-profits
- Helping non-profits raise donations or become more internally efficient

Then hmmm ...

- How can you measure the impact delivered by the non-profits?
- Some non-profits may have minimal efficacy

Reality check on impact expectations for early-stage companies

Quoting an experienced early-stage impact investor:



Juan Thurman

“... early-stage impact startup teams have so much going on. They scramble every day to make progress and to ensure that the company survives. That pressure makes it hard for them to prioritize measuring and reporting on impact.”

Examples: SWAN impact assessments



Funded: Flow Below

Aerodynamic fairing around drive wheels of long-haul tractor trailer cabs to improve fuel efficiency and decrease CO2 footprint



Impact KPIs

- 1.2% improvement in a truck's fuel efficiency, with a similar decrease in carbon footprint
- Total impact can be estimated using the number of trucks employing the fairings and average miles driven per year per truck

Not funded: company “a”

Mobile dating app where first date is a volunteer activity at an event hosted by a non-profit



Impact KPIs

- Increase in volunteer hours

Concerns

- Impact is not the company’s primary business mission
- Difficulty in demonstrating the significant societal benefit resulting from dating volunteer hours (the “outcome”)
- Is the volunteering sticky?

Funded: Binary Bridge

A robust, easy to use portable electronic records system optimized for use in developing countries by medical missions and local clinics



Impact KPIs

- Improved longitudinal care for patients
- Enhanced clinic efficiency
- Longer term impact: enhanced ability of medical mission NGOs to report their impact to donors, thereby increasing the NGOs' ability to scale their operations

Not funded: company “b”

**High-protein food powder supplement
derived from beetles**



Impact KPIs

- Avoided greenhouse emissions compared to beef protein
- Healthy food improves health outcomes

Concerns

- Yet another “healthy” food - which food choice results in better health?
- Will market demand be high enough to deliver meaningfully large environmental and health impacts?
- There is no way to measure if use of this product causes better health outcomes

Funded: Vartega

**Recycling carbon fiber,
a low-cost alternative to virgin material
with the same mechanical properties**



Impact KPIs

- Units of product shipped
- Amount of diverted waste from landfills
- Greenhouse gas avoided from virgin carbon fiber production

Not funded: company “c”

Platform enabling senior public school administrators to more easily comply with state laws



Administrator

Impact KPIs

- Decrease in hours spent by administrators on reporting, giving them more time to focus on initiatives that improve educational outcomes

Concerns

- Impact: hard to measure impact on educational outcomes
- Business: relatively small market given state requirements

Funded: Hubly Surgical

Novel cranial drill designed to reduce complications through unique features for safety, efficiency and value



Impact KPIs

- Number of patients treated
- Number and % of accounts in underserved markets
- More to come when patient data becomes available

Not funded in 2019: company “d”

Innovative technology allowing the windows in existing high-rise commercial buildings to be relatively easily upgraded to double pane



Impact KPIs

- Increase in insulation efficiency of windows, with corresponding decrease in fuel usage and carbon footprint

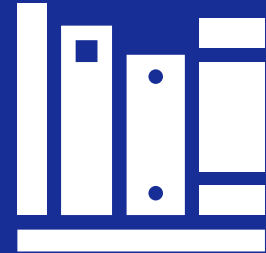
Concerns

- Risk of low adoption limiting the scale of impact as it would be hard to get first high-rise building owner to commit to upgrade an entire building. Who is willing to go first?

2023

- Reapplied after gaining traction

Additional resources



References

- GIIN (Global Impact Investing Network)
 - <https://thegiin.org/>
- UN Sustainable Development Goals
 - <https://sdgs.un.org/goals>
- Impact Management Project's Five Dimensions of Impact
 - <https://impactfrontiers.org/norms/five-dimensions-of-impact/>
- IRIS
 - <https://iris.thegiin.org/metrics/>

Additional Webinars



Angel Investing 101

- The Angel Experience: What is an Angel Investor? What motivates Angels? What are examples of typical Angel investments? How does the SWAN operate?



Angel Investing 201

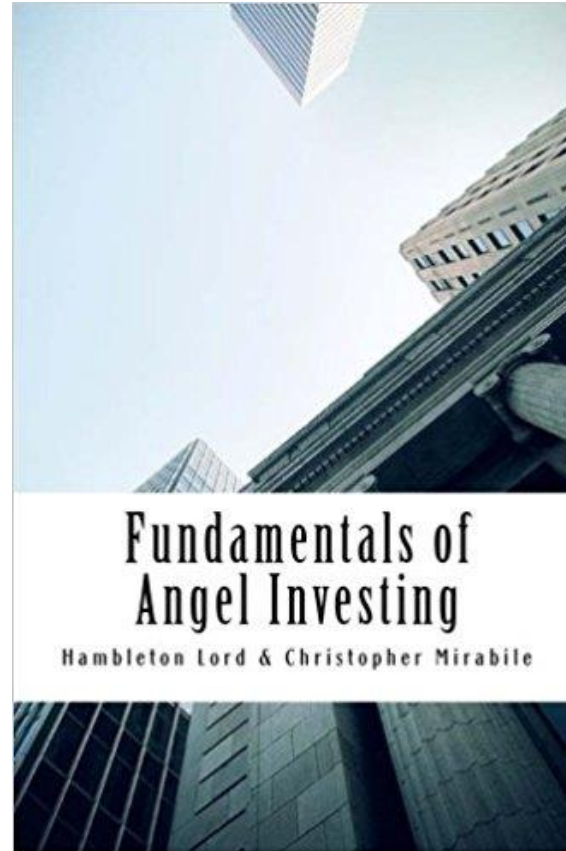
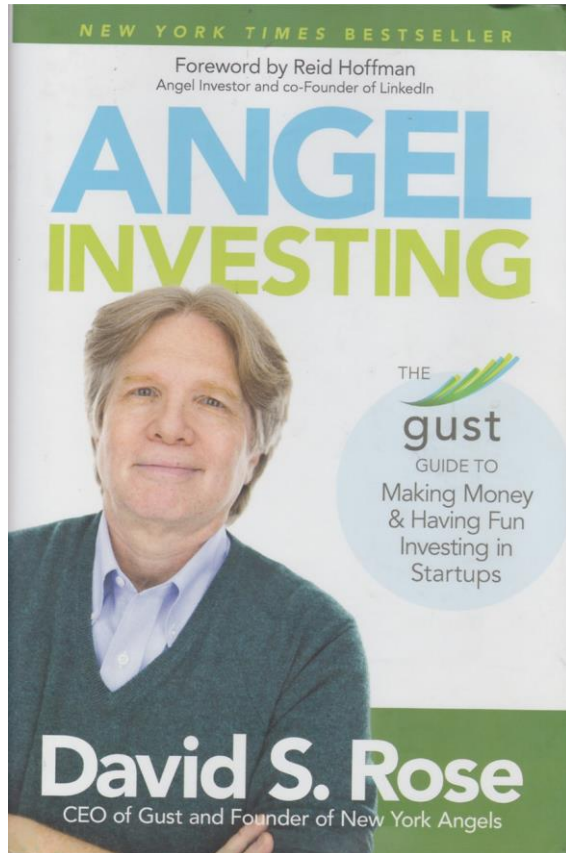
- The Big Picture: Basics of building an Investment Portfolio, and an introduction to how to do Due Diligence



Angel Investing 202

- The Mechanics of Investments: Investment instruments, company valuations, dilution across rounds, post-investment activities, and tax considerations

Good Resources



Webinar Feedback



Any final questions?



What was most helpful?



What was less interesting?



What would you like to learn more about?

Thank you for attending

