Lessons from the Social Impact Investment Taskforce:

Impact Measurement Working Group

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Introduction

Social Impact Investment Taskforce

Established under the UK’s Presidency of the G8

Representatives from government, civil society and private sector

Taskforce’s National Advisory Boards

Meet regularly, provide papers to inform the work of the Taskforce, carry forward the agenda beyond Taskforce Report publication

OECD Report

Over two years, the OECD will undertake a report mapping global sector and expected developments

Impact Measurement Working Group

The working group will bring together leaders in impact measurement from G8 and beyond to recommend approach and principles for measurement of social outcomes

International Development Working Group

The working group will include experts in impact investment, international development and development finance to recommend approach and principles for applications in development

Asset Allocation Working Group

Objective is to recommend approach and principles needed to achieve specific allocation to impact investment by institutional investors

Mission Alignment Working Group

Objective is to recommend corporate form that provides mission-lock for profit-with-purpose businesses

Meet regularly, provide papers to inform the work of the Taskforce, carry forward the agenda beyond Taskforce Report publication
Mandate of Impact Measurement WG

Objectives

- Provide **practical guidelines** for the “what and how” of impact measurement that investors can implement immediately
- **Demonstrate impact measurement best practices** through case studies
- Articulate a vision and priorities roadmap for the future of impact measurement
- Outline concrete actions and identify key stakeholders to advance priorities

Audience

- **PRIMARY**: Current and future impact investors
- **SECONDARY**: ‘Radiating out’ to global capital markets and harmonizing with ESG efforts
Why Impact Measurement: Value Drivers

*Impact measurement is central to effective impact investing, as it demonstrates investor intent and legitimizes the industry with data on impact produced.*

Good impact measurement:

1. Generates **intrinsic value** for all impact investment stakeholders
2. Yields data to **mobilize greater capital** toward generating impact
3. Increases the **transparency and accountability** for the impact delivered.

“The value drivers of impact measurement must be clear to all stakeholders: to the beneficiary in better products, services and opportunities, to the enterprise in better performance, and to the investor in terms of knowing successful impact...and investing more or differently as a result. It’s a win-win-win.”

“To unlock greater capital, towards impact investing, **investors need to be able to better understand investment performance**, which relies upon having a common language for them to use and a way to compare different investment targets across industries.”

“The goal cannot be solely about greater capital, it has to [also] be about **knowing where capital is put to best use.**”

Source: IRIS Research, GIIRS Research, G8 Interviews
Why Impact Measurement: Trends

“Impact measurement is fast becoming a best practice in impact investing, bringing transparency, credibility, and accountability to investments and to the market as a whole”

Increased use of impact measurement to recognize investment results while also holding investors accountable for impact intentions.
  e.g., Green Bonds; SIBs: Goldman-Bloomberg; BAML-Robin Hood-Rockefeller; ABN Amro – Start Foundation

Increased governmental attention and interest in impact measurement and results.
  e.g., SBA announcement, UK Gov’t support tax incentive, Social Impact Investment Task Force

Increased use of impact considerations as an integral part of developing investment theses and validating performance against investment policy.
  e.g., UBS impact fund; Prudential

Coalescing of investor affinity groups and alignment initiatives to create consistency, efficiencies, and effective performance comparisons.
  e.g., DFI harmonization, CSAF, GABV, EVPA, SIAA, etc.

SOURCE: 2014 media round-up, ImpactBase, IRIS Registry, B Analytics
Today, impact investors tend to drive the adoption and design of impact measurement practices. Many call for greater consideration of investees.

Many important alignment initiatives have been undertaken in recent years, including DFI harmonization, GECES, and the Taskforce impact measurement initiative. Limited wide-spread coordination exists.

While impact measurement is seen as important by most impact investors, it is not broadly seen as a ‘win-win-win’ for all involved, and a sense of urgency to put “impact accountability” at the heart of the investment is often missing.

While significant literature around recommended best practices exists – and although the nature of these practices is often similar – a process, system, or framework of choice has not yet emerged.

There is no established ‘performance bar’ or notion around what data is needed to demonstrate performance (e.g. outputs, outcomes, impacts).

SOURCE: From 2014 stakeholder interviews, current state literature review, IRIS market research
Impact Measurement Guidelines

Based on emerging best practices in the field, we developed a set of practical guidelines for good impact measurement practice.

The following guidelines can be applied at three key levels: by an investor at an individual investment or deal level, by an investor at a portfolio level, and by an investee.

There is also an interplay between how the guidelines can be applied at these three different levels, and, but the overall measurement process and best practices remain the same.

There will be variations in the sequence and timing of the guidelines’ application depending on the level at which they are being applied, and on the specific activities of investee and investor.

The guidelines too should be applied iteratively and in a way that is contextually relevant to the actor and its stakeholders.

WITH EACH GUIDELINE WE PROVIDE:
(1) What it is, (2) Why it matters & A “Case-In-Point”, (3) Steps to apply, (4) Guiding questions
## Impact Measurement Guidelines

<table>
<thead>
<tr>
<th>Guideline</th>
<th>Description</th>
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<tbody>
<tr>
<td>Set goals</td>
<td><strong>Articulate the desired impact of the investments</strong>&lt;br&gt;Establish a clear investment thesis/Theory of Value Creation (ToVC) to form&lt;br&gt;the basis of strategic planning and ongoing decision making and to serve as a&lt;br&gt;reference point for investment performance</td>
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<tr>
<td>Develop Framework &amp; Select Metrics</td>
<td><strong>Determine metrics to be used for assessing the performance of the investments</strong>&lt;br&gt;Develop an effective impact measurement framework that integrates metrics and&lt;br&gt;outlines how specific data are captured and used; utilize metrics that align with&lt;br&gt;existing standards</td>
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<tr>
<td>Collect &amp; Store Data</td>
<td><strong>Capture and store data in a timely and organized fashion</strong>&lt;br&gt;Ensure that the information technology, tools, resources, human capital, and&lt;br&gt;methods used to obtain and track data from investees function properly</td>
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<tr>
<td>Validate Data</td>
<td><strong>Validate data to ensure sufficient quality</strong>&lt;br&gt;Verify that impact data is complete and transparent by cross-checking calculations&lt;br&gt;and assumptions against known data sources, where applicable</td>
</tr>
<tr>
<td>Analyse Data</td>
<td><strong>Distill insights from the data collected</strong>&lt;br&gt;Review and analyse data to understand how investments are progressing&lt;br&gt;against impact goals</td>
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<tr>
<td>Report Data</td>
<td><strong>Share progress with key stakeholders</strong>&lt;br&gt;Distribute impact data coherently, credibly, and reliably to effectively inform&lt;br&gt;decisions by all stakeholders</td>
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<tr>
<td>Review</td>
<td><strong>Identify and implement mechanisms to strengthen the rigor of investment process and outcomes</strong>&lt;br&gt;Assess stakeholder feedback on reported data and address recommendations to&lt;br&gt;make changes to the investment thesis or ToVC</td>
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*GIIN*

Established under the UK’s Presidency of the G8
Case Study: Bridges Ventures

**Geography:** Located in United Kingdom, invests in UK and US

**Sector:** Multiple – education, transport, health

**Target Beneficiaries:** Multiple

**# of Metrics:** Varies per investment

**Draws from Common Impact Language:** Uses IRIS metrics when possible

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**Guideline**

1. **Set Goals** Bridges co-develops impact goals with its investees at the organization, fund, and investment level.

2. **Develop Framework & Select Metrics** Bridges’ IMPACT Scorecard and supporting evaluation methodology provide a robust impact measurement framework to assess progress towards these impact goals at each level.

3. **Collect & Store Data** Individual investees collect data and provide it to Bridges at set intervals (which vary per investee). Data reporting occurs across various layers of the organization – from investee to fund to whole organization – and feeds data for data collection and analysis at each level.

4. **Validate Data** Bridges has an advisory team (IMPACT+) that acts across funds to support data validation and quality assurance through resource support and investee and beneficiary sampling. Bridges also engages in occasional third party audits.

5. **Analyze Data** Fund managers analyze impact data at the investment and fund level to understand how specific investments perform against impact risk and return expectations and how each investment’s performance influences the overall impact performance of its fund.

6. **Report Data** Bridges also publically reports the impact and outcomes of its measurement approach annually, through a Social Impact Report which details its impact methodology and outlines the impact performance, and risk, of their investees.

7. **Make Data-Driven Investment Management Decisions** Fund managers use data analysis to adopt ongoing data-driven investment management, whereby they allocate and re-allocate their investment capital based on performance against expectations. Each fund management team meets periodically to assess investees’ and fund’s impact performance using the Scorecards and to make decisions in future investment cycles based off that data.

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Evolution of Impact Measurement

**Near Term:** Guidelines to create a more **unified base level of practice**

**Longer Term:** Sequence for **advancing IM to drive greater value and efficacy** of impact investments

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### Spectrum of Measurement Approaches

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<thead>
<tr>
<th><strong>Organisational Guidelines</strong></th>
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<th><strong>Issue- &amp; Regional Guidelines</strong></th>
<th><strong>Global Guidelines</strong></th>
<th><strong>Standards</strong></th>
<th><strong>Standards</strong></th>
<th><strong>Formalized Reporting &amp; Disclosure Regimes</strong></th>
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<tbody>
<tr>
<td>(Private)</td>
<td>(Shared)</td>
<td>(Optional)</td>
<td>(Optional)</td>
<td>(Optional)</td>
<td>(Required)</td>
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<tr>
<td><strong>Endeavor Impact Assessment Dashboard</strong></td>
<td><strong>Acumen's BACO Methodology</strong></td>
<td><strong>EU Standard (GECES)</strong></td>
<td><strong>Social Return on Investment (SROI) Methodology</strong></td>
<td><strong>IRIS Metrics</strong></td>
<td><strong>International Financial Reporting Standard (IFRS)</strong></td>
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<td><strong>IFC's DOTS Framework</strong></td>
<td><strong>NPC's Guidelines</strong></td>
<td><strong>International Integrated Reporting Framework</strong></td>
<td><strong>Sustainability Accounting Standards Board (SASEB)</strong></td>
<td><strong>U.S. Generally Accepted Accounting Principles (GAAP)</strong></td>
<td><strong>Disclosure regimes (incl. Evolving non-financial reporting requirements, the EU Directive)</strong></td>
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**GIIN**

Established under the UK’s Presidency of the G8
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What’s Next

Near-term priorities

1. Adoption & implementation of guidelines
   - Alignment with other initiatives
   - Ongoing awareness raising
   - Implementation guidance

2. Advancing practice
   - Training & Support for Practitioners

Longer-term priorities

3. Enabling infrastructure
   - Taxonomy and data structure
   - Validation
Ways to Get Involved

1. **Investors & Investees:** Adopt the guidelines

2. **Investors:** Share the list of metrics you use to measure performance to encourage transparency and shared learning

3. **Standards Setters:** Participate in greater alignment & coordination

4. **All:** Share Best Practices
Questions?

Have thoughts or feedback? Email us:
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tris.lumley@thinknpc.org

Find the full working group report at
www.socialimpactinvesting.org

Find the other webinars in this series and further information on impact investing at
www.thegiin.org