Navigating Between Impact Intent and Impact Metrics

FOCUS FOR TODAY: What information is necessary to translate between investor intent and meaningful metrics for measuring and managing investments?
AGENDA

- Project Impetus/Overview
- Decision Framework
- Breakout and Circle Back
The Global Impact Investing Network (GIIN)

The GIIN is a nonprofit organization dedicated to increasing the scale and effectiveness of impact investing.

The GIIN builds critical infrastructure, such as IRIS and develops activities, education, and research that can increase the scale and effectiveness of impact investing around the world.
What is our ultimate vision for IRIS?

“We envision a world in which social and environmental performance is considered and managed with the same level of rigor as financial performance”
Increasing scale AND effectiveness of impact investing

• **Scale**: 16% increase in capital commitments expected in 2016

• **Efficiency**: As investor interest and commitment grows, what is necessary to better enable the practice of *impact measurement and management*?
More than 99% of GIIN survey respondents measure the social and environmental performance of their investments.
Top impact themes targeted include access to finance, employment, and renewable energy

Social impact themes targeted by number of respondents

Environmental impact themes targeted by number of respondents

Note: Respondents could select multiple options; number of respondents that selected each option shown above each bar.
Most impact investors believe impact measurement helps inform investment decisions

Reasons for measuring social and environmental performance
n=155; Listed in order of percentage of respondents selecting ‘very important’. Some respondents chose ‘N/A,’ and these are not shown here.

<table>
<thead>
<tr>
<th>Reason</th>
<th>Not important</th>
<th>Somewhat important</th>
<th>Very important</th>
</tr>
</thead>
<tbody>
<tr>
<td>It is part of our mission to understand the social/environmental</td>
<td>95%</td>
<td>4%</td>
<td>1%</td>
</tr>
<tr>
<td>performance of our investments</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>We want to better understand and improve the impact performance of our</td>
<td>81%</td>
<td>19%</td>
<td>0%</td>
</tr>
<tr>
<td>investments</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>We are contractually committed to our stakeholders on social/</td>
<td>65%</td>
<td>23%</td>
<td>7%</td>
</tr>
<tr>
<td>environmental performance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>We believe such data has business value, i.e. can improve financial</td>
<td>59%</td>
<td>37%</td>
<td>3%</td>
</tr>
<tr>
<td>performance of portfolio companies and inform future investment</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>decisions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>We need to communicate our impact for marketing purposes</td>
<td>44%</td>
<td>46%</td>
<td>8%</td>
</tr>
<tr>
<td>There is growing external pressure (e.g. due to changing norms,</td>
<td>41%</td>
<td>41%</td>
<td>26%</td>
</tr>
<tr>
<td>stakeholder scrutiny) to track social/environmental performance</td>
<td></td>
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</tbody>
</table>
The majority of respondents use IRIS

How social/environmental performance is measured

Respondents could select multiple options; number of respondents that selected each option shown above each bar.

Source: GIIN
IRIS is a component of impact measurement practice.
Investors struggle to connect intent w/ metrics
Guidance exists, but it’s fragmented in application

• Much of this information, guidance, and research exists

• Many in the market are working on creating additional guidance

• The aim is to coordinate, bring consistency, and coherency to that work
How do we help investors navigate between impact intent and metrics?

1. **IMPACT NAVIGATOR**
   Tool that guides investors between their intent and the metrics that matter for their investment

2. **THEME-BASED GUIDANCE**
   Materials to help investors create their impact measurement and management process
A framework of decision points

• Today, we will propose and try to refine “decision points” that investors consider as they select metrics.
Toward a framework of decision points

- Our goal is for the answers to these decision points to inform selection of metrics, automatically.

- We believe these are comprehensive and applicable to all impact investments...*help prove us wrong*...
Impact Objective

Please describe the impact you intend to create through your investment.

What is the goal or impact objective you have for this investment?
Please describe the sector of your investment.

What sector(s) does your investment fall into? There are many definitions of “sector” - both in the social and investing space. Please describe your “sector” in whichever way makes most sense to you.
Problem to Solve

Please describe the problem you are trying to address through your investment.

This can be thought of as the global or local issue - like poverty or food security - you are addressing through your strategy or the specific "threat" you are countering through your investment "action".
Phase of Business Value Chain

Please describe the phase of the business value chain that you are trying to impact with your investment.

Some investors target their investee's supply, operations, natural resources, manufacturing, distribution or point of sale/use. What do you target?
Target Beneficiary

Please describe the characteristics of your target beneficiary.

Context

Please describe the context in which your investment is made.

Context refers to the on-the-ground situation in which your investment is being made, operating environment which may affect the investee business model, and complicating or enabling factors which affect your investment and which are likely outside of your control.
Internal Drivers

Please describe the internal drivers for collecting impact data on this investment.

*What aspects of your investment management process drive demand for / require impact data?*
External Drivers

Please describe the external drivers for collecting impact data on this investment.

Are there external factors which influence your choice of metrics to track and analyze? (e.g. investors in your fund, regulations, incentives, etc.)
Use of Data

What do you do with the data you collect?

*These decision factors aim to help you define key metrics against which you will set targets and collect data. What is your plan for using that data?*
Clarifying Questions?
Instructions for breakout

1) Answer decision points
   Going around in a circle, each participant should answer one question, with whatever comes to mind.

2) Define the investment
   Using the answers you just collected, define your investment in 2-3 sentences, making sure to include everything you know from step 1.
3) Select Metrics

*Using the sentences from step 2 of this exercise, please define a set of 5-10 core metrics that measure the success of your investment.*

Note: Please consider any assumptions you or other members of your group are making as you select these metrics (and feel free to call out others in your group!)

Questions for after metrics selection

(1) Are you missing information?
(2) Do you have information about the investment that is not relevant for metric selection?
(3) How did these decision points serve to inform metric selection?
(4) Are you making assumptions/ logic jumps in order to select metrics?
(5) Is there a logical order in which you think of these “decision points”? Does that order affect the metrics you end up choosing?
Large Group Circle Back
Overall Reactions

Is there anything we should consider that we haven’t?
Did anything surprise you? What might you do differently? Anyone doing similar work who we should work with?