Impact Assessment in Practice

Experience from leading impact investors

- Impact assessment is a key component of managing an impact investment portfolio, and many investors today are building methodologies that bring value beyond simply reporting outcomes.
- For many investors, the impact goal is the common thread across a portfolio of various sector, geography and instrument types and this diversification can make choosing an impact assessment methodology challenging. As such, the process for developing a methodology is often an iterative one, refined with experience and data over time.
- To help inform that iterative process, this research presents sixty-eight case studies from twenty-one leading impact investors that share best practice and debated viewpoints on impact assessment along the investment process. The report builds off prior work in *A Portfolio Approach to Impact Investment*, which we recommend for broader coverage of impact portfolio management.

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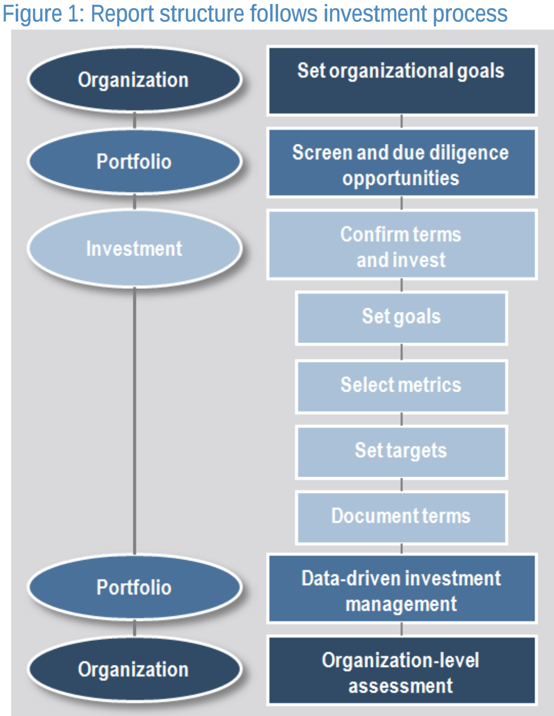
Executive Summary

Impact investment portfolios are generating a growing set of impact data and investors are increasingly looking to move from basic impact reporting frameworks to impact assessment that creates value for management. This report presents our findings from interviews with twenty-one leading impact investors and related desk research on current impact assessment practices. Critical to the report are sixty-eight case studies featuring real examples of how investors address specific question in their assessment methodologies. In the executive summary, we capture the high-level process that emerged from those conversations, and present the general overview of our findings. Readers can find case studies for each point below in the main report.

Figure 1: Report structure follows investment process



Source: J.P. Morgan.

Why assess impact?

In order to best understand what led the investors we interviewed to choose their current assessment frameworks, we asked them to explain why they make the assessment and how they plan to use the results.

To learn what works and inform investment management

Most impact investors assess the impact of their portfolios to understand the effect of the organization's work against the social and environmental goals they set, as a means of holding themselves accountable towards those goals. Further, interviewees increasingly want to utilize impact assessment data to drive value creation at the level of the investee, the investor and/or the broader market.

An investor's perspective across three levels

The report follows the structure of the investment process, as shown in Figure 4, and we use this structure to highlight perspectives at each of the organization, portfolio and investment levels.

Set organizational goals

Develop the impact thesis as a tool for screening opportunities

Impact investors allocate capital towards positive social and/or environmental change. Many investors articulate a specific "impact thesis" or "theory of change" they wish to support through their capital. Some investors utilize a single overarching impact thesis for their portfolio; while others operate across several impact theses, with different portfolios for each. For most, the impact thesis serves as the mission towards which the portfolio is driving.

Make the link from the theory of change to the relevant metrics upfront

A theory of change is most useful when it can be linked to the specific outputs of the intended investments. Several investors make this link upfront, either at the time of articulating their theory of change or when considering investment opportunities.

Screen and due diligence opportunities

Assess management's commitment to impact and the business model link

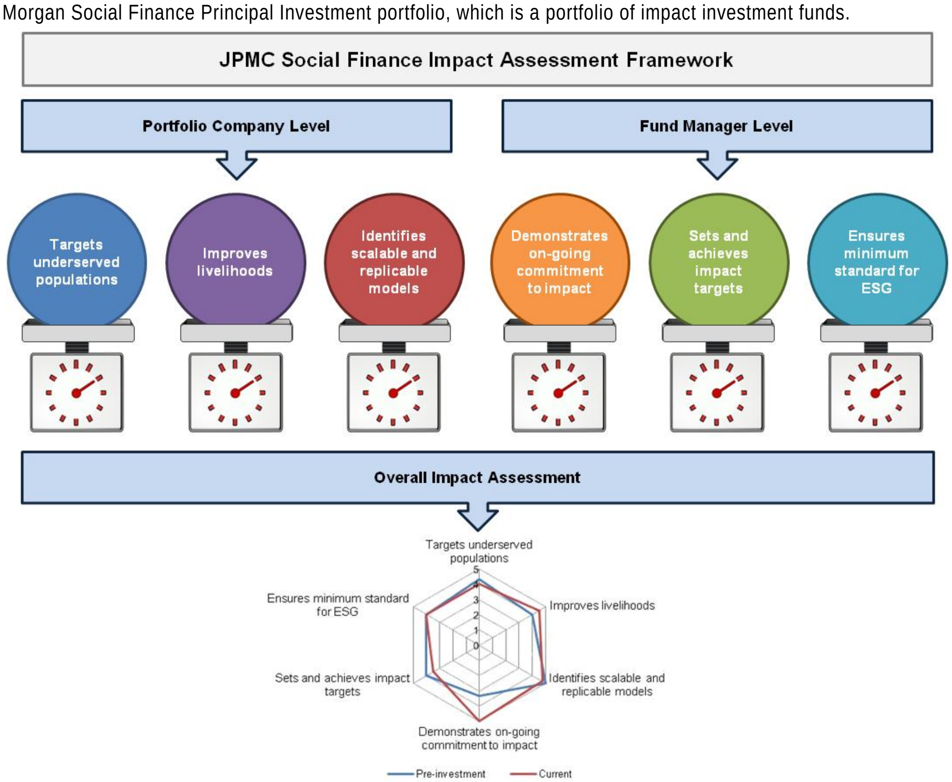
Just as impact investors balance the dual purpose of social or environmental change with financial return, it is critical to align this balanced view with the management of the investee. This alignment becomes particularly important over time when decisions arise that put the financial and impact goals in contrast to one another.

Use scorecards to rank opportunities

Several investors use scorecards to quantify the evaluation of an opportunity based on the above factors. The scorecards can be impact-specific or cover a range of impact and financial considerations. As part of our own deal assessment, we use a scorecard to evaluate both the fund manager and the types of underlying companies that the manager intends to invest in. Figure 2 illustrates the thematic areas that we assess on a weighted basis. This assessment results in a spider graph like the one shown, which can then be compared between the pre-investment state and the current state over the life of the investment. Other examples are included in the main report.

Figure 2: J.P. Morgan Social Finance impact assessment

The categories of assessment used in the scorecard for pre-investment and ongoing assessment for the J.P. Morgan Social Finance Principal Investment portfolio, which is a portfolio of impact investment funds.



Source: J.P. Morgan

Evaluate impact risk along with the return potential

Investors also assess opportunities for the risk that the impact intended may not be delivered to the degree expected or that the investment will result in a negative impact. Some investors use the due diligence report to identify risks to impact delivery and rank opportunities against different impact risk considerations to determine an impact risk score.

Confirm terms and invest

Ensure relevance to the business: Plan to learn from impact data and use it

Most investors we interviewed agreed that the most successful impact assessment revolves around impact goals that relate back to the business success. Not only does the output information become more useful to the running of the business, but also management at the investee is more aligned to collecting the data because of the value beyond simply reporting back to their investors. Investors can also use well-designed impact data as a management tool and feed insight gained through the process back into the management of that company or others in the future.

Consider what is in investee's control and what is not

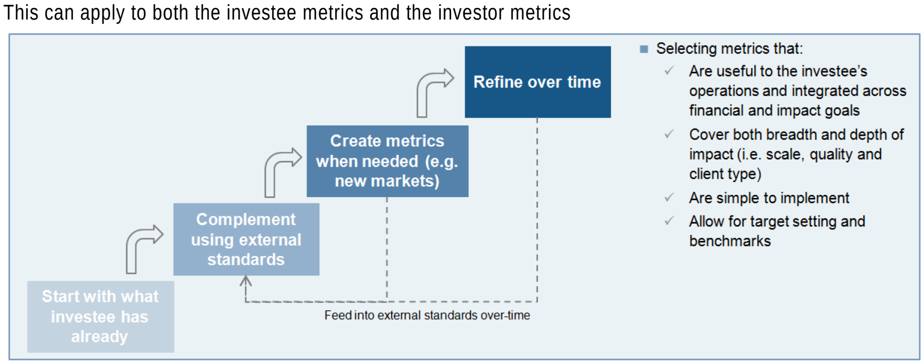
Several investors emphasized that assessment should focus on outputs or outcomes in the investee’s control. In other words, investors can ask their investees to monitor the immediate outputs of their work – like number of female borrowers – but should be more wary of committing investees to delivering or measuring more remote information – like whether those customers have increased levels of savings.

Standardize core metrics, overlay individualized metrics for more detail

Several investors referenced that at least some of the metrics they use are standard across all of the investments they make. Metrics that can apply across regions or sectors, though, are usually by nature higher-level or more generic measures. This does not necessarily make them less valuable, but it highlights the reason that several investors use some standard metrics across much of the portfolio, and add investment or sector-specific metrics to complement with more detail on individual deal or sector performance (Figure 3).

Figure 3: Metric selection is an iterative process

This can apply to both the investee metrics and the investor metrics



Source: J.P. Morgan.

Set targets to benchmark performance

Once metrics are selected, some investors and investees will then set numerical targets for what those metrics’ readout might be in the future. For example, investors might set the goal of *one million low-income consumers reached* or *one thousand native-species trees planted*. These numerical targets could then be used at a future time to judge whether the outputs had been achieved as planned or not.

Document impact assessment terms

While some investors prefer to keep impact targets out of legal documentation to allow more flexibility for the investee, others do utilize legal documentation of impact goals. Some confirm target outcomes in a side letter with the investee, others draft covenants within the investment documents themselves that are linked directly to impact goals. Investors might also ask investees to become signatories in the UN's Principles for Investors in Inclusive Finance or obtain a GIIRS rating, leveraging third-party tools to help cement investees' commitment.

Data-driven investment management

Share learnings with investees, make it more than data collection

Many investors engage investees in the process of choosing the metrics by which their impact would be assessed. Further, giving investees access to the results of the assessment can align incentives along over the life of the investment and ensure that the investee sees value in thorough, efficient data collection.

Responding to poor performance

In the event of poor impact performance, investors initiate a conversation to explore the cause and gain insight into the current state of operations at the investee. Impact data can prompt this exploration, which can also reveal risks to the financial performance. Ideally, an impact assessment results in information that informs future allocations and other market engagement strategies. Investors hope to use the outputs of their analyses in this way, though many are yet to implement this transfer of knowledge as their portfolios are still young and the information too little as yet.

Organization-level assessment

What and how an investor reports depends often on why they report. Investors that manage proprietary capital will have more discretion over their reporting, while investors that manage money on behalf of clients will need to consider the interests of their investors as well. While some investors might collect impact data on a monthly or quarterly basis, most of the investors we spoke to report the impact of their investments on an annual basis. Many of the investors featured in this report have produced public impact reports and we refer readers for examples.

Attribution

In representing impact at the level of the investor, some investors calculate the portion of their investees' impact that they feel is attributable to their portion of the funding. There were divergent views on the benefit of making such a calculation: some focus on checking that they made a contribution rather calculating the size of it, while others scale the impact they report by the proportion of capital they provided.

Additionality

In social science, the term "additionality" is used to indicate that an intervention delivered an outcome that otherwise would not have occurred. Some of the most rigorous impact assessments analyze whether an intervention brought an additional result that would not otherwise have occurred. However, we found differing views on the value of assessing additionality at either the investment or the investor level. Several investors do not assess additionality, some due to cost while others are unconvinced of the value of such an assessment. Others do assess additionality to know that their capital is being used effectively, either qualitatively or quantitatively.

Consider whether and how to aggregate across a portfolio

Across the investors we interviewed, few had a system in place today for aggregating the impact of a portfolio beyond simply reporting the total number of lives touched or total jobs created. Others did not see that aggregating impact data at the portfolio level would bring much value, and chose not to make the analysis.

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Introduction and methodology

"The more that impact measurement makes it possible to link accurately progress in achieving social outcomes to financial returns, the more compelling impact investment will become."
Social Impact Investment Taskforce

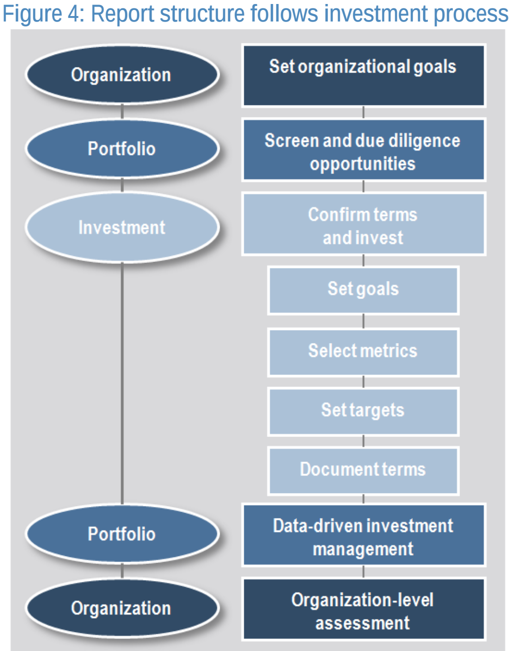
"Measurement should only be done if, and to the extent that it will actually influence decision-making, and the cost of measurement is not excessive compared to the significance of that decision."
OECD

Impact investment has gained much attention over the past few years on the promise of achieving both financial return and social impact. This simple yet powerful proposition has catalyzed a growing set of organizations and individuals across the public and private spheres. While the size of the impact investment market is still limited, both in terms of number of players and capital allocated, many encouraging trends have consistently supported its growth and positioned it for a scale-up phase over the coming few years.[1]

Assessment for value creation: a selection of case studies

As the industry matures, investment portfolios are generating a growing set of impact data. With this growing data set, investors are increasingly looking to move from basic impact reporting frameworks to impact assessment that creates value for management. This research is designed to help investors navigate the set of choices that define an impact assessment process by highlighting practical examples across the investment life cycle. To conduct this research, we interviewed and share the experience of twenty one practitioners of different types, from foundations to fund managers to institutional investors – bios for each organization are available in the Appendix. We also conducted a literature review and a review of investors' published frameworks. This work resulted in sixty-eight case-studies across the different stages of the investment process, which we present here.

Figure 4: Report structure follows investment process



Source: J.P. Morgan.

An investor's perspective across three levels

Throughout the report we will reference three levels of perspective at which impact assessment can be made and utilized by an investor: a whole organization, across a portfolio and individual investments. These can be mapped to the investment process, as shown in Figure 4, and we use this structure to organize our report. Some investors consider impact at all three levels, while others will focus on one or two more specifically.

While we present this structure as a general process that investors use, we also emphasize that investors today prioritize different parts of the process, as the case studies show. Further, this linear format does not capture the fluidity that occurs in practice across the investment process, and the iterations that investors make to their assessment frameworks based on their learning over time.

Clearly impact assessment can be valuable to more stakeholders than just the investor – such as the investee or the broader marketplace – and where relevant we will specify those stakeholders. In general, though, this report considers impact assessment from the eyes of the investor.

[1] For more on industry trends over recent years, see the annual J.P. Morgan/GIIN Impact Investor surveys since 2010, at www.jpmorganchase.com/socialfinance.

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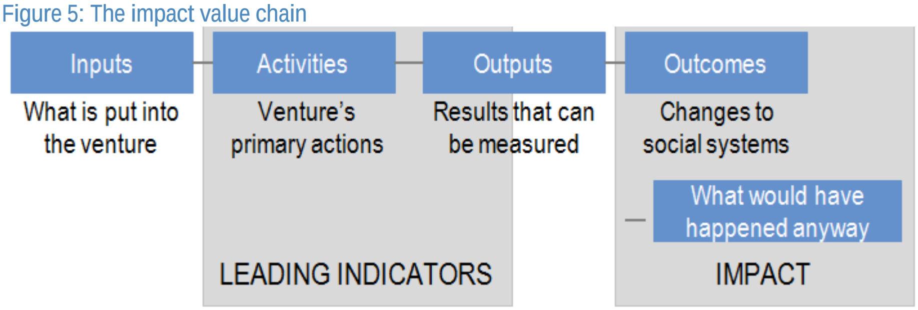
We reference assessment rather than measurement

Readers will note that we use the term “assessment” rather than measurement in much of the report. We use this term to capture the whole process of assessment, from setting goals and benchmark targets, to determining the degree of depth required from the information collected, to measuring impact against the expectations defined at investment, to sharing the results of that measurement with stakeholders and informing future allocations.

Defining our terminology: Output vs. Outcomes vs. Impact

Throughout this report, we use the term "impact" to reference the environmental and social results of an investment. However, in social science, ‘impact’ has a specific definition: it describes outcomes that can be attributed to a particular intervention, as depicted in Figure 5. An academic impact evaluation, for example, might entail a multi-year study with a control group to understand what would have happened if the intervention had not taken place. This type of rigorous evaluation, including Randomized Control Trial, would provide the greatest possible certainty that the social ‘impact’ intended had been delivered, which is powerful but also onerous and expensive in practice. Many impact investors therefore settle for measuring leading indicators like ‘activities’ or ‘outputs’ rather than running control groups to measure the ‘impact’. In this report, we do not prescribe that investors assess impact at any particular level of depth. Instead, our use of the term “impact” generally includes the leading indicators as well as the impact itself.

Figure 5: The impact value chain



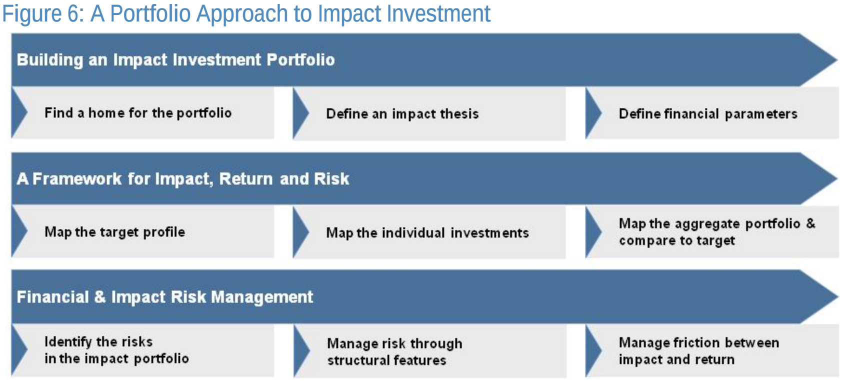
Source: Rockefeller Foundation, J.P. Morgan.

A Portfolio Approach to Impact Investment
(Oct 2012)

Building off previous work

This report builds off of work published in *A Portfolio Approach to Impact Investment* (Oct 2012), which follows the path shown in Figure 6 to illustrate the practical steps impact investors take to build their portfolios. We refer readers to this complementary report for a broader approach to impact investment management.

Figure 6: A Portfolio Approach to Impact Investment



Source: J.P. Morgan

Why assess impact?

Impact investors allocate capital with the intention to deliver a set of positive social or environmental outcomes alongside financial returns. Given the dual purpose, impact investors usually employ impact assessment as a part of their investment process. In determining their impact assessment process, investors are faced with a series of decisions including how much and what kind of data to collect, and how deep the analysis should go. In order to best understand what led the investors we interviewed to choose their current assessment frameworks, we asked them to explain why they make the assessment and how they plan to use the results.

For understanding, accountability and value creation

Determine outcomes and report to stakeholders

Naturally, most impact investors assess the impact of their portfolios to understand the effect of the organization's work against the social and environmental goals they set, as a means of holding themselves accountable towards those goals. They may then share their findings with internal and/or external stakeholders including management, shareholders and employees of the investee or the investor. Some have commitments in place – contractual obligations or more informal agreements – to report the social or environmental outcomes in certain ways (e.g. audited by third-party evaluations) or with certain frequency.

Learn what works, and feed this back into portfolio management

Several interviewees referenced a further goal of utilizing impact assessment data to drive value creation at the level of the investee, the investor and/or the broader market. For longer-tenor investments, interim impact data can be used to refine business practices or inform strategic decision-making at the investee level. More broadly, investors can use impact data to inform future capital allocations based on which interventions have been more effective. Some investors referenced that they seek to contribute what they learned to public knowledge, and others that they utilize the evidence to support advocacy work.

"It's our organizing principle. Sector focus and expertise are critical to success so a thesis-driven investor needs to measure, monitor and learn in order to be a better investor in the future: find the best deals, add value to the portfolio companies, and exit responsibly."
Frontier Investments Group

Bridges Ventures: Impact assessment is part of our identity

Bridges Ventures views impact measurement as part of the essence of being an impact investor. In their view, an impact investor aims at contributing to solve a social and/or environmental challenge, while also ensuring that the business models it backs operate sustainably. This entails prospectively defining target outcomes as well as potential for positive and negative externalities, and then retrospectively measuring total performance.

Shell Foundation: Drive learning and resource allocation

Shell Foundation is accountable to their Board and develops yearly plans with 10 indicators to judge performance and success. Shell Foundation has a strategic approach to impact assessment and views it as a driver of resource allocation and learning for subsequent projects. Hence, the Foundation prefers to track and measure changes in performance against pre-defined milestones and impact targets – both developmental and financial – and believes that eventually, impact assessment will be a source of value creation for impact businesses.

J.P. Morgan: Build experience towards creating a client platform

The impact investment portfolio at J.P. Morgan, like our research, was established to explore the market and provide the firm with the experience to build the appropriate client engagement strategy. Allocating capital has built our experience of the investable set of opportunities in the market, and managing the portfolio has contributed invaluable lessons in balancing financial and impact goals side by side, and translating impact assessment into a management tool for value creation.

TIAA-CREF: Assess for transparency and learning

TIAA-CREF assesses the impact of their investments for several reasons: (i) To evaluate the program against the intentions with which the investment was made; (ii) To encourage transparency with their investees and pass this through to their own stakeholders; (iii) To evaluate efficacy and identify trends that could be used in determining future capital allocations; and (iv) To provide reporting to stakeholders.

IGNIA: Using impact assessment to confirm the vision to self and to investors

IGNIA's mission and vision is to build a more equitable life for families at the base of the socio-economic pyramid by providing financial and strategic support to high growth enterprises with a social impact. IGNIA considers impact assessment as a necessary exercise to confirm this vision to itself and also to its investors and stakeholders.

Turning to the investment process and case studies

With the background of why investors make these assessments, we now turn to how they make the analysis. In the next section, we begin to present the case studies collected across different investors, at different points across the investment process. Throughout the document, we use symbols to highlight:

= General case studies,

= Case studies on staffing various aspects of the work, and

= Debated viewpoints.

These case studies color the analysis throughout the report. We now begin to present the impact assessment process along the path of the investment process.

Set organizational goals

Once the rationale for assessment is clear, the process of developing a framework begins. We will remind the reader where we are in that process throughout the document by referencing the structural diagram at left. We start at the organizational level with setting organizational goals.

Build an impact thesis

Impact investors allocate capital towards positive social and/or environmental change. Many investors articulate a specific "impact thesis" or "theory of change" they wish to support through their capital. Sample impact theses include: "To empower underserved individuals at the Base of the Economic Pyramid, by selling innovative products that enable access to basic goods or services;" "To provide financial services to the urban and rural poor, building financial literacy and pride among women;" or "To address growing energy needs through scalable, sustainable energy solutions." These statements help to unite the portfolio around a goal against which the portfolio outcomes can then be assessed and towards which the investments can be managed.

Develop the impact thesis as a tool for screening opportunities

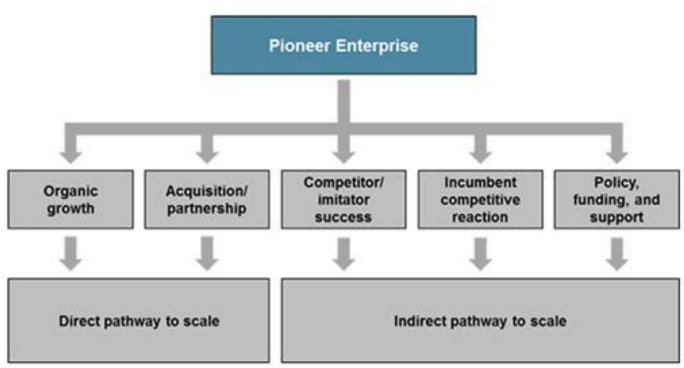
Some investors utilize a single overarching impact thesis for their portfolio; while others operate across several impact theses, with different portfolios for each. For most, the impact thesis serves as the mission towards which the portfolio is driving. Beyond being used as a first screen for opportunities, a theory of change can also help an investor decide between two models of impact within a given sector.

"A well-founded institution with an articulated mission that adopts best practices will lead to a better run, sustainably profitable, better investment."
MicroVest

Omidyar Network: Unlocking new business models

Omidyar Network has an organization-level theory of change focused on unlocking innovative business models that can scale positive impact. As explained in an article published jointly with Accion Venture Lab, Omidyar believes this scale can be delivered through both direct and indirect means, illustrated in Figure 7. As the figure shows, Omidyar assesses the systemic change that their investees inspire through such things as consequent funding rounds led by new investors or increased competitive behavior inspired by the investee's work. Their assessment thus includes the broader systemic change that occurs beyond the individual investment.

Figure 7: Omidyar Network and Accion reference five pathways to impact at scale



Source: *On Innovators and Pinballs*, M Kubzansky and P Breloff, Standford Social Innovation Review, Sep 2014.

Root Capital: Assess the impact of our lending, and the impact of our clients
Root Capital's lending is directed towards "the missing middle" of developing-world finance, targeting businesses that are too big for microfinance and generally unable to secure credit from conventional commercial banks. Root Capital considers their impact on two levels: (i) the impacts of their lending and financial management training on clients; and (ii) the impacts of their clients on the incomes (and environmental practices) of the small scale farmers who supply them. They believe their impact is greatest when they support clients that are growing rural prosperity and could not do so without access to finance and/or training from Root Capital.[2]

Christian Super: Develop a thesis to help choose between business models
For Christian Super, a theory of change can help in choosing between two similar opportunities that implement different models. For example, an investor comparing an opportunity to invest in affordable private schools against an opportunity to invest in a student loan provider might choose the latter if financial inclusion is a part of their overall mission. If educational outcomes are key, then the control afforded by investing directly into schools might be more attractive. The overarching principle is that given an acceptable financial return, Christian Super chooses investments that can best leverage institutional funding to maximize impact, acknowledging that some opportunities are best suited for other types of funding.

Ford Foundation: Use investments to enhance programmatic goals
The Ford Foundation has historically extended the majority of its investments to existing grantees or affiliates of grantees. With program alignment in place, and even some of the programmatic goals already defined, the impact assessment for their investments can build off established work. The Foundation has intentionally used PRI capital to scale up a program or catalyze something new, with the goal to leverage other capital, other partners or expand into new geographies for example.

Consider how the intended impact will be assessed

Make the link from the theory of change to the relevant metrics upfront

A theory of change is most useful when it can be linked to the specific outputs of the intended investments. Several investors make this link upfront, either at the time of articulating their theory of change or when considering investment opportunities.

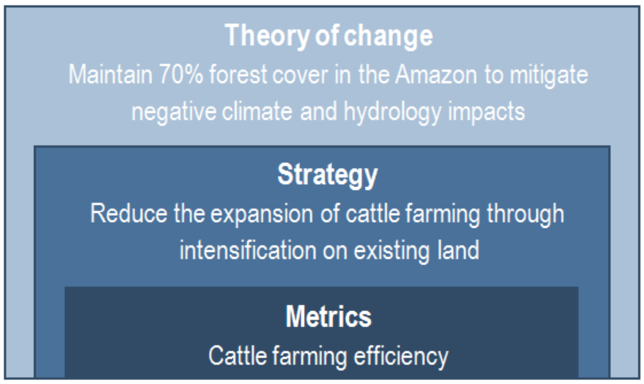
Moore Foundation: Using nested strategies across impact theses
The Moore Foundation operates across several theories of change and takes a nested approach to assessing their programs for each theory of change (Figure 8 and Figure 9). As illustrated below, one theory of change is that maintaining 70% forest cover in the Amazon basin will mitigate climate and hydrology impacts; another is that preserving the ecosystem for wild salmon in the Pacific Northwest will support the population of fish in the region.[3] Then, within each program there are several strategies for operationally delivering against that theory of change – the figures below show one such strategy for each as an example. Finally, specific indicator metrics are defined for each theory of change and used to determine progress towards

[2] http://www.rootcapital.org/our-impact-version-2.

[3] Benchmarks referenced in their high-level targets such as the 70% forest cover referenced above are determined by scientific consensus that breaching that level will result in major repercussions on hydrology and climate.

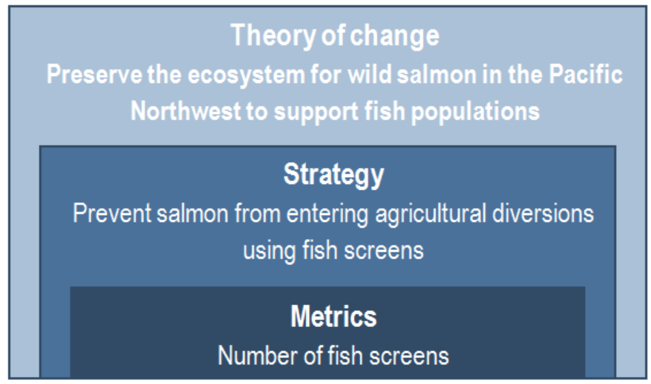
the overarching goals. Once this framework is in place, the Moore Foundation then looks for investment opportunities that are measurable by those indicators so that impact can be assessed and linked back to the overarching theory of change.

Figure 8: Moore's Deforestation
Strategy and metrics shown are just one example



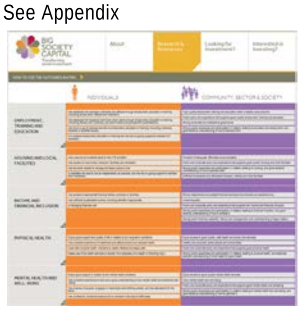
Source: The Gordon and Betty Moore Foundation.

Figure 9: Moore's Wild Salmon Ecosystem preservation
Strategy and metrics shown are just one example



Source: The Gordon and Betty Moore Foundation.

Figure 10: Big Society Capital Outcomes Matrix
See Appendix



Source: Big Society Capital. Available at www.bigsocietycapital.com/outcomesmatrix

Big Society Capital: Develop an outcomes matrix

The outcomes matrix, shown in Figure 10 and in Appendix, is a tool to help social investment financial intermediaries (SIFI's) and social sector organisations to plan, measure and learn about their social impact. It aims to develop common ground and language for social investment and impact assessment in the social sector.

The outcomes matrix represents a map of need in the UK. It has been designed from a beneficiary perspective and includes nine outcome areas which reflect what a person needs to have a full and happy life. The outcomes and measures are not intended to be prescriptive or exhaustive but should provide a helpful starting point for organisations to consider their social impact. Each outcome area is split in to changes at the individual level and changes for community, sector and society.

Use ratios to track relative performance over time

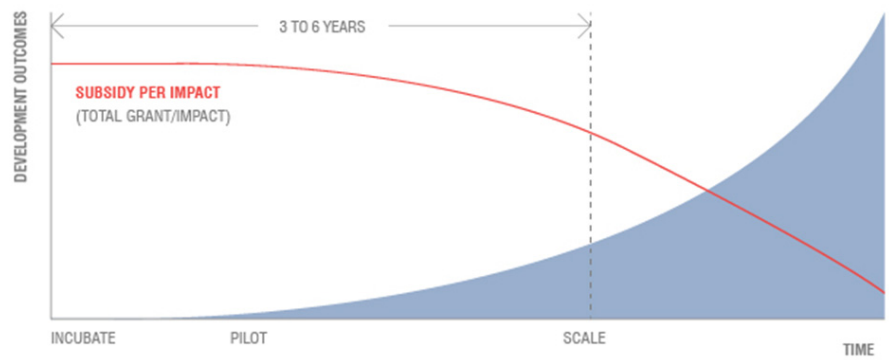
Implicit in the term "impact" is the idea that a comparison needs to be made between two states: things as they were at the start, and things as they evolve over time. Investors are increasingly incorporating relative comparison in their impact assessment in different ways. Some investors set targets on specific metrics with individual investees, as we explore below. Others track changes in ratios such as grant funding required per unit of impact to assess how, over time, their contribution brings early-stage organizations closer to financial sustainability.

Shell Foundation: Use ratios to check progress towards financial sustainability

The Shell Foundation's goal is to catalyze the innovation and scale-up of disruptive new models and technologies that can ultimately transform the lives and livelihoods of many millions of people. The Foundation focuses on measuring its own performance and its partners' progress towards sustainability and large-scale impact, and this is measured by the change in subsidy required per impact delivered. Figure 11 illustrates the path that Shell Foundation would like to see for its grantees, with lower subsidy required for the enterprise as it grows towards operating at scale.

Figure 11: Shell Foundation's metric for catalyzing scale: lower grant per impact over time

The Foundation's goal for grantees is that subsidy required per impact reduces as scale increases.



Source: Shell Foundation.

From the outset, Shell Foundation supports partners in defining a few key metrics specific to their own enterprise. Wherever possible, they also draw upon independent monitoring and evaluation to validate reported data. Partners track and measure a wide variety of development outcomes including:

- Low-income customers served, e.g. through product sales or bus ridership;
- Environmental benefit, e.g. reductions in emissions or water usage;
- Economic benefit, e.g. jobs created, earnings increase, money saved;
- Social benefit, e.g. improved health or time saving.

The Foundation also tracks progress to financial sustainability through monthly and quarterly financial reporting as well as performance ratios including subsidy per product sold. Regularly tracking performance against projected targets helps Shell Foundation to better understand the overall business, respond quickly to unexpected challenges and improve the effectiveness and efficiency of their support over time. Figure 12 shows the performance of one of Shell Foundation's partners – Envirofit – with the cumulative sales increasing in line with decreasing subsidy per stove.

Figure 12: Shell Foundation's measure of Envirofit's pathway to scale

Cumulative sales in millions vs. subsidy per stove required over time.

Source: Shell Foundation.

It's an iterative, dynamic process

Many investors reflected that their impact assessment process is a live tool that will continue to be refined over time. Some investors maintain a broad impact thesis that allows them to be more opportunistic when reviewing investment opportunities. Others adopt from the beginning a specific impact thesis that narrows their scope and filters opportunities. Several investors we interviewed have shifted from the former approach to the latter as their portfolios (and the market) matured.

The Rockefeller Foundation: From ad hoc negotiations to a standard process
The Rockefeller Foundation has been making impact investments for more than three decades. The process of structuring the African Agricultural Capital Fund, however, was a turning point in terms of the Foundation's social impact data collection. While negotiating that transaction, the Foundation was able to learn new methodologies from other socially minded co-investors regarding impact assessment at the time of investment.[4] Since then, the Foundation has shifted from an ad hoc discussion with investees post-investment to a more standard process of agreeing metrics and targets as part of the deal terms.

Esmée Fairbairn: Become more specific, work with co-investors, consider risk
Esmée Fairbairn Foundation's older deals can have target outcomes that are difficult to objectively measure, such as "A positive contribution to families." Over the years, the foundation has shifted toward using more specific, evidence-based impact goals, working together as much as possible with their co-investors to define them.

Staffing the methodology design

With impact investors each defining an impact thesis for the portfolios they build, it follows that impact assessment methodologies need to be quite tailored to each organization. As we have seen there will be considerations as to what needs to be assessed at the deal, portfolio and organizational levels, as well as how to consider the different sectors, regions, instruments, business stages, deal sizes and impact goals pursued across the portfolio(s).

Building assessment capability into the investment team vs. dedicated resources

Many investors assign the specific task of designing a methodology to an individual(s) who engages with external stakeholders and works across the organization to ensure consistency. In some cases, this person is part of the core investment team, and this methodology design is one of their roles. In other cases, where there is more need, more resources, or a dedicated funding source, there can be a function focused exclusively on impact assessment.

Moore: Build the strategy in-house, informed by internal and external views
Moore Foundation hires industry experts to ensure they have in-house a deep knowledge of the sectors they operate in and the outcomes they might affect. As such, they utilize these internal experts to build the strategy and tap external feedback to ensure they leverage the broader dialogue.

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4 See *Diverse Perspectives, Shared Objective: Collaborating to Form the African Agricultural Capital Fund*, GIIN, June 2012.

Acumen: Build an impact "lab" to advise deal teams and investees

The Impact team at Acumen consists of five professionals, staffed across their global offices. The team develops the impact assessment methodologies, including the design of deal diligence templates that the investment teams use. The group provides both internal advice to colleagues on specific deal situations and also works directly with Acumen's investees to help them measure and manage toward higher social impact performance. The team is also responsible for external engagement and thought leadership on the topic.

Packard Foundation: Use third-party evaluators to help assess an impact thesis

In some cases, the Packard Foundation has used external evaluation consultants for a deeper assessment of an impact hypothesis, such as whether positive reproductive health outcomes for women could be achievable through a microfinance investment.

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Screen and due diligence opportunities

Once the theory of change is in place, investors conduct a due diligence process to screen and assess opportunities against their criteria. In this section, we share the highlights of the processes used for deal review by the organizations we interviewed.

Evaluate the organization and management

Assess management's commitment to impact and the business model link

Just as impact investors balance the dual purpose of social or environmental change with financial return, it is critical to align this balanced view with the management of the investee. This alignment becomes particularly important over time when decisions arise that put the financial and impact goals in contrast to one another. Investors need to know that the management team will respond to such situations with the right motivation and commitment to the dual purpose with which they secured funding.

The Rockefeller Foundation: Evidence commitment to impact for PRIs

Program-related investments (PRIs) are a category of investments that references the US tax law for foundations. Essentially, US-based foundations need to distribute a minimum of 5% of their assets each year to charitable purposes in order to maintain charitable status. Although investments rather than grants, PRIs qualify as part of this distribution requirement if, amongst other things, clear social objectives and charitability is evidenced. As such, due diligence involves verification of management's commitment to generating impact, as well as that the generation of impact is a material focus of the business.

Acumen: Use of evidence in the "lightning lit review"

For any new investment, Acumen works with its companies to develop an impact thesis based on a theory of change. The thesis assesses potential impact across three components: breadth, depth and poverty focus (the proportion of poor customers reached). As part of this process, Acumen employs what they call the "lightning lit review" to uncover external sources of evidence that help identify key assumptions underlying their thesis, what the counterfactual might be, as well as understand and plan to mitigate impact risk – those factors that might cause a product or service to have less impact than expected or cause negative impact.

Use scorecards to rank opportunities

Several investors use scorecards to quantify the evaluation of an opportunity based on the above factors. The scorecards can be impact-specific or cover a range of impact and financial considerations. Several tools are in the public domain, and we reference a few in appendix.

MicroVest: Score opportunities on both impact and credit

MicroVest utilizes a scorecard that ranks opportunities on 24 categories that feed up into 4 high-level indicators, which produces an impact score for each opportunity. The team then assesses the opportunity by both the impact and the credit score. The impact score informs MicroVest's decision on Character, the most important factor for MicroVest's 3C's credit scoring methodology – Country, Character and Credit. For MicroVest, the due diligence conducted on impact is critical as the company

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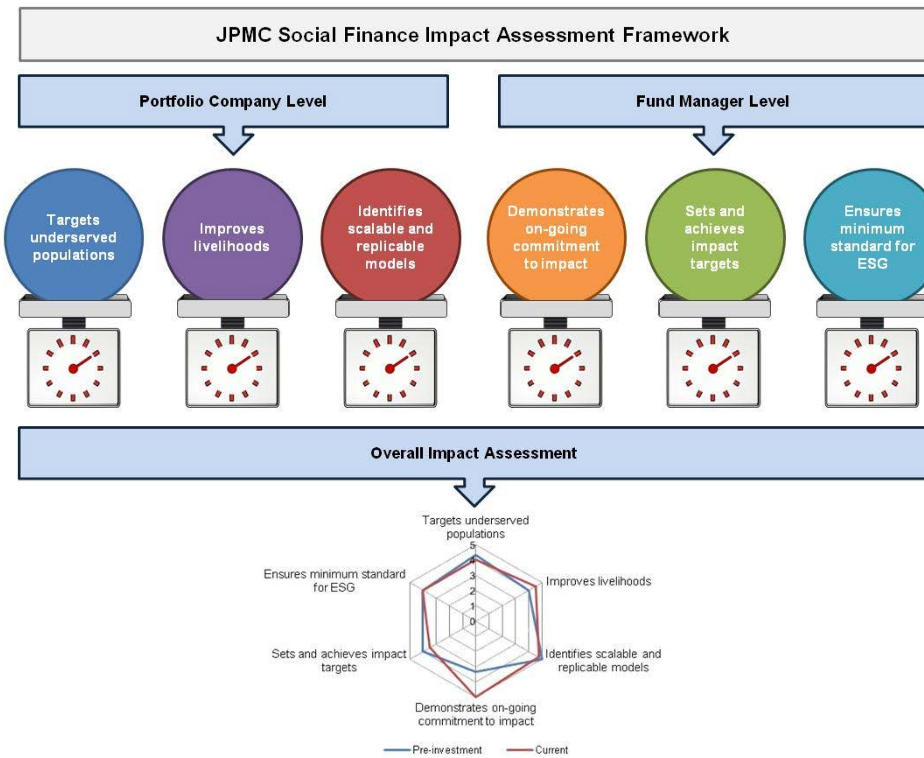
relies more on this upfront assessment than on ongoing reporting given the relatively short tenor of its loans.

J.P. Morgan: Analyze both fund managers and portfolio companies

As part of our own deal assessment, we use a scorecard to evaluate both the fund manager and the types of underlying companies that the manager intends to invest in. Figure 13 illustrates the thematic areas that we assess on a weighted basis. This assessment results in a spider graph like the one shown, which can then be compared between the pre-investment state and the current state over the life of the investment.

Figure 13: J.P. Morgan Social Finance impact assessment

The categories of assessment used in the scorecard for pre-investment and ongoing assessment for the J.P. Morgan Social Finance Principal Investment portfolio, which is a portfolio of impact investment funds.



Source: J.P. Morgan

Figure 14: Big Society Capital Tests and Thresholds

Used to assess financial intermediaries that BSC will invest in

Source: Big Society Capital. Available at www.bigsocietycapital.com/our-approach

Big Society Capital: Use tests and thresholds

Big Society Capital's mission is to grow the social investment market. Central to this role is the delivery of greater social change and impact as a result of invested capital. In their role as a wholesale investor, they look to ensure that social value is delivered both at the intermediary level and at the underlying enterprise level, and that they can evidence that social value to increase the confidence and engagement of other investors in the social investment market. The table referenced in Figure 14 illustrates the full tests and thresholds that they use to assess the social impact performance of intermediaries and with which those intermediaries will assess the performance of the frontline organisations that receive Big Society Capital's money.

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Figure 15: Root Capital Due Diligence Scorecards

Social and Environmental scorecards are publicly available; Social scorecard is in appendix for reference as an example.

Source: Root Capital.
Available at www.rootcapital.org/our-impact-version-2

Root Capital: Score all and dive deeper on some

Root Capital lends and provides financial management training to agricultural businesses. These businesses typically support producer livelihoods and ecosystems in one or more of the following ways: i) Increasing prices to producers and wages to employers; ii) Increasing producer productivity, and; iii) Increasing stability of producer income. To the extent that a cycle of mutually beneficial relationships – as illustrated in Figure 16 – can be achieved in a smallholder-based value chain, that value chain will be more secure, resilient, and sustainable – and thus more creditworthy. When making investments, Root Capital assesses all opportunities with the respective social and/or environmental scorecards shown in Figure 15. In cases where initial S&E due diligence indicates areas of concern, Root Capital also conducts further research on those areas before investing. Sometimes Root Capital will do this in-house, and sometimes they will hire an environmental consultant to do so. Once investments are made, Root Capital will then select 20-25% of the portfolio that will undergo a deeper assessment during the life of investment.

Figure 16: Root Capital's "Mutually Beneficial Cycle"

Source: *Social and Environmental Due Diligence*, Root Capital.

Align with co-investors' or peers' processes

The collaborative nature of the impact investment market brings investors to share pipeline opportunities and also process around diligence and impact measurement (as evidenced here). Some investors referenced that they have utilized other investors' templates in designing their own.

IGNIA: Leverage development banks' processes

IGNIA has a rigorous due diligence process for making investments, part of which centers on assessing the social and environmental impact of the business. Among the various documents used in its diligence are: (i) an overall checklist; (ii) a template for desk research; (iii) a template for a one-day review and (iv) an exclusion list. IGNIA also does field visits and builds a relationship with the business before investing. In designing the social impact assessment part of the due diligence process, they collaborated with both the International Finance Corporation and the Inter-American Development Bank to incorporate their requirements as investors.

Evaluate impact risk along with the return potential

Investors also assess opportunities for the risk that the impact intended may not be delivered to the degree expected or that the investment will result in a negative impact. Some investors use the due diligence report to identify risks to impact delivery and rank opportunities against different impact risk considerations to determine an impact risk score.

Bridges Ventures: Assess impact return potential and risk
As in financial analysis, understanding the impact risk of an investment is as important as understanding its potential for impact return. Bridges makes this assessment through their Impact Radar tool, shown in Figure 17. Impact risks can take various forms. For example, there may be a lack of evidence than an intervention will lead to the desired outcome. Even if the intervention is successful, the investment could cause displacement of other good outcomes, leading to a reduced or no net benefit. Or, the investment may create positive change for its target beneficiary but a negative change for other stakeholders, which reduces or undermines its impact.[5]

Figure 17: Bridges IMPACT Radar

Source: Bridges IMPACT Report: A Spotlight on our Methodology, Bridges Ventures, 2014. ESG = Environmental Social Governance.

Root Capital: Check whether an intervention will displace something of value
Root Capital also assesses the risk that the business they finance might displace current positive impacts in the area or the population affected. In one case, the team considered an opportunity to fund a Ugandan chili smallholder farmer aggregator business. While the social impacts were clear, the team needed to check whether there might be any negative environmental impacts before committing to the deal. They needed to confirm that the farming would not significantly displace habitat for native species or cause other disruption to the area.

[5] *Bridges IMPACT Report: A Spotlight on our Methodology, 2013.*

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Balance initial due diligence versus ongoing monitoring

Several lenders referenced that short-term loans with tenors of six months or one year justify heavier reliance on pre-investment diligence than ongoing monitoring. Other investors referenced that they prefer to use a deep diligence assessment pre-investment to determine the mission of the investee and ongoing monitoring mainly to ensure no drift away from mission identified and confirmed in diligence.

Bridges Ventures: Impact assessment throughout the investment process

Across all the funds managed by Bridges Ventures, they use the three-stage SET process, illustrated in Figure 18, which integrates impact analysis into the full investment cycle. This starts with selecting opportunities for impact, then over the life of the investment engaging the portfolio companies to optimize their positive footprint and tracking this performance.[6]

Figure 18: Bridges 'SET' Process

Source: *Bridges IMPACT Report: A Spotlight on our Methodology*, Bridges Ventures, 2014.

Root Capital: Use social and environmental diligence in credit evaluation

As referenced above, Root Capital developed Social and Environmental Due Diligence Scorecards that are used by loan officers as part of the credit evaluation process for each client (see Appendix). For short-term trade credits with tenors of 6-12 months, Root will perform thorough due diligence without further monitoring during the life of the loan. Since most borrowers renew their loans the following year, Root Capital conducts another round of social and environmental due diligence at that time.

[6] Bridges Ventures Impact Report 2014.

Table 1: Rating agencies and data providers

ESG-focused
Eiris
MSCI
Oekom
Sustainalytics

Impact-focused
GIIRS
MicroRate

Source: IRIS.

Use public information when available

Reference third-party or public information where available

Impact rating tools have developed across different providers over recent years. Today, there are several agencies that assess the environmental, social and governance considerations and impact potential of companies or funds (see toolbox). Investors who use ratings generally use them as a first indicator of the quality of an opportunity. The increased research coverage of the impact investment marketplace has also resulted in a set of public information available on many private companies and funds available to investors.

MicroVest: Leverage third-party data for smaller or shorter-term loans

Where available, MicroVest will consider third-party ratings as a part of their analysis of an opportunity. While they will always form an in-house view on opportunities with their own diligence and analysis, their analysis may rely on third-party data sources and desk research for larger institutions or in the case of shorter-term or small transactions such as placing deposits with a Mongolian bank.

"If there is a problem with achieving impact, there is probably a problem with financials as well, so it doesn't make sense to separate the impact monitoring"
The Rockefeller Foundation.

Staffing due diligence for impact

Arm investment teams with impact diligence tools for an integrated approach

Once the methodology is developed, most investment teams implement that methodology for deal diligence and performance review. Investors referenced two key reasons to ask investment teams to perform the deal-level diligence and performance monitoring rather than assigning it to a separate impact-focused member of staff. Firstly, investment teams are closest to the opportunities, and best placed to evaluate management's motivation and commitment to impact through on-site due diligence. Secondly, asking the investment team to diligence both impact and financial potential ensures the use of an integrated lens to check that investees' goals are aligned. Thirdly, investors might not have the resource for a separate full-time or even part-time professional.

Root Capital: Loan officer diligences, impact team and credit committee review

At Root Capital, the responsibility for collecting diligence on impact questions for the borrower lies with the loan officer, who does so based on on-site due diligence and completes a scorecard based on his or her findings. Then, the officer reviews the scorecard together with the impact team and the credit committee.

Pearl Capital Partners: Agree expectations and allocate resources upfront

Pearl Capital Partners's African Agricultural Capital Fund is USD 25 million in size. The management fee earned on the fund is by consequence limited in covering deep impact assessment work. As such, the investors and manager agreed at the time of establishing the fund that two of the investors would fund some of the deeper assessment work, leaving the manager to focus on identifying, diligencing and managing the companies that they feel have financial and impact potential.

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Confirm terms and invest

Having defined the process with which to screen opportunities for impact to match the organizational goals, we now turn to making investments and show how investors today are setting goals, selecting metrics, setting targets and documenting terms at the investment level.

Set investment goals and develop the assessment process

Ensure relevance to the business: Plan to learn from impact data and use it

Most investors we interviewed agreed that the most successful impact assessment revolves around impact goals that relate back to the business success. Not only does the output information become more useful to the running of the business, but also management at the investee is more aligned to collecting the data because of the value beyond simply reporting back to their investors. Investors can also use well-designed impact data as a management tool and feed insight gained through the process back into the management of that company or others in the future.

Consider what is in investee's control and what is not

Several investors emphasized that assessment should focus on outputs or outcomes in the investee's control. In other words, investors can ask their investees to monitor the immediate outputs of their work – like number of female borrowers – but should be more wary of committing investees to delivering or measuring more remote information – like whether those customers have increased levels of savings.

LeapFrog: Develop an integrated framework

LeapFrog tracks and drives both profit and purpose performance through its in-house measurement framework, FIIRM, laid out in Figure 19. FIIRM – Financial, Impact, Innovation and Risk Management – is an integrated assessment tool tailored to financial services, developed by LeapFrog's team of insurance and financial service professionals. The framework incorporates financial and operational key performance indicators (KPIs) and governance indices benchmarked to global best practice standards.

Figure 19: Leapfrog's FIIRM Profit with Purpose measurement framework

	Drive towards:	Example KPIs:
F Financial	• Top line growth • Bottom line profitability • Profitable products	• Revenue growth • EBITDA and/or NPAT margins • Product contribution margins
I Impact	• Emerging consumer scale • Quality products (client protection) • Good governance and policy	• Underserved customers / People Reached • LeapFrog Product Quality Index • LeapFrog Good Governance & Policy Index / GIIRS
I Innovation	• More appropriately priced products • Scalable or alternative distribution • Improvements in productivity	• Reduction in product price • Customers per channel • Sales per agent
RM Risk Management	• Enterprise risk management (ERM) • ESG risk management • Assured company solvency	• LeapFrog Enterprise Risk Management Index • FMO E&S Risk Categorization • Solvency Ratio

Source: Leapfrog FIIRM Overview.

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Frontier Investments: Take an Agile approach

Frontier utilizes a theory from the software development world: the Agile approach. Similar to software packages, impact measurement systems can be beta-tested and continually refined to learn what is effective, rather than attempting to develop a complete framework from day one. Frontier takes an Agile approach to impact assessment, which allows them to identify the minimum viable product (e.g. the core indicators they want to measure) and iterate. In this way, they find quick hit ways to establish a system that adds value for the portfolio company as well as the investors, and deepen it as they go.

Bridges Ventures: Differentiate between commercial and social funds

For all Bridges' funds, the team starts by identifying areas where a societal or environmental challenge creates an investable opportunity to deliver positive outcomes, across four common impact 'themes': health & well-being, education & skills, sustainable living and underserved markets. But the funds differ in the types of business model they back to deliver these outcomes and the level of risk-adjusted financial return they generate. Bridges Sustainable Growth Funds and Property Funds back for-profit business models where the team assesses that the potential to generate competitive financial returns is inextricably linked to the generation of positive social or environmental impact. In these cases, impact analysis supports commercial decisions. Bridges' Social Sector Funds are dedicated to business models that may entail a below-market financial return for investors for the sake of impact, such as social impact bonds, mission-locked businesses or asset-locked models.[7] In these cases, impact analysis can dictate commercial decisions in order to optimize impact.

Decide how deep to go, and how much of the portfolio to cover

Investors consider the depth of assessment they want to make in conjunction with consideration for the affiliated costs. One approach we found makes a deeper analysis of a new impact hypothesis before any individual deals are considered. Then once the hypothesis is supported by evidence, the investor can apply that finding to the assessment of deals with that goal. Another approach applies a deeper assessment to only some investments, which can then be extrapolated to others.

Packard Foundation: Make impact assessment as rigorous as financial review

Packard Foundation relies on its program officers to be industry experts and "impact experts" for evaluating all new investments given those program staff's deep knowledge of the nuances of their diverse fields, from climate change mitigation to sustainable seafood supply chains to reproductive health pharmaceuticals to early childhood education. This makes it less dependent on financial investing staff and external advisors for its impact assessment. In doing this, the Foundation is able to have a robust understanding of the impact of its work across its portfolios.

[7] "Mission locked" businesses utilize legal structures to ensure outcomes and beneficiary groups are protected against mission drift through such things as having an executive for impact, or having a use of funds clause linked to the social purpose. "Asset locked" businesses restrict the distribution of financial value to investors (such as limiting dividend distribution) to ensure the intended beneficiaries and outcomes are protected. Each type of lock is relevant for different organizations in different circumstances.

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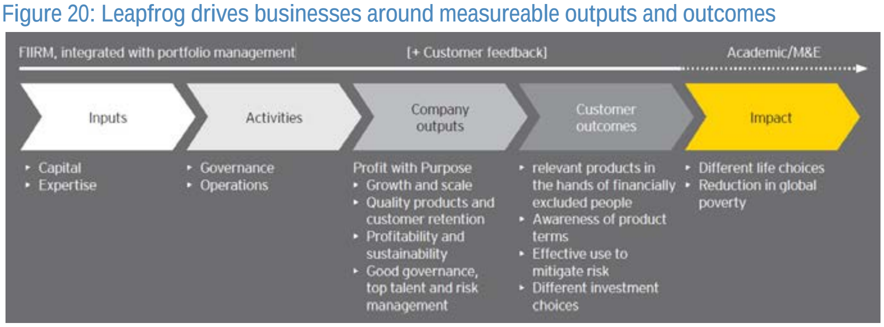
Pearl Capital Partners: Set informed targets, and dive deep on a subset

Pearl Capital Partners, in discussion with the investors, established the African Agricultural Capital Fund's (AACF) portfolio-level targets of improving the lives of at least 250,000 smallholder farmer households and helping them realize an increase of USD 80 in annual income within five years of investment. The assumptions originate from an evaluation of the social impact achieved by five investees of Pearl Capital Partners' first fund. In order to assess performance against these goals, the manager formally tracks progress annually and two investors plan to commission an external third-party impact assessment to examine a subset of AACF's investments. They will use the data to learn about the potential investments targeting agricultural SMEs to improve the lives of smallholder farmers.[8]

LeapFrog: Drive outputs and outcomes

Leapfrog's FIIRM framework drives businesses around quality Profit with Purpose outputs and outcomes such as underserved customer scale and the quality of the products that ensure customer understanding. Leapfrog sets impact targets for company outputs that align to stated Fund targets, then benchmarks success against what they set out to achieve. Customer outcomes can be analyzed using FIIRM KPIs and direct customer feedback. This is illustrated in Figure 20.

Figure 20: Leapfrog drives businesses around measureable outputs and outcomes



Source: Ernst & Young.

8 See *Diverse Perspectives, Shared Objective: Collaborating to Form the African Agricultural Capital Fund*, GIIN, June 2012.

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Select metrics

Standardize core metrics, overlay individualized metrics for more detail

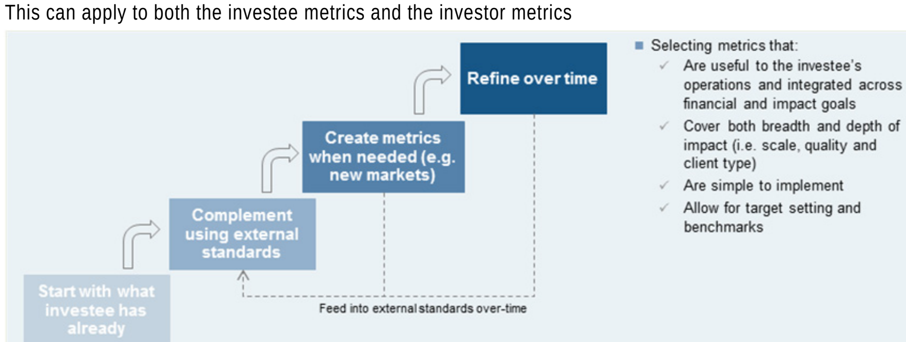
Several investors referenced that at least some of the metrics they use are standard across all of the investments they make. Metrics that can apply across regions or sectors, though, are usually by nature higher-level or more generic measures. This does not necessarily make them less valuable, but it highlights the reason that several investors use some standard metrics across much of the portfolio, and add investment or sector-specific metrics to complement with more detail on individual deal or sector performance.

Start with what investee proposes and iterate, working with co-investors

When selecting metrics for a given deal, many investors take the lead from their investees as to which specific indicators to use and how to go about collecting the data, whether the investee is an operating company or a fund manager. Investors acknowledged the burden placed on investees and work to ensure that investees are supportive of and see value in the process being put in place.

Figure 21: Metric selection is an iterative process

This can apply to both the investee metrics and the investor metrics



Source: J.P. Morgan

"The best indicators have an impact on the business"
IGNIA

IGNIA: Use 15 common metrics across whole portfolio, add when needed

IGNIA has identified 15 common metrics (based on IRIS) that the fund seeks to measure across its portfolio on an annual basis. These metrics are linked to corporate governance, policies & procedures, and products provided by investee companies. Examples include: employee wages, units sold, units produced, and health care coverage. As an organization managing money on behalf of others, their investors can also have a voice in their impact reporting. In select cases where their investors request more detail than the standard metrics provide, IGNIA prepares additional social impact reports.

Frontier: Use common categories across portfolio, then individualize metrics

Frontier has identified three key categories of indicators for each investee, laid out in Table 2. This assessment includes both qualitative and quantitative measures across three categories of impact: Access, Quality and Market. For each category, Frontier articulates the components and key performance indicators (KPIs) that comprise the assessment of performance within that category, a few examples of which are illustrated below. Frontier collects KPIs on a performance dashboard every month, including both the financial and the impact indicators.

Table 2: Frontier indicator categories

Indicator category	Sample Components	Sample key performance indicators
Access *(Direct impact)*	Client base demographics Distribution mechanics Extent of outreach	Client profile Number of points of sale by location Number of beneficiaries/lives touched Transaction volume and value
Quality *(Direct impact)*	Product diversity and fit Customer usage and treatment Affordability Governance	Product breadth and transactions by type Pricing structure by product compared to market Frequency of product usage Processing times and complaints ratio Independents on board
Markets *(Indirect impact)*	Sector Innovation Talent Scale	Evidence of financial sector deepening e.g. market pricing, competitor landscape Additional capital attracted Number of related and complementary innovations

Source: Frontier Investments Group.

Tailor reporting requested based on the amount or type of funding contributed

When negotiating reporting requirements, several investors take the size and type of their investment capital into account. For smaller shorter-tenor loans, for example, impact assessment requests to investees are less onerous than might be justifiable for a larger, longer-term equity investment.

MicroVest: Differentiate between debt and equity funds; consider size

MicroVest manages both debt and equity funds. Recognizing that they will have less influence over investees as lenders than as equity investors, the debt funds mostly follow the investee's goals. By contrast, the equity fund managers will be more involved in setting the company strategy. They also acknowledge that larger investments enable them to have a louder voice in working with investees to set goals.

Ford Foundation: Reference grant metrics, charitability covenants and leverage

Ford Foundation uses program-related investments to advance the grant-making initiatives. Because of this program alignment, where relevant, Ford Foundation embeds the same metrics for a PRI as would be used to determine the programmatic success of a grant. Additional metrics for PRIs often relate to charitability or the ability to achieve leverage from other investors.

Table 3: Thematic metric sets for different sectors

B Impact Assessment (and GIIRS Rating) Aligned Metrics
Community Banking Metrics
GRI G4 Sustainability Reporting Guidelines
Harmonized Indicators for Private Sector Operations
Health Metrics
Impact Employment Metrics
Land Conservation Metrics
Metrics for Investments in Early-Stage Enterprises
Microenterprise Metrics
Microinsurance Metrics
Small and Growing Business Metrics
Social Performance Metrics for Microfinance
Sustainable Agriculture Metrics

Source: IRIS.

Leverage existing sector-specific metrics; create metrics if needed

For some sectors, there is a more developed universe of metrics from which to choose, and investors leverage established frameworks where possible. Table 3 shows the metric sets featured on the IRIS website.

Packard and Moore Foundations: Creating conservation metrics

In the conservation finance sector, the Packard Foundation and Moore Foundation recognized that there were very few metrics to measure conservation outcomes of investments in the field. The foundations partnered with metrics organization IRIS to develop a standard set of metrics for conservation outputs with input from a cohort of conservation investors and investees, which is now available to investors in the field.

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Set targets to benchmark performance

Once metrics are selected, some investors and investees will then set numerical targets for what those metrics' readout might be in the future. For example, investors might set the goal of *one million low-income consumers reached* or *one thousand native-species trees planted*. These numerical targets could then be used at a future time to judge whether the outputs had been achieved as planned or not.

Setting targets for key performance indicators at the time of investment helps to drive the investee towards set goals, and helps the stakeholders to contextualize the performance of their investment once the evaluation is made. Rather than assessing and reporting the number of consumers reached as an absolute figure, they will be able to make an assessment relative to a benchmark. Several investors reported using this type of approach, and mostly use the investee's own targets in doing so. The need for data in setting informed targets means that this approach is still fairly new and under development even for those that use it.[9]

Pearl Capital Partners: Set targets for KPIs at the time of investment
As referenced above, Pearl Capital Partners structured the African Agricultural Capital Fund together with the investors. The group articulated a common goal that the fund's investments should improve the lives of at least 250,000 smallholder farmer households, and that within five years of the fund's investment, each affected household should realize an increase of at least USD 80 in annual income. The investors and fund manager acknowledge that the targets are based on scientifically untested assumptions. However, they provide guidance to the fund manager as it evaluates potential investments and establish investment-level social performance goals that work toward the fund's portfolio-level targets.

"Establish utilization benchmarks so that we know if demand hasn't materialized as anticipated."

Ford Foundation

Ford Foundation: Use deal-specific context rather than third-party or other
Ford Foundation assesses impact performance against targets set at the time of investment. For this assessment, Ford's most meaningful targets are set in the context of the specific deal in consideration, rather than purely based on third-party statistics or even other investments. These targets help to judge impact performance.

[9] Setting informed targets based on benchmark data can be challenging for some sectors, regions or impact goals, and in certain instances investors may prefer not to establish benchmarks because the lack of data would make them fairly arbitrary.

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Document impact assessment terms

While some investors prefer to keep impact targets out of legal documentation to allow more flexibility for the investee, others do utilize legal documentation of impact goals. Some confirm target outcomes in a side letter with the investee, others draft covenants within the investment documents themselves that are linked directly to impact goals. In addition to bilateral agreements between investor and investee, investors might also ask investees to become signatories in the UN's Principles for Investors in Inclusive Finance or obtain a GIIRS rating, leveraging third-party tools to help cement investees' commitment.

Packard: Document the impact metrics to be used in assessment

Having performed a deep impact analysis before making an investment, the team at Packard Foundation works with investees and program staff to develop a set of metrics (ranging in number from 3 up to 15) that are built into the loan or investment documents as reporting metrics. Investees are then required to report back on these metrics and against the agreed-upon benchmarks over the life of the investment to facilitate tracking by foundation staff. Packard takes care to tailor metrics carefully for each investment, selecting metrics through discussions involving the program officer, the investment team and the investee.

Esmée Fairbairn: Make follow-on funding dependent on impact reporting

As funders, Esmée Fairbairn tailors the reporting asked of their investees based on the amount of funding provided and the capacity of the organization, recognizing that it is appropriate to ask more detail when the funding amount or investee/grantee is larger. Once the appropriate reporting framework is agreed with the investee/grantee, there is then an understanding that any follow-on funding will be conditional upon that reporting being completed as agreed.

"We work with our fund managers to determine target outcomes and document these in a side letter."
Christian Super

TIAA-CREF: Legally set terms for target beneficiaries, then monitor over time

As an impact investor in the affordable housing market, TIAA-CREF determines a target level of affordability for real estate investments with their investee, and sets terms within fund agreements reflecting the same. For example, within a given project 20-40% of units are for tenants with incomes of below 50-60% of Area Median Income – a way to measure affordability and access for low-income families. Having established this specific goal at the outset, monitoring and evaluation then becomes more of a reporting exercise and failure to comply could be potential cause for removal of the general partner.

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Data-driven investment management

Post-investment, the flow of impact data begins and investors are increasingly looking for ways to incorporate that data into their investment management.

Collect data from investees

Consider burden on investee and agree an efficient data collection process

Most investors are focused on efficiency in the data collection process with their investees. Some utilize a simple Excel-based process, providing a template to be completed and returned on a monthly, quarterly, semi-annual or annual basis. In terms of reporting frequency, there was no standard timing across investors or even necessarily across a single investor's portfolio.

Integrate impact and financial reporting for investees

Most investors indicated a preference for streamlined reporting of financial and impact data in a single document, though this was not always established across their current portfolio. This integration is quite natural for those whose impact metrics are directly linked to the business performance, and is a goal for some whose legacy data collection process was more ad hoc or qualitative.

Acumen: Lean Data Initiative – helping investees collect their data efficiently

As an investor, Acumen has established the Lean Data Initiative. This program is designed to help Acumen investees collect data on their impact as efficiently and effectively as possible by leveraging mobile phones and associated technologies; applying rapid survey questionnaires, and; integrating the collection, analysis and use of data into the company's internal processes. For example, a business that uses an after-sales call center to ask about customer experience can also investigate social performance, whereas a business that utilizes individual sales agents might assign that task to the agents in the field. This impact measurement approach is uniquely suited to social investors and enterprises, both of which face the dual pressure of time and cash constraints but still need real data to know that they are delivering on their social, and financial, objectives.

Use impact data to manage existing commitments

Several investors referenced that they use impact data in managing existing investments or informing future allocations. This brings value to both the investee and the investor by translating the impact performance into strategic insights.

Share learnings with investees, make it more than data collection

Many investors referenced that they engage investees in the process of choosing the metrics by which their impact would be assessed. Further, giving investees access to the results of the assessment can align incentives along over the life of the investment and ensure that the investee sees value in thorough, efficient data collection.

Root Capital: Take a client-centric approach to impact evaluation.

A small team of social and environmental specialists at Root Capital works with the management of the borrower enterprise to scope and design evaluations of the enterprise's impact on farmers. This ensures evaluation creates value for both parties, and that the borrower is engaged in the collection, analysis and sharing of that data.

Then, once the evaluation has been completed, Root Capital makes a local-language presentation to management and other stakeholders.

"A borrower holding a lot of cash might be good financially but this might also mean that less impact is being delivered"
Calvert Foundation

Responding to poor performance

In the event of poor impact performance, investors initiate a conversation to explore the cause and gain insight the current state of operations at the investee. Maybe the competitive landscape has changed? Maybe there is mission drift? The impact data can prompt this exploration, which can also reveal risks to the financial performance as well.

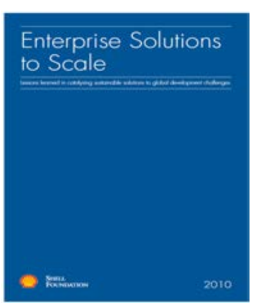
Calvert Foundation: Poor financials often coincide with mission creep
Calvert Foundation finds that poor financial performance often coincides with mission creep. Borrowers that appear to best deliver the social performance of their investments are often the strongest borrowers. And borrowers that have had mission creep have often encountered new, potentially very significant, risks.

Responsible exit

As impact investment portfolios mature across the market, private equity exits in particular are coming into focus. How does an impact investor ensure that the mission maintains when they hand over to follow-on investors?

LeapFrog: Consider customers, employees, and investors at exit
LeapFrog invested $5.5M for a majority stake in Express Life in 2012 and exited to Prudential PLC in a deal announced in December 2013. When assessing Profit with Purpose performance and potential acquirers at exit, LeapFrog uses a rigorous Responsible Exits Framework, which takes into account an acquirer's: 1) interest in serving low-income customers; 2) commitment to a quality workplace for the company's employees; and 3) the financial proposition for LeapFrog's investors, as integral elements of the exit process.

Enterprise Solutions to Scale: *Lessons learned in catalyzing sustainable solutions to global development challenges,* Shell Foundation, 2010.



See also *Getting to Scale: How to Bring Development Solutions to Millions of Poor People* (2013), edited by Laurence Chandy, Akio Hosono, Homi J. Kharas, Johannes F. Linn.

Make future allocations based on impact data

Ideally, an impact assessment results in information that informs future allocations and other market engagement strategies. Investors referenced the desire to use the outputs of their analyses in this way, though many are yet to implement this transfer of knowledge as their portfolios are still young and the information too little as yet. However, Shell Foundation published an in-depth analysis of just this kind, so we share highlights below and refer readers to the full publication shown at left.

Shell Foundation: 'Spray and Pray' is not scalable; choosing top teams is
Shell Foundation was established in 2000 to catalyze scalable and sustainable solutions to global development challenges. In its first two years, Shell Foundation provided short-term grants to established non-profit organizations. After an evaluation of its earliest programs found that 80% of its interventions failed to achieve a scalable impact (Figure 22), and that almost half of these did so due to poor execution by the partner (Figure 23), Shell Foundation focused on fewer, more strategic partners that were more equipped to execute their strategy and had clear market demand for their services. This was a radical shift in strategy for Shell Foundation and led to an increase in the success of the Foundation's grants and investments, as shown below. Gradually, Shell Foundation began to recruit staff with entrepreneurial experience and business skills. In a later assessment, Shell Foundation found that 80 percent of their newer partners met the criteria for scale.

Figure 22: Shell Foundation's portfolio performance

Green: Achieved scale/sustainability
Orange: Achieved intended project objectives but no evidence of scale
Red: Failed to meet intended project objectives

Figure 23: Shell Foundation's reason for failure assessment

For grants scored as red, the reason for failure was classified as:
Execution: Partner lacked competence/ability to manage the project
Market: No observable market/customer demand for product/service offered
Business: No evidence for financial viability without permanent subsidy

2000 – 2002: The inception phase during which an open Request for Proposals (RFP) process was used as the main way of selecting grantees

2003 – 2005: The period during which Shell Foundation shifted to piloting a number of strategic partnerships, either as the sole investor or together with other investors

2006 – date: The period during which Shell Foundation focused resources on the scale-up of a few partnerships

Source: Shell Foundation. *N.B. Performance in Phase 1 was positively skewed by the success of a single grant awarded to WRI/Embarq of US$3.75 million in 2002.

Staffing impact performance review

The investment team benefits from an integrated approach

Impact data can flag operational issues at an enterprise, so is worth regular review from the investment officer. Further, assigning the execution of an impact assessment methodology to the deal teams allows the central impact team (if there is one) to spend more time on strategic questions such as portfolio- or organizational-level aggregation or contribution to industry-wide initiatives to further best practice.

The Rockefeller Foundation: One person does integrated portfolio monitoring

Rockefeller Foundation has one person from the Program-related investments (PRI) team dedicated to reviewing investee reports across both financial and impact metrics. This allows the data to be viewed in a holistic way, to represent the true narrative and reveal any early indicators of a problem.

Frontier: One person does all portfolio monitoring - financial and impact

At Frontier, the investment officer, supported by an associate, collects and analyzes the investees data across financial and impact metrics. The results of the analysis are then presented to the full team for review.

External consultants can evaluate outcomes

In the impact investment market, there is a growing set of service providers to help investors with their goals, from advisors who can help to source deals that fit the investor's desired profile to consultants who can assess impact performance. Recognizing that there is a cost for hiring these external experts and their evaluations may be onerous for the investees assessed, many investors utilize their skills for a part of their review process without imposing it across the whole portfolio every quarter. Some investors will use third-party evaluation across the whole portfolio but be selective on the frequency, with assessments made only as frequently as once every few years per deal. Others apply third-party evaluation more frequently but are selective on the portion of the portfolio assessed. Still others reserve third-party resource funding for testing a new hypothesis or designing their impact assessment methodology, and then execute the day-to-day assessment in-house.

Randomized Control Trials: Develop this analysis tool as a public good

One of the most recognized in-depth impact assessments is the Randomized Control Trial (RCT), which is often used in academia for its rigor in comparing a sample to a control group when determining the result of an intervention. In other words, the RCT can answer the question as to whether the outcomes would have happened anyway.

The use of RCT among the investor community is not widespread today for several reasons. First, many impact portfolios are young, and rigorous performance assessment will be more of a consideration in coming years as those portfolios mature. Second, it can be expensive, time consuming and resource intensive. Third, it requires that a group of possible beneficiaries be denied access to the intervention (the control group). Finally, it can be intrusive to the investee, its operations and beneficiaries (e.g. customers).

While the RCT will be used by investors in certain circumstances and will surely have a significant role in understanding the effect of impact investment broadly, many investors are choosing today to leave that analysis in the hands of academics or other experts where the results can potentially be public goods and there is a dedicated pool of funding to support that level of depth in the analysis. Instead, investors today are more focused on assessing the outputs and direct outcomes of their work, which is more manageable with the time and funding they have available for the task.

"We want to move towards a world where we're not grading our own papers." *Prudential*

Prudential: Use external standards to compare intention with results

Prudential takes an intentional approach to their impact investing, and wants to know after the fact whether their investment delivered the impact they hoped for at the time of investment. For this, they use external standards and independent evaluation where possible, to ensure that they are not "grading their own papers."

Pearl Capital Partners: Investor partnership shares costs and aligns goals

Impact objectives for the African Agricultural Capital Fund were agreed between investors and the fund manager at the time of establishing the fund. The objectives include reaching 250,000 smallholder farmers and an increase of those farmers' incomes by USD 80 per annum. In order to measure against these goals, two investors arranged a partnership of consultants who do baseline surveys for each portfolio company as close as possible to the point of investment so that the manager and investors have data as to the pre-investment setting. As the fund life progresses, there will be an interim and then a final assessment that will compare the companies' outputs to that baseline data.

Rockefeller: Use third-party evaluations for programmatically aligned deals

Rockefeller Foundation has some program-related investments that are aligned to one of their specific programs, and other investments made on a one-off basis. They use third-party evaluations for those transactions that are related to program goals to check performance of the investment in the same frame of reference with which the grant-funded interventions are assessed.

Root Capital: Surveys translate outputs to outcomes

Root Capital uses surveys of 100-200 farmers across the coffee co-operatives that they fund in Columbia to learn about how the business and personal experience of those farmers has changed post-investment. Their surveys explore whether the farmer has been able to deliver more volume into the market with better quality, achieving a better sale price. They also look at second-order outcomes such as whether the farmer is able to achieve higher and /or more stable income, transition to more environmentally sustainable agronomic practices, as well as impacts related to gender inclusion.[10]

[10] Readers can read more about Root Capital's study of four Guatemalan coffee cooperatives at http://info.rootcapital.org/guatemalan-coffee-study.

Organization-level assessment

Impact assessment at the deal level is the most developed today among the impact investment community, but many investors are also interested to explore how they should think about the impact of their portfolio as a whole, or of their organization as an investor. While much of the analysis in this report found consistent views across investors, the questions on organization-level assessment uncovered more varied and in some cases less firmly established views. As such, we present this section as a debate that investors experience when considering this level of assessment. These debated viewpoints are highlights in purple below and denoted with their symbol.

Consider whether and how to assess attribution

What and how an investor reports depends often on why they report. Investors that manage proprietary capital will have more discretion over their reporting, while investors that manage money on behalf of clients will need to consider the interests of their investors as well. While some investors might collect impact data on a monthly or quarterly basis, most of the investors we spoke to report the impact of their investments on an annual basis. Many of the investors featured in this report have produced public impact reports and we refer readers for examples.

Attribution: What's my portion of the investee's impact?

In representing impact at the level of the investor, some investors calculate the portion of their investees' impact that they feel is attributable to their portion of the funding. There were divergent views on the benefit of making such a calculation, and we present some of the different views below.

Focus on contribution rather than attribution?

Several investors found it difficult to extract a meaningful measure of their portion of the impact. Instead, they report to their stakeholders simply the total impact of their investees, and reference the size and nature of the contribution that they had made to those outcomes. This leaves the reader to decide the value of that contribution rather than defining it for them.

"We focus on addressing situations in which conventional capital markets are not providing adequate or appropriate capital. Where traditional channels are effective, we typically pass on the opportunity."
Prudential

Esmée Fairbairn: Too many factors determine outcomes to disaggregate

Esmée Fairbairn Foundation referenced that there are too many factors driving outcomes for them to meaningfully claim a specific portion of the impact of their investees. With so many operational factors driving the success or failure of a business, claiming that the investor directly effected a specific proportion of the outcomes seems too far removed a conclusion to make. Esmée Fairbairn works on the basis of contribution to impact rather than attribution of impact.

Root Capital: Balance sheet is a snapshot in time, portion of capital too simple

In the past, when reporting the number of farmers reached by Root Capital's borrower enterprises, Root Capital adjusted the total number of farmers by the proportion of capital provided to the business by Root Capital versus other lenders. More recently, recognizing that financing from external sources fluctuates considerably throughout the year, Root Capital decided to re-invest this effort in estimating the additionality of their loans.

Omidyar Network: Indirect impacts are equally valuable, and less attributable
By infusing an investee with financial and human capital, Omidyar Network gives investees the time and resources they need to test the market viability and social impact of their model. In particular, Omidyar Network focuses on supporting investees who have the potential via innovations and other means to impact entire industry sectors, demonstrating the opportunity for others to follow. As Figure 7 shows, Omidyar Network recognizes both direct and indirect ways of scaling. Direct pathways to scale are easy to assess with respect to the investee, and can be measured by metrics like the number of customers or distribution agents. In contrast, indirect pathways to scale might entail competitive behavior that improves market dynamics for the consumer base. This results in net positive impacts for the beneficiaries, even though it has the potential to put more market pressure on the individual investee. As such, instead of focusing on making a rigorous, direct attribution of a given early-stage enterprise to reducing poverty (i.e., individual investments), Omidyar Network spends more time figuring out how to think about the contributions that a given firm has made to advancing change at the sector level.[11]

Determine attribution using instrument type and/or transaction size?

Investors that do assess their attribution apply different methodologies in doing so. Some discount for having invested senior debt rather than mezzanine debt or equity citing that more risk deserves more credit. Others scale the outputs that they report by the size of their investment relative to the total capital supporting the intervention. In other words, if they contributed 25% of the capital, they report having catalyzed only 25% of the outputs.

Prudential: Take more risk in the capital structure, earn more credit
Prudential believes that, at least philosophically, investors taking more risk in a capital structure deserve more credit for the impact produced with their capital than the other funders. Senior debt, mezzanine debt, cash equity and tax-credit equity each have different value to the investee organization, and investors should reflect that in their impact reporting. However, Prudential does not incorporate this into their impact calculations today, given the challenge of choosing the right methodology. In their current reporting, attribution only comes into consideration qualitatively.

Calvert Foundation: Reference loan size to total assets
Calvert Foundation attributes the outputs of their investee's performance by scaling for the size of their loan. For example, if Calvert Foundation lent USD 1mm to an affordable housing organization capitalized with USD 100mm that built 1000 units, Calvert Foundation would reference that they contributed to ten units with a cost of USD 100,000 per unit. They would then use this unit cost to evaluate efficiency of the investment at delivering outcomes relative to industry averages.

Consider whether and how to assess additionality

Would this impact have occurred without my contribution? Does it matter?

In social science, the term "additionality" is used to indicate that an intervention delivered an outcome that otherwise would not have occurred. Some of the most rigorous impact assessments analyze whether an intervention brought an additional result that would not otherwise have occurred. However, we found differing views on the value of assessing additionality at either the investment or the investor level.

[11] For more, see *On Innovators and Pinballs: Five paths to scale in early-stage impact investing*, M Kubzansky and P Breloff, Standford Social Innovation Review, Sep 2014.

Several investors do not assess additionality, whether due to cost or being unconvinced of the value of such an assessment. Others do assess additionality to know that their capital is being used effectively, either qualitatively or quantitatively.

Consider additionality in a qualitative way?

Some investors qualitatively assess additionality through due diligence and present this consideration to the investment committee as part of a deal approval process.

The Rockefeller Foundation: Consider the leverage

Once programmatic alignment and the quality of the deal have been established, The Rockefeller Foundation considers the leverage that will result – financial or otherwise – from their having invested. Deals with more leverage are more attractive, assuming the other investment criteria are satisfied.

"We seek opportunities for our investments to create important programmatic impacts that would not happen otherwise and to help attract new sources of private capital. We try to make our capital structure flexible and tailored to achieve those impacts."
The David and Lucile Packard Foundation

J.P. Morgan: Be catalytic

When deploying capital from its proprietary impact investment allocation, J.P. Morgan seeks to be catalytic in bringing something to fruition. If our participation does not differentiate the proposition to other investors and the opportunity would be sufficiently funded without our capital, we will choose to let the market service that opportunity. This assessment is made during due diligence.

Assign dead-weight factors to analyze additionality?

Other investors might take a more structured approach to characterizing additionality, scoring investments and assessing risk with the goal of building a diversified portfolio.

Bridges Ventures: Assign a "dead-weight" factor, and assess additionality risk

In the Bridges Ventures methodology, the investors' contribution to the growth of the company is qualitatively scored as a "dead-weight" factor, as follows:

(i) High dead weight (low additionality return) = The business is already well-established with other interested investors but Bridges' non-monetary support can drive increased impact

(ii) Medium dead weight (medium additionality return) = Bridges is the sole or lead investor in an opportunity overlooked by mainstream investors

(iii) Low/no dead weight (high additionality return) = Bridges incubates the business.

These factors are then applied to the portfolio to determine the character of the portfolio with respect to this consideration. Since high additionality return doesn't make a balanced portfolio (incubated deals require a significant amount of team time), Bridges looks to balance its investments across the three categories. Bridges' investment managers also consider additionality risk, which they define as the risk that the investment might displace comparably valuable societal outcomes. For example, Bridges declined a social enterprise opportunity that would, on further analysis, have created new jobs but eliminated existing ones of the same quality for the same type of beneficiary, resulting in no net benefit.

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Consider whether and how to aggregate across a portfolio

Across the investors we interviewed, few had a system in place today for aggregating the impact of a portfolio beyond simply reporting the total number of lives touched or total jobs created. Others did not see that aggregating impact data at the portfolio level would bring much value, and chose not to make the analysis. As such, we present the below more as questions currently being explored than the practices currently in place.

If aggregation is of value, start with the investor's organizational goals

In order to design the right aggregation methodology for assessing impact at the portfolio or organizational level, we need to return to the goal of the portfolio. Asset managers might want to demonstrate the value that they have brought to their clients. For those that manage proprietary capital, the portfolio-level analysis may be to inform future allocations. Still another motivation could be to reflect for investees the value that the investor has been able to contribute, potentially revealing a competitive advantage for the investor when competing for deals in the future. And there might not be any motivation to aggregate at this level, in which case the effort might be spared for other work that will result in a more meaningful output for the institution.

Decide how to weight the different types of investments in the portfolio

For most impact investors, the focus of resources has to date been prioritized towards the deal-level assessment. Few investors reported that methodologies are currently in place for assessing aggregate portfolio impact. We anticipate that methodologies may evolve in coming years as the market continues to mature.

Those that are most advanced in their methodologies are focused on aggregating within a single sector, or by referencing benchmarks set out for investees at the time of investing. Across the different methodologies, similar questions arise such as:

- Should outcomes for each deal be weighted by the investment notional?
- Should equity count more than debt? If so, how much more?
- Should direct investments and indirect investments (through fund managers) be weighted differently?

Aggregation methodologies: A single-sector focus

Single-sector funds potentially have an easier task in aggregating at the portfolio level, since they likely have a more standard set of impact metrics in use across their portfolio. For multi-sector portfolios, investors might aggregate outcomes within their sector allocations only, or aggregate across all sectors.

Calvert Foundation: Aggregate within sector areas, but not across sectors

Calvert Foundation invests across multiple sectors, and sees value in aggregating impact data but only within each sector individually. In the housing sector, for example, they will determine the cost-effectiveness of their work by checking how many units their portfolio's funding generated (see page 36). In the fair trade sector, Calvert Foundation will calculate the approximate number of farmers and hectares its portfolio has supported based on the proportional share of capital provided to the cooperative.

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Aggregation methodologies: Performance against benchmarks

Investors that set impact targets for their investees can aggregate their investees' outperformance or underperformance relative to those benchmarks. This relative performance metric gives context to the reader. The challenge today is that the market is still building a meaningful data set from which to set those benchmarks. As a result, targets could be too low or high, and outperformance (or underperformance) exaggerated when referenced against them.

Esmée Fairbairn: Set targets and aggregate relative performance

Esmée Fairbairn Foundation uses a variety of indicators across their portfolio, specific to each intervention. As such, they cannot simply aggregate the absolute figures reported by investees across this varied set of outcomes and indicators. Rather, they are evolving to a methodology where they will set expectations for each set of outcomes with investees across the portfolio. Then, they are creating an effectiveness framework to be able to report the degree of out- or under-performance that each investee achieved against expectations set through the agreed outcomes.

Looking ahead

Developing an impact assessment framework that creates value for investor and investee without utilizing excessive resources can be challenging. Not only is impact assessment a bespoke exercise for most investors and investees, it is not a linear process that neatly starts at point A and finishes at point Z. Many investors, including ourselves, reference that the evolution of their impact assessment methodology has been iterative, with investors refining their due diligence or investment process as a result of learning from experience over time. Throughout the report, we have sought to capture this dynamism, while presenting the analysis in a structure that would align with the investment process investors employ.

Momentum beyond reporting towards value creation

Perhaps the most significant finding from this work is the momentum in the market towards creating value from impact assessment by utilizing the data in investment management, beyond simply reporting on outcomes. This was referenced time and again as being integral to executing the assessment – investees will focus more on the assessment if they see value in what they learn from it – and as being critical for impact assessment to sustain in the long run.

Opportunities remain to build market infrastructure for collaborative work

While this report and the growing body of literature aim to help investors develop their specific assessment methodologies, there remain some pieces of broader market infrastructure that could support knowledge sharing and facilitate assessment. One could imagine, for example, an open-source tool that effectively crowd-sources impact assessment data. There is already a body of public impact data from the reporting of investors today (including development finance institutions, foundations and others), from academia, and from IRIS or GIIRS, for example. A web portal for collecting and sharing the outcome data in a user-friendly way (both for data submission and for data utilization) could be a tool that would help investors leverage the experience of their peers, sharing the cost of assessment while maintaining rigor.

It's not all numbers: the value of qualitative assessment

Impact and outcomes are, in the end, a reflection of experience. And experience can be represented by proxy through metrics and numbers, but this will always be a proxy. The qualitative understanding of the impact on the ground will continue to have a role for investors, just as it does in the ongoing diligence of the financial potential of an opportunity. In the same way that financial metrics represent the state of a company, impact metrics can represent the state of the outcomes. But sound investors also listen to investee management teams present on the business opportunities and challenges, and sound impact investors similarly consider the more qualitative aspects of the impact achievements and challenges.

We hope this report provides the reader with the tool set from which to build out the impact assessment methodology to suit their – and their investees – goals. We thank our interviewees for making this research possible, and welcome the further development of this field of analysis in the years to come.

Appendix I: Participants

Organization name	Description
Acumen	Acumen is a not-for-profit that makes long-term debt or equity investments (patient capital) in early-stage companies providing reliable and affordable access to agricultural inputs and markets, quality education, clean energy, healthcare services, formal housing, and safe drinking water and sanitation to low-income customers. Typical investments for an enterprise range from $250,000 to $2,000,000 in equity or debt with payback or exit in roughly seven to ten years.
Big Society Capital	Big Society Capital Ltd (BSC) is an independent financial institution established in 2012 to develop and shape a sustainable social investment market in the UK. The overarching aim of Big Society Capital is to help frontline social sector organizations increase their social impact by improving their access to long term, effective finance. BSC is financed with GBP 400 million from the English share of dormant bank accounts (i.e. those that have been inactive for 15 years or more), which will be transferred to BSC as equity investment capital over four years. In addition, four banks – Barclays, HSBC, Lloyds Banking Group, and RBS – are each investing GBP 50 million in BSC.
Bridges Ventures	Bridges Ventures is a specialist fund manager dedicated to sustainable and impact investment. Founded in 2002, Bridges Ventures is majority-owned by its senior management team, with Bridges Charitable Trust having minority ownership interest. Bridges Ventures manages eight funds that fall into three distinct fund types: Sustainable Growth Equity Funds, Sustainable Property Funds, and Social Sector Funds. Each fund type has distinct criteria, and aims to achieve dedicated social or environmental goals along with attractive financial returns for investors.
Calvert Foundation	Calvert Foundation provides debt capital across geographies and sectors that serve low-income communities. While most of the portfolio historically was in CDFIs, affordable housing developers, and MFIs, Calvert Foundation is now looking to expand our portfolio and invest in other areas that can benefit from this kind of capital (i.e., are investable through funds and intermediaries; want to scale, but need more patience or creativity in capital structuring), including a variety of place-based community development efforts in the US and new sectors like clean energy and health internationally.
Christian Super	Christian Super is a not-for-profit superannuation fund based in Sydney, Australia. Operating since 1984 and with a strong non-denominational Christian focus, the pension fund serves over 25,000 members from over 1,800 ministry organizations across Australia, managing over USD 750 million in retirement savings. It offers members a choice of five ethical portfolios with differing risk and return profiles across asset classes.
Esmée Fairbairn	Esmée Fairbairn Foundation (EFF) is one of the largest independent grant-making institutions in the United Kingdom. Founded in 1961, EFF works to improve quality of life throughout the U.K. The foundation makes grants to support diverse organizations working in the arts, education and learning, environment, social change, and sustainable food sectors. In 2008, EFF launched its GBP 35 million Finance Fund to make mission-focused investments that combine social and financial impact. It has recently increased its commitment to the Finance Fund to GBP 45 million.
Ford Foundation	The Ford Foundation is an independent, nonprofit grant-making organization. For more than half a century it has worked with courageous people on the frontlines of social change worldwide, guided by its mission to strengthen democratic values, reduce poverty and injustice, promote international cooperation, and advance human achievement. With headquarters in New York, the Foundation has offices in Latin America, Africa, the Middle East, and Asia.
Frontier Investments Group	Frontier Investments Group is an early and growth stage impact investing fund focused on investing in new technologies and disruptive innovation that can enhance the way financial services are delivered to the un/underbanked. Venture Lab, founded in 2012, is dedicated to providing patient seed capital and management support to innovative financial inclusion startups (earlier stage than Frontier Investments), fostering experimentation and promoting business models that improve financial access for people at the base of the pyramid.
IGNIA	IGNIA is a venture capital firm that invests in high growth enterprises targeting the 70% of the population at the base of the socio-economic pyramid of Mexico. IGNIA is focused on goods and services with high impact on people's lives, such as healthcare, housing, financial services and basic services (water, energy and communications).
J.P. Morgan Chase & Co.	JPMorgan Chase & Co. is a global financial services firm with assets of USD 2 trillion. Operating in more than 60 countries, the firm is a leader in investment banking, consumer financial services, small business and commercial banking, financial transaction processing, asset management, and private equity. J.P. Morgan's Social Finance business launched in 2007 to serve the growing market for impact investments in direct response to client interest and the increasing recognition that innovative business models can complement limited public sector and philanthropic resources by delivering market-based solutions to achieve sustainable and scalable social and environmental impact. The group publishes research to provide thought leadership to the market, commits J.P. Morgan capital to impact investments, and provides investment services to its clients.
Leapfrog	LeapFrog is a Profit with Purpose private equity investor in businesses that provide financial tools such as insurance, savings and pensions to millions of low income or financially excluded people across Africa and Asia. Leapfrog portfolio companies currently reach 44.1 million people with quality financial tools, 30 million of whom are low-income or underserved. A number of LeapFrog portfolio companies provide health insurance which supports affordable access to health care in Africa and Asia.

Organization name	Description
MicroVest	Founded in 2003, MicroVest is an asset management firm that offers investors a unique global investment opportunity. MicroVest seeks to invest capital in under-banked markets and provide access to financial services for rising middle class communities around the world. MicroVest believes that its detailed due diligence process and focus on aligning values can result in meaningful financial returns. In other words, MicroVest feels that it is able to produce risk adjusted financial returns for its investors not despite the social lens of its investment process, but because of it. MicroVest believes that financial institutions that invest in the real economy and treat their clients with respect will outperform.
The Gordon and Betty Moore Foundation	The Gordon and Betty Moore Foundation is an American foundation that seeks to develop outcome-based projects that will improve the quality of life for future generations. The private foundation focuses upon portfolios of large-scale initiatives and encourages collaboration so as to achieve the most significant and enduring outcomes possible. The foundation was established by Intel co-founder Gordon E. Moore and his wife Betty I. Moore in September 2000.
Omidyar Network	As a philanthropic investment firm, Omidyar Network (ON) looks for organizations aligned with its mission of creating opportunity for people to improve their lives. ON seeks for-profit companies and nonprofit organizations that use innovative, market-based approaches within our initiatives. ON invests in multiple areas - governance and citizen engagement; financial inclusion; property rights; education; and consumer internet and mobile. These are supported by cross-cutting enablers - impact investing and entrepreneurship.
The David and Lucile Packard Foundation	The David and Lucile Packard Foundation is a private family foundation created in 1964 and guided by some of the same innovative approaches that helped transform a small electronics shop in a garage into one of the world's leading technology companies. The Foundation, based in Los Altos, CA, invests in issues its founders cared about most, including conserving and restoring the earth's natural systems, improving the lives of children, advancing reproductive health, and investing in its local community.
Pearl Capital Partners	Pearl Capital Partners (PCP) is an independent agriculture investment management firm with offices in Kampala and Nairobi. PCP administers portfolio management on behalf of African Agricultural Capital Fund, a US$ 25 million agricultural fund that was launched in September 2011, the African Seed Investment Fund, a $12 million seed fund formed in August 2010 and its original investment company, African Agricultural Capital Ltd, formed in 2005 with US$ 9 million in equity subscription.
Prudential Financial, Inc.	Prudential Financial, Inc. (NYSE: PRU), a financial services leader with more than $1 trillion of assets under management as of December 31, 2014, has operations in the United States, Asia, Europe, and Latin America. Prudential's diverse and talented employees are committed to helping individual and institutional customers grow and protect their wealth through a variety of products and services, including life insurance, annuities, retirement-related services, mutual funds and investment management. In the U.S., Prudential's iconic Rock symbol has stood for strength, stability, expertise and innovation for more than a century. For more information, please visit www.news.prudential.com.
The Rockefeller Foundation	For more than 100 years, The Rockefeller Foundation's mission has been to promote the well-being of humanity throughout the world. Today, The Rockefeller Foundation pursues this mission through dual goals: advancing inclusive economies that expand opportunities for more broadly shared prosperity, and building resilience by helping people, communities and institutions prepare for, withstand, and emerge stronger from acute shocks and chronic stresses. To achieve these goals, The Rockefeller Foundation works at the intersection of four focus areas – advance health, revalue ecosystems, secure livelihoods, and transform cities – to address the root causes of emerging challenges and create systemic change. Together with partners and grantees, The Rockefeller Foundation strives to catalyze and scale transformative innovations, create unlikely partnerships that span sectors, and take risks others cannot – or will not. To learn more, please visit www.rockefellerfoundation.org.
Root Capital	Root Capital is a nonprofit social investment fund that grows rural prosperity in poor, environmentally vulnerable places in Africa and Latin America. Root Capital aims to fill the "missing middle" of finance–the underserved gap between microfinance and commercial banking–by providing loan capital, delivering financial training, and strengthening market connections for small and growing agricultural businesses. Root Capital employs a value chain financing model that provides short- and long-term loans against signed purchase orders between grassroots businesses and their buyers, which are primarily located in North America and Europe. Investors earn an average return of 2.5 percent.
Shell Foundation	Shell Foundation works with a small number of partners to identify the market failures that underpin many of the world's problems and co-create new social enterprises to solve them. They provide patient grant funding, extensive business support and access to networks to help pioneers to validate new models, achieve financial independence and to expand across geographies. Once a new solution is proven to be viable Shell Foundation also creates new 'market enablers' (such as supply chain intermediaries, financial vehicles and global institutions) to facilitate growth and replication at a sector level.
TIAA-CREF	As part of TIAA's General Account, the Social Impact Investment Portfolio directs capital to quality investment opportunities that create measurable social outcomes and provides competitive yields. As of the end of 2014, this portfolio has made $792 million in total investments and commitments across three investment themes that benefit low- to moderate-income communities globally: affordable housing, financial inclusion and community and economic development.

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Appendix II: Impact assessment literature

***Building the Evidence Base**, OECD, January 2015*

The OECD report builds on the work of the G8 Social Impact Investment Taskforce, setting out how the market could develop further with particular focus on securing more resources for developing countries. The report highlights the need to build a bigger evidence base for impact investment and calls for integrating impact assessment as a key characteristic of impact investments. One position that the report supports is that “Measurement should only be done if, and to the extent that it will actually influence decision-making, and the cost of measurement is not excessive compared to the significance of that decision."

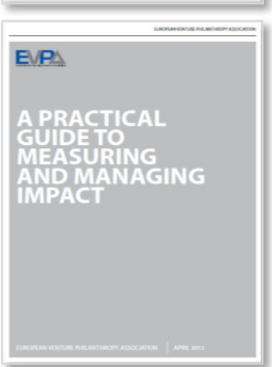
***Measuring Impact**, Social Impact Investment Taskforce, September 2014*

In September 2014, the Impact Measurement Working Group of the Social Impact Investment Taskforce released its report highlighting the central nature of impact measurement to the practice of impact investment and its vital role towards the growth of the market. The report provides investors with guidelines for impact measurement to impact investors, as well as a vision for the evolution of impact measurement in the years ahead. The Working Group has identified seven best practice guidelines which we broadly follow in this report.

***The State of Measurement Practice in the SGB Sector**, ANDE, June 2014*

In their report released in June 2014, ANDE collected data and interviewed over 30 organizations across organization which directly support SGBs, and analyzed key trends in measurement practice. The study focused on four sets of questions:

- Why do SGB intermediaries measure their performance and impact?
- What methods, tools and approaches do they use?
- How do they use the findings?
- What are the main challenges they face, with respect to measurement?



***A Practical Guide to Measuring and Managing Impact**, EVPA, April 2013*

The 124-page guide is the result of a multi-stakeholder initiative including contributions from a core expert group of 27 investors (foundations, social investment funds, venture philanthropy organizations, impact investors etc.), investees (social enterprises, non-profit organizations etc.), consultants, academics and representatives of other networks (in Europe, Asia and the US), as well as a wider group of experts asked to provide feedback on the first draft. The first objective of the manual is to create a roadmap or guidebook to help venture philanthropy organizations and impact investors navigate through the current maze of existing methodologies, databases, tools and metrics on social impact measurement.

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***Catalog of Approaches to Impact Measurement**, Social Venture Technology Group, May 2008*
In October 2007, the Rockefeller Foundation convened a group of investors actively deploying capital into investments that generate financial as well as social or environmental returns. The group made it a priority to understand what methods exist for identifying and measuring impact, and to examine whether and how they might build on existing work to implement a common system of measurement. Following the meeting, the Rockefeller Foundation commissioned the Social Venture Technology Group (SVT), to conduct a survey of existing impact measurement methods which is presented in "Catalog of Approaches to Impact Measurement", a summary of the range of methods that existed at the time.

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Appendix III: Published investor tools

Figure 24: Big Society Capital Outcomes Matrix
Available at www.bigsocietycapital.com/outcomesmatrix

	INDIVIDUALS	COMMUNITY, SECTOR & SOCIETY
EMPLOYMENT, TRAINING AND EDUCATION	Has developed the necessary soft skills and attitude through employment, education or training (including social skills, attitude and motivation)	High quality employment, training and education within a healthy local economy
	Has developed the necessary technical (hard) skills through employment, education or training (including literacy and numeracy, job search skills and job-specific qualifications)	Public policy and expenditure that supports good quality employment, training and education
	Has found a way to address barriers to employment, education or training (including childcare, disability or benefits issues)	Strong corporate and institutional governance
	Is in suitable employment, education or training and has the on-going support to maintain it if necessary	Strong public awareness and participation in matters relating to education and employment, and good sectoral understanding of how to address them
HOUSING AND LOCAL FACILITIES	Has a secure and suitable place to live in fit condition	Provision of adequate, affordable accommodation
	Has access to local shops, transport, facilities and recreation	Public and corporate policy and expenditure that supports good quality housing and local facilities
	Has the skills needed to manage and keep a place to live	Strong public awareness and participation in matters relating to housing, and good sectoral understanding of how to address them
	Is motivated and able to live as independently as possible, and has the on-going support to maintain that if necessary	Sufficient accessible and affordable transport, utilities and local facilities
INCOME AND FINANCIAL INCLUSION	Has access to appropriate financial advice, products or services	Ethical responsible and suitable financial services and products are available to all
	Has sufficient sustainable income, including benefits if appropriate	Income equality
	Is managing finances well	Public and corporate policy and expenditure that supports fair income and financial inclusion
		Strong public awareness and participation in matters relating to financial inclusion, and good sectoral understanding of how to achieve it
		Strong public financial capability, literacy and management, and understanding of legal matters
PHYSICAL HEALTH	Enjoys good support and quality of life in relation to any long-term conditions	Equal access to good quality, safe health and social care services
	Has a positive experience of healthcare and attitude toward own physical health	Healthy and physically active people and communities
	Looks after physical health, maintains a healthy lifestyle and keeps safe	Public and corporate policy and expenditure that supports good physical health
	Makes use of the health services to recover from episodes of ill-health or following injury	Strong public awareness and participation in matters relating to physical health, and advanced sectoral understanding of what makes for good health

BIG SOCIETY CAPITAL Transforming social investment	INDIVIDUALS	COMMUNITY, SECTOR & SOCIETY
MENTAL HEALTH AND WELL-BEING	Enjoys good support in relation to any mental health problems	Equal access to good quality mental health services
	Has a positive experience of care and a good understanding of own mental health and emotional well-being	Good mental health and well-being
	Has a sense of purpose, engages in meaningful and fulfilling activity, and has aspirations for the future	Public and corporate policy and expenditure that supports good mental health and wellbeing
		Strong public awareness and participation in matters relating to mental health and well-being, and good sectoral understanding of how to optimise it
FAMILY, FRIENDS AND RELATIONSHIPS	Enjoys positive and constructive relationships with others	A resilient society with meaningful connections
	Family, partners, friends and carers of those with specific needs are supported	Good quality services for family, friends and relationships
	Feels and is socially connected	Public and corporate policy and expenditure that supports families, friends and relationships
	Has the skills, strategy and support to maintain and manage relationships	Strong public awareness of the value of families, friends and relationships, and good sectoral understanding of how to build them
CITIZENSHIP AND COMMUNITY	Does not discriminate against others, and is not discriminated against, on grounds of ethnicity, religion, gender, sexual orientation or disability	Public and corporate policy and expenditure that supports citizenship and communities
	Feels they have a stake in their community and society at large, and makes a conscious contribution	Strong and safe communities
	Has a positive perception of local community and area	Strong public participation in citizenship and communities, and good social cohesion
	Stays within the law and has addressed any offending behaviour	
	Understands their rights and responsibilities as a citizen	
ARTS, HERITAGE, SPORT AND FAITH	Develops cultural skills and confidence in areas that interest them	High quality
	Finds meaning and fulfillment from engaging with arts, heritage, sport and faith	Public and corporate policy and expenditure that supports the arts
		Strong public awareness of and participation in the arts
CONSERVATION OF THE NATURAL ENVIRONMENT	Accesses and enjoys the natural environment and heritage	Conservation of Natural Spaces
	Understands the importance of and reduces personal impact on the natural environment	Recycling, waste and sustainable water use
		Strong public awareness of and engagement with the natural environment, and good sectoral understanding as to how to sustain it
		Sustainable Agriculture
		Sustainable buildings and transport
		Sustainable energy

Figure 25: Root Capital Social Scorecard (Environmental Scorecard also available)
Available at www.rootcapital.com/our-impact-version-2

Social Scorecard

Name of Organization:
Country:
Product:

% of Social Scorecard Complete:

Instructions

Instructions:

- Please fill in the outlined cells with relevant information. You will notice that some of the UNSHADED/WHITE cells have been populated with information for you; there is no need to fill these out. Please fill in ALL information, or make a note where you are missing information and why.
- Some of the questions will require you to choose ratings based on the definitions of ratings provided ("Chosen Rating").
- Some of the questions will require you to fill out yes/no and quantitative questions, and ratings will be calculated for you ("Calculated Rating"). In this case, definitions of ratings are also provided to explain the calculated ratings.
- NOTE: Please fill in cells with white backgrounds, NOT light green backgrounds (such as beneath this text). Any cell that currently contains a formula or auto-fills based on another cell WILL STOP WORKING if you enter something into that cell.

Rating Legend:

"B" is the neutral rating. Most clients receive mostly Bs or As with a few higher ratings and a few lower ones.
"AAA", "AA", and "A" ratings represent higher social scores.
"C" is the "no-go" rating. Loans with any ratings of "C" will not be approved by the Credit Committee and will result in an Overall Social Rating of "Does Not Meet RC Standards."
-NOTE: In some cases rating criteria have been removed from this public file in order to avoid disclosing the trigger criteria that would prevent loan approval.

1.0 Scale (Number of People Reached)

1.1

Social & Environmental Metrics (SEMs) All Loans/Portfolios	0	0	0	0	Definitions
Total # Producers Reached	-	-	-	-	
Total # Women Producers Reached	-	-	-	-	
Producers Reached Directly (i.e. sold to the cooperative, agroprocessor, or private enterprise)					NOTE: Please include both members and non-members who sold to the cooperative, agroprocessor, or private enterprise.
Women Producers Reached Directly					Women Producers are a subset of Producers Reached in the row above.
Producers Reached Indirectly (i.e. benefit from goods and/or services sold by the company such as seeds or post-harvest handling)					
Women Producers Reached Indirectly					Women Producers are a subset of Producers Reached in the row above.
Consumers Reached (i.e. domestic consumers of food sold by the enterprise to increase food security and nutrition)					If hard data is not available, divide total production by average volume consumed per person per year in the country to get an estimate of number of consumers reached; consumers include those who eat food sold by the enterprise.
# Employees, Non-Managerial, Full Time					Full-Time Employment: Full-time employees work year round and typically work 35-50 hours per week. If local definitions of full-time equivalency differ, use appropriate standard.
# Women Employees, Non-Managerial, Full Time					
# Employees, Seasonal					Seasonal Employment: Temporary employees are defined as seasonal and contract employees. Seasonal employees are primarily used in agriculture or fisheries. Contracted employees are generally hired for the completion of a specific task.
# Women Employees, Seasonal					
Average # Months Worked by Seasonal Employees					
# Employees, Managerial					
# Women Employees, Managerial					
Total # Employees					Calculated from above values.
Wages and Salaries (USD)					Wages: Value of wages (including bonuses) paid to all employees during the reporting period.
# Board Members					
# Women Board Members					
Volume Purchased from Producers					Units
Payments to Producers (USD)					
Hectares Under Cultivation					
Average Payments to Producers					
Enterprise Revenue (USD)					
Total Number of People Reached					

Source: Root Capital

Figure 26: Root Capital Social Scorecard cont'd (Environmental Scorecard also available)
Available at www.rootcapital.com/our-impact-version-2

2.0 Context and Additionality

2.1 Historical Access to Finance

Yes/No

2.1.1) Was Root Capital the first lender to this enterprise?
2.1.2) Is Root Capital currently the only lender to this enterprise?
2.1.3) Does this enterprise have other sources of financing?
From a commercial bank?
From a social lender?
In the form of a buyer advance?
2.1.4) Is Root Capital the primary lender to this enterprise (i.e. will provide 50% or more of the external financing for the upcoming harvest season, to the best of your knowledge)?
2.1.5) If RC did not lend to this enterprise, they could get a similar loan on similar terms from a for-profit financial institution.

Calculated Rating:

Please write notes explaining your rating here.

DEFINITIONS OF RATINGS
AAA: RC is the first and only lender to this enterprise AND the enterprise is unable to access commercial finance.
AA: RC currently provides >50% of the enterprise's external finance AND the enterprise is unable to access commercial finance.
A: RC is the primary lender to this enterprise (=>50% of the enterprise's external finance). Other lenders may be social or commercial.
B: RC is not the primary lender to this enterprise (<50% of the enterprise's external finance), but there is no evidence of crowding out. Other lenders may be social or commercial.
B-: If RC did not lend to this enterprise, they could get a similar loan on similar terms from a for-profit financial institution. In other words, enterprise has access to other sources of finance that are:
-For-profit, AND
-Roughly as convenient and trustworthy as RC, AND
-Roughly equivalent (or reasonable) collateral requirements, AND
-Offer interest rates that are within 3 percentage points of RC, AND
-LO believes that the primary reason the enterprise borrows from RC is that RC charges a lower interest rate

2.2 Vulnerable Contexts

Yes/No | Severity Rating | Calculated Rating:

Please indicate if the enterprise operates in a vulnerable context. For each, choose a severity rating.
Civil conflict, violence, organized crime, drug production and/or drug trafficking
Natural disaster, such as a hurricane or earthquake
Climate change or other unusual/unpredictable weather patterns that affect agricultural productivity

Please write notes explaining your rating here.

DEFINITIONS OF RATINGS
AAA: The community is suffering from this condition severely.
AA: The community is suffering from this condition to a moderate extent.
A: The community is not suffering from this condition right now but there is a risk that it will return or commence.
B: The community is not suffering from this condition and there is no real risk that it will commence in the future

2.3 Income Level of Producers / Employees

When choosing the following rating, please estimate the income level of producers (or employees, if they are the main beneficiaries) affiliated with the cooperative or enterprise.
AAA: Borrower community lives beneath the **international extreme poverty line** of USD 1.25 per household member per day, or USD ~450 per household member per year (purchasing power parity).
AA: Borrower community lives beneath the **international poverty line** of USD 2 per household member per day, or USD ~730 per household member per year (purchasing power parity).
A: Borrower community has living standards consistent with a **lower income level** of less than USD 4 per household member per day, or USD ~1500 per household member per year (purchasing power parity).
B: Borrower community has living standards consistent with a **lower-middle income level** of less than USD 10 per household member per day, or USD ~4000 per household member per year (purchasing power parity).
B-: Borrower community has living standards above the middle-income level of USD 10 per household member per day, or USD ~4000 per household member per year (purchasing power parity).

Chosen Rating:

Please write notes explaining your rating here.

DEFINITIONS
USD per household member per day includes all income sources of all household members, plus staple crop production for household consumption, divided by the number of household members.
Borrower Community: Refers to producers and their households, not the general communities where they are living.
Purchasing Power Parity: Technique used to determine the relative value of currencies, estimating the amount of adjustment needed on the exchange rate between countries in order for the exchange to be equivalent to each currency's purchasing power. How much money would be needed to purchase the same goods and services in the United States?
Price (dollars) = Price (pesos) / Exchange Rate (pesos/dollars)

2.4 Growth in the Past Period

AAA: Enterprise grew revenue by >30% over the past year, or two or three years if there is a two- or three- year harvest cycle for the product (e.g., two years for coffee); OR, enterprise is a very successful startup in its first two years.
AA: Enterprise grew revenue by >20% over the past year, or two or three years if there is a two- or three- year harvest cycle for the product (e.g., two years for coffee); OR, enterprise is a moderately successful startup in its first two years.

Chosen Rating:

Please write notes explaining your rating here.

Source: Root Capital

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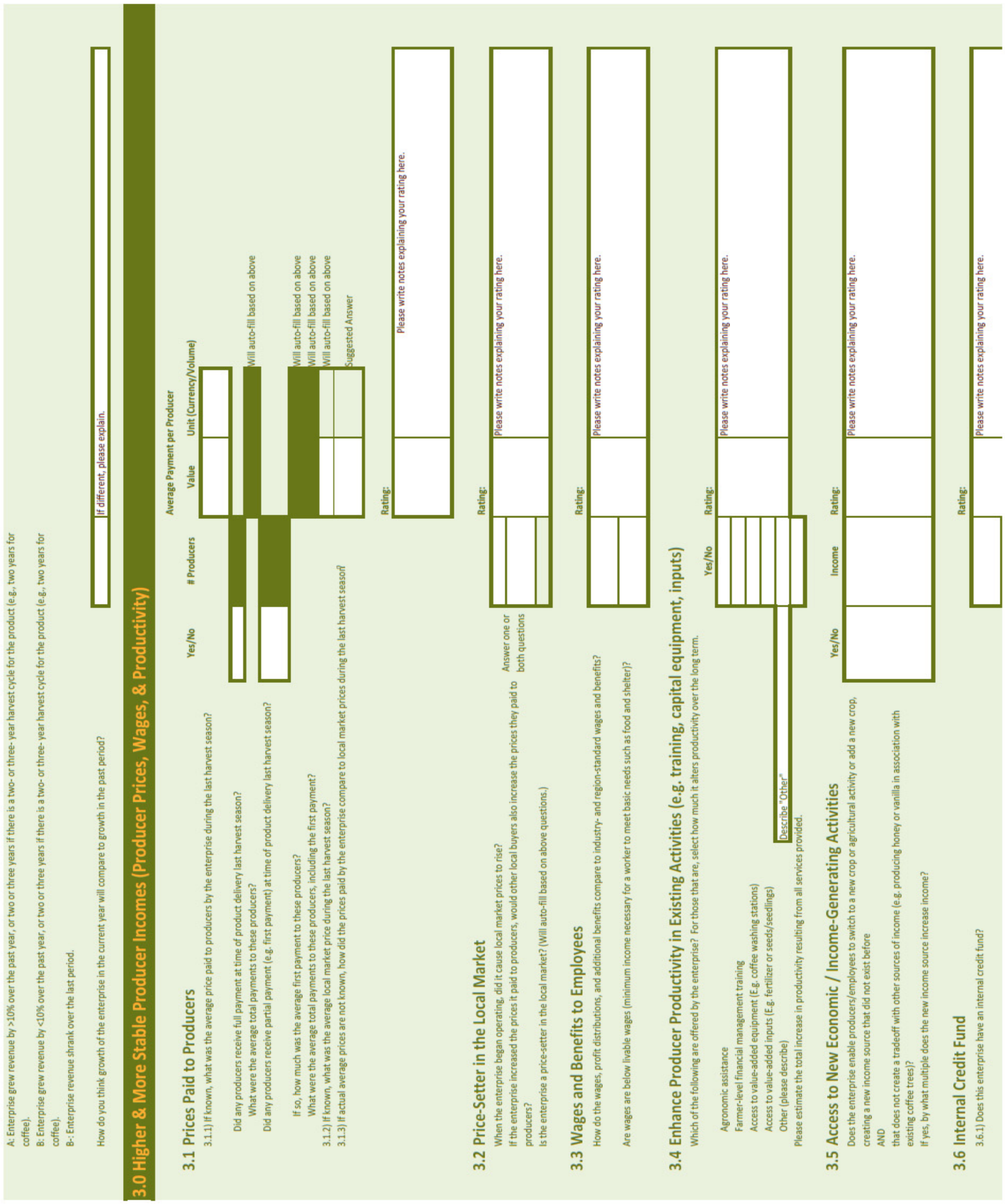
Figure 27: Root Capital Social Scorecard cont'd (Environmental Scorecard also available)
Available at www.rootcapital.com/our-impact-version-2



A: Enterprise grew revenue by >10% over the past year, or two or three years if there is a two- or three- year harvest cycle for the product (e.g., two years for coffee).
B: Enterprise grew revenue by <10% over the past year, or two or three years if there is a two- or three- year harvest cycle for the product (e.g., two years for coffee).
B-: Enterprise revenue shrank over the last period.

How do you think growth of the enterprise in the current year will compare to growth in the past period? — If different, please explain.

3.0 Higher & More Stable Producer Incomes (Producer Prices, Wages, & Productivity)

3.1 Prices Paid to Producers — Yes/No | # Producers | Average Payment per Producer: Value | Unit (Currency/Volume)

3.1.1) If known, what was the average price paid to producers by the enterprise during the last harvest season?
Did any producers receive full payment at time of product delivery last harvest season?
What were the average total payments to these producers? — Will auto-fill based on above
Did any producers receive partial payment (e.g. first payment) at time of product delivery last harvest season?
If so, how much was the average first payment to these producers? — Will auto-fill based on above
What were the average total payments to these producers, including the first payment? — Will auto-fill based on above
3.1.2) If known, what was the average local market price during the last harvest season? — Will auto-fill based on above
3.1.3) If actual average prices are not known, how did the prices paid by the enterprise compare to local market prices during the last harvest season? — Suggested Answer

Rating: — Please write notes explaining your rating here.

3.2 Price-Setter in the Local Market — Rating:
When the enterprise began operating, did it cause local market prices to rise?
If the enterprise increased the prices it paid to producers, would other local buyers also increase the prices they paid to producers? — Answer one or both questions
Is the enterprise a price-setter in the local market? (Will auto-fill based on above questions.)
Please write notes explaining your rating here.

3.3 Wages and Benefits to Employees — Rating:
How do the wages, profit distributions, and additional benefits compare to industry- and region-standard wages and benefits?
Are wages are below livable wages (minimum income necessary for a worker to meet basic needs such as food and shelter)?
Please write notes explaining your rating here.

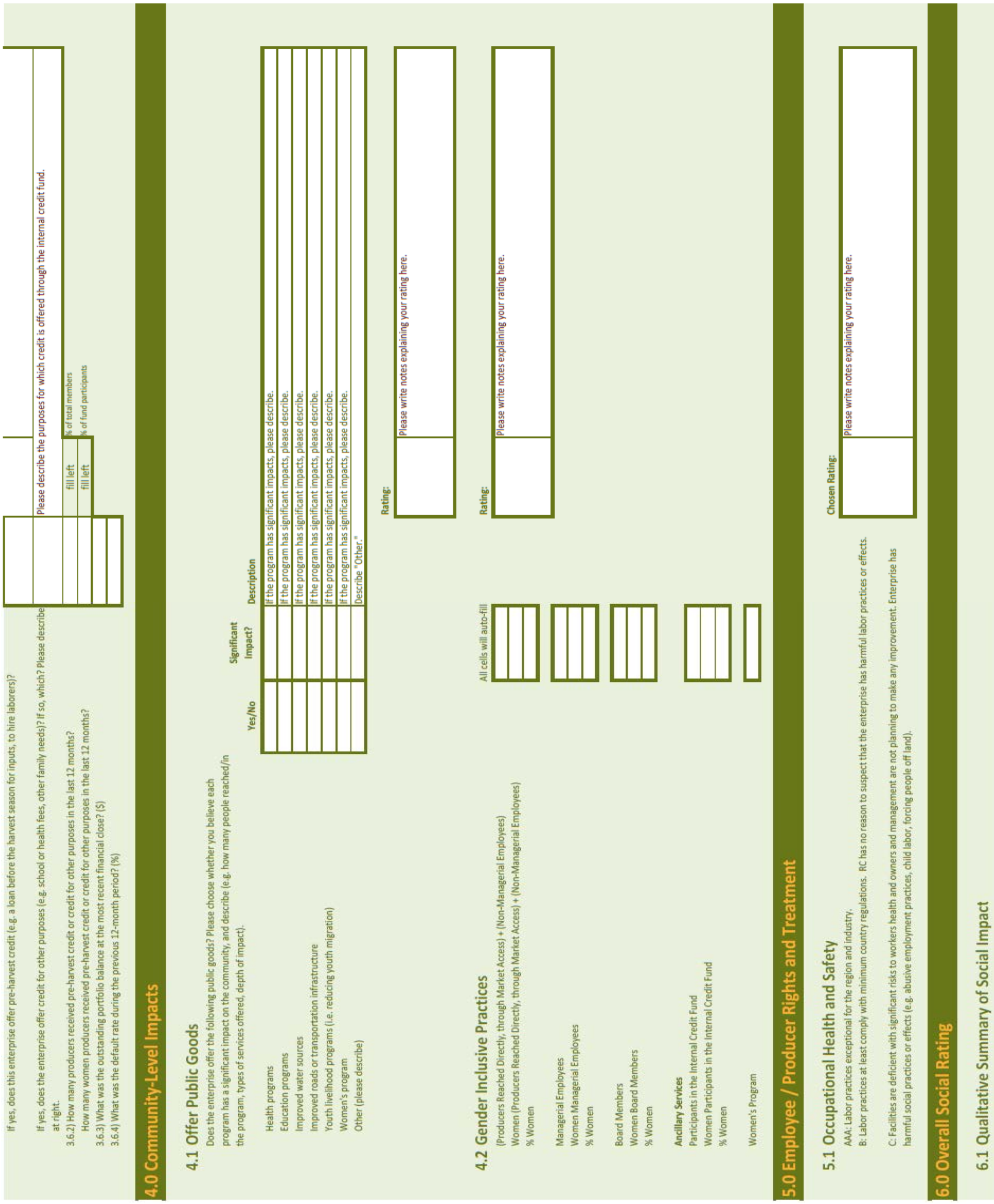
3.4 Enhance Producer Productivity in Existing Activities (e.g. training, capital equipment, inputs)
Which of the following are offered by the enterprise? For those that are, select how much it alters productivity over the long term. — Yes/No | Rating:
Agronomic assistance
Farmer-level financial management training
Access to value-added equipment (E.g. coffee washing stations)
Access to value-added inputs (E.g. fertilizer or seeds/seedlings)
Other (please describe) — Describe "Other"
Please estimate the total increase in productivity resulting from all services provided.
Please write notes explaining your rating here.

3.5 Access to New Economic / Income-Generating Activities — Yes/No | Income | Rating:
Does the enterprise enable producers/employees to switch to a new crop or agricultural activity or add a new crop, creating a new income source that did not exist before
AND
that does not create a tradeoff with other sources of income (e.g. producing honey or vanilla in association with existing coffee trees)?
If yes, by what multiple does the new income source increase income?
Please write notes explaining your rating here.

3.6 Internal Credit Fund — Rating:
3.6.1) Does this enterprise have an internal credit fund?
Please write notes explaining your rating here.

Source: Root Capital

Figure 28: Root Capital Social Scorecard cont'd (Environmental Scorecard also available)
Available at www.rootcapital.com/our-impact-version-2



Source: Root Capital

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Figure 29: Root Capital Social Scorecard cont'd (Environmental Scorecard also available)
Available at www.rootcapital.com/our-impact-version-2

Please describe the enterprise's most important social impacts in your own words here.

6.2 Overall Social Rating

DEFINITION OF OVERALL SOCIAL RATING

The Overall Social Rating is automatically calculated based on the ratings in sections 2.0 and 3.0. We focus on these sections because we believe our impact is strongest when we support clients that are **growing rural prosperity** (as measured in Section 3.0), among small-scale farmers whose **unmet needs are greatest** and for whom **our financing is additional** to what other commercial and social lenders would provide (as measured in Section 2.0).

Strong Social Impact:
- Must receive an AAA or AA in any of questions 2.1, 2.2, or 2.3. That is, the enterprise must lack access to finance, be living in <$2 per day, or be currently suffering from civil conflict, a natural disaster, etc. AND
- Must receive an AAA or AA in any of questions 3.1, 3.2, 3.3, 3.4, 3.5, or 3.6. That is, the enterprise must somehow increase producer incomes.

Meets RC Standards

Does Not Meet RC Standards

END

Source: Root Capita

Disclosures

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