

MEASURING IMPACT

GUIDELINES FOR GOOD IMPACT PRACTICE

Measuring Impact: Guidelines for Good Impact Practice was developed by the Impact Measurement Working Group (IMWG) of the Social Impact Investment Taskforce established by the G8. This work elevates existing best practices and aligns with the European Standard for Social Impact Measurement (developed by GECES). The IMWG was established in June 2013 at the G8 Social Impact Investment Forum in London to develop measurement guidelines for impact investors as well as a vision for impact measurement in the years ahead. The IMWG is comprised of 29 thought leaders in impact investing and measurement—including private investors, foundations, academics, non-profits, and intermediaries—representing diverse sectors and geographies. The full *Measuring Impact* report and the accompanying case studies were launched in September 2014. To learn more and to download a copy of the full report and case studies, please visit www.thegiin.org/measurement_report.

IMPACT MEASUREMENT is central to effective impact investing as it demonstrates investor intent and legitimizes the industry with data on impact produced.

Good impact measurement generates intrinsic value for all impact investment stakeholders, yields data to mobilize greater capital toward generating impact, and increases the transparency and accountability for the impact delivered.

Report of the

IMPACT MEASUREMENT WORKING GROUP OF THE
SOCIAL IMPACT INVESTMENT TASKFORCE

Established by the G8

www.socialimpactinvestment.org

SEVEN GUIDELINES FOR GOOD IMPACT MEASUREMENT PRACTICE

SET GOALS

Articulate the difference you seek to make

Goal setting not only establishes a purpose, but guides investment action and helps stakeholders gauge progress. Goals should link closely to a clear investment thesis and/or Theory of Value Creation (ToVC) (also referred to as Theory of Change), as these frameworks form the basis for strategic decisions and serve as a reference point for performance throughout the life of an investment.

MAKE DATA-DRIVEN INVESTMENT MANAGEMENT DECISIONS

Identify and implement ways to strengthen your investments and operations

Decisions based on data and analysis help drive continuous improvement and long-term change, especially as circumstances change. An effective review of investment results includes an assessment of stakeholder feedback about reported data as well as recommendations for actions needed to address changes to the ToVC/investment thesis.

REPORT DATA

Share your progress with your key constituents

Data reporting allows stakeholders to understand and engage with an organization to know how it is performing against objectives, which helps attract further investment. Effective data reporting is evidence-based, aligns with stakeholder expectations about depth of information covered, presents information in a coherent manner, and enables comparisons and decision-making.

DEVELOP FRAMEWORK & SELECT METRICS

Determine what metrics you will be holding yourself accountable against

Framework development and metrics selection outline the critical step of determining which data will be used across the entire impact measurement process. An effective impact framework includes metrics and a description of the logic for how they are applied to the portfolio, acknowledging the needs and perspectives of various stakeholders.

COLLECT & STORE DATA

Collect and store the data you need to determine your progress

Data collection and storage best practices are critical for reducing data reporting burdens, ensuring data integrity, and enabling reporting. When designing data collection and management processes, take into account the necessary information technology, tools, resources, human capital, and methods used to obtain and keep track of data.

VALIDATE DATA

Validate that the data you collected is of sufficient quality

The practice of validating data provides confidence in the quality of data, the ability to review processes involved, and the ability to check any calculations that have been performed. A complete and transparent presentation of results includes sufficient information to cross check calculations and assumptions against known data sources.

ANALYZE DATA

Distill insights from the data you collected

Data analysis, through the findings it provides, can play a significant role in how investment decisions are made and how capital is allocated. Comparable data analyses utilize standard, objective processes where possible in order to produce widely-understood and actionable results.



USING THE GUIDELINES

The Guidelines outline impact measurement best practices for impact investors and the impact organizations in which they invest. They were developed to be practical and broadly applicable at the portfolio, deal, and enterprise level. Although the **SET GOALS** guideline underpins good impact measurement practice and therefore is considered a first step, the remaining guidelines can be applied in any order that is compatible with the circumstances of the investment or business strategy. A good impact measurement practice should be iterative; the sequence, frequency, and timing of activities will vary according to the investment and reporting needs of the organization.

LEARN HOW THE FIRMS BELOW ARE PUTTING THESE GUIDELINES TO PRACTICE BY DOWNLOADING CASE STUDIES AT WWW.THEGIIN.ORG/MEASUREMENT_REPORT





IMPACT MEASUREMENT CHECKLIST

● SET GOALS

- Define an impact investment thesis and/or define a theory of value creation (ToVC); ensure the resulting investment approach is proportionate, in terms of strategy and resources, to the impact it intends to create
- Identify key stakeholders and determine accountability across the ToVC
- Identify any positive or negative changes on the environment or on society that result from the investment or the investee's business activities—involve appropriate stakeholders in gaining this understanding
- Decide which changes will be considered material, and will therefore be disclosed, to key stakeholders, to other users of the information, and for the subject matter
- Define the social/environmental and financial performance goals for the investment; ensure that these goals are aligned with stakeholder considerations, including the business strategy and operational model of the investees
- Be specific about whether goals are to be achieved at the ecosystem or enterprise level
- Involve stakeholders in identifying any risks to achieving stated goals, in particular those risks that may affect capital allocated to the investee, and communicate these risks to stakeholders

● DEVELOP FRAMEWORK & SELECT METRICS

- Evaluate the baseline impact of the investee business model and of its operations, following an appropriate and recognized assessment system
- Develop a logical framework for impact measurement that is based on goals, assesses both positive and negative impacts, and informs sound analysis and data organization
- Use a recognized metrics language where possible to facilitate broadly understood performance analysis; when appropriate, focus on those metrics that enable investment comparisons for analogous investments
- Select meaningful metrics that align to investor goals and investee business models, taking into account what is proportionate and material; engage stakeholders to ensure that metrics make sense to them
- Set appropriate baseline and/or counterfactual metrics as feasible

● COLLECT & STORE DATA

- Collect data in a timely and systematic manner; store and safeguard data appropriately
- Ensure data requests align with investees' day-to-day operational processes and are complementary to investees' business information needs
- Ensure data completeness and quality throughout (See also "Validation" guideline)

● VALIDATE DATA

- Check data for completeness, quality, and integrity, and engage key stakeholders in doing so to ensure joint accountability
- Integrate peer review and assurance services where measurement goals require greater levels of validation (e.g., as is the case in payment for success structures)

● ANALYZE DATA

- Use organization-wide, systemic methods of both quantitative and qualitative data analysis
- Ensure analysis is designed to inform decision-making and reporting (See also "Goal Setting", and "Framework Development & Metrics Selection" guidelines)
- Analyze data to assess progress towards the investment goals, including the level of contribution or attribution where relevant and feasible
- Identify data that, once analyzed, ends up irrelevant for decision-making and learning, and adjust collection methods as appropriate
- Compare data against a baseline, the counterfactual, or a benchmark where possible (See also "Framework Development & Metrics Selection" guideline)

● REPORT DATA

- Report agreed upon material data regularly, and provide clarity on areas where investees and other stakeholders are accountable for results
- Be transparent and balanced in reporting about progress towards goals, results, and learning; include positive and negative results
- Follow a recognized and generally-accepted structure and format for data reporting where appropriate and feasible
- Cite common metrics languages, frameworks, and methodologies used as applicable
- Clearly state assumptions made, proxies used, and data sources drawn upon

● MAKE DATA-DRIVEN INVESTMENT MANAGEMENT DECISIONS

- Integrate impact metrics into core decision-making processes and tools (e.g., build into existing performance management dashboards and/or Executive Team agenda items)
- Clarify linkages between impact metrics and management decisions to optimize data-driven decision making
- Use the impact measurement process, and data collected from it, to inform ongoing investment management and decisions (recognizing that decisions, by nature will be based on more than impact data alone, and will involve trade-offs between stakeholders and goals)
- Review and adjust goals as appropriate