Supplement to *The Business Value of Impact Measurement*:

DEEP DIVES ON THE USE OF IMPACT DATA THROUGHOUT THE INVESTMENT PROCESS

ABOUT THIS SUPPLEMENT

This supplement to the full report includes details on the impact measurement practices of eight of the investors interviewed for *The Business Value of Impact Measurement*. Interviewees provided information on data they use to inform their decisions and drive value. Many of these examples of data align with IRIS metrics, which are included here when relevant.

IRIS is the catalog of generally accepted performance metrics that leading impact investors use to measure the social, environmental, and financial results of their investments. Managed by the GIIN, IRIS is offered as a free public good to support transparency, credibility, and accountability in impact measurement practices across the impact investing industry. For more information, see iris.thegiin.org.
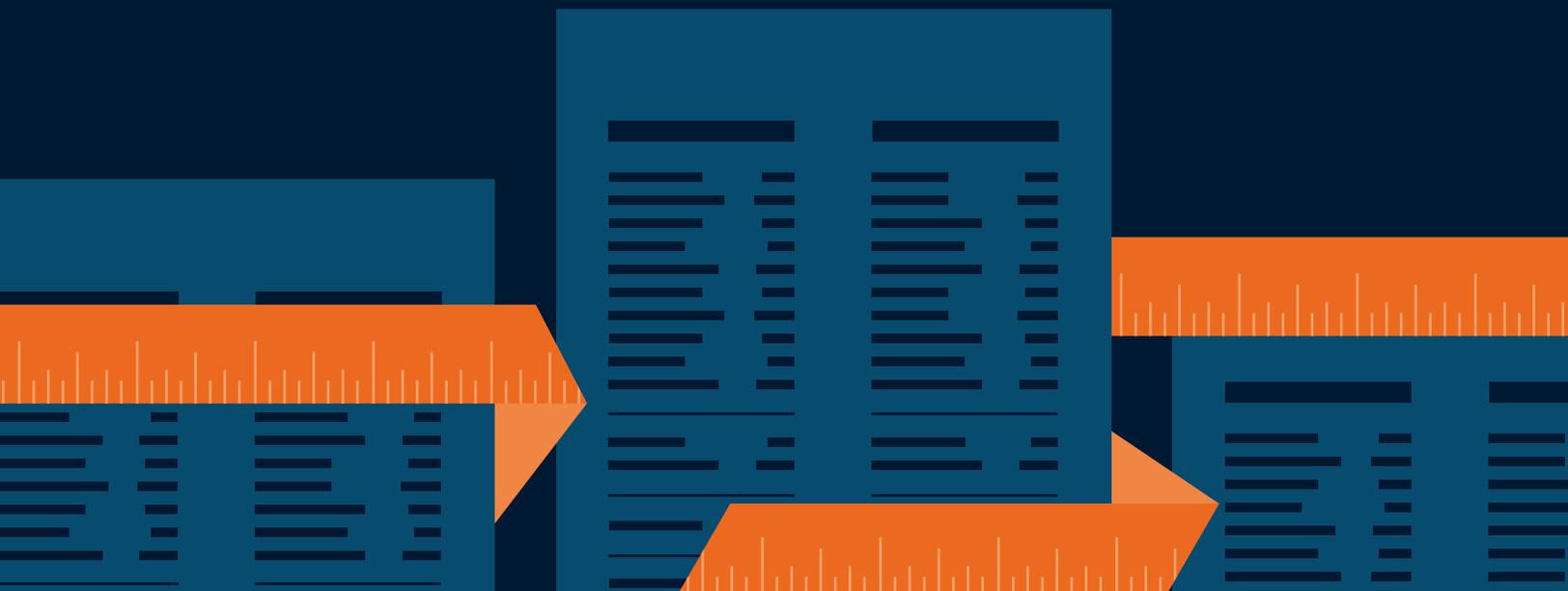
BEARTOOTH CAPITAL

Beartooth Capital is a U.S.-based real assets fund manager that targets market-rate land restoration projects in North America.

PRE-INVESTMENT

Historical data from previous investments are used to identify distressed properties with high potential for impact resulting from acquisition and restoration and to determine appropriate impact objectives for each investment. For example, the potential impact and financial return of a property are evaluated alongside information about water rights, land improvements targeted, and existing environmental hazards.

INVESTMENT MANAGEMENT & EXIT

Beartooth measures both quantitative and qualitative indicators on an ongoing basis, focusing on metrics that can be applied across its portfolio of investments. Ongoing monitoring also informs adjustments to the impact targets of a specific investment. For example, land originally purchased to increase the fish population may be better suited as a waterfowl property in which ponds and wetlands are restored to improve bird habitats.

Most measurement takes place after the investment is complete in order to determine the impact of Beartooth's intervention. Data are then used to demonstrate to existing and potential investors the social and environmental performance of investments. Beartooth also targets buyers who will continue to preserve and conserve the restored land.

EXAMPLES OF DATA USED

- Acres that need converting from non-organic to organic
- Acres sustainably managed
- Acres managed as organic
- Acres of wetlands and ponds restored
- Acres and properties put under permanent protection

RELEVANT IRIS METRICS

- Land Directly Controlled: Sustainably Managed (OI6912)
- Length of Streams Restored (PI6885)
- Protected Land Area: Permanent (PI3924)

BRIDGES VENTURES

Bridges Ventures is a specialist fund manager that invests in companies, properties, and social sector organizations seeking to improve health and wellbeing, increase access to education, and serve otherwise underserved markets in the UK and U.S.

PRE-INVESTMENT

Impact data from previous transactions attract new investors who are interested in Bridges' impact lens, many of whom express interest in specific KPIs. These data have also proven compelling to investors who do not explicitly require impact data during the pre-investment phase but are impressed by Bridges' commitment to its social and environmental performance.

INVESTMENT MANAGEMENT & EXIT

Bridges Ventures regularly tracks customer feedback and satisfaction, which contributes to commercial success and enables proactive management in response to any negative trends. For example, for its healthcare delivery investments, Bridges tracks patient and family feedback on the quality of care received. For investees, these data engender trust among patients' family members and improve patient retention; if consistently negative data are collected, Bridges can work with its investee to identify opportunities for improvements to patient care. Impact data also contribute to reputational goodwill among other stakeholders in an investment, such as government actors. For example, clear communication of energy efficiency and carbon reductions from an investment in a hotel streamlined the permit and planning processes.

Bridges' social sector funds evaluate the impact results of an investment, measured by comparing social and environmental performance against initial targets. This analysis influences the timing of exit in order to maximize the investment's impact.

EXAMPLES OF DATA USED

- Quality of jobs
- Client and beneficiary satisfaction
- Patient quality of life
- Carbon dioxide emissions avoided
- Metric tons of waste diverted from landfills
- Number of students enrolled in skills training courses
- Number of people moved off unemployment
- Number of individuals receiving care
- Number of care homes built

RELEVANT IRIS METRICS

- Client Feedback System (OI5049)
- Greenhouse Gas Reductions due to Products Sold (PI5376)
- Greenhouse Gas Emissions: Total (OI1479)
- Waste Disposed: Total (OI6192)
- Waste Disposed: Landfill (OI4483)
- Waste Reduced (OI7920)
- Waste Reductions from Products Sold (PI5926)
- Waste Reductions from Services Sold (PI5678)
- School Enrollment: Total (PI2389)
- Client Individuals: Total (PI4060)

DESUTSCHE BANK

Deutsche Bank is a diversified financial institution that manages a series of microfinance and social enterprise debt funds and U.S. community development loans. Together, these funds target market-rate investments in both developed and emerging markets.

PRE-INVESTMENT

Deutsche Bank sets social performance goals with each borrower at the onset of its investments. During the due diligence phase, Deutsche Bank reviews the business strategy and operations of each potential investee to evaluate their capacity to deliver against their stated social mission.

INVESTMENT MANAGEMENT & EXIT

Impact data are reviewed during ongoing portfolio management to understand strengths and weaknesses of both individual investees and the portfolio as a whole. For example, ongoing monitoring of end-clients' preferences and perceptions of product offerings informs investee microfinance institutions' product or service decisions, as well as the underlying business models themselves.

EXAMPLES OF DATA USED

- Number of clients by product
- Segmented client data
- Jobs created
- Smart Campaign certification
- Adoption of conflict of interest policy

RELEVANT IRIS METRICS

- Client Individuals: Total **(PI4060)**
- Client Individuals: Poor **(PI3193)**
- Jobs Created at Directly Supported/Financed Enterprises: Total **(PI3687)**
- Operational Certifications **(OI1120)**
- Conflict of Interest Policy **(OI2596)**

ECOTRUST

Ecotrust is a hybrid organization, wherein the non-profit arm invests through its endowment and the for-profit arm manages impact investing funds. Ecotrust targets sectors including forestry, foods and farms, oceans and fisheries, water and watersheds, climate and energy, and the built environment.

PRE-INVESTMENT

Data from previous investments help inform future portfolio allocations in an effort to maximize the impact per dollar invested. Data are used for fundraising purposes, reporting to regulatory bodies who require the data and to investors for whom impact data are important. Fundraising success is predicated on Ecotrust's track record of demonstrating real impact achieved through the data it collects.

INVESTMENT MANAGEMENT & EXIT

Ecotrust ensures mission alignment of investees by monitoring their impact performance during the investment management stage. For example, Ecotrust used data on the carbon avoided from an investment in a building project to select certain building materials to improve the investment's environmental performance.

Impact data indicate the investment's overall performance at exit. Exit analysis helps Ecotrust ensure accountability to and alignment with its purported mission.

EXAMPLES OF DATA USED

- Carbon dioxide emissions avoided
- Net metric tons of carbon dioxide-equivalent emissions stored
- Renewable energy use
- Number of jobs created
- Number of jobs maintained
- Job wages

RELEVANT IRIS METRICS

- Greenhouse Gas Reductions due to Products Sold (PI5376)
- Greenhouse Gas Emissions: Total (OI1479)
- Energy Generated for Use: Renewable (OI2496)
- Permanent Employees: Total (OI8869)
- Full-time Employees: Total (OI3160)
- Part-time Employees: Total (OI8864)
- Temporary Employees (OI9028)
- Permanent Employee Wages: Total (OI9677)
- Full-time Wages: Total (OI5887)
- Part-time Wages: Total (OI9948)
- Temporary Employee Wages (OI4202)

INCOFIN INVESTMENT MANAGEMENT

Incofin Investment Management is a fund manager that invests debt and equity into microfinance institutions in developing countries, with a focus on rural and agricultural communities.

PRE-INVESTMENT

Social performance data inform decisions regarding whether to make debt or equity investments, to roll over a loan, or to refrain from follow-on investing.

INVESTMENT MANAGEMENT & EXIT

Incofin integrates social performance data into its investment management processes to encourage investees to pursue a double bottom line mandate (financial and social performance) and to maintain investees' reputations by showcasing their commitment to and implementation of social performance and to build sustainable systems that protect investees against difficult economic cycles while ensuring responsible financial behavior. Incofin's social performance assessment includes several dimensions on social mission institutionalization, client protection principles, fair treatment of staff, and minimum do-no-harm environmental standards. For example, client protection principles data help Incofin's investees mitigate the risks of overindebtedness among their own clients, develop and refine product offerings according to client characteristics, and capture and respond to customer feedback.

EXAMPLES OF DATA USED

- Defining and monitoring social goals
- Board management and employee commitment to social goals
- Appropriateness of products and services
- Responsible client treatment
- Responsible employee treatment
- Balance of financial and social performance

RELEVANT IRIS METRICS

- Many IRIS metrics from the financial inclusion sector apply to these examples of data used. Further, IRIS and the SPTF have partnered to align IRIS metrics and the SPI4 social audit tool. Readers can refer to the IRIS-aligned metric set for financial inclusion for further information, available on the IRIS website.

QUONA CAPITAL

Quona Capital is a market-rate-seeking fund manager that invests equity and quasi-equity into growth-stage, technology-enabled financial services companies serving underbanked populations in sub-Saharan Africa, Latin America, and South Asia.

PRE-INVESTMENT

Impact data, when linked to proven commercial success in previous transactions, help convince key data-driven stakeholders, such as investors and board members, of the attractiveness of potential investments proposed by the deal team. When negotiating with potential investees for whom proven impact is important, impact data also enable Quona to differentiate itself among investors.

INVESTMENT MANAGEMENT & EXIT

Customer data help uncover new product-development and market-growth opportunities for investees. For example, by collecting data about customers' appetite for and ability to afford new products, Quona can help its portfolio companies cross-sell different types of financial services products to existing clients. Impact data also build the reputational strength of Quona's portfolio companies among the communities in which they operate. In one instance, impact data showed that a high percentage of remitted funds was used for educational purposes, which led the investee to launch a successful marketing campaign featuring the use of remittances to pay school fees.

Additionally, impact data help Quona communicate the impact and financial value of its portfolio companies to potential acquirers, thus facilitating exits.

EXAMPLES OF DATA USED

- Access, Quality, and Market indicators:
- Number of individuals/households served
- Number of accounts opened
- Number of loans issued
- Transaction volume
- Product affordability
- Processing times
- Customer retention
- Influx of new capital and new competitors
- New product offerings
- Jobs created

RELEVANT IRIS METRICS

- Client Individuals: Total (PI4060)
- Client Households: Total (PI7954)
- Client Savings Premium (PI1748)
- Client Retention Rate (PI9319)
- New Investment Capital (FP8293)
- Jobs Created at Directly Supported/Financed Enterprises: Total (PI3687)

DEEP DIVES ON THE USE OF IMPACT DATA THROUGHOUT THE INVESTMENT PROCESS

ROOT CAPITAL

Root Capital is a private debt fund manager which invests in small and growing agricultural businesses in Latin America and Africa.

PRE-INVESTMENT

Root Capital uses a scorecard to conduct social and environmental due diligence, as well as to assess credit risk during the loan evaluation process. For example, the scorecard tracks information regarding the strength of borrowers' relationships with their suppliers, which is used to assess the stability of their supply chains. Also, historical impact data have enabled Root to identify and target businesses with strong growth potential based on the quality of their supplier relationships and financial systems.

INVESTMENT MANAGEMENT & EXIT

The scorecard is also used for ongoing portfolio management and business strengthening. Findings during this stage help strengthen investees' businesses by informing product development and growing their customer base. For example, data about farmers' use of fertilizer and harvest yields can identify needs for additional financing that Root may be able to provide.

Social and environmental performance data are reviewed when deciding whether to renew a loan. Further, by indicating Root Capital's commitment to social and environmental performance, reporting has raised additional funding, particularly from corporations.

EXAMPLES OF DATA USED
- Income levels of farmers
- Wage productivity
- Land use

RELEVANT IRIS METRICS
- Supplier Individuals: Poor (PI2242)
- Supplier Individuals: Very Poor (PI8337)
- Supplier Individuals: Low Income (PI8819)

SHELL FOUNDATION

The Shell Foundation makes grants and equity investments into early-stage enterprises in Africa, Asia, and Latin America, with a focus on access to energy, job creation, and sustainable supply-chain development.

PRE-INVESTMENT

Shell primarily targets seed-stage investments for which impact projections are difficult to accurately develop. However, as investees mature, Shell works with them to think through their impact objectives and appropriate targets.

INVESTMENT MANAGEMENT & EXIT

Shell encourages its investees to track impact-related data that are directly tied to the strength of their businesses, alongside other business-development milestones, such as key hires and the establishment of internal systems. For example, a solar lighting portfolio company tracks the number of lighting units sold and installed in customers' homes. These data also uncover the effectiveness of sales and marketing strategies.

Shell seeks buyers that will maintain the mission of the investee; as such, buyers typically require a review of impact data from the duration of the investment in order to understand historical and potential impact. At this stage, many impact-oriented buyers prefer to review broad metrics, such as lives touched, to gain a holistic view of the investee organization's scale.

EXAMPLES OF DATA USED

- Jobs created
- Lives impacted
- Carbon reductions

RELEVANT IRIS METRICS

- Permanent Employees: Total (OI8869)
- Full-time Employees: Total (OI3160)
- Part-time Employees: Total (OI8864)
- Temporary Employees (OI9028)
- Greenhouse Gas Emissions: Total (OI1479)
- Greenhouse Gas Reductions due to Products Sold (PI5376)

More information about the Global Impact Investing Network

This brief is a publication of the Global Impact Investing Network (GIIN), the leading nonprofit organization dedicated to increasing the scale and effectiveness of impact investing. The GIIN builds critical market infrastructure and supports activities, education, and research that help accelerate the development of the impact investing field.

IRIS

IRIS is the catalog of generally-accepted performance metrics that leading impact investors use to measure social, environmental, and financial success, evaluate deals, and grow the credibility of the impact investing industry.

iris.thegiin.org

ImpactBase

ImpactBase is the searchable, online database of impact investment funds and products designed for investors. Fund or product profiles on ImpactBase gain exposure to the global impact investing community.

impactbase.org

Fund Manager Training Program

The GIIN training program offers practical coursework to help fund managers build applied skills to successfully attract, deploy, and manage capital.

thegiin.org/fund-manager-training

Career Center

The GIIN Career Center is a source for job openings from members of the GIIN Investors' Council and other impact investing leaders.

jobs.thegiin.org

If your organization is interested in deepening its engagement with the impact investing market by joining a global community of like-minded peers, consider GIIN membership. To learn more about membership and to access interviews with leading impact investors, research from the field, and more examples of impact investments, visit www.thegiin.org.