

December 2018

# Measuring the impact of investment portfolios

**IMPACT  
MANAGEMENT  
PROJECT**



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## PEOPLE + PLANET



IRIS  
BIA  
GRI  
SASB  
SROI  
PPI  
COSA  
GOGLA  
etc.

## ENTERPRISES



Multinational pharma corporation  
  
Food processing company in rural Tanzania  
  
Organic beauty product business in Brazil  
  
Artisan butcher in the UK  
  
etc.

## INVESTORS



Responsible investment  
  
Best-in-class ESG investment  
  
Sustainable investment  
  
Impact investment  
  
Thematic investment  
  
SDG investment  
  
etc.

“I don’t want to harm people and the planet”  
  
“I want to mitigate risk”  
  
“I believe sustainability drives long-term performance”  
  
“I want to help tackle climate change or child malnutrition”

**A NEED FOR WIDELY-SHARED NORMS FOR COMMUNICATING IMPACT PERFORMANCE**

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## 2000+ PRACTITIONERS HAVE BEEN BUILDING WIDELY-SHARED NORMS FOR HOW TO MEASURE, MANAGE AND REPORT IMPACT

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FACILITATED BY:



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## ADVISORS

# ORGANISATIONS HAVE 'GONE DEEP' ON SPECIFIC BOTTLENECKS

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## PEOPLE + PLANET



### STAKEHOLDER FEEDBACK



## ENTERPRISES



### IMPACT DATA CATEGORIES



## INVESTORS



### IMPACT DATA CATEGORIES



### STRATEGIC IMPACT ALLOCATION GUIDANCE



### CLIENT IMPACT DISCOVERY CATEGORIES








WIDELY-SHARED NORMS FOR COMMUNICATING IMPACT PERFORMANCE



# THERE ARE FIVE DIMENSIONS OF IMPACT

The impact of any effect is its performance across five dimensions

IMPACT DIMENSION	QUESTIONS TO GUIDE DATA COLLECTION
 WHAT	What outcome occurs? How important is the outcome to the people or planet experiencing it?
 WHO	Who experiences the outcome? How underserved are the affected stakeholders in relation to the outcome?
 HOW MUCH	How much of the outcome occurs in period – across scale, depth and duration?
 CONTRIBUTION	What is the enterprise's contribution to the outcome, accounting for what would have happened anyway?
 RISK	What is the risk to people and planet that impact does not occur as expected?

## IMPACT DATA CATEGORIES ENABLE BUSINESSES AND INVESTORS TO MEASURE AND REPORT IMPACT ACROSS THE FIVE DIMENSIONS

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IMPACT DATA CATEGORY			MANAGEMENT INSIGHT	
What	a	Outcome	What outcome? And is the outcome....	
	b	Outcome threshold	Negative?	Positive?
		Importance of outcome	Unimportant?	Important?
Who	c	Baseline	For well-served people?	For underserved people?
How much	d	Scale	For a few people?	For many people?
	e	Depth	Bringing marginal change?	Bringing deep change?
	f	Duration	Lasting for a short time?	Lasting for a long time?
Contribution	g	Depth counterfactual	Likely same or worse than what would have happened anyway?	Likely much better than what would have happened anyway?
	h	Duration counterfactual		
Risk		Type and level of risk	Unlikely to occur as expected?	Likely to occur as expected?

# ILLUSTRATION


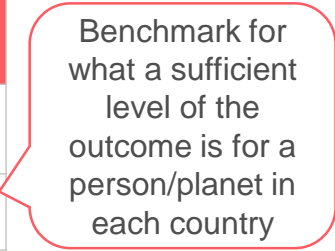

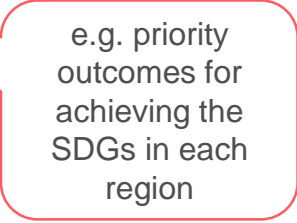





## WORKED EXAMPLE: THE IMPACT OF EMPLOYEE WAGES

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	IMPACT DATA CATEGORY	INDICATOR	DATA VALUE	ANALYSIS
What	a Outcome	Income per hour	£9.50	$a / b = 9\%$
	b Outcome threshold	Living wage per hour		<p>The outcome is above the threshold of living wage per hour – set by a governmental agency. This result makes it a <b>positive</b> outcome.</p> <p>When comparing the baseline to the outcome threshold, this result tells us that stakeholders were <b>moderately underserved</b> prior to being employed by the enterprise.</p>
	Importance of the outcome to the stakeholder	Survey results (5=very important)	Mean = 5	
What	c Baseline	Income per hour in prior period		$c / b = -14\%$
How much	d Scale	Total no. of employees		
	e Depth	Difference between outcome in period (a) and baseline (c)		$a / c = 27\%$
	f Duration	Average tenure of employees		<p>This tells us that there was a high degree of positive change in outcome from the baseline to current period, generating <b>deep change</b> for employees.</p>
Contribution	g Depth	Domiciliary care industry benchmark: average wage per hour	£8.28	$a / g = 15\%$
	h Duration	Domiciliary care industry benchmark: average tenure of employees		$h = 171\%$
Risk		Type and level of risk	n/a	<p>Comparing the outcome with the industry benchmark tells us that the enterprise's contribution to the outcome is <b>likely better</b> than what would have happened anyway.</p>

# IMPACT DATA CATEGORIES REQUIRE INTERNAL AND EXTERNAL DATA

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IMPACT CATEGORIES		INTERNAL DATA	EXTERNAL DATA	
 <b>WHAT</b>	Outcome in period	Income per hour		 <p>Benchmark for what a sufficient level of the outcome is for a person/planet in each country</p>
	Outcome threshold		Living wage per hour	
	Importance of the <outcome> to stakeholder		Survey results (5= important)	
 <b>WHO</b>	Baseline	Income per hour in prior period		 <p>e.g. priority outcomes for achieving the SDGs in each region</p>
 <b>HOW MUCH</b>	Scale	Total no. of employees		 <p>Local insight on what the market would likely do anyway, e.g. industry benchmarks</p>
	Depth			
	Duration	Average tenure of employees		
 <b>CONTRIBUTION</b>	Depth counterfactual		Local industry benchmark: average wage per hour	
	Duration counterfactual		Local industry benchmark: average tenure of <employees>	
 <b>RISK</b>	Type of risk	Evidence Risk		
	Level of risk	Low		

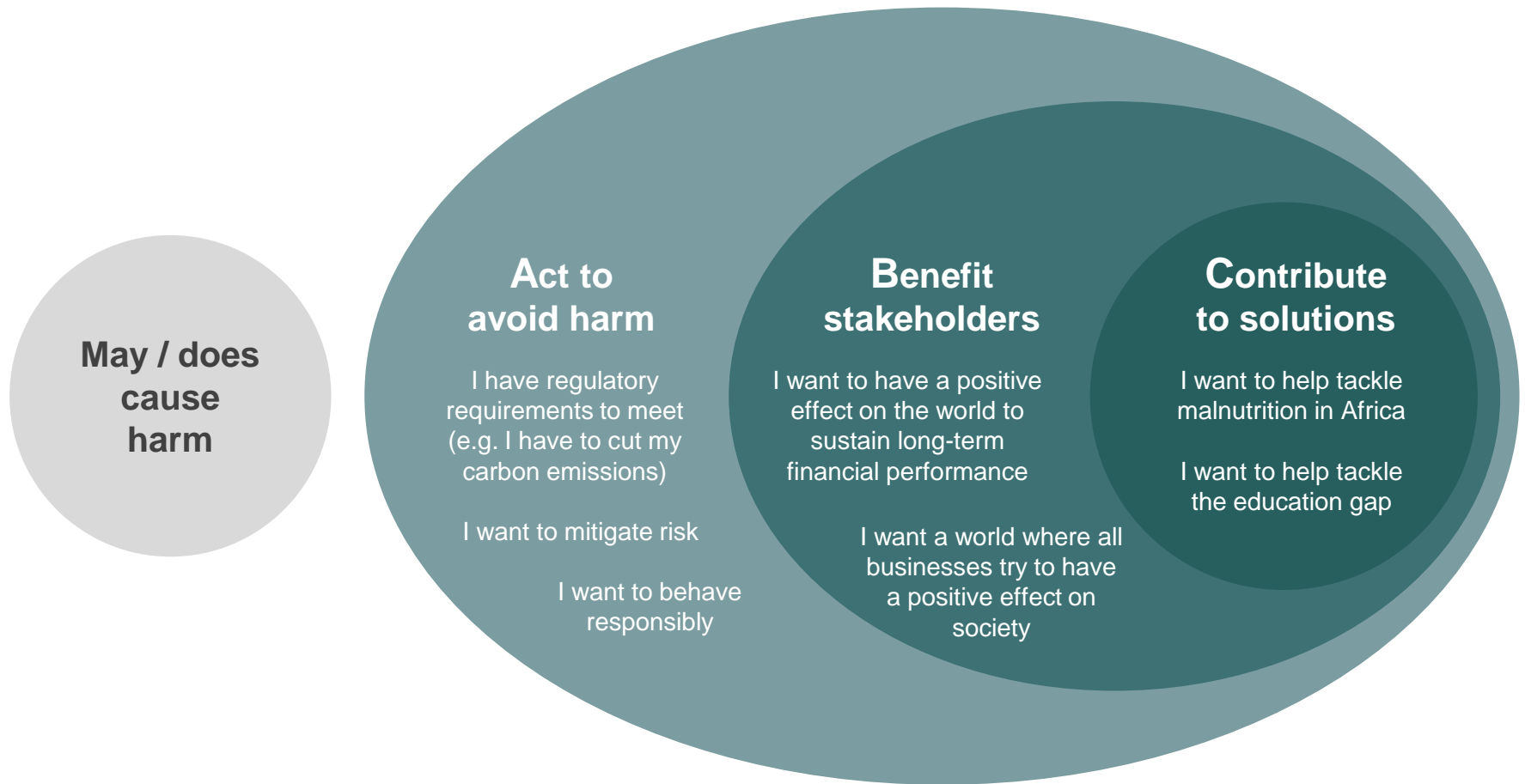
**| The impact categories are not meant to replace any existing impact reporting frameworks that you have – they are a **checklist** to ensure you have covered all five dimensions of impact**

**For organisations that are starting to look into impact reporting, impact data categories offer a **template** to adapt and build on**

# THE A, B OR C OF PERFORMANCE ACROSS THE IMPACT DATA CATEGORIES TELLS US THE TYPE OF IMPACT AN ENTERPRISE IS HAVING

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IMPACT DATA CATEGORIES		PATTERN OF PERFORMANCE...		
What	Outcome	Negative outcome(s)	Positive outcome(s)	Positive outcome(s)
	Outcome threshold			
	Importance of the outcome to the stakeholder	Important outcome(s)	Important outcome(s)	Important outcome(s)
Who	Baseline	Underserved	Various	Underserved
How Much	Scale	Various	Various	For many
	Depth	High degree of positive change	Various	High degree of positive change
	Duration	Various	Various	Long-term
Contribution	Depth counterfactual	Likely same or better	Likely same or better	Likely better
	Duration counterfactual			
Risk	Type and level of risk	Various	Various	Various
WHAT TYPE OF IMPACT?		<b>A</b> CTING TO AVOID HARM	<b>B</b> ENEFITTING STAKEHOLDERS	<b>C</b> ONTRIBUTING TO SOLUTIONS



**| The impact of an investment is not just the impact of the underlying assets / enterprises**

**The investor's contribution makes a difference too**

## INVESTORS USE FOUR STRATEGIES TO CONTRIBUTE TO IMPACT, OFTEN IN COMBINATION

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**Signal that measurable impact matters** = Investors can choose not to invest in, or to favour, certain investments such that, if all investors did the same, it would ultimately lead to a 'pricing in' of social and environmental effects by the capital markets. Often referred to as values alignment, this strategy expresses the investors' values and is an important baseline. But alone, it is not likely to advance progress on societal issues when compared to other forms of contribution.

**Engage actively** = Investors can use expertise, networks and influence to improve the impact of businesses. Engagement can include a wide spectrum of approaches - dialogue with companies, creation of industry standards, taking board seats and providing hands-on management support (as often seen in private equity).

**Grow new or undersupplied capital markets** = Investors can anchor or participate in new or previously overlooked opportunities. This may involve more complex or less liquid investments, or investments in which some perceive risk to be disproportionate to return.

**Provide flexible capital** = Investors can recognize that certain types of enterprises do require acceptance of lower risk-adjusted financial return to generate certain kinds of impact.

**I INVESTMENT IMPACT =  
IMPACT OF ENTERPRISE(S) +  
INVESTOR'S CONTRIBUTION**

**Combining the impact classification of the enterprise, or portfolio of enterprises, with the investor's contribution, gives us twelve "impact classes"**

# Investor's Impact Matrix

Impact of underlying assets / enterprises

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		A	B	C	
		Act to avoid harm Prevent or reduce significant effects on important negative outcomes for people and the planet	Benefit stakeholders Have various effects on important positive outcomes for people and the planet	Contribute to solutions Have a significant effect on specific important positive outcome(s) for underserved people or the planet	
Investor's contribution	1	Signal that impact matters + Engage actively + Grow new/undersupplied capital markets + Provide flexible capital	E.g. Ethical bond fund	E.g. Positively-screened/ best-in-class ESG fund	E.g. Sovereign-backed bonds (secondary market) funding vaccine delivery to understand people or renewable energy projects
	2	Signal that impact matters + Engage actively + Grow new/undersupplied capital markets + Provide flexible capital	E.g. Shareholder activist fund	E.g. Positively-screened/ best-in-class ESG fund using deep shareholder engagement to improve performance	E.g. Public or private equity fund selecting and engaging with businesses that have a significant effect on education and health for underserved people
	3	Signal that impact matters + Engage actively + Grow new/undersupplied capital markets + Provide flexible capital	E.g. Anchor investment in a negatively-screened real estate fund in a frontier market	E.g. Positively-screened infrastructure fund in a frontier market	E.g. Bond fund anchoring primary issuances by businesses that have a significant effect on environmental sustainability, access to clean water and sanitation
	4	Signal that impact matters + Engage actively + Grow new/undersupplied capital markets + Provide flexible capital	Investment archetype not widely observed	Investment archetype not widely observed	E.g. Private equity fund making anchor investments in businesses that have a significant effect on income and employment for underserved people
	5	Only relevant for investors whose intentions and constraints are such that they are willing and able to provide flexible capital			
	6	Signal that impact matters + Engage actively + Grow new/undersupplied capital markets + Provide flexible capital	Investment archetype not widely observed	Investment archetype not widely observed	E.g. Below-market charity bonds, or an unsecured debt fund focused on businesses that have a significant effect on employment for underserved people
		Signal that impact matters + Engage actively + Grow new/undersupplied capital markets + Provide flexible capital	Investment archetype not widely observed	Investment archetype not widely observed	E.g. Patient VC fund providing anchor investment and active engagement to businesses that have a significant effect on energy access for underserved people

# CASE STUDY: MAPPING THE €220BN PORTFOLIO OF THE PGGM PENSION FUND



## IMPACT OF UNDERLYING ASSETS / ENTERPRISES

### INVESTOR'S CONTRIBUTION

	ACT TO AVOID HARM			BENEFIT STAKEHOLDERS			CONTRIBUTE TO SOLUTIONS		
	€B	%		€B	%		€B	%	
Signal that impact matters + Engage actively + Grow new/undersupplied capital markets + Provide flexible capital	Listed Real Estate	12	5.6%	Mortgages*	1.7	0.8%	Private Real Estate – BiO Climate	0.3	0.1%
	Private Real Estate	12	5.8%	Private Real-Estate – BiO	0.1	0.0%	Private Equity – BiO Climate	0.2	0.1%
	Private Equity	9.9	4.8%	Other Equities – BiO	0.5	0.2%	Other Equities – BiO Climate	0.3	0.1%
	Government Bonds	39	18.9%				Cash BiO**	0.1	0.0%
	Other Equities	4.2	2.0%						
	Alternative Equities Strategies	18	8.7%						
	High Yield Developed Markets	4.8	2.3%						
	Insurance Linked Investments	3.7	1.8%						
	Total	103	50.0%	Total	2.3	1.1%	Total	0.9	0.4%
Signal that impact matters + Engage actively + Grow new/undersupplied capital markets + Provide flexible capital	Developed Market Equities	25	12.0%	Investing in Solutions Equities – BiO	6.4	3.1%	Investing in Solutions Equities – BiO Climate	1.5	0.7%
	Emerging Market Equities	8	3.9%						
	Developed Market Credits	6.7	3.2%						
	Emerging Market Credits	3.5	1.7%						
	Emerging Market Debt Local Currency	8.5	4.1%						
	Total	51	24.9%	Total	6.4	3.1%	Total	1.5	0.7%
Signal that impact matters + Engage actively + Grow new/undersupplied capital markets + Provide flexible capital	Structured Credit	5.4	2.6%	Developed Market Credits – BiO	0.4	0.2%	Developed Market Credits –BiO Climate	0.1	0.0%
				Emerging Market Credits – BiO	0.1	0.0%	Emerging Market Credits–BiO Climate	0.1	0.0%
							Government Bonds–BiO Climate	0.7	0.3%
							Semi-sovereign, sub-sovereign and agency bonds – BiO Climate	0.1	0.0%
	Total	5.4	2.6%	Total	0.5	0.2%	Total	1	0.5%
Signal that impact matters + Engage actively + Grow new/undersupplied capital markets + Provide flexible capital	Infrastructure	6.5	3.2%	Infrastructure – BiO	0.1	0.0%	Infrastructure – BiO Climate	1.1	0.5%
				Private Real Estate – Healthcare Mandate—BiO	0.1	0.0%	Private Equity – Microfinance	0	0.0%
				Private Equity – Healthcare – BiO	1	0.5%			
	Total	6.5	3.2%	Total	1.2	0.6%	Total	1.1	0.5%

# CASE STUDY: MAPPING THE \$10M PORTFOLIO OF A FAMILY FOUNDATION

## IMPACT OF UNDERLYING ASSETS / ENTERPRISES

### INVESTOR'S CONTRIBUTION

	ACT TO AVOID HARM		BENEFIT STAKEHOLDERS		CONTRIBUTE TO SOLUTIONS	
		%		%		%
Signal that impact matters + Engage actively + Grow new/undersupplied capital markets + Provide flexible capital	Cash	0.6%	Corporate bonds, sovereign bonds	10.0%	Thematic private debt	2.4%
	Private equity	13.4%	Positively screened public equities	17.4%	Thematic private equity	0.5%
	Public Fixed Income	0.5%	Sustainable alternatives	7.1%	Thematic real estate	3.1%
			Thematic private equity	1.0%		
			Thematic public debt	2.1%		
	<b>Total</b>	<b>14.5%</b>	<b>Total</b>	<b>37.7%</b>	<b>Total</b>	<b>6.0%</b>
Signal that impact matters + Engage actively + Grow new/undersupplied capital markets + Provide flexible capital						
	<b>Total</b>	<b>0.0%</b>	<b>Total</b>	<b>0.0%</b>	<b>Total</b>	<b>0.0%</b>
Signal that impact matters + Engage actively + Grow new/undersupplied capital markets + Provide flexible capital					Thematic cash	3.1%
					Thematic private equity	2.3%
					Thematic real estate	0.6%
					Thematic alternatives	3.8%
					Thematic bonds	7.7%
					Thematic public equities	12.8%
	<b>Total</b>	<b>0.0%</b>	<b>Total</b>	<b>0.0%</b>	<b>Total</b>	<b>30.4%</b>
Signal that impact matters + Engage actively + Grow new/undersupplied capital markets + Provide flexible capital					Thematic private debt	3.5%
					Thematic private equity	4.7%
					Thematic real estate	0.1%
	<b>Total</b>	<b>0.0%</b>	<b>Total</b>	<b>0.0%</b>	<b>Total</b>	<b>0.0%</b>
<b>Overall Total</b>		<b>14.5%</b>		<b>38.7%</b>		<b>46.8%</b>

## What is the IMP structured network?

The Impact Management Project (IMP) is facilitating a global network of standard-setting organisations to coordinate impact measurement and management principles, frameworks, disclosure standards and benchmarking initiatives that, taken all together, provide clarity for anyone looking to measure, manage and report their impact.

The network is an unprecedented collaboration between: the United Nations Development Programme (UNDP), the Global Reporting Initiative (GRI), the Global Impact Investing Network (GIIN), the Principles for Responsible Investment (PRI), the International Finance Corporation (IFC), the Global Steering Group for Impact Investment (GSG), Social Value International (SVI), the Organisation for Economic Co-operation and Development (OECD) and the World Benchmarking Alliance (WBA).

This network builds off the prior efforts of the IMP which, since 2016, has collaborated with over 2,000 practitioners to agree on norms for impact measurement and management.

Click [here](#) to learn more about the network.



## Supporting the Sustainable Development Goals



The Sustainable Development Goals (SDGs) challenge all enterprises and investors to measure and manage their impact on people and the planet – positive and negative, intended and unintended. These Global Goals provide a common ground for positively aligned action. They apply

# ...WITH A VISION TO MAINSTREAM IMPACT MEASUREMENT & MANAGEMENT

## ENABLING IMPACT MANAGEMENT

### 1 Impact measurement & reporting

**Impact management principles** to underpin an impact performance conceptual framework



**Impact performance conceptual framework,** providing impact categories for organising and reporting data



**Impact data and disclosure standards,** providing guidance on indicators (common, issue-specific, bespoke)

**SDG data** on the impact **context** in different countries



### 2 Impact benchmarking

**Impact rating** to compare impact

**Impact valuation** to compare impact

**Questions?**

# APPENDIX

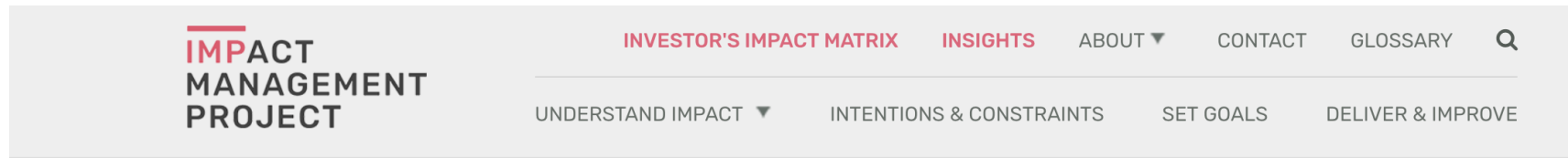
## APPENDIX: RISK FACTORS

	IMPACT RISK		DEFINITION
1	Evidence risk	▶	The probability that insufficient high-quality data exists to know what impact is occurring (or will occur) across the other four dimensions of impact, for all stakeholders.
2	External risk	▶	The probability that external factors disrupt our ability to deliver the expected impact.
3	Stakeholder participation risk	▶	The probability that the expectations and/or experience of stakeholders are misunderstood or not taken into account.
4	Drop-off risk	▶	The probability that the expected positive impact does not endure and/or that negative impact is no longer mitigated.
5	Efficiency risk	▶	The probability that the expected impact could have been achieved with fewer resources or at a lower cost.
6	Execution risk	▶	The probability that the activities are not delivered as planned and do not result in the desired outcomes.
7	Alignment risk	▶	The probability that impact is not locked into the enterprise model, making mission-drift more likely.
8	Endurance risk	▶	The probability that the required activities are not delivered for a long enough period.
9	Unexpected impact risk	▶	The probability that significant unexpected positive and negative impact is experienced by people and the planet.

## Publications and resources

- The IMP regularly co-authors publications with leading organisations on impact management topics. To date we have published more than 20 reports covering topics across the value chain, accessible through our website: [www.impactmanagementproject.com](http://www.impactmanagementproject.com)
- If you would like any clarifications on the shared fundamentals, please contact [team@impactmanagementproject.com](mailto:team@impactmanagementproject.com)
- Follow us on Twitter ([@impmgmt](https://twitter.com/impmgmt)) and subscribe to our newsletter (through website) for the latest case studies, publications and updates on the Impact Management Project

- These have been further translated into Spanish and Mandarin, accessible on our website: <http://www.impactmanagementproject.com/latest/imp-resources-now-available-mandarin/>



## Investor's Perspective: A shared convention

### 投资者视角：影响力管理共识

影响力的管理有赖于我们对不同的人究竟受到何种影响的认知,这其中就包括:受影响的人,制造影响力的商业人,提供资金、支持和服务的人,以及那些通过政策,学术或评估而实施影响力的人。

## Investor's Perspective: An illustration of how we can build portfolios that match impact and financial goals with intentions and constraints (UBS)

### 投资者视角：构建将影响力目标和财务目标与投资者的意图及约束相匹配的投资组合 (UBS)

影响力管理的基本原则用于描述不同基础业务或业务组合对人与地球环境的影响,它有助于投资者了解每种资产类别中适用的不同选项。基于此,投资者便可以构建一个符合其意图、约束、财务和影响