

Guidelines for Participatory Impact Measurement and Management

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We need to disrupt this new wave of investors-centrism when measuring and managing impact. We are urgently obliged to think in systems and include the key stakeholders in our measurement process beyond the investor-investee dyad.

- Diana Copper, UK Country Director, IDH – the Sustainable Trade Initiative

Introduction

One issue with impact investing is the exclusion or marginalisation of relevant stakeholders involved in the impact measurement and management (IMM) processes. This creates a significant imbalance of information and power between the stakeholders involved (e.g., investors, investee companies, final beneficiaries), which negatively affects the dynamics of impact projects. For this reason, several voices in the impact investing ecosystem are increasingly asking for the design of a more inclusive IMM decision-making process.

These guidelines present a framework of multistakeholder decision-making for measuring and managing impact, with the aim of adopting a systemic approach. This updated version of the guidelines incorporates a collection of case studies that provide practical insights into emerging leading practices in impact measurement and management. It also highlights existing and effective frameworks, offering practitioners guidance towards proven and effective tools.

This is a value-added framework

Actors in impact investing have already developed various frameworks, principles, standards, and tools to measure impact, which help different stakeholders in managing their impact. However, the impact investing ecosystem needs to strengthen a multistakeholder and system-wide impact management approach. (Note: in the appendices section, you can find all the other relevant measurement devices constituting our point of departure).

These guidelines are relevant for decision-making by private investors, intermediaries, and investees. However, they are not appropriate for the public segment of the supply-side, such as DFIs.

Importantly, this framework places **final beneficiaries** at the forefront of IMM decision-making.

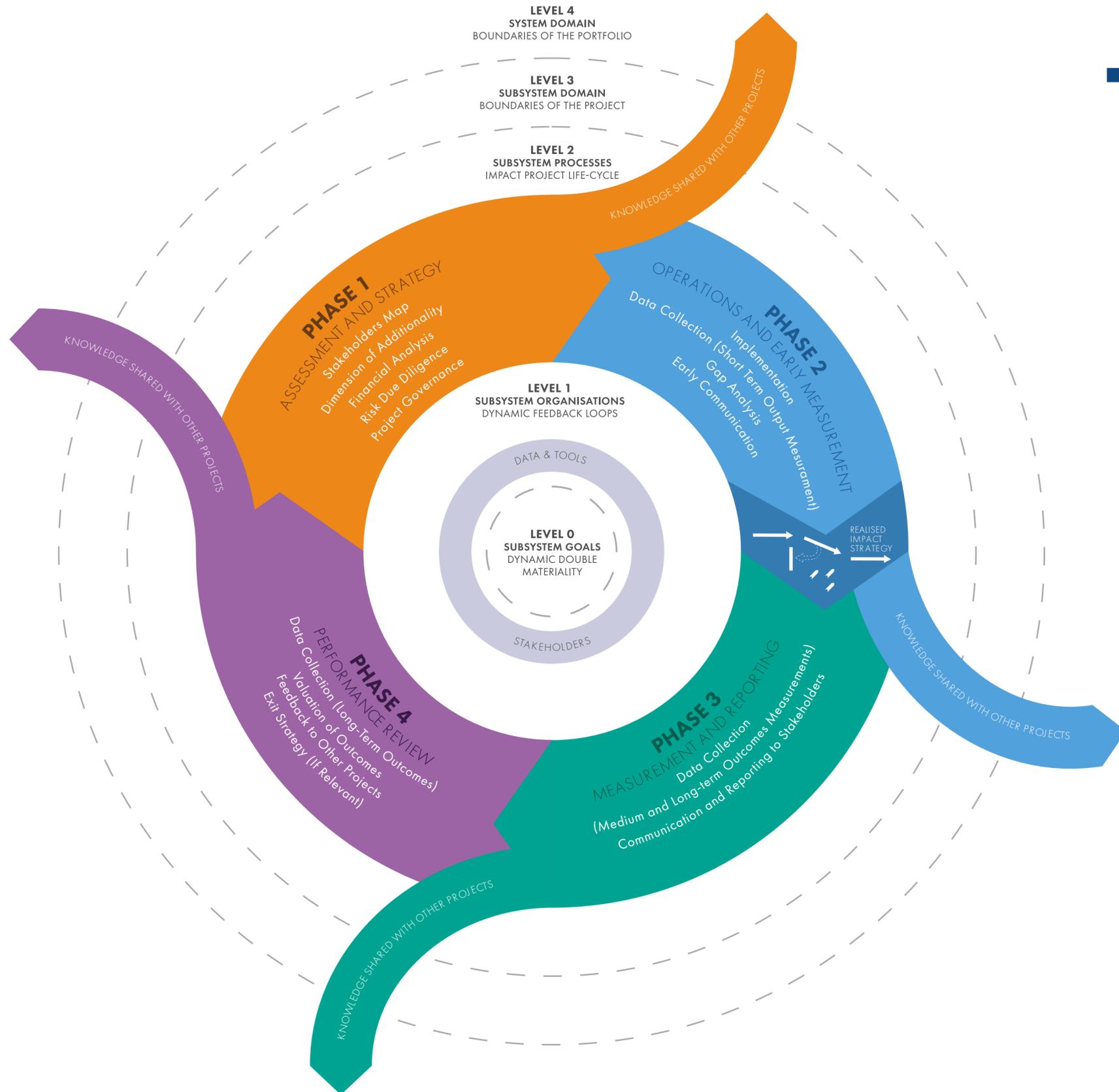
The framework was **developed** and **theoretically tested** with a large group of experts from the impact investing ecosystem (see the Acknowledgments section).



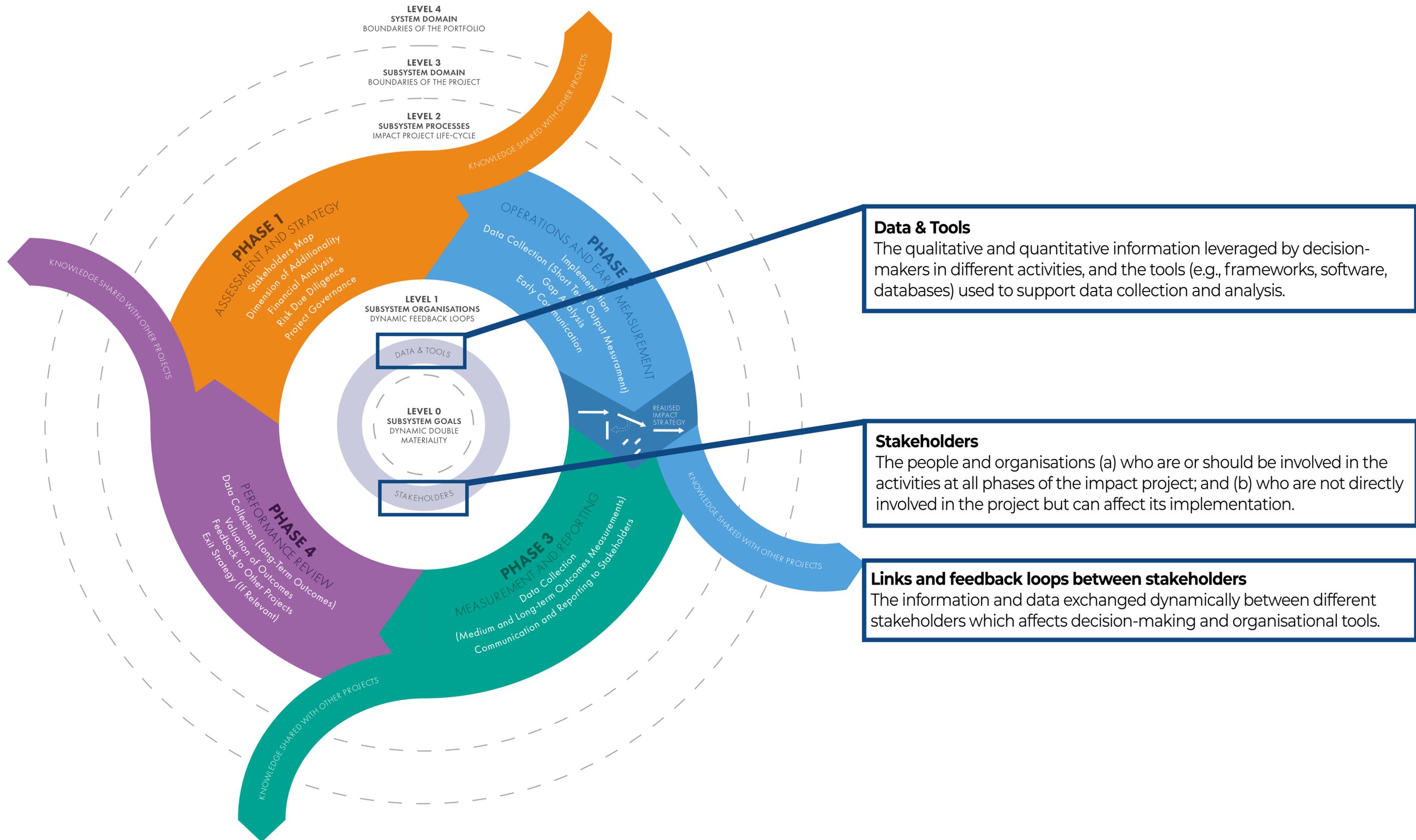
As the ingenious twentieth-century inventor Buckminster Fuller once said, 'You never change things by fighting the existing reality. To change something, build a new model that makes the existing model obsolete'

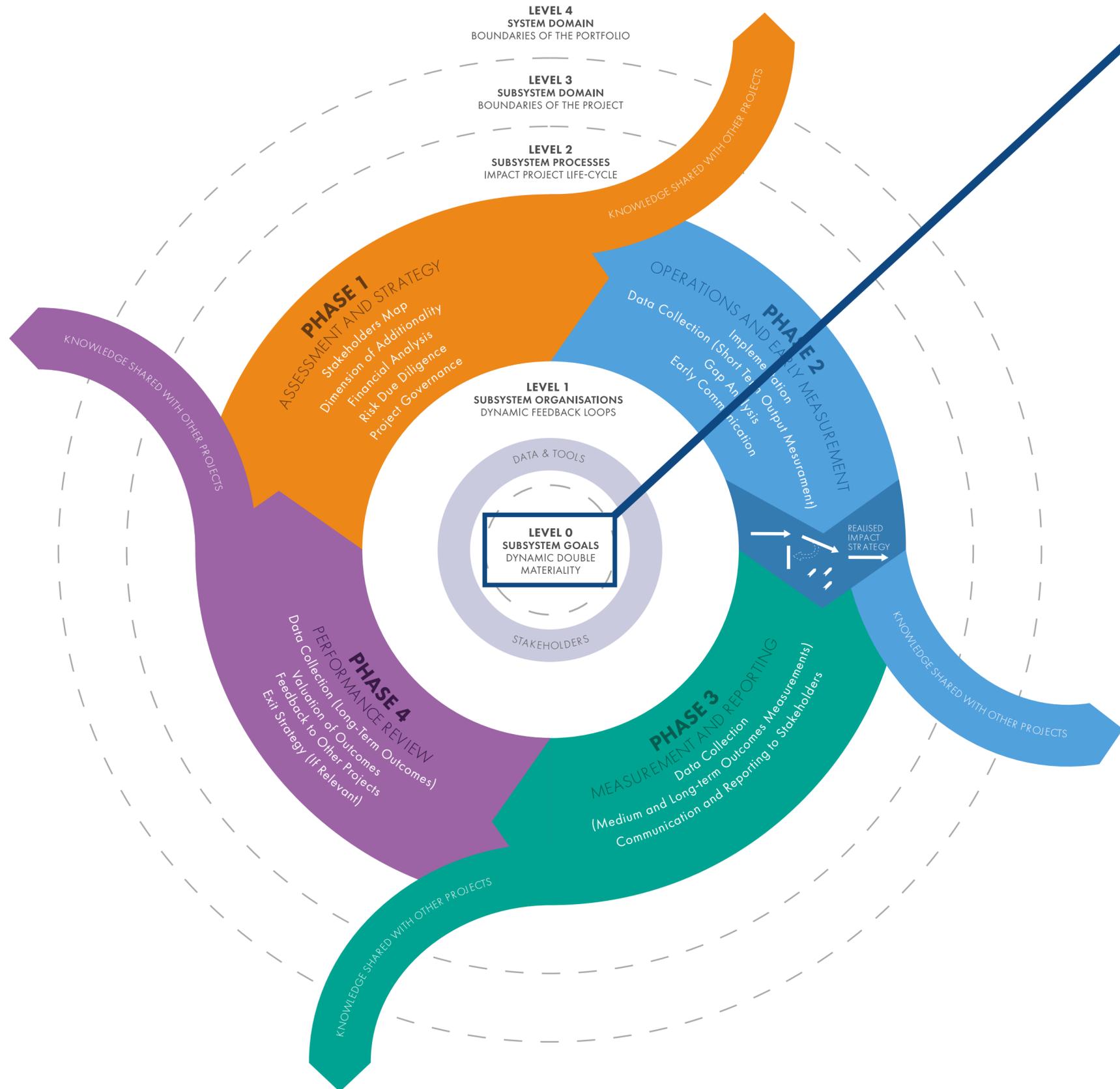
- Kate Raworth, author of *Doughnut Economics: Seven Ways to Think Like a 21st-Century Economist*

The IMmPACT Framework



The framework consists of four phases, which reflect the different activities involved in an IMM project. Each phase is informed by key fundamental elements: the stakeholders, the activities, the data & tools, and the links and feedback loops between stakeholders.





Dynamic Double Materiality

Impact Materiality

What is material to an organisation is what is deemed important enough to be included in decision-making. The assessment of materiality holds a key relevance for both IM and management and sustainability performance and helps organisations in determining the social and/or environmental issues to prioritise within the IM process. Hence, the perspective taken during the materiality assessment influences all the other steps to report sustainability-related factors. (Hehenberger, L., & Andreoli, C. (2024).

Double Materiality

This concept refers to the practice of assessing the materiality of an issue from two distinct perspectives: financial and non-financial impacts. Although companies have long assessed both the materiality of sustainability topics and the materiality of financial information, historically, companies have evaluated the materiality of sustainability topics and financial information separately, without often linking the two (SASB, 2020; CA Adams, 2021).

Dynamic Materiality

This concept relates to the evolving nature of materiality over time. Dynamic materiality acknowledges where issues may evolve to become financially significant over time, with certain catalysts accelerating this transformation. It views materiality as a dynamic process that often progresses swiftly. Based on this view, matters that seem financially insignificant at present can quickly become crucial to business operations in the future (SASB, 2020).

This framework uses the definition of dynamic double materiality because there is an intersection of the two dimensions. These definitions reflect a nuanced understanding that materiality is not static but a fluid concept that requires ongoing assessment and adaptation.

The importance of Systems Thinking

Whether you are an investor or an investee, an intermediary, it is critical to start **thinking in systems**.

By understanding the interactions and dynamics of different subsystems, stakeholders can measure the real impact of activities and engage with more structured processes of decision-making. Moreover, a Systems Thinking approach to IMM allows a more profound understanding of impact projects' best practices that create the conditions for knowledge contamination and efficiencies.

What is systems thinking?*

Systems thinking is an approach to understanding complex phenomena that acknowledges the interconnection between different elements and the way they interact within a larger system. This concept has been widely discussed in academic and practitioner literature, particularly in management, engineering, and environmental studies. In the context of management, systems thinking has been employed to understand organisational dynamics and to develop more effective strategies for problem-solving and decision-making.

* Source: Sterman, 2000; Meadows, 2008

Impact projects and system levels

The achievement of the intended impact objectives depends on the optimal management of each subsystem (or level*) and the management of feedback between the subsystems.

Level 4

The **system domain** refers to the boundaries of each portfolio of projects (e.g., relevant for investors with multiple portfolios following different investment themes or strategies).

Level 3

The **subsystem domain** refers to the boundaries of each project within the same portfolio.

Level 2

The **subsystem of processes** refers to the impact project's life-cycle and includes every process taking place in each phase of the project (e.g., different analyses and stakeholder engagement efforts).

Level 1

The **subsystem of organisations** refers to the impact project's governance, which encompasses not only the decisions made by project participants, but also the assignment of roles in data collection and feedback provision to stakeholders.

Level 0

The **subsystem of goals** explains the targets of each project in relation to dynamic double materiality principles, a filter that should be used in every impact investment project.

* Source: Browning and Ramasesh, 2015

Enhanced decision-making through feedback loops

While each phase is forward-looking, IMM stakeholders need to be able to fully understand current and past performance to manage activities and plan future ones correctly. Decision-making is advanced when feedback is exchanged between different stakeholders, as well as between different phases of a project or between projects in a portfolio. This requires a dynamic interaction which affects decision-making and organisational tools. In the framework, this interaction is highlighted in Level 1. The functioning of feedback loops will be explored in detail during the testing of the framework on real impact investing projects (i.e., the action research phase).

What are feedback loops?*

Feedback loops involve the exchange of essential information between project phases to assess progress – i.e., a part (or all) of a phase's output information is used as input for the subsequent one. Feedback loops can be either positive or negative, and are fundamental to drawing attention to potentially significant issues within IMM. In short, making feedback loops work is essential for the understanding of systemic project interactions.

Literature indicates that when project managers fail to exploit and respond to feedback loops, the whole system becomes vulnerable to errors, neglecting important information between phases. This is very relevant to consider in the impact investing context, where the process of IMM involves various and diverse stakeholders, often with different perspectives and interests.

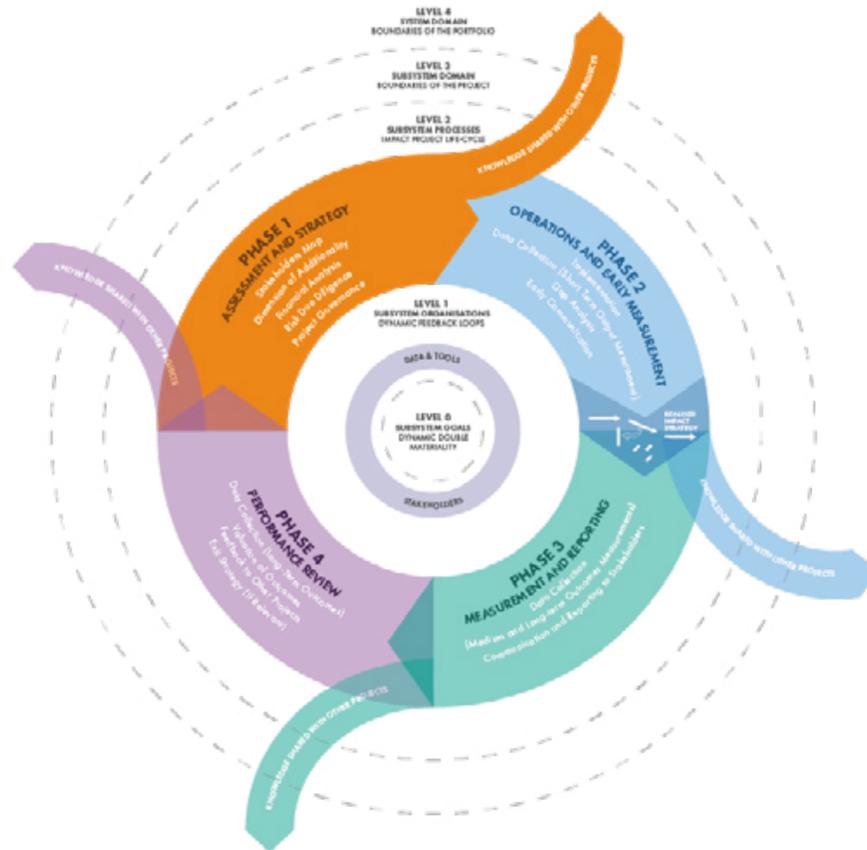
* Source: Whiteman et al., 2013

The IMmPACT Framework

Phases explained

The IMmPACT Framework

Phase 1: Assessment & Strategy



Phase 1 involves the assessment of the project and the definition of the impact strategy with relevant stakeholders.

The assessment requires mapping stakeholders and defining impact targets to evaluate the additionality of the investment. It also involves performing the financial analysis and the risk due diligence. Once the project has been evaluated and proves to be both socially and financially viable, the project governance is decided.

Stage-gate: impact investment is approved or not.

Phase 1: Assessment & Strategy

Main stakeholders

Investment managers

The investor (Limited Partner, LP) is represented by the investment managers (General Partner, GP) managing the investment process on a daily basis. In Phase 1, they carry out investments screening by building relations with relevant stakeholders, and lead the development of the various analyses which ultimately can result in investment and therefore progress to Phase 2.

Investee

The investee is the entity receiving the capital. In Phase 1, the investee is responsible for providing all necessary information and documentation to the investment manager so that the investment opportunity is evaluated in both financial and impact terms.

Final beneficiaries

The final beneficiaries are the individuals, communities, or entities that directly benefit from the impact investment. In Phase 1, they are engaged frequently as they inform investment managers and investees about specific problems they face. This data is then analysed by investment managers and investees with the aim to highlight the relevance of specific issues raised, and to then evaluate the additionality that can be achieved through the impact project.

Independent impact advisors

They are typically external entities that can be involved in Phase 1 to guide data collection, decision-making and stakeholder engagement efforts.

Independent impact auditors

They are typically external entities that can be involved in Phase 1 to provide third-party validation of additionality data and forecasts.

However, final beneficiaries are often excluded or their voices are marginalised at this investment stage

Other stakeholders

Investment partners

They are other investors that have already invested or are considering an investment in the impact project under analysis. When present, they typically influence several dynamics of Phase 1.

Policymakers

They are the organisations influencing the investment and operational context in which the impact project is developed. In Phase 1, data collected by policymakers can support the decision-making in a specific context.

Fund's Technical Committee

The Technical Committee evaluates the impact profile of the project and gives its opinion on the inclusion in the portfolio.

Fund's Executive Committee

The Executive Committee evaluates all aspect of the project not related to impact creation, and gives its opinion on the inclusion in the portfolio.

Stakeholders Map

The stakeholders map should be used to efficiently identify all relevant stakeholders – both organisations and individuals – and to understand influencing mechanisms.

Killer questions Who are the relevant stakeholders in the impact project? What are the relationships between them? How can we effectively update and monitor our stakeholder map to ensure it remains dynamic and allows for inclusive engagement?

Data List of the project's relevant stakeholders (both organisations and individuals) and their roles

Collection of data Produced upon consultation with relevant stakeholders

Tools [Power-Interest Grid](#) | [Salience Model](#) | [IRIS+](#)

Databases [IRIS+](#)

Dimensions of Additionality

The additionality analysis defines the increase in social, environmental, and financial value that would not occur without the project being implemented. This analysis is typically grounded on the Theory of Change.

Killer questions How to define additionality in the impact project? How to measure additionality in the impact project?

Data ESG Data

Collection of data Primary data (e.g., surveys and interviews with final beneficiaries) | Secondary data (e.g., desk research)

Tools [Counterfactual analysis](#) | [Theory of Change](#) | [The Impact Due Diligence Guide by PCV](#) | [Impact Frontiers' Five Dimensions of Impact](#) | [EVPA Five-Step Process](#) | [CERISE Social Business Scorecard](#) | [GIIRS](#) | [B Impact Assessment](#) | [SDG Impact Standards](#)

Databases [ESG Book](#) | [DataStream](#) (financial additionality) | [Refinitiv Eikon](#) (financial additionality)

Financial Analysis

The financial analysis of an impact project is needed to guarantee the return on the investment to the investing organisation.

Killer questions Is the project financially viable? How do you assess the project's financial viability?

Data Financial data

Collection of data Led by the investment manager which gathers data from the investee and the market (e.g., typical sector returns, etc.)

Tools Standard financial tools integrated with social and environmental analysis

Databases [Bloomberg Terminal](#) | [Factiva](#) | [DataStream](#) | [Refinitiv Eikon](#) | [S&P Global Market Intelligence](#) | [IRIS+](#)

Risk Due Diligence

The risk due diligence helps uncover potential financial, operational, legal, regulatory, social and environmental risks that may affect the success of the impact project. The goal is to identify, assess and mitigate these potential risks.

Killer questions What are the critical risks associated with the impact project? Can the risk level of the project be reduced?

Data Market and industry risks (e.g., typical risks of the project's industry of reference) | Specific risks related to the investee organisation

Collection of data Primary data (e.g., surveys and interviews with final beneficiaries) | Secondary data (Desktop research, analysis of documents made available by the investee, use of databases)

Tools [MSCI ESG Ratings Methodology](#) | [Sustainalytics ESG Risk Rating](#) | [Refinitiv ESG](#)

[Scores](#) | [FTSE Russell ESG Ratings](#) | [EVPA Five-Step Process](#) | [Impact Frontiers' Five Dimensions of Impact](#) (The 9 Impact Risks) | [IFC's Risk Culture, Risk Governance, and Balanced Incentives Handbook](#) | [Impact Risk Classification \(IRC\)](#)

Databases [LexisNexis Diligence](#) (financial) | [Bloomberg Terminal](#) (financial) | [PitchBook](#) | [S&P Capital IQ](#) | [Preqin](#) | [Factiva](#) | [Eikon](#)

Project Governance

The last analysis, which is developed once the investment decision is made, considers the definition of the impact project's governance, which involves identifying accountable parties and performance metrics. Project governance is not just an investee issue, it's an overall project issue in addition to the investee's structural evaluations

Killer questions Who is involved in the IMM governance? What are the output, outcome, and impact metrics that the project should adopt?

Data Market and industry trends | Output of the Stakeholders Map | Relationships among stakeholders and systems dynamics

Collection of data Primary data (e.g., surveys, interviews) | Secondary data (Desktop research, academic papers and practitioners reports)

Tools [Stakeholders Map](#) | [SDG Impact Standards](#) | [B Impact Assessment](#) | [GIIRS](#)

Databases [SDGs Targets and Indicators](#) | [IRIS and IRIS+](#) | [GRI Standards](#) | [SASB](#)

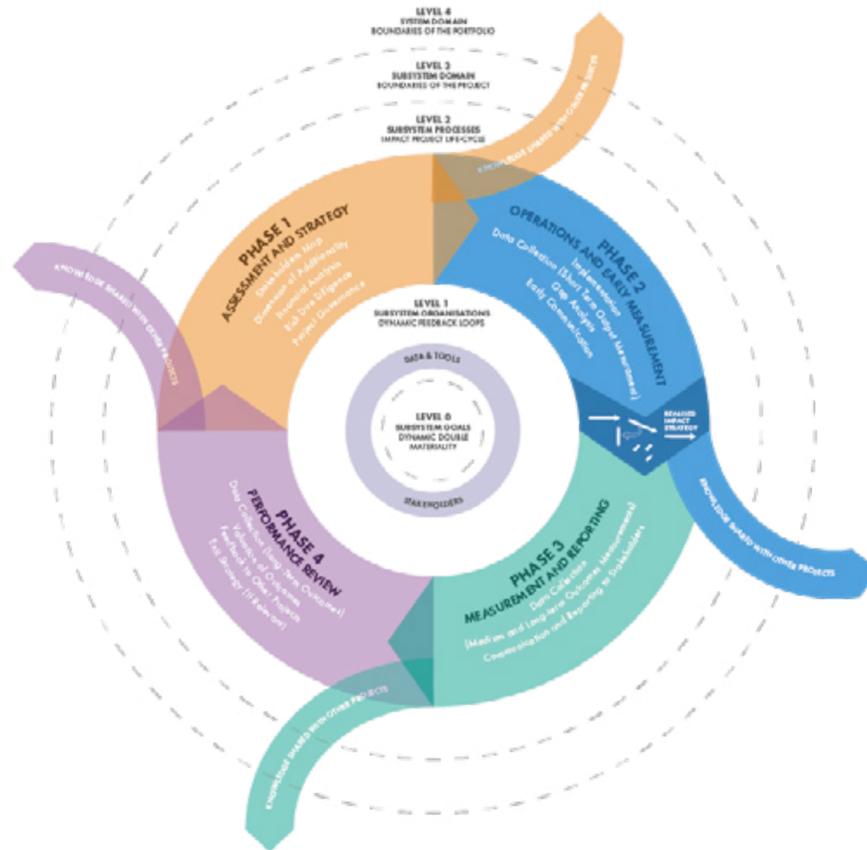
| Stakeholders Map | Dimensions of Additionality | Financial Analysis | Risk Due Diligence | Project Governance |
|----------------------------------|----------------------------------|------------------------------|------------------------------|------------------------------|
| + Investor | + Investor | + Investor | + Investor | + Investor |
| + Investee | + Investee | + Investee | + Investee | + Investee |
| + Final beneficiaries | + Final beneficiaries | - Final beneficiaries | +/- Final beneficiaries | + Final beneficiaries |
| +/- Auditors/Advisors | +/- Auditors/Advisors | +/- Auditors/Advisors | +/- Auditors/Advisors | + Auditors/Advisors |
| Links | Links | Links | Links | Links |
| Investor <=> Investee | Investor <=> Investee | Investor <=> Investee | Investor <=> Investee | Investor <=> Investee |
| Investor < > Auditor/Advisor | Investee <=> Final beneficiaries | Investor < > Auditor/Advisor | Investor < > Auditor/Advisor | Investor < > Auditor/Advisor |
| Investee <=> Final beneficiaries | Investor < > Auditor/Advisor | Investee < > Auditor/Advisor | Investee < > Auditor/Advisor | |

Note: in the table above, the links reflect the dynamic interactions that enable participatory decision-making and feedback loops between different stakeholders, activities and phases. Enabling backward-looking feedback loops allows to control and redefine decisions at the various stages of a project.

- Legenda**
- + The stakeholder has an active role in the activity
 - The stakeholder has a consulting role in the activity
 - +/- The stakeholder has either an active or consulting role
 - <=> The stakeholders must certainly interact with each other
 - <> The stakeholders could interact with each other; however, it is not always the case (e.g., the stakeholder mentioned is not present in the specific investment)

The IMmPACT Framework

Phase 2: Operations and Early Measurement



In **Phase 2**, the execution of the project starts with the deployment of capital from the investing organisation.

After the implementation of the project, data is collected to monitor the project from its early phases, measuring short-term output results. Based on this data, it is key to perform a gap analysis to understand if strategic or operational improvements are needed to reach predetermined impact objectives. Lastly, the results of short-term impact measurement must be communicated to the stakeholders involved in the project.

Stage-gate: Short term impact data is collected and evaluated.

Phase 2: Operations and Early Measurement

Main stakeholders

Investment managers

The investment managers implement the impact project; they ask the necessary information to the investee in order to collect data to proceed with short-term impact measurement. They are also responsible for the gap analysis and the early communication to stakeholders.

Investee

The investee is responsible for providing all necessary information and data so that the impact measurement and management process can start.

Final beneficiaries

Final beneficiaries can be involved when the short-term impact measurement is carried out, so to collect all the data to evaluate predefined output measures.

Independent impact advisors

They guide the impact data collection and analysis, while informing other relevant stakeholders of potential gaps with respect to the ex-ante declared impact objectives.

Other stakeholders

Investment partners

They may be directly involved in the impact measurement and management process.

Policymakers

Policymakers can influence the impact project as variations in policy requirements could cause changes within the impact measurement and management strategy of impact projects (e.g. in Europe, an example is the compliance to the SFDR, effective from March 2021)

Fund's Technical Committee

The Technical Committee could be involved in the revision of the initiative's impact strategy, for example if there are new policy requirements or if it is necessary to change the way impact is measured (e.g., different KPIs, etc.).

Fund's Executive Committee

The Executive Committee could be involved in the revision of the initiative's financial profile, for example if the latter does not seem in line with the expectations of investors/shareholders.

Implementation

Implementation is what happens at T0: after a positive preliminary assessment in Phase 1, the project is ready to be implemented and to enter the next phases of the framework.

Please note: in the description of activities, some sections are marked with “–”, because either (a) there are currently no specific tools and/or databases for managing those activities, or (b) such activities cannot be managed through tools and/or databases because of their specific nature.

Data Collection (Short-Term Output Measurement)

Once the project has started (e.g., after 3-4 months), its preliminary results can be evaluated: data are collected to provide short-term impact measurement, based on output metrics – i.e., the services and/or products delivered by the project activities.

Killer questions Which preliminary data do you collect in the early phases of your project? How do you identify the baseline data? If not available, how do you collect it? How do you identify targets and thresholds to be achieved?

Data Quantitative and qualitative data on short-term outputs based on the metrics decided in Phase 1 – Project Governance

Collection of data Collection of output metrics defined in Phase 1 through primary data (e.g., surveys, interviews)

Tools [Refinitiv ESG Scores](#) | [FTSE Russell's ESG Ratings](#) | [B Impact Assessment](#) | [GIIRS](#) | [Impact Measurement – A practical guide to data collection](#) by CDC Group | [Impact-Weighted Accounts](#) | [SASB](#)

Databases [ESG Book](#) | [IRIS and IRIS+](#) | [GRI Standards](#)

Gap Analysis

Shortly after the start of the project (i.e., following a 2-3 months or up to 6 months period), it is important to undertake a gap analysis, i.e., an evaluation of the project's performance. This allows investors to understand whether the project is performing as planned with respect to the objectives identified in Phase 1. If this is not the case, active measures must be taken to achieve the planned objectives.

Killer questions Are there gaps (related to impact data collection, measurement, management) that need to be filled in order to move the project forward? How would you revise the impact strategy adopted in the project?

Data Short term output measurement

Collection of data Data collected on the project up until the moment of the Gap Analysis

Tools [Theory of Change](#)

Databases -

Please note: in the description of activities, some sections are marked with “–”, because either (a) there are currently no specific tools and/or databases for managing those activities, or (b) such activities cannot be managed through tools and/or databases because of their specific nature.

Early Communication

Early communication involves the continuous sharing of data about the project's progress with all stakeholders who play an active role in it; the aim is to align all parties and understand potential areas for improvement.

Killer questions How do you share the data collected with your stakeholders to understand areas of improvement? What information are you willing to share?

Data Short term output measurement

Collection of data Data collected on the project until the moment of the Gap Analysis

Tools -

Databases -

| Implementation | Data Collection (Short-Term Output Measurement) | Gap Analysis | Early Communication |
|------------------------------|--|------------------------------|------------------------------|
| + Investor | + Investor | + Investor | + Investor |
| + Investee | + Investee | + Investee | - Investee |
| - Final beneficiaries | + Final beneficiaries | - Final beneficiaries | - Final beneficiaries |
| +/- Auditors/Advisors | + Auditors/Advisors | + Auditors/Advisors | + Auditors/Advisors |
| Links | Links | Links | Links |
| Investor <=> Investee | Investor <=> Investee | Investor <=> Investee | Investor <=> Investee |
| Investor < > Auditor/Advisor | Investee <=> Final beneficiaries | Investor < > Auditor/Advisor | Investor < > Auditor/Advisor |
| Investee < > Auditor/Advisor | Investor < > Auditor/Advisor | Investee < > Auditor/Advisor | Investee < > Auditor/Advisor |

Note: in the table above, the links reflect the dynamic interactions that enable participatory decision-making and feedback loops between different stakeholders, activities and phases. Enabling backward-looking feedback loops allows to control and redefine decisions at the various stages of a project.

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Something I want to highlight is capturing the dynamics of impact investments. This means there are situations where you have, for example, an investor financing a certain type of initiative, and there is a ‘fantastic’ plan in place. Yet, when you go to execute the plan, the reality is different. As a result, your impact could be very different from the one you planned.

- Oliver Kempton, Social Value UK and Envoy Partnership

Realised and emergent impact strategy

Intended strategy is strategy as conceived at the initial stage of a project, resulting from a process of negotiation of many actors. In the impact investing field, all the salient stakeholders, including final beneficiaries, should be included in the consultation process.

Realised strategy is the actual strategy implemented, composed of only 10%-30% (deliberate strategy) of the intended strategy. The other 70%-90% is the so-called **emergent strategy**.

Mintzberg suggests that the emergent strategy is the result of complex processes involving managerial decision-making based on internal but mostly changing external circumstances*.

In impact investing, the emergent strategy is usually developed on the basis of **feedback** from final beneficiaries.

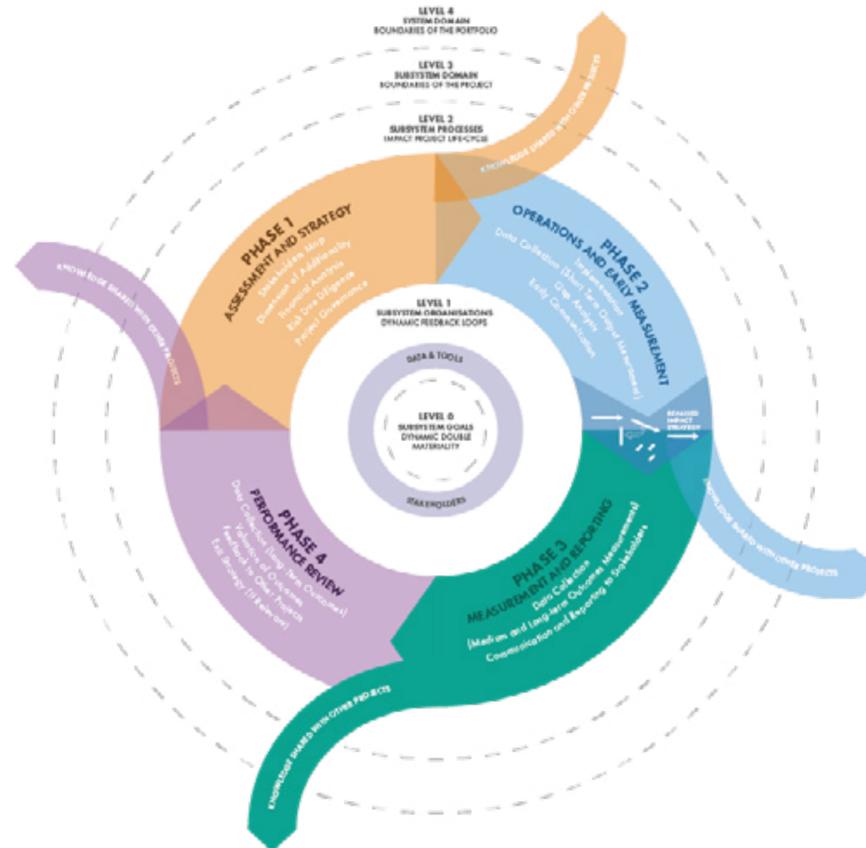
In addition to the planned strategies, it is critical to address unintended consequences that may arise from both intended and realised strategies. Mitigation strategies should be developed as part of emergent strategies to effectively manage these consequences.



* Source: Mintzberg and Waters, 1985

The IMmPACT Framework

Phase 3: Measurement and Reporting



In **Phase 3**, the project progresses with the continuous monitoring of activities and the collection of data for impact management and measurement.

Once this execution phase has started and the strategy has been reviewed, data on medium and long-term outcomes are collected and analysed. At this stage, medium and long-term outcomes results are communicated to internal and external stakeholders to ensure transparency and accountability.

Stage-gate: Medium and long-term impact data is collected and evaluated.

Phase 3: Measurement and Reporting

Main stakeholders

Investment managers

At this stage, investment managers ask the investee the necessary information to collect data to proceed with medium-term impact measurement. They are responsible for the communication and reporting to internal and external stakeholders.

Investees

The investee is responsible for providing all necessary information and documentation so that the impact measurement and management process can proceed smoothly.
The data are crucial to evaluate the pre-determined outcome metrics.

Final beneficiaries

The final beneficiaries should be directly involved: in fact, as medium-term data is often collected via surveys and interviews to final beneficiaries, therefore their contribution is fundamental to advance impact measurement.

Independent impact auditors

At this stage, the impact measurement process should be advanced enough to be evaluated by independent impact auditors, who review and verify the measurement process to validate the results achieved.

Independent impact advisors

The role of independent impact advisors is to guide and possibly conduct the impact data collection and analysis, and help the investor draft the communication and reporting documents directed to stakeholders.

Other stakeholders

Investment partners

At this stage, sufficient information should have been collected in order to provide investment partners with substantial information on the investment's performance. In particular, co-investors may be involved in the management of the impact measurement process.

Policymakers

Policymakers can influence the impact project because variations in policy requirements can cause changes within their impact measurement and management strategy.

Data Collection (Medium- and Long-Term Outcome Measurement) Communication and Reporting to Stakeholders

As the project progresses, it becomes possible to assess the changes resulting from the investee's activities for the benefit of the target beneficiaries. The data necessary to carry out outcome measures are therefore collected and analysed.

Killer questions How do you systematise the collection of outcome data? How do you differentiate your own impact versus contributions from others? - How do you manage potential unexpected externalities – both positive and negative? How do you manage potential negative impacts?

Data Quantitative and qualitative data on medium-term outcomes based on the metrics decided in Phase 1 – Project Governance

Collection of data Updated collection of output metrics defined in Phase 1 | Collection of outcome metrics defined in Phase 1 through primary data (e.g., questionnaires, interviews)

Tools [Refinitiv ESG Scores](#) | [FTSE Russell's ESG Ratings](#) | [GIIRS](#) | [Impact Measurement](#)

[– A practical guide to data collection](#) by CDC Group | [B Impact Assessment](#) | [Impact-Weighted Accounts](#) | [SASB](#)

Databases [ESG Book](#) | [IRIS and IRIS+](#) | [GRI Standards](#)

At this stage, enough data should have been collected to be able to share the results of the project with all stakeholders. Official reporting is then expected to follow a certain time frame – e.g., every six months or annually.

Killer questions How do you report on the impact project's outcomes and impact? Does a independent impact auditor review your report?

Data Quantitative and qualitative data on medium-term outcomes based on the metrics decided in Phase 1 – Project Governance

Collection of data Updated collection of output metrics defined in Phase 1 | Collection of outcome metrics defined in Phase 1

Tools [SASB](#) | [GRI Standards](#) | [Integrated Reporting Framework](#) | [Impact-Weighted Accounts](#)

Databases -

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Data Collection (Medium- and Long-Term Outcome Measurement)

Communication and Reporting to Stakeholders

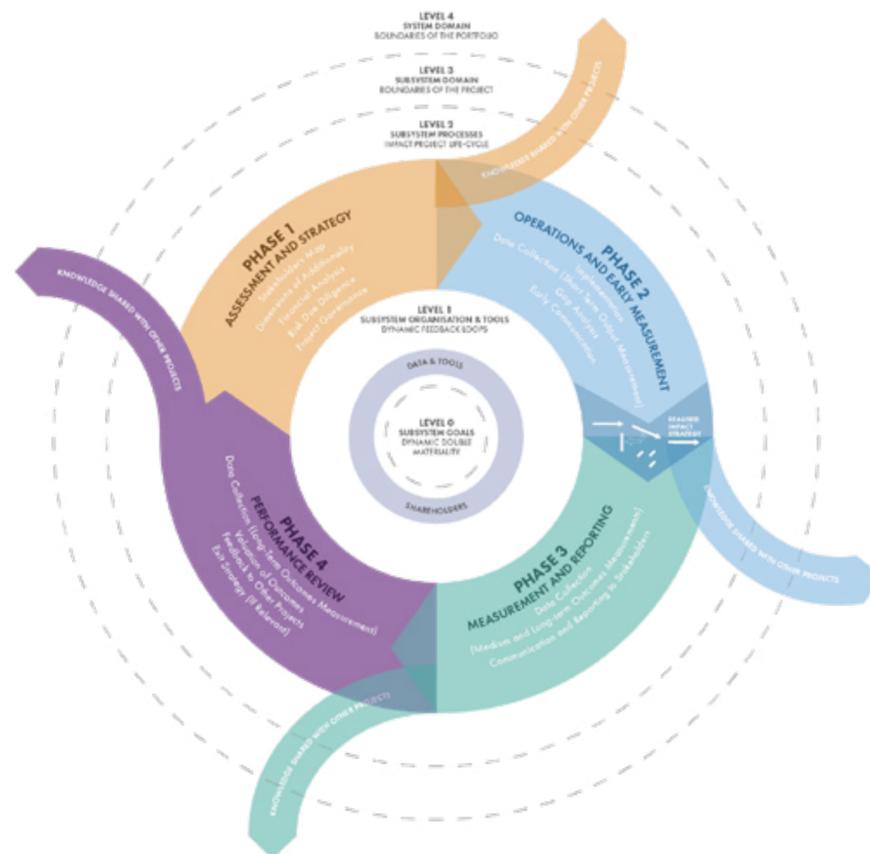
| | |
|---|------------------------------|
| + Investor | + Investor |
| + Investee | + Investee |
| + Final beneficiaries | - Final beneficiaries |
| + Auditors/Advisors | + Auditors/Advisors |
| Links | Links |
| Investor <=> Investees | Investor <=> Investees |
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| Investee < > Auditor/Advisor | |
| Auditor/Advisor < > Investee | |
| Auditor/Advisor < > Final beneficiaries | |

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The IMmPACT Framework

Phase 4: Performance Review



In **Phase 4**, the project progresses with the continuous monitoring of activities and the collection of data for impact management and measurement.

A final performance review should be carried out before the project terminates and/or once the project has terminated. Once the long-term outcomes have been measured and valued, feedback from the project can be transmitted to others both internally in the portfolio and externally. Such a feedback mechanism is helpful in stimulating the organic growth of the impact investing market, building on the transparency of learning from positive and negative experiences.

Stage-gate: Long term impact data is evaluated and an exit strategy capable of preserving impact is designed.

Phase 4: Performance Review

Main stakeholders

Investment managers

Investment managers ask the investee for the information needed to collect data and to proceed with long-term outcome and impact measurement. At this stage, they need to implement the pre-determined exit strategy, ensuring that it is instrumental in maintaining the impact achieved and potentially to help scale up the business model of the investee company to achieve even more impact.

Investee

The investee is responsible for providing all necessary information and documentation so that the impact measurement and management process can be completed. After the exit, the investee must ensure that the impact achieved is maintained and increased; there are different ways to achieve this objective, e.g., making legal commitments by changing the corporate governance structure to be accountable to all stakeholders, not just shareholders (i.e. as is the case for benefit corporations).

Final beneficiaries

Final beneficiaries must be directly involved; indeed, at this stage a substantial impact on them should have been achieved; it should also be possible to collect data on long-term impact with their involvement, as well as their satisfaction level with respect to the project that is about to end.

Independent impact advisors

In this phase, impact advisors can play a pivotal role in guiding both the investor and investee through a responsible exit process.

Context/optional stakeholders

Investment partners

At this stage substantial information should have been collected in order to provide investment partners with substantial information on the investment performance and, finally, a return on their initial investment. In particular, co-investors may be involved in the management of the impact measurement process and in the implementation of the exit strategy.

New investors

New investors must ensure that their involvement in the potential continuation of the project is preliminary to maintaining or increasing the impact already achieved.

Data Collection (Long-Term Outcome Measurement)

In the more advanced stages of the project, it is possible to undertake a more long-term outcome measurement. In this way, the medium- to long-term impact of the project on the targeted beneficiaries can be assessed to better understand if the latter have experienced positive changes thanks to the impact project. Finally, desired changes at a broader community level in the long-term can be assessed.

Killer questions How do you systematise the collection of outcome data? How do you manage potential negative impacts? How to define whether final impact is reached?

Data Quantitative and qualitative data on long-term outcomes based on the metrics decided in Phase 1 – Project Governance

Collection of data Updated collection of output/outcome metrics defined in Phase 1 | Collection of impact metrics defined in Phase 1 through primary data (e.g., surveys, interviews)

Tools [Impact Measurement – A practical guide to data collection](#) by CDC Group | [Impact-Weighted Accounts](#) | [B Impact Assessment](#)

Databases [IRIS and IRIS+](#) | [GRI Standards](#)

Valuation of Outcomes

This activity is still not common in impact investing: it concerns the evaluation of the economic value of an impact project, which could be useful in understanding the relative value of changes for people's well-being. Many measurement initiatives are moving in this direction: for example, the Impact-Weighted Accounts Project developed at Harvard.

Killer questions How do you plan to approach the evaluation of the project's economic value?

Data Quantitative and qualitative data on medium and long-term outcomes

Collection of data Collection of outcome metrics defined in Phase 1

Tools [SROI](#) | [Impact-Weighted Accounts](#)

Databases -

Please note: in the description of activities, some sections are marked with “–”, because either (a) there are currently no specific tools and/or databases for managing those activities, or (b) such activities cannot be managed through tools and/or databases because of their specific nature.

Feedback to Other Projects

A core aspect of IMM is to be able to track all the activities and results of a project, with the objective to uncover both best practices and criticalities. In this way, the impact project can inform similar ones, either within the same investment portfolio or outside, and ensure that they are more effective in achieving intended impacts.

Killer questions Do you provide feedback to other projects in your portfolio/ companies and/or to other stakeholders? If so, how? What are the main learnings, points of improvement, trade-offs and impact gaps identified? How will those be addressed in the future?

Data Quantitative and qualitative data based on the outputs, outcomes and impacts derived from the project

Collection of data Primary data (e.g., surveys, interviews)

Tools -

Databases -

Please note: in the description of activities, some sections are marked with “–”, because either (a) there are currently no specific tools and/or databases for managing those activities, or (b) such activities cannot be managed through tools and/or databases because of their specific nature.

Exit Strategy (if relevant)

An exit strategy is executed by the investor to liquidate a position in a financial initiative. In impact investing, exit strategies are fundamental to preserve a project’s obtained impact. Indeed, responsible exits – i.e., exit strategies that ensure that the impact generated is maintained or increased over time – are key for the integrity of an impact investing initiative. The risks of engaging in irresponsible exits could nullify the results of the whole project.

Killer questions What are the key principles of your exit strategy? How to make sure that the positive impact created by your project lasts?

Data Legal structures and documents with impact incorporated into them (e.g., in Italy, becoming Società Benefit) | Certifications proving the company’s commitment to impact generation (e.g., being B Corp)

Collection of data Legal structures and documents

Tools Select the right buyer | Impact covenants | Plan for continuity | Impact reporting | Monitor impact after the sale

Databases -

| Data Collection (Short-Term Output Measurement) | Valuation of Outcomes | Feedback to Other Projects | Exit Strategy (if relevant) |
|--|---|------------------------------|----------------------------------|
| + Investor | + Investor | + Investor | + Investor |
| + Investee | + Investee | + Investee | + Investee |
| - Final beneficiaries | + Final beneficiaries | - Final beneficiaries | - Final beneficiaries |
| + Auditors/Advisors | + Auditors/Advisors | +/- Auditors/Advisors | + Auditors/Advisors |
| Links | Links | Links | Links |
| Investor <=> Investee | Investor <=> Investee | Investor <=> Investee | Investor <=> Investee |
| Investee <=> Final beneficiaries | Investee <=> Final beneficiaries | Investor < > Auditor/Advisor | Investee <=> Final beneficiaries |
| Investor < > Auditor/Advisor | Investor < > New Investors | Investee < > Auditor/Advisor | Investor < > Auditor/Advisor |
| Investee < > Auditor/Advisor | Investor < > Auditor/Advisor | | Investee < > Auditor/Advisor |
| | Investee < > Auditor/Advisor | | |
| | Auditor/Advisor < > Final beneficiaries | | |

Note: in the table above, the links reflect the dynamic interactions that enable participatory decision-making and feedback loops between different stakeholders, activities and phases. Enabling backward-looking feedback loops allows to control and redefine decisions at the various stages of a project.

Legenda

- + The stakeholder has an active role in the activity
- The stakeholder has a consulting role in the activity
- +/- The stakeholder has either an active or consulting role
- <=> The stakeholders must certainly interact with each other
- <> The stakeholders could interact with each other; however, it is not always the case (e.g., the stakeholder mentioned is not present in the specific investment)



Impact needs to be brought to the heart of our society and take its place at the centre of our economic system.

- Sir Ronald Cohen, author of Impact: Reshaping Capitalism to Drive Real Change

Introduction to Case Studies

This collection of case studies offers practical insights into the evolving leading practices in impact measurement and management. It highlights how a diverse range of entities, from international funds to multinational corporations, navigate the intricacies of impact investing. The research methodology involved conducting in-depth interviews and asking targeted questions to understand the rationale behind various approaches. This meticulous exploration in each case study examines how practices align with or diverge from the IMmPACT framework's guidelines. The objective is not to reinvent the wheel but rather to refine and enhance the IMmPACT guidelines through these practical insights and experiences.

The narratives within these case studies are enriched with insights from leading voices and organisations in the field, revealing the complex nature of impact investing. They underline the importance of strategic stakeholder engagement, thorough operational planning, and the integration of both quantitative and qualitative metrics for achieving meaningful outcomes. By presenting a balanced view of the challenges and triumphs encountered in this field, these case studies offer a realistic view of impact investing. This approach not only fosters a deeper understanding of the field but also encourages improvements in strategies and practices.

Serving as a guide to emerging leading practices, these case studies illustrate the successful application of frameworks and contribute to the broader conversation in impact investing. The collection aims to inform and guide various actors in the space, from investment funds to large organisations, in their efforts to effectively balance social and environmental impact with financial returns. This comprehensive approach ensures that our research is not just academic but also practically relevant and beneficial to those active in the field of impact investing.

Case Studies

Case Study

Argos Wityu

Argos has been successfully operating in the private equity market since 1989, having raised and managed eight funds and invested in over 80 companies across the European mid-market. Operating through seven offices in Milan, Paris, Frankfurt, Brussels, Geneva, Amsterdam, and Luxembourg, Argos boasts an international team of experienced professionals and a strong local presence, demonstrating an exceptional ability over thirty years to support the growth and value creation of its portfolio companies.

In line with its strategic development plan, Argos has recently launched a new investment strategy - the Argos Climate Action Fund. This fund is among the few alternative investment funds classified as Article 9 under the SFDR in Europe. The Argos Climate Action Fund aims to contribute to the EU's ambitious decarbonisation plan, targeting a 55% reduction in greenhouse gases by 2030. This objective is achieved by focusing on companies within the primary sectors of the European economy and striving to transform them into sustainability leaders. In addition to the standard return objectives, the Argos Climate Action Fund also aims at an ambitious goal of reducing the carbon footprint intensity of its invested companies by 7.5% annually.

The logo for Argos Wityu features the word "argos." in a black, lowercase, serif font. Below it, the word "wityu" is written in a yellow, lowercase, serif font. The two words are positioned such that they appear to be part of a single, larger typographic element.

Case Study: Argos Wityu

“Grey to Green” Buyout Fund

In September 2022, Argos Wityu launched its “Grey To Green” buyout fund. Argos’ Climate Action Fund is classified under Article 9 of the EU Sustainable Finance Disclosure Regime (SFDR). Established by Argos Wityu, the fund is dedicated to the ambitious mission of decarbonising European Small and Medium-sized Enterprises (SMEs). It recently made its second close at €170 million (56% of its initial target) and marks a crucial step in transforming SMEs into entities that are not only sustainable but also hold a competitive edge. This fund focuses on redefining existing business practices to significantly lower CO2 emissions while ensuring cost-effectiveness. In line with Article 9.3, the fund’s core objective is to address climate change through proactive carbon emission reduction.

Strategic Decarbonisation Approach

Argos’ strategy is geared towards reshaping the manufacturing footprint of SMEs, guiding them towards more sustainable and environmentally-friendly production processes. The fund has set a clear, quantifiable target – reducing carbon emissions by 7.5% annually for each SME. This objective is not only measurable and auditable but also ambitiously surpasses the 7% threshold of the Paris-Aligned and Climate Transition Benchmarks. Argos has innovatively created a carbon index to meticulously track the decarbonisation progress of its portfolio companies. Jean-Pierre Di Benedetto, Managing Partner at Argos Wityu said, “We launched a carbon index, with tracking of companies’ capacity to decarbonise - 72% of them do not have a decarbonisation plan. We work on the manufacturing footprint to make it grey to green.”

Competitive Advantage Through Decarbonisation

This approach elevates the companies in Argos’ portfolio, enhancing their appeal in both B2B and B2C sectors. In the B2B realm, businesses are increasingly prioritising suppliers with proven carbon reduction strategies, while in the B2C sector, consumer preference is shifting towards brands that demonstrate real commitment to environmental sustainability.

Risk/Return Value Proposition and Incentives

The fund is targeting impressive 2.5x gross returns, maintaining its historical performance while achieving significant carbon emission reductions. An interesting aspect of its strategy is linking 25% of carried interest to the achievement of the 7.5% annual carbon reduction goal. This alignment of incentives ensures that both the fund managers and the management teams of portfolio companies are incentivised to meet these environmental objectives, fostering a culture of sustainability intertwined with accountability. The 7.5% objective mitigates the potential for greenwashing in ESG integration, as it represents a measurable and single-dimensional benchmark. Jean-Pierre emphasises its significance, stating, “It’s a crucial, certifiable, and measurable metric, convincing for LPs, shareholders, and impact investors.”

Strategic Decarbonisation Approach

Argos’ adherence to Article 9 compliance is a deliberate strategy that adds an extra layer to its objectives and illustrates additionality. It is evident in Argos’ approach, where the investments transcend typical sustainability efforts to effect real, measurable reductions in carbon emissions. The firm embraces a proactive stance in its investment strategy, signalling a deeper commitment to impactful environmental change.

Aiming for Sustainable Competitiveness

Argos Climate Action aims to leave SMEs better positioned in terms of competitive/ first mover advantage while simultaneously contributing to global climate targets. This strategic goal is not just about facilitating advantageous exits for Argos but also about ensuring that the SMEs they invest in are transformed sustainably. By prioritising the dual objectives of enhancing environmental sustainability and bolstering competitive strength, Argos aspires to facilitate a lasting transformation of these businesses, enabling them to prosper in a low-carbon economy even after Argos has divested its interests.

Key Takeaways: Argos Wityu

The Argos Climate Action Fund exemplifies a forward-thinking model in sustainable business transformation, showcasing how sustainable investing can be effectively aligned with competitive business advantage.

Argos' strategic emphasis on decarbonising SMEs is a testament to their nuanced understanding of the intricate relationship between environmental stewardship and market viability. By setting ambitious and measurable targets, such as achieving a 7.5% annual reduction in carbon emissions, Argos not only aligns its endeavours with the global objectives set forth by the Paris Agreement but also accentuates the criticality of tangible, quantifiable impacts in sustainability efforts. This approach underlines the scalability and potential for replicability of their strategies across varied market scenarios, paving the way for broader adoption and impact.

The fund's approach showcases a sophisticated method of ensuring accountability and using incentives to meet objectives. By innovatively linking carried interest to environmental objectives, the fund solidifies its commitment to sustainability goals, fostering a culture where environmental responsibility is inextricably linked with financial performance.

This strategy's focus on developing SMEs into more robust and sustainable competitors for the long term is closely aligned with the aim of achieving lasting impact. It prepares these businesses not just to succeed in the current low-carbon economy but also to excel as leaders in the sustainable economic landscape of the future.

In the context of the IMmPACT guidelines, the Argos Wityu "Grey to Green" buyout fund, classified under Article 9 of the EU SFDR, demonstrates the integration of clear environmental targets and dimensions of additionality within Phase 1 of the framework. Furthermore, its commitment to actively tracking decarbonisation efforts aligns with the operational and early measurement objectives of Phase 2, setting a foundation for robust impact tracking and management.

**"[On the IMmPACT Framework]
I must say, I found it exceptionally
well-crafted and, in some ways,
truly admirable."**

- Jean-Pierre Di Benedetto, Managing Partner of Argos Wityu

Case Study

Three Hills Impact

Founded in 2013, Three Hills is an innovative investment house providing flexible capital solutions to successful entrepreneurs and management teams in the European mid-market. Sustainability has formed a core pillar of Three Hills' foundations since inception and now, as a B Corporation, the Firm has cemented its genuine commitment to impact by pursuing profit with purpose and launching its impact investing strategy, Three Hills Impact. Three Hills is a pioneer in European structured capital, having financed the growth of many of Europe's highest quality entrepreneur-led businesses over the past 15 years. The Firm captures extensive sponsorless deal flow through a distinctive offering for business owners in need of a value-add partner. It provides businesses with tailored, less dilutive financing solutions as well as value-add partnerships to support growth trajectories, leveraging, for instance, the expertise of in-house operating partners.

THREE HILLS

Case Study: Three Hills Impact

Initial Engagement and Framework Application

From the outset, Three Hills (TH) demonstrates a commitment to impact measurement, starting from the very first meeting with entrepreneurs. Following the Impact Management Project (IMP) standards and norms, which guide every phase of their investment strategy, TH runs its impact assessment leveraging data provided by management teams and analysing macro trends through industry outlooks and datasets. The IMP includes an analysis across five key dimensions: the outcome the enterprise is contributing to, the stakeholders affected, the extent of impact generation in terms of scale, depth and duration, the additionality achieved, and the associated impact risks.

Comprehensive Impact Assessment

TH ensures a continuous assessment of impact throughout the investment process, collecting more detailed qualitative and quantitative insights as deal stages progress. In the preliminary phase, TH evaluates if an investment opportunity represents a good fit for the fund and identifies the unique needs and opportunities within the target market. This stage of assessment leverages company data and extensive market research, including OECD studies and other industry-specific data. Francesco Ciffo, ESG Associate at Three Hills explains, “Initially, our assessment is based on secondary data, preliminary information gathered from target companies and market data. We look at research papers and data from institutional sources like the World Economic Forum to assess the industry and macroeconomic context where our targets operate.”

Investment Committee Engagement

With the initial information package, Three Hills proceeds to the investment committee, highlighting the positive impacts identified within the business, the stakeholders involved, and the measurable outcomes anticipated. The preliminary assessment is critical, as it outlines both the opportunities for impact and the intrinsic merits and risks associated with each investment. Impact merits and risks are a consistent agenda point, therefore such matters are evaluated alongside commercial considerations to ensure lockstep between the generation of positive outcomes and commercial success. By presenting this information, the team seeks the committee’s approval to move forward with due diligence.

Workshops and KPI Development

During Due Diligence, specific workshops with the company’s management are organised. These workshops aim to align the firm’s assessment with the impact variables identified and better understand the dimensions of intentionality, additionality, and measurability. Additionally, impact workshops aim to define KPIs and targets to measure the positive impact generated by the company for its beneficiaries. The KPIs are typically a combination of scale metrics, such as the number of people impacted, and qualitative depth metrics, i.e., for the purpose of using a generic example, this could be the improvement in life conditions post-treatment in a healthcare scenario.

Collaboration with External Partners

TH collaborates with external partners, including a dedicated academic research partner, for further refining and validating the impact assessment and KPIs. TH research partner reviews the shortlist of impact KPIs and targets, proposing potential fine-tuning adjustments based on market studies and scientific research. Such external and research-based validation is particularly crucial, as impact metrics and targets are periodically disclosed to investors and the wider public. “Three actors contribute to the final decision on proposed KPIs: TH ESG Team and Investment Committee, the entrepreneurs and their management team, and our research partner. We aim to invest for both impact and financial return, closely tied to the core business of the company. Impact KPIs also act as commercial KPIs for the entrepreneurs.”

Monitoring, Reporting, and Impact Targets

Regular monitoring and reporting of KPIs provides a dynamic understanding of the positive outcomes generated and effectiveness of the investment strategy. Additionally, there is standard annual ESG and impact reporting that has been in practice for several years, covering a broader range of KPIs. These practices underline the commitment to accountability and transparency. In addition, TH ESG Team periodically engages with entrepreneurs and management team to review performance and think through how to improve going forward, also focusing on meeting the formalised impact targets.

Key Takeaways: Three Hills Impact

TH's case study exemplifies a comprehensive and structured approach to impact measurement and management, aligning closely with Phases 1 and 2 outlined in the IMmPACT guidelines. From the onset of engagement, TH demonstrates a deep commitment to impactful investing, integrating rigorous impact assessment and stakeholder collaboration at every step.

TH's methodical assessment of the five key dimensions of impact from the initial stages mirrors the IMmPACT framework's emphasis on thorough stakeholder analysis and early involvement. This foundational approach is essential for a holistic understanding of the investment's potential impact and outcomes. TH's detailed and inclusive KPI development process, which focuses on both scalable and qualitative metrics, resonates well with the IMmPACT Guideline's recommendation for creating measurable and actionable impact indicators. This balanced approach to quantifying impact is pivotal, ensuring that the impact metrics are both comprehensive and practical.

Further enhancing their methodology, TH's collaboration with external experts for KPI refinement exemplifies the IMmPACT guidelines' advocacy for external expertise in ensuring validation and accountability. This practice of aligning impact metrics with current market and scientific research adds an additional layer of robustness and relevance to their impact assessment process.

TH's practices in monitoring, reporting, and active engagement highlight a commitment to transparency and accountability. Three Hills' Impact strategy showcases a model of impact measurement and management that adheres to a rigorous framework, leading to investments that meet high standards of social and environmental performance. The firm's comprehensive approach from initial engagement to ongoing assessment and collaboration reflects a deep understanding of the balance between financial returns and impactful investment, serving as an emerging best practice model for others in the field.

“The IMmPACT framework promotes transparency across the investment value chain – we are glad that our approach is aligned. As a practitioner, for us, a continuous focus on performance management in collaboration with the entrepreneur is key to help drive positive outcomes for people and planet.”

- Stefanie Kneer, Head of ESG & Sustainability at Three Hills

Case Study

Mercato Metropolitano

Founded in 2016, Mercato Metropolitano (MM) is London's first sustainable community food market. MM is a movement of small artisans who share the same values of nutritious, sustainable and affordable food for everyone. The mission is to build inclusive communities and sustainable local ecosystems, with the aim to bring together people, farmers, local producers, individuals, groups and organisations who share the same goal of improving access to nutritious and affordable food for everyone, along with key philanthropic and social activities that make a positive impact on people's lives and the planet.



Case Study: Mercato Metropolitano

Integrating Social Impact with Business

Mercato Metropolitano (MM) stands as a testament to a business model that seamlessly integrates social impact and community engagement into its core operations. Beyond its commercial focus, MM utilises food as a powerful catalyst to promote social inclusion, healthy practices and well-being within local communities. MM's unique approach to impact initiatives reflects the importance of stakeholder engagement and qualitative feedback alongside quantitative data. At the heart of MM's mission lies a commitment to community engagement and collaboration. With a sprawling market space capable of accommodating up to 3,000 people, MM opens its doors during daytime hours to support charitable initiatives. This extends to providing free classes, workshops, and activities tailored to diverse groups, including women, people with disabilities, and vulnerable individuals.

Stakeholder Engagement and Collaborative Impact

MM boasts a robust network comprising local councils, charities, social enterprises and individual supporters. These partnerships allow MM to create initiatives that have a genuine impact on the community. The organisation leverages its existing relationships to co-create impactful initiatives, spanning from fundraising events to workshops and specialised programmes aimed at specific demographic groups. Jasmine Awad, Head of Policy, Partnerships and Community at Mercato Metropolitano, explains, "We support community at a local level, focusing on key social and environmental challenges. To do this, we collaborate with multiple stakeholders at various levels, meeting them where they're at and identifying synergies for collaboration."

"In an Artshell"

Launched in April 2023 in collaboration with p-Art Factory "In an Artshell", exemplifies MM's commitment to community support. This art project, aimed at fundraising for local charities and providing a platform for emerging artists, successfully raised £2,350, with 50% donated to XLP, a charity supporting vulnerable youth in London. This project not only showcases MM's engagement in cultural enrichment but also its contribution to social causes.

The 2023 Holiday Club

For MM's flagship programmes such as the Holiday Camp, impact is monitored annually, capturing the positive change of these initiatives as they develop. The 2023 Holiday Camp, an integral part of MM's community projects, aimed to combat childhood food insecurity in the Southwark area of London, a region with high levels of such insecurity. The programme, in collaboration with Southwark Council and various community partners, welcomed almost 600 children over 6 weeks of school holidays during the year, distributing over 1314 meals and snacks. This initiative underlines MM's focus on qualitative impact, enhancing community well-being through nutritious food and engaging activities.

Assessment and Impact Measurement

Quantitative data is tracked on Excel, ensuring detailed record-keeping and analysis. Equally important is the qualitative feedback, which offers a comprehensive assessment of MM's varied initiatives. For example, the Summer Club involved SOAS students conducting research on the role of food in the lives of children from diverse cultural backgrounds. This approach, though not directly measuring impact, provides valuable insights into each iteration of the programme and helps understand its long-term effects. The diversity of MM's projects demonstrate significant potential for holistic impact measurement. For example, in the case of "In An Artshell", this may include cost savings to government (e.g., support for potential young offenders reducing future government expenses) and qualitative improvements in community well-being, showcasing MM's role as a socially responsible entity.

Key Takeaways: Mercato Metropolitano

Mercato Metropolitano (MM) is a prime example of a business model that seamlessly integrates social impact and community engagement into its core operations. By utilising food as a catalyst, MM promotes social inclusion, healthy practices and well-being within local communities. At the forefront of MM's mission is the commitment to community engagement, evident in their diverse range of initiatives such as free classes, workshops, and their flagship Holiday Club programme. These efforts, particularly aimed at addressing challenges such as childhood food insecurity, go beyond traditional corporate social responsibility. They represent a proactive approach to tackling societal issues directly at their roots, starting from the communities they operate.

MM's stakeholder engagement strategy, involving partnerships and collaborations with local councils, non-profits, social enterprises and community members, reinforces the effectiveness and reach of their impact initiatives. Projects such as "In an Artshell" and the 2023 Holiday Club are prime examples of MM's capability to not only engage, but also mobilise community resources towards shared goals. These partnerships are key in creating initiatives that resonate deeply with the community's needs and aspirations.

MM's diverse projects showcase the potential for holistic impact measurement, encompassing both the direct benefits to the community and broader societal implications. The organisation's model is a beacon for businesses seeking to embed social responsibility and community impact into their core operations, demonstrating that commercial success and social impact can coexist harmoniously and synergistically. MM's journey underscores the importance of businesses as agents of positive change, highlighting the role they can play in enhancing community well-being, cultural enrichment, and social cohesion.

“The IMmPACT Framework is a wonderful tool, designed to provide valuable guidance for organisations that are looking to make a positive impact through their work. Measuring impact is not a straightforward task, and not everything can always be quantified – especially when it comes to social good. However, learning about what others are doing is a great way to understand how we can improve our own practices.”

- Jasmine Awad, Head of Policy, Partnerships and Community at Mercato Metropolitano

Case Study

Banca Etica

Banca Etica is the first and only Italian bank dedicated entirely to ethical finance. It has been operating for 24 years throughout the country via a network of branches and consultants, as well as home and mobile banking services. Banca Etica collects the savings of responsible organisations and citizens and uses them entirely to finance projects aimed at collective well-being. Banca Etica currently has over 47,000 members and 89 million euros in share capital; savings of 2.5 billion euros and over 1.2 billion euros in loans to support initiatives by organizations, families and companies in various fields such as cooperation and social innovation, international cooperation, culture and quality of life, environmental protection, responsible tourism, organic farming, the right to housing and legality. Banca Etica is a member of the most important international ethical finance networks: the Global Alliance for Banking on Values (GABV) and the European Federation of Ethical and Alternative Banks and Financiers (Febea). The Banca Etica Group comprises of Etica Sgr, an asset management company that exclusively offers ethical investment funds, Fondazione Finanza Etica, which promotes study and awareness initiatives on critical financial education, and CreSud, which provides financial resources and support services to microfinance organisations, fair trade and sustainable producers, associations and NGOs in Latin America, Africa and Asia - www.bancaetica.it



Case Study: Banca Etica

The Role of Social Evaluators

Over the years, engaging with stakeholders has increasingly become a key factor for an organisation's success. Banca Etica's innovative approach to stakeholder engagement is embodied in the role of the Social Evaluator. These evaluators, numbering around ninety volunteers across Italy and Spain, play a crucial role in assessing the socio-environmental impact of companies applying for loans. Their responsibilities extend to ensuring the development of local relations and evaluating various projects in areas like welfare, social economy, environmental protection, innovation, international cooperation, and culture.

Becoming a Social Evaluator

To become a Social Evaluator at Banca Etica, candidates must first be a member of the bank for at least one year and actively participate within their local jurisdiction. Success in this role hinges not just on financial acumen but also on strong relational and social skills. This combination enables Social Evaluators to provide insights that transcend traditional financial metrics. As Tommaso Rondinella, Head of the Socio-environmental assessment team at Banca Etica, explains, "At Banca Etica, we want to promote an ethical finance culture, and we established an active participation of 250 volunteer members in Italy and Spain, the so-called "social evaluators". They ensure the proper development of local relations and help us to evaluate the socio-environmental impact of companies that request loans. 98% of the projects we fund are aimed at welfare, social economy, environmental protection, innovation, international cooperation, and culture."

Socio-Environmental Assessment Process

A distinctive aspect of Banca Etica's assessment process is the Socio-Environmental Assessment (VSA), which includes a comprehensive Socio-Environmental Questionnaire (QSA). The QSA comprises four sections: Internal Value, indicators, organisational impact, and loan impact. Social Evaluators are instrumental in this process, verifying quantitative data and validating actions by combining quantitative and qualitative data. Quantitative data alone are not enough to grasp the complexity of the phenomena analysed, so the social evaluator's qualitative contribution remains fundamental.

Unique Contributions of Social Evaluators

Social Evaluators offer insights beyond traditional financial analysis. Their interactions with management teams and onsite visits provide a deeper understanding of organisational coherence and integrity, elements often not captured in financial documents. Moreover, their involvement in the loan application process acts as a natural filter, discouraging entities that might seek to exploit the bank's social reputation without genuine commitment.

Impact on Banking Approach

The involvement of Social Evaluators signifies a transformative approach to banking. Their volunteer status and direct interactions with loan applicants underscore a unique function in ethical banking, emphasising the human aspect over mere financial transactions. This approach has led to a more democratic process in measuring and managing social and environmental impacts, aligning closely with the needs of clients and the communities they serve. By letting the voices of these stakeholders be heard in the bank's decision-making process, the measurement and management of social and environmental impact become more democratic. Moreover, as has been emphasised, the approach has many benefits. Not least of all, compared to traditional banking, Banca Etica's approach places a greater emphasis on the needs of clients and final beneficiaries of the loans (e.g., communities where the companies operate).

Key Takeaways: Banca Etica

Banca Etica's approach to stakeholder engagement goes beyond traditional banking methods by involving Social Evaluators. This unique approach allows the voices of these stakeholders to influence the bank's decision-making process, leading to a more democratic measurement and management of social and environmental impact. This innovative model underlines the importance of direct stakeholder involvement in key decision-making processes, particularly in assessing the socio-environmental impact of loan applicants. By enabling the voices of these evaluators, who are deeply embedded in the local communities, to influence the bank's decisions, Banca Etica fosters a more democratic and transparent system of impact measurement and management.

The active participation of Social Evaluators ensures that the assessment process is not only about financial viability but also about the real social and environmental value. This approach leads to more informed decisions that align with the ethical principles of the bank and resonate with the needs and aspirations of both clients and the broader community. It is a vivid demonstration of how banks can play a crucial role in advancing sustainable development by integrating social and environmental considerations into their core business practices.

Banca Etica's model serves as an inspiration for other financial institutions seeking to embrace a more ethical and inclusive approach. The adoption of similar models by other banks could lead to a significant shift in the financial sector, paving the way for a system that prioritises ethical considerations and community impact alongside financial returns. Building a critical mass of institutions embracing these principles would be a formidable step towards transforming the financial system into a force for positive social and environmental change.

“By involving stakeholders in the process, the IMmPACT framework includes diverse perspectives, ensuring a comprehensive evaluation of ESG impacts. This inclusive approach fosters transparency, accountability, and ultimately, drives meaningful change towards a more sustainable future. As organisations embrace participatory frameworks, they not only enhance their ESG performance but also cultivate stronger relationships with stakeholders, fostering trust and long-term value creation.”

- Tommaso Rondinella, Head of the Socio-environmental assessment team at Banca Etica

Case Study

60 Decibels

60 Decibels is a global, tech-enabled impact measurement and customer insights company. We bring rigour and repeatability to social performance measurement, customer insights, and human rights due diligence. Our sector-leading benchmarks enable organisations to better understand their impact and set targets for improvement.

60 — decibels

Case Study: 60 Decibels

Aspirational and Practical Frameworks for Investors

In the realm of Impact Measurement and Management (IMM), the importance lies in investors finding a harmonious balance between an aspirational framework and a more grounded, practical approach. While the comprehensive IMmPACT Framework offers a four-phase structure, it is understood that investors might initially engage with specific phases to a varying degree. This gradual engagement allows for a tailored application of the framework, with Phase 1 (Assessment and Strategy) and Phase 3 (Measurement and Reporting) often serving as critical starting points. These phases are particularly recognised for their ability to lay a strong foundation in the IMM process, guiding investors towards a more comprehensive implementation over time.

Operational Planning in IMM

One of the primary issues in IMM is the lack of detailed operational planning, especially when building a fund. This involves structuring expenses for due diligence, selecting audit providers with foresight, and clearly delineating the flow and reception of data. Operational planning, therefore, encompasses comprehensive budgeting and accountability, ensuring that the IMM process is both structured and effective. Tom Adams, Co-founder at 60 Decibels, said, “The things that can go wrong with IMM are often related to operational planning. When you build a fund, it’s crucial to plan your due diligence provision and how it is funded (for instance through capitalisation) and to understand who will undertake your ongoing impact measurement and/or assurance.”

Inclusion of Beneficiaries Beyond Data Collection

The approach extends beyond traditional data collection, advocating for the embedding of beneficiaries in the decision-making process. This includes their representation during crucial investor decision-making moments. Conducting social performance due diligence, particularly through practical social research prior to investment decisions, ensures a comprehensive understanding of the social issues at play.

Additionality and Performance

Tackling the challenge of measuring additionality and comparing social performance against benchmarks is an important aspect which should be addressed. An annual performance plan, along with continuous social performance measurement, is proposed to address these challenges. There is also a concerted effort to better understand and improve the measurement of negative impacts, a relatively underdeveloped aspect in IMM.

Examples from 60 Decibels

At 60 Decibels, thresholds are exemplified through tools like the ‘Farmer Thriving Index’. This index serves as a threshold for evaluating living standards within supply chains, offering a clear benchmark for assessing the impact of a company’s activities on improving living conditions. The data collection methodology at 60 Decibels is predominantly quantitative, yet it incorporates a substantial qualitative dimension, gathering detailed beneficiary experiences to provide a well-rounded understanding of social impact. With respect to the use of qualitative and quantitative data, Adams explains, “most of our data is quantitative -it just happens to be self-reported- you can get lots of quantitative data from interviewing beneficiaries.”

Impact Measurement and Reporting Challenges

A crucial aspect highlighted is the capital requirement for smaller organisations or startups. These entities often face challenges in generating high-quality impact data due to limited internal research capabilities and financial constraints. This necessitates a consideration of the costs associated with impact measurement activities and underlines the need for appropriate funding, whether through investor support or other mechanisms. The expectation that impact data should come from the investee leads to questions about how these measures will be collected and funded, especially when these organisations lack the capability to do so independently.

Key Takeaways: 60 Decibels

The nuanced approach of Impact Measurement and Management (IMM) in the realm of impact investing highlights the crucial balance between aspirational and practical frameworks. Operational planning emerges as a pivotal element in IMM, as underlined by Tom Adams, Co-founder and Chief Strategy Officer at 60 Decibels. The emphasis on detailed planning, encompassing aspects like due diligence structuring and data management, is critical for the success of any IMM strategy. This approach ensures not only the effectiveness but also the sustainability of the IMM process within the investment framework.

Further enriching IMM practices is the inclusion of beneficiaries beyond mere data collection. Embedding beneficiaries in decision-making processes and conducting thorough social performance due diligence before investment decisions ensures a more holistic understanding of the social impacts. This proactive approach goes a long way in enhancing the authenticity and effectiveness of impact assessments.

Tackling additionality and benchmark comparison is another vital component. The adoption of annual performance plans and continuous social performance measurements, coupled with a focus on understanding and improving the measurement of negative impacts, addresses some of the most significant challenges in IMM. The practices at 60 Decibels, particularly with tools like the 'Farmer Thriving Index,' highlight the effective use of both quantitative and qualitative data in understanding social impact. This dual approach offers a comprehensive view of the impact, capturing detailed beneficiary experiences and enhancing the depth of impact understanding.

However, challenges remain, especially for smaller organisations or startups in generating high-quality impact data, due to limitations in resources and research capabilities. This scenario calls for a nuanced understanding of the costs associated with impact measurement and the need for appropriate funding solutions. The expectation that impact data should originate from investees poses significant challenges in data collection and funding, especially for organisations with limited capabilities.

“What I love here – on page 28 [of the IMmPACT Framework] – is how you systematise the collection of outcome data.”

- Tom Adams, Co-founder and Chief Strategy Officer at 60 Decibels

Case Study

The Good Economy

The Good Economy, established in 2015 by Sarah Forster and Mark Hepworth, works with clients to measure, manage and report on real-world outcomes. Its focus is forward-looking: helping clients to identify opportunities to create positive outcomes and integrate this focus into strategic and operational decision-making.

The Good Economy specialises in working with private market investors and on social issues. The team has in depth expertise and experience in key themes such as quality jobs, financial inclusion and health.



THE
GOOD
ECONOMY

Case Study: The Good Economy

Getting Started with Participatory IMM

Participation is fundamental to effective IMM - although the practical application of an approach to measurement that includes representative stakeholder feedback can present challenges. The vast array of potential tools and frameworks in Phase 1 (Assessment and Strategy) can make the choice seem overwhelming. Segmenting the process into phases – from strategy through to asset selection and engagement - can aid in clarifying which tools are best for specific purposes. For example, the SDGs can be used to frame impact objectives, the Impact Management Project 5 Dimensions to develop an impact scorecard, and IRIS+ to select metrics. The exact choice depends on the organisation's impact. Matt Ripley, Head of Impact at The Good Economy, said, “We advocate for a structured approach to decision-making, focusing on actions, results, and options, broken down into five steps for investors. This structure helps determine what actions to take, whom to support, and how to address challenges.” Despite the abundance of resources, the primary hurdle remains discerning the most appropriate tool to effectively measure and manage impact.

Additionality, Contribution and Attribution

Discussions with The Good Economy highlight the need to take a nuanced approach to issues of ‘contribution’ and ‘additionality’. Addressing additionality involves discerning between the status quo and transformative contributions. For example, investing in an already-impactful healthcare system may not change the level of outcomes, but repurposing a derelict office block for a social enterprise could significantly amplify impact. It is uncommon to achieve both high investor and high enterprise additionality, as investments generally result in one or the other. There's a recognised need for deeper engagement with companies to ensure meaningful impact. When it comes to defining ‘impact’ within impact investing, the term's meaning can be elusive, and its interpretation varies widely. Defining what is meant by impact prompts a closer examination of the specific, sustainable outcomes intended by an investment – as well as the levers that investors can use to help unlock these outcomes.

Impact Assessment

In Phase 3 of the framework (Measurement and Reporting), a critical consideration is determining which metrics to collect and what precisely needs to be measured. Alnoor Ebrahim, a Professor of Management at Tufts University, has contributed valuable insights into measuring social change. It's important to recognise that not all situations warrant the direct measurement of outcomes. As Matt Ripley explains, “Measurement strategies need to match the needs of the organisations. Will direct measurement of outcomes really help you to prove, improve or learn about your impact right now? Or will output measures and outcome proxies be good enough – for example, at the early stage of a business trying to figure out product-market fit”. Moving to Phase 4 (Performance Review), long-term outcomes are not always straightforward to measure, and it can be a costly and time-consuming endeavour. Some scenarios demand direct outcome measurement, while others may rely on evidence-based inference or modelling to align metrics with the investment's objectives.

Key Takeaways: The Good Economy

The Good Economy's approach to IMM showcases a comprehensive, phased methodology that recognises the dynamic nature of social impact. As IMM evolves with new regulatory landscapes such as the Sustainable Disclosure Requirements in the UK, The Good Economy remains at the forefront of the industry, poised to navigate the nuances of impact with precision and intentionality, setting the standard for the future.

Participatory practices are universally recognised as important but can be challenging to implement, especially when considering the diverse landscape of investments, from business-to-business (B2B) to business-to-consumer (B2C). Governance plays a critical role in this context, as it determines the boundaries between impact measurement and management and standard corporate governance. Stakeholder involvement, accountability for impact, and ensuring that data leads to actionable decisions are key components of this process.

Social data is often considered more complex due to its lack of standardisation, setting it apart from the more readily available environmental data. The inherent complexity of social data makes its collection and analysis more time-consuming and costly, emphasising the importance of taking a mixed methods approach in impact assessment. Even within a portfolio focused on a single impact theme, such as health, there exists a significant diversity of factors to consider. This diversity further underlines the intricate nature of impact assessment and the need for tailored approaches.

The review process can operate in a cyclical manner, allowing for continuous improvement. Whether in Phase 4 or reverting to Phase 1 in the IMmPACT Framework guidelines, the insights gained from impact assessment can guide updates in strategy. This aspect is particularly pertinent in the social domain, where social needs are dynamic and ever-evolving. Unlike static objectives set for a fixed period, the context demands a flexible approach. Thus, there may be a necessity to close the loop between Phase 4 and Phase 1 in the IMmPACT guidelines, ensuring that the strategy remains adaptable to the evolving landscape of social impact.

“Successful IMM systems need do three things: put in place strategies and systems to achieve intended outcomes, make sure that impact considerations are integrated throughout the decision-making cycle, and ensure integrity through reporting, learning and continuous improvements.”

- Matt Ripley, Head of Impact at The Good Economy

Conclusion

Conclusion

The evolution of the IMmPACT guidelines is driven by insights from comprehensive case studies, emphasising the need for transparent and verifiable frameworks in impact measurement. The challenges of greenwashing in ESG and the ambiguity surrounding claims of ethical investment underlines the necessity for accountability and authenticity in impact-driven investments. These issues illustrate the complexity of defining 'impact' within the realm of impact investing, where interpretations of the term can vary significantly. A closer examination of the sustainable outcomes intended by an investment is crucial for clarifying this definition.

Recognising these challenges, this project aims to enhance the credibility of impact investing practices by advocating for robust methodologies and participatory approaches to impact assessment. The diverse case studies conducted provide invaluable insights into effective impact measurement across various contexts, showcasing a range of methodologies that contribute to a deeper understanding of the field. These insights highlight the importance of not only quantifying impact through KPIs but also understanding the qualitative aspects of the impact created.

In response to these industry-wide challenges, this project aims to illuminate effective practices already being implemented by businesses. It highlights existing materials and frameworks within the impact investing ecosystem, showcasing efforts to address the pressing issues of our time. The inclusion of case studies, such as the detailed examination of defining 'impact,' underlines the critical need for clarity and purpose in impact investing initiatives.

The continuous refinement and enhancement of the IMmPACT guidelines, informed by practical insights and experiences, is part of the project's dedication to integrating diverse perspectives and methodologies. This approach not only showcases leading practices but also reflects the dynamic and collaborative nature of impact investing, contributing to a more accountable and transparent ecosystem.

In conclusion, the project acknowledges the myriad challenges within the impact investing landscape. By drawing on real-world examples and emphasising the importance of clear, sustainable outcomes, it strives to contribute meaningfully to the discourse on ethical investment practices, ensuring that impact investing remains a credible and effective tool for social and environmental change.

In light of these considerations, the decision to highlight specific frameworks in the subsequent section of this document was made to guide practitioners towards established, effective tools, recognising the wealth of existing methodologies, tools, and frameworks that have been developed and validated within the impact investing field.

Future Research Ideas

Ongoing Evaluation of The IMmPACT Framework

The IMmPACT framework serves as an ideal model that contributes to participatory impact measurement and management processes in impact investing. It offers an approach to evaluating and enhancing the effectiveness of investments in generating social and environmental change by including multiple stakeholders' viewpoints. However, like any theoretical model, the IMmPACT framework requires continual reassessment and refinement to remain relevant and effective. Future research can address the challenges in implementing this framework, highlighting discrepancies between the ideal and practical realities.

Overcoming Data Limitations and Application Across Diverse Realities

Data concerning impact are particularly limited at the global scale. For instance, many SMEs have limited skills and capacity to systematically collect impact information, posing significant challenges to comprehensive impact assessment. How do actors overcome this issue? Innovative methods must be developed to bridge these data gaps, enhancing the applicability and accuracy of the framework. Additionally, extending the framework to include entities like foundations—where multistakeholder approaches are usually more prevalent—is crucial. Such adaptations ensure that the framework effectively accommodates diverse multi-stakeholder environments.

Involving Beneficiaries in Decision-Making: Additional Case Studies

Future research can analyse additional best practices that involve beneficiaries in the decision-making process is crucial. By delineating specific success factors and failures, we can enhance market knowledge about impact management and refine the framework further. This not only aids in adjusting the framework to better meet the needs of varied projects but also helps in understanding how to apply these insights practically, thus increasing the overall impact of investments.

Frameworks and Guidelines

Additional frameworks and guidelines that support the activities of impact investing and complement the IMmPACT framework are detailed in the following pages.

Frameworks and Guidelines

Impact-Weighted Accounts

The Impact-Weighted Accounts (IWA) project, initiated in July 2019 and led by George Serafeim and Ethan Rouen, focused on developing accounting practices that integrate a company's social, environmental, and financial performance.

Its goal was to make a company's external impacts visible, thus influencing managerial and investment decisions. This initiative evolved into the International Foundation for Valuing Impacts (IFVI) in 2022, continuing the work of IWA with a focus on scalable, actionable, and cost-effective impact measurement. On the IWA's website, it highlights that reimagining capitalism is crucial for developing a more inclusive and sustainable economic system that benefits every individual and the planet. The current model, marked by significant environmental harm, increasing disparities in income and wealth, and widespread stress and depression despite economic growth, demonstrates the failures in how value is created and distributed. It is essential to consider the broader consequences of actions, including the impacts on human, social, and natural capital, in decision-making processes.

[Click here for more information](#)

The Impact-Weighted Accounts initiative and its subsequent evolution into IFVI introduce a pioneering approach to incorporating social, environmental, and financial performance into accounting practices. IWA and IFVI specifically target the integration of impact considerations into financial analysis and reporting. This framework aims to render a company's external impacts transparent, thereby directly influencing managerial and investment decisions based on a comprehensive view of value creation and distribution. This specificity in redefining accounting practices to include impact valuation represents a significant advancement offering a tangible methodology for assessing and displaying the financial implications of social and environmental impacts.

Frameworks and Guidelines

Governance of Impact

Esade's Governance of Impact report emphasises the governance structures required to manage impact effectively, ensuring that impact considerations are ingrained in the strategic decision-making processes of organisations.

The governance of impact within foundations is critically important, guiding how boards and executive leadership, with support from staff, make decisions to further their mission. The study conducted by Esade Centre for Social Impact delves into governance practices. According to the executive summary, governance of impact extends beyond the realm of boards. Although boards play a crucial role, they represent just a part of the broader narrative. Effective impact governance occurs when the entire organisation participates, facilitating the flow of learning and knowledge throughout the hierarchy of decision-making. This ensures that informed decisions are made at various levels, including the program, senior management, and board levels. This was explored in a report by Buckland, Hehenberger, Osoro, and Held, funded by Bertelsmann Stiftung, Fondation Daniel et Nina Carasso, King Baudouin Foundation, and Laudes Foundation, among others.

[Click here for more information](#)

The Governance of Impact, as highlighted in Esade's report, emphasises the necessity of embedding impact considerations within the strategic decision-making processes at the organisational level. It focuses on the internal governance structures required for effective impact management. This framework, primarily designed for foundations, addresses the operational and strategic dimensions of integrating impact considerations, outlining the need for dedicated governance mechanisms to ensure that impact objectives are central to an organisation's operational and strategic decisions. Although specifically crafted for foundations, the insights and learnings from this framework can be beneficially applied across various types of organisations. This detailed focus on governance structures provides a concrete blueprint for operationalising impact considerations within organisations, suggesting a versatile application of its principles beyond its initial scope.

Frameworks and Guidelines

The Impact Term Sheet

The Impact Term Sheet by Lisi serves as a tool for aligning expectations and commitments related to impact objectives between investors and businesses, ensuring clarity and mutual understanding in pursuit of social and environmental goals.

The Impact Term Sheet, introduced to streamline and clarify the investment process for impact investing, celebrated its first year with enhancements in 2023, incorporating feedback to better align legal processes with impact goals. It received the “Gouden Zandloper” Award, recognising its contribution to ESG practices. The term sheet facilitates more impactful investments through a collaborative approach, continuously updated to reflect market and research advancements. It includes resources, stewardship models, and regulatory guidance to maximise impact, supported by a multidisciplinary research project aiming to blend technology, law, and design for impactful legal frameworks.

[Click here for more information](#)

The Impact Term Sheet introduces a practical tool for aligning the expectations and commitments of investors and businesses regarding impact objectives. This tool transcends the general focus of the IMmPACT guidelines by offering a specific legal instrument designed to clarify and mutually understand impact goals in investment transactions. It provides a structured approach to ensuring that impact considerations are explicitly addressed and agreed upon in investment agreements, facilitating a clear pathway for the integration of social and environmental goals into the investment process.

Frameworks and Guidelines

Lean Data Approach

Featured in the Stanford Social Innovation Review, the Lean Data approach emphasises the use of lightweight methods to gather impactful data, prioritising speed and efficiency without sacrificing accuracy—ideal for continuous feedback and adaptive learning.

The Lean Data approach, championed by Acumen, simplifies impact measurement for social enterprises. By utilising lean design principles, it enables the collection of high-quality impact data quickly and cost-effectively. Highlighting a case study with Ziqitza Health Care Limited, this method proved its efficacy in gathering actionable insights into customer demographics and service reach. Lean Data emphasises efficiency, speed, and value creation over traditional reporting, demonstrating that rigorous impact assessment can be both affordable and instrumental in guiding strategic decisions and improving operations.

[Click here for more information](#)

The Lean Data approach presents a methodology for collecting impactful data that prioritises speed, efficiency, and adaptability without compromising accuracy. While the participatory guidelines advocate for a systemic and multistakeholder approach to impact measurement, the Lean Data approach offers a specific, agile methodology for data collection. It emphasises the use of lightweight, tech-enabled methods to gather data rapidly and effectively, facilitating continuous feedback and adaptive learning. This approach enables organisations to quickly respond to data insights and adjust their strategies accordingly, highlighting a flexible and responsive method of impact measurement that complements the broader systemic view promoted by the IMmPACT participatory guidelines.

Other Relevant Resources

EVPA Practical Guide to Venture Philanthropy and Social Impact Investment

The European Venture Philanthropy Association (EVPA) published a practical guide to Venture Philanthropy (VP) and Social Impact Investment. The publication combines the learnings and experiences of practitioners across Europe and the results of several years of EVPA research, giving you access to everything you need to know about setting up and running a VP organisation or social impact investment fund. This Guide is valuable for anyone looking to understand the venture philanthropy approach or interested in starting their own venture philanthropy or social impact investment fund.

[Click here for more information](#)

The objective of this guide is to support startup or early-stage Venture Philanthropy Organisations in Europe by offering insights into effective practices within the European setting, acknowledging the diversity that exists at the level of individual countries. A glossary at the document's conclusion defines the key terms used throughout the report.

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Appendix 1

Glossary

| KEYWORD | DEFINITION | SOURCE |
|------------------------------|---|------------------------|
| Social Impact | The attribution of an organisation’s activities to broader and longer-term outcomes, which are in turn defined as the changes, benefits, learnings, or other effects (positive or negative, both long and short term) that result from an organisation’s activities. In academic terms, to accurately calculate social impact outcomes should be adjusted for: (i) what would have happened anyway (deadweight); (ii) the action of others (attribution); (iii) how far the outcome of the initial intervention is likely to be reduced over time (drop off); (iv) the extent to which the original situation was displaced elsewhere or outcomes displaced other potential positive outcomes (displacement); and for unintended consequences, which could be negative or positive. | EVPA |
| Social Value | Social value is the quantification of the relative importance that people place on the changes they experience in their lives. Some, but not all of this value is captured in market prices. It is important to consider and measure this social value from the perspective of those affected by an organisation’s work.. | Social Value UK |
| Social Risk | Social risk is the risk related to the achievement of the intended social impact. Concretely, social risk considerations are given by the risk of: not achieving the desired social impact; achieving unexpected impact different from the one aimed at; achieving positive social impact but with unintended negative consequences; achieving unexpected negative impact. | EVPA |
| Impact Investing | Impact investments are investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return. Impact investments can be made in both emerging and developed markets, and target a range of returns from below market to market rate, depending on investors’ strategic goals. | GIIN |
| Impact Strategy | An impact strategy represents the way in which an investor codifies its own social impact investing activity along three axes: social impact, financial return and risk associated with the achievement of both the social impact and the (eventual) financial return. EVPA identifies two main impact strategies: investing for impact and investing with impact. | EVPA |
| Investing for impact | Strategy followed by investors that adopt the venture philanthropy approach to support social purpose organisations, maximising their social impact. Their support is mostly non-financial (e.g. adding expertise in impact measurement within an organisation) | EVPA |
| Investing with impact | Strategy used by investors that have access to large pools of resources and need to guarantee a certain financial return alongside the social impact they aim at generating | EVPA |

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|---------------------------|---|---|
| Impact measurement | The commitment of the investor to measure and report the social and environmental performance and progress of underlying investments, ensuring transparency and accountability while informing the practice of impact investing and building the field | GIIN |
| Impact management | Monitoring the change created by an organisation's activities, and using the information/data to refine activities in order to increase positive outcomes and reduce potential negative ones (based on measurement). | Adapted from EVPA |
| Impact reporting | Once the data has been collected and analysed, an organisation needs to consider how to present and share this information. Depending on the stakeholders to whom an investor for impact is reporting, different formats will be required. Investors for impact report to funders on ad-hoc basis and usually make an extensive review yearly, which may be included in an impact report to be shared widely. | EVPA |
| Impact washing | It is when fund managers or bond issuers overstate or falsely claim an investment's positive impact on the environment or society. This can be a purposefully dishonest claim, an embellishment of the truth, or a mistake due to inadequate impact measurement | Harvard Business Review (Cote, 2022) |
| Baseline | The baseline is the initial collection of data that describes the state of development of the social purpose organisation when the investor for impact starts investing in it. The baseline serves as a basis for comparison with the subsequently acquired data on the development of the social purpose organisation. | EVPA |
| Beneficiaries | The people, communities, broader society and environment that a social purpose organisation seeks to reach through its activities. Beneficiaries can be affected positively or negatively by the activities of the social purpose organisation. Beneficiaries can be divided into direct and indirect or primary and secondary, depending on their relation with the benefits. | EVPA |
| Double materiality | Financial materiality and impact materiality, together under the umbrella of 'double materiality', are the only relevant forms of materiality, with both perspectives needed in a two-pillar structure - for financial and sustainability reporting - with a core set of common disclosures and each pillar on an equal footing. | GRI |
| Materiality | An assessment made to determine the factors that are relevant, significant and material to include in a true account of the organisation's impact | EVPA |

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| <p>Additionality</p> | <p>An intervention will lead, or has led, to effects which would not have occurred without it. In the impact context, it refers to achieving positive outcomes that are better than what would have happened without the investment. Additionality may result from: growth of new or undersupplied capital markets; provision of flexible capital, accepting disproportionate risk-adjusted returns; active engagement providing a wide range of non-financial services</p> | <p>EVPA</p> |
| <p>Intentionality</p> | <p>An investor's explicit intention to have a positive social or environmental impact</p> | <p>GIIN</p> |
| <p>Short, medium and long term horizon</p> | <p>We consider a period of time: Short: 1-2 years; Medium: 2-5 years; Long: 5-10+ years</p> | <p>Authors' elaboration</p> |
| <p>Stakeholder</p> | <p>Any party that is affecting or affected by the activities of an organisation. The most prominent stakeholders are the direct or target beneficiaries, though stakeholders as a group also includes the organisation's staff and volunteers, its service-users and investees, its suppliers and purchasers and most likely the families of beneficiaries and those close to them, and the communities in which they live.</p> | <p>EVPA</p> |

Appendix 2

IMM Tools

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| B Corp Certification | <p>The B Corp Certification indicates that a company is adhering to strict performance, accountability, and transparency criteria in areas such as employee perks, charity giving, supplier chain processes, and input materials. Focus: Certification Source: bcorporation.net</p> |
| B Impact Assessment | <p>The B Impact Assessment provides a score to measure a company's social and environmental performance, both as a whole and in key impact areas. The scoring within the B Impact Assessment is designed to enable comparability and to identify and monitor opportunities for improvement over time. Focus: Measurement, management, and reporting Source: bimpactassessment.net</p> |
| CERISE Social Business Scorecard | <p>The Social Business Scorecard serves as a self-evaluation instrument designed for social businesses, enabling them to gauge their performance in relation to key principles essential for a socially focused organisation. Focus: Measurement and management Source: cerise-spm.org</p> |
| EVPA's Practical Guide to Planning and Executing an Impactful Exit | <p>This guide includes a five-step action plan for impact investors planning an exit. It explores all the issues and decisions VP/SI and SPO professionals need to consider and decide when developing and executing a social impact exit. Focus: Management Source: evpa.ngo</p> |
| EVPA Five-Step Process | <p>The EVPA Five-Step Process provides guidance on how to implement impact measurement in five easy-to-understand steps. Focus: Measurement and management Source: evpa.ngo</p> |
| FTSE Russell's ESG Ratings | <p>The FTSE Russell's ESG Ratings' objective is to comprehend a company's exposure to and management of ESG concerns. They are made up of an overall Rating that is broken down into underlying Exposures and Scores for Pillar and Theme. The Pillars and Themes are based on more than 300 distinct indicator analyses that are tailored to the conditions of each firm. Focus: Management and rating Source: ftserussell.com</p> |

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| GIIRS (Global Impact Investing Rating System) | <p>The GIIRS assesses the social and environmental impact of companies and investment portfolios, providing a rating similar to Morningstar’s investment ratings or S&P credit ratings. Focus: Measurement and certification Source: authors’ elaboration</p> |
| GRI (Global Reporting Initiative) Standards | <p>GRI standards allow any organisations to understand and report on their impact on the economy, the environment and people in a comparable and credible way, thereby increasing transparency on their contribution to sustainable development. Focus: Measurement, management, and reporting Source: globalreporting.org</p> |
| Impact-Weighted Accounts (IWA) | <p>Harvard’s IWA is a tool aimed at driving the creation of financial accounts that reflect not only a company’s financial performance, but also the social and environmental one. Focus: Measurement and monetisation Source: authors’ elaboration</p> |
| IFC’s Risk Culture, Risk Governance, and Balanced Incentives Handbook | <p>This handbook analyses how risk culture, governance and incentive mechanisms within financial institutions influence risk management effectiveness and capacity, with the aim of providing new insights for financial institutions in emerging markets, by defining specific factors that are indicators of culture, governance and incentives in an effective risk management framework, establishing a “maturity matrix” to compare these factors and identifying gaps. Focus: Management Source: ifc.org</p> |
| Impact Frontiers’ Five Dimensions of Impact | <p>The Five Dimensions of Impact framework developed by Impact Frontiers (previously Impact Management Project) help enterprises, investors, and fund managers in understanding the portfolio’s and individual investments’ impact performance. Focus: Internal management Source: authors’ elaboration</p> |
| Impact Measurement - A practical guide to data collection by CDC Group | <p>This document offers an introduction of the tools and techniques for efficient and well-designed data gathering for impact assessment and management to investors, corporations, and private sector development practitioners. Focus: Measurement and management Source: assets.cdcgroup.com</p> |

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|---|---|
| Impact Risk Classification (IRC) | <p>The Impact Risk Classification (IRC) is a framework that enables comparison of impact practices across investments, setting out standards of impact measurement and reporting and encouraging impact reporting transparency.</p> <p>Focus: Management Source: thinknpc.org</p> |
| IRIS & IRIS+ by GIIN (Global Impact Investing Network) | <p>IRIS metrics are designed to measure the social, environmental, and financial performance of an investment. IRIS+ provides guidance and key metrics (performance indicators) to support the use of reliable and comparable impact data.</p> <p>Focus: Measurement, management, and reporting Source: betterevaluation.org</p> |
| MSCI ESG Ratings Methodology | <p>The MSCI ESG Ratings Methodology documents describe the calculations, data inputs, and processes followed by MSCI ESG Research to maintain ESG methodologies.</p> <p>Focus: Management Source: msci.com</p> |
| Refinitiv ESG Scores | <p>Based on publicly accessible and auditable data, Refinitiv ESG ratings are intended to clearly and impartially assess a company's relative ESG performance, commitment, and effectiveness across 10 key areas.</p> <p>Focus: Measurement Source: refinitiv.com</p> |
| SASB (Sustainability Accounting Standards Board) | <p>SASB has developed a complete set of 77 industry standards, providing a complete set of globally applicable industry-specific standards which identify the minimal set of financially material sustainability topics and their associated metrics for the typical company in an industry. The standards are explained graphically through a Materiality Map.</p> <p>Focus: Rating Source: authors' elaboration</p> |

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| SDG Impact Standards | <p>The SDG Impact Standards are voluntary internal management standards designed to help businesses and investors embed sustainability and the SDGs into their management systems and decision-making practices. Focus: Internal management Source: sdgimpact.undp.org</p> |
| SDGs Targets and Indicators | <p>SDGs' targets and underlying indicators provide an overview of all the 17 Sustainable Development Goals; each Goal has some targets to achieve, which can be measured through the respective indicators. Focus: Measurement and reporting Source: authors' elaboration</p> |
| SROI | <p>SROI, which stands for Social Return on Investment, is a framework used to evaluate and quantify the social impact of an investment or intervention. Unlike traditional ROI, which focuses solely on financial returns, SROI takes into account the broader social and environmental benefits generated. The SROI process involves identifying and measuring the outcomes, assigning financial values to those outcomes, assessing the impact, and calculating the ratio of social value created to the cost of the investment. It enables organisations and investors to better understand and communicate the social value they create, facilitating informed decision-making and resource allocation. Focus: Measurement, management and reporting Source: authors' elaboration; betterevaluation.org/methods-approaches/approaches/social-return-investment</p> |
| Sustainalytics ESG Risk Rating | <p>The ESG Risk Ratings from Sustainalytics are created to assist investors in identifying and comprehending financially significant ESG risks at the securities and portfolio level. To this purpose, the ESG Risk Rating quantifies an issuer's exposure to significant, sector specific ESG risks as well as how those risks are managed. Focus: Management and rating Source: connect.sustainalytics.com</p> |
| Theory of Change | <p>A Theory of Change is a thorough explanation of how and why a desired impact is expected to occur in a specific setting. It achieves this by first defining the intended long-term objectives, then working backward from these to determine all the prerequisites (outcomes), together with their causal relationships, that must be met in order for the goals to materialise. Focus: Measurement and management Source: authors' elaboration</p> |
| The Impact Due Diligence Guide by PCV | <p>This report summarises the results of interviews with leading practitioners, IMM experts and consultants, and is based on extensive desk research on the development of impact due diligence systems for impact products. It uses the Impact Frontiers' 5 dimensions for understanding and assessing impact. Focus: Measurement and management Source: pacificcommunityventures.org</p> |

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