LIVE WEBINAR

IMPACT MEASUREMENT

MISSION INVESTORS EXCHANGE

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07/13
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There will be a survey at the end of the webinar. Your feedback will help us to better our programming.

This webinar is being recorded

We are live tweeting from @MissionInvest & #MIElive!
03

SPEAKERS

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SETTING THE STAGE
Provide an overview of impact investment measurement language and approaches

IMPACT MEASUREMENT JOURNEYS
Through examples, inspire foundations to identify and employ the most relevant measurement tools

TODAY'S PLAN

GLOBAL TRENDS
Build awareness of global efforts to develop conventions of measurement

Q & A
Answer some questions you have posed
CLARIFYING DEFINITIONS FOR MEASUREMENT

**MEASUREMENT**
set of procedures and principles for how to track or assess relevant data (e.g., inputs, outputs, performance or impact)

**EVALUATION**
systematic assessment of worth or merit to further learning, improvements, and accountability

**METRICS**
measures of assessment used to track data

**OUTPUTS**
services and products generated by interventions (e.g., investments, programs, initiatives, projects)

**OUTCOMES**
intended changes in the lives of individuals, communities or systems that result from interventions
MEASUREMENT CAN APPLY TO ANY OF THESE IMPACT INVESTING APPROACHES

RESPONSIBLE INVESTING
NEGATIVE SCREENS
E.G., SOCIAL RESPONSIBLE INVESTING

SUSTAINABLE INVESTING
POSITIVE SCREENS
E.G., ENVIRONMENTAL, SOCIAL AND GOVERNANCE FACTORS

THEMATICAL INVESTING
TARGETED IMPACT OPPORTUNITIES
E.G., PROGRAM-RELATED INVESTMENTS, MISSION-RELATED INVESTMENTS
# Measurement and Evaluation in Philanthropic Grantmaking and Impact Investing

<table>
<thead>
<tr>
<th>Philanthropy Grantmaking</th>
<th>Impact Investing</th>
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<tbody>
<tr>
<td>Typical reasons for measurement</td>
<td>Typical reasons for measurement</td>
</tr>
<tr>
<td>• Strategic, effective philanthropy</td>
<td>• To make data-driven decisions</td>
</tr>
<tr>
<td>• To understand and improve the impact of interventions</td>
<td>• To align with fiduciary duty and desired financial and social impacts</td>
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<tr>
<td></td>
<td>• To make the case for strategic value of program</td>
</tr>
<tr>
<td>What is currently measured?</td>
<td>What is currently measured?</td>
</tr>
<tr>
<td>• Changes in lives, practices, policies, systems, and conditions</td>
<td>• Primarily financial return</td>
</tr>
<tr>
<td></td>
<td>• Outputs</td>
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</table>
WHY MEASUREMENT LOOKS DIFFERENT IN GRANTMAKING VS. INVESTING?

- The disciplinary backgrounds of decision makers in each of these areas often have different perspectives about data and measurement.

- Impact investing measurement is often based in investment or social investment offices of foundations.

- The field of Measurement has been more focused on grantmaking than on impact investing (that is changing).

- Within foundations, effective philanthropy efforts have been focused more on impact measurement for grants than impact investments.
VALUE PROPOSITION: WHY IS MEASUREMENT IMPORTANT?

- To build an evidence base about the effectiveness of impact investing's contribution to impact

- To be transparent, and to play a lead role in underscoring the importance of maintaining the impact in impact investing

- To manage the risk of negative and unintended consequences - understanding impact in more complex terms

- To align programmatic and financial objectives
FOUR TYPES OF APPROACHES TO MEASUREMENTS

THE TWO MOST COMMON APPROACHES ARE MONITORING FOCUSED:

- Use of Standard Metrics for reporting (mainly outputs)
- Performance Monitoring to assess outcomes

THERE IS AN INCREASED PRESENCE OF EVALUATIVE METHODS:

- Rigorous Outcome and Impact Measurement
- Systems Analysis
1. STANDARD METRICS

EXEMPLARY

- Negative and positive screens
- Impact Reporting Investment Standards (IRIS)
- Global Impact Investing Rating System (GIIRS)
- Environmental, Social and Governance (ESG)

- Primarily geared toward indicators for an organization's finance, social, environmental, and governance performance.

- The most prevalent approach to measurement among impact investors, standards are often used to demonstrate and compare impact in a unified way.
2. PERFORMANCE MONITORING

EXAMPLES

- Lean Methods: Acumen, USAID LEO Project
- Numerous Foundation PRIs
- Threshold: Tracking across entire portfolio activation

- Tracking targets or benchmarks longitudinally.
- Performance monitoring functions as both accountability and learning that can inform decisions and actions in real time.
3. RIGOROUS OUTCOME & IMPACT EVALUATION

EXAMPLES

- Invest Northwest
- The Abdul Latif Jameel Poverty Action Lab (J-PAL)
- Australian Government Investing in Women Initiative
- Rockefeller grants to electricity infrastructure in rural India

- Arises out of recent convergence of professional evaluation and impact investment efforts

- Includes variety of approaches including case studies, experimental and quasi-experimental, big data, and outcomes studies.
4. MARKET SYSTEMS ANALYSIS

EXAMPLES

- USAID LEO Project (Network Analysis)
- Humanity United (Supply Chains)
- Omidyar Network (Ecosystem Investing)

- Ecological approach that incorporates system elements in addition to outcomes and impacts.
SETTING THE STAGE
Provide an overview of impact investment measurement language and approaches

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Through examples, inspire foundations to identify and employ the most relevant measurement tools

TODAY’S PLAN

GLOBAL TRENDS
Build awareness of global efforts to develop conventions of measurement

Q & A
Answer some questions you have posed
HAWAI‘I COMMUNITY FOUNDATION

- Statewide community foundation
- Established in 1916
- Offices on O‘ahu, Maui, Kaua‘i and Hawai‘i Island
- Steward for 700+ funds
- Administers $572M in assets
- Awarded $47M in grants and contracts in 2016
- 70 staff
PURPOSE OF MEASUREMENT AND INTENDED USES

MEASURING RESULTS IN ORDER TO ASSESS:

- Progress of social change we are trying to achieve
- Decisions or comparisons of different investment options
- Overall impact of the strategy and portfolio (not simply individual investments)
- Impact of multiple investments in the same place (community foundations)
- “Making the case” to other investors; attracting skeptical investors
- Reduction of risk for other investors
- Influence and changes in the financial system
- Changes in local financial capacity and ability to source and deploy capital
OTHER SYSTEM RESULTS

**IMPACT** changes in lives and conditions of people and places

**INFLUENCE** changes in behaviors, organizations and systems, policies, capacities, social norms and awareness

**LEVERAGE** changes in resources

**LEARNING** intentional changes in knowledge
OMICDYAR NETWORK AT A GLANCE

OPERATIONS
~120 employees across 6 offices (Silicon Valley; Washington DC; London; Mumbai; Bangalore; Johannesburg)

FLEXIBLE CAPITAL
For-profit and nonprofit as complementary

SECTOR-BASED APPROACH
Education, Emerging Tech, Financial Inclusion, Governance & Citizen Engagement, and Property Rights

LEVERS
Financial capital, Human capital, Intellectual capital, Network capital

IMPACT
> 1 billion lives touched

COMMITMENTS
$1.1 billion +
Total amount committed since inception

$523 million
For-profit investments since inception

$581 million
Non-profit grants since inception
OMIDYAR NETWORK: IMPACT FRAMEWORK
OMIDYAR NETWORK: IMPACT FRAMEWORK

HIGH DIRECT IMPACT

- 50 million customers
- Africa, India, Southeast Asia
- Creating safety nets
- Traction among incumbents

HIGH SECTOR IMPACT

- Over 50 members
- G20, WEF, UN, World Bank Agendas
- Policy changes in India, Peru, Colombia, and others
OMIDYAR NETWORK: EXTERNAL VALIDATION

DIRECT IMPACT

LEAN DATA
- Quick cost-efficient methodology
- We hear directly from end users
- Helps portfolio companies improve

SECTOR IMPACT

FORMAL EVALUATION
- Rigorous retrospective review to determine our contribution to a sector
- Various methodologies grounded in a systems approach
Sonen Capital is an investment management and advisory firm dedicated to serving the impact investment field.

MISSION: To deliver financially competitive investment solutions with meaningful impact and exceptional client service.

- Founded in 2011
- $450M in AUM
- Foundations & Family Offices
- Pooled investment strategies
- Customized impact solutions
- 13 employee owners

WE BELIEVE THAT INVESTMENT CAPITAL CAN HELP MEET LARGE-SCALE GLOBAL CHALLENGES
## UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

Testing Alignment with Proposed Impact Indicators from Inter-Agency and Expert Group on Sustainable Development Goal Indicators (IAED-SDGI)

<table>
<thead>
<tr>
<th>Relevant Targets</th>
<th>Relevant Indicators</th>
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<tbody>
<tr>
<td><strong>7.2</strong>&lt;br&gt;By 2030, increase substantially the share of renewable energy in the global energy mix</td>
<td><strong>7.2.1</strong>&lt;br&gt;Renewable energy share in the total final energy consumption</td>
</tr>
<tr>
<td><strong>7.3</strong>&lt;br&gt;By 2030, double the global rate of energy intensity improvement</td>
<td><strong>7.3.1</strong>&lt;br&gt;Energy intensity measured in terms of primary energy and GDP</td>
</tr>
</tbody>
</table>
SDG 7: CLEAN ENERGY IMPACT INDICATORS

**SDG 7 Impact Indicators**

7.2.1  Renewable energy share in the total final energy consumption

7.3.1  Energy intensity measured in terms of primary energy and GDP

**Impact Data**

- MWh Produced
- Total Installed Renewable Capacity
- Proportion of National Grid Powered by Renewables
## Outcomes-Based Impact Reporting

<table>
<thead>
<tr>
<th>Impact Outcome</th>
<th>Definition</th>
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</table>
| **Sustainability** | » Environmental infrastructure and natural assets that promote resource optimization and the conservation of limited natural resources  
 » Satisfying essential human and ecological needs amidst growing demand for natural resources, food, energy and growing urbanization alongside an ever-increasing global population |
| **Efficiency** | » Infrastructure, technologies and services that optimize the use of limited natural resources  
 » Meeting the growing demand for energy and natural resources while continually decreasing the impact and footprint of the use of these resources |
| **Renewability** | » Expanded availability of renewable energy sources as part of the growing global demand for electricity and related infrastructure, particularly in emerging market economies, where demand will be greatest.  
 » Increased use of recycled and repurposed materials and resources to reduce waste and require fewer raw materials for production |
| **Restoration** | » Protected land and water resources from the pressures of population growth and urbanization  
 » Increased global stock of natural ecosystems providing vital ecosystem services for the climate and for current and future generations |
# IMPACT FRAMEWORK AND MEASUREMENT

<table>
<thead>
<tr>
<th>Sector</th>
<th>Core Impact Indicators</th>
<th>Supplemental Impact Indicators</th>
<th>International Standards Possible Certification</th>
</tr>
</thead>
</table>
| **Clean Power**         | › MWh generated through renewable sources  
› GHGs offset through renewable production (tons)  
› Geographic location and type of renewable energy source                                                                                                                                                   | › Number of people with new access to clean power  
› Clean power beneficiaries, by income strata or geographic region                                                                                                                                                 | › Gold Standard for carbon mitigation projects  
› Project Protocol accounting standard  
› Geography-specific renewable energy portfolio standards                                                                                                                                                           |
| **Sustainable Timberland** | › Total land area under sustainable management  
› Trees planted (native species)  
› Units/Volume of sustainable timber sold                                                                                                                                                                          | › Ecological Restoration Management Area (Ha) including streams  
› Ecosystem services  
› Jobs maintained at supported enterprises                                                                                                                                                                    | › FSC Certification  
› Programme for Endorsement of Forest Certification (PEFC)                                                                                                                                                                                                               |
| **Green Real Estate**   | › Energy saved/conserved (KWh) via property improvements  
› Total area with energy efficiency improvements (ft²)  
› % of property with sustainable certifications                                                                                                                                                            | › Percent of properties located in low-income geographies/census tracts, or providing services to disadvantaged populations (e.g. elderly, low-income)  | › LEED Certification  
› Energy Star Certification  
› National Green Building Standard (US)                                                                                                                                                                       |
REAL ASSETS: CLEAN POWER

- NORTH AMERICA: 1,712,794 MWh Solar & Wind
- UGANDA, AFRICA: 145,540 MWh Hydroelectric
- Total Reduction in GHG Emissions: 1,181,051 Metric Tons
- Number of People with Access to Clean Power: 435,100 People
- People: 366,366 People
REAL ASSETS: SUSTAINABLE TIMBER
REAL ASSETS: GREEN REAL ESTATE

<table>
<thead>
<tr>
<th>Location</th>
<th>Total Area with Energy Efficiency Improvements</th>
<th>Percent of Properties with Sustainable Certifications</th>
<th>Total Number of Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>92,657 m²</td>
<td>100%</td>
<td>433 Units</td>
</tr>
<tr>
<td>South Africa, Africa</td>
<td>38,514 m²</td>
<td>61%</td>
<td>1,209 Units</td>
</tr>
</tbody>
</table>

Source: Managers
All impact indicators are IRIS compliant
PERCEIVED BARRIERS TO MEASUREMENT

1. COST
Data collection and outside consulting is too expensive

2. LIFE CYCLE
Life cycle of investments are aligned with different measurement needs (Seed, Early Stage, Growth, Maturity)

3. TYPE
Variety in type of investment (e.g. private equity, public equity, debt)

4. COMPLEXITY
Outputs end up serving as proxy

5. EDUCATION
Unfamiliarity with innovative methods

6. PERCEIVED RELEVANCY
Lack of demand from leadership
GLOBAL TRENDS
Build awareness of global efforts to develop conventions of measurement
GLOBAL TRENDS

EXAMPLES:

- GIIN's “living map” database that will highlight best in class impact measurement & management (IMM) tools and initiatives

- World Economic Forum’s Action Agenda to create a knowledge hub for evidence

- Impact Management Project’s norming on impact goals
# Impact Management Project

<table>
<thead>
<tr>
<th>DATA</th>
<th>ANALYSIS</th>
<th>ASSESSMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Type of outcome(s)</td>
<td>What outcomes does the effect relate to, and how important are they to people (or planet) experiencing it?</td>
<td>Important negative outcome(s) Neutral outcome(s) Important positive outcome(s)</td>
</tr>
<tr>
<td>2. Depth of effect in time period</td>
<td>How much of the effect occurs in the time period?</td>
<td>Marginal effect Deep effect</td>
</tr>
<tr>
<td>No. of people affected in time period</td>
<td>Small scale Large scale</td>
<td></td>
</tr>
<tr>
<td>Time period effect lasts for</td>
<td>Short-term Long-term</td>
<td></td>
</tr>
<tr>
<td>3. Demographic data</td>
<td>Who experiences the effect and how underserved are they in relation to the outcome?</td>
<td>Well-served Underserved</td>
</tr>
<tr>
<td>Environmental data</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Geographic data</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Benchmarked performance across who, what, how much</td>
<td>How does the effect compare and contribute to what is likely to occur anyway?</td>
<td>Much worse than what is likely to occur Much better than what is likely to occur</td>
</tr>
<tr>
<td>5. Risk factors, e.g. evidence risk</td>
<td>Which risk factors are material and how likely is the outcome different from the expectation?</td>
<td>Low risk High risk</td>
</tr>
</tbody>
</table>
BREAKTHROUGHS

- **New conventions** for measurement situate it as a means for managing toward impact throughout the life cycle of investments and portfolios (Impact Management Project)
- **Early focus on indicators** is evolving to linking strategy and outcomes to intended impacts based on evidence (Navigating Impact - a GIIN initiative)
- **Customer/beneficiary voice** is becoming more relevant to measurement process (World Economic Forum)
- **Public sector and private sector** are developing measurement conventions together with the explicit goal of transparency (Organisation for Economic Co-operation and Development - OECD)
- **Multi-stakeholders** have become engaged together in defining impact and elevating the impact in impact investing
SETTING THE STAGE
Provide an overview of impact investment measurement language and approaches

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Q & A
Answer some questions you have posed
Q & A

• We received over 70 questions!

• Themes included:
  • What is the case for measurement vs cost and burden
  • Establishing measures
  • Finding resources
  • Comparing impact of impact investments with impact of grants
  • Need for different tools (e.g., for grants vs loans vs equity investments)
  • When impact measures are not met
  • Community-wide impact measurement efforts
UPCOMING EVENTS

MIE at SOCAP
October 10-13, 2017
San Francisco, CA

2018 National Conference
May 14-16, 2018
Chicago, IL
THANK YOU FOR ATTENDING!
IF YOU ARE NOT ALREADY A MEMBER, PLEASE CONSIDER JOINING THE MISSION INVESTORS EXCHANGE COMMUNITY TODAY.

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