

The following impact measurement guidelines were developed by a Working Group on Impact Measurement, launched as part of the G8 Social Investment Taskforce at the G8 Summit in London, 2013. The guidelines outline impact measurement best practices for impact investors and the “impact organizations” (i.e., investees) they work with. The *Guidelines for Good Impact Practice* were developed to be practical in nature, broadly applicable, adaptable to the unique goals and internal/external context in which an investor operates, and – importantly – designed to be applicable at a portfolio, deal, and enterprise level. To bring the “interplay” between these three levels to life, and to signal the continuous and non-linear process in which the guidelines need to be applied, notable interactions have been called out where applicable. With this, it is important to note that there will be variations in the sequence and timing of the guidelines’ implementation depending on the level at which they are being applied, and on the specific activities of investee and investor. However, the overall measurement process and best practices provided will maintain their relevance in any context. This work builds significantly on the work of the EVPA and aligns with recently adopted European Standard for Social Impact. For more information, please read the accompanying report *Measuring Impact*.

	Guideline	Why it Matters	Case-in-Point	Steps to Apply
PLAN	<p>Set Goals</p> <p>A clear investment thesis and/or Theory of Value Creation (ToVC) forms the basis for strategic planning and ongoing decision-making, provides guidance for sourcing and due diligence, and serves as a reference point for performance throughout the life of an investment</p>	<p>Goal setting not only establishes a purpose, but also facilitates decision-making about when to take an investment action (and why) and helps stakeholders gauge progress</p>	<p>Bridges Ventures, an impact investing fund manager, established four outcome themes across its funds (essentially, impact goals for their portfolio), which it uses to identify specific investments that can deliver the same impact objectives as the outcome themes.</p>	<p>Articulate the difference you seek to make</p> <ul style="list-style-type: none"> Define an impact investment thesis and/or define a theory of value creation (ToVC); ensure the resulting investment approach is proportionate, in terms of strategy and resources, to the impact it intends to create Identify key stakeholders and determine accountability across the ToVC Identify any positive or negative changes on the environment or on society that result from the investment or the investee’s business activities - involve appropriate stakeholders in gaining this understanding Decide which changes will be considered material, and will therefore be disclosed, to key stakeholders, to other users of the information, and for the subject matter Define the social/environmental and financial performance goals for the investment; ensure that these goals are aligned with stakeholder considerations, including the business strategy and operational model of the investees Be specific about whether goals are to be achieved at the ecosystem or enterprise level Involve stakeholders in identifying any risks to achieving stated goals, in particular those risks that may affect capital allocated to the investee, and communicate these risks to stakeholders
	<p>Develop Framework & Select Metrics</p> <p>An effective impact framework outlines how specific metrics are used across the entire impact measurement process; it includes metrics and a description of the logic for how they are applied to the portfolio. It also acknowledges the needs and perspectives of various stakeholders</p>	<p>Framework development and metrics selection outline the critical step of determining which data which will be collated, aggregated, viewed, analyzed, and used in decision-making</p>	<p>Social Finance US and New York State designed the Social Impact Bond (SIB) evaluation framework around relevant and measurable metrics; this framework enabled investors to be financially rewarded directly on social outcomes, and thus facilitated the flow of capital to the activities supporting social change</p>	<p>Determine what metrics you will be holding yourself accountable against</p> <ul style="list-style-type: none"> Evaluate the baseline impact of the investee business model and of its operations, following an appropriate and recognized assessment system Develop a logical framework for impact measurement that is based on goals, assesses both positive and negative impacts, and informs sound analysis and data organization Use a recognized metrics language where possible to facilitate broadly understood performance analysis; when appropriate, focus on those metrics that enable investment comparisons for analogous investments Select meaningful metrics that align to investor goals and investee business models, taking into account what is proportionate and material; engage stakeholders to ensure that metrics make sense to them Set appropriate baseline and/or counterfactual metrics as feasible
DO	<p>Collect & Store Data</p> <p>Efficient and effective data collection, and management of performance data, takes into account the necessary information technology, tools, resources, human capital, and methods used to obtain and keep track of data. It is also differentiated by distinct actors in the process.</p>	<p>Data collection and storage best practices are critical for reducing data reporting burdens and enabling an auditable paper trail; they also ensure data integrity and enabling reporting</p>	<p>One Acre Fund (OAF), a social enterprise that works with small share-holder farmers in rural East Africa, collects data through a network of M&E agents who survey program farmers and comparison farmers and weigh a portion of each group’s harvests to determine their impact on program farmers’ yields. These agents bring, and safely store the data, in their field offices and their headquarters. One Acre’s data collection methods enable it to conduct thorough analyses of its work and identify when, and where, it is not achieving its intended impact.</p>	<p>Collect and store the data you need to determine your progress</p> <ul style="list-style-type: none"> Collect data in a timely and systematic manner; store and safeguard data appropriately Ensure data requests align with investees’ day-to-day operational processes and are complementary to investees’ business information needs Ensure data completeness and quality throughout (See also “Validation” guideline)
	<p>Validate Data</p> <p>A complete and transparent presentation of results includes sufficient information (to cross check calculations and assumptions against known data sources) and also provides an audit trail</p>	<p>The practice of validating data provides confidence in the quality of data, the ability to review processes involved, and the ability to check any calculations that have been performed</p>	<p>Oikocredit validates its impact data at multiple levels. Regional managers validate country data before sending it along to their global office, where a team validates the data again before approving it for analysis. These validation procedures ensure reliable data for Oikocredit to work from as it assesses social performance across its portfolio.</p>	<p>Validate if the data that you collected is of sufficient quality</p> <ul style="list-style-type: none"> Check data for completeness, quality, and integrity, and engage key stakeholders in doing so to ensure joint accountability Integrate peer review and assurance services where measurement goals require greater levels of validation (e.g., as is the case in payment for success structures)
ASSESS	<p>Analyze Data</p> <p>Comparable data analyses utilize standard, objective processes where possible in order to produce widely-understood and actionable results</p>	<p>Data analysis, through the findings it provides, can play a significant role in how investment decisions are made and how capital is allocated</p>	<p>Using its IMPACT Radar tool, Bridges Ventures evaluates each of its investments on impact return and impact risk, both pre-deal and during the investment period. This ongoing analysis, carried out through a standard methodology, enables their team to assess whether an investment is having its intended positive impact, as well as any negative impacts.</p>	<p>Distill insights from the data you collected</p> <ul style="list-style-type: none"> Use organization-wide, systemic methods of both quantitative and qualitative data analysis Ensure analysis is designed to inform decision-making and reporting (See also “Goal Setting”, and “Framework Development & Metrics Selection” guidelines) Analyze data to assess progress towards the investment goals, including the level of contribution or attribution where relevant and feasible Identify data that, once analyzed, ends up irrelevant for decision-making and learning, and adjust collection methods as appropriate Compare data against a baseline, the counterfactual, or a benchmark where possible (See also “Framework Development & Metrics Selection” guideline)
	<p>Report Data</p> <p>Effective data reporting is evidence-based, aligns with stakeholder expectations about depth of information covered, presents information in a coherent manner, and enables comparisons and decision-making</p>	<p>Data reporting allows stakeholders to understand and engage with an organization to know how it is performing against objectives, which helps attract further investment</p>	<p>The Social Finance US and New York State SIB provide reports to the project partners on a weekly, monthly, quarterly, and ad hoc basis, according to a schedule set out in the project’s governance structure. Regular data reporting is used to inform partners of the project’s progress to date.</p>	<p>Share your progress with your key constituents</p> <ul style="list-style-type: none"> Report agreed upon material¹ data regularly, and provide clarity on areas where investees and other stakeholders are accountable for results (¹ i.e., data that is of such relevance and importance that it can substantively influence portfolio, deal- or enterprise level decisions as it relates to the value or impact that is created) Be transparent and balanced in reporting about progress towards goals, results, and learning; include positive and negative results Follow a recognized and generally-accepted structure and format for data reporting where appropriate and feasible Cite common metrics languages, frameworks, and methodologies used as applicable Clearly state assumptions made, proxies used, and data sources drawn upon
REVIEW	<p>Make Data-Driven Investment Management Decisions</p> <p>An effective review of investment results includes an assessment of stakeholder feedback about reported data as well as recommendations for actions needed to address changes to the ToVC/investment thesis</p>	<p>Decisions based on data and analysis help drive continuous improvement and long-term change, especially as circumstances change</p>	<p>Investisseurs & Partenaires, a French impact investor, applies an impact rating system across its investments which enables its leadership to incorporate impact issues into their decision-making processes. I&P uses impact information to make investment decisions and to most efficiently allocate its capital.</p>	<p>Identify and implement ways to strengthen your investments and operations</p> <ul style="list-style-type: none"> Integrate impact metrics into core decision-making processes and tools (e.g., build into existing performance management dashboards and/or Executive Team agenda items) Clarify linkages between impact metrics and management decisions to optimize data-driven decision making Use the impact measurement process, and data collected from it, to inform ongoing investment management and decisions (recognizing that decisions, by nature will be based on more than impact data alone, and will involve trade-offs between stakeholders and goals) Review and adjust goals as appropriate

The *Guidelines for Good Impact Practice* will take different shapes, and be applied with different regularity depending on the impact measurement goals an investor and/or investee has established, but also depending on the internal context in which an organization operates and the external market conditions it needs to manage. Reflective of the various considerations that are worthwhile to keep in mind with each guideline (disregarding in which order these are applied), a list of guiding questions has been developed to help organizations with a commitment to apply the guidelines shape their approaches in a way that is right for them.

Given that some terms and concepts described in the guiding questions may be unfamiliar, it is recommended to read the accompanying report *Measuring Impact* in parallel to the guidelines. The report provides an overview of the contextual factors that matter, a *Glossary of Terms*, as well as case studies that will help in interpreting and translating the guidance provided here.

Guideline

Guiding Questions

Set Goals

A clear investment thesis and/or Theory of Value Creation (ToVC) forms the basis for strategic planning and ongoing decision-making, provides guidance for sourcing and due diligence, and serves as a reference point for performance throughout the life of an investment

- Is the impact thesis/ToVC clear and well-reasoned? Are goals both aspirational and achievable? Is the strategy/ToVC to achieve them feasible?
- Does the investment thesis/ToVC articulate a comprehensive plan for generating and measuring for impact? Are the particulars of that plan explicit?
- Are the goals to be achieved at the level of a single investee, in a portfolio, or through the collaboration of multiple organizations and investors within an ecosystem?
- Are there analogous examples or evidence that support the proposed approach for generating impact as outlined in the impact thesis/ToVC?
- Have key stakeholders been engaged as part of the goal setting process (incl. investees and beneficiaries) as appropriate? Have the investee's operations, business model, and capacity to generate planned impact been considered?

Develop Framework & Select Metrics

An effective impact framework outlines how specific metrics are used across the entire impact measurement process; it includes metrics and a description of the logic for how they are applied to the portfolio. It also acknowledges the needs and perspectives of various stakeholders

- Does the framework consider whether desired results are best achieved by a single investment, by a portfolio of investments, or by collaboration with other organizations and investors?
- Are the perspectives of investees considered and addressed in the development of the measurement framework and selection of metrics?
- Are the measurement framework and metrics employed proportional to the investor's/investee's ability to implement and report?
- Will the metrics applied enable learning and decision making? If not, what should change?
- Have recognized impact / metrics languages (e.g., IRIS) and frameworks (e.g., GIIRS) been actively considered and applied where feasible?
- What are the outputs created by this investment? What is the timeline for their delivery? Do the outputs and timeline link to processes defined as part of the "Data-Driven Management" guideline?
- Does the framework consider contribution, attribution, and additionality considerations where appropriate? If so, how will data be measured and disclosed? (For context on definitions, see *Impact Measurement Guidelines & the Road Ahead* report)
- Are ongoing stakeholder feedback measures and metrics in place? Does the investee have a means of providing feedback for improving the performance of the investor? (See also "Data-Driven Management" guideline)

Collect & Store Data

Efficient and effective data collection, and management of performance data, takes into account the necessary information technology, tools, resources, human capital, and methods used to obtain and keep track of data. It is also differentiated by distinct actors in the process.

- If using an investor's system to collect data, does this system apply inordinate or "out-of-proportion" burdens (in terms of effort and costs) on investees?
- If using an investee's system, is the system to provide data to investors sufficiently streamlined so that the investee can be efficient in handling data requests? Is the data collection perceived by the investee as helpful to its own improvement and learning?
- Are data protection practices compliant with regulation in relevant local jurisdiction?
- Are the requests for data reporting harmonized with those of other investors in order to minimize the data provision burden on the investee?

Validate Data

A complete and transparent presentation of results includes sufficient information (to cross check calculations and assumptions against known data sources) and also provides an audit trail

- Are appropriate procedures and measures in place to review and improve the consistency of results and the quality of data? Is the system itself subject to regular review?
- Are the validation procedures proportional to the capacity of the investee to handle them?
- Do the results and information provided by the reporting entity leave an appropriate audit trail such that they could be validated?
- Is the use of impact capital properly captured and in line with the agreed use of that capital?
- Have appropriate measures and/or incentives been established to ensure that positive as well as ambiguous or negative data are accounted for and provided by investees?

Analyze Data

Comparable data analyses utilize standard, objective processes where possible in order to produce widely-understood and actionable results

- Does the data reported support the initial impact plan, and the investment thesis and/or ToVC?
- Does the data provide evidence at an output, outcome, and impact level (i.e., across the "impact value chain") and can plausible linkages be made between outputs, outcomes, and the impact achieved?
- Is the investee meeting the set objectives? Is the portfolio meeting the set objectives? Is the collaboration meeting the set objectives? (See also "Data-driven Management" guideline)
- Has the performance of the investee and/or portfolio of investments been benchmarked, as appropriate, against other similar investments? Are the root causes to a portfolio / deal / investment's "impact performance" sufficiently clear?
- Is the investee and/or portfolio of investments generating anticipated impact? Are the results being explained to the investee and investors as appropriate? Where objectives are not being met, is there evidence of improvement or learning?
- Is there transparency for investees around the process of data analysis? Do investees know what to expect, how and on what grounds they and their work will be analyzed, and how the process can be of use to them?

Report Data

Effective data reporting is evidence-based, aligns with stakeholder expectations about depth of information covered, presents information in a coherent manner, and enables comparisons and decision-making

- Do your impact reports provide sufficiently material, reliable, comparable, and "additional" data? (For context on definitions, see *Impact Measurement Guidelines & the Road Ahead* report)
- To confirm materiality: Is the use of impact capital (e.g., for investment, for business operations) reported in line with the investment thesis and/or ToVC? Do the metrics track performance effectively, thus enabling comparisons and decision-making?
- To confirm materiality to key constituents: Is the use of impact capital properly disclosed (i.e., as required by key constituents)? Are the perspectives of stakeholders, including beneficiaries, being integrated into reporting appropriately?
- To confirm reliability: Is the data reliable? Is it properly collected and treated appropriately? Does the impact reporting describe what was done to guarantee appropriate data quality?
- To confirm comparability / reliability: Does the reported information offer a balanced picture of performance (e.g., acknowledge both positive and negative changes as appropriate)?
- To confirm proportionality: Is your impact reporting proportional given your impact measurement goals, the internal context you operate in, and your external environment?

Make Data-Driven Investment Management Decisions

An effective review of investment results includes an assessment of stakeholder feedback about reported data as well as recommendations for actions needed to address changes to the ToVC/investment thesis

- To identify and take portfolio / deal / investment decisions:
 - Does the data, feedback, or lessons-learned during the current investment cycle indicate the need for changes in investment strategy or portfolio management? If so, what specific actions should be taken (by both investors and investees) going forward?
 - What are upcoming changes in the internal and external context which may affect decisions? (e.g., What are market conditions that influence portfolio / deal / investment success? What internal management changes may affect performance?)
- To identify required changes to impact measurement and reporting decisions:
 - Are ongoing stakeholder feedback measures in place? Does the investee have a means of providing input on ways to improve investee and/or investor performance and success?
 - Should any changes be made to existing impact measurement practices? If so, what changes are required against each of the other six guidelines described above?

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REVIEW