IMPACT MEASUREMENT AND MANAGEMENT IN INDIA
A POSITION PAPER
Table of Contents

Foreword ................................................................. 04
Executive Summary ...................................................... 06
1. Scope and Objective of the Report .................................. 09
2. Methodology .......................................................... 12
3. Introduction: Getting to know IMM ................................... 13
4. Macro Overview ....................................................... 14
5. Micro Overview ......................................................... 26

ACKNOWLEDGMENTS
Impact Investors Council (IIC) and KPMG have jointly prepared this report.

AUTHORS
Devang Bhandari
Partner, KPMG
Sakshi Uberoi
Associate Director, KPMG
Swasti Saraogi
Senior Manager, IIC
Shriya Nene
Research Associate, IIC

RESEARCH SUPPORT
The authors would like to acknowledge the contributions of members of the IIC and KPMG team who provided valuable input, support and review of this research report.

Ramraj Pai
CEO, IIC
Santhosh Jayaram
Partner, KPMG
Neha Bhatnagar
Head of Partnerships and Research, IIC

We would like to thank all the organisations that contributed through participation in the survey.

ECOSYSTEM PARTNER – SWISSNEX INDIA
Swissnex India is the outpost of the Ministry of Education, Research and Innovation (SERI) of the Confederation of Switzerland, in India. Housed at the Consulate General of Switzerland in Bangalore, Swissnex India coaches Swiss startups for India market entry, advises Swiss corporates on corporate innovation engagement with India and facilitates collaborations for Swiss Universities and academicians in India. With several of coached Swiss startups successful in the Indian market, the partnership with Impact Investors Council (IIC) and Swiss Impact Investment Association (SIIA) aims to scale the efforts in impact investing to springboard Swiss innovations to find curated opportunities in India.

ECOSYSTEM PARTNER – SWISSNEX INDIA

ECOSYSTEM PARTNER – SWISSNEX INDIA

ECOSYSTEM PARTNER – SWISSNEX INDIA

ECOSYSTEM PARTNER – SWISSNEX INDIA

60
Stage V: Monitoring and Exits

Stage I: Strategy Setting
Stage II: Deal Origination and Screening
Stage III: Impact Management — Measurement and Analysis
Stage IV: Reporting

6. Appendix A: List of Respondents ........................................ 72
7. Appendix B: References .................................................. 73
8. Appendix C: Glossary ..................................................... 74
10. Appendix E: IFC’s Operating Principles for Impact Management .... 77
Impact Measurement and Management (IMM) is the ‘cornerstone’ of impact investing. The measurement of impact performance is crucial as impact investors scale up financing to achieve the United Nations’ Sustainable Development Goals (SDGs). With impact investing all set to become mainstream in the post-COVID world, ‘impact performance’ is bound to evolve as a new dimension to evaluate performance of all types of investments.

Impact Investors Council (IIC) and KPMG undertook an industry-wide survey of Impact Investors active in India in an attempt to capture the baseline state of IMM practices in the country. The report provides insights on current Indian IMM industry practices through a macro and a micro lens: what has worked well and what the industry unanimously identifies as areas of improvement.

Overall there has been a significant improvement in investor’s understanding of the relevance of IMM in India. Investors have begun to embed IMM in all key investment decisions. The SDGs have also provided a much needed common language to compare impact outcomes across the globe.

A majority of impact investors use sophisticated proprietary tech-enabled tools to capture impact data and monitor performance. While these investors have attempted to align their impact reporting with IRIS+ and other global standards, the Indian context poses its own unique challenges to 100% alignment. Nonetheless, impact reporting has gained importance with an increasing number of investors publishing standalone public impact reports annually.

Although there is a need to standardize metrics for comparability, there are inherent challenges relating to the differences in the way impact is generated let alone variation in external factors. But what is encouraging is the progress in IMM to compare with the objective with which the investment was made. The right objective set through a participatory approach of stakeholders including beneficiaries will be the key to mainstreaming IMM.

We are grateful for the support from all survey participants and industry practitioners who helped build this report.

On behalf of the team members of Impact Investing Council of India and KPMG.

Ramraj Pai
CEO, Impact Investors Council

Santhosh Jayaram
Partner, KPMG
Executive Summary

Over the past few years, the role of impact measurement and management (IMM) has become increasingly critical in driving the progress of the impact investing industry. In India, while the industry has grown multifold, IMM continues to evolve. Hence, it is important to understand the current state of IMM practices in the country, which can serve as a reference point to drive further discussions, research and best practices.

We developed a framework that attempts to evaluate an Impact Fund’s IMM approach and practices at each stage of its investment life cycle. Using the framework as a base, an extensive research survey of 26 impact funds was undertaken to gather insights on the current Indian IMM industry practices, at both macro and micro levels. The key findings from the research survey have been summarised below.

MACRO OVERVIEW

Impact investors noted significant progress in LPs and investee-companies’ understanding of IMM. However, they continue to face challenges around its alignment, since LPs have varied measurement criteria and mandates.

Given the cost constraint, it is difficult to measure metrics beyond the available operating metrics of investee companies.

In terms of the impact data itself, there are challenges around lack of sector level standardisation and associated benchmarks. Further, the risk of double counting impact continues to remain.

Impact target framework is the most frequently used framework among impact investors.

Some of the global approaches such as IMP dimensions, UN SDGs and IRIS+ are beginning to gain popularity and also being leveraged by funds that have developed their own proprietary measurement system.

The industry spend on IMM appears to be within the range of 5% and 15% of fund’s operating budget; however, for many it is difficult to identify this separately, due to the internationalization of impact across all its core functions.
**STAGE I: STRATEGY SETTING**
- Impact dimensions, as articulated by IMP, are popularly leveraged to translate impact strategy into action.
- Impact investors, however, struggle to quantitatively articulate contribution and evaluate any ancillary negative impact risk.
- Impact goals are backed by either past evidence or developed according to a sound impact thesis.
- Impact funds and their investors are making efforts to build a formal L&D system for IMM-related education of their employees.
- The intrinsic culture of an impact fund is self-motivated to drive impact; hence, most funds do not have any employee incentives tied to impact goals.

**STAGE II: DEAL ORIGINATION AND SCREENING**
- Most impact investors have embedded impact due diligence as a part of the overall business due diligence with investment teams trained to understand impact parameters and filters.
- Common due diligence approaches adopted by funds are: impact narrative, due diligence questionnaire and quantitative tools. The due diligence questionnaire approach is the most popular.
- Impact funds work collaboratively with prospective investee companies to develop impact strategies and goals to ensure buy-in.
- More than half of the impact funds have tied investee-related incentives (e.g., follow-on capital) to impact goals.

**STAGE III: IMPACT MANAGEMENT: MEASUREMENT AND ANALYSIS**
- The majority of the funds collect and analyse impact data via investee companies on a quarterly basis. Only in limited circumstances, external consultants are leveraged to collect impact data.
- Most funds use the company’s existing financial and operating metrics to gauge the impact performance.
- Over half of the funds have set up an impact oversight committee to oversee the IMM process and the rest have created separation of roles to ensure an acceptable level of oversight.

**STAGE IV: REPORTING**
- There is a growing trend for funds to push for transparency by publishing standalone impact reports, albeit reporting is primarily on outputs instead of outcomes.
- Most investors do not conduct an independent formal audit on investees’ impact reporting and rely primarily on self-reported data.
- Most Fund managers stated that while comparability is important, it is not essential, largely on account of it being difficult to compare different investments across diverse sectors.

**STAGE V: MONITORING AND EXITS**
- Most funds annually review their impact operational plans.
- The majority of the data collected is leveraged to improve investee company’s products and services.
- It was encouraging to know that while attribution is a challenging issue for the industry, the impact investors do understand the significance of attribution. A few have also started adopting practices to address this aspect - ranging from a disclosure as part of their impact reporting to use of a few methods in calculating it.
- “Selection of a mission-aligned buyer” emerged as the key responsible exit strategy for the funds. However, exit constraints do exist.
1 SCOPE AND OBJECTIVE

This report is a first attempt to capture a baseline of the current state of industry-wide Impact Measurement and Management (IMM) practices in India. Our report is structured to analyse the state of the IMM practices in India at two levels:

**Macro Level:**
Understand the overall industry-wide sentiment and perspective of the IMM practices in India and more specifically, gain insights into:
- Progress and trends in IMM
- Challenges in IMM
- Frequently used IMM frameworks and tools

**Micro Level:** Evaluate the investor’s level of impact consideration and the IMM approach adopted across the investment life cycle.

For the purposes of evaluating the approach and practices adopted at the micro level our starting point was the development of an IMM framework (Refer Figure 1) to identify impact across 15 themes spread over five stages of the investment life cycle. While, this framework was used for the purpose of our analysis in this report, it may also serve as a good reference point for new impact funds that are looking to integrate IMM across all levels.

In addition, our report offers framework(s) and practical suggestions based on best practices followed by a few funds to tackle some of the complex IMM issues. These have been presented in the form of case studies across the report.

We have consciously not considered categorisation of the IMM insights by fund size, intent (impact vs market return), investment type (equity vs debt), or investment stage and/or sector due to a relatively smaller population set of 26 funds.

This report is a first attempt to capture a baseline of the current state of industry-wide IMM practices in India.

---

**Figure 1 IMM framework across the Investment Lifecycle**

- **Strategy setting**
- **Deal Origination and Screening**
- **Impact Management: Measurement and Analysis**
- **Reporting**
- **Monitoring and Exits**

**Strategy setting**
- Design Impact Thesis/ Theory of Change
- Impact Dimensions
- Governance & Culture

**Deal Origination and Screening**
- Deal Screening
- Investee Buy-In and Alignment to Impact Goals
- Develop Framework and Select Metrics

**Impact Management: Measurement and Analysis**
- Collect and Measure Data
- Quality Control
- Analyse Data
- Comparability
- Communicating Impact
  - Transparency and External Assurance

**Reporting**
- Learning and Improvement
  - Attribution
  - Sustainability
2 METHODOLOGY

We adopted survey method to develop insights and capture a broad industry baseline in the report. The survey was carried out with 26 leading impact investors active in India through a series of virtual interviews conducted between May and August 2020. Each interview was followed by a written validation of the responses provided by the respondents.

A standard questionnaire comprising 32 questions was used for each interview. The questionnaire itself was drafted after extensive secondary research of international best practices, standards and principles on IMM for Impact Investors.

INCLUSION CRITERIA

All survey respondents represent impact investing organisations with active debt or equity impact investments in India. For the purposes of this report, impact investments means:

“Investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return” – GIIN

List of participants are provided in Appendix I. We have referred to all our respondents as ‘fund(s)’ in the report.

DATA ACCURACY AND CODING

All findings in this report are based on self-reported data by the respondents which were captured either during the virtual interview or in writing through validation of interview notes. Thus, interview notes and responses for multiple questions were based on a ‘free-flow’ approach. The research team has recorded some of these responses into more uniform categories or themes to provide robust analyses and trends in the report. Further, for the micro section, our respondents were requested to limit responses specifically with respect to their impact investing portfolios.

3 INTRODUCTION: GETTING TO KNOW IMM

The IFC defines impact investments as investments made in companies or organisations with the intent to contribute measurable positive social or environmental impact alongside a financial return. The three attributes that distinguish impact investors from other investors are: Intent, Contribution and Measurement.

What is IMM?

IMM is the process of ‘measuring, assessing and improving’ impact on people and the planet. IMM is an iterative process that helps investors assess the nature and extent of the impact generated by their portfolio and then apply the learnings to define and refine their investment strategy.

Why is IMM gaining traction in the current environment?

The United Nations 2030 SDGs have created a stir across the globe. As the market evolves to a more sustainable future, investors are increasing their allocation to environmental and social impact generating assets.1

To maximise their investment’s impact potential investors have increased their focus on integrating (impact) measurement and management into their investment decision making.

IMM has its set of challenges, but is being increasingly adopted

Though an increasing number of businesses are recognising the need to measure their impact, IMM is still not a smooth sail. For long, the impact investing industry across the globe had been grappling with lack of benchmarks and standards to measure impact metrics, and it has remained one of the most debated topics. While research and literature on accountability and standards for IMM practices continue to evolve investors have already started leveraging impact data to make informed investment decisions.

A survey conducted in South Africa showed revealed that impact investors use impact data for:

1) internal reflection, i.e. improving the existing strategy and implementation to achieve desired outcome, and
2) external communication to attract capital and build stronger partnerships.

Besides, evidence and impact data help investors demonstrate the ‘impact’ in impact investments. It helps reinstate the narrative of generating positive social and environmental impact alongside financial return.

Like the global industry, the Indian impact investing is faced with number of challenges. A 2019 Brooking’s study revealed that 83% of the impact investing community in India measures the impact, which seems to be good news. But the country faces a major roadblock in the form of fragmented practices to measure this impact. India doesn’t have any standard benchmarks or credible baseline data for impact measurement, which makes it difficult to measure the actual impact in the country.

1 The GIIN ‘Annual Impact Investor Survey 2020’ estimates the current market size of impact investing industry at USD 111.6 billion.

Like the global industry, the Indian impact investing is faced with number of challenges. A 2019 Brooking’s study revealed that 83% of the impact investing community in India measures the impact, which seems to be good news. But the country faces a major roadblock in the form of fragmented practices to measure this impact. India doesn’t have any standard benchmarks or credible baseline data for impact measurement, which makes it difficult to measure the actual impact in the country.

KIRIG and IIC have attempted to develop a framework to analyse the structure and practices of IMM in India, which has been presented in this report.
I. Progress made so far

The Indian impact investing industry has grown at a 26% CAGR over the last decade (CY2010–19). As per a recent report released by IIC-Asha Impact, the Indian industry has crossed $10 billion. This surge in investment has led the industry to make its way towards ‘quantifying impact’. This trend is in line with one of the five trends identified in GIIN’s latest report on the State of Impact Measurement And Management Practice: While the impact investors pursue diverse impact objectives, they universally agree on the importance of measuring and managing impact results.

Business leaders are increasingly recognising the much-needed rigour of impact measurement and management. In line with the GIIN findings, all the funds we spoke to have unequivocally recognised the progress made in this space, which can be summed into the following points:

i. Increased awareness and research on IMM:

Growing awareness and visibility of IMM among the investor base has given a boost to IMM-related research and data.

ii. Development of IMM tools and frameworks:

Across the world, IMM-related research has been playing a role of a catalyst for and the development of more sophisticated tools and frameworks and the use of advanced technology in this domain. The Indian impact investment industry has also begun to gain from these global developments.

iii. Improvement in Transparency on impact reporting:

The use of advanced technology has made data collection, measurement and monitoring easier. This has opened the doors for increased interactions and more companies feeling confident to share their impact reports in the public domain, in turn, leading to a gradual improvement in transparency across the industry.

iv. Availability of skilled IMM professionals:

The string of positive changes has led to proliferation in the number of professionals with relevant skillsets. However, there is a need to develop academic focus in this arena and ensure that there is a consistent influx of professionals to meet the growing demand of the industry in India.

v. Significant improvement in LPs'/donors' understanding of IMM:

This has in turn led to an increase in awareness across stakeholders, resulting in reduced friction. Though the industry has shown agility and made good progress in terms of understanding IMM, there continues to be a wide gap.

4 MACRO OVERVIEW: A BIRD’S EYE VIEW

WHILE THE IMPACT INVESTORS PURSUE DIVERSE IMPACT OBJECTIVES, THEY UNIVERSALLY AGREE ON THE IMPORTANCE OF MEASURING AND MANAGING IMPACT RESULTS.
II. However, key challenges persist

At a global level, GIIN in its 2019 report identified few major challenges in IMM, including ‘fragmented approaches to IMM, ‘transparency on impact performance, including targets and results’ and ‘integration of impact management and financial management decisions.’

Before we delve deeper into the Indian purview of IMM-related challenges, it is important to highlight that many funds raised fundamental questions on what really constitutes impact and what are the criteria to qualify as an impact investor. In absence of any legal definition, impact has been interpreted in a subjective manner across the industry.

IN ABSENCE OF ANY LEGAL DEFINITION, IMPACT HAS BEEN INTERPRETED IN A SUBJECTIVE MANNER ACROSS THE INDUSTRY.

The most important challenge faced by the Indian industry is stakeholder alignment. Generally, it’s difficult to align all stakeholders, including LPs, GPs & investee companies, on IMM. Further, IMM continues to be driven by LPs, who have varied measurement criteria and mandates, and this is not just confined to India, but holds true across the globe. The respondents to the IMM survey in South Africa (mentioned in Section 3 above) also resonated with this sentiment. They observed that GPs have to request their investees for different data points (on both breadth and depth parameters) to satisfy the ‘reporting obligations’ to different LPs, ‘creating an additional burden for the organisation’.

According to industry experts, this hurdle can be overcome by aligning the impact metrics at the LP level. Though it’s easier said than done, but if the industry can achieve this, it will be a significant step towards benchmarking and industry-wide comparison on impact performance.

The most significant challenge faced by entrepreneurs is the lack of standardisation and associated benchmarks even within a specific sector, a key challenge for IMM. Further, there is a need to not only broaden the metrics beyond the number of lives impacted so that it covers structural impact, but it’s also imperative to have specific metrics across various stages of investing to drive better comparability. In addition, B2B businesses face unique challenges of identifying target beneficiaries and hence the impact.

From an IMM perspective, the Indian market faces several challenges that limit its progress. Some of these are:

i. Stakeholder requirements & alignment:

The most important challenge faced by the industry is stakeholder alignment. Generally, it’s difficult to align all stakeholders, including LPs, GPs & investee companies, on IMM. Further, IMM continues to be driven by LPs, who have varied measurement criteria and mandates, and this is not just confined to India, but holds true across the globe. The respondents to the IMM survey in South Africa (mentioned in Section 3 above) also resonated with this sentiment. They observed that GPs have to request their investees for different data points (on both breadth and depth parameters) to satisfy the ‘reporting obligations’ to different LPs, ‘creating an additional burden for the organisation’.

According to industry experts, this hurdle can be overcome by aligning the impact metrics at the LP level. Though it’s easier said than done, but if the industry can achieve this, it will be a significant step towards benchmarking and industry-wide comparison on impact performance.

To begin with, the industry should, at a minimum, consider aligning impact metrics across various stages of investing to drive better comparability. In addition, B2B businesses face unique challenges in aligning target beneficiaries and hence the impact.

ii. Business model vs Impact Thesis:

This is the second most common challenge. While entrepreneurs can explain their business models, they are not well-versed when it comes to articulating their impact thesis. Thus, although the business model itself provides certain operating metrics that inherently track beneficiaries’ progress, pure-play impact measurement is not a routine activity for many. This is mainly because it’s not cost effective for investees to gather data beyond what’s already being collected. However, this may change as investees build scale and evolve.

One of the possible solutions to address this gap is to see if business proxies can be used to estimate the impact generated and thereby align them with standard metrics. Also, if a direct comparison of relevant impact benefits and higher probability of raising larger impact capital is established, we believe, it would act as a good incentive for entrepreneurs to focus on IMM. In short, the market needs to incentivise impact disclosure practices better.

iii. Impact data

1. Availability, standardisation & benchmarks:

At the outset, India lacks availability of baseline data required to measure impact progress (e.g. types & quantum of waste being generated by region). Adding to this, many see lack of standardisation of basic metrics and its associated benchmarks even within a specific sector, a key challenge for IMM. Further, there is a need to not only broaden the metrics beyond the number of lives impacted so that it covers structural impact, but it’s also imperative to have specific metrics across various stages of investing to drive better comparability. In addition, B2B businesses face unique challenges of identifying target beneficiaries and hence the impact.

Similarly, the World Benchmarking Alliance (WBA) is an independent industry body working with a wide range of allies to develop evidence-based benchmarks for investors in a given industry, to track and compare with its peers a company’s impact performance in terms of the UN Sustainable Development Goals (SDGs).

2. Qualitative vs quantitative:

A significant amount of data being generated is qualitative. However, gathering, analysing and validating this type of dataset is a challenge. Similarly, the World Benchmarking Alliance (WBA) is an independent industry body working with a wide range of allies to develop evidence-based benchmarks for investors in a given industry, to track and compare with its peers a company’s impact performance in terms of the UN Sustainable Development Goals (SDGs).
For example, analysing the data collected to see improvement in beneficiary’s life in a quantifiable way is difficult. Technology has helped address this challenge to a certain extent. Multiple Investors have now started leveraging automated digital tools to capture relevant data points from impact beneficiaries on a periodic basis. These data points help measure impact progress and build a robust database.

**MULTIPLE INVESTORS HAVE NOW STARTED LEVERAGING AUTOMATED DIGITAL TOOLS TO CAPTURE RELEVANT DATA POINTS FROM IMPACT BENEFICIARIES ON A PERIODIC BASIS.**

iv. Double counting:

Attribution is a challenge, since many investments are clubbed deals or the same beneficiary in the same region may experience intervention from other programme(s). Further, even at a fund level, it can lead to double counting, especially for those funds that end up focusing on specific sectors and geography where the beneficiary is being served by its own multiple portfolio companies (e.g., MFI).

v. Other challenges:

In addition to these major issues, a few other prevalent IMM challenges include:

Lack of market incentivisation: Larger eco-system, including LPs, do not adequately incentivise IMM. A general feeling of commercial investors’ lack of interest in impact measurement continues to exist.

**Nature of impact:**

Trade-off between scale and depth of impact in the short run: It is challenging to quantitatively estimate the depth of impact created in the short term. Often, it takes significant time for positive social impact to realise. Hence, there is a trade-off, wherein, if the fund goes for depth, it won’t have larger scale to showcase and if it goes for scale, then depth becomes a question.

**Persistency of impact being generated over a longer term:**

Understanding how long the social impact generated will last is a challenge in the real world owing to a number of external factors, which are beyond prediction.

**Difficulty in capturing negative externalities:**

It is challenging to ascertain all the negative externalities caused by the investment.

Integration with financial management:

There is a heightened need to integrate impact management with financial management.

**III. Nevertheless, the industry continues to push the impact agenda while applying an IMM framework that fits well with its operating model.**

There are broadly three impact measurement frameworks or ‘archetypes’ observed by the IFC in its report. These frameworks are developed in a way that they can be in-built into the investment life cycle — from strategy setting to monitoring. The frameworks are as follows:

<table>
<thead>
<tr>
<th>Framework Type</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impact Target</td>
<td>Measures the number of lives impacted</td>
</tr>
<tr>
<td>Impact Monetisation</td>
<td>Maps the investment on a numeric or qualitative scale (high, medium, low) basis their performance on a variety of parameters (for example: reach of impact, depth, geography, any other aspect)</td>
</tr>
<tr>
<td>Impact Rating</td>
<td>Slightly evolved framework, more commonly used by larger impact funds for deeper analysis</td>
</tr>
<tr>
<td>Impact Driver</td>
<td>Commonly used framework owing to the simplicity of adoption</td>
</tr>
</tbody>
</table>

**In our findings, we see about 60% of the funds leverage Impact Target framework, which is often expressed through some type/level of reach. One of the key reasons for higher adoption of this framework is that it’s easier to embed into the business model of investee companies.**

Also, a limited number of funds have developed a Scoring or Rating framework that systematically assesses the investment opportunities, investee company’s impact progress (post acquisition), as well as its overall portfolio. If we move to the more established funds and debt funds, we find the adoption rate of the Rating framework is high, owing to the nature of their business model. The Rating framework, which takes into account both qualitative and quantitative impact are used by some of our respondents and are highly evolved.

Although the Impact Monetisation framework is not popular due to its complexity, there are a few funds who have either adopted it (8%) or are in the process of building their own proprietary monetisation framework in addition to their existing Target framework.

We have presented the Impact Rating and Impact Monetisation frameworks through two case studies.

**Figure 2 Impact Measurement Frameworks used by Respondents (n=26)**
**IMPACT RATING FRAMEWORK**

Omidyar Network India (ONI) is a part of the Omidyar Group, a diverse collection of companies, organisations and initiatives, supported by philanthropists Pam and Pierre Omidyar, founders of eBay. Omidyar Network India makes equity investments in early-stage enterprises and provides grants to non-profits in the areas of Digital Identity, Education, Emerging Tech, Financial Inclusion, Governance & Citizen Engagement and Property Rights.

As an investment firm focused on social impact, ONI believes it is imperative to measure the impact of their work. In their approach to measurement, ONI aims for simplicity but strives for insight. By focusing on the end-customer, they hope to make the process useful to their entrepreneurs in serving their customers better. As a part of the investment appraisal process for each investment, ONI articulates the impact thesis, defines targets on specific impact indicators and identifies key learning questions. These are unique to every investee, based on the sector in which they operate and their theory of change. Additionally, they have developed a unifying framework that seeks to measure direct impact and sector impact of each investee across six dimensions (refer to flow chart below).

**Direct Impact**
- Impact of the products and services offered by investees on their own customers or beneficiaries
- Reach
  - Number of lives touched
- Depth
  - Quality of life improvement
- Inclusion
  - Socio-economic status of end-customers

**Sector Impact**
- Catalytic change spurred at the sector level, beyond end beneficiaries of investees
- Imitators
  - # of organizations that have replicated the investee’s model
- Follow-on capital raised
- Contribution to impactful policies
  - Extent to which the work of investee is contributing to policy change

ONI then creates a snapshot of investee performance across these six dimensions of impact. It aggregates results obtained along these metrics across all investees to assess progress at the level of their initiatives, strategic pillars and as an organisation as a whole, on an annual basis.

**ONI AGGREGATES RESULTS OBTAINED ALONG THESE METRICS ACROSS ALL INVESTEES TO ASSESS PROGRESS AT THE LEVEL OF THEIR INITIATIVES, STRATEGIC PILLARS AND AS AN ORGANISATION AS A WHOLE, ON AN ANNUAL BASIS.**

**IMPACT MONETISATION FRAMEWORK**

Gray Ghost Ventures (GGV) is a pioneer of the global impact investing movement and continues to be innovative in furthering its expansion. As one of the earliest private investors in microfinance, GGV seeks to eliminate poverty and strengthen communities through catalytic, early-stage investments in the developing world by focusing on enabling technology, financial services and other products and services concentrated on enhancing the quality of life for large, underserved populations in emerging markets.

For impact measurement, GGV sought a metric that resonated with the migration of the industry toward investors familiar with terms such as Total Value to Paid-in Capital (TVPI), a standard benchmark of performance for private capital funds. Social Value of Paid-in Capital (SVPI) expresses the amount of societal value created in underserved communities per dollar invested into GGV’s impact fund. SVPI allows for the aggregation of the positive net effects of its investment portfolio across a specific set of metrics. This factor in the five IMP dimensions and provides a benchmark for impact performance.

The total SVPI for portfolio is then computed by dividing aggregate of the $value of impact generated by the total $value of capital invested in the investee enterprise. This calculation is done for the entire period they have invested in the company until exit. If SVPI is say 80x, it implies that for every dollar invested by GGV, $80 of impact was generated in that market.

The idea is to keep the model simple and limit the number of metrics used to measure the $value of impact generated across the parameters. GGV works with industry and subject matter experts to make estimates of the monetary value of impact generated across portfolio companies and sectors. Further, since the metrics are linked with the savings or increased income that are related to specific investee’s products or services, it minimises the attribution risk as the changes in circumstances do not materially move the market metrics.

**INVESTEE COMPANY: PROVIDER OF AN AFFORDABLE MOBILE NETWORK INFRASTRUCTURE USING OPEN BTS TECHNOLOGY FOR RURAL AND POOR COMMUNITIES**

**Impact generated:**
- Expanded the subscription of its voice and data services to nearly 30,000 individuals in low-resource settings via its software-defined, affordable mobile networks
- Achieved a cumulative cost savings of say USD8.0 million, as the cost of a call via investee company is significantly less than the alternatives in these settings.
- Facilitated $10 million in enhanced productivity among low-income and marginalised communities due to increased access to information and communications technologies

**SVPI:** Social impact amounts to $18 million contributed back to the communities in which it operates. If the investors invested $5 million in the company, then SVPI for this investment would be 3.6x
IV. Most funds have their own proprietary measurement approach, they do try to align it with the following principles and standards of measurement tools:

- PRI, GRI, ESG, SDG, IRIS - often referred to as responsible investing world’s alphabet soup - multiple tools, standards, principles and frameworks have now been developed to aid impact investors to measure and manage their impact.

For reporting, the most commonly used is the United Nation’s Sustainable Development Goals (SDGs). SDGs have become a common language in driving impact goals. Most funds have these implicitly embedded into their approach and are aware of the need to drive progress in achieving these goals. NITI Aayog’s Baseline report on SDG rankings for states has raised the visibility of SDGs in India. According to the report, ‘India is fully committed to achieving Global Goals within the specified timelines’. One of our respondents has used the Baseline report to monitor portfolio level impact. This has been presented in a case study.

However, despite the enthusiasm about SDGs, challenges pertaining to the very nature of the goals continue to exist, as a lot of goals are inter-connected so a multi-pronged strategy is the need of the hour.

A few funds leverage GRI’s sustainability reporting standards. With its sustainability standards and frameworks, GRI helps various companies disclose sustainable information, inspires accountability and identify as well as manage risks.

For operating principles the UN PRI appear to be the most common set of principles adopted by many funds. PRI has a set of six principles, which broadly takes into account the ESG-related issues during investment analysis, ownership and the disclosure process.

4 of our respondents are also signatories to the IFC’s Operating Principles for Impact Investment Management and few others are also considering adopting the principles. Details of the IFC Operating principles are available in Appendix 5.

In response to the question on which elements should IMM consider, IMP’s five dimensions were explicitly mentioned only by a couple of fund. However, when we assessed the application of these five dimensions from the fund’s IMM perspective, we noted that most funds have directly or indirectly incorporated them into their investment life cycle. We will have a detailed discussion on these dimensions in the following sections.

Finally, in terms of what metrics to measure, IRIS+ clearly stood out as the preferred system for measuring, managing and optimising the impact. We note that many funds have developed their own proprietary systems for measurement, but they have linked them directly or indirectly to IRIS+ metrics. Having said that, there is a clear recognition for the need for customisation of these metrics, owing to differences between international and Indian context.

Based on these findings, we believe that a combination of PRI, IMP framework, SDG alignment and IRIS+, albeit with modifications to Indian context, can be a good starting baseline within a particular sector to drive standardisation, comparability and transparency. Even globally, GIIIN in its IMM survey has highlighted rising market cohesion around the SDGs, IRIS+ and UNPRI. More on this in our section on ‘Reporting’.

APPLICATION OF NITI AAYOG’S SDG BASELINE REPORT TO MONITOR PORTFOLIO LEVEL IMPACT

NITI Aayog has published two editions of the Sustainable Development Goals (SDG) India Index, which comprehensively documents the progress made by India’s states and union territories towards achieving the 2030 SDG targets.

Progress is tracked on 100 indicators drawn from the Ministry of Statistics and Programme Implementation’s National Indicator Framework (NIF). The 2019 index spans 16 out of 17 SDGs with a qualitative assessment on Goal 17. A composite score was computed in the range of 0-100 (100 being the highest) for each state/UT based on its aggregate performance across 16 SDGs, indicating the average performance of every state/UT towards achieving 16 SDGs and their respective targets.

Classification criteria based on SDG India Index score is as follows:

- Villgro is India’s oldest and one of the world’s largest social enterprise incubators. It has helped build impactful, innovative and successful enterprises in agri-tech, clean-tech, med-tech and employability through their impact investments. It uses the baseline report to monitor impact.

Methodology:

- Cross-reference and align the above data with the ranking given to each State for that respective SDG.

Rationale behind using the Niti Aayog SDG baseline report:

Considering that Villgro’s investee enterprises create impact across multiple sectors (agri, ed, health, energy) and geographies (within and outside India), the team felt it is crucial to look at impact data in a framework that’s contextual and accommodates all sectors and geographies.

Classification criteria based on SDG India Index score is as follows:

- Purpose: Measure the breadth impact across States, as well as serve as a benchmark to push the investor and portfolio companies to strengthen impact beneficiary reach, particularly in Aspirant and Performer states in the long-term.

- State of IMM in India     23 22     State of IMM in India

- Aspirant

- Performer

- Front Runner

- Achiever

- 0–49

- 50–64

- 65–99

- 100

Track location/ geography of end beneficiaries of investee enterprises’ products and services

- Map each investee enterprise to 5 key SDGs (SDG 3 Good Health and Well-Being, SDG 4 Quality Education, SDG 7 Affordable and Clean Energy, SDG 8 Decent Work and Economic Growth, SDG 2 Zero Hunger, Food Security)

- End Result – In-depth understanding of the breadth of impact created by all portfolio companies across the differently ranked States (Achievers, Frontrunners, Performers & Aspirants) for 5 SDGs mentioned above.

MORE ON THIS IN OUR SECTION ON ‘REPORTING’
V. As the industry matures, it is important to baseline industry’s spend on IMM in monetary terms.

This effort has been quantified in terms of % of the fund’s operating budget. Considering most funds see IMM as a cost, it is interesting to observe their spend on IMM-related activities. One key finding has been that, due to the internalisation of impact, it is challenging for many funds to determine separate budget allocations for IMM. Further, for several funds, IMM capacity is integrated into the responsibilities of the investment team.

We continue to see a wide spread of % IMM spend across the industry - between 5% and 15%, with almost equal number of respondents spending between 0 to 5%, 6% to 10% and 10% to 15%. Only one fund we interviewed spends over 20% on its IMM framework.

Note that the IMM effort here is being looked at as financial resources spent specifically towards building the IMM team or a % of time spent by investing professionals across the investment life cycle and/or any consulting spend on specific measurement topics, baselining impact metrics, etc. While these are high-level estimates provided by the funds, it is important to make a note that impact is generally embedded into the core of all functions, as well as through the investment life cycle of the funds we interviewed.

Interestingly, these results are not very different from global trends identified by the GIIN. According to its findings, on an average, impact investors spend an estimated 12% of their organisation’s total budget on IMM-related activities. Further 1/3rd of the staff at the impact investing organisations is directly involved in IMM.

VI. In Conclusion

Despite various challenges such as lack of availability of baseline data, standardisation and benchmarks, as well as potential risk of double counting, the Indian impact investment industry continues to push forward. Better alignment between fund and its investee companies and recognition of the importance of IMM within the LP community are definitely the key drivers for its continued research and evolution. In fact, we see the challenge around standardisation to get gradually addressed, since some of the global frameworks and metrics such as, IMP, SDGs and IRIS+ are gaining prominence even in India.

The IMM’s ‘Target’ framework continues to be the most popular among funds; however, both Rating/ Scoring framework and Monetisation frameworks are gaining acceptance with time. Since monetization framework translates impact into ultimate returns, it has a higher probability to gain significant traction if the ambiguity around assumptions is addressed.

Last but not the least, most funds continue to have a direct spend of a minimum of 5% of their operating budget on IMM. With scale, stage of investment and maturity, this spend is expected to increase to 15–20%
5 MICRO OVERVIEW: DEEP DIVE

To effectively measure and manage impact, it is important to have an IMM framework that runs across the life cycle of the fund, i.e., from intentionality to integration. In line with this need, we designed the below IMM framework that attempts to evaluate the IMM approach and practices of the participating funds through their investment life cycle. The survey questions were drafted to understand each participant’s approach across the 15 themes spanning 5 stages of the investment lifecycle.

Figure 4 IMM framework across the Investment Lifecycle
Vince Lombardi once said, “Hope is not a strategy”. So, to achieve their targets, impact investors don’t just need to hope, but to also take the first step towards formulating their impact strategies for the investment life cycle. And these impact strategies need to be defined at multiple levels—such as organisational, portfolio and investment levels. Further, as a part of the strategy formulation process, the funds ought to define impact goals that are either grounded in evidence or are based on a strong impact thesis.

In this section, we will discuss how our respondents formulate different aspects of their impact strategy, right from designing and evaluating an impact thesis, defining impact goals at portfolio and investment levels, to setting a sound governance and culture for the IMM process.

1. Impact Thesis: How do funds formulate an investment strategy for impact investments?

Impact thesis, which is a key part of the strategy formulation, is influenced by the fund’s impact objectives, preferred stage of investment, impact sector(s), target population, focus geographies and investment instruments. Most of our respondents formulate a sound impact thesis at a funds level, which is then customised at a sector and investee level.

The fund-level impact strategy is generally focused on specific themes, such as improving lives of customers with average household income below certain threshold and topical areas such as financial inclusion. Where a fund is focused on a specific sector, the impact thesis revolves around sector-specific interventions, such as delivering critical learning outcomes or improving the average yield for the small farmers.

Few funds we spoke to focus more on formulating impact strategy at an investee level, based their understanding of the business model and scale potential. This is perhaps driven by the need to not limit the type of impact as well as the fund’s intention to make investments across multiple sectors.

Funds formulate a sound impact thesis at a fund level, which is then customised for every sector and investee.


Before we measure and assess the impact, as a starting point, it is important to define the key elements of what constitutes impact. In this regard, Impact Management Project’s (IMP) five impact dimensions (Who, What, How Much, Contribution and Risk) provide clear guidelines on what should be considered while developing an IMM approach.

We discussed application of these five dimensions with the funds and observed that all funds directly or indirectly account for a few or all of these dimensions. A quick snapshot of IMP and its five dimensions is provided in Appendix 4.

Let’s also understand how these dimensions can be applied at a fund level through the Leapfrog example given in Exhibit 1. Leapfrog also measures a number of outcome-level effects at the company level and has a sophisticated measurement approach.
Exhibit 1: Application of Five Dimensions of Impact at a Level

Impact goal: The investment, tied to an innovative insurance product, will enable Leapfrog to provide 80 million people with healthcare and financial tools, 60 million of whom are Emerging Consumers, while creating or supporting 40,000 jobs by 2029.

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Impact frame</th>
<th>Indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>What?</td>
<td>Invest in businesses that address basic healthcare and financial services needs</td>
<td>- # and type of financial services companies</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- # and type of healthcare companies</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- # / type of essential services enabled</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Financial services</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- In healthcare (i.e., inpatient/outpatient care, pharma, diagnostics)</td>
</tr>
<tr>
<td>Who?</td>
<td>&quot;Emerging consumer&quot; — individuals in sub-Saharan Africa, South Asia and Southeast Asia whose daily per capita income is between $2.72 and $10.67 and MSMEs that employ between 5-100 people</td>
<td>- # consumers served</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- # emerging consumers served</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- disaggregated by gender</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- # of first time users of financial services and healthcare</td>
</tr>
<tr>
<td>How much, at what rate?</td>
<td>80 million people, 60 million emerging consumers by 2029</td>
<td>- # consumers (individuals or MSMEs)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- emerging consumers</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- it healthcare consumers, % emerging consumers</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- it financial services consumers, % emerging consumers</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Net promoter score</td>
</tr>
<tr>
<td>What is the investment’s contribution?</td>
<td>Dollars leveraged directly and indirectly—$3M toward $300M in additional funding</td>
<td>- $ leveraged</td>
</tr>
<tr>
<td>What risks?</td>
<td>Underrepresentation/underservice of lower income people</td>
<td>- % consumers from low- and lower-middle income groups (note: this would already be collected as part of &quot;who&quot; above)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- ESG compliance for transparency of product terms, conditions and pricing, and client data security and confidentiality</td>
</tr>
</tbody>
</table>


As expected, all our respondents were comfortable in addressing the first three IMP dimensions, namely, What, Who and How much. So, here we have focused on the remaining two, Contribution & Risk, in detail.

- Contribution:
  Funds find it difficult to measure qualitative data.

  All funds recognise the relevance and importance of the contribution dimension, as it’s crucial to link the investments they make to the additivity they create for their ultimate beneficiaries. However, as funds usually describe their contributions qualitatively, it is difficult to measure and quantify.

  On contribution dimension, a few funds struggle to measure and quantify the contribution made by its portfolio companies. Apart from this, there are other methods such as Randomised Control Trial (RCTs), which can be deployed, but they are expensive, posing additional challenges.

- Risk:
  Assessing external risk in an investment thesis is as important as the return itself. For an impact fund, this risk has two components — risk of not achieving the return and the risk of impact outcomes not occurring as expected. Both these risks are covered thoroughly as a part of the impact thesis at the time of investment consideration. Some of our respondents assess these risks at multiple levels, inter alia evidence risk, execution risk, alignment risk and baseline risk. However, there is one additional risk as stated under IMP’s risk dimension that needs to be considered — the risk of any associated ancillary negative impact.

As expected, all our respondents were comfortable in addressing the first three IMP dimensions, namely, What, Who and How much. So, here we have focused on the remaining two, Contribution & Risk, in detail.

- Contribution:
  Funds find it difficult to measure qualitative data.

  All funds recognise the relevance and importance of the contribution dimension, as it’s crucial to link the investments they make to the additivity they create for their ultimate beneficiaries. However, as funds usually describe their contributions qualitatively, it is difficult to measure and quantify.

  On contribution dimension, a few funds struggle to measure and quantify the contribution made by its portfolio companies. Apart from this, there are other methods such as Randomised Control Trial (RCTs), which can be deployed, but they are expensive, posing additional challenges.

- Risk:
  Assessing external risk in an investment thesis is as important as the return itself. For an impact fund, this risk has two components — risk of not achieving the return and the risk of impact outcomes not occurring as expected. Both these risks are covered thoroughly as a part of the impact thesis at the time of investment consideration. Some of our respondents assess these risks at multiple levels, inter alia evidence risk, execution risk, alignment risk and baseline risk. However, there is one additional risk as stated under IMP’s risk dimension that needs to be considered — the risk of any associated ancillary negative impact.
Several funds face challenges in evaluating ancillary negative impact and they try to assess it on a best-effort basis. Robust market research and/or end-beneficiary studies are crucial in capturing ancillary negative risks. In the absence of such studies many funds have adopted the following proxy/alternative approach(es):

- ESG due diligence
- Adoption of Net Promoter Score (NPS) methodology
- Development of strict exclusion list (more relevant in case of debt funds and portfolio companies)
- Background verification of the entrepreneurs
- Explanation of customer protection principles and terms to end-beneficiaries
- Legal clause that ensures reduction of capital invested or exit if such risks are not controlled

It is important to note that the risk mitigation would involve adding another dimension to the project to control any negative outcomes and hence it can become expensive to measure this for every investment.

**Impact Goal Setting – Strengthening the foundation**

While the IMP’s five impact dimensions provide guidance on formulating goals, the fund should make sure that there is ‘a credible basis for achieving the impact goals through the investment strategy’.

All our respondents said that their impact goals are either backed by past evidence or are evidence-able based on a logical impact thesis. Few respondents use a combination of the above approaches, depending on the sector of investee or the stage of investee enterprise.

Early-stage impact funds that invest in innovative (especially tech-enabled) business models rarely have actual evidence of the product intervention to draw analysis from. This is also the case with investments in the new age sectors such as Education-technology or Health-technology, where there are no precedents to draw evidence from. In such instances, our respondents derive an impact thesis using one or more of the following methods:

- Leverage knowledge and experience from investments in other parts of the world
- Perform secondary academic research by way of a literature review exercise
- Make estimations based on investee’s plans to scale business
- Evaluate follow-on capital decisions based on evidence from the first round

Some early-stage funds adopt a ‘logic framework’ approach to analyse the causal pathway and connections between inputs, outputs and outcomes. They measure progress towards outputs and validate outcomes at discrete and strategic moments in time.

**3. Governance & Culture: How do the funds manage stakeholder buy-in?**

A fund manager ultimately requires stakeholder buy-in to successfully achieve both its financial goals and impact goals. So this makes it imperative that the fund manager undertakes steps to ‘codify’ the impact strategy and goals to ensure that its stakeholders

(employees, investees and its LPs) are on the same page as well as motivated to work towards the fund’s goals. This is specifically important for investment staff and impact teams, who play a key role throughout the investment life-cycle: deal screening, due diligence, impact performance, monitoring and impact reporting.

Through our survey, we tried to assess the practices adopted by the respondents to gain stakeholder buy-in:

- **Employee incentive linked with impact performance and goals**
  - Financial incentives and employee performance review linked with impact performance (pre and post) for investment staff is key to creating a holistic impact culture.
  - All (except two) of our respondents said that their annual employee performance appraisal and compensation are not linked to the achievement of impact. The general response is that impact is in the DNA of the organisation and also in the core value system of the staff. So, no separate incentives are required to motivate employees. This resonates with GIIN’s global findings, where 3/4th of the respondents said that their investment teams are intrinsically motivated.

As a rule of thumb, impact goals/key performance indicators (KPIs) are set at an overall portfolio or fund level and not at an individual employee level. However, many of our respondents did say that they have an informal feedback mechanism to measure employee performance (for both financial and impact performance) on a regular basis.

- **Staff training**
  - In an impact-driven culture, it is imperative that there is consistent learning and development, especially around IMM. Hence the Management should organise adequate training for the staff on areas such as the organisation’s impact strategy, its impact goals, and how these goals relate to employees’ day-to-day roles.

In line with this, the majority of our respondents said that they do undertake some form of training initiatives to establish (and periodically refresh) investment team’s knowledge of the fund’s impact thesis, impact goals and measurement practices.

![Figure 6 Initiatives to educate staff on fund’s IMM practices (n=26)](image-url)

All our respondents said that their impact goals are either backed by past evidence or are evidence-able based on a logical impact thesis.

---


**IF THE ORGANISATION OFFERS HIGH-POWERED INCENTIVES FOR FINANCIAL PERFORMANCE, DOES IT NEED TO BALANCE THESE WITH INCENTIVES FOR IMPACT?**
A lot of these training initiatives are driven by LP mandates or industry body-led initiatives, such as by GIIN, IFC, UN, IMP, etc. International DFIs (as LPs) also lay strong emphasis on staff training and education of their investee staff.

Seven of our respondents run extensive formal impact training programmes, international conferences and knowledge refreshers for their staff at regular intervals. Here it’s important to note that all these respondents have a few common characteristics: global presence, and large impact organisations with large budget allocations for employee learning and development.

The other respondents have more ad hoc team discussions on impact on different occasions, such as brown bag lunch meetings or on-the-job training during deal screening, performance evaluation or preparation of impact reports, etc. Though this is the current practice, multiple respondents plan to tweak this approach in the coming years, by putting together a formalised training calendar for their employees.

**Interaction with stakeholders**

Governance & culture are also influenced by the way funds interact with their LPs. Most respondents shared that the level of interaction with their investors/LPs varied from LP to LP.

Some funds noted that their LPs conduct a robust due diligence to gain confidence at the time of investment but are happy with periodic impact reporting post investment. On the other hand, few respondents mentioned that their LPs follow a more hands-on approach by being in constant touch with them throughout the impact management life cycle. Certain asset owners’ LPs track impact data and performance closely through: deal screening, impact goal setting, impact measurement and monitoring, and impact reporting. Some of our respondents’ LPs also work with the impact fund management to develop the Due Diligence report and ESG Policy manual to ensure adherence. In fact, as mentioned above, LPs also invest in the learning and development needs of GP/fund manager’s staff.

**Seven of our respondents run extensive formal impact training programmes, international conferences and knowledge refreshers for their staff at regular intervals.**

**Out of the IMP’s five impact dimensions, most funds struggle to evaluate and quantify contribution and risk. However, funds have attempted to develop solutions to address this complexity.**

**Many of our respondents are early-stage impact funds that invest in innovative business models or in the new age tech-enabled sectors. Due to the lack of credible impact evidence of these products, impact goals are often based on a sound impact thesis (rather than evidence) that is tested over time.**

**In line with global trends, impact funds consider staff members to be intrinsically motivated to achieve impact targets as a team and do not need to be separately incentivised for achievement of impact outcomes.**

**Impact funds and their investors are making efforts to build a formal L&D system for IMM-related education.**

**The intrinsic culture of a fund is impact driven; hence, most funds do not have any employee incentives tied to impact goals.**
Deal Screening

Investee Buy-In and alignment to impact goals

Develop Framework and Select Metrics

STAGE II: DEAL ORIGINATION AND SCREENING

In the previous section, we discussed the first stage of our IMM life cycle framework, wherein a fund formulates its overarching impact strategy at a portfolio and investment level.

Once the impact strategies are in place, the next step is Deal Origination and Screening. This phase of our framework covers all facets that occur prior to making each investment and is critical to impact investing, as it’s the ‘first and only opportunity’ for the investor to collect detailed financial, operational and impact-related data and information of the potential investee. This screening process is essential to make a sound investment decision.

In this section, we discuss due diligence approaches adopted by our respondents and explain how they collaborate with their investees to set impact goals, select impact metrics and motivate them to achieve higher impact milestones.

1. Deal Screening: Going beyond Financial Due Diligence

A. Due Diligence

Impact Due Diligence is an important component of the impact investment life cycle. Shortcomings in the due diligence process are bound to have an adverse effect on the impact performance of the portfolio. Funds should carefully formulate their impact due diligence strategy, alongside their investment strategy, at an early stage of the investment life cycle. An impact due diligence helps the fund determine whether impact is built into the potential investee’s business model and aligned with the fund’s financial growth aspirations.

All our survey participants collect data on impact of prospective investees during the due diligence process. While some funds stated that this data collection and analysis is done as a part of the business due diligence or ESG due diligence, others mentioned that they have a standalone impact due diligence process in place. Irrespective of the approach, all our respondents recognise that an impact due diligence is essential to evaluate and document the following:

IN THIS SECTION, WE DISCUSS DUE DILIGENCE APPROACHES ADOPTED BY OUR RESPONDENTS AND EXPLAIN HOW THEY COLLABORATE WITH THEIR INVESTEES TO SET IMPACT GOALS, SELECT IMPACT METRICS AND MOTIVATE THEM TO ACHIEVE HIGHER IMPACT MILESTONES.
Strategic Alignment: Understand the potential investee's impact strategy and assess alignment of the impact of the investee with the fund's impact goals at the portfolio, sector and geographic focus levels.

Impact Orientation: Evaluate among other factors, the investee's impact thesis and potential to scale. Our respondents said that the process also provides insights into qualitative aspects of the investee's interventions such as inclusivity, quality of life change, ease of use and access to alternatives.

Risk: Identify and evaluate the anticipated (positive, negative, intended and unintended) impact(s) of the investee's product/service on all stakeholders. Some of our respondents evaluate risk this by ensuring whether the right product is offered to the desired target segment, terms of the product are explained properly, client protection principles are implemented and customised products are being used wherever needed.

Alignment with LP Expectations: At this stage, LPs expect fund to screen the investees through a strong impact and risk lens. As per the GIIN, “LPs essentially invest through fund primarily to manage their risk and add value to their underlying investments in portfolio companies. The fund's role is to identify as many risks upfront as possible and then to mitigate these risks through the structure of the investment”. In fact, some of our respondents’ LPs also work with the impact fund management to develop the due diligence and ESG Policy manual to ensure adherence.

Additionality: Identify ways in which the fund can add value to the impact of an investee. This is by far the most differentiating factor for an ‘impact investor’. The majority of our respondents informed that ‘additionality’ is given strong consideration during deal screening to ensure a strategic fit. However, non-monetary additionality is often hard to quantify or validate through robust data.

Due Diligence team
In terms of allocation of staff for conducting impact due diligence, our respondents follow varied approaches. For most of our respondents, impact due diligence is a more centrally coordinated effort where the investment team is trained to understand the impact parameters/ filters during the due diligence and screening process. Few of them have a dedicated impact committee/team, which supports the ESG and main investment team to screen potential investments. One of our respondents also uses an external agency to conduct impact due diligence.

Approaches to Due Diligence
As per the Impact Due Diligence guide published by the Pacific Community Ventures, market research revealed that approaches to impact due diligence typically fall within three categories: Narratives of expected impact, Due diligence questionnaires and Quantitative tools.

Basis our interviews, we observed that our survey respondents’ approach also fell in one of these three categories.

I. Impact Narrative:
Impact narratives are written descriptions about current impact and expected impact performance of prospective investees. Our respondents using this approach usually do not conduct a sophisticated ‘impact due diligence’ but have a formal approach to understand the potential investee’s impact strategy and assess alignment of the impact of the investee with the fund's impact goals.

II. Due Diligence Questionnaires:
Impact-focused due diligence questionnaires (DDQ) are sets of questions about prospective investees’ impact that usually all potential investees are required to answer”. Many of our respondents use an Impact-focused DDQ to evaluate prospective investees on multiple impact parameters and assign scores/ratings based on select filters. To illustrate, our respondents’ impact intake guideline questionnaires contain questions to assess:

- Sector of operation
- Geography
- Target group
- Product pricing
- Sustainability of impact generated
- Change in quality of life/ productivity due to investee product or service
- Enterprise-level concerns: Intent, governance, gender diversity, health and safety

This approach provides a more holistic and organised assessment of the impact potential and orientation of prospective investees. While in some cases, these DDQs are standalone documents, in others, they form a part of the financial and business diligence.

III. Quantitative tools:
Some of our respondents rely on Lean Data and other sophisticated proprietary tools to decode both qualitative and quantitative impact data about potential investees into numeric scores and ratings. This helps them take decisions that are backed by comparability and objectivity. But there’s a catch. Design and use of these tools require resources and entail added costs.

Figure 7: Approaches to Impact Due Diligence [n=26]
EsG and Impact Assessment

Many of our respondents conduct impact due diligence as a part of the ESG assessment. Without a doubt, IMM practices should be built upon the foundation of good ESG governance. While it is a good practice to integrate one into another, impact funds should also understand the difference between Impact and ESG due diligence.

ESG assessments typically focus on business practices — whether the enterprise has appropriate internal policies and procedures that are conducive to attaining modern environmental, social and governance standards. On the other hand, impact due diligence also needs to include extensive data and assessment on the impact outcomes of enterprises 'actions and products.

B. Additio nasty

Similar to ‘Contribution’, additionality is defined as ‘whether the fund’s investment increases the quantity or quality of social output beyond what would otherwise have occurred’ — simply put, what are the added benefits, if any, this particular fund brings in. Our respondents evaluate if they can provide additionality through one or more of the following modalities:

Monetary

➤ Debt investors provide additionality by being a first or second lender. This is usually documented as a part of the investor’s credit note
➤ Financing impact enterprises at a stage that would not otherwise be able to attract private commercial capital
➤ De-risking the business for subsequent rounds of private commercial capital: Investment in the firm brings in ‘capital benefits’ from follow-on investments such as capital at lower cost (below market investments) or patient capital with longer maturities

Non-Monetary

➤ Access to investment expertise, which helps grow the enterprise and enhance its social outcomes/impact beyond what would otherwise have occurred
➤ Technical assistance focussed on development of investee’s operational and impact management capabilities
➤ Bringing in the fund’s connections/network to the investee company
➤ Advocating for policy changes, to improve the enabling environment for social enterprises and impact investors alike

2. Investee Buy-in and Alignment to Impact Goals: How do impact funds motivate investees?

Impact investors adopt a formal methodology to assess the expected impact of a potential investment and devise an impact plan with measurable goals to ‘optimise future impact performance’ for each investee. This approach enforces ‘quantitative rigour and accountability’ right from the investment stage to the performance monitoring stage.

Almost all our respondents stated that they work proactively and collaboratively with the potential investees to agree on the impact goals and strategy. Our respondents feel this is essential to get a buy-in from investees at an early stage and set achievable targets.

Only three of our respondents said that their investment teams define the impact goals for their investees. In such instances, the investors adopt a formal framework wherein they consider factors such as a potential investee’s ability to scale, reach, business goals, sector of operation, geography and other contextual settings. Even in these cases, investees are consulted to secure buy-in for goals, but inputs are sought only up to a certain level.

Out of our 26 respondents, 5 shared that they do not necessarily define distinct ‘impact’ goals and strategy (separate from business goals) for their investees. This is primarily because impact is core to their business model. These investors track their investees’ impact performance in sync with/against the respective financial or business KPIs and goals. These KPIs and goals are in turn set in consultation with the investee enterprises.

Incentives for investees

In addition to offering incentives to staff, investors often incentivise investees for achieving/exceeding impact goals. This could be monetary or non-monetary. In addition to offering incentives to staff, investors often incentivise their investees for achieving/exceeding impact goals. Most of our respondents said that their investees are intrinsically motivated by impact.

Nonetheless, 12 out of our 26 respondents provide some form of incentives to their investees. Here are some of the ways in which our respondents motivate their investee enterprises to achieve higher impact goals:

➤ Setting impact milestones in order to receive follow-on capital
➤ Including clauses in debt covenants that provide for better investment terms or interest subvention on achieving pre-defined impact targets
➤ Provisioning of donor capital on meeting impact targets

Many of our respondents conduct impact due diligence as a part of the ESG assessment. Without a doubt, IMM practices should be built upon the foundation of good ESG governance.
KEY FINDINGS OF THIS SECTION

A majority of the funds have embedded impact due diligence as a part of the overall business due diligence with investment teams trained to understand impact parameters and filters.

Common due diligence approaches adopted by funds are: impact narrative, due-diligence questionnaire and quantitative tools. More than 45% of the respondents have adopted the due diligence questionnaire approach. Larger international funds tend to use sophisticated tech-enabled tools for this purpose.

Most funds consider additionality during the deal screening stage: the value addition that they can bring through their investment. While this may not be a deal breaker for all, they do believe that their investment in the firm brings in ‘capital benefits’ from follow on investments.

Almost all the impact investors work collaboratively with prospective investee companies to develop impact strategies and goals to ensure buy-in. Half of the funds have tied investee-related incentives to such goals.

Eventually, metric selection is guided by existing evidence that was used to formulate strategy, standards available globally or basis the specific impact targets.

IMPACT MANAGEMENT: MEASUREMENT AND ANALYSIS

Collect and Measure Data

Quality Control

Analyse Data
STAGE III: IMPACT MANAGEMENT: MEASUREMENT AND ANALYSIS

In the previous section, we discussed the development of impact measurement metrics/framework and to what extent impact metrics are customised. As we progress from there, the natural next step is to observe how impact investors manage to collect quality ‘impact’ data on the standard or customised metrics decided for each portfolio investment.

An important part of the impact measurement process is the ‘impact data collection’. To understand the Indian impact investing industry perspective on impact data collection, this discussion starts with who is responsible for ‘impact data collection’, then moves on to ‘how frequently do they capture impact data’ and finally culminates at ‘what tools do they use’.


Who are the stakeholders responsible for the ‘impact’ data collection?

Impact data collection is a core, resource-exhaustive activity in the entire process of impact measurement and management (IMM). A significant majority of our respondents shared that they ask their investee (portfolio) companies to collect and report on impact data. Also, there are a few funds that leverage support from a third-party organisation or consultant to collect impact data. The third-party organisation, in almost all cases, supports the data collection process only for a part of the fund’s portfolio. Only a negligible number of funds collect the data themselves.

How often is the impact data collected?

In tandem with the global research findings, most of our respondents collect data on a quarterly basis (~70%). However, third-party organisations/consultants usually collect impact data for funds on an annual basis, as per their need and requirement. Generally, the investee company collects impact data either on a monthly or quarterly basis and then reports data on the pre-decided impact metrics (standard/customised). The data reporting usually takes place through an MIS. Most impact funds we interviewed seemed to have an MIS in place to capture the impact data.

What tools are used for impact data collection?

Around the globe, there has been a significant progress in the impact data collection methodology. Thanks to advancement in technology, capturing and reporting data has become easier and more cost effective over the years. Research and testing are underway to further augment technology support in using traditional impact data collection tools, to make the process cheaper and drive better insights.

Generally, the investee company collects impact data either on a monthly or quarterly basis and then reports data on the pre-decided impact metrics (standard/customised).

From our interaction with various funds operating in India, we understood that a variety of tools are used for impact data collection. Most respondents said that they do rely on ‘existing financial and operational data’ for impact data too. This is primarily a factor of cost feasibility and to avoid duplication of efforts. Besides this many also use survey method as a tool for impact data collection.

Figure 8  Stakeholders responsible for impact data collection (n=26)

Figure 9  Different tools for impact data collection (n=26)
Among the ‘other components’ in the above graph, the majority of the funds that leverage third-party organisations’ support, such as use ‘lean data’ as a tool for data collection. The ‘lean data’ tool uses a unique technology that captures the voice of customers/beneficiaries of the portfolio companies. This technology uses mobile phones that allow for text messaging and also has other features such as interactive voice response (IVR). Alternatively, there are also customer feedback tools such as PPI and Constituent Voice Survey, which also allow for efficient data collection.

2. Quality Control: How do funds manage quality standards?

Quality is a highly important parameter. To have effective quality control on the ground, some funds have dedicated professional(s), who either work alongside investment managers or operate independently and manage impact assessment, monitoring and evaluation. This helps fund managers focus dedicatedly on the financial aspects of the investment, without worrying about the quality metrics.

While the groundwork of this parameter is taken care of by professionals, there is also a need for an oversight to ensure optimum implementation of IMM-related responsibilities. Impact oversight helps improve the overall effectiveness of the IMM practice, ensuring that the quality of impact data collected is robust and relevant.

This is where a fund’s board of directors come into picture. The board of directors can empower a committee or a director(s) to oversee impact performance. In a classic sense, the key roles the oversight committee or the director(s) has to assume are as follows:

- Overseeing the development of impact strategy
- Monitoring and reporting to the board on the progress towards set impact targets/goals
- Course correction and attention to any deviation from the prescribed/pre-concluded plan

A significant number of our survey respondents (roughly 50%) have established an impact committee for oversight, while some others have a separation of responsibilities within the board/investment committee with respect to IMM. Among those who have an impact oversight committee or separation of responsibilities, about 46% have comprehensive oversight duties.

The ‘lean data’ tool uses a unique technology that captures the voice of customers/beneficiaries of the portfolio companies.

TO UNDERSTAND CRITICAL AND USEFUL INSIGHTS FROM THE IMPACT DATA COLLECTED, DATA ASSESSMENT PROCESS HELPS FUND GET CLARITY ON ‘WHAT WORKS AND WHAT DOESN’T WORK, AND (HOW) ONE CAN MONITOR TO SCALE UP’.

Figure 11 Illustrative structure of an Impact oversight Committee established by impact funds

<table>
<thead>
<tr>
<th>Impact Oversight Committee</th>
<th>Strategy Setting</th>
<th>Research &amp; Data</th>
<th>Information Management Systems</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff</td>
<td>Staff</td>
<td>Staff</td>
<td>Staff</td>
</tr>
<tr>
<td>Finance Team</td>
<td>Staff</td>
<td>Staff</td>
<td>Staff</td>
</tr>
</tbody>
</table>

An impact oversight committee has a defined set of roles and responsibilities pertaining to impact-related activities. Some of our respondents have these oversight ‘teams’ specifically working alongside the Finance teams on:

- Overall impact strategy and goal setting
- Research and data, which pays close attention to impact measurement activities such as data collection and data quality
- Information management system, which normalises the data collected and decides on the reporting format, i.e., if the data should be presented in a story or a numeric format

It goes without saying that the composition of the oversight team is based on the size and affordability of the fund. The important point, however, is more around ensuring that there are specific responsibilities around impact that are clearly laid out and enabled.

Data Quality

Most impact funds understand the prominence and relevance of predefined data quality standards, ensuring transparent documentation and making appropriate disclosures to maintain data integrity. Our respondents, however, added that they trust the quality of the data collected and reported to them by the investee company. In situations where they observe that there is a sudden or significant deviation from the past trend, a ‘sense check’ is carried out to find the underlying cause. Over 90% of our respondents, however, do not conduct formal audit of the impact data.

3. Analyse Data: How often do funds examine and review impact data?

To understand critical and useful insights from the impact data collected, data assessment process helps funds get clarity on ‘what works and what doesn’t work, and (how) one can monitor to scale up’.

In line with this, 95% (25 of 26) of our respondents assess the impact data. However, the frequency of their assessment varies — monthly,
**Figure 12** The chart represents % of funds that conduct impact assessment at varying time periods (n=19)*

| Assessment undertaken at the time of exit only | 5% |
| Assessment undertaken annually | 37% |
| Assessment undertaken at a higher frequency (e.g., quarterly) | 63% |

* Data was provided by 19 of 25 respondents.

**KEY FINDINGS OF THIS SECTION**

- Over **90%** of the respondents request their investee companies to collect impact data on a quarterly basis and upload it on their respective MIS.
- A few funds onboard third-party consultants/organisations to collect impact data for at least a part of their portfolio.
- Existing financial and operational data is used by most respondents to observe impact generated. This is followed by other data collection tools such as surveys and interviews.
- The majority of our respondents agree that if not comprehensive, limited oversight is needed throughout the impact measurement and management process.

quarterly, bi-annually, annually and at the time of exit. Most respondents conduct the analysis at a higher frequency: monthly, quarterly or bi-annually (about **60%**). This impact data analysis can be conducted at three levels — select investee level, fund level and both. The majority of the respondents conduct the analyses at both the investee and fund levels.

While we observe that the majority of our respondents conduct impact assessment, and also see the global trend in a similar direction — where interest in impact evaluation has significantly increased — there is a parallel debate about limited public reporting of impact data and lesser visibility on the data on financial returns, which raise questions on whether impact assessment is being done to the fullest.

Frequent means monthly, quarterly or bi-annually.
In this section, we have attempted to make an assessment of the approaches adopted by the impact funds to promote transparency and comparability in the industry.

This has been done through a review of the reporting adopted by the funds, understanding the importance the funds assign to comparability or benchmarking of their performance to the industry performance and what measures, if any, do they consider to promote comparability, i.e., for instance, consideration given to the use of or alignment of their IMM approaches to a global framework or impact metric.

1. Communicating Impact: How Are We Reporting?

Through our survey and through a review of the available impact reports of the funds, we took the opportunity to do some deep diving into how the Indian impact industry is currently reporting on impact performance.

Out of the 26 funds surveyed, 21 (~81%) funds prepare an impact report, while 5 funds (~19%) are contemplating preparing one in the immediate future.

We further tried to understand the following aspects regarding the reporting adopted by the 21 funds that do prepare impact reports:

- **Availability of Impact Reports:** Whether the impact reports are available to the public at large or are being made available only to a limited set of stakeholders such as investors and donors?

![Figure 13 Availability of Impact Reports (Limited vs. General) (n=21)](chart)

Frequency of the publicly available impact reports was noted to be largely annual, with a few funds considering a biennial and/or longer duration for reporting on impact performance data.

Note: The chart is based on data available for 21 funds i.e., for those who are currently preparing impact performance reports and results.
The data shown in Figure 13 above is a clear indication of the increasing trend among the funds to push for transparency with respect to the impact performance with ~76% of the funds publishing their impact results for the public at large (either through reports or through disclosure of the impact performance on their websites).

**Format of the reports:**

Whether these are published as standalone impact reports or integrated as a part of a larger financial report or annual report?

Of the funds that prepare impact reports (n=21), 67% of the fund publish a standalone impact report, while 19% consider communication of the impact through an integrated annual report and the balance 14%, present impact reports as per a LP /donor mandated format.

![Figure 14: Format of the Impact Reports (n=21)](image)

Note: The graph is based on data available for 21 funds i.e., for those currently preparing impact performance reports and results.

The above trends are encouraging and highlight that many of the fund managers are placing increasing emphasis on transparency and disclosure of their impact results. While one of the reasons can be attributed to the growing awareness among the LPs, many of the fund managers have also voluntarily started making such efforts.

### 2. Transparency and External Assurance

For the funds which are presenting their impact results in the public domain (~76% as per figure 13) we reviewed the information provided to better understand the disclosure themes and narrative that is being adopted by them. Our findings are presented in Table 2 of this report.

**Table 2: Disclosure Themes and Narratives Covered in the Impact Report (n=16)**

<table>
<thead>
<tr>
<th>Disclosure Themes</th>
<th>% Funds</th>
<th>Illustrative narrative covered in the reports</th>
</tr>
</thead>
<tbody>
<tr>
<td>Portfolio composition</td>
<td><img src="image" alt="Portfolio composition" /></td>
<td>Sector-wise split of portfolio focus</td>
</tr>
<tr>
<td>Impact Thesis and / or Impact Measurement Approach</td>
<td><img src="image" alt="Impact Thesis and / or Impact Measurement Approach" /></td>
<td>Overall impact philosophy linked to the sectors, logic models and the theory of change</td>
</tr>
<tr>
<td>Additionality &amp; Contribution</td>
<td><img src="image" alt="Additionality &amp; Contribution" /></td>
<td>Being a cornerstone investor, investing in remote geographies, attracting follow-on capital</td>
</tr>
<tr>
<td>Responsible Exit</td>
<td><img src="image" alt="Responsible Exit" /></td>
<td>Exits undertaken and a narrative on the continuation of the impact through mission-aligned buyers</td>
</tr>
<tr>
<td>SDG alignment &amp; mapping</td>
<td><img src="image" alt="SDG alignment &amp; mapping" /></td>
<td>Identification of the SDGs contributed towards; however, many have only identified the SDG theme and not identified specific targets under the SDGs</td>
</tr>
<tr>
<td>Outputs</td>
<td><img src="image" alt="Outputs" /></td>
<td>Quantitative direct output metrics supported by anecdotal qualitative impact stories, number of beneficiaries, type of beneficiaries. Information disclosed skewed towards the ‘reach’ rather than ‘depth’ of impact</td>
</tr>
<tr>
<td>Investors</td>
<td><img src="image" alt="Investors" /></td>
<td>Investor Type Split and/or names of LPs</td>
</tr>
</tbody>
</table>

Note: the above table only meant to outline the various aspects which are being disclosed and is not meant to comment upon the rigour and depth of data being provided by the funds as part of their impact reporting.
As per our discussion with the fund managers, most do not consider an external audit of the impact performance unless it is mandated by the investors or LPs. Presently, most of the impact performance results are largely based on the self-reported data of the investee company coupled with some level of a sense check by the fund managers.

While many funds agreed that the external assurance of the impact data will bring in credibility to the impact reported, many also questioned the trade-off between rigour of the reporting vs the cost of such audits. There is no denying the fact that cost might be a critical factor, but as the impact investment industry groups, independent verification of impact performance may be necessary to help build transparency around the ‘true impact’ being reported.

One of the objective of our survey was to understand (a) whether the fund managers view comparability or some form of benchmarking of impact performance as important for the industry growth and; (b) what elements of comparability are being presently considered in their impact measurement and management process to promote a level of convergence.

The fund managers surveyed held a unanimous view that while comparability is important, it is not essential, largely also on account of it being difficult to compare different investments across the diverse sectors. The viewpoints which emerged are reflected through a few comments below:

3. Comparability: The Standardisation vs Customisation debate ...

The benchmarking of impact performance can be a key driver to put the impact investing industry on a growth path.

However, unlike financial returns, comparing and benchmarking impact returns is not an easy tread—rather it’s a knotted affair. The diversity of the investment approaches and strategies across the varied sectors, industries and business models within each sector render a standardised or a one-size-fits-all approach extremely challenging.

Figure 15: Comparability will support the impact investment industry

<table>
<thead>
<tr>
<th>Investors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benchmarking the performance of the asset managers — enable effective capital allocation decisions</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Asset Managers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pursue impact in a disciplined way — valuable information for improving investment decision and impact performance</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Investees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common frameworks and metrics can help reduce reporting burdens, support performance management and demonstrate the impact</td>
</tr>
</tbody>
</table>

“IT’S TIME TO TRUST INVESTORS WHO SAY THEY ARE CONTRIBUTING TO SUCH A BRIGHTER FUTURE – BUT ALSO TO VERIFY IT”

— DR. ANDREW KUPER, FOUNDER AND CEO OF LEAPFROG INVESTMENTS

SOURCE: BUSINESSWIRE ARTICLE DATED SEPTEMBER 19, 2019

THE BENCHMARKING OF IMPACT PERFORMANCE CAN BE A KEY DRIVER TO PUT THE IMPACT INVESTING INDUSTRY ON A GROWTH PATH.

“Comparability maybe more relevant for LPs and investors for allocating capital based on impact performance, while for GPs, they have set impact targets to achieve and should have the ability to compare its own Y-O-Y performance within these set impact targets.”

“Comparability is good to have, but not a must have given the challenges in benchmarking impact performance”

“Challenges not just in diversity of business model, but also in terms of the impact metrics on which the investee company can provide data, hamper the possibility of driving greater standardisation in impact performance”.

“Possible consideration can be given to driving comparability of impact performance at a sectoral level but may be challenging.”

External Audit of Impact Performance
Figure 16: Global Impact Metrics being used by the Funds (n=26)

Exhibit 2: Are we Ready for a Sectoral Level Benchmarking?

The Global Impact investing Network (GIIN) has undertaken a study, ‘Evaluating Impact Performance’, to present a new approach for rigorously comparing impact results among investments within a sector, marking an important first step in enabling investors to make these comparisons in a meaningful and transparent way. The study has been done for two sectors: Clean Energy Access & Affordable Housing — both sectors which have a relatively long track record of impact investing activity.

The results of GIIN’s study on Affordable Housing Investments are summarised below:

WHAT creates the impact?
Example SDG Targets

<table>
<thead>
<tr>
<th>Target</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.4</td>
<td>Access to basic services</td>
</tr>
<tr>
<td>3</td>
<td>Reduce inequality of access to basic services</td>
</tr>
<tr>
<td>11</td>
<td>Safe and affordable housing</td>
</tr>
</tbody>
</table>

Example Target Impact Outcomes

- Increasing resources available after housing payments, increasing residential stability, improving housing quality, increasing accessible housing services linked to supportive services, decreasing environmental harm

HOW MUCH impact has been achieved

- **Depth**: Greenhouse gas emissions reduced (metric ton), income distribution of tenants
- **Breadth**: Number of new units of housing, number of individuals housed, number of jobs created
- **Duration**: Number of years for which housing is expected to remain affordable, tenant turnover rate, eviction rate
- **RISKS to creating impact**: Execution risk, external risk, drop-off risk, efficiency risk, stakeholder participation risk
- **CONTRIBUTION to impact**: Strategies to contribute to their investment impact: providing flexible capital, engaging actively with their investees, and signaling that impact matters

WHO are the target stakeholders

- Families, disabled individuals, elderly individuals, individuals living near or below national poverty line, racial, ethnic or religious minorities, refugees or displaced individuals, youth and children, homeless individuals

The GIIN study on Evaluating Impact Performance provides some evidence base that sectoral-level benchmarking can be a viable option to build convergence on the impact performance for an otherwise fragmented industry. Through the analysis of the impact data gathered from several funds operating in two specific sectors, it tries to identify an overarching common impact framework, targets and metrics. Now, some may argue that there is a need for certain number and volume of deals in a particular sector in India to provide enough data to undertake a similar exercise. However, due consideration should be given to forming a sectoral-level taskforce at least in those sectors that are gaining traction, to build initial frameworks in the formative years, which can evolve as the sector investments grow.

Most fund managers agreed that the industry has covered at least some grounds in terms of convergence at the global level, be it in the form of adoption of impact measurement frameworks (GIIN or Impact Management Project) and the impact metrics such as IRIS and SDGs. However, many fund managers felt that we are not there yet, when it comes to contextualising these parameters for use in the Indian scenario.

We have presented below the two aspects being considered by the fund managers to promote a degree of convergence or use of universal language.

Impact Measurement Frameworks:

The majority of the fund managers echoed the adoption of the United Nations SDGs and/or IRIS metrics as their way of promoting comparability.

The UN SDGs emerged as the universal anchor point for investors, while use of IRIS metrics is being considered by many as an overall guidance, as there has been a need to contextualise these metrics to the Indian scenario.

Exhibit 2: Are we Ready for a Sectoral Level Benchmarking?
KEY FINDINGS OF THIS SECTION

- Majority of the respondents do prepare an impact report (~81%) with others considering preparing an impact report in the near future. Most impact funds are also promoting transparency by making their impact reports available to the public at large.

- External audits of the impact reported is still largely missing on account of the cost associated with such audits.

- There is a unanimous view that while comparability is important, it is not essential, largely also on account of it being difficult to compare different investments across the diverse sectors.

- The UN SDGs emerged as the universal anchor point for investors for use in reporting. IRIS metrics is being considered by many as an overall guidance only, due to the need to contextualise these metrics to the Indian scenario.

MONITORING AND EXITS

- Learning and Improvement
- Attribution
- Sustainability
In this last section of our survey, we focused on understanding the specific practices and feedback loops that impact funds in India are using to monitor the impact of their investee companies, and key considerations for sustaining the impact achieved post-exit.

For an impact investor, tracking the progress of the impact over the term of the investment should be as critical as tracking the financial side. Apart from monitoring the impact during the investment term, impact investors need to also give due consideration to putting in place effective measures which support the continuation of the impact after exit. This is also highlighted in the GIIN Report on ‘Responsible Exits,’ - it is the concern for the business after exit which differentiates impact investors from investors without an impact intent, whose primary concern is to maximise financial returns for their shareholders and who are otherwise agnostic about “what happens to the exited business”.

Our survey provides an understanding on how the Indian fund managers leverage the impact data generated by their portfolio companies. The majority of the data collected is used to identify the gaps for supporting the investee companies to improve their operational or business performance, as well as for enhancing the design of the products and services aligned to the expectations of the beneficiaries for improved impact. This clearly highlights the recognition that the funds place in the business value of the impact data.

However, it’s interesting to note that impact did not inform the exit decisions in terms of timing of exit for most fund, which the funds managers concurred was a factor of market timing and scale of enterprise.

**The majority of the data collected is used to identify the gaps for supporting the investee companies to improve their operational or business performance, as well as for enhancing the design of the products and services aligned to the expectations of the beneficiaries for improved impact.**

**Figure 17 Purpose for Which Impact Data is Used (n=26)**

- Improving overall impact management and investment process 46%
- Both capacity building support for investee company and improvement in investee products/services 31%
- Capacity building support for investee company 12%
- Improving exit decision (timing) 4%
- Currently developing IMM framework – not applicable 12%

**1. Learning and improvement:**

**Improving impact through Feedback Loops**

While collection of quality impact data is critical for the industry, even more important is how and for what purpose we are using the impact data, i.e., our ability to analyse the data and make effective use of the information to improve the business of the investee company and thereby its impact performance. Managing impact performance is a continuous and iterative process, which requires embedding feedback loops through the life cycle of an investment to incorporate the insights and inputs from the stakeholders and beneficiaries.

**Our report in this section lays out the findings on the importance attached by impact funds in India to the sustainability of impact and key considerations that form a part of their exit strategy to achieve it.**
Acumen created Lean Data to listen to low income customers and understand what impact means to them. By putting the voice of the customer at the centre of impact measurement and leveraging mobile technology for fast, reliable response, Lean Data has become an exciting new tool for social enterprises, investors and beyond. Acumen has now spun off Lean Data into 60 decibels.

This case study is focused on a company in the education sector that creates and delivers capacity-building programmes for teachers in government and affordable private schools.

**Scope of the study:** A Lean Data study was undertaken to get feedback on customer satisfaction from the parents and the teachers about the capacity-building programmes for teachers developed by this company.

**The results from Lean Data revealed the following:**

**High depth of impact:** Approximately 94% of the parents reported an improvement in the life of children since the intervention by the company.

**Personal growth and development:** More than 85% of the parents reported positive impact on multiple metrics such as confidence and peer-to-peer interaction.

**Willingness to pay for the service:** Parents responded positively towards paying a slightly higher fee for a product which will deliver better outcomes for their children. While the teachers were satisfied with the product, it was found that the parents did not know that the increase in the performance of the children was due to the product of the company.

**Net promoter score:** Average NPS for the company

Acumen expected a high NPS for the company considering the scores in other parameters were relatively high. However, contrary to expectations, less than 20% of the parents spoke about the effectiveness of the product and intervention with their relatives, neighbours and friends. The reason for the low NPS was the low awareness of the intervention among parents. While the teachers were satisfied with the product, the parents did not know that the increase in the performance of the children was due to the product of the company.

**Learning:** Parents like to be involved in knowing about all aspects related to their child’s education, including the products, interventions and initiatives, and as a result they are ready to pay more for their child’s development.

**Action taken:** The impact data was used by the company to take corrective measures and the immediate one being the increase in the number of interactions with the parents through multiple channels. The company started conducting Company Days at the end of academic years, which is an annual fair with various competitions being held for students. This helped to scale the company’s visibility among parents.

The funds profiled clearly highlighted the need to review their impact operational plans and capacities to stay on course. However, the frequency of the review differed— the majority of the funds follow an annual review of their impact plans as a part of their larger fund performance review. A few funds (~8%) undertake a more frequent review, ranging from a monthly to a quarterly review supplemented with a comprehensive annual review, while, the balance (~4%) consider the review of impact operational plans only on a need basis or once in a few years.

Impact data metrics can provide valuable market insights and data points about the customers and the beneficiaries (understanding customer context, socio-economic status, preferences for products and services), which can go a long way in improving the business practices of the investee companies, ultimately resulting in business growth.

**Figure 18: Frequency of Review of Impact Plans (n=26)**

<table>
<thead>
<tr>
<th>Review Structure</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formal review under development</td>
<td>15%</td>
</tr>
<tr>
<td>Review undertaken frequently</td>
<td>8%</td>
</tr>
<tr>
<td>Review undertaken annually</td>
<td>73%</td>
</tr>
<tr>
<td>Review undertaken on need basis</td>
<td>4%</td>
</tr>
</tbody>
</table>

While a few funds interviewed do recognise this fact, there is still a need for an industry-wide awareness on the business value embedded in the impact data. This will support many of the funds to view feedback loops as a critical necessity and investment, rather than a mere cost for reporting purposes.
ATTRIBUTE: Determining which portion of results of an invested company or portfolio of companies is due to the activities of an investor (financial capital and non-financial value adding activities), taking into account other investors and external factors that may have influenced the achievement of the results.

The below diagram provides an illustration of how impact results can be overstated without applying the attribution principles.

**Exhibit 3: Are we overestimating our impact?**

**Attributes:**

- Determining which portion of results of an invested company or portfolio of companies is due to the activities of an investor (financial capital and non-financial value adding activities), taking into account other investors and external factors that may have influenced the achievement of the results.

**Exhibit 4: Industry status on factoring attribution in impact**

LeapFrog Investments considers attribution to be critical for identifying and enhancing the drivers of integrated returns. As an operational, hands-on investor, LeapFrog undertakes a suite of value creation activities at each investee company, prioritized on their ability to deliver the dual goals of top tier returns and enabling emerging consumers to be resilient through financial and health tools. For each investment, the performance of the prioritized value creation initiatives are tracked at a project delivery level as part of FIIRM, LeapFrog’s measurement framework. The quantitative and qualitative results provide LeapFrog insights that allow for understanding the key levers that can be attributed to the success of project and overall dual goals set as part of the investment strategy.

**Figure 19: Industry status on factoring attribution in impact**

The quantitative and qualitative results provide LeapFrog insights that allow for understanding the key levers that can be attributed to the success of project and overall dual goals set as part of the investment strategy.

**2. The Attribution Conundrum**

One of the bigger debates in impact measurement has been the challenge of attribution of the impact results of the portfolio company, i.e., linking the final outcomes for the beneficiaries to the provision of capital by the investors.

While attribution is a difficult path to tread even for the portfolio companies, the challenge is magnified as we move upward or along the impact capital supply chain, as the strength of the causal relationship goes down. This has led to over-reporting the impact on an aggregated industry-wide basis.

Cognizant of the complexity associated with attribution, one of the objectives of this survey was to understand the fund managers’ views on this issue — is attribution even considered important enough to be deliberated internally, even if no solutions have been adopted so far, or have the funds pro-actively adopted some best practices in an attempt to rationalise the impact being measured and reported?

It was encouraging to see that while all funds interviewed accept the significance of attributing the results to their investment, a few have also started adopting practices recognising the attribution or the challenge associated with it — ranging from a disclosure in their impact reporting to the use of methods such as measuring impact proportional to the investment holding or experimental designs such as RCTs or a combination of both based on the type of portfolio.

Predictably, the larger skew of responses of the funds was towards not having considered attribution, and many echoed the following practical challenges around measurement issues:

- **Role of cornerstone funding or catalytic funding:** This is especially true of the seed investors and early-stage investors, where investment in a promising idea or a start-up is integral to their impact thesis. A simple attribution proportional to the holding or stake in the company will fail to consider the catalytic role they have played in attracting additional financing.

**THERE IS A NEED FOR THE INDUSTRY TO WORK TOGETHER TO CONSIDER, AT THE MINIMUM, SOME BASIC COST-EFFECTIVE STANDARDS AND APPROACHES.**

**Non-financial support:** Apart from funding, many investors are also providing critical non-financial support in the form of technical assistance, capacity building, access to their business network, which is also instrumental in the development and growth of the enterprise and should be factored in the measurement.

**Appropriate cost-effective methods:** While the use of experimental and quasi-experimental methods, such as Randomised Controlled Trials (RCTs), could be considered, these are costly and time-consuming and not something that smaller funds can easily adopt. It also triggers the debate around the trade-off between cost vs accuracy. Further to be consistent and comparable, there is a need for the industry to consider an acceptable approach or framework.

While the complexities in resolving this issue are undeniable, there is still a need to recognise that overcounting will obscure the actual impact and progress towards the SDGs. There is a need for the industry to work together to consider, at the minimum, some basic cost-effective standards and approaches. For example, use pro-rated approach over 100% of the impact being accounted, where it is a finance-first investment or where the percentage of holding is below a certain threshold (e.g., 10% of the total enterprise equity-implying a higher influence of other investors), developing rules for manner of accounting for non-financial support, etc.

Although these may not yield impact results with absolute accuracy but these can serve as a critical step towards negating an overzealous impact reporting.

Not currently considering attribution of the fund’s impact results due to practical difficulties in implementation

- Attempting to consider attribution in the fund’s impact results
Do we need a more holistic approach to responsible exit?

The GIIN in its publication Lasting Impact: The Need for Responsible Exits has identified that a responsible exit lays the foundation for a long-term impact and requires considerations as early as due diligence. The study concluded that there is no single consensus approach to responsible exits, rather, impact investors use a combination of one or more of approaches depending upon their investment strategy, theory of change and role in the investment value chain. The study goes a step further to map the exit strategies adopted by the fund managers globally across the life cycle of the investment.

3. Sustainability: Continuing the impact through Responsible Exits

Responsible exit strategies are critical for investors to sustain the impact of their investee companies after they divest their stakes in the latter. This section of the survey was focused on understanding the approaches being adopted by the fund managers in India to balance their liquidity targets, while ensuring long-term impact of their portfolio companies.

Almost all fund interviewed in India recognised the importance of sustaining the impact of their portfolio companies even after they exit. However, while a bouquet of varied approaches has been adopted globally for continued impact, the majority of the funds in India have remained focused primarily on selection of a ‘mission-aligned buyer’ as a part of their responsible exit strategy.

To safeguard against a ‘mission drift’, the single most critical aspect that all funds voiced is identifying an investor that is strategically aligned to the business model of the company or that shares the impact motivations.
OIKOCREDIT’S RESPONSIBLE EXIT APPROACH

Oikocredit is a social impact investor and a worldwide cooperative. It has 45 years’ experience funding organisations active in financial inclusion, agriculture and renewable energy. Oikocredit’s loans, equity investments and capacity building aim at enabling people with low incomes in Africa, Asia and Latin America to sustainably improve their living standards. The company finances over 685 partners, with a total outstanding capital of over €1.1 billion (as at 31 March 2020). For more information, visit www.oikocredit.coop.

**Case Study 5**

Timing the exit is a critical component of Oikocredit’s Responsible Exit philosophy. Oikocredit adopts flexibility in their exit timing and considers an exit once they have fulfilled their role as a growth stage investor. Oikocredit considers a combination of financial and social criteria while selecting the right buyer. A cumulative assessment is undertaken across the following areas for the buyer selection:

1. **Financial attractiveness:**
   - Fair value assessment to check the attractiveness of the financial offer and our initial IRR expectations of the investment

2. **Exclusion factors:**
   - KYC assessment of the buyer
   - Overall reputation of the buyer
   - Applicability of negative/exclusion list

3. **Mission Alignment:**
   - Buyers who are committed to the business plan and mission of the investee and who plan to grow the company without materially altering its business model

4. **Strategic Fit:**
   - Buyers who can add strategic value to the investee and are acceptable to the management team of the investee. Additionally, for exit in a case of majority stake, Oikocredit strives to understand the intentions of the buyer in terms of investment horizon, strategic goals and retention of employees

**Exclusion includes entities involved in:**
- Exploitative labour practices
- AML
- Corruption
- Money laundering, covered in sanctioned list
- Negative impacts: Business of alcoholic beverages, tobacco, gambling, mining and wildlife
- Social and Cultural: Activities involving degradation of critical habitat, controversial fishing, uncertified forestry products
- Environment: Business of nuclear power, unbounded asbestos, PCBs, hazardous chemicals

**Criteria 1**

**Financial attractiveness:**
Fair value assessment to check the attractiveness of the financial offer and our initial IRR expectations of the investment

**Criteria 2**

**Exclusion factors:**
- KYC assessment of the buyer
- Overall reputation of the buyer
- Applicability of negative/exclusion list

**Criteria 3**

**Mission Alignment:**
Buyers who are committed to the business plan and mission of the investee and who plan to grow the company without materially altering its business model

**Criteria 4**

**Strategic Fit:**
Buyers who can add strategic value to the investee and are acceptable to the management team of the investee. Additionally, for exit in a case of majority stake, Oikocredit strives to understand the intentions of the buyer in terms of investment horizon, strategic goals and retention of employees

**Exclusion includes entities involved in:**
- Exploitative labour practices
- AML
- Corruption
- Money laundering, covered in sanctioned list
- Negative impacts: Business of alcoholic beverages, tobacco, gambling, mining and wildlife
- Social and Cultural: Activities involving degradation of critical habitat, controversial fishing, uncertified forestry products
- Environment: Business of nuclear power, unbounded asbestos, PCBs, hazardous chemicals

**KEY FINDINGS OF THIS SECTION**

- The impact funds interviewed do recognise the business value generated through the impact data and majority of the respondents are leveraging impact data to improve the investee products and services and for capacity building of their investee companies

- While it is encouraging to see that all funds interviewed accept the significance of attributing the results to their investment, a few have also started applying some simple attribution rules in practice from appropriate disclosures, to measuring impact proportional to their investment holding or use of sophisticated approaches like, RCTs

- "Selection of a mission-aligned buyer" emerged as the key responsible exit strategy for the funds with consideration being given to it at the time of exit itself, followed by appropriate selection of investee companies [business model being intrinsically impact oriented] at the pre-investment stage
Appendix A

- Aavishkaar
- Acumen
- Ananya Finance
- Ankur Capital
- Asha Impact
- Bharat Fund
- Caspian
- Chiratae Ventures
- Ford Foundation
- Gray Ghost Ventures
- Gray Matters Capital
- Incofin
- Insitor Capital
- Kaizinvest
- KKR
- Kois Invest
- LeapFrog
- MDSF
- Northern Arc
- Oiko Credit
- Omidyar Network
- Omnivore
- TPG
- True North
- Villgro
- Zephyr Peacock
Appendix B - References


Appendix C - Glossary

AUM  Assets under Management
CAGR  Compounded Annual Growth Rate
CY  Current Year
DFI  Development Finance Institutions
ESG  environmental, social, and governance
GIIN  Global Impact Investing Network
GIIRS  Global Impact Investing Rating System
GIIN  Global Impact Investing Network
GP  General Partner
GRI  Global Reporting Initiative
IFC  International Finance Corporation
IMM  Impact Money Multiple
IMP  Impact Management Project
IRIS  Impact Reporting and Investment Standards
IRR  Internal Rate of Return
KPI  Key Performance Indicator
LP  Limited Partner
MFI  Micro Financial Institutions
NPS  Net Promoter Score
OECD  Organisation for Economic Co-operation and Development
PE  Private Equity
PRI  Principles for Responsible Investing
RCT  Randomised Control Trials
SASB  Sustainable Accounting Standards Board
SDGs  Sustainable Development Goals
SRI  Socially Responsible Investing
SROI  Social Return on Investment
TOC  Theory of Change
UN  United Nations
VC  Venture Capital
WBA  World Benchmarking Alliance

Appendix D
Assessing Impact Using IMP’s Five Impact Dimensions

The IMP provides a forum for building global consensus on how to measure, manage and report impact. The IMP is a multi-stakeholder initiative to help investors articulate impact expectations and communicate and manage their impact.

After hundreds of in-person and virtual conversations across the IMP’s Practitioner Community of over 2,000 organisations, the IMP reached consensus that impact can be measured across five dimensions:

Further, the IMP also developed a set of 15 categories of data that provides information across these five dimensions. These impact data categories serve as a guidance to enable enterprises and investors to set goals, assess performance and ensure that they are not missing any of the essential pieces for managing impact.

<table>
<thead>
<tr>
<th>Impact dimension</th>
<th>Impact questions each dimension seeks to answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>What</td>
<td>• What outcome is occurring in the period?</td>
</tr>
<tr>
<td></td>
<td>• Is the outcome positive or negative?</td>
</tr>
<tr>
<td></td>
<td>• How important is the outcome to the people (or planet) experiencing them?</td>
</tr>
<tr>
<td>Who</td>
<td>• Who experiences the outcome?</td>
</tr>
<tr>
<td></td>
<td>• How underserved are the affected stakeholders in relation to the outcome?</td>
</tr>
<tr>
<td>How Much</td>
<td>• How much of the outcome is occurring - across scale, depth and duration?</td>
</tr>
<tr>
<td>Contribution</td>
<td>• Would this change likely have happened anyway?</td>
</tr>
<tr>
<td>Risk</td>
<td>• What is the risk to people and planet that impact does not occur as expected?</td>
</tr>
</tbody>
</table>

Source: Impact Management Project

Further, the IMP also developed a set of 15 categories of data that provides information across these five dimensions. These impact data categories serve as a guidance to enable enterprises and investors to set goals, assess performance and ensure that they are not missing any of the essential pieces for managing impact.
 Enterprises and investors can assess their impact performance by assessing and reporting 15 categories of data.

### Impact dimension | Impact data category | Description
--- | --- | ---
1. **What** | Outcome level in period | The level of outcome experienced by the stakeholder when engaging with the enterprise. The outcome can be positive or negative, intended or unintended.
2. | Outcome threshold | The level of outcome that the stakeholder considers to be a positive outcome. Anything below this level is considered a negative outcome. The outcome threshold can be a nationally or internationally agreed standard.
3. | Importance of outcome to stakeholder | The stakeholder’s view of whether the outcome they experience is important (relevant to other outcomes). Where possible, the people experiencing the outcome provides this data, although third party research may also be considered. For the environment, scientific research provides this view.
4. | SDG or other global goal | The Sustainable Development Goal target or other global goal that the outcome relates to. An outcome might relate to more than one goal.

### Who
5. | Stakeholder | The type of stakeholder experiencing the outcome.
6. | Geographical boundary | The geographical location where the stakeholder experiences the social and/or environmental outcome.
7. | Outcome level at baseline | The level of outcome being experienced by the stakeholder prior to engaging with, or otherwise being affected by, the enterprise.
8. | Stakeholder characteristics | Socio-demographic and/or behavioural characteristics and/or ecosystem characteristics of the stakeholder to enable segmentation.

### How Much
9. | Scale | The number of individuals experiencing the outcome. When the planet is the stakeholder, this category is not relevant.
10. | Depth | The degree of change experienced by the stakeholder. Depth is calculated by analysing the change that has occurred between the “Outcome level at baseline” (Who) and the “Outcome level in period” (What).
11. | Duration | The time period for which the stakeholder experiences the outcome.

### Contribution
12. | Depth counterfactual | The estimated degree of change that would have happened anyway without engaging with, or being affected by, the enterprise. Performance of peer enterprises, industry or local benchmarks, and/or stakeholder feedback are examples of counterfactuals that can be used to estimate the degree of change likely to occur anyway for the stakeholder.
13. | Duration counterfactual | The estimated time period that the outcome would have lasted for anyway without engaging with, or being affected by, the enterprise. Performance of peer enterprises, industry or local benchmarks, and/or stakeholder feedback are examples of counterfactuals that can be used to estimate the duration likely to occur anyway for the stakeholder.

### Risk
14. | Risk type | The type of risk that may undermine the delivery of the expected impact for people and/or the planet. There are nine types of impact risk.
15. | Risk level | The level of risk, assessed by combining the likelihood of the risk occurring, and the severity of the consequences for people and/or the planet if it does.

Source: Impact Management Project

---

### Appendix E

**IFC's Operating Principles for Impact Management**

The IFC published the Operating Principles for Impact Management (the Principles) in 2019. The Principles describe essential features of managing impact investments, define an end-to-end process. The elements of the process are strategy, origination and structuring, portfolio management, exit, and independent verification.

In total, the 9 Principles (see Figure below) that fall under these five main elements are considered the key building blocks for a robust impact management system. The Principles have been formulated based on two fundamental concepts:

1. Core elements of a robust impact management system; and
2. Transparency of signatories’ alignment with the Principles.

**Figure 18** The IFC Operating principles

- **Strategic Intent**
  1. Define strategic impact objective(s), consistent with the investment strategy.
  2. Manage strategic impact on a portfolio basis.
  3. Establish the Manager’s contribution to the achievement of impact.
  4. Assess the expected impact of each investment, based on a systematic approach.
  5. Assess, address, monitor, and manage potential negative impacts of each investment.

- **Origination & Structuring**
  6. Monitor the progress of each investment in achieving impact against expectations and respond appropriately.
  7. Conduct exits considering the effect on sustained impact.
  8. Review, document, and improve decisions and processes based on the achievement of impact and lessons learned.

- **Portfolio Management**

- **Impact at Exit**

- **Independent Verification**
  9. Publicly disclose alignment with the Principles and provide regular independent verification of the alignment.