



COLLECTION

Why Impact Management?

Impact management has the potential to enable every organization, regardless of size or sector.



Executive Letter

Impact management – the practices used by impact investors, social enterprises, and others to measure and manage their intended positive impact on the world – is an increasingly important tool to help every organization, regardless of size or sector, align its investments and decision-making to more effectively benefit people and the planet. Impact management also can help increase accountability and transparency to help restore trust everywhere. To date, billions of dollars of funding have been dedicated to the United Nation’s Sustainable Development Goals (SDGs), but experts put the funding needed to achieve them in the trillions. Impact management can help facilitate the public-private partnerships necessary to put more and different types of capital behind these critical goals.

Impact management is not a cure-all. Rather, it is a set of increasingly essential tools for those seeking to advance equitable solutions to environmental and social challenges. Without an intentional impact management practice, impact remains an abstraction. Data and evidence are both required to ensure durable and resilient impact actually materializes.

Impact management can be difficult work – and, like all difficult work, it can be easily avoided and sometimes poorly executed. But, with the convergence of expertise from practitioners of ESG, measurement and evaluation, and impact investing, the practice of impact management is growing. The Impacting Together initiative and the thought leadership represented in this publication is evidence of forward progress.

As opportunities emerge to invest in ways that both address systemic injustices and ensure a resilient and thriving environment, now is the time for leading practitioners and others to share perspectives, tools, techniques, and experiences that can enable others to learn from both their successes and their challenges. This publication is a collection of such perspectives. It is not complete, nor could it be. However, the initiative represents an important contribution to the field, and we thank the contributors for their willingness to share their insights and guidance. It’s our hope that the best practices and emergent insights included here can help accelerate the journey for others, so that data and evidence can be leveraged in service of meaningful societal change.

We are honored to help lift these voices and raise awareness about the practice of impact management – and we look forward to hearing about the ways you use these tools to achieve the important changes you seek.

Sincerely,



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Matt Onek
President & CEO
Mission Investors Exchange



Rob Acker
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Introduction

Perspectives from the Field

Why impact management?



The momentum is growing for businesses and investors to behave intentionally regarding their impact on people and planet. Whether this behavior translates into impact investing, ESG reporting, transformative business practices, or all of the above, intentionality about impact demands authentic impact management (IM) in the same way that other business and investment decisions are managed. This set of articles make the case for strengthening impact management across the landscape of business and investment activities. The collection also includes specific approaches based on firsthand accounts about processes, tools, and frameworks that facilitate impact management. We open up this series with compelling remarks from leaders who have been building the path forward for more robust impact management practices.

In the years ahead, I believe we will reflect back on this time as a turning point for impact investing. We will remember how the tide shifted, creating momentum that led investors to assess impact across their portfolios, equal to financial returns. We will mark this moment as the beginning of a new economic model, one in which every investor considers not just how much money a business makes, but how it drives progress towards a healthier society and a more sustainable planet.

We will celebrate how we rose to the immense challenges facing the environment and our social fabric by turning aspirations for a better future into tangible, measurable results. And those of us who helped pioneer this future will give credit to impact management as the tool that provide investors and company managers with a scientific way to measure and reach their impact goals.

Today, we have an incredible amount of work ahead of us to build this future. But we're experiencing undeniable momentum. IM is rewriting the rules for what investors want their capital to achieve. It's helping to embed new

practices into operations and redefine success by measuring how we create value for employees, communities, and the environment as well as for Shareholders.

In “Why Impact Management?”, an article compilation spearheaded by the Impacting Together network convened by Salesforce, you will gain the knowledge and experience of experts who have devoted years to IM’s development and practice, including the architects of the GIIN’s IRIS+, the generally accepted IM system for investors.

I invite you to draw all you can from all these great authors and challenge yourself to reflect on the role you are playing to define and drive progress toward this brighter future.



Amit Bouri

CEO, Co-Founder, The Global Impact Investing Network (GIIN)

We are not on a sustainable path, and we are a long way from achieving the SDGs. The triple threats of climate change, the COVID-19 pandemic, and the war in Ukraine are showing us just how connected economic, social, and environmental outcomes are becoming as we approach the boundaries of our planetary and social systems. All our futures depend on the health of the ecosystem in which we live, work, produce, and sell.

While there is growing awareness that sustainability is at the heart of long-term value creation, organizations are grappling with how to translate their positive sustainability intentions and commitments into decisions, actions, and results. Current approaches and proposed solutions are insufficient because they are atomistic, don’t address the root causes, and do not take a holistic systems approach. They are failing sustainable development as well as business and investment objectives, fueling skepticism and concerns about impact washing.

We need to transform the way we do business and invest, placing sustainability, the SDGs, and managing for impact at the core of organizational purpose and decision-making – no longer an add-on to what business gets done but how all business gets done. Recognizing that, increasingly, how organizations impact the world around them will determine how the world impacts them. We all have a role in ensuring the ongoing viability and regeneration of our ecological and social systems upon which ongoing enterprise and investment value increasingly depends. We need to move beyond ESG metrics that satisfy external reporting requirements. We need to adopt a deep-seated commitment to integrate impact considerations into decision-making. That way, sustainability becomes part of our DNA and how things get done. Only then will organizations’ efforts translate into real actions and results – in terms of sustainable development outcomes for people and planet as well as long-term business and investment portfolio resilience and performance. UNDP’s SDG Impact Standards have been developed to help organizations do just that.



Fabienne Michaux

Director of SDG Impact, United Nations Development Programme (UNDP)

Impact management is essential for investors and organizations to assess progress towards their impact goals. It requires setting clear targets, measuring progress on an ongoing basis, and using that data to inform decisions—from adjustments to existing projects to new investments. The impact management sector counts with strong standards and frameworks for impact management. Investors should align to harmonized metrics and standards so they can aggregate impact results data in a clear and comparable way and as such better identify where progress is being made and where further efforts are needed.

The Why IM compilation is a valuable resource to point the way toward impact management practices and perspectives.

**Leticia Emme**

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We are at an important moment in time. There is growing amount of capital intentionally being directed toward social and environmental outcomes, together with greater awareness that businesses can and should account for the nonfinancial factors. Customers will ask for better information on fair pay and carbon footprints, investors will want to know that ESG risks have been recognized and addressed, and governments will seek higher thresholds on what “good enough” looks like. These trends are positive in general but not sufficient to address the scale of the issues we collectively face.

Impact management brings some distinctive contributions to these areas. It recognizes that there are multiple forms of value creation that are possible and desirable, and that we can think about how to look beyond the assumed trade-offs of financial and social returns. It asks different questions than conventional measurement and reporting tend to do – moving from “What did we do?” and “How well did we do?” to the “Why and how will it matter?” and “What could we do next?” These can be powerful shifts in both language and practice, especially when affected stakeholders are included.

The framing of impact management as a dynamic, integrated, and forward-looking orientation of how intentions convert to processes and performance is important. We are still in the relatively early phase of constructing systems to properly evaluate and account for social and environmental value, and it will take much more work, discipline, transparency, and humility to get this right. In that vein, this compilation provides an important set of emerging perspectives and challenging questions to inform how we translate the potential of impact management into better outcomes for people and planet.

**Karim Harji**

Programme Director, Oxford Impact Measurement Programme, Said Business School,
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Why Impact Management Matters

Making a transformative difference requires us to focus on active, engaged management of our investments and business practices.



Impact management, the term of art for the practices used by impact investors, social enterprises, and others to measure and manage their intended impact, matters. Why? Because any hope of achieving the global goals articulated in the SDGs, any hope of quenching the fire of the burning house declared by Greta Thunberg, and any hope of halting the ever-widening racial and wealth gap worldwide demands that we attend to our investments both to avoid repeating our mistakes and to enhance our successes. Attending to our investments requires a firm grasp on data and insights about impact goals and a deep commitment to act on these data and insights by managing negative AND positive results. Making a transformative difference requires us to focus on active, engaged management of our investments and business practices.

Yet, impact management practices are far from mainstream in the impact investing ecosystem. While some early pioneers and diligent newcomers in impact investing have embraced the value of IM, there is still a chasm separating early adopters from the majority. Until the divide is bridged, that is, until investors take IM as a requirement of their work, the integrity of impact investing – and, more importantly, those it seeks to benefit – is at risk.

About the Terminology

This article is the first in a series that makes the case for mainstream adoption of IM. This thought leadership and call to action is motivated by an initiative of Impacting Together, a network of practitioners furthering the development of building blocks and levers to facilitate and ensure that impact-oriented investors and businesses are making deep, durable, and lasting impact.

The State of Play for Adoption of IM

IM is core to the fast-growing field of impact investing. The Global Impact Investors Network's (GIIN) definition of the core characteristics of impact investing illustrate the centrality of IM: (1) intentionality, (2) use evidence and impact data in investment design, (3) manage impact performance, and (4) contribute to the growth of the industry.

Making a transformative difference requires us to focus on active, engaged management of our investments and business practices.

An initial effort to encourage the regular practice of impact measurement and management originated in 2008 with the development of IRIS, a common metric system that provided a credible set of impact performance measures. Field builders such as The Rockefeller Foundation, Acumen, and B Lab drove the development of IRIS, and the GIIN is managing and continues to evolve IRIS as a fundamental resource for the impact investing field.

While adoption of IRIS has been widespread, barriers that impede IM became evident in impact-oriented investing organizations. One of the most profound barriers relates to the lack of change management in governance and management systems (including incentive systems and budget development). Without the integration of data and insights into organizational practices, decisions and actions related to impact objectives cannot be met. Another barrier to IM is the proliferation of bespoke approaches. It is not unusual for investors to use IRIS+ alongside their own custom measures and measurement practices. As recently as 2017, the GIIN's annual survey about IM showed that over two-thirds of investors use proprietary metrics/and or frameworks that are not aligned to external methodologies and that just under two-thirds (59%) adopted metrics aligned with IRIS.¹ New entrants to the IM field have resoundingly described the scene as highly fragmented and confusing, leading to slow adoption of IM – and in some cases even resulting in a skepticism about the long-term viability of impact investing.

Another barrier to IM is the proliferation of bespoke approaches. It is not unusual for investors to use IRIS+ alongside their own custom measures and measurement practices.

Over the past five years, thought leaders and solution providers have been working diligently on a concerted effort to align on a more harmonized and systematic approach to IM. For instance, the Impact Management Project convened over 2,000 stakeholders in the impact investing ecosystem to develop consensus about the five dimensions of impact and a classification system for the types of impact investing. The International Finance Corporation of the World Bank (IFC) collaborated with numerous stakeholders in developing a set of principles for embedding impact considerations across the investment lifecycle. The GIIN replaced its catalog of metrics

with IRIS+, an end-to-end system for IM. The United Nations Development Program (UNDP), with input from stakeholders, identified specific indicators of performance to guide adoption of IM within structures and practices of governance, management, strategies, and transparency. They released tailored versions of the SDG Impact Standards for impact investors, enterprises, and bond issuers. BlueMark has made great strides in developing an independent verification system for assessing progress in IM practice and impact performance. And each of these groups have coordinated to ensure compatibility of the systems they are developing.

Similarly, product and service providers that support IM have deliberately integrated these common approaches in their services and products. A few highly adopted examples include: 60 Decibels' lean data collection method, SoPact's platform for managing and reporting impact, and Toniic's Tracer that longitudinally tracks financial and impact performance data for its investor network.

Throughout all of these efforts, impact measurement and management has shifted from a reporting exercise to a management exercise that drives the integration of impact data and management decisions. Thus IM is becoming the shorthand from impact measurement and management to simply impact management.

Progress Is Palpable

The GIIN's most recent report from their annual survey of impact investors overwhelmingly points to the recognition of the importance of IM. Nearly 100% of respondents agreed that IM is important and can be used to improve impact performance. In addition, investors reported concrete benefits to their business:

- Capturing business value (93%)
- Marketing or fundraising (92%), and
- Transparent reporting about impact claims (80%)

Given IM's importance, the field also recognized that there is more work to be done on transparent IM practices and integration of IM with financial management decisions.

Over the past five years, thought leaders and solution providers have been working diligently on a concerted effort to align on a more harmonized and systematic approach to IM.

Next Steps

Given the reality that even the most innovative early adopters have challenges with integration of data and insights into IM and financial decisions, what about the investors who have not yet even bought into the value of IM? What will it take to cross the chasm and make IM the norm?

Since the principles, frameworks, and tools for managing impact now have been developed, our next challenge is to broaden adoption of IM. Investors and companies – and most importantly, communities – stand to benefit through IM, by increasing business value, attracting capital, and transparently and inclusively developing, testing, and sharing impact claims.

Stay tuned for the series of articles to appear over the next few months as our colleagues and networks in Impacting Together share approaches, tools, experiences, and guidance about “Why IM Matters”. We look forward to crossing the chasm together.



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In It Together

A blueprint to move from climate activism to global environmental norms.



The climate negotiations in Glasgow, Scotland, provided a powerful reminder of the importance of understanding and appreciating the different influencers that are shaping the global sustainability movement.

While activists protested on the streets of Glasgow, inside the building, negotiators from scores of nations were working overtime to forge agreements to stem climate change. One point of view is that the “street” activists were disrupting those working on solutions to climate change. On the other hand, would these discussions even be happening but for the awareness raised by activists?

This scenario illustrates a lesson we authors have learned time and time again from working in the sustainability movement for more than 50 years: All major societal change stems from the awareness raised by activism.

Always has. Always will.

Consider how the sustainability world was changed when 15-year-old Greta Thunberg skipped class to sit in front of Swedish Parliament holding up a sign reading “skolstrejk för klimatet” (school strike for climate). Her message, that young people will bear the brunt of climate change impacts caused by prior generations, caught on with youth around the world. Within a year, her impassioned cry, “How dare you,” at the 2019 UN Climate Action Summit inspired legions of climate activists.

At its core, the sustainability movement is about changing notions of responsibility for people and the planet.

Picking Up the Through-Line from Activism to Global Norms

At its core, the sustainability movement is about changing notions of responsibility for people and the planet. That's where the "Impacting Together" collaboration hosted by Salesforce comes in. The network brings together experts and agitators from global influencing organizations representing impact investing and social enterprise, philanthropy and nonprofits, and corporations to explore their common interests in advancing a better world. We can see the through-line from the awareness raised by passionate activists to the less sexy, but no less important, work of policy makers, standards setters, and other influencers who enact change at scale. After a few conversations, however, it was evident that the groups had very different approaches to achieving similar sustainability-related objectives. We agreed to explore the commonalities among the groups working across the range of sustainability issues. This observation uncovered connections that, while obvious to some, can also be new, powerful drivers of progress for others.

For instance, a maturity curve (fig. 1) drives sustainability adoption for many corporations. It begins with awareness of a new issue, such as fisheries collapse. Agitated stakeholders then raise awareness of the issue, which can stimulate responsible companies to voluntarily change their behaviors. As more companies follow suit, pressure from multiple stakeholders builds for late adopters to follow, and eventually, regulators act to ensure a consistent and reliable approach.



Figure 1. Maturity model – from awareness raising to global norms.

Breaking It Down to Build Up Collaboration

By developing and using common metrics, we can not only reduce the barriers to collaboration but perhaps we can build an early warning system that clarifies how addressing social and environmental issues adds value across the spectrum. And like putting your ear to the tracks to know when a train is coming, hopefully these connections and common metrics will help us all get off the tracks in time.

Impacting Together coalition members are developing frameworks to help understand the actors and roles in the broader impact management ecosystem, which includes sustainability work.

Impacting Together coalition members are developing frameworks to help understand the actors and roles in the broader impact management ecosystem, which includes sustainability work. Our jumping off point is the Impact Classes (fig.2) pioneered by the Impact Management Project (IMP). Impact Classes group investments based on their impact characteristics and reflect different motivations and constraints underlying investor and donor efforts to manage the effects of their portfolios on people and the planet.

Impact Classes

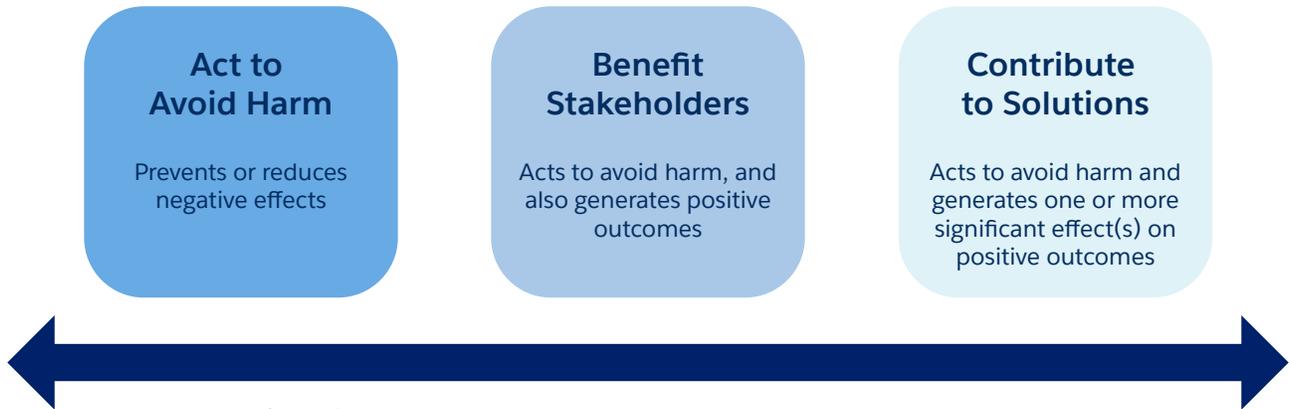


Figure 2. Impact Classes from the Impact Management Project

We then identified three current impact performance practice areas (1) ESG (environment, social, and governance), (2) IMM (impact management and measurement), and (3) M&E (measurement & evaluation), aware there are more nuances and actors than are represented.

Three Impact Performance Practice Areas

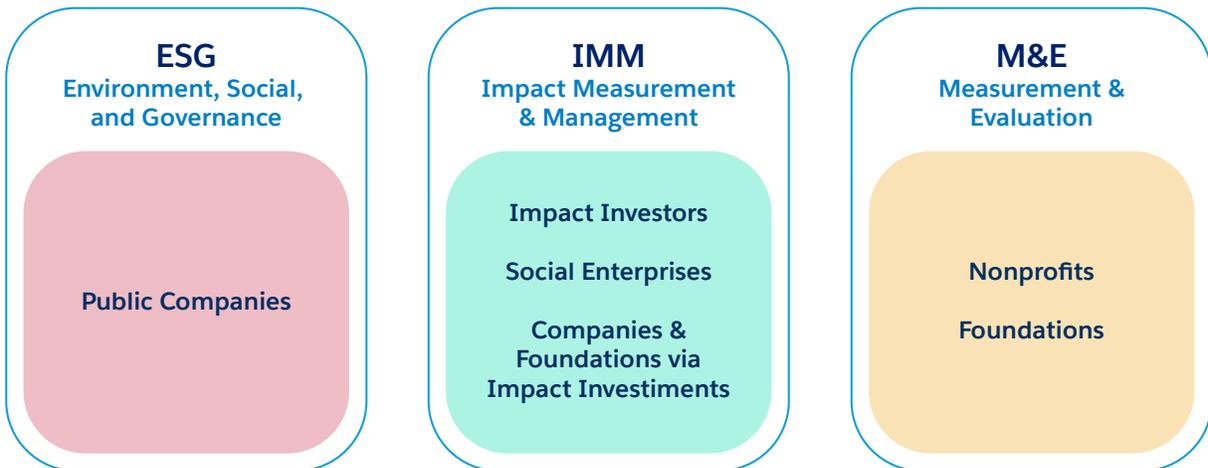


Figure 3. Three Impact Performance Practice Areas

Environment, Social, and Governance Standards

ESG ratings are increasing in popularity today: 92% of the companies in the S&P 500 issue some form of sustainability disclosure. Investor interest stems from the value of this information for identifying risks and

opportunities for companies in their portfolios. While sustainability reporting is primarily issued from publicly traded companies, private equity investors are also increasingly demanding this information from their portfolio companies.

Impact Measurement and Management

IMM is a function of “impact investing.” In contrast to ESG, IMM could be described as the “tip of the spear.” Whether the tackling the climate crisis, alleviating poverty, advancing equity, or other causes, impact investors want to advance social and environmental efforts, even if it means accepting lower rates of return. Embedded in IMM is the expressed purpose of using data and evidence to improve social and environmental efforts.

Measurement and Evaluation

M&E tools are longstanding metrics in civil society. It’s how nonprofits and their funders measure the success of their investments. Like IMM, the expressed purpose of using data and evidence to improve social and environmental efforts is embedded, and there’s a natural connection to both the accounting and reporting processes used in ESG and impact investing.

The Benefits of Linking Efforts

Despite bringing different norms and methodologies, the practitioners share a common intent to measure progress with consistent, comparable, and verified metrics whenever possible. The issues are the same and measurement of progress is similar, wherever practitioners fall along the impact continuum (fig. 4).

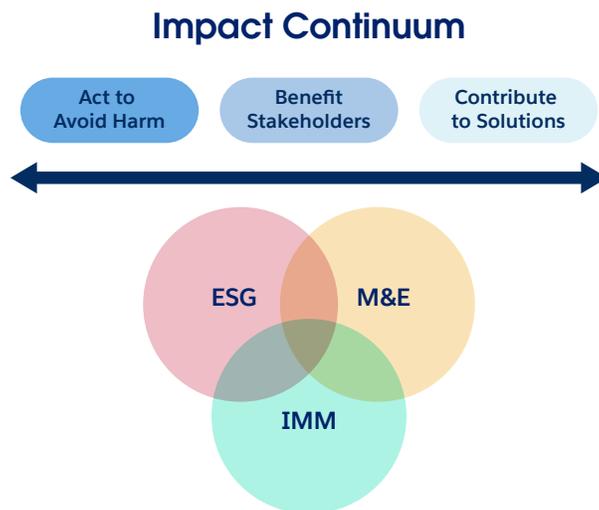


Figure 4. Impact Continuum

Impacting Together is exploring the synergies in connecting these practices that could accelerate progress toward common goals. There are no definitive conclusions yet, but the Impact Management Continuum model is the first to connect these related fields through the data that drives them all.

The connectivity thesis underlying the Impacting Together coalition has been on full display as ESG issues have moved from activism to the mainstream. Not too many years ago, petitioning for more transparency on ESG issues was the sole province of activist NGOs and socially responsible investors.

Now, the world's largest institutional investor, BlackRock, with \$10 trillion in assets under management, warned companies to provide better climate accounting or suffer the consequences. BlackRock made good on this threat in May of 2021 when, with other institutional investors, it sided with a tiny activist impact investor (Engine One) in support of its shareholder resolution to add new climate-aware members to the board of ExxonMobil. In a tale of intrigue and drama, the unlikely and hitherto unheard-of coalition of impact and institutional investors emerged victorious over the objections of ExxonMobil's management. In the end, the strange bedfellows had enough votes to elect three activist directors to ExxonMobil's board.

In a tale of intrigue and drama, the unlikely and hitherto unheard-of coalition of impact and institutional investors emerged victorious over the objections of ExxonMobil's management.

Moving to Global Norms

While this dramatic proxy battle played out, regulators and standards setters moved ahead to ensure that all companies monitor and report on their climate risks. In 2021, new laws were enacted in Japan, Great Britain, Singapore, and New Zealand requiring public companies to disclose their carbon emissions and management systems. Unlike voluntary sustainability reports, these new laws require climate information to be integrated into the company's financial statements. The coalition believes that this trend will expand beyond climate change.

The U.S. Securities and Exchange Commission is poised to issue new regulations requiring ESG disclosure (starting with climate reporting) for listed companies. Such disclosures are regulated and must be audited, assured, and integrated into financial statements. The new International Sustainability Standards Board (ISSB) is developing new global reporting standards. Since IFRS standards are used by 60 percent of the nations in the world to guide financial statements, the new ESG standards will immediately harmonize accounting and reporting in these critical issues.

As the new regulations and standards take shape, it is noteworthy that sustainability issues beyond climate change, such as climate justice and equity issues, are on this same path, shifting from activist driven to global norms.

Impact Management Platform

After the ISSB was announced, the [Impact Management Platform](#) was launched by four U.N. agencies, the Organization for Economic Co-operation and Development (OECD) and the World Bank. The purpose of this group is to consider the "nonfinancially material" issues not covered by the ISSB. As demonstrated by the maturity model and the examples above, some of these issues are likely to become financially material in the long run and should be in focus now.

The Impact Management Platform is the embodiment of the Impacting Together coalition's thesis: Impacts that initially appear to be fringe issues mature into global norms. As the maturation process plays out, it will accelerate

the process if the issues are measured consistently. Consistency drives comparability, and comparability drives improvement.

Impacts that initially appear to be fringe issues mature into global norms.

Conclusion

Sadly, the current momentum for better impact reporting is being driven because climate risks have become financial risks. It's sad because, ideally, society would have acted to mitigate these impacts long before they wreaked so much havoc. Hopefully, by connecting the through-line from activism to global norms we can shorten the response time.

But, as the velocity of sustainability issues entering the mainstream increases so does the friction among different actors. Distrust among impact-minded and financially motivated entities slows progress.

Full alignment in motives and actions is not realistic nor even helpful. However, establishing a continuum of related efforts joined together by common measurement will reduce friction, increase understanding, fuel collaboration, and, ultimately, accelerate progress. By understanding this paradigm, we can better define the roles and relationships, and create a common language, norms, and practices that will speed progress toward a more sustainable and just world.



Brian Komar

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Measuring Impact with the Sustainable Development Goals

Even if you don't think you're ready.



Companies large and small are feeling the pull from stakeholders to measure and communicate their impact. Investors, customers, employees, and communities are driving a wave of ESG focus for companies, one in which data and outcomes are the new currency. The field of Impact Measurement and Management is evolving quickly – as it must. Despite existing standards and emerging work being done through Global Impact Investing Network, International Sustainability Standards Board, the Science Based Target Initiative (SBTI), Taskforce on Climate-related Financial Disclosures (TCFD), and many others, there is not yet a GAAP-level adoption of accounting for a company's progress against all of its social and environmental targets.

How can companies keep up? One option is to leverage the United Nations Sustainability Development Goals (SDGs) as a broad framework for impact measurement and management. More mature companies – such as Microsoft, Cisco, and Salesforce – communicate to varying degrees their impact against all of the SDGs.

For smaller or earlier stage companies, such alignment can be daunting. The SDGs are so broad and all encompassing; how can a smaller or newer organization speak to them all?

The SDGs are so broad and all encompassing; how can a smaller or newer organization speak to them all?

1 Know Your Why

Before committing to the SDGs or any framework, be clear about your intended impact, and center the needs of your key partners and stakeholders. Who are you trying to reach? How do they want to consume information? Beyond communication, is there an opportunity to use the framework to develop and inform your impact strategy and management?

2 Gather Input

As human-centered designers, we believe the key insight can come from anywhere. Be sure to gather diverse sources and types of input. We have found the outside-in/inside-out approach to be helpful.

Inside out: Start with a self-assessment. This might include interviews or a workshop with key internal stakeholders such as social impact team members or other internal business partners like Environmental Health and Safety, Government Affairs, or Diversity, Equity, and Inclusion. It can also include reviewing the data that you already collect.

Outside in: Then validate your initial hypotheses by interviewing external experts or key partners who know your work. Desk research such as peer or partner audits is also helpful: What do your partners and peers focus on and what metrics do they track?

3 Map It Out

It's easy to get overwhelmed with the 17 SDGs and tangled up in their interconnections. We've found that visualizing your work in the context of SDGs helps identify which SDGs are most relevant to your team and organization.

We've found that visualizing your work in the context of SDGs helps identify which SDGs are most relevant to your team and organization.

Depending on where you sit in the company, this can start with a value chain map noting what parts of the value chain link to particular SDGs. For the Okta for Good team, we created a heatmap visualizing existing programs and partners' work against the 17 SDGs. This allowed us to identify and quantify the clusters of SDGs where our work has been focused and that we could authentically speak to.

The SDGs have indicator level metrics, but they are often measured at the country level. Thus, we have to identify which metrics are relevant for your particular organization and map them to relevant goals. You can leverage an externally validated database like IRIS+ to browse and confirm which specific metrics align to a given goal.

4 Know Your Audience

With whom and how will you be communicating your impact measurement? Will this go on your website? Impact report? Blogs? If you are going with a broad audience that includes community members and employees, you may want to provide additional context about what the SDGs are, and why and how your organization is adopting them. If it is a more specific audience (analysts, partners) that may be more familiar with the SDGs, you might want to emphasize the specific aligned metrics you will be reporting on and why. Again, this is not one size fits all, and you will have to make some judgments that work for you.

5 Start Small

While it may not be reasonable for all companies to measure, report, or manage against all 17 SDGs, or even practice all 12 actions recommended in the SDG Impact Standards for Enterprises; companies of all sizes and shapes can begin to adopt specific goals and actions as a way to track, communicate, and be accountable for their impact.

Consider emissions reporting – many companies began by measuring their Scope 1 emissions only. We now see companies measuring Scope 2 and even Scope 3 emissions. Over time, we have seen companies evolve from measuring to reporting to managing by these metrics. As your company matures, you can think of your impact measurement and management similarly.

Over time, we have seen companies evolve from measuring to reporting to managing by these metrics. As your company matures, you can think of your impact measurement and management similarly.

For Okta's latest impact report, we opted to only report on those SDG that were directly attributable to either Okta's contributions (i.e., Scope 1 impact) or our partners' (i.e., Scope 2 impact). Moreover, for our first report, it was important that (a) we not increase the reporting burden on our grantees, and (b) that we make commitments within our remit as the Okta for Good team to realize. That's why we are starting with the goals and metrics that our partners were already tracking or that our small team is readily able to track on our own.

6 Commit to Continual Improvement

The field of Impact Measurement and Management is rapidly evolving beyond legal reporting requirements. Each of us as practitioners has the opportunity to contribute to that evolution. Let's not settle for cherry-picking a few SDGs and reporting only the feel-good metrics, but commit to continually reevaluating the metrics we track, managing our performance against those metrics, and being mindful of and taking actions to mitigate any unintended negative impacts we might be creating along the way.

This is the process we followed. As part of our own commitment to continual improvement, we'd love to hear your feedback. What has worked in your organization? What challenges have you come across?



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Erin Felter
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Strategy Lead, Platypus Advisors

Investors Should Avoid 6 Pitfalls to Champion Racial Equity



Achieving racial and economic equity is a defining opportunity of our time. Globally, widening inequality and racial and ethnic discrimination threaten peace, social cohesion, and economic stability. Along with civil society and government, investors have a powerful and essential role to play by redesigning investment policies and practices to center equitable outcomes.

The time for investors to highlight equity has never been more urgent in America, with nearly 100 million people in America living in economic insecurity. This includes over 40% of people of color and nearly 25% of white people. People of color are also dramatically underrepresented as decision makers in the financial industry: fund managers of color manage only 3.9% of mutual funds, 8.9% of hedge funds, and 1.2% of real estate assets under management (AUM) in the U.S. As we become a more racially diverse nation, we face, without a dramatic intervention, an economic future of increased instability and an increasingly fractured society.

Pressed to take a hard look at their own practices and consider the roles they play in systemic economic inequities across our society, investors are taking note: A growing number are now taking steps to integrate racial equity into their investing strategies. In doing so, they aim to both (a) close racial gaps within their own organizations, and (b) to do so within the businesses and communities they invest in – a multifaceted approach that represents the highest level of professional practice for investors.

However, undoing racial inequities will happen neither quickly nor easily, and perhaps not at all, if we collectively continue to only count customers rather than looking upstream at the sources of inequity. Investors need clear, rigorous markers to help them focus on areas of weakness and find momentum in areas of growth.

As we become more racially diverse, we face, without a dramatic intervention, an economic future of increased instability and an increasingly fractured society.

In 2020–2022, PolicyLink, CapEQ, and the Global Impact Investing Network partnered to develop new racial equity metrics for the GIIN's IRIS+ system, the generally accepted system for measuring and managing impact among investors. Throughout the development, we engaged over 180 stakeholders, two-thirds of whom identified as people of color. The new racial equity metrics amplify many calls to action that have come before it, providing actionable, clear guidance on integrating racial equity awareness and action in investment strategies, portfolio decisions, and evaluation of return on investment.

All investors aiming to advance racial equity will hit roadblocks. We outline below six common barriers we see every day. Investors can overcome these barriers by being aware of them, resourcing their organizations appropriately, and managing setbacks with organizational reflection and a willingness to try again.

Three Common Pitfalls to Avoid for Investors Getting Started

Despite recognizing the need for more effective racial equity practices within their organizations and portfolios, many investors starting out on their racial equity and DEI journeys succumb to three common pitfalls:

- 1 They think that racial equity is solely about diverse representation. While addressing diversity in the workforce, decision-making, and company leadership is an important piece of the puzzle, many investors beginning their work on racial equity assume incorrectly that diverse representation is a silver bullet for solving inequalities that run rife in financial markets. Addressing racial equity instead requires deep consideration of who has power in investment decision-making, what criteria and practices currently embed unintentional biases into assessments of investment risk, and whether the outcomes of those investments are advancing justice. These three components – power, risk, and justice – are critical for all investors aiming to drive toward racial equity.
- 2 They use impact management to claim victories, not guide growth. Achieving racial equity requires both diligent, intentional processes and consistent, rigorous evaluation of outcomes. Racial equity is often seen as both an emergent process and an outcome – investors cannot have one without the other. By using thoughtful, regularly assessed indicators of progress toward racial equity practice milestones, investors can both see their own growth and course correct quickly when needed.
- 3 They aim to solve for equity in one big push. Growing demand to advance racial equity, internally and externally, may create a sense of urgency to act quickly and score some wins. However, gaining internal alignment and developing long-term strategies are more likely to create lasting impact. Integrating racial equity considerations into investment strategies requires persistence as well as a deep commitment, both at an organizational and personal level. Existing racial inequities are the result of long-standing systemic decisions that have played out over centuries. Undoing those inequities will not happen easily or quickly, so investors must begin this work as soon as possible and invest for the long term.

Investors have both a unique opportunity and a fundamental responsibility to champion racial equity within their organizations and portfolios — the future of our economy depends on it.

Three Next-Level Pitfalls to Avoid for Investors Continuing the Work

Even those investors who are more advanced in their racial equity journeys – perhaps they have already established a common vision of what a more equitable future could look like within the organization and having agreed on goals and indicators to track progress – are often caught by next-level challenges as they progress:

- 4 They fear making mistakes. Investors and business leaders fail sometimes. Making mistakes is a part of investing and should also be expected along the equity journey. The key is to prepare for mistakes and ensure the organization has the leadership capacity to persevere through them. We see a growing number of investors and business leaders with a deep awareness of how the financial industry perpetuates racial and economic inequities and yet they still hold back from bolder action, in part out of a fear of making mistakes. The transformation we need in our economy to achieve racial equity will require nothing less than radically bold, cutting-edge leadership.
- 5 They resist shifting power. A fundamental component of achieving racial equity is ensuring that historically excluded groups are proportionately represented in positions of power and leadership, and that those most impacted by injustice are decision makers in the design and implementation of equitable solutions. That shift requires rethinking and expanding who decides, who owns, who leads, and who governs, and doing the work to ensure historically excluded groups are represented fairly and meaningfully.
- 6 They fail to build trust through transparency. After decades of lackluster results on DEI in the private sector, trust is understandably broken among workers and communities of color. Rebuilding trust will require multiple interventions, one of which is much greater transparency in organizational practices and where organizations are on the journey. Transparency does not require perfection or change overnight, rather it requires a willingness to hold yourself accountable to continuous improvement and ultimately achieving equitable outcomes.



Way Forward

Investors have both a unique opportunity and a fundamental responsibility to champion racial equity within their organizations and portfolios – the future of our economy depends on it. To do so, investors must not only advance justice and equitable outcomes through their portfolios, but they must also address disparities in decision-making power and biases embedded in standard processes for assessing risk of potential investments. Adopting comprehensive and thoughtful indicators for impact management can help investors understand the risks of inequities, plan their path forward, measure progress over time, and better determine how and when to deploy resources in service of these goals. Now is the time for investors to adopt new norms for the long-term prioritization of racial equity and economic justice in all investing. Without new norms we will never achieve an equitable future where all people can participate, prosper, and reach their full potential.



Mahlet Getachew

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How Impact Investors Maximize Positive Net Impact



Most impact investing private wealth holders (high net wealth individuals, family offices, and charitable foundations) wish to maximize their positive net impact, meaning the contribution each investment makes to improved social and environmental conditions, after netting out the unintended negative impacts.

Given the state of the field of impact measurement and management, this is a tall order. Comprehensive practices for comparative IMM across investments are still nascent.

Yet capital is limited and the problems facing the world are seemingly endless, so impact investors come to see optimizing for impact as critical. As they become more practiced, they hone their ability to assess the combined financial and impact returns of an investment, both estimating these prospectively (in due diligence) and measuring and managing them post-investment.

Investors are not seeking to maximize positive net impact at all costs, but rather, are looking for a balance between financial and impact returns. If the impact is extraordinary, many will provide catalytic (sub-commercial) capital and relax financial return expectations. If not, or in sectors awash in commercial capital, financial returns will have more prominence.

But across a portfolio, all things being equal, the impact investor will prefer greater impact. To execute on that preference requires a consistent methodology and some degree of discipline. Those starting with a vague intuition about whether an investment “sounds impactful” typically sharpen their focus over time, moving toward greater rigor in assessing impact.

They come to realize they cannot optimize for impact if they cannot assess the impact they are having. It is a journey and the question they seek to answer is deceptively simple to ask: Will an investment in Enterprise A or B have more impact? The answer (along with financial performance) will inform decisions of whether to invest more, sell, or hold this investment when the opportunity presents. To inform investment decision-making, investors need practical ways to assess both prospective and actual impact. The rapid evolution of the impact management field offers impact investors plenty of frameworks, impact metric sets, and best practices to do so. This evolution is fueled by market builders hailing from diverse sectors – all converging on integrating impact performance expectations with financial performance expectations.

Bringing a disciplined rigor, focusing on outcomes (not just outputs), employing counterfactuals and acceptable thresholds of performance, engaging community and other stakeholders with participatory methods, and adopting rightsized approaches are some of these best practices.



If the impact is extraordinary, many will provide catalytic (subcommercial) capital and relax financial return expectations. If not, financial returns will have more prominence.

A recent illustration of the collective effort to build practical, yet disciplined, approaches to impact management occurred in the 2021 Peer Learning Partnership funded by the OECD and European Union, an effort that offered a wonderful venue for exploring community and broader stakeholder engagement. It collected a body of case studies and analysis of how to do stakeholder engagement well, which is publicly accessible here. The central practice is to continually ask “How is this intervention perceived by the people it aims to help?” by actually asking those people and incorporating what they say in operational behavior.

“Rightsizing” IMM to the context is an area of continuing experimentation, but it is already clear that IMM both can and should be adjusted in size and scope relative to the context.

Whatever the size of the effort, and however much listening is accomplished and decision-making made more inclusive, IMM still requires effort. That is effort investors need a strong reason to undertake. They are not interested in IMM for its own sake, or even primarily to build the field's evidence base, but for another, more personal reason: to better inform their investment decision-making.

Most high-impact opportunities are private investments. A direct equity investment has an unlimited time horizon for exit. An investment in a private equity fund is typically a commitment for 10 to 12 or more years, typically with no liquidity until then. Secondary markets for private impact investments are limited, so unlike with publicly traded securities, investor cannot quickly sell the investment if they discover the impact (or financial performance) is below expectations.

Investors are not interested in IMM for its own sake, or even primarily to build the field's evidence base, but for another, more personal reason: to better inform their investment decision-making.

So Why Do Investors Bother with IMM?

Because investors are continually making capital allocation decisions, they don't get to see all the promising potential investments in a sector at one time to facilitate comparison. Rather, they evaluate them over time, as those opportunities come to visibility in their investment pipeline. Having rigor in IMM enables the investor to compare the potential impact of an investment being considered today to a similar one evaluated three years ago.

Both growing and struggling enterprises have an ongoing need for more capital. Their first call in such situations is typically their existing investors. An understanding of the impact actually achieved will sit alongside an analysis of financial performance in guiding the decision about whether to put more capital into an existing investment or look elsewhere.

Though not as early or often as we'd like, impact investments do return capital to their investors. Some investors are continually adding the pool of capital devoted to impact. In both cases, there is new money available to be deployed (or redeployed). Where it should be deployed can be helpfully guided by consistent and comparable impact metrics and analysis.

We at Toniic support our members in the use of the "Five Dimensions of Impact" established by the Impact Management Platform:

- "What" tells us what outcome the enterprise is contributing to, whether it is positive or negative, and how important the outcome is to stakeholders
- "Who" tells us which stakeholders are experiencing the outcome and how underserved they are in relation to the outcome
- "How Much" tells us how many stakeholders experienced the outcome, what degree of change they experienced, and how long they experienced the outcome for
- "Contribution" tells us whether an enterprise's and/or investor's efforts resulted in outcomes that were likely better than what would have occurred otherwise
- "Risk" tells us the likelihood that impact will be different than expected

By analyzing both prospective and retrospective impact through this lens, investors can begin to assign both scores and relative weights to each of the dimensions. Doing this facilitates comparability, at least between similar investments.

Many practical challenges remain. This analysis requires data that has often not been collected. It is designed to be applied one potential impact at a time as most enterprises (let alone funds) are having multiple impacts, and the aggregation of this analysis for multiple impacts in an enterprise or fund is still more art than science.

If one's motive is to maximize the positive effect on the world of our invested capital, and we are willing to be intellectually honest, we must admit that we cannot optimize what we don't understand.

But the biggest challenge of all is "Why do it?" Traditional investors don't bother with this analysis at all, and undertaking it imposes a voluntary "tax on the virtuous." Why should they pay this tax?

It all comes back to intention. If one's motive is to maximize the positive effect on the world of our invested capital, and we are willing to be intellectually honest, we must admit we cannot optimize what we don't understand. The continued development of rightsized, practical IMM approaches holds great promise in shaping the deployment of capital to the highest impact opportunities for those committed to using it for the healing of the world.



Adam Bendell
CEO, Toniic

Impact-Financial Integration to Guide Investment Decisions

An interview with Mike McCreless of Impact Frontiers.



Jane Reisman: Mike, modern portfolio theory has a model called the “efficient frontier” for constructing portfolios that balance financial risk and return. What inspired you to build on that model to create the efficient impact frontier?

Thanks Jane, it’s great to be here in conversation with you. The answer for me is very clear: The purpose of impact management is to make decisions. The efficient impact frontier – and really, the broader concept of impact-financial integration – is a way of making information about impact useful for decision-making in an investment context.

The idea arose when I was head of impact at Root Capital, a social investment fund. After much time developing our impact management practice, we increasingly had evidence that Root Capital’s loans did indeed create positive impacts, and also that some loans had more impact than others. We naturally wanted to do as many of those as possible but needed also to consider the financial risk and profitability of those loans. In short, we needed a way to go beyond just screening out “bad impacts” and screening in “good impacts” to actively maximizing impact subject to the constraints of our risk appetite, operational budget, and covenants with our own investors.

Unfortunately, impact management and investment management frameworks are not designed to be interoperable. So, each organization that seeks to incorporate impact into investment decision-making, other than through a simple screen, ends up figuring out their own way.

Root Capital's way was a riff on the "efficient frontier" of financial risk and return from mainstream financial markets. We expanded that concept to include impact. We are excited to launch a video today exploring the concept in more depth. The video actually originated as part of Toniic's Activator Series, which is a terrific educational program designed to support Toniic's members to advance their practice of impact investing, and we're grateful to them for their help in sharing this segment with a wider audience.

The efficient impact frontier wasn't an idea that was original or unique to me or Root Capital, by the way. Leaders like [Jed Emerson](#) have been exploring similar ideas for years, and increasingly financial economists such as [Jonathan Harris](#) are, too, or [Lasse Pedersen in the context of ESG](#).

What was exciting at Root Capital was to put the idea into practice so concretely. It enabled impact to inform decisions about individual loans and overall portfolio direction much more systematically than was previously the case. Also, Root Capital is a nonprofit lender with a goal of reaching rural farming populations, living on very low and uncertain incomes, far away from the nearest bank. The efficient impact frontier also helped Root Capital's donors and investors to understand our approach to maximizing the impact made possible by their capital.

The flip side is that impact was not the only driver of decision-making. It rarely will be, if ever. All organizations need also to consider factors like cost, risk, operational complexity, and so forth. But impact deserves a seat at the decision-making table and this was one way to make that happen in the context of investing.

Introduction to the Efficient Impact Frontier

JR: You later shifted the model into the larger field building work of the Impact Management Project (IMP). Can you tell us about that journey?

I had gotten involved in the consensus-building work of the IMP from early on, around 2016, from my perch at Root Capital. I thought the team was onto something and I wanted to follow and support it. In the meantime, we had also started a pilot at Root Capital to see if the concept of the efficient impact frontier could be generalized to other investment contexts – for instance, to other asset classes such as private or public equity, and also to asset managers with fiduciary obligations. With the support of the MacArthur Foundation, Metanoia Fund, and Omidyar Network, we got together a small-but-mighty band of a dozen investment funds, each willing to give the idea a try in their own way.

Some of those funds were in fact investors in Root Capital. It was a little awkward. So, when the opportunity arose to migrate that pilot from Root Capital to the IMP, I jumped at the chance. Working at IMP was a great opportunity in its own right, plus it provided a more natural and neutral platform for the Impact Frontiers pilot cohort.

The efficient impact frontier is a way of making information about impact useful for decision-making in an investment context.

The concepts dovetail nicely, too. As an investor, once you have your [five dimensions of impact](#) from the IMP consensus, what do you do with them? Ideally, you use them to make decisions. But what about financial risk, return, liquidity, and so forth? Now you have five dimensions of impact and at least as many dimensions of financial performance to keep track of.

Impact Frontiers is a sandbox in which investors can figure out how they all fit together, and how to make investment decisions and construct portfolios in consideration of all of the financial and nonfinancial dimensions of performance that matter to them and to their stakeholders – including the stakeholders that are experiencing the impact in the first place.

JR: Can you tell us how you are scaling? I understand that you have introduced the model to several cohorts using an “implementation lab” approach. Can you tell us about these cohorts and what these cohorts do?

The first pilot cohort finished in 2020. The conclusion was that, yes, the concepts are generalizable to other investment contexts, but just about all of the specifics need to be customized to each fund. So instead of trying to come up with “the answer,” we set out to create a replicable set of steps that investors can follow to develop their own answers, using their own data and based on their own impact and financial goals.

I’d describe the [cohorts](#) as a yearlong guided do-it-yourself program in which we support investors in establishing or advancing their own practice of impact management, and most importantly, integrating impact and financial data analyses to inform decision-making going forward. It’s all under NDA and Chatham House Rule. We try to make it a safe and confidential space in which participants can test out new approaches, see what their peers are doing, and get support on the live challenges they are facing.

We launched six cohorts in 2021 in various asset classes and geographies, with more than 80 investment organizations participating. For instance, there is a cohort of multi-asset class investors such as pensions, family offices, and funds of funds. There is a cohort of community development financial institutions in the U.S. doing amazing work to reinterpret the framework in the context of investment strategies to advance racial equity in the U.S., in partnership with our senior advisor Erika Seth Davies, CEO of Rhia Ventures and Founder of the [Racial Equity Asset Lab](#).

We’re also excited about partnerships with industry associations and networks to bring the cohort opportunity to their members, such as [Asia Venture Philanthropy Network](#) and [Impact Capital Managers](#), and most recently, the recently launched China Impact Investing Network. And in 2022, we’re excited to launch the next set of cohorts in collaboration with Cathy Clark and her team at [CASE](#) at Duke University’s Fuqua School of Business.

One thing that no cohort members have done is to chart their own efficient impact frontier. That’s not the goal. The goal is to support impact-informed or impact-driven decision-making, which, in an investment context, is made possible by impact-financial integration.

JR: How is the field reacting to this model? Do you have any examples to share where impact management was put into practice?

The concept of impact for decision-making resonates with people. I think folks are weary of impact management as a performative, check-the-box exercise. There is a widespread desire to get past that phase to a more authentic engagement with the people and natural environment affected by our investments.

So there is demand. But it also takes work. Impact for decision-making implies changing how organizations make decisions, and that’s not easy. There is demand, but there is also inertia.

The concept of impact for decision-making resonates with people. I think folks are weary of impact management as a performative, check-the-box exercise.

Hopefully all cohort members pick up useful insights and practices along the way, but not all of them make it all the way to deep impact-financial integration. Those that do are the ones that invest in getting feedback and building buy-in across teams and at junior and senior levels. And they take the concepts and make them their own in ways that are more interesting and creative than anything I could have come up with. Impact-financial integration sounds very technical, and it can be, but actually a lot of our conversations in the cohorts touch on change management and communications, both internal and external.

There are a number of examples in the [handbook](#) that came out of the first cohort. You can also check out our recent [case study](#) with [WaterEquity](#), and the [webinar](#) with [Calvert Impact Capital](#). We're also excited about some of the success stories in the works with the current set of cohorts.

JR: What is next on the horizon for Impact Frontiers? We know that the IMP has sunsetted. How will you continue scaling the Efficient Impact Frontier model?

Well, first of all, Impact Frontiers will host the [norms](#) and resources facilitated by the IMP going forward. And while we don't envision making significant changes to what is there, it's not that they're written in stone. They are a living document that will evolve as consensus about impact management evolves. We're grateful that Clara Barby and Olivia Prentice of the IMP are staying involved in advisory roles to ensure continuity.

Investor contribution is one area in which I think there is an opportunity to go into more detail than we have previously, both about the positive contributions that investors make to enable impact, but also recognizing that investors can also cause harm and contribute to systemic risk. We are looking forward to advancing sector-wide conversations on that topic in partnership with the Predistribution Initiative and with the support of Omidyar Network. Readers can track progress and even weigh in on our discussion boards [here](#).

For the cohorts, we have a few goals for the medium-term. One is to translate and offer the content and cohort model in additional languages and in additional geographies, probably starting with Spanish. Another goal is to develop an open-access online version of the curriculum that any investor can use on their own. In the long term, as a nonprofit field-building organization, our goal is for any investor to be able to incorporate impact into their decision-making.



Mike McCreless

Founder & Executive Director, Impact Frontiers



Jane Reisman

Social Impact Advisor

Wellbeing and Gender Equality in the Workplace

Measuring and managing what matters.



To manage impact effectively, we must get better at measuring what really matters to people, which is changes to their wellbeing. Standardized impact measures and “comparable” metrics have stifled innovation at an enterprise level to the point that impact measurement is mainly at the “output” level, making it meaningless and a burdensome exercise. Good impact management is an essential part of business improvement processes. Enterprises that think deeply about impact, by measuring changes to wellbeing, will reap the rewards. This article exposes the flaws in current impact measurement practices, and illustrates how they are inadequate for improving the wellbeing of women and tackling gender equality in the workplace.

The Problem

The major risk and limitation of standardized output measures is that they offer no insight into the actual changes in wellbeing that people experience. We know that [women suffer from worse wellbeing in workplaces](#), yet few companies are systematically capturing and reporting the levels of wellbeing among their employees, disaggregated by gender. A recent [report](#) from the U.K. government outlines barriers and challenges for women in workplaces. These barriers and challenges, including hostile and isolating organizational cultures, are nuanced and point to structures and norms that cannot be addressed by output metrics.

Let's look at the issue of sexual harassment in workplaces and in our broader society – its urgency and gravity exposed by the #MeToo movement. A popular standardized metric for this issue is number of sexual harassment complaints made. This metric has been used by investment research firm Morningstar, [discussing](#) the business

risks of sexual misconduct. Morningstar reports that “firms in the top 2% of sexual harassment complaints saw declines of 4% on return on assets.” The assumption here is that more claims of sexual harassment correlate with worse financial performance.

Few companies are systematically capturing and reporting the levels of wellbeing among their employees, disaggregated by gender.

But there are several problems with this output metric. To begin with, if there are zero claims made of sexual harassment – which should supposedly be an indicator of a “good company” as implied by the Morningstar research – is this because there is no sexual harassment, or is it because people live in fear of making the claim? Without a deeper understanding of what is happening, we risk conflating two groups of very different companies – one group may genuinely have a gender equal workplace without incidences of sexual harassment, and another group with very poor gender equality where everyone is fearful of speaking up against rampant sexual harassment.

This metric can be dangerous. Perversely, companies are incentivized to drive down the number of sexual harassment claims to be seen as more favourable by investors. This may have the opposite effect and actually hinder gender equality. If a workplace is creating a good culture about gender equality – there is an argument to say that there should be more claims as people recognize the harassment and feel confident to call it out. Using output measures, without understanding the context and how they are linked to people’s wellbeing, may have a detrimental effect on the very issues we want to tackle in the first place.

Not all output measures are bad. Some aspects of wellbeing are objective such as income, physical health, and housing. Easier to measure with helpful standardised metrics, they enable benchmarking across companies, organizations, and even countries. A good example is Equileap, which has devised a scorecard with 19 indicators based on UN Women’s Empowerment Principles to measure companies and countries’ performance on gender equality (see its latest 2021 report [here](#)). Gender pay gap is an output indicator which is simple and effective – it exposes the inequality and should force behaviour change.

While it is good that there is more benchmarking on gender equality issues, enabled by standardized metrics from fantastic organizations such as Equileap and GRI, there is a risk that overreliance on these metrics creates perverse incentives. As investors adopt these indicators to positively screen for companies, companies can fulfil these indicators without creating any actual positive change for women. For example, companies can promote women to sit on governing bodies so they appear to have a more favourable gender balance, but the women on boards may not actually have any power in decision-making or feel respected in these roles.

Three Ways to Solve This Problem

First, we need to acknowledge that the existing measurement practices are not fit for purpose. There are too many assumptions and risks attached to standardized output metrics. We’re still not measuring all the things that really matter to people. In relation to gender equality, the facts are clear; women face [declining prospects](#) in the workplaces, accelerated by the COVID-19 pandemic. Whilst it is important to measure the gender pay gap, we must put equal effort into measuring the more subjective aspects of wellbeing, like respect, dignity, and agency in the workplace.

We're still not measuring all the things that really matter to people.

Second, we need to be braver with our measurement, and commit to wellbeing. We need to acknowledge that measuring what really matters (including subjective aspects of wellbeing) is not as hard as it sounds. (As a species we have developed ways of measuring many more complex things.) Commit to a definition of impact that is rooted in wellbeing. The most recent Impact Management Project (2021) definition of the word “impact” explicitly references wellbeing: Impact = a change in an aspect of people’s wellbeing or the condition of the natural environment caused by an organization.

A good example of thinking deeply about impact comes from the International Finance Corporation (IFC), which cited examples of how exploring impact (as defined by Impact Management Project) led to them asking the question: If companies were to provide more assistance with childcare support, would it make a difference in women’s work experiences? By focusing on this question, they were able to support an investee to provide childcare, subsequently improving the retention rate of women from 28% to 78%. This is not rocket science.

Third, develop an impact management practice that relies on open dialogue with stakeholders. Meaningful stakeholder engagement sits at the heart of all IMM frameworks. Guidance on this is provided by OECD, UNDP, SVI, and so many others (including this project led by Social Value US). Holding conversations, asking questions, and listening to what matters to people may sound like hard work (much harder than a quick survey to collect output data) but we must embrace qualitative data and relish the opportunity to discover what is unique to your stakeholders and how you can optimize impacts on wellbeing.

These three steps will take us all to the next level for managing impact and tackling gender inequality. The companies that take these next steps will benefit with a more sustainable business; impact will be managed better, leading to improved levels of wellbeing and increased productivity.



Ben Carpenter

CEO, Social Value International



Bonnie Chiu

Managing Director, The Social Investment Consultancy

Impact Underperformance

What it looks like and why it matters.



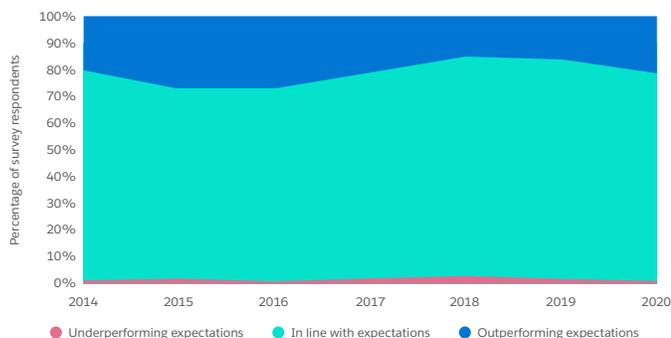
Tackling global social and environmental problems is hard. Yet, seven years of [survey data](#) collected by the Global Impact Investing Network show that impact investors report overwhelming success in their results. Since the first round of data collection in 2014, the proportion of impact investors reporting [falling short](#) of their impact expectations has hovered between only 1% and 3%.

Given the known difficulty of measuring impact rigorously, how do we make sense of such confidence?

To answer this and other questions, the [Wharton Social Impact Initiative](#) undertook the largest ever qualitative study of impact measurement in impact investing, interviewing staff at 135 leading impact investing organizations (including asset managers, fund advisers, limited partners, and consulting firms).

Among the questions asked was a request for examples of deals where investees showed disappointing impact. The goal of these questions was to dig beneath the survey data and talk directly with investors about how they see and think about impact underperformance.

Impact Performance Relative to Expectations



Why Impact Underperformance Is So Important

Socially responsible investors have long tried to avoid or minimize negative impact by [screening out investments](#) that perpetuate child labor, deforestation, and other clear negative outcomes. Impact investing field builders have aimed to [differentiate their practice](#) from such negative screening by espousing a more nuanced and granular

approach to impact assessment based on metrics and target-setting. Thus, impact underperformance includes negative outcomes but also goes further; it includes positive outcomes that have failed to achieve a predetermined threshold for success.

This all might seem like an academic exercise in clarifying terms, but the distinction between negative impact and impact underperformance should matter to practitioners. If a [key element](#) of impact investing is not just screening out categories of investments but also evaluating impact performance quantitatively, and if evaluating impact performance entails detecting and reporting both success and underperformance, then impact investors should be measuring their impact in a way that is sensitive to possible underperformance. In short, whether and how impact investors measure impact underperformance can be seen as a test for whether impact measurement helps to inform actual performance evaluation. As such, it merits much more attention than it has received so far.

The Role of Metrics in Evaluating Impact Performance

So, what were the results of this research? First, there was a striking inconsistency in how impact investors described their use of metrics for tracking success and underperformance in the deal examples requested in the interviews. While 82% of respondents gave an example of a deal where they determined impact success at least partly with impact metrics, only 24% did so in regard to an example of impact underperformance.

The distinction between negative impact and impact underperformance should matter to practitioners.

Interviewees often described cases of underperformance in terms of commercial failure or mismanagement – poor financial returns, low market penetration, managerial incompetence, and so on. Also common was a general feeling of mission misalignment stemming either from a strategic pivot that led to mission drift or from inadequate due diligence. As one respondent explained in reference to an underperformance example, “For me, personally, it was ... a bit of a weird deal from the very beginning in terms of not neatly falling into what you would traditionally envision as a positive impact.”

Based on these findings, it appears to be common practice to measure success with impact metrics but to gauge impact underperformance either with quantitative indicators of business shortcomings or with qualitative information on organizational characteristics. Quantitative impact data – what we typically associate with impact measurement – are generally not used in assessments of underperformance. One of the interviewees recognized this pattern from her experience, noting that “the objective of impact data has not been to assess underperformance [but rather] to share success. If there are some really glaring issues, you would see them ... through other operational data.”

Interviewees also reported that the bulk of impact assessment happens before capital is deployed. As one respondent explained, “I think a lot of investors have already made that decision that good things will happen at the time of the investment.” This finding suggests that most impact investors assume impact performance to be positive as long as (1) they believe in their initial designation of investees as impactful enterprises and (2) these enterprises continue to grow after investment. At that point, impact measurement – largely through data on volume, demographics, and short-term outcomes – serves mainly to reinforce these ex-ante determinations of impact.

Applying these interpretations to the survey findings mentioned at the beginning of this article, it is likely that impact investors report low levels of impact underperformance because (1) they are generally confident in how they identify impactful businesses in their screening processes and (2) their investments generally [perform reasonably well financially](#).

Takeaways for the Field

It is possible to conclude from these findings that impact investors are failing to evaluate their impact performance meaningfully, since impact metrics are rarely used to assess underperformance. By comparison, detecting and reporting underperformance is a key part of financial analysis. A venture capitalist might draw on “[gut feel](#)” or subjective impressions when forecasting future earnings, but if those hunches are wrong, then the financial reports will provide that final verdict in the form of numbers showing underperformance. One might argue that the same standards should apply to impact evaluation.

An alternative conclusion – one more sympathetic to investors – is that professional rhetoric on impact evaluation needs to better accommodate practical realities. Impact is often much more difficult to evaluate than financial performance. From this perspective, the inconsistent use of impact metrics reflects an understandable balancing act – that is, investors feel compelled to share data on results but also need to avoid draining off time, money, and energy on complex impact evaluations.

We encourage a middle road between these two conclusions. There is clearly an opportunity for impact investors to draw more on impact data following the deployment of capital to monitor and evaluate performance, even if it is underwhelming performance. Fortunately, there are [a growing number of valuable resources](#) for doing so. For example, one of the most exciting developments in the field is the emergence and growth of [60 Decibels](#), a social enterprise that fields mobile, voice-based surveys to understand customer experience with impact-focused products.

However, even with the power of a tool like 60 Decibels, the fundamental question of “Did my investment have an impact?” is often extremely difficult for investors to answer. For instance, consider the recent [impact report](#) that 60 Decibels released on off-grid energy products such as clean cookstoves. The report offers an impressive array of data showing the extent to which clean cookstoves reach people living in poverty, the proportion of customers saying that their lives have “very much improved,” and the percentage of customers who have experienced challenges using the product. There is much to learn from these types of indicators, and committed impact investors should make every effort to collect such information. Still, there is a categorical difference between the data that 60 Decibels produces and the data that researchers have used to rigorously assess whether clean cookstoves affect [health outcomes](#) and [air quality](#). The vast majority of impact investors lack the time, training, and funding to emulate these types of evaluations of complex social impact interventions. Given this reality, it often makes more sense to review such research evidence prior to investment in order to inform an overall impact investment strategy.

While there is a place for impact metrics throughout the life of a deal, there are major hurdles to post-investment impact measurement providing the kind of transparency and accountability that investors expect from financial reporting. With this reality in mind, we argue that impact investing field builders should emphasize the value of sound and comprehensive due diligence, such as [checking research evidence](#) to evaluate impact theses and thinking carefully about [potential unintended consequences](#).

Impact investing can benefit from investors assessing and reporting impact underperformance with the same diligence they apply to cases of success.

Another takeaway is that the field of impact investing can benefit from investors assessing and reporting impact underperformance with the same diligence they apply to cases of success. It is, of course, understandable that investors may hesitate to volunteer information about falling short of impact goals, but documenting how impact investments miss their marks is central not only to maximizing the evaluative utility of impact measurement but also to maintaining the learning orientation that investors need in order to deepen and scale their impact. Organizations that may face less pressure to impress outside investors (e.g., foundations with program-related investment portfolios) are best positioned to initiate this critical change in how the field views data on impact underperformance.

Closing Thoughts

Many different outlooks, strategies, and experiences surfaced across the 135 interviews conducted for this research. However, a consistent theme across these conversations was a profound commitment to combating social injustice and environmental degradation. The challenge facing the impact investing field is how to advocate for a form of impact measurement that effectively captures and optimizes the results of that commitment but that also does not get in the way by setting up unrealistic standards. A vital step in moving toward such practice is to stay grounded in the actual day-to-day work of impact investors by, simply put, talking to them – learning about their hopes, understanding their frustrations, and ultimately uncovering opportunities for advancing best practices.



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Sharing the Responsibility of Impact Measurement and Management



Impact measurement and management (IMM) strategies are increasingly becoming more sophisticated, with many impact investors building robust IMM frameworks across their activities to assess performance, adapt strategies, and share insights. As noted in the Global Impact Investing Network’s recent report, *The State of Impact Measurement and Management Practice*, “the old focus on building buy-in for IMM has evolved into a new focus on integrating IMM into all investment processes.”

Although this strategic shift gives the industry the potential to drive greater impact, this shift has also increased the burden of reporting. And that burden is even more acute for emerging, resource-constrained organizations led by BIPOC and underrepresented leaders. A study of racial inequities in philanthropic funding led by Echoing Green and The Bridgespan Group found that Black-led organizations in their Echoing Green’s Black Male Achievement fellowship—which all focused on improving the lives of Black boys and men in the United States—had revenues that were 45 percent smaller than those of white-led organizations in their fellowship. Unrestricted funding was 91 percent smaller. The study illustrates how organizations led by BIPOC and underrepresented often have more restricted funding, which often comes with more reporting requirements and specific metrics.

Because of these dynamics, impact investors should consider how to reduce the time and resources required of IMM. There is an opportunity to shift the IMM burden, rethink how both impact investors and investees measure and manage impact, and build with a rigorous commitment to value creation and shared learning. These practices – and rethinking of IMM – are also critical to ensure equity throughout the funding and IMM process.

Key Takeaway: Impact investors should consider IMM strategies that shift the burden of reporting from their investees. These new strategies are critical to ensure equity throughout the funding and IMM process.

Who Currently Owns the Burden of IMM?

Impact investors see robust IMM as a mechanism to enable accountability, analysis, and decision making. Robust IMM can also drive insights and direct funding. Many investors are moving beyond tracking outputs, such as lives served, to setting clear impact goals and building a comprehensive understanding of outcomes and systems change that enables investors to determine if their goals are achieved. For example, a workforce development-focused investor that aims to understand the impact and effectiveness of an apprenticeship training program may look to understand not only the number of people trained and placed into jobs, but also the average wage gain and lifetime earnings of each student.

In theory, IMM can also be beneficial for investees. Data allows investees to understand if their intervention is achieving desired outcomes and provides feedback that can shape their products and services. However, in practice, because each investor has their own strategic impact obligations and reporting requirements, investees often must report on a vast range of metrics including data that does not necessarily support or enable their work.

Opportunities for Investors to Take on More

Recognizing that investors also need mechanisms for accountability and insights, there are ways to build robust IMM processes that can balance flexibility and rigor. Investors should consider ways to take on more of the IMM responsibility, which can include:

- Tracking the minimum number of metrics that required to understand impact by defining the evidence of impact required and reassessing the precision required of that evidence;
- Identifying opportunities to resource or take on IMM from their grantees; and
- Identifying new mechanisms for accountability and gaining insights, including collaborating with other investors on IMM that can ease the burden for investees.

In some cases, a tailored, more collaborative and bottom-up approach may enable investors to achieve even greater IMM and insights. Below, we share examples.

Collaborating on an IMM Plan

To begin taking on more of the IMM responsibility, investors can co-create the IMM strategy and plan with investees. Collaborating with investees will enable investors to understand what data can be reasonably collected and to assess which tools and resources are required for further measurement and monitoring.

Rather than obligating grantees to report on these metrics, investors can share their goals for IMM, collaborate with their grantees on how they might be able to share this data, and offer support on measuring and monitoring.

Investors can assess the current IMM capabilities of their investees and identify opportunities to provide additional funding to support the metrics and data required to meet the investor's IMM mandate and compliance requirements.

Foundations that already employ many of these strategic practices include the Bill & Melinda Gates Foundation, Annie E. Casey Foundation, W.K. Kellogg Foundation, and Barr Foundation.

Building from an Investee's Existing Data

Investors can adapt what investees **currently track** and map this data to their own IMM mandate.

In a collaborative effort, Autodesk Foundation provided Acumen America with a grant to support its workforce development portfolio. Autodesk was interested in job placement, wage gain, and training metrics mapped to reporting requirements for workforce development investees that delivered direct training. Acumen America had invested in a wide range of strategies to improve the workforce development system but did not fit this framework directly. Autodesk worked with Acumen to connect their data to Autodesk's goals.

Acumen America shares its desired IMM goals and works with entrepreneurs to understand the data they're currently collecting and planning to collect. Often, entrepreneurs may already collect sales and marketing data, not traditionally 'impact' metrics, such as Daily Average Users (DAU), time engaged on platform, and Net Promoter Score (NPS). This sales and marketing data can be used to extrapolate the impact of the firm.

Relying on External Data and Research, If Possible

Investors conduct comprehensive diligence on the potential effectiveness and quality of the intervention as a part of their investment decisions. Over the past decade foundations, nonprofits, and some policy makers have relied heavily on research results to guide funding for social programs. For example, the U.S. Department of Education's Investing in Innovation Fund utilizes peer-reviewed efficacy studies to inform their investments.

Even for funding newer, unproven models, there are opportunities for investors to disaggregate the drivers of impact to understand where prior research or models have confirmed parts of the theory of change. This method is the basis of the [Impact Multiple of Money](#), an IMM tool from TPG's Rise Fund.

Rather than asking investees to track specific outcomes over time, investors may already have the evidence-backed data and research to extrapolate the potential outcomes from the output data shared by their investees.

Shifting from Measurement to Value Creation

In addition to building strategies that rely on their own internal resources, investors should also consider how IMM can add value to both potential and existing investees across the full investment process.



Conduct IMM Projects That Enable Investees

In the due diligence of early stage ventures like Prometheus Materials and Balloon Tech Co., the Autodesk Foundation in collaboration with RhoImpact conducted its own CRANE analysis to assess the emissions reduction potential of its technologies. Autodesk shared this analysis with them so they could use it for their own purposes, including to attract further funding despite the investment decision.

Funding Efficacy and Forecast Studies

Rather than regularly tracking and monitoring complex metrics that require meaningful time and resources, efficacy and forecast studies may also provide useful data for both investors and invitees. Particularly for investees, these studies help prove efficacy, attract additional funding, and, if that research can be shared with other funders, reduce the burden of diligence for the firm.

In the due-diligence of early stage ventures like [Prometheus Materials](#) and [Balloon Tech Co](#), the [Autodesk Foundation](#) in collaboration with [Rho Impact](#) conducted their own [CRANE analysis](#) to assess the forward-looking emissions reduction potential of their technologies. Autodesk shared this analysis to attract additional funding.

Commission Projects for Shared Learning

Similar to efficacy and forecast studies, projects that deliver mission-critical insights to invitees can also provide a view of their impact. For example, beneficiary insights can enable investees to adapt their product and/or service offerings.

Autodesk Foundation commissioned a project with [60 Decibels](#) and [Nexleaf Analytics](#) to assess the depth of impact and gain early insights on user behavior and experience with electric pressure cookers (EPCs) by collecting e-cooking data in Tanzania.

The Autodesk Foundation commissioned CEA Consulting to work **in collaboration with its portfolio company**, [BamCore](#), to take the next step in developing their climate impact analyses. Together, BamCore developed a forward-looking emissions reduction potential (ERP) model that assesses the technical potential for greenhouse gas (GHG) emissions reductions, a forward-looking ERP model assessing emissions reduction over the next 10 years, and a retrospective assessment of emissions reduction realized (ERR) based on sales to date.

Catalyzing Impact Innovations

Moving beyond IMM, investors could also consider encouraging and supporting innovative projects and experiments led by their investees. On the ground, investees have unparalleled access and understanding of the populations they serve and may have ideas for how to better support these populations. But because these emerging projects lack efficacy data, these projects are typically challenging to raise capital for.

Esusu, an alternative data platform that helps low-income Americans build credit and one of Acumen America's portfolio companies, saw that 60% of their customers would be unable to meet rent immediately following COVID-19 shutdown orders in its data. With direct access to tenants, Esusu could rapidly provide resources to their customers most at-risk for eviction. In partnership with Acumen America, Esusu launched a fund to deploy rent relief grants. The impact of the program has led the fund to become an ongoing initiative of the company.

In Conclusion

Investors have the opportunity to rethink how impact is measured and managed. Investors can not only reduce the burden of reporting on investees, but also identify how IMM can drive new value. Shifts in both ethos and practice are critical to support the great work of all investees, but particularly organizations led by BIPOC and underrepresented founders, given the inequity of funding. Investors can build on these examples and create their own strategies to re-establish their IMM practice.



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Why Nature, Why Now?

Be a part of the regeneration.



Nature, our life source – provider of food, water, and the foundation of all human livelihood and economic activity – is in crisis.

Over the past 30 years, we've wiped out [68% of global wildlife](#) and continue to endanger far more, including [40% of insect species](#), which are on the verge of extinction. Over a quarter of [the land on Earth](#) is now so degraded that the soils [cannot grow food](#) or have even become deserts.

Meanwhile, scientists have warned that we risk crossing [dangerous earth system "tipping points,"](#) and that the [domino effect could make huge areas of our globe uninhabitable for human beings](#). Together with rising greenhouse gas emissions, further devastation of nature is nothing but double trouble for lives and livelihoods of people everywhere.

The Intergovernmental Panel on Climate Change (IPCC) and the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) investigated this double trouble in their [first-ever joint report](#), released last year. It showed that biodiversity loss and climate change are both driven by human economic activities, which include burning fossil fuels and chemical-intensive agriculture. The authors made clear that neither the climate crisis nor biodiversity loss will be successfully resolved unless both are tackled together.

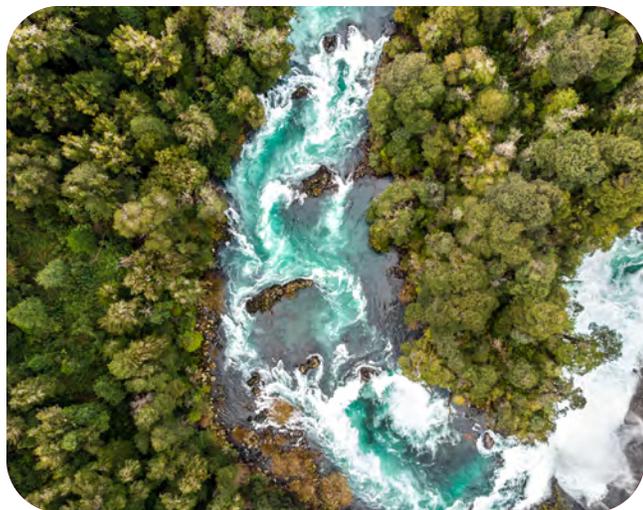
We come from philanthropy, the private sector, and the nonprofit community, three key sectors that need to work together, now more than ever. We need to encourage an ongoing step change in public and private investment that will secure a nature positive future: a future where we move from an extractive and destructive economy to a regenerative and green one. We have to do this for the sake of a stable climate, for the sake of a thriving planet,

and most importantly, for the sake of the health and wellbeing of all humanity. Each of us believes it is possible to chart a path to global recovery and regeneration. We recognize that no organization or individual can succeed alone, but rather we are better together to drive the systemic changes necessary.

Investments in Nature Need Robust Accountability

One of the urgent systemic changes we need is ramping up investments into nature. The United Nations Environment Programme (UNEP) estimates that for a course correction, we need to at least triple investments in nature by 2030 and close a [\\$4.1 trillion USD financing gap](#) in nature by 2050, or \$536 billion USD annually. That is still less than 1% of projected global gross domestic product over the same time period: a relatively tiny amount considering that doing so would act as the best possible insurance policy to ward off those tipping points, according to science. In addition, the World Economic Forum research shows that if we direct capital into a nature positive economy now, we can create over [400 million jobs and \\$10 trillion in economic value by 2030](#).

Investments are starting to flow because of a new global awareness: Collectively we know there are fundamental economic and social advantages of tackling climate change and biodiversity loss together.



Thanks to the work of WWF and many others, [over 90 nations have committed to reverse nature loss by 2030](#) and [more than a thousand businesses support a nature-positive future](#). Investments into nature-based solutions on the voluntary carbon markets surged last year and could become worth upwards of [\\$50 billion USD per year by 2030](#). Additionally, major philanthropies pledged \$5 billion USD for nature at the UNFCCC COP26 in Glasgow in November 2021.

With this raised game comes the clear need for measurable results and robust accountability. Later this year, we hope to see a strong new global framework for nature adopted at the 15th Conference of the Parties

(COP15) of the Convention on Biological Diversity in Montreal, December 5–17, 2022. The run-up to this particular COP has been fractious and hampered by COVID-19, but the significance of the outcome of COP15 for a liveable future cannot be underestimated.

We hope to see a flurry of activity in terms of nature investments and commitments between now and COP15 to support a robust global framework for nature, including at the UN Framework Convention on Climate Change COP27 in Sharm-el-Sheikh in November, where nature will also be high on the agenda. That's because more and more companies and governments are realizing that net zero without nature positive simply won't cut it. [Business for Nature](#), a global coalition of 70 international and national partners and over 1,000 businesses, calls on governments to adopt policies now to reverse nature loss.

Our combined advocacy is already resulting in concrete, collaborative action. For instance, Salesforce co-founded [1t.org](#) – a global movement to conserve, restore, and grow 1 trillion trees by 2030. Porticus has incorporated nature into its Purposeful Business Portfolio, working with the Global Commons Alliance to launch

the [Accountability Accelerator](#) to ensure that corporate commitments on nature translate into concrete actions. The Accelerator has supported groups like the World Benchmarking Alliance that examine keystone companies [tracking their performance toward a nature-positive future](#) by measuring how companies are reducing their impact and even regenerating ecosystems.

Recognize Nature's True Value for Humanity

A diverse ecosystem of actors is now working together to ensure the architecture is in place to support investments in nature and ensure they measure up. Elements include the first [Taskforce on Nature-related Financial Disclosures methodology](#), the [UN Decade on Ecosystem Restoration](#) and its monitoring framework (which is the umbrella for the Trillion Tree Initiative, [1t.org](#)), and nature-related guidance from the [Science Based Targets Network](#) (a core component of the Global Commons Alliance), which is setting robust targets for nature for companies and cities, and will launch the first of these early next year.

For the finance industry, the [Principles for Responsible Banking](#) are being translated into specific ecosystem-related guidance, and the UNEP Finance Initiative has issued a new [directory for land use finance impacts](#) on nature and climate.

All of these are excellent tools that can be studied and leveraged right now to contribute to the net zero, nature-positive future we urgently need.

Nature is no longer as nice to have as part of a suite of sustainability efforts – it is central to the success of any company's long-term value, and critical to creating a resilient value chain. All companies need to take [no-regrets action on nature now](#) and prepare to set science-based targets for nature. Transparency and accountability must be key components of corporate action.

Given the severity of the crisis we face and the appetite for change, it won't be long before disclosure related to nature impacts will be mandatory. Getting ahead of the curve is more prudent than ever.

But movements take work and need investing in, too. The groups on the ground putting sweat and tears into developing these tools, and providing the connective tissue between actors, need ongoing support to continue developing them and to keep weaving the community together.

Philanthropic foundations can play a catalytic role in this by aligning key performance indicators and measurements with the new global framework for nature. Additionally, they can bring all the stakeholders together and fund necessary catalytic and "hard to fund" pilots and investments. They can also help support the global and national coordination of collective action.

Today, we have at our fingertips a wealth of [understanding of the Earth's systems](#) and their relation to our climate and to our own health and happiness. It's time to harness that wealth of knowledge, to invest back into our life support system and deliver the solutions in this decisive decade so that future generations have more abundant and diverse nature in the world than we have today.

We must rethink our relationship with nature and recognize the true value it brings through a variety of ecosystem services. The three of us, each representing a different stakeholder group, are committed to that future and the community of actors who feel the same is growing as we speak.

We need more collaborators to enter the space, starting with:

- **Funders**, which truly understand the interconnectedness of the earth systems crisis
- **Corporations**, which need to make nature and climate commitments that translate to concrete investment and action
- **NGOs**, which need to work in coordination for a greater whole.
- **Governments**, which must drive the systemic change we urgently need.

Join us and be part of the emerging movement that can – and must – rebuild and safeguard the very foundation on which our collective future depends.



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Impact Verification

A powerful tool to hold organizations accountable to their impact claims.



Despite growing numbers of companies and investors making public pledges and commitments to contribute to social and environmental goals, there is growing skepticism about the validity of these commitments.

A spate of recent media articles has called out the false or misleading nature of the many claims related to net zero targets or commitments to improve racial and gender diversity, among other themes (broadly referred to as impact-washing or greenwashing). If the private sector is to be taken seriously and rewarded (reputationally and/or financially) for its efforts to help address our planetary challenges, this confidence gap needs to be addressed. Key to closing this gap is providing stakeholders with credible information about what a firm is actually doing to further its commitments and what results or outcomes they are generating.

Many companies and investors that make sustainability or impact commitments produce regular reports articulating their approach and providing details on their progress towards addressing their goals. However, these reports are often based on internal, self-reported data, which is typically not evaluated by an independent party for its accuracy or completeness, therefore limiting the credibility of the data, the usefulness of the reports, and, ultimately, fueling concerns about impact-washing.

Independent verification of impact/sustainability practices and results by companies and investors is becoming more common and is increasingly encouraged by both voluntary standards and regulatory regimes given the value it brings to different stakeholders. However, many still question the benefits of pursuing impact verification - including by challenging their readiness for this level of accountability, debating the extent to which their

stakeholders demand independent verification, and wondering how to justify the cost. As individuals working at firms and in roles where we are routinely privy to the benefits of independent verification, we wanted to share more about its growing uptake and demystify the way it works.

The practices of assurance and verification are common in many industries and provide an important source of checks and balances to control uncertainty across complex systems (think auditing and risk management in the financial sector). Many other sectors rely on independent assessments to ensure certain quality standards or expectations are met. In many cases these assessments are necessary to satisfy regulatory or compliance requirements, but they also provide confidence to suppliers and consumers about the reliability of representations being made. Additionally, most governments have systematized the practice of independent evaluation of results and performance across different departments, agencies, and programs, both as a way to analyze the effectiveness of certain policies as well as to provide transparency to the general public.

While the CSR, philanthropy, and impact investing industries have developed a number of common standards and guidelines for what constitutes a high-quality approach to practices and reporting, these industries have (to date) been largely self-regulating. However, in this self-regulating environment, verification plays an especially critical role in assuring stakeholders of the accuracy of a market actor's claims. (Not to mention verification is helpful in supporting practitioners that are trying to keep pace with changing expectations in rapidly evolving markets.) The process of undergoing an independent impact verification – and receiving objective feedback about the quality and effectiveness of the activities one pursues to deliver positive outcomes – drives both internal improvement and engenders trust with stakeholders.

Since the company's launch in January 2020, BlueMark, an impact verification specialist, has completed more than 90 impact verifications for clients with differing approaches to impact and varying levels of sophistication with respect to driving impact results. These diverse clients all have in common a recognition of the importance of authenticity and accountability when it comes to their impact pursuits. And, as such, they each sought out an independent verifier that would be able to rigorously assess their impact strategy, their processes for managing that strategy, and the quality and veracity of their reporting of results. Additionally, they sought guidance and a roadmap for continued learning and improvement.

As an example, Nestlé's sustainable packaging venture fund is focused on solutions to help address global waste. One of the fund's first investments was in the Closed Loop Leadership Fund (CLLF), a fund (managed by Closed Loop Partners) that invests in and builds circular economy platforms across recycling infrastructure, plastics and packaging, food and agriculture, electronics and logistics to scale vertically integrated circular supply chains. Both Nestlé and Closed Loop Partners are committed to setting meaningful impact goals and producing accurate reporting on their results in areas such as materials kept in circulation and out of the environment, as well as greenhouse gas emissions



reduced. As such, Nestlé and Closed Loop Partners engaged BlueMark to verify CLLF's impact strategy and approach. The six-week process resulted in outputs that ensured expectations were aligned about the fund's impact strategy and metrics while also providing targeted recommendations to help strengthen CLLF's approach going forward.

Looking at the intersections of CSR, philanthropy and impact investing, The BHP Foundation, one of the newest actors on the social impact scene, offers yet another example on impact accountability. Solely funded by [BHP](#) (a leading global resources company), the foundation operates independently and is committed to blending bold ambition, transformational partnerships, and business acumen to create an equitable and sustainable future for people and the planet. Similar to Nestle and Closed Loop Partners, it does so through prioritizing impact accountability and management across its climate, energy, and education portfolios. From publishing results through its [Strategy and Impact Booklet](#), through to framing its venture capital using [impact management norms](#) and then verifying its results, the BHP Foundation is moving beyond self-reported data to disclosure and independent assurance as a key strategy to achieving its purpose.

As you can see, impact verification is an important tool that can help companies and investors strengthen their practices and increase their effectiveness while also communicating their approach and results with greater confidence and credibility. Going forward, we expect impact verification will soon become the norm for any entity claiming to be socially or environmentally responsible.



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Veronica Olazabal

Chief Impact & Evaluation Officer, The BHP Foundation

Impact Evaluation with Domestic Workers

Deep listening and real-time feedback.



There are nearly 2.5 million domestic workers in the US, overwhelmingly women, and mostly women of color. They are the nannies who care for our children, the house cleaners who clean our homes, and the care workers who help our elderly or disabled loved ones. Their work takes place behind the closed doors of private residences and, in many ways, domestic workers do the work that makes all other work possible.

The Covid-19 pandemic created an unprecedented need for a safety net to support domestic workers who found themselves suddenly out of work without any idea when they would be able to return to work. The [National Domestic Workers Alliance](#) (NDWA) has been fighting for the respect and dignity of domestic workers for 15 years, with more than 70 affiliates and chapters organizing domestic workers across the country. In the early days of the pandemic, NDWA responded quickly to raise and distribute funds providing economic relief to domestic workers impacted by the pandemic.

The lack of a safety net for domestic workers was a problem before the pandemic. The domestic work industry's historical underpinnings are rooted in gendered and racial divisions of labor stemming from slavery's legacy. Therefore, domestic workers are often excluded from labor protections, beginning with the earliest New Deal-era regulations and extending into the present day. Domestic workers earn a median salary of \$15,980 compared to \$39,120 for other workers, and are three times more likely to be living in poverty compared to other workers ([EPI](#)).

NDWA's Coronavirus Care Fund (CCF) raised \$30.4 million to deliver direct cash payments of \$400 to each worker who applied. Beyond distributing the funds, NDWA leveraged their social innovation lab, [NDWA Labs](#), to

act quickly and collect real-time data at scale on the situation domestic workers were experiencing during the pandemic, in order to develop responsive solutions.

60 Decibels partnered with NDWA Labs in listening to domestic workers during the pandemic. As a global impact measurement company, 60 Decibels has seen the challenges and opportunities of listening better through their work with over 800 organizations. The multiple approaches taken by NDWA to gather timely feedback from workers, the actionable data generated by that engagement, and the respectful, trust-building foundation for data collection all provide a valuable case study demonstrating that direct feedback from end stakeholders is essential practice in improving impact measurement and management.



Challenges to Engaging a Unique Workforce

Integral to NDWA's work is connecting with domestic workers through local organizing, and NDWA Labs builds on that work by experimenting with new ways to use technology to improve domestic work. However, even when using the tools of organizing and technology, collecting feedback data from domestic workers at scale can be challenging due to unique characteristics of this workforce: the disaggregation of this workforce – each private home may be a workplace, the informal nature of many domestic work arrangements, and the experiences of harassment, persecution, and scams that often result in distrust of anyone offering help or support.

The challenges of reaching end stakeholders can be a barrier to listening at the level where impact is most important to understand. However, an increasing set of tech-enabled tools and services bring efficiency and expertise to stakeholder engagement that make this practice worth exploring further. 60 Decibels has built global infrastructure for conducting phone surveys in over 130 languages, enabling a scalable way to gather feedback via mobile phone from some of the hardest to reach communities which are otherwise excluded due to lack of literacy or online connectivity.

As a tech lab with social impact goals, NDWA Labs is committed to collecting data to understand the impact of their efforts. In response to the pandemic, NDWA Labs developed a dual strategy of using a chatbot to gather real-time data on domestic workers' economic situation at scale, as well as partnering with 60 Decibels to deeply listen to domestic workers.

Real Time Insights on the Impact of the Pandemic

Few workforces were impacted as greatly as domestic workers during the pandemic: their workplace is someone else's home, and caring for another person requires proximity, making shelter-in-place orders and social distancing prohibitive barriers for domestic work.

In the years preceding the pandemic, NDWA Labs had been experimenting with using Facebook Messenger to find and engage with domestic workers, and had built an audience of 200,000 Spanish-speaking domestic

workers through a newspaper, La Alianza, which provides helpful information on topics ranging from good cleaning products to use, to regional wages for domestic work services.

On March 13, 2020, NDWA Labs sent a survey to La Alianza's audience, with a goal of learning how the coronavirus crisis was affecting domestic workers, asking questions like whether they had lost jobs due to COVID, whether they would be able to pay rent and whether they had access to personal protective equipment (PPE). There was such a high response rate to the survey (over 12,000 responses within a few days) that NDWA Labs began sending surveys every week, sharing resources that might be helpful for workers – such as how to find a food bank in their area – while collecting data on how they were doing.

While the chatbot delivered quick and abundant feedback, NDWA Labs wanted to better understand the value of the cash transfers and hear directly from a larger number of recipients about the impact of the pandemic. NDWA Labs partnered with 60 Decibels to conduct phone interviews in Spanish with 272 La Alianza chatbot subscribers who received CCF funds. Having data from a representative sample of workers, collected and analyzed by 60 Decibels, provided NDWA with a powerful tool for sharing internally and externally to inform further COVID response efforts with this population which is often invisible and unheard.

A common hesitation to engage stakeholders directly is concern that asking for feedback will be extractive, or that respondents won't be truthful. However, done with consideration, asking people about their experience, challenges, and suggestions for improvement builds trust and provides far more accurate data than not asking at all. Going beyond operational data to listen directly to those who matter most, as NDWA has done, generates new insights for decision making that can be used to design responsive programs and also to inform and influence investors and policymakers.

Conclusion

Using multiple tools and approaches, including the La Alianza chatbot and findings from the 60 Decibels phone surveys, NDWA Labs created essential feedback channels during the pandemic which demonstrate the value of prioritizing the voices of stakeholders. In advancing best practice in impact measurement and management, community engagement and direct listening provide new data to inform deeper impact. Beyond the impact data generated, this practice builds trust and supports mutuality. Some guiding principles that apply:

- **You have to see it to change it.** Data is important for visibility, not just analysis, and visibility is necessary for change. La Alianza continued surveying workers weekly, publishing the findings of the first 6 months in a report ([6 Months in Crisis: The Impact of the COVID-19 on Domestic Workers](#)) and publishing monthly Domestic Workers Economic Situation reports on the same day the Bureau of Labor publishes its monthly jobs report. These weekly surveys are building a comprehensive dataset on this workforce segment that is largely overlooked in mainstream economic and market research. La Alianza's commitment to making data available supports many of NDWA's efforts to raise awareness and influence funding and policy change.
- **Be additive, not extractive.** As you gather data, the experience must be respectful and aim to provide mutual benefit. Integrate value-add experiences into data collection methods to make the experience beneficial for interviewees, not just for your organization. Incorporate basic courtesies like letting respondents know what data will be used for, providing compensation for their time, offering choices in the time and

method for providing feedback, designing surveys or interviews to be short and focused on data that will drive decisions, and prioritizing opportunities for people to share what matters most to them in their own words. By using Facebook Messenger and phone surveys, NDWA met their community where they are and considered how the data would be put into action before designing the surveys; this data wasn't for curiosity or compliance, it was an essential input for responding to a rapidly changing environment.

- **Build trust.** Asking questions, and showing that you've listened to the answers, builds trust. Use the many tools and expert resources available to make consistent listening a part of your impact management practice, and remember to close the loop with your community and share how you are taking action on what you heard. As part of the data collection process, NDWA gathered suggestions and insights for information and resources workers would value in future news articles. The combined strategy of asking workers about their own experience and sharing relevant resources in Spanish has resulted in deepened trust and engagement. The more trust that exists in the relationship with your end stakeholders, the richer the feedback will be, and the more impact you can create.

Sharing the experience, approach and learnings of NDWA Labs to listen to workers will hopefully encourage other organizations to invest in gathering data that centers the experiences of those directly impacted. The engagement of stakeholders provides actionable real-time insights which simply cannot be gained from standard output metrics. As demonstrated by NDWA's commitment to gathering feedback from workers, this valuable impact data can inform responsive policy and funding changes, build trust, and drive improvement in impact performance. There is no substitute for prioritizing deep listening and real-time feedback, especially with hard to reach communities.



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Conclusion

What? So What? Now What?



The words “What?,” “So what?,” and “Now what?” are three powerful framing questions often used by those involved in impact performance management. Putting this reflective model into action, we pose these questions to ourselves as the “Why Impact Management?” working group, the expert authors featured here, and you, as an interested party. In sum, how do we all use the knowledge and insights shared here to drive even more positive change?

What?

This collection of articles is an early initiative of Impacting Together, an informal network of impact performance practitioners and field builders sharing knowledge to develop and promote cross-sector coordination, equity and improved, widely-used practices of impact management. This initiative – Why Impact Management? – is a series of thought leadership articles developed through this network and in partnership with [Impact Entrepreneur](#)’s online magazine to help fuel greater awareness.

Having grown out of a December 2019 workshop, [Impact Measurement Today](#), the vision for the initiative is that more widespread awareness and a cross-sector approach to impact management accelerates and drives scale for impact measurement and management practices everywhere. It is with an action orientation that the tenacious and complex threats to achieving global impact goals can be tackled successfully. By thoughtfully and methodically avoiding and addressing impact washing, IM practices counter both real and empty claims and therefore break down barriers to moving forward with more – more equitable and truly impactful investing.

This collection helps make the case for the importance of impact management across a variety of organizations and contexts. Some of the articles address principles for guiding practice and others contain guidance for the implementation of best IM methodologies. Taken together, the compilation provides justification, talking points, and concrete illustrations to support leaders in incorporating impact accountability alongside financial performance and fiscal accountability.

We envision impact management – and the impact measurement associated with it – not as a check box or strategic marketing and positioning activity, but rather a verifiable, ubiquitous business practice that grounds the prioritization of positive impacts and reduces negative impacts. The normative movement for conscious and purposeful capitalism is growing, and purposeful leadership (both public and private) and organizational capacity to elevate impact management must grow along with it.

So What?

The established practice of ESG has been under attack in recent years for its lack of transparency and authenticity as an impact strategy. The practice of impact management in impact investing has been growing rapidly with a number of global collaborative efforts aimed at developing aligned, transparent, stakeholder-informed/engaged and verifiable practices. The opportunity remains to accelerate and deepen the meaning and relevance of both ESG and IM practices and to support their continued convergence. As the climate heats up and inequality widens, the time has never been more urgent to connect the dots. Weaving in the historically robust and deep practice of the measurement and evaluation community will enhance our collective efforts.

Whatever expectations we had coming into this effort have been surpassed beyond our wildest imagination. The hunger and willingness of others to come together to join forces is incredibly inspiring. What started as informal phone calls among a handful of interested and yet questioning impact champions evolved into a formal steering committee meeting every week to advance the effort. The broader council of impact performance practitioners and field builders meets bimonthly. And the Why IM working group that designed and shepherded this campaign is a formal action of this council. There is perhaps no better example of the collaborative spirit than the sheer number of subject matter experts and institutions participating. It is their perspective and sage counsel that are the foundation of our shared impact. And for that we are immensely grateful. So, too, are we indebted to Laurie Lane-Zucker, the Founder and CEO of Impact Entrepreneur, who graciously agreed to amplify this work.

Individually, we have learned much through this experience. Perhaps more important is that in this moment, everyone has something to bring to and learn from this movement. There are, understandably and importantly, doubters and skeptics. So, too, are there different roles to play. As one of our steering committee members characterized, there are “lumpers” and “splitters” – the former more willing to engage in early-stage, less-defined exploration and the latter being incredibly useful with reality checks. Both are actually necessary, though at different times and toward different ends.

Our hope has been that by creating space for diverse voices, experiences, and opinions to come together and by bringing the perspective from our day-to-day practice, we can connect across the divides of sector and practice area to field-build and advance an inclusive, integrated infrastructure for equitable IM.

Despite expected challenges ahead, such as continued backlash against ESG and measuring stakeholder impact more generally, we finish up this chapter of the Why IM experience hopeful because we have seen and experienced firsthand the value of activating a cross-sector impact management network to accelerate a diversity of interests. Many of the questions that emerged at our 2019 launch meeting remain, ranging from how to share specific best practices among practitioners to what are the emerging moral and theoretical connections (and distinctions) across practices:

- Will we see commitments to investing in the highly skilled workforce needed to accelerate a more connected and aligned impact management infrastructure across practices?
- Will we see interoperability across ESG and impact management?
- How do we identify where IM principles can inform and be embedded in financial- and investment-related public policies, whether through legislative or administrative venues, and then advocate (individually or collectively) for those policies?
- How can we increase investments from all sectors, but particularly civil society, to levels commensurate with the potential lever represented with aligning our current systems of governance to people and the planet?

At the same time, new challenges and opportunities have emerged, including:

- Politicization – as illustrated in broad attacks on ESG
- Keeping pace – It's a dynamic market changing daily, but connection points between practices are accelerating
- Scaling successful models – For example, carbon for other climate matters like nature and/or beyond climate
- Impact incentives – How best to advance new models and approaches that make equity sense and impact sense and business sense while still moving the ball forward in the meantime on imperfect tools?

Now What?

So, where to go from here?

There are many areas of action called for, due to the Why IM series. Two examples of convergence leadership have already emerged:

1 Why Impact Management/Mission Investors Exchange

The Why Impact Management effort to influence leadership will continue to advance opportunities for practice. [Mission Investors Exchange](#), a network of mission-driven impact investors, will house these and other resources on a new IM Library and integrate the learnings from the initiative into its educational offerings. This approach aligns with Impacting Together's network-based organizational model, which is to provide initial backbone support to incubate shared efforts, but ultimately for them to be handed off for continued execution.

2 Coordinated Impact Management Infrastructure Building

The biggest takeaway for future action is the continued need for convergence collaboration vehicles and mechanisms. In short, coordinated leadership to continue connecting these practice areas of ESG, IM, and Measurement & Evaluation.

These three practice areas are not identical. They have different intentions. They have different yardsticks for what constitutes impact, and their own culture around practice. There is great value in each practice defining its norms and identifying opportunities to bridge organizations and industries. American Evaluation Association's 2022 conference will feature a presidential strand to encourage M&E professionals to deepen engagement with private

sector impact markets – a move that transcends its past focus on public and social sector impact work. The work will not happen on its own without dedicated leadership, focus, and funding. Convening a diversity of leaders from across private and public spheres will be essential for making convergence – and thus change – happen at scale.

There is a gap to address with the sunsetting of [The Impact Management Project](#), which demonstrated outstanding convening power and broad-based engagement that ultimately spurred transparency and alignment. Initiatives such as the Impact Management Platform, the merger of the Sustainability Accounting Standards Board and the International Integrated Reporting Council (now the Value Reporting Foundation), and the emergence of the International Sustainability Standards Board (ISSB) nibble away at the gap. Yet, it does not yet include the powerful convening and consensus-building ambitions of the Impact Management Project. That is unfinished business that the individuals associated with Impacting Together relish continuing.

In summary, “Why Impact Management?” is best answered that without impact management, the impact economy will live at the level of piecemeal narrative, undocumented claims, and deep silos rather than collective action. The time for action is now. Impact management is among our most powerful levers for building a resilient and just future for people and the planet.

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