



Impact Evaluation of a Portfolio of Private Investments

Using The Common Approach to Impact Measurement
and the Impact Management Project



COMMON APPROACH
TO IMPACT MEASUREMENT

rally
assets

Contents

Foreword	Page 03
Context	Page 04
Rally Asset's Impact Evaluation	Page 07
Observations	Page 13
Looking Ahead	Page 15
Sample Impact Report	Page 16
Aggregation Case Study	Page 23
References	Page 26

Rally Assets

Rally Assets is an impact investment management and advisory firm. The firm helps investors generate positive social and environmental impact alongside a financial return. It creates specialized solutions for corporate and institutional investors, foundations, family offices and individual accredited investors. Since its start in 2010 as Purpose Capital, it has been a trusted leader in the sector.

Rally Assets is a Portfolio Manager and Exempt Market Dealer registered in Alberta, British Columbia, Ontario and Quebec with the respective provincial securities commissions.

Rally Assets is a certified B Corporation.

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The Common Approach to Impact Measurement

The Common Approach to Impact Measurement is a collaborative project of nonprofits, social purpose organizations, grant makers, investors and academics building a better way to measure social impact. The community is creating and piloting a flexible standard for impact measurement.

The project is led by Carleton University's Sprott School of Business and funded by Employment and Social Development Canada and the Ontario Ministry of Economic Development, Job Creation and Trade.

commonapproach.org

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Foreword

As part of the work of The Common Approach to Impact Measurement, we partnered with Rally Assets, leaders in Canada's impact investing sector, to explore how the Common Approach can support greater consistency in impact reporting in the investment world.

We have set out to make it easier to measure impact, not only for social purpose organizations (SPOs), but for their investors and grantors. As an asset manager and advisor, Rally Assets collects, analyses and reports on impact for its clients. For them, impact data is essential to efficiently mobilize capital towards investments that deliver positive impacts, and to effectively inform investor engagement priorities. Streamlined impact measurement will thus benefit the sector as a whole.

The following guide offers an approach to measuring and reporting on the impact of a private investment portfolio, and demonstrates the value of consistent measurement and management practices. It confirms for us the usefulness of The Common Approach to make it easier for groups to clearly share and compare impact.

The guide builds on the body of practice developing in impact measurement and management, including The Common Approach and the Impact Management Project (IMP).¹

We hope you find the report useful.

Kate Ruff,
Common Approach to Impact Measurement

1. For example, see the work of [Project Snowball](#), [UBS](#) and [Root Capital](#) to see guidelines for how to measure impact for different portfolios.

Context

The financial market has responded well to the growing number of investors wanting to invest for positive impact, by offering increasingly diverse and complex products. However, it remains challenging for investors to consistently assess the impact of their private investments, and especially to understand that impact at a portfolio level, because:

- **Reporting practices vary.** Impact reporting practices vary across the market and most often, investors receive progress reports on their fund holdings which may or may not include impact performance data
- **Impact data is not sufficient or transferable.** When impact is reported, it's often in fixed bespoke ways, often aggregated and across varying time periods, making evaluation and comparison difficult across funds

Following a similar approach for measuring impact benefits both investors and the impact investing sector:

- Investors can more easily assess impact, to then align their investments with their impact goals
- Companies can better understand what fund managers and investors are looking for when assessing impact, and design their measurement approach accordingly
- Private fund managers can convey the quantifiable impact of their underlying assets

We believe greater commonality and greater understanding will help bring more investments into the sector.

A common approach is needed

Impact alignment, impact measurement and impact reporting are diverse. According to the 2020 Annual Impact Investor Survey², although many impact investors have their objectives aligned with the [UN Sustainable Development Goals \(SDGs\)](#), there is diversity of approaches and reporting across the impact measurement field. About a third of impact investors use the [IRIS Catalog of Metrics](#) to measure impact, while the remaining investors use a variety of impact measurement approaches such as bespoke indicators, theories of change and fund-level indicators.

While diversity in indicators is essential to effectively communicate the unique impact of many funds and underlying companies, using the Common Approach results in impact results that are more easily shared and compared. The Common Approach enables any impact data point to be understood and evaluated by ensuring its component parts are transparently collected and reported.

2. Global Impact Investing Network 2020

The Common Approach

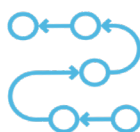
The Common Approach is a set of four impact measurement standards that are created for – and governed by – social purpose organizations. This is an inclusive approach to building a standard. The four combine to enable a complete approach to impact measurement and management, while still providing flexibility to accommodate the unique indicators individual companies need to illustrate their theory of change.

Common Impact Data Standard



The Common Impact Data Standard is an organization system for impact data that allows for easier sharing, aggregation and portfolio-level analysis of impact data. The Common Impact Data Standard, released in collaboration with Mark Fox at the Centre for Social Services Engineering at the University of Toronto, is a standard for representing impact data that allows for data to be shared, aggregated and compared.

Common Foundations

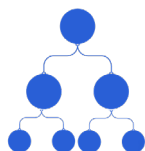


The Common Foundations provide guidance for how to measure impact. They are a minimum standard. Social purpose organizations can know when their impact measurement practices are ‘good enough.’ The essential practices include:

- Plan your change
- Use performance measures
- Collect useful information
- Gauge performance and impact
- Report on results

These foundations provide a comprehensive overview of factors to consider for impact measurement while allowing organizations to choose indicators and tools that best represent their operations.

Common Framework for Social and Environmental Indicators



The Common Framework allows for each organization to choose the measures it finds to be the most meaningful, and their funders, collaborators and networks can aggregate those measures. The Common Framework is composed of guidelines that define a flexible standard for measuring social and environmental impact. This flexible framework will allow groups of organizations to aggregate their bespoke indicators according to well-recognized frameworks such as the 17 SDGs.

Common Form



The Common Form includes organizational information, designed to make it easier for social purpose organizations to apply for funding and investment. An established standard for organizational information means that information can be entered once and shared across funders, investors, researchers, government, and groups that are working toward common goals.

Different elements of the Common Approach will be more relevant to different stakeholders. We believe that the Common Foundations provide a solid process by which companies can define and communicate their impact

thesis. As asset managers and advisors, we review the validity and comprehensiveness of impact theses in our due diligence practice. For impact measurement, we seek data that aligns to the Common Impact Data Standard and uses the Common Framework to map outcome indicators to the SDGs. The Common Form provides useful information for records-matching but it can pose some privacy concerns. As such, in this research we did not make it mandatory to disclose all fields during our impact assessment process.

The Common Approach has many applications and can be used with any number of frameworks for contextualizing impact. At Rally, we use the IMP.

Contextualizing Impact Data

The IMP is a global forum where thousands of practitioners are establishing how to measure, manage and report impact. Through the IMP, practitioners have agreed that impact can be expressed through [five dimensions](#):³

- **What** outcomes the enterprise is contributing to and how important the outcomes are to stakeholders
- **Who** is experiencing the outcome and how underserved they were prior to the company's effect
- **How much** change is experienced, the duration of that change and by how many stakeholders that change has affected
- The **contribution** made by an enterprise to the outcome achieved, over and above what would have occurred anyway
- The **risk** the outcomes will be different than those anticipated

The IMP and the Common Approach can be used together to enable impact to be measured, contextualized, aggregated and managed more effectively. Used together, they help to overcome a few challenges with impact measurement by:

- **Supporting digitized data.** Impact cannot be effectively evaluated without the ability to work with data. Investors and their advisors need access to the information to inform decision making and play an effective role in signaling impact matters and engaging actively for impact outcomes.
- **Reducing burdens of data collection and reporting.** The format and structure of impact data needs to be standardized, making it clear what is expected universally of underlying Social Purpose Organizations (SPOs) and fund managers. These are jointly provided by The Common Approach's Common Impact Data Standard and Common Framework (format and indicator mapping) and the IMP (structure). Impact data platforms already exist that embed the Common Impact Data Standard and align to the IMP, providing tools for data collection and reporting that meet these standards. Outcome indicators can be tailored to each impact of a company or fund strategy, but the way in which the information is reported should align to these standards. Standards will of course evolve but adhering to a standard will benefit the sector as underlying SPOs and fund managers will have the necessary data at their fingertips and impact investors and advisors will have information to compare and aggregate impact to optimize the risk, return and impact profiles of their portfolios.
- **Enabling operational impact to be measured.** Impact investors are becoming increasingly interested in the operational impact of companies, regardless of their business model, industry or level of impact intentionality. All organizations create an impact through the way in which they operate, including their diversity profile, leadership actions, procurement decisions, HR practices and environmental responsibility.

3. Impact Management Project n.d.

Rally Assets' Impact Evaluation

We use the five dimensions of the IMP, in alignment with the Common Approach's Common Impact Data Standard and Common Framework, to evaluate, measure and monitor the impact of private funds. In this guide, we are looking at evaluating and measuring impact with three types of private funds:

- **Single Strategy Fund**, which deploys capital for a single type of project, business or activity
- **Private Equity Fund**, which invests in companies that align with the fund manager's requirements
- **Fund of Funds**, which invests in other underlying funds, that in turn make private equity or debt investments

Measuring the impact of private funds starts with direct research and discussions with fund managers, from which one can then make assessments. At Rally, we use our expertise, research and direct relationships with fund managers to construct four possible assessments:

- **Fund Manager Operational Assessment**, which provides details about a fund manager's intention to contribute towards the SDGs, impact measurement and management practices, management focus, diversity and procurement practices.
- **Fund Assessment**, which tells us which outcome indicators are being tracked and targeted at the fund level and the fund manager's engagement practices with underlying assets and asset allocation.
- **Operational Assessment of Underlying SPOs**, which covers underlying assets' SDG contribution intentions, impact measurement and management practices, mission statement efficacy, diversity, wages, environmental management and supply chain and procurement practices.
- **IMP Assessment**, which focuses on the most material impacts of a fund or its underlying assets.

Assessment	Fund		
	Single Strategy Fund	Private Equity Fund	Fund of Funds
Fund Manager Operational Assessment	Y	Y	Y
Fund Assessment	Y	Y	Y
Operational Assessment of Underlying SPOs	N. Not applicable	Y	Y
IMP Assessment	Y	Y	Y ⁴

IMP Assessments

In order to understand how investor capital has been allocated for impact at a portfolio level, we conduct IMP Assessments that consider impact according to the five dimensions of the IMP⁵. While the IMP sets out dimensions, it is up to fund managers to determine indicators that will make the dimensions measurable. An IMP Assessment is comprised of an IMP Vertical plus Impact Classification plus the Role of Investor Capital. IMP Assessments can be conducted at the company level, fund level or portfolio level.

4. It was not practical in this research to complete an IMP Vertical for every underlying holding due to number of assets and degree of separation. Instead, we grouped the underlying holdings of each fund into common impact areas, with outcome indicators and aggregated to the fund-of-funds level.

5. IMP Assessments can be and are sometimes used to evaluate operational impacts when it is a *material impact*. For example, a company that intentionally creates decent employment opportunities for people from an under-served community could have an IMP Vertical documenting the impact experienced by those employees, such as changes in their annual income, employment status or quality of life.

IMP Verticals

IMP Verticals are based on underlying outcome indicators, which are mapped to the SDGs. We first choose indicators and then look at who is being impacted. Each new indicator or stakeholder results in a new IMP Vertical. Therefore, usually multiple IMP Verticals are required to fully contextualize the impact of a company, fund-of-fund or fund strategy, because there are multiple indicators to examine and multiple stakeholders being impacted in different ways.

Dimension	Category	Indicator	Data	Source	Evaluation
What	Outcome level in period				Positive - negative
	Outcome threshold				
	Importance of the outcome to stakeholder				Important - unimportant
	SDG target or other global goal				
Who	Stakeholder				Well-served - underserved
	Geographical Boundary				
	Outcome level at baseline				
	Stakeholder characteristics				
How Much	Scale				Large scale - small scale
	Depth				Deep change - marginal change
	Duration				Long term - short term
Contribution	Depth counterfactual				Likely better - likely worse
	Duration counterfactual				Likely better - likely worse
Risk	Risk type				Low risk - high risk
	Risk level				

Outcome Indicators

When constructing an IMP Vertical, first an outcome indicator must be selected or developed. Outcome indicators form the basis of calculations pertaining to the degree of change experienced. After establishing the change effected by a company, the next step is to identify an indicator that best reflects the change experienced by stakeholders.

Before creating custom output or outcome indicators, we recommend consulting the [IRIS Catalog of Metrics](#) to determine if a standard indicator would fit the impact thesis. Selecting from the common list of indicators helps compare impact across entities operating in the same impact area. However, selecting a standard indicator is not necessary, as it may not accurately articulate the

Indicator examples for three IMP Verticals conducted for a nutritious food product:

- Change in annual household income (smallholder farmers)
- Tonnes of carbon emissions avoided (through reduced food waste)
- Number of servings sold

impact of a company. A good outcome indicator will have two attributes:

- The outcome can be quantified in a relevant and common unit of measure
- The indicator, or its associated linked data, can express the relevant change experienced by the stakeholder that is attributed to the activities and outputs of the enterprise

Outcome indicators are mapped to the SDGs. When an applicable target is not available, a custom target can be written to demonstrate how an outcome contributes to the achievement of an SDG.

Periodically, anticipated outcomes are difficult to quantify. For example, what is the outcome for well-served consumers in North America when an organic, healthy product is brought to market? Do the consumers replace less wholesome alternatives with the new product or do they simply have more healthy options to choose from? Are they able to buy healthy, organic products more affordably? Do they become healthier? These outcomes are difficult to quantify consistently without in-depth study. In such cases, an output indicator is often the best indicator of potential impact, in conjunction with qualitative commentary about the anticipated outcome that could not be practically quantified.

Once we complete an IMP Vertical, we confirm it with the fund managers.

Impact Classification

Businesses have a range of values and motivations and therefore various impact intentions. For each IMP Vertical, we assess the business's intention, using an IMP evaluation standard⁶:

- **A:** Act to avoid harm: companies seeking to mitigate or minimize negative impacts of their activities
- **B:** Benefit stakeholders: companies creating positive impacts for stakeholders
- **C:** Contribute to solutions (the most positive category): companies creating positive impacts for stakeholders who are considered under-served. Note: the environment is always considered an under-served stakeholder
- **D:** May or does cause harm: companies not mitigating or adequately managing the negative impacts of their activities

So long as an impact vertical does not return a D for a material issue, then the highest and best impact classification achieved across all verticals is assigned to the investment.

The Common Approach works collaboratively with the IMP to ensure that the data components of an indicator in the Common Impact Data Standard incorporate all data categories of the IMP. Following the Common Impact Data Standard will enable SPOs to communicate impact across all dimensions of the IMP.

6. Impact Management Project n.d.

The Role of Investor Capital

We also evaluate the role of investor capital in regards to the degree in which it is contributing to all impacts created by an investment. The investment could contribute⁷ by:

- Signaling that measurable impact matters, thereby encouraging the market to consider impact more broadly and generally
- Being part of an active engagement strategy with underlying assets, to provide resources such as expertise and networks to improve or advance the impact of underlying assets
- Helping to grow new or undersupplied capital markets, through providing capital where there is a shortage available to impactful companies
- Providing flexible capital at a lower rate of return or at greater risk in order to promote deeply positive impact and encourage or enable capital from other investors with more restrictive investment mandates to participate

Some investments may not have impact intentionality. As such we add the additional category of ‘no impact intentionality’ to the standard IMP roles of capital.

We incorporate impact classification and the role of capital as shown in the following chart⁸.

Role of Capital	Business Intention			
	May or Does Cause Harm	Avoid Harm	Benefit Stakeholders	Contribute to Solutions
No impact intentionality	D0	-	-	-
Signal that impact matters	-	A1	B1	C1
Signal that impact matters + Engage actively	D2	A2	B2	C2
Signal that impact matters + Grow new/undersupplied capital markets	-	A3	B3	C3
Signal that impact matters + Engage actively + Grow new/undersupplied capital markets	-	-	B4	C4
Signal that impact matters + Grow new/undersupplied capital markets + Provide flexibility on risk-adjusted returns	-	-	-	C5
Signal that impact matters + Engage actively + Grow new/undersupplied capital markets + Provide flexibility on risk-adjusted returns	-	-	-	C6

7. Impact Management Project n.d

8. Impact Management Project n.d.

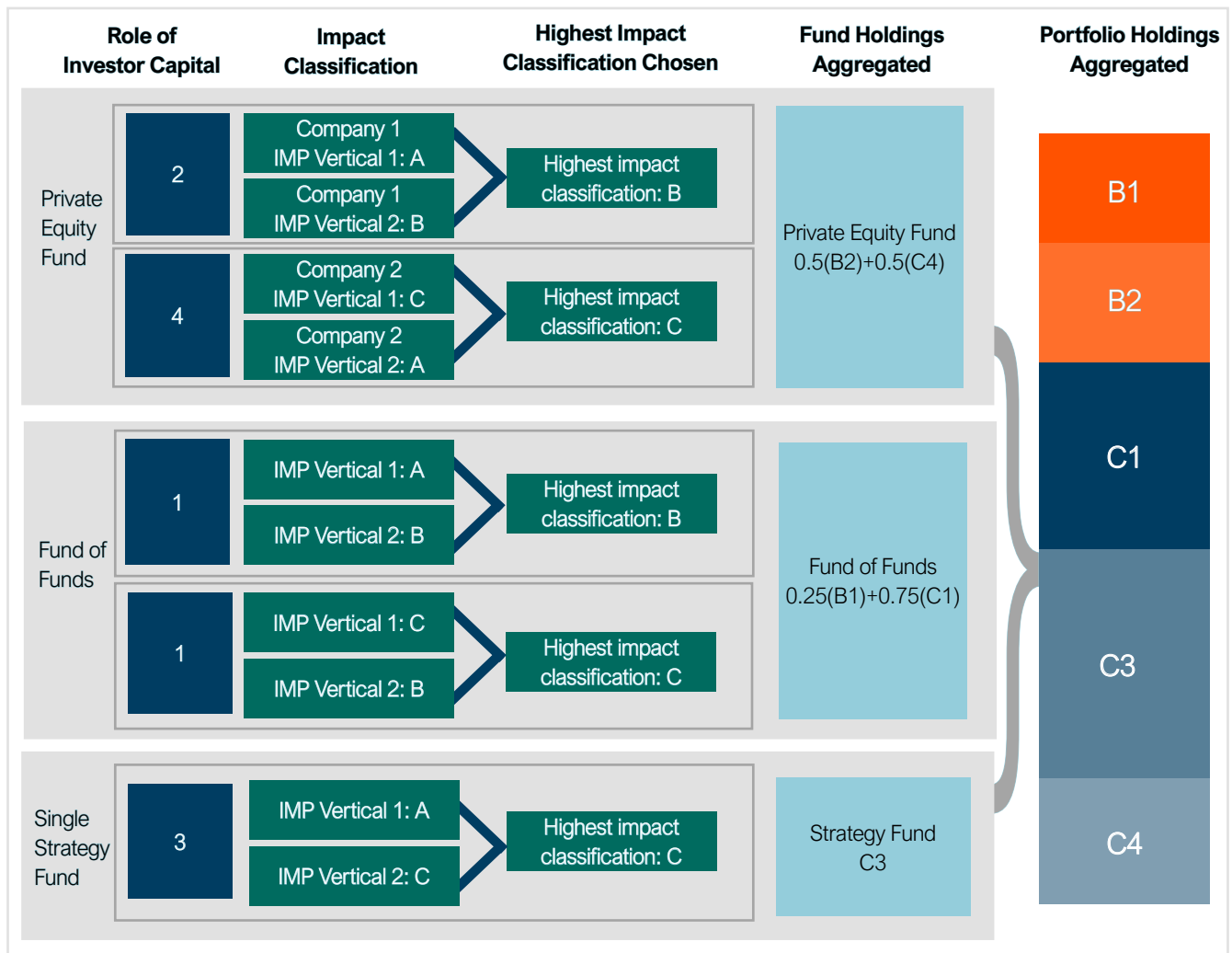
Aggregation

After all IMP Assessments are completed, we aggregate them to a portfolio level, as show in the chart below.

If comparable outcome indicators were selected frequently across a fund or portfolio, these could be aggregated. Aggregating outcome indicators would be common in an impact-theme focused fund such as a clean technology funds. From company level to fund level to portfolio level, we use the percentage of total invested capital to show results on a weighted basis.

This process differs from the aggregation envisioned by the Common Approach, in that we aggregated the results across the five IMP dimensions. By contrast, the Common Approach seeks to make it easier to aggregate dissimilar outcomes, outputs and indicators. This permits asset-level customization so that measures are highly relevant to their environment and learning needs, while also allowing investors and fund managers to conduct portfolio-level analysis.

The affordable housing case study highlights how the IMP results provide a bridge for current data aggregation at a portfolio level, and how the aggregation of diverse indicators will be enabled in the future as the Common Impact Data Standard is more widely adopted and the Common Framework is developed.



When and How We Apply Aggregation

For **private equity and venture capital funds**, we typically assess each underlying asset individually. For all assets, we develop specific outcome indicators for each investment in consultation with fund managers to ensure the indicator is relevant, useful and practical and in use to the greatest extent possible. We also reference the IRIS Catalog to check for appropriate indicators before developing new ones.

For the case of **fund-of-funds investments**, we complete an IMP Assessment for each of the underlying funds invested by the fund manager. Evaluating impact at the fund level adds a level of complexity as funds can have investments split across different asset classes, investors' contribution and impact areas. For practicality purposes, we group each underlying investment according to impact areas with common outcome indicators selected from the fund manager's existing data. We then complete an IMP Vertical for each common outcome.

For **single strategy funds**, such as those investing in infrastructure or providing debt for a common purpose, we conduct the IMP assessments across all holdings. This aggregated approach is efficient yet still accurately captures the combined impact of the fund, as each underlying investment shares similar characteristics and as such, the same outcome indicator(s) can be used.

Aggregating Results in Addition to Assessments

While individual assessments of underlying assets form the foundation of the overall fund assessment, insights began to emerge as the results are aggregated and weighted at a portfolio level. Aggregation enables comparison of impact profile between funds and the evaluation of how impact capital has been deployed across an entire portfolio. The following results can be aggregated at the fund and portfolio levels:

- Allocation of capital by SDG goal and targets
- Relative importance of the outcome
- Degree of positive or negative impact
- How well-served or under-served the beneficiary is
- Breadth and depth of impact
- Degree of contribution
- Level of impact risk
- The role of investor capital and level of impact

Operational Assessments

We consider the control environment, practices and results of company operations. To understand the key operational indicators of fund management companies and, where applicable, the early and mid-stage businesses they invest in, we first review existing frameworks such as the [B Impact Assessment](#), [SDG Action Manager](#) and the [UN Global Compact](#). The indicators indicate alignment to positive operational outcomes. In consultation with industry stakeholders, we distilled hundreds of potential questions into a list of essential core indicators, broadly applicable to any company, at any stage of growth or maturity. These cover:

- SDG mapping
- Measurement and management practices
- Mission alignment with the UN SDGs or impact thesis
- Diversity, inclusion and non-discrimination
- Wages
- Commitment and practices to reduce environmental impact
- Procurement and supply chain management practices

Observations

Support for Measuring Impact

Fund managers are eager to collect and report on impact performance across their funds. As an asset manager and advisor, Rally engages with fund managers to confirm or develop outcome indicators for their fund(s) or underlying holdings, and to contextualize those outcomes across the five dimensions of the IMP. We also work with fund managers to collect data on the operational practices of their own companies and those of underlying holdings where relevant. Every fund manager we engaged through this process either has developed or has the intention to develop impact indicators and report to investors. Nearly all fund managers use operational and impact performance data to engage with underlying assets.

Data Variability

Data availability, format and comprehensiveness vary widely. Output and outcome data are often reported or aggregated in a way that is not consistent with the Common Impact Data Standard, such that the root data points could not be seen and assessed.

Many managers have identified common output or outcome indicators to target fund-wide but, depending on the diversity of holdings, these often do not reflect the impact value proposition of individual underlying holdings. Examples of fund-wide indicators include tracking the carbon emissions avoided by underlying assets, and the percentage of female representation in underlying asset ownership structures. In these cases, we collaborated with fund managers to identify relevant outcome indicators for their individual underlying holdings, in addition to the fund-wide indicators.

Some fund managers have adopted or will adopt IMP to contextualize the impact of their funds; however most existing funds do not use this format. From feedback we have received, we expect that the Common Approach and IMP will be adopted more regularly as the following unfolds:

- Investors and advisors require impact data in a format consistent with the Common Impact Data Standard and the structure of global frameworks such as the IMP
- Technology is developed and accessible to the industry that supports efficient impact data collection and reporting that is consistent with the Common Framework and can adapt and integrate global frameworks such as the IMP efficiently
- Fund managers and companies recognize value in impact reporting that is contextualized and assessable across the investment sector, supporting greater impact outcomes and more efficient deployment of impact investment capital

Data Collection experience

We have a few reflections regarding our recent data collection process, working with the Common Approach and the IMP.

IMP: What

In the IMP Assessments, specifically the 'IMP: What' section, we were able to select aligned SDG goals and we typically identified relevant targets. In about 4% of IMP verticals, we defined a unique pathway to achievement of the SDG goals that were not covered by the existing targets. This suggests that the SDGs work best as a unifying framework but not a measurement standard.

We were able to select or develop an outcome indicator for every assessment conducted, in collaboration with the fund managers. These outcome indicators represented the change driven by fund-wide strategy, underlying funds or underlying assets.

IMP: How Much

We were able to calculate the degree of change experienced by beneficiaries 47% of the time; however, we expect outcome data coverage to improve dramatically in the coming years. To calculate the degree of change, we either relied on the order of magnitude data or on the actual baseline and outcome data collected by the fund manager.

We were able to estimate or confirm the number of beneficiaries experiencing the outcome across 90% of our IMP verticals. The speed and duration of impacts were generally estimated and will be able to be verified with underlying SPOs shortly.

IMP: Who

Beneficiary data was generally available at a high level, which included geography, description and whether the stakeholder was well-served or under-served. We did not seek granular level data, as this was generally not widely available but also could pose some privacy concerns for beneficiaries. For most investors, and for most impact investment products, high level beneficiary data is sufficient.

IMP: Contribution

Similarly, contribution was generally assessed at a high level. While counterfactual data was not readily available for most outcomes to assess what would have happened anyway, evidence regarding baseline outcomes supported our estimation of contribution. We believe that supporting data to assess contribution will be the most difficult to collect over time; but that for most investors and impact investment products, a general assessment or estimation of contribution is sufficient.

IMP: Risk

We discovered that impact risk assessments had generally been considered for only a few of the risk categories defined by the IMP, depending on which risks were most material to an impact strategy. While in some cases the categories were irrelevant and therefore omitted, material impact risks had oftentimes not been explicitly considered and evaluated by fund managers or their underlying holdings. The assessment identified opportunities for better impact risk management across a portfolio, and in particular could inform due diligence practices and impact management practices more broadly.

Looking Ahead

We are at a tipping point in the evolution of impact measurement and management. The time is ripe to adopt a common approach and elevate the practice across the industry.

In our experience, the Common Approach combined with the IMP provides a flexible framework for the collection and reporting of impact data, with clear contextualization. Consistently adopted and applied, this will elevate impact data as part of a sound investment management practice, which in turn will unlock more intentional impact capital. Technologies are available to reduce the burden of impact data collection and assessment and create opportunities for more stakeholders to come together to address the challenges and opportunities.

Given the growing need for a standard, we expect to see greater adoption and integration of the Common Approach and the IMP as a reporting standard, especially for recent and upcoming funds. Our work in this area will continue and over the coming year, impact performance data will be collected in the field by fund managers from their underlying SPOs. We expect outcome indicators will be solidified and more data collection infrastructure to be in place. New and upcoming funds are much more likely to implement the full suite of impact indicators required to fully contextualize impact, while legacy funds will continue to report using their existing indicators, which may require estimations to be made.

Technology can help tremendously with improving the methods of impact measurement. The use of technology platforms can support fund managers to adopt impact data collection and measurement that aligns with industry best practices. Software is available to also improve the efficiency and consistency of data collection at the underlying asset level. Software can also support the use of the Common Impact Data Standard to design collection templates for baseline and performance data from beneficiaries in an aligned format. Greater depth, consistency, comparability and digitization of impact data will ultimately enable investors and investment managers to more effectively manage and deploy capital for impact, and support more effective impact management from the ground up.

As this transformation occurs, we also expect to see greater consideration for data privacy and security, especially as more beneficiary level feedback is incorporated into impact reporting. As data collection is the backbone for impact measurement, especially beneficiary data, this calls for creating and implementing data usage standards to protect people, especially society's most vulnerable, from exploitation of their data. Learning and applying from OCAP principles⁹, we need to show responsibility and ethical stewardship towards beneficiary data before such data at a more granular level should be widely available to the impact investment community.

9. The First Nations Information Governance Centre n.d.

Sample Impact Report

This report used anonymized data to create a sample portfolio. The portfolio contained 10 fund managers, 46 underlying assets and 80 IMP Assessments. This report provides a fund manager assessment, an operational assessment and an IMP assessment. The fund assessment was undertaken and contributed to the other assessments but is not reported on separately.

1. Fund Manager Assessment

Sustainable Development Goals Integration

These charts show what each fund manager has done to specifically contribute to the SDG, and how they measure and manage the impact of their investment activity on the achievement of the SDGs.

Contributions to the SDGs



Measurement and Management of Impact



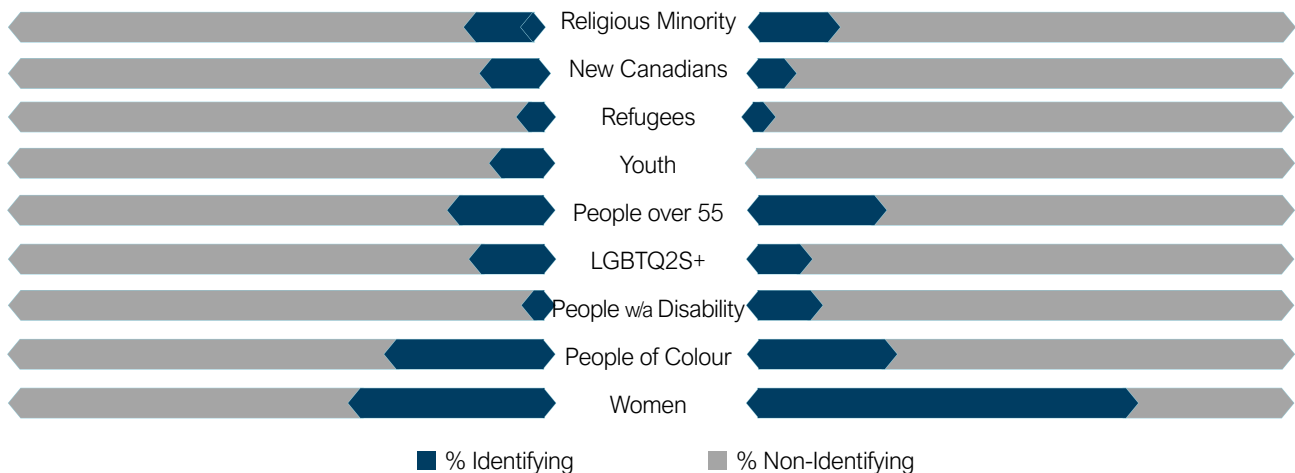
- Conduct SDG training
- Outcome indicators set
- Set specific targets
- Measure and benchmark
- Aligned reporting to SDGs
- Indicator defined targets
- SDG SWAT analysis
- Impact risk mgmt
- Identified SDGs and targets
- Unintended impact mgmt

Fund Manager Diversity

These charts show the proportion of fund manager employees and senior management who identify as part of one or more diverse groups. These results are aggregated across all fund managers in the portfolio.

Employees

Senior Management



Social and Environmental Procurement

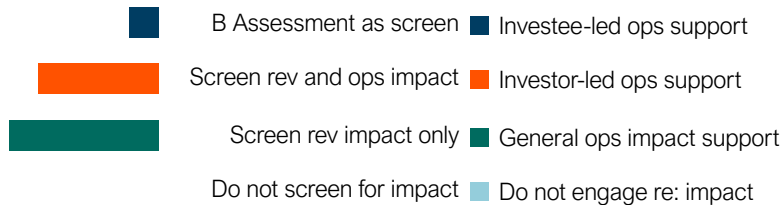
The chart below shows the proportion of fund managers who explicitly seek to optimize the social and environmental performance of products and services procured for their business operations.



Screening and Engagement

These charts show how fund managers assess potential investee companies regarding their operational practices and product or service impact, as well as their engagement activities with investee companies.

Due Diligence Impact Screening



Measurement and Management of Impact

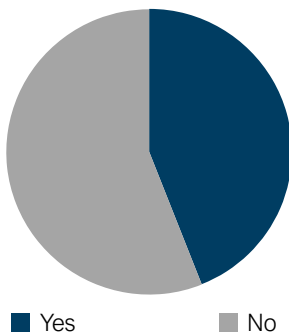


2. Operational Assessment of Underlying SPOs

Mission Statement

These charts show the proportion of underlying SPOs with and without an explicit mission statement. For those with mission statements, we also assess the quality of that mission statement.

Has Mission Statement



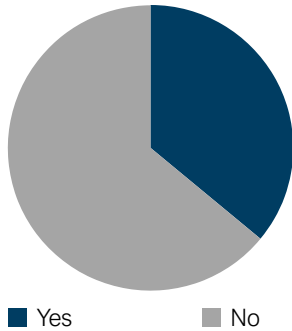
Quality of Mission Statement



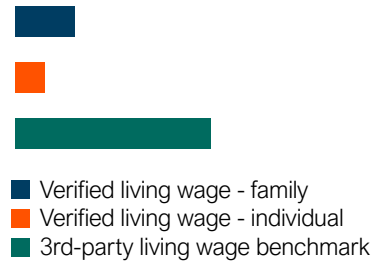
Living Wage

These charts show the proportion of underlying SPOs with and without an explicit commitment to paying a living wage. For those who pay a living wage, we also assess the quality of that commitment.

Formal Commitment to Pay a Living Wage



Quality of Living Wage Practices

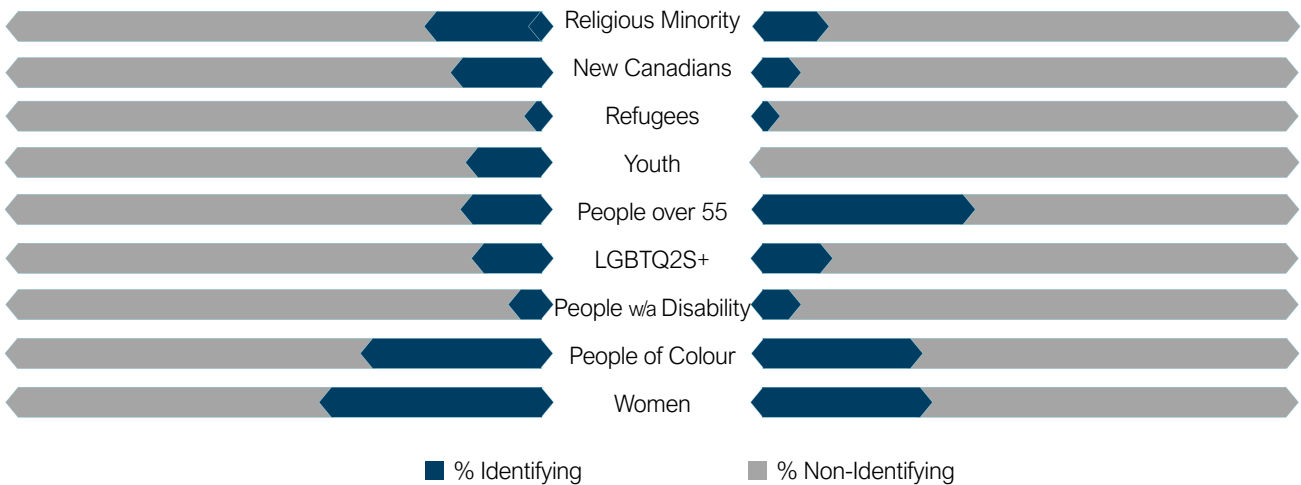


Entity Level Diversity

These charts show the proportion of underlying investee employees, senior management, and board of directors who identify as part of one or more diverse groups. Please note that diversity data is not consistently and comprehensively collected from employees, therefore we do not believe these results currently reflect the complete diversity picture of underlying entities. We believe that this data will become more widely available over time. These results are aggregated across all underlying SPOs.

Employees

Senior Management and Board of Directors



Non-Discrimination

The chart below shows the proportion of underlying SPOs with a non-discrimination policy.



Environmental Management Systems

These charts show underlying SPOs' practices with regards to their environmental management systems (e.g. waste generation, energy/water usage) as well as their use of environmentally friendly technologies (e.g. low flow, Energy Star appliances).

Environmental Management System Practices



- No EMS or policy in place
- Enviro policy statement
- Enviro impact assessment
- Quantified enviro targets
- Resources for enviro targets
- Compliance and auditing

Measurement and Management of Impact



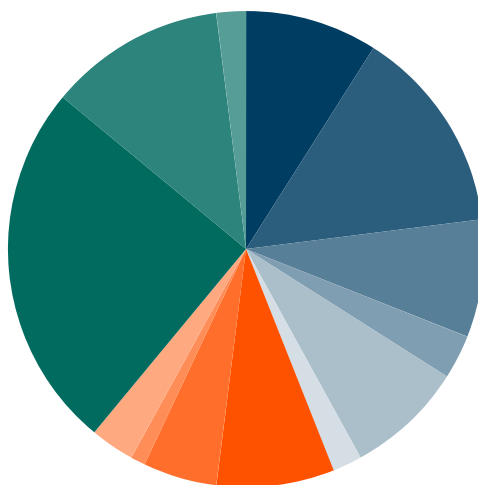
- Eco-supply chain
- Eco-processes in place
- Efficient building mgmt
- Energy efficiency improved
- Water efficiency improved

3. IMP Assessment

Total Portfolio View

This chart shows the allocation of investment holdings across IMP Classifications (A, B, C or D) and the Role of Investor Capital.

IMP Assessment Total Portfolio View

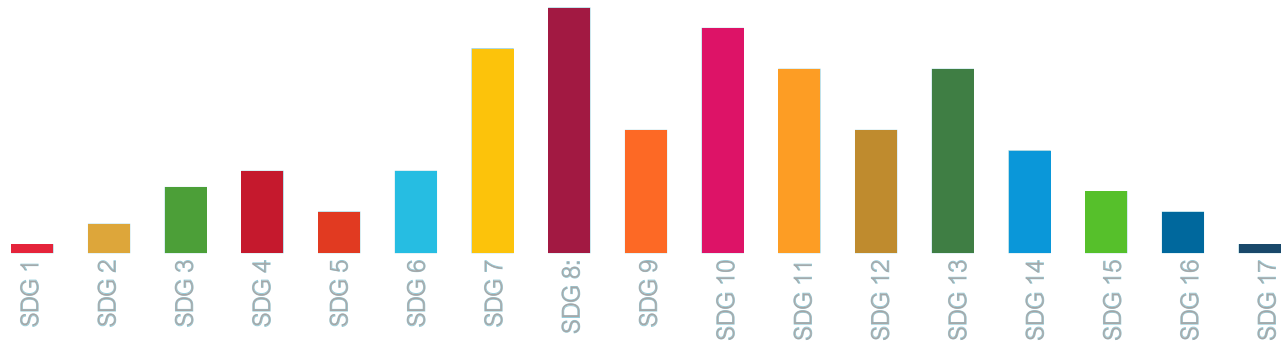


- Avoid Harm
 - A1
 - A2
 - A3
- Benefit Stakeholders
 - B1
 - B2
 - B3
 - B4
- Contribute to Solutions
 - C1
 - C2
 - C3
 - C4
 - C5
 - C6

Alignment with SDGs

This chart shows each investment’s alignment with the achievement of the SDGs. No holdings in the portfolio materially detracted from the achievement of the SDGs, so there is no negative alignment in this chart.

Portfolio Impact by SDG



IMP Dimensions Results

IMP What: Important or Unimportant

This graph shows the importance of the SDG outcome impact indicators across all IMP Verticals.

- Very important: essential to realizing a good quality of life or long-term environmental sustainability.
- Important: valuable to quality of life but not essential.
- Unimportant: generally, improvements to products or services that already existed and did not have material negative impacts in their existing delivery.



- Very important
- Important
- Neutral
- Unimportant
- Completely unimportant

IMP Who: Well served or underserved

When the beneficiary of an outcome is not the environment, in which case the environment is always considered underserved, we consider how well served that beneficiary is. This chart shows the nature of beneficiaries across all IMP Verticals.



- Completely underserved
- Somewhat underserved
- Neither well served nor underserved
- Somewhat well served
- Completely well served

IMP How Much: Small Scale or Large Scale

An SPO can deliver an impact at a small or large scale; this chart illustrates the scale of impacts observed across the portfolio.



- 1-9 individuals
- 10 - 99 individuals
- 100 - 999 individuals
- 1,000 - 9,999 individuals
- 10,000 - 99,999 individuals
- 100,000 - 999,999 individuals

IMP How Much: Short Term or Long Term

An impact indicator can create a change for a short or long period of time; this chart shows how long the impacts last across the portfolio.



- Less than 1 year
- 1 - 5 years
- 5 - 10 years
- 10 - 25 years
- More than 25 years

IMP How Much: Degree of Change

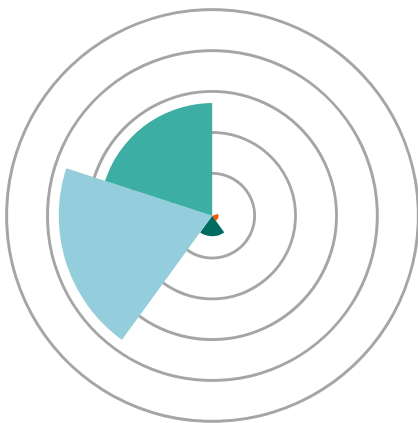
This chart shows the degree of change observed between baseline and outcome indicator data



- 0.5x change
- 0.75x change
- 1x change
- 2.5x change

IMP Contribution: Outcome

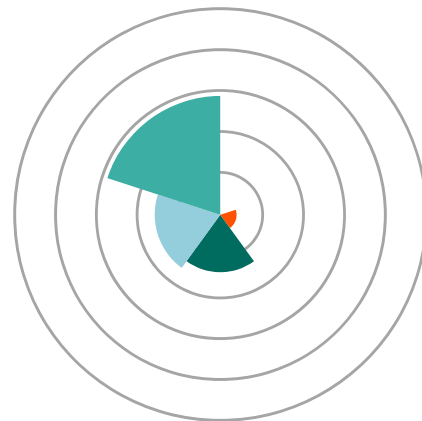
An SPO can create a difference beyond what would have otherwise happened, or it can actually contribute to the situation for beneficiaries becoming worse (unintentionally). This chart considers whether beneficiaries are better or worse off than they would have been. Data for this dimension is widely unreported given challenges considering and measuring the counterfactual.



- Absolutely worse
- Somewhat worse
- About the same
- Somewhat better
- Absolutely better

IMP Contribution: Duration

An SPO's impact could endure in the near or long term, this chart considers whether the indicator is likely to be experienced for a longer or shorter time than would otherwise have occurred. Again, difficulties assessing the counterfactual lead to a high rate of non-responsiveness.



- Much shorter
- Somewhat shorter
- About the same
- Somewhat longer
- Much longer

IMP Risk

This chart illustrates the risk that the impact will be different than targeted and anticipated, across the portfolio.



- Low risk
- Medium risk
- High Risk

Aggregation Case Study

This is a case study of the Affordable Housing investments within the sample portfolio. This case study will demonstrate two things:

- How the IMP has been used to aggregate impact
- How the Common Approach seeks to support underlying impact indicator aggregation

Aggregating impact indicators proved to be imprecise and incomplete due to a few reasons:

- Many entities identified the same outcome area, but used different indicators
- Different business models applied to achieve the same outcome
- Units of measure varied
- Missing data

Various models of creating affordable housing exist, from low-cost or income-adjusted rental housing to affordable home ownership and affordable access to home ownership (blended capital structure). Variety in outcome indicators sometimes reflect differences in the commercial model to deliver affordable housing, and sometimes reflect variety in the way enterprises measure their impact. The following three indicators were reported by five funds that held assets that sought to deliver affordable housing, either as rental or ownership units:

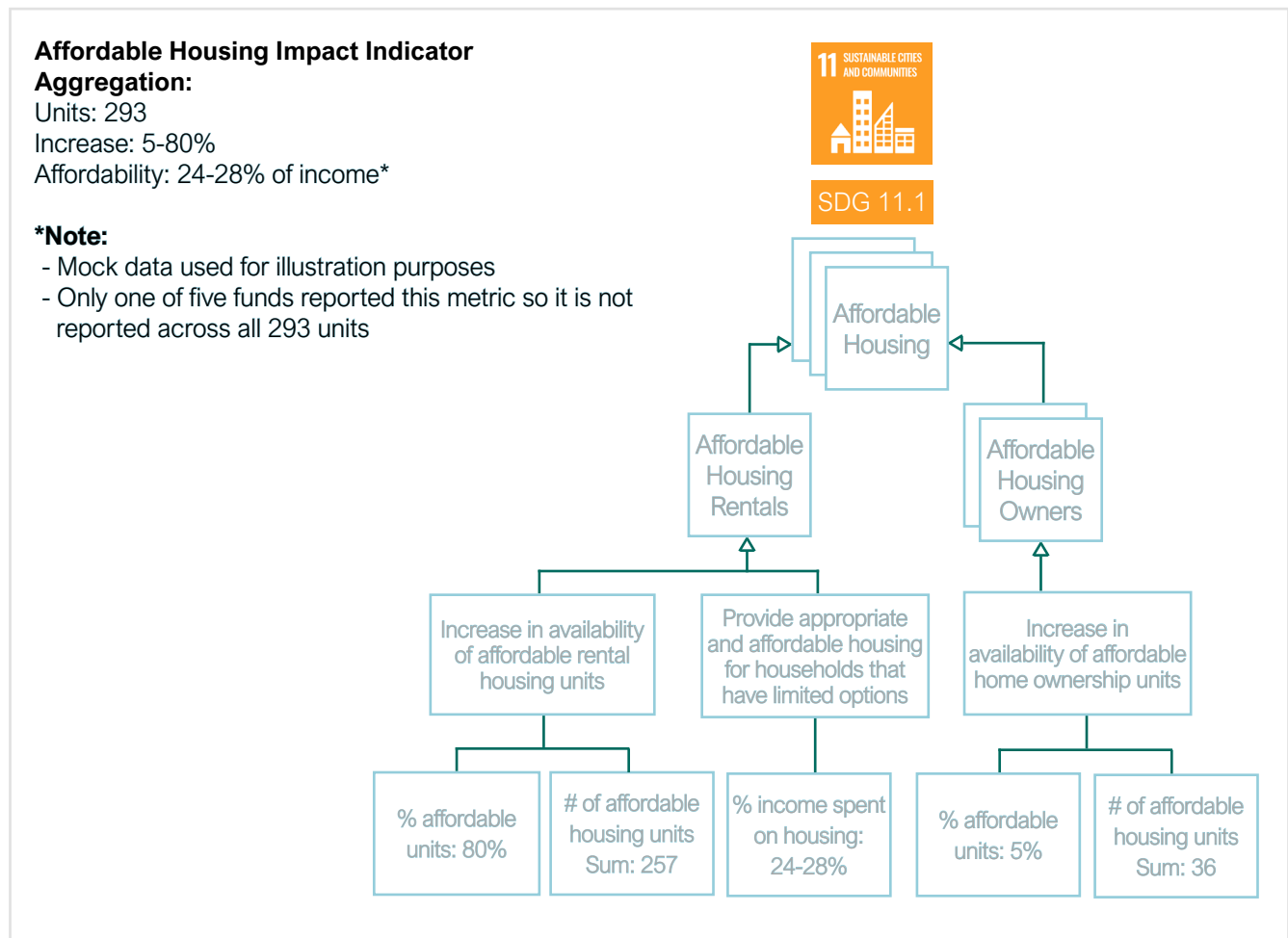
- Percentage of affordable housing units available
- Percentage of affordable units based on the area's median income
- Percentage of client household income spent on housing

Indicators 1 and 2 are similar and could, at face value, be aggregated, however Indicator 2 defines the criteria for definition of affordable housing and Indicator 1 does not. Further, both require the size of the total project(s) to determine the number of units available, which was not consistently reported (some reported total number of units, others total asset value). Indicator 3 is unique, reported only once amongst the five funds used in this sample; best practice would be to report this number as a series or range (if this could be done while maintaining beneficiary privacy), but we expect it would often be reported as an average. In the case of Indicator 3, more information is needed to contextualize the impact, including household total income as it compares to the area's median income.

In this small sample, the diversity of indicators and reporting standards is evident; calling further attention to the need for the Common Data Impact Standard, to enable diverse indicators to be collected, interpreted and aggregated.

Common Approach Impact Indicator Aggregation

While some data was not yet available within the case study portfolio, it was possible to aggregate similar impact indicators, as illustrated in the following diagram. These data aggregations complement IMP assessments by quantifying the impacts that are achieved across a portfolio. Together, outcome indicator aggregation, with IMP results aggregation contextualize the nature of impact across a portfolio, while bringing to life the IMP results with tangible outcome results, such as the number of affordable housing units provided across an investment portfolio.



IMP Assessment Aggregation

Here we have aggregated the results of the IMP assessments of the affordable housing investments.

IMP: What

The outcome of increased access to affordable housing was assessed as Important to Very Important, depending on the depth of affordability offered by the underlying project(s) of the funds. Affordable housing was directly mapped to SDG 11: Sustainable Cities and Communities and its Target 11.1, which is “By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums.”

IMP: Who

Beneficiaries ranged from Somewhat Underserved to Completely Underserved. All projects were local, reaching beneficiaries living in cities or greater metropolitan regions across Ontario and Quebec, with two funds holding assets across Canada.

IMP: How Much

Fifty percent of funds contributing to affordable housing access benefitted 10-99 individuals; the remainder reached 100-999 individuals. Duration of outcome was estimated to be between 1-5 years in most cases; one model delivered affordable and community-owned housing in perpetuity, leading to an assessment of more than 25 years.

IMP: Contribution

In investments where the degree of affordability could not be assessed with the available data, we deemed beneficiaries to be somewhat better than they would have been. In cases where the affordability of the housing was verified for the intended beneficiary, we deemed the contribution to be much better than it would have been otherwise.

IMP: Risk

Risk was deemed to be low or medium across all IMP risk categories by fund managers; some risk assessments hadn't been completed because they were deemed less material to the specific projects in the portfolio or because the IMP framework had not been fully adopted by the fund manager or project proponent.

Impact Classification

All affordable housing investments were categorized as Contributing to Solutions, as the outcome was an important positive outcome benefiting stakeholders who are somewhat or completely underserved. The scale of impact was relatively small, contribution more positive than would have otherwise occurred and risk relatively low.

Role of Investor Capital

All investments were deemed to Signal Impact Matters. None were considered Engage Actively, as the investor was quite distanced from project delivery and operations. We did observe the catalytic role of investor capital in most cases, identifying capital that contributed to Growing New Capital Markets and/or Provided Flexible Capital (thereby enabling a project to occur that wouldn't otherwise).

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COMMON APPROACH
TO IMPACT MEASUREMENT

rally
assets