Appendix

Appendix A.
Description of Impact Methodologies

This appendix describes the nine impact methodologies that are reviewed in Section 2 of this report.

A. Typology of sustainable investments - Busch et al.

Typology separates impact-aligned and impact-generating investments from ESG-related investments. They propose four dimensions of sustainable investment and suggest that impact-related investments aim to transform industries or markets, while ESG-related investments focus on investment management strategies.

Criteria	Typology of sustainable investments - Busch et al.
Clarity of objectives	Typology's main goal is to enable greater separation of impact-aligned investments and impact-generating investments. The investments can be classified to one of 4 categories: » ESG-screened investments » ESG-monitored investments » Impact-aligned investments » Impact-generating investments
Metrics standardisation	There is a clear methodology on how to classify the investments, yet it does not use very specific metrics to measure each particular investment. It serves more as a foundation for future research and debates in the field of impact investing by practitioners, policymakers, and academics, and as a prevention tool for impact washing as the term sustainable investments, sustainability and ESG are often diluted.
Comparability	Due to placing the investments into one of four categories, it enables first-order comparison what type of investment it is and how it is related to the other ones.
Monetisation presence	There's no clear methodology on how to put impact in monetary terms.
Methodology transparency	The methodology is clear and understandable.
Completeness	It aims to assess the company's investments/individual project as a whole and classify to one of the categories. However, it only focuses on the area of impact investing and does not say anything about negative impacts and how it would influence the classification in case a firm has more negative impact than positive.
Usefulness in the transition process	Relatively useful in the transition process, high value in positioning the investment. It highlights the issue of impact washing and the importance of distinguishing and positioning investment based on the initial motives. Could be more used as the guidance, especially in more portfolio management, seeing where current investments are positioned and which characteristics need to be changed to move from one level to another.
Usefulness in decision-making	Relatively useful, but more in terms of laying foundation, could be more used as the preliminary step helping in positioning the investment and the narrowing of the proposed investments to a few depending on the incentive.

B. COMPASS - Global Impact Investing Network

COMPASS is a methodology for rigorous, consistent, and comparable analysis of investments' social and environmental impact. It produces three standardized figures to illustrate impact scale, pace, and efficiency, enables comparability of impact results, and positions impact relative to social and environmental issues.

<table>
<tr><th>Criteria</th><th>COMPASS - Global Impact Investing Network</th></tr>
<tr><td>Clarity of objectives</td><td>Very clear objectives, very structured methodology:

COMPASS is the methodology developed by Global Impact Investing Network and aims to lay a groundwork that would facilitate strict, consistent and comparable assessment of investments' social and environmental results. The other goal is advancing the benchmarks development, ratings and other analytic tools.

The methodology:
» helps investors to understand their contribution towards impact
» provides three standardised analytic figures - scale, pace and efficiency of an investments' impact within a given impact theme
» places the investment's context in the performance analysis and thus allows for accounting for nuances of particular impact story
» facilitates replicability of analysis, therefore, enabling various comparison of impact results
» puts impact results of a particular investment relative to the change needed to positively tackle social or environmental issue</td></tr>
<tr><td>Metrics standardisation</td><td>COMPASS provides three analytic figures for any given normalised outcome, each of which aims to illustrate different angles of impact performance:
<table>
<tr><th>Analytic figure</th><th>Purpose</th><th>Example</th></tr>
<tr><td>Scale</td><td>To understand the scale of impact results</td><td>34,000 metric tons of GHG sequestered</td></tr>
<tr><td>Pace</td><td>To understand the change that has occurred</td><td>18% increase in the volume of GHG sequestration since the prior year</td></tr>
<tr><td>Efficiency</td><td>To understand the efficiency with which your investment has created impact</td><td>4,100 metric tons of GHG sequestered per USD 100,000 invested</td></tr>
</table>
To assure standardised information, metrics should be collected and communicated in a consistent manner, using coherent categories, calculations, units, time periods, and assumptions. The analysis of impact metrics should be aligned with available, generally accepted resources measuring and optimising impact such as the IRIS+ system and the Impact Management Project's Dimensions of Impact (Who, What, How Much, Risk and Contribution).

IRIS+ Core Metrics Sets is a standardised set of measures of performance indicators and in their methodology, they aim to include scale, depth, duration and volatility, encompassing positive/negative and intended/unintended consequences of a specific investment.

By using a measurement system, such as IRIS+, and applying relevant rigorous assumptions, you will arrive at a series of investee-level outcomes backed by several layers of evidence.</td></tr>
<tr><td>Comparability</td><td>It only allows comparison if investments are evaluated based on the one particular impact eg. when comparing impact of CO2 emissions. The comparison of investment into company as a whole with different operations and from different industries is not possible yet.</td></tr>
<tr><td>Monetisation presence</td><td>It does not clearly monetize the values, yet put a numerical value to ease the comparability etc.:

As one of the steps, it is necessary to normalise impact results, meaning to mathematically adjust values determined on different scales to achieve comparable data.</td></tr>
</table>

Criteria	COMPASS - Global Impact Investing Network
Methodology transparency	The methodology is very clear and structured. GIIN provides the whole document with step-by-step methodology, its objectives and goals, examples and instruction for investors as well as incorporates and places it within already existing methods.
Completeness	Relatively low. The methodology assesses only one particular aspect of the company's/ project impact such as people gaining access to clean water or offsetted CO2 emissions. It does not fully specify how it should be processed when there is both positive and negative impacts, even within one category.
Usefulness in the transition process	Highly useful *Ultimately, by making impact information credible, accessible, and comparable, the GIIN expects to see more capital to flow toward impact and, even more critically, more impact to result from each dollar of capital invested, exponentially amplifying the collective social and environmental results of the investment community*.
Usefulness in decision-making	COMPASS is intended to facilitate assessment of impact performance for asset owners and asset managers. Through that, the methodology helps to comprehend the effectiveness of a specific investment or strategy in terms of accomplishment of impact objectives and management of impact risk. These evaluations should be complemented by the financial analysis, such as risk and return, liquidity, and resourcing to achieve an all-encompassing picture of investment performance. Thus, COMPASS provides one significant input to support the complete evaluation of social and environmental change.

C. Theory of Change - Triodos Investment Management

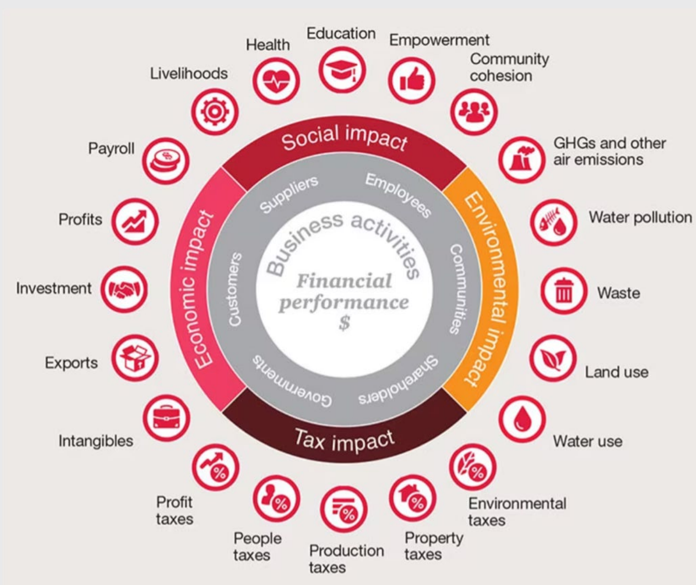
The Theory of Change is a framework consisting of five steps to help investors turn their impact goals into real results. The steps involve starting with the mission, identifying the need for change and vision for solutions, setting impact objectives, defining activities, and monitoring and reporting impact through both quantitative and qualitative measures.

Criteria	Theory of Change - Triodos Investment Management
Clarity of objectives	Very clear. A coherent, consistent practice of high-quality impact measurement and management must be implemented at the core of all organisations seeking to understand and improve their effects on people and planet. Effective measurement and management of impact data is essential if investors are to know whether they are actually achieving the impact they seek.
Metrics standardisation	The output of a ToC process is not necessarily a tangible product since the added value comes from the process itself and the resulting conversations. However, a ToC process can result in a graphical depiction and/or impact narrative of the impact pathways identified throughout the process. Such a ToC narrative can be a useful starting point.
Comparability	As it mostly serves as a guiding framework, at this point the comparison of companies/ investments is not easily possible.
Monetisation presence	Not available, it depends on what is discussed during the whole process. Serves more as a guide work and starting point, or like overarching framework: *Using a ToC as an ex-ante planning tool can facilitate critical reflections on 'what needs to change' before doing it and can therefore allow for a project to be planned and designed towards impact. Further, as a monitoring and evaluation tool, it can help to adapt activities where needed to assure they are still aiding to reach the desired outcomes. As an ex-post assessment tool, it allows you to trace back which activities led to which outcomes in the change process.*
Methodology transparency	During the ToC process all these elements are unpacked and underlying assumptions about how change happens are made explicit. Often assumptions underlie the logic of going from activities through outputs and outcomes to impact. Making this explicit helps to understand and make clear for yourself why and how you expect the output from an activity to work in support of the outcome and impact.

Criteria	Theory of Change - Triodos Investment Management
Completeness	There is possibility of completeness, however as it serves more as overarching framework, specific steps are dependent on the flow of discussion and decision made.
Usefulness in the transition process	ToC is a central tenet to creating societal impact. The purpose of the ToC process is to allow people to think about what must change before doing it. It can be seen as a general steppingstone to impact related work with a multitude of potential use cases, such as writing impact narratives, impact sections in grant applications, monitoring progress or evaluation. Although it is good to realise a ToC does not provide a specific implementation plan but rather a direction; think compass, not map.
Usefulness in decision-making	The Theory of Change framework is a five-step model that streamlines the processes for investors to translate their impact intentions into real impact results. A major benefit comes from making different views and assumptions about the change process explicit, especially seemingly obvious ones. Within multi-stakeholder projects there may be different perspectives or even different realities regarding what the desired change is, why it is desired and how it could and should happen. A shared ToC process can facilitate bringing these differences to the surface and develop a sense for what drives different stakeholders and their understanding of the problem. This process can be quite confrontational, especially if done in an organisation or team, but can contribute to a more shared understanding of a project's purpose and strategic choices.

D. Total Impact Measurement & Management (TIMM) – PwC

The TIMM framework includes four quadrants: social impact, environmental impact, tax impact, and economic impact. By measuring these impacts, businesses can understand the balance between positive and negative effects.

Criteria	Total Impact Measurement & Management (TIMM) - PwC
Clarity of objectives	When you think about the demands on business today, to meet the needs of customers, regulators, employees, suppliers, governments, shareholders and communities, a new approach is required to identify and assess the implications of choices made. TIMM gives greater insight of how your business creates (and destroys) value and is designed to help you make more informed and better decisions as it takes into consideration a broad range of impacts to give you a much more complete and total picture.
Metrics standardisation	 Source: PwC © 2013. PricewaterhouseCoopers LLP. All rights reserved. TIMM draws upon a wide range of methodologies and tools. Some of them are well established, while others are developing quickly.

Criteria	Total Impact Measurement & Management (TIMM) - PwC
Comparability	Due to quantifying and including all necessary categories of impact, the general comparison of companies/investments is possible.
Monetisation presence	There is presence of monetisation: *By moving beyond more traditional measures of inputs and outputs to quantify and monetise outcomes and impacts, TIMM simplifies complex interdependencies by converting these into a language the boardroom is familiar with – money*.
Methodology transparency	All is clearly explained, with the methodology explained step-by-step and practical examples.
Completeness	The model focuses on the whole impact generated by a specific business, and aims to provide more complete and total picture. It also considers both value creation and destruction.
Usefulness in the transition process	TIMM framework believes that this offers a robust starting point to evaluate decisions and to judge performance. *But new languages are not learnt overnight.* *Even though many businesses can foresee the benefits of the total impact approach, we believe that the approach may have even greater relevance and potential than some business leaders currently recognise, especially given the changing business context. At present, however, there is a significant execution gap, with more CEOs seeing the potential benefits of the total impact approach than are actually using and reporting these measures. This suggests that the demand for TIMM information has outpaced the ability of businesses to supply the data.*
Usefulness in decision-making	The ability to assign a monetary value to both individual and aggregate business impact is crucial here. It means that like-forlike assessments and comparisons can be made for the first time across a comprehensive range of impacts, providing a much stronger bedrock for decision making. TIMM provides a holistic view of how business delivers value through » the value chain and communities they operate within » their contribution to the economy and public finances » their impact on the environment and wider society. In this way, TIMM provides a comprehensive assessment of how businesses generate and, potentially, destroy value for shareholders and for the diverse other stakeholders who are relevant to the business. *More than 90% of the CEOs believe that measuring total impact would help their businesses to identify and manage their risks more effectively. Further, more than 80% believe it would provide more insights than conventional financial reporting and help them to identify new business opportunities.*

E. Impact Statement - Value Balancing Alliance

The Value Balancing Alliance methodology uses a monetary metric to measure the impact of business models, considering the local context of the activity and the weighting of sustainability aspects.

Criteria	Impact Statement - Value Balancing Alliance
Clarity of objectives	The Value Balancing Alliance methodology employs a monetary metric to tangibly discern the impact of business models, place it in the local context of the activity, understand the significance and weighting of individual sustainability aspects and, ultimately, better integrate them into corporate management.
Metrics standardisation	It encourages to apply the consistent set of methodologies, yet doesn't specify one method that could be applied across all impacts, but creates guidance to a couple of approaches that could be used depending on the characteristics of the particular aspect of the impact. *Three groups of approaches can be applied to estimate the impact of externalities on society: stated preference, revealed preference and cost-based approaches.* Basically, it gathers already existing approaches that could be used in this context as well: *the objective is to describe the overarching approach underlying impact valuation. Setting out the overarching approach is needed because economics theory encompasses a combination of approaches that are heterogeneous in terms of boundaries, objectives and methodologies. They also represent different schools of thought. Therefore, it is necessary to document a set of principles that are homogeneously applied in the valuation methodologies for each individual impact category.* Interestingly, it highlights an important aspect: *When developing an approach to valuing an impact, a study on the value in a specific country, region, socioeconomic group or demographic group may be available. When this is the case, it may still be possible to use this data as a starting point, and to adjust the values reported in such studies to make them applicable in other contexts.*
Comparability	The comparison is only possible on the particular sustainability aspect. There is no clear description how all factors could be aggregated and therefore compared.
Monetisation presence	The assignment of a monetary value to these impacts allows for an understanding of the scale of the consequences of more traditional measurement and reporting. It also enables a direct comparison of different impact areas.
Methodology transparency	Helps increase transparency towards external stakeholders, especially in relation to organisations' performance. It can also assist in identifying and quantifying trade-offs that have previously been ignored or difficult to assess, thereby enabling more explicit and inclusive communication with stakeholders. Includes motivations behind the methodology, step-by-step guides etc.
Completeness	In its description, the methodology aims to tangibly discern the impact of business models and understand the significance and weighting of individual sustainability aspects. However, it does not specify yet on how all aspects could be aggregated to show the complete impact.
Usefulness in the transition process	Helps investors to put capital in innovation and development of new products based on the societal value that they create, thereby providing insights into impacts beyond financial profits. Encourages to add to and seek compatibility with existing and emerging frameworks and where possible refer to existing frameworks/initiatives, rather than create own definitions. E.g. *for principles relating to natural capital assessment see Natural Capital Protocol. For measurements of impact drivers, link to OEF/PEF.* Crucially, seek to bridge sustainability and financial performance perspectives. Aims for scalability and practical feasibility.
Usefulness in decision-making	Helps in decision-making, as results can easily be integrated into existing business decision making processes. Furthermore, the results can be linked to investment decisions. For many financial and investor audiences, the monetary valuation approach seeks to express the complex impact of different investments in financial terms that they can understand. As such, it can support decision-making. As the financial system has relied exclusively on financial value considerations for decisions about capital allocation – with increasingly devastating social and environmental consequences – monetary valuation marks an opportunity for institutions to integrate impact value into their existing decision-making processes.

F. Impact Multiple of Money - The Rise Fund & The Bridgespan Group

IMM is used in impact investing to measure the social or environmental impact of an investment. It is calculated by dividing the total value of the social or environmental impact created by an investment by the amount of capital invested.

Criteria	Impact Multiple of Money - The Rise Fund & The Bridgespan group
Clarity of objectives	The method aims to equal the impact underwriting with financial underwriting. The main purpose is to estimate the impact before the investment is made and as a consequence assign each invested dollar value to social and environmental good.
Metrics standardisation	IMM uses social science research to estimate a company's potential for impact before making an investment. We call this approach evidence-based impact investing. There is no one way and metrics to choose from, it advises to find evidence-base sources depending on the goal and expected outcomes: *Look for a solid study which robustly turns those outcomes into economic means. To find the right study, it is necessary to check whether it systematically evaluates previous research results, whether it encompasses people living in similar contexts and income level, the recency and frequency of citation.*
Comparability	The comparison would be very difficult as methodology encourages to choose a study to base the value on. Therefore, if different studies would be applied or the chosen study is not known, the comparison might be distorted.
Monetisation presence	IMM produces one metric for the expression of impact: for each dollar invested, how many dollars of benefit will the company generate for society or the planet? In short, it aims to put real impact in impact investing. *The last step "Calculate social return on every dollar spent" can differ for businesses and investors.* *One of the method can be dividing the estimated value of a social or environmental benefit and dividing it by the total investment* » *e.g. investment of 25 million to launch a collection of inexpensive eyewear in developing countries, estimated of social benefits is 200 million, therefore it is 8 dollars in social value for every dollar invested => IMM = 8X*
Methodology transparency	First of all, the firm needs to define which products, services or projects concern the effort. After this, the 6-step method can be performed. » *6-step methodology with clear questions and guidance, formulas for adjusting risk, estimating terminal value and social return on very dollar spent available.*
Completeness	It focuses on the particular investment and how much impact was generated by each dollar invested. It does not consider business perspective. It seems it only focuses on the positive generating-impact investments.
Usefulness in the transition process	It is a model that Rise and Bridgespan seek to share with other investors and businesses, a commitment that led Rise to launch a new entity to foster research and aggregate studies needed to inform impact-investment decisions. In a world where more and more CEOs talk about profit and purpose, the IMM offers a rigorous methodology to advance the art of allocating capital to achieve social benefit.
Usefulness in decision-making	One of the biggest advantages of IMM is that it facilitates direct comparisons between different investment opportunities. *It's important, however, to realise that the number is not a precise multiple, like a traded stock's price-earnings multiple. For all the rigor that may lie behind a given IMM calculation, it is possible that some other analyst will rely on a different, equally valid anchor study that leads to a quite different number.* Treat the IMM as a directional measure instead.

G. Impact Weighted Accounts - Impact Economy Foundation

The Impact-Weighted Accounts (IWA) framework is a method that aims to quantify a company's environmental and social impact in financial terms by assigning monetary values to positive and negative impacts.

Criteria	Impact Weighted Accounts - Impact Economy Foundation
Clarity of objectives	Impact-Weighted Accounts supplement traditional financial accounts with positive and negative impacts on stakeholders such as employees, customers, the environment and the broader society through quantitative and valued accounts.
Metrics standardisation	The organisation shall include impact contribution categories associated with all impact categories contained in the Standardised List of Impact Categories in its IP&L Statement.
Comparability	The methodology applies one set of metrics and methodology to all impact categories. It also provides aggregated score, therefore the comparison of different companies/ investments regardless of the characteristics and industry is possible. Additionally it is possible to distinguish and compare both positive and negative impacts.
Monetisation presence	The Impact-Weighted Accounts Framework (IWAF) specifically uses monetary valuation for comparability. Encourages defining monetisation factors and putting monetary value on impact. IWAs value impacts consistently (i.e. monetarily) to make different dimensions comparable by using the same units.
Methodology transparency	Very clear and understandable steps, the whole guide with each stage defined, its objectives and goals, and step-by-step methodology, very detailed. *The process is transparent and relies on highly rigorous scientific research, methods and databases, which alleviates many people's concerns that some experts will decide on what's good or bad for all organisations.*
Completeness	High completeness. It captures all companies' impacts, both positive and negative. It highlights the importance of presenting the outcome as one number, the integrated return as well as the elements that lead to this score, helping to distinguish true impact of the business.
Usefulness in the transition process	Very useful *The uptake of compiling and publishing IWAs is a key step in the transformation of our economy into an impact economy: a sustainable economy that creates value for everyone.*
Usefulness in decision-making	Stakeholders can use it to make informed integrated decisions. *IWAs helps investors to understand long-term value creation for all stakeholders of the reporting organisation, and provides insight into the long-term financial viability of the organisation.*

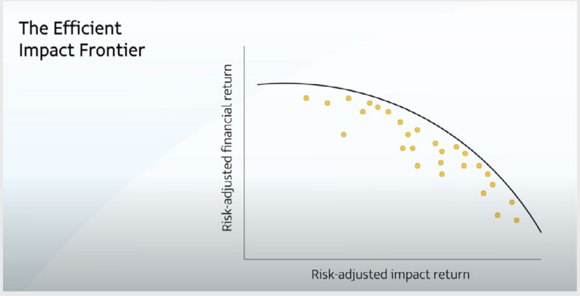
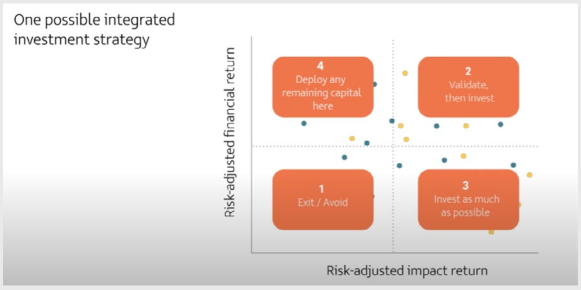
H. Social Return on Investment (SROI) - Social Value UK

SROI evaluates the social impact of an investment by comparing the costs of the investment to the social benefits it generates. It can be calculated by dividing the total social benefits of an investment by the total investment cost.

Criteria	Social Return on Investment (SROI) - Social Value UK
Clarity of objectives	SROI measures change in ways that are relevant to the people or organisations that experience or contribute to it. It tells the story of how change is being created by measuring social, environmental and economic outcomes and uses monetary values to represent them. *This enables a ratio of benefits to costs to be calculated. For example, a ratio of 3:1 indicates that an investment of £1 delivers £3 of social value.*
Metrics standardisation	There is no one clear way which metrics should be used. It serves more as a tool, yet which metrics should be considered depends on the case and its assumptions and/or characteristics. *Some of the most critical challenges are difficulties in finding proxies for monetizing social value that cannot be directly measured. When proxies hold a substantial degree of uncertainty, it throws the whole method into question.* *Several researchers have observed that some types of social value are cumbersome to measure on a monetized scale such as a general increase in the quality of life, or lives saved.*
Comparability	The comparison might be distorted as there is no clear guidance how the proxies for companies/investments' evaluation should be chosen on. Therefore, if one same evidence is chosen, it is possible to compare, yet the bigger picture is very much limited.
Monetisation presence	SROI can help you identify and quantify the positive and negative effects of your activities, as well as the trade-offs and risks involved.
Methodology transparency	There is a degree of subjectivity as SROI analysts have to apply their own discretion when they measure and evaluate the effects. Putting a financial value on conditions that do not have a monetary value can be controversial and highly subjective.
Completeness	SROI can help you identify and quantify the positive and negative effects of company's activities. It does not really assess the firm as a whole.
Usefulness in the transition process	One of the main disadvantages of SROI is that it can be complex and time-consuming to apply. It requires a lot of data collection, analysis, and validation, as well as a clear understanding of the theory of change and the impact pathways of your work. SROI also involves some subjective and ethical judgments, such as how to value outcomes, how to attribute impact, and how to discount future benefits. These judgments can vary depending on the perspective and preferences of different stakeholders, and can affect the reliability and credibility of the results.
Usefulness in decision-making	By using a common currency of value, such as dollars or euros, SROI can also help you compare and communicate your impact across different contexts and sectors. *However it is also difficult to compare SROIs between organisations, especially in different industries, unless the calculation method is similar and consistent. In a guideline to SROI, Lingane and Olsen (2004) state that "differences in outcomes measured, measurement methods, and data sets used can significantly affect the SROI calculation and, if not standardised, could result in comparisons that are of little value".*

I. The Impact Frontier - Impact Frontiers

It helps investors to identify the portfolio with the highest possible impact for a given level of financial return or the highest possible financial return for a given level of impact. The concept is similar to the traditional finance concept of the efficient frontier.

Criteria	The Impact Frontier - Impact Frontiers
Clarity of objectives	It extends the two-dimensional frontier of financial risk and return to include a third dimension of performance: impact. A portfolio is on the 'efficient impact frontier' if it offers the greatest possible level of impact for a given amount of risk-adjusted financial return. This concept helps investors relate investment-level decision-making to portfolio-level impact and financial goals, in order to construct portfolios that optimise both impact and financial performance.
Metrics standardisation	It places investment based on impact and risk-adjusted return.  
Comparability	The comparison is only possible on the first-order level, meaning it helps to classify the companies/investments, however the exact comparison or minor differences, which often important, might not be easily visible or missed.
Monetisation presence	It does not provide the outcome in monetary terms. It serves more as a tool which can give a direction towards which investments are worth taking (helps investors think about the impact and financial performance of their investments in an integrated way, and relate investment-level decision-making to their portfolio-level impact and financial goals).
Methodology transparency	It does not give specific steps on how to calculate impact or financial return, or similarly how to adjust it for return. It serves more as a guidance.
Completeness	It mostly helps to place them against each other and how well they score on impact and financial performance in genal terms. The method does not specify how the impact-adjusted return should be calculated. Therefore, relatively low completeness.
Usefulness in the transition process	Can be useful: *The efficient impact frontier helps investors make informed decisions about how to allocate their capital to achieve their social and environmental goals while still generating financial returns.*
Usefulness in decision-making	Relatively helpful *A portfolio is on the 'efficient impact frontier' if it offers the greatest possible level of impact for a given amount of risk-adjusted financial return. This concept helps investors relate investment-level decision-making to portfolio-level impact and financial goals, in order to construct portfolios that optimise both impact and financial performance.*