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A critical evaluation of social impact assessment methodologies and a call to measure economic and social impact holistically through the External Rate of Return platform

Mr Mark Florman, Time Partners Limited[1]

&

Dr Robyn Klingler-Vidra, King's College London and LSE Enterprise

with

Mr Martim Jacinto Facada, Independent Researcher

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[1] Corresponding author's email address: mark@florman.co.uk.

Abstract: Companies, investors, international organisations and non-governmental organisations have designed frameworks and tools for measuring the social impact of business. In this report we evaluate the landscape of existing social impact assessment methods. We first delineate the characteristics, context and development of leading methodologies. We then critically evaluate the strengths and weaknesses of today's leading social impact assessment methodologies. We identify the strengths of existing approaches to be their increasing usability, inclusiveness and ability to demonstrate – and enhance – value; weaknesses are their resource-intensive nature, subjectivity, narrow focus on social outcomes, insufficient transparency, and inaccessibility. In light of the strengths and weaknesses of existing methods, we close the report with a call for a new platform.

Building upon the advances of existing methods, we propose the creation of a platform wherein companies, investors and third-parties can comprehensively and transparently report their activities across a range of parameters: (i) Company; (ii) Suppliers; (iii) Customers; (iv) Society; and (v) Environment. Through the radical transparency of the platform, which we call the "External Rate of Return" (ERR) a wide range of users will be able to measure and compare the economic and social impact of all types of business ventures in a holistic and consistent manner. Furthermore, through the ERR platform companies and the public at large can engage in on-going dialogues about the overall impact of business. We close our paper with a call for action as follows: we ask readers of the report to contact us to suggest indicators and metrics to be included in such a comprehensive impact assessment platform. Also, contact us if you would like to help build the platform.

1) Introduction

There is increasing ubiquity in considering the 'impact' business has on people and places. Environmental, social and governance (ESG) issues are mapped by corporations (IFC, 2006: 4), 'social enterprises' are abounding (Grieco, 2015)[2], governments are launching 'social impact bonds' (The Economist, 2011) and there is integration of ESG considerations into financial analyses by traditional investors (Gitman *et al,* 2009). Even archetypal profit-focused investment banks, including Goldman Sachs and Morgan Stanley, include ESG and impact activities in their business; in 2013 Goldman Sachs launched a US$ 250 million socially responsible investment fund (Braithwaite, 2013) and Morgan Stanley created a sustainable investing institute (Morgan Stanley, 2013). CalPERS, a large public institutional investor, believe that, as a long-term investor "best practices in corporate governance (including

[2] Social entrepreneurship "involves the provision of goods and services not as an end in itself, but as an integral part of an intervention to achieve social objectives, thereby contributing to social change" (Grieco, 2015: 1). Grieco goes on to name ethical finance, microcredit, fair trade and organisations that operate in order to achieve a certain purpose, rather than simply financial profit, as the embodiment of social enterprise.

environmental and social practices) will lead to better financial performance in its funds" (Gitman *et al,* 2009: 17).

The notion of the social impact of business has become so mainstream that government at the highest levels – including G8 leaders and even the Pope – advocate the creation of institutions to give greater attention to driving social impact. To this end, in 2013 the United Kingdom's Prime Minister, David Cameron, committed to the U.K. working "with other G8 nations to grow the social investment market and increase investment, allowing the best social innovations to spread and help tackle our shared social and economic challenges" (Social Impact Investment Taskforce, 2014: 3).[3] The Pope also placed impact investing on governments' agendas when he urged, in June 2014, for "governments throughout the world [to] commit themselves to developing an international framework capable of promoting a market of high impact investments and thus to combating an economy which excludes and discards."

These leaders' statements reflect the aim for businesses to profit while contributing to the vibrancy of the people and environment in which they operate, rather than for businesses to achieve narrowly defined financial profits. 'Having an impact' is the objective of a broad set of companies, rather than exclusively the domain of charitable enterprises and investors. What's more, businesses and investors contend that "ESG issues are a driver of financial returns" (Gitman *et al,* 2009: 4). Said another way, financial returns on investment can be derived from ESG-minded endeavours, rather than positive social impact being pursued at the expense of financial profits. Ultimately, to succeed in business, companies and investors are coming to believe that they need to support their human and built environments. Indeed, many businesses are now declaring a wider purpose to their activities, so embracing the term "profit with purpose". The authors of this report believe that we should go back to look at how businesses can begin by measuring all of their existing economic and social activities as a starting point.

Though modern institutions aimed at social impact – such as ESG departments and social impact investment funds – may seem novel, the idea that business decisions need to be made in light of social context is not new. Henry Ford, for example, advocated a progressive approach to paying his staff at Ford Motor Company. Rather than maximising short-term profitability by keeping wages low, he chose to pay his staff a $5 a day wage, well-above market rates of $2.50/day (Worstall, 2012). His logic was simple: his employees could also be his customers, but they needed attractive wages in order to afford to buy his automobiles. In Spain's Basque Country, a credit cooperative, Laboral Kutxa, has operated on the principles that profit stems from investing in employees – who are the owners of the business – and the community for more than fifty years (European Investment Fund, 2014).

Along with these efforts aimed at sustainable, responsible business, there has been a rise in the tools available for measuring the social impact of business. Investment funds want to do

[3] The position of social impact on the agenda in the U.K. is corroborated by the establishing of the Social Impact Investment Taskforce during the U.K.'s G8 presidency (Social Impact Investment Taskforce, 2014).

more than simply *say* that they produce a "double – or triple – bottom line"[4] – they want to *measure* their impact (Saltuk, 2015). Similarly, companies are now striving to prove that they make a positive economic and social impact beyond being merely having a narrowly formed ESG department or contributing a certain portion of their profits to various causes.

These desires to demonstrate impact has propelled the proliferation of more than 150 impact assessment methods (Foundation Center, 2015). Socially-minded assessment methodologies initially seek to measure "accountability", but they are increasingly measuring the "impact" of business on social, environmental and economic vectors (Grieco, 2015: 37-38). The social impact assessment approaches include frameworks, such as the Social Return on Investment (SROI) and United Nation's Principles for Responsible Investing (PRI), which offer investors and businesses ways of measuring and conceptualising good practices. These, and other, methods, including B Labs' GIIRS and the Global Reporting Initiative's G4, serve as tools and platforms by which businesses can track, report and quantify their impact.

This report strives to help reduce the noise in the social impact assessment method world by providing a critical evaluation of existing methods. It compares leading and representative methods on an apples-to-apples basis. In order to select which methodologies we focus on in this report, we first conducted extensive reviews of material on assessment methodologies (Olsen and Galimidi, 2008; Grieco, 2015).[5] We then triangulated our findings by interviewing professionals responsible for impact and ESG within corporations and investment firms. Through our interviews we ensured that the report was evaluating the most used and respected methodologies. They also helped us understand the types of firm- or area-specific approaches that exist; we decided, in light of the proliferation of proprietary social impact assessment methods, we would also profile representative 'specific' approaches. The interviews were also essential to gleaning insights into the strengths and weaknesses of the various approaches.

The structure of the report is as follows. Section 2 delineates the characteristics, context and development of 20 social impact assessment methodologies. Summary tables present the 'general' and 'specific' methodologies' names, areas of focus, cost structure, use and institutional affiliation. Section 3 critically engages with the strengths and weaknesses of the social impact assessment methodologies. The strengths of existing approaches are their increasing usability, inclusiveness and ability to demonstrate – and enhance – value. The limitations that beset existing methodologies include their resource intensive nature, subjectivity, insufficient transparency, and inaccessibility.

We close the report with a proposal for a new method; an 'External Rate of Return' (ERR) platform that would allow for the comprehensive, transparent and objective measuring of the

[4] Double bottom line refers to "investments that can provide both a financial return and measurable social impact" (Goldman Sachs, 2013: 1). The term "triple bottom line" expands this meaning to social, environmental and economic performance, or profit, people and planet (Grieco, 2015: 42).

[5] See Olsen and Galimidi (2008) for a catalogue of 25 social impact assessment methodologies, and Grieco (2015: 91-111) for a list of 76 methodologies (grouped as (i) qualitative screening, (ii) management, (iii) holistic complex and (iv) simple social quantitative). Grieco details who the methods were developed by, their purpose and their content.

economic and social impact of business ventures. Thus, Section 4 sketches out how the ERR impact assessment platform would draw upon the strengths of the most comprehensive tools today, and be designed in order to ameliorate the weaknesses befalling existing methods. The ERR would cover impact across the following vectors: (i) Company; (ii) Suppliers; (iii) Customers; (iv) Society; and (v) Environment. We urge interested readers to respond to our Call for Action by contacting us to share their input on the indicators and metrics covered by the ERR, and to let us know of their interest in helping to build the platform.

2) Social Impact Assessment Methodologies

How can social impact be objectively measured? Which tools exist to capture impact, and what are the means in which data is gathered and reported? Also, who is measuring impact, and how are impact assessments being used? This section answers these questions by exploring the landscape of social impact assessment methodologies.

Before exploring the social impact assessment methodologies, we first define what impact is. Economic and social impact is about purpose, not only profits, in the social and environmental spheres (O'Donohoe *et al,* 2010: 5). We are seeking to enlarge the traditional definition to include economic impact – by failing to do so, many existing models fall short of showing the many positive consequences of business activity and in particular of new investment. The conceptualisation and measurement of impact varies along with the institutions and arenas invoking the term (Wallman-Stokes *et al,* 2013). So the challenge of social impact assessment, then, is to consistently capture and compare the impact of various projects, undertakings and enterprises. To do so, social impact assessment constitutes the process of:

> analysing, monitoring and managing the intended and unintended economic and social consequences, both positive and negative, of business intervention and any social change process invoked by those interventions (Vanclay, 2003).

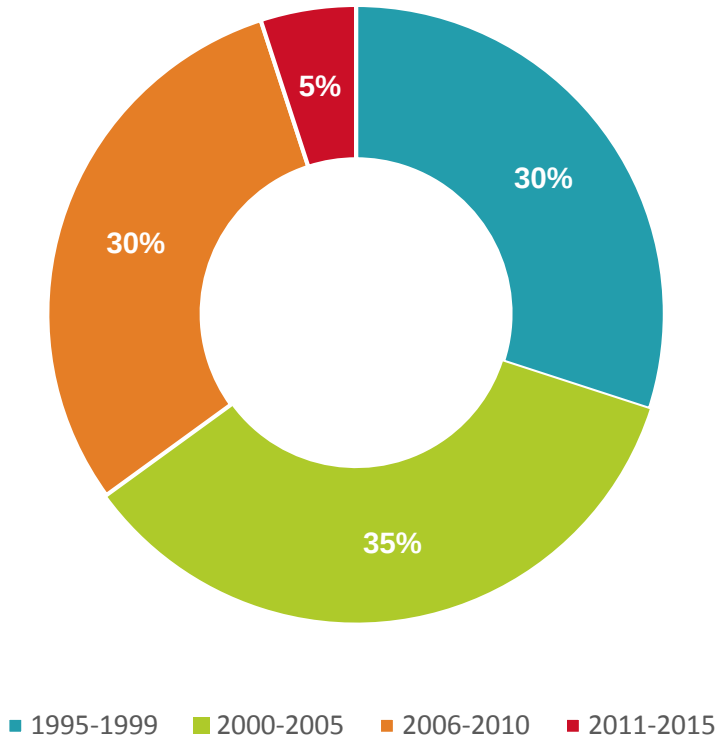
Today, we seek to redefine this definition by expanding it to: "*analysing, monitoring and managing the economic, social and environmental consequences of business activity, both positive and negative, independently of the intentionality of the activity.*"

The aim of social impact assessment is both to help decision-makers evaluate the merits of continuing with their business or programmes and ex-post evaluations of activities undertaken (Grieco, 2015: 46).

The 1990s saw the creation of the first social impact assessment methods. The first comprehensive quantitative 'accounting' methodology – the Social Return on Investment (SROI) framework – was launched in 1997 with its roots in cost-benefit analysis (Grieco, 2015:

67-68). A handful of approaches were launched in the late 1990s (see Tables 1 and 2 for a snapshot of the trend), then, in 2000, the Global Reporting Initiative launched its first guidelines (now referred to as "G1"), which represented "the first global framework for comprehensive sustainability reporting" (Global Reporting Initiative, 2015).[6] Between 2006 and 2010 four general methodologies that are widely used today – including B Labs' GIIRS – were created.

Figure 1: Social Impact Assessment Method Launches (%)



Source: Author analysis. Illustration of the percent of 20 methods launched in each period.

Geographically, the various methods tend to be designed for global audiences, which is facilitated by the availability of several methodologies as online reports, frameworks or tools (e.g. GIIRS, G4, PRI). The development- and social enterprise-focused methods – such as Social Rating – also tend to be used mostly in emerging markets in Africa, South America and Asia rather than in the older industrialised economies.

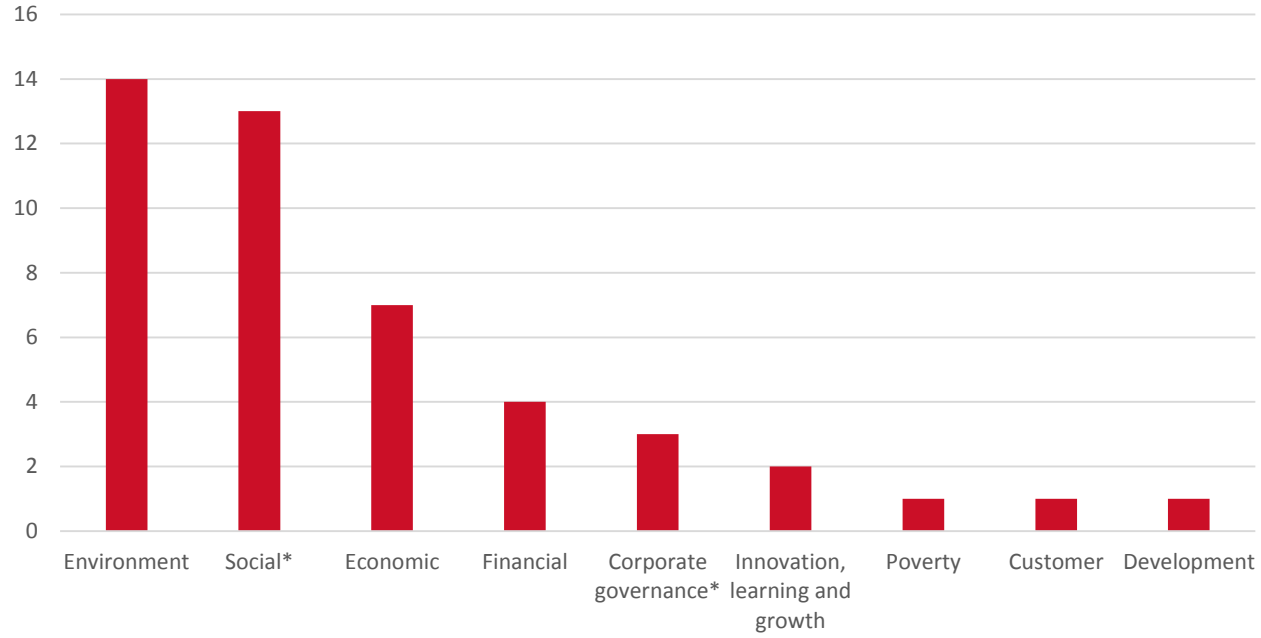
Olsen and Galimidi (2008: 14) categorise the methodologies as one of three types: ratings systems, assessment systems and management systems. Our report covers all three types, as we review methods that rate, measure and distil best practices. We classify the methodologies as one of two categories: '*general*' as they broadly capture impact (they measure at least two areas, whether it be across social, environmental and economic arenas)

[6] Today the GRI offers the fourth version of its guidelines (the G4).

and '*specific*' (e.g. focus on one or two areas (such as poverty reduction or environment), sectors, or are for the sole use of a single entity or group).

Eight of the methods are categorized as 'general', with the remaining 12 considered specific due to their use by a single entity or focus on a single area. Figure 2 offers a snapshot of the extent to which all of the approaches evaluated are holistic in their areas of coverage; the majority cover Economic, Social and Environmental measurements. Either the category 'economic' or 'financial' is used; our research revealed that both terms refer to similar indicators (e.g. monetary profit, revenue, etc.). If taken together, the economic + financial category is measured by 11 of the 20 approaches.

Figure 2: Methodologies' areas of focus



Source: Author analysis of areas covered by the 20 methodologies profiled here.
**Note:* 'Social' category, as defined by the various methodologies, includes 'human' and 'corporate governance.' Corporate governance further covers 'risk management' and 'business process' categories.

General methods are employed by a number of users. The general approaches were created by a variety of institutions; investors (GIIN, REDF), international organisations (the U.N.) and private governance organisations (B Labs, GRI) have all launched general methodologies. The GRI's G4 report, for example, is available for all companies to download and complete. Several of the 'general' methodologies are intended for narrower user bases. The UNPRI, for example, is for institutional investors while the GIIRS is primarily used by non-profits and socially-inclined entities.

Table 1: General social impact assessment methodologies
(Listed chronologically by year launched)

Name	Year launched	Areas of focus	Cost	Use	Institutional affiliation
Social Return on Investment (SROI)	1997	Economic, social and environmental	Free or paid	Broad array of companies employing adapted versions of the SROI	Originally developed by the Roberts Enterprise Development Fund (REDF)
Social Rating	1998	Social and ethical financial	Free or Charge	Microcredit donors and investors	Micro-Credit Ratings International Ltd.
Social Impact Assessment (SIA)	1999	Economic, social and environmental	Free	Participants in the Global Social Venture Competition	Global Social Venture Competition (GSVC)
G4 Guidelines	2000 (G1 in 2000; G4 launched in 2013)	Economic, environmental and social	Free and Charge[7]	Launched as a free online tool	Global Reporting Initiative (GRI)
Human Impact + Profit (HIP) Scorecard	2006	Human, social, environmental, economic	Charge	HIP Investor Inc. clients (investors, companies, funds, governments, agencies, etc.)	HIP Investor, Inc.
Principles for Responsible Investment (PRI)	2006[8]	Environmental, social and corporate governance	Fee or donation	From investors to NGOs, a variety of entities can become signatories after paying a fee or by making donations for this initiative	United Nations
GIIRS / B Rating System	2007	Social and environmental	Free and Charge[9]	B Lab members (Business networks, supply chain managers, governments and other entities)	B Lab
IRIS Metrics	2009	Social, environmental, and financial	Free	Intended for Impact Investors as a free public good	Global Impact Investing Network (GIIN); founding partners: Acumen Fund, B Lab and The Rockefeller Foundation

Sources: Author analysis based upon review of the various institutions' official websites and publications. Follow hyperlinks in the first column of the table to learn more about each approach.

[7] To register a report is free but a fee is charged in order to access other services.
[8] Reporting framework released in 2013. http://www.unpri.org/whatsnew/pri-unveils-new-reporting-framework/
[9] Free to access report, but there is a charge associated with being rated.

Unlike 'general approaches' inclusion of multiple areas (e.g. economic, social and environmental factors), the "sector-specific" approaches listed can solely measure impact on a sub-set of parameters (Olsen and Galimidi, 2008: 9). To illustrate, four methods cover just environmental impact, though they do so with different aims and through varying means.[10] The Ecological Footprint focuses on human activity (companies, industries, governments, etc.) while the LEED Certification focuses on the sustainability of built structures. The EPRS was developed by Environmental Capital Group for the California Public Employee's Retirement System (CalPERS) for their own use, with the aim of CalPERS optimising financial returns alongside propelling "the adoption of environmental and clean technologies" (Olsen and Galimidi, 2008: 34).[11]

Eight of the 'specific' methodologies have been developed for a single entity or group's use[12]. The Social Value Metrics tool, for example, is specifically used to assess whether or not the Root Capital lending facilities give a loan to rural grassroots enterprises. The entry, analysis and reporting of the data is exclusively done by and for Root Capital. The International Finance Corporation (IFC)'s DOTS methodology covers social, environmental and economic factors, but does so in order to measure specific development performance in its emerging markets portfolios. It is important to note that several of the firms behind these methodologies are open to their broader adoption; we categorise them as 'specific' because of their current use by a single entity or for their focus on specific industries.

Table 2 details these more "specific" social impact assessment methodologies. To reiterate, by 'specific' we are not referring to only sector-specific approaches as Olsen and Galimidi (2008) did. Rather, specific methodologies constitute either (i) approaches developed for the exclusive use of a single entity (and its clients, members, or investors) or (ii) approaches that only analyse impact in one sector (e.g. only the environmental impact).

[10] The four methodologies focused solely on environment are: the Ecological Footprint, the Leadership in Energy and Environmental Design (LEED Certification), Trucost and the Environmental Performance Reporting System (EPRS).
[11] Note that an energy company, Husky, created its own EPRS. Their EPRS is explicitly focused on the environmental benefits of new upstream and downstream facilities to extract oil, and is used exclusively by Husky.
[12] These are the proprietary social impact assessment methodologies included in this report for being representative of the larger universe of single-firm-use methods. The firms who developed these methods are: Environmental Capital Group (for CalPERS), HIP, Trucost, New Profit, LeapFrog, the IFC, Atkisson, Inc., and Root Capital.

Table 2: Specific social impact assessment methodologies (listed chronologically by year launched)

Name	Year launched	Areas of focus	Cost	Types of companies using the method	Institutional affiliation
Social Value Metrics	1999	Economic, social and environment	Free and Donations	Root Capital in order to evaluate credit risk and social impact of loan applicants	Root Capital
Leadership in Energy and Environmental Design (LEED) Certification	1999	Environment	Charge	Applied by the US Green Building Council members	US Green Building Council
Balanced Scorecard	1999	Financial, customer, business process, learning and growth	Donation	New Profit and its partners and donors	New Profit Inc.
Trucost	2000	Environment	Charge	Trucost PCL and its clients	Trucost Plc
Accelerator / Compass Investment Sustainability Assessment	2000	Social, economic and environment	Free and Charge	For AtKisson's use to evaluate corporations, cities, communities, organisations, foundations and other entities	AtKisson, Inc
Dalberg Approach	2001	Social and financial	Charge	Dalberg's clients (companies and other entities)	Dalberg Global Development Advisors (driven by McKinsey and Bain approaches)
Ecological Footprint	2003	Environment	Free and Charge[13]	Global Footprint Network (individuals, cities, countries, businesses, NGOs, among other partners)	Ecological Footprint
Progress Out of Poverty Index (PPI)	2005	Poverty	Free or Donation	Any company, organisation or entity can make a donation	Grameen Foundation
Development Outcome Tracking System (DOTS)	2005	Development	Charge	IFC to evaluate its development portfolio	International Finance Corporation (IFC)

[13] There is no charge to register a report, but clients are charged in order to access other services. To learn more, visit: http://www.footprintnetwork.org/images/uploads/Partnership_Details_2014.pdf

Environmental Performance Reporting System (EPRS)	2006	Environment	Charge	Applied by CalPERS on their limited partners, general partners, investors and portfolio companies	Environmental Capital Group for CalPERS
Financial, Impact, Innovation and Risk Management (FIIRM)	2009	Financial, social, environmental, development	N/A[14]	Insurance, finance, healthcare companies in which LeapFrog invest	LeapFrog Investments
Product Social Impact Assessment (PSIA)	2013	Social	Free	Any company, entity or organisation	Roundtable for Social Product Metrics

Sources: Author analysis based upon review of the various institutions' official websites and publications. Follow hyperlinks in the first column of the table to learn more about each approach.

Profit with Purpose:

Insights on FIIRM by Sam Duncan, Head of Impact at LeapFrog Investments

LeapFrog Investments, the profit-with-purpose investor with over $1 billion in commitments created the proprietary Financial, Impact, Innovation and Risk Management (FIIRM) framework upon the launch of its first fund in 2008.

FIIRM defines integrated KPIs that combine financial, environmental, social and governance outcomes to measure and drive company performance (LeapFrog calls this Profit with Purpose, or ESG++). It is embedded as a foundation for due diligence, value creation and performance evaluation at exit. FIIRM delivers value to LeapFrog by helping to provide portfolio level data – or the "big picture"- but also investment-specific results. It can correlate successful financial returns with companies that generated significant social impact. The framework enables LeapFrog to measure how investments deliver "profit with purpose." Demonstrating that financial returns are aligned with our analysis of social impact is important to us and our institutional investor client base. Most importantly, FIIRM goes beyond pure measurement and seeks to drive and enhance integrated performance.

[14] FIIRM is a proprietary tool and is, at this stage, only available for its developer, LeapFrog Investments.

3) Strengths and weaknesses

This section identifies thematically the strengths and weaknesses of the approaches profiled in Section II (rather than delineating the strengths and weaknesses of each individual approach). Where relevant, we name specific methodologies to provide further insight as a means of demonstrating our point. The strengths represent the best of the existing methods, and the weaknesses point to issues characterizing both the group of methods, and individual approaches.

The strengths of existing social impact assessment methodologies are their increasing usability, inclusiveness and ability to demonstrate value. By 'usability' we refer to the availability of reports and tools online and the user friendly nature of these resources, by 'inclusiveness' we mean comprehensiveness of coverage area as well as involvement of a variety of stakeholders (e.g. companies, investors and third party firms) and 'ability to demonstrate value' points to the ways in which approaches help firms and investors capture headline figures for their impact reporting.

Strengths

1. Usability

Approaches have made advances in their usability, particularly efforts to reduce the burden of reporting on a regular basis. They are user-friendly through their offering of online tools, public availing of reports and creating tools that store data such that updates are less time intensive. The Social Impact Assessment (SIA) method, for example, offers a systematic update of data that is collected from official sources such as national statistics and longitudinal studies.

The B Rating System, for example, offers an online platform that serves as a database and report that is user friendly. Such an easily accessible platform reduces the time and effort incurred for firms and investors when providing their data, and then in updating their details on a regular basis. GRI's G4 report is freely available online; businesses can access and complete on their own. Even more than accessing the report, GRI have online tools to enable users to ask questions and provide feedback on G4, as shown in Figure 3 below.

Figure 3: Global Reporting Initiative online resources for G4 reporting

Source: https://www.globalreporting.org/standards/g4/Pages/default.aspx

The results of Trucost's research are also regularly published on their website and deal with a wide variety of ecological and environmental concerns across numerous geographies. To reduce the burden of data compilation and input, the B Lab has an independent Standards Advisory Council (SAC) that updates the system and organizes the aggregate data by industry, geography, company size and area of excellence.

2. Inclusiveness

Inclusiveness refers both to (a) involving multiple stakeholders, such as companies, investors, consulting firms and third parties and (b) drawing upon other methodologies.

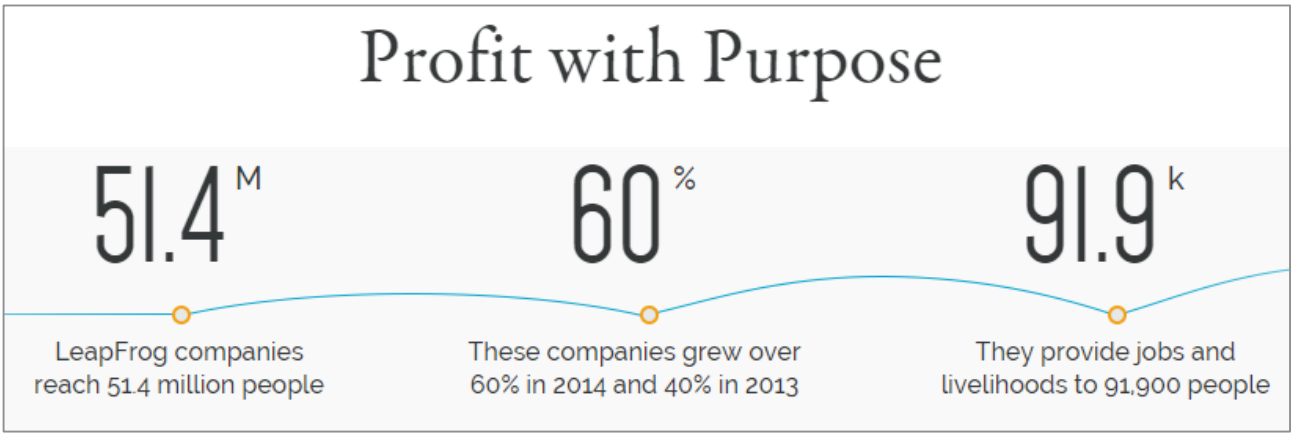
On the first point, methods such as the Balanced Scorecard and the Dalberg Approach have the participation of investors, the company and a third party in the process of data collection, creation and verification processes.

On the second, the B Rating System is one of the approaches that draws upon other methods as it 'integrates aspects of many approaches' (Olsen and Galamidi, 2008: 20). Similarly, Social Venture Technology Group (SVT), in 2001, created their own SROI tool by combining the SROI framework with elements of the Human Impact + Profit (HIP) Scorecard.

3. Value demonstrating and enhancing

The methodologies help their users to demonstrate impact, which is valuable to companies like LeapFrog in relaying their performance to institutional investors. Figure 4 below shows how data compiled by FIIRM enabled LeapFrog to quantify their impact:

Figure 4: LeapFrog headline impact statistics (as of 4 November 2015)



Source: http://www.leapfroginvest.com/

Another way of enhancing value is by giving feedback and best practices, rather than solely assigning a score or rank. Methods such as the Social Impact Assessment (SIA) approach

does just this as it offers its users feedback through the platform. In doing so, data is not simply inputted into the reporting tool – users get feedback and commentary in return for providing their data. Another example is found with LeapFrog, as the team feeds FIIRM data throughout the organisation and back to companies to *drive* Profit with Purpose performance.

The Ecological Footprint approach delivers value by establishing causal links between human and environmental activity. In doing so, it effectively offers companies a path whereby they can undo, or reduce, their negative environmental impact. Ecological Footprint offers more than a ranking, it instructs a new way forward for the business.

Weaknesses

Though there has been progress in the methodologies' comprehensiveness and uptake, the myriad of methodologies are still limited – some more than others – due to the intense resources that they demand (in terms of time and information), their subjectivity, their insufficient transparency and their inaccessible nature (those only available to their developers, investors, members or donors).

1. Resource intensive

Large and small corporations, investors and third-party firms offer their information and support to a number of the social impact assessments (Grieco, 2015). Many approaches are time and labour intensive as they require quantitative data on businesses' operations, processes, and facilitates and also qualitative description of numerous ethos and practices. ESG departments ensure that they complete the forms available, and that they are acting in accordance with the recommended best practices.

The number of databases and platforms that companies need to report to compounds the demand for scare company resources. Given the onslaught of new social impact assessment methods, corporations (of all sizes, but especially small firms), investors and third-parties can struggle to report to, and keep abreast of, the latest requirements for, and recommendations given by, the various methods. The reporting demands can quickly become unwieldy. Firms can keep themselves busy simply by reporting on their impact, rather than dedicating time to proactively or strategically thinking about how to improve impact.

2. Subjective

There is a prescriptive nature within nearly all of the methods that ratings/scores are determined according to what each methods' creators believe to be best, right or important, or what they are aiming to achieve. The architects of the GIIRS approach, for example, aim to facilitate "more investment to flow into positive impact companies" through their offering (Olsen and Galimidi, 2008: 20).

Methods express a bias towards sustainability that underplays how new investment activity can propel economic and social value. Said another way, social and environmental impact methods omit the social contributions that can come from a firm creating jobs, catalysing economic activity amongst suppliers, creating secondary jobs and delivering new products and services to customers. In the AtKisson "Compass Investment Sustainability Assessment", for example, there is no explicit consideration of the value that repeating financial returns can bring to the social realm (AtKisson, 2005).

Quantitative scoring is determined by the value assigned in accordance with beliefs about how something *should* be done. But, what value does a certain number really have in telling the users of the assessment method about the real and overall impact? Quantitative scores are desirable as they offer easy to digest data on social impact. However, such scoring can also be reductionist, cloud transparency, and accentuate the subjectivity of measuring impact and at their worst, change behaviour to maximise scores, but possibly lessen overall more holistic economic impact. By offering a score – let's say 85 out of 100 – the user of the impact assessment has an indication of the performance of the company in that arena. But, what does an 85 mean in comparison to a 70, or 90? Furthermore, for approaches such as the Social Return on Investment (SROI) framework, there is an attribution of monetary values to outcomes, which necessarily involves subjective judgement calls, especially when the outcomes have more social or political, rather than financial, implications attached.

To ameliorate subjectivity in assigning quantitative scores, some methods offer qualitative and quantitative aspects. The EPRS' use of various qualitative and quantitative methods allows for more nuanced data – this combination of qualitative and quantitative inputs and outputs is valuable in improving the clarity, objectivity and transparency of the method.

The subjectivity of measuring impact can have negative unintended consequences. Public sector investors are often guided by their impact metrics, designing projects and deciding where to invest, according to what optimizes the impact they set out to achieve and report. These investors act as the high-risk capital that is meant to catalyse private investors to follow their lead and invest with them. However, their prescriptive action – in line with their desire to deliver a particular set of prescriptive impacts – can at times diminish the interest of private investors. Private investors do not always want to follow with their own capital if they believe the fund manager or business is required to follow and perform to pre-prescribed developmental outcomes. International development organisations do seek to achieve certain outcomes, believing that the managers of the funds or firms invested in will benefit from their conditionality. To remedy this, the international organisations should value the whole of the outcome, rather than designing activities that strive to meet specific impact outcomes. Whole impact valuation, the method proposed by the ERR, should precede specific outcome measurement – over time, we believe the requirement for the latter may well diminish as more impact value is found. Over time, an equilibrium will be found with more capital from the private sector following.

3. Inaccessible

Several of the methodologies profiled here – especially the "specific" methods – are tools created for the explicit use of the creator, its backers or its membership. Tools, such as the SIA, are available for entrants of Global Social Venture Competition (GSVC)'s start-up competition and income-generating non-profit organizations, but not made broadly available for businesses. Similarly, Calvert Foundation created their own SROI Calculator – based upon the SROI methodology – in order to measure the impact of their investments. Both of these tools, as well as the proprietary assessment tools of other impact investors, are, at this stage, only available for the firm's use.

Other tools require membership, partnership and other types of affiliation, and may even charge a fee for access to their report, tool or guidelines. The costs can become another hurdle to the accessibility of the impact assessment tools. As illustrations, the Global Reporting Initiative offers the G4 report for free, but it charges fees for services beyond the report. As shown in Tables 1 and 2 in the "cost" column, a number of the impact assessment methodologies are only accessed by donors or members (e.g. Balanced Scorecard, PPI, PRI).

4. Insufficiently transparent

Impact assessments are based upon data that is not publicly available, and the analysis and scoring of that data takes place in a closed environment, rather than transparently. The analysis conducted to produce the HIP Scorecard is an illustration of this; HIP scores are based upon a mix of interviews and secondary research. Scientifically speaking, this means that we are not able to 'verify or falsify' the results, as we – the public – are not able to recreate the dataset that led to the scoring. B Lab similarly analyses their raw data – answers to 20 to 170 questions depending upon the company's size – in order to produce their overall score and star rating (Olsen and Galamidi, 2008: 20). The Social Rating also relies on interviews and discussions to formulate their assessment.

The freshness of data provided by methodologies run by consulting firms is often lacking. In the case of the Compass Impact Assessment Method – run by the AtKisson group – the data is updated every 2 to 3 years, depending on the portfolio and investment evolution of each company. The PPI survey data is updated every 5 to 10 years, and the Dalberg Approach data is updated quarterly or annually. By the time an assessment is produced, the data on which a consulting firm's assessment is based may be out of date. If data were provided in an accessible, transparent format – such as a web portal or app – companies could quickly update their reported data and users would similarly have access to current information.

The outcome of the lack of transparency is that users of the impact assessments are not able to make their own, timely judgements of companies' impact.

The approaches profiled in this paper vary in their methodology, function, scope and data management. We contend that the weaknesses presented in this section show how data collection methods, costs, and biases are barriers to a truly valuable impact assessment methodology. As such, there remains a need for a global comprehensive and transparent methodology to assess the economic, social and environmental impacts of business in a universal manner – we outline the parameters of such an approach in Section 4.

4) Conclusion: a new platform

In an effort to move impact assessment forward, by building upon the advances of the methodologies profiled, we close this report by outlining the characteristics of an ideal assessment platform and with a call to action; we ask readers of the report to contact us to get involved in building a new methodology – the External Rate of Return (ERR) – that is a radically transparent platform (rather than another method) to enable the measurement of economic and social impact for all types of businesses.

Our aim is to develop the ERR platform to be *the* destination for companies and stakeholders to engage in discussions and assessments about the impact of companies, and new activities of those companies, around the globe. The ERR will draw upon the best of existing methods, as highlighted in this critical evaluation report. For example, its valuation will take the size of a company into account when measuring impact, as the Ecological Footprint methodology does. It will also learn from the Compass Investment Sustainability Assessment methods' conceptualisation of synergy across areas, rather than considering environment, social, etc. as distinct vectors. The ERR will build upon these strengths through its assessment of impact across Company, Suppliers, Customers, Society and Environment vectors.

Above all, the proposal of the ERR platform is motivated by four outcomes of our analysis.

- First, existing methods focus too much on ESG and social enterprises, underplaying the role of business activity and related financial, employment and other gains as part of an overall social impact.
- Second, methods are designed to measure outcomes pre-prescribed by the investor, often orientated to the new investing activity rather than measuring a greater or broader holistic impact.
- Third, much greater accessibility and transparency are needed.
- Fourth, there is a tendency to focus on social enterprises when measuring impact.[15]

We contend that a 'one size fits all model' can provide value in total and holistic impact assessment, rather than the further proliferation of sector or firm-tailored methodologies. Unlike Grieco (2015: 84-85), we hold that the social impact assessment landscape is missing a

[15] We do acknowledge that several of the methodologies are applied to traditional business, as well as social enterprises.

platform that allows users to input and share their information in a truly transparent, comparative manner. Our point of departure is that enterprises should not ask "which kind of impact do I want to assess?" – as Grieco suggests – in order to choose the right methodology. Rather, enterprises and investors will be best served by converging on using a singular, holistic platform that does not judge, silo or reduce social impact inputs. Such a platform will be accessible to all so that companies can easily supply their data, and users can analyse companies' inputs directly, in order to make their own assessments of businesses' economic and social impact.

ERR scoring is intended for all companies, not only social enterprises, and not only for companies with ESG departments or investors pursuing an impact investing approach. Its goal is to transparently house and enable the input of information on impact for all companies. The ERR would help all companies to tell the story of how they do business in a transparent manner and then users of the platform can decide what they think of the company's impact. By having so many companies – of various geographies, sectors, ownership structures, etc. – profiled in the platform, the ERR will facilitate comparisons of general (e.g. all companies in social, broadly-defined) and specific (e.g. only in terms of environmental impact or only in relation to others within a specific industry).

The ERR would have a social character rather than being merely a repository of company information or industry best practices. It is intended to be a marketplace for conversation and information sharing to compare the social impact of all types of businesses across the five proposed vectors, with the aim of increasing the "social pressure" on businesses with poor and negative social impact. Through "social pressure", non-transparent companies with adverse social impact would be deterred from practices that yield negative social impact and encouraged to change their practices. There is evidence that such pressure has tangible effects. In their 2009 paper, "The Economics and Politics of Corporate Social Performance", Baron and two co-authors presented a model – applied to over 2010 companies from 1996 to 2004 – to help socially responsible investors better assess the political and social context affecting firms. Among the major conclusions, it found that greater "social pressure" can result in better social performance, as poor performance hurts a company's reputation over time. An example can be found in the 1990s global boycott campaign against Nike, which forced the multi-national to change its overseas labour practices in favour of workers' rights.

To enable its fundamentally social nature and promote a space where "social pressure" helps to build more transparent and accountable business activities, we propose the following means to achieve an ERR score. Companies directly engage with the public by proactively sharing their processes and data for each of the aspects of the platform. Rather than corporations being reactive, the platform endows them with the ability to share their information in a transparent fashion – enabling the public to better understand their business and its impact. In addition to providing their qualitative insights, companies would propose to

set their score for each indicator.[16] To illustrate, on a score of 1 to 5 (5 being the highest score), the company could score their development of intellectual property, for example, a 3.

Users – across the public at large – could then comment on the scoring and provide an alternative score. Perhaps users feel that the investments and progress in intellectual property of the company, for example, warrants a higher score of 4. Users' rationale for the higher score would be transparently displayed alongside the score designated by the company. This side-by-side comparison of scores would allow the company, the public at large, its suppliers, customers, and other stakeholders to engage in an ongoing conversation about the impact of the company in an informed, area-specific manner. In addition, the crowdsourcing of impact scoring would add to the viral nature of the assessment method; rather than yet another assessment method that suggests a ranking, the ERR would be *the platform* for companies and external stakeholders to share information about the impact of their activities.

The indicators would have qualitative and quantitative components. The qualitative description of the company's processes, values, etc. would be input for each area. Then a quantitative score (between 1 and 5 for each indicator) would also be suggested by the company. The company's total score would be the sum of each individual indicator score. The total score would be on a range from 0 to 100; with 100 representing a supremely positive impact across each of the areas and a 0 representing an extremely poor performance.

Call for Action: Building the ERR platform

We close this critical evaluation of existing methods with a call for action. We ask for the public at large – including academics, businesses, investors and consumers – to propose indicators that they believe capture impact. We would, in effect, like to crowdsource answers on which areas, indicators and metrics should be included in this comprehensive platform.

Based upon our own diligence and the input from those who contact us, we will advance this project towards creating the ERR. The first step in moving the ERR ahead is drafting a proposal for its precise indicators, means of calculating the ERR score, and approach for designing the platform (e.g. website portal and app).

We also propose a methodology for data verification: leverage social media. Rather than employ consultants to validate company data, the ERR invites the public at large – through social media – to question and confirm inputs. The ERR will offer Twitter handles that enable conversations about the accuracy and value of details about companies' activities.

To begin the conversation, we offer Diagram 1 and Table 3 (see below) with suggestions for indicators capable of capturing impact for companies across the globe. We also outline several questions about the design of the ERR platform, as we want to be as thoughtful as possible about specifying the data that the ERR will compile (e.g. the indicators) and the way

[16] A star rating or grading system might be an alternative form of measure.

in which the information will be valued (e.g. the company score, rank or star). To this end, our Call to Action is asking for your input in answering the following questions:

Call for Action:

- What indicators would you add or change? (see our indicator list on page 19)
- How can we best capture impact as a score? Would a number, ranking or star system be best, and why?
- How can social media best be leveraged to check and validate company inputs?

Diagram 1: External Rate of Return

Diagram 1 visualizes the areas covered by the ERR and highlights some of our proposed indicators. The design is that of ripples in water as business activities have numerous impacts, inside the company, on the suppliers and customers, and on broader society and the environment.

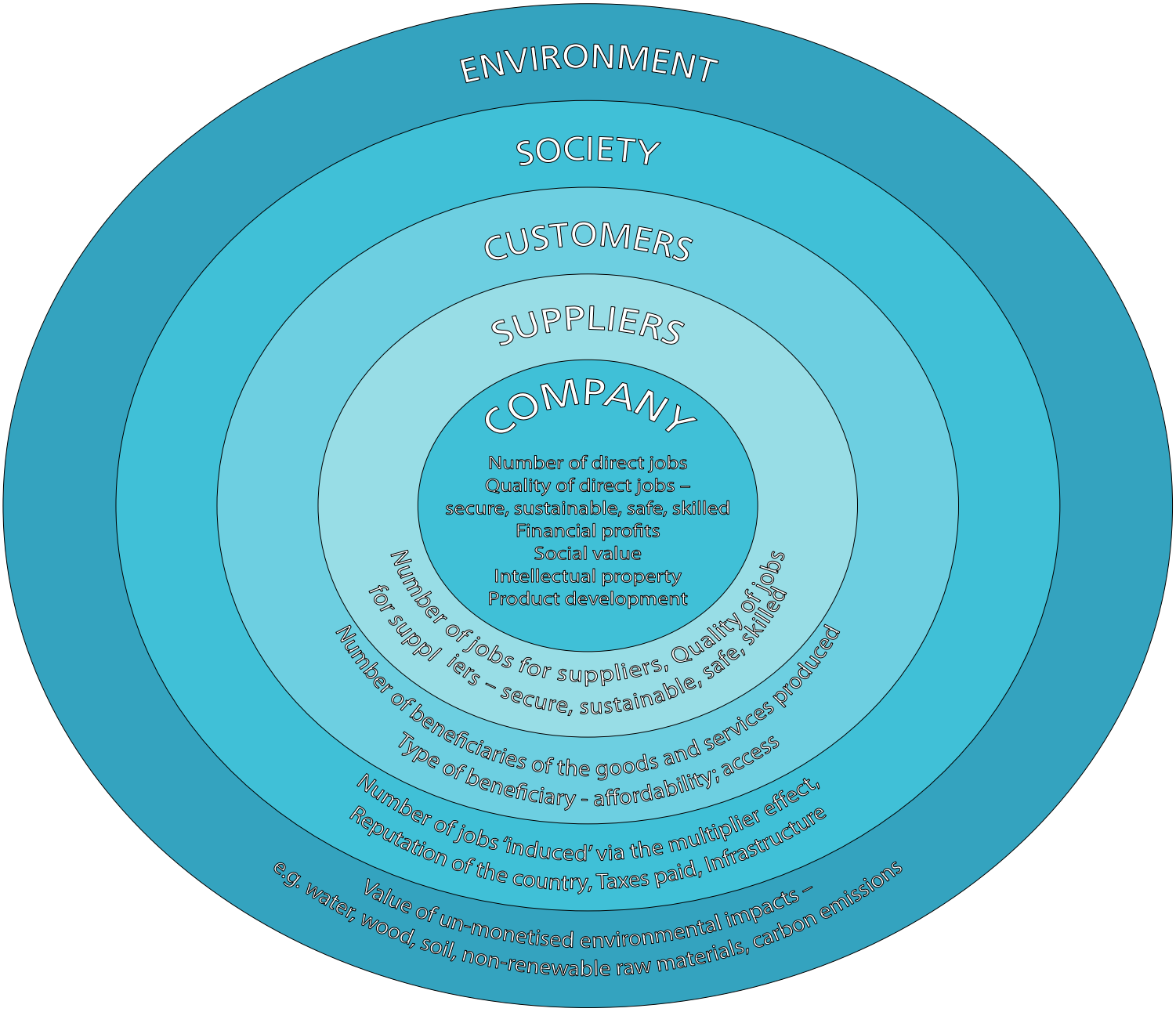


Table 3: External Rate of Return Areas and Indicators

Area	Indicators	Specific metrics
COMPANY	Employment	▪ number of primary jobs created annually ▪ number of jobs by income group ▪ quality of jobs – secure, sustainable, safety ▪ investment in skills ▪ pension offered ▪ health insurance coverage ▪ jobs training and professional development programmes
	Jobs Equality	▪ the role of women in the business ▪ % female employment ▪ % of women in managerial roles ▪ pay gap between women and men (at levels of seniority) ▪ the role of minorities in the business
	Intellectual Property	▪ creation of intellectual property ▪ Innovativeness of products and processes
	Secondary Jobs	▪ number of companies in which jobs are created through multiplier effect ▪ number of secondary jobs created in other local businesses through a multiplier effect
	Governance & Strategy	▪ board of directors and overall governance approach ▪ relationship of non-executive directors to company ▪ profit reinvested in company / R&D ▪ corporate venturing and use of risk capital ▪ profit sharing amongst employees
SUPPLIERS	Supply Chains	▪ support and information given to suppliers ▪ search for poor business practices and forced labour within supply chains ▪ relationship to Tier 1 and Tier 2 suppliers and others

CUSTOMERS	Customers	▪ new product or service delivered ▪ number of beneficiaries of a new product or service ▪ impact on livelihoods of beneficiaries (depending on the nature of the product)
SOCIETY	Wider Society	▪ community outreach programmes ▪ benefits of infrastructure (roads, power supplies) provided to the wider community ▪ improved reputation of the country/society for productive inward investment
	Government	▪ taxes paid as a result of overall business activity and multiplier effects
	Shareholders	▪ dividends paid in-country, shareholdings of employees ▪ the spread of share ownership to wider groups
ENVIRONMENT	Raw Material Use	▪ the use of renewable materials ▪ securing of future supplies through forward planning ▪ how raw materials are obtained ▪ material sourcing and freedom from exploitation
	Environment	▪ energy usage ▪ green building ▪ recycling ▪ waste management ▪ unmonetised aspect of inputs - e.g non-renewable environmental assets, reduction in the depletion of these environmental assets (environmental P&L)

About the authors

Mr Mark Florman created Maizels Westerberg & Co., one of the first independent pan-European merchant banks, in 1992. He went on to specialise in the restructuring of failing companies. Between 2001 and 2008 he was Senior Principal at the private equity firm Doughty Hanson and served as CEO of the BVCA from 2011 to 2013. Mark has advised a wide variety of governments and industries. He is also an entrepreneur, having founded businesses in technology, media, transportation, publishing and private equity, as well as think tanks, school building and international development programmes, charities and political campaigns. Mark is a member of the Social Impact Investment Taskforce established by the G8, and has coined the term "External Rate of Reform" to describe the impact business activity has on society. Mark was the founding Chairman of B (Lab) UK and is now Honorary President. He is also CEO of Time Partners, which advises governments, investors, and private equity managers on a range of issues, particularly public policy, markets and regulation. Other principle positions currently include: Chairman, The Centre for Social Justice; Chairman, Spayne Lindsay LLP; Special Adviser, 8 Miles; Patron, Build Africa; Expert Committee, The Africa Enterprise Challenge Fund; Trustee, Swedish Chamber of Commerce; Senior Adviser, MCF; Trustee, The BBC Trust and Trustee, the Commonwealth Education Trust. He speaks widely on demographic change and world trends to 2050.

Dr Robyn Klingler-Vidra is a Lecturer at King's College London in the Department of European & International Studies, Senior Research Fellow at the Coller Institute of Venture at Tel Aviv University and Instructor at LSE Enterprise. Robyn's research focuses on government efforts to build venture capital markets as a means to promote innovation, economic growth and entrepreneurial clusters and she leads the World Economic Forum's UK Executive Opinion Survey on global competitiveness. Her publications include peer reviewed journal articles on the development of venture capital markets in East Asia and how policy models transform as they diffuse. Before returning to academia, Robyn spent eight years in the financial sector, working as a financial institutions' liability underwriter, a research manager at an expert network firm and an investor relations manager at a fund of hedge funds. She received her BA from the University of Michigan, was a visiting scholar at the National University of Singapore Lee Kuan Yew School of Public Policy and completed her MSc and PhD in International Political Economy in the International Relations Department at the London School of Economics & Political Science. Robyn was the first-ever winner of the *BISA Award for Teaching Excellence by a Postgraduate Student* and holds the Postgraduate Certificate in Higher Education (PGCertHE).

Mr Martim Jacinto Facada is an Independent Researcher and also works for the National Outsourcing Agency. Most recently, he completed his MA in International Political Economy at King's College London. His Masters dissertation explored "The European Monetary Union and the challenges to foster economic growth: The Case of Portugal through a Liberal Intergovernmentalist perspective". Awarded with a Scholarship from the Spanish Government, Martim completed two undergraduate degrees at the Universidad Complutense de Madrid, one in Political Science and the other in International Relations.

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Appendix: Methodology descriptions

(in alphabetical order)

Name	Description
Accelerator/Compass Investment Sustainability Assessment	Tool developed by the consulting firm AtKisson that combines rating and assessment systems, with the aim of providing a formal assessment framework and forging social, economic and environmental sustainability. The metrics used, which are mostly qualitative, include the assessment of material flows, energy usage and interactions with the community.
Balanced Scorecard	Adapted from Robert Kaplan's Balanced Scorecard, this Balanced Scorecard framework is used by the philanthropic enterprise New Profit Inc. Balanced Scorecard represents a methodology in which the operational performance of a (not-for-profit) company can be measured with regards to (i) social impact; (ii) constituents; (iii) internal processes; (iv) learning and growth; and (v) financial.
Dalberg Approach	Based upon the consultancy models utilised by Bain and McKinsey, the approach uses strategic consulting principles with an emphasis on global developmental goals and social impact. It consists of three major variants, each of which addresses a specific scenario or client: (i) enterprises that wish to further social imperatives as well as commercial returns; (ii) enterprises that want to maintain a certain standard of profitability yet adhere to lower internal rates of return; (iii) enterprises that may or may not have realisable commercial goals but seek self-sustainability. Information is normally updated quarterly or annually.
Development Outcome Tracking System (DOTS)	IFC's tool for evaluating and improving the performance of its development portfolio. This tool measures the impact of investments on economic, social and environmental arenas. DOTS is used by the IFC to increase its own transparency, accountability and to inform its incentive systems at all levels.

Ecological Footprint	Resource accounting tool that measures the biological capacity of the planet demanded by a given activity in a given area. Through a questionnaire, the Ecological Footprint collects data regarding users' product, business, country, etc., in order to determine how many global hectares are required. Based upon this input, each company's global hectare usage is calculated, which describes the amount of biologically productive land and water used in the production and consumption processes.
Environmental Performance Reporting System (EPRS)	This tool was created by Environmental Capital Group for CalPERS to help measure if its environmental investment program met the goal of attracting "financial returns while also catalysing the adoption of environmental and clean technologies" (Olsen, Galimidi, 2008: 34). Once an investment is made, each company in the portfolio is provided with an environmental analytical framework.
Financial, Impact, Innovation and Risk Management (FIIRM)	LeapFrog Investments' proprietary tool for measuring the impact of its investments. It is tailored to companies in the financial services sector and was developed by LeapFrog's team of insurance experts to capture financial and operational key performance indicators.
G4 Guidelines	Created by Global Reporting Initiative (GRI), G4 – the fourth generation of GRI guidelines – helps companies disclose their positive and negative impact on the economy, society and environment. The guidelines strive to be relevant to all types of organisations and sectors globally.
GIIRS / B Rating System	Tool that combines rating and assessment systems with the aim of measuring and improving a company's performance with respect to sustainable social and environmental arenas. 'B Corporations' are certified by the B Lab, a non-profit organization embedded in the global movement of entrepreneurs that aim to use businesses to solve social and environmental problems. B Analytics analyses performance across four categories: (i) governance and impact on the employees; (ii) community; (iii) environment; (iv) consumers.

Human Impact + Profit (HIP) Scorecard	The HIP Scorecard aims to help individual and institutional investors match their for-profit portfolio with their values and missions. This tool underlines the idea promoted by the HIP approach that boosting net-positive human impact drives higher profits for business and increased economic sustainability for organizations. Investors can use the HIP Scorecard for: investment strategy; asset allocation; due diligence; portfolio review; and, reporting to social investors. This approach focuses on results-oriented measures in: health; wealth; earth; equality and trust. The categories of analysis are: (i) customers; (ii) employees; (iii) suppliers.
IRIS Metrics	Developed by the Global Impact Investing Network (GIIN), IRIS is a tool forged to support transparency, credibility, and accountability in impact measurement practices across the impact investing industry. Designed to measure the financial, social and environmental performance of an investment, this tool offers: a catalogue of the most useful metrics across the different sectors and industries; and a common language to display the results.
Leadership in Energy and Environmental Design (LEED) Certification	Aims to promote environmental and ecological responsibility as well as the construction of green (environmentally-friendly) buildings. The certification recognises five key areas: (i) sustainable site development; (ii) conservation of water; (iii) energy efficiency; (iv) material selection; and (v) indoor environmental quality. After all the requirements on the checklist have been assessed, a point tally decides the level of certification, with the four levels being (from strongest to weakest) platinum, gold, silver, or certified. Additionally, there are variations of the certification system depending on the size, scope, and purpose of the building project being developed.
Principles for Responsible Investment (PRI)	This is a United Nations (UN) initiative promoted by Kofi Annan – the UN Secretary-General at that time – and a group of the world's largest institutional investors, with the goal of promoting responsible investments. The signatories of this initiative are committed to incorporating ESG issues into their practices, processes and investments.
Product Social Impact Assessment	Method for social impact assessment at the product level across three stakeholder groups: workers, consumer and local communities. The methodology is intended to promote better understanding, to steer product development, support decision making and aid external communications.

Progress out of Poverty Index (PPI)	This index is a poverty measurement tool for organisations and businesses with the mission to serve the poor. The PPI allows organisations to identify the customers or employees who are vulnerable to poverty. The index is based upon a survey which consists of 10 questions about household's characteristics and asset ownership; answers are scored to compute the probability that the household is living below the poverty line.
Social Impact Assessment (SIA)	This assessment tool is used by the Global Social Venture Competition (GSVC) as a requirement for entrants in its competition for start-ups business and income-generating non-profits organizations. The main aims of this approach consist of making every business to generate and account for social impact.
Social Rating	Sponsored by M-CRIL this tool was crafted with the aim of assisting investors and donors in effectively using microfinance resources to achieve social, ethical and financial goals. It works as a complement to credit rating and can be use alone or alongside a credit rating.
Social Return on Investment (SROI)	The Social Return on Investment (SROI) is an outcomes-based measurement tool that aims to quantify organisations' extra-financial outcomes – social, environmental or economic. This approach was first developed by the Roberts Enterprise Development Fund (REDF) in 1997. Many adaptations and applications of the SROI tool have been created, such as: SROI (Social Value U.K.), SROI Calculator, the SROI Toolkit, and SROI Analysis.
Social Value Metrics	A tool developed by Root Capital to measure the economic, social and environmental impact of their loans. This tool is also used as a requirement for the access and eligibility to loans. Root's candidates include rural companies, particularly coffee and cocoa cooperatives, in Africa and Latin America. In order to implement this tool, data is gathered through questionnaires, annual visits by Root Capital officers and secondary sources.
Trucost	This method analyses the environmental impact of the industrial and supply sides of a public or private company across any sector and region. Trucost calculates the amount of emissions and other measurable external damage to the environment and human health. It uses various means to collect its data from clients, publicly disclosed data and third party expertise. These environmental impacts are then translated into financial terms with help from an academic panel that specialises in environmental economics.