

Social & Environmental Metrics:

How (& why) to integrate them into your venture (for-profit or NGO)

Drew Tulchin
Managing Partner
Social Enterprise Associates

Revisoning Value Conference
Mar. 7, 2011

Social Enterprise
ASSOCIATES

About You!

Find out who is in the room (show of hands)

Turn to someone you don't know and share your:

- Name
- Company/Organization
- What brought you here today
- What interests you about this topic

About Us

Social Enterprise Associates

www.socialenterprise.net

Private Consulting Firm

A network of professionals making communities better by applying business skills & sustainable practices

Registered B Corporation



Drew Tulchin, Managing Partner

- 14 years in this sector
- Written >50 business/strategic plans, raised >\$100 million for clients
- Biz plan winner, Global Social Venture Comp; Prisma Microfin raised venture \$1.2 mil.

Recent Engagements

U.S. Gigs:

- EMvolution - Executive VP/CFO for NM medical device start-up company
- Geos Institute - business plan for ClimateWise initiative
- Eldot - helping sustainable furniture company in WA to raise capital and sell furniture (see them at the conference)

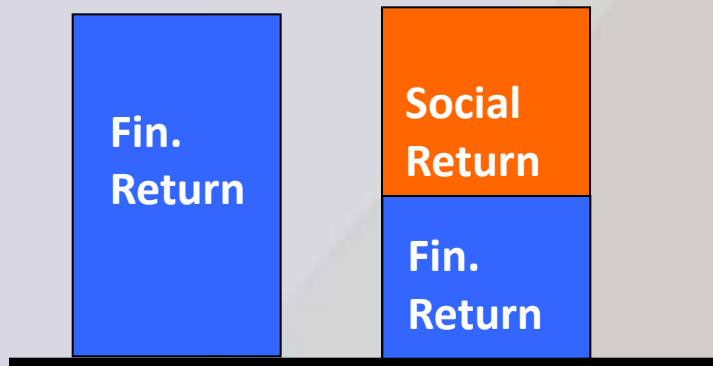
International Stuff:

- Taxi Excel, Peru - raising capital for micro-franchise creating jobs with green taxis
- Prosperity Candle, Iraq - U.S. entity selling candles made by Iraqi women
- Plan International - identified income opportunities for youth in Niger, Senegal & Serra Leone

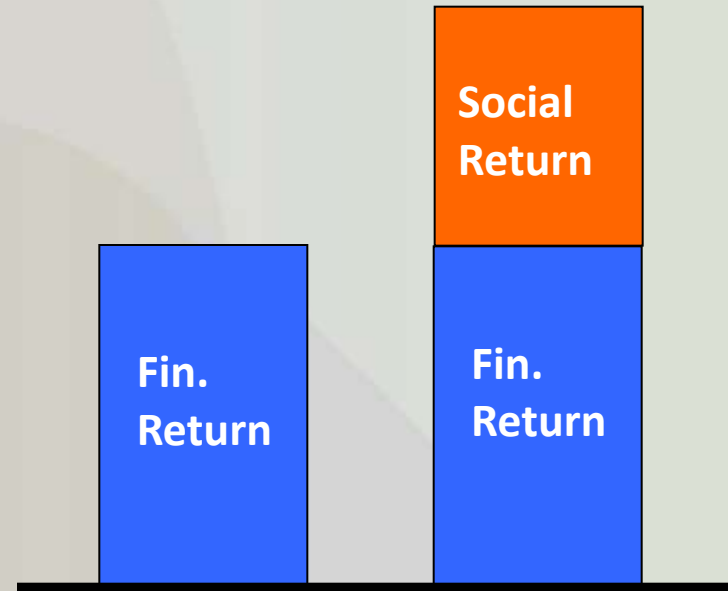
Some Theory (it's good for you)

Thinking About Returns

Social Return as substitute
for Financial Return w/r/t ROI

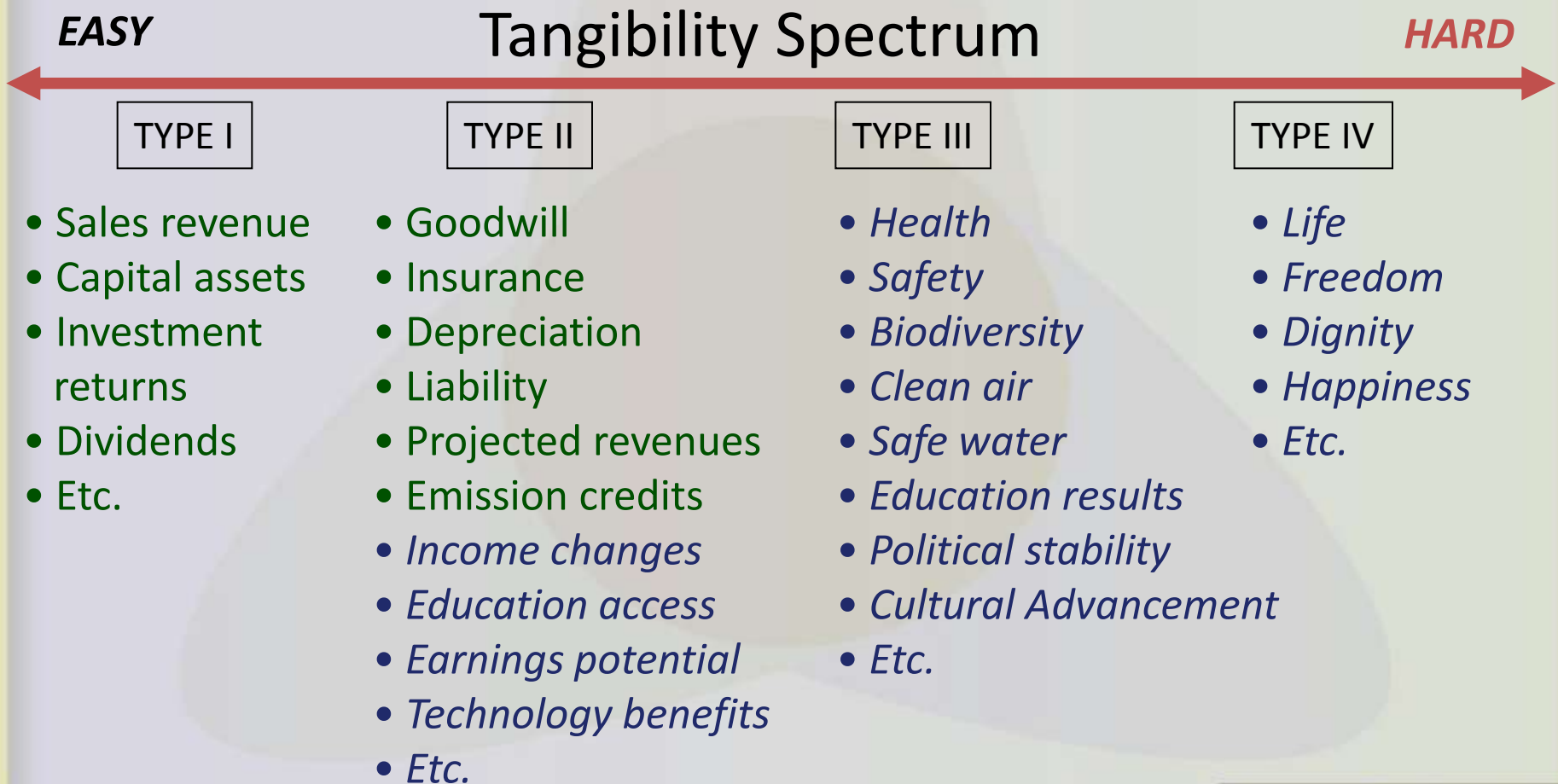


Social Return in addition to
Financial Return



From the examples, can you extrapolate
financial and social returns?

Measuring social returns is much harder than measuring financial returns



Information about Value...

Five ways to articulate value creation:

Financial information

- accounting: cash in, cash/work out

Monetizable

- translating non-financial value into \$ equivalent

Quantitative

- numbers: size, magnitude or degree

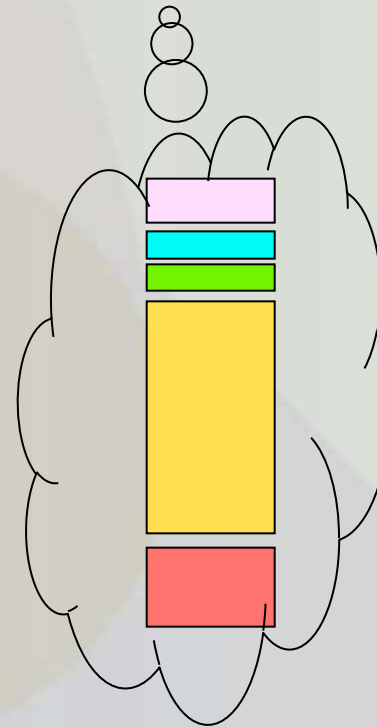
Qualitative

- description: kind, type, or direction

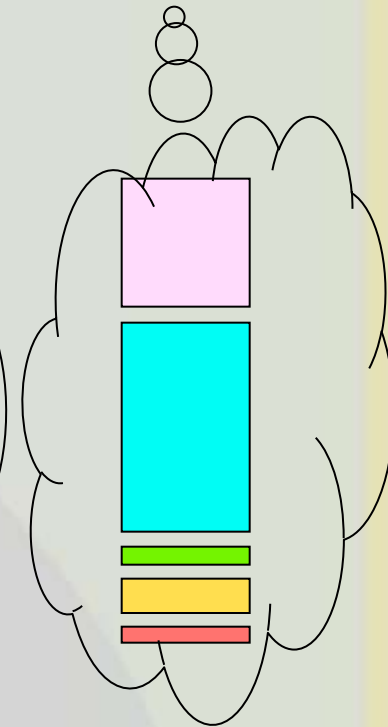
Narrative

- storytelling

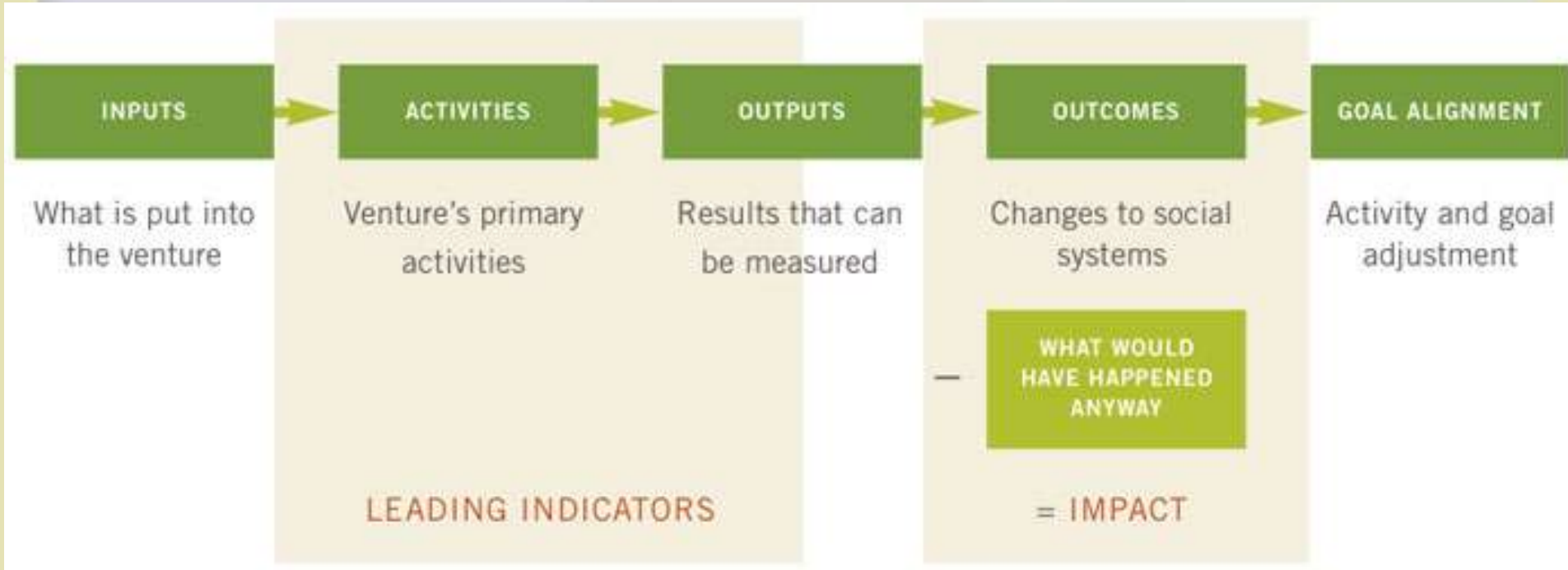
Audience 1



Audience 2



Impact Value Chain



Impact in Action Example

What Makes a Good Social Enterprise?

P + O = S

Problem
+ Opportunity
= Solution

Examples



(PUNO handout & then
Switch to B-Line PPT)

Steps for Sound Measuring

Social Impact Assessment:

DEFINE

- Theory of Change, Impact Value Chain, Your Mission

COUNT

- What are you doing? How many?

QUANTIFY

- Social Value with Leading Social Indicators

MONETIZE

- Social Value in Monetary Terms (SROI)

Your Turn – Action!

Group exercise

Choose 1 of the examples or use your own

- Identify ACTIVITIES (2-3)
- Count some OUTPUTS
- Consider OUTCOMES

Sharing

- What is your metric?
- How do you know you reached your goal?

Let's Bring it Back Together

- Recap
- Review
- It is possible
- Start where you are, advance as you can

Social Return on Investment (SROI) & Tools

Social Return on Investment (SROI)

Non-financial value created by an organization relative to the investment required – measuring our impact

Goals

- Assess actual value created
- Inform management decisions
- Align investment with value

Answer questions such as:

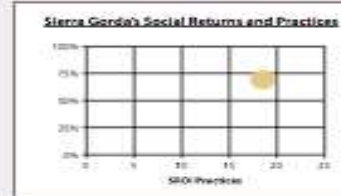
- Where is the best place to spend the next dollar?
- What resources are we leveraging from our partners?
- What is the SROI in health promotion?

SROI Toolkit

SROI Analysis Tools

Communicate

Summary plot of results and practices



Manage

Dashboard of key leading indicators that drive impact, with targets, dates and responsible parties

Measure

Data collection and analysis spreadsheets

Earth_Monetized_041107.xls.xls
Earth_Quantifies_040907.xls
Spirit_(All)_041007.xls
Wealth_(Econ)_Monetized041507.xls
Wealth_(Econ)_Qualified_040907.xls
Wealth_(People)_Monetized041607.xls
Wealth_(People)_Qualified_040907.xls

SROI Lite Calculator

What is it?

Planning and evaluative tool based in Excel

Helps identify which projects to pursue and then helps evaluate results as compared to plan

Goal: Help NHPS make strategic decisions with respect to budget and impact/reach of children

What does it measure?

Investment – both time and dollars

Impact and Reach

Internal Capability and Alignment

Attributes of Potential Partner and Relationship

SROI Lite Calculator Input Sheet

17	II. INVESTMENT				
18	A.	Duration	How long is project/tactic?	Length of engagement in weeks (max=52 weeks or rest calendar year)	52
19	B.	Senior staff #	How many senior staff involved?	Number of senior staff involved	2
20	C.	Senior staff time	How much time spent by senior staff on project/tactic?	Average weekly time spent by each senior staff (0 to 40 hours)	20
21	D.	Intermediate/ entry level staff #	How many intermediate/ entry level staff involved?	Number of intermediate/ entry level staff involved	2
22	E.	Intermediate/ entry level staff time	How much time spent by intermediate/ entry level staff on project/tactic?	Avg weekly time spent by each intermediate/ entry level staff (0 to 40 hours)	20
23	F.	Administrative staff/interns #	How many administrative staff/interns involved?	Number of administrative staff/ interns involved	1
24	G.	Administrative staff/interns time	How much time spent by administrative staff/interns on project/tactic?	Avg weekly time spent by each administrative staff/interns (0 to 40 hours)	10
25	H.	Non-staff expenses	What are annual non-staff expenses of project?	Total NHPS annual budget for project less stafftime (includes in-kind, publications, materials, contracts, sponsorship, swag, etc)	\$ 5,000
26	I.	Previous investment	How much has NHPS invested to date in this project/tactic?	Amount invested by NHPS to date, non-staff (if known)	\$ 1,000
27	III. IMPACT AND REACH				
28	1	Type of project/tactic	How well established is this type of project or tactic?	Level of research-based validity for this type of project or tactic	Emerging trends/practices
29	2	# Children reached directly	How many children are reached directly?	Estimated number of kids reached in targeted population annually	10,000
30	3	Amount of direct time	How much program time is between NHPS / partner and children, i.e. if there is class time, how long; if it involves tech. assist., how long?	Please estimate the amount of program time (in hours) each recipient will receive with this project/tactic over time period (up to 1 year).	10 mins to 1 hour of programming

Annual Social Return on Investment (SROI) Lite Calculator Tool V.1.0

Project / Tactic:	Project/Tactic ABC
Calculator Owner:	Jane Smith, YYY Sector
Analysis Date:	11/11/2008
Project Start Date:	1/1/2006

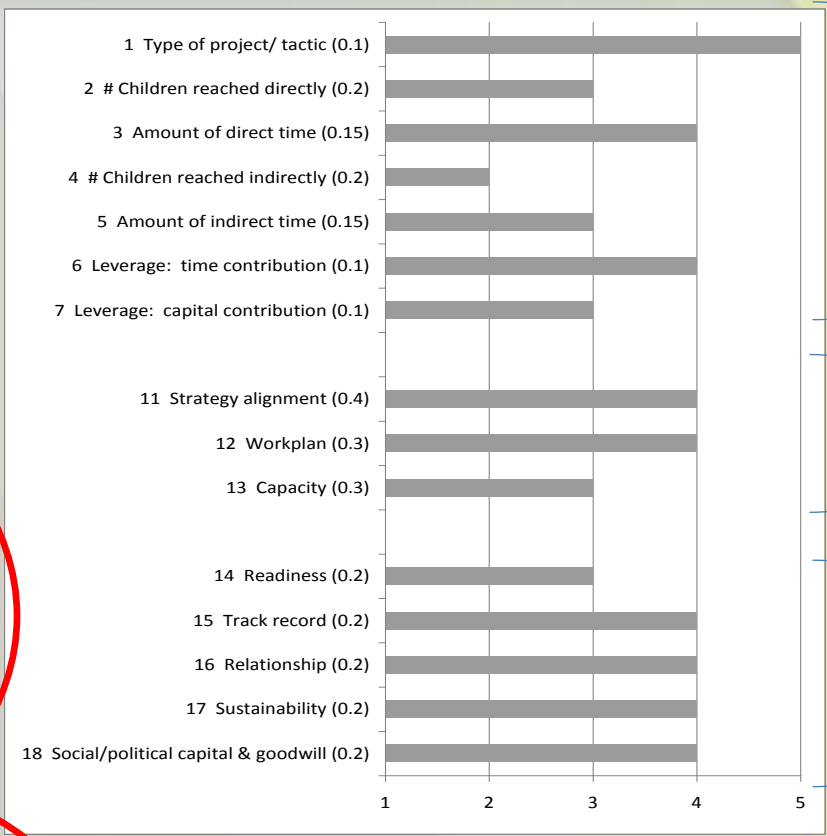
TOTAL SCORE (Scale of 1 - 10 where 10 is strongest) **6.5**

CATEGORY SCORES & WEIGHTINGS	SUB-SCORE (1-10)	TOTAL SCORE CONTRIBUTION
IMPACT & REACH	6.1	60%
INTERNAL CAPABILITY & ALIGNMENT	7.1	15%
ATTRIBUTES OF POTENTIAL PARTNER & RELATIONSHIP	7.3	25%

<u>IMPACT & REACH</u>	
Total # children involved annually through this effort	7,000
Total # child influencers involved annually through this effort	20
Avg # of children each child influencer will reach	100
Total annual program hrs (# children * avg time of contact)	640,000
Expected impact type	Health outcome change
Expected impact timing	2 years
Level of impact	High impact
Other expected impact not accounted for, either for NHPS or the partner?	
Description of other expected impact	

<u>INVESTMENT</u>	
<i>= total staff time * value of time (see assumptions) by category of staff</i>	
Annual value of senior staff time	\$ 43,200
Annual value of intermediate/entry-level staff time	\$ 19,800
Annual value of administrative staff/intern time	\$ 5,600
Total NHPS budget for project (minus staff time)	\$ 50,000
TOTAL INVESTMENT (\$)	\$ 118,600
Amount invested by NHPS to date, non-staff (if known)	\$ -

<u>EFFICIENCY METRICS</u>	
Cost per hour	\$ 0.19
Ratio of dollars invested in project/tactic to hours with target population	
Cost per child	\$ 16.94
Ratio of dollars invested in project/tactic to number of children reached	
Cost per child influencer	\$ 5,930.00
Ratio of dollars invested in project/tactic to number of child influencers reached such as teachers, administrators, etc.	



Metrics above (subcategories): Scale of 1-5 (5 is strongest)

Staff Assumptions		Value
Value of 1 hr Sr staff time (Sr. Mgr, Leads & Sr. Level)		\$ 60
Value of 1 hr Mid/Entry level staff time (Level I & II)		\$ 33
Value of 1 hr administrative staff/intern time		\$ 20

Project/tactic description

Example: The ABC Intervention involves working with...

Risks in project/tactic and what at risk if NHPS DOES NOT participate

Example: While NHPS will have to ensure it is maintaining its brand, we risk losing the strong relationship with this organization if we decline to...

ASSOCIATES

Sectors involved: if there is sector integration, what is the value added?

How SROI Lite Calculator is Being Used

- Strategic Planning and Programming
 - Helping to answer the question of the best place to put the next dollar
 - One building block in the planning process
- Introducing Performance Contracting – each contract proposal will include the calculator
 - Ability to audit results
 - Improving accuracy of resource estimates
- Aligning strategic sponsorships – each sponsorship will be run through the calculator
 - Strategically spending limited dollars
- Consistent decision-making
 - Ability to say a polite “no, thank you”
 - Normalizing different projects

SF company specializing in measurement tools.

One tool they use: coached process /10-step tool to learn to measure impact using SROI

Monitoring		Projections from analysis					
<p>Projection from analysis The projections of the social value for the coming 5 years.</p>							
		Year1	Year2	Year3	Year4	Year5	Total
Average social value	R	137,554	143,056	148,778	154,730	160,919	
Amount of persons/units		x 5	x 5	x 5	x 5	x 5	
Total social value	R	687,770	715,281	743,892	773,648	804,594	3,725,184
Total investment	R	2,255,701	56250	56250	56250	56250	npv 3,306,587
Net social value	R	-1,594,384	607,231	609,311	611,311	613,235	2,480,701 npv 2,459,883 0
							SROI Ratio 1.34

SROI “10 Steps”

1. Define Scope/Subject of Analysis
2. Define Theory of Change
3. Identify Stakeholders
4. Calculate Costs
5. Break Out Activities
6. Specify Outputs
7. Determine Outcomes and Subtract “Deadweight” and Attribution to Others => Impact
8. Determine Indicators
9. Value Indicators (in dialog with Stakeholders)
10. Calculate SROI

.....analyze, manage and repeat! (we'll do an exercise if time allows)



It's Happening in the Real World – B Corp & GIIRS



What's a B Corporation?

- B stands for Beneficial
- Company- met 3rd party, comprehensive, transparent, social and environmental standards
- Qualify:
 1. Score min. 80pts on B Impact Rating Standards (BIRS)
 2. Adopt legal framework- institutionalize stakeholder interest
- 2 yr. term, ~ 20% companies get random audit
- 390 + companies, 60 industries, ~\$2 B Revenue

Who are B Corps in OR?

Financial Services



freeflowdigital



Consumer Products



Business Services





Why are B Corps Important?

Distinguish “good co.” from “good marketers”

Amplifying voice for a diverse marketplace

Drive social **impact** thru 3rd party standards

- ✓ Consumers: certified sustainable company
- ✓ Investors: emerging asset class impact investing
- ✓ Policy makers: incentives for sustainable biz
- ✓ Companies: sustainable supply chain
- ✓ Employees: work for company, “walks it’s talk”

The logo for GIIRS (Global Impact Investing Rating System) features the letters 'GIIRS' in a bold, sans-serif font. The 'I' is red, while the other letters are black.

GLOBAL
IMPACT
INVESTING
RATING
SYSTEM

Driving Capital to Impact

“A standard with a rating system can help hold the line on social impact and differentiate those who are truly making a difference from those who are simply telling a story.”

- **Antony Bugg-Levine, Rockefeller Foundation**

- **GIIRS** (*Global Impact Investing Ratings System*) non-profit rating agency- analogous to Morningstar
- Provides investors & companies with **comparable impact metrics** for emerging asset class of impact investing.
- Built on IRIS taxonomy and reporting standards
- Powered by B Lab’s B Impact Rating System
- Governed by independent Standards Advisory Council
- Developed intensive Global Beta- 30 countries, 200 co
- Subject rigorous 3rd party assurance process.

Ratings Report with Industry Benchmarks & Metrics

EMERGING MARKETS FUND IMPACT RATING REPORT

GIIRS
IMPACT RATING
★★★

Fund Name: **Health First Investors**
Current Rating: **61%**

Fund rating represents a weighted roll-up of the GIIRS ratings of the company's in a fund's portfolio.

Social and environmental performance ratings comparable across geography, industry and company size.

FUND PROFILE

Fund Type:	Vertum Capital
Investment Type:	Equity
Target Financial Return:	15%
Fund Size:	\$5,000,000
Fund Stage:	Growth
Vintage Year:	2008

INVESTMENT TARGETS

Sector Focus:	ESG
Industry:	Healthcare Services
Investment Regions:	East Africa
Target Investment Size:	\$200,000 - \$999,000
Other Investment Screens:	Negative screens for Alcohol and Tobacco companies

INVESTMENT MANAGER PROFILE

Investment Manager:	Health First Investors, LLC
GIIRS Rating For Investment Manager:	★★★★

FUND RATING DETAILS

	% Points Available
Accountability ★★★★★	81%
Governance/Accountability	66%
Transparency/Reporting	95%
Employees ★★★★★	69%
Compensation & Benefits	61%
Employee Ownership	75%
Work Environment	57%
Consumers ★★★★★	95%
Beneficial Products/Services	96%
Beneficial Method of Production/Impact Serving Those in Need	93%
Community	28%
Local	45%
Diversity	27%
Charity/Good Service	15%
Environment	34%
Corporate Offices	34%
Transportation/Distribution	0%
Manufacturing Facilities	0%
Overall Rating	61%



EMERGING MARKETS FUND IMPACT RATING REPORT

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IMPACT RATING
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Investors can use the charts to compare a fund's performance on the GIIRS Assessment with its peers' performance. Investors also have the option to subscribe to the GIIRS database to be able to conduct customized benchmarking on funds and compare vs. their peers on their overall rating, subcategory ratings, and answers to individual questions.



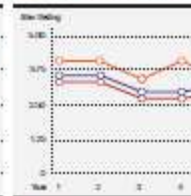
Health First GIIRS Ratings vs. Peer GIIRS Ratings

OVERALL RATING



● Health First Investors' LP Star Rating
● Peer Star Ratings in Peer SGB
● Peer Star Ratings in the Health Sector

ACCOUNTABILITY RATING



● Fund Ratings
● Peer SGB Star Ratings
● Peer Star Ratings in the Health Sector

EMPLOYEE RATING



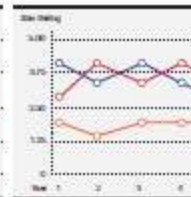
● Fund Ratings
● Peer SGB Star Ratings
● Peer Star Ratings in the Health Sector

CONSUMER RATING



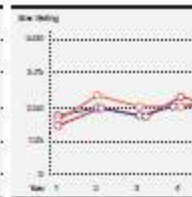
● Fund Ratings
● Peer SGB Star Ratings
● Peer Star Ratings in the Health Sector

COMMUNITY RATING



● Fund Ratings
● Peer SGB Star Ratings
● Peer Star Ratings in the Health Sector

ENVIRONMENT RATING



● Fund Ratings
● Peer SGB Star Ratings
● Peer Star Ratings in the Health Sector

Q & A w/ Discussion

Thank you!

Drew Tulchin

Social Enterprise Associates

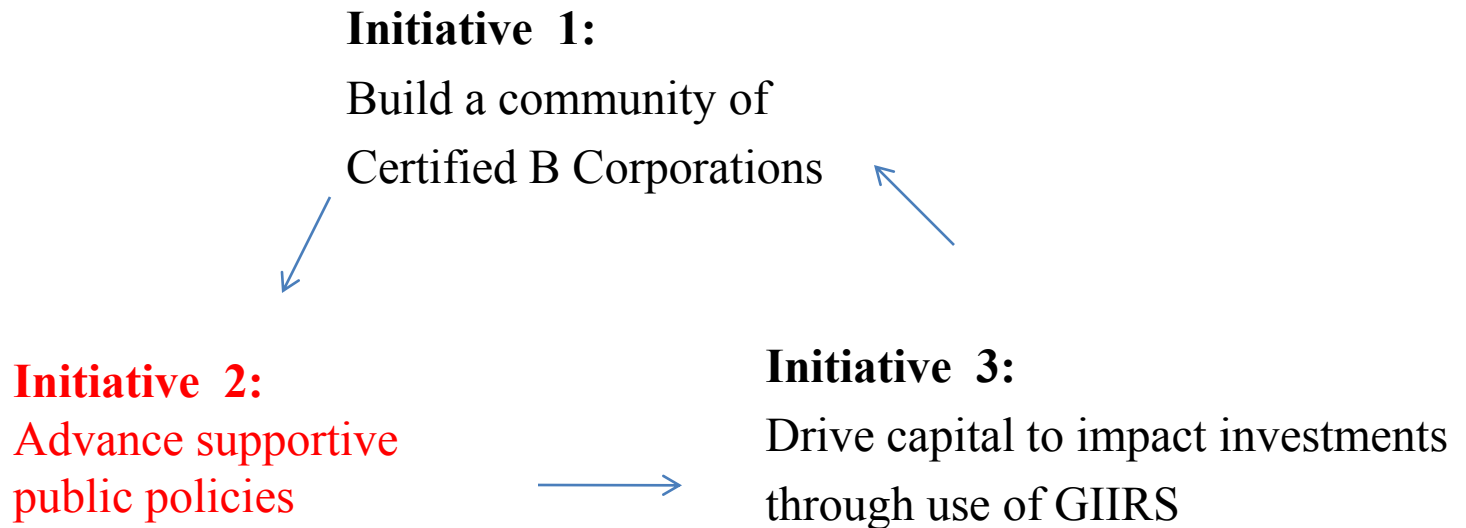
www.socialenterprise.net

drew@socialenterprise.net

Benefit Corp Legislation

What is B Lab doing?

B Lab is a 501(c)3 non-profit whose mission is to harness the power of business to solve social and environmental problems



Policy Solution 1: Benefit Corporations

Problem: Existing corporate law prohibits consideration of non-financial stakeholders

- Fiduciary duty: maximization of shareholder value (*Revlon* and *craigslit*)

Solution: New corporate form – Benefit Corporations

- Higher standards of corporate purpose, accountability, transparency
- Allow mission-aligned investment, growth, liquidity, and succession
- Platform for tax, investment, procurement incentives

Results: Significant momentum in 2010

- MD, VT and NJ passed
- NY, NJ, MI, PA introduced; CO, MN, NC, VA, WA in process
- 10 additional states interested

Initiative 2: New Legal Framework

Benefit Corp Legislation – Major Provisions

Purpose

- shall create **general public benefit**
- shall have right to name specific public benefit purposes
(e.g. 50% profits to charity, carbon neutral, 100% local sourcing, serve the poor)

Accountability

- directors and officers **shall consider** effect of decisions on stakeholders
- shall have an independent Benefit Director
- shareholders and directors have right of action (no third parties)

Transparency

- shall publish annual Benefit Report in accordance with **recognized standards** for defining, reporting, and assessing social and environmental performance





GIIRS

GLOBAL
IMPACT
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GIIRS

A Conversation with Linklaters

Powered by



- “A standard with a rating system can help hold the line on social impact and differentiate those who are truly making a difference from those who are simply telling a story.”

**Antony Bugg-
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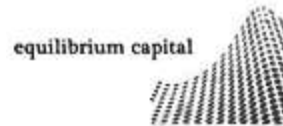
- Impact Investors want to drive capital to entrepreneurs using business to address society’s greatest challenges
- **GIIRS** rates the social and environmental impact of *companies and funds* and provides individual IRIS compliance impact metrics
- Comparable measurement of impact across investment products
- Value to numerous stakeholders: Companies, Funds, Investment Advisors, & Institutional Investors
- GIIRS will be a primary driver for adoption for IRIS definitions
- Built on B Impact Rating System platform

Vision

- GIIRS will facilitate the creation of a marketplace that has greater transparency at the company, fund, and market level with respect to social and environmental performance.
- This transparency will lead to:
 - An increase in global impact investing assets under management
 - An increase in the sophistication of investors' social and environmental engagement strategies through benchmarking
 - A decrease in fundraising time for companies and funds
 - A reduction in due diligence costs for investors
 - An increase in the number of investors incorporating impact investments into their portfolios

25 GIIRS Pioneer Funds

Developed Markets

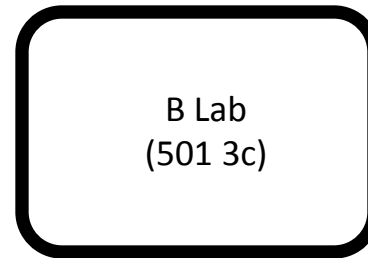


Emerging Markets



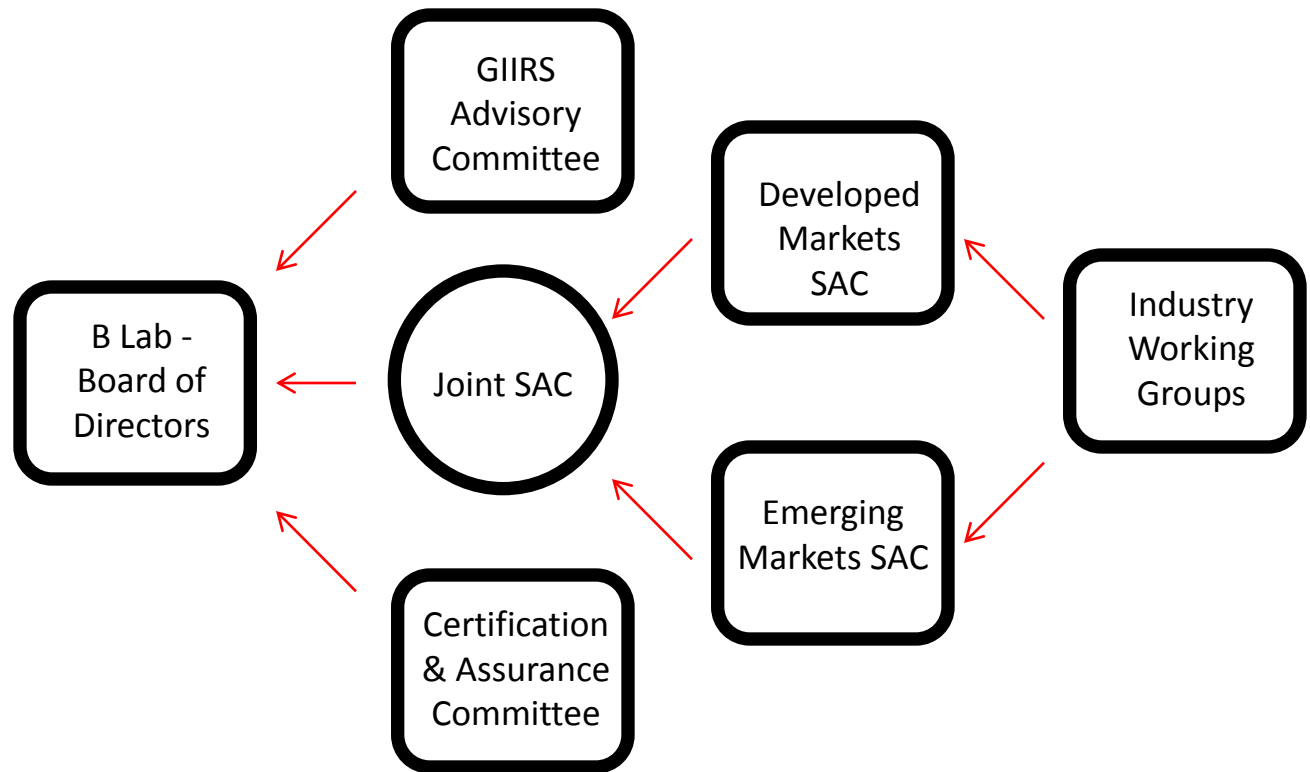
To be publicly announced in October

B Lab Governance



B Lab Governance

- Integrated governance process for B Lab (B Corporations) & GIIRS
- B Lab Board of Directors is the only entity with fiduciary responsibility
- Recommendations of the SAC councils & the Certification & Assurance Committee require a 2/3 majority vote by the B Lab board of Directors to overturn



GIIRS Advisory Committee

- **Suzanne Biegel**, Interim CEO, Investors' Circle
- **Amit Bouri**, Director, Global Impact Investing Network
- **Margot Brandenburg**, Associate Director, Rockefeller Foundation
- **Matt Christensen**, Executive Director, EUROSIF
- **Stuart Davidson**, Managing Partner, Labrador Ventures
- **Sarah Forrest**, Former Head, GS Sustain, Goldman Sachs
- **Lisa Hagerman**, Director, More for Mission
- **David Korlund**, Senior Advisor, Banking Alliance on Global Values
- **Christina Leijonhufvud**, Director Social Finance, JP Morgan
- **Steve Lydenberg**, Chief Investment Officer, Domini Social Investments
- **Jessica Matthews**, Manager MRI Group, Cambridge Associates
- **Preston Pinkett**, Vice President, Prudential
- **Ed Powers**, Managing Director, Banc of America Capital Access Funds
- **Jody Rasch**, Vice President, Moody's Corporation
- **Max Rutten**, Former Vice President, Bernstein Global Advisors
- **Christa Velasquez**, Director, Annie E. Casey Foundation

DM & EM SAC Members

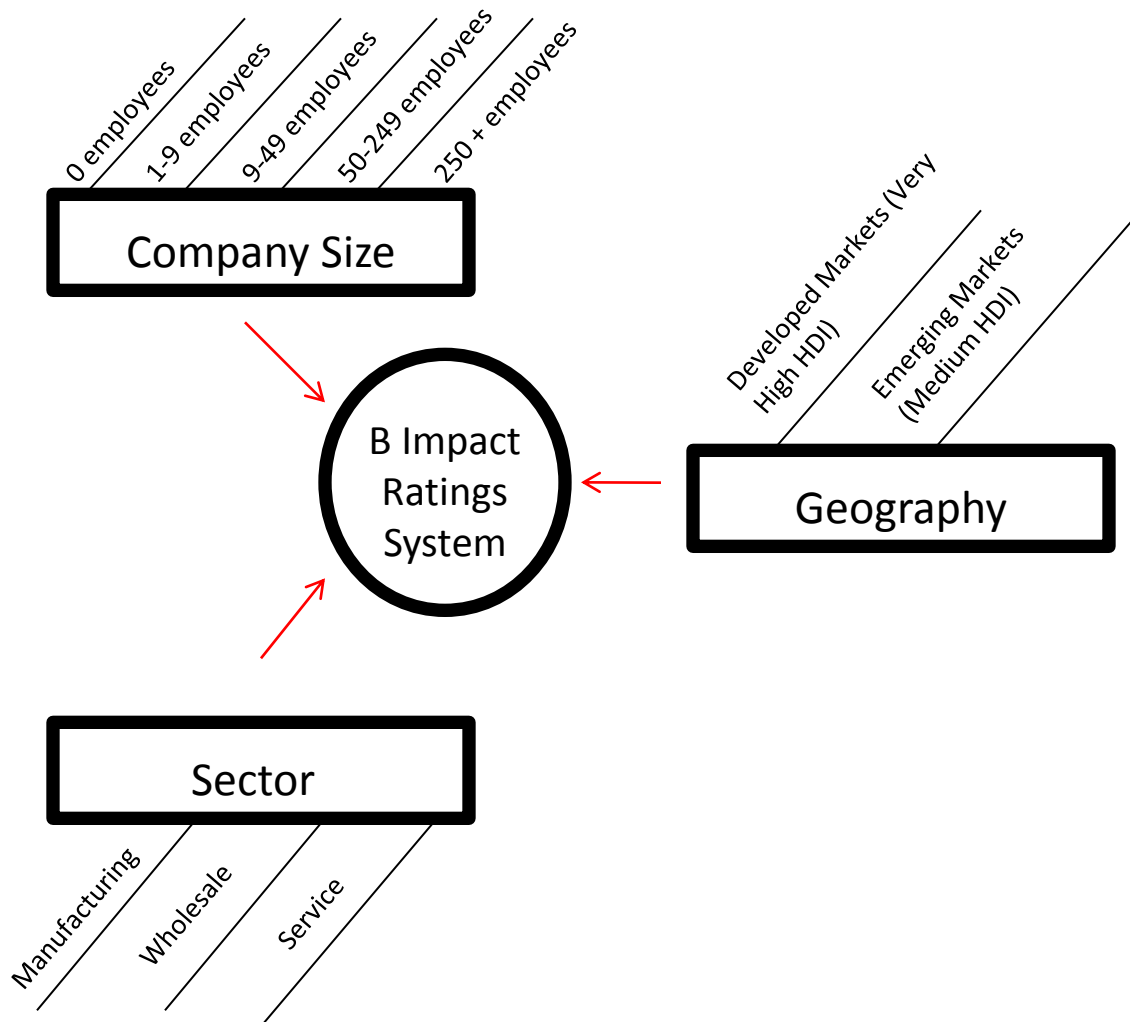
Developed Markets

- **Bart Houlahan**, Co-founder, B Lab
- **Hewson Baltzell**, Head of the Sustainability Solutions Team, Risk Metrics
- **Doug Claffey**, Founding Partner & CEO, Workplace Dynamics
- **Cathy Clark**, Adjunct Asst. Professor, Duke University, CASE
- **Debra Dunn**, Director, Skoll Foundation; former SVP Corporate Affairs and Global Citizenship Hewlett Packard
- **Rhonda Evans**, Science Advisor, GoodGuide
- **Bonny Moellenbrock**, Executive Director, SJF Advisory Services
- **Beth Sirull**, Executive Director, Pacific Community Ventures
- **Don Shaffer**, President & CEO, RSF Social Finance

Emerging Markets

- **Flory Wilson**, Director of International Standards, B Lab
- **Lindsay Anderson**, Metrics Manager, Aspen Network of Development Entrepreneurs (ANDE)
- **Veronica Chau**, Project Manager, Dalberg Global Advisors
- **Kelly McCarthy**, Global Impact Analyst, World Resources Institute
- **Rafi Menachem**, Metrics Managers, Grassroots Business Fund
- **Fred Ogana**, Country Director, Technoserve Kenya
- **Rob Schneider**, Senior Alliance Manager, U.S. Agency for International Development (USAID)
- **Brian Trelstad**, Metrics Manager, Acumen Fund
- **Michael Wright**, Legal Advisor/Fellow, Harvard University, Center for Business and Government

Tailored According to Company Size, Geography, and Sector



Ratings Report with Industry Benchmarks & KPIs

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Investment Type	Equity
Target Financial Return	15%
Fund Size	\$5,000,000
Fund Stage	Growth
Vintage Year	2008

INVESTMENT TARGETS

Sector Focus	IC3S
Industry	Healthcare Services
Investment Region	East Africa
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Employees ★★★★★	69%
Compensation & Benefits	51%
Employee Ownership	78%
Work Environment	50%
Consumers ★★★★★	95%
Beneficial Products/Services	96%
Beneficial Method of Production/Impact	95%
Serving Those in Need	100%
Community	28%
Local	46%
Diversity	27%
Charity/Other Services	15%
Environment	34%
Corporate Offices	34%
Transportation/Distribution	n/a
Manufacturing Facilities	n/a
Overall Rating	61%

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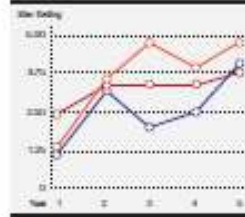
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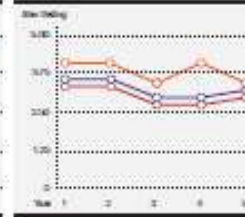


Health First GIIRS Ratings vs. Peer GIIRS Ratings

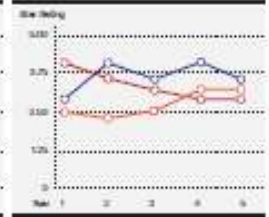
OVERALL RATING



ACCOUNTABILITY RATING



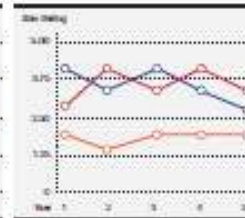
EMPLOYEE RATING



CONSUMER RATING



COMMUNITY RATING



ENVIRONMENT RATING



GIIRSGLOBAL
IMPACT
INVESTING
RATING
SYSTEM

Status of GIIRS

**Deloitte.**THE
ROCKEFELLER
FOUNDATION

- Investment from Deloitte, Prudential, USAID, & the Rockefeller Foundation
- Partnership with Investors' Circle
- Currently building the fund weighting methodology and the emerging markets version of the ratings system for companies
- 25 Pioneer GIIRS Funds, 170 Pioneer GIIRS Companies
- Alpha test this fall, beta test in January 2011
- Public launch in Q2 of 2011