



# IMPACT INVESTING: HOW TO MEASURE IMPACT? - PART II -

## Executive summary

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The development of impact investing and the common dynamic for defining its scope ([described in Part I](#)) are accompanied by a multitude of tools and methods that can leave the investor at a loss.

In this second part, we thus seek to provide clarification on the subject matter to be measured and on the set of measurement tools available by categorizing them into broad families: qualitative tools (surveys, bibliographic research, interviews) and quantitative tools (footprint, relative footprint, and alignment), placed at different points in the impact chain.

Impact investing is not a strict search for the "perfect" impact measure. Rather, it is about shifting investor practices and capital flows toward an economy with positive environmental and social impact. Thus, the most important aspect is that investors should be able to grasp these different measurement tools, with their limitations and constraints, in order to **integrate them into their investment and support decisions**.

To measure impact, investors can take the following approach:

- Understand the objectives, mechanisms, and limitations of each tool,
- Define their needs and resources, placing the tools on the impact chain,
- Mobilize different tools at each point in the investment process,
- Report the results of the measurements on the impact chain, the methods used and the limitations encountered.

Before embarking on the process of choosing metrics, it is essential to understand what one is trying to measure in impact investing. The goal of the impact investor is to **encourage** the financed/invested organization to have a **positive impact** on the well-being of the beneficiaries or the planet.

### Define the source of impact

As discussed in Part I of the expert opinion, impact measurement focuses on the **impact of the invested/financed asset, typically the company**, on the beneficiaries or the planet (Pillar III<sup>1</sup>), not the investor.

Indeed, there can be confusion with additionality (Pillar II), or in other words the "impact of the investor" on the financed/invested asset, which is measured through the measurement of the investor's commitment or support of its portfolio assets.

### Define positive impact

A "**positive**" impact involves a positive deviation from a "**neutral**" point of comparison. The IMP<sup>2</sup> defines as "positive" any variation in an indicator that contributes to the well-being of the beneficiary or the planet.

- E.g.: an increase in the level of education can contribute to the well-being of beneficiaries.

To find the benchmark, the question to ask is "if my impact product/service did not exist, what would be the level of this indicator for my beneficiaries/the planet?"

Impact measurement therefore involves a **comparison** between:

- The current level enabled by the impact product or service,  
Ex: the sale of a meal with a vegetable steak emits 500gCO<sub>2</sub>.
- And a reference level  
Ex: the sale of a meal with an animal steak emits 7.000gCO<sub>2</sub><sup>3</sup>.

The "impact chain" makes it possible to delineate the link between the activities of the invested/financed asset and its impact on the beneficiaries/the planet.

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<sup>1</sup> French SIR and France Invest "impact investing a demanding definition for listed and non-listed products" (2021). [Read the handbook.](#)

<sup>2</sup> [Impact Management Project](#)

<sup>3</sup> [My CO<sub>2</sub> Converter](#) (in French language)



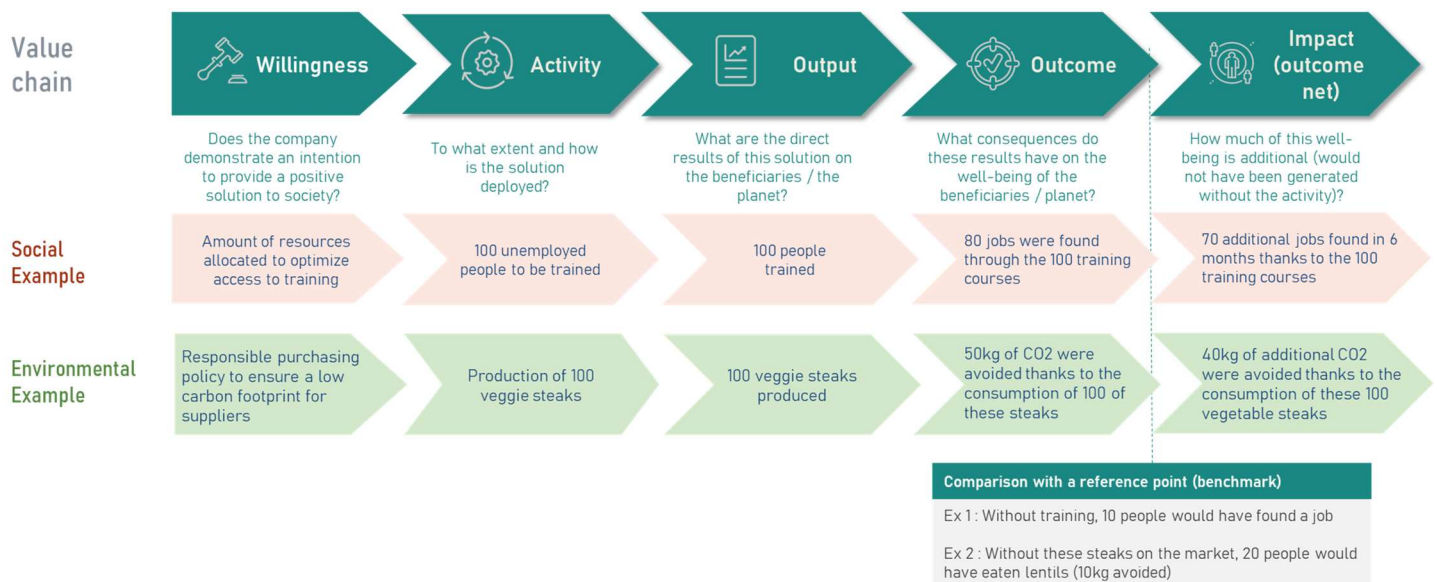


Figure 1 - Illustration of the impact value chain (source: I Care)

## Measuring the overall impact

If the intention of the investor and the organization is to generate a positive impact, the challenge of mitigating negative impacts is equally crucial. Indeed, a project or activity that has a positive impact on one aspect may have a negative impact on others. The investor's role is to have the most comprehensive overview possible:

- **“Vertical” overview:** aiming for the same impact objective, subtracting negative impacts  
 For example, in the case of job training, the objective is to improve the well-being of the participants, so we must also take into account the difficulty or precariousness of the work found by the participants.
- **“Horizontal” overview:** measure or map the impacts on all stakeholders or environmental issues of the investment.  
 In the case of the same job training, measure the environmental footprint of the training (energy consumption of the buildings, emissions linked to participants' car travel).

The objective of this exercise is not to obtain an exhaustive measurement but rather to ensure that the investment does not have negative effects on issues other than the targeted impact. This can be done through a social filter for an environmental fund. For example, this is the approach of the European taxonomy<sup>4</sup> with its DNSH (Do Not Significantly Harm) principle, which imposes minimum social requirements on green activities.

<sup>4</sup> [EU taxonomy](#)

## Two-steps measuring

Given the complexity of the method (choice of a reference point, etc.), it is not always possible to measure impact at all stages of the investment. Indeed, **data collection is often only possible when the investor is very close to the financed/invested structure**, i.e., after the latter has entered the portfolio. The measurement can then be divided into two steps:

- Before the investment, due to lack of data or maturity of the structure, an investment mapping can be carried out, with a qualitative identification of potential impacts;
- During the investment, the proximity with the company makes it possible to define the method and the data to be collected, then to carry out a quantitative impact measurement.

This two-step process can be shared in an annual impact report that brings together the measurements made and the conclusions to be drawn<sup>5</sup>.

### Measuring impact: from comparison to alignment

An alternative to this “descriptive” reference point is a “normative” reference point. This tool consists of making a comparison not with an existing baseline, but with a desired baseline.

In the case of a vegetable steak, a future methodology could estimate that each human being should emit at most 1,000gCO<sub>2</sub> per meal in order to limit warming to 2°. With this normative comparison tool, the vegetable steak would be below the normative baseline, not the animal steak. This tool does not measure the impact of the product/service, but answers the question “is this product/service desirable if we want to achieve a specific goal, such as limiting the warming to 2°?”.

These tools will be detailed in Part II of the expert opinion, paragraph “alignment tools”.

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<sup>5</sup> Refer to [French SIR and France Invest report](#).

## 2 How to measure impact?

Once the scope of the impact has been defined, several tools are available to investors. Qualitative tools can be used first to understand the major dimensions of the impact achieved, and quantitative tools can be used later to objectify them.

The tools presented in this note are not pure “positive impact” measurement tools as defined above. However, they are all useful in understanding impact and can be used in an impact assessment process.

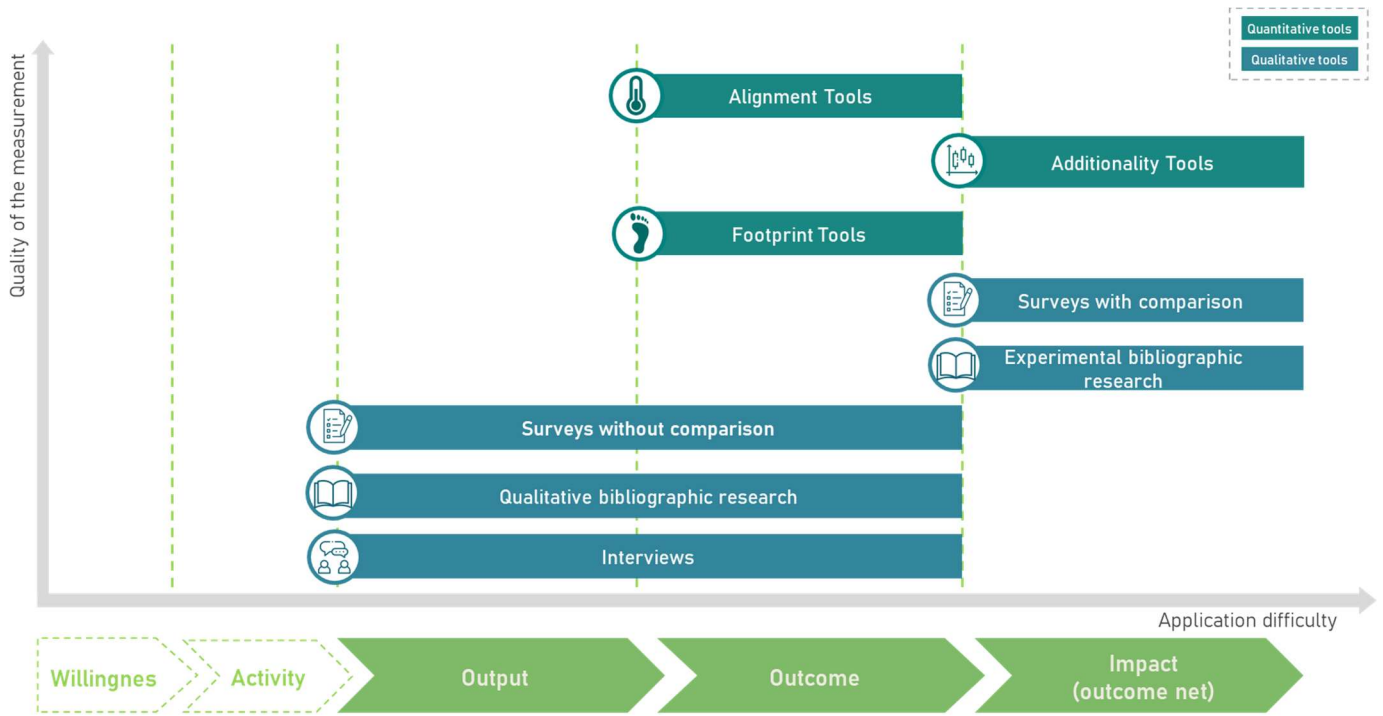


Figure 2 - Positioning of the different measurement tools in the impact value chain (source: I Care)

We have focused on measuring the last three steps of the impact chain, which we believe are the most difficult to understand. Indeed, tools measuring willingness and activity are available among the ESG KPIs (existence and quality of the impact thesis, quality of processes...).

### Qualitative tools

These tools aim to understand the impact generated, and most often include direct interactions with beneficiaries or surveys of ecosystems. They are most often concerned with measuring social impact, which is less quantifiable by nature.



\* Stars indicate that a description of the tool/method/database is available in the appendix.

## 1- Bibliographic research

Many impact measures (especially of public policies) are available online<sup>6</sup>, alongside scientific articles\*. This data has been collected with an expensive experimental protocol that an investor could not reasonably use, but can serve as a guarantee of the product/service's impact.

For example, an investor supporting a brand of veggie steaks could rely on studies highlighting the low carbon footprint of veggie steaks, and compare it to the high footprint of animal steaks.

This tool is mostly used for products/services with a high environmental impact (e.g., Zei's method\*), and sometimes used to estimate the social impact (e.g., DARES<sup>7</sup> report).

However, this research is time-consuming and cannot be applied to a wide range of products: in this case, representative case studies are preferred. In addition, the data is often generic, not very applicable to innovative, specific products....

## 2- Questionnaire

The most common tool among impact investors is to send questionnaires to beneficiaries in order to measure the positive impact<sup>8</sup> that one seeks to attribute to the product/service. For example, one can measure the level of well-being of the beneficiaries after accessing the product or service: this type of approach creates a link between the impact measurement and the "competitiveness" and continuous improvement dimension of the company.

In order to measure this impact, two approaches are available:

- 1) Measuring the indicator *before* and *after* the product/service was obtained, ideally with a comparison of this variation with that of a control group (a comparable population that did not benefit from the product/service); or
- 2) Measure the indicator *after* the product/service is obtained, with a mandatory comparison to a control group (the most common approach). For example, measure the number of trainees who got a job 6 months after the training, and compare this indicator to a control group that did not receive training.

For the collection of indicators, the methodologies generally propose digital surveys measuring standardized indicators (e.g., the questionnaires proposed by INCO\* are inspired by indicator databases such as the IRIS+\* database). However, certain actors carry out surveys by phone or SMS (e.g., 60db\*'s Lean data approach).

As for the collection of control indicators allowing for comparison, the actors can:

- Measure these indicators within a comparable control group, which is more accurate but expensive; or
- Conduct a bibliographic search to find the average value of this indicator in the target population (e.g., via INSEE or OECD data).

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<sup>6</sup> All methods, tools and databases with a star are referenced in the appendix

<sup>7</sup> [Report: professional integration of young people](#) (in French language)

<sup>8</sup> [Read Avise study](#) (in French language)



### 3- Testimonies gathered through interviews

A very common tool in social entrepreneurship, it consists in exchanging with beneficiaries in order to collect textual data (testimonies) from them. Their analysis is not very straightforward, but offers a rich vision of the impact generated, and concrete illustrations.

This tool places less emphasis on comparison with a control group: we rely on the beneficiaries' testimonies to determine the additionality of the product/service, i.e. its impact (e.g. Kimso's method\*). As an alternative, several interviews can be conducted to measure the impact over time (e.g. Triangle consulting's Outcome Stars\*).

## Quantitative tools

### 1- Absolute footprint tools

These are the most widespread tools in sustainable finance, particularly for listed investments. They consist in quantifying a footprint in order to compare and invest accordingly. This footprint is called an **outcome** in our impact value chain. In this sense, it is not an impact measure in the strict sense of the word, as no comparison is made with a control indicator, but it represents a first overview of the impact generated.

The objective of this group of tools is therefore to quantify an outcome. Different types of footprint measurement are available:

- Environmental:
  - Carbon (e.g., the Carbon Footprint method\*);
  - Biodiversity (e.g., Iceberg Data Lab's CBF method\*);
  - Multicriteria (via Carbon LCA\*, land use, eutrophication, ozone depletion, etc.);
- Socio-economic:
  - Jobs generated (e.g., PwC's TIIM method\*);
  - GDP generated (e.g., Utopies'\* Socioeconomic Footprint method) or tax revenue generated (same method);
- Social (e.g., Social Value International's SROI method\*).

These footprint measurements can be performed at several levels:

- Product (e.g., a car);
- Invested/financed asset (e.g., a company producing the cars);
- Portfolio (e.g., a fund investing in the transportation sector).

While these tools provide an initial idea of an impact, they do not allow us to assign a relative value or cause in the impact chain to the object being evaluated. Moreover, presenting them as absolute values (e.g., tCO<sub>2</sub>) or as ratios (e.g., tCO<sub>2</sub>/M€ invested) can lead to different decisions, which makes them less reliable indicators<sup>9</sup>.

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<sup>9</sup>More information in the [NEC methodological guide](#) which presents the characteristics





## 2- Relative footprint tools

These tools compare a measured value with a control value. They make it possible to estimate the additionality of the investment, in order to measure its impact.

The objective of this family of tools is therefore to quantify an impact. **Several additionality tools exist:**

- Comparing the measured footprint to the global average footprint or score of the product/asset/financial product at the level of a metric:
  - The avoided emissions method compares the measured carbon footprint to the average footprint of a comparable, extracted from a database (e.g., Carbon base\* for products, Carbon Disclosure Project base\* for companies);
- Calculate a score from several weighted footprints and compare it to a global average score:
  - The NEC Initiative's NEC\* method aggregates environmental footprints in five dimensions (climate, air, water, waste, biodiversity) to give a score, between -100 and 100. A score of 0 corresponds to the global average for the sector, 100 to the best solution for the sector, and -100 to the worst;
  - Other rating methods aggregate environmental footprints and social practice scores, such as those of Impak<sup>10</sup>, Ecovadis<sup>11</sup>, I&P<sup>12</sup>...

These tools can be considered as “pure impact” measurement indicators. However, they remain more difficult to apply than the tools presented above, given the lack of data and the difficulty of finding a comparable control value.

## 3- Alignment tools

Alignment tools compare a measured footprint with a normative value, e.g., a value that must be reached to meet certain conditions. Today, few normative scenarios exist: only the 2° limit is globally agreed upon<sup>13</sup>. One of the existing tools to calculate an alignment temperature is the SB2A\*, which takes into account the current carbon intensity of companies and their reduction trajectory, and compares it with a carbon budget (e.g., the SDA\*<sup>14</sup>).

Concerning other planetary limits, the "Planetary Boundaries" organization is working to propose such values for all the environmental dimensions under pressure in the 21st century (biosphere integrity, soil pollution, etc.).

The objective of this group of tools is therefore to give a normative value to the object being evaluated. While these tools are useful for drawing systemic conclusions (the sector should align itself with this or that practice), their great diversity<sup>15</sup> does not allow for any strict normative translation. Their status remains somewhat sketchy at this point in time.

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<sup>10</sup> [Impak](#)

<sup>11</sup> [Ecovadis](#)

<sup>12</sup> See the I&P [website](#)

<sup>13</sup> Read [IPCC reports](#)

<sup>14</sup> [Sectorial decarbonization approach](#)

<sup>15</sup> Read the [research paper](#) of the Louis Bachelier institute.







# Impact Measurement Toolkit

Tool group / method	Type	Name of the tool	Source
<b>Bibliographic research</b>	Data base	Impact evaluation database	<a href="https://www.cgdev.org/page/list-impact-evaluation-databases">https://www.cgdev.org/page/list-impact-evaluation-databases</a>
	Search engine	Research Gate	<a href="https://www.researchgate.net/">https://www.researchgate.net/</a>
<b>Survey</b>	Methodological guide	Lean data approach	<a href="https://60decibels.com/approach">https://60decibels.com/approach</a>
<b>Interviews</b>	Methodological guide	Kimso	<a href="https://kimso.fr/impact-tools/">https://kimso.fr/impact-tools/</a>
	Methodological guide	Outcome stars	<a href="https://www.outcomesstar.org.uk/about-the-star/what-is-the-outcomes-star/how-the-outcomes-star-works/">https://www.outcomesstar.org.uk/about-the-star/what-is-the-outcomes-star/how-the-outcomes-star-works/</a>
<b>Absolute Footprint Tools</b>	Indicator base	Iris +	<a href="https://iris.thegiin.org/">https://iris.thegiin.org/</a>
	Methodological guide	Zei	<a href="https://hubs.ly/H0v0yMZ0">https://hubs.ly/H0v0yMZ0</a>
	Measuring tool	Inco Ratings	<a href="https://www.ventures.inco-group.co/methodology?lang=fr">https://www.ventures.inco-group.co/methodology?lang=fr</a>
	Tool	Carbon footprint (FR - Bilan carbone)	<a href="http://www.bilancarbone.fr/">http://www.bilancarbone.fr/</a>
	Tool	Corporate Biodiversity Footprint	<a href="https://www.icebergdatalab.com/solutions.php">https://www.icebergdatalab.com/solutions.php</a>
	Methodological guide	Life Cycle Assesment	<a href="https://en.wikipedia.org/wiki/Life-cycle_assessment">https://en.wikipedia.org/wiki/Life-cycle_assessment</a>
	Tool	Total impact measurement and management	<a href="https://www.pwc.com/gx/en/services/sustainability/total-impact-measurement-management.html">https://www.pwc.com/gx/en/services/sustainability/total-impact-measurement-management.html</a>
	Tool	Socio-economic footprint	(in French) <a href="https://www.utopies.com/wp-content/uploads/2020/07/Empreinte-economique.pdf">https://www.utopies.com/wp-content/uploads/2020/07/Empreinte-economique.pdf</a>
	Methodological guide	Social Return on Investment	<a href="https://www.socialvalueint.org/guide-to-sroi">https://www.socialvalueint.org/guide-to-sroi</a>
	Data base	Carbone Base (FR - Base Carbone)	(in French) <a href="https://www.bilans-ges.ademe.fr/fr/accueil/contenu/index/page/presentation/siGras/0">https://www.bilans-ges.ademe.fr/fr/accueil/contenu/index/page/presentation/siGras/0</a>
Data base	Carbon disclosure project database	<a href="https://www.cdp.net/en/data/#f79f67663b4b7cf575632aee89eddfa">https://www.cdp.net/en/data/#f79f67663b4b7cf575632aee89eddfa</a>	
<b>Relative Footprint Tools</b>	Tool	Net Environmental Contribution	<a href="https://nec-initiative.org/methodology/general/">https://nec-initiative.org/methodology/general/</a>
<b>Alignment tools</b>	Tool	SB2A	<a href="https://icebergdatalab.com/solutions.php">https://icebergdatalab.com/solutions.php</a>



## ABOUT THE CONSULTING GROUP I CARE

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