



Social Impact Accelerator: Impact Metrics

10 October 2016

What is the Social Enterprise definition under SIA?

Social Enterprise Definition Under SIA:

For the purpose of SIA, a social enterprise has the following features:

- core business model addresses a social/environmental issue
- has impact objectives and measures to drive its business model
- can fund itself from non-grant-dependent funding sources
- uses its economic means for scaling its social business model
- if profit-distributing entity, has a dividend policy making any profit distribution conditional to achieving measurable social impact targets, and
- has flexibility in ownership through accessible exit markets

How does a Social Enterprise address social issues under SIA?

Social Enterprise business models

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graph TD; A[Social Enterprise business models] --> B[Social business Models]; A --> C[Traditional business models run in a social way]; A --> D[Geographically-focused business models];
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Social business Models

A business model that seeks to resolve a recurring and sizeable social issue through the supply of a specific service or product. The resolution of the social issue has to be measurable and converted into a social impact metrics.

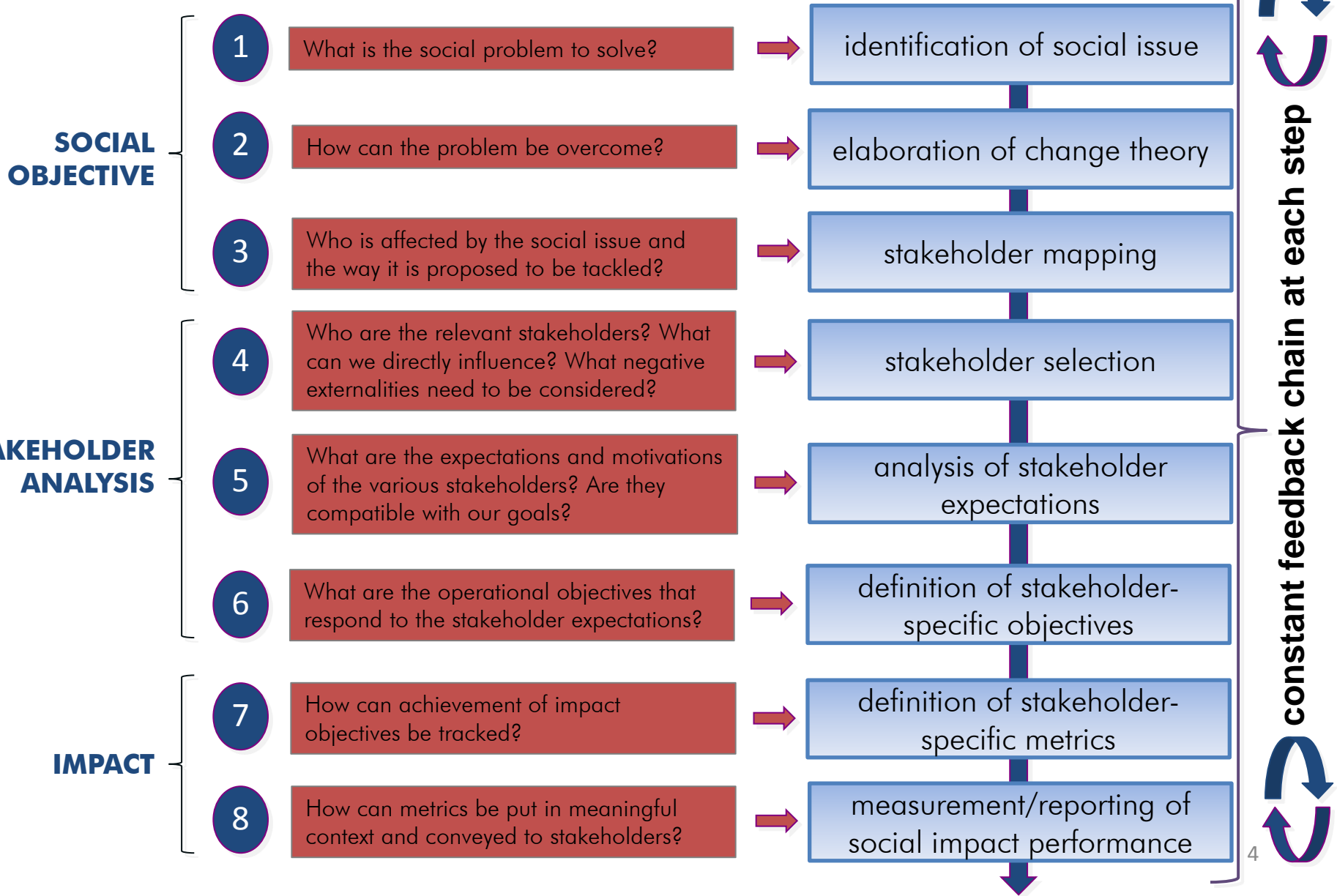
Traditional business models run in a social way

A business model that is not focusing on providing a service or product that resolves a social issue but which is implemented in a way that enables positive social impact. Such positive social impact shall be measurable and part of the company's statutes.

Geographically-focused business models

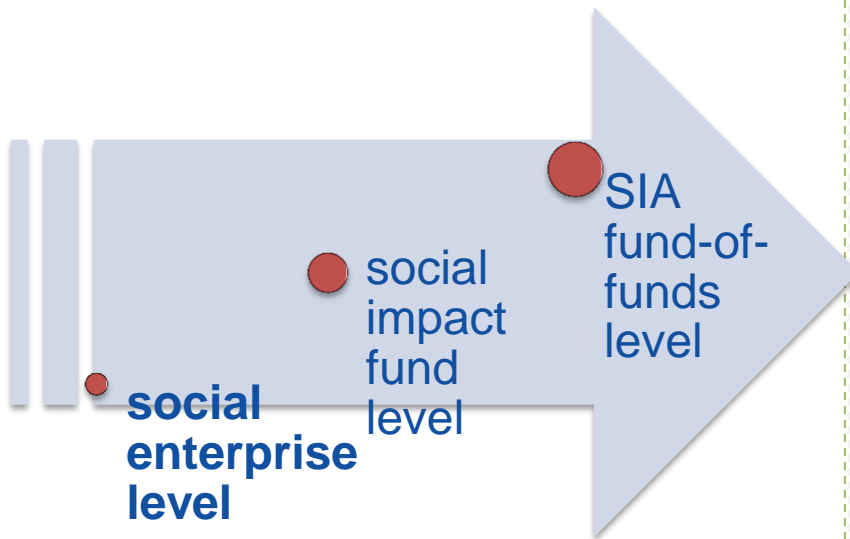
A business model that is implemented either in a social manner or in a traditional manner, but which operates in a socially deprived area. The impact of such a company shall be defined *ex ante* and measurable.

Layer 1: connecting social issues to stakeholders and metrics



A triple-layered measurement framework

Layer 1: Impact indicators defined at market level

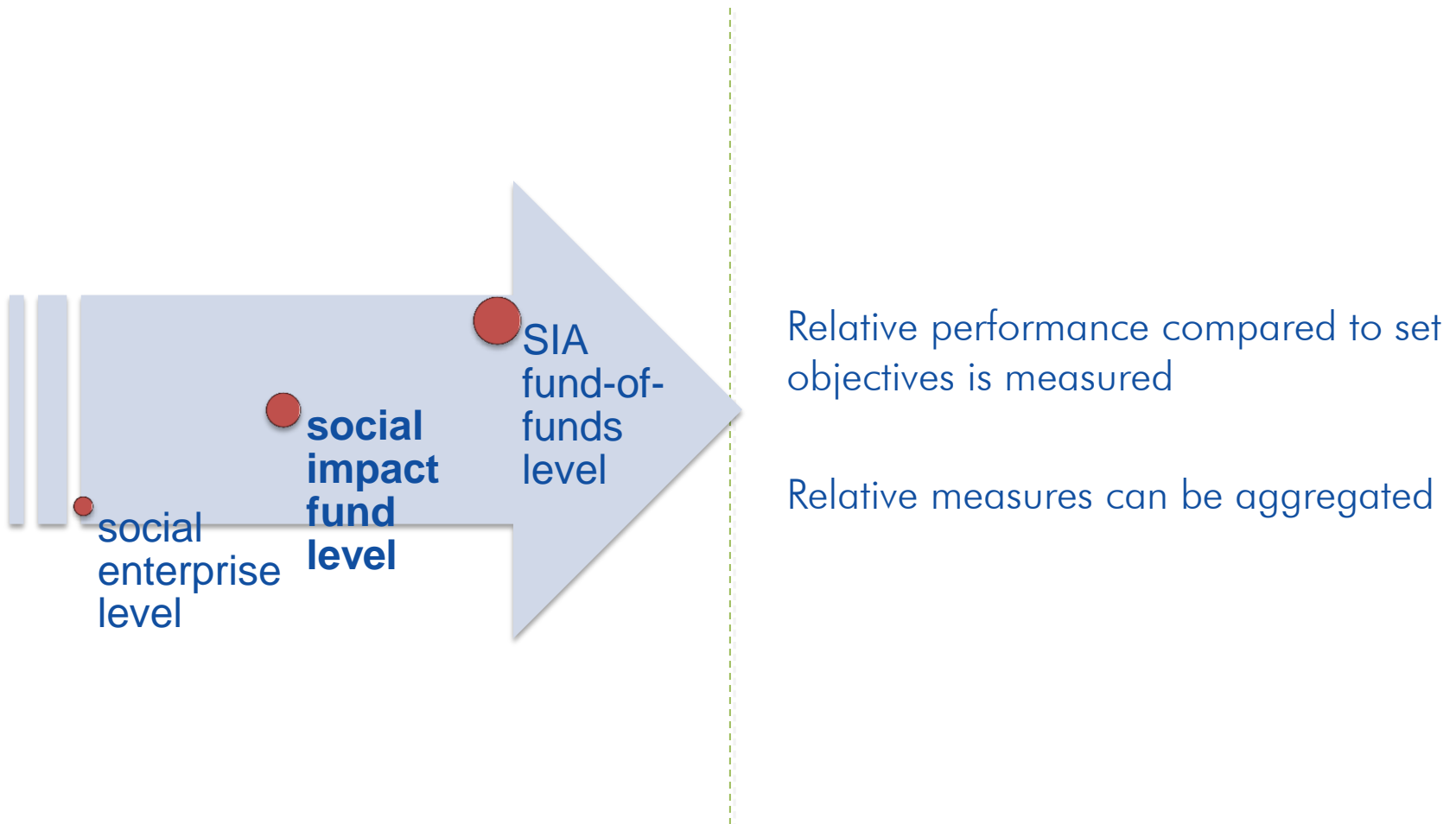


Metrics to serve first and foremost as guidance for social impact at the social enterprise level

EIF favors a 3-layers metrics approach for SIA to preserve the purpose of metrics for social entrepreneurs

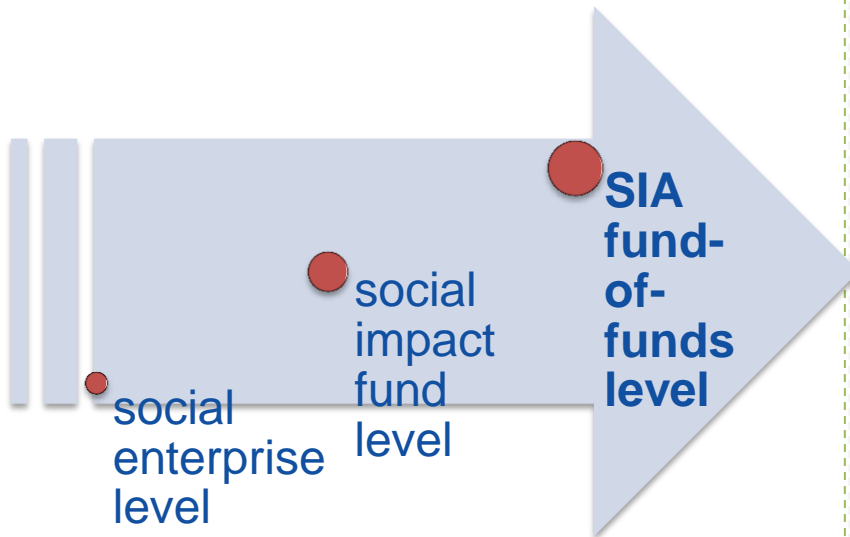
A triple-layered measurement framework

Layer 2: Impact measures at social impact fund level



A triple-layered measurement framework

Layer 3: SIA performance measured against same standards



Relative social impact performance measures are analysed at the social impact fund manager level and aggregated on a capital-weighted basis across the portfolio of all social impact funds in which SIA invests at fund-of-funds level

Impact metrics: Utilisation and reporting

Role of the GP

- 1 to 5 indicators per portfolio company
- 1 unique quantifiable target per indicator
 - 3 intermediate targets can be defined for the first three years of holding in order to anticipate early exit scenarios.

Role of the Investors' Committee

- Approve indicators
- Approve targets
- Authorize potential change of the target if a duly documented case is demonstrated by the GP, making the achievement of the social impact target unrealistic.

Reporting

- Annual reporting
- Consolidation of impact multiples at (i) company level and (ii) portfolio level.

Impact metrics: Utilisation and reporting

Example

						Intermediate indicative targets			
Company	Indicator	Weighting	Year 1	Unique target	Multiple	n+1	n+2	n+3	
[xxx]	Nb of schools subscribing to the program	30%	27	260	0.104	35	70	125	
	Number of students passing A level	30%	224	3000	0.075	200	600	1100	
	...of which economically deprived	30%	132	2000	0.066	120	350	700	
	Percentage of pupils using [xxx]experiencing improved education environment	10%	75%	80%	0.938	80%	80%	80%	
				Year 2					
	Nb of schools subscribing to the program	30%	73	260	0.281				
	Number of students passing A level	30%	584	3000	0.195				
	...of which economically deprived	30%	428	2000	0.214				
	Percentage of pupils using [xxx]experiencing improved education environment	10%	84%	80%	1.050				
				EARLY EXIT - Y3	n+3 target	FINAL MULTIPLES	Final Company Multiple		
	Nb of schools subscribing to the program	30%	118	125	0.944	1.032			
	Number of students passing A level	30%	1027	1100	0.934				
	...of which economically deprived	30%	849	700	1.213				
	Percentage of pupils using [xxx]experiencing improved education environment	10%	84%	80%	1.050				
				"NORMAL" EXIT	Unique target	FINAL MULTIPLES	Final Company Multiple		
	Nb of schools subscribing to the program	30%	324	260	1.246	1.044			
Number of students passing A level	30%	3248	3000	1.083					
...of which economically deprived	30%	1562	2000	0.781					
Percentage of pupils using [xxx]experiencing improved education environment	10%	89%	80%	1.113					

SIA Impact metrics methodology and Carry distribution

- 1 principle: Consolidation of the portfolio social impact multiple when the last investment is exited.
- 3 different consequences on the carry distribution:

Portfolio social impact Multiple below 0.6	Portfolio social impact Multiple between 0.6 and 0.8	Portfolio social impact Multiple higher than 0.8
<p>No carry is distributed to the predefined carry recipients.</p> <p>Carry is therefore transferred to a third party foundation/NGO/Social enterprise proposed by the team and approved by Investors' Committee</p>	<p>50% of the carry (out of e.g. 20%) is distributed to the predefined carry recipients.</p> <p>The non-distributed part is transferred to a third party foundation/NGO/Social enterprise proposed by the team and approved by Investors' Committee</p>	<p>100% of the carry (e.g. 20%) is distributed to the predefined carry recipients.</p>