

# Tonic E-Guide



## IMPACT MEASUREMENT

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**T**he emerging field of for-profit impact investing focuses on creating holistic value. In addition to financial returns, impact investors expect their investees to generate non-financial returns, in the form of tangible social or environmental benefits. In this way, impact investors seek to catalyze responsible entrepreneurial innovation in the areas and sectors of the world that most need it.

Implicit in this definition of impact investment is the need to assess and communicate the impact that is created. In order to have a real understanding of the benefits that any particular investment creates, some form of impact measurement must occur. This measurement of impact needs to be valued by investors and enterprises more than it is today if it is to become a standard, integrated practice. In the absence of any regulatory framework that requires measurement, communicating measurable impact metrics is left to management and shareholders of impact enterprises on a voluntary basis. Many don't do it, or don't do it systematically.

This paper focuses on why and how impact investors can help increase the value of information about impact – and thus the widespread adoption of impact measurement and reporting practices – by advancing the institutionalization of systematic impact measurement. It explores current impact measurement practices through the stories of seed stage investors and investees, in particular through the activity of members of Toniic, LLC<sup>1</sup>, a global network of impact investors. Their rich and varied experiences, rather than more academic approaches, drive this paper's proposal of a flexible, practical methodology for measuring impact. This methodology incorporates two emerging global standards in impact assessment – the framework of Impact Reporting and Investment Standards (IRIS<sup>2</sup>) and the social and environmental rating system, the Global Impact Investing Rating System (GIIRS<sup>3</sup>) – with qualitative anecdotal data.

<sup>1</sup> [www.toniic.com](http://www.toniic.com)

<sup>2</sup> [www.iris.thegiin.org](http://www.iris.thegiin.org)

<sup>3</sup> [www.giirs.org](http://www.giirs.org)

“This paper focuses on why and how impact investors can help increase the value of information about impact.”

The field of impact measurement is in its early days. The impact measurement methodology shared here will need to evolve – and therefore this work is not the definitive solution to impact measurement, but rather a step towards better understanding the role of measurement in impact investing. It is the hope of many of the Toniic members who participated in this report that a widely employed, easy to use, quantifiable, and yet flexible impact measurement framework could help with due diligence and management of social enterprises, thereby potentially attracting more effective funding to more effective enterprises.

## Toniic LLC and Toniic Institute

Toniic LLC is a global network of impact investors, including individuals, family offices, impact fund managers, and foundations. The Toniic network collaborates to fund and nurture early stage enterprises and innovative social venture funds. Its members range from experienced impact investors who have actively invested globally in social enterprises over the past 10 or more years, to investors and fund managers who are just beginning. By leveraging social for-profit structures and working locally, regionally and globally, Toniic's members are investing in market-based solutions to address some of the world's most intractable challenges.

Toniic Institute is a fiscally sponsored non-profit organization created to amplify the effect of the Toniic LLC network by analyzing investing practices. The Institute's research on impact investments, especially those made by Toniic

LLC members, enables Toniic LLC to act as a learning lab for the rest of the impact investment industry.

Toniic LLC and Toniic Institute share a commitment to support investments that contribute to poverty alleviation, social justice, and environmental progress around the globe.

## Methodology

Since Toniic's inception in the fall of 2010, members have vetted over four hundred global seed stage impact investments through the Toniic network, and syndicated 21 enterprises and fund investments as of June 2012. This work provides the basis for the findings shared here. Research for this document includes:

- An analysis of thirteen syndicated investments made by Toniic members in 2011;
- Interviews with Toniic members regarding their investment histories, current practices, and future needs;
- An analysis of over 450 IRIS indicators distilled down to a recommended list of 16 (IRIS Version 2.2); and
- Feedback on the use of the GIIRS process for early stage enterprises and funds from Toniic members and social entrepreneurs.

## Appendices

- Appendix A is a descriptive list of the 13 syndicated investments that provide the backdrop for this research.
- Appendix B provides impact dashboards from Toniic members (Beyond Capital, KL Felicitas and Grassroots Business Fund).
- Appendix C is an example of an investment template created for eHealthpoint, an investment syndicated by Toniic members.
- Appendix D provides an overview of the GIIRS rating for 5 Toniic investments.

## Acknowledgements

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# EXECUTIVE SUMMARY

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**T**he universal challenge for impact investors is how to assess impact.

While financial metrics have long been in place, until recently, there were very few widely used systems for measuring social and environmental impact. Without any universally accepted way to assess the social and environmental benefits that an investment is generating, an impact investor may sometimes rely on faith, intuition, or case-by-case analysis. Though the latter is often the best way to gain a nuanced understanding of an individual investment, it can also mean less transparency, as well as a decreased ability to compare investment performances against other investments, compare portfolios, or communicate them with others.

In the last few years, two ‘off the shelf’ impact measurement tools have emerged. In 2008, the GIIN (Global Impact Investing Network) launched a set of prescribed impact indicators, which it called IRIS (Impact Reporting and Investment Standards). The goal was to provide a common framework for assessing impact, in order to increase transparency, communication, and comparability of investments. In early 2010, an organization called B Lab developed GIIRS (Global Impact Investment Rating), a Morningstar-like rating system for evaluating the impact potential of a social enterprise.

Adopted by a small and growing segment of the impact investing community, IRIS and GIIRS are not able to fully address the broad needs of the impact investor. However, the impact community can help co-create and refine these tools by providing valuable feedback based on their collective investment experience over time.

Toniic is in a unique position to accelerate this process. Founded in 2010, Toniic is a group of independent impact investors, impact fund managers, family offices and foundations who collaborate to fund and nurture early stage global enterprises and innovative social venture

funds. Because the members of Toniic are diverse, and committed to alleviating global poverty and environmental impacts through many kinds of investments, their collective experience serves as an excellent lab for testing and defining impact methodologies that could better meet the diverse needs of all impact investors and investees.

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This document is the result of an analysis of Toniic’s first year of syndicated investments. It proposes a targeted, discrete impact measurement methodology that, while standardized, can also be tailored for individual, portfolio and sectorial impact analysis metrics. This methodology incorporates a few key IRIS indicators, which were chosen from the over 450 available IRIS metrics, as well as feedback from members on ways to leverage GIIRS for early stage investments. The selection of the IRIS indicators reported here was based on research by industry experts, and feedback from and observations of Toniic members and investees.



Toniic's initial work with impact measurement has revealed that:

- **Early integration improves communication.**

Integrating impact measurement methodology throughout the investment process, beginning with the earliest stages of due diligence, helps to clarify expectations, improve follow-through, establish trackable data, and determine which metrics are actually relevant;

- **Output plus outcome does not always equal impact.**

Data outputs like IRIS plus a measurable outcome or consequence do not necessarily equal the targeted impact. Establishing whether an output is or is not a decent proxy for the impact desired requires some up-front investigation, design work, and research. If that is skipped, the impact investor and venture use the output to gauge "potential impact" at their peril;

- **Check-lists can lead to narrow vision.** A check-list metric process can result in a failure to see critical business challenges, when those challenges do not fit in the narrows of the selected metrics. Rather, investors should collaborate with investees in order to agree upon what is feasible and satisfactory to both parties;

- **Keep it short and simple.** Key IRIS indicators need to be carefully vetted and shortlisted in order to reduce the reporting burden for both investor and investee;
- **Variety of data leads to a better understanding of impact.** Enterprise-reported impact metrics and anecdotes complement IRIS and GIIRS impact data. A variety of data provides the extra dimension needed to fully understand the enterprise and its impact;
- **Syndication brings efficiency.** By syndicating, Toniic's members can share resources and ideas, leverage each other's capital, and require a singular set of data from all of the group's investees. Unless the investor has very few formal measurement requirements, this can simplify the due diligence process and lighten the burden of impact reporting for both investor and investee; and
- **Trust but verify.** Since impact is currently mostly self-reported by the enterprise, it is important for investors to corroborate it through field visits, frequent meetings with the entrepreneur and staff, and inputs from others who interface with the enterprises, like customers, vendors, and competitors. •

# ON THE GROUND: THE PRACTICE OF IMPACT MEASUREMENT

Toniic members' theories of change share a common thread – that social enterprises, when intelligently created, mentored, and funded, can be incredibly effective drivers of positive change. However, the specific impact measurement practices used by Toniic members – who range from seasoned investors and venture capitalists to foundations and investors new to the field – are nearly as diverse as the members themselves. Examples of current practice include:

- **No Metrics.** Some Toniic members have never used formalized impact indicators. Sometimes this is due to a particular investment strategy – like making a large number of investments, providing little or no nurturing and relying on a “survival of the fittest” outcome. Or sometimes this is due to lack of staff, time constraints, and perceived complexity or lack of belief in the need to establish a standardized practice;
- **Limited Initial Metrics.** Toniic member François de Borchgrave of KOIS Invest<sup>4</sup>, for example, has just entered the field of impact investing, and plans to incorporate metrics slowly, beginning with one or two core indicators. Once best practice is established with basic indicators, he says he will likely expand his impact measurement on a case-by-base basis;
- **Standard Metrics plus Customization.** Some members are using IRIS metrics reported by the enterprises as a starting point, and supplementing with proprietary metrics – like New Island Capital<sup>5</sup>. Their proprietary metrics track goals around managing toward portfolio mission alignment and measure the “greening” of their portfolio; and
- **Customize First, Standardize Later.** Some Toniic members set out to select their own set of impact indicators from off-the-shelf products like IRIS, but then ran into challenges.

<sup>4</sup> [www.koisinvest.com](http://www.koisinvest.com)

<sup>5</sup> [www.newislandcap.com](http://www.newislandcap.com)

## Learning from Doing

Eva Yazhari of Beyond Capital Fund<sup>6</sup>, for example, was an early adopter of IRIS. The fund focuses on healthcare, water, clean energy, and sanitation, and the indicators she planned to use were to be tailored to fit the profiles of the investments. However, in implementing their strategy, the Beyond Capital Fund realized that several factors made this approach difficult.

For instance, if they were not the lead investor, and the investment was made through a structured financial vehicle like a limited partnership, they did not have much opportunity to influence the reporting process.

Another discovery they made was that the cost of impact assessment is difficult to cover through pro bono services – something key to their business model – because there are very few professionals available to perform this service pro bono. This made it difficult to demand more detailed data from early seed stage investees who were struggling to raise enough funds to cover their basic business needs.

Eva and her team now consult with their investees to provide insights on the metrics that might best illustrate their work, including those metrics that the enterprises are already using. Their initial focus is on key performance indicators that are frequently used by impact businesses (see Appendix B for a table of these indicators). Additionally, when vetting potential investments, Eva and her team determine if the lead investors and board members are aligned with the mission of the business. Having aligned co-investors in governance roles is a plus for any enterprise being considered by Beyond Capital Fund. And lastly, Eva has a strategy to work with the enterprises to layer select IRIS metrics over the key performance indicators, as the business develops.

<sup>6</sup> [www.beyondcapitalfund.org](http://www.beyondcapitalfund.org)

“While one investor may find, for example, that cross-portfolio indicators are helpful when comparing investments, another may discover that these indicators can sometimes lead to false precision when standardized across a diverse portfolio.”

This diverse range of practices illustrates both the difficulties and the possibilities inherent in impact measurement and investor collaboration. While one investor may find, for example, that cross-portfolio indicators are helpful when comparing investments, another may discover that these indicators can sometimes lead to false precision when standardized across a diverse portfolio. The challenge of creating standard metrics and metric practices remains real for most investors in the Tonic network. •



# I. IN THEORY: THE ROLE OF EMERGING OPEN SOURCE METRICS

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In philanthropy, it has been historically difficult and often financially out of reach to arrive at a concrete idea of whether any change can be attributed directly to a particular investment choice. Given the complexities of any business, let alone one located in the developing world, arriving at such certainty could be prohibitively time-consuming, expensive, and potentially seen as unethical.

Output metrics, however, offer a partial solution to this problem – by measuring outputs regularly over time, both investor and investee can generate rich, useful data that suggests whether or not their choices are at least contributing to positive social change.

IRIS, launched by the GIIN in 2008, is a taxonomy (think Wikipedia) of approximately 450 words and terms that quantify useful social, financial and environmental impact metrics. IRIS regularly solicits feedback on its indicators from the impact investing community, and incorporates that feedback into new editions. The IRIS initiative also provides user resources to facilitate use of the IRIS metrics, and maintains a repository of voluntarily-contributed IRIS performance data to enable industry-wide aggregation and social, environmental, and financial market analyses.

There are a number of impact organizations, like The Aspen Network of Development Entrepreneurs (ANDE<sup>7</sup>) and Acumen Fund<sup>8</sup>, that have leveraged their investments and networks to create impact assessment tools and management information systems that build off of IRIS. Acumen's PULSE<sup>9</sup>, now managed and marketed by App-X, is an online data management system pre-configured with IRIS metrics designed to gather financial, operational and social data on portfolio companies. ANDE is

partnered with the IRIS initiative and has developed a succinct list of recommended IRIS-aligned indicators for small and growing businesses. There are a variety of impact measurement products on the market that serve different functional purposes, i.e. IRIS provides reporting standards, GIIRS provides a benchmark for contextual and absolute performance assessment, and PULSE is an information management system. The challenge for Tonic Institute in developing a recommendation is that: Tonic's members are global, ranging from individuals to partnerships to foundations and family offices; and member resources and appetite for measurement vary. So one size will have a challenge 'fitting all'.

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<sup>7</sup> [www.aspeninstitute.org/policy-work/aspen-network-development-entrepreneurs/metrics-impact](http://www.aspeninstitute.org/policy-work/aspen-network-development-entrepreneurs/metrics-impact)

<sup>8</sup> [www.acumenfund.org](http://www.acumenfund.org)

<sup>9</sup> [www.acumenfund.org/investments/investment-performance.html](http://www.acumenfund.org/investments/investment-performance.html)

## The Value of a Standardized Taxonomy of Outputs

It is not a surprise, then, that most Tonic members have their own litmus tests for quantifying impact. And this proprietary approach has served some members well. However, because Tonic provides an opportunity to share investment information among global investors, the need for a common language to define impact has become critical.

An agreed upon taxonomy can have enormous benefits for both investors and investees. And if investors share the results of their metric collection openly, analysis could facilitate a greater understanding of which resources and which enterprises are actually generating change, and why. The result should be of assistance to any investor who values social and environmental “returns” in addition to financial ones.

Despite historic data capture challenges, most Tonic members agree that in theory, standardized impact measurement is valuable, because it:

- **Serves as a communication tool** between investor and investee, helping to clarify expectations, establish accountability, reveal areas of need, and showcase progress. It aligns investor and investee around what is important to both;
- **Allows investors to compare the impact** performance of an investment over time, or compare performances between investments, and even across sectors; and
- **Lightens the burden on the investee.** If multiple investors adopt the methodology proposed here, the investee no longer has to create progress reports that are individually tailored to multiple investors. This can free up valuable time and financial resources. •

## II. BLENDING THEORY AND PRACTICE: DEVELOPING A COHERENT IMPACT METRICS METHODOLOGY

**A**cross the Toniic network, measuring the impact of investments tends to be done in one or more of the following ways:

- Collection of data that can be compared across the portfolio of investments, such as financial data;
- Collection of sector-specific data; and
- Collection of enterprise-reported data that may be anecdotal or qualitative.

This diversity of impact measurement, ranging from the most widely applicable indicators down to more granular, enterprise-level data, provides some Toniic members with a set of data that they believe helps them better understand their investment’s impact.

### Cross-Portfolio Impact Indicators

For direct investments, five IRIS-based impact indicators, referred to here as “cross-portfolio” impact indicators, were selected from the over 450 available IRIS metrics, as they provide a quick and easily collected as well as relevant set of output data from most investments. These indicators represent IRIS indicators most frequently used by Toniic members. And, because these are cross-portfolio indicators, they tend to be focused on business performance metrics. By using the standard definitions provided by IRIS, and collecting this data uniformly across the portfolio, impact investors and their investees can easily aggregate data at regular intervals (quarterly, annually) and monitor portfolio or individual investment performance. These five impact indicators, and a rationale for each, is presented in Table 1 below.

Table 1 **TONIIC RECOMMENDED CROSS-PORTFOLIO IRIS INDICATORS**

<i>IRIS Impact Indicator</i>	<i>IRIS Definition</i>	<i>Rationale for Inclusion</i>	<i>IRIS ID</i>
Client Individuals	Number of client individuals during the reporting period.	Measure the level of activity and the number of beneficiaries of the enterprise’s operations.	PI4060
Jobs Maintained in Financed Enterprise	Number of full-time equivalent jobs at the financed enterprise at the time of the investment; across outstanding investment portfolio.	Monitor the relative size of the enterprise; growth in services; cost efficiencies. Depending on enterprise, demonstrates job growth for low-income populations.	PI5691
Earned Revenue	Revenue resulting from all business activities during the reporting period. Earned revenue is total revenues less “Contributed Revenue” (Grants and Donations).	Monitor the financial well being of the enterprise and relative level of activity; estimate marginal costs. Indicative of the health of the organization and the social impact that it creates.	FP5958
Net Income	Net Income or change in unrestricted net assets resulting from all business activities during the reporting period and all Contributed Revenue. The organization’s net profit.	The enterprise’s bottom line; useful in monitoring the level of philanthropic support over time.	FP1301
New Investment Capital	Value of cash flows from the organization’s financing activities (both loans and investments) during the reporting period.	Monitor the level of activity in attracting new capital and investment to the enterprise, essential for growth and expansion.	FP8293

Although this is a shortlist of impact indicators, combining and cross-referencing these indicators can reveal additional information about an investment's impact. For example, an investor might expect earned revenue to increase if the number of clients increases. Over time, this ratio can be monitored to measure marginal costs and revenues as the total number of clients served changes. Similarly, if earned revenue and total number of clients increases, but job creation remains constant, an observer may infer that the enterprise has gained some level of operational efficiency.

However, these five indicators may not be core indicators for all enterprises. For instance, when assessing a water distribution system, the number of liters of water delivered may be more critical than the number of jobs created. If the data points above are collected without context, they may paint an inaccurately somber – or inaccurately bright – picture of the real benefit an investee is generating.

Business performance metrics, such as most of those identified above, are important in assessing the financial health of any organization. The following set of sector specific metrics begins to drill deeper into the social and environmental impacts that these nascent social enterprises are championing.

### **Sector-Specific Indicators**

By mid-2011, when Toniic's investment activities began in earnest, a number of sector-based clusters of activity figured prominently in some members' investment portfolios. These sectors are: Agriculture, Education, Energy, Environment, Financial Services, Healthcare and Water, and Small and Growing Businesses. These sector clusters are not surprising, given that many of them are aligned with basic unmet needs often identified with the bottom of the pyramid.

The IRIS framework provides multiple impact indicators for each of these sectors. For the sake of simplicity in data collection and

standardization, Toniic Institute has distilled the full IRIS list down to what their members consider to be one to two key indicators for each sector. For investors wishing to apply a narrower lens, the IRIS framework provides further granularity within some of the indicators. For example, IRIS indicator Payments to Supplier Individuals (PI1492) provides sub indicators to track whether a supplier was female or urban or a minority.

**“If the data is collected without context, they may paint an inaccurately somber – or inaccurately bright – picture of the real benefit an investee is generating.”**

### **Enterprise-Reported Indicators**

There is a limitation in using only standardized impact indicators. “Job creation” and “total number served,” for example, do not differentiate a meaningful social enterprise from any other successful business. Thus, these social impact indicators must be accompanied by enterprise-specific impact metrics, as well as qualitative indicators, that tell the larger story of the impact of the enterprise. These indicators may or may not be found in the 450-plus list of IRIS indicators. Capturing this data can provide a bottom-up approach to impact prioritization that complements the top-down approach of reporting sector specific and cross-portfolio indicators.

Some indicators that have been self-reported by Toniic member-supported enterprises include:

- Number of individual suppliers (agriculture, artisanal, etc.) (IRIS indicator PI5350);
- Number of clients provided with access to potable water (IRIS indicator PI2822);

Table 2 **TONIIC RECOMMENDED SECTOR-SPECIFIC IRIS INDICATORS**

<i>Sector</i>	<i>Indicator</i>	<i>Definition</i>	<i>IRIS ID</i>
Agriculture	Sustainable Cultivated Land Area	Hectares under sustainable cultivation.	OI2605
	Payments to Supplier Individuals	Value of payments made by the organization to individuals who sold to the organization during the reporting period.	PI1492
Education	Student Transition Rate	Percentage of students advancing from one level of schooling to the next.	PI4924
Energy	Energy Produced	Energy produced during the reporting period. Include footnote about energy type(s).	PI8706
	Greenhouse Gas Offset/Mitigated	Greenhouse gas offset/mitigated during the reporting period by replacing traditional generation with renewable, modern, or more efficient power generation/use measured in metric tonnes of CO <sub>2</sub> equivalents.	PI5376
Environment	Land Preserved	Hectares of land designated as a strict nature reserve.	PI2012
	Land Reforested	Hectares of land that have been reforested during the reporting period.	PI4907
Financial Services	Effective Interest Rate	The rate that a client pays based on the amount of loan proceeds the client receives.	PI7467
Healthcare and Water	Potable Water Produced	Amount of potable water produced during the reporting period. Footnotes assumptions.	PI8043
Small and Growing Businesses	Full-time Wages	Value of wages (including bonuses) paid to all full-time and part-time employees during the reporting period.	PI9677
	Units/Volume Sold	Amount of the product or service sold by the organization during the reporting period.	PI1263

- Amount of profits re-invested into the community (no IRIS indicator available);
- Increase in wages paid to employees (IRIS indicator OI9677);
- Increase in disposable income among loan recipients (no IRIS indicator available); and
- Frequency of loan defaults (loan write-offs, IRIS indicator FP9717).

Stepping back and sizing up the broader context in which an investment sits may also reveal collateral impacts that may serve to inform the enterprise and the investor. Sometimes important indicators of impact come from the most unlikely data, as demonstrated in the following story from Tonic member Andy Lower, Executive Director of the Eleos Foundation<sup>10</sup>.

<sup>10</sup> [www.theeleosfoundation.com](http://www.theeleosfoundation.com)

**Liberty and Justice**<sup>11</sup>, a Fair Trade certified clothing company that provides formal manufacturing jobs to Liberian women, is an example of the value of community-reported impact indicators. Within six months of the factory's opening, six of the factory's original 25 employees divorced their husbands. In a country where women are often forced into marriage and are frequently the victims of abuse at the hands of their husbands, divorce became an indicator of empowerment and self-sufficiency for these employees – the result of economic self-determination.

This type of social impact would not typically be measured. By incorporating community-reported information like this – which can only be collected through site visits and in-depth interfacing between investor, investee, and the surrounding community – Tonic's members can achieve a much richer and nuanced understanding of an investment's social and environmental return.

On a recent field visit to India, another investor discovered that the same data that the enterprise was collecting to screen clients was also serving to link those clients with vital subsidized services from NGOs and the government.

**SMV Wheels**, a rickshaw finance company, was recently able to connect their clients to a federal housing program, resulting in over 25 families being provided apartments in a new housing development just outside of Varanasi. Now that SMV Wheels has over 700 rickshaws under contract, and because it employs a robust data collection process, programs like this federal housing program can leverage that abundance of data to connect clients to subsidized services. •

<sup>11</sup> [www.libertyandjustice.com](http://www.libertyandjustice.com)



*Smiling and sewing in Liberia. (photo courtesy of Liberty and Justice)*



### III. ANOTHER STANDARD: USING GIIRS AS A THIRD PARTY EVALUATION TOOL

Some Tonic members have begun to utilize a third party impact evaluations and ratings system called GIIRS – the Global Impact Investing Rating System – for syndicated investments. To date, five enterprises invested in by Tonic members have received a GIIRS rating – SMV Wheels<sup>12</sup>, BioLite<sup>13</sup>, Liberty and Justice, eHealthpoint<sup>14</sup>, and Living Forest.

GIIRS ratings, analogous to Morningstar investment rankings, evaluate the social and environmental impact of companies and funds. This is achieved by providing a numerical investment ranking that scores the impact potential of an investment in the areas of governance, employees, community, environment, suppliers, and consumers. GIIRS ratings are scored on a scale between 0 and 200, and are updated and verified annually to ensure that all information reflects current enterprise or fund realities.

Tonic investors and investees say that GIIRS' value add includes:

- **Improved Due Diligence and Impact Tracking:** Investors believe this rating system may enable them to improve due diligence and tracking of social and environmental performance throughout the investment lifecycle, while enabling the analysis of absolute and relative impact. This data capture could potentially lead to better investment decisions;
- **Ability to compare and contrast impact:** Investors may be able to analyze and compare enterprise, fund, and fund manager impact performance, something that is currently not standardized;
- **Helping ventures attract social investment capital:** A GIIRS rating for a social enterprise entering its growth phase may help it attract growth capital;

<sup>12</sup> [www.smvwheels.blogspot.com](http://www.smvwheels.blogspot.com)

<sup>13</sup> [www.biolitestove.com](http://www.biolitestove.com)

<sup>14</sup> [www.ehealthpoint.com](http://www.ehealthpoint.com)

- **The tracking of impact data over time benefits the impact investing community:** The collection of GIIRS data over time could build a comprehensive, academically viable, and data rich resource on the impact of social enterprises, funds and fund managers; and
- **Providing a checklist for young businesses to aspire to:** Some investors have used the GIIRS process as a road map for young enterprises to help them build their businesses.

However, while GIIRS provides some value to the evaluation process, Tonic members have also reported that it may be less useful at rating early stage enterprises and funds because:

- **Early stage ventures and funds are by definition too early in their development:** Organizations in start-up mode are not, by virtue of where they are in their development, able to score well with GIIRS, as many of their systems and processes are not yet in place;
- **Early stage ventures are dynamic:** The GIIRS scoring mechanism does not capture the rate at which organizations/enterprises are scaling and accomplishing their mission goals (and thus, achieving social impact). Rather, the scores are fairly static and reflect an organization's state at a particular point in time. This means that if an organization is rapidly growing, its GIIRS score may quickly become an inaccurate picture of its impact. For this reason, if a young company has the resources, it might be beneficial to do GIIRS assessments annually, or more frequently, if warranted. However, for most early stage companies this is not a priority, at least not yet; and
- **The opportunity cost is perceived as too high:** Because GIIRS is in its early days, some entrepreneurs and investors do not yet see the value a ratings system can bring to impact investing. As more companies and funds receive ratings, it is hoped that entrepreneurs and investors alike will begin to see the value this type of data can bring to investment due diligence and management.

Although Tonic investors and investees have given the use of GIIRS for early stage enterprises mixed reviews, most confirm that a rating system like GIIRS is needed if impact investing is to scale. Interestingly, for companies one year or older, GIIRS has seen that there is little or no correlation between company age and ratings performance, as in the chart below<sup>15</sup>.

**Chart 1 GIIRS CHART**

<i>Years in Business</i>	<i>Developed Markets</i>	<i>Emerging Markets</i>
1-3 years	★ ★ ★ (94)	★ ★ ★ (98)
3-5 years	★ ★ ★ (93)	★ ★ ★ ★ (120)
5-10 years	★ ★ ★ (91)	★ ★ ★ (95)
10+ years	GIIRS Rated (76)	★ ★ ★ ★ (106)

**Kinara Capital**<sup>15</sup>, a social enterprise in India, makes loans to small and growing businesses, filling the gap between microfinance and commercial capital. Kinara’s CEO completed the first part of the GIIRS assessment process, but refrained from completing the rest for three reasons:

- the business was too early in its development to be able to provide some of the information requested;
- the GIIRS term sheet required a three year commitment and although free in the first year, the enterprise would be subject to fees in the second and third year (per GIIRS this contract can be terminated at any time) and for a young enterprise, no clear value add was perceived at this time in their development; and
- because GIIRS is itself a relatively new concept, investors that the CEO has

approached are unaware of the GIIRS process and therefore were not requesting it as part of their due diligence. Despite these hurdles, the CEO does believe that GIIRS has a role to play in the larger impact investing eco-system, but not for the stage of development that Kinara is in at this time.

**Liberty and Justice**, also an early stage social enterprise in Liberia and Ghana, was able to leverage its GIIRS rating to attract more impact first investors. Because the enterprise was further along in its development, with sales Memorandums of Understanding in place and infrastructure on the ground, they were able to complete the GIIRS assessment process and receive a high score. In coordination with the Eleos Foundation, over \$1 million in equity was raised from impact investors.

<sup>15</sup> www.kinaracapital.com

“GIIRS, as it is currently structured, may not be a perfect fit for early stage enterprises, as start-up business models are fragile.”

In summary, GIIRS is an important tool if impact investing is to scale, because it allows investors to quantify and compare the impact of individual enterprises, funds and fund managers. However, GIIRS, as it is currently structured, may not be a perfect fit for early stage enterprises, as start-up business models are fragile – the very list of attributes GIIRS needs to assess are typically either non-existent or in development. The GIIRS team, fortunately, are eager to provide tools that can support this nascent industry, and therefore are working on more tailored tools that will be useful for enterprises at all stages. •



*Preparing dinner in Ghana. (photo courtesy of BioLite Stoves)*

## IV. INVESTOR REFLECTIONS ON IMPACT MEASUREMENT

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Over the past year, Tonic's members and management teams have begun to learn from and hone several best practices for their processes of data collection and analysis. The following are four early observations.

### 1. Integrate Metrics Into the Investment Process

Impact measurement that is integral to the investment process has the opportunity to produce significant benefits during due diligence, fundraising, and as the enterprise grows. Tonic members have shared that:

- **Investees can experience impact reporting** as a powerful differentiator for raising capital;
- **Joint selection of metrics** can establish important communication between the enterprise and the investor from the outset;
- **Longer-term data collection can provide enterprise** differentiation in the market place, easing follow on capital raises; and
- **If metric reporting were to be integrated** with technology platforms like Gust<sup>16</sup> – an angel investor software platform for deal sharing - investors could compare the impact of their investments.

The Grassroots Business Fund is using this strategy for enterprises in their portfolio. Harold Rosen, CEO, shared the following to demonstrate how GBF's early adoption of metrics is benefiting the investment process from due diligence through nurture.

<sup>16</sup> [www.gust.com](http://www.gust.com)

#### Metrics Providing Tangible Early Results

For a \$50-60 million investment fund in far flung geographies, impact measurement could be a costly endeavor. Having learned from his work with the IFC, Tonic member Harold Rosen took the bold step of raising investment capital for the Grassroots Business Fund in parallel with grant capital for capacity building and metric measuring. Early on, his team established a clear list of metrics that would be required for all investments. This was used to successfully market the need for grant match, a great example of how impact metrics integrated into fund design can persuade investors and donors. An integral aspect of GBF's metrics approach is that it enables investees to collect and analyze data crucial for business management. In addition, GBF uses a portion of its grant funding to conduct audits of social metrics and environmental and social practices, which leads to targeted capacity building. In some cases, investees are interested in survey level data of bottom of the pyramid suppliers, and GBF works with them to design and carry out these surveys. This has the dual benefit of supporting the investees in reaching their goals while giving GBF added insight into the outcomes and potential impacts of investees' operations.

“Impact measurement that is integral to the investment process can produce significant benefits.”



## 2. Work with Your Investees

Many seed stage impact investments are young enterprises with limited resources, both financial and time, that impede the collection of data that may not be perceived as germane to their work. However, a social enterprise's ability to prove its impact concept, in order to fundraise, will depend on the rigor with which it collects key impact data. Investors can support this by working with entrepreneurs to help identify key and easily captured impact data. Investors and Investees may sometimes have different priorities, and coming to consensus on a shortlist can be an important exercise for both parties.

“We work with our existing metrics library – some IRIS, some not - to make suggestions to our funds and direct investees. We also ask them what they see as key metrics and drivers for their business and impact they are trying to create. We focus on product and service versus just internal business practice. We also use an extensive line of inquiry as part of due diligence and an annual interview process focused on assessing and cultivating Organizational Sustainability, i.e. culture, culture systems, transition planning, decision making processes, and succession planning.”

—Heidi Krauel, *New Island Capital*

## 3. Collect and Analyze a Variety of Data Over Time

In several examples cited in this document, a strong case is made for the advantages of collecting data that is “cross-sector”, “sector-specific” and “enterprise-reported”. Collecting only one or two varieties of quantitative data can result in a less nuanced, and perhaps inaccurate, picture of the impact or sustainability of an enterprise or fund. “Total number of clients served” and “jobs created”, for example, do not always clearly differentiate a social enterprise from any other type of commercial venture. Combining multiple varieties

of data, on the other hand, allows for a vector analysis that can capture the business basics, while also showcasing innovative forms of impact that may otherwise go unnoticed.

eHealthpoint<sup>17</sup> (see Appendix C) is an example of an organization where enterprise-reported data makes a significant difference. eHealthpoint plans to correlate its provision of potable water with reduced incidence of school and workplace absenteeism, as well as increased availability of disposable income. Both of these correlations indicate significant social impact, but would not make sense as universal indicators.

SMV Wheels<sup>18</sup> is another example of the value of enterprise-reported data. SMV Wheels provides rickshaw drivers in Varanasi, India with the extraordinary opportunity to own the rickshaws they operate every day. Rickshaw drivers are often low-caste, and over 90% of drivers must rent their equipment from usurious owners. Drivers are routinely subject to abuse, extortion and humiliation. One of SMV Wheels' fundamental social goals is to empower its customers. This empowerment cannot be measured only by the number of units that SMV Wheels sells to its clients, or the jobs that the enterprise creates. Therefore, alongside quantitative indicators that help describe the vitality and growth of the business itself, SMV Wheels collects anecdotal information that is reflective of the empowerment of new rickshaw owners. These anecdotes include their growth in personal confidence, as well as whether and how clients have availed themselves of new sources of finance to help improve their lives. It is these sorts of data that help reveal the full social impact of an enterprise.

Finally, the value in data collection, no matter what kind, depends on the ability to compare and contrast performance over time. For investors just beginning the measuring process, year over year learnings are down the road. Tonic Institute plans to continue to work with and track its members' progress and share their learnings with the impact market place via e-updates to this report.

<sup>17</sup> [www.ehealthpoint.com](http://www.ehealthpoint.com)

<sup>18</sup> [www.smvwheels.com/#1](http://www.smvwheels.com/#1)

#### 4. Collaborate with Co-Investors in Impact Measurement

Although often not the norm, syndication for impact enterprises can offer a couple of key benefits:

- A *group* of investors can require a singular set of impact data from all of its investees. In addition to streamlining data collection, this methodology reduces the reporting burden for investees. Syndication ensures that all investors receive the same returns, data, and progress in the same format and timeframe; and
- ‘Group think’ can produce a high value add when coming to consensus on a shortlist of metrics. Investors can learn from each other on how they calibrate success and measure impact.

Following is an example of how impact measurement can be aligned with the vintage of an enterprise, grown over time and managed cooperatively to meet the needs of all investors.



*New rickshaws with their new owners.  
(photo courtesy of SMV Wheels)*

#### Evolving Impact Measurement Over Time

When four Toniic investors gathered to syndicate capital for SMV Wheels, a small enterprise working to enable the poorest of the poor to become asset owners, they agreed to a shortlist of impact metrics based on key benchmarks in the business plan and proportional to the size of the investment. As the business began to grow, the business owner, with the guidance of his new CFO, grew the list of metrics to include ANDE recommended indicators. And most recently, the CFO shared anecdotal data as part of the quarterly reporting, as a way to personalize the data set. The organic growth of reporting structures over time has allowed this enterprise to align reporting with their own internal reporting capacity, while working with the investors to provide them with the reporting they need. Additionally, all four investors have provided feedback on the reporting to help the team arrive at one document that meets the needs of all investors.

In-country co-investors can provide necessary ‘boots on the ground’ to help with due diligence and investment management. Because most impact data is self-reported, and because there is no widely-used third party organization in place for collecting or verifying impact data, it is important for investors to corroborate impact by engaging with their investees on the ground. For investments in far flung geographies, syndication partners in-country can provide an affordable local partner - underscoring the value of a global impact investing platform like Toniic. •



## V. CONCLUSION

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Impact measurement is still an emerging practice amongst impact investors, and the measurement frameworks are also still being constructed, evaluated and revised. This report is an analysis of impact measurement from the perspective of Toniic members and a recommendation from the Toniic Institute on a blended approach to impact measurement, based on feedback and observations from the members of Toniic LLC.

IRIS has shown a great deal of promise for impact investments as a framework for impact measurement. Its increasing use by impact investors can be taken as a sign of its success, and its open-sourced nature sets it up for customization, scaffolding for other measurement methods, and for eventual improvements.

IRIS does, however, present investors with a few challenges. Many of its indicators are better aligned with measuring bottom-of-the-pyramid impacts, and for investors focusing on a “green” portfolio, their measurement needs are not quite yet met with the existing indicators. Nearly all of IRIS’s terms are expressed as numerical outputs, which, alone, are not enough to convey full impact. Rather, anecdotal and enterprise-generated feedback should supplement strict metrics to provide a nuanced, culturally-aware understanding of the effect an organization is having. The framework provided here seeks to incorporate both the cross-portfolio and sector-specific application of certain IRIS metrics, as well as the more specific, anecdotal kinds of impact that must be self-reported by the organization. The latter should be decided upon through a dialogue between the investor and investee. Future progress in this area should go farther in finding metrics that represent an effect on the beneficiary community.

In addition to IRIS metrics and enterprise-reported impacts, some Toniic members have employed GIIRS, a third party ratings tool that functions similarly to

Morningstar investment ratings. GIIRS will need to continue to evolve if it is to have meaning for early stage investments. And the good news is that GIIRS is actively evolving their product based on user inputs. Despite its challenges, a robust third party evaluation and ratings process is important for investors.

*“In addition to exploring IRIS and GIIRS, which help siphon out which kinds of impact to measure, Toniic’s members have learned a good deal in their first year about effective ways to measure impact.”*

In addition to exploring IRIS and GIIRS, which help siphon out which kinds of impact to measure, Toniic’s members have learned a good deal in their first year about effective ways to measure impact. These include being open to a variety of data, working with investees, leveraging a syndicate in order to simplify the reporting process for all parties, and having ‘boots on the ground’. Together, these methods of gathering information can help smooth the road towards a fuller understanding of impact. Toniic Institute will continue to work with, monitor and share the progress of its members as they tackle the task of impact measurement.

If we can incorporate these strategies for understanding impact successfully, and continue sharing effective methodologies and areas of improvement, we can come closer to providing global investors with a widely-used, open sourced, flexible framework for impact measurement. This clarity will help investor to investor, investor to enterprise, and enterprise to enterprise best practice sharing, ultimately serving to scale a better-understood impact investing ecosystem. •

# APPENDIX A

## SUMMARY OF TONIC MEMBER SYNDICATED INVESTMENTS — DECEMBER 31, 2011

No.	Enterprise Name	Summary	Impacts
1	<b>Adobe Social Mezzanine Fund, LP</b> Mexico	First capital and technical assistance provider to commercially viable, socially- and environmentally-focused SGBs in Mexico.	<ul style="list-style-type: none"> <li>• Products and services with an emphasis on poor communities</li> <li>• Job creation</li> </ul>
2	<b>Carego Livewell</b> Kenya	Affordable healthcare delivery for emerging markets, utilizing a hub and spoke model.	<ul style="list-style-type: none"> <li>• Reduction of maternal mortality</li> <li>• Increase in wellness in rural Africa</li> </ul>
3	<b>Clinicas de Azucar</b> Mexico	Affordable diabetes clinics for low and middle income patients in Mexico.	<ul style="list-style-type: none"> <li>• Better management of diabetes</li> <li>• Increase in wellness of patients</li> </ul>
4	<b>eHealthpoint</b> India	Affordable, quality healthcare, pharmaceuticals and clean water access in rural India.	<ul style="list-style-type: none"> <li>• Job creation</li> <li>• Health improvements</li> <li>• Potable water availability</li> </ul>
5	<b>Frogtex</b> Latin America	Mobile business banking services for small enterprise owners in Latin America.	<ul style="list-style-type: none"> <li>• Business efficiencies for small shopkeepers</li> <li>• Wage growth</li> <li>• Job creation</li> </ul>
6	<b>Grassroots Business Fund</b> India, Latin America, & Africa	A fund that invests in high impact businesses serving the global poor.	<ul style="list-style-type: none"> <li>• Job creation</li> <li>• Asset creation</li> <li>• Wage growth</li> </ul>
7	<b>Liberty and Justice</b> Liberia	Helps women in Liberia start fair-trade, cooperatively owned factories and production facilities and gain access to US and European markets.	<ul style="list-style-type: none"> <li>• Job and asset creation</li> <li>• Education</li> <li>• Health programming for women</li> </ul>
8	<b>Living Forests</b> Canada	Mixed-use eco-development alongside permanently protected forests with high ecological value.	<ul style="list-style-type: none"> <li>• Land conservation</li> <li>• Habitat enhancement</li> <li>• Sustainable communities</li> </ul>
9	<b>Lumni</b> Latin America & US	Affordable and flexible loans to college students in Latin America and the US.	<ul style="list-style-type: none"> <li>• College enrollment and graduation</li> <li>• Job creation</li> </ul>
10	<b>Kinara Capital</b> India	Loans to small and growing businesses in India.	<ul style="list-style-type: none"> <li>• Job creation</li> <li>• Wage growth</li> <li>• Sustainable livelihoods</li> </ul>
11	<b>Purpose</b> Global	Digital tools for mass participation in movement-building and self-organization.	<ul style="list-style-type: none"> <li>• Various social change movements around the world</li> </ul>
12	<b>Rethink Autism</b> US	Web-based educational treatment solutions for Autism Assessment, Training, Curriculum, and Data Tracking.	<ul style="list-style-type: none"> <li>• Affordable access to state of the art tools for teachers, parents and caregivers working with autistic children</li> </ul>
13	<b>SMV Wheels</b> India	Rent-to-Own enterprise for bicycle rickshaw drivers in India.	<ul style="list-style-type: none"> <li>• Increased income and assets</li> <li>• Empowerment</li> </ul>

# APPENDIX B

## CROSS-PORTFOLIO INDICATORS (ie. BEYOND CAPITAL FUND DD COMMITTEE INVESTMENT TARGETS TO-DATE)

		IRIS Indicators											
		Cross-Sector							Energy	Water		Health	
Sector	BCF Target	OD6247	PD5752	PD2541	FP5958	FP8293	PI1263	PI7094	PD6596	PD6052	PD6929	PI3424	PI7184
Energy	○	○	○	○	○	○	○	○	○				
		○	○	○	○	○	○	○	○				
		○	○	○	○	○	○	○	○				
		○	○	○	○	○	○	○					
		○	○	○	○	○	○	○	○				
		○	○	○	○	○	○	○	○				
		○	○	○	○	○	○	○	○				
		○	○	○	○	○	○	○	○				
		○	○	○	○	○	○	○					
Health	○	○	○	○	○	○	○	○	○			○	○
		○	○	○	○	○		○				○	○
		○	○	○	○	○	○	○					
		○	○	○	○	○	○	○					
Water	○	○	○	○	○	○	○	○	○	○			
		○	○	○	○	○	○	○		○	○		
		○	○	○	○	○	○	○			○		
Technology	○	○	○	○	○	○	○	○					
		○	○	○	○	○	○	○					
		○	○	○	○	○	○	○					
		○	○	○	○	○	○	○					○
Consumer	○	○	○	○	○	○	○	○					

○: Indicator applicable to BCF Target.

**PARTIAL IRIS IMPACT DATA – KL FELICITAS FOUNDATION: year ending 2010**

<i>KL Felicitas Cross Portfolio Indicators</i>							
<i>IRIS Impact Indicator</i>	<i>No. of Clients</i>	<i>Jobs Created</i>	<i>Direct Investments No.</i>	<i>New Investment Capital</i>	<i>Contributed Revenue</i>	<i>Earned Revenue</i>	<i>Net Income</i>
<i>Taxonomy Code</i>	<i>PI7094</i>	<i>PI3687</i>	<i>FP4359</i>	<i>FP8293</i>	<i>FP3021</i>	<i>FP5958</i>	<i>FP1301</i>
████████████████████							
████████████████████	N/A	297	0	0	0	\$5,885,447	(\$1,053,000)
████████████████████	160,687	N/A	0	0	0	\$4,198,382	(\$94,974)
████████████████████							
████████████████████	7*	175	109**	(\$690,758)	\$1,053,000	\$863,507	\$397,465
████████████████████	238,624***	N/A	2	N/A	\$4,234,000	\$15,689,000	\$1,347,000
████████████████████	1,600,000	5,472	28	\$11,100,000	\$3,436,537	\$4,116,120	\$380,277
████████████████████	18,597	150	12	\$865,000	\$313,022	\$61,376	(\$596,815)
████████████████████	N/A	64	0	0	0	\$38,207	(\$189,080)
████████████████████	172	194,000	227	\$20,400,000	\$7,200,000	\$2,610,000	(\$432,000)
████████████████████	33	6,589	36	\$31,621,622	0	\$1,394,766	\$317,563

## GRASSROOTS BUSINESS FUND IMPACT DASHBOARD

Cumulative metrics beginning at GBF commitment date (varies by investee). Metrics as of Dec 30, 2011.

**\$X million of investment capital**



**\$X million in value created to X artisans, farmers, entrepreneurs, and employees, and their X family members.**

### WEALTH CREATING ACTIVITIES

	<i>Investment Name</i>	<i>Country</i>	<i>Country Income Level</i>	<i>No. of Employees</i>	<i>No. of Farmers</i>	<i>Payments to Farmers</i>	<i>No. of Family Members Supported</i>	<i>Social Return on Investment</i>
Agribusiness	AVSA							
	Freshmacs Ghana*							
	HAI							
	Higher Ground Delevopment Corp.*							
	Honeycare Tanzania (HCAT)							
	Kona*							
	Latco							
	Lotus Foods							
	Procesadora S.A.C.							
	Pwani Feeds							
	<b>Agribusiness Total</b>							

\* Items marked with (\*) are a part of GBF's SME Export Facility (SEF) and receive working capital loans.

## GRASSROOTS BUSINESS FUND IMPACT DASHBOARD

Cumulative metrics beginning at GBF commitment date (varies by investee). Metrics as of Dec 30, 2011.

**\$X million of investment capital**



**\$X million in value created to X artisans, farmers, entrepreneurs, and employees, and their X family members.**

### WEALTH CREATING ACTIVITIES

	<i>Investment Name</i>	<i>Country</i>	<i>Country Income Level</i>	<i>No. of Employees</i>	<i>No. of Artisans</i>	<i>Payments to Artisans</i>	<i>No. of Family Members Supported</i>	<i>Social Return on Investment</i>
Artisanal	First and Main Cambodia*							
	Geolicrafts Ventures*							
	Gone Rural*							
	Indigenous Designs							
	Industree Transform							
	Jaipur Rugs							
	Lotus Pond*							
	Novica							
	Pico Design*							
	Surevolution							
	United Holding*							
	<b>Artisanal Total</b>							

\* Items marked with (\*) are a part of GBF's SME Export Facility (SEF) and receive working capital loans.



## GRASSROOTS BUSINESS FUND IMPACT DASHBOARD

Cumulative metrics beginning at GBF commitment date (varies by investee). Metrics as of Dec 30, 2011.

**\$X million of investment capital**

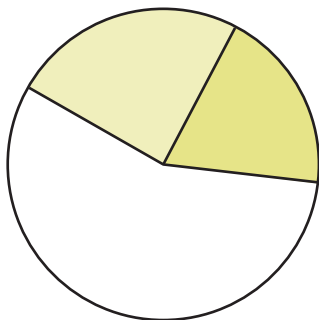


**\$X million in value created to X artisans, farmers, entrepreneurs, and employees, and their X family members.**

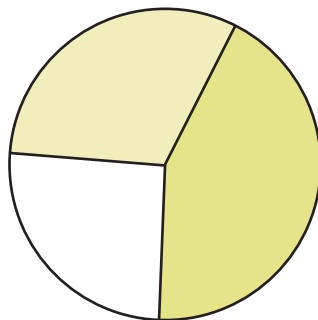
### WEALTH CREATING ACTIVITIES

	<i>Investment Name</i>	<i>Country</i>	<i>Country Income Level</i>	<i>No. of Employees</i>	<i>No. of entrepreneurs Accessing Loans</i>	<i>Total Amount of Loans Outstanding</i>	<i>No. of Family Members Supported</i>	<i>Social Return on Investment</i>
Innovations in Finance	Capcem (SolyDes)							
	IES							
	KDA Microleasing/ Juhudi							
	Selfina							
	Angel Club PT. SEI							
	<b>Innovations in Finance Total</b>							

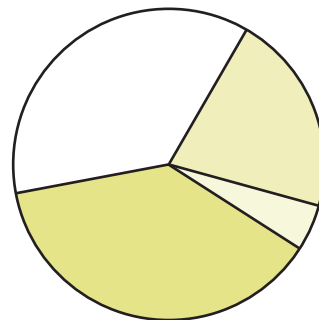
People Supported by Sector



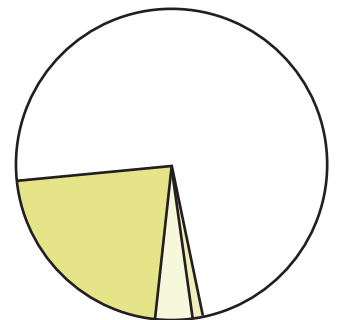
Value Created by Sector



People Supported by Region



Value Created by Region



## GRASSROOTS BUSINESS FUND IMPACT DASHBOARD

Cumulative metrics beginning at GBF commitment date (varies by investee). Metrics as of Dec 30, 2011.

**\$X million of investment capital**

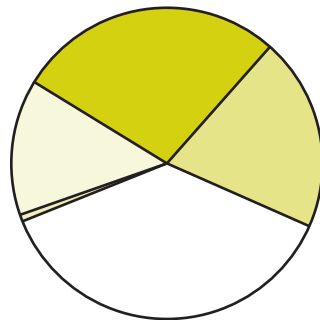


**Provided affordable, quality goods and services, and jobs to X people and their X family members.  
(Lighting, Clean Energy, Mobile Banking, Jobs, Agricultural Technology)**

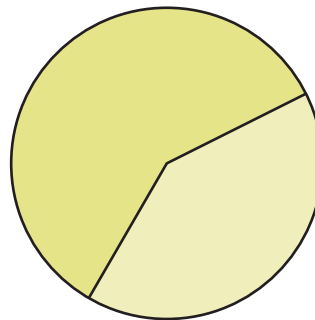
### COST SAVING ACTIVITIES

	<i>Investment Name</i>	<i>Country</i>	<i>Country Income Level</i>	<i>No. of Employees</i>	<i>No. of People Served</i>	<i>No. of Family Members Supported</i>	<i>Social Return on Investment</i>
BoP Services	Barefoot Power						
	BrazAfric Enterprises						
	LabourNet						
	Movirtu						
	MTZL						
	Servals						
	SKEPL						
	<b>BoP Services Total</b>						

People Supported by Sector



People Supported by Region



## IMPACT INVESTMENT PROFILE – ENTERPRISE/FUND NAME: EHEALTHPOINT SERVICES

### Investment Opportunity

eHealthpoint Services is building a network of health clinics and water points in rural villages and smaller towns to deliver high quality, affordable health care and safe drinking water.

#### The Problem or Opportunity:

In India alone, over 200,000 rural villages lack access to clean water, the cause of hundreds of thousands of children's deaths every year. Rural health clinics, where they may exist, are poorly staffed and are often staffed with unlicensed doctors and with very limited access to appropriate diagnostic tools for their clients. Last, rural India has very limited access to modern pharmaceuticals and essential treatments.

#### The Solution:

eHealthpoint – founded in 2009 – is providing scalable, sustainable healthcare delivery infrastructure to rural villages and small towns. It does this by building eHealthPoints, which provide clean drinking water, generic medicines, comprehensive diagnostic services and advanced tele-medical services that “bring” a doctor and modern, evidence-based healthcare to the community. eHealthpoint's access to licensed doctors, in the village, cost one-tenth the average cost of going into town. eHealthpoint provides 70 different diagnostic tests at the clinic, and maintains a licensed pharmacy at each location. eHealthPoint also builds WaterPoints, which are stand alone or clustered units that provide clean drinking water to the community.

#### Revenue Model; Anticipated Returns; Exit Strategy:

eHealthpoint Services is a fee-for-service cash business. Water subscription fee is Rs 75 (\$1.5) per month for 20 liters of clean drinking water daily. Tele-medical consultation is Rs 20 (\$0.40) per consultation. As of July 2012, eHealthpoint has built more than 100 WaterPoints and 8 eHealthPoints. Mature WaterPoints reach EBITDA margins of ~40%, op. margins of ~26%, cash on IRR of more than 18%. The water business will reach profitability with around 350 WaterPoints. eHealthpoint is experimenting with various forms of health services to create a path to profitability for that part of the business as well. It will require growth funding in order to get to EBITDA breakeven and profitability.

#### Relationship to Tonic:

Tonic's original investor (Series A, 2009) in eHealthpoint is Josh Mailman. Charly Kleissner originally met Al Hammond, Co-Founder of Healthpoint at the Santa Clara GSBI in 2009. After conducting site visits in Punjab, India later that year, the KL Felicitas Foundation made an initial PRI investment into eHealthpoint, structured as a convertible note. In 2010, other Tonic members the Eleos, Woodcock, EH and Springcreek Foundations also provided convertible debt financing to eHealthpoint. Two Tonic members invested in eHealthpoint's A1 round of equity financing, completed in June 2011. In June 2012, eHealthpoint successfully closed a bridge round of financing. A Tonic member was the lead investor in that round. Tonic member Charly Kleissner is Chairman of the Board. Tonic member Jim Villanueva is an observer on the board.

#### Summary Description of Past Investments:

To date, Healthpoint Global has been angel backed. It has raised both equity and debt financing: \$2.35M of equity in two rounds; and \$0.72M of social debt. In June 2012, eHealthpoint successfully completed its latest round of bridge funding.

**IMPACT INVESTMENT PROFILE – ENTERPRISE/FUND NAME: eHEALTHPOINT SERVICES**

Investment Characteristics				(1) Impact First <—> Financial First (10)	
Round	Date	Type	Amount	Impact Objectives	Toniic Investors (Y/N)
				2	Y
				3	Y
				5	Y

**TONIIC IMPACT ANALYSIS**

*GIIRS Rating: Rating complete – awaiting final score*

Toniic Cross-Portfolio IRIS Impact Indicators	Baseline Data (12/31/10)	Future targets and dates
Total Clients Served (PI7094)	18,597	Over 100,000 as of 6/30/12
Jobs Created in Financed Enterprise (PI5691)	150	
Earned Revenue (FP5958)		
Net Income (FP1301)		
New Investment Capital (FP8293)		

Enterprise-Reported Impact Indicators	Baseline Data (12/31/10)	Future targets and dates (if available)
Clients provided new access to water (PI2822)	12,798/month	
No. of prescription medicines filled (PI9636)	16,319	

**Notes:** eHealthpoint reports on two additional IRIS impact indicators (above). According to eHealthpoint: “We expect to demonstrate via a 3rd party study that we improve health outcomes such as maternal and infant deaths, rate of hospitalizations, and incidence of water-borne disease and social/economic outcomes such as fewer workdays and schooldays lost to illness, money saved from absence of water-borne disease, money saved from avoided trips to a city to see a doctor.”

IRIS Sector Indicators (if applicable)	Baseline Data (12/31/10)	Future targets and dates (if available)
Potable Water Produced (PI8043)	9,160,800 Liters	
No. of e-Healthpoints	6	8 as of 6/30/12
No. of WaterPoints		Over 100 as of 6/30/12

# APPENDIX D

## TONIIC MEMBER INVESTMENTS: GIIRS SCORES

	Toniic (Avg.)	BioLite	Healthpoint Services	Liberty & Justice	Living Forest Communities	SMV Wheels
<i>Employees Sector Market</i>		<i>1-9 Wholesale Developed</i>	<i>250+ Service Emerging</i>	<i>50-250 Manufacturing Emerging</i>	<i>10-49 Manufacturing Emerging</i>	<i>1-9 Wholesale Emerging</i>
<b>Overall Rating</b>	<b>128.8</b>	<b>103.8</b>	<b>166.4</b>	<b>159.5</b>	<b>90.0</b>	<b>124.4</b>
<b>Governance</b>	<b>9.9</b>	<b>6.8</b>	<b>11.5</b>	<b>9.1</b>	<b>13.7</b>	<b>8.5</b>
Corporate Accountability	6.5	4.6	7.2	6.8	8.5	5.5
Transparency	3.1	2.3	3.9	2.3	4.1	3.0
SEM: Mission Lock Governance Structure	0.0	0.0	0.0	0.0	0.0	0.0
<b>Workers</b>	<b>22.5</b>	<b>19.2</b>	<b>27.3</b>	<b>30.1</b>	<b>20.5</b>	<b>15.5</b>
Compensation, Benefits and Training	14.9	15.9	17.4	14.7	15.3	11.0
Worker Ownership	3.9	2.5	6.8	7.0	3.3	0.0
Work Environment	2.9	0.0	3.1	5.4	1.9	4.0
SEM: Worker Ownership	0.0	0.0	0.0	0.0	0.0	0.0
<b>Community</b>	<b>82.2</b>	<b>53.9</b>	<b>119.4</b>	<b>98.3</b>	<b>47.9</b>	<b>91.5</b>
Community Practices	23.5	8.4	27.5	34.1	24.6	23.0
Suppliers and Distributors	6.7	4.4	4.7	11.0	5.7	7.8
Local Involvement	5.7	2.0	8.0	3.7	10.3	4.5
Diversity	2.8	2.1	0.9	6.1	2.9	2.2
Job Creation	3.7	0.0	7.8	5.3	0.2	5.0
Civic Engagement and Giving	4.6	0.0	6.2	8.0	5.5	3.4
SEM: Community Practices	19.1	0.0	17.4	63.0	15.0	0.0
SEM: Socially Oriented Products and Services	16.3	15.0	29.0	0.0	7.5	30.0
SEM: Serve Those in Need	22.3	30.4	43.5	0.0	0.0	37.7

### TONIIC MEMBER INVESTMENTS: GIIRS SCORES

	Toniic (Avg.)	BioLite	Healthpoint Services	Liberty & Justice	Living Forest Communities	SMV Wheels
<i>Employees Sector Market</i>		<i>1-9 Wholesale Developed</i>	<i>250+ Service Emerging</i>	<i>50-250 Manufacturing Emerging</i>	<i>10-49 Manufacturing Emerging</i>	<i>1-9 Wholesale Emerging</i>
<b>Environment</b>	<b>14.2</b>	<b>24.0</b>	<b>8.3</b>	<b>22.0</b>	<b>7.9</b>	<b>8.9</b>
Environmental Practices	10.5	8.6	8.3	20.2	7.9	7.4
Land, Office, Plant	4.3	4.4	3.1	5.3	6.3	2.3
Inputs	3.9	1.8	2.5	11.7	0.9	2.5
Outputs	1.8	2.4	2.7	1.9	0.6	1.3
Suppliers and Transportation	0.9	0.0	N/A	1.3	N/A	1.3
SEM: Environmental Practices	7.2	36.0	0.0	0.0	0.0	0.0
SEM: Environmental Products and Services	3.0	15.0	0.0	0.0	0.0	0.0
<b>Socially and Environmentally Focused Business Models (SEM)</b>	<b>Points distributed in their relevant impact areas. Each SEM worth up to 30 points.</b>					

### TONIIC MEMBER INVESTMENTS: STAR RATINGS

	BioLite	Healthpoint Services	Liberty & Justice	Living Forest Communities	SMV Wheels
<i>Employees Sector Market</i>	<i>1-9 Wholesale Developed</i>	<i>250+ Service Emerging</i>	<i>50-250 Manufacturing Emerging</i>	<i>10-49 Manufacturing Emerging</i>	<i>1-9 Wholesale Emerging</i>
<b>Overall Rating</b>	★★★★	★★★★★★	★★★★★★	★★★	★★★★
<b>Governance</b>	★★★	★★★★★★	★★★★★★	★★★★★★	★★★★
<b>Workers</b>	★★	★★★★★★	★★★★★★	★★	★
<b>Community</b>	★★★★	★★★★★★	★★★★★★	★★★★	★★★★★★
<b>Environment</b>	★★★	★★	★★★	★★	★★