Impact Measurement –
An update on data providers and their methodologies

February 2024

1. Introduction

We published our very first paper in 2020 which provided an overview of twelve data providers that deliver impact data or measurement based on the United Nations Sustainable Development Goals (SDGs) in the market. Since that last update paper, we have seen a plethora of new developments in the market not only in terms of methodology but also new entrants that are also providing data in this regard. As a general understanding, the 17 SDGs were introduced by the United Nations in 2015 as part of its 2030 Agenda for Sustainable Development. It is common knowledge that though the adaptation of the goals were meant to be from a country level, we have seen over the years the incorporation of the SDGs by businesses to inform the market of the impact they are having on helping to solve societal and environmental challenges and most recently even the incorporation of the SDGs into fund strategy.

For the classification of important terms, we refer to the DVFA Guidelines on Impact Investing and the definition of GIIN: Impact Investments are Investments made with the Intention to generate positive, measurable social and environmental Impact alongside a financial return [1].

The focus of this study is on measuring the impact of the company or the change in the world through the activities of the company in which an investor is involved and less on the impact of the investors, e. g. through active engagement. Forms of the impact of a company can be:

1) Companies enable third parties to improve their ecological or social footprint or to offer products or services to solve social or ecological challenges ("enablers").
2) Companies contribute to improving their environmental or social footprint by changing their business model or business processes ("transformers").
3) Companies contribute to solving social or ecological challenges with their products or services ("Pure Plays")[2].

Since our last paper, regulation has been expanding especially with the Sustainable Finance Disclosure Regulation (SFDR) where asset managers are required to indicate whether their funds fall into different categories as defined by Article 6, 8 and 9. We have seen a vast majority of funds with an article 9 association or so called "Dark Green Funds" that have an impact stand. Therefore, it is only fair to say that the need for impact data has over the years been growing especially with the strong scrutiny from regulators of how these article 9 funds are measuring and indicating their sustainable investment percentages.

We had in our previous paper raised some important questions which we still use this time around to understand some very pertinent questions: (1) How can we measure the SDG related impact of financial instruments and funds? (2) What is actually measured? (3) What is the defined methodology? (4) What kind of data is needed? (5) What is the analytical output?

This is by no means a recommendation of these providers. We have in this paper only included seventeen providers who in our view offer their tools to a broader client base.

Similar to our past paper, the text is structured in the way that we briefly describe for every selected provider: (1) the methodology to assess the SDG impact, (2) the data source which is often based on

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[1] https://thegiin.org/impact-investing/
[2] DVFA Guidelines of Impact Investing, p. 6

publicly available company information, (3) output, which ranges from company and portfolio scores to performance ratings and revenue impact and last but not least (4) data coverage which ranges from a broad universe of companies to providers of analytical tools for internal evaluations.

As we clearly indicated in our last paper, we expected that the number of providers to grow and the quality & quantity of data and methodology to improve over time. From the twelve data providers in our last paper, we now have seventeen data providers that we highlight in this paper.

2. Overview of providers

We organize this section by alphabetical order of the SDG Impact Measurement providers. After mentioning the SDG measurement tool name of the provider, we briefly describe their methodical approach on how the providers have measured or aligned the SDGs. We list the thematic sustainability dimensions and present the data sources used by the provider. We also briefly describe the output and their coverage universe.

2.1 Clarity AI

Clarity AI's proprietary Impact methodology quantifies the impact a company has according to the UN SDGs framework and considers both a company's operations and its products and services. Clarity AI has developed a research-based scalable methodology to measure Impact. The SDG Impact Scores help investors to understand which companies are generating more social value in the world. These scores measure the impact (rather than the revenue alignment) of a company across the SDGs in a way that enables comparison across companies, within and across industries, and across SDGs. Clarity AI's impact scores focus on quantifying and monetizing the impact a company makes in real world terms. The scores go beyond simply looking at whether a company is aligned with a specific goal. For example, instead of looking at the revenue a company makes from the sale of a life-saving drug, Clarity AI's tech platform quantifies the impact in terms of the monetary value to the world of the lives saved by this treatment. Impact is shown as Impact Units, a common unit enabling comparisons among companies and across seemingly disparate metrics, and it is visualised in one of seven categories from Worst to Best, with a score on a 1-100 scale, and via an industry score distribution. Clarity AI's Impact Scores are available in a Web Application, through API data feeds, and in widgets." Clarity AI covers more than 30,000 companies and 135,000 funds.

2.2 Impact-cubed[3]

The "Portfolio Impact Report" delivers measurement of the investment exposure to a set of 15 ESG factors across 4 dimensions: Environment, Governance, Products & Services SDG Alignment, and Society. The tool and associated data are applicable at issuer and portfolio level. Impact Cubed uses company disclosed data combined with public datasets. The outputs are detailed company or portfolio-level reports including a summary impact graph and an impact number, which indicates the portion of risk (tracking error) that was used to reach the ESG exposures. Existing coverage is 23,000+ corporate issuers, and additional coverage of all listed issuers can be provided on an ad hoc basis. The same factor-based

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[3] Available at https://www.impact-cubed.com

approach also covers 400,000+ fixed income securities, including 190 sovereign debt issuers, which can be combined in a multi-asset portfolio assessment.

2.3 Imug-Rating[4]

Imug´s "Impact 360" tool evaluates projects for their contribution to the global Sustainable Development Goals and provides a quantitative and qualitative impact assessment of individual projects. The output of the tool is a quantitative calculation of the positive contribution of a project to the global and local sustainability agenda as well as a visualised report with a corresponding label. The coverage is on-demand based.

2.4 Inrate

Inrate´s "ESG Impact Ratings" measure positive and negative impacts of production, products and services of companies on environment and society. The thematic impact areas are Environmental, Social, Governance. Furthermore, the ESG Impact Ratings include an assessment of a company's CSR Reporting and a controversy assessment. The analysis is based on data from CSR reports/websites, annual reports, media and NGO reports as well as additional sources. The output is a company profile report including an ESG Impact Rating on a 12-step scale (A+ to D-). The coverage universe is stated as ca. 3,200 companies and countries.

Inrate also has another tool, the "SDG Portfolio Analysis" provides information on how a company or an investment portfolio contributes positively and negatively to the SDGs. The analysis is based on Inrate´s Business Segmentation Analysis which splits a company revenue based on 400 different revenue categories. The basis for this revenue split are sales data from the companies' annual reports on one hand and Inrate's proprietary analysis which defines positive and negative contributions per each of the 400 revenue categories. The coverage for this product is ca. 3,200 companies.

2.5 IRIS+[5]

The tool "IRIS Metrics" is an identification of generally accepted performance metrics that measure the social, environmental and financial performance of an investment. The IRIS + gives access to generally accepted Core Metrics aligned to common impact themes and to the Sustainable Development Goals (SDGs). The standards that underpin the IRIS+ system are updated on an ongoing basis in accordance with market evolution. Additions to the Core Metrics Sets are informed by the Navigating Impact project which draws from evidence-based research and a broad stakeholder consultation process, including open public comment periods.

2.6 ISS-ESG[6]

ISS-ESG´s "SDG Solutions Assessment" is based on definitions of 15 sustainability objectives, which are closely aligned with the SDGs and delivers assessments of companies' contribution towards sustainable

[4] Available at https://www.imug.de/fileadmin/user_upload/Downloads/imug_rating/Produktflyer/imug_rating_360_wirkungsmessung_2018.pdf

[5] Available at https://iris.thegiin.org/metrics

[6] Available at https://www.issgovernance.com/esg/impact-un-sdg/sustainability-solutions-assessment/

development (revenue based). It contains both, an aggregate assessment in the form of the SDG Solutions Score as well as more detailed information and data points regarding specific sustainability objectives. The thematic areas are eight environmental objectives and seven social objectives. The tool works at a product level (positive/negative impact) and draws on the data obtained through the ISS ESG Corporate Rating. The output is a detailed dataset including 75 individual data points per company, providing detailed information on the percentage of net sales generated with products or services with positive, negative or no direct impacts (assessed on a 5-point scale: Significant Contribution, - Limited Contribution, - No Impact, - Limited Obstruction, - Significant Obstruction. The universe covers 11,538 issuers.

2.7 Integrum ESG

Integrum ESG´s data is gathered by both artificial and human intelligence which captures, verifies and displays granular and relevant ESG data. They have developed proprietary ML (Machine Learning) models and Neural Network NLP (Natural Language Processing) which operate in 187 languages, to capture and pull in a variety of data from company-disclosed sources. For non-publicly disclosed company reports they have also developed a data gathering tool to allow not only public equity investors to analyse ESG and Impact but also private equity investors. Integrum ESG focuses on material metrics which are sector specific, but also analyses and scores the UN SDG-alignment of every company, using the Impact framework developed by the University of Cambridge Institute for Sustainability Leadership (2019) "In search of impact: Measuring the full value of capital. Update: The Sustainable Investment Framework". This framework enables investors to make simple and practical measurements, both qualitative and quantitative, across 6 themes which are highly representative of a company's contribution to the UN SDG's. We could not obtain publicly available information regarding the coverage universe.

2.8 MSCI ESG[7]

MSCI's "ESG Manager" delivers sustainable impact assessments. The core of the methodology is the identification of the companies' exposure to sustainable impact themes based on revenue percentages (revenue based). MSCI provides sustainable impact metrics for 7 social impact themes (i.e. nutrition, major diseases treatment, sanitation, affordable real estate, SME finance, education and connectivity) and for 6 environment impact themes (i.e. alternative energy, carbon & energy efficiency, green building, sustainable water, pollution prevention and sustainable agriculture). The analysis delivers results on the company and portfolio level. The data sources are based on company information and in-house research. The outputs are company, industry and thematic reports and impact scores (impact revenue in percent) for portfolios. Currently there are ca. 10,100 companies in the coverage universe. Furthermore, MSCI developed an SDG Alignment framework to provide a holistic view on companies' net contribution – positive vis-a-vis negative – towards addressing each of the 17 SDGs. We offer an assessment of each company's overall alignment with each of the 17 SDGs, called SDG Net Alignment. This is expressed both in the form of a numeric score (-10 to 10) and a categorical assessment (e.g. "Aligned," "Misaligned"). In addition, we also provide assessments of two dimensions available for each company and for each of the 17 SDGs: SDG Product Alignment based on the SDG Product Alignment Score, and SDG Operational Alignment based on the SDG Operational Alignment Score.

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[7] Available at https://www.msci.com/documents/1296102/20848268/MSCI-SDG-Net-Alignment.pdf/3dd59d08-3de3-e7e0-7f94-f47b5b93a9ed

2.9 Net Purpose

Net Purpose is the world's first dedicated data provider for responsible, sustainable and impact investors, with a mission to make impact measurement effortless for all investors by 2025. Net Purpose provides quantitative data on the social and environmental performance of publicly listed companies, enabling investors to measure their contribution to the UN Sustainable Development Goals. Their dataset focuses on 10 SDG themes, for example clean energy, CO_2 emissions, water use, access to healthcare, gender equality and job creation. The data is sourced from company sustainability reports and annual reports, with full click-to-source transparency provided to underlying source files. Net Purpose also provides detailed analytics, underpinned by scientific research, to estimate the impact of products and services where this is not disclosed by companies, enabling clients to compare companies based on the impact of different technologies and not just revenue. The coverage universe is over 2,000 companies.

2.10 SEB[8]

SEB´s "SEB Impact Metric Tool" values ESG operations and impact for companies. For every factor such as diversity a specific metric is defined. The impact factors are based on if the company's products or services are aligned with the 17 SDGs. The tool is used for company and portfolio analysis. The coverage universe contains more than 50.000 companies.

2.11 Sinzer

Sinzer started off as an impact measurement software provider with an in-house developed software platform in 2018. Sinzer offers advisory services and tools to help organisations assess, report, manage and improve their impact on people and planet consistently, be accountable to stakeholders and society, and maximise their value. Sinzer works with businesses, financial sector and nonprofits to identify focus SDGs, measure performance and contributions against these, and develop SDG reports to communicate results to stakeholders. We could not obtain publicly available information regarding the data source nor the coverage universe.

2.12 South Pole

South Pole`s "SDG Aligned Impact Assessment "offers qualitative and quantitative analysis to help impact fund managers understand the extent to which the impact contributions of their investments are aligned with the SDGs. The company supports clients to develop frameworks to monitor annual impact from projects or products, selecting from a series of indicators and metrics aligned with relevant SDG sub-targets. South Pole's approach is based on bespoke analysis and is applied on a case-by-case basis to enable detailed impact and alignment analysis, considering project-level data and/or companies' products depending on clients' needs. The bespoke approach to SDG impact provided by South Pole can also be utilised for the Sustainable Finance Disclosure Regulation (SFDR). The coverage is based on data availability and in-house research.

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[8] Available at SEB Impact Metric Tool, ESG Portfolio Management, Portfolio Advisory , March 2019

2.13 Sustainalytics[9]

"Sustainalytic's Sustainable Product Research" enables investors to identify companies that, through their products and services, contribute to a more just and sustainable world. The analysis focuses on companies revenues and covers 12 social and environmental themes; for example, affordable housing, green transportation, green buildings, energy efficiency, renewable energy and financial inclusion, among others. Sustainalytics also provides a mapping of how each theme links to a Sustainable Development Goal (SDG). Products and services are identified as 'sustainable' if either (1) through their use, they offer significant environmental or social benefits and/or reduce the impact of business activity or consumption (for example, energy efficiency or water efficiency technologies); or (2) they address basic social needs and that are produced in a sustainable manner (such as sustainable food and agriculture or renewable energy). The coverage universe covers over 10,000 listed companies.

2.14 Das Upright-Projekt

The Upright net impact model is a mathematical model of the economy that quantifies the net impact of companies. The model is based on machine learning, open-source science, and the products and services that companies produce and offer. Upright's taxonomy consists of 13,000+ product and service categories that are connected with 500,000+ links based on their value chain. Using Natural Language Processing (NLP) techniques, the model has been taught to understand causality in scientific articles (a database of 200+ million articles) and summarize what science knows about all the impacts that the products and services have on society, knowledge, health, and the environment. These four dimensions are further broken down into 19 impact categories in two valences (negative and positive). In essence, the model allocates all positive and negative impacts caused by the whole private sector globally to real companies, subsequently giving insight into the net impact profile of different companies. Upright's current coverage is 14,000+ companies. In addition, Upright provides EU SFDR PAI and Taxonomy data, as well as data on both positive and negative UN SDG contributions for its whole company coverage.

2.15 Moody's ESG-Solutions

Moody´s "SDG Alignment Screening" screens data on each of the 17 SDGs with a dual lens methodology. The coverage universe is stated at approximately 5000 listed companies covering over 300 datapoints. The dual lens approach covers a "Net Contribution Lens" and a "Net Behaviour Lens" which assesses a company's contribution it makes to the SDGs based on its products and services and on its disclosures on policies and systems as well as its exposure to and management of controversies.

Moody´s also has a „Sustainable Goods and Services"tool which evaluates what percentage of a company's activities are contributing to sustainable development. The classification of each company's impact within 9 themes of analysis, in line with the SDGs: Access to information, Capacity building, Energy & Climate Change, Food & Nutrition, Health, Infrastructure, Responsible Finance, Water & Sanitation, Protection of ecosystems. The coverage universe is stated as over 4,500 companies. We could not obtain publicly available information regarding the data source.

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[9] Available at https://www.sustainalytics.com/sustainable-products-research/

2.16 RepRisk

RepRisk believes that in addition to proactively and positively contributing to the attainment of the SDGs, it is fundamental that companies and projects do not harm or reverse progress on the goals. RepRisk approaches ESG risk from an outside-in perspective, using a combination of artificial and human intelligence to analyze information from over 100,000 public sources and stakeholders in 23 languages - intentionally excluding self-disclosed company data, as these can mask risk. This unique perspective provides insights into the negative impacts of business conduct on people and planet, as well as on bottom-line compliance, reputational, and financial implications for companies and its stakeholders.
RepRisk maps its ESG research scope to each of the 17 SDGs. Its SDG Risk Lens enables users to gauge potential negative impact of companies' operations on the SDGs. It allows users to, i) assess the ESG risk exposure of a company or project through an SDG lens by seeing which ESG risk incidents are related to any of the 17 SDGs; and ii) Benchmark companies from the same sector against each other, providing insights into how a company's performance relates to the overall sector. RepRisk's coverage expands on a daily basis as companies with ESG risks emerge. Currently, 215,000+ public and private companies and 60,000+ infrastructure projects across every sector and market are associated with ESG risks in the dataset.

2.17 S&P Global Trucost[10] [11]

S&P Global Trucost´s "SDG Evaluation Service" helps companies, insurers and banks assess their contribution to SDGs in a comprehensive manner. This service provides a quantitative analysis of the performance on the SDGs across the value chain, from raw material inputs to product use and disposal. It delivers scorecards of companies' overall SDG performance and individual scores for each goal, including positive contributions towards the SDGs as well as negative impacts and identifies the most relevant SDGs for a company, with prioritized risks and opportunities.

Besides this, S&P Global Trucost provides SDG impact specific data for investors on a universe of 15,000 companies (99% of global equity market). This includes data on the X Degree Alignment (SDG 13), Green GWh (SDG 7), recycled waste/% Recycled (SDG 11) and SDG revenue share (several SDGs) of companies as well as the avoided impact/ environmental net benefits (several SDGs) of green bonds, infrastructure, real estate and project-related investments.

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[10] S&P Global Trucost SDG Evaluation available at : https://www.spglobal.com/esg/solutions/company-analytics-sdg-evaluation
[11] S&P Global Trucost Portfolio Impact Analytics available at: https://www.spglobal.com/esg/solutions/portfolio-analytics-impact-portfolio-analytics

3. Conclusion

We have seen over the last couple of years the increase of providers that provide both investors and companies with measurement of impact data to the alignment of the SDGs. From the twelve providers we had in our previous paper, we observe that some have significantly increased their coverage, improved their methodology and even extended the data to different asset classes:

- Impact Cubed: extended coverage from 14,000 companies to 23,000 companies and now covers 400,000+ fixed income securities
- Imug: status quo in terms of methodology and coverage information
- Inrate: extended coverage from 2,800 companies to ca. 3,200 companies and increased its defined positive and negative contributions from 330 to 400 revenue categories.
- IRIS+: Initially described companies impact objectives to 17 different types of metrics and now has extended this to include a navigating impact management project whereby additional core metrics can be set
- ISS-ESG: extended coverage from 10,000 to 11,538 issuers.
- MSCI-ESG: extended coverage from 8,500 to 8,600 companies.
- SEB: no changes
- Sinzer: status quo in terms of methodology and coverage information
- South Pole: status quo in terms of methodology and coverage information
- Sustainanalytics: no changes
- Trucost: Renamed to S&P Global Trucost (no other updates)
- Vigeo Eiris: Renamed to Moody´s ESG Solutions (no other updates)

In this paper, we have identified five additional providers that also provide impact related solutions. We provide here a snapshot of their coverage (if available) and methodology:

- Clarity AI: provides an SDG Impact score with a coverage of more than 30,000 companies and 135,000 funds
- Integrum ESG: provides scores on the UN SDG-alignment of companies
- Net Purpose: quantitative data on companies SDGs contributions with a coverage of over 2,000 companies
- Upright: quantifies the net impact of companies with a coverage of over 14,000+ companies
- RepRisk: provides the negative impact of companies' operations on the SDGs with a coverage of 215,000+ public and private companies and 60,000+ infrastructure projects

We had in our previous paper recommended the steps below to investors who are providing SDG related information such as (1) quoting the source of information (2) if numbers are an estimate to provide how these numbers are populated (3) be transparent on the methodology and reasoning of matching the SDGs (4) consistency in impact metrics and provide reasoning if there is a change in methodology and (5) provide year on year (YOY) change of the impact either net impact scores or revenues etc. In line with the current developments in the market, especially the current debate of Article 9 funds with

an impact approach, we recommend this additional step (6) provide the % of turnover of a company contributing to a sustainable investment goal and the reasoning of its contribution.

Aligning the SDGs is still not as easy as it seems and we continue to belief that this statement still holds as there are various challenges and constraints that are associated with this as indicated in the Berenberg WAM SDG Paper (2018)[12.]

This view seems to be still shared by investors as the results from the updated Berenberg WAM SDG Paper (2022)[13] showed that the majority continue to 'consider but not directly use' the SDGs in their investment process, indicating that they have a role to play in ESG-related investments, but their application continues to be a work-in-progress. Furthermore, when disaggregating the data by investor group, the study finds that while private investors continue to use the SDGs as a way to frame investment preferences, fewer asset managers use the SDGs to measure impact. We believe that going forward we will continue to see development in methodologies, data and also standards being established to further push impact measurement.

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[12] Berenberg ESG Office (2018), Understanding the SDGs in Sustainable Investing, available at https://www.berenberg.de/files/ESG%20News/SDG_understanding_SDGs_in_sustainable_investing.pdf
[13] Berenberg ESG Survey (2022), SDG and Climate Investing – Exploring Investor Sentiment, available at https://www.berenberg.de/uploads/web/Berenberg-ESG-Survey-2022.pdf

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