FISH 2.0
BUSINESS BRIEFINGS

Communicating Impacts to Investors

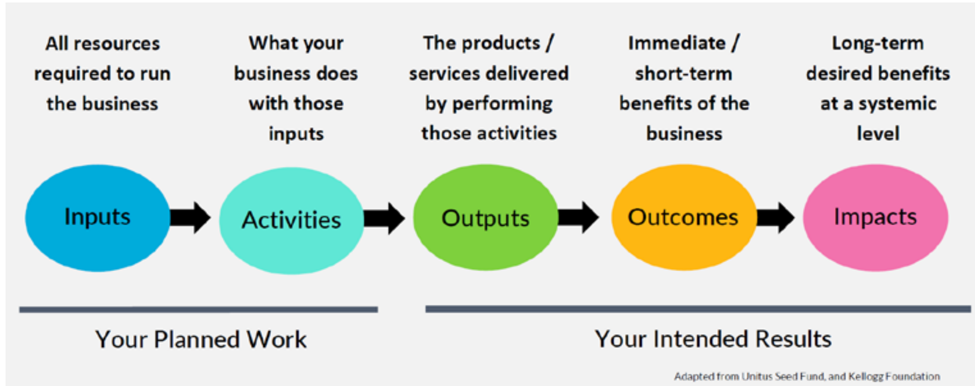
Impact investing is not about trade-offs between profits and impacts, but about finding opportunities where the sum is greater than its parts. While revenue growth and profitability are important, impact investors will often take the longer view, offering investment terms that could allow social enterprises to grow more quickly through profit reinvestment and/or sharing upside with stakeholders. Entrepreneurs should expect diligence to delve deeply into their business models, and they should also be able to demonstrate how growth will scale financial returns as well as social and environmental impacts.

Not all investors who care about impact identify themselves as impact investors. When other business factors are equal, investors are more likely to make an investment that has positive impacts. This is because impact ventures signify a commitment to a larger vision, potential for creating a strong brand, and meaningful relationships with customers and partners.

Impact investors are increasingly interested in the sustainable seafood sector, as consumer demand grows and as public interest in healthy oceans and coastal communities rises. To attract available impact investment funds — projected to reach up to $1 trillion by 2020[1] — seafood businesses must show that they have an investment-ready venture, clear revenue and impact goals, metrics to measure progress, and a regular reporting method that is transparent and committed.

To ensure that there are no trade-offs for cost efficiency, metrics must be measurable in the regular course of a company's business. They should demonstrate impacts on resources, people, and issues of importance. Identifying the likely potential impacts and relevant metrics can allow ventures to secure investors and partners whose goals are well aligned with their own. These partners will support the business with guidance on all three elements of its bottom line.

Measuring Your Impacts – Key Points to Consider



What Counts and What Can Be Counted

Outputs are the result of specific activities of a business, while outcomes are the short-term benefits of a venture's actions and outputs. For example, a business that ensures seafood product traceability will place monitoring equipment on vessels (activity) and collect data (output), thus reducing illegal fishing (outcome). Outcomes cannot always be directly attributed to actions and may be hard to measure. Impact metrics should focus on easily measurable and visible outputs, even though outcomes are the stepping stone to long-term impacts.

Don't Reinvent the Wheel

A simple set of 3–6 meaningful social and environmental impacts should suffice to demonstrate a venture's activities. There is not yet a widely accepted set of environmental metrics for seafood ventures, but ideas may be available from NGOs, community leaders, and certification criteria. For social metrics, IRIS is a good resource. Choosing social metrics that are in use across sectors makes it easy for investors to track impacts across their entire portfolio.

Accentuate the Positive, Mitigate the Negative

Impactful ventures will take steps to mitigate the potential unintended negative effects of their growth, even when their primary concern is to create meaningful positive impacts. For example, a venture that offers fishermen in a remote community a high price for their catch, thereby improving employment and income, might inadvertently incentivize youth to work and not attend school. This negative impact could be mitigated by setting a policy to buy only from fishermen whose children are in school.

Be SMART About Your Metrics

SMART metrics are **S**pecific, **M**easurable, **A**chievable, **R**elevant, and **T**imebound. Each metric chosen should be evaluated against all of these parameters. SMART metrics can demonstrate progress toward a goal (e.g., how a number changes over time) or differentiate performance relative to the competition. They bring accountability and credibility to a venture. To reduce bycatch, for example, the SMART metric might be "pounds of bycatch/month" or "pounds of seafood sold vs. pounds of seafood discarded," thus allowing comparisons over time. This is relevant if data can be collected during the course of business and if there is a baseline against which progress can be assessed.

Source:
1. The GIIN (https://thegiin.org/impact-investing/need-to-know/#s1).

Authors:
Monica Jain
Steffanie Munguía

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