Module 1: Impact Measurement Foundations

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> **Module Overview:** Before defining a SUI, founders must understand why and how impact measurement has evolved, what the major frameworks require, and where the field is heading. This module provides that foundation in approximately 2 hours of reading and reflection.

Learning Objectives

By the end of this module, you will be able to:

1. Explain the difference between outputs, outcomes, and impact — and why the distinction matters financially
2. Name the five major impact measurement frameworks and describe their primary use case
3. Explain what "additionality" means and why investors require it
4. Describe the "double materiality" concept and how it applies to climate startups
5. Map your company's impact claim to at least one established framework

1.1 The Ladder of Impact Evidence

Not all impact evidence is equal. Impact investing practice recognises a hierarchy of evidence quality, from least to most credible:

Level	Evidence Type	Example	Investor Credibility
1	Anecdote	"Our farmers tell us they use less fertiliser"	Very low — not financeable
2	Output data	"We sold 10,000 kg of product in 2024"	Low — shows market adoption, not impact
3	Outcome proxy	"Based on product specifications, we estimate 1,000 tonnes CO?e avoided"	Moderate — acceptable for seed stage

Level	Evidence Type	Example	Investor Credibility
4	Pre/post measurement	"Soil nitrogen measured before and after application; 135 kg N/ha reduction observed"	Good — Series A acceptable
5	Controlled comparison	"Randomised plots with and without treatment; statistically significant N reduction"	Strong — Series B and beyond
6	Third-party verified	"ISAE 3000 verification of LCA methodology and field data; annual audit"	Institutional — blended finance eligible

Most climate startups enter the CTH programme at Level 2–3. The SUI framework is designed to move them to Level 4–6 efficiently.

1.2 Outputs vs. Outcomes vs. Impact

This distinction is foundational and consistently misunderstood:

- **Output:** What you produce or do. *Examples: kg of biostimulant manufactured, kWh of charging capacity installed, litres of clean water distributed.*
- **Outcome:** The change in the world that results from your outputs, in the short to medium term. *Examples: kg of synthetic fertiliser displaced, CO?e emissions avoided, incidence of waterborne disease reduced.*
- **Impact:** The portion of the outcome that is attributable to your intervention — net of what would have happened anyway (counterfactual) and net of contributions from other actors. *Impact = Outcome ? Counterfactual ? Deadweight ? Displacement ? Attribution to others.*

The SUI is an *impact* claim, not an output or outcome claim. It requires both the measurement of the outcome AND the subtraction of the counterfactual to arrive at the attributable change.

1.3 Additionality: The Core Test

Additionality asks: "Would this impact have happened anyway, without your intervention?" If the answer is largely yes, the impact is not additional — it is deadweight. Investors and MDBs increasingly require proof of additionality before counting impact:

- **Financial additionality:** Would the project have happened without the concessional or impact finance? (Relevant to DFI investment)
- **Impact additionality:** Would the environmental outcome have occurred anyway — through market forces, regulation, or competitor actions?

A SUI with a robust counterfactual baseline is, by definition, demonstrating impact additionality. The baseline represents what would have happened without the enterprise — the SUI represents the additional change the enterprise produced.

1.4 Double Materiality

The EU's Corporate Sustainability Reporting Directive (CSRD) introduced the concept of "double materiality" — the requirement to report both:

1. **Impact materiality:** The company's impact on the environment and society (outside-in perspective)
2. **Financial materiality:** How environmental and social factors affect the company's financial performance (inside-out perspective)

The SUI framework operationalises double materiality for startups: the SUI captures impact materiality (what the company does to the world), while the SUI-WACC hypothesis captures financial materiality (how verified impact changes the company's cost of capital). For climate startups, these two dimensions are deeply linked — which is precisely why the SUI has financial relevance beyond its communication value.

1.5 The Major Frameworks: Quick Reference

Before proceeding, review these five frameworks at a high level. You do not need to master them — you need to know which one is most relevant to your sector and what it asks for:

1. **IRIS+ (GIIN):** Go to thegiin.org/iris-plus and search your sector. Find 2–3 indicators that match your SUI outcome. Bookmark them.
2. **IMP Five Dimensions (Impact Frontiers):** Read the one-pager at impactfrontiers.org. Notice the "Contribution" dimension — that's your additionality/attribution challenge.
3. **IFVI / Capitals Coalition:** If your impact has a monetary value angle, visit ifvi.org. The Product Framework translates physical impacts into financial values.
4. **IFC AIMM:** Download IFC's AIMM methodology document. Do a rough self-score. Note which dimensions you score low on — those are your SUI development priorities.
5. **EU Taxonomy:** Go to the EU Taxonomy Compass at ec.europa.eu/sustainable-finance. Search your sector activity. Read the technical screening criteria for your applicable environmental objective.

Reflection Exercise

Before moving to Module 2, answer these questions in writing:

1. What level of the Evidence Ladder does your current impact claim sit at?
2. Is your primary claim an output, outcome, or impact? If output or outcome — what would you need to make it an impact claim?
3. What is your counterfactual? What would happen in your target market without your product?
4. Which of the five frameworks is most relevant to your sector? What does it ask you to report?

Bring your written answers to your first CTH SUI Workshop session.

Next: Module 2: Defining Your SUI — the hands-on workshop session.

Revisión #1
Creado 2026-06-08 20:35:21 UTC por Angelica Diaz
Actualizado 2026-06-08 20:35:21 UTC por Angelica Diaz