



United Nations Principles for Responsible Investment  
Academic Network Conference

**Measurement Matters:  
Maximizing TOTAL Return on Responsible  
Investments in Private Equity**

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## To Do List

- **Overview of Pacific Community Ventures**
- **Why measurement matters**
- **What to measure—Outcomes vs. Impacts and the Leap of Faith**
- **Process**
- **Case Study: CalPERS California Initiative**
- **There is no free lunch—paying for measurement**
- **Contact Information**



Investing human, intellectual and financial capital in small businesses to create opportunity and shared prosperity in economically underserved communities

### Nonprofit

**Equity Investing**

\$60+ million committed capital  
Invest for market rate financial AND significant social returns

**Business ADVANCE**

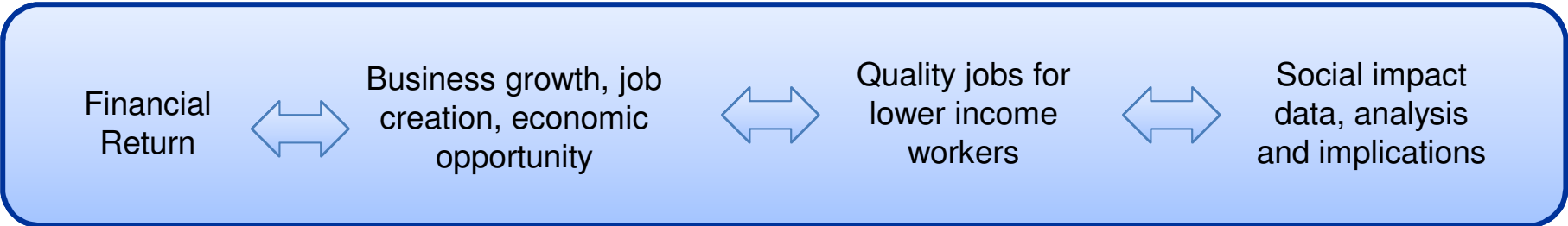
Capacity-building for small businesses that benefit economically underserved communities

**Employee OnRamp**

Asset-building and health care solutions for lower income workers

**InSight**

Research and thought leadership in equity investing for financial AND social return





## **Enabling investors to integrate nonfinancial impacts into investment decisions.**

- Design social due diligence systems**
- Evaluate social return on investment**
- Policy/Issue-related research and analysis**

# PCV InSight Clients



**PACIFIC**   
COMMUNITY VENTURES, LLC

ABOUT US | INVESTMENT APPROACH | BUILDING BUSINESS | PORTFOLIO

True  
Win-Win  
Investing

**Closing the "Capital Gap"**  
Investing growth equity in California's  
small, high-growth companies.

51 Federal Street, Suite 402 San Francisco, CA 94107  
Tel: 415-442-4300 | Fax: 415-442-4313 | Email: [information@pcvfund.com](mailto:information@pcvfund.com)

## PCV InSight Clients

The Annie E. Casey Foundation *Helping vulnerable kids & families succeed*



**GKM Newport**



## PCV InSight

Funds providing data annually to client social impact evaluation projects  
Over \$1 billion in equity commitments represented

American River Ventures	Leonard Green & Partners
Ascend Venture Group	Levine Leichtman Capital
Banc of America Capital Access Funds	Nogales Investors
Caltius Equity Partners	Opportunity Capital Partners
Carpenter Community Banc Fund	Pacific Community Ventures
DFJ Frontier	Palladium Equity Partners
DLJ Merchant Banking Partners	Pinto America Growth Fund
Falcon Strategic Partners	RLH Investors
Garage Technology Ventures	SJF Ventures
GESD	St Cloud Capital Partners
Huntington Capital	SYNCOM Venture Partners
ICV Capital Partners	Texas Pacific Group
JLL Partners	Yucaipa Companies

## Measurement Matters



**“...incorporating ESG issues into investment analysis and decision-making processes...**

***...(including) support(ing) the development of ESG-related tools, metrics and analysis...”***  
**--UN PRI**

**“...seek(ing) to grow and improve the companies in which they invest for long-term sustainability, including on environmental, social and governance issues...**

**...To that end, Private Equity Council members will work...with portfolio companies with respect to (these issues), with the goal of improving performance and minimizing adverse impacts in these areas...**  
**--The Private Equity Council**

## Measurement Matters

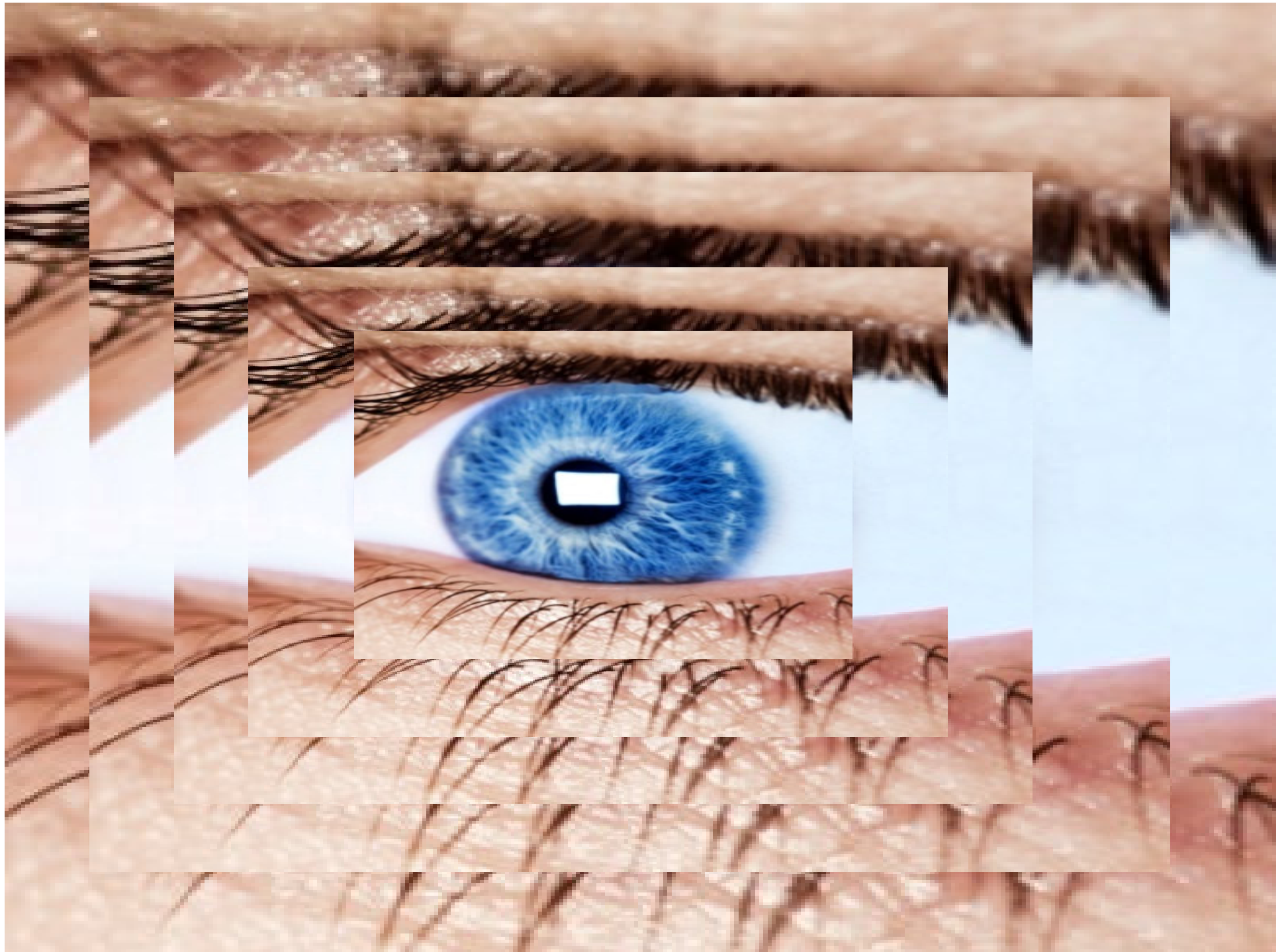


**“You can’t manage  
what you don’t  
measure.”**



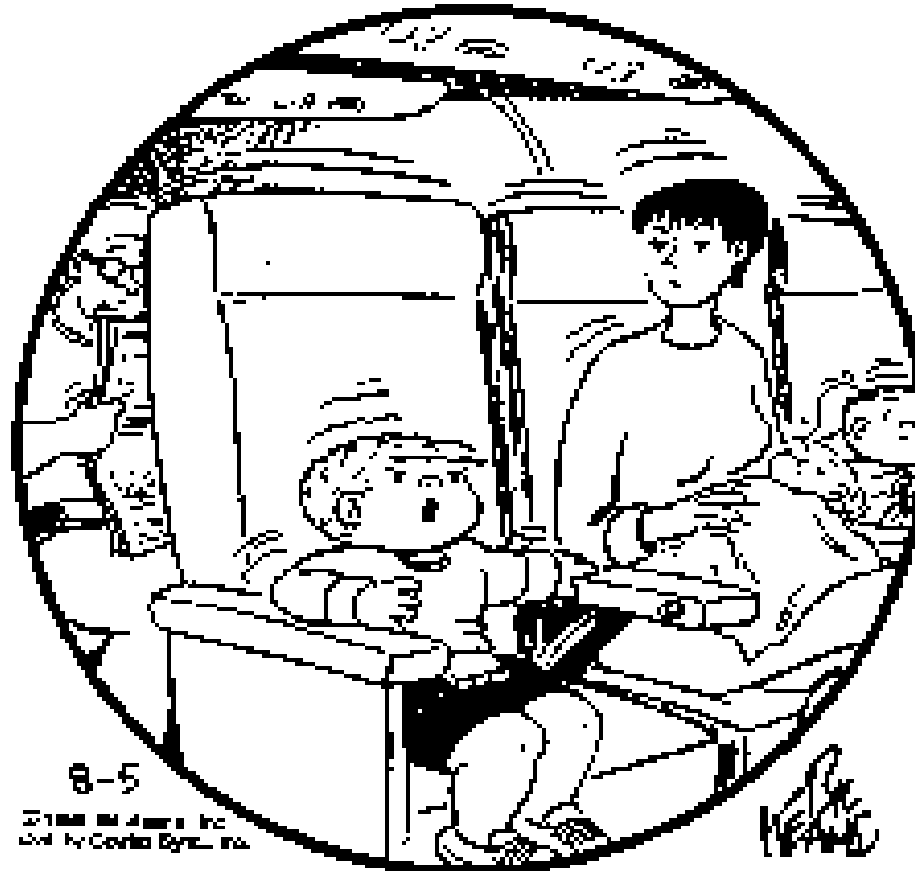
## Measurement Matters

**Fund managers and companies know that  
“someone is watching.”**



# What to Measure—Outcomes vs. Impacts

## THE FAMILY CIRCUS



8-5

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*Walt Disney*

"I wish they didn't turn on that seatbelt sign so much! Every time they do, it gets bumpy."

# What to Measure— Outcomes vs. Impacts and The Leap of Faith

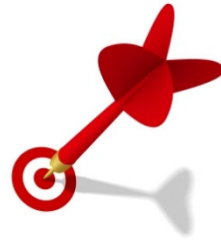


# What to Measure—Minimizing The Leap of Faith

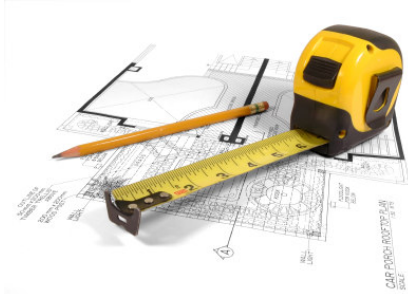


# Process

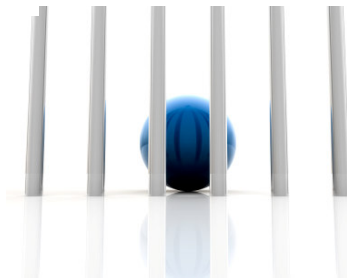
## Rigorous/Credible/Practical/Affordable Evaluation



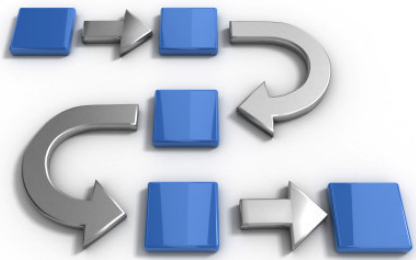
1. 1. Articulate non-financial objectives  
What specifically are you trying to achieve?



2. 2. Develop indicators and metrics



3. 3. Identify challenges/constraints that might make it difficult for companies to provide data.



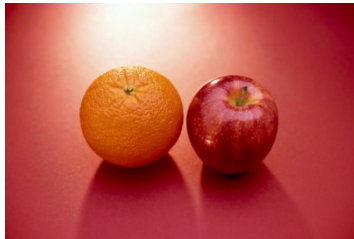
4. 4. Design methodology

# Process

## Rigorous/Credible/Practical/Affordable Evaluation



5. Collect data



6. Compile comparative statistics/benchmarks



7. Analysis



8. Communicate with stakeholders

## Case Study



## California Initiative

- 1. Market rate financial returns—  
first and foremost!**
- 2. As ancillary benefits, across the  
US, but predominantly in CA:**
  - Provide capital to areas that have historically had limited access to institutional equity capital
  - Employ workers who reside in economically disadvantaged areas
  - Support women and minority entrepreneurs and managers

### CalPERS California Initiative

- **Phase I—2001**
  - \$475 million; 9 funds, 1 fund of funds
  - Initially no expectation of measurement
  - Began measuring in 2005
- **Phase II—Golden State Investment Fund (GSIF) –2006**
  - \$550 million; 1 fund of funds allocating to funds and co-investments
  - Expectations around measurement set from day 1 with fund managers and companies

CalPERS California Initiative 2008

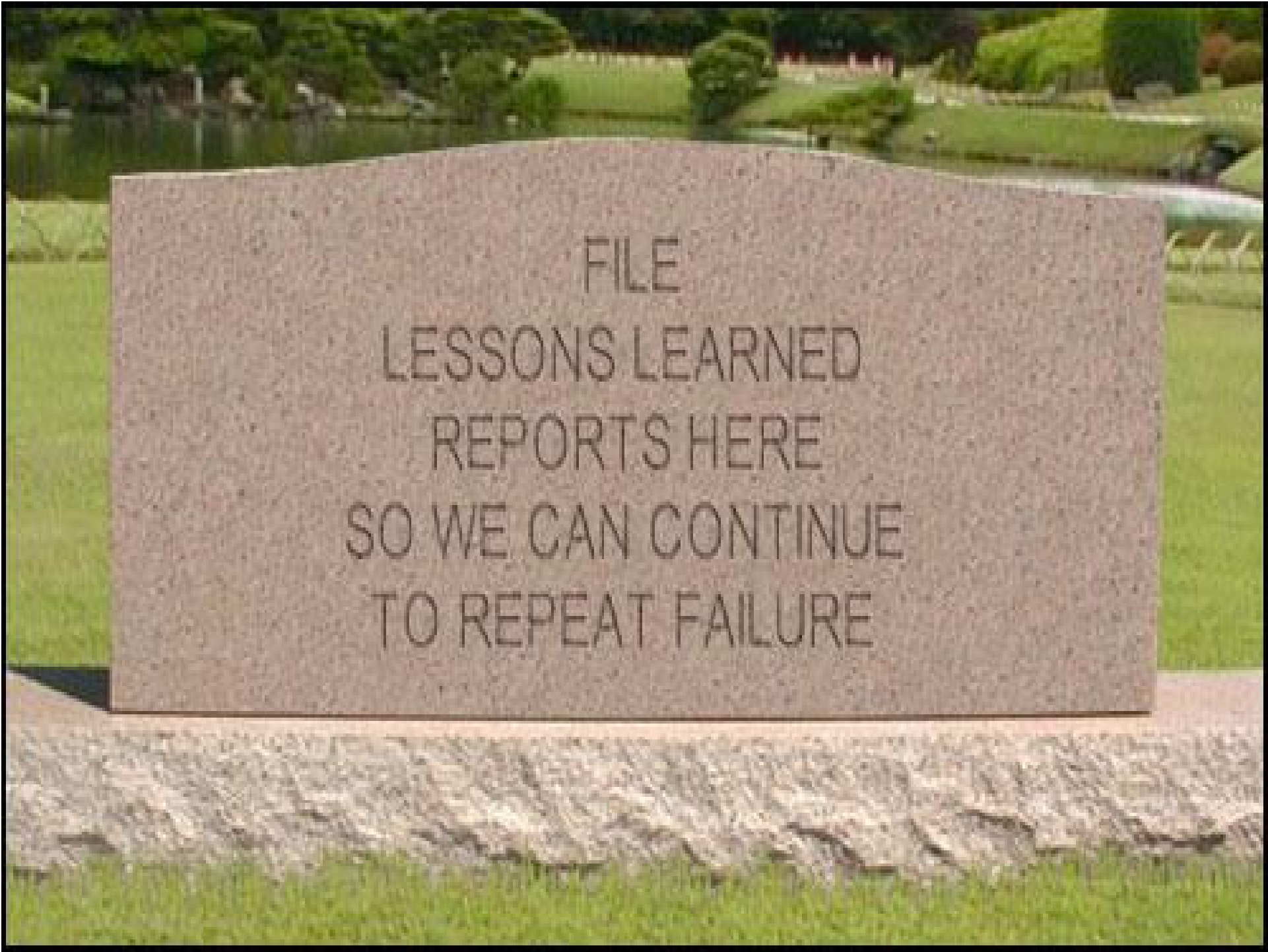
Creating Opportunities in California's  
Underserved Markets



## • Results

- **Greater social impact in Phase II**
  - ✓ **More capital in underserved markets**
  - ✓ **More capital in California**
  - ✓ **More jobs in California**

Metric	Phase I	GSIF
Capital committed to companies headquartered in California	<b>30%</b>	<b>75%</b>
California employees	<b>14%</b>	<b>28%</b>
Dollars invested in active companies located in areas that have historically had limited access to institutional equity capital	<b>35%</b>	<b>55%</b>
Low to moderate income employees	<b>NA</b>	<b>76%</b>
Low to moderate income employees residing in California	<b>87%</b>	<b>86%</b>
Women officers/key managers	<b>16%/23%</b>	<b>15%/38%</b>
Minority officers/key managers	<b>22%/18%</b>	<b>10%/14%</b>



FILE  
LESSONS LEARNED  
REPORTS HERE  
SO WE CAN CONTINUE  
TO REPEAT FAILURE



## **Ten Years of Lessons Learned**

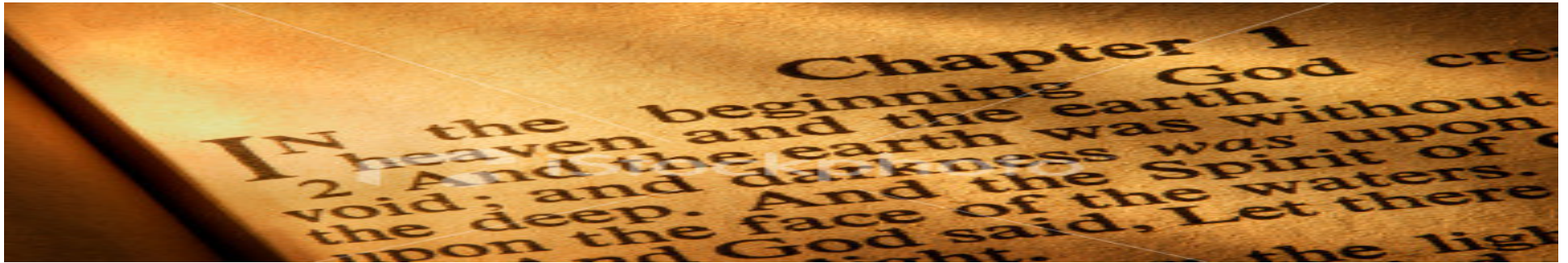
- **Collect data, not information**
- **Respect company confidentiality**
- **Make it easy and fast**
- **Establish non-financial reporting requirements prior to investment**

Free!



Paying for Measurement





## Challenges, limitations, & opportunities

- Investors need to require social and environmental performance reporting
  - Investor/Trustee education is critical
- Need a “social IRR” or “social NPV”
- Are ETIs really worth the trouble?

# Contact Information

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