

A framework for measuring extra-financial performance

A five-level approach, from the universe of possibilities to investor
additionality.

Methodological note
May 2026

Preface

Why measure?

Faced with environmental and social urgency, investors are increasingly expected to demonstrate the effectiveness of their investments beyond financial performance alone. Measuring extra-financial dimensions means providing tangible evidence of the effects generated – to meet the expectations of clients,

regulators and civil society and, above all, to manage and improve those effects over time.

This requirement is part of the impact-finance approach, defined by the Institut de la Finance Durable as an investment strategy that aims to accelerate the just and sustainable transition of the real economy by

providing evidence of its beneficial effects. Mirova has developed a rigorous framework to assess the effective contribution of its funds to this transition. The framework rests on the DNA of impact investing : intentionality, additionality and measurability.

IN BRIEF

This note presents Mirova's framework for analysing the extra-financial performance of its funds across five complementary levels, distinguishing what pertains to the asset itself, to the portfolio, to the fund and, ultimately, to the investor's own additionality.

It is the summary of the detailed methodological note "A framework for measuring extra-financial performance" produced by the Mirova Research Center (MRC), which develops the full set of methods, examples and limitations.

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The five-level analytical framework

One and the same question – "what is the impact of an investment?" – admits several answers, depending on the angle taken. Our framework articulates five complementary levels, from the most micro (the underlying

company) to the most macro (the investor's own role). It avoids two symmetrical pitfalls : overestimating impact, and underestimating the specific contribution of engaged investors.



Diagram 1 – From the universe of possibilities to investor additionality
Illustrative example for explanatory purposes only. Fictional companies and figures.

Two families of indicators

The framework distinguishes two families of extra-financial indicators, according to whether or not they vary with the activity volume of the entity analysed. The distinction is central : normalising by size only makes sense for the first family, and the attribution logic likewise applies only to it.

Volume-dependent indicators – tonnes of CO₂ avoided, jobs supported, beneficiaries reached, hectares restored. They increase mechanically with company size; relating them to an economic dimension isolates relative performance.

Volume-independent indicators – they reflect a structural characteristic of the company, independent of its size or financing. Two sub-cases stand out :

- Ratios (share of women on the executive committee, taxonomy alignment, ESG scores) express a characteristic measured on a continuous scale;
- Boolean indicators (existence of a climate policy, environmental certification) express the binary satisfaction of a criterion (yes / no).

LEVEL 1 – The absolute impact of assets

What impact do the activities generate, independently of any portfolio?

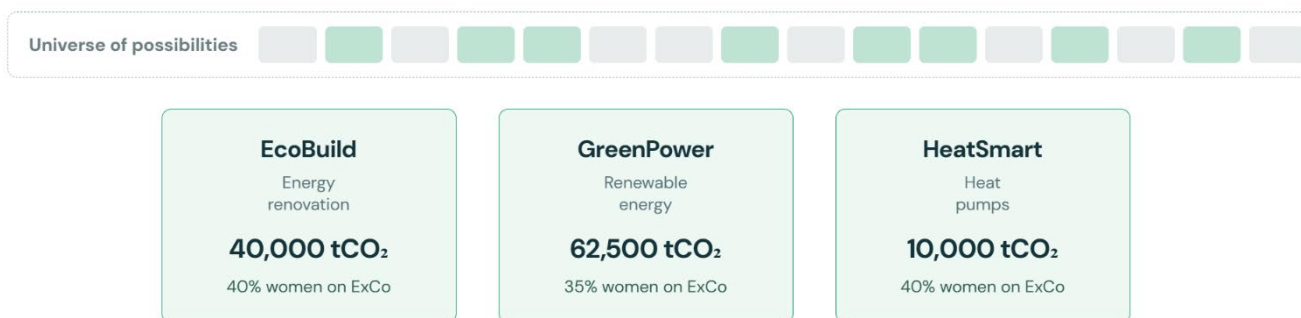
This first level assesses the intrinsic impact of each asset, independently of any portfolio or financing consideration. We take the company's (or project's) point of view: what environmental and social effects does it produce through its activity?

Each asset is assigned an overall impact opinion, on a qualitative scale ranging from "negative impact" to

"strong positive impact", reflecting its degree of contribution to the Sustainable Development Goals. This assessment takes into account the share of revenue dedicated to sustainable solutions, the quality of ESG practices and the positive or negative externalities generated. On the quantitative side, the absolute indicators measured may include tonnes of CO₂ avoided annually, the number of beneficiaries reached, hectares of biodiversity preserved or jobs supported.

EXAMPLE

EcoBuild, a company specialising in the energy renovation of buildings, avoided 40,000 tCO₂ in year n. It also has 40% women on its executive committee.



Absolute footprints are comparable – but they do not reveal relative performance (different company sizes).

Illustration 1 (fictional companies) – Each asset assessed for its intrinsic absolute impact. Illustrative example for explanatory purposes only. Fictional companies and figures.

As they stand, these absolute footprints are comparable, but they do not reveal the companies' relative performance: a larger company naturally produces more

effects, without this necessarily reflecting better performance. That is precisely the motivation for the next level.



LEVEL 2 – The average impact of the asset list

Is the selection of assets consistent with our impact objectives?

This second level reflects the selection choices made by the manager within an investment universe. It measures the average impact of the assets retained. At this stage it is not yet a portfolio : all assets are considered at equal weight, in order to assess the average quality of the selection – the "selection effect".

Two methodological tracks coexist depending on the nature of the indicators : volume-dependent indicators are first normalised by an economic dimension (revenue, enterprise value) and then averaged; volume-independent indicators (percentages, scores) are averaged directly

EXAMPLE

The fund selected three companies : EcoBuild 100 tCO₂/€m, GreenPower 125 tCO₂/€m, HeatSmart 50 tCO₂/€m. On average, a selected asset avoided about 92 tCO₂ per €m of enterprise value. The three companies have respectively 40%, 35% and 40% women on their executive committees – 38% on average.

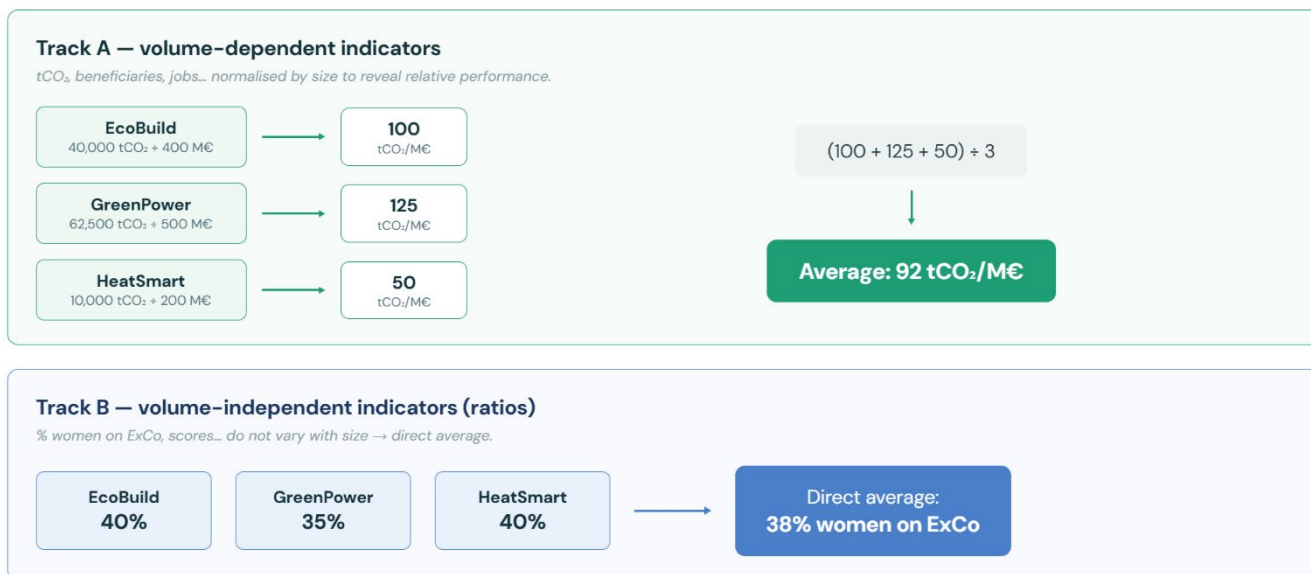


Illustration 2 – Selection and normalisation : two tracks depending on the indicator type. Illustrative example for explanatory purposes only. Fictional companies and figures.

LEVEL 3 – The average impact of the portfolio

What is the average impact of the portfolio as actually composed?

This third level measures the extra-financial performance of the portfolio actually built, taking into account the weights assigned to each asset. Performance is now expressed per million euros invested – no longer

financed by all of the company's financiers (level 2), but invested in the portfolio. This level directly reflects the manager's allocation choices : it is the "weighting effect".

EXAMPLE

The portfolio is composed of 20% EcoBuild, 60% GreenPower, 20% HeatSmart. As composed, it avoids on average 105 tCO₂ per €m invested. The intensity is higher than that of the list taken at equal weights (92 tCO₂/€m) because GreenPower – more intensive in avoided emissions – is given the largest weight. An average portfolio asset has 37% women on its executive committee.

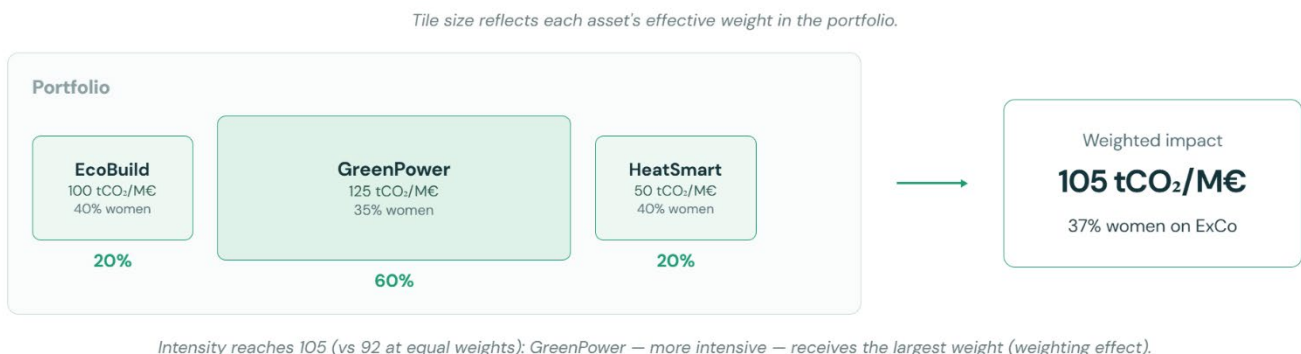


Illustration 3 – Tile size reflects each asset's effective weight in the portfolio. Illustrative example for explanatory purposes only. Fictional companies and figures.

LEVEL 4 – Investment-linked exposure

What share of the assets' impact is attributable to the fund, pro rata to its financing?

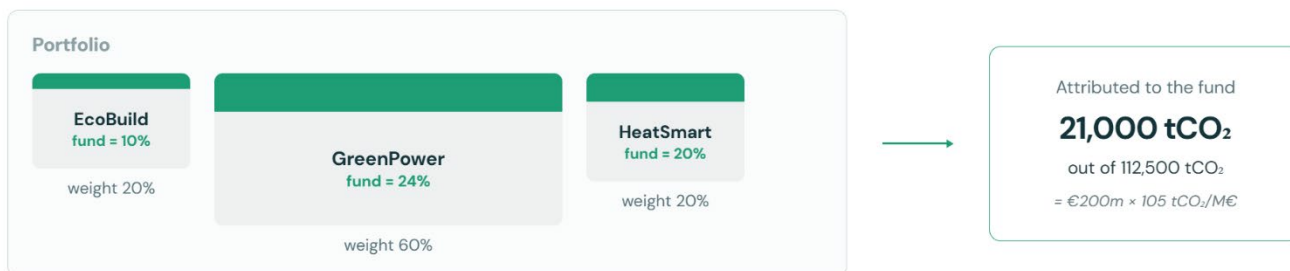
This fourth level attributes a share of the impacts generated by the underlying companies to their respective financiers – and in particular to the fund – according to its financing contribution. It represents the impacts financed by the fund, but does not prejudice the investor's causal role, which belongs to the next level.

Attribution applies only to indicators that vary with the volume of financing. Structural indicators (share of women on the executive committee, scores) remain identical to those of level 3 : they do not depend on the amount invested.

EXAMPLE

The fund manages €200m and invests according to the level-3 weights. Its financing then represents 10% of EcoBuild, 24% of GreenPower and 20% of HeatSmart. Of the 112,500 tCO₂ avoided in total by the companies financed, 21,000 tCO₂ are attributed to the fund, pro rata to its financing (i.e. €200m × 105 tCO₂/€m). The proportion of women on the executive committee remains at 37% – this indicator does not vary with the amount invested.

Fund = €200m AUM. The dark band at the top of each tile = the share financed by the fund.



The "% women on ExCo" indicator stays at 37%: it does not depend on the amount invested.

Illustration 4 – The dark band represents the share financed by the fund. Illustrative example for explanatory purposes only. Fictional companies and figures.

The investor's levers for action

Once impacts are measured and attributed at fund level, the equation below decomposes total impact into several distinct terms, which make it possible to analyse, steer and compare impact-investing strategies.

$$\text{Fund exposure} = \sum_i w_i \times \text{AUM} \times \text{Impact}_{EVIC_i}$$

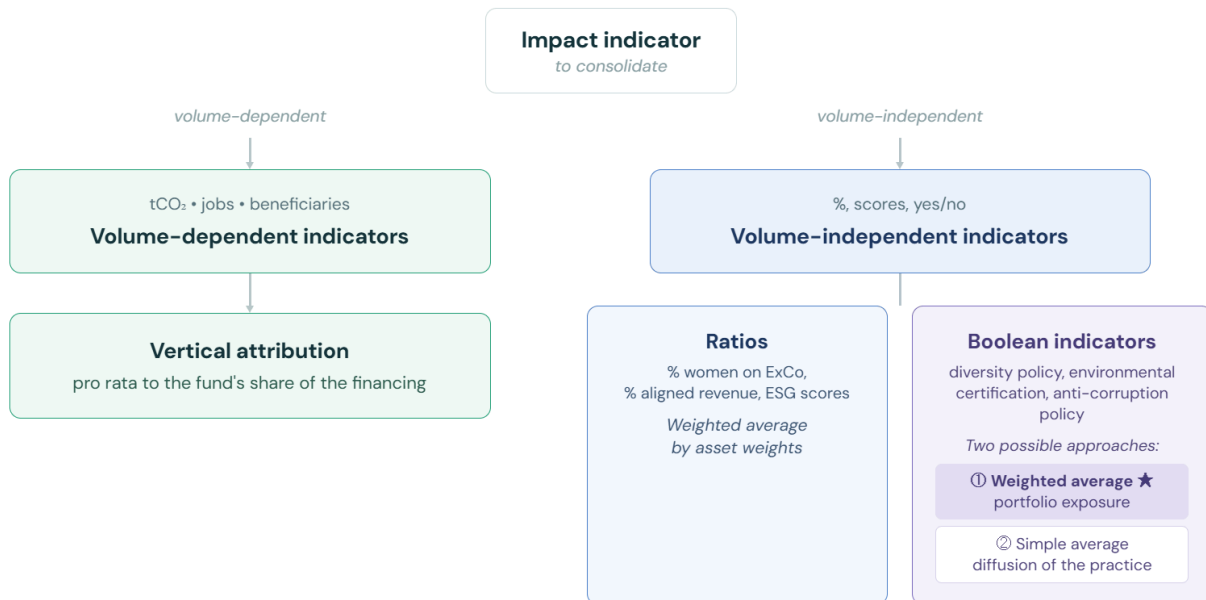
Term	Lever	Definition
w_i	Allocation	Weight of asset i in the portfolio – increase the financing share of the companies that create more impact.
AUM	Volume	The fund's assets under management – increase the assets mobilised.
$\text{Impact}_i / \text{EVIC}_i$	Selection	Impact intensity of asset i – select more impact-intensive companies, creating more impact per €m invested.

In practice: which consolidation method?

Indicators are consolidated at portfolio and fund level following two distinct logics, which stem from whether or not they depend on activity volume. Absolute impact indicators (CO₂ emissions avoided, jobs supported, beneficiaries reached) can be attributed to the fund following a vertical-attribution logic, according to its share in the financing of the assets : this is the family that lends itself to measuring the fund's own contribution.

Volume-independent indicators vary neither with company size nor with financing : they reflect a structural

characteristic and therefore do not lend themselves to pro-rata attribution, but remain essential for analysing the composition of the portfolio. Ratios are aggregated through weighted averages based on asset weights; boolean indicators can be consolidated either through a weighted average (the portfolio's effective exposure) or a simple average (the diffusion of a practice). For consistency with the other indicators, we favour the first approach.



Key takeaway

Vertical attribution pro rata to financing only applies to volume-dependent indicators.

★ For consistency with the other indicators, the weighted approach is preferred for booleans.

Diagram 2 – Which consolidation method for which indicator?. Illustrative example for explanatory purposes only. Fictional companies and figures.

LEVEL 5 – Investor additionality

What would not have happened without the investor?

This fifth level assesses the investor's additionality, i.e. the effects that occurred thanks to its action and would not have happened in its absence. The aim is to go beyond financial attribution and characterise the active role played by the investor – decisive financing,

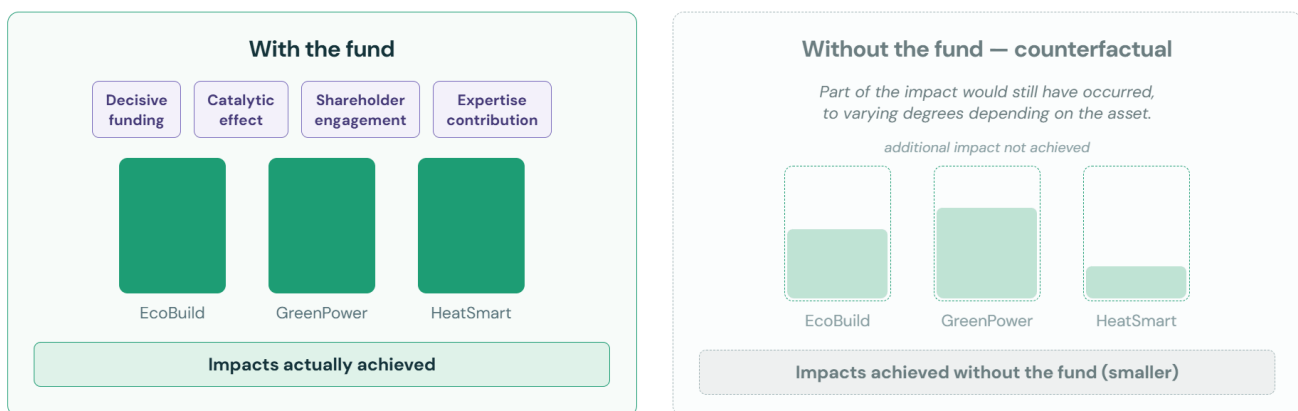
catalytic effect, shareholder engagement, contribution of expertise.

This level necessarily rests on a qualitative, documented and transparent approach. It is the most demanding, but also the most decisive for judging a fund's true contribution to the transition.

EXAMPLE

By investing at an early, critical stage and catalysing other co-investments, the fund enabled a project that would not have seen the light of day without it. This additionality is documented qualitatively (case study, theory of change) and, where possible, quantitatively (leverage effect on the co-investments mobilised).

Illustration 5 – Comparaison avec / sans le fonds : l'effet propre de l'investisseur. Exemple illustratif fourni à des fins explicatives uniquement. Entreprises et chiffres fictifs.



The gap between the two scenarios = the investor's additionality (qualitative, documented).

Illustration 5 – With / without the fund : the investor's own effect. Illustrative example for explanatory purposes only. Fictional companies and figures.

Conclusion

A tool for steering

Measuring the impact of underlying assets and funds is an essential exercise for steering impact investing and making it credible – but it must be accompanied by humility and critical thinking.

The framework presented offers a solid basis for assessing, improving and communicating the impact of our funds. The ultimate challenge is to convert these measurements into concrete levers for action : adjusting

investment strategies according to the results observed, strengthening our engagements where the indicators reveal gaps, and directing more capital towards the most effective solutions.

In this sense, impact measurement – far from being one more reporting constraint – becomes a strategic tool in service of the transition.

GOING FURTHER

This note summarises our methodological framework. The detailed version, produced by the Mirova Research Center (MRC) – which develops the assessment methods, the problematic attribution cases and good practices on temporal consistency –, is published on the MRC website

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