

GLOBAL  
RETURNS  
PROJECT

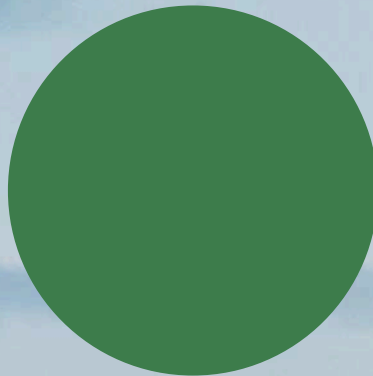
The Global Returns Portfolio

# METHODOLOGY

# INTRODUCTION

The Global Returns Portfolio is a portfolio of carefully selected not-for-profit organizations which seek to address different aspects of the Climate Crisis. It delivers non-financial, Global Returns which enhance and protect the biosphere.

In order to understand and monitor the overall effectiveness of the Portfolio, we have developed the Global Returns Portfolio Methodology, which this document sets out to explain.



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# OUR APPROACH

Assessment of the effectiveness of not-for-profits combatting the Climate Crisis can be one-dimensional, focusing solely on the carbon dioxide equivalent impact of their activities. But this approach does not adequately take into account other aspects of their effectiveness. And carbon dioxide equivalent impacts prove particularly difficult to measure when an organisation's activities are not directly involved in carbon sequestration or emissions reduction.

Accordingly, the Global Returns Portfolio Methodology also considers often-overlooked aspects of the activities of these organizations. Many such elements are qualitative, and their assessment involves a degree of subjectivity. Their translation into quantitative measures can therefore never provide a perfect assessment of a not-for-profit's effectiveness. Our methodology, however, ensures that we capture the important but difficult-to-measure elements of a not-for-profit's operations consistently.

We continually improve our methodology by learning from others in the field and applying the most up-

# SELECTION AND MONITORING

to-date science to our workings.

The Global Returns Portfolio Methodology has been designed to aid in the **selection** of effective not-for-profits into the Portfolio and the **monitoring** of existing Portfolio Partners within the Portfolio. The methodology has been carefully researched and draws on a range of external sources.

To ensure consistency in our assessment of individual climate and nature not-for-profits, we have developed a **scoring system** to measure the effectiveness of our current portfolio as well as prospective Portfolio Partners (see pages 4 – 5). The categories considered in this scoring process are:

- **Impact** (activities and outcome)
- **Scalability** (actual and potential)
- **Networks** (alliances and communities)
- **Co-benefits** (social and other)

The performance and reach of the Portfolio as a whole is monitored using two metrics developed by the Global Returns Project.

**Portfolio Diversity** measures the total range of activities carried out by Portfolio Partners as a percentage of the universe of potential areas of intervention. This is therefore a measure of the breadth of activities being carried out and the diversity of the portfolio as a whole (see pages 6 – 7).

The **Global Returns Rate** is a measure of the effectiveness of the Global Returns Portfolio as a whole. It is calculated and published every six months using a formula which includes scores for each Portfolio Partner (according to our scoring system) and the Portfolio Diversity figure for that period.

Over time, the Global Returns Rate will rise or fall depending on the performance of the portfolio. The principle behind the Rate is that 'what gets measured gets managed'. If the Rate rises, we know that the current portfolio has been successful. If the Rate falls, we dig in to find out why – just as a fund manager would do.



# THE SCORING SYSTEM

The score for each Portfolio Partner is based on answers to a series of questions related to each of these assessment areas and pertaining to their work over a six-month period (see below). The Global Returns Project's Due Diligence Committee – comprising its Trustees and Technical Advisory Board – then reviews those scores.

## Individual Portfolio Partner metrics

### A. Impact

Traditionally, not-for-profit measurements of impact have focused predominantly on **outcomes** (the effect of a process or activity). However, by ignoring the **activities** facilitating an outcome there is a risk of only measuring or assessing direct rather than indirect impact. Often an outcome is the result of months or possibly years of activity.

Climate not-for-profits involved in advocacy work, for instance, look to reshape complex and entrenched systems like the law, policy or the behaviour of individuals. Here, the desired outcome (protection of the biosphere) will no doubt be occurring. But since the changes may be occurring over long time periods, the nature of the activities which lead to the desired outcome should be examined as a means of assessing impact on smaller time scales.

We therefore undertake a process evaluation approach and assess Portfolio Partners within the context of whether they are an **accelerator** (creating the conditions for environmental solutions to move forward with greater speed and wider

scope) or **solution** (reducing greenhouse gases by avoiding emissions and/or by sequestering carbon dioxide already in the atmosphere). In this way, scores take into account the nuance and depth of individual Portfolio Partners' activities. The questions informing our assessment of impact are as follows:

#### Activities questions:

- How clear is the not-for-profit's mission, and to what extent have their activities in the period delivered on that mission?
- To what extent have the not-for-profit's activities made it easier or cheaper for other organizations to undertake similar environmentally beneficial activities in the future?
- To what extent has the not-for-profit built awareness, educated or changed the behaviour of individuals towards an issue on a mass scale in the period? (*Accelerators-focused*)
- To what extent has the not-for-profit caused policy shifts, legal challenges, finance regulation or other systemic changes in the period which will cause significant carbon dioxide reductions in the future? (*Accelerators-focused*)

#### Outcomes questions:

- Is it possible to estimate the CO<sub>2</sub>e impact of one of the not-for-profit's success stories in the period, and if so, how low is the not-for-profit's £ per tonne of CO<sub>2</sub>e abated figure?
- To what extent has this not-for-profit gone above and beyond the impact outcomes of their peers over the period?

- To what extent has the not-for-profit tackled an issue that is relatively neglected by other organisations?
- To what extent has the not-for-profit protected and restored habitats of vulnerable or endangered species over the period? (*Solutions-focused*)
- To what extent have the activities of the not-for-profit improved air and water quality over the period?
- Is the outcome likely to be permanent / have the activities leading to the outcome placed an importance on permanence? (*Solutions-focused*)

### B. Scalability

Scalability is measured in both **historic** and **potential** terms. Or rather, how the not-for-profit has delivered on its previously stated scaling ambitions as well as the scalability and ambition of the not-for-profit in the future. The questions informing our assessment of scalability are as follows:

#### Historical Performance Questions:

- To what extent has the not-for-profit scaled up their operating model over the period?
  - Has the marginal cost of the charitable activity decreased as total activity has grown? Or has the marginal benefit of the charitable activity increased as total activity has grown?
- Has the not-for-profit received a sudden influx of funding over the period, and if so, have they been able to deploy it effectively?
- To what extent has the not-for-

profit met previously set scaling targets / are they on track to meet previously set scaling targets?

- How extensive is the organization's geographical reach, and has it increased over the period?

### Scalability Potential Questions:

- Does the not-for-profit have ambitious plans to scale, and if so, do they have the infrastructure in place to make this happen?
- To what extent will the not-for-profit be able to cope with a significant influx of funding in the next year?
- Does the marginal cost of the charitable activity decrease as total activity grows? Or does the marginal benefit of the charitable activity increase as total activity grows?
- Will there continue to be demand for the solutions and activities undertaken by the not-for-profit in the future?

## C. Networks

The network of a Portfolio Partner is measured both in terms of the **alliances** they form (how well they use strategic partnerships with other organisations like governments, research institutions and NGOs to amplify their reach) and the **communities** they work alongside (how well they use the knowledge and expertise of indigenous and local

communities to ensure the permanence of their climate solutions).

While the alliances sub-metric is applicable to all climate not-for-profits, the communities sub-metric tends to apply predominantly to solutions (see above). The work of these not-for-profits in ensuring long term protection of carbon sinks or the biodiversity of a landscape requires meaningful engagement and exchanges of knowledge with indigenous and local communities.

The questions informing our assessment of networks are as follows:

### Alliances Questions:

- To what extent will the major alliances formed over the period help the not-for-profit amplify their reach?
- To what extent are these major alliances held with reputable and influential organisations?
- How many major alliances has the not-for-profit formed over the period? (This will also be used as an externally communicated metric in our Impact Reports).

### Communities Questions:

- To what extent are indigenous communities incorporated into the decision-making process by the not-for-profit? (*Mostly for solutions*)

- How successfully has the work alongside these communities ensured permanence of protection for carbon sinks and/or the biodiversity of a landscape over the period?
- How many communities has the not-for-profit worked alongside over the period? (This will also be used as an externally communicated metric in our Impact Reports).

## D. Co-benefits

By acting to protect the biosphere, a Portfolio Partner may also deliver a range of co-benefits. We use the United Nations Sustainable Development Goals (SDGs) as a framework for our assessment of co-benefits (aside from SDGs 13, 14, and 15 which are considered as part of our impact assessment).<sup>1</sup>

The questions informing our assessment of co-benefits are therefore as follows:

- Does the not-for-profit achieve socially desirable outcomes (in the context of the SDGs)?
- Does the not-for-profit empower women and more generally foster diversity, equity, and inclusion?



# PORTFOLIO DIVERSITY

Research from Project Drawdown, Griscom et al., Sala et al., Chamiet al., and IPBES has been used to map out the universe of potential areas of intervention that not-for-profits can undertake or facilitate to help tackle the Climate Crisis.<sup>2</sup> The Global Returns Portfolio's Diversity measures the total range of activities carried out by Portfolio Partners as a percentage of this universe of potential areas of intervention.

Diversity makes any portfolio more resilient and offers similar resiliency to the natural systems which support the biosphere. The complexity and interconnectivity of the Climate Crisis demands that the Global Returns Portfolio covers a broad spectrum of solutions needed to tackle these issues from a multitude of directions.

## The Global Returns Portfolio Total Opportunity Set

To date, there have been few attempts to map the array of possible actions that not-for-profits can take to tackle the Climate Crisis. The Project Drawdown framework offers one picture of the different categories and areas on which we will need to focus to avoid environmental breakdown, focusing exclusively on atmospheric carbon.<sup>3</sup> And Griscom et al.'s 'Natural Climate Solutions' breaks down the various nature-based climate solutions that we will need to adopt within the next ten years to limit global warming to below two degrees.<sup>4</sup>

However, neither of these pieces of research specifically focus on the role or position of not-for-profits in helping to achieve these goals, despite the major importance of these initiatives. For this reason, the

Global Returns Project conducted a scoping exercise to identify the universe of potential areas of intervention that not-for-profits can undertake or facilitate to help tackle the Climate Crisis – we call this list the **Global Returns Portfolio Total Opportunity Set**.

This scoping exercise began with an acknowledgement of the recent developments in Earth sciences which have shown that biodiversity and climate boundaries are part of the same system. Johan Rockstrom's Planetary Boundaries framework and a joint report by the IPCC (Intergovernmental Panel on Climate Change) and IPBES (Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services) identify several areas where solutions to the biodiversity crisis can help slow global warming, and vice versa.<sup>5</sup>

Therefore, as well as using the climate-focused analysis of the Drawdown Framework and Griscom et al., we analysed the IPBES Global Assessment on Biodiversity and Ecosystem Services to identify four overarching categories of not-for-profits tackling the Climate Crisis:<sup>6</sup>

1. Not-for-profits reducing greenhouse gas emission sources
2. Not-for-profits supporting carbon sinks
3. Not-for-profits protecting and enhancing life on land
4. Not-for-profits protecting and enhancing life below water

Using these same research sources, we then further analysed each category to identify a set of **47** actions that not-for-profits can take to help tackle the Climate and Nature

Crisis. **28** of these actions can be categorised as 'climate-focused', and **19** can be categorised as 'biodiversity-focused'. Some of these actions will prove more important than others. For this reason, we used the quantitative analysis of Project Drawdown and Griscom et al. to give each climate-focused action a percentage weighting according to its potential contribution (in gigatonnes of CO<sub>2</sub>e per year) to either reducing emissions sources or supporting carbon sinks.

As our scientific understanding of the Climate Crisis continues to evolve, so too will the Global Returns Portfolio Total Opportunity Set that we use to calculate **Portfolio Diversity**. Only in 2021, for example, did scientists calculate the carbon emissions associated with the industrial practice of deep-sea trawling for the first time.<sup>7</sup> This research came long after the publication of the Project Drawdown and Griscom et al. (2017) research pieces. Without our own ongoing research, then, our framework would not have captured this scientific development.

## Calculating the Portfolio Diversity

Every six months the Global Returns Project assesses whether each Portfolio Partner partially or fully tackles each of the identified not-for-profit actions in the Global Returns Portfolio Total Opportunity Set. This assessment creates an overall Portfolio Diversity percentage. This percentage can increase or decrease in each six-month period as new Portfolio Partners are added to the Portfolio or as new potential not-for-profit actions are identified and added to the Global Returns Portfolio Total Opportunity Set.

# CONTACT US

## Why we use Portfolio Diversity

We have carefully formulated our Portfolio Diversity metric using peer-reviewed scientific journals and with subsequent support from our Technical Advisory Board. The metric has therefore proven helpful in informing our not-for-profit selection and assessment strategy in the following ways:

### (i) As a scoping exercise

The construction of the Global Returns Portfolio Total Opportunity Set helps us understand the universe of not-for-profit actions available to tackle the Climate Crisis. This provides the basis from which we can assess our portfolio's diversity.

### (ii) As a performance metric

Knowing the Portfolio Diversity – or how much of the Global Returns Portfolio Total Opportunity Set our Portfolio covers – offers an invaluable indication of how successfully we are seeing the bigger picture in our not-for-profit selection process. This in turn reveals how effectively the Portfolio helps tackle the Climate

Crisis from various angles. Producing a Portfolio Diversity percentage every six-months means we can assess progress over time, with the hope that the Diversity figure continues to increase as we add more not-for-profits to the Portfolio.

We also use the Portfolio Diversity figure alongside Portfolio Partner scores for six-month periods to calculate the Global Returns Rate.

### (iii) As a guide for future not-for-profit selection

The final Portfolio Diversity figure allows us to identify areas or sectors where Portfolio involvement is limited in comparison to the Global Returns Portfolio Total Opportunity Set. Equally, the exercise highlights areas or sectors where the Portfolio may have an over-concentration of Portfolio Partners. In either case, comparing the Global Returns Portfolio Diversity to the Global Returns Portfolio Total Opportunity Set helps ensure an appropriate balance of not-for-profit solutions in the Portfolio, which is reflected in the ongoing not-for-profit selection and assessment process.

If you would like to find out more about how our Portfolio Partners are monitored and assessed, please feel free to get in touch.

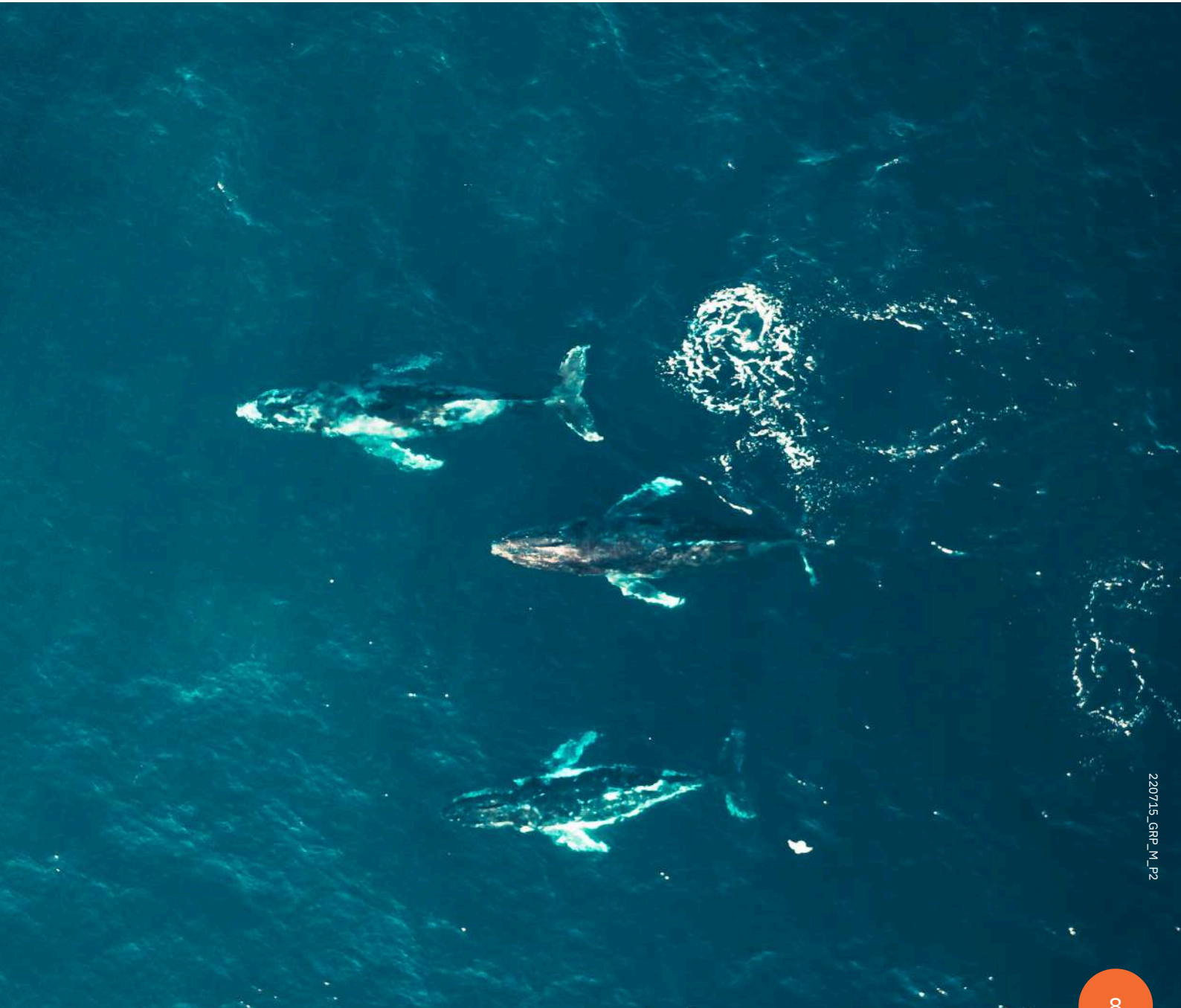
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# END NOTES

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