IRIS+ CORE METRICS SETS

PURPOSE

This document describes the main elements of the IRIS+ Core Metrics Sets: the questions they address, short lists of key indicators, clear step-by-step calculation instructions, and the key insights derived from each indicator.

AUDIENCE

Impact investors. May also be useful to enterprises and intermediaries or service providers working with impact investors.

LEVEL: BEGINNER

REFERENCE

Use this document with

FUNDAMENTALS

IRIS+ Thematic Taxonomy

IRIS+ and the SDGs

IRIS+ and the Five Dimensions of Impact

HOW-TO

Using IRIS+ for Decision-Making

Using IRIS+ to Incorporate Stakeholder Voice

IRIS METRICS

IRIS Catalog of Metrics

GIIN
GLOBAL IMPACT INVESTING NETWORK

IRIS+

ABOUT IRIS+

Background & Purpose

Impact measurement and management (IMM) is a hallmark of impact investing. The vision of the Global Impact Investing Network (GIIN)—as articulated in its Roadmap for the Future of Impact Investing—is for social and environmental factors to be integrated into investment decisions simply by default, as the 'normal' way of doing things.1 Impact investing can play a central role in realizing this vision by setting and raising the standards for investment practice and generating the tools and data that allow investors to evaluate impact and channel capital to the most effective solutions. A coherent, consistent practice of high-quality IMM must be implemented as the norm for all organizations seeking to understand and improve their effects on people and planet.

IRIS+

IRIS+ makes it easier for investors to translate their impact intentions into real impact results.

Credible, comparable impact data are needed to inform impact investment decisions. Effective measurement and management of impact data is essential if investors are to know whether they are actually achieving the impact they seek.

Key features of IRIS+ include the following:

- **Core Metric Sets** for investment decision-making, backed by evidence, based on best practices, and standardized to enable comparison of data.

- **Thematic taxonomy** based on generally accepted Impact Categories and Impact Themes.

- **IRIS Catalog of Metrics,** the generally accepted source of standard social and environmental performance metrics used by leading impact investors.

- **Curated resources and practical how-to guidance** to support day-to-day IMM implementation.

- **Alignment with the UN Sustainable Development Goals (SDGs),** including both SDG Goals and targets.

- **Alignment with other major frameworks and conventions,** including the five dimensions of impact and more than 50 metrics frameworks, standards, and platforms.

- **Interoperability with third-party data platforms and systems** that use IRIS metrics.

ABOUT THE GIIN

The Global Impact Investing Network (GIIN) is the global champion of impact investing, dedicated to increasing its scale and effectiveness around the world. The GIIN builds critical market infrastructure and supports activities, education, and research that help accelerate the development of a coherent impact investing industry. IRIS+ is managed as a public good by the GIIN.

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1   Amit Bouri, Abhilash Mudaliar, Hannah Schiff, Rachel Bass, and Hannah Dithrich, Roadmap for the Future of Impact Investing (New York: Global Impact Investing Network, March 20, 2018).

IRIS+ CORE METRICS SETS

Overview

IRIS+ Core Metrics Sets are short lists of key impact performance indicators—built on standard IRIS metrics and backed by evidence and best practice—that impact investors can use to assess the effects of their investments.

What is a key indicator?

A key indicator is typically a multi-variable measure comprising of one or more standard IRIS metrics.[2] A key indicator produces information that can be used to describe performance towards key dimensions of impact. IRIS+ Core Metrics Sets comprise of a variety of different key indicators.

Key indicators in IRIS+ are those which are shown to be essential to the understanding the progress or achievement of the impact goals of the investment in question.

The value of key indicators is that they allow for different investors to compare common data as these indicators are shared amongst investments with similar goals and investment themes. For example, an investor making investments in Financial Inclusion with the goal of improving financial health will use "Value of Voluntary Savings Accounts" as a key indicator to understand performance within that goal.

KEY INDICATOR: Stakeholder Characteristics

UNDERLYING DATA NEEDED: (IRIS Metrics)

Target Stakeholder Demographic (PD5752)

Target Stakeholder Socioeconomics (PD2541)

Target Stakeholder Setting (PD6384)

Target Stakeholder Geography (PD6424)

Figure 1: Relationship between key indicator and

IRIS+ Core Metrics Sets have the following several characteristics:

- **Clarity about which key indicators are included and why.** Every dimension of an IRIS+ Core Metrics Set includes standard IRIS metrics, suggested step-by-step calculations and formulas, and a short description explaining what insights derive from each key indicator. The indicators are practical, actionable, and comparable between investments.

- **Value for any investor throughout the investment cycle,** from screening and due diligence to monitoring, client engagement, and exit.

- **Framework-agnosticism.** Applying agreed-upon norms and standard metrics, IRIS+ Core Metrics Sets can be *used with any framework* or method for analyzing, managing, and reporting impact performance.

- **Grounding in generally collected data.** Since IRIS+ Core Metrics Sets incorporate the most relevant data used for decision-making, investors with existing proprietary frameworks can easily align their frameworks with IRIS+. Investors newer to IMM can use IRIS+ Core Metrics Sets as a guide to structure the data they aim to collect for future analysis and benchmarking performance. By aligning different stakeholders across the value chain—from asset owners and managers to enterprises—on what data are important and why, IRIS+ Core Metrics Sets reduce the reporting burden.

- **Advocates for data comparability.** The IRIS+ system clarifies best practice regarding which key indicators are critical for measuring progress toward different Impact Themes, Impact Goals, and UN SDGs. Such standardization enables comparability among similar investments, both within portfolios and across impact investing stakeholders.

IRIS+ will evolve alongside and incorporate industry understanding of IMM best practice, as well as offer ongoing guidance and present new evidence to support additional Impact Themes and Strategic Goals, describe new indicators, and clarify data points.
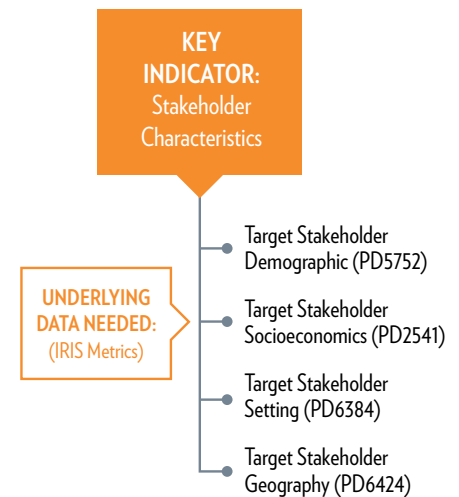
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2   Individual IRIS metrics are numerical measures used in calculations or qualitative values to account for the social, environmental and financial performance of an investment.

Key elements

All IRIS+ Core Metrics Sets follow the same streamlined structure:

- **Objective of investment or enterprise.** The Strategic Goal the impact investor or the enterprise seeks, such as "Improving financial health."

- **Outcome to measure.** Each of an investor's or enterprise's goals may lead to several different outcomes—for example, evidence shows that the Strategic Goal "Improving Financial Health" leads to an improved ability to manage and recover from shocks, improved day-to-day financial management, increased savings, and improved business opportunities. Based on evidence, each IRIS+ Core Metrics Set names several common outcomes for each Strategic Goal and identifies one key outcome to be measured.

- **Key questions addressed,** in alignment with the Impact Management Project's five dimensions of impact.

    - WHAT is the goal?

    - WHO is affected?

    - HOW MUCH change is happening?

    - What is the CONTRIBUTION?

    - What is the impact RISK?

    - HOW is change happening?[3]

- **Additional metrics.** These provide a high-level understanding of other or additional possible effects, including for other affected stakeholder groups.

- **Custom functionality.** Investors may add relevant metrics from the IRIS Catalog or create their own custom indicators based on IRIS metrics to tailor a Core Metrics Set to their specific approaches and goals.

Core Metrics Sets should be used cohesively, kept together to ensure they deliver the solid understanding of performance within the context and Strategic Goal for which they were developed. Even if not all data are available for all dimensions or key questions, investors and enterprises are encouraged to use all collected data together in their analysis of their impact.

Detailed description

For each of the below elements, IRIS+ Core Metrics Sets identify clear, standardized indicators, the underlying data needed to calculate each indicator (that is, IRIS metrics), step-by-step calculation guidance, and a succinct explanation of the insights derived from these indicators.

KEY INDICATORS

⊘ **Number of clients experiencing increase in voluntary savings accounts** ← Key Indicator

Why Is This Important?

To understand the number of unique clients experiencing the outcome, in relationship to all clients served. ← Key insights derived from the indicator

Underlying data needed to calculate the key indicator →

IRIS DATA NEEDED
- ★ **Client Individuals Total** (PI4060)
- ★ **Number of Voluntary Savings Accounts** (PI6439)

FORMULA / CALCULATION GUIDANCE
1. Calculate the total number of individual clients served by the organization, using Client Individuals: Total (PI4060). ← Step-by-step formula/calculation guidance
2. Disaggregate by unique clients with voluntary savings accounts, using Number of Voluntary Savings Accounts (PI6439)
3. Identify the number of those unique clients with increased value in their voluntary savings accounts at the end of the reporting period, using Value of Voluntary Savings Accounts (PI3240)
4. (Optional) Organization may also identify the number of unique clients with decreased or no change in savings.
5. (Optional) Organization may also report these figures as percentage (e.g., percentage of clients with increase in savings).

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3 Indicators under this final key question help to capture the business processes, product or service details, and other contextual elements that are important for understanding the effects of an investment or enterprise. While not part of the five dimensions of impact, the hundreds of stakeholders involved in the development of IRIS+ identified this additional dimension as critically important.

Key questions

☐ WHAT is the goal?

This dimension helps enterprises and investors to identify the outcomes the enterprise is contributing to and how important the outcomes are to stakeholders. The WHAT section of the Core Metrics Sets includes the following:

- **Objective of the investment or enterprise.** The objective includes the Strategic Goal of the Core Metrics Set, the selected key outcome, and how that outcome will be measured, as in the example below.

  - Strategic Goal: Improving Financial Health

  - Key outcome being measured: Increased savings

  - How that outcome will be measured (outcome indicator):[4] Measured through Value of Voluntary Savings Accounts

- **Outcome Indicator.** Measuring this indicator helps investors and enterprises to understand whether the intended outcome is happening. In the example above, the outcome indicator is Value of Voluntary Savings Accounts, a specific IRIS metric (PI3240). As noted above, key indicators may comprise a single IRIS metric (as in this example) or several IRIS metrics. Investors and enterprises should identify the value of the outcome indicator at baseline and in the current (or reporting) period, and they should also define a threshold (outcome objective level) for the indicator.

- **Stakeholder engagement.** A specific IRIS metric (OI5495) helps to understand the importance of the outcome sought for the target stakeholders.

◯ WHO is affected?

This dimension describes the target stakeholders (people or planet) affected by the investment or business. The section includes two key indicators and the underlying data (IRIS metrics) needed to calculate them:

- **Stakeholder type.** This indicator states which stakeholders are the primary target of the investment's or business's intended impact (e.g., clients, distributors, patients, environment). In this case, the indicator comprises a single IRIS metric, Target Stakeholders (OD7212)

- **Stakeholder characteristics.** This indicator specifies the demographic (e.g., female), socioeconomics (e.g., low-income), setting (e.g., rural, urban), and geography (e.g. Latin America) of the target stakeholder group. In other words, this dimension describes the stakeholders for whom the outcome in question—increased savings, in the example above—will be measured. This indicator comprises four IRIS metrics: Target Stakeholder Demographic (PD5752), Target Stakeholder Socioeconomics (PD2541), Target Stakeholder Setting (PD6384), and Target Stakeholder Geography (PD6424).

☰ HOW MUCH change is happening?

This dimension highlights the scale (breadth) and depth of the change that is happening.

- **Scale.** This indicator measures how many stakeholders are experiencing the outcome out of all stakeholders reached. In the example above, Scale is the number of target stakeholders with increased value in their voluntary savings accounts out of all clients served. In this case, calculating the scale indicator requires IRIS metrics Client Individuals: Total (PI4060) to understand the total number of clients served and Number of Voluntary Savings Accounts (PI6439) to understand the number of clients with voluntary savings accounts. The provided formula or calculation guidance includes the steps required to calculate this indicator, including identifying the number of unique clients with increased value in their voluntary savings accounts, and notes any required or optional data disaggregation.

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4 Core Metrics Sets anchor on direct outcome indicators, where available, or use output indicators that have been proven to be good proxies of the outcome being sought. All outcome indicators in IRIS+ have evidence that they reliably indicate the intended outcome.

- **Depth.** This indicator measures the degree of change experienced by the target stakeholders, that is, the change in outcome identified in the WHAT dimension for the target stakeholder group identified in the WHO dimension. The change in outcome is calculated as the difference between the value of the outcome at baseline or in the previous period and its value in the current (reporting) period.[5] In the example above, Depth measures the change in the value of voluntary savings accounts for the target stakeholder group: (Value of Voluntary Savings Accounts [PI3240] in the reporting period – Value of Voluntary Savings Accounts [PI3240] in previous period) ÷ Value of Voluntary Savings Accounts (PI3240) in the previous period × 100.

✚ What is the CONTRIBUTION?

This dimension refers to contribution by both the enterprise and the investor.

Enterprise Contribution identifies the data needed to assess an enterprise's contribution to the social and environmental outcomes that people and planet experience relative to what the market or social system would have done anyway. IRIS+ Core Metrics Sets do not yet include key indicators for Enterprise Contribution; these are planned for future development. This dimension currently points to guidance by the Impact Management Project.

Investor Contribution identifies the strategies investors employ, often in combination, to help the enterprises in which they invest have an impact. As outlined by the Impact Management Project, these strategies, from which investors should identify those best representing their approach, are:

- signal that measurable impact matters;
- engage actively;
- grow new or undersupplied capital markets; and
- provide flexible capital.

⚠ What is the Impact RISK?

IRIS+ Core Metrics Sets identify and describe each of the impact risk factors identified as material for each specific Strategic Goal. In the above example—the Strategic Goal of "Improving Financial Health"—risk factors identified as material and included in the Core Metrics Set for this Goal are:

- stakeholder participation risk, the need for products or services to be tailored to the needs and experience of target stakeholders;
- external execution risk, referring to political, economic, or social instability;
- contribution risk, referring to market saturation; and
- dropoff risk, referring to low client uptake.

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5   In instances where an output metric is used as a proxy for outcome (which should be based on evidence and best practice), depth may calculate the change in number of those experiencing the outcome. For example, in the Core Metrics Set for the Strategic Goal "Increasing access to medical diagnostics" under the Access to Quality Healthcare Theme, the outcome identified is "improved access to health information." The metric identified to measure that outcome is Patients Screened (PI6845), which is an output metric used as a proxy for the identified outcome. In this case, depth measures the change in the number of those screened during the reporting period.

HOW is change happening?

This question helps further contextualize the data captured by the previous five dimensions, capturing data to examine business processes and product or service details that provide a fuller picture of the enterprise and its relationship with people and planet. In the example of "Improving Financial Health," used above, some of the included indicators are:

- Product or Service Offering: the range of financial products or services actively used. Calculating this indicator requires two IRIS metrics: Product or Service Description (PD7899) and Client Individuals: Active (PI9327).

- Client Engagement: the engagement of clients in the design, development, and delivery of products or services. Calculating this indicator only requires one IRIS metric: Stakeholder Engagement (OI7914).

Client Repayment Capacity: whether the enterprise evaluates clients' ability to afford the offered products or services, which helps understand their risk of overindebtedness. Calculating this indicator only requires one IRIS metric: Repayment Capacity Analysis (PI4733).

Non-Financial Support Offered to Clients: whether the enterprise provides comprehensive support to clients beyond its financial products or services, such as health screenings or business skills training. Calculating this indicator requires two IRIS metrics: Non-financial Support Offered (PD9681) and Client Individuals: Total (PI4060).

Additional Metrics

Each IRIS+ Core Metrics Set covers the most essential pieces of information required to understand progress toward impact goals. Because each investor, enterprise, and investment may differ in kind and context, IRIS+ Core Metrics Sets offer further indicators that investors and enterprises can add to a Core Metrics Set to fit their needs and to help provide a high-level understanding of other effects, including for other affected stakeholder groups. For example, in the case of Financial Health , some additional included indicators concern operational polices of the enterprise, product affordability, and client satisfaction.

Ability to Customize

Recognizing investors' need to incorporate specific metrics and indicators to suit the context of each investment, even if these vary among portfolios within the same theme, the IRIS+ system allows investors to add existing IRIS metrics to IRIS+ Core Metrics Sets and to create indicators based on existing IRIS metrics. In this way, IRIS+ allows investors to keep all the information they need in one place: their IRIS+ Core Metrics Sets.

Development Process

IRIS+ Core Metrics Sets are developed based on the GIIN's ten-year history of managing the IRIS Catalog of Metrics, contributions from 800 stakeholders around the world, an open public comment period, and investment themes developed by hundreds of experts through the Navigating Impact project.

IRIS+ will evolve alongside and incorporate industry understanding of IMM best practice, as well as offer ongoing guidance and present new evidence to support additional Impact Themes and Strategic Goals, describe new indicators, and clarify data points.

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