

IRIS



Impact Reporting and Investment Standards (IRIS)

In the last few years, a proliferation of investment dollars has been allocated to funds and enterprises seeking to generate social and/or environmental impact as well as a financial return. The sector has grown to over \$50B in total assets and the pace of new investment grew by an average of over 35% over the past 5 years until the middle of 2008ⁱ. In addition, close to 150 organizations are providing approximately \$4B in capital and services to small and growing businesses in developing countriesⁱⁱ. And areas like Clean Tech and Socially Responsible Investing have seen double-digit growth year-over year, despite challenging economic conditions. Within the next 10 years, Impact Investing has the potential to grow to about 1% of total managed assetsⁱⁱⁱ, which would result in about \$500B of capital channeled toward social and environmental impact.

Taken together, these statistics suggest that there will be continued growth in this relatively new capital market. The progress of this growth may be limited, however, by a lack of transparency and credibility in how funds define, track, and report on the social and environmental performance of their capital. Transparency, credibility and enabling infrastructure are required for participants to more fully capture the value of the marketplace.

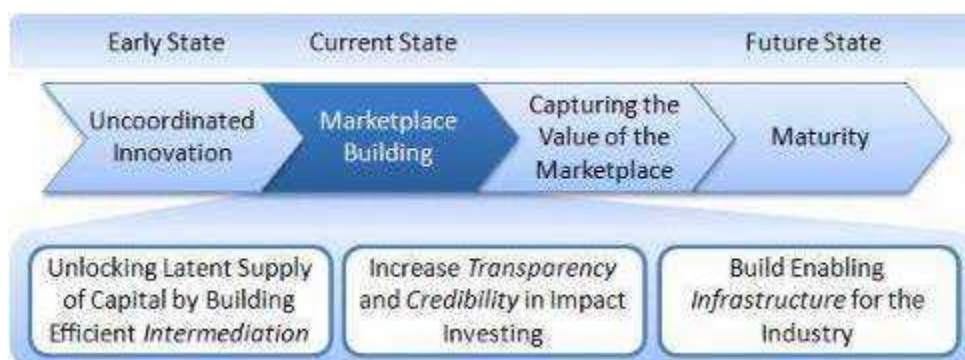


Figure 1 - Adapted from *Investing for Social and Environmental Impact* – The Monitor Institute, 2008

To address these challenges, the Rockefeller Foundation, Acumen Fund and B Lab initiated the Impact Reporting and Investment Standards (IRIS) effort to create a common framework for defining, tracking and reporting the performance of impact capital. Significant progress has already been made in sectors like Microfinance measures, data aggregation and rating tools have been developed. The IRIS initiative will build on these sector-specific efforts to create a common language that will allow comparison and communication across the breadth of organizations that have social or environmental impact as a primary driver. IRIS is an essential element in the evolution and maturity of the social and environmental impact investing market. A common language for measuring and reporting performance forms a basis for enabling infrastructure and leads to transparency and credibility.

Process

In early 2009, Acumen Fund, The Rockefeller Foundation and B-Lab, in conjunction with PwC and Deloitte, began working with a small group of stakeholders in the social and environmental impact investment space. These stakeholders comprised a diverse group of organizations representing leading microfinance institutions, small and growing businesses (SGBs), community development finance institutions (CDFIs) and private equity groups that maintain a social or environmental focus to their portfolios.

This group has started drafting a framework for measuring social and environmental performance based on a set of common indicators and definitions. The intent is for this framework to be applicable across sectors, and success requires the participation and adoption from a broad set of stakeholders representing the various facets of the social and environmental impact space.

		Reporting Categories					
II - Descriptors	Description	Basic Company Overview - Mission, Target Population, etc.					
	Meta-layers	Services Provided - Community Development, Agricultural Services, Education, etc.					
		Operational Model - Manufacturing, Retail, Service - Financial/Non-Financial					
		Organization Size - FTE or Revenue					
		Customer Model (B2B, B2C, B2S)					
III - Financial	Key Financial Indicators	<ul style="list-style-type: none"> • Revenues • COGS • OPEX • Net Income • Return on Equity • Return on Invested Capital • Return on Assets 					
Indicators	IV - Operations Indicators	Governance <ul style="list-style-type: none"> • Oversight • Policies 	Community <ul style="list-style-type: none"> • Local Suppliers • Employee Training 	Jobs <ul style="list-style-type: none"> • Jobs Created • Wages Paid 	Environment <ul style="list-style-type: none"> • Energy Use • GHG Emissions 		
	Outputs	V - Community Dev / Finance	V - Agriculture and Artisanal	V - Education	V - Healthcare	V - Energy, Water and Environment	V - Microfinance
		<ul style="list-style-type: none"> • Product/service 	<ul style="list-style-type: none"> • Product/service 	<ul style="list-style-type: none"> • Product/service 	<ul style="list-style-type: none"> • Product/service 	<ul style="list-style-type: none"> • Product/service 	<ul style="list-style-type: none"> • Product/service
		<ul style="list-style-type: none"> • Individual loans • Community loans 	<ul style="list-style-type: none"> • Access finance • Is Organically formed 	<ul style="list-style-type: none"> • New students • Job access • Teachers trained 	<ul style="list-style-type: none"> • Patients visits • Referrals 	<ul style="list-style-type: none"> • Debt produced / job / assumed 	<ul style="list-style-type: none"> • Clients • Delivery methodology
<ul style="list-style-type: none"> • Individual loans • Community loans 	<ul style="list-style-type: none"> • Price premium for fair trade • Certifications 	<ul style="list-style-type: none"> • Graduation rate • Drop-out rate • Facilities 	<ul style="list-style-type: none"> • Units/Facilities installed/mgmt. • Certified employees 	<ul style="list-style-type: none"> • Energy generated • Water produced or sold 	<ul style="list-style-type: none"> • Client protection policy • Business training 		

Figure 2 – A draft IRIS conceptual framework

The taxonomy will evolve, grow and improve over time. The initial version of the taxonomy, which will be developed in March of 2009, will identify the high level metrics and indicators common to many organizations. Subsequent versions will expand to include a more comprehensive set of indicators and metrics. The first full version of the taxonomy will be released for public comment in late April of 2009. By early June, the IRIS effort will release a version of the taxonomy for public use and will outline the process and structure for governance and ongoing improvement of the taxonomy.

Detailed below is a sample of the IRIS taxonomy. Note that the taxonomy is meant to capture the “common” indicators but there are areas where additional granularity, such as “skill level” of jobs and demographic details like “gender” may be useful. Not all organizations collect this data, but those that do should report it here and those that do not may consider collecting and reporting that data in the future as illustrated in figure 3.



Category	Identifier	Indicator	Description	Units
Employment, Jobs, Labor Equity	05	Full-time Employees	Number of full-time employees. Full-time employees are considered to be individuals that work over 35 hours per week. (BEAF)	Total (#) Female (#) Monthly (#)
	05	Job growth (Full-time)	(FT Jobs in Year 2 - FT Jobs in Year 1) / Jobs in Year 1	#
	05.1	Full-time Skilled employees	Number of employees with an considered skilled employees - those jobs that either require college/university degree or other skilled training (associate analysts, professional staff, management, accountants, lawyers, IT staff, manual skilled labor, electricians, technicians, etc.)	Total (#) Female (#) Monthly (#)
	05.2	Full-time Unskilled Employees	Number of employees with an considered unskilled employees (typically no more than 1 day-2 weeks training needed - manual unskilled labor, unspecialized store clerks)	Total (#) Female (#)
	05T	Part-time Employees	Number of on-going part-time employees defined as anyone working less than 35 hours per week, each week	Total (#) Female (#) Monthly (#)
	05T	Job growth (Part-time)	(PT Jobs in Year 2 - PT Jobs in Year 1) / Jobs in Year 1	#
	05T.1	Part-time Skilled employees	Number of employees with an considered skilled employees - those jobs that either require college/university degree or other skilled training (associate analysts, professional staff, management, accountants, lawyers, IT staff, manual skilled labor, electricians, technicians, etc.)	Total (#) Female (#) Monthly (#)
	05T.2	Part-time unskilled employees	Number of employees with an considered unskilled employees (typically no more than 1 day-2 weeks training needed - manual unskilled labor, unspecialized store clerks)	Total (#) Female (#)
	05S	Seasonal Employees	Number of seasonal employees, primarily used in agriculture or fisheries	#
	05R	Contract Employees	Number of contracted employees, generally hired for the completion of a specific task	#
	05B	Healthcare benefits	Do your full-time employees (see previous definition) have healthcare benefits (defined as health, dental, sick, or other)?	Yes No
	05B	Healthcare benefits-employees	Number of full-time employees provided healthcare benefits	#
	05C	Value of healthcare	Total value of healthcare benefits (for all employees)	US\$
	05D	Departing employees	Number of full-time employees departing organization (voluntarily or involuntary)	#
	05E	Staff turnover rate	Percentage of staff having left the organization during the last reporting year, as calculated by: Total number of staff at the end of the previous year reporting period / New staff recruited during the current reporting period / Total number of staff at the end of the current reporting period / (Total number of staff at the end of the previous year reporting period)	US\$

Figure 3 – A sample of the IRIS Taxonomy indicators

This common language is a critical component of the enabling infrastructure needed to scale up the impact investing industry. A common set of standards to define, measure and report social and environmental impact will provide transparency and credibility needed for investors and can enable improved performance for investees through increased investment capital and the ability to benchmark performance against peer organizations.

Other Related Efforts

In conjunction with the development of the taxonomy, the team is also working on two parallel efforts:

- **Portfolio Data Management System:** Beyond identifying a common set of metrics, the IRIS initiative will coordinate with the continued development of Acumen Fund's portfolio data management system, called Pulse. Pulse 1.0, will be available in Q2 '09 will allow individual funds to track and manage financial and non-financial metrics through a user-configurable, open source XBRL-enabled toolset.
- **Global Impact Investing Rating System (GIIRS):** B Lab is leading an effort to define a social impact rating system for institutional investors, financial service intermediaries, and companies seeking mission-aligned growth capital and liquidity. These ratings will provide investors with an independent, objective way to assess the social and environmental impact of companies and investment portfolios

The ultimate success of the initiative will require collaboration and cooperation from a great number of organizations. The challenges of this effort cannot be underestimated; neither can the potential benefits resulting from the more robust and efficient flow of capital with a social and environmental benefit.

ⁱ Microfinance Exchange

ⁱⁱ Dalberg Group

ⁱⁱⁱ Monitor Institute