OVERVIEW
Impact Investing, GIIN, and IRIS

CATHOLIC UNIVERSITY
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Introduction

Scenic Route vs Expressway
Part 1: Impact Investing & the GIIN

Impact Investing?

What is the GIIN?
Impact Investing

Impact Investments intend to create a measurable positive social and/or environmental impact beyond financial return.
The potential for Impact Investing?

All Investing
~$50 Trillion

If impact investing grows to ~1% of total managed assets, the result would be ~$500B of capital channeled towards social and environmental impact

Impact Investing in 5–10 years?
~$500 Billion

US Philanthropy
~$300 Billion
Will the promise be realized?

Uncoordinated Innovation → Marketplace Building → Capturing the Value of the Marketplace → Maturity

IMPACT INVESTING TODAY → THE NEXT STEP: 5-10 YEARS?
The promise and the peril?

**too HARD to do**
- Insufficient compensation for risk results in lack of interest in impact investing
- There may not be enough good deals
- Execution proves to be too difficult
- The economics ultimately may not clear in most areas
- Hype creates a bubble, especially from overpromising

**too EASY to do**
- The current financial markets and incentives create a major pull toward “greenwashing” and dilution of standards
- The very premise of having a positive impact is undermined and the industry is discredited
The GIIN is a not-for-profit organization dedicated to increasing the scale and effectiveness of impact investing.

The GIIN builds critical infrastructure and develops activities, education, and research that can increase the scale and effectiveness of impact investing around the world.
Industry evolution

Early Traction & Building Momentum

- Pioneering work from early impact investors
- Organizing of industry
- Seeding development of infrastructure
- Raising awareness
ImpactBase is a global database of impact investment funds.

**For Investors & Advisors**
Search comprehensive dataset of impact investment funds across asset classes, geographies, and impact goals
Free Beta subscription  
x 575

**For Fund Managers**
Provides fund managers with an efficient way to have visibility with a global set of impact investors
Free for contributors  
x 150
GIIN: Outreach & Education

Driving Awareness

Data-Driven Research

The Economist

FT FINANCIAL TIMES

Financial Adviser a blog by Dow Jones

FA FINANCIAL ADVISOR MAGAZINE

The New York Times

Institutional Investor

Social Enterprise, Ideas, People: beyond profit

live.mint.com & THE WALL STREET JOURNAL

J.P. Morgan Insight into Impact Investments An in-depth analysis of investor perspectives and over 2,200 transactions

GIIN
IRIS: Market Infrastructure

Financial Performance

Environmental & Social Performance

~Analogous~
Challenges ahead

• Interested investors struggling to get started
• Dialogue not grounded in data and information
• Market is opaque and difficult to navigate
• Investors struggle to understand and assess impact
• Unmet need for infrastructure and intermediation
The question for impact investing is will the bar will be set high enough? Will pioneering leaders provide the talent, discipline and resources needed to create a coherent marketplace with high standards for impact?
Part 2: Impact Investing & IRIS

What is IRIS?

Who’s using IRIS?

How does IRIS work?
What is IRIS?

IRIS is a catalog of generally accepted metrics that leading impact investors use to measure social, environmental and financial success.
IRIS addresses market fragmentation

1. Lack of **consistency** and **coordination** in use of metrics and **definitions**

2. Unclear and insufficient **incentives** for **impact reporting**

3. Insufficient **aggregate data** to inform **investment decisions** and **monitor performance**

Inability to understand the full value of impact investments
Social & environmental performance reporting is prevalent and comparable.

Investors use a combination of financial data and social & environmental performance data when making investment decisions.

Financial, social, & environmental performance of enterprises and investors improves.

Impact investing marketplace grows and functions more efficiently.
IRIS is...

**My Metrics**
- Full Time Employees = Full Time Employees
- GHG Emissions Reduced = GHG Emissions Reduced

**Your Metrics**

**Greenhouse Gas Offset/Mitigated**

*Definition*

Greenhouse gas offset/mitigated during the reporting period by replacing traditional generation with renewable, modern, or more efficient power generation/use measured in metric tonnes of CO2 equivalents. Calculations should be made leveraging Clean Development Mechanism (CDM) guidelines/methodologies to the extent possible. Footnote assumptions.

**Full-time Employees**

*Definition*

Number of full-time employees at the end of the reporting period.
IRIS is not...
Why measure impact?

- Communicate the holistic value created by an organization

- Improve impact-focused program management and planning

- Increase the credibility of social and environmentally focused activities
Who’s using IRIS?

Selection of IRIS Registered Users
(iris.thegiin.org/registry)

Selection of Investor Support

The Annie E. Casey Foundation

Equilibrium Capital

J.P. Morgan

NCIF National Community Investment Fund

The Rockefeller Foundation

SARONA Asset Management

UBS

Leapfrog Investments

The Tony Elumelu Foundation

SNS Asset Management

W.K. Kellogg Foundation
Dear Colleagues,

As impact investing attracts increased investor and enthusiasm, we see the need for greater transparency, especially in the realm of individual and institutional performance measurement. A best-practice approach to corporate and individual performance measurement is necessary to bolster sustainability and ensure the reliable reporting of investors’ actions.

We believe that a common framework for impact and environmental reporting can encourage investors to share performance data, fostering a culture where the best practices can be benchmarked and other investors can learn from the successes of others. This framework allows investors to compare performance in a consistent and meaningful way.

The GIIN Impact Data Report + Investor Support seeks to provide a consistent, robust, and meaningful approach to transparent performance measurement. Our hope is that this framework will help investors understand the impact of their investments and, in turn, drive greater impact.

Sincerely,

[Signatures]

GIIN Impact Data Report + Investor Support
Three Things to Know About IRIS

1. IRIS is a catalog of metrics terms and their definitions to reference → IRIS does not tell an organization what to measure

2. Other tools can be built on IRIS

3. IRIS metrics reflect best practices → IRIS references existing standards wherever possible
How does IRIS work?

1

IRIS is a dictionary of definitions to reference → IRIS does not tell an organization what to measure
IRIS Structure

- Qualitative and quantitative indicators in five taxonomy sections.
- Report indicators for an organization or a particular product.

Cross-sector indicators that are useful to organizations in multiple sectors, and “sector-specific” indicators for organizations whose activities impact a given sector.
What is an IRIS metric?

**School Enrollment: Rural**

**DEFINITION**

Number of students, living in *rural* areas, enrolled in school during the *reporting* period.

**ID:** PI6569

**REPORTING FORMAT:** Number of people

**CATEGORY:** Product Impact - Client Information

**SECTOR:** Education

**RURAL**

Rural areas are characterized by low population densities with a strong presence of a farm economy. Use guidelines as defined by the area’s national government.
Using IRIS means...

- **Committing**
  to using impact metrics for performance tracking, communications, and decision-making

- **Aligning**
  relevant metrics with IRIS terms and definitions

- **Incorporating**
  the practice of performance measurement into regular business operations;

- **Tracking**
  impact performance over time

- **Registering**
  IRIS metrics usage with the IRIS Registry

- **Citing**
  IRIS usage in impact performance reports
Other tools can be built on IRIS
How other tools leverage IRIS

GIIRS
Rating System

PULSE
Data System

Org
Unique Scorecard

IRIS Metrics
How does IRIS work?

3

IRIS metrics reflect **best practices** →
IRIS references existing standards wherever possible
Built on generally accepted metrics

Examples of Frameworks Leveraged

Operational Impact

Product Impact

Financial Performance

Example Metrics

- Client Protection Policy
- Greenhouse Gas Emissions
- Full-time Employees
- Community Service
- Green Building Practices
- Low Income Clients
- Energy Produced
- Housing Units Financed
- Producer Price Premium
- School Meals
- Earned Revenue
- Cost of Goods Sold
- Net Income
Challenges ahead

- Difficult to know what to measure and how
- Rigorous methods may be challenging to implement
- Practices are fragmented, limiting the value of resulting data
- Many recognize the importance of measuring, but lack the urgency to get started
- Impact measurement is seen as complex and resource intensive
- Confusion exists about where IRIS fits in larger impact measurement value chain, lingering questions about switching costs
Where do you think IRIS efforts should focus next?

• *Breadth vs. Depth of metrics?*

• *Building an ongoing education program for up-and-coming impact measurement professionals?*

• *Developing user accessibility tools to make it easier for new impact funds to get started with impact measurement?*
Thanks!

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Learn More

1. Browse the metrics online

2. Check out the IRIS Registry

3. Learn about practitioners’ experiences with IRIS
GIIRS uses IRIS definitions & then adds ratings, judgment, & a verification process.

IRIS and GIIRS were designed to fulfill complementary roles.
Where does the impact investment market stand today?
JP Morgan / GIIN 2011 Report

Insight into the Impact Investment Market

Investor Perceptions
52 Investors

Investments
42 Investors
2,200 Investments
Current state of the market?

1) In its infancy and growing
2) About to take off
3) In its prime
4) Slowing down
5) A lot of talk, not much action
6) A potential bubble
75% say market is “in infancy & growing”

- In its infancy and growing: 75%
- About to take off: 19%
- A lot of talk, not much action: 6%

Source: GIIN, J.P. Morgan
Note: 52 respondents chose one answer
Return & Impact: Diverse Perspectives

Investment thesis

- Optimize financial returns with an impact floor (21%)
- Optimize impact with a financial floor (33%)
- Balance both financial returns and impact (46%)

Source: GIIN, J.P. Morgan
Note: 52 respondents chose one answer
As an impact investor, would you *sacrifice financial returns* for greater impact?

- Yes: 62%
- No: 38%

Source: GIIN, J.P. Morgan
Note: 52 respondents chose one answer
Return Expectations

Equity

- Developed Markets
  - Annual internal rate of return ("IRR") or yield (gross, in USD)
  - Outperform (9), Compete (77), Concede (18)

- Emerging Markets
  - Annual internal rate of return ("IRR") or yield (gross, in USD)
  - Outperform (14), Compete (68), Concede (23)

One standard deviation down from the mean for conceding trades is -4%.

Debt

- Developed Markets
  - Annual internal rate of return ("IRR") or yield (gross, in USD)
  - Outperform (2), Compete (123), Concede (290)

- Emerging Markets
  - Annual internal rate of return ("IRR") or yield (gross, in USD)
  - Outperform (8), Compete (434), Concede (236)

One standard deviation down from the mean for both competitive and conceding trades is -3%.

Source: GIIN, J.P. Morgan
Expected average allocation to impact investments in investors’ overall portfolios in 10 years time

Source: GIIN, IMF, J.P. Morgan. Institutional allocation to alternative investments is the average of the allocation for pension funds and asset managers in 2010, as shown in ‘Asset allocation by asset class and investor type’ table. Readers should note that the survey was executed in Jul–Sep 2011.

Expectations: 5-10% of portfolios in 10 yrs