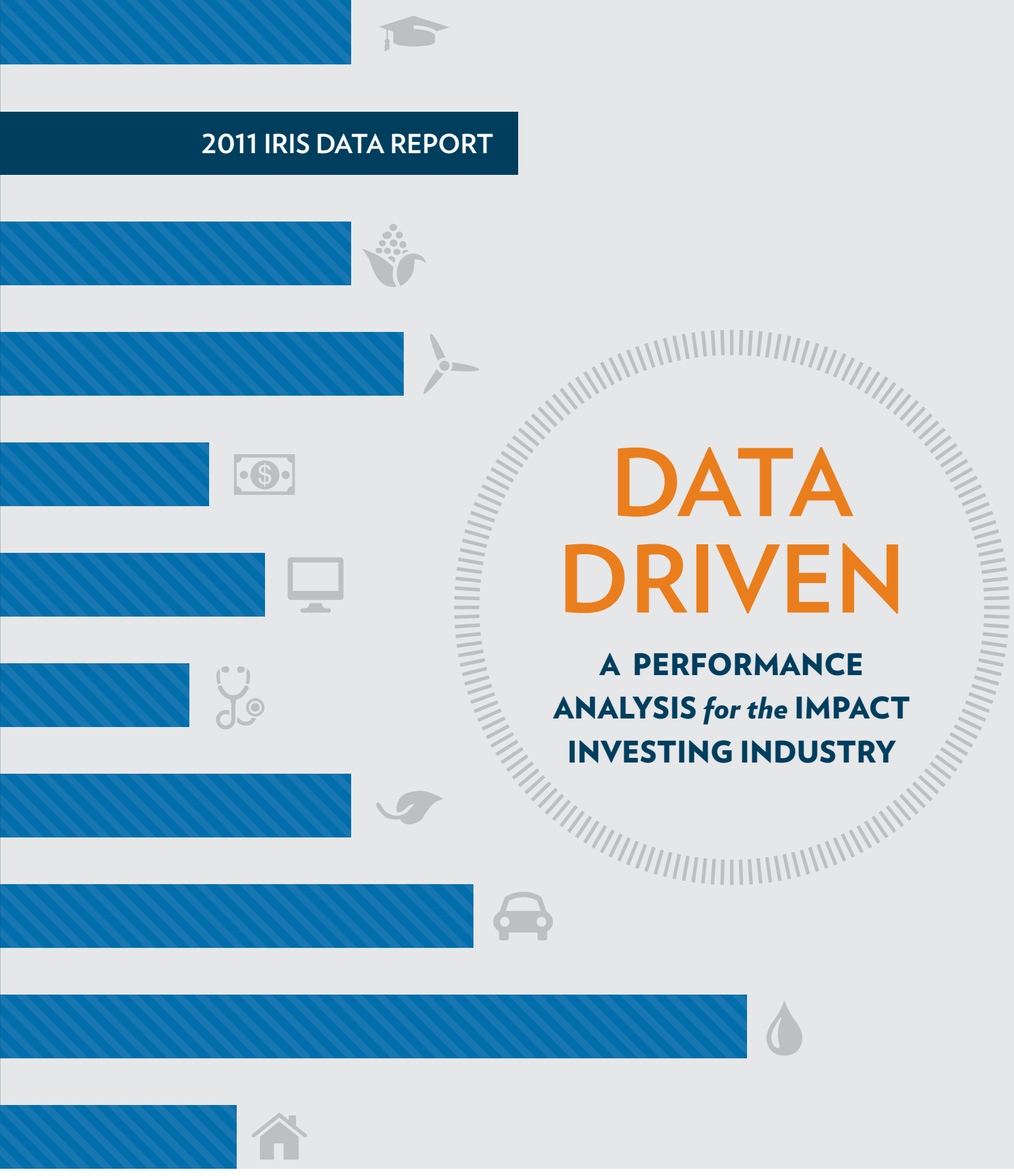
2011 IRIS DATA REPORT



DATA DRIVEN

A PERFORMANCE ANALYSIS *for the* IMPACT INVESTING INDUSTRY

GIIN IRIS

A publication of the Global Impact Investing Network (GIIN)
and the Impact Reporting and Investment Standards (IRIS) initiative

Dear Readers,

The Global Impact Investing Network is excited to present the first Impact Reporting and Investment Standards (IRIS) performance data report. IRIS is a universal language for social, environmental, and financial performance reporting. It was developed as a tool for the impact investing industry to improve transparency, increase the credibility of social and environmental performance data, and facilitate investment comparability and performance benchmarking. This report is a significant milestone for the IRIS initiative, as it includes the first analyses of aggregated IRIS performance data from a diverse set of organizations receiving funding from, and working with, leading impact investment intermediaries.

The organizations described herein operate around the world, working to support a wide range of impact objectives that include development of clean alternative energy, access to financial services, and cultivation of agricultural products. It is only because they have aligned their performance tracking with IRIS and, working with impact investment intermediaries, have anonymously contributed data to the IRIS initiative, that we can begin to aggregate and compare their performance. The data in this first report demonstrate the early traction of IRIS, as well as the potential for the industry to develop an expansive and compelling evidence base of impact investment performance.

We owe the preliminary content and analyses in this report to the pioneering impact investment funds, technical assistance providers, data aggregators, and industry collaborators that have worked with the IRIS initiative over the past two years. We commend and thank these important IRIS partners, who, along with the contributions of the IRIS advisory committees, made this report possible.

With the publication of this report, we hope to begin to demonstrate the value of aggregated performance data from across the broad impact investing industry to various stakeholders:

- **FOR FUND MANAGERS, DIRECT INVESTORS, AND OTHERS WORKING WITH MISSION-DRIVEN ORGANIZATIONS**, analyses of aggregated IRIS data can help to set social, environmental, and financial performance expectations across portfolios, and inform due diligence into prospective investments.
- **FOR ENTREPRENEURS**, analyses like those found in this report can provide much-needed context for individual performance, as well as the ability to gauge impact relative to that of industry peers.
- **FOR RESEARCHERS AND ACADEMICS**, the analyses in this report, along with complementary data sets, can lead to more rigorous studies on the effectiveness of impact investing.

This report signals a new level of sophistication for the impact investing industry. However, it is an early glimpse into industry characteristics and social and environmental performance—more data is needed. The ultimate success of IRIS relies on the commitment of investors and organizations to adopt the IRIS standards and contribute their data to the IRIS initiative through data collection partnerships. This information can help the impact investing community make better informed decisions and facilitate more effective use of impact investment capital. We look forward to continued work with various stakeholders in this emerging industry, and thank readers of this report for their interest and support.

Sincerely,

Sarah Gelfand
Director of IRIS, Global Impact Investing Network

Acknowledgements

This report was made possible with the support and contributions of leading impact investors, industry organizations, and intermediaries.

We would like to acknowledge the support of the IRIS data collection partners for encouraging IRIS adoption and data contribution among their members and users. The data aggregation and analyses in this report would not be possible without them: the Aspen Network of Development Entrepreneurs, Microfinance Information Exchange, and PULSE. The IRIS team looks forward to including data from the Finance Alliance for Sustainable Trade, the Global Impact Investing Rating System, and other partners in the future.

We would also like to thank the six funds and one technical assistance provider that voluntarily contribute data on their portfolio organizations to the IRIS initiative via their relationships with data collection partners: Acumen Fund, E+Co, Grassroots Business Fund, IGNIA, New Ventures, Root Capital, and the Small Enterprise Assistance Funds. The data contributed by these intermediaries formed the basis for much of the analysis contained in this report. While IRIS does not require data contributors to reveal their identities, these industry leaders wished to publicly demonstrate their support for this initiative by including their names in this report.

Additionally, we would like to thank the funders of the IRIS initiative for making IRIS and this report possible: the Annie E. Casey Foundation, J. P. Morgan, the Rockefeller Foundation, and the United States Agency for International Development.

The IRIS initiative has benefited from the leadership of its governance committees and the IRIS Data Advisory Working Group, and is grateful for their contributions and continued support.

We also thank the following individuals who offered their time to provide ideas, background, and feedback to early versions of the report: Margot Brandenburg, Cathy Clark, Patricia Devaney, Scott Gaul, Andrew Kassoy, Saurabh Lall, Rafi Menachem, Brad Presner, Robert Schneider, Steven Silberstein, Stevan Simich, Blaine Stephens, Ben Thornley, Brian Trelstad, Flory Wilson, and Lindsey Yeung.

Authors

This report was written by the Global Impact Investing Network (GIIN), a nonprofit organization dedicated to increasing the scale and effectiveness of impact investing. Since 2009, the GIIN has managed the IRIS initiative, which was originally launched in 2008 by Acumen Fund, B Lab, and the Rockefeller Foundation.

Members of the GIIN team who contributed to this report are: Amit Bouri, CJ Fonzi, Sarah Gelfand, Adam Gromis, Katy Lankester, Giselle Leung, Kelly McCarthy, Melody Meyer, Min Pease, and Sapna Shah. In addition, consultant N. Taylor Thompson contributed to the report.

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Executive Summary

While the concept of investing to achieve social or environmental impact alongside financial returns has existed for some time, impact investing has only recently begun to emerge as a coordinated industry. Historically, efforts to measure social and environmental performance have been fragmented, as many investors have implemented proprietary measurement systems or have relied on anecdotes alone. This fragmentation creates inefficiencies that have not only made impact investment evaluation difficult, but have also resulted in overly burdensome data collection and reporting for mission-driven organizations.

The Impact Reporting and Investment Standards (IRIS) initiative was developed to address these issues. Its main component, the IRIS standards, provides a universal language for social, environmental, and financial performance that can be adopted within proprietary reporting tools. Through the widespread use of commonly-defined metrics, it will become possible to aggregate and compare performance data from across the impact investing industry. Additionally, the IRIS initiative works with data collection partners to aggregate voluntarily-contributed anonymous data that enables the creation of data-driven market intelligence such as the analysis in this report.

This report demonstrates the potential of IRIS performance data to facilitate market intelligence. It should not be used to draw conclusions about specific geographies, sectors, or the industry as a whole. Included analyses represent the most compelling observations from the limited data available, and are not value judgments on the importance of particular IRIS indicators. See the rules for data inclusion in this report as explained through the IRIS anonymity policy in Appendix B.

Goals of this Report

Through the use of IRIS and supporting industry tools and infrastructure, the impact investing industry has great potential to build a compelling evidence base about the effectiveness of for-profit investment in addressing social and environmental challenges. However, additional data is needed to explore critical performance questions about the impact investing industry as it develops. This report's action-oriented objective is to drive widespread adoption of IRIS, and to encourage adopters to strengthen future market intelligence by voluntarily contributing data through data collection partners.

This report represents a milestone for the IRIS initiative, and the following analyses are intended to demonstrate the value of IRIS performance data as complementary to case studies and anecdotal stories about mission-driven organizations and funds. The analyses provide a snapshot of performance across a group of organizations working with impact investment intermediaries, and begin to indicate the potential for IRIS to enhance market intelligence.

Performance Data Overview

This report draws upon data from 2,394 organizations. Data from 463 organizations were collected from the portfolios of seven impact investment intermediaries, and data from 1,931 microfinance institutions were included through a partnership with Microfinance Information Exchange, as seen in Figure 1.

The report's key findings begin with a broad overview of the reporting organizations, showing that they work across regions and sectors, with some concentrated activity in financial services, energy, and agriculture. The first performance data analyses relate to the profitability of these organizations by sector, region, and sector/region combinations. As shown in Figure 1 below, most reporting organizations are profitable. When segmented by sector and region, this observation largely holds true, although gross and net profit margins vary. Another analysis shows that employee wages vary considerably by sector among reporting organizations.

The final analysis section looks in detail at the percentage of revenue paid by reporting agricultural organizations to their smallholder farmer suppliers. Both the geographic location and the size of organization may affect the percentage of revenue paid to smallholder farmers, but these are only two of many possible factors. As more data is contributed to the IRIS initiative—for example, information about the technical assistance provided by reporting agricultural organizations or the corporate form of reporting agricultural organizations—additional analyses may reveal further insights into factors that may affect the percentage of revenue paid to smallholder farmers by agricultural organizations.

FIGURE 1: OVERALL STATISTICS

463
NUMBER OF ORGANIZATIONS REPORTING THROUGH ANDE AND PULSE

58
NUMBER OF COUNTRIES REPRESENTED
Based on location of organization's operations

"Earned Revenue"
$1,434,980,390
N = **387 organizations** | Median = **$1,104,267**

"Clients" SERVED
7,994,642
N = **71 organizations** | Median = **438**

"Supplier Individuals" SUPPORTED
914,831
N = **243 organizations** | Median = **570**

"Permanent Employees"
23,355
N = 288 organizations | Median = 18

63%
PERCENT OF REPORTING ORGANIZATIONS THAT ARE PROFITABLE
N = 121 organizations

1,931
NUMBER OF MICROFINANCE INSTITUTIONS REPORTING THROUGH MIX

"Clients" SERVED
91,899,981
N = 1,115 organizations | Median = 10,119

70%
PERCENT OF REPORTING ORGANIZATIONS THAT ARE PROFITABLE
N = 1,077 organizations

Note: "Earned Revenue" (FP5958), "Clients" (PI7094), "Supplier Individuals" (P15350), and "Permanent Employees" (018869) refer to IRIS indicators. Percent of reporting organizations that are profitable is based on net income for most recent reporting year. The number of MFIs reporting through MIX encompassed all years, while the numbers for clients served and profitability are based on 2009 data. The ANDE and PULSE data is from the most recent year reported.

The data herein should not be used to draw conclusions about specific geographies, sectors, or the field as a whole. The organizations reporting data for this initial report represent a fraction of the rapidly-growing industry. Additionally, these analyses and related IRIS indicators are not necessarily the most important, but simply represent the most compelling observations from the data collected to date.

Opportunities for the Industry

Through its data collection partnerships, the IRIS initiative will continue to release data analysis as a public good. As more data is contributed, there will be significant opportunities to apply IRIS-related analyses to investor due diligence and deal execution, organizational fund raising, and performance evaluation systems.

There will also be opportunities to further develop the ecosystem stemming from IRIS. For example, more robust market intelligence can encourage investors to apply greater amounts of capital to address social and environmental challenges, helping mission-driven organizations grow with funding from investors with aligned goals. In addition, widespread IRIS adoption and data contribution may increase demand for professionals with expertise in measuring, analyzing, and auditing performance data. The development of third-party experts is just one example of how stakeholders committed to performance measurement and reporting can use IRIS to build a foundation of knowledge to better understand industry performance.

The impact investing industry is still young, and its ability to provide a compelling case for its impact will be determined in the next decade. The commitment of a broad set of stakeholders is necessary to continue the development of industry infrastructure and professionalization, and ultimately create and sustain robust and useful market intelligence. Data analysis is necessary for rigorous collective learning and impact investment decision making. The IRIS initiative enables both, thus helping the industry realize its full potential. This report is the first step towards this collective learning, and the industry should act on opportunities to contribute data to increase the rigor of future analyses.

A Note on Terminology

In this report, the following terminology is used:

ORGANIZATION: refers to mission-driven businesses, cooperatives, and nonprofit organizations receiving or seeking impact investment capital. All organizations whose performance data is analyzed in this report work with impact investment intermediaries. Additionally, most organizations whose performance data is included herein are for-profit organizations.

INTERMEDIARY: refers to fund managers and technical assistance providers that work with organizations. Intermediaries collect data directly from organizations and then share the data with the IRIS initiative.

IRIS DATA COLLECTION PARTNER: refers to the industry collaborators that facilitate data contribution from intermediaries and organizations, either through a technology platform or through relationship facilitation.

What is IRIS?

The Impact Reporting and Investment Standards (IRIS) is a universal language for social, environmental, and financial performance reporting by mission-driven organizations. The IRIS initiative of the Global Impact Investing Network (GIIN) encompasses three main components:

1. **DEVELOPING AND REFINING** the IRIS standards
2. **PROMOTING ADOPTION** of the IRIS standards
3. **ENABLING VOLUNTARY CONTRIBUTION** of anonymous IRIS performance data through data collection partners to establish an expansive evidence base of the industry's performance

IRIS is a free public good. It provides a library of social, environmental, and financial performance metrics with standard definitions that are designed to be applied across diverse sectors and regions. It includes broad performance indicators that can be applied to any organization, as well as those that are sector-specific, with a goal to drive the industry towards consistent and widespread application of performance metrics. IRIS indicators are organized in the following categories: organization description, product description, financial performance, operational impact, and product impact.

Whereas stakeholders previously created proprietary social and environmental metrics, IRIS indicators allow users to speak the same language, helping them define, track, and communicate the performance of organizations receiving or seeking impact investment capital. However, IRIS does not provide prescriptive guidelines for reporting, nor does it provide a value judgment, certification, or performance rating.

Where possible, IRIS aligns with widely accepted sector-specific reporting standards, such as the microfinance performance indicators used by MIX. In sectors where there are no commonly-accepted performance indicators, the IRIS team works with industry experts to develop new indicators. This process is transparently governed by an advisory committee, which incorporates feedback from metrics and sector-specific expert working groups, as well as from public comment.

IRIS increases the value of non-financial data by enabling standardized social and environmental performance comparisons and benchmarking. IRIS adoption improves transparency, increases credibility of social and environmental performance measurement and reporting, and streamlines and simplifies impact accounting.

The IRIS initiative promotes adoption by mission-driven organizations and funds through work with its partners, which include the Aspen Network of Development Entrepreneurs, Finance Alliance for Sustainable Trade, the Global Impact Investing Rating System, Microfinance Information Exchange, and PULSE. In addition to supporting use of IRIS among their members and users, these partners work with their stakeholders to anonymously contribute IRIS performance data from all areas of the impact investing industry to the IRIS initiative, which securely aggregates these data for analyses like those presented in this report. Future reports will build on the baseline data in this report, and will also include data submitted by a growing set of contributors to provide richer and more numerous impact-oriented analyses for the impact investing community.

The IRIS initiative's data collection partnerships are designed to mitigate pressure on organizations to report only favorable data. First, IRIS' strict anonymity policy ensures that specific data can not be linked to an individual organization or intermediary (see Appendix B). Second, all data are submitted by intermediaries or data collection partners, each of which typically collects performance data across all portfolio organizations. These contributors have little incentive to modify an individual organization's information, as only accurate IRIS data contribution facilitates useful performance assessment through analysis and benchmarking across portfolios.

IRIS was launched in 2008 by Acumen Fund, B Lab, and the Rockefeller Foundation, and is now managed by the GIIN.

The current version of IRIS (2.1) is available at www.iris.thegiin.org. The next update (3.0) will be released in the fourth quarter of 2011.

Background

The Role of Social and Environmental Performance Reporting in Impact Investing

While the concept of investing to achieve social or environmental impact alongside financial returns has existed for some time, impact investing as a coordinated industry has only recently emerged. Historically, efforts to measure non-financial performance have been anecdotal or fragmented, with many investors creating unique metrics for each organization or impact focus within their portfolios. This fragmentation has made data aggregation and broader industry analyses impossible, and the abundance of incompatible metrics has resulted in overly burdensome data collection and reporting for investee organizations, especially for those that report to multiple stakeholders. This report presents the first analysis of aggregated performance data collected using IRIS, representing a milestone for both the IRIS initiative and the impact investing industry.

What is Impact Investing?

Impact investments aim to create social or environmental benefit while generating financial returns. They vary in size, vehicle, and expected returns, but are generally made to private organizations with business operations and/or goods and services designed to produce social or environmental benefits. Impact investments are made around the world, targeting a range of social and environmental issues, including affordable housing, healthcare, education, clean water, and alternative energy. Both impact investors and mission-driven organizations are diverse. The former take various organizational forms, including traditional financial institutions, foundations, and government agencies. The latter include mission-driven businesses, nonprofit organizations seeking debt financing, as well as alternative forms, such as cooperatives. Despite this diversity, all effective impact investing requires informed management of social, environmental, and financial performance.

The Role of IRIS in Impact Investing

Available as a free public good, IRIS provides a library of standardized social, environmental, and financial performance indicators designed to be applied across diverse sectors and regions. IRIS adoption improves industry transparency and increases credibility in the measurement and reporting of non-financial performance.

By working with data collection partners, the IRIS initiative collects anonymous performance data from a number of IRIS adopters across the impact investing industry. Because these data are reported in consistent terms, IRIS-related aggregation and analysis are made possible for the first time. For organizations and funds, the data will enable comparison between individual performance and the aggregate performance of peer groups. For the industry as a whole, these data can help show the extent to which various impact investments can achieve social, environmental, and financial goals.

Goals of this Report

This report reflects the initial traction that IRIS has gained among leading impact investors, organizations, and intermediaries, demonstrating the industry's growing commitment to credible and consistent reporting of both financial and non-financial information.

The report highlights initial findings from performance data contributed by a diverse set of mission-driven organizations receiving or seeking impact investment capital, and working with impact investment intermediaries.

The analyses of performance data submitted by these organizations are intended to:

- Demonstrate the value of data as complementary to case studies and anecdotal stories
- Show the potential to create rigorous market intelligence that helps stakeholders assess performance across the impact investing industry
- Increase adoption of IRIS among mission-driven organizations and investors, and encourage data contribution through data collection partners

In the future, as data contribution increases, more social impact analyses can be performed and future reports will offer a more comprehensive snapshot of the industry as a whole.

Data Acquisition Processes

At present, the IRIS initiative only accepts data for analysis through its strategic data collection partnerships. IRIS adopters are not obligated to contribute data to the IRIS initiative; however, they are encouraged and supported in doing so if they work with an IRIS data collection partner. The IRIS initiative received data through three partners for this report:

- Aspen Network of Development Entrepreneurs (ANDE), a global network of over 130 organizations that work to propel entrepreneurship in the developing world
- Microfinance Information Exchange (MIX), the leading source for financial and social performance data on microfinance institutions around the globe

- PULSE, managed and supported by App-X, a data collection and reporting tool for funds to quantify the impact of their projects and investments

The majority of organizations represented in this report are for-profit private enterprises that have already received impact investment capital. They are diverse with respect to geography, sector, size, and maturity.

Through partnership with ANDE, the IRIS team receives data from seven impact investment intermediaries, four of which submitted data using PULSE. The contributing intermediaries are Acumen Fund, E+Co, Grassroots Business Fund, IGNIA, New Ventures, Root Capital, and Small Enterprise Assistance Funds (SEAF). They submitted data from 463 organizations receiving or seeking impact investment capital. However, these seven intermediaries represent only a portion of the ANDE membership and a fraction of total IRIS users. Their public contributions to the IRIS initiative are a testament to their industry leadership and dedication to impact measurement.

In addition to the data contributed by ANDE and PULSE, IRIS-aligned data from 1,931 microfinance institutions were collected from MIX. (For more detail on the data contribution process, see Appendix A.) Protocols were followed to ensure that the performance of any individual organization cannot be drawn from the analyses in this report (see the IRIS Anonymity Policy in Appendix B).

Data Limitations

The analyses herein provide a snapshot of performance across a group of organizations. While this report represents a significant step forward for the IRIS initiative, the analyses included are based on data from a relatively small number of mission-driven organizations, and should not be used to draw conclusions about the performance of specific sectors, geographies, or the industry as a whole. The analyses and IRIS indicators included in this report were chosen not because they are the most important, but because they represent the most compelling observations of the data contributed to date.

The IRIS initiative received more non-financial than financial data from organizations for analysis. However, the number of social and environmental analyses in this report was limited by the modest amount of overlapping social and environmental IRIS indicators tracked by organizations. This heterogeneous IRIS usage is understandable, given the diversity of reporting organizations' impact objectives. As the data set grows and impact sectors coalesce around common indicators, more meaningful social and environmental analyses will become possible. In the following section, opportunities for future analyses based on more robust data are identified.

Key Findings

This section includes analyses conducted on the aggregated performance data from organizations voluntarily reporting to the IRIS initiative. The section leads with a broad data overview, including the distribution of reporting organizations by sector and region and the diversity of products and services. It then presents deeper data analyses by sector, region, and stated impact objectives, including segmentations of employee wages and organizational profitability. Finally, agriculture sector social analyses are highlighted to show the potential for future in-depth sector-specific analyses.

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NUMBER OF COUNTRIES REPRESENTED

Based on location of organization's operations

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"Clients" SERVED

7,994,642

N = **71 organizations** | Median = **438**

"Supplier Individuals" SUPPORTED

914,831

N = **243 organizations** | Median = **570**

"Permanent Employees"

23,355

N = 288 organizations | Median = 18

63%

PERCENT OF REPORTING ORGANIZATIONS THAT ARE PROFITABLE

N = 121 organizations

1,931

NUMBER OF MICROFINANCE INSTITUTIONS REPORTING THROUGH MIX

"Clients" SERVED

91,899,981

N = 1,115 organizations | Median = 10,119

70%

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Data Overview

OVERALL STATISTICS

The organizations that contributed data to this report have significant reach in terms of geography, revenue, clients, suppliers, and employees; in addition, the majority are profitable. As shown in Figure 1, this report draws upon data from a total of 2,394 organizations: 463 organizations that have received or are seeking impact investment capital and which contributed data through ANDE and PULSE, and 1,931 microfinance institutions (MFIs) that contributed data through MIX.

The statistics shown above the dotted line in Figure 1 are aggregated from organizations reporting through ANDE and PULSE. Each of these organizations works with an impact investment intermediary that supports the pursuit of positive social and environmental impact through business activity. These organizations have generated more than $1.4 billion in earned revenue and have affected the lives of almost nine million clients and suppliers. The full data set analyzed in this report also includes data from 1,931 MFIs that report performance data to MIX. These MFIs, 70 percent of which are profitable, serve more than 90 million clients. MIX maintains an online platform at www.mixmarket.org, on which any visitor can access and analyze the performance of these organizations.

FIGURE 2: REPORTING ORGANIZATIONS BY SECTOR AND REGION

	EAST ASIA & PACIFIC	EUROPE & CENTRAL ASIA	LATIN AMERICA & CARIBBEAN	MIDDLE EAST & NORTH AFRICA	NORTH AMERICA	SOUTH ASIA	SUB-SAHARAN AFRICA	TOTAL
AGRICULTURE	11	9	167		–	–	62	265
ARTISANAL	4		7		–	–	3	–
EDUCATION	–	–						–
ENERGY	46	–	–			11	36	106
ENVIRONMENT	–	–				–		–
FINANCIAL SERVICES	256	399	446	75		327	438	1,941
HEALTH	3	–	3				–	11
HOUSING DEVELOPMENT			–					–
INFORMATION AND COMMUNICATION TECHNOLOGIES	–	–	–				–	7
INFRASTRUCTURE/FACILITIES						–		–
SUPPLY CHAIN SERVICES	–							–
TECHNICAL ASSISTANCE SERVICES						–		–
TOURISM		3	3					6
WATER	–					–	–	5
OTHER	8	10	5			4		27
TOTAL	335	429	646	75	10	355	544	2,394

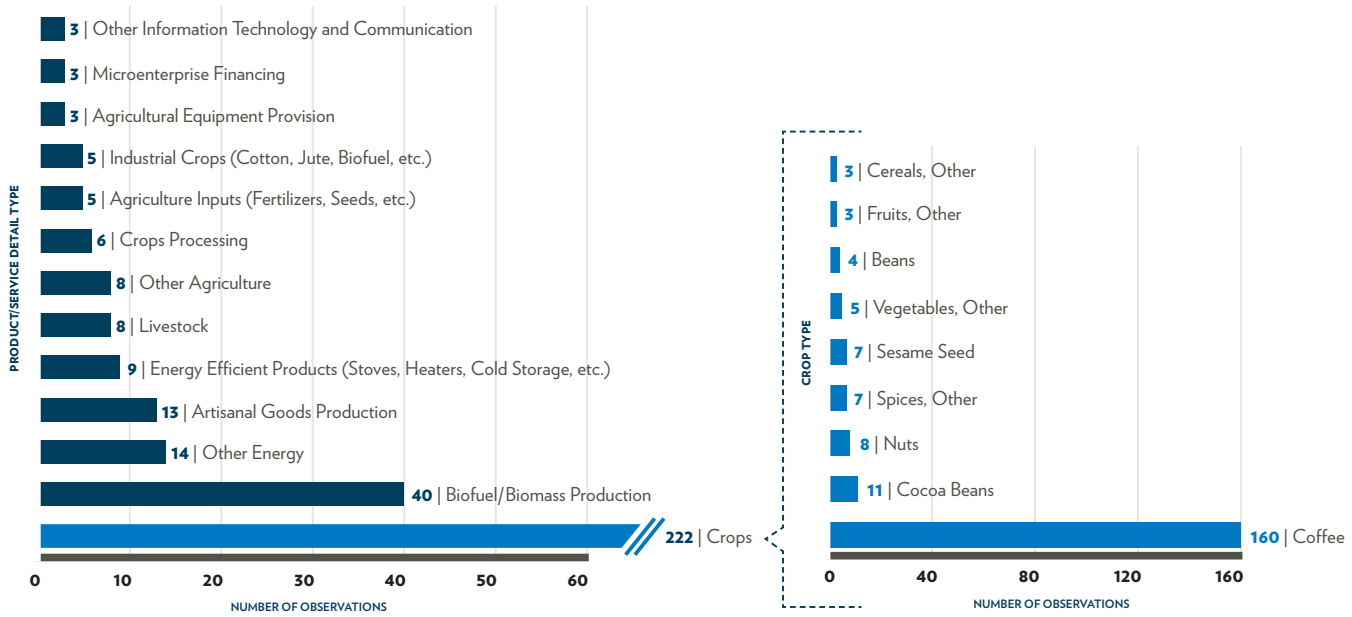
Dash denotes non-zero data values withheld due to the IRIS anonymity policy (see Appendix B).

REPORTING ORGANIZATIONS BY SECTOR AND REGION

The reporting organizations are diverse across sectors and regions. Figure 2 shows the concentration of organizations that contributed data to the IRIS initiative by sector and geography. These data offer a snapshot of the breadth of organizations seeking and accepting impact investment capital, showing global activity in more than 14 sectors. The absence of organizations reporting from North America does not indicate a lack of impact investing activity in the region. Rather, it reflects IRIS' current data collection partners' work with intermediaries that focus on emerging markets. Future IRIS data reports will include data from North American impact investments.

The large number of organizations contributing data in the financial services sector results from the IRIS data collection partnership with MIX, which has been collecting and aggregating performance data from MFIs for more than a decade. Concentrations of organizations contributing data to the IRIS initiative are also beginning to form in both the energy and agriculture sectors. With more contributions, robust analyses can be performed by unlocking existing data that cannot yet be shared publicly due to the IRIS initiative's anonymity policy (see Appendix B).

FIGURE 3: DIVERSITY OF PRODUCTS AND SERVICES



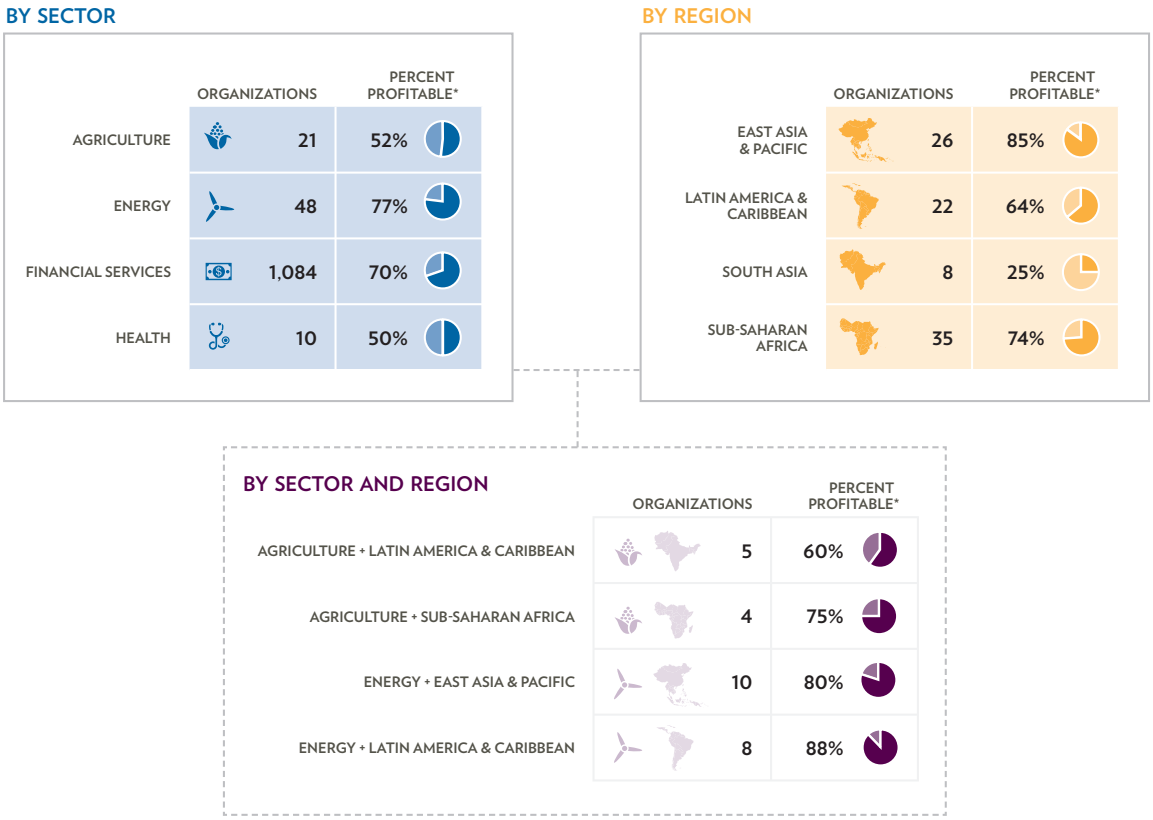
Note: Product/Service Detail Type and Crop Type are each IRIS indicators. Thus, the total number of organizations reporting on Crop Type differs from the number reporting Crops as the Product/Service Detail Type.

ORGANIZATION PRODUCTS AND SERVICES

This data set shows that impact organizations offer diverse products and services. Figure 3 details the products and services produced by the organizations contributing to the ANDE/PULSE data set of 463 organizations. It also shows a breakdown of the types of crops produced by those operating in the agricultural sector. Coffee is heavily represented in this data set, which may reflect the large number of agricultural organizations reporting from Latin American and Caribbean countries (see Figure 2). As the industry and the IRIS initiative progress, it will be possible to conduct more analyses and benchmarking within specific product offerings. For example, analyzing client demographics or unit sales for specific products, or comparing price premiums paid to agricultural producers for different products (e.g. coffee versus cocoa beans) will be made possible.

THE IRIS INITIATIVE FOLLOWS A STRICT ANONYMITY POLICY to protect the identities of organizations and intermediaries contributing data for analysis. Even when intermediaries voluntarily elect to publicly disclose their participation—as was the case for the seven intermediaries that contributed the data included in this report—the anonymity of their portfolio organizations is strictly maintained by the IRIS initiative. For a detailed outline of the IRIS anonymity policy, see Appendix B.

FIGURE 4: PERCENTAGE OF PROFITABLE ORGANIZATIONS BY SECTOR AND REGION



*Companies showing a positive net income in the last year reported
Note: The financial services sector includes data from MIX.

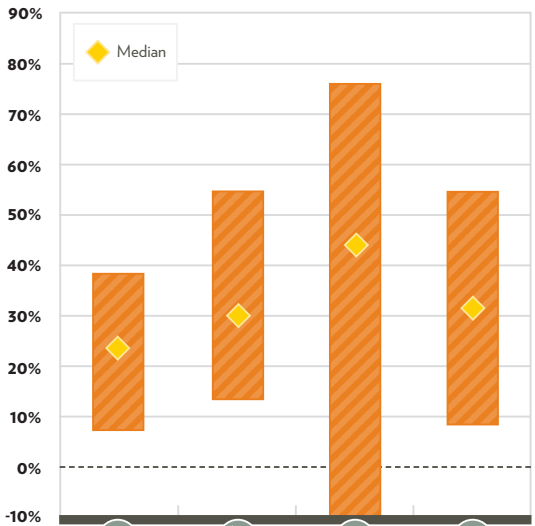
Deeper Data Analyses by Sector, Region, and Impact Objective

In the following analyses, the data presented transitions from descriptive graphs to those segmented by various IRIS indicators. The represented indicators and analyses are included not because they are judged most important, but are based on available reported data, which are subject to the IRIS anonymity policy (see Appendix B). For the same reasons, the sectors and regions presented for each indicator vary throughout the report. In addition, data reported by MIX are represented in charts which include the financial services sector; otherwise, data has been sourced from the ANDE and PULSE data set of 463 organizations. The following graphs hint at the rigor of analysis that the IRIS initiative can facilitate, while offering an early look into the impact investing industry.

PERCENTAGE OF PROFITABLE ORGANIZATIONS

Most of the reporting organizations were profitable, even as data were segmented by region and sector. Figure 4 details breakdowns of the percentage of organizations that were profitable (as defined by a positive yearly net income) by sector, region, and by sector and region combinations. These data show that the majority of organizations were operating profitability at the time of reporting.

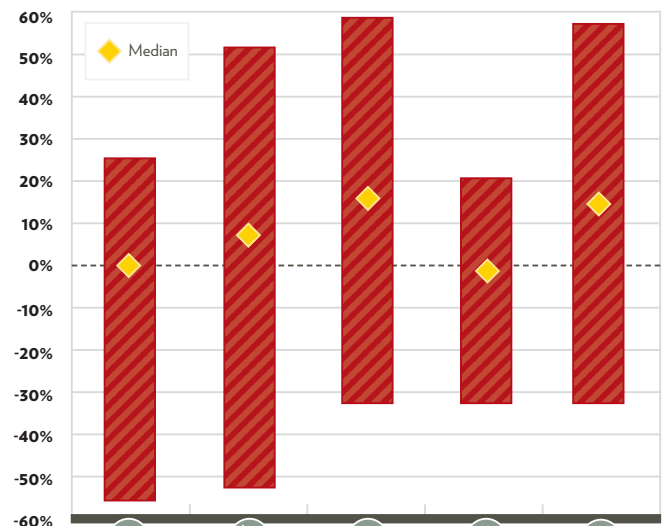
FIGURE 5: GROSS PROFIT MARGINS BY SECTOR



	AGRICULTURE	ENERGY	HEALTH	TOTAL*
COUNT	25	44	9	118
AVERAGE	22%	34%	34%	32%
MEDIAN	24%	30%	44%	31%
STD. DIV.	10%	21%	42%	23%

*Total includes data from organizations in sectors with too few observations to be represented elsewhere in the figure
Note: Based on last reported year of data: 2009 or 2010

FIGURE 6: NET PROFIT MARGINS BY SECTOR



	AGRICULTURE	ENERGY	FINANCIAL SERVICES	HEALTH	TOTAL*
COUNT	20	45	1,112	10	1,123
AVERAGE	-16%	0%	14%	-6%	12%
MEDIAN	1%	7%	15%	-1%	14%
STD. DIV.	40%	52%	45%	26%	45%

*Total includes data from organizations in sectors with too few observations to be represented elsewhere in the figure
Note: Based on last reported year of data: 2009 or 2010

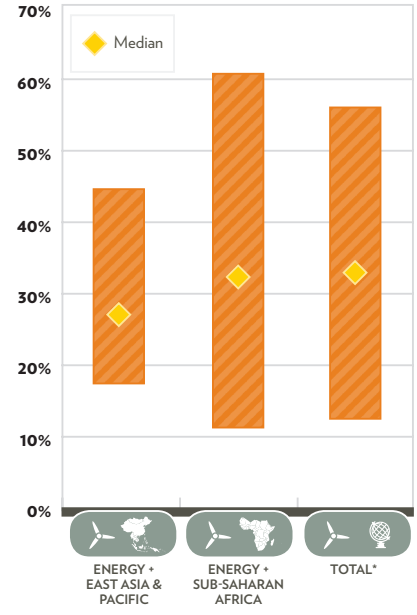
This analysis shows that it is possible for organizations in a variety of sectors and regions to generate financial returns while pursuing positive social and environmental impact. However, these data should not be used, for example, to extrapolate that the agriculture sector is less profitable than the energy sector, or that the East Asia and Pacific region is more likely to be profitable than that of South Asia. As the IRIS initiative receives more data, it can continue to increase information about the viability of profit generation in various sectors, regions, and individual products and services.

Gross profit is a company's revenue minus the cost of goods sold. Net profit is a company's total revenues minus all of its expenses.

GROSS AND NET PROFIT MARGINS BY SECTOR

The extent of reporting organizations' profitability varied considerably. Figures 5 and 6 show variation in gross and net profit margins within impact sectors. This analysis provides some evidence that variability in profit may not be attributable to small sample size alone. For example, over 1,100 financial services companies reported net profit margins, yet variability in profit margin does not diminish in this sector. A separate analysis, which could not be included in this report due to considerations for organization anonymity, looked at the relationship between profitability and the age of an organization, but found no correlation. As the amount of data contributed to the IRIS initiative increases, it will be possible to analyze performance within more narrowly-defined peer groups to explain more of the variance in profit margins. In the next analysis, peer group segmentation by region reveals more specific variance patterns. With a deeper and broader data set, profitability can be treated as a dependent variable in more sophisticated analyses.

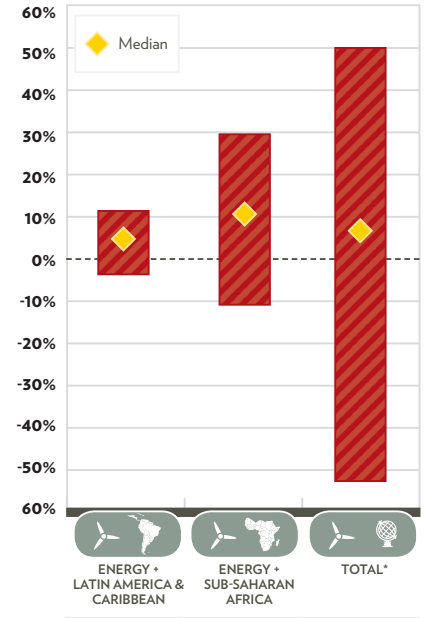
FIGURE 7: ENERGY SECTOR: GROSS PROFIT MARGINS BY REGION



	ENERGY + EAST ASIA & PACIFIC	ENERGY + SUB-SAHARAN AFRICA	TOTAL*
COUNT	10	25	44
AVERAGE	31%	35%	34%
MEDIAN	27%	32%	33%
STD. DIV.	13%	25%	21%

*Total includes data from organizations in regions with too few observations to be represented elsewhere in the figure
Note: Based on last reported year of data: 2009 or 2010

FIGURE 8: ENERGY SECTOR: NET PROFIT MARGINS BY REGION



	ENERGY + LATIN AMERICA & CARIBBEAN	ENERGY + SUB-SAHARAN AFRICA	TOTAL*
COUNT	8	8	45
AVERAGE	5%	11%	0%
MEDIAN	5%	11%	7%
STD. DIV.	6%	20%	52%

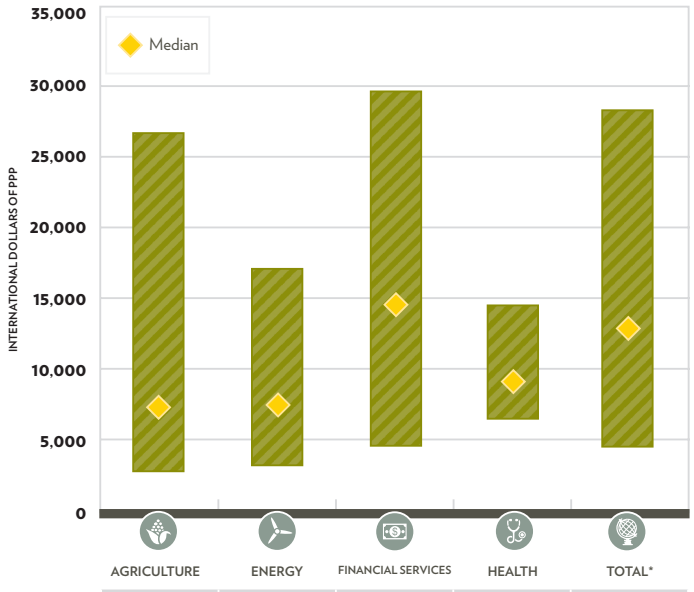
*Total includes data from organizations in regions with too few observations to be represented elsewhere in the figure
Note: Based on last reported year of data: 2009 or 2010

ENERGY SECTOR: GROSS AND NET PROFIT MARGINS BY REGION

The variation in net and gross profit margins for reporting organizations in the energy sector changed when the data was segmented by region. Figures 7 and 8 show gross and net profit margin analyses by region within the energy sector. The standard deviations of the net profit margins in the energy sector decrease significantly when the data is segmented by region. However, this trend does not hold for gross margins. In the future, increased data contribution to the IRIS initiative will enable more analyses of geography and sector pairings, and allow for additional peer groups based on other detailed IRIS descriptors such as product sold, operational model, or organizational size. For example, within the energy sector there are likely differences in the gross margins obtained from selling a solar lantern versus grid-based electricity.

In the box plots used for Figures 5-9 and 11-12, the upper and lower bounds of each box are one standard deviation above and below the average.

FIGURE 9: WAGES PER EMPLOYEE BY SECTOR



	AGRICULTURE	ENERGY	FINANCIAL SERVICES	HEALTH	TOTAL*
COUNT	21	10	1,036	7	1,112
AVERAGE	8,163	6,935	11,550	9,717	11,329
MEDIAN	6,922	6,826	13,838	9,022	13,229

*Total includes data from organizations in sectors with too few observations to be represented elsewhere in the figure
Note: Wages represented in international dollars of Purchasing Power Parity (PPP) calculated using 2009 published World Bank PPP Factors. A log10 geometric transformation was performed to normalize the data.
Note: Data based upon last reported year of data: 2009 or 2010

WAGES PER EMPLOYEE BY SECTOR

There is considerable variation in wages per employee among the reporting organizations. Figure 9 shows the distribution of wages per employee, adjusted into international dollars of Purchasing Power Parity (PPP) to normalize spending power. That is, an "international dollar" can buy an amount of goods and services roughly equivalent to what a dollar can buy in the United States.

This analysis demonstrates how IRIS can standardize industry-wide social performance reporting through use of cross-sector operational IRIS indicators. Again, there is considerable variability in the data, even within the financial services sector, which had more than 1,000 reporting organizations. One factor that may contribute to the variance in wages data is the means by which organizations achieve impact. Some organizations aim to achieve social impact through creation of high-quality jobs for poor and vulnerable populations, while others create positive impact through socially- or environmentally-beneficial products or services, such as affordable medicine or solar energy panels. As data become available, theories of change can be explored to contextualize the relationship between an organization's stated impact objectives and the wages it pays to employees.

FIGURE 10: PROFITABILITY ANALYSIS BY ENVIRONMENTAL AND SOCIAL IMPACT OBJECTIVE

SOCIAL IMPACT OBJECTIVES

	ORGANIZATIONS	PERCENT PROFITABLE*
ACCESS TO FINANCIAL SERVICES	6	67%
AGRICULTURAL PRODUCTIVITY	11	64%
CAPACITY BUILDING	9	89%
EMPLOYMENT GENERATION	31	84%
FOOD SECURITY	6	67%
HEALTH IMPROVEMENT	16	81%
INCOME & PRODUCTIVITY GROWTH	16	69%
ANY SOCIAL IMPACT OBJECTIVE***	161	76%

ENVIRONMENTAL IMPACT OBJECTIVES

	ORGANIZATIONS	PERCENT PROFITABLE**
ENERGY & FUEL EFFICIENCY	21	71%
NATURAL RESOURCES CONSERVATION	8	100%
POLLUTION PREVENTION & WASTE MANAGEMENT	11	100%
SUSTAINABLE ENERGY	34	94%
ANY ENVIRONMENTAL IMPACT OBJECTIVE***	89	91%

SAMPLE IRIS METRICS

ACCESS TO FINANCIAL SERVICES
Clients **PI7094**
Non Performing Loans (Portfolio at Risk) **FP2635**
Social Responsibility to Microfinance Clients **OI7783**

AGRICULTURAL PRODUCTIVITY
Cultivated Land Area **OI1937**
Supplier Individuals: Smallholder **PI9991**
Purchases from Supplier Individuals: Smallholder **PI7852**

CAPACITY BUILDING
Education Services **PI873**
Technical Assistance **PI5325**
Enterprise/Business Development Training **PI1193**

FOOD SECURITY
Crop Type **PD1620**
Supplier Individuals: Smallholder **PI9991**
Clients: Smallholder **PI6372**

HEALTH IMPROVEMENT
Procedures/Surgeries **PI5647**
Medicinal/Drug Provisions **PI9639**
Immunizations **PI2194**

EMPLOYMENT GENERATION
Permanent Employees **OI8869**
Employees Residing in Low-Income Areas **OI8266**
Employment Benefits **OI2742**

SAMPLE IRIS METRICS

ENERGY & FUEL EFFICIENCY
Energy Conservation **OI6697**
Energy Purchased: Renewable **OI3324**
Energy Used by Product Replaced **PD5578**

NATURAL RESOURCES CONSERVATION
Water Conservation **OI405**
Sustainable Cultivated Land Area **OI2605**
Biodiversity Assessment **OI5929**

POLLUTION PREVENTION & WASTE MANAGEMENT
Waste Produced **OI6709**
Waste Disposed **OI6192**
Waste Reductions **OI7920**

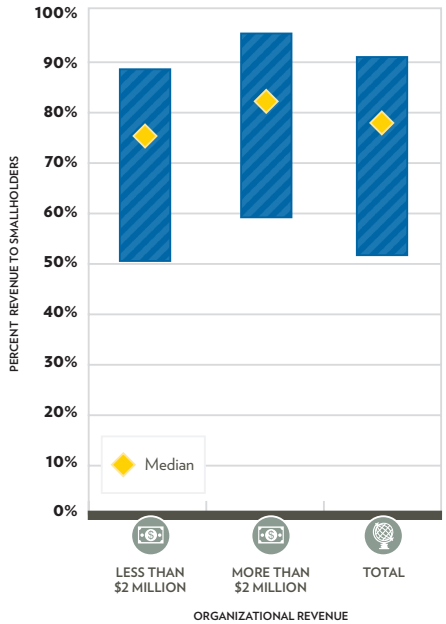
SUSTAINABLE ENERGY
Energy Capacity **PD2713**
Energy Produced **PI8706**
Greenhouse Gas Emissions **OI1479**

*Companies showing a positive net income in the last year reported
**Based on a positive EBITDA in the last year reported
***Total includes data from organizations with impact objectives that had too few observations to be represented elsewhere in the figure
Note: The codes following the sample IRIS metrics can be referenced on www.iris.thegiin.org.

ANALYSIS BY SOCIAL AND ENVIRONMENTAL IMPACT OBJECTIVE

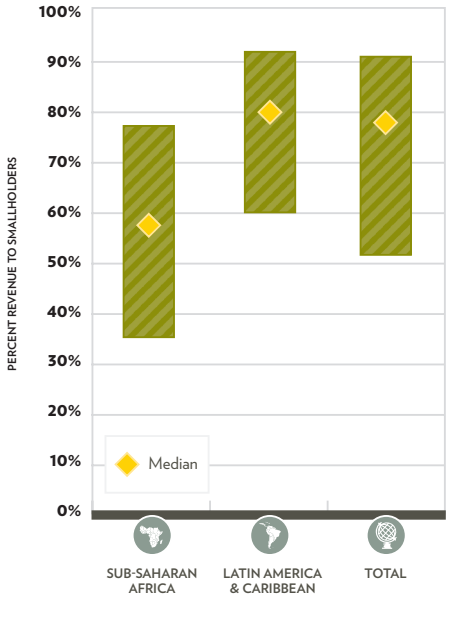
Organizational financial performance can be segmented by stated social or environmental impact objectives. The left side of Figure 10 shows the percentage of profitable organizations contributing to the ANDE and PULSE data set, sorted in peer groups by stated impact objective. For some analyses, such as the wage analysis in Figure 9, it would be useful to assess performance using peer groups segmented by organizations' stated impact objectives. The right side of Figure 10 shows a selection of IRIS metrics that can be used to measure an organization's effectiveness relative to its stated impact objectives.

FIGURE 11: PERCENT REVENUE TO SMALLHOLDERS BY TOTAL ORGANIZATIONAL REVENUE



	LESS THAN $2 MILLION	MORE THAN $2 MILLION	TOTAL
COUNT	135	56	191
AVERAGE	70%	77%	72%
MEDIAN	76%	82%	78%
STD DIV	19%	18%	19%

FIGURE 12: PERCENT REVENUE TO SMALLHOLDERS BY REGION



	SUB-SAHARAN AFRICA	LATIN AMERICA & CARIBBEAN	TOTAL
COUNT	39	141	191
AVERAGE	56%	76%	72%
MEDIAN	58%	80%	78%
STD DIV	20%	16%	19%

Note: In the above analyses data is from the most recent reported year, 2007–2010.

Smallholder farmers are defined in IRIS as "marginal and sub-marginal farm households that own and/or cultivate less than two hectares of land. Common characteristics of smallholder farmers are that they have low access to technology; limited resources in terms of capital, skills, and risk management; depend on family labor for most activities; and have limited capacity in terms of storage, marketing, and processing."

Source: IRIS, http://iris.thegiin.org/glossary/term/smallholder-farmers

Agriculture Social Indicators

Impact investors and mission-driven agricultural organizations seek to achieve positive social impact in a variety of ways. They may provide social services to rural populations; offer agricultural extension services to smallholder farmers; or purchase agricultural products from smallholder farmers, thus providing stable and often higher incomes to their farmer suppliers. The analyses that follow highlight some factors that may affect the percent of revenue paid by agricultural organizations to their smallholder farmer suppliers.

ANALYSES OF FACTORS CORRELATED WITH THE PERCENT OF REVENUE PAID BY AGRICULTURAL ORGANIZATIONS TO SMALLHOLDER FARMER SUPPLIERS

IRIS supports sector-specific social performance analyses; current data contributions enable some initial social analyses in the agriculture sector. Figures 11 and 12 provide early performance benchmarks based on agriculture-specific IRIS metrics related to smallholder farmers. These analyses offer examples of aggregated performance data from organizations reporting on some IRIS metrics shown in Figure 10 as potentially relevant for organizations with an objective to improve the lives of smallholder farmers.

Figures 11 and 12 show the average percent of an agricultural organization's revenue that is paid to smallholder farmers to acquire agricultural goods. Figure 11 shows peer groups based on the size of the agricultural organization, using annual revenue as a proxy for size. Among the organizations currently reporting performance data to the IRIS initiative, those that earn more revenue pay a higher percentage of revenue to smallholders. This observation could be an early indication that economies of scale exist in the sector. Interestingly, the percent of revenue paid to smallholders did not vary when the data were segmented by peer groups based on the number of smallholders from whom the organization sources. This observation could indicate that increasing the number of smallholder suppliers results in fewer efficiencies than does sourcing more from each existing smallholder farmer.

Figure 12 shows the percent of revenue paid to smallholder farmers, split into peer groups by region. There is a significant difference in the median percent revenue paid to smallholder farmers in Latin America and the Caribbean as compared to those in sub-Saharan Africa. Yet the natures of the agricultural organizations reporting to the IRIS initiative from these two regions are quite different. Figure 13 suggests that the reporting organizations in Latin America and the Caribbean worked with substantially fewer smallholders, on average, and earned more revenue, on average, than their counterparts in sub-Saharan Africa. Because of this relationship between region and size of agricultural organizations reporting to the IRIS initiative, the observations regarding the effects of economies of scale on agricultural organizations may also explain some of the regional differences in Figure 12.

Figure 14 presents a number of additional IRIS indicators that, given sufficient data, could be analyzed to better understand regional variation in the percentage of revenue paid to smallholder farmers. Additionally, as the IRIS initiative receives data on the indicators in Figure 14, each can be treated as an independent variable to enable analysis that clarifies the relative significance of each of these factors on the percentage of revenue paid to smallholder farmers by agricultural organizations.

FIGURE 13: REGIONAL DIFFERENCES IN AGRICULTURAL ORGANIZATIONS

NUMBER OF SMALLHOLDER SUPPLIERS

	LATIN AMERICA & CARIBBEAN	SUB-SAHARAN AFRICA
COUNT	135	37
AVERAGE	901	6402
MEDIAN	383	1,446

TOTAL ORGANIZATIONAL REVENUE

	LATIN AMERICA & CARIBBEAN	SUB-SAHARAN AFRICA
COUNT	135	37
AVERAGE	$2,324,507	$1,397,343
MEDIAN	$1,128,307	$377,353

Note: In the above analyses data is from the most recent reported year, 2007–2010.

FIGURE 14: FACTORS THAT MAY AFFECT PERCENTAGE OF REVENUE PAID TO SMALLHOLDER FARMERS

PERCENT OF REVENUE PAID TO SMALLHOLDER FARMERS

IRIS indicator calculation: Divide Purchases from Supplier Individuals: Smallholder **PI1492** by Earned Revenue **FP5958**

Factors Included in this Report

TOTAL ORGANIZATIONAL REVENUE
IRIS indicator: Earned Revenue **FP5958**

REGION
IRIS indicator: Supplier Locations **PD4565**

Additional Factors

CORPORATE FORM
IRIS indicator: Legal Structure **OD2999**

VALUE ADDED PROCESSING
IRIS indicator calculation: Divide Purchases from Supplier Individual: Smallholder **PI1492** by Cost of Goods Sold **FP9049**

TYPE OF CROP
IRIS indicator: Crop Type **PD1620**

TECHNICAL ASSISTANCE PROVIDED
IRIS indicator: Technical Assistance **PI5352**

OTHER

Next Steps and Conclusion

Implications for Impact Investors

Impact investors can view this report as indicative of the potential of both the IRIS initiative and the impact investing industry. This report includes the first analyses of aggregated impact data from across the broad industry. It speaks to the ability of industry stakeholders to use IRIS to build an evidence base of impact investing performance. Widespread IRIS adoption and data contribution will clarify factors that influence the financial, social, and environmental performance of organizations receiving impact investments.

Investors can play a critical role in shaping the growth of the impact investing industry by encouraging their portfolio organizations to adopt standardized measurement and reporting. They are encouraged to work with IRIS data collection partners to contribute anonymous portfolio performance data. Ultimately, the rigorous analyses enabled by widespread IRIS adoption and data contribution can help investors allocate capital to address social and environmental issues.

Opportunities for Future Analysis

The data in this report provide a snapshot of performance across 2,394 mission-driven organizations. While significant, they represent only a fraction of the impact investing industry, as evidenced by growing numbers of impact investment funds that have become more visible through industry tools and organizations. For example, the seven intermediaries that contributed data to the IRIS initiative represent only a portion of the ANDE membership. These intermediaries' early contributions are a testament to their dedication to industry leadership and impact measurement. However, more must join them for the IRIS initiative to meet its full potential.

The Global Impact Investing Rating System (GIIRS) is establishing a data collection partnership with the IRIS initiative, and data from the 25 GIIRS pioneer funds will soon be shared for future analysis. Similarly, the Finance Alliance for Sustainable Trade, a network association for the field of sustainable products and production, is working to collect and contribute IRIS-aligned performance data from its members. Other intermediaries working with mission-driven organizations, such as the 100+ funds listed on ImpactBase, the GIIN's database of impact investment funds, are similarly encouraged to work with IRIS data collection partners to provide anonymous data for analysis. The IRIS initiative is focused on deepening its relationships with current part-

With a greater breadth and depth of data contributions, future IRIS reports will be able to provide information on:

- **TRENDS OVER TIME:** IRIS has the capability to track each indicator over time and segment data by sector, region, and impact objective.
- **SECTOR-SPECIFIC PERFORMANCE:** the agriculture sector highlights included in this report hint at the depth to which IRIS can track sector-specific data. However, additional IRIS indicators such as Profit Margins by Crop Type, Student Advancement Rates, and Average Energy Kilowatts Produced by Biofuel Technologies can result in deeper insights into the various impact sectors.
- **CLIENT, SUPPLIER, DISTRIBUTOR, AND EMPLOYEE DEMOGRAPHIC INFORMATION:** as organizations become more sophisticated in their reporting, and as investors demand more non-financial reporting, organizations can begin to track non-financial indicators about clients and beneficiaries. For example, as industry leaders experiment with mobile technology that simplifies the collection of customer and supplier demographics, they can better gauge and benchmark organizations' reach.

ners and developing new relationships, but ultimately, the contribution of data requires leadership on the parts of investors, fund managers, and technical assistance providers.

As more data is reported, there will be significant opportunities to incorporate IRIS analysis into academic case studies and action-based research on impact investing. The IRIS initiative, together with collaborating partners, will continue to release data analyses as a public good to inform the development of the impact investing industry. Analytical rigor will not only open new areas for academic exploration, but could also help narrow the gap between investor and organization perspectives on performance data measurement, collection, and reporting.

In addition to opportunities for future IRIS data analysis, there will be opportunities to develop IRIS-related analysts and impact measurement professionals. Similar to the current increase in corporate responsibility education, training, and development, as IRIS adoption grows, so will demand for the next generation of professionals with expertise in measuring and analyzing impact investing performance. Similarly, impact investment auditors, like their finance industry counterparts, could be trained to audit social, environmental, and financial performance. The emergence of third-party experts is just one example of industry development facilitated by widespread IRIS adoption. Ultimately, the IRIS initiative aims to provide a foundation for rigorous understanding of the social and environmental impact that for-profit investment can create to address global issues.

What's Ahead for IRIS

The IRIS initiative's three components – (1) developing and refining the IRIS standards; (2) promoting adoption of the IRIS standards; and (3) enabling voluntary contribution of anonymous IRIS performance data to establish an evidence base of the industry's performance – will be pursued simultaneously in the coming years.

Sector-specific experts and the impact investing community will continue to refine the IRIS performance indicators to ensure they are meaningful and relevant for impact investors, organizations, and other stakeholders. The IRIS initiative is creating tools and resources that organizations and intermediaries can use to adopt IRIS, and which can help establish IRIS as the accepted language for tracking the performance of the impact investing industry. To increase the number of intermediaries and partners contributing data for analysis, the IRIS initiative will advance work with partner organizations like ANDE, FAST, GIIRS, MIX, and PULSE. Future analysis will improve as adoption increases and as consensus around certain indicators grows. Network organizations can accelerate this process by facilitating dialogue among their constituents and determining common indicators that are of value for their members to track.

ANDE: DETERMINING COMMON IRIS INDICATORS

The Aspen Network of Development Entrepreneurs (ANDE), together with its members, identified a core set of IRIS indicators that members are required to track. These indicators were chosen because they relate to the performance of small and growing businesses in developing countries. Organizations starting to think about collecting social and environmental performance data are encouraged to follow a similar process to develop measurement and reporting frameworks.

The ANDE core metrics are divided into three areas. The first area includes five metrics that indicate a growing or catalytic business, focusing on its operational impact. These include Earned Revenue (**FP5958**), Full Time Employees (**OI3160**), Full Time Employee Wages (**OI5887**), New Investment Capital (**FP8293**), and Greenhouse Gas Emissions (**OI1479**). The second area of the core metrics asks members to identify the core impact area of their portfolio or of each investee. They include Clients (**PI7094**), Products Sold (**PI1263**), and/or Suppliers (**PI9566**) depending on where they believe the greatest impact of the business model lies. Finally, organizations are also encouraged to identify relevant sector-specific indicators. For example, a member organization that focuses on supporting increased participation of women in the agricultural value chain would choose Suppliers (**PI9566**) as a core indicator, and Supplier Individuals: Female (**PI1728**) as an additional sector-specific indicator.

Conclusion

This report highlighted the impact investing industry's potential to create an evidence base of performance data through the IRIS initiative. While an emerging field, much progress has been made in social and environmental performance measurement and reporting within the impact investing industry in the last few years. The ultimate success of impact investing depends on industry infrastructure development and rigorous market intelligence. Furthermore, the industry will be evaluated by the demonstrable positive social and environmental impact it can create, scale, and sustain over the coming decades. IRIS is a tool to help the industry measure progress and achieve these goals, thereby supporting a new and potentially vast source of capital that can help address the world's most pressing social and environmental problems.

Appendices

Appendix A: Data Submission Processes for this Report

The IRIS initiative works with data collection partners to aggregate voluntarily contributed, anonymous data to enable and create data-driven market intelligence about industry performance. Three IRIS data collection partners contributed the data analyzed in this report: Aspen Network of Development Entrepreneurs (ANDE), Microfinance Information Exchange (MIX), and PULSE.

For ANDE members, the data submission process began by mapping intermediaries' existing portfolio performance metrics with IRIS. Many organizations were already tracking indicators consistent with IRIS definitions and could often make small adjustments to increase alignment. After organizations self-reported data to ANDE member intermediaries, the latter performed internal quality checks on their portfolios' data before submitting it to the IRIS initiative. After submission, data were reviewed by the ANDE and IRIS teams for anomalies and then accepted into an aggregated data set.

IRIS data from four of the ANDE-affiliated intermediaries were received via PULSE, an online portfolio management tool that fund managers and investors can use to input and track the financial, social, and environmental performance of their portfolio companies. The tool is preconfigured with IRIS performance indicators, and secure submission of data from PULSE users to IRIS is facilitated through technology integration. Any impact investor or intermediary can use PULSE, which is available as an application on the Salesforce.com platform. App-X, the company that manages PULSE, has created a technology-based ecosystem to support IRIS, including online information for users. The IRIS initiative also provides a standardized template for intermediaries by which non-PULSE users can submit data. Three of the ANDE-affiliated intermediaries contributing to this report made use of this template.

In addition to the data contributed by ANDE members and PULSE users, the report contains performance data from 1,931 microfinance institutions shared with the IRIS initiative by MIX. IRIS and MIX aligned relevant indicators, allowing IRIS to leverage best practices in microfinance. The resulting common indicators were incorporated into IRIS in 2010 through the annual standards revision process. By partnering with MIX, microfinance data that has been thoroughly reviewed for consistency and quality is contributed to the IRIS initiative on an ongoing basis.

Appendix B: IRIS Data Anonymity Policy

The IRIS initiative is committed to maintaining the anonymity and security of contributed data. It takes the following steps to maintain confidentiality of contributors:

- The number of organizations that meet a set of characteristics will not be disclosed unless the total number of reporting organizations is greater than or equal to three. For example, if fewer than three organizations reported they were operating in a specific sector within a specific geography, this number will not be disclosed. This screen helps decrease the chance that specific organizations can be identified within a data set.

- The IRIS initiative will not release any statistical analysis unless the statistics are drawn from a peer group of more than seven organizations. In addition, at least two intermediaries must be data contributors to the peer group, and each intermediary must contribute data on more than a single organization. This policy ensures that no one, including data-contributing intermediaries, can trace a specific data point or ratio back to a specific organization.

As noted elsewhere in this report, the seven intermediaries that contributed the data included in this report wished to publicly demonstrate their support for this initiative. However, public acknowledgement will always be voluntary. Anonymity of portfolio organizations is always maintained, even if intermediaries elect to publicly disclose their names.

In addition, the IRIS initiative has strict data security policies, which include keeping all databases off-line in a secure facility and indexing all data based on anonymous identification numbers rather than by organization names.

Appendix C: Annualization Rules

The majority of the data used in this report, about 70 percent, were reported to IRIS as annual numbers following a calendar year. A small number of organizations, about 2 percent, reported on a fiscal year. The remainder of the data was reported for shorter time periods: semi-annually, quarterly, or monthly.

The data reported annually by calendar year were classified by the year for which they were reported.

The data reported by fiscal year were classified by calendar years, with data from fiscal years ending on or before June 30 placed in the previous calendar year, and those ending after June 30 applied to the following calendar year. For example, data reported for a fiscal year ending on May 31, 2010 would be classified as data from 2009, while data from a fiscal year ending on August 31, 2010 would be classified as data from 2010.

For data that were reported for shorter time periods, the following process was used to annualize these data:

- For "balance" or "instant" metrics (e.g. total assets or number of employees) any reported number was applied to the date it was reported.

- For "duration" or "period" metrics (e.g. earned revenue or payments to smallholder farmers) the data were annualized by adding periods together to create a calendar year:
    - If twelve months of consecutive data were available, but did not align with a calendar year, then the same principle that governs the classification of fiscal years was applied (periods ending on or before June 30 were classified in the previous calendar year, and those ending after June 30 were classified in the next calendar year).
- In the few cases when a year's worth of data was not available, consistent performance was projected to complete a year of data. For example, an organization that reported $3 million in revenue for 9 months would have been projected to achieve $4 million in revenue for the year. Due to their seasonal nature, partial years were never projected for organizations operating in the agricultural and artisanal sectors, and were only projected for those organizations in the education and tourism sectors when at least nine months of data were available. Partial years were projected for organizations in all other sectors if there were at least six months of data available.

Additional References

The GIIN drew upon these materials for guidance when creating this report, and provides them as a starting point for further reading on impact investing.

READING

"KL Felicitas Foundation Case Study: Using IRIS Across its Active Investment Portfolio"

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