PURPOSE
This document provides guidance on how to use IRIS+ to inform decision-making to enhance impact throughout the investment lifecycle. It also includes a concrete illustration of the practical use of IRIS+ Core metrics Sets. The illustration is based on real data that focuses on portfolio construction and post-investment management from an asset manager’s perspective.

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

LEVEL: FAMILIAR

REFERENCE
Use this document with

- FUNDAMENTALS
  - IRIS+ and the Five Dimensions of Impact
  - IRIS+ Core Metrics Sets

- HOW-TO
  - Using IRIS+ to Incorporate Stakeholder Voice

- IRIS METRICS
  - IRIS Catalog of Metrics

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BACKGROUND

IRIS+ Core Metrics Sets create the stage for integrating impact performance into decision-making throughout the investment cycle – from due diligence, to asset allocation, to monitoring, to exit. The adoption of IRIS+ strengthens the integrity of investment decisions that can lead to both social and environmental benefits as well as financial performance. This guidance provides both a high-level view and a detailed example of practice.

Why it is important to integrate impact performance into decision-making

Data-driven decision-making has become a well-established business practice. Yet, social and environmental effects are not routinely integrated into decision-making. Tracking and mining impact data throughout the investment lifecycle is an important standard for both enterprises and investors.

There are several reasons for this significance.

• As global attention turns toward private sector actors to fill the $2.5 trillion-dollar gap in achieving the SDGs, managing toward substantial and durable impact is of paramount importance. It is imperative to know what is working, what is lagging, and what adjustments are necessary for making progress toward achieving the SDGs.

• As impact investing scales and asset owners increasingly ask questions about impact, the ability of asset managers – and the enterprises that they fund – to implement robust impact management practices is critical. Going forward, it will not be enough for asset managers or enterprises to make decisions based on intuition: i) asset managers will be expected to demonstrate that they are actively engaged in impact management in order to be high performing stewards of impact, and ii) enterprises will need to develop data-tracking processes that allow them to understand their impact, to adjust as needed, and then to communicate their impact progress to their investors.

• The role of impact in portfolio construction has been underutilized. There is an opportunity to understand the correlation between financial and impact returns. This will require creating better models that consider financial (risk and return) and impact expectations – in order to better evaluate the competitive advantage of integrating impact while being accountable to impact performance.

Using IRIS+ for decision-making

IRIS+ makes it easier for investors to translate their impact intentions into real impact results. Key questions that should drive investment decisions can be answered through the IRIS+ Core Metrics Sets, which are aligned with the five dimensions of impact outlined by the Impact Management Project.

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.

To learn more about IRIS+ Core Metrics Sets, please refer to IRIS+ Guidance: IRIS+ Core Metrics Sets.

To learn more about the alignment of IRIS+ to the Five Dimensions of Impact, please refer to IRIS+ Guidance: IRIS+ and the Five Dimensions of Impact.
Illustration of how the key questions asked through IRIS+ Core Metrics Sets can be used in decision-making.

- **What is the goal?** IRIS+ Core Metrics Sets help investors to clearly articulate the goal and the outcomes the enterprise is contributing to and how important the outcomes are to stakeholders. This is important to ensure that the “WHAT” is relevant to the people most affected. If the cultural and contextual considerations of different stakeholder groups aren’t voiced, the risk of low or negative impact due to variation in norms, cultural expectations, behavioral habits, or accessibility can be significant.

- **Who is affected?** IRIS+ Core Metrics Sets help investors understand which stakeholders are experiencing the effect. For example, if a fund intends to effect gender equity, yet then discovers – through the data tracked on Target Stakeholder Demographics (PD5752) – that its portfolio companies’ are serving stakeholder groups who are disproportionately male, then both the fund and enterprises will have the opportunity to adjust, if necessary.

- **How much change is happening?** IRIS+ Core Metrics Sets enable investors to have clarity about performance (and expectations) in terms of scale (number of stakeholders experiencing the outcome) and depth (degree of change experienced by stakeholders). For example, the Core Metrics Set for the goal “Improving Energy Alternatives for Healthcare” within the Clean Energy Access Theme, measures improved reliability of light through the outcome indicator “Product Hours of Light Available (PI3486). To understand “How much change is happening” for the target stakeholders, Core Metrics Sets provide metrics and calculation guidance to measure scale and depth. Scale assesses how many healthcare organizations (stakeholders) are experiencing increased hours of light. Depth assesses the percent change in hours of light for healthcare organizations in the current reporting period compared to the previous period.

- **What is the contribution?** Enterprise contribution help assess an enterprise’s contribution to the social and environmental outcomes that people and planet experience, relevant to what the market or social system would have done anyway. Core Metrics Sets do not yet include key indicators for this sub-dimension and point to guidance by the Impact Management Project. Investor contribution identifies the strategies employed by investors to help the enterprises they invest in to have an impact. These strategies, as outlined by the Impact Management Project, are often used in combination. IRIS+ Core Metrics Sets outline these strategies for investors to identify those that best represent their approach.

- **What is the impact risk?** IRIS+ Core Metrics Sets enable investors to understand the main risk factors identified as material for the specific Strategic Goal in question.

- **How is change happening?** IRIS+ Core Metrics Sets enable investors to connect the means (how) and the ends (effects). Data from portfolio companies that provide a clear view of elements, such as business processes, and product/service details that, are important for providing a full picture of the enterprise and the relationship with people and planet. If overlooked, intended impacts could fall short based on poor assumptions about how to create impact. For example, the Core Metrics Set for the goal “Increasing Gender Equality Through Financial Inclusion” within the Financial Inclusion theme, includes metrics about Stakeholder Engagement (OI7914) and Non-Financial Support Offered (PD9681) to help investors understand how customer-centric the organization is.

- **Why is this important?** This cross-cutting question is prominent throughout all IRIS+ Core Metrics Set. By posing this question throughout the identification of metrics and the data review, IRIS+ keeps a sharp focus on the rationale for impact choices. For example, what outcomes are valuable to stakeholders, who benefits the most from impact, or the degree of impact that is intended and actually achieved. This critical and precise level of thinking strengthens the integrity of investment decisions that can lead to both social and environmental benefits as well as financial performance.
Case Example: Capria Ventures and Unitus Ventures

Capria Ventures is advancing the next generation of local fund managers that invest in hundreds of small and growing businesses in emerging and frontier markets in Africa, Latin America, and South and Southeast Asia. Capria provides these capable, highly-vetted, local fund managers with a unique platform for success that includes: senior-level partnering and capacity-building, a global peer network, and tailored, patient capital. As of 2018, Capria had 19 highly-vetted local fund managers in its growing Capria Network and hundreds more in its pipeline, deploying market-aligned investment structures, including venture equity, private equity, quasi-equity, and innovative debt structures to fit the needs of local small and growing businesses. These local fund managers invest in underserved sectors of local economies that have strong potential for growth and impact, including education, healthcare, housing, energy, financial services, logistics, food and agriculture.

Capria’s partner in India, Unitus Ventures, is the leading seed stage impact venture fund investing in startups innovating for the masses. This guidance document features an actual example from the Unitus Ventures’ portfolio that fits within the IRIS+ “Quality Healthcare” Impact Theme, providing a practical illustration of how to use IRIS+ Core Metrics Sets for decision-making.

The example will be applied at the portfolio level to the IRIS+ Core Metrics Set corresponding to the IRIS+ strategic goal “Increasing Access to Medical Diagnostics.” Next, one company in the portfolio will be profiled to address how the data fits at the enterprise level. Finally, the illustration shows where impact management comes into play.

The Core metric Set displayed in Table 1 is populated with information and data derived from three investments that comprised the 2018 Unitus Ventures Fund’s health portfolio:

- **AddressHealth Clinics** – a pediatric primary care provider that uses technology and innovation to provide affordable preventive and primary health information and services to families and schools through an integrated approach.

- **UE LifeSciences** – an innovative technology company responsible for the iBreastExam device. This flagship device is high-tech, ultra-portable and radiation free, with the potential to provide millions of Indian women access to a painless breast health examination and to early detection of breast lesions.

- **Welcare** – a teleophthalmology solution company offering affordable eye screening services that are available to masses through partnerships with existing diabetic centers, general hospitals and specialized centers.

Each of these three investments consider preventative health management as a core outcome among low income “base of the pyramid” (BoP) patients. The recipients’ business strategies all include engaging with and educating customers about pediatric wellness, breast abnormalities or vision loss. The highest impact and product risk from such products and services to the customers would be the potential for false positive findings from the screenings, which is why all three companies proactively take measures to keep false positives close to non-existent.
<table>
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<tr>
<th>Key Question</th>
<th>Key Indicator</th>
<th>IRIS Data Needed</th>
<th>Application to Unitus Ventures Fund I Healthcare Portfolio 2018</th>
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<tr>
<td><strong>WHAT is the goal?</strong></td>
<td>Objective of intervention</td>
<td>Increasing access to medical diagnostics</td>
<td>BoP patients’ improved access to early detection of health issues</td>
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<tr>
<td></td>
<td>Outcome Indicator</td>
<td>PI6845: Patients Screened</td>
<td>Patients screened and early detection of health issues</td>
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|                                  |                                         | This is an output metric used as a proxy to understand the number of patients with improved information on their health status | Baseline value [patients screened]: 18,179  
Value at end of period [patients screened]: 928,252 |
|                                  | Stakeholder engagement                  | OI5495: Importance of outcome to stakeholder            | Very important. Easy and affordable health screening leads to preventative health management |
| **WHO is affected?**             | Stakeholder type                        | OD7212: Target Stakeholders                            | Patients |
|                                  | Stakeholder characteristics             | PD5752: Target Stakeholder Demographic                | Higher focus on children, elderly, women |
|                                  |                                         | PD2541: Target Stakeholders Socioeconomics            | Very poor – BoP, as defined by annual household income:  
Urban – less than ~USD 4,500 (Rs.300,000)  
Rural – less than ~USD 2,300 (Rs.160,000) |
|                                  |                                         | PD6384: Target Stakeholder Setting                     | Urban, Peri-Urban (Tier 1/2/3 cities) |
|                                  |                                         | PD6424: Target Stakeholder Geography                  | India |
| **HOW MUCH change is happening?**| Patients screened                       | PI4060: Client Individuals: Total                      | Client Individuals Total: 928,252  
Patients Screened: 928,252³  
- 379,583 were low income, BoP patients (PI7098)  
- 40.8% of patients screened were low income  
- Clients identified with health issue early on: 54%² |
|                                  |                                         | PI6845: Patients Screened                              | ²The Depth calculation is the change in the outcome metric defined in the WHAT dimension. Since in this case, the outcome metric was defined through an output metric being used as proxy, Depth in this case measures the change in those screened during the reporting period  
³In this case, Patients Screened is the same number as Client Individuals Total |
| Percent change in patients screened | Change in Patients Screened (PI6845)² | • 2018: 928,252 patients screened across healthcare portfolio  
• 2017: 690,482 patients screened across healthcare portfolio =  
• 34.4% more patients screened in 2018 than in 2017 |
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| **What is the CONTRIBUTION?** | Enterprise contribution | No key indicators available yet | Unitus employs a combination of the following strategies:  
- Signal that measurable impact matters  
- Engage actively  
- Grow new or undersupplied capital markets  
- Provide flexible capital |
| | Investor contribution | Strategies used by investors to contribute to impact include:  
- Signal that measurable impact matters  
- Engage actively  
- Grow new or undersupplied capital markets  
- Provide flexible capital | |
| **What is the impact RISK?** | | Risk factors identified as material for this Strategic Goal include:  
**Execution Risk:** Investments in this strategy require careful attention to political, cultural, and economic forces that may put pressure on medical diagnostic delivery and uptake. Organizations should also ensure that health care providers are appropriately trained in use of diagnostics and interpretation of results.  
**Stakeholder Participation Risk:** Organizations must consider that market entry for new health products must often be rapid to meet evolving needs of patients and providers.  
**Drop-Off Risk:** For products that see impact most strongly with rural individuals, urbanization and infrastructure improvements may reduce the impact – or necessity – of these investments over time. | Unitus recognizes these risk factors. Additionally, a key identified risk factor is related to diagnostic tools and the potential risk of false positives. This risk is best mitigated through ongoing improvement in the precision of the technology. |
| **HOW is change happening?** | Number of client facilities provided new access | PI2575 | 444 partners are delivering the product or service |
| | Number of patients provided new access | PI2822 | 928,252 patients were provided new access to screening |

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4 The IRIS+ Core Metrics Set includes several metrics under this key question. Only the ones relevant to Unitus Ventures’ health portfolio are listed in this example.
The data in Table 1 indicates that the 2018 scale of impact – as defined by patients screened in this Unitus Ventures health portfolio – was nearly 1 million lives, a 34 percent increase from 2017. The critical health information made possible through these screenings would not have been available in most cases prior to the accessible and affordable medical diagnostics, especially for the low-income population which accounted for nearly 41 percent of all the people screened.

Additional metrics collected by Unitus and tracked by the companies found that the screenings aggregated across the health portfolio actually detected health issues affecting more than half of those screened (54 percent). This provided valuable information for follow up checks, which is some cases led to treatment. Also of critical importance, this figure is 40 percent higher than the number of patients who had benefitted from early detection the previous year.

Importantly, the likelihood of detecting a health issue varies across the health companies. For example, the AddressHealth pediatric screening is more likely to detect a health issue among children than is the iBreastExam breast screening offered to women in clinics. However, the degree of consequence of detecting breast cancer is not comparable to the degree of consequence of detecting a child’s mental health issue. The fact that more than half of the people screened are armed with information that can lead to treatment is of great importance, especially for people who have limited access to easily available and affordable health screening.

Impact Performance in Decision-Making

IRIS+ Core Metrics Set include a very important element that enables use of “Why is this important?” data. By continuously asking this question throughout the compiling and evaluating of the portfolio, the data collected can be used to amplify impact on the customer. An example at both individual portfolio company and total portfolio levels illustrates how this element matters for the Unitus Health Portfolio.

What can a company do?

AddressHealth, one of the companies in the Unitus health portfolio, provides a relevant example at the company level. Over five years, 76.5% of the children it screened were found to have a pediatric issue that should be dealt with properly. Although the intensity of the issues varied, the prevalence confirmed the value of the screening to the families reached, while supporting the business case for scaling. In response, AddressHealth made the decision to upgrade its processes and systems, but also to lower costs to USD $1 per child. Further, it built electronic health records to capture data which can be used to identify health trends among children. This helps inform the company’s strategies to educate parents as to the preventive actions that can benefit their children.

AddressHealth uses this impact data to expand partnerships and, in turn, to make its screening diagnostic services available in more school settings – particularly those that serve low income students. The data provides a compelling case to school administrators for partnering with AddressHealth to offer screenings to their students.

What can an asset manager do?

Moving up to portfolio level, data from the IRIS+ Core Metrics Set offer an opportunity to directly connect impact and portfolio construction decisions. By assembling data over a five-year timeframe, Unitus Ventures is able to assess its portfolio at the aggregate level to determine how varying investments fared across impact and financial dimensions. This macro analysis will be instrumental in informing future investment decisions that allow realistic appraisals for expected impacts relative to intended financial returns. For example, while Unitus Ventures has historically scaled impact through the relatively quick growth of companies’ financial technology and digital inclusion portfolios, scaling impact is slower among companies’ education and healthcare portfolios. The pace of raising capital also varies across sectors, which impacts scaling opportunities and financial returns.

Asset managers are also positioned to work with portfolio companies and review impact data along with financial data in consideration of how to enhance impact. Asset managers who have controlling interest or actively provide portfolio support can integrate impact into board meetings or 1:1 discussions.

Other uses of data provided through IRIS+ Core Metrics Sets relate to reporting and communicating with current and potential entrepreneurs and investors. Unitus Ventures has promoted the practical application of impact data for improving decision-making by integrating impact into the investment team’s activity across all stages of due diligence and integrating impact team members into the core investment team. The Unitus Annual Impact Report 2018 covers data and learning the firm has added in five years. With data in alignment with IRIS+ Core Metrics Sets, asset managers are able to make informed decisions about the potential for impact given the nuance in each type of investment and better understand the relationship between capital and impact.