HOW TO USE IRIS+ ALONGSIDE SASB STANDARDS

Developed in partnership with The Value Reporting Foundation

PURPOSE
This document provides guidance on how to use IRIS+ alongside SASB Standards.

AUDIENCE
Investors, typically asset managers interested in incorporating impact and ESG considerations into their analysis.

LEVEL: BEGINNER

REFERENCE
Use this document with

- IRIS+ Core Metrics Sets
- IRIS Catalog of Metrics
- IRIS+ and SASB

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BACKGROUND

Harmonizing impact measurement and management (IMM) approaches is key to effectively using impact performance data for investment decision-making. The Global Impact Investing Network (GIIN) works alongside leading organizations across sectors and industries to align their respective standards, methodologies, metrics, and/or assessment tools with IRIS+ and IRIS metrics.

These alignments:

- help organizations communicate with a common impact performance language;
- alleviate the reporting burden on both investors and investee organizations; and
- enhance data interoperability between different actors.

About the Value Reporting Foundation’s SASB Standards

The Value Reporting Foundation is a global nonprofit organization that offers a comprehensive suite of resources – Integrated Thinking Principles, the Integrated Reporting Framework, and SASB Standards – to help businesses and investors develop a shared understanding of enterprise value and how it is created, preserved, or eroded over time. The SASB Standards provide investors with consistent, comparable and reliable information on the sustainability factors most relevant to financial performance and enterprise value. They are developed using a process that is evidence based and market informed. Download any of the 77 industry-specific standards, or visit the Value Reporting Foundation to learn more.

About IRIS+

IRIS+ is the generally accepted system for measuring, managing, and optimizing impact. Developed with broad stakeholder input, IRIS+ is used by asset owners, asset managers, enterprises, and other impact investing stakeholders to understand, assess, and advance their impact performance.

Whether used end-to-end as an impact measurement and management system, or to underpin other standards, methodologies, and assessment tools by employing the use of standard IRIS metrics and Core Metrics Sets (short lists of key indicators), IRIS+ enables impact investing stakeholders to measure progress toward their goals in a way that produces clear, consistent, and comparable data.

In addition to the IRIS Catalog of Metrics and Core Metrics Sets, IRIS+ also offers a common way to frame impact goals (along the SDGs or common impact categories), a built-in evidence base linking common impact goals to specific outcomes, includes curated best-in-class third-party resources, and practical, how-to guidance to advance impact measurement and management practice. IRIS+ is a free, publicly available resource managed by the GIIN, the global champion of impact investing.

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.
UNDERSTANDING WHEN TO USE SASB STANDARDS AND IRIS+

IRIS+ and SASB Standards were built to increase the availability of robust, clear, comparable non-financial data to enhance investors’ decision-making. As such, both standards help investors manage and communicate the social and environmental effects of their portfolios.

Key Differences Between the IRIS+ and SASB Standards

While both standards provide metrics applicable across many sectors, categories, and/or themes and intend to measure a broad collection of social and environmental factors, each standard fills a specific and different need in the market. This section describes the key differences between IRIS+ and SASB Standards, including:

- How SASB Standards help investors with comparable information on the sustainability factors most relevant to financial performance and enterprise value. Investors using SASB Standards generally start with a specific industry, and the selected SASB Standard helps the investor identify the key sustainability-related drivers of risk and return within that industry.

- How IRIS+ helps investors measure and manage the effects the companies or enterprises in which they invest have on people and planet. Investors using IRIS+ generally start from their impact intention(s) and IRIS+ guides them through a pathway that helps them understand how those intentions translate into real results.

SASB Standards

SASB Standards identify the sustainability-related risks and opportunities most likely to affect a company’s financial condition (i.e., its balance sheet), operating performance (i.e., its income statement), or risk profile (i.e., its market valuation and cost of capital). SASB Standards give investors a deeper lens to understand the drivers of risk and return, enabling them to benchmark performance against peers and evaluate performance over time. The Standards give companies insight into the subset of sustainability issues that are most likely to impact financial performance, and thus need to be managed in order to create long-term value for shareholders.

Through its research process, the SASB Standards research staff recognizes that not all sustainability issues matter equally to each industry, and the same sustainability issue can manifest differently across industries. Take for example, climate risk, which is virtually omnipresent, cutting across every sector. However, it manifests itself differently from one industry to the next. For example, agricultural concerns must manage water as an increasingly stressed resource, oil and gas companies need to properly value reserves in a carbon-constrained world and be prudent about capital expenditures, and commercial banks must effectively manage the carbon embedded in their loan portfolios.

If climate and other sustainability-related risks and opportunities are not disclosed in a meaningful, often industry-specific way, the market cannot efficiently carry out its essential price discovery function. To address this need, SASB Standards have identified disclosure topics and associated metrics across 77 industries and sectors to help investors understand key sustainability risks and opportunities in greater detail, including for a range of practical applications such as:

- **ESG integration**: using SASB Standards to identify sustainability topics that could positively or negatively affect an investment thesis for a company;

- **Stewardship**: using SASB Standards to identify and prioritize the industry-specific topics relevant to company engagement; and

- **Separating signal from noise**: using SASB Standards to differentiate the financially material elements of third-party ESG ratings from the non-financially material factors.

For additional examples of investor use of SASB Standards see **SASB ESG Integration Insights**. Editions from 2016, 2017, 2019, and 2020 are available.

IRIS+

IRIS+ focuses on helping investors understand the impact performance of their investments. By focusing on positive impact, IRIS+ equips investors with the ability to measure and manage the effects that the businesses in which they invest have on people and planet.
Impact is inherently multi-dimensional, meaning that to understand impact several aspects need to be assessed together including:

- The objective or problem an investment seeks to address (what)
- The affected stakeholders who are helped via the investment (who)
- The scale and depth of change stakeholders experience (how much)
- The likelihood that the effects experienced by the stakeholders would have not happened without the investment (contribution)
- The likelihood that the intended effects will not materialize (impact risk)
- Other important contextual factors related to the products/services, engagement with stakeholders/community, as well as organizational polices and procedures of the investee (how change happens).

IRIS+ gives investors the information and tools needed to track impact across all of these dimensions. Moreover, IRIS+ Core Metrics Sets are specific to 28 themes and their corresponding common strategies. For example, an investor who aims to address climate change mitigation via investments in sustainable forestry may use the IRIS+ Core Metrics Set under the Strategic Goal of Mitigating Carbon Emissions From Forestry And Land Use. Through this Core Metrics Set, the investor is able to identify and track the key metrics needed to understand: whether the investments are indeed reducing greenhouse gas emissions, what are the characteristics of the land in question, the potential threat to local species, as well as the investee’s engagement with local stakeholders. Additionally, if the same investor also invested with the goal of Increasing the Resilience of Food Systems, IRIS+ will provide the investor with a different IRIS+ Core Metrics Set, evidence base, and resources that are specific and relevant to this goal.

To ensure impact data is clear, consistent, and comparable, Core Metrics Sets are built on standardized IRIS metrics and provide step-by-step calculation guidance. In this way, investors can compare the impact performance of different investments within the same theme (e.g., Sustainable Forestry, Access to Quality Healthcare, Quality Jobs, Racial Equity) in a common way. Additionally, Core Metrics Sets give investors the foundation they need to be able to benchmark themselves against their peers and identify which investments are making a bigger difference towards set goals, and which ones may need re-adjustments.

To learn more about the GIIN’s Impact Performance work refer to Impact Performance Studies and COMPASS, the Methodology for Comparing and Assessing Impact.

**USING THE SASB STANDARDS AND IRIS+ SYSTEM TOGETHER**

SASB Standards and IRIS+ serve two distinct, but complementary, purposes and can be used together for investors to have a deep understanding of both:

- the sustainability issues that are financially material on a sector-by-sector basis, therefore understanding key drivers of risk and return
- the positive social and environmental effects investments have on people and planet, therefore understanding progress towards addressing some of the world’s largest problems and adjusting capital allocations accordingly.

By combining both SASB Standards and IRIS+, investors are better equipped to make informed investment decisions.

**Example: Using SASB Standards and IRIS+ to inform investment decisions**

For clarity and simplicity, this example refers to a hypothetical investor, investment, and investee.

Investor Profile:

Global Education Capital (GEC) is for-profit fund manager focusing on investments that help advance access to quality education for under-served early childhood populations.

As part of its investment management, GEC needs to manage for the risks or potential negative impacts of its portfolio as well as manage whether the investments are addressing the set goals of providing access to quality education for under-served populations.
• GEC first refers to the SASB Materiality Map to identify the key sustainability issues for investments in Education. When doing that, GEC discovers that issues related to Data Security, Quality of Education & Gainful Employment, and Marketing & Recruiting Practices, for example, are critical to understand and manage. Additionally, using the mapping described in the SASB Industry Guide to the Sustainable Development Goals, GEC identifies the SDG targets most relevant to financial performance in the Education industry, in particular SDG 1 (No Poverty), SDG 4 (Quality Education), SDG 10 (Reduced Inequalities), and SDG 16 (Peace, Justice, Strong Institutions). See Figure 1 below. The linkages between SASB’s industry-specific disclosure topics and SDG targets may be useful to identify financially relevant SDG-related risks and opportunities by industry; inform engagements with companies regarding those challenges; measure and track performance; and inform capital allocation decisions based on the potential of a company or industry to impact specific targets. However, the specific metrics included in SASB Standards were designed to measure a company’s performance on key sustainability-related risks and opportunities. They were not designed to measure or communicate progress toward achievement of the SDGs, nor were they designed to communicate a company’s contribution toward achievement of the Goals. Using the SASB-SDG mapping, GEC is able to invest in companies that are contributing to their impact objectives while also helping them achieve their risk-return targets.

<table>
<thead>
<tr>
<th>SASB Disclosure Topic</th>
<th>SDG Goal</th>
<th>SDG Target</th>
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<td>Quality of Education &amp; Gainful Employment</td>
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<tr>
<td>Marketing &amp; Recruiting Practices</td>
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Figure 1: SASB Standards-SDG mapping in the Education industry

• GEC refers to IRIS+ to help frame the intentionality of its investments and develop a framework to manage progress towards its goals. GEC has identified SDGs 4 (Quality Education), followed by SDGs 1 (No Poverty), 3 (Good Health and Wellbeing), 5 (Gender Equality), and 10 (Reduced Inequalities) as the SDGs of highest priority to address. Since all Impact Themes and their corresponding Strategic Goals identify how directly they align to the SDGs, IRIS+ helps GEC validate the link between their investment goals and the SDGs. The evidence base for investments with the goal to Improve Early Childhood Care and Education helps GEC inform their Theory of Change and understand the specific evidence-backed outcomes their investment strategy may achieve. The Core Metrics Sets provide GEC with the key metrics it needs to track from its investments to assess progress towards the target outcomes, and do adjustments as necessary. The Core Metrics Sets also serve as a starting point in creating buy-in at various levels and helps GEC develop a feedback culture of performance, in which companies and portfolio managers continually seek to improve their results.

Figure 2: IRIS+ Mapping of Priority SDGs for the Improving Early Childhood Care and Education Strategic Goal under the Access to Quality Education Theme.

After looking at SASB Standards and IRIS+, GEC feels confident to have identified the key issue areas that may present financially relevant risks to their portfolio and is excited to have in place an impact framework that enables them to manage the impact performance of their investments and as such ensure their goals translate to real results.
Ongoing Coordination

IRIS+ and SASB Standards have been working together to increase harmonization among their standards for a number of years. Both the Value Reporting Foundation and the GIIN (IRIS+) are members of the IMP Structured Network, a collaboration of standard-setting organizations coordinating efforts to provide complete standards for impact measurement, management, and reporting.

The Value Reporting Foundation is also part of the Standards Harmonization Committee chaired by IRIS+ which aims to increase coordination and harmonization of content and metrics among standard setters. Further, both organizations contribute to each other’s ongoing work and reference the work of one another in their standards. For example, the Value Reporting Foundation provided input to the development of IRIS+, and IRIS+ has shared content related to the Quality Jobs theme to inform development of the Human Capital Research Project within the SASB Standards.

What’s Next

The Value Reporting Foundation and GIIN are committed to continue working closely together to ensure harmonization and progress towards data clarity and consistency. Through continued partnership, both organizations aim to help optimize investors’ decision-making and scale capital allocated towards social and environmental solutions.
DISCLOSURES

The Global Impact Investing Network ("GIIN") is a nonprofit 501c(3) organization dedicated to increasing the scale and effectiveness of impact investing. The GIIN builds critical infrastructure and supports activities, education, and research that help accelerate the development of a coherent impact investing industry.

Readers should be aware that the GIIN has had and will continue to have relationships with many of the organizations identified in this report, through some of which the GIIN has received and will continue to receive financial and other support.

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