IRIS DATA BRIEF

IRIS is the catalog of generally accepted performance metrics that leading impact investors use to measure the social, environmental, and financial performance of their investments. IRIS data briefs provide snapshots of the performance of the diverse organizations contributing data to the IRIS initiative. The series includes statistics that present a broad summary of the full data set, as well as a focused set of analyses related to a specific thematic area.

The focus of this brief is on the **impact objectives**[1] of organizations. Impact objectives are well-defined social and/or environmental goals that are achievable and specific. They address questions about what issues an organization aims to tackle through its products, services, or strategy. Impact-oriented organizations employ a variety of strategies that benefit society and the environment. Impact investments in these organizations can maximize the potential for these strategies to achieve scale, and in doing so aim to generate measurable social and environmental impact alongside a financial return. Clearly defined impact objectives that are aligned between the investor and the investee organization provide focus, help guide strategy, facilitate decision-making about when to take a business action (and why), and help stakeholders gauge progress toward stated goals.

1   IRIS Metrics: Social Impact Objectives (OD6247), and Environmental Impact Objectives (OD4108)

FOCUS ON **IMPACT OBJECTIVES**
SEPTEMBER 2015, ISSUE 3

EXECUTIVE SUMMARY

Two IRIS metrics track the social (OD6247) and environmental (OD4108) impact objectives of reporting organizations. Within the sample of 4,989 organizations contributing data to the IRIS initiative, 445 report objectives related to social and/or environmental impact. Of these, 100 have only social objectives ("social-only"), 112 have only environmental objectives ("environmental-only"), and 233 have both types of objectives ("both"). This brief analyzes organizations across these three mission types and compares their data with regard to the following features:

GEOGRAPHY: While organizations focused on both environmental and social impact are relatively evenly distributed, 86 percent of environmental-only organizations are located in Latin America and the Caribbean, and East Asia/Pacific; and 62 percent of social-only organizations are located in South Asia and sub-Saharan Africa.

SECTOR: For organizations with only a social mission, agriculture, health, and financial services are common sectors. For organizations with only an environmental mission, 60 percent operate in the agriculture and energy sectors.

TARGET SOCIOECONOMIC GROUPS: The data demonstrates that a vast majority of social-only organizations target poor populations; however, there is limited data available on the socioeconomics of the target beneficiaries for the environmental-only organizations.

OPERATIONAL MODELS: While "services" was selected more than other models for social-only organizations, for environment-only organizations and for those reporting both social and environmental impact objectives, "production/manufacturing" was the mostly commonly selected model.

Currently, 4,989 organizations from 148 countries report their social and environmental performance to the IRIS initiative (via intermediaries on an opt-in basis). The majority of organizations contributing data operate in the financial services sector (64 percent), with the second highest concentration operate in the agricultural sector (11 percent). In terms of geographic spread, nearly 24 percent are based each in North America and Latin America & the Caribbean (LAC), 18 percent in sub-Saharan Africa (SSA), and more than 10 percent each in Europe & Central Asia (ECA), South Asia, and East Asia & the Pacific (EAP). North America and LAC have the greatest sectoral variation: whereas in other geographies some 70-90 percent of organizations are in financial services, in both North America and LAC less than 50 percent are in financial services.

FIGURE 1: ORGANIZATIONS BY GEOGRAPHY AND SECTOR

	EAST ASIA AND PACIFIC	SUB-SAHARAN AFRICA	SOUTH ASIA	EUROPE AND CENTRAL ASIA	LATIN AMERICA AND THE CARIBBEAN	NORTH AMERICA	MIDDLE EAST AND NORTH AFRICA	TOTAL
AGRICULTURE	18	141	14	17	293	34	3	520
ARTISANAL	4	--	3	4	14	8		33
CULTURE				--	15	11	--	26
EDUCATION	--		--	--	5	34		39
ENERGY	48	32	14	3	17	9		123
ENVIRONMENT	--			--	9	48		57
FINANCIAL SERVICES	361	598	406	443	518	542	81	2,949
HEALTH	3	10	8	4	21	27	--	73
HOUSING DEVELOPMENT		--	5	--	5	31		41
INFORMATION AND COMMUNICATION TECHNOLOGIES	11	46	16	8	50	64	4	199
INFRASTRUCTURE/ FACILITIES DEVELOPMENT	--		--	--	7			7
OTHER	12	12	30	14	104	51	9	232
SUPPLY CHAIN SERVICES	4	--	3	--	12	78		97
TECHNICAL ASSISTANCE SERVICES	--		--	4	15	139		158
TOURISM	--			4	4	9		17
WATER	3	--	--		--	4		7
TOTAL	472	844	505	510	1,091	1,089	100	4,611

Notes: Dashes denote non-zero values that have been withheld due to the IRIS anonymity policy (see 'notes' on p. 10 for more about the data anonymity policy). The total column does not include these non-zero values. Sectors are by IRIS metric "Product/Service Type" (PD3017).

Of the data contributors, 445 reported metrics related to social and/or environmental impact objectives.[2] Some organizations report social impact objectives (OD6247), such as improvements in healthcare services, access to financial services, access to clean water, and employment generation. Others report targeting environmental objectives (OD4108), such as sustainable land use, natural resource conservation, pollution prevention, and biodiversity conservation. A third category of organizations aims to achieve both types of objectives. This brief presents comparative data about these three groups of organizations—those that target only social objectives ("social-only"), those that target only environmental objectives ("environmental-only"), and those with both types of objectives ("both"). Because the analysis in this brief is drawn from the subset of 445 organizations reporting impact objectives (OD6247 and OD4108), it does not reflect the characteristics of all 4,989 organizations in the IRIS dataset, which are described in Figure 1 above.

ILLUSTRATIVE (FICTIONAL) EXAMPLES OF ORGANIZATIONS WITH DIFFERENT TYPES OF IMPACT OBJECTIVES:

SOCIAL OBJECTIVES

The lack of low-income housing in Pakistan leads to social problems including homelessness and unsafe slums. To address this gap, "PML Housing, Ltd." develops affordable housing units and provides livelihood assistance to residents.

ENVIRONMENTAL OBJECTIVES

"No H20 Auto Wash" is a franchise of car washes that uses an innovative technology to wash cars without using water. The goal of the enterprise is to improve the environmental footprint of the car wash industry.

SOCIAL AND ENVIRONMENTAL OBJECTIVES

"SunStarTec" is a solar energy company operating in developing countries. It aims to develop environmentally-friendly renewable energy solutions that provide access to electricity for rural communities.
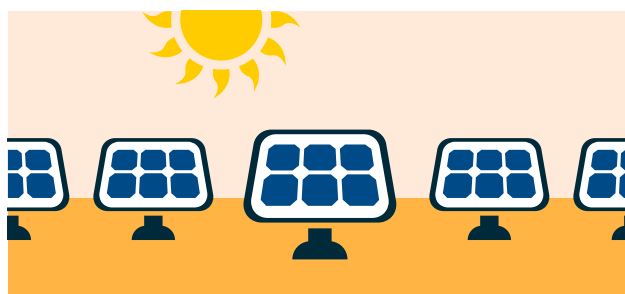
2   Data is submitted to the IRIS initiative voluntarily, and submission does not require that any specific fields are completed. As a result, data for most indicators is available for only a subset of the 4,989 organizations. Please see the note at the end of this brief for a break-out of data sources.

IMPACT OBJECTIVES

As of the date of this analysis, the top social impact objectives selected by organizations included income/productivity growth, agricultural productivity, and community development (Figure 2). The top environmental impact objectives included sustainable land use, sustainable energy, and energy and fuel efficiency (Figure 3).

FIGURE 2. NUMBER OF ORGANIZATIONS TARGETING EACH SOCIAL IMPACT OBJECTIVE

FIGURE 3. NUMBER OF ORGANIZATIONS TARGETING EACH ENVIRONMENTAL IMPACT OBJECTIVE
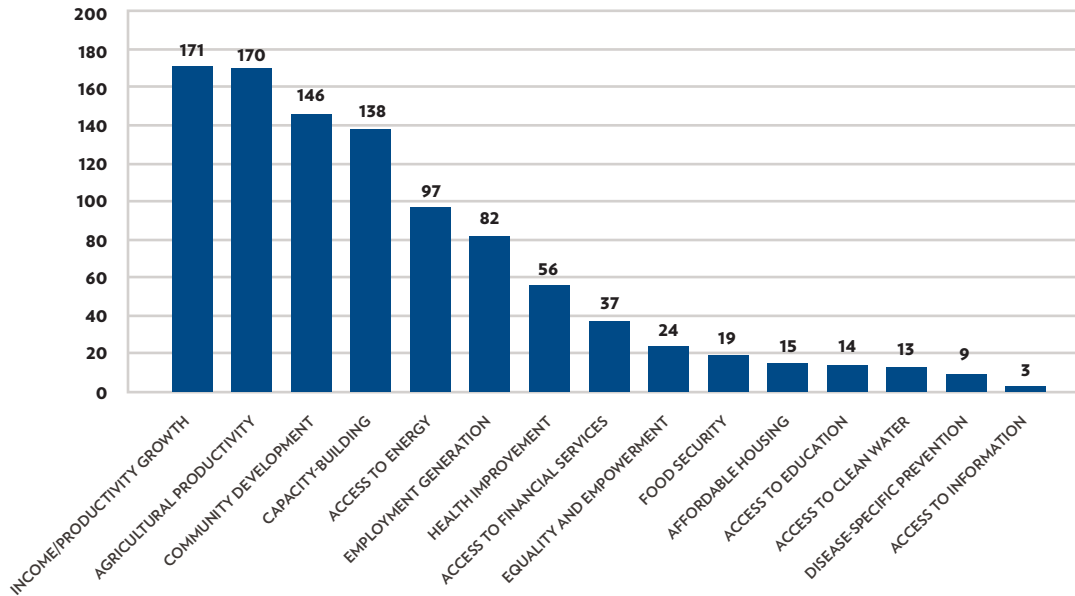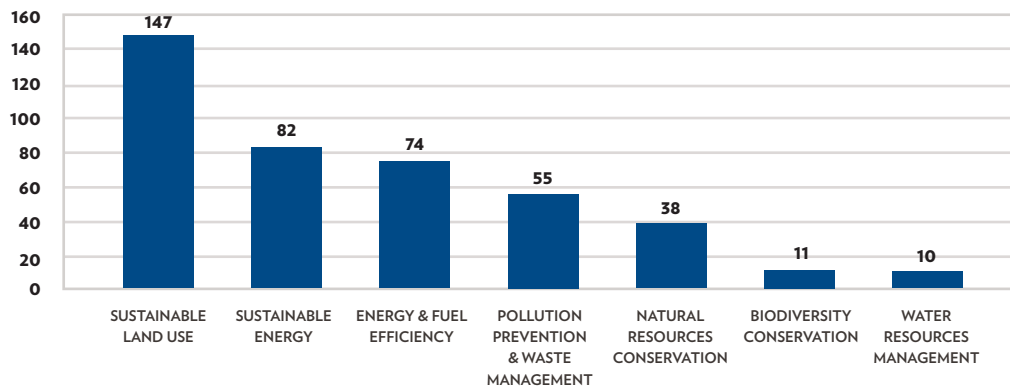

DISCUSSION QUESTION: To what extent do an organization's impact objectives depend on regional or local context?

GENERAL CHARACTERISTICS

Of the 445 organizations in our sample, 100 have social-only objectives, 112 report environmental-only objectives, and 233 report both types of objectives (Figure 4).

Organizations in our sample with only social objectives tend to be slightly older, have higher earned revenue, and have more employees. The median age of social-only organizations is 12 years, compared to 10 for environmental-only and 9.5 for organizations with both types of objectives. The median earned annual revenue is highest for social-only enterprises, at $677,262 compared to $228,256 for environment-only, and $207,919 for those with both types of objectives.

The median number of employees is also highest for social-only organizations—at 53 compared to 10 and 13 for environmental-only and combined-mission organizations, respectively. Interestingly, a greater proportion of organizations with both types of objectives are profitable than are organizations with only social objectives. (There is insufficient data to report on profitability of environmental-only organizations.)

FIGURE 4. GENERAL CHARACTERISTICS OF ORGANIZATIONS BY IMPACT OBJECTIVES

	SOCIAL ONLY		ENVIRONMENTAL ONLY		BOTH	
	N	MEDIAN	N	MEDIAN	N	MEDIAN
NUMBER OF ORGANIZATIONS	100		112		233	
YEARS IN BUSINESS	75	12	62	10	174	9.5
EARNED REVENUE (USD)	98	$677,262	93	$228,256	175	$207,919
PERMANENT EMPLOYEES	77	53	10	10	75	13
	N	PERCENT	N	PERCENT	N	PERCENT
PERCENT PROFITABLE	55	38%	INSUFFICIENT DATA	INSUFFICIENT DATA	36	83%

Notes: Values for IRIS metrics "Earned Revenue" (FP5958), "Permanent Employees" (OI8869), and profitable organizations (using "Net Income" (FP1301)) were all calculated using each organization's most recently reported figures. For earned revenue and permanent employees, only cases where the most recent reported value was non-zero were considered. Note, also, that earned revenue figures have been annualized in the cases where the length of the reporting period was less than one year. Because the reported figures are from the most recently reported period, the time periods are not necessarily consistent across organizations.

GEOGRAPHY

More than 60 percent of social-only organizations are located in South Asia or sub-Saharan Africa, while environmental-only organizations are concentrated in East Asia & the Pacific and Latin America & the Caribbean (Figure 5). Only one out of the 112 environmental-only organizations is located in sub-Saharan Africa. Organizations with both social and environmental objectives work predominantly in Latin American and the Caribbean, sub-Saharan Africa, or East Asia and the Pacific.

FIGURE 5. ORGANIZATION HEADQUARTERS LOCATION

Legend:
- SUB-SAHARAN AFRICA
- SOUTH ASIA
- NORTH AMERICA
- LATIN AMERICA AND THE CARRIBBEAN
- EUROPE AND CENTRAL ASIA
- EAST ASIA AND PACIFIC

Categories:
- SOCIAL ONLY (N=100)
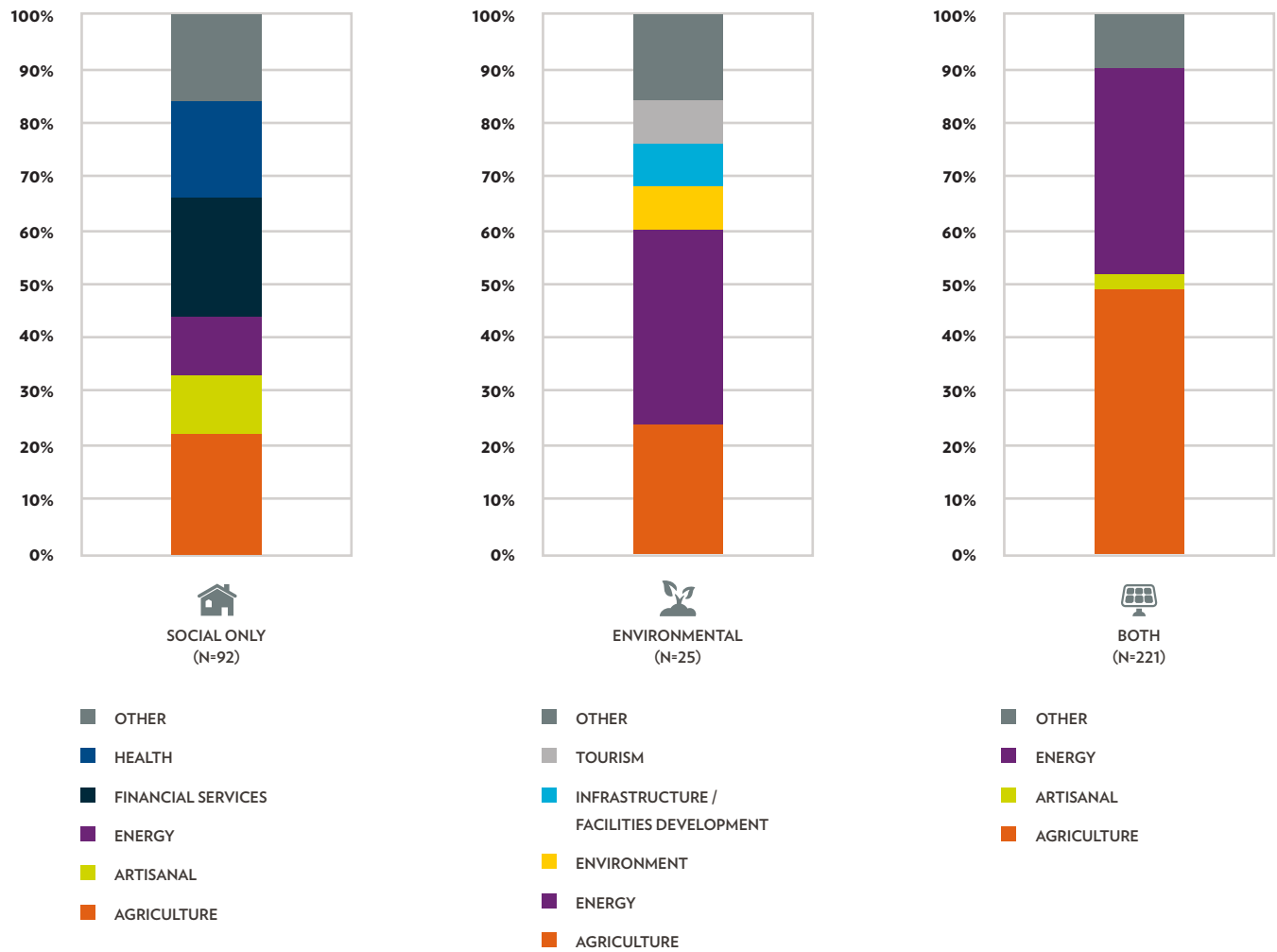- ENVIRONMENTAL ONLY (N=112)
- BOTH (N=233)
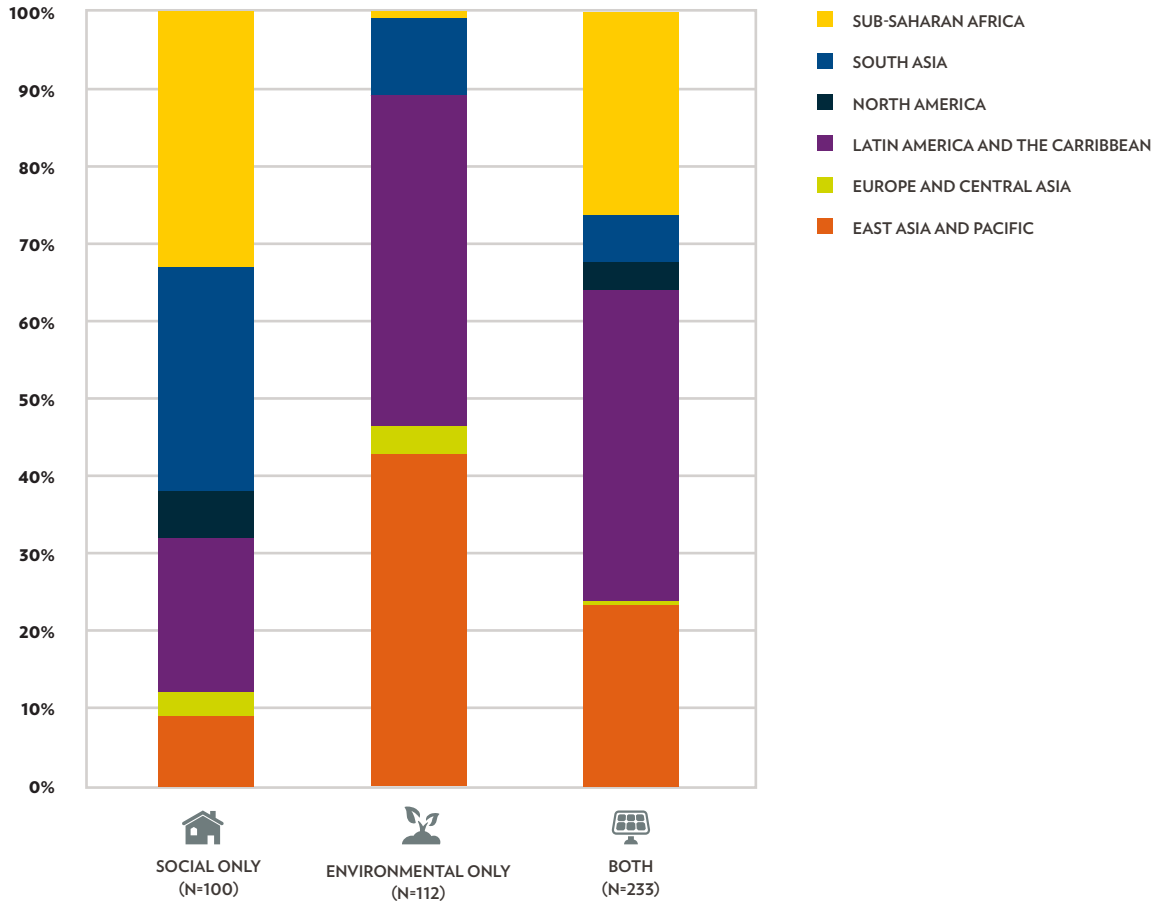
Notes: This distribution does not reflect the spread of locations in the overall IRIS dataset, but only those that provide impact objective data. For example, out of more than 1,200 North American organizations in the dataset, we have impact objectives data for just 14. Australia/New Zealand and MENA are excluded due to insufficient data. See Table 1.

SECTOR

Organizations focusing only on social objectives are more evenly distributed across a wider variety of sectors, whereas those with environmental aims tend to be concentrated in agriculture and energy (see Figure 6). For social-only organizations, agriculture is a common sector, as are health and financial services. Sizeable percentages are also found in energy and artisanal sectors. In contrast, 60 percent of organizations that have an environmental-only mission are in the agriculture and energy sectors. Organizations that have both types of objectives are also heavily concentrated, with more than 85 percent combined in agriculture and energy, as well.

FIGURE 6. ORGANIZATIONS, BY SECTOR

SOCIAL ONLY
(N=92)

- OTHER
- HEALTH
- FINANCIAL SERVICES
- ENERGY
- ARTISANAL
- AGRICULTURE

ENVIRONMENTAL
(N=25)

- OTHER
- TOURISM
- INFRASTRUCTURE / FACILITIES DEVELOPMENT
- ENVIRONMENT
- ENERGY
- AGRICULTURE

BOTH
(N=221)

- OTHER
- ENERGY
- ARTISANAL
- AGRICULTURE

DISCUSSION QUESTION: Can different impact objectives be achieved through investments in the same sector? How?

TARGET SOCIOECONOMIC GROUPS

Some organizations report on the socioeconomic status of their target beneficiaries (e.g., Pl7318—Client Individuals: Low Income). The choices for this category range from very poor to lower-middle income,[3] and most organizations select more than one category. Of the 86 organizations with social-only objectives that reported on socioeconomic targets, 80 percent selected poor, 59 percent selected very poor, and 56 percent selected low-income. For the 187 organizations with both objectives that reported on socioeconomic targets, roughly similar numbers target low income (66 percent), poor (64 percent), and very poor (60 percent). There is limited data available on the socioeconomics of the target beneficiaries for environmentally focused organizations.

**FIGURE 7. TARGET SOCIOECONOMIC GROUPS FOR ORGANIZATIONS**
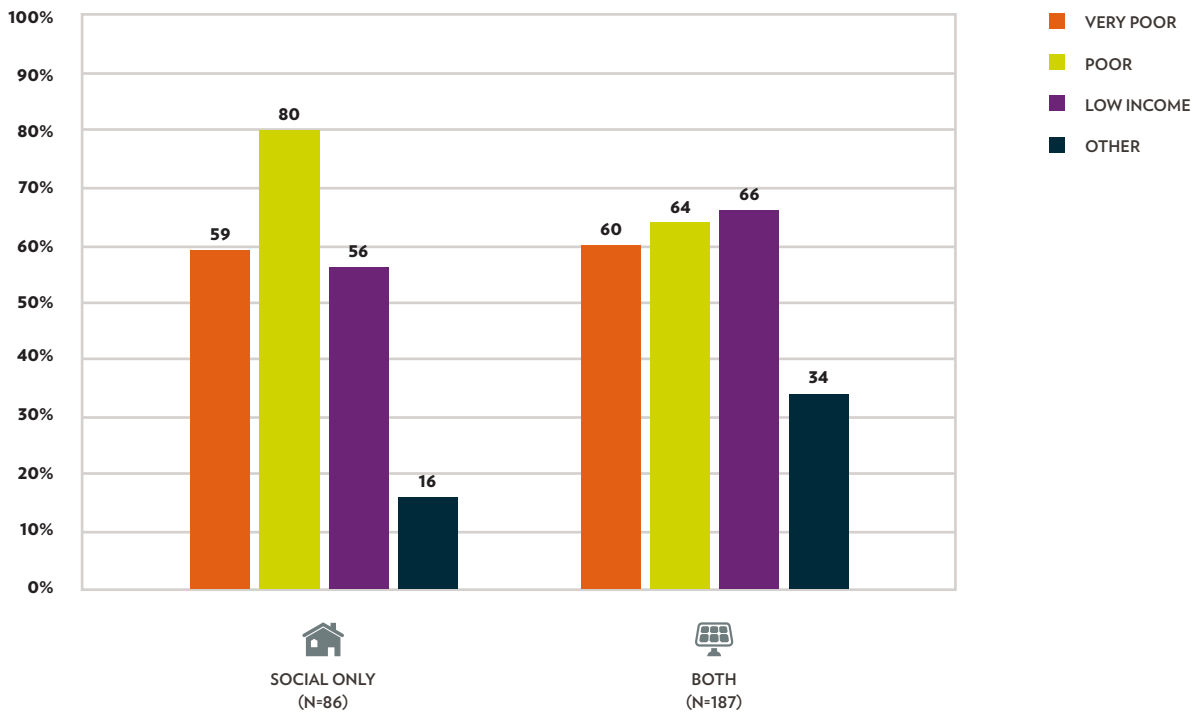
Notes: Only three organizations with exclusively environmental objectives report socioeconomic targets. 1 percent of organizations with both types of objectives target lower-middle income beneficiaries.

3   At the time the data was submitted, the options to select for target socioeconomic group were very poor, poor, low-income, and lower-middle income.

OPERATIONAL MODEL

Organizations with an environmental focus tend to have production/manufacturing operational models, while services models are more common among socially focused organizations. For organizations with social-only objectives, the most common operational model is services (n = 47), followed by production/manufacturing (n = 25), and financial services (n = 23). Among environmental-only organizations, the vast majority have a production/manufacturing operational model. Among organizations with both types of impact objectives, the most common model is production/manufacturing (n = 80) followed by distribution (n = 67).

FIGURE 8. OPERATIONAL MODELS USED BY ORGANIZATIONS
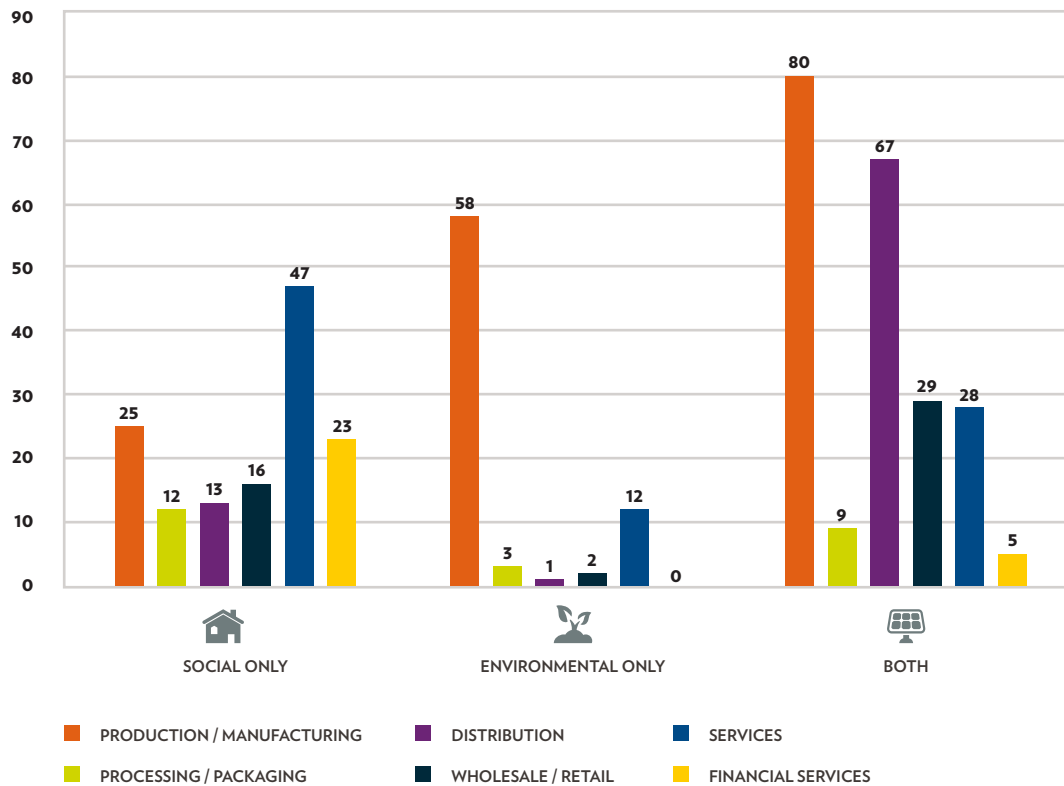
DISCUSSION QUESTION: In your experience, are the investment goals aligned with stakeholder considerations, including the business strategy and operational model of the investees?

NOTES

Data Anonymity Policy

The IRIS initiative is committed to maintaining the anonymity of contributed data. The number of organizations that meet a set of characteristics will not be disclosed unless the total number of contributing organizations is greater than or equal to three. This screen helps decrease the chance that specific organizations can be identified within a data set.

Regional Classification

Regions are based on mapping organization headquarter countries to World Bank regional categorization of countries.

IRIS Data Partners

For details on IRIS data partners, go to iris.thegiin.org/data-and-benchmarking. Contributing data partners share performance information from a broad set of companies and funds. These organizations are instrumental in driving adoption of IRIS and the submission of data to the IRIS database. To join them, or learn more about becoming an IRIS data contributor, email us at irisinfo@thegiin.org.

FIGURE 9. NUMBER OF REPORTING ORGANIZATIONS BY DATA CONTRIBUTOR
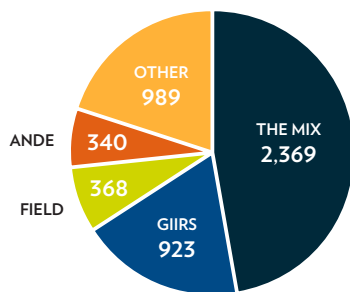
AUTHORS

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ABOUT THE GIIN

IRIS is an initiative of the Global Impact Investing Network (GIIN®), a nonprofit organization dedicated to increasing the scale and effectiveness of impact investing. Impact investments are investments made into companies, organizations, and funds with the intention to generate social and environmental impact alongside a financial return. They can be made in both emerging and developed markets, and target a range of returns from below market to market rate, depending upon the circumstances. The GIIN builds critical infrastructure and supports activities, education, and research that help accelerate the development of a coherent impact investing industry.

For more information, please visit www.thegiin.org.