

# ALIGNING IMPACT MEASUREMENT IN THE FINANCIAL INCLUSION SECTOR

The leadership teams of **IRIS** and the **Social Performance Task Force (SPTF)** are united in their commitment to greater alignment of impact measurement metrics. They are part of an industry-wide movement to harmonize the world's leading impact investing measurement metrics, methodologies, and assessment tools. Aligning different impact measurement tools is key to advancing the use of social and environmental performance data for impact investing decision-making, and better alignment also helps alleviate the reporting burden on both investors and investee organizations. Common metrics help avoid confusion among stakeholders and can facilitate the benchmarking of data.

## IRIS AND SPI4 ALIGNMENT

The alignment between the SPI4 audit tool and IRIS strengthens harmonization between existing social performance measurement frameworks, the benefits of which are outlined on the following page. The IRIS initiative pursues [linkages](#) with leading standards setting bodies to showcase helpful measurement tools for impact investors, amongst other reasons. The inclusive finance sector has developed a framework that includes [standards \(The Universal Standards\)](#), common social assessment and due diligence tools ([SPI4](#) and [SPI4 ALINUS](#)), social ratings aligned to the standards, and implementation [resources](#). This framework offers valuable lessons to other sectors within impact investing.

SPTF's Universal Standards for Social Performance Management (SPM) and SPI4 social audit tool adhere to IRIS's rigorous processes and principles for standards development, as they were developed over several years and involved broad consultation with diverse stakeholders, multiple rounds of public comment in three languages, and an iterative process of collaboration and revision. Compliance with either the Universal Standards or the IRIS Standard is not mandatory, and neither SPTF nor IRIS confers certifications.

IRIS includes metrics for investors with varying impact objectives who often operate in multiple sectors. As such, for this alignment, the IRIS and SPTF teams worked to define the subset of IRIS metrics that are applicable to financial services providers. Within this subset, 56% of IRIS metrics align to indicators in the SPI4 tool. This significant overlap amongst the two sets of metrics indicates strong consensus on the key topics that relate to impact investors focused on the issue of responsible financial services. The most extensive areas of overlap include human resource management, consumer protection practices, and environmental responsibility.



### ABOUT IRIS.

**IRIS** is the catalog of generally accepted performance metrics that leading impact investors use to measure social, environmental, and financial success, evaluate deals, and grow the credibility of the impact investing industry. IRIS is used by hundreds of investors and thousands of companies to track and communicate performance. It is a free resource available at [iris.thegiin.org](http://iris.thegiin.org). The Global Impact Investing Network (GIIN) is the institutional home of IRIS.



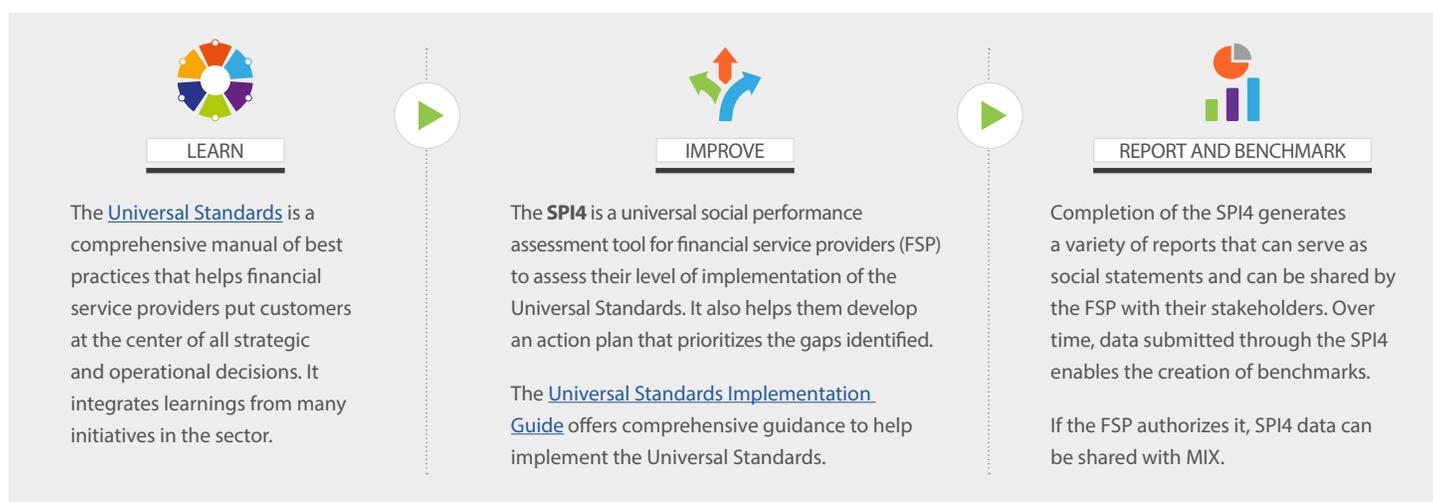
### ABOUT SPTF.

**The Social Performance Task Force (SPTF)** is a global membership non-profit organization working in the inclusive finance sector. Its +2,700 members from all over the world represent every stakeholder group in inclusive finance (financial service providers, investors, donors, networks/associations, support organizations, rating agencies, technical assistance providers, regulators, and academics). SPTF engages with these stakeholders to develop, disseminate, and promote standards and good practices for social performance management (SPM) and reporting. For more information and to download tools and resources such as the [Universal Standards](#) visit [www.sptf.info](http://www.sptf.info).

## UNDERSTANDING THE IRIS CATALOG

IRIS is a catalog of standardized performance metrics from which organizations can pick and choose the most appropriate metrics for their work. Because IRIS is a catalog, an organization can choose as few or as many metrics as it deems necessary to describe the performance of its investees. IRIS is used by leading investors in the industry, including impact investment managers in nearly 150 countries worldwide. IRIS includes metrics tailored to specific sectors as well as metrics that can be used by companies irrespective of their social and environmental goals and the sectors or regions in which they work. This means that IRIS is a useful resource for impact investors working around the world, in different sectors, and with a variety of social and environmental impact objectives. In using standardized metrics such as IRIS, a major benefit is the ability to aggregate impact information across diverse portfolios. Organizations that make investments in multiple sectors, such as inclusive financial service provision, agriculture, environmental conservation, and many others, can rely on IRIS metrics to communicate their investments' social and environmental performance.

## SUMMARY OF RESOURCES ON SPM FOR THE FINANCIAL INCLUSION SECTOR



## SPTF'S UNIVERSAL STANDARDS FOR SOCIAL PERFORMANCE MANAGEMENT (THE UNIVERSAL STANDARDS)

The Universal Standards are presented in a comprehensive manual of best practices that help financial service providers put customers at the center of their strategic and operational decisions. Developed for and by stakeholders in the financial inclusion sector, the Universal Standards integrate management practices developed in the field with those defined by leading subject matter experts, such as the ILO and the Smart Campaign. The Universal Standards are organized into six dimensions (as shown to the right), each of which address an operational area within the financial institution. Each dimension contains multiple standards, which are broad statements about what the institution should achieve. For each of these standards, there are several "Essential Practices" that detail the policies and operational practices necessary to achieve the standard. Likewise, each essential practice has one or more indicators, which help evaluate whether the institution has implemented the practice. Implementation of a significant number of the Universal Standards' essential practices signifies that the financial institution has strong SPM. To download the Universal Standards and free, high-quality resources that can help facilitate their implementation visit the [SPTF website](#).



## SPI4 AND SPI4 ALINUS

The SPI4 is a free social audit tool developed by [CERISE](#) (Knowledge and Tools for Ethical Finance). The SPI4 helps financial service providers evaluate their level of implementation of the Universal Standards. The indicators contained in the SPI4 are purposefully aligned with all other responsible finance initiatives in the microfinance sector; this includes the MIX social performance indicators, the client protection certification indicators used by the Smart Campaign, and all the indicators necessary to evaluate adherence with the Universal Standards. As of January 2016, the SPI4 had been downloaded by 1,000 individual users, Cerise had received 100+ SPI4 assessments from over 60 different countries, with 200+ people trained on the tool and 50+ qualified auditors. More information on the SPI4 can be found [here](#). The SPI4 ALINUS is a subset of the indicators in the SPI4 tool; it includes the 80 indicators selected by a consensus of social investors, as those most useful to investors for social due diligence. The SPI4 ALINUS is a common tool for social due diligence and monitoring, which reduces the reporting burden on financial service providers, ensures stakeholders all speak the same language, and enables access to international benchmark data among investors. Currently, this tool is being piloted by ALINUS (ALining INvestors due diligence with the Universal Standards), a working group made up of SPTF members who represent social investors. More information on the SPI4 ALINUS can be found [here](#).

## CREATING THE BASELINE FOR ALIGNMENT

This paper represents IRIS and SPTF's public commitment to working together to increase alignment between their initiatives and tools. The first step in putting this commitment into practice took the form of establishing a baseline to better understand the current level of alignment between the sets of metrics in the IRIS catalog and the SPI4 social audit tool. To this end, the teams of SPTF and IRIS carried out a detailed mapping of all the metrics in the IRIS catalog to determine which concepts were also represented among the SPI4 indicators. This mapping was performed against the public comment version of the IRIS 4.0 catalog. Furthermore, the teams of SPTF and IRIS worked together to categorize each of IRIS's metrics as relevant to 1) microfinance, 2) the broader responsible financial services industry, or 3) other sectors. The results of this mapping exercise determined the subset of total IRIS metrics that are relevant to the microfinance sector, including both social and financial performance metrics. The level of alignment between the IRIS catalog and the SPI4 tool quoted on page 1 (56%) represents the extent of the match between those IRIS metrics relevant to microfinance and the indicators contained in SPI4. Within the metrics that match across the two sets of indicators, there are even numbers that measure social and financial performance. In addition to the work on the metrics themselves, both the SPTF and IRIS teams worked to increase alignment of concepts and messaging related to social performance in microfinance by expanding upon the usage guidance for relevant IRIS metrics to include text on how users can implement these topics using SPTF's manual on the Universal Standards for SPM. Establishing a baseline on the level of matching between IRIS and SPTF's tools allows both organizations to have a clear understanding of their current status with regards to alignment. This information is an essential pre-requisite to identifying and implementing the necessary next steps for each organization, which will help increase this level of alignment in the future.

## BENEFITS OF THIS ALIGNMENT

While this alignment and these metrics can be used by any stakeholder group, it is particularly helpful for investors and their investee organizations who report on their social performance. SPTF's Universal Standards are meant for financial service providers with both social and financial objectives, which can range from credit-only non-governmental organizations and cooperatives to non-bank financial institutions, microfinance banks, and even commercial banks (if they target low-income and underserved clients). The Universal Standards can also be helpful to financial institutions that are not mission-driven but that may be striving to achieve more responsible practices generally. The IRIS catalog consists of metrics that measure performance at the enterprise level, and these metrics are typically used by investors attempting to understand the performance of those enterprises. On the following page, the benefits of standardizing social performance measures are outlined for both investors and the financial service providers in which they invest.

## BENEFITS OF STANDARDIZING SOCIAL PERFORMANCE MEASURES

### VALUE TO INVESTORS

- Allows for aggregation within a portfolio
- Enables benchmarking and comparability
- Provides standard and valuable information for screening and investment decisions

### VALUE TO FINANCIAL SERVICES INSTITUTIONS

- Reduces reporting burden
- Enables clear articulation and demonstration of the impact of the institution's products and services
- Facilitates tracking against the organization's social performance goals

## ADDITIONAL BACKGROUND

Microfinance was one of the first successful, scalable approaches to use financial services as an economic development mechanism to reach audiences that had historically been excluded from the global capital markets. Part of the early enthusiasm for microfinance as a poverty fighting approach was that it promised the achievement of both social-mission objectives and solid financial performance. Since 1976, microfinance institutions have spread around the world, now operating in over 100 countries and serving more than 130 million clients ([IFC 2014](#)). In the last ten years, the sector has faced some scrutiny from politicians and the media, particularly as some institutions lost their original focus and began to prioritize profitability and growth over the well-being of their clients. Realizing this risk, SPTF, through broad industry consultation, developed the Universal Standards for Social Performance Management to help institutions regain balanced performance management and create policies and operations that would permit both long-term financial sustainability

for the institution as well as long-term benefits for the clients. Today, the Universal Standards are the globally accepted standard for socially responsible management practices in the inclusive finance industry. SPTF curates a [suite of free tools and resources](#) designed to support improved implementation of the Universal Standards. While SPTF's resources were developed with the financial inclusion sector in mind, the emphasis on clarity of social goals, client centered products, strong governance practices, and comprehensive consumer protection are relevant to institutions operating in many sectors. **The IRIS and SPTF teams have partnered to continue the harmonization amongst their standards and to act as a bridge between the financial inclusion sector and other relevant players in the impact investing market.** By helping investors and investee organizations reduce the time spent on data collection and reporting, these organizations' tools enable them to focus their efforts on improving decision-making and outcomes.

## HOW TO USE THESE STANDARDS

**Where to Look Next.** This document provides an overview of the alignment between SPTF's Universal Standards & Cerise's SPI4 social audit tool and the metrics in the IRIS catalog. Users are encouraged to further explore this alignment on IRIS's aligned metrics webpage:

**IRIS website** ➔ **Metrics** ➔ **Explore Aligned Metrics**

**Choosing the Right Set of Metrics.** Organizations should remember to select and gather data on only the metrics that are meaningful for managing their own social and economic performance. This alignment is a good resource for narrowing the universe of relevant metrics for double-bottom-line financial service providers.