

# IRIS+ USE CASE: LEAPFROG

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## USE CASE

### PURPOSE

This document features how LeapFrog, a growth private equity investor in Africa and Asia, uses IRIS+ to support its impact measurement and management practice. Specific topics addressed include adherence to the Core Characteristics of Impact Investing and use of IRIS+ to inform decision-making across the investment life cycle, including a specific example of how LeapFrog aligns to IRIS+ Core Metrics Sets.

### AUDIENCE

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

**LEVEL:** BEGINNER

### REFERENCE

Use this document with



# INTRODUCTION

This document illustrates how LeapFrog applies IRIS+ to their impact measurement and management practice, describing:

- How Leapfrog adheres to the Core Characteristics of Impact Investing
- How IRIS+ is integrated along the investment cycle and how it adds value to LeapFrog’s existing impact tracking systems
- An example of how IRIS+ Core Metrics Sets are used to assess a current investment

## Investor Background

Institution Name	LeapFrog Investments
Institution Description	LeapFrog is a growth private equity investor in Africa and Asia, solely focused on financial services and healthcare businesses that address the opportunity to serve 4 billion emerging consumers. Their investments range between \$10M to \$50M, and they work closely with portfolio businesses to achieve profit alongside meaningful, sustainable impact. Founded in 2007, LeapFrog’s 28 companies now reach over 200 million people, of whom 164 million are emerging consumers, living on less than \$10 a day. Over the decade, they also grew revenue on average by 32.8% a year.
Total AUM Impact AUM	USD 1.6 billion USD 1.6 billion
Asset Classes	Growth equity
Target Geography	Sub-Saharan Africa, South Asia and Southeast Asia
SDGs of Focus	     
Impact Categories of Focus	 Financial Services  Health

## 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 to accelerate the development of a coherent impact investing industry. IRIS+ is managed as a public good by the GIIN.

# CORE CHARACTERISTICS IN ACTION

Leapfrog adheres to the four practices that define impact investing, as outlined by the [Core Characteristics of Impact Investing](#).

## **Core Characteristic #1. Intentionally contribute to positive social and environmental impact through investment alongside a financial return**

LeapFrog's approach to managing and measuring impact is founded on a clear theory of change aimed at driving integrated profit-with-purpose returns. The ultimate impact LeapFrog seeks is to empower low-income consumers to be their own agents of change, exercising their power to make different life choices, and ultimately take entrepreneurial leaps out of poverty. To achieve this goal, LeapFrog invests a range of inputs such as capital, resources, and expertise in high growth innovative businesses. These inputs are utilized for driving the most impactful value creation initiatives, enabling the business to achieve greater financial returns by reaching emerging consumers, at scale, with tools and services that are relevant, affordable, and essential for achieving the outcome of enhanced health and wealth of low income households.

LeapFrog recognizes the role of transparency and rigour in setting and delivering these impact goals. Therefore, each LeapFrog fund and the underlying portfolio companies have clear and defined social impact objectives and quantifiable impact targets that are critical for financial and healthcare inclusion, at scale. The impact objectives are aligned with 6 UN Sustainable Development Goals at a sub target-level, which are measured and managed with the help of two pillars, FIIRM (LeapFrog's proprietary measurement and management framework), and Consumer Insights.

## **Core Characteristic #2. Use of evidence and impact data in investment design**

Impact is integrated into the overall investment design, including fundraising, deployment, portfolio management, and exits, with the help of quantitative and qualitative measures of impact. At the fund inception stage, LeapFrog assesses the macro opportunity for generating financial and social returns that can be unlocked by investing in targeted sectors and geographies. The analysis utilizes multiple external academic sources, market studies, and evidence bases such as IRIS+ to establish clear financial and social opportunities and risks. Furthermore, learnings and impact performance of previous LeapFrog funds are used to build the targets and strategy of new funds, ensuring impact objectives are consistent with the investment strategy, credible, and proportionate to the size of the portfolio.

Each new opportunity is assessed based on its fit with the profit-with-purpose strategy of the fund using a standardized due diligence approach which covers impact, ESG, and customer centricity. FIIRM uses a matrix of operational key performance indicators to quantify each investment opportunity's current and expected financial performance (F), impact & innovation performance (II), risk management (RM), and is combined with direct feedback on pain points and opportunities received through customer diligence. The analysis enables the Investment Committee to evaluate fit of new investments across four core areas: (1) scale of impact, (2) quality and protection of impact, (3) affordability of service being provided, and (4) the presence of good governance standards to protect the various stakeholders. In determining the emerging consumer opportunity, LeapFrog also assesses the level of financial and health exclusion of low-income consumers from traditional services in the market and the associated risks that are unique to each market. The result of these assessments informs an Impact and ESG action plan for each investment, which is linked to timelines, responsibilities, and resourcing.

With increased sophistication and availability of external evidence repositories, LeapFrog has integrated a range of globally accepted measurement and management standards in review of new investment opportunities. Resources, such as SASB, UN PRI, and IRIS+ provide a rigorous evidence set that is critical for prioritizing material risk and opportunities and for ensuring that LeapFrog learns from collective knowledge of experts and peers.

## **Core Characteristic #3. Manage impact performance**

Over the last decade, LeapFrog has learnt from multiple iterations of their impact management approach and undertaken gradual improvements to ensure the approach remains truly fit-for-purpose. Clear integration of impact, diverse expertise, and demonstrable end results have been of paramount importance.

The integration and demonstration of impact begins with establishing dual profit and purpose targets for each fund and underlying investments. Prior to joining the fund, investee companies adopt a financial and social target, which is formally signed off by the Investment Committee. Furthermore, all investees are mandated to align with the Responsible Investment Code and LeapFrog's proprietary measurement tool, FIIRM. The progress towards achievement dual profit-with-purpose goals falls directly under the purview of LeapFrog's core Investment Governance Committee (IGC). Over the investment holding period, IGC continuously reviews and guides the delivery of the stated goals and any expected deviations are interrogated thoroughly. Investors are updated quarterly and annually on the integrated performance of the fund using data collected via FIIRM. Prior to exit, LeapFrog's Responsible Exits Framework is applied to assess whether the investment met its expected impact, using FIIRM data, and states the impact rationale behind the exit timing and buyer selection for the consideration of the Investment Committee.

Expertise is put into use for impact management via a range of structures. To support the IGC, LeapFrog has established an Impact Steering Committee (ISC), as a sub-committee to specifically oversee the delivery of "Purpose," with the input of committee members from across investment, impact, and experts team. To support the day-to-day actions, dedicated Profit with Purpose analysts have been embedded within investment functions to provide easy access to impact expertise. At a portfolio company level, LeapFrog actively works with management teams to influence management of impact and ESG factors. Approaches have ranged from establishing Social & Ethics Committees, designing new products, advising on pricing, building out systems infrastructure, to rapidly scaling new digital-based distribution.

*"We think of ourselves always as co-owners – alongside our investors, co-investors, management – who are collectively responsible for generating the positive impact promised to our emerging consumers and local communities. We bring distinctive operational experience and advisory support in managing and measuring integrated performance of our partner companies for making a game changing difference in their financial and social performance" says Roshni Bandesha, Senior Manager Impact Labs at LeapFrog Investments.*

#### **Core Characteristic #4. Contribute to the growth of impact investing**

LeapFrog contributes to the growth of impact investing in the following ways:

- *Committing to using shared conventions and adoption of global principles as part of fund management.* In particular LeapFrog has contributed to the development of a number of shared conventions, such as the Core Characteristics of Impact Investing, the Operating Principles for Impact Management (OPIM), the Five Dimensions of Impact, and the UN Principles for Responsible Investing, and these are fully integrated in fund activities from the beginning.
- *Adhering to the highest standards of transparency in impact measurement and management.* LeapFrog's approach to measuring impact for each company is articulated and communicated to investors every quarter which enables them to probe the underlying methodology. The impact is tracked and reported using standardized KPIs, as housed in IRIS+, that can be easily understood by any user. Furthermore, since 2014 LeapFrog annually discloses its UN PRI results and in 2019 was the first fund to announce the results of their verification against the Operating Principles for Impact Management.
- *LeapFrog continues to be part of global advisory boards of leading impact measurement and management initiatives.* With the help of the geographically dispersed team, LeapFrog's employees share learnings and standardized data across conferences, workshops, and collective initiatives across Asia and Africa.

# HOW IRIS+ SUPPORTS LEAPFROG'S IMM ACROSS THE INVESTMENT CYCLE

LeapFrog uses IRIS+ to inform decision-making along the investment lifecycle, from fund conception, to due diligence, to ongoing monitoring and reporting.

## Fund conception

LeapFrog relies on IRIS+ as a guidance tool and source of research during the fund conception stage. More specifically IRIS+ is used in two ways. First, it is used to validate the connection between LeapFrog's goals and the SDGs. Second, the evidence base and Core Metrics sets help reduce the amount of time LeapFrog has to dedicate to research.

*"We undertake significant research ourselves to prove that our investments lead to specific outcomes. Thanks to the evidence base in IRIS+, we've been able to increase the rigour and scale, while reducing the time we need to dedicate to finding the right research."*  
 - Roshni Bandesha, Senior Manager Impact Labs at LeapFrog Investments.

## Due diligence

IRIS+ is integrated into the diligence process as part of best practice for identifying risks and opportunities and ensuring continued alignment with globally agreed approaches in impact. Beyond using the IRIS+ Core Metrics Sets, LeapFrog utilizes the evidence base to determine whether the impact outcomes are proven and rigorous (e.g., Nesta Standards) and whether the stakeholders are aligned on the importance of specific financial or health services on their quality of life (or end impact). From a measurement perspective, typically there is a strong alignment between the KPIs tracked in FIIRM and IRIS+ which confirms they are on the right track. Based on the alignment exercise, LeapFrog may add or refine metrics to the Core Metrics Sets. The tailored Core Metrics Sets are then used to ask questions to potential investees during due diligence and capture answers in a standardized and consistent way.

### Two Pillars of IMM

### Standards embedded

<b>F</b> <b>Financial Performance</b>	<ul style="list-style-type: none"> <li>• Company and Fund financial performance</li> <li>• E.g.: Revenue, profitability, IRR, MOIC</li> <li>• External benchmarks: ILPA, IFRS, GAAP</li> </ul>	
<b>II</b> <b>Impact &amp; Innovation</b>	<ul style="list-style-type: none"> <li>• Non-financial KPIs: scale, quality, innovation, outcomes</li> <li>• E.g.: # consumers, # services, renewal ratios, efficacy</li> <li>• External benchmarks: IRIS+ taxonomy (GIIN)</li> </ul>	
<b>RM</b> <b>Risk Management</b>	<ul style="list-style-type: none"> <li>• Extra-financial questionnaires, convert to indices</li> <li>• E.g.: ESG; Quality governance; Enterprise Risk Mgmt</li> <li>• External benchmarks: Dow Jones Sustainability Index</li> </ul>	
<b>Consumer Insight</b>	<ul style="list-style-type: none"> <li>• Direct interviews, insights from emerging consumers</li> <li>• E.g.: Customer social outcomes, experience, loyalty</li> <li>• Benchmarks: World Bank Findex, quant/qual research</li> </ul>	

*"The power of IRIS+ is in enabling investors to drill into the details of the big picture and identify what's truly important. IRIS+ shifts the focus from outputs to outcomes and guides you in how to calculate each indicator in a clear and consistent way."*  
 - Roshni Bandesha.

## Allocation, ongoing monitoring, and impact management

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Once the investment is approved by the Investment Committee, LeapFrog makes sure the investee's measurement system is aligned with FIIRM which incorporates key metrics from the IRIS Catalog of Metrics. LeapFrog recognizes that impact measurement and management requires shared understanding of impact, and the underlying principles and frameworks, amongst different stakeholders.

For LeapFrog, IRIS+ has also been a helpful resource to train and familiarize with a universally available knowledge base, including giving flexibility to the incoming portfolio company to continuously upskill their understanding of impact overtime.

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*"IRIS+ helps enhance the communication with partners. It ensures everyone is speaking the same language and are on the same page."*  
- Roshni Bandesha, Senior Manager Impact Labs at LeapFrog Investments.

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FIIRM and Consumer Insights form the backbone of ongoing portfolio review and management. All companies report FIIRM data quarterly, ensuring timely and integrated results. Targeted consumer feedback further supplements FIIRM results, charting the trajectory for value creation and risk management across a range of financial, impact, and ESG considerations. At this stage IRIS+ metrics are well integrated within the broader FIIRM KPI set. This enables LeapFrog to maintain comparability with reporting standards of their global base of investors as well and aggregate a standardized data base for mining insights and learnings. LeapFrog regularly checks whether there are updated metrics and evidence maps in IRIS+ to increase their alignment with global impact standards for financial services and healthcare.

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*"Increasingly we have seen asset owners ask for reporting aligned to the Five Dimensions of Impact, and asking for specific IRIS metrics IDs. This represents an important move towards a more aligned approach to measuring, managing, and understanding impact."* - Roshni Bandesha.

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## Exit

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As part of LeapFrog's Responsible Exit Framework, at exit the Investment Committee considers whether the investment has achieved the financial and social targets and evaluates whether acquirers will promote long-term Profit with Purpose performance. The framework seeks to assess whether the investment met its expected impact, using FIIRM data, and states the impact rationale behind the exit timing and buyer selection. The scale of impact in terms of the number of unique underserved customers served -aligned to IRIS metric [Client Individuals: Low Income \(PI7098\)](#)- is tracked as part of FIIRM from investment to exit.

## LeapFrog's Illustration of Alignment to IRIS+ Core Metrics Sets



The table below shows the alignment of one of LeapFrog's investments to the IRIS+ Core Metrics Set for **Increasing Access to Essential Medicines, Medical Supplies, and Devices** under the Access to Quality Healthcare theme. The investment featured (Pyramid Group) is a leading pan-African distributor of specialist medical equipment and products.

Key Indicators in IRIS+ Core Metrics Set	Investee Performance: Pyramid Group
<p><b>WHAT is the goal?</b>  <b>Strategic Goal:</b> Increasing Access to Essential Medicines, Medical Supplies, and Devices</p> <p><b>Outcome Indicator:</b> Health Intervention Completion Rate (PI3902)</p> <ul style="list-style-type: none"> <li>• Baseline (number of clients/patients who successfully completed the course of health intervention during previous period)</li> <li>• Threshold Level (number of clients/patients expected to successfully complete the course of health intervention during reporting period)</li> </ul> <p>Importance of Outcome to Stakeholders (OI5495)</p>	<p>87.0%</p> <p>2.54 million</p> <p>1.95 million</p> <p>Very Important; Lack of access to quality, affordable medical devices and pharmaceuticals significantly limits the ability of low-income consumers to protect the health and income of their household. While most healthcare distributors focus on pharmaceuticals and other general medical consumables and equipment, Pyramid is meeting the needs of this pan-African underserved market by enabling access to specialty products as well, including cardiac and orthopedic implants.</p>
<p><b>WHO is affected?</b>  <b>Stakeholder type:</b> Target Stakeholders (OD7212)</p> <p><b>Stakeholder characteristics:</b></p> <ul style="list-style-type: none"> <li>• Target Stakeholder Demographic (PD5752)</li> <li>• Target Stakeholder Socioeconomics (PD2541)</li> <li>• Target Stakeholder Setting (PD6384)</li> <li>• Target Stakeholder Geography (PD6424)</li> </ul>	<p>Low income consumers and households who lack access to quality, affordable, relevant health products and services. LeapFrog refers to this beneficiary set as emerging consumers and households.</p> <p>Pyramid is reaching emerging consumers and households across seven countries in East and West Africa. This consumer set represents individuals who are willing and able to pay for critical healthcare services, but are either entirely excluded or underserved by traditional health institutions by virtue of being a low Income consumer, or due to other factors such as a lack of infrastructure, access channels, health financing products, health conditions, and gender.</p>

All data is as of Q1 2020

Key Indicators in IRIS+ Core Metrics Set	Investee Performance: Pyramid Group
<p> <b>HOW MUCH</b> change is happening?</p> <p>Scale: Number of patients or client individuals</p> <ul style="list-style-type: none"> <li>Client Individuals: Total (PI4060)</li> </ul> <p>Depth: Percentage change in health intervention completion rate (PI3902)</p>	<p>1.7 million</p> <p>39.4%</p>
<p> What is the <b>CONTRIBUTION?</b></p> <p>Investor Contribution</p> <p>Enterprise Contribution</p>	<ul style="list-style-type: none"> <li>Signal that measurable impact matters</li> <li>Engage actively</li> <li>Grow new or undersupplied capital markets</li> </ul> <p>Due to the scarcity of medicines, consumables and equipment, consumers not only often lack access to diagnostic and treatment tools but are also forced to buy medicines that may not be authentic. With the help of available health data and academic evidence base, the contribution of Pyramid is assessed in relation to access being enabled across African markets (e.g., # of new markets entered, relative need of market) as well as the diversity and range of medical devices provided (e.g., # of essential services provided).</p>
<p> What is the impact <b>RISK?</b></p>	<p>Evidence risk; the number of people reached is based on patient product use data and pattern from facilities that are part of the Pyramid network. There is the risk that the number of patients may be under- or over-estimated. However, this risk has been mitigated after working with the company to streamline its product categorization and better understand product numbers sold and effective utilization.</p>
<p><b>HOW</b> is change happening?</p> <p>Product or Service Offering</p> <ul style="list-style-type: none"> <li>Product/Service Description (PD7899)</li> <li>Units/Volume Sold: Total (PI1263)</li> </ul>	<p>Pharmaceuticals – 32.1 million</p> <p>Lab and medical Equipment - 414</p> <p>Lab Reagents – 917.7 k</p> <p>Lab Supplies – 181.1 k</p> <p>Medical Surgical (consumables) – 111.7 k</p>

All data is as of Q1 2020

## Learnings

The quantitative and qualitative information captured through integration of FIIRM and IRIS+ enables LeapFrog to understand different aspects important for measuring and managing Pyramid's impact, especially as the business builds resilience and responds to the impact of COVID-19. Due to breakdown of global supply chains and on-ground lockdowns, low income consumers are facing significant barriers in accessing essential healthcare services provided by Pyramid. Pyramid is at the frontline of the response to the COVID-19 pandemic, and the underlying data at the product level enables LeapFrog to ensure the product mix is responding to the most pressing healthcare needs of the low-income consumers in markets today. Furthermore, benchmarking versus targets and historic performance enables LeapFrog to identify and address execution risks proactively in the face of pandemic.

## REFLECTIONS AND LOOKING AHEAD

IRIS+ represents the culmination of a decade of GIIN leadership in bringing standardization, transparency, and rigor to impact measurement and management practices globally. As the scale of the industry grows, a system such as IRIS+ is unique in its ability to interweave diverse impact frameworks and evidence sets in one place. The ease of integration with the existing IMM system of LeapFrog, our investors, and portfolio companies has enhanced synergies between demonstration, implementation, and understanding of impact. With the enhanced focus on standardized, comparable impact performance, IRIS+ is setting a higher impact bar for the industry.



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