

Expanding the Investor Toolbox: Mobilizing Private Capital for Measurable Outcomes

An Introduction to Impact Investing for Policymakers

Introduction

There has been substantial regulatory development around sustainable finance in recent years as the many segments of the industry have grown in size and maturity. Regulators around the world have introduced product labeling rules, taxonomies, anti-greenwashing standards and other regulatory and legal frameworks designed to support well-functioning, transparent and orderly markets. Yet many of these frameworks contain gaps around impact investing. In some cases, these frameworks do not explicitly recognize the industry as having distinct practices and utility.

Impact investing is an established segment of global finance, defined by its intentional focus on investing in solutions to real-world problems while also generating financial return. This approach enables investors to direct capital toward specific social and environmental outcomes of their choice in ways that are distinct from other types of strategies. Impact investments target systemic needs such as affordable housing, healthcare access, quality education, deploying nature-based solutions and financial inclusion. These investment strategies serve as a distinct tool in the investor toolbox.

These materials are intended to educate policymakers and regulatory authorities about the key characteristics that distinguish impact investing from other investment strategies. This document provides an overview of the Global Impact Investing Network's (GIIN) observations on the industry based on its more than 15 years of research and investor engagement. The chapters describe the market's scale and maturity; how intentionality supports real-world outcomes; how contribution from investors and investees can relate to positive outcomes; how strategies can measure, manage and verify their outcomes; and the range of return profiles that investors can choose to pursue from their impact investments.

Taken together, these characteristics offer a reference point for policymakers developing guidance in various forms on sustainable finance — helping to distinguish impact investing from other approaches that incorporate environmental or social considerations.

About the Global Impact Investing Network (GIIN)

The Global Impact Investing Network, Inc. (GIIN) is the leading industry body for impact investing. Since 2009, the GIIN has worked to increase the scale and effectiveness of impact investing to solve systemic problems facing people and the planet. With over 400 members across six continents, the GIIN serves as a hub for innovation, ideas and information to help investors build a more sustainable, inclusive and resilient world.

Learn more at thegiin.org.

Impact Investing: Chapter 1

An Established Segment of Global Finance

Key Takeaways

- Impact investing has achieved substantial scale and growth over the past 15 years.
- Impact investments are made around the world and across the full range of asset classes.
- Institutional asset owner participation reflects market maturity.

Over the past 15 years, impact investing has grown rapidly into a substantial and established segment of global finance. More than 3,900 organizations managed an estimated \$1.571 trillion USD in impact investing assets globally, as of 2024. [GIIN Sizing the Impact Investing Market 2024]. The market experienced a compound annual growth rate of 21% in recent years [GIIN State of the Market 2025]. This growth reflects sustained investor interest in strategies that deliver positive, measurable social and environmental outcomes alongside financial returns.

Impact investments span the full spectrum of financial return profiles available across markets, while also seeking to deliver real progress on environmental and social outcomes [GIIN State of the Market 2025]. During the past decade and a half, the industry has grown even amidst macroeconomic volatility and market uncertainty, demonstrating sustained investor demand for what it offers. According to surveys run in recent years by the GIIN, a significant share of impact investors seek market rate returns and most report being satisfied with the results that they achieve.

Impact Investing Growth Signals Durability

- \$1.571 trillion in impact assets under management globally, as of 2024
- 3,900+ organizations actively managing impact investments, as of 2024
- 21% compound annual growth rate between 2019 and 2025
- Sustained growth through macroeconomic headwinds and geopolitical uncertainty

The continued growth also reflects the field's maturation into a distinct set of investment approaches with standardized practices for measurement and management— facilitating transparency, expanding choice and enabling new entrants — making it relevant for policymakers seeking to enable private capital flows toward social and environmental

priorities.

Over time, standardized practices and shared definitions have developed that distinguish impact investing from other strategies that integrate environmental and social considerations. These [core characteristics of impact investing](#) are summarized below and addressed in greater detail in subsequent chapters.

Definition: Impact Investing

Impact investments are investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return.

The practice of impact investing is defined by the following elements:

- **Intentionality:** Impact investing is marked by intentional strategies designed to contribute to measurable social and environmental outcomes.
- **Use of evidence and impact data in investment design:** Impact investors use evidence and impact data to inform and strengthen their investment strategies and management practices, with the specific purpose of pursuing the outcomes that they seek.
- **Management of impact performance:** Impact investments are managed towards the impact intention expressed as part of their investment objectives.
- **Contribution to the growth of the industry:** Impact investors share learnings in ways that expand the market, enable new entrants and help clarify what drives social and environmental impact.

Impact Investing Spans Global Geographies and the Full Range of Asset Classes

Impact investing strategies deploy capital globally across both developed and developing countries. In a recent GIIN survey, 34% of the impact investor sample was headquartered in Western and Northern Europe. The United States had the highest percentage of investors from any one country (31%), followed by the United Kingdom (9%) [GIIN State of the Market 2025]. According to the GIIN State of the Market 2025 report, 30% of total impact assets under management (AUM) are directed toward upper-middle and lower-middle-income regions.

Impact investing strategies are found across the full spectrum of asset classes. While the majority of impact capital flows through private markets, strategies also exist in public markets. Within private markets, the largest share of impact capital flows through private equity (41% of impact AUM in the survey), followed by private debt (21%) and private real assets (14%) [GIIN State of the Market 2025]. Impact investors are often drawn to private

markets because they allow for direct contribution to investee success through provision of needed capital.

Investors have also launched public market strategies that seek to apply impact investing approaches to portfolios of publicly traded stocks and bonds. Public equity represents 12% of impact AUM and is used by 16% of investors, while public debt accounts for 9% of AUM and is employed by 14% of investors [GIIN State of the Market 2025].

The relationships between investors and investees differ in important ways in private markets as compared to public markets. However, investors can still apply similar considerations when designing goals, constructing and managing portfolios and measuring performance in both contexts. Public market impact strategies also provide an important pathway for companies with strong impact performance to access capital and maintain continuity of business strategy as they transition from private to public ownership.

Institutional Asset Owner Participation Reflects Market Maturity

The impact investing field has broadened considerably in recent years. Participants now include asset managers, foundations, development finance institutions, pension funds and insurance companies — reflecting voluntary mainstream adoption by the largest holders of capital globally.

Many institutional asset owners are no longer asking whether to engage in impact investing, but how to scale it credibly and consistently [GIIN Institutional Asset Owners Report 2025]. Impact teams and investment offerings now exist within asset owners and managers alike in response to investor needs and demand.

Impact Investing: Chapter 2

Intentionality in Pursuit of Real-World Impact

Key Takeaways

- In the context of impact investing, “intentionality” refers to the intentional pursuit of social and environmental impact. It is what distinguishes impact investing from other sustainable finance approaches.
- Clearly stated impact objectives and theories of change operationalize intentionality in practice.

Impact investing has long been distinguished from other sustainable finance approaches by the intentionality of its pursuit of positive social or environmental impact alongside a financial return. This characteristic is notably different from other types of strategies.

Many investors consider environmental and social factors in their decision-making for reasons unrelated to intentionally generating positive impact. For instance, investors may seek to manage exposure to specific macro trends by overweighting or underweighting certain sectors. Others may engage with companies to influence corporate practices or construct portfolios of leading performers within a sector based on ratings or standards of the investor’s choosing.

Each of these other approaches serves a legitimate investment purpose and builds on its own distinct practices for executing an investment process. They represent different tools in an investor's toolbox — neither better nor worse than impact investing, but fundamentally different in their utility to the investor and how they employ environmental and social considerations.

Impact and Thematic Investments

Investing in companies relevant to a positive outcome does not automatically constitute impact investing. For example, thematic funds may build portfolios around specific themes such as clean tech, health or other environmental or social issues without establishing a stated outcome goal, a theory of change (inclusive of investor and investee contribution) or systems for measuring and monitoring impact performance. Credible impact investing strategies typically focus on recognized problems or unmet needs that create social or environmental imbalances, but the field does not prescribe which outcomes investors should pursue. While impact investing and thematic investing may share some characteristics, they remain distinct categories of strategies and products.

Theory of Change in Practice

A theory of change involves two levels of thinking:

First, it articulates a problem and the series of changes that will solve that problem, including the beneficiaries of that change.

Second, it describes the specific ways in which investors want to focus their investments on contributing to those shifts, as well as the steps involved in making that change happen. Theories of change also depict the assumptions that lie behind the investor's reasoning, backed up where possible by evidence.

Theories of Change Operationalize Intentionality

A second key indicator of intentionality — and another distinguishing feature from other types of sustainable finance — is the use of theories of change. Theories of change articulate the cause-and-effect relationships that are expected to connect investor's activities and capital deployment with outcomes in the real economy.

Developing a theory of change typically starts with identifying a problem and the series of changes needed to address it, including the beneficiaries of that change. The theory of change then describes how an investor intends to deploy capital and engage with investments to contribute to those shifts, making explicit the assumptions and steps involved. At the strategy level, a theory of change serves as a reference point for evaluating whether a potential investment aligns with the impact the investor intends to achieve.

Impact Investing: Chapter 3

Contribution from Investors and Investees

Key Takeaways

- The concept of impact investing “contribution” may involve both financial and non-financial support.
- Portfolio companies contribute through activities that deliver social and environmental outcomes.
- Investors contribute by actively supporting companies to accelerate and enhance positive impacts.
- Strategic alignment between company activities and investor support amplifies impact.

The concept of “contribution” is another distinguishing characteristic of impact investing, differentiating it from other sustainable finance approaches. This characteristic refers to the ways the impact investing process helps to advance positive social or environmental outcomes through a combination of financial and non-financial contribution from investors and investees.

Some market actors use the term “additionality” in a similar way. However, additionality is defined by some as proving that the investment has delivered an outcome that would otherwise not have happened, which requires counterfactual models to present a theoretical alternative scenario. Developing standard methodologies for such models to be broadly applicable across a market at the scale of capital markets is not likely to be feasible, and such models also involve subjectivity in their assumptions [GIIN Foundational Concepts 2025].

So, contribution instead focuses on intended change to be delivered through actions based on a thesis for their connection to outcomes rather than comparisons using theoretical scenarios. In impact investing, contribution comes from both investors and the underlying portfolio companies.

Portfolio Companies Contribute Through Activities That Deliver Social and Environmental Outcomes

The first type of contribution in impact investing is investee contribution. This refers to the activities of portfolio companies that directly deliver social and environmental outcomes. These activities form the necessary basis for a company's inclusion in an impact investment portfolio.

Not all companies operating in socially beneficial sectors automatically qualify as impact investments. For example, food and healthcare are both necessary for quality of life; however, that does not mean all food companies and healthcare providers are impact investments. Their business models, products or services must demonstrably address the objectives defined in an investor's impact strategy and any associated theory of change. Such alignment differs from that found in other sustainable finance approaches, which may filter potential investments based a common positive trait — for example, a certain percentage of the company's revenue is derived from products aligned with the UN Sustainable Development Goals — but which do not evaluate the companies in relation to a specific impact goal and theory of change.

Investors Contribute by Actively Supporting Companies to Accelerate and Enhance Impact Outcomes

The second type of contribution — investor contribution — refers to the change that the investor intentionally seeks to advance through their actions or inputs. These could be categorized as providing capital in various forms, structuring investment terms, engaging with management or providing technical assistance and other support. The feasibility of developing quantitative measures of investor contribution varies with the type of contribution and the asset class and is chosen by the investor or portfolio manager when they are mapping their strategy.

The opportunities for providing investor contribution vary depending on asset class and investment context. In private markets, investors might be providing a new injection of capital to support company growth. They may be able to structure investment terms specifically to allow companies to pursue impact objectives requiring longer time horizons.

Key Variables for Gauging Investor Contribution

- Timing: Investment year, investment horizon, vintage (for fund-level analysis)
- Terms: Investment instrument, investee stage of business at time of investment, "enterprise value" of investee in reporting year
- Engagement: Amount of capital invested, non-financial support offered

In public markets, investor contribution manifests differently. Investors may deliver contributions in line with their impact goals and theory of change through investor engagement. In more limited circumstances, they may have the opportunity to inject new capital into companies through secondary offerings or at the time of initial public offerings.

In surveys, investors increasingly define contribution with greater precision and granularity.

They distinguish between active engagement with investees, innovation in financial structures and direct support through technical assistance [GIINSight 2023]. Large institutional asset owners are developing internal classification systems to assess the nature and depth of investor contribution across their portfolios [GIIN IAO Report 2025].

Strategic Alignment Between Company Activities and Investor Support Amplifies Impact

The distinction between investee and investor contribution is significant because both are necessary for meaningful impact results. Portfolio companies must pursue activities that genuinely address social and environmental challenges, and investors must enhance companies' capacity to deliver those results. When these roles are aligned, impact is amplified beyond what either could achieve independently.

This two-part contribution framework helps differentiate impact investing from other sustainable finance approaches. When combined with the practices around intentionality, contribution helps differentiate impact investing as both a tool for generating social or environmental outcomes and an approach for deploying capital.

Impact Investing: Chapter 4

Impact Measurement and Management Throughout the Lifecycle

Key Takeaways

- Impact measurement and management (IMM) is a defining characteristic of the impact investing practice.
- IMM systems operate throughout the investment lifecycle, from design through exit.
- Mature, standardized tools enable IMM consistency.
- Third-party assurance and accountability structures are common.

Impact measurement and management — commonly referred to as “IMM” — is another defining characteristic of the impact investing practice. IMM refers to formalized systems to track, assess and enhance impact performance throughout the investment lifecycle.

Definition: Impact Measurement and Management (IMM)

Impact measurement and management (IMM) refers to formalized, voluntary and increasingly standardized systems that impact investors use to track, assess and enhance impact performance.

IMM includes identifying and considering the positive and negative effects one's business actions have on people and the planet, and then figuring out ways to mitigate the negative and maximize the positive in alignment with one's goals.

IMM Systems Operate Throughout the Investment Lifecycle

Impact investing strategies typically incorporate IMM practices at every stage of the investment process as part of the intention of the investment strategy. During investment design, impact strategies may use evidence and impact data to refine goals and select metrics. Throughout the investment period, investors often track performance data, assess progress in relation to disclosed impact objectives and identify risks to impact delivery. This ongoing management allows for strategy adjustments and supports decision-making aimed at increasing positive chosen outcomes. These represent examples of the types of process steps that one might expect to find in an impact investing strategy that may not always be

fully present in other types of sustainable investing.

This lifecycle approach ensures transparency at every stage, with impact considerations shaping investment decisions from the outset rather than serving as retrospective reporting. Investors communicate their stated impact intentions upfront, and strategies typically include processes for tracking and disclosing impact performance data throughout the investment lifecycle, enabling stakeholders — including regulators and beneficiaries — to assess whether investments deliver on those intentions.

Mature, Standardized Tools Enable IMM Consistency

The impact investing field has developed shared tools and standards for measuring and reporting impact performance. These frameworks establish industry conventions for describing impact goals, strategies and performance metrics. By providing a transparent, common language and standardized approach, these frameworks make it easier for new entrants to understand, participate in and develop their own credible impact investing strategies.

One of the most widely adopted frameworks is IRIS+, developed by the Global Impact Investing Network. IRIS+ provides a catalog of generally accepted performance metrics that investors use to measure and manage impact. Seventy percent of impact investors voluntarily use some form of generally accepted metric system such as IRIS+, the Global Reporting Initiative's Standards or the Harmonized Indicators for Private Sector Operations. Large institutional asset owners often develop internal frameworks that selectively incorporate globally shared taxonomies, such as the Sustainable Development Goals, IRIS+ and the Impact Management Project's Five Dimensions of Impact.

The Operating Principles for Impact Management ("Impact Principles" or "OPIM") are a global standard for integrating impact throughout the investment lifecycle. The Impact Principles bring clarity to the impact investing market on what it means to be an impact investor in practice, thereby improving investor confidence and integrity while also addressing concerns related to impact-washing and elevating best practices.

Evidence of Voluntary IMM Standardization and Adoption

- **70% of impact investors** choose to use generally accepted impact metrics, systems and tools, such as IRIS+, GRI or HIPSO [GIIN State of the Market 2024]
- **64% draw on academic or empirical evidence** aligned with their theory of change to select metrics [GIIN State of the Market 2024]
- **62% integrate impact performance into investment terms** through codification in corporate documents [GIIN State of the Market 2024]
- **40% use third-party specialist** assurance agencies to validate impact results [GIIN State of the Market 2024]
- **Institutional asset owners** are building proprietary frameworks using globally shared taxonomies like sustainable development goals, IRIS+ and IMP [GIIN IAO Report 2025]

Third-Party Assurance and Accountability Structures Are Common

Beyond IMM frameworks, third-party review is also prevalent in the field, according to surveys. Third-party assurance provides independent assessment that impact claims reflect actual performance, similar to financial auditing, enhancing transparency for the broader market and building trust among stakeholders. Forty percent of impact investors now use third-party specialist assurance agencies, and one-third use internal audits or validation [GIIN State of the Market 2024].

A substantial percentage of impact strategies integrate accountability directly into investment structures. More than six in ten investors — 62% — incorporate specific impact performance goals into investment terms through corporate documents [GIIN State of the Market 2024]. Incentive systems linking fund manager compensation to impact goals are already widely used in the market, in the same way financial targets or customer milestones have long influenced pay, making compensation contingent on achieving impact objectives alongside financial returns.

Impact Investing: Chapter 5

Investors Have the Opportunity to Choose from the Full Spectrum of Financial Returns

Key Takeaways

- Impact investing's financial returns are not inherently concessional.
- Many impact investors pursue risk-adjusted, market-rate financial returns.
- Impact represents an additional dimension of investment return that does not automatically imply a trade-off with financial return.
- The growing participation of institutional asset owners in impact investing suggests they have independently assessed the field and determined it is compatible with their investment responsibilities and governance standards.

As the industry has matured and expanded, market data has shown that impact investing is not inherently concessional on financial returns. In fact, 89% of impact investment assets under management globally actively target and disclose risk-adjusted, market-rate returns, according to GIIN surveys. Nine percent target below-market but near-market returns, and just 2% target below-market returns closer to capital preservation [GIIN State of the Market 2025]. Investor positioning within the range of financial returns depends on individual strategy, sector, asset class and preference.

Financial Performance of Impact Investments

According to the GIIN State of the Market 2025 report:

- **89% of impact AUM globally** targets market-rate returns
- **61% of investors** allocate 100% of impact assets to market-rate strategies
- **90% of investors** were satisfied with their impact performance and **72% of investors** were satisfied with their financial performance

A high proportion of investors — 61% — allocate 100% of their impact assets to market-rate return strategies [GIIN State of the Market 2025]. At the same time, some investors pursue catalytic investments, which involve taking on additional risk or accepting concessional financial returns. These approaches represent different strategic choices. The GIIN's survey data suggest that many investors do not experience pursuing impact as inherently requiring

a financial trade-off and that they are able to find impact investments that deliver market rate returns.

Impact Represents an Additional Dimension of Investment Return

Some older market illustrations refer to a “spectrum of capital” that positions investment strategies along a continuum. This spectrum places finance-first strategies on one end and philanthropy on the other end, with impact investing often adjacent to philanthropy. This framing suggests an inherent trade-off: As investors move toward greater emphasis on impact returns, financial returns necessarily decline.

Such frameworks are clearly outdated. Impact represents an additional dimension of returns, one that investors may choose to pursue in parallel with financial returns. Impact investing requires assessing potential outcomes across both impact and financial dimensions, with investments selected based on investor expectations that they can meet both. Given the risk inherent in all investing, over-performance and under-performance are always possible in both dimensions.

Institutional Asset Owners Engage in Impact Investing

Impact investing among institutional asset owners is entering a new phase. Once limited to scattered efforts, impact investing is now becoming a meaningful part of institutional portfolios, according to GIIN’s research; it is both more systematic and more common.

Institutional asset owners operate under fiduciary obligations to act in beneficiaries' best interests. As such, institutional asset owners have financial obligations to meet. The utility of financial payouts, however, may be influenced by future world conditions — including factors such as the availability of housing, healthcare, clean air and water and other factors related to quality of life. This may offer an opportunity to seek investments capable of delivering sufficient return to meet financial obligations, while also serving beneficiaries’ interests in additional ways.

In interviews with institutional asset owners engaging in impact investing, expected financial returns for impact investments among this investor set remain the same as for non-impact investments within each asset class.