

Navigating Uncertainty, Seizing Opportunity: Institutional Asset Owners and Impact Investing 2025



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Disclosures

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About the 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 approximately 450 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.

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Executive summary

Impact investing among institutional asset owners (IAOs) is entering a new phase. Once limited to scattered efforts, impact investing is now becoming a meaningful part of institutional portfolios; it is both more systematic and more common. This research, based on data from 22 IAOs collectively managing \$3.5 trillion USD and headquartered across 10 countries, captures a field in transition. IAOs are moving from directional impact commitments to more concrete impact investing strategies, unlocking significant capital aimed at improving current and future quality of life for their beneficiaries.

The momentum is unmistakable. Compared to only a few years ago, the landscape looks fundamentally different. An increasing number of IAOs are no longer asking whether to engage in impact, but how to scale it credibly and consistently. Three shared priorities define their future in impact investing:

- 1. Institutionalizing impact:** IAOs seek to formalize strategies, governance structures and measurement systems that embed impact as a routine component of investment operations and tie it to the interests of their beneficiaries.
- 2. Expanding across asset classes:** IAOs look to move beyond single asset class allocations and, potentially, to include listed equities and public debt in impact allocations, while ensuring that their impact remains credible and effective in meeting institutional objectives.
- 3. Building resilience and adaptability:** IAOs aim to strengthen internal impact investment competencies and enhance their capacity to navigate political and market volatility, in order to sustain momentum as internal and external conditions shift.

Integration of impact investing is underway but uneven. The participating IAOs face the ongoing challenge of developing good practices to scale impact credibly, particularly as they start impact investing across asset classes. Additionally, their governance structures, investment beliefs and policies, and performance reporting practices need to catch up with their strategic intent for impact. Finally, the IAOs need to build internal confidence in impact investing by strengthening the evidence base for financial performance, an issue amplified when expanding into new asset classes. These challenges are proving particularly important in the current climate of heightened uncertainty.

Securing strategies that deliver significant impact requires focus. While notable activity is underway to establish structures for impact investing among the surveyed institutions, the formulations of impact priorities and objectives often remain very broad. Such generality risks creating a portfolio of investments that each tell an impact story but collectively lack synergy and fail to produce clear, positive outcomes in the real economy.

The potential contribution of IAOs is immense. With approximately \$100 trillion USD under management globally¹, even a relatively modest allocation of total AUM to impact investing can reshape the market and accelerate solutions to urgent social and environmental challenges. IAOs are uniquely positioned to drive change at the level of entire systems and sectors of the economy. Whether this potential is realized will depend to a high degree on their ability to embed an impact lens alongside a financial lens, contributing to both financial security and improved quality of life for their beneficiaries.

1 | Introduction

Institutional asset owners (IAOs), wielding immense financial clout, are increasingly interested in incorporating investment approaches with specific social and environmental objectives¹. IAOs recognize the consequences of climate change, the biodiversity crisis and increasing social inequality. In the interest of their beneficiaries, they are exploring how their investments can intentionally contribute to solving these challenges, while still generating attractive financial returnsⁱⁱ.

At this important juncture, the Global Impact Investing Network (GIIN) conducted this landscape overview, which focuses on how IAOs are currently approaching impact investing and the challenges they face.

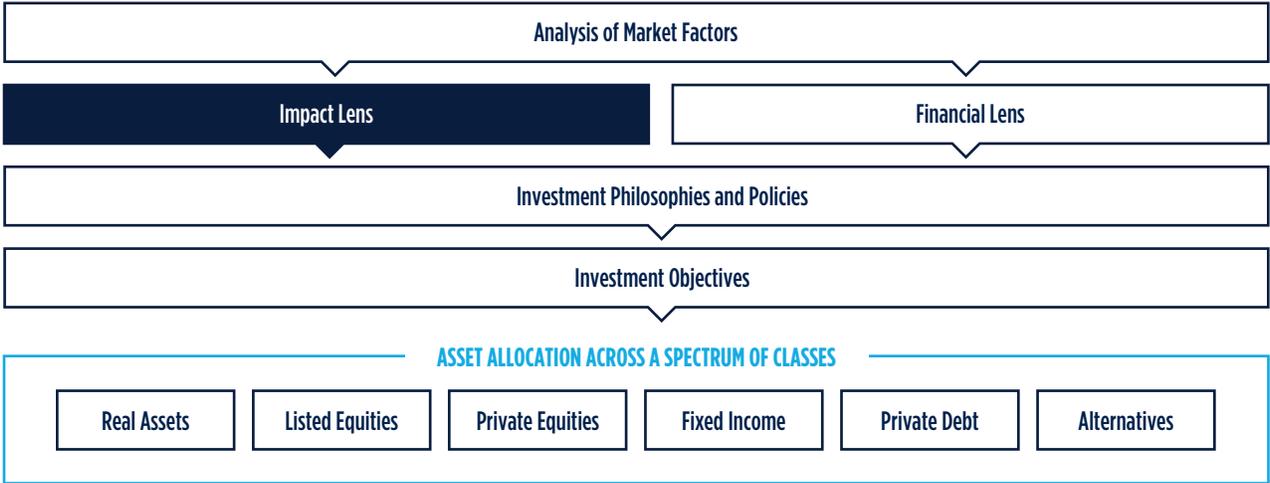
In 2024, the GIIN facilitated five roundtable cohorts with participation from 56 IAOs. For this research, the GIIN used purposive sampling to intentionally target participants in the Atlantic, Insurance and Asia-Pacific IAO roundtable cohorts, as well as GIIN members. The overview includes data from a large subset of these institutions: specifically, 22 IAOs headquartered in 10 different countries who collectively steward approximately \$3.5 trillion USD in assets. The IAOs in this research offer a snapshot of real-world practice and are not intended as a representative sample of the global IAO industry².

The conceptual basis for this overview draws on the GIIN's earlier paper, Holistic Portfolio Construction with an Impact Lensⁱⁱⁱ, which outlines an approach to help IAOs adapt to the changing environment and incorporate an impact lens alongside the financial lens.

¹ For the purpose of this overview, institutional asset owners refers to the holders of the most significant volumes of long-term retirement savings, insurance funds, and state-owned funds. This includes pension funds, insurance and re-insurance companies, and sovereign wealth funds. Sovereign wealth funds are not directly part of this overview.

² See Annex A for more on the methodology applied and limitations.

Figure 1: Impact lens as part of a holistic portfolio construction approach



Source: Global Impact Investing Network (GIIN), 2024

Adopting an impact lens broadens the ways in which capital is used to serve beneficiaries’ interests by addressing both their financial needs and supporting improvements that enhance their current and future quality of life.^{iv} It does not imply that every investment will be made with the specific intention to contribute toward the IAO’s impact objectives. Rather, it means that the IAO establishes processes for systematically integrating investments that advance impact priorities across various asset classes within their portfolio. The result is a portfolio strategy and investment process that can meet financial obligations, while addressing other important aspects of the beneficiaries’ quality of life.^v

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

Impact must always be understood in context to effectively complement the definition provided above. Beyond the definition, the core characteristics of impact investing include:

1. Intentionally contribute to positive social and environmental impact
2. Use evidence and impact data in investment design
3. Manage impact performance
4. Contribute to the growth of impact investing

Impact investing is widely considered an investing strategy or approach that may be applied across asset classes, and not as an asset class with its own distinct risk-return profile.

To better understand how impact investing is unfolding in IAO investment practices, this overview examines current approaches to impact investing among IAOs that are pursuing some form of impact alongside their financial returns. The research addresses questions³ about financial expectations, impact focus areas, capital deployed for impact, impact management and the outlook for the next few years.

³ See Annex B for the semi-structured interview guide.

2 | Institutional profiles

KEY TAKEAWAYS

Complex financial institutions: The IAOs in this overview include pension funds and insurance companies. All are large, complex financial institutions that operate within various regulatory frameworks, but they vary in size, geography and product offerings.

Potential market impact: Managing approximately \$3.5 trillion USD collectively, the participating IAOs have substantial potential to advance the impact investing ecosystem.

Equal financial expectations: The IAOs apply the same financial performance standards to impact investments as they do to their other investments.

This research is based on data from 22 IAOs and one fiduciary advisor. The IAOs all operate within different but established regulatory frameworks with public oversight, typically designed to ensure that the institutions can meet long-term financial obligations. Beyond this commonality, they are not a homogeneous group. They are large, complex financial organizations, some with multiple offerings. For example, many of the pension funds also offer various insurance products to their members, and vice versa. Figure 2 below shows the IAO type based on their primary business line and the geographic distribution of their headquarters.

Figure 2. Type of institution and HQ location within the sample IAOs

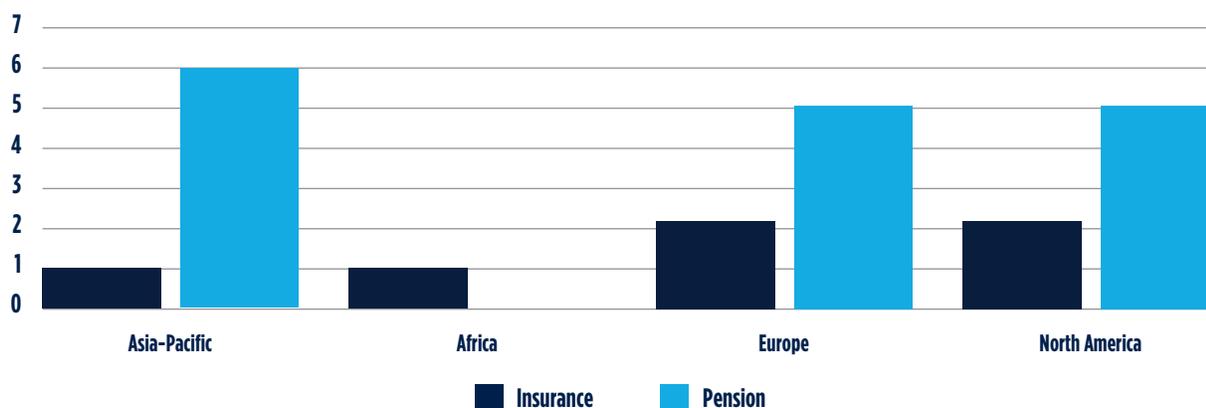


Figure 3 on the following page provides a summary of the participating IAOs' size measured in total AUM.

Together, these IAOs have approximately \$3.5 trillion USD under management. The OECD estimated that the total AUM managed globally by pension funds and insurance companies was approximately \$100 trillion USD at the end of 2023.^{viii} In 2024, the GIIN estimated that the global impact investing market reached

"We play a huge role in shaping the societies we're in, and I think particularly being fiduciaries for retirement savings, what we're doing doesn't exist in a vacuum."

Impact investment manager at a pension fund

\$1.571 trillion USD under management.^{viii} As such, allocating even a single-digit percentage of IAO assets with an impact lens would result in significant growth in the impact investing market.

Figure 3: Institutional size

# of IAOs	AUM in Billion USD	Average # of Beneficiaries ⁴
2	2.5 - 10	170,000
4	10 - 25	700,000
6	25 - 100	3,330,000
6	100 - 400	6,790,000
4	400 - 700	8,230,000

Within the participating IAO group, there are two relatively small pension funds, both of which have developed detailed sustainable investing strategies that include relatively large impact investing allocations.

2.1 | Financial expectations

The participating IAOs emphasized the importance of applying the same financial expectations to impact investments as they do to their other investments. Overall, impact transactions are expected to play a positive role in enabling institutions to meet their long-term financial obligations.

Impact investments are assessed using the same financial measures as any other investment in the same asset class. Typically, this means seeking comparable financial risk-return profiles or playing a specific role in meeting overall portfolio diversification and liquidity requirements. The IAOs consistently stress that competitive financial performance remains essential throughout all of their investment activities.

Some IAOs see impact investing as an opportunity to enhance portfolio diversification, rather than simply replicating the same financial attributes as other investments in the same class. Certain IAOs accept somewhat higher risks in their impact investments — for example, when providing cornerstone backing of a first-time fund manager with a strong impact thesis. Additionally, several IAOs expect or have experienced higher investment costs associated with impact investments, particularly early on as they build competencies and track records.

A few IAOs believe impact investing may generate outsized future financial returns, potentially helping them outperform the market by revealing unique opportunities that conventional investment approaches might miss. Only one IAO has allocated assets for use as catalytic capital (with an acceptance of lower returns) as part of its impact investing approach.

“The target returns for each asset class are the same — whether it’s an impact investment or a non-impact investment.”

Director at a public pension fund

⁴Beneficiaries are both pension scheme members and policyholders. In the data for Figure 3, two outliers are not included in calculations for average number of beneficiaries: One provides benefits for all nationals in its home country, and the other has 100 million policyholders.

3 | Impact commitments

KEY TAKEAWAYS

Strategic prioritization: All participating IAOs have defined impact priorities. These are mostly directional in formulation, with only a few including quantifiable impact objectives.

Universal focus area: Climate is a universal priority, though approaches vary significantly. IAOs diverge on whether climate solutions investments belong within impact mandates or within separate climate transition strategies.

Other focus areas: Social themes are tailored to local contexts, resulting in notable variation in articulation across the IAOs. Biodiversity is an area of growing interest but remains in an exploratory phase.

All participating IAOs have articulated institutional impact priorities, which are focus areas that, in different ways, link to a socioeconomic or environmental problem that they seek to address with their impact investments. Each IAO's individual priorities are typically motivated by and aligned with their institutional mandate, beneficiary base and geographic focus. As a result, the expression is closely linked to how the individual institution perceives its relationship to its beneficiaries and its institutional mission.

"Building toward a future that is addressing climate change and free of social inequalities — that's kind of the North Star of the organization."

Impact investment manager at a pension fund

Figure 4. Articulation of impact objectives

Impact Objectives					
Impact objectives in place			Year current objectives were set		
Qualitative (Directional)	Quantifiable	Combination	Pre 2020	2021 - 2022	2023 - 2024
17	3	2	5	5	12

Delivering on impact objectives is relatively new for the IAOs. More than half have defined their current objectives within the last two years, and only five of the 22 are pursuing objectives formulated before 2020. Five of the IAOs have translated their impact objectives into quantifiable outcomes, whereas the vast majority have kept their objectives qualitative and directional.

A modest number of the participating IAOs have made strong public statements about their impact intentions that go beyond broad, directional expressions. Others have kept their impact objectives largely internal, as they move through the learning phase of their impact investing evolution. Many are still in their first iteration of working with impact objectives and exploring what is possible. Additionally, some are cautious about making public impact commitments or defining outcomes without having first established a robust track record of quantitative impact data.

"We are in talks with most of our trustees on some ways to integrate impact investments in the next one or two years. And that's different compared to a year ago."

Head of responsible investment at a pension fiduciary manager

3.1 | Impact focus areas

All participating IAOs have articulated institutional impact priorities, which are focus areas that, in different ways, link to a socioeconomic or environmental problem that they seek to address with their impact investments. Each IAO's individual priorities are typically motivated by and aligned with their institutional mandate, beneficiary base, and geographic focus. As a result, the expression is closely linked to how the individual institution perceives its relationship to its beneficiaries and its institutional mission.

Figure 5. Impact focus

Impact Focus Areas									
Climate & energy	Biodiversity & nature	Inequality & inclusion	Decent work	Economic growth	Health & well-being	Agriculture	Local economies	Affordable housing	Education
22	9	12	4	8	8	5	11	13	3

Climate is a universal priority, but approaches vary.

The common institutional commitment to reduce climate risk and portfolio emissions is typically addressed through climate roadmaps or transition strategies separate from impact mandates. The key divergence emerges around climate solutions investments^x, which focus on low-GHG products, services and assets that can substitute for high-emissions economic activities. Some IAOs integrate these investments within their broader climate transition strategies, while others categorize them as part of their impact portfolio. As a result, there is conceptual confusion and uncertainty within the market as to the relationship between climate investments and impact investments.

"[Within impact,] we focus on advancing the energy transition in those countries where energy is the dirtiest and capital is lacking the most."

Portfolio manager at an insurance company

Biodiversity as an impact priority is still in an exploratory phase.

Biodiversity is not a new topic to IAOs, and many have developed strategies for minimizing negative impacts and reducing risks related to biodiversity. Nearly all institutions referenced it in the interviews, but only nine IAOs have made it a formal impact priority. For all these institutions, however, biodiversity impact remains exploratory, characterized by early-stage initiatives and ongoing uncertainty about how IAOs can actively increase biodiversity through their investments.

Social priorities show greatest diversity. Social priorities are consistently part of the participating IAOs' impact focus. However, these priorities also display the most variation in articulation, as they are often closely linked to each IAO's specific beneficiaries and geographic focus. Some IAOs believe increased standardization would be beneficial, citing climate as an example of a theme for which there is broad consistency in how investors frame their priorities, objectives, and strategies. However, the IAOs' social focuses are frequently bespoke and locally specific, making standardization or taxonomy creation challenging. Further adding to the complexity, some IAOs are starting to express the need for a systemic view that acknowledges how social and environmental themes intersect and must be addressed holistically. This, in turn, requires new approaches to analyzing needs and designing impact investment strategies.

4 | Asset allocation for impact

KEY TAKEAWAYS

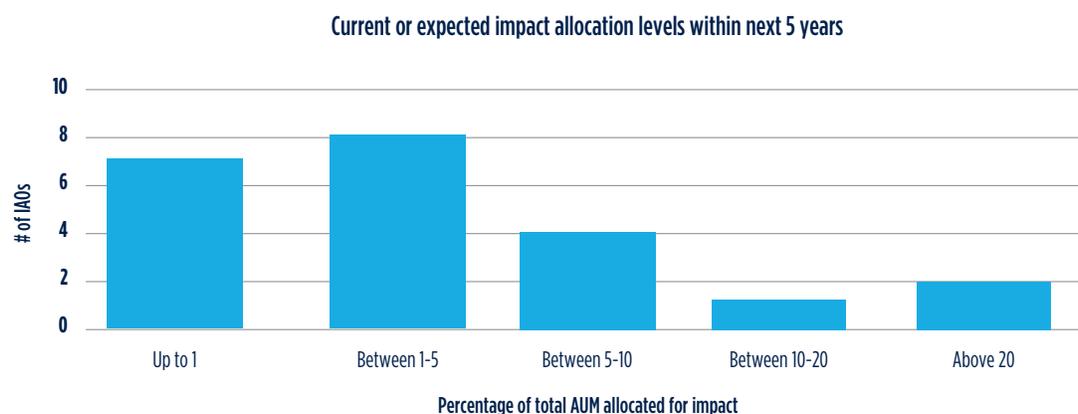
Modest allocation levels: Most of the IAOs are targeting impact allocations well below 5% of AUM. Only the two smallest IAOs, which consider themselves more dedicated impact investors, are targeting allocations above 20%.

Private markets preferred: Impact investments are concentrated in private equity, private credit, infrastructure and real estate. Growing interest exists in listed equities and fixed income.

Shift toward integration: The IAOs are moving beyond carve-outs to integrated portfolio-wide impact strategies, increasing complexity and demanding more cross-institutional buy-in.

Half of the IAOs have published specific portfolio asset allocation targets in support of their defined impact focus areas. The remainder have not publicly disclosed targets, although these IAOs often have internal expectations for impact asset allocation size. In one notable case, an IAO with quantified impact objectives has moved away from specific dollar-value targets, reasoning that the precise allocation level is not as important as their ability to achieve desired impact and financial objectives. Figure 6 below shows estimates of the participating IAOs' current or expected asset allocation to impact, as a percentage of total AUM, within the next five years.

Figure 6. Impact AUM allocation



Several of the IAOs are looking at impact allocations in the high hundreds of millions of USD and a subset in the billions of USD — a significant amount, even though these allocations will remain a relatively small percentage of overall AUM. Three of the four largest IAOs, with AUM between \$400 billion and \$700 billion USD, expect to allocate up to one percent of their portfolios to impact. Eight IAOs are targeting between one and five percent. Only the two smallest IAOs are targeting allocations above 20%; both have AUM under \$10 billion USD and consider themselves to be more dedicated impact investors.

The interviews reveal a clear commitment to pursuing impact in the years ahead. The majority of participating IAOs expect their impact allocation to grow as a percentage of total AUM, and none indicated an intention to reduce exposure. A number of IAOs believe the pace and scale of their future impact allocations depends more on their ability to deliver attractive financial returns than on achieving meaningful positive impact for beneficiaries. This suggests that, despite the support for impact investing to date, questions remain about whether the pipeline of investment opportunities is deep enough and can consistently meet institutions' financial criteria.

4.1 | Capital deployment

The IAOs manage large, complex portfolios diversified across multiple asset classes, and most tilt predominantly toward listed equities and public debt. By contrast, their impact portfolios are more heavily weighted toward private markets, as illustrated in Figure 7 below.

The institutions in this research continue to find private markets most compatible with credible impact investing, because demonstrating clear investor contribution is more straightforward. A small number of the IAOs are exploring listed equities as a possible asset class for generating impact, and interest appears to be growing. However, skepticism remains among several IAOs about the existence of public market products that can meet their definitions and requirements for impact investments.

In general, there is greater openness to incorporating public debt into impact strategies than to public equities. Many IAOs called for more guidance and clarity on when public market investments may credibly be considered impact investments.

“Every product that we run should have a level of impact ambition [...] I want at least 5% or 10% of our bond portfolio to have an impact-aligned or an impact-contributing profile.”

Senior advisor of responsible investment at a pension fiduciary manager

Figure 7. Asset class overview and asset classes considered for impact

Asset class allocation within the institutional portfolios							
% of AUM	Listed equities	Public debt	Private credit	Alternatives	Private equities	Real asset: Infrastructure	Real asset: Real estate
0 - 10%	3	1	10	11	15	13	13
10 - 30%	10	13	5	2	5	4	8
30 - 50%	6	4	1	0	1	0	0
50 - 80%	3	4	0	0	0	0	0
Asset classes considered for impact within these portfolios							
Asset class				# of institutions			
Listed equities				3			
Public debt				9			
Private credit				14			
Private equities				21			
Real asset: Infrastructure				15			
Real asset: Real estate				19			

IAOs rely heavily on indirect investments in allocating their AUM, as reflected in both interviews and publicly reported information (see Figure 8). More than half of the IAOs allocate over 50% of their total AUM through external asset managers. IAOs expressed varied views on the availability of asset managers capable of delivering both required financial returns and impact, on their own ability to define impact priorities for externally allocated funds, and on the quality of impact reporting by external managers. However, they widely agreed on one challenge: the difficulty of understanding and managing portfolio-level impact based on reporting from external fund managers.

Figure 8. Level of indirect investment

Investment method within the institutional portfolios	
Indirect allocations' % of total AUM	# of IAOs within this range
10-30	4
30-50	4
50-70	8
70-90	6

A growing trend is the shift away from impact allocations focused solely on a single asset class and managed independently from the rest of the portfolio, often called a carve-out. Instead, IAOs are increasingly spreading impact allocations across the portfolio and integrating them into the asset class teams' mandates. Many of the IAOs believe that deploying multiple asset classes in pursuit of impact will provide greater diversification and access to a larger investable impact universe. However, they also recognize that this approach will increase the complexity of designing and executing impact strategies and will require more cross-institutional buy-in and expanded capacity-building efforts.

"We explored both approaches: Do we have a \$X billion carve out that sits on the side? Or do we embed across the asset classes? Where we landed was we've embedded across the asset classes."
 Senior portfolio manager at a pension fund

Figure 9. Impact within the portfolio

Impact allocation managed (current and expected)		
Impact mandate managed by multiple teams and asset classes	Impact mandate managed by a single team as a carve out	No information
14	6	2

5 | Managing for impact

KEY TAKEAWAYS

Beginning institutionalization: Many of the IAOs' public materials reference impact, but often, it is not yet embedded within core investment beliefs, policies and governance structures.

Focus on impact classification: IAOs face challenges in establishing consistent criteria and processes for classifying individual investments as impact, especially when expanding beyond carve-outs to integrate impact across multiple teams and asset classes.

IMM considered a key challenge: Impact measurement and management (IMM) was the most frequently discussed topic, with key challenges around aggregating performance at the portfolio level and robustly documenting outcomes.

All participating IAOs demonstrate a clear ambition to integrate impact within their investment portfolios, yet their practices and the degree of formalization remain uneven.

Figure 10. Institutional governance

Incorporation of impact into institutional processes and policies						
References within investment core beliefs / principles			Impact referenced within sustainability related policies			Impact referenced on website
Sustainability	Impact	No reference to either	Directly	Indirectly	No reference	Direct use of the term impact
12	8	10	10	8	4	19

Figure 10 above illustrates how references to impact are fragmented across key investment governance documents among the IAOs. In contrast, sustainability is strongly embedded throughout IAOs' objectives, policies, and strategies, with a primary focus on managing financial risk and reducing negative social and environmental effects. All participating IAOs have sustainability-related (responsible or ESG) policies, and more than half include sustainability-related statements in their core beliefs.

Nineteen IAOs reference impact on their public websites. However, fewer than half make direct reference to impact investing within their sustainability-related policies, and only eight have impact-related statements in their core investment beliefs. These observations are supported by the interviews, which indicate that while impact investing is increasingly visible and considered strategically important, it is still often driven by a few individuals or groups within the IAOs. As a result, the direction and pace of impact investing efforts are more vulnerable to shifting institutional priorities and changing market conditions, because existing governance documents do not establish baseline expectations. This is beginning to change as IAOs develop explicit institutional impact investment strategies, which will likely require embedding impact more formally into institutional policies and governance. Nine of the IAOs have recently completed such a process, and seven say it is in progress.

⁵ Indirectly means that the term "impact"/"impact investing" is not used in the policies, however there are statements that express intention to positively contribute to the solution of a social or environmental problem, going beyond ESG, risk mitigation and reduction of negative effects.

Classifying investments as impact. Despite a good understanding of the GIIN’s definition of impact investments⁶, the IAOs face operational uncertainties in applying the definition in practice. Determining when to classify an investment as impact becomes challenging as IAOs move toward impact investing across asset classes and involving multiple investment teams. Interviewees cited the need to establish internal minimum requirements for impact to ensure consistent approaches across teams. Examples include developing minimum thresholds for the level of impact expected from an investment to qualify for the impact portfolio, and for what constitutes a credible level of IAO contribution. Most of the IAOs expressed uncertainty about how and when to categorize an investment as impact, and many are working to define a categorization scheme.

Figure 11. Theory of Change

Theory of Change (ToC) or impact thesis ⁷					
For an impact objective	For impact within an asset class	For the pool of investments within a carve-out	Expect external asset manager to have a ToC	For each impact investment transaction	Not using
2	1	5	3	6	15

As shown in Figure 11 above, the development of impact investing strategies based on a theory of change (ToC) is not yet widely adopted by IAOs, though most recognize it as a potential development area. When used, a ToC is primarily focused on individual investment decisions (either in direct transactions or in selecting an asset manager) and is elaborated within the investment memo. A few IAOs have applied a ToC to a carve-out or to the full investment portfolio. In these cases, the ToC serves as a tool to ensure clear, consistent internal understanding of expected impact pathways, which informs the assessment of potential investments. As IAOs seek to develop more quantitative impact objectives for investments across asset classes, ToCs become increasingly important for establishing coherence of approach in the selection of investments and for developing impact measurement and management systems capable of providing an aggregate measure of performance.

“Going by the GIIN definition, [impact investments] need to be measurable and need to be deliberate, intentional. So, we require for these investments a theory of change.”
 Director at a pension fund
 fiduciary manager

⁶ See impact investing definition box in Chapter 1.

⁷ Some IAOs applied ToC at more than one level.

5.1 | Impact measurement and reporting

Figure 10 above illustrates how references to impact are fragmented across key investment governance documents among the IAOs. In contrast, sustainability is strongly embedded throughout IAOs' objectives, policies, and strategies, with a primary focus on managing financial risk and reducing negative social and environmental effects. All participating IAOs have sustainability-related (responsible or ESG) policies, and more than half include sustainability-related statements in their core beliefs.

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Figure 12. Impact measurement and management topics⁸

IMM topics																								
Topic	Total mentions, all 23 interviews	IAO 1	IAO 2	IAO 3	IAO 4	IAO 5	IAO 6	IAO 7	IAO 8	IAO 9	IAO 10	IAO 11	IAO 12	IAO 13	IAO 14	IAO 15	IAO 16	IAO 17	IAO 18	IAO 19	IAO 20	IAO 21	IAO 22	IAO 23
Discussing IMM	189																							
Sub-topics																								
Mentioning specific IMM frameworks	36																							
Balancing trade-offs involved with standardization	35																							
Noting the gap between current IMM metrics & outcomes	27																							
Expressing difficulties in measuring & managing impact	55																							
Relative frequency of appearance of IMM topics in interviews	Color scale indicates frequency of mention																							
	No mention	Fewest mentions					Most mentions																	
		Note: frequency is relative to the total number of mentions per theme not for all mentions																						

Overall, robust impact measurement and management continues to be perceived as a barrier to engaging in and scaling impact investing among most of the IAOs.

⁸Data source: GIIN analysis of recordings of the conducted interviews.

Measurement frameworks. In building their impact investing practices, a vast majority of the IAOs have designed or are designing proprietary impact measurement frameworks to match their specific priorities and institutional settings. These frameworks selectively make use of globally shared taxonomies for themes and measurement standards. The Sustainable Development Goals are the most commonly used, followed by the GIIN’s IRIS+ and the IMP’s Five Dimensions of Impact. The ways IAOs combine these taxonomies and design their own IMM frameworks remain inconsistent, but the frameworks are becoming increasingly sophisticated as the IAOs consider them critical for impact credibility. Most of the IAOs call for more measurement standardization, citing the climate theme and its GHG Protocol as an example of good practice. At the same time, however, the IAOs express a need to respect the diversity, individualization and context dependencies that exist within their institutions and within social impact themes.

“Our trustees want to be able to aggregate outcomes as much as possible, and they want a menu of metrics.”

Senior manager at a pension fiduciary manager

Aggregation of impact performance. IAOs pursuing impact objectives by investing across multiple asset classes find it challenging to aggregate impact performance at the institutional portfolio level in a simple and meaningful way. However, many stated that developing the capability to move from measuring impact at the transaction level to aggregating it at the portfolio level is essential for managing portfolio objectives and communicating with key stakeholders.

Impact due diligence. Most of the IAOs emphasize ex-ante investment due diligence in their IMM processes. Approaches vary significantly among the IAOs in how they incorporate impact due diligence findings into investment memos used for decision-making. Some IAOs use stand-alone impact screening sections, while others project the potential impact of the investment alongside an assessment of the ESG risk profile. Some embed their impact assessment within a section that assesses alignment with institutional, industry, or asset class strategies. Finally, some IAOs use multiple approaches that vary by asset class or industry sector.

“Typically, due diligence starts at the asset class. The asset class teams, they do the initial work, and then it’s brought to a broader committee of the entire investment group.”

Managing director at a pension fund

Figure 13. Communicating impact performance

Publicly communicated impact results in latest annual report						No information
As case studies	For external asset manager(s)	For asset classes	For the portfolio / carve-out level	For an impact priority	For a sector	
7	2	0	2	6	3	11

A review of the participating IAOs' annual reports shows that almost half have no dedicated section for impact. Those that do are primarily dominated by future-looking directional statements and descriptions of impact practices. These reports provide a sense of the ambition and sophistication of the IAO's approach but not the impact outcomes achieved. There is little reporting of portfolio-level, real-world outcome data, making it difficult for stakeholders, including beneficiaries, to hold IAOs accountable for the performance and effectiveness of their impact investing initiatives. Annual reports with impact sections most commonly present information through case study examples, which show transaction impact in a narrative form, AUM allocation levels or output-level reach metrics within an impact priority area.

This limited outcome reporting is partly due to the relatively early stage of the impact investing initiatives, as well as the high variability in the quality and nature of impact data that the IAOs can gather directly and through asset managers. Another contributing factor is that a majority of the IAOs have only directional objectives and limited formal policies and frameworks, which increases the likelihood that individual investments may be selected for diverse reasons. This, in turn, makes it more difficult to aggregate and report impact performance at the institutional level.

Many of the IAOs aim to share more outcome data as their impact initiatives mature and they gain confidence in their impact measurement frameworks. However, most of the IAOs see robust reporting of impact performance as a major challenge for the foreseeable future.

"The sustainability report has nothing to do with us...we're just going to get ready this summer to do our first annual impact investing report. It is a single report, financial and impact together."

Head of impact investing at an insurance company

6 | Outlook and challenges

KEY TAKEAWAYS

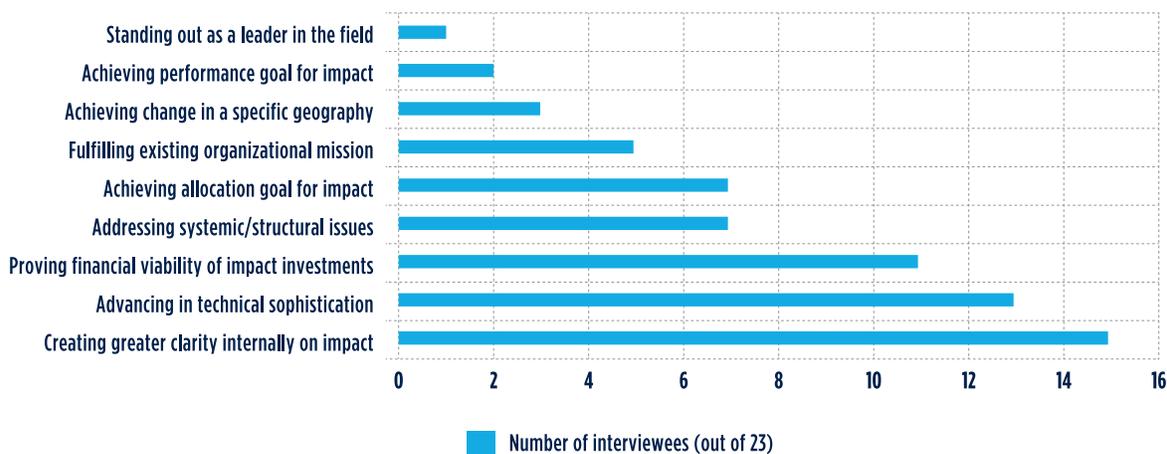
Strengthening credibility: IAOs are focused on clarifying what constitutes a credible impact investment and are developing internal classification systems and governance processes to mitigate reputational risks.

Advancing transparency: Building more sophisticated impact measurement and data systems is a common ambition, though lack of standardization and data quality remain significant challenges.

Scaling impact: IAOs seek to expand impact across asset classes while ensuring strategies remain financially attractive and deliver promised impact, even amid political and market uncertainties.

Most of the IAOs share an ambition to expand their engagement in impact investing, though they recognize they are currently navigating a complex landscape marked by financial return challenges, political uncertainties and market volatilities. Nevertheless, impact investing is becoming more routinely incorporated into their portfolios and governed by more consistent practices. Figure 14 below provides a high-level snapshot of IAOs' future ambitions in this realm. As shown, many of the IAOs are focused on building the internal foundations for their work rather than refining the impact itself. Notably, only one IAO expressed a desire to be a leader in impact investing, reflecting the comparatively cautious nature of many institutions.

Figure 14. Mentioning of future ambition⁹



Ensuring impact strategy credibility. As impact investing gains traction, the IAOs are acutely aware of the reputational risks associated with “impact washing” or simply falling short of delivering on commitments. The most frequently mentioned future ambition among the IAOs, as shown in Figure 14, is to create greater internal clarity about what it takes for a transaction to credibly qualify and be managed as an impact investment. IAOs seek to achieve this through strengthening governance, embedding impact assessments more deeply into investment decision-making and developing internal classification systems to assess intentionality, contribution and measurability. Some are introducing internal dual sign-off mechanisms, while others are working with asset managers to align on definitions of credible impact, expectations for impact potential and impact performance reporting formats.

Increasing impact transparency. The second most common focus for the IAOs over the next few years involves increasing the technical sophistication of their impact data management, measurement and reporting. Several IAOs are investing in longitudinal data systems, piloting impact dashboards and refining their internal frameworks to better understand, track and communicate impact performance data in a credible and timely manner. This implies a need to increase automation of relevant impact data collection, enhance analysis capabilities and improve availability of relevant impact data. However, the lack of standardized metrics and the variability in data quality remain persistent challenges.

“Next year [...] we’re starting our first round of outcome data collection covering 2024. The expectation is that our [trustee] clients are going to report on it in 2026.”

Senior manager at a pension fiduciary manager

Scaling impact. Scaling remains a focus across the future ambitions shown in Figure 14. At the same time, many of the IAOs expressed increasing pressure to demonstrate that impact investing can deliver attractive financial returns. The third most frequently mentioned future ambition is to build the evidence base demonstrating that impact strategies can be financially viable and perhaps even enhance long-term value. IAOs just entering impact investing tend to focus on demonstrating that the field’s concept holds true, while most of the participating IAOs

⁹Data source: Own analysis of recording of the conducted interviews

focus more on demonstrating that impact investing can deliver both attractive financial returns and measurable impact across new and multiple asset classes.

As noted previously, many of the IAOs are transitioning or considering a transition from pilot initiatives and carve-outs to more integrated, portfolio-wide strategies. This includes efforts to integrate impact mandates across asset classes — from private equity and infrastructure to public debt and listed equities. Yet the ability to deliver on commitments may be constrained by the availability of attractive, investable opportunities of the right size and type. The IAOs emphasize their need for larger attractive deals that can absorb institutional capital without compromising impact integrity.

Several IAOs acknowledge that they are still in the early days of building the internal capacity — such as skills, systems and culture — needed to scale impact across asset classes. Despite increasing focus on institutionalization, impact investing often continues to be driven by a small number of committed individuals or teams. These internal champions are crucial for advancing the agenda. However, their efforts are often not yet fully integrated across institutional processes or supported by broad organizational buy-in, making impact scaling more vulnerable to external and internal shifts.

“We are in talks with most of our trustees [...] on ways to integrate impact investments in the next one or two years. That’s different compared to a year ago, where we see there’s now much more interest and momentum.”

Head of responsible investment at a pension fiduciary manager

7 | Concluding remarks

This overview highlights the approaches and ongoing challenges of the participating IAOs in adopting an impact lens in their investment practices. While approaches vary, a shared ambition is evident: **to align significant pools of capital with measurable, positive social and environmental outcomes while continuing to deliver attractive financial returns.**

The research shows that the IAOs are at a critical juncture. Many are considering moving, or are already moving, from exploratory initiatives and carve-outs toward more integrated, portfolio-wide impact investing strategies. Governance structures, measurement frameworks and internal competencies are gradually catching up to strategic intent.

While multiple initiatives are underway to establish governance structures for impact investing among the participating IAOs, the definition of priorities and objectives remains directional and broad in many cases. Such generality risks creating a portfolio of investments that each have an impact story but collectively lack synergy and may not align to deliver notable outcomes in the real economy.

The path forward will require continued efforts to strengthen credibility, refine measurement and reporting systems, and scale allocations across asset classes without compromising impact integrity. The ability to navigate political and market uncertainty with resilience and adaptability will be equally important, ensuring that impact commitments remain durable over time. With a global total of approximately \$100 trillion USD under management, pension funds and insurance companies hold unique potential to drive systemic change. Realizing this potential will depend on their ability to adopt an impact lens alongside the financial lens, contributing to improved present and future quality of life for their beneficiaries.

Annex A: Methodology and limitations

This overview is based on a mixed-method approach combining qualitative and desk-based research to explore IAO engagement in impact investing. Participation in the interviews was agreed under the GIIN's Terms of Contribution, which commit to data collection under confidentiality and anonymity, unless an organization provides explicit permission to list their participation in a study. For this overview, the GIIN assumed that participation in the field research would be more forthright if participating IAOs remained anonymous; thus, the GIIN did not seek permission to list participation or attribute quotes.

In 2024, the GIIN facilitated five roundtable cohorts with participation from 56 unique IAOs. For this research, the GIIN used purposive sampling to intentionally target individuals, groups, and cases from participants in the Atlantic, Insurance and Asia-Pacific IAO roundtable cohorts, as well as GIIN members. The analysis includes data from a large subset of these institutions — specifically, 22 IAOs who are headquartered in 10 different countries and collectively steward approximately \$3.5 trillion USD in assets. The IAOs in this research offer a snapshot of real-world practice and are not intended as a representative sample of the global IAO industry.

The overview also draws on desk-based reviews of each participating institution's most recently published annual reports, sustainability disclosures, policy documents, investment beliefs and strategy statements. The most recent public materials from the participating IAOs were analyzed to extract and triangulate insights on institutional positioning toward impact.

Semi-structured interviews¹⁰ were conducted with senior representatives engaged in the institution's impact investments. Most of the interviewees are also participants in the GIIN's IAO roundtables, allowing for more in-depth discussions.

The tables included in this publication are based on information extracted during the desk-based review. Interviews supplemented this information when data was missing or unclear in the IAO published reports.

Artificial intelligence tools were used in two ways: first, to assist in the identification, extraction and organization of data from public documents, with all outputs subsequently verified and curated manually by the authors; and second, to transcribe and summarize interviews using privacy-enabled settings. Final interpretation, comparative structuring and thematic analysis were conducted by the authors.

Importantly, all findings presented in this overview are based on author-led analysis and understanding. The researchers determined the coding framework, categories and themes for mapping analysis based on the foundation laid out in the GIIN's paper, "Holistic Portfolio Construction with an Impact Lens," and advanced by its in-depth engagement with IAO practice through the IAO roundtable discussions. The findings do not reflect self-reported data by institutions, nor should they be interpreted as formal positions provided by the participating institutions.

¹⁰ See annex B for the semi-structured interview guide

Annex B: Semi-structured interview guide

Interview duration: 60 minutes

1. Introduction (5 min)

- Purpose and obtain consent to record
- Background information, ex-ante desk research

2. Positive Environmental and Social Outcomes (10 min)

A. What kind of positive socio-economic change does your institution seek to generate alongside financial returns?

- Why focus on these priorities?
- Have you defined objectives around these priorities?
 - Are they qualitative or quantitative?
 - Have they been made public? Can you share a link?
- Since when have you been pursuing these priorities/objectives?
- Where is your mandate to work with these anchored?
- Do you apply the term impact or impact investing in any of the above or use different wording?

3. Capital allocation (10 min)

A. What type of capital allocation have you done towards these priorities/objectives?

- As a carve-out, as a subset within certain mandates of the portfolio or integrated across the full portfolio?
- Have you defined a specific AUM allocation and if so how much?
- What are your plans: expansion, maintain, reduction?

B. Which asset classes are utilized to pursue these priorities/objectives?

- A single asset class (please specify), a restricted set of asset classes (which ones?), all possible asset classes?
- Any plans to change this mix: expansion, reduction or maintain?

C. What level of financial return do you seek for investments targeting the abovementioned socio-economic priorities / objectives?

- Same threshold as for any other investments, slightly below your standard risk-return threshold, or clearly below your standard risk-return threshold?

D. How would you estimate current overall financial performance?

- Above expectation, meeting expectation, below expectation

4. Contribution (10 min)

A. What are the ways in which you seek to contribute towards these priorities/objectives?

- Manage your capital deployment, design the terms of the capital, engage with the investees, influence the wider market or a combination?
- Do you work with an impact thesis/theory of change? And if so at what level: for each transaction, for an asset class/mandate, at portfolio level or a combination?

B. Do you have a formalized strategy for how you will deliver against one or more of your priorities/objectives?

- Across the priorities or for each priority?
- Since when and who signed off on it?

5. Procedures and practice (10 min)

A. What internal procedures and practices have you established to support delivery against these priorities/objectives?

- Decision paper, composition of the committee, combination or other?
- How is evidence or data used in your investment decision-making?
- How is expertise secured to assess and manage against these priorities/objectives: A centralized unit, a decentralized team, embedded within each investment officer, or other?

B. What are the ways you seek to track results and performance against these priorities/objectives?

- Have you established a measurement framework with indicators?
- At what level do you measure: each transaction, asset class, mandate, portfolio level?
- How and where do you communicate your results and performance?

6. Challenges and priorities (10 min)

A. What are the most critical new elements for you to implement over the next 2 years?

B. What do you see as the largest challenges in increasing engagement within these priorities/objectives or expanding to include new areas?

C. What are the most critical new things to develop over the next two years?

7. Wrap-up (5 minutes)

- Are there any additional thoughts you would like to share that we have not covered?
- Would you be open to follow-up questions if needed?

Thank you for participating.

Annex C: References

ⁱ OECD. (2024). "Pension Markets in Focus – Preliminary 2023 Data." OECD Publishing, Paris. [Online]. Available: <https://www.oecd.org/content/dam/oecd/en/topics/policy-sub-issues/asset-backed-pensions/PMF-2024-Preliminary-2023-Data.pdf>

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