Impact Investing Through the Balance Sheet: **A Guide for CFOs and Treasury Professionals**

GIIN

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A note from the GIIN's Co-Founder and CEO Amit Bouri

In the past decade, we've seen a major increase in the cash and assets held by corporations, a shift that requires us to more seriously consider the impact of those resources. **Corporate leaders can now innovate and think beyond the confines of traditional financial management.** As we safeguard and grow corporate assets, there's an opportunity to align assets with the values and long-term success of our organizations.

Impact Investing Through the Balance Sheet: A Guide for CFOs and Treasury Professionals explores the powerful opportunity to use corporate treasury investments to drive positive social and environmental impact. Treasury assets can be a key tool in working toward corporate sustainability strategies, supporting **economic inclusion, climate resilience, community development and more.**

This paper provides a framework for CFOs and treasury professionals, sharing the **range of investment opportunities available and key questions for starting a corporate impact investing program.** It also highlights real-world examples of companies that have successfully pursued positive impact through their treasury portfolios while maintaining liquidity, risk management and return objectives.

The opportunity for corporate finance leaders is clear: by reimagining the role of treasury investments, companies can contribute to their organizational goals and help build a more inclusive global economy. **Your leadership can set a powerful precedent for innovation, resilience and long-term value creation.**

We invite you to explore this paper and consider how your organization can align its financial assets with its values — **turning capital into a force for good.** We can make this the new normal for responsible fiscal management.

Yours in progress,

Amit Bouri

Introduction

Companies can use their corporate treasury function in service of their social and environmental goals. This position paper assists CFOs in identifying ways to work with their corporate treasury function and cash management activities to contribute to the organization's sustainability strategy.

This paper was developed in part through interviews and a roundtable discussion[1] with corporate treasury professionals that have relevant experience developing investment strategies and managing investment portfolios that seek to contribute to social and environmental goals. This document builds from a previous position paper[2] and case studies[3] published in 2023 by the Global Impact Investing Network (GIIN), which illustrate how impact investing and partnering with impact investors can help companies with their social and environmental goals.

Treasury professionals and professionals in other functions such as venture capital have a shared objective when given an impact mandate. Both are trying to execute investments with the intention of generating positive, measurable social and environmental impact that supports corporate strategy alongside a financial return. However, corporate treasury professionals execute their mandate within a particular universe of rules and policies that shape and constrain their thinking and acting.

This publication was designed with both the restrains and opportunities of a corporate treasury function in mind to provide CFOs with a framework that can enable conversations with their financial, treasury and sustainability teams. The paper explores the range of investments in the market that can be implemented as part of cash management activities while also advancing their corporate social and environmental strategies and associated goals.

Impact investments and leading drivers for companies to adopt impact investing strategies

Impact investments are investments made with the intention to generate positive, measurable social or environmental impact alongside a financial return, as defined by the GIIN.[4] Impact investing is an investment approach that can be used across asset classes, return profiles from above market rate to below market rate, and tenor from short-term to long-term.[5]

Internal and external drivers are prompting companies to engage with impact investors and adopt impact investment strategies. Internally, the focus is on ensuring long-term business viability by establishing the infrastructure and conditions for innovation, as well as addressing the need for new tools to meet sustainability objectives. Externally, stakeholder expectations for socially responsible practices strengthen the links between brand identity, reputation and sustainability profile, compelling companies to enhance sustainability initiatives and explore innovative approaches like impact investing.[6]

1 Global Impact Investing Network. (2024, September 11). Corporate Treasury Roundtable. Virtual Event.

2 Gilbert, S. and Ortiz Galan, A. (2023) Corporates Deploying Impact Investing Strategies: Early Observations on Emerging Practice. The Global Impact Investing Network (GIIN)

3 Ortiz Galan, A. and Friedman, M. (2023) New Pathways to Achieve Social and Environmental Goals: How Leading Corporations Use Impact Investing to Align Capital and Purpose. The Global Impact Investing Network (GIIN)

4 Global Impact Investing Network (GIIN). (2023) What is impact investing? The Global Impact Investing Network (GIIN). New York.

5 Hand, D. & Gilbert, S. (2023) Holistic portfolio construction with an impact lens: A vital approach for institutional asset owners in a changing world. The Global Impact Investing Network (GIIN).

6 Gilbert, S. and Ortiz Galan, A. (2023) Corporates Deploying Impact Investing Strategies: Early Observations on Emerging Practice. The Global Impact Investing Network (GIIN)

Identifying the universe of investments that fit corporate treasury requirements and deliver impact

Strategies observed in the preparation of this publication show that liquidity is a key parameter in corporate treasury management, with various impact options available to corporate investors across a broad spectrum of liquidity levels. Strategies deployed among those interviewed varied based on factors such as the amount of capital deployed, the types and tenor of investments prioritized, and policies that guide execution.

The table below includes investment options for corporations with varying degrees of liquidity. These examples emerged from research and discussions with treasury and finance practitioners regarding impact investments currently held or under consideration. It is intended to illustrate the types of investment options rather than provide an exhaustive or recommended list. However, it demonstrates that there are a range of options available that can suit different liquidity requirements.

The table provides examples across six common impact themes in corporate impact investing programs: diversity and inclusion, community and economic development, financial inclusion, health, education, and climate.

Recognizing the breadth of options available, the CFO and the treasury team can decide what parts of their treasury portfolio can support the company's finance and sustainability strategy.

Table 1: Examples of investments relevant for corporate treasury departments, categorized by liquidity and impact theme

	HIGH LIQUIDITY (DAILY)	LIQUID (< 1 year)	LOW-LIQUIDITY	ILLIQUID (> 7 years)
INVESTMENT OPTION	Actively traded mutual fund investing in public equities with an impact lens.	Certificates of deposit into mission-focused financial institutions.	Private, illiquid bonds or notes to impact organizations.	Venture or growth equity funds.
EXAMPLE	An actively traded mutual fund investing into companies that deliver a positive and measurable impact on SDG 7: Affordable and clean energy.	A term deposit in a minority depository institution[7] that provides financial services to low-income communities.	A gender bond, or "orange bond," that supports women's financial inclusion in low- and middle-income countries.	A minority-led venture fund investing in early stage healthcare tech and services companies founded by diverse entrepreneurs.
INVESTMENT OPTION	Demand deposits into mission-focused financial institutions.	Certificates of deposit into financial institutions targeted at supporting specific environmental or social investments.	Private loans to impact organizations.	Real estate funds.
EXAMPLE	An insured cash sweep, a demand deposit product, that offers full Federal Deposit Insurance Corporation insurance for deposits into community development finance institutions and minority depository institutions.	A term deposit into a bank that channels funds to businesses and projects that create solutions to decarbonize the economy.	A term loan to a community development finance institution[8] that provides loans to local businesses in financially underserved areas.	An affordable housing fund that makes loans and equity investments to build affordable housing for underserved populations.
INVESTMENT OPTION		Impact mutual funds with monthly or quarterly liquidity.	Fixed income securities that support social or environmental goals.	Direct investments in companies.
EXAMPLE		A microfinance investment mutual fund that offers varying redemption options (including monthly and quarterly) to investors and makes short- and medium-term loans to creditworthy micro-, small- and medium-enterprise finance lenders.	A separately managed account set up to invest in mortgage-backed securities and Small Business Administration loans in underserved communities.	An equity investment in a climate tech company.
INVESTMENT OPTION	Blue / Climate / Green / Social / Sustainability bonds.[9]			Tax credit equity investments, including solar tax credits and new markets tax credits.[10]
EXAMPLE	A green bond to finance or refinance projects in areas like renewable energy, energy efficiency, sustainable waste management and clean transportation.			A fund developed to provide loans to minority-owned businesses and healthcare projects serving low-income and minority communities and to make equity investments in exchange for tax credits.

THEMES CLIMATE · COMMUNITY AND ECONOMIC DEVELOPMENT · DIVERSITY AND INCLUSION · FINANCIAL INCLUSION · HEALTH

7 The Federal Deposit Insurance Corporation defines minority depository institutions as "any depository institution where 51 percent or more of the stock is owned by one or more 'socially and economically disadvantaged individuals.'" For more information, visit https://www.federalreserve.gov/publications/2022-september-promoting-minority-depository-institutions.htm.

8 The U.S. Department of the Treasury's CDFI Fund defines community development financial institutions (CDFIs) as "banks, credit unions, loan funds, microloan funds, or venture capital providers. CDFIs are helping families finance their first homes, supporting community residents starting businesses, and investing in local health centers, schools, or community centers. CDFIs strive to foster economic opportunity and revitalize neighborhoods." For more information, visit https://www.cdfifund.gov/sites/cdfi/files/documents/cdfi_infographic_v08a.pdf.

9 Impact-oriented bonds (green and social, among others) are a type of fixed-income instrument issued to finance projects with a direct and measurable positive social and environmental impact. These projects address critical societal issues such as affordable housing, climate change, healthcare access, education, job creation, sustainable waste management and others. They can be issued by governments, corporations and institutions committed to improving societal outcomes. For more information, visit https://www.nasdaq.com/articles/data/green-bonds.

10 Tax credit equity investments involve investors providing capital to community development entities, which then deploy the funds into low-income communities. In exchange, investors receive a federal tax credit worth 39% of the investment over seven years. Programs such as the New Markets Tax Credit incentivize private investment to revitalize struggling economies and improve access to essential services. For more information visit https://www.cdfifund.gov/programs-training/programs/new-markets-tax-credit.

Maximizing the impact of investments

Alongside considering liquidity objectives, CFOs and treasury professionals also need to consider their ambitions for how their investments will contribute to corporate sustainability goals. This includes the social and environmental impact of the investment and how the investor, in this case a corporation, adds value to an impact investment.

While there are options that meet a broad range of liquidity requirements (Table 1), the impact of these investments varies, both in terms of the investee's impact and the potential for the corporation to deliver additional value as an investor.

When it comes to understanding how the choices investors make influence the impact of their investment, there are four elements that are useful to consider:

- **Capital:** Financial resources provided to an investee with varying degrees of return expectations, from market-rate returns to concessional. Key considerations include the ticket size and the extent to which resources are directed toward an underserved market.
- **Timing:** Deploying capital to an investee to meet short-, medium- or long-term needs.
- **Terms:** Conditions and agreements outlined for investment, such as reporting mechanisms.
- **Engagement:** Involvement of the investor in the investee's governance, strategy and operations. It can also include support to build impact management and measurement capacity.

These four elements take different shapes depending on the investment strategy and product, for example:

Investing into a mission-driven financial institution

An investment strategy to increase access to financial services in low- and moderate-income communities in the U.S. can be achieved by to opening a deposit account in a community development finance institution (CDFI). The deposit helps capitalize the CDFI, which uses this capital to expand its lending and spur economic development in its community.

CDFIs are financial institutions that focus on underserved communities. The loans that the CDFI disburses can include mortgages, consumer loans, community infrastructure, small business lending and commercial real estate loans. In terms of the risk, in the U.S., there are solutions available that offer full Federal Deposit Insurance Corporation protection through network banks on multi-million-dollar deposits with a single institution.

When considering investor contribution to a CDFI, the liquidity varies from daily liquidity to multi-year deposits, depending on the institution and the deposit terms. This range of opportunities allows corporate investors to pursue different capital needs, from market rate to investments with a catalytic aspect to the deposit terms and impact goals. A corporation can also leverage its reputation and capacities to crowd in additional capital to the instrument. It can also provide the CDFI with access to its products and services, as well as offer relevant expertise and training.

The elements mentioned above, including capital, timing, terms and engagement, apply when investing in a fund targeting a set of social and environmental outcomes. When investing indirectly it is important to consider whether the impact fund has a theory of change, detailing what positive outcomes it expects its investments to accomplish. The impact fund should also have a framework in place to manage and measure its impact throughout the investment lifecycle.

Investing into an impact fund

Investments into fund vehicles in private markets are typically a longer-term commitment than placing capital with a CDFI, but they offer similar opportunities to emphasize an investor's goals through the contribution . For example, an investor could invest in funds dedicated to supporting circular economy infrastructure and services to support an investment strategy to enhance materials efficiency and reduce waste in the supply chain.

A company can choose to invest in ventures at any stage in the growth cycle either as patient capital, catalytic capital or as a limited partner (LP) seeking market returns alongside environmental and social impacts. As an LP, a company may also be able to offer valuable skills and technical support to portfolio companies and can choose to engage with the fund manager to provide these contributions. The corporate investor can add value in many ways, such as through technical expertise, network introductions, public relations opportunities and strategic collaborations, among other contributions.

Money market funds in corporate treasury strategies

The financial market offers mutual funds that invest in public equities and provide grants to non-profit organizations or financial institutions that operate with a social or environmental purpose, such as minority depository institutions (MDIs), by donating a small percentage of the resulting fees.

Many corporate treasury professionals with experience developing and managing impact investing programs that the GIIN engaged with described these financial products as having a philanthropic focus. While these products generate benefits through charitable contributions, they differ from traditional impact investments, which directly deploy capital to create social or environmental impact. Companies typically use these products as a temporary placeholder until their impact investment strategy is implemented or use them to complement their existing impact investing portfolio as part of a broader sustainability approach.

As demonstrated above, investments vary in the nature and depth of investor and investee contributions towards impact. At the same time, the financial profile of the investments also varies considerably in terms of the implications for risk, return and liquidity. Therefore, CFOs and treasury profiles need to determine the level of ambition needed by their sustainability strategy and the financial requirements of their assets and develop a strategy and investment portfolio that matches their chosen criteria.

Starting impact investing within a corporate treasury function

Whether a company is looking to accomplish a social and environmental goal through a single investment or an investment program, it needs an appropriate internal infrastructure to manage it. The GIIN's discussions with corporate treasury practitioners that are developing and managing impact investing programs led to a wide-ranging list of actions on how to operationalize impact investing within a corporate environment.

A key action was ensuring there are investment approval processes that are fit-for-purpose, and most corporates noted that support from the CFO, the legal department and the board are necessary. Several corporate treasury practitioners highlighted a need to integrate or carve out impact investments from existing corporate investment policies.

Others brought up that governance can change over time. Initially, it may involve greater advisory input and oversight from the board and senior leadership, but, as impact investing becomes more established, it can be integrated into business-as-usual processes. Throughout these conversations, three types of policies came up as crucial considerations in laying the internal infrastructure to manage impact investments within a corporate treasury function:

- **Governance:** The people, policies and processes that govern a corporation's impact investing objectives, strategy and activity.
- **Organizational capacity:** The resources and expertise needed to make impact investments.
- **Reporting:** The integration of impact investments into financial statements and external reports, such as sustainability reports.[11]

The table below lays out key questions under these areas to review when starting a corporate impact investing program.

	Questions
Governance	• Who develops the strategy? • Who approves individual investments? • Who carries out the sourcing and execution of investments? • Who is responsible for conducting due diligence and closing investments? • Who is responsible for appropriate portfolio management? • What policies govern corporate treasury investments? Do these need to be adapted for impact investments? • What corporate functions will be involved in impact investments and how will cross-functional collaboration work? Non-finance teams involved may include legal, tax, compliance, sustainability, corporate social responsibility and communications, among others. • Who has final oversight of the impact investing strategy and review of the portfolio impact and financial performances?

11 Global Impact Investing Network. (2024, September 11). Corporate Treasury Roundtable. Virtual Event.

	Questions
Organizational capacity	Does the team responsible for impact investing have the appropriate expertise for the type of investments that the company seeks to make? Does the team responsible for impact investing have appropriate resources, such as staff bandwidth and budget to carry out impact investing?
Reporting	What social or environmental impact information will be reported, how frequently, and to whom? How will information from impact investments or the impact investing strategy be integrated into the broader reporting on its sustainability strategy and performance? What processes need to be put in place to ensure that the necessary information can be acquired to match corporate reporting cycles?

Conclusion

This position paper helps companies understand opportunities that can be realized through the corporate treasury function in service of corporate social and environmental goals. It supports CFOs to think of new ways they can work with their corporate treasury function to contribute to the sustainability strategy through balance sheet management activities.

As part of CFOs' existing responsibilities in driving sustainability and creating value, there is also an opportunity to plan both strategic and treasury-related investments that help advance corporate social and environmental strategies and associated goals. These investments can be integrated into a company's existing investment strategy, whether within the treasury function or as part of special investment initiatives.

Impact investments can meet the standard requirements outlined in corporate treasury policies. Concerns about a lack of suitable options should not be a barrier, as there are numerous opportunities that can be tailored to fit a range of corporate treasury policies and requirements for liquidity, risk, impact and return. As the market evolves, more investment products are likely to emerge, targeting a range of impact themes and offering varying degrees of liquidity, along with other key considerations.

Beyond traditional cash and cash equivalents, a variety of investment opportunities exist that leverage corporate treasury assets to advance sustainability objectives. To ensure that investments have the maximum possible impact, it is important to seek strategies that put capital to work in directly supporting the company's sustainability goals. There are several ways to achieve this, depending on the organization's specific needs and resources.

To get started, the right internal processes and appropriate capacity to support executing investments will need to be developed. Establishing these processes and capacities will ensure that efforts are well-coordinated and that the investments are aligned with both financial goals and sustainability objectives.

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About the Global Impact Investing Network

The Global Impact Investing Network (GIIN) is the global champion of impact investing, dedicated to increasing the scale and effectiveness of impact investing around the world. Impact investments are investments made into companies, organizations and funds with the intention to generate positive, measurable, social and environmental impact alongside a financial return.

About the GIIN corporate impact investing initiative

The GIIN launched an initiative to help corporations connect their financial assets and capabilities with impact investing practices to realize social and environmental goals. Through the program we explore and mobilize ways corporations can make impact investments and leverage partnerships with impact investors to achieve sustainability goals.

For more information, please visit https://thegiin.org/corporate-impact-investing-initiative/. To learn how to join the corporate impact investing initiative, please contact info@thegiin.org.

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