USING IRIS+ TO BUILD AN IMPACT PORTFOLIO

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PURPOSE
This introductory document outlines how to use IRIS+ to inform investors’ decision-making when building an impact portfolio, enhancing their ability to achieve their impact and financial goals. Focusing on the strategic phase of the investment cycle, the document specifically describes how to integrate impact factors into a single-asset-class impact portfolio in private markets. This guidance is general enough to apply to any investor looking to understand how to integrate IRIS+ into their portfolio strategy process. More detailed guidance will be addressed in separate IRIS+ ‘how-to’ guides.

AUDIENCE
Investors, specifically portfolio managers and fund analysts in private markets, who want to integrate impact and financial goals into the construction of investment portfolios. This guide may also be useful to investment advisors and other intermediaries or service providers that work with investors, as well as to investors that are new to and interested in impact investing but that remain unsure of how to integrate impact and financial goals when constructing portfolios.

LEVEL: Beginner

REFERENCE
Use this document with

FUNDAMENTALS
- IRIS+ Thematic Taxonomy

HOW-TO
- IRIS+ Core Metrics Sets

IRIS METRICS
- IRIS Catalog of Metrics

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BACKGROUND

Why is it important to use IRIS+ to construct an impact portfolio?

As the generally accepted system for measuring, managing, and optimizing impact, IRIS+ provides investors with a solid foundation to integrate impact performance into their decision-making across the investment cycle. Specifically, when constructing an impact portfolio, investors can, through IRIS+, incorporate dimensions of impact right from the start: setting impact goals in a common and comparable way, accessing a rigorous evidence base to inform their theories of change, and finding generally accepted metrics to evaluate whether their investments are performing towards set goals and expectations—and to adjust as needed on an ongoing basis. As such, IRIS+ helps investors to identify which of their current or potential assets generate the greatest impact and equips them with the information they need to manage those assets efficiently and effectively.

Portfolio strategies are influenced by, among other factors, an investor’s risk appetite, expected time horizon for both financial liquidity and the achievement of certain impact results, and desired preference on how active the investor wants to be in contributing to impact.

By providing the measures needed to assess progress and make decisions, IRIS+ helps investors to set their portfolio strategy and to balance their financial and impact expectations.

This document covers the following topics:

• What the construction of an impact portfolio entails, especially in the Strategy Setting phase of the impact investing cycle. During this phase, investors set impact and financial goals, assess tolerance for impact and financial risk, determine liquidity preferences, and evaluate resource capacity.

• How to use IRIS+ when building an impact portfolio: identifying common impact goals and strategies, assessing impact risks, and selecting metrics, as well as measuring performance in alignment with goals based on generally accepted Core Metrics Sets and rigorous evidence.

• What construction of an impact portfolio looks like, as illustrated by the practical example of a climate change fund investing in private markets.

ABOUT THE GIIN

The Global Impact Investing Network (GIIN) is the global champion of impact investing, dedicated to increasing its scale and effectiveness around the world. The GIIN builds critical market infrastructure and supports activities, education, and research that help to accelerate the development of a coherent impact investing industry. IRIS+ is managed as a public good by the GIIN.
What does the construction of an impact portfolio entail?

The impact investing cycle comprises four key phases. While different fund managers and asset owners may refer to these in different ways, in general, the cycle begins with strategy setting and continues with screening and due diligence, followed by ongoing investment management and, finally, exit, when an investment’s potential is realized through either an exit at a point in time or maturation of debt facilities over an investment’s lifespan. During this final stage, investors integrate their learnings back into their strategy for the next investment cycle.

Building an impact portfolio includes setting impact and financial goals and objectives, as well as assessing tolerance for financial and impact risk, determining liquidity preferences, and evaluating resources (or cost) available to manage that portfolio. Increasingly, investors dynamically consider multiple components affecting performance by adopting a holistic approach to decision-making that considers both impact and financial results alongside traditional investment factors such as risk, capacity, liquidity, and fiduciary considerations. 

1 Set Impact and Financial Goals

The first step in portfolio construction is to set impact and financial goals toward progress on an environmental and/or social challenge that the investor aims to address. Such goals frame the investment’s area of focus. Identifying and selecting sectors, impact categories, themes, strategic goals, or any combination of these inform an impact thesis and theory of change (often abbreviated ToC). A theory of change expresses the sequence of cause-and-effect actions or occurrences through which an investor or organization expects to create its desired impact within a given sector, category, theme, or strategic goal. To map the pathway toward intended impact, investors should identify an evidence-backed theory of change that aligns with their selected sector, category, theme, and strategic goal.

Select Sectors, Categories, and Themes

When setting goals, investors should consider which sector, category, and theme their research suggests will have the greatest potential for the most optimal impact and financial returns. An evidence base gives investors direction on which of these will likely offer optimal financial returns in relation to the area of impact and in context of the scale of the social and/or environmental challenge they aim to address.

At a high level, most investors can start by drawing on research to identify an investment sector. Many investors choose to diversify their portfolios across sectors. Some investors will choose multiple sectors, but will typically balance a limited number of sectors in order to focus their scope enough to offer a sufficient investment universe from which to develop a pipeline of potential investment opportunities that meet their impact and financial goals. Since the issues that impact investors seek to address are often interconnected across sectors—for example, an investment in a company providing education technology is in the technology sector yet aims to improve education—IRIS+ is designed to help investors navigate this inter-connectedness in a standard way. The IRIS+ taxonomy is built on Impact Categories, which align with the industry classes standardized by The International Standard Industrial Classification of All Economic Activities (ISIC). Examples of IRIS+ Impact Categories include: Agriculture, Real Estate, Health, Climate, and Water, among others.

After selecting the sector or Impact Category, an investor can identify the Impact Themes that are most attractive from an impact perspective. An Impact Theme is a classification that describes a purpose-driven approach to contribute to impact based on macroeconomic topics and trends. An investor can use this approach to identify and assess strong investment opportunities. Under the IRIS+ taxonomy, Impact Themes are classified according to the industries or Impact Categories noted above. Examples of Impact Themes include: Smallholder Agriculture, Affordable Housing, Climate Change Mitigation, and Sustainable Water Management, among others.

Many investors also use the United Nations Sustainable Development Goals (SDG) as a reference when setting their goals. Indeed, 73% of respondents to the GIIN’s 2020 Impact Investor Survey use the SDGs in setting their impact goals. To facilitate this process for investors, IRIS+ Impact Categories, Themes, and Strategic Goals are all aligned to the SDGs.

Set Impact Goals

By definition, impact investments are made with the intention to generate positive, measurable social and environmental impact alongside a financial return. Therefore, constructing an impact portfolio requires investors to identify the integration of expected financial and impact returns. Financial goals should thus be considered relative to strategic impact goals—and vice versa.

IRIS+ refers to Strategic Goals, which reflect the most common investment strategies pursued by investors to achieve specific social or environmental impact objectives. Strategic Goals are framed within generally accepted Impact Categories and Themes, in addition to the SDGs. Examples of Strategic Goals in IRIS+ include: Increasing Access to and Use of Responsible Financial Services for Historically Underserved Populations; Mitigating Carbon Emissions from Forestry and Land Use; Increasing Housing Affordability; Increasing Access to Essential Medicines, Medical Supplies, and Devices; and Improving the Sustainability of Industrial and Municipal Water Practices.

Impact results may take many months or several years to realize. Thus, the realistic possibility of achieving strategic impact goals should be considered against financial goals, including time horizon, liquidity need, returns philosophy, hurdle rates, and financial performance targets.

To inform the development or refinement of a theory of change, each Strategic Goal under each IRIS+ Impact Theme (e.g., the Strategic Goal of Mitigating Carbon Emissions from Forestry and Land Use under the Sustainable Forestry Impact Theme) overviews existing research, presented in alignment with both the five dimensions of impact and a built-in evidence base.

- The research overview helps investors answer, through a data-backed approach, WHAT problem(s) the Strategic Goal is trying to address, WHO is helped through investments aligned with the Strategic Goal, HOW MUCH change can be expected (in terms of both scale and depth), what CONTRIBUTION can be made by investments aligned with the Strategic Goal, and what are the most significant impact RISKS for investments aligned with the Strategic Goal.

• The built-in evidence base features field and academic research showing the connection between each Strategic Goal and specific outcomes and impacts. For example, for the Strategic Goal of Mitigating Carbon Emissions from Forestry and Land Use, the IRIS+ evidence base presents publications and other resources that back the connection between that Strategic Goal and specific outcomes, such as Improved Food Security, Increased Carbon Sequestration, Increased Local Economic Growth, Increased Mitigation of Natural Disasters, and Increased Soil Productivity. Further, each featured resource is assigned a rating of rigor according to the NESTA standards of evidence.

Through all the information available in the overview and evidence sections of IRIS+ for each Strategic Goal, investors can ensure that their investment strategies and theories of change are backed by evidence—more time-efficiently than if they had to acquire all the information themselves.

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

Set Financial Goals

When setting financial goals, time horizon is both key and often highly variable. Different investors have different preferred time horizons, with preferences driven largely by liabilities, stakeholder commitments, and liquidity requirements. For example, a fund manager may think in terms of a two- or three-year horizon, while a sovereign wealth fund may plan for decades. These parameters dynamically intersect with impact goals. For example, a debt fund that uses loan agreements that mature within a two- to three-year period has a short- to medium-term time horizon. As a result, such an investor would exit the investment as the loan agreement matures and might therefore want to consider measuring impact goals with outputs that are likely to be realized within that same time frame. While every impact investor of course seeks sustainable impact outcomes, they also likely measure outputs on the path to outcomes within the time frame of their investments.

The portfolio’s target financial returns philosophy is another aspect of financial goals. Investors will typically set a hurdle rate: the minimum rate of financial return they expect based on their philosophy. The desired return or minimum hurdle rate depends on various factors, such as whether they: (a) seek capital growth and total return (e.g., for young people saving for retirement); (b) are more concerned about preserving principal capital and seek a safe income flow (e.g., for those closer to retirement); or (c) have a known liability stream and seek growth and income to match those liability payments (e.g., pension payments for defined-benefit plans). Alternatively, an investor may simply seek to create alpha by beating the benchmark applicable for that asset manager or asset class.

From Intended Impact to Impact Targets

Much like financial performance targets are set, so too are impact targets, together with the metrics used to track them.

Impact targets can be set quantitatively or qualitatively. Just as when identifying an impact sector, category, and theme, investors’ impact target-setting should be informed by data and evidence. For example, targets may be set in relation to the magnitude of a social or environmental challenge at a given point in time, the size of the addressable market, or the pace of change required to achieve a target. In setting appropriate targets, investors should use relevant output, outcome, and proxy metrics.

Setting impact targets during the Strategy Setting phase of the investment cycle enables investors to measure their investments’ specific social and environmental effects in subsequent phases. Specific impact and financial targets yield critical information that informs due diligence parameters, tracks performance, suggests whether corrective action is needed over the course of the investment, and strengthens portfolio and investment performance.

IRIS+ includes Core Metrics Sets, which are a short list of key indicators for each common Strategic (Impact) Goal. Core Metrics Sets are backed by evidence and based on best practices across sectors and themes. Acknowledging that each investment and investment thesis is different, Core Metrics Sets can be tailored to include specific metrics that are relevant to each investor and investee.
Assess Tolerance for Impact and Financial Risk

To build a portfolio that meets their expectations, investors should express their risk tolerance level from the start to make sure that their investment strategies are within their appetite for risk. All investments carry some level of risk—both impact and financial—that the goals of the investment will not be achieved.

In each instance, investors should identify the type and level of risk—including the likelihood risk materializes and its severity—that may undermine the delivery of the targeted financial and impact outcomes. To the extent possible and in order to address the identified risk, investors should deploy strategies to avoid, mitigate, ethically transfer, or accept the risk. Doing so allows investors to gain an understanding up-front of the likelihood they will achieve their IRIS+ aligned impact goals, as well as their financial goals.

Impact Risks

IRIS+ recognizes nine types of impact risk, as listed below. While an evaluation of financial risk may identify some impact risk, investors should consider both types of risk in tandem in order to ensure that the mitigation of one risk does not elevate another.

- **Evidence risk**: The probability that insufficient high-quality data exist to know whether impact is occurring.
- **External risk**: The probability that external factors disrupt an investor’s ability to deliver the expected impact.
- **Stakeholder participation risk**: The probability that the expectations or experiences of stakeholders are misunderstood or not taken into account.
- **Drop-off risk**: The probability that the expected impact does not endure or that negative impact is no longer mitigated.
- **Efficiency risk**: The probability that the expected impact could have been achieved with fewer resources or at a lower cost.
- **Execution risk**: The probability that the activities are not delivered as planned and do not result in the desired outcomes.
- **Alignment risk**: The probability that impact is not locked into the enterprise model.
- **Endurance risk**: The probability that the required activities are not delivered for a long enough period to achieve the expected outcomes.
- **Unexpected impact risk**: The probability that significant and unexpected positive or negative impact is experienced by people and the planet.

Financial Risks

Investors should also consider the following typical financial risks:

- **Business model execution and management risk**: The probability a company generates lower profits than anticipated or has ineffective or underperforming management.
- **Country and currency risk**: The probability of adverse political, regulatory, local economic, or currency-linked events.
- **Financing risk**: The probability an investee cannot raise subsequent capital necessary for its growth.
- **Liquidity and exit risk**: The probability the investor cannot exit the investment at the desired time.
- **Macroeconomic risk**: The probability that regional or global economic trends adversely impact financial return over the desired time horizon.
- **Market demand and competition risk**: The probability that the market exhibits low demand for the investee’s products and services or that revenue declines as a result of a competitor’s actions.
- **Perception and reputational risk**: The probability of loss resulting from damages to an investor’s or investee’s reputation.

By considering the potential, likelihood, and severity of financial and impact risks across these illustrative categories, investors can gain a nuanced understanding of the potential risks and actively work towards their management and mitigation. Risk management is an iterative process that includes ongoing analysis and gathering of data regarding significant identified risk factors, as well as adjusting strategies or models based on these risks. Carefully managing risk enables investors to maximize the performance of their impact portfolio relative to both impact and financial goals.

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Determine Liquidity Preferences

Liquidity refers to the duration by which the investor needs an investment to be readily convertible to cash. An investor with a lengthier time horizon can typically afford to keep an illiquid investment for longer than an investor with a shorter time horizon.

Managing liquidity is complex and involves considering a variety of factors in addition to time horizon, including: fiduciary requirements of the asset owner’s end beneficiary, material factors that affect a portfolio’s risk profile, mandate requirements set by the asset owner and influenced by asset-allocation strategies, and timing of any actuarial liability of the asset owner (for example, pension funds must determine the timing of their likely commitments to pension beneficiaries based on specific demographic factors).

While liquidity is often considered through a financial lens, this facet of portfolio construction may directly influence aspects of impact goals (which may in turn affect financial goals). For example, duration of investment may influence how much and what kind of impact data can be collected. Additionally, the time needed to realize an impact target could be factored into liquidity modeling.

As a result, an impact investment analyst will typically model liquidity requirements with full awareness of impact and financial goals (step 1) and risk tolerance (step 2).

Evaluate Resource Capacity

Resource capacity refers to the extent to which an investor has the resources and capacity to provide for all the costs associated with making impact investments. Such costs include the skills, tools, and financial means required to set impact goals, measure and verify results, and report on results.

While how much to spend on measuring and managing impact has no single answer, investors sometimes assess and compare their spend on IMM-related activities by calculating its proportion of their total organizational budget. On average, investors spend an estimated 12% of their organization’s total budget on IMM; the median investor spends 6%. Almost two-thirds (62%) of investors spend between 1% and 10% of their total budgets on IMM, and just 4% spent more than half of their organization’s budget on IMM-related activities.6

Just as investors derive value from and bear the cost of various procedures that provide confidence for financial transactions (such as the annual regulatory process that companies undergo to audit financial statements as a fair reflection or the due diligence procedures that confirm or verify information that may be material to an investment), impact investors typically value the cost of the resources required to make, manage, and realize an impact investment deal.

By actively measuring and managing impact, investors ensure, when constructing portfolios, that the inputs to investee management align with expected impact returns. For example, an investor that actively engages with investees and manages toward agreed-upon targets (while making necessary ongoing adjustments) will typically allocate more resources than an investor that does not actively engage with investees. Management fees, which include IMM costs, appropriately and proportionately reflect a manager’s level of active engagement. For the purpose of portfolio construction, these costs require an estimate in advance to ensure an appropriate price for the balance of return and impact.

 Bringing It All Together

A consolidated investment and Impact Policy Statement (IPS) memorializes: decisions made when considering goals; identified sectors and/or chosen impact categories, themes, and goals; financial objectives; impact and financial targets and metrics; risk factors and management strategies to mitigate the identified risks; liquidity requirements; and resources required over the life of the investment. The IPS is informed by the investor’s preferences and commitments, as well as by data and evidence. IRIS+ evidence- and research-backed Strategic Goals and Core Metrics Sets make the process of drafting such a consolidated statement simpler for investors.

By incorporating IRIS+ into their Strategy Setting, investors can construct portfolios that better align capital placement with their impact goals, while identifying the management resources needed to achieve their desired results.

In summary, IRIS+ helps investors to:

1. **Identify and frame impact goals in a standard way**, following generally accepted impact themes (such as Financial Inclusion or Clean Energy Access), the UN Sustainable Development Goals (SDGs), or both;

2. **Review existing research and an evidence base** to inform the development or refinement of theories of change or logic models and the design of impact strategies;

3. **Identify key indicators and metrics to track and assess progress towards goals** through IRIS+ Core Metrics Sets (short lists of key indicators and metrics across a wide range of commonly used impact strategies), as well as through the comprehensive IRIS Catalog of Metrics; and

4. **Access best-in-class resources and practical how-to guidance to improve their impact measurement and management (IMM) practice.**

Additionally, through the GIIN’s work in *Understanding Impact Performance*, which builds on the standardized impact data enabled by IRIS+ Core Metrics Sets and the IRIS Catalog of Metrics, investors can increasingly access credible, comparable data in order to better assess their impact performance.

### Example: Using IRIS+ to Inform the Construction of an Impact Portfolio

For clarity and simplicity, this example refers to a hypothetical investor, investment, and investee.

**Investor Profile**

Global Climate Impact (GCI) is a for-profit fund manager focusing on investments that can help address climate change. GCI recently launched a new impact investing fund, the Global Climate Impact Fund (GCIF), with USD 450 million in impact assets under management (AUM) globally. The fund will invest in real assets across North America, Asia, and Africa.

Building the GCIF portfolio means integrating financial and impact goals, understanding financial and impact risk tolerance, setting liquidity preferences, and identifying resource capacity.

### Set Impact and Financial Goals

**Select Sector and Themes**

Since GCIF focuses on real asset investments that help address climate change, the GCIF team has found that the IRIS+ Impact Category **Land** narrows down their interests and helps to identify the most common strategic impact goals. Looking at IRIS+, the team identifies the Impact Theme **Sustainable Forestry** as a strong match for their desired approach.

**Set Impact Goals**

The GCIF team leverages the IRIS+ system to frame their goals and decide on their impact investment strategies. Interested in strategies to advance the mitigation of climate change, specifically by reducing carbon and other greenhouse gas emissions, the team reviews the IRIS+ Impact Theme **Sustainable Forestry** and its corresponding Strategic Goals and finds a strategic impact goal that aligns well with their objectives: **Mitigating Carbon Emissions from Forestry and Land Use**. This strategy addresses pressing needs related to climate change and can be deployed globally, matching the fund’s focus.
Based on the research available in IRIS+, the team learns about sample investment opportunities, such as the innovative model funded by the Althelia Climate Fund and implemented by a Peruvian NGO that protected more than 590,000 hectares of forest to avoid four million metric tons of carbon emissions. Paired with an agroforestry system, the project has restored an additional 4,000 hectares of degraded land and supports livelihoods for 1,150 people. This encourages the GCIF team to further investigate opportunities aligned to these impact strategies.

IRIS+ also helps them validate how their investments will help address SDGs 13 (Climate Action) and 15 (Life on Land), less directly contributing to SDGs 1 (No Poverty), 2 (Zero Hunger), 6 (Clean Water and Sanitation), and 10 (Reduced Inequalities).

**Evidence-backed impact strategies.** Before committing to specific impact strategies, the GCIF team outlines their overarching theory of change for investments in the fund. While they believe that investments aligned with *Mitigating Carbon Emissions from Forestry and Land Use* will lead to increased carbon sequestration and biodiversity, they know they need to review the evidence base to evaluate whether there is a proven connection between their goals and their desired long-term outcomes and impacts. After reviewing the built-in evidence base in IRIS+, they find third-party academic and field studies that comply with NESTA standards of evidence and which back the connection between investments in this strategic goal and outcomes related to increased carbon sequestration, increased biodiversity, and increased soil productivity. The team works to develop their theory of change based on their planned activities and identified outcomes.

**Set Financial Goals**

The GCIF team knows that their investments in sustainable real assets will require a long time horizon, as the team is committed to practicing tenets of environmental stewardship designed to preserve land for the use of future generations.

The fund will target risk-adjusted, market-rate returns. Target returns could be set in part, the team notes, based on the benchmark for that asset class. The team also considers the 2019 report, *Scaling Impact Investment in Forestry*, which notes that while the median financial return target is 8% annually, return expectations vary with geography of investment and revenue strategy.\(^7\)

**From Intended Impact to Impact Targets**

Next, the team defines the targets for their contribution through their investments, identifying the qualitative and quantitative metrics they will use to describe, measure, and manage the impact of their investments. By doing so, they can understand whether they are meeting the set targets and objectives.

The IRIS+ Core Metrics Set for *Mitigating Carbon Emissions from Forestry and Land Use* gives the team the key metrics and indicators they need to comprehensively track their investment’s impact across the WHAT, WHO, HOW MUCH, CONTRIBUTION, and RISK dimensions of impact. The Core Metrics Set also incorporates other key factors under “HOW is change happening?”, such as Protected Land, Certified Land Area, and Community Engagement Strategy. The team quickly validates *Greenhouse Gas Emissions Mitigated* (OI5951) as a key metric to track, further informed by *Greenhouse Gas Emissions Sequestered* (PI9878), *Greenhouse Gas Emissions Avoided* (PI2764), *Greenhouse Gas Emissions Reduced* (OI4862), and *Greenhouse Gas Mitigation Types* (OI5732).

The team understands that when making specific investments, they will need to discuss specific and tailored objectives and, therefore, specific metrics to collect from each investee. They also know that they must assess the baseline level of these indicators in order to set realistic targets for what each investment can achieve. Without any public impact benchmarks yet available for investments in sustainable forestry, the team selects targets based on market-level studies in each region of investment, informed by their understanding of what is reasonable for each context.

After reviewing the evidence base, research, and common metrics in IRIS+, the GCIF team is confident their approach will be rigorous and aligned with industry standards and best practices. Most importantly, GCIF is keen to standardize their impact performance data so that the fund can compare their performance to that of other investors in terms of whether their investments are indeed making a difference in addressing the pressing need to mitigate climate change.

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\(^7\) Rachel Bass, Pete Murphy, and Hannah Dithrich, *Scaling Impact Investment in Forestry* (New York: The GIIN, April 2019).
Assess Tolerance for Impact and Financial Risk

Next, the team assesses the most significant financial and impact risks so they can plan for how to mitigate them.

Financial risks

The GCIF team understands there are financial risks they must consider at the portfolio level. The team also knows that they need to identify and mitigate specific risks for each investment. For the overall portfolio, the most significant financial risks include the following:

- **Business model execution and management risks:** The team plans to mitigate this risk by engaging in thorough due diligence and by investing in organizations with proven or promising management.
- **Country and currency risk, as well as macroeconomic risk:** The team knows they face these risks, particularly in investing across geographies and in countries where the political, regulatory, and economic situations might not always be stable. GCIF will further assess and mitigate these risks for each investment, but the team plans to balance overall portfolio risk by investing in different geographies.

Given their long time horizon, the team does not consider liquidity and exit risk to be a significant factor at the moment.

Impact risks

Reviewing the research overview in IRIS+ for Mitigating Carbon Emissions from Forestry and Land Use, GCIF identifies the following as the most common impact risk factors for investments in this strategic goal.

- **External risk:** This includes environmental challenges, such as tree mortality, insect outbreaks, fire, or extreme weather events like floods or droughts, as well as human-induced challenges like violence, corruption, illegal harvesting, and pollution.
- **Drop-off risk:** Carbon sequestration strategies particularly risk reversal, in which carbon is released back into the atmosphere, as happens when a tree is felled. Reversal may be intentional or unintentional and caused by human or natural events.

The team plans to further assess the likelihood of these risks and to identify mitigation strategies as they conduct due diligence of potential investments.

Determine Liquidity Preference

The long, multi-year investment horizon of the Global Climate Impact Fund is well matched to a strategy of investing in real assets. The holding organization (Global Climate Impact) will manage different needs and preferences for liquidity by balancing allocations across different funds.

Evaluate Resource Capacity

GCIF will integrate IMM-related activities into other budgeted activities, such as investment management processes, and not will explicitly allocate a specific budgeted amount towards IMM.

Now that the fund’s goals, strategies, and preferences are defined, the next step is to start screening potential opportunities in Sustainable Forestry.

The team is encouraged to have aligned to IRIS+ Strategic Goals and metrics, backed by evidence, which will enable them to gather comparable impact data as they manage their investments.
CONCLUSION

Impact investing enables investors to allocate their capital to actively contribute to improvements in people’s lives and the health of the environment. A well-designed portfolio begins with setting transparent financial and impact goals and articulating an investment thesis that enables the accomplishment of these goals (GIIN Core Characteristic of Impact Investing #1). The use of evidence and impact data to design investment strategies, set targets, and identify indicators to gauge performance towards those set targets helps investors to increase their contribution towards positive impact (GIIN Core Characteristic of Impact Investing #2).

Investors can utilize IRIS+ to frame their goals transparently and to design impact strategies that are backed by evidence and data. Further, IRIS+ Core Metrics Sets and IRIS metrics position investors to engage in effective impact management, ensuring that their capital achieves their desired financial and impact objectives. By integrating financial and impact returns and risk into their portfolio construction, investors can meet and manage both their financial and their impact goals.
References:


