Review of the Academic and Practitioner Literature on Impact Investing

Literature Scan

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The Michael Lee-Chin Family Institute for Corporate Citizenship at the Rotman School of Management, University of Toronto, helps current and future business leaders integrate sustainability into business strategy and practices.
Research conducted by Andrew Micak, Research Officer & Jing Luo, Research Assistant, Lee-Chin Institute

In this brief, we give an overview of the academic and practitioner literature on impact investing, including:

- Definitions of impact investing
- Models of impact investing
- Approaches to impact investment
- Impact investment, market development and policies, and
- Measurement of impact investment.

The academic literature on impact investment is relatively new and still emerging. To date, it has tended to focus on investment structures, catalysing private capital, and market formation from an organizational perspective (Ormiston, Charlton, Donald, & Seymour, 2015). However, there is a substantial practitioner literature from organizations like the Global Impact Investing Network, the Rockefeller Foundation, Bridges Ventures and other advocacy and advisory organizations that maps out the challenges facing impact investing, explores how to build the market and approaches to impact measurement.

Definitions of Impact Investing

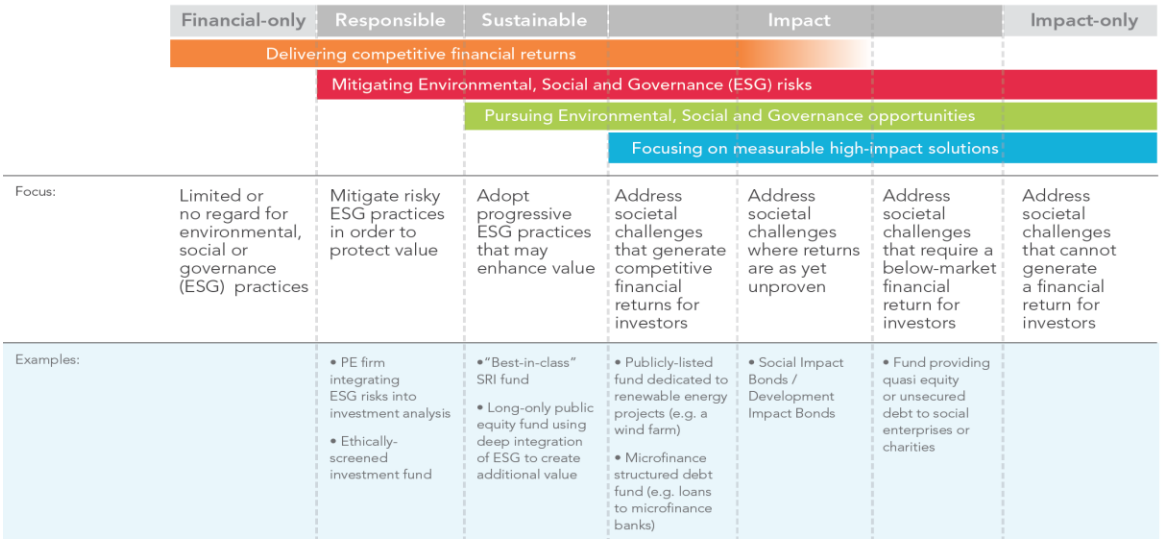
- "The typical definition centers around two core elements: non-financial impact, typically in the form of social and/or environmental impact, and financial return, which requires at least the preservation of the invested principal but can allow for market-beating returns. Some of the definitions further require that the non-financial impact be intentional and/or measurable/being measured" (Höchstädter et al., 2015).
    - *"[On impact investing, there are]* two broad schools of thought: one that limits impact investing to certain organization types—for example, unlisted organizations and/or organizations that place the mission above the business side, potentially legally formalized in a (limited) distribution constraint—and one that ignores organizational characteristics completely and considers only the ultimate impact to be achieved with the investment… In [our] view, however, an impact investing understanding that is completely detached from objective (organizational) criteria makes it more difficult to identify and label impact investments" (Höchstädter et al., 2015).
- "Impact investments are investments intended to create positive impact beyond financial return. As such, they require the management of social and environmental performance…in addition to financial risk and return" (O'Donohoe et al., 2010).
- "We define an impact investment as an investment made in an enterprise (whether a corporation, a non-profit, a government, or some other entity) because that enterprise offers a market-based solution to a social or environmental challenge that the investor *wishes to address.* The central point of emphasis in this definition is the investor's intent. In other words, an impact investment is one chosen by an investor precisely because of its ability to generate the particular social and/or environmental returns of interest *to that investor"* (Johnson & Lee, 2013).
- "Impact investments are investments made into companies, organizations, and funds with the intention to generate measurable social and environmental impact alongside a financial return" (Global Impact Investing Network, 2018).
- "The practice of impact investing is further defined by the following four core characteristics:
    - **Intentionality** An investor's intention to have a positive social or environmental impact through investments is essential to impact investing.
    - **Investment with Return Expectations** Impact investments are expected to generate a financial return on capital or, at minimum, a return of capital.
    - **Range of Return Expectations and Asset Classes** Impact investments target financial returns that range from below market (sometimes called concessionary) to risk-adjusted market rate, and can be made across asset classes, including but not limited to cash equivalents, fixed income, venture capital, and private equity.

- **Impact Measurement** A hallmark of impact investing is the commitment of the investor to measure and report the social and environmental performance and progress of underlying investments, ensuring transparency and accountability while informing the practice of impact investing and building the field" (Global Impact Investing Network, 2018).

Models of Impact Investing

The Bridges Spectrum of Capital

Bridges Ventures. (2015). *The Bridges Spectrum of Capital*. London, United Kingdom: Bridges Fund Management.



- Ethical or values-based investing arguably dates back centuries, driven primarily by religion. More recently, the changing mores of the 1960s…brought socially-conscious investing to the fore.
- By the 1980s, **Socially Responsible Investing (SRI),** which focuses on systematically 'screening out' harmful products and practices (such as tobacco or firearms), had a dedicated investor base.
- Many investors have also recognised that factoring **social, environmental and governance risks (ESG)** into their investment decisions helps to protect value, particularly in a world of increasing transparency.
- Taking this further and building on 'best-in class' SRI, some **Sustainable Investors** have deeply integrated social and environmental factors into their investment analysis and started proactively looking for ESG opportunities, selecting companies that they believe will outperform the market because they operate (or have the potential to operate) in a more sustainable way than their peers over time – be it through their environmental management, stakeholder engagement or governance practices.
- **Impact investing** goes beyond the approaches listed above to focus on solutions to pressing societal or environmental issues. Impact investors focus on one or a cluster of issues, with a deliberate intention to make a positive social or environmental impact. Impact investors focus on one or a cluster of issues, with a deliberate intention to make a positive social or environmental impact.
    - *[Some impact investors]* focus on societal or environmental solutions that can generate **market-rate (or market-beating) financial returns**.
    - Other impact investors are willing to make investments whose impact thesis **may or may not deliver a market-rate financial return** – social impact bonds, for example, may produce attractive returns but the product is not yet proven.
    - A third category includes those who are willing to make investments whose impact approach requires a trade-off of financial return and therefore delivers a **below-market financial return**.

This could, for example, involve backing social business models that re-invest some or all their financial surpluses, such as trading charities, mission-driven cooperatives or cross-subsidy models.

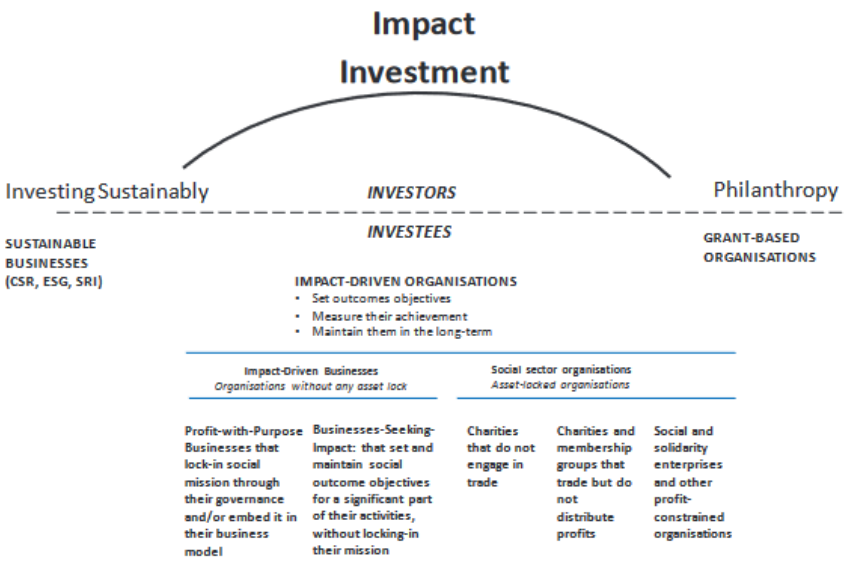
- Finally, there are funders with an impact-only motivation, who are willing to forgo principal, through **philanthropy**.

The Evidence for Social Impact Investment

Wilson, K. E., Silva, F., & Ricardson, D. (2015). *Social Impact Investment: Building the Evidence Base*. Rochester, NY: Social Science Research Network.

- Social impact investment (SII) is the provision of finance to organisations with the explicit expectation of a measurable social, as well as financial, return… SII involves private investment that contributes to the public benefit. Investors can range from those who are willing to provide funding for organisations that are not able to generate market returns to more traditional investors but with an interest in also having a social impact.
- *[The Figure below]*… shows the impact continuum in which social impact investment lies in between "sustainability" – specifically referring to Corporate Social Responsibility (CSR); Social, Environmental and Governance considerations (ESG) and Socially Responsible Investing (SRI) and philanthropy but does not include either – only investments (e.g. not grants) that proactively seek a measurable social impact alongside a financial return.
- However, many providers of grants, such as foundations, are also social impact investors. Also, some businesses that have traditionally practiced CSR, ESG or SRI have also moved into the social impact investment space.

THE IMPACT CONTINUUM



Approaches to Impact Investing

Overcoming the Challenges of Impact Investing

Ormiston, J., Charlton, K., Donald, M. S., & Seymour, R. G. (2015). Overcoming the Challenges of Impact Investing: Insights from Leading Investors. *Journal of Social Entrepreneurship*, 6(3), 352–378.

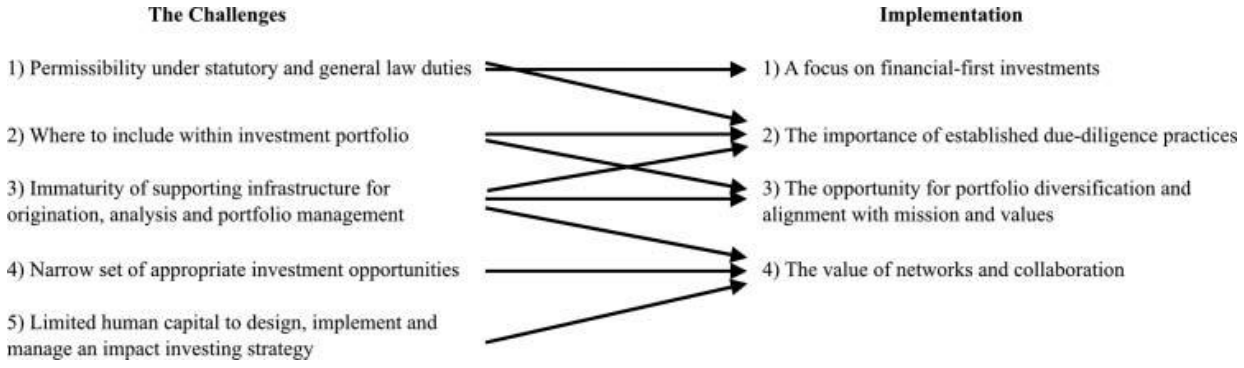
- Interest and activity around impact investment have increased significantly in recent years as businesses, governments and communities seek new solutions to enable an inclusive and sustainable society in the face of social and environmental challenges. Philanthropists, charitable foundations and institutional investors have been among the early adopters in implementing impact investment strategies and developing the field.
- To best explore how these prospective entrants overcame their apprehensions and grasped the opportunity (becoming early entrants), the perceived or real concerns and aversions are organized into the following five categories:

Challenges

1) Permissibility under statutory and general law duties;
2) Uncertainty as to where impact investment is included within modern investment portfolios;
3) Relatively immaturity of supporting infrastructure typically used by investors for the origination, analysis and portfolio management of investments;
4) Frustration with a narrow set of appropriate investment opportunities, and;
5) Limited human capital to design, implement and manage an impact investing strategy.

Possible Solutions

1) The importance (especially for institutional investors) of focusing on financial-first investments, i.e. investments that seek to maximize financial returns with a floor for minimum expected social and environmental impact (Freireich and Fulton 2009), which are critical to meeting fiduciary obligations;
2) The need to employ the same professional due diligence practices as mainstream investment, but importantly with the added consideration of social impact;
3) The strong financial rationale for impact investing given its contribution to portfolio diversification; and the social rationale that stems from its alignment with the mission and values of organizations and/or clients;
4) The value of networks and collaboration for learning, fostering investment opportunities, optimizing capital flows and developing the market.



Decision Making in Impact Investment

Johnson, K., & Lee, H. (2013). *Impact Investing: A Framework for Decision Making*. Cambridge Associates LLC.

Enterprise Review Process

- The **Enterprise Review**: seeks to fully understand the organizational context in which the long-term investment pool (LTIP) is embedded through a comprehensive examination of the organization's financial circumstances, risk attitudes, and governance issues.
- Two questions in particular require further exploration when conducting an Enterprise Review for organizations contemplating impact investing:
    1) To what degree are the social returns that could be generated via impact investing interchangeable with those generated from spending?
    2) To what degree does the structure of the organization's investment oversight team facilitate selection and monitoring of the impact investment portfolio's financial and social returns?

- What specific social return goals does the organization hope to achieve through impact investing?
    - Investors may wish to articulate additional goals that speak more to how they hope to achieve these social and/or environmental outcomes. Some impact investors seek to play a catalytic role by demonstrating the financial viability of a particular impact investing strategy to attract more traditional sources of capital in the future and thereby create systemic change.
    - Regardless of the investment policy's specific impact-investing outcomes, the key is to ensure that they provide a clear definition of what constitutes impact investing "success." Doing so will better enable the organization to evaluate possible strategies and investment opportunities, and to monitor whether the impact investment portfolio is behaving as intended.

- What are the impact investment allocation size and return expectations?
    - Allocation sizes are generally best left to opportunistic, bottom-up (investment by investment) decisions.
    - Setting impact investment return expectations at the policy level may be premature.

Impact Investors often use Three Types of Vehicles

- Direct investments in underlying enterprises;
- Investments in commingled funds, which pool the capital of multiple investors and delegate the selection of direct investments to the fund's portfolio manager, and;
- Investments in funds-of-funds, which also pool investor capital but, rather than have the portfolio manager select individual securities, invests in funds.

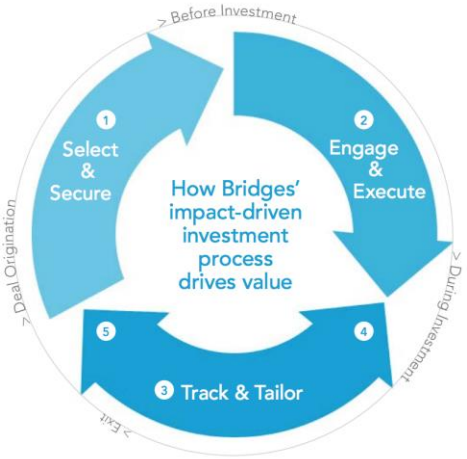
Bridges Ventures' Impact-Driven Investment Process

Bridges Ventures. (2015). *The Bridges Spectrum of Capital*. Bridges Fund Management.

- **Select & Secure**
  - We look to **select investments** where we think impact and high-growth can go hand-in-hand; so where creating societal value can also drive financial value;
  - Our impact focus helps to **secure investments**, by identifying opportunities where others are not looking. Also, it helps open the door to management teams in thematic areas like health and education, where they tend to have a strong sense of purpose.

- **Engage & Execute**
  - As part of our due diligence, we conduct a thorough assessment of the potential impact risks and rewards – using them as clues to identify where value may need protection as well as where untapped growth may lie.
  - We use this analysis to **engage with entrepreneurs**, management teams and joint venture partners to **execute the identified strategy**. We've found that applying impact as a lens in this execution phase can serve to energize management teams and staff.

- **Track & Tailor**
  - This engagement with out partners is informed by the work we do to **track the performance** of our investments against a set of pre-agreed indicators. This data can help to drive timely management decisions – at o hep us invest more efficiently in the future, by giving a deeper understanding of the challenges involved.
  - Portfolio companies communicate the value being created to other stakeholders, such as customers, employees and suppliers. This builds a strong and sustainable stakeholder base, **helping tailor the business** for exit.

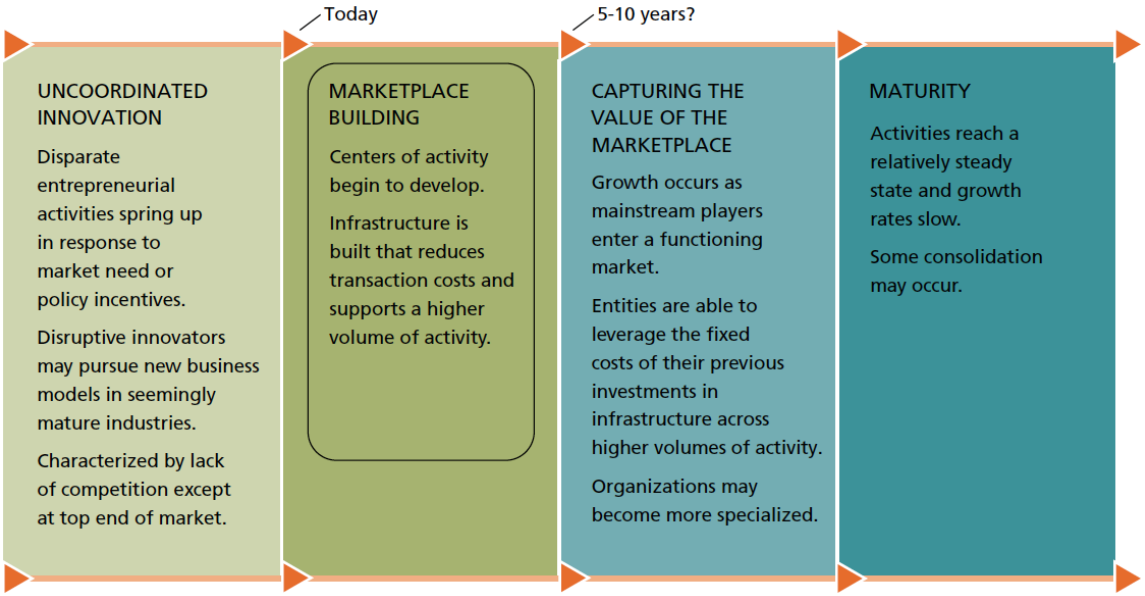


Impact Investing Market Development and Policy

Phases of Industry Evolution and Spectrum of Impact Investor

Harji, K. & Jackson, E. (2012). *Accelerating Impact: Achievements, Challenges and What's Next in Building the Impact Investing Industry*. The Rockefeller Foundation.

- The impact investing sector's progress over the past four years has shown that the field has moved decisively from the "uncoordinated innovation" phase…to a sustained "marketplace-building" phase. Within this phase, it is also clear that the industry is shifting from a period focused on organizing itself and establishing initial infrastructure to one much more clearly focused on implementation.



- Impact investors vary in the nature of their motivations, assets, risk and return expectations, and social impact objectives.
- Impact investors are heterogeneous in the sense that they vary widely across these and other dimensions. It is more useful, though, to locate the range of impact investors within a broader schema of all actors in the impact investing industry… *[In the chart below]* a distinction is made between actors that own the assets that are invested for impact, and the actors that manage those assets.

ASSET OWNERS	ASSET MANAGERS	DEMAND-SIDE ACTORS	SERVICE PROVIDERS
• High net worth individuals/families • Corporations • Governments • Employees • Retail investors • Foundations	• Investment advisors • Fund managers • Family offices • Foundations • Banks • Corporations • Venture funds • Impact investment funds/intermediaries • Pension funds • Sovereign wealth funds • Development finance institutions • Government investment programs	• Corporations • Small and growing businesses • Social enterprises • Cooperatives • Microfinance institutions • Community development finance institutions	• Networks • Standards-setting bodies • Consulting firms • Non-governmental organizations • Universities • Capacity development providers • Government programs

- The market-building phase…has also seen the classification of impact investors according to their intentions:
    - **Impact-first** investors are defined as those that have a specific social or environmental return expectation and also have some flexibility related to their expected financial returns.
    - In contrast, **financial-first** investors have a financial return floor, and use impact outcomes as a secondary premise for investment decisions.

A Model of Policy Intervention

Wood, D., Thornley, B., Grace, K & Sullivant, S. (2011) *Impact Investing: A Framework for Policy Design and Analysis*. InSight at Pacific Community Ventures & the Initiative for Responsible Investment at Harvard University.

- The need specifically for impact investing policies rests on two related propositions:
    - The private market alone often does not fully promote, and sometimes may prevent, investments with important social and environmental benefits, and;
    - Despite this, private markets can be an appropriate tool to address particular social and environmental challenges.

- Thus, the first question advocates should ask is: *"Is the problem in question one that calls for a policy intervention that is focused on supporting private market interventions to create public goods? If private markets currently result in suboptimal social and environmental outcomes, but with support from government could become an efficient tool to improve performance, then the answer is yes."*

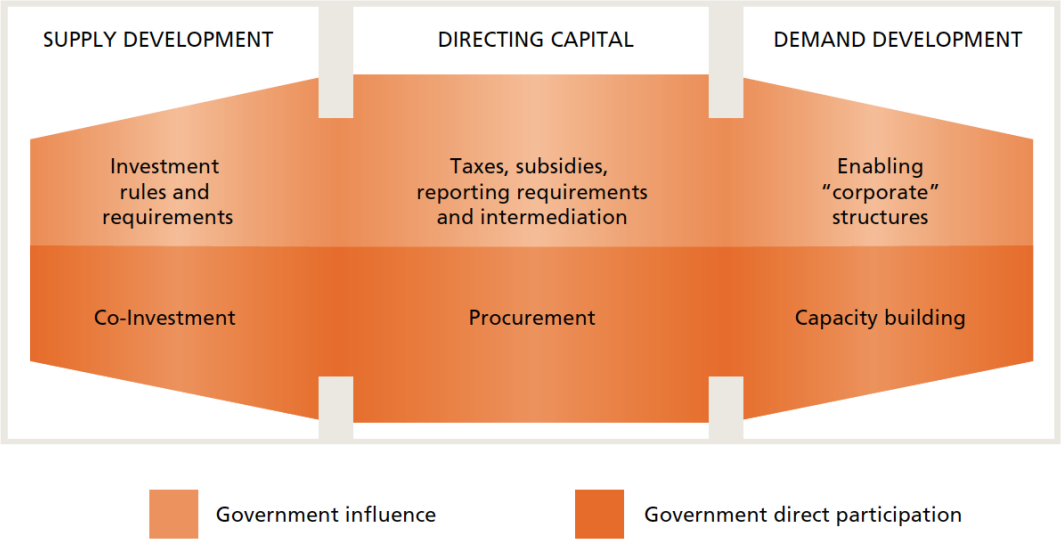
- The justification for policy intervention may rest on a variety of ideas about the imperfect performance of markets. Among the arguments that advocates may make:
    - Structural barriers lead to under provision of important social goods;
    - Private market actors may externalize negative costs onto society;
    - Investors may not capture positive externalities;
    - Information asymmetry and uncertainty constrains market development, and;
    - New investment sectors lack track records.

- We can view impact investing as a subset of financial markets generally. There is:
    - A **supply side:** the providers of capital, including governments, individuals, foundations, banks, investment, and retirement funds.
    - A **demand side***:* the companies, cooperatives, projects, and other vehicles in need of capital.
    - And there is a **market:** where exchange occurs and where rules govern the terms of trade and buyers and sellers set prices.

- Policy in impact investing may be understood as intervening at one or more points in this cycle:
    - Increasing the amount of capital for investment (supply development);
    - Increasing the availability or strengthening the capacity of capital recipients (demand development), or;
    - Adjusting terms of trade, market norms, or prices (directing capital).
- In each of these—supply, demand, and direction—government can participate directly in the market or influence impact investing through policy or regulation.
- We can group impact investing policies into three broad categories linked to the way they intervene in capital markets. These three interventions cover a wide variety of potential policies and impact areas, and align with the broadest aspects of a financial ecosystem.

- The role a government chooses to play in a policy intervention may be as a direct participant in the market, contributing resources like any other investor or consumer, or as an outside influence, through regulation or by building the infrastructure necessary for impact investments and markets to grow.

- Polices include:
    - **Supply development policies** increase the amount of impact capital. Policies dealing with investment rules or requirements, and policies that provide co-investment, increase the supply of impact investing capital by mandating such investment or by enticing investors through risk-sharing with government.
    - **Policies directing capital** change the way existing investments are made in the capital markets, shifting more toward impact opportunities. Policies that direct existing capital change the perceived risk and return characteristics of impact investments by adjusting market prices and costs and improving transaction efficiency and market information.
    - **Demand development policies** increase the demand for impact capital. Policies that build demand include those that build institutional capacity, create enabling structures, and contribute generally to the development of impact investment-related projects and capital recipients.



IIPC Conceptual Framework & The London Principles

Grace, K. (2014). IIPC Conceptual Framework in *Impact Investing Policy In 2014: A Snapshot of Global Activity*. Insight at Pacific Community Ventures and the Initiative For Responsible Investment (Eds.). *p 7-11*

- Given a particular policy proposal, there will likely be a series of different types of engagement with different stakeholders. The first key piece in stakeholder engagement is making sure that the policy will do what you want it to—this means **talking to the investors and other stakeholders** involved to be sure that capital will be unlocked as initially envisioned or that the policy will be otherwise beneficial as intended.
- The second key piece **is figuring out the supporters or opponents**, both within and outside the government, of this policy, and coming up with an approach to address each of them.
- In 2013, the IIPC network developed the London Principles, a set of aspirational touchstones for the impact investing policy development process. The Principles were designed to support a reflective approach to policy that drives learning and innovation over time to achieve important social objectives. The five principles include:

1) **Clarity of purpose** reinforces strategy and policies that are integrated into existing policy and market structures, that target specific social objectives, and that clearly define the role for impact investing in achieving those objectives.
2) **Stakeholder engagement** brings discipline and legitimacy to policy design. By institutionalizing dialogue and feedback, with relevant stakeholders, governments can bring important additional resources to support impact investing strategies and policies. Effective stakeholder engagement ensures that all actors are included, manages expectations, and avoids the development of policies that are unfit for purpose;
3) **Market stewardship** entails holding a holistic vision for impact investing strategies and policies. It focuses on a balanced development of investor interest, investment opportunities, and mechanisms to deliver intended social outcomes. Effective market stewardship sets appropriate levels of regulation and mitigates unnecessary management of market activity;
4) **Institutional capacity** allows for the effective use of resources, adds value to existing policies, and creates the potential for developing innovative strategies and tools that address key social problems. Institutional capacity establishes reliable and resilient markets, and avoids sending mixed signals to investors and civil society on the potential for intended policies to deliver on their promises, and;
5) **Universal transparency** mandates that stated objectives are clear, and progress toward their achievement is openly measured and reported to relevant stakeholders and the public at large. Effective universal transparency enables leadership in public innovation, protects against the risk of real or perceived bias, realistically manages expectations, and empowers citizen participation.

Impact Investment Measurement

Measuring Impact

Social Impact Investment Taskforce. (2014) *Measuring Impact: Subject Paper of the Impact Measurement Working Group.* Social Impact Investment Taskforce.

- Impact measurement is central to the practice of impact investing and vital to the growth of the impact investing market… Effective impact measurement generates value for all impact investment stakeholders, mobilizes greater capital, and increases the transparency and accountability for the impact delivered.
- An impact measurement convention refers to "a standardized impact measurement and reporting system that enhances the availability of material, reliable, comparable, 'additional,' and universal impact data." This convention enables the creation of impact data that will help attract more capital by determining whether an investment has a positive impact on society and the environment as well as quantifying how much impact it creates relative to other analogous investments.
- The impact measurement process involves four broad phases: Plan, Do, Assess and Review… *[GIIN's working group has]* pinpointed seven guidelines – or widely-accepted sets of activities – that underlie the four phases of impact measurement. These seven guidelines provide participants with a model for the effective definition, collection, and analysis of impact data.

	Guideline	Description
Plan	**Set goals**	***Articulate the desired impact of the investments*** Establish a clear investment thesis/Theory of Value Creation[11] (ToVC) to form the basis of strategic planning and ongoing decision making and to serve as a reference point for investment performance
	Develop Framework & Select Metrics	***Determine metrics to be used for assessing the performance of the investments*** Develop an effective impact measurement framework that integrates metrics and outlines how specific data are captured and used; utilize metrics that align with existing standards
Do	**Collect & Store Data**	***Capture and store data in a timely and organized fashion*** Ensure that the information technology, tools, resources, human capital, and methods used to obtain and track data from investees function properly
	Validate Data[12]	***Validate data to ensure sufficient quality*** *Verify that impact data is complete and transparent by cross-checking calculations and assumptions against known data sources, where applicable*
Assess	**Analyse Data**	***Distill insights from the data collected*** Review and analyse data to understand how investments are progressing against impact goals
Review	**Report Data**	***Share progress with key stakeholders*** Distribute impact data coherently, credibly, and reliably to effectively inform decisions by all stakeholders
	Make Data-Driven Investment Management Decisions	***Identify and implement mechanisms to strengthen the rigor of investment process and outcomes*** Assess stakeholder feedback on reported data and address recommendations to make changes to the investment thesis or ToVC

- The extent to which the recommended guidelines are adopted, and the speed at which a long-term impact measurement convention is achieved, will depend on how each stakeholder acts on and contributes to four overarching long-term priorities:
    - Embrace impact accountability as a common value– commit to hold oneself and each other accountable for advancing the intended impact.
    - Apply best practice guidelines– commit to apply the seven guidelines in one's portfolio, deals, and/or organizations.
    - Establish a common language & data infrastructure – commit to align to existing standards and to contribute to the creation of a shared language and data systems.
    - Evolve the field through ongoing learning and adaptation– commit to maximize the utility of organisational- and market-level measurement approaches every step of the way.

Assessing Impact Investing

Harji, K., & Jackson, E. (2012). *Assessing Impact Investing: Five Doorways for Evaluators*. The Rockefeller Foundation.

- Impact investing leaders have built the beginning of an identifiable, connected ecosystem of asset owners, asset managers, demand-side actors (enterprises, projects) and service providers. Moreover, it is an industry that values metrics and measurement, utilizing both qualitative information, such as stories and cases, and quantitative data. Indeed, at both the industry-wide and institutional levels, its discourse and practice on results measurement are purposeful and sophisticated – and increasingly data driven.
- Here we briefly discuss the five "door ways" which evaluators can enter in order to learn more about impact investing and about participating in the conduct of evaluations in this industry.
    1) **Industry Wide Systems-** Much of the energy and creativity in performance assessment in the impact investing industry has been animated by two industry-wide initiatives. The first is the Impact Reporting and Investment Standards (IRIS) system, a project of the non-profit Global Impact Investing Network (GIIN)…Any evaluation work undertaken in the field of impact investing should be informed by and linked to these industry-wide systems. Evaluators should study IRIS and GIIRS in detail.
    2) **Theory of Change -** A concept and tool originating in the field of program evaluation, theory of change, also known as program theory, refers to the construction of an explanatory model that depicts, usually in visual form, the inter-relationships among the logic, resources, assumptions, activities and expected results of an intervention… Evaluators seeking to work in impact investing should prioritize learning how to use theory of change
    3) **Policy Assessment -** Measuring policy influence and effectiveness is a specialized area of evaluation. Assessing the performance of policy initiatives aimed at enabling a larger volume of more effective impact investments requires a thoughtful mix and utilization of evaluation frames and methods…Evaluators should familiarize themselves with the design and implementation of "upstream" and "downstream" components in evaluations of institutional impact investments.
    4) **Sector-based Interventions -** The impact-investing strategy of interventions in entire business sectors within a country or region has seen increasing visibility… Sector-based approaches are likely to be adopted by more key actors in impact investing, and evaluators must be well-prepared to carry out assessments of these interventions.
    5) **Outcome-based Financing Instruments -** in North America and Europe, outcome-based approaches - such as social impact bonds (SIBs) or "pay for success" (PFS) bonds - have emerged as a focus of considerable government interest and experimentation… In particular, "upstream" and "downstream" components, sustainability of outcomes and counterfactual evidence will all be important in the evaluation of outcome-based financing approaches.

Assessing Social Impact

Harji, K., & Jackson, E. (2012). *Measurement that matters: Ten steps for assessing social impact*. The Rockefeller Foundation Evaluation Office

- Measuring social impact remains an important consideration for both investors and investees, and for the legitimacy of the field of impact investing… Taking the measurement of social impact to the next level of maturity remains an important task in building the impact investing field worldwide. In this paper, *[the authors*] recommend that impact investing leaders take ten steps to make this happen
    1) **Clarify the purpose of measurement -** Ensuring that both investors and investees clearly articulate why measurement matters, even if they don't always align, is an important first step
    2) **Test and refine a theory of change -** All parties stand to benefit from a coherent and logical framework that shows how their investment and advice (inputs) can result in products or services (outputs) that, in turn, lead to the realization of specific social objectives (outcomes)… The theory of change must be constantly revised in response to changes in market conditions, to inform the venture as it navigates these dynamics, and to judge its success in doing so.

3) **Make measurement matter to investees** - Investees often report on their social outcomes specifically to meet investor requirements. This often involves selecting a series of metrics that focus on outputs (and increasingly, outcomes) to prove they are meeting their social mission. The best investees go beyond this, by embedding the output and outcome-based measures into all aspects of their business models, so that they can use this data for better product or service design, development and implementation.
4) **Enhance utility and relevance -** By focusing on the ultimate ends of stakeholders and being open to the form that measurement systems may take, investors and investees can improve their chances of selecting and implementing the most appropriate approach for their measurement activities.
5) **Coordinate standardized and customized approaches -** The past few years have seen an upswing in efforts to develop standardized approaches to measurement in the field of impact investing. Most prominent are the efforts to develop a common lexicon and classification of outputs through the Impact Reporting and Investment Standards (IRIS) …and the Global Impact Investment Rating System (GIIRS) …there are many other customized approaches and tools being applied towards social impact measurement.
6) **Manage what you measure** -Impact investments are labelled as such because of their stated commitment to their social mission, and they risk "mission creep" if they choose not to prioritize the collection of key performance indicators that track both social and financial metrics.
7) **Share experiences with peers** - it is important that industry leaders build spaces to allow them to share experiences with each other, and to be honest and collaborative around how to address these challenges.
8) **Broaden stakeholder engagement -** Accountability should also extend to other stakeholders including customers, staff and local communities, among others. Building these groups into a theory of change, and capturing outcomes relevant to them, should be an important consideration as measurement systems advance
9) **Making it happen -** The field needs to demonstrate that impact measurement is a worthwhile and necessary endeavour, by showing that it is valuable and relevant
10) **Balancing measurement priorities-** Striking the balance between robust methodologies and realistic time and resource expectations is critical.

Selected Impact Investment Standard/Measurement Programs

The Global Impact Investing Network (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 focuses on reducing barriers to impact investment so more investors can allocate capital to fund solutions to the world's most intractable challenges. *[The GIIN does this]* by building critical infrastructure and developing activities, education, and research that help accelerate the development of a coherent impact investing industry.

The GIIN's work provides investors industry networks and events, tools and resources for Impact Measurement and Management, training programs for investors and fund managers, industry research, and information about the landscape of impact investing funds.

More information about the GIIN can be found here.

Impact and Reporting Investment Standards (IRIS)
The Impact and Reporting Investment Standards (IRIS) is an initiative of the Global Impact Investing Network (GIIN), a non-profit organization dedicated to increasing the scale and effectiveness of impact investing. Impact investments are investments made into companies, organizations, and funds with the intention to generate social and environmental impact alongside a financial return.

IRIS is offered as a free public good to support transparency, standardization, credibility, and accountability in impact measurement practices across the impact investment industry, and provides a number of metrics for organizations in different industries.

More information about IRIS can be found here.

B-Impact Score
As a standards-based organization, B Lab follows international best practices and guidelines for standards development to ensure the highest levels of effectiveness, fairness and credibility of the B Impact Assessment. This includes having independent oversight of the BIA and releasing new versions on a regular basis to make improvements.

The B Impact Assessment provides a judgment (via an objective, comprehensive rating) on how significant a company's current impact is.

The Assessment is scored out of 200 possible points. The weightings of each question and section depend upon the specific "Assessment track" — determined by industry, size, and geography — of the business taking the Assessment. Any score higher than 0 points is a good score, as a positive score indicates that the company is doing something positive for society and the environment. The Assessment rewards practices that go beyond standard business practice; therefore, every point earned on the Assessment reflects incremental, positive impact.

More information about the B-Impact score can be found here.

Global Reporting Initiative (GRI)
The Global Reporting Initiative (GRI) helps businesses and governments worldwide understand and communicate their impact on critical sustainability issues such as climate change, human rights, governance and social well-being.

The GRI Sustainability Reporting Standards are developed with true multi-stakeholder contributions and rooted in the public interest…Reporting with the GRI Standards supports companies, public and private, large and small,

protect the environment and improve society, while at the same time thriving economically by improving governance and stakeholder relations, enhancing reputations and building trust.

More information about the GRI and GRI standards can be found here.

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- Bugg-Levine, Antony, et al. (2016) *Impact Investing: Transforming How We Make Money While Making a Difference*. Unabridged edition, Audible Studios.
- Nicholls, Alex, et al. (2015)*Social Finance*. Oxford University Press.
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- Trelstad, B. (2016). *Making Sense of the Many Kinds of Impact Investing*. Harvard Business Review.

Curriculum Resources for Teaching Impact Investing

Course Outlines for an MBA-Level Course on Impact Investing

- Impact Entrepreneurship: Creating Sustainable Social Change Through Mission Driven Businesses (Spring 2017), Foster School of Business at University of Washington
- Impact Investing (Spring 2017 MBA), Wharton School of the University of Pennsylvania
- Impact Investing (Spring 2013 EMBA), Columbia Business School
- Impact Investing, Rustandy Center for Social Sector Innovation, Booth School of Business at University of Chicago

- Impact Investing: Social Finance in the 21st Century, Sauder School of Business, University of British Columbia
- Investing for Environmental and Social Impact (Fall 2012), Stern School of Business, New York University
- Investing for Impact (Winter 2017), Rotman Commerce, University of Toronto
- Investing for Impact (MBA), Harvard Business School
- Private Capital for Public Purpose: Impact Investing and its Siblings (Fall 2017) Harvard Business School
- Social Impact Investing (2017 Spring), Sloan School of Management at MIT
- Syllabus for Executive Course: Evaluating Impact Investing in Africa (built for African institutes)

Key Organizations and Institutions Associated With Impact Investing

- Big Society Capital a social investment institution that improves the lives of people in the UK by connecting social investment to charities and social enterprises. Headquarter in London, United Kingdom.
- Bridges Ventures a private fund manager that invests in solutions to pressing social and environmental challenges via strategies in growth businesses, property, social businesses, and outcome contracts. Headquarter in London, United Kingdom.
- Global Steering Group for Social Impact Investing an international partnership of catalysing a global social impact investment market.
- MaRS Centre for Impact Investing a leading force in growing the impact investment market in Canada. It creates innovative ways for investors to fund social enterprises and charities with investments that create both a financial return for them and a dividend for society. Headquarter in Toronto, Canada.
- McConnel Foundation a private Canadian foundation that develops and applies innovative approaches to social, cultural, economic and environmental challenges. The foundation does so through granting and investing, capacity building, convening, and co-creation with grantees, partners and the public. Headquarter in Montreal, Canada.
- Rockefeller Foundation a Global philanthropic fund that pursues innovative finance solutions—the use of financing mechanisms to mobilize private sector capital in new and more efficient and scalable ways to solve social, economic, and environmental problems globally. the term "impact investing" was first coined at The Rockefeller Foundation's Bellagio Center in 2007. Headquarter in New York, United States.
- Social Finance UK a not-for-profit group that partners with the government, the social sector and the financial community to find better ways of tackling social problems in the UK and beyond. Headquarter in London, United Kingdom.
- The Global Impact Investing Network (GIIN) a global network of impact investors, dedicated to increasing its scale and effectiveness around the world. Headquarter in New York, United States.
- Toniic a global action community for impact investors that increase the velocity of money and services into impact investing to address global challenges. Headquarter in San Francisco, United States.
- UBS Group the Sustainable and Impact Investing (SII) supports a positive social or environmental impact as well as achieving compelling financial returns is at the heart of sustainable and impact investing. Headquarter in Basel, Switzerland.

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