



# IMPACT INVESTING

A guide to this dynamic market



Impact investments are investments made into companies, organizations, and funds with the intention to generate social and environmental impact alongside a financial return.

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01

## What is impact investing?

### **impact investments**

im·pact in·vest·ments

**NOUN:** Investments made into companies, organizations, and funds with the intention to generate social and environmental impact alongside a financial return.

Impact investments can be made in both emerging and developed markets, and target a range of returns from below market to market rate, depending on investors' strategic goals.


The growing impact investing market provides capital to address the world's most pressing challenges in sectors such as sustainable agriculture, renewable energy, conservation, microfinance, and affordable and accessible basic services including housing, healthcare, and education.





## 02

## Core characteristics of impact investing

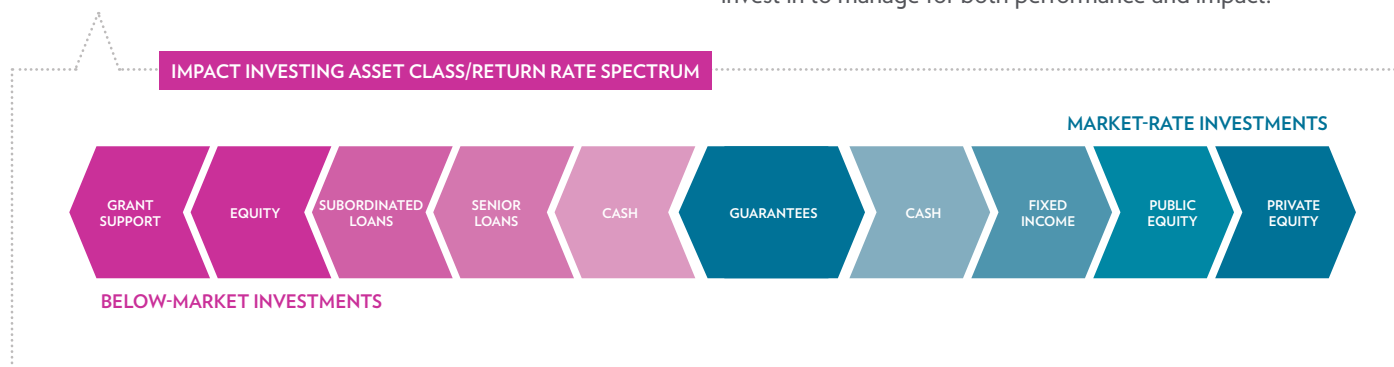
The practice of impact investing is further defined by the following four core characteristics:

 **INTENTIONALITY** An investor's intention to have a positive social or environmental impact through investments is essential to impact investing.

 **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.

 **INVESTMENT WITH RETURN EXPECTATIONS** Impact investments are expected to generate a financial return on capital or, at minimum, a return of capital.

 **IMPACT MEASUREMENT AND MANAGEMENT** 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. Impact measurement helps investors and the companies they invest in to manage for both performance and impact.



## 03

## Why impact investing?

Impact investing challenges the long-held views that social and environmental issues should be addressed only by philanthropic donations, and that market investments should focus exclusively on achieving financial returns.

The impact investing market offers diverse and viable opportunities for investors to advance social and environmental solutions through investments that also produce financial returns.

Many types of investors are entering the growing impact investing market. Here are a few common investor motivations:

- **Banks, pension funds, financial advisors, and wealth managers** can **PROVIDE CLIENT INVESTMENT OPPORTUNITIES** to both individuals and institutions with an interest in general or specific social and/or environmental causes.
- **Institutional and family foundations** can **LEVERAGE SIGNIFICANTLY GREATER ASSETS** to advance their core social and/or environmental goals, while maintaining or growing their overall endowment.
- **Government investors and development finance institutions** can **PROVIDE PROOF OF FINANCIAL VIABILITY** for private-sector investors while targeting specific social and environmental goals.



## 04

## Who is making impact investments?

Impact investing has attracted a wide variety of investors, both individual and institutional.

- Fund managers
- Development finance institutions
- Diversified financial institutions/banks
- Private foundations
- Pension funds and insurance companies
- Family offices
- Individual investors
- NGOs
- Religious institutions



The organizations listed below are among the leading impact investors globally. They comprise the GIIN Investors' Council, a leadership group for active large-scale impact investors.



## GIIN INVESTORS' COUNCIL

THE ABRAAJ GROUP	DEUTSCHE BANK	J.P. MORGAN	PRUDENTIAL
ACCION	DOEN FOUNDATION	THE KRESGE FOUNDATION	RESPONSABILITY INVESTMENTS AG
ACUMEN	ENCLUDE	LEAPFROG INVESTMENTS	THE ROCKEFELLER FOUNDATION
AHL VENTURE PARTNERS	ENTERPRISE COMMUNITY PARTNERS	LGT IMPACT	ROOT CAPITAL
THE ANNIE E. CASEY FOUNDATION	FMO	LOK CAPITAL	SARONA ASSET MANAGEMENT
ATHENA CAPITAL ADVISORS	FORD FOUNDATION	LOMBARD ODIER & CIE	SKOPOS IMPACT FUND
BILL & MELINDA GATES FOUNDATION	GENERATION INVESTMENT MANAGEMENT	THE JOHN D. AND CATHERINE T. MACARTHUR FOUNDATION	SOROS ECONOMIC DEVELOPMENT FUND
THE CALIFORNIA ENDOWMENT	GOLDMAN SACHS URBAN INVESTMENT GROUP	MARGARET A. CARGILL PHILANTHROPIES	THRESHOLD GROUP
CALVERT FOUNDATION	GRAY GHOST VENTURES	MICHAEL & SUSAN DELL FOUNDATION	TIAA
CDC	HERON FOUNDATION	MORGAN STANLEY	TREEHOUSE INVESTMENTS, LLC
CHRISTIAN SUPER	IMPACT COMMUNITY CAPITAL	NATIONAL COMMUNITY INVESTMENT FUND	TRIODOS INVESTMENT MANAGEMENT
CITI FOUNDATION	INTER-AMERICAN DEVELOPMENT BANK GROUP	OMIDYAR NETWORK	UBS
CREDIT SUISSE	INTERNATIONAL FINANCE CORPORATION (IFC)	OVERSEAS PRIVATE INVESTMENT CORPORATION	W.K. KELLOGG FOUNDATION
THE DAVID AND LUCILE PACKARD FOUNDATION			ZURICH INSURANCE GROUP

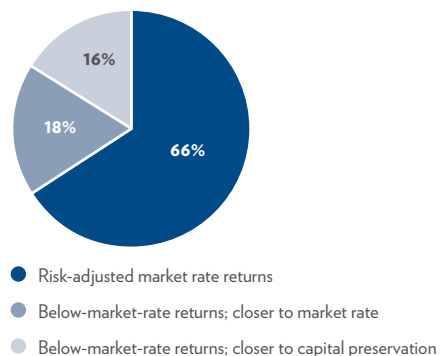


## 05

## How do impact investments perform financially?

Impact investors have diverse financial return expectations. Some intentionally invest for below-market-rate returns, in line with their strategic objectives. Others pursue market-competitive and market-beating returns, sometimes required by fiduciary responsibility. Most investors surveyed in the GIIN's 2017 Annual Impact Investor Survey pursue competitive, market-rate returns.

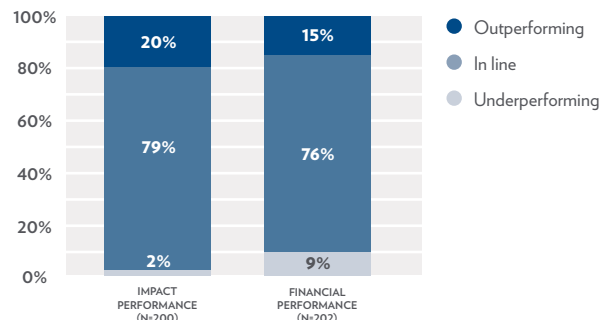
TARGET FINANCIAL RETURNS PRINCIPALLY SOUGHT BY PERCENTAGE OF RESPONDENTS (N=209)



More comprehensive data on financial returns of impact investments are available in the 2015 *Introducing the Impact Investing Benchmark* study, which looks at financial performance of private equity and venture capital impact investments, as well as the second report in the financial performance series, published in May 2017, *The Financial Performance of Real Assets Impact Investments*. Both of the reports were produced in partnership with the global investment advisory firm Cambridge Associates.

PERFORMANCE RELATIVE TO EXPECTATIONS

Number of respondents shown below each bar, some respondents chose "not sure" and are not included.



Source note for both graphics: The GIIN 2017 Annual Impact Investor Survey.

## Global examples of impact investments

These impact investments illustrate the diverse ways that investment capital can be used to generate positive social and/or environmental impact alongside financial returns.





INVESTOR  
**ACTIAM**

INVESTEES  
**Pro Mujer Bolivia**

ACTIAM invests globally for social impact and market rate financial returns, focusing on microfinance and agriculture. Pro Mujer Bolivia is an established microfinance institution that provides credit services, education, and healthcare to poor women in Bolivia. ACTIAM's BOB 21 million (USD 3 million) senior loan made in local currency will provide working capital to the microfinance institution so it can continue to expand its client base.

**SECTOR** Financial Services; Microfinance

**DEAL SIZE** BOB 21 million

**INSTRUMENT** Debt

**TARGETED IMPACT**

Increase access to financial services for poor women.



INVESTOR  
**Calvert Foundation**

INVESTEES  
**Craft3**

Calvert Foundation invests to increase the flow of capital into disadvantaged communities. Craft3 is a nonprofit, non-bank community development financial institution with a mission to strengthen economic, ecological, and family resilience in Pacific Northwest communities of the United States. Calvert Foundation's USD 2 million fixed rate term loan provided capital to Craft3's revolving loan fund, a vehicle which lends to enterprises and individuals making an impact in the community within its target geography.

**SECTOR** Multi-sector

**DEAL SIZE** USD 2 million

**INSTRUMENT** Debt

**TARGETED IMPACT**

Increase economic opportunity in disadvantaged communities.



**INVESTOR**

## The David and Lucile Packard Foundation

**INVESTEES**

### Ecotrust Forests LLC

The David and Lucile Packard Foundation (Packard Foundation) makes grants and program-related investments according to the Foundation's mission, which includes conserving and restoring the earth's natural systems. Ecotrust Forests LLC is an equity fund that manages forestlands for financial, ecological, and social returns. The Packard Foundation's investment of USD 1 million will be used to naturally manage nearly 13,000 acres of forest land, generating financial returns for investors from timber sales, ecological services, and tax credits.

**SECTOR** Environment

**DEAL SIZE** USD 1 million

**INSTRUMENT** Debt

**TARGETED IMPACT**

Demonstrate the economic viability of sustainable forest management.

**INVESTOR**

## Esmée Fairbairn Foundation

**INVESTEES**

### Bridges Social Entrepreneurs Fund

Esmée Fairbairn Foundation works to improve quality of life throughout the United Kingdom. Bridges Social Entrepreneurs Fund aims to address the funding gap often faced by fast-growing social enterprises looking to scale. The foundation invested in the fund to respond to a need for equity-like funding for social enterprises.

**SECTOR** Multi-sector

**DEAL SIZE** GBP 750,000

**INSTRUMENT** Equity

**TARGETED IMPACT**

Catalyze new funding mechanisms to scale high-impact social entrepreneurs.





**INVESTOR**  
**FMO**

**INVESTEES**  
**Clean Energy**

FMO, the Dutch development bank, invests to improve lives and livelihoods across the globe in sectors including energy, food, and water. Clean Energy (CE) was set up to construct and operate the Salkhit Wind Farm in Mongolia. FMO's investment in CE will help to finance the construction of the 50-megawatt wind farm, which is Mongolia's first and is projected to supply up to 5% of the country's electricity.

**SECTOR** Energy

**DEAL SIZE** EUR 26.7 million

**INSTRUMENT** Debt; Equity

**TARGETED IMPACT**

Increase renewable energy use and access in emerging markets in Asia.



**INVESTOR**  
**Gray Ghost DOEN Social Ventures Coöperatief**

**INVESTEES**  
**Beam Money Private Limited**

Gray Ghost DOEN Social Ventures Coöperatief was founded to provide capital to developing world, early-stage enterprises that innovatively apply proven technologies to serve underserved populations. Beam Money Private Limited (Beam) is an Indian mobile payment services company that enables subscribers to make electronic payments without the need for a bank account. The start-up equity investment allowed Beam to develop a franchise business model to accelerate its geographic expansion and develop new services.

**SECTOR** Financial Services

**DEAL SIZE** USD 3.25 million

**INSTRUMENT** Equity

**TARGETED IMPACT**

Increase access to financial transaction services for the unbanked.



**INVESTOR**

LeapFrog Investments

**INVESTEES**

AllLife

LeapFrog Investments (LeapFrog) invests in companies that provide health and financial services to emerging consumers in Africa and Asia. AllLife is a South African insurer, the first of its kind dedicated to profitably providing affordable life insurance to HIV-positive and diabetic clients. LeapFrog Investments' ZAR 50 million (USD 6.7 million) equity investment in AllLife enabled the company to accelerate growth, expand its team and operations, introduce new products, and increase insurance coverage of HIV-positive and diabetic individuals.

**SECTOR** Financial Services

**DEAL SIZE** ZAR 50 million

**INSTRUMENT** Equity

**TARGETED IMPACT**

Provide safety nets and springboards to low-income and vulnerable people through access to health and financial services.

**INVESTOR**

Root Capital

**INVESTEES**

The Savannah Fruits Company

Root Capital is a nonprofit financial institution that provides finance to agricultural businesses in Africa and Latin America. The Savannah Fruits Company is a Ghanaian company that produces shea butter for export and improves livelihoods for rural women by providing a stable, well-paying market outlet for raw shea nuts. Root Capital's trade finance loans remove cash flow barriers and allow the company to source the butter in large volumes, enabling the business to grow, incorporate more women suppliers, and pay their suppliers a premium over the market price.

**SECTOR** Agriculture

**DEAL SIZE** USD 230,000

**INSTRUMENT** Debt

**TARGETED IMPACT**

Enhance livelihoods for rural women.



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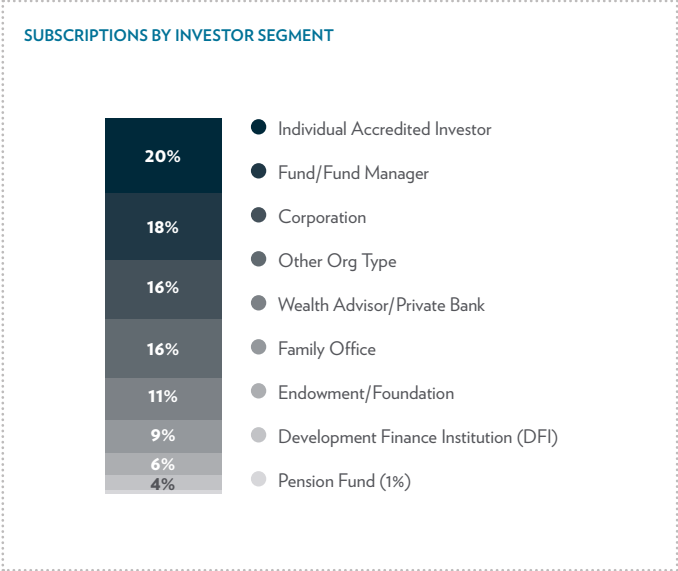
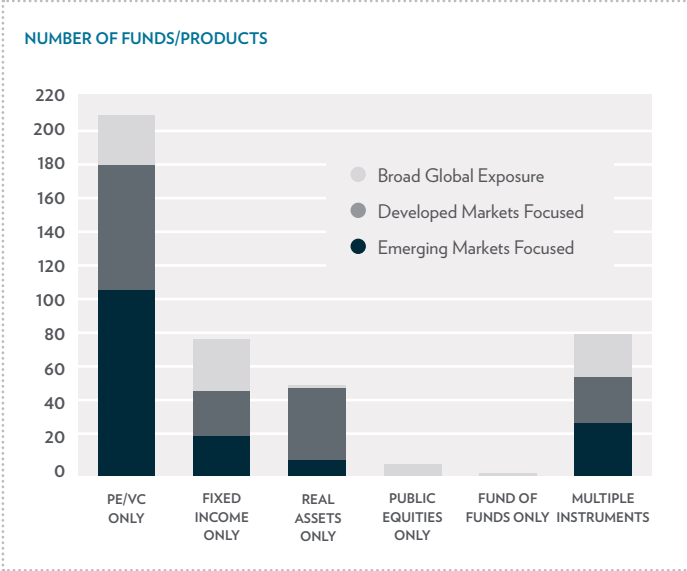
## Impact investing funds

Many impact investors choose to invest through funds whose social, environmental, and financial goals match their own. Managed by the GIIN, ImpactBase (impactbase.org) is the online global directory where investors go to find impact investment products.



**IMPACTBASE**

ImpactBase has over 3,000 accredited investor subscribers, and lists over 425 investment products with significant diversity across asset classes and global regions.



Source note: ImpactBase, data as of August 2017.

## How big is the impact investing market?

Impact investing is a relatively new term, used to describe investments made across many asset classes, sectors, and regions. As a result, the market size has not yet been fully quantified. However, the aggregate assets noted below indicate that the market is substantial, with significant potential for growth.

### ANNUAL SURVEY

In May 2017, the GIIN published the seventh edition of its *Annual Impact Investor Survey*, which included data on aggregate impact investing activities of the respondents.

**\$114 billion**

COLLECTIVELY 208 RESPONDENTS REPORTED MANAGING A TOTAL OF USD 114 BILLION IN IMPACT ASSETS.

**\$22.1 billion**

205 INVESTORS COMMITTED MORE THAN USD 22 BILLION TO IMPACT INVESTMENTS IN 2016, AND ANTICIPATED COMMITTING 17% MORE—USD 25.9 BILLION—IN 2017.



### IMPACT INVESTING TRENDS: EVIDENCE OF A GROWING INDUSTRY

The GIIN's report on *Impact Investing Trends: Evidence of a Growing Industry*, which gathered data from 61 investors for the three-year period from 2013–2015, found impact investment assets under management grew by 18% per annum.





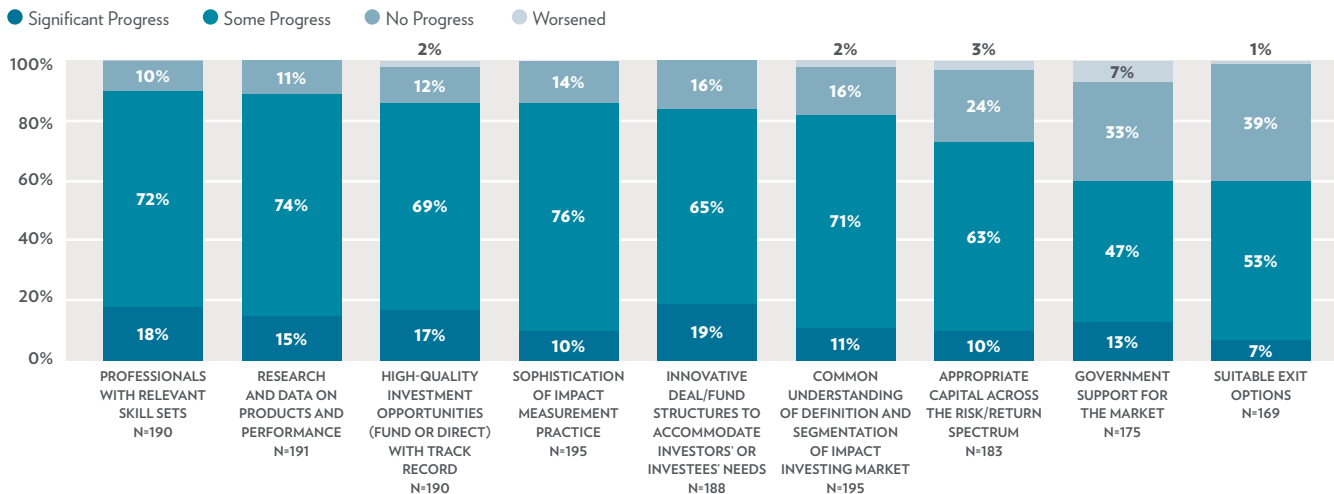
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## What is the current state of the impact investing market?

While some investors have been making impact investments for decades, recently there has emerged a new collaborative international effort to accelerate the development of a high-functioning market that supports impact investing. While this market is still relatively new, investors are optimistic overall about its development and expect increased scale and efficiency in the future. Impact investors generally recognize broad progress across key indicators of market growth...

### PROGRESS ON INDICATORS OF MARKET GROWTH

Number of respondents is shown below each indicator; some respondents chose 'not sure,' and their responses are not considered here. Ranked by percent selecting 'some progress' or 'significant progress.'

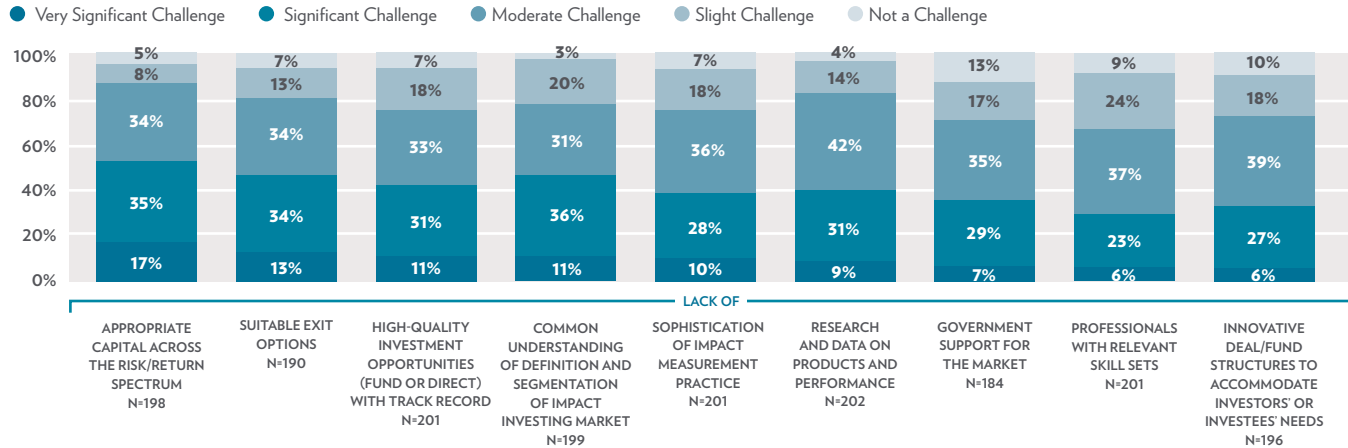


Source note: The GIIN 2017 Annual Impact Investor Survey.

... but also acknowledge that some challenges remain.

### CHALLENGES TO THE GROWTH OF THE IMPACT INVESTING INDUSTRY

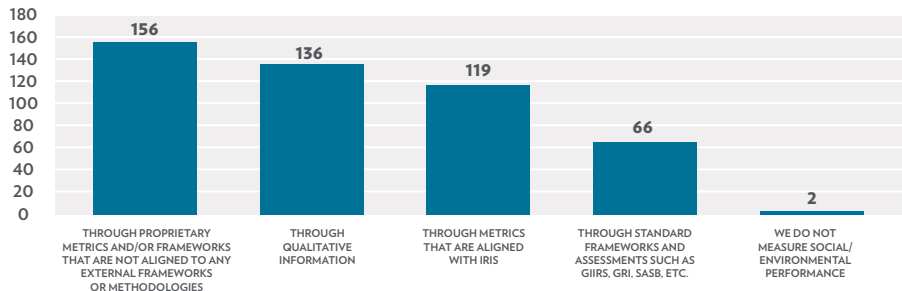
Number of respondents for each option shown below each column; some respondents chose 'not sure,' and their responses are not included. Ranked by percent selecting 'very significant progress.'



Source note: The GIIN 2017 Annual Impact Investor Survey.

### HOW SOCIAL/ENVIRONMENTAL PERFORMANCE IS MEASURED

n=209; respondents could select multiple options. Number of respondents selecting each option shown above each bar.



Respondents that said they do not measure their social/environmental performance noted that they invest in companies whose impact is embedded in their products and services.

Source note: The GIIN 2017 Annual Impact Investor Survey.

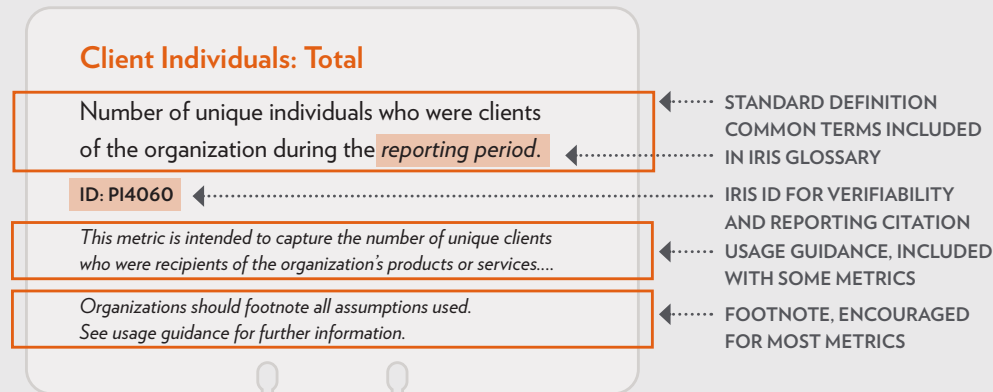
## Impact Measurement and Management

Impact investors overwhelmingly use metrics to measure and manage social and environmental performance, and widely view standardized metrics as important for market development.

Impact measurement increases transparency and accountability in impact investing. To support credible impact measurement, the GIIN provides as a public good the IRIS catalog of generally-accepted metrics to measure social, environmental, and financial performance. Because they enable consistent performance measurement across impact investments and the impact investing market broadly, IRIS metrics support basic investor activities such as due diligence and portfolio management, while enabling performance comparisons and data aggregation, strengthening the field as a whole.



### THIS IS AN EXAMPLE OF AN IRIS METRIC



THESE ARE ALSO IRIS METRICS

**School Enrollment: Total**

Number of students enrolled as of the end of the reporting period, both full-time and part-time, where each discrete student is counted regardless of number of courses.

ID: PI2389

**USER EXAMPLE**

A foundation providing real estate financing to US charter schools

**Product/Service Certifications**

Describes third-party *certifications* for products/services sold by the organization that are valid as of the end of the reporting period.

ID: PD2756

**USER EXAMPLE**

A pension fund investing in fair trade agriculture

**Permanent Employees: Total**

Number of people employed by the organization as of the end of the reporting period. This is the sum of all paid *full-time* and *part-time* employees.

ID: OI8869

**USER EXAMPLE**

A government investing in growing businesses that employ indigenous populations

**Water Provided for Sale: Potable**

Volume of *potable* water provided and delivered to off-taker(s) during the reporting period.

ID: PI8043

**USER EXAMPLE**

A fund manager whose portfolio includes a business that installs community water pumps in rural India

**Greenhouse Gas Emissions: Total**

Amount of *greenhouse gases* (GHG) emitted through the organization's operations during the reporting period. This should include GHG emissions from *direct* and *indirect* sources.

Organizations should footnote calculations and assumptions.

ID: OI1479

**USER EXAMPLE**

A private wealth manager offering a carbon-neutral portfolio to individual and institutional clients

Visit [iris.thegiin.org](http://iris.thegiin.org) to access the IRIS catalog, reference more than 200 IRIS user profiles, and browse IRIS metrics recommended by expert groups for specific sectors.

# Performance Analysis

Using performance data voluntarily and anonymously contributed by more than 4,500 organizations receiving or seeking impact investment capital, the GIIN has published IRIS Data Briefs, which provide glimpses into the aggregate performance of impact investment portfolio companies. All IRIS Data Briefs are available online at [iris.thegiin.org/research](http://iris.thegiin.org/research).

The collage displays several pages from the IRIS Data Briefs, including:

- IRIS DATA BRIEF**: The main title page, featuring the IRIS and GIIN logos and a brief introduction to the data.
- OVERVIEW**: A summary page with key statistics:
  - 4,090 NUMBER OF CONTRIBUTING ORGANIZATIONS
  - 128 NUMBER OF COUNTRIES
  - 15 NUMBER OF SECTORS
- CHARACTERISTICS OF ALL CONTRIBUTING ORGANIZATIONS**: A page with key metrics:
  - 264.9 BILLION Total Revenue (USD)
  - 131.6 MILLION Total Employees
  - 609,076 Total Permanent Employees
- PERMANENT EMPLOYEES OVERVIEW**: A page with a bar chart showing the distribution of permanent employees across sectors and regions.
- PERMANENT EMPLOYEES BY REGION**: A page with a bar chart showing the distribution of permanent employees across regions.
- CONTRIBUTING ORGANIZATIONS BY SECTOR AND REGION**: A table showing the number of organizations by sector and region.
 

Region	Manufacturing	Healthcare	Information Technology	Consumer Goods	Financial Services	Other	Total
AMERICAS	18	12	15	24	11	10	416
EMERGING MARKETS	4	1	1	1	1	1	28
EUROPE	1	1	1	1	1	1	15
ASIA	1	1	1	1	1	1	15
Africa	1	1	1	1	1	1	15
EUROPEAN COUNTRIES	1	1	1	1	1	1	15
AMERICAS	10	10	10	10	10	10	1,100
EMERGING MARKETS	4	1	1	1	1	1	54
EUROPE	1	1	1	1	1	1	9
ASIA	1	1	1	1	1	1	129
Africa	1	1	1	1	1	1	12
EUROPEAN COUNTRIES	1	1	1	1	1	1	12
AMERICAS	1	1	1	1	1	1	8
EMERGING MARKETS	1	1	1	1	1	1	3
EUROPE	1	1	1	1	1	1	133
ASIA	1	1	1	1	1	1	3,874
- IMPACT OBJECTIVES REPORTED**: A table showing the number of organizations reporting various impact objectives.
 

Objective	Count
ENVIRONMENTAL PROTECTION	239
COMMUNITY DEVELOPMENT	238
CONSUMER PROTECTION	238
QUALITY OF LIFE	238
EMPLOYMENT	238
ENVIRONMENTAL PROTECTION	238
COMMUNITY DEVELOPMENT	238
CONSUMER PROTECTION	238
QUALITY OF LIFE	238
EMPLOYMENT	238
- KEY FINDINGS**: A section with text boxes providing insights into the data, such as the geographic distribution of organizations and the focus on employment.
- HOW TO READ THE CHARTS**: A guide explaining the symbols and scales used in the data visualizations.

## Where can I go for more information?

This impact investing guide is a publication of the Global Impact Investing Network (GIIN), the leading nonprofit organization dedicated to increasing the scale and effectiveness of impact investing around the world. The GIIN builds critical market infrastructure and supports activities, education, and research that help accelerate the development of the impact investing field. For more information, please visit [www.thegiin.org](http://www.thegiin.org).

For the latest impact investing news, events, and insights, follow the GIIN on Twitter [@theGIIN](https://twitter.com/theGIIN) and visit the GIIN's website to sign up to receive our newsletter.

If your organization is interested in deepening its engagement with the impact investing market by joining a global community of like-minded peers, please consider GIIN membership. To learn more about membership and to access interviews with leading impact investors, research from the field, and more examples of impact investments, visit [www.thegiin.org](http://www.thegiin.org).

### IRIS

IRIS is the catalog of generally-accepted performance metrics that leading impact investors use to measure social, environmental, and financial success, evaluate deals, and grow the credibility of the impact investing industry. [iris.thegiin.org](http://iris.thegiin.org)

### GIIN Training Program

The GIIN training program offers practical coursework for investors looking to develop and deepen their practice, especially in the area of impact measurement and management. [thegiin.org/training](http://thegiin.org/training)

### ImpactBase

ImpactBase is the GIIN's searchable, online database of impact investment funds and products designed for investors. Fund or product profiles on ImpactBase gain exposure to the global impact investing community. [impactbase.org](http://impactbase.org)

### Career Center

The GIIN Career Center is a source for job openings from members of the GIIN Investors' Council and other impact investing leaders. [jobs.thegiin.org](http://jobs.thegiin.org)





### ABOUT THE GLOBAL IMPACT INVESTING NETWORK

The Global Impact Investing Network (GIIN) is a nonprofit organization dedicated to increasing the scale and effectiveness of impact investing around the world. The GIIN builds critical infrastructure and supports activities, education, and research that help accelerate the development of a coherent impact investing industry. For more information, see [www.thegiin.org](http://www.thegiin.org).

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