



THE STATE OF IMPACT MEASUREMENT AND MANAGEMENT PRACTICE

SECOND EDITION

Acknowledgments

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ABOUT THE GLOBAL IMPACT INVESTING NETWORK (GIIN)

The Global Impact Investing Network (GIIN) is the global champion of impact investing, dedicated to increasing the scale and effectiveness of impact investing around the world. 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.

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We see impact performance becoming a powerful differentiator and a meaningful new dimension of overall performance for all types of investing.”



Letter from the CEO

Dear reader,

The clock is ticking in our race against time. This year marks the fifth anniversary of the adoption of the United Nations Sustainable Development Goals and the Paris Climate Accord. So far, our progress has been insufficient: some major metrics of global development have actually worsened, and not a single developed country is on track to meet its climate commitment. Meanwhile, public trust is fraying in the very institutions that might guide us in addressing these pressing issues. Our time for action is growing shorter.

As that clock ticks, the GIIN envisions a very different type of race in the investment marketplace: a race to the top. We see impact performance becoming a powerful differentiator and a meaningful new dimension of overall performance for all types of investing. In time, we expect that competition on impact performance will drive progress—feeding a virtuous cycle that does, in fact, move the needle on our world’s deepest challenges.

In this way, the industry’s push toward robust impact measurement and management (IMM) does more than define the market as it is today. Current impact investors are also shaping the way that a much broader set of investors will account for their impact for years into the future.

With that more expansive future in mind, this second edition of *The State of Impact Measurement and Management Practice* report presents the most comprehensive view of IMM to date. More respondents than ever took part in this survey, providing extensive data and fresh evidence that point to a maturing market. For the first time, we are also able to compare progress against a baseline established two years ago by the first edition of this report.

Our research reveals a historic shift worth celebrating: the old focus on building buy-in around the importance of IMM has evolved into a new focus on integrating IMM into all investment processes. Almost universally, investors report that IMM leads to real impact benefits, and more than nine in ten respondents cite it as a key process for enhancing business value.

But this report also finds that some issues that have dogged IMM practice for years still linger. Impact investors continue to hunger for better impact performance comparability. That improved comparability—driven by a shared set of standardized metrics, such as those laid out in the IRIS+ system—would allow distinctions to be made from investment to investment and allow for deeper understandings of impact within a particular context. It would also simplify a wide range of considerations that impact investors regularly face, from investment screening and selection to investment management.

The GIIN is convinced that strong focus on impact performance will lay an essential foundation for long-term, sustainable growth in impact investing. We are engaging our network to drive the industry’s conversation about its impact results and building out infrastructure that allows those results to be compared. We invite you to join us.

Eventually, we believe that investors will compare impact performance in much the same way that they compare financial performance right now. Those comparisons will push the industry toward greater accountability and drive even deeper impact—a race to the top with potential to make real progress on our most pressing global goals before the clock runs out.

Amit Bouri
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278

Impact Investor
Respondents

Methodology

This report captures data from 278 impact investors collected via a survey distributed between July and September 2019. Respondents answered questions about how they measure, manage, and report their impact.

INCLUSION CRITERIA

All survey respondents represent impact investing organizations with meaningful experience in this field, as defined by two key inclusion criteria determining survey eligibility: (1) respondent organizations have either committed at least USD 10 million to impact investments since their inception and/or made at least five impact investments; (2) respondent organizations actively measure the social and/or environmental performance of their investments. The Research Team also provided respondents with the GIIN's definition of impact investing (see Appendix 2), according to which respondents self-reported their eligibility as impact investors.

SAMPLE OVERLAP WITH PREVIOUS SURVEYS

This is the second edition of this survey; the sample has somewhat changed from the first edition, published in 2017. When comparing findings between this report and those of the first edition, the changing sample should be kept in mind. Of the 278 respondents to this year's survey, 109 also responded in 2017 (out of 169 respondents to the first edition in total). The Research Team analyzed this sub-sample of repeat respondents to assess two-year trends in Impact Measurement and Management (IMM) activity.

DATA ACCURACY

While the Research Team conducted basic data checks and sought clarification as appropriate prior to analysis, all information in this report is based on self-reported data. Respondents were instructed to complete the survey with respect only to their impact investing portfolios.

DATA RECODING

A small handful of survey questions requested free-form answers from respondents. To extract the full extent of insights shared in these written responses, where underlying meanings were unambiguous, the Research Team recoded these free-form responses into more uniform categories or themes.

TARGET FINANCIAL RETURNS

To understand respondents' financial returns expectations, the Research Team cross-referenced data submitted to the GIIN's 2019 *Annual Impact Investor Survey*.¹ Of the 278 respondents to this survey, 177 also participated in the 2019 Annual Survey and had thus provided the GIIN with data on their target financial returns (market-rate or below-market-rate).

¹ See the GIIN's 2019 Annual Impact Investor Survey. Abhilash Mudaliar, Rachel Bass, Hannah Dithrich, and Noshin Nova. [2019 Annual Impact Investor Survey](#) (New York: The GIIN, June 19, 2019).

ANALYZING DATA BY SUB-GROUP TO EXTRACT NOTABLE FINDINGS

Most findings presented in this report aggregate the responses of all 278 impact investors in the sample. The report also presents statistically significant differences (at the 90% confidence level) in responses by respondent sub-group (Table i), such as investors with a large majority of their capital allocated to a particular asset class or geography.

Table i: Respondent sub-groups referenced in the report

Sub-group	Sub-group definition	Number of respondents
EM-HQ Investors	Respondents headquartered in emerging markets	46
DM-HQ Investors	Respondents headquartered in developed markets	227
EM-Focused Investors	Respondents that allocate $\geq 75\%$ of their current impact investment assets under management (AUM) to emerging markets	117
DM-Focused Investors	Respondents that allocate $\geq 75\%$ of their current impact investment AUM to developed markets	117
Private Debt Investors	Respondents that allocate $\geq 75\%$ of their current impact investment AUM to private debt	76
Private Equity Investors	Respondents that allocate $\geq 75\%$ of their current impact investment AUM to private equity	79
Real Assets Investors	Respondents that allocate $\geq 75\%$ of their current impact investment AUM to real assets	16
Market-Rate Investors	Respondents that principally target risk-adjusted, market-rate returns	116
Below-Market Investors	Respondents that principally target below-market-rate returns, some closer to market-rate and some closer to capital preservation	61
Direct Investors	Respondents that allocate $\geq 75\%$ of their current impact investment AUM directly into companies, projects, or real assets	216
Indirect Investors	Respondents that allocate $\geq 75\%$ of their current impact investment AUM indirectly into funds or other investment intermediaries	35
Small Investors	Respondents managing \leq USD 100 million in impact investing assets	151
Medium Investors	Respondents managing $>$ USD 100 million and \leq USD 500 million in impact investing assets	65
Large Investors	Respondents managing $>$ USD 500 million in impact investing assets	59
Social and Environmental Investors	Respondents whose primary impact objectives are both social and environmental	160
Primarily Social Investors	Respondents whose primary impact objective is social	98
Primarily Environmental Investors	Respondents whose primary impact objective is environmental	20

Source: GIIN, *The State of Impact Measurement and Management Practice, Second Edition*

REGION AND ORGANIZATION CODES

Regions referenced in the report are given shorter names for brevity, where appropriate (Table ii). The survey instrument did not offer region definitions or lists of countries by region, so responses reflect respondents' interpretations of each region's boundaries.

Table ii: Region codes

Code	Name of region
DM	Developed Markets
East Asia	East Asia
Oceania	Oceania
U.S. & Canada	United States and Canada
WNS Europe	Western, Northern, and Southern Europe
EM	Emerging Markets
EECA	Eastern Europe, Russia, and Central Asia
LAC	Latin America and the Caribbean (including Mexico)
MENA	Middle East and North Africa
Southeast Asia	Southeast Asia
South Asia	South Asia
SSA	Sub-Saharan Africa

Source: GIIIN, *The State of Impact Measurement and Management Practice, Second Edition*

Executive Summary

This report presents the second edition of the GIIN's global survey of the state of impact measurement and management (IMM) practice across the impact investing industry. Impact investors share several core characteristics, including the intention to pursue impact alongside financial return, the use of evidence and impact data in investment design, and the commitment to measure and manage impact. These characteristics manifest throughout this report, as investors describe their varying objectives and motivations, strategies for understanding and improving their impact results, processes for holding themselves and their investees accountable, and various other elements of their IMM practices. Findings reflect the growing sophistication and maturation of IMM since the first edition, published in 2017, as IMM becomes increasingly integrated into investment processes and increasingly focused on impact results.

KEY FINDINGS

- 1 While impact investors pursue diverse impact objectives, they universally agree on the importance of measuring and managing impact results.
- 2 Across the market, IMM practices have grown increasingly sophisticated as investors shift from building consensus for IMM to strengthening its integration within investment processes.
- 3 As the market grows and matures, impact investors increasingly demand insight into impact performance.
- 4 Impact measurement and management incurs some costs—yet also generates financial benefits.

1 While impact investors pursue diverse impact objectives, they universally agree on the importance of measuring and managing impact results.

The investors in this sample have impact objectives spanning both social and environmental goals across a wide range of impact categories. The most commonly targeted impact themes or sectors include employment (71%), agriculture (63%), and financial services (62%). Socially focused impact investors seek to affect multiple target stakeholders through these investments, including individuals within a given socioeconomic bracket (82%), women and girls (65%), and unemployed individuals (47%), among others. Similarly, investors pursuing environmental objectives also target a range of ecoregions, most commonly terrestrial (91%), air (64%), and freshwater (61%).

Yet no matter their impact objectives and target sectors, themes, or stakeholders, impact investors value IMM for both impact and business reasons. Nearly universally, respondents said that IMM is important for understanding whether they are making progress toward their impact goals (100% indicating 'very' or 'somewhat' important; Figure i), improving their impact performance (99%), and proactively reporting impact to key stakeholders (98%). Interestingly, a significant share also cited IMM as a key process for capturing business value (93%), marketing or fundraising (92%), and addressing client demand for impact information (80%). Together, these various motivations highlight how impact data serve multiple purposes within a firm, advancing both impact and financial objectives.

ABOUT THE SAMPLE

278 respondents

109 two-year repeat respondents

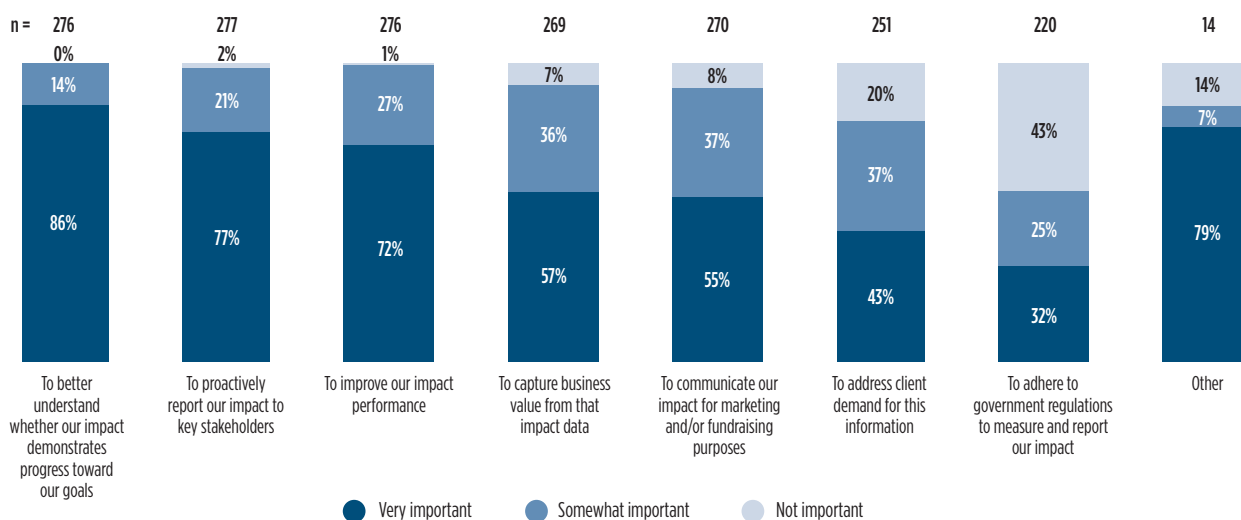
Organization types: 67% of respondents identify as fund managers, 9% as foundations, and 5% as DFIs. The rest identify as other types of organizations.

Headquarters location: 82% of respondents are headquartered in developed markets; 16% are headquartered in emerging markets.

Target financial returns: 66% of respondents target market-rate returns, while 20% target below-market returns closer to market rate, and 15% target below-market returns closer to capital preservation.

Figure i: Reasons for measuring and managing impact

Number of respondents shown above each answer option. Those respondents who chose 'not sure/not applicable' have not been included.



Note: 'Other' motivations include to adhere to certification schemes, to demonstrate the value of a dual mission, to gather data on impact progress, and to promote learning and awareness.
 Source: GIIN, *The State of Impact Measurement and Management Practice, Second Edition*

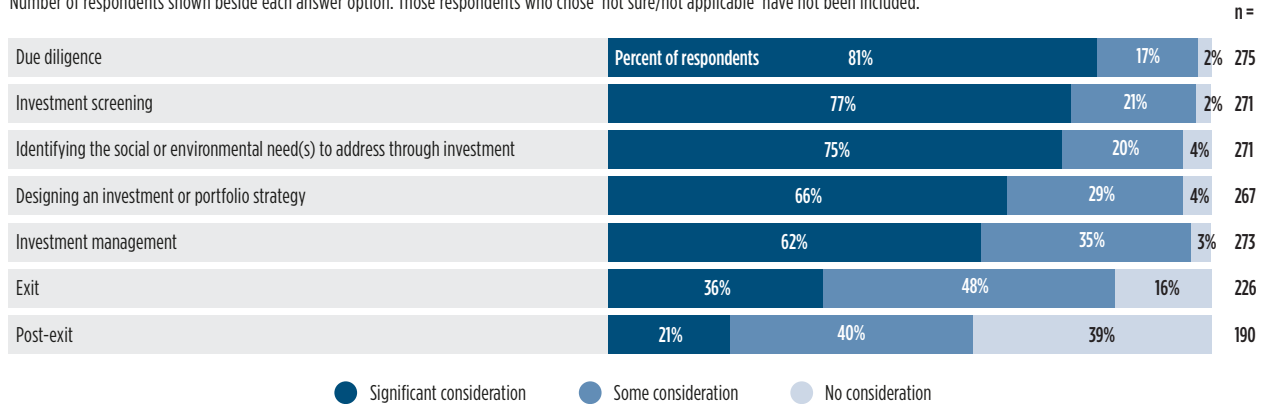
2 Across the market, IMM practices have grown increasingly sophisticated as investors shift from building consensus for IMM to strengthening its integration within investment processes.

Increasingly, as buy-in for impact investing and IMM become widespread, impact investors are shifting their attention to strengthening their impact management and investment processes. Growing recognition of the value of IMM extends across investees, impact investing staff, and investors, and donors. For example, the share of repeat respondents that perceive intrinsic motivations to achieve impact among their investees nearly doubled between 2017 and 2019, growing from 34% to 64%. The share citing intrinsic motivations among their staff grew from 46% to nearly 85% over the same period. Among the full sample of respondents, 95% report 'some' or 'significant' progress in the level of understanding among their investors or donors for IMM practice and reporting.

Respondents are also committed to embedding IMM in their investment processes. To do so, many impact investors incorporate IMM responsibilities into roles across their impact investing teams; on average, one-third of respondents' full-time employees contribute, in some form, to IMM. Specifically, responding organizations allocate IMM responsibilities to their investment teams (68%), to staff dedicated to IMM (50%), and to their senior leadership (39%). IMM is also integrated into the investment process itself, with respondents considering impact data across each stage, most commonly during due diligence (81% indicating 'significant consideration'; Figure ii), investment screening (77%), and identifying the social or environmental needs to address through investment (75%).

Figure ii: Consideration of impact data at each stage of the investment process

Number of respondents shown beside each answer option. Those respondents who chose 'not sure/not applicable' have not been included.



Source: GIIN, *The State of Impact Measurement and Management Practice, Second Edition*

The vast majority of respondents (90% or more) noted some progress in the past three years on the availability of guidance for IMM, sophistication of IMM tools and frameworks, and availability of professionals with IMM-relevant skillsets. Alongside the increased availability and uptake of these tools and resources, investors increasingly call for greater cohesion of approaches to IMM. Indeed, since 2017, repeat respondents increased their use of nearly every impact measurement tool and framework referenced on both the 2017 and 2019 surveys, underlining both the increased fragmentation in IMM practice and investors' demand for rigorous IMM resources and processes. Still, investors are beginning to coalesce around certain tools; for example, almost twice as many repeat respondents aligned to the SDGs in 2019 compared to 2017 (80% versus 43%).

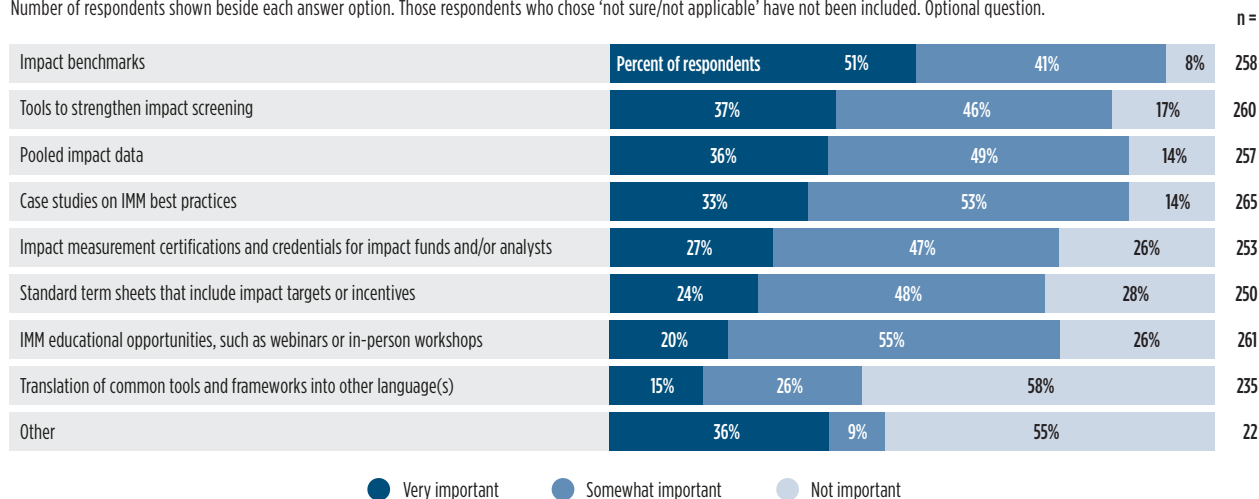
3 As the market grows and matures, impact investors increasingly demand insight into impact performance.

Most respondents in the sample already use their own impact data to assess their impact performance (87%). Nearly universally, respondents report on their impact performance in some form or another, most commonly through impact reports available to key stakeholders, such as donors or investors (74%), or through publicly available reports (49%). While individual organizations are understanding and reporting their own impact results, gaps remain in the availability of market-level insights and comparable impact results.

Investors cited a lack of transparency on impact performance as a key challenge facing the market (89% citing as 'significantly' or 'moderately' challenging). Similarly, the most commonly faced challenge at the organizational level was the inability to compare impact results with market performance (84%); high proportions also noted challenges regarding collecting quality data (92%) and aggregating, analyzing, or interpreting data (74%). As investors look to strengthen their IMM practice, they are demanding resources aligned with their call for market-wide insights into impact performance, most commonly impact benchmarks (92% citing as 'very' or 'somewhat' important; Figure iii), pooled impact data (86%), case studies on IMM best practices (86%), and tools to strengthen impact screening (83%). As the impact investing market develops, it faces a new set of challenges that reflect increased maturity, the resulting rise in competition, and a corresponding need for investors to differentiate themselves from their peers. Each of these challenges reinforces the value of resources that can enhance investors' understanding of their own impact results and those of their peers.

Figure iii: Importance of resources to advancing the practice of IMM

Number of respondents shown beside each answer option. Those respondents who chose 'not sure/not applicable' have not been included. Optional question.



Note: 'Other' includes an assortment of tools and ideas, such as government legislation to mandate standardized IMM frameworks and reporting; use of technology to enhance data analytics and drive decision-making; less complexity in the IMM industry; increased capital and human resources, including funding opportunities; and case studies specifically on setting and managing impact targets, including negative impact.

Source: GIIN, *The State of Impact Measurement and Management Practice, Second Edition*

4 Impact measurement and management incurs some costs—yet also generates financial benefits.

To measure and manage impact requires some allocation of resources, including both budget and staff time. On average, impact investors spend an estimated 12% of their organization's total budget on IMM-related activities, with the greatest share spent on data collection (on average 25% of IMM-related expenditure) and reporting (24%). Notably, gauging separate, specific budget allocations for IMM was challenging for some investors that deeply integrate IMM into their investment processes. As described earlier, IMM is often a shared responsibility across staff at an investor organization, accounting for an average of 25% of impact investing staff time.

While IMM incurs costs, it also generates additional business value for both investors and investees. Respondents indicated using impact data in a variety of ways within the investment process, including uses directly related to organizations' financial strength, such as communicating results to stakeholders (89%) and assessing risk factors (45%). Respondents also used impact data to strengthen IMM processes and improve impact results by identifying or refining metrics (69%), setting or revising impact goals (65%), and strengthening data-collection processes (62%). Respondents further described ways that impact data contribute to investees' business or project performance by identifying opportunities for technical assistance (53%), designing or refining investees' products or services (52%), and strengthening marketing strategies (46%). Since impact is core to impact investing, respondents perceived their and their investees' achievement of impact results as essential to realizing their organizational missions and therefore as key indicators of their businesses' success.

Sample characteristics

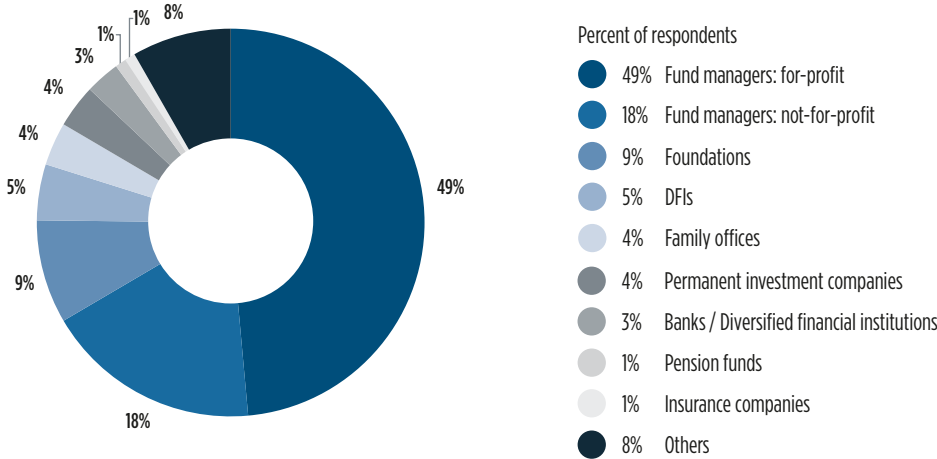
In total, 278 organizations participated in the second edition of the GIIN's *State of Impact Measurement and Management Practice* survey. This section describes various characteristics of the sample.

ORGANIZATION TYPE

Fund managers comprised 67% of the sample, with 49% of all respondents identifying as for-profit fund managers and 18% identifying as not-for-profit fund managers (Figure 1). Foundations made up 9% of respondents, and government-backed development finance institutions (DFIs) made up another 5%.

Figure 1: Organization types

n = 278



Note: 'Other' organizations include endowments, corporations, sovereign development funds, investment advisors, cooperatives, international non-governmental organizations, social enterprises that also invest, and some Community Development Financial Institutions.

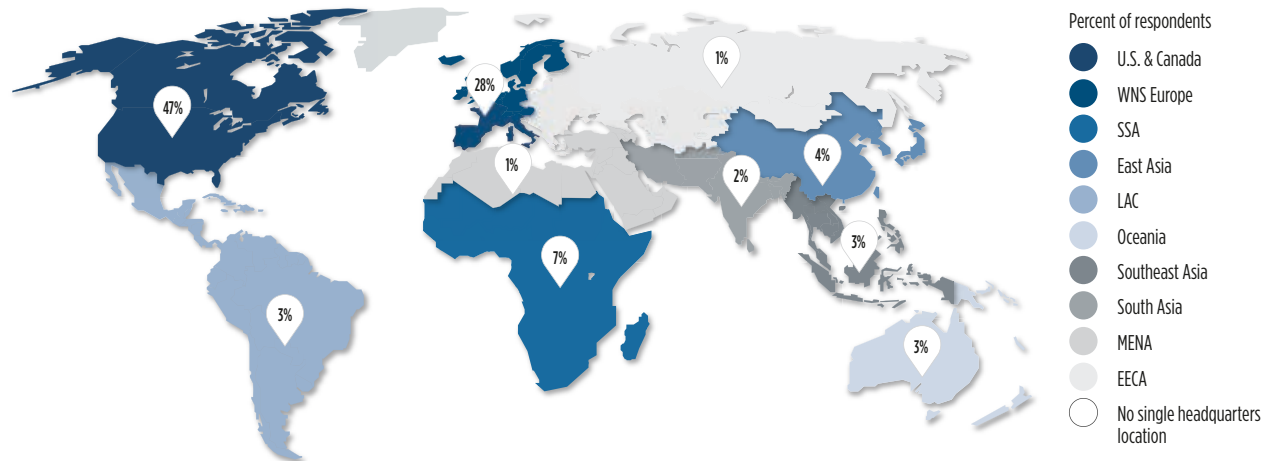
Source: GIIN, *The State of Impact Measurement and Management Practice, Second Edition*

HEADQUARTERS LOCATION

A wide majority of respondents (82%) are headquartered in developed markets; nearly half are based in the U.S. & Canada (47%) and 28% are based in WNS Europe (Figure 2). More than half of the remaining sample (18%) based in emerging markets is headquartered in SSA (7%) and LAC (3%). Although respondents are largely headquartered in developed markets, the sample is evenly split among those investing primarily in developed markets and those investing primarily in emerging markets; equal proportions of the sample (42%) focus their impact investing activity in either emerging or developed markets, while the rest allocate capital globally.

Figure 2: Headquarters location

n = 278



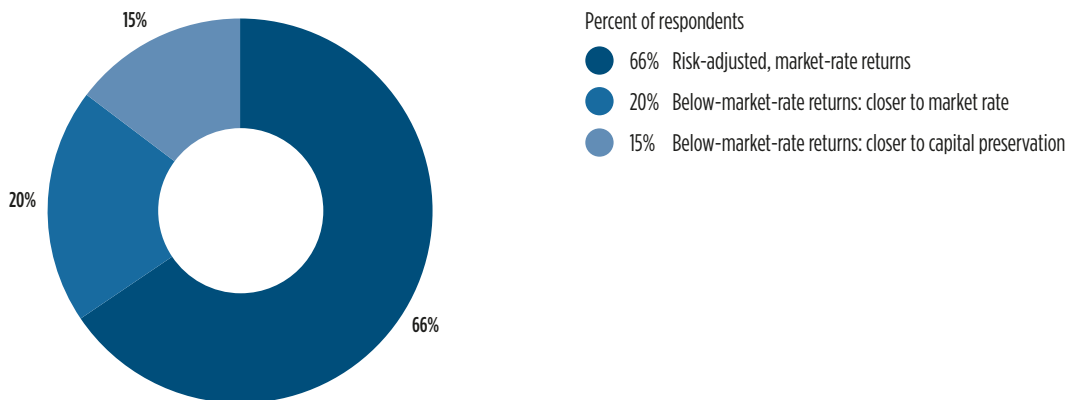
Source: GIIN, *The State of Impact Measurement and Management Practice, Second Edition*

TARGET FINANCIAL RETURNS

The majority of respondents for which target returns data were available target risk-adjusted, market-rate returns (66%); 34% target below-market-rate returns (Figure 3).² Below-Market Investors are split among those targeting below-market-rate returns closer to market rate (20% of all respondents) and those targeting below-market-rate returns closer to capital preservation (15%). Target returns vary by respondent sub-group: interestingly, nearly two-thirds of foundations target below-market-rate returns (63%), while, by contrast, more than three in four DFIs target market-rate returns (78%). Furthermore, nearly 80% of Private Equity Investors and 90% of Real Assets Investors target market-rate returns.

Figure 3: Target financial returns

n = 177; target financial returns data were available for 177 respondents



Source: GIIN, *The State of Impact Measurement and Management Practice, Second Edition*

IMPACT INVESTING ASSETS UNDER MANAGEMENT (AUM)

Collectively, 275 respondents manage USD 246 billion in impact investing assets, as of the end of the data-collection period (September 2019);³ this represents a large subset of the global impact investing market, estimated by the GIIN to total USD 502 billion.⁴ The median respondent manages USD 80 million in impact investing assets, while the average

² Target returns data were available for 177 respondents who also participated in the [2019 Annual Impact Investor Survey](#).

³ Three respondents did not provide AUM data.

⁴ Abhilash Mudaliar and Hannah Dithrich, [Sizing the Impact Investing Market](#) (New York: The GIIN, April 1, 2019).

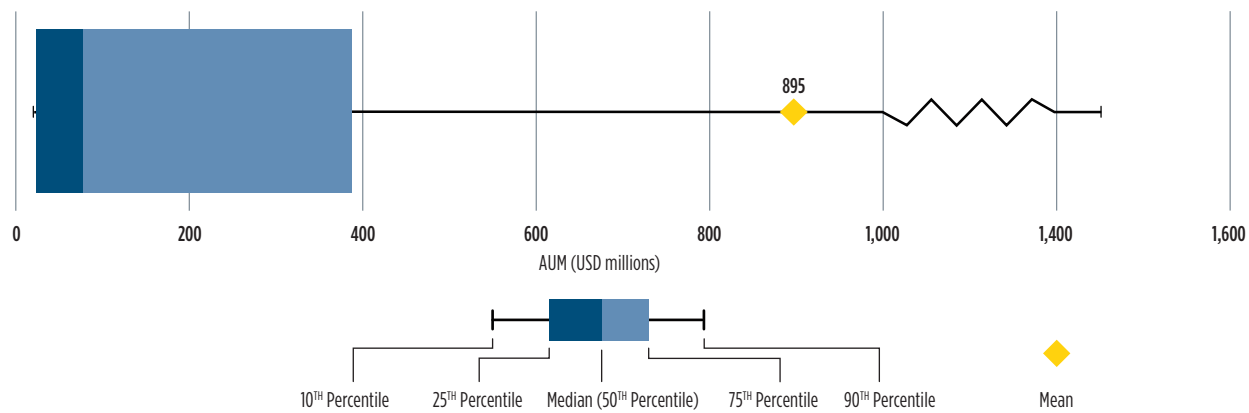
respondent manages USD 895 million (Figure 4). This large discrepancy between mean and median is driven primarily by the presence of a few large organizations in the sample, many with long track records of impact investing activity; together, the three organizations with the largest impact investing AUM manage 44% of the full sample's AUM.

In terms of distribution by AUM size, more than half (55%) of respondents providing data on their AUM manage less than USD 100 million in impact investing assets; nearly a quarter manage between USD 100 million and USD 500 million; and the remaining 21% manage more than USD 500 million in impact investing assets. The vast majority of investors managing more than USD 500 million are headquartered in developed markets (92%).

Most respondents primarily invest their capital directly into companies, projects, or real assets (78%), while 13% mostly invest indirectly into funds or via other investment intermediaries; the rest make both direct and indirect investments. In addition, nearly two-thirds of all respondents make only impact investments (64%); the remainder make both impact and impact-agnostic investments.

Figure 4: Distribution of assets under management (AUM)

n = 275; excludes three respondents that did not provide AUM data. Figure shows the 10th percentile to 90th percentile.

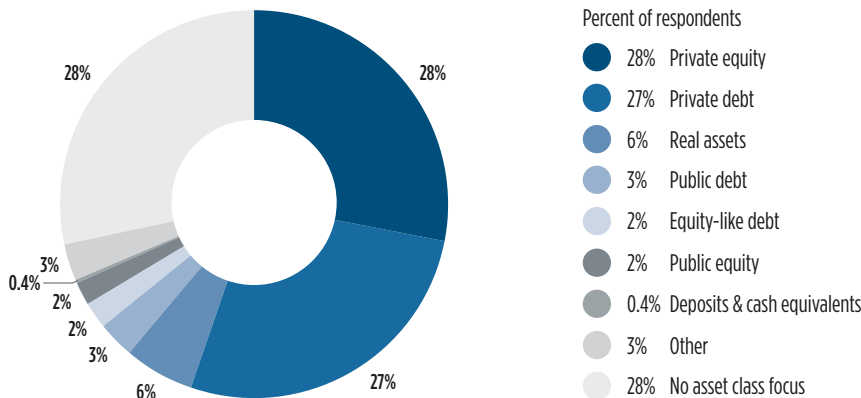


Source: GIIN, *The State of Impact Measurement and Management Practice, Second Edition*

Well over half of respondents allocate more than 75% of their AUM through either private equity or private debt (Figure 5). Almost 30% of the sample focuses on no single asset class and instead invests through a diversified portfolio.

Figure 5: Portfolio concentrations by asset class

n = 278



Note: 'Other' asset classes include performance-based grants, debt-like equity, and loan guarantees.

Source: GIIN, *The State of Impact Measurement and Management Practice, Second Edition*

SAMPLE SUB-GROUPS

Various proportions of the sample present certain key characteristics such as geographic focus, asset class focus, target returns, investment type focus, and primary impact objective (Table 1). All of these sub-groups are defined in the Methodology section (page 10).

Table 1: Sub-groups in the sample

Sub-group name	n	Percent of sample
DM-HQ Investors	227	82%
EM-HQ Investors	46	17%
DM-Focused Investors	117	42%
EM-Focused Investors	117	42%
Private Debt Investors	76	27%
Private Equity Investors	79	28%
Real Assets Investors	16	6%
Market-Rate Investors	116	66%*
Below-Market Investors	61	34%*
Direct Investors	216	78%
Indirect Investors	35	13%
Small Investors	151	55%
Medium Investors	65	24%
Large Investors	59	21%
Primarily Social Investors	98	35%
Primarily Environmental Investors	20	7%
Social and Environmental Investors	160	58%

*Target returns data were available for 177 respondents; this percentage is calculated based on that subset.

Source: GIIIN, *The State of Impact Measurement and Management Practice, Second Edition*

Naturally, investors have multiple characteristics and therefore may be identified with multiple sub-groups. Almost all EM-HQ investors are EM-Focused (91%), while around half of DM-HQ investors are DM-Focused (51%). In addition, most DM-Focused Investors are Impact-Only Investors (56%), compared to 26% of EM-Focused Investors. Among Private Debt Investors, 75% make only impact investments, and just over two-thirds manage less than USD 100 million in assets.

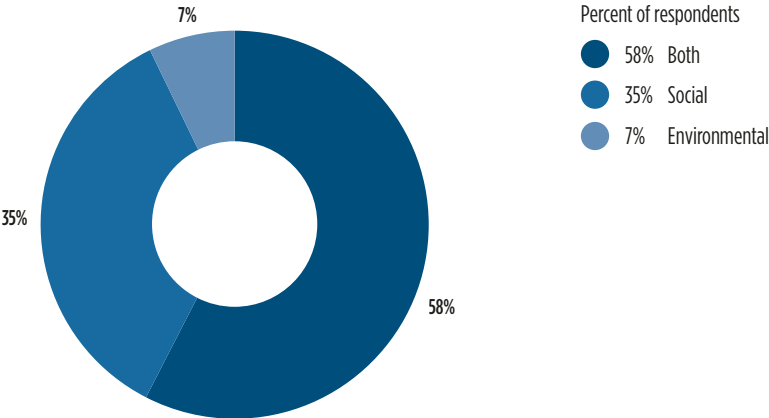
Motivations for impact measurement and management

A defining characteristic of impact investors is their intentional desire to contribute to impact – and their subsequent action to measure and manage that impact. This section explores the types of impact objectives, stakeholders, and impact categories targeted by investors in the sample, as well as their motivations for understanding both the positive and negative impacts of their investments.

PRIMARY IMPACT OBJECTIVES

Most impact investors (58%) target both social and environmental outcomes (Figure 6). Slightly more than one-third target only social impact objectives, and 7% target only environmental objectives. Intriguingly, more than half of Private Debt Investors target only social objectives (57%), compared to 38% of Private Equity Investors; moreover, while relatively smaller proportions of both groups target only environmental objectives, more than three times the share of Private Equity Investors target only environmental objectives as Private Debt Investors (11% versus 3%, respectively).

Figure 6: Primary impact objectives
n = 278



Source: GIIN, *The State of Impact Measurement and Management Practice, Second Edition*

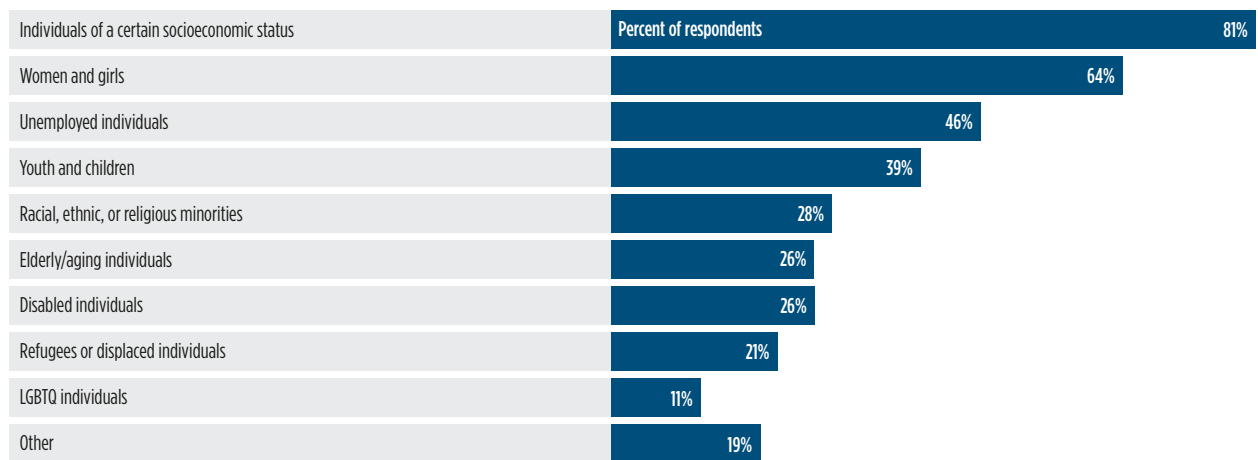
TARGET STAKEHOLDERS

Impact investors seek impact for a wide range of stakeholder groups through their investments; at the median, respondents target three groups of stakeholders.⁵ Among investors targeting social impact, more than 80% target individuals of a certain socioeconomic status, in some cases specifying middle- or low-income individuals (Figure 7). Nearly two-thirds of respondents (64%) target women and girls, while close to half seek to impact unemployed individuals (46%).

⁵ Several environmentally focused investors did not think this question applied to them and opted instead to share data on their target ecoregions, as discussed in the next subsection.

Figure 7: Target stakeholder groups

n = 234; optional question. Respondents could target multiple stakeholder groups.



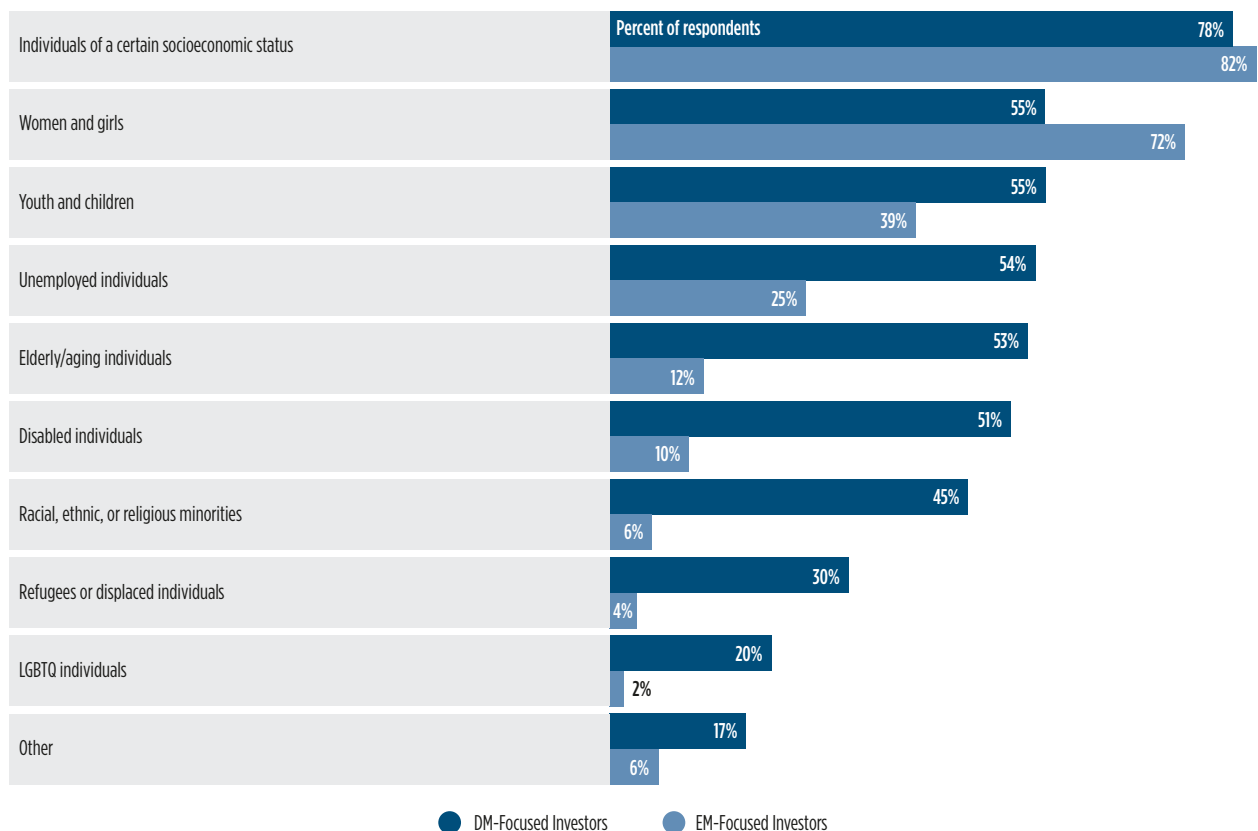
Note: 'Other' includes veterans, rural populations, small and medium-sized enterprises, people recovering from addiction, underbanked individuals, municipalities, farmland, nonprofits, charities and co-operatives, individuals lacking access to energy, least-developed countries, refugees, formerly incarcerated people, and smallholder farmers.

Source: GIIN, *The State of Impact Measurement and Management Practice, Second Edition*

Target stakeholder groups notably varied by geography and asset class focus. The vast majority of both DM- and EM-Focused Investors target individuals of a certain socioeconomic status (Figure 8). Second most commonly, just over half of all DM-Focused Investors (55%) and nearly three-quarters of EM-Focused Investors (72%) target women and girls. In addition, a significantly larger share of DM-Focused Investors is committed to impacting disadvantaged groups such as racial, ethnic, or religious minorities and refugees. Twenty percent of DM-Focused Investors aim to benefit LGBTQ individuals, while just 2% of EM-Focused Investors share that particular impact focus.

Figure 8: Target stakeholders among DM- and EM-Focused Investors

n = 92 DM-Focused Investors and n = 109 EM-Focused Investors. Optional question; respondents could target multiple stakeholder groups.



Note: 'Other' includes veterans, rural populations, small and medium-sized enterprises, people recovering from addiction, underbanked individuals, municipalities, farmland, nonprofits, charities and co-operatives, individuals lacking access to energy, least-developed countries, refugees, formerly incarcerated people, and smallholder farmers.

Source: GIIN, *The State of Impact Measurement and Management Practice, Second Edition*

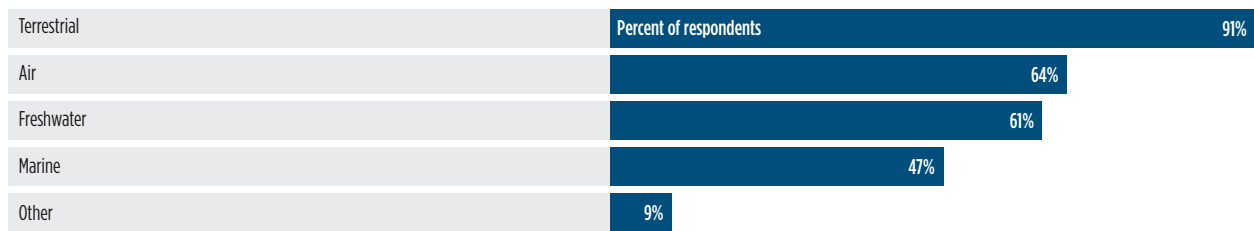
In addition, a significantly larger share of Private Debt Investors compared to Private Equity Investors target the following groups: youth and children (33% versus 24%); racial, ethnic, or religious minorities (36% versus 10%); refugees (24% versus 10%); and women and girls (68% versus 44%).

TARGET ECOREGIONS

Nearly two-thirds of respondents in the sample target environmental impact as either their sole objective or alongside social objectives (65%). Among this subset of the sample, more than 90% target terrestrial regions (Figure 9), followed by approximately 60% targeting each of air and freshwater.

Figure 9: Target ecoregions

n = 117; optional question. Respondents could target multiple ecoregions.



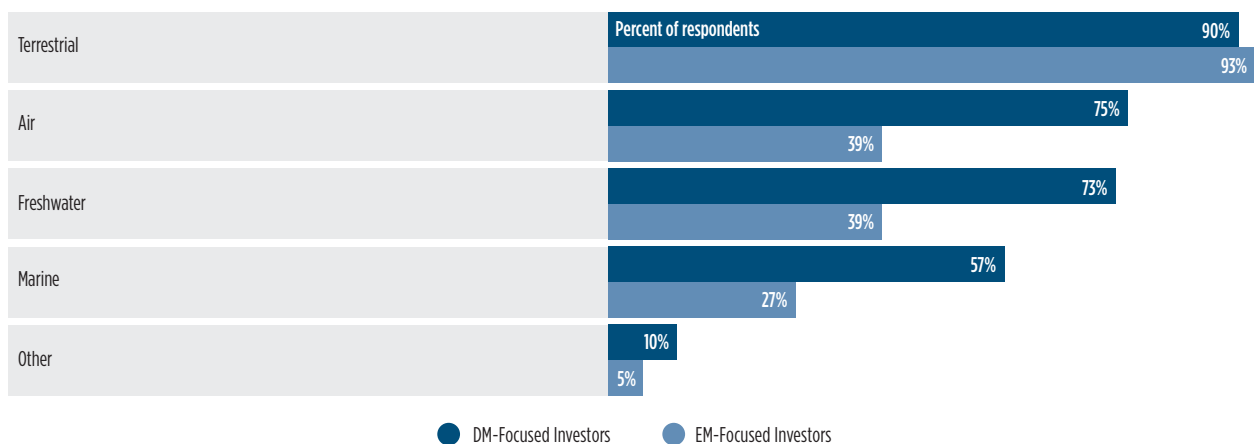
Note: 'Other' ecoregions include investments in forestry, carbon sequestration, and climate action broadly.

Source: GIIN, *The State of Impact Measurement and Management Practice, Second Edition*

More than 90% of both DM- and EM-Focused Investors primarily target terrestrial ecoregions (i.e., land; Figure 10), yet these two groups diverge greatly across the remaining ecoregions. More than twice the proportion of DM-Focused Investors target marine (57% versus 27% for EM-Focused investors), while nearly three in four DM-Focused Investors target each of freshwater and air investments compared to 39% of EM-Focused Investors. Furthermore, more than 75% of investors targeting terrestrial ecoregions seek market-rate returns, and even larger shares of investors targeting freshwater and air ecoregions seek market-rate returns (79% and 86%, respectively).

Figure 10: Target ecoregions among DM- and EM-Focused Investors

n = 51 DM-Focused Investors and n = 41 EM-Focused Investors. Optional question; respondents could target multiple ecoregions.



Note: 'Other' ecoregions include investments in forestry, carbon sequestration, and climate action broadly.

Source: GIIN, *The State of Impact Measurement and Management Practice, Second Edition*

TARGET IMPACT CATEGORIES

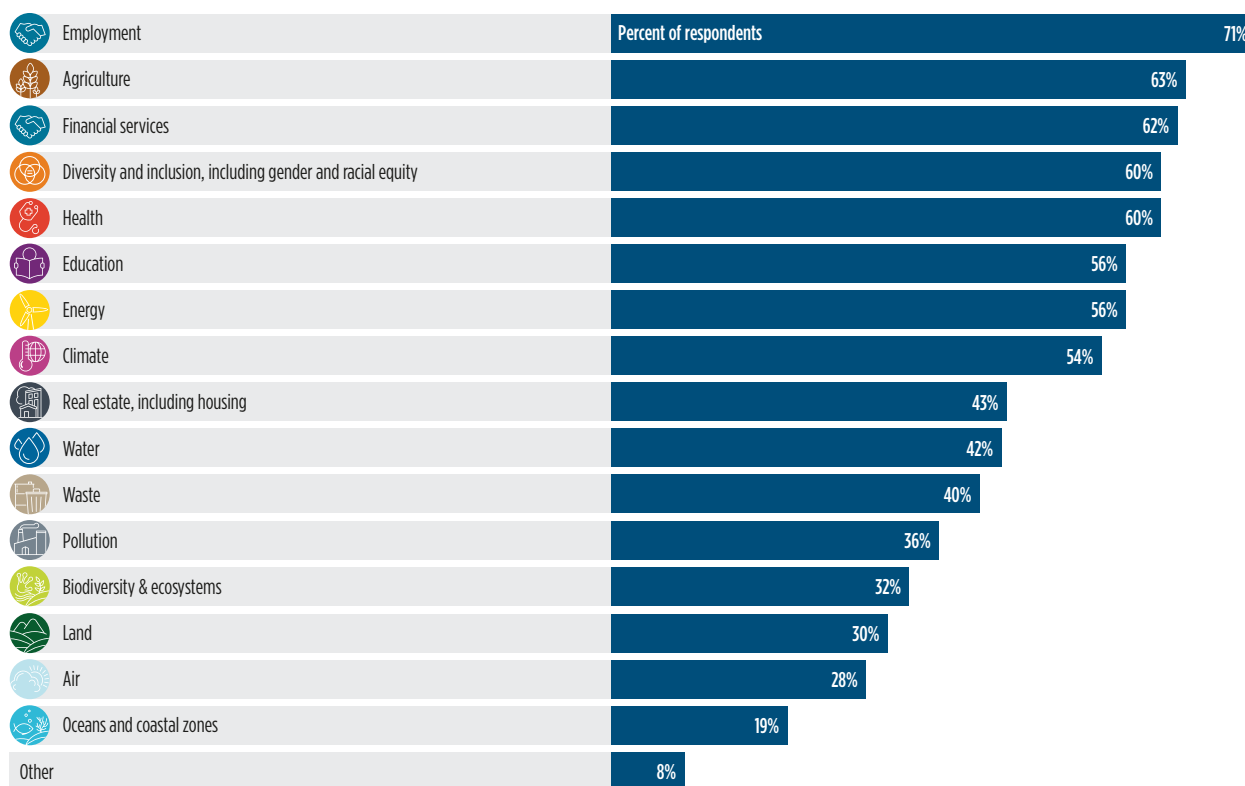
Impact investors also target a wide range of impact categories. A clear majority of respondents aim to generate employment (71%; Figure 11), and nearly two-thirds focus on agriculture or financial services (63% and 62%, respectively). Respondents also demonstrate strong commitments to providing other basic services, such as health (60%), education (56%), and energy (56%), as well as addressing climate issues (54%).

Notable cases of overlap in investors targeting different impact categories included the following:

- More than 70% of investors who aim to generate impact in agriculture also target employment (79%), energy (74%), and financial services (72%).
- Nearly two-thirds of investors who target energy also target water and waste (both 63%), and nearly eight in ten also target employment (77%) and health (78%).
- Further evidence demonstrating impact investors' commitment to providing basic services included significant overlap between health and education (79%), housing and education (76%), and housing and health (82%).

Figure 11: Target impact categories

n = 278; respondents could target multiple impact categories.



Note: These impact categories are aligned to IRIS+.⁶ 'Other' impact categories include telecommunications, logistics, human rights and immigration, arts & culture, government effectiveness, urban mobility, forestry, technology & ICT, fisheries, SME financing, disaster relief, and broader SDG alignment.

Source: GIIN, *The State of Impact Measurement and Management Practice, Second Edition*

⁶ IRIS is the catalog of generally accepted performance metrics within the IRIS+ system, managed by the GIIN. For more on IRIS+, see <https://iris.thegiin.org/>.

While both DM- and EM-Focused Investors are dedicated to providing basic services, they target somewhat different categories. DM-Focused Investors largely target health (72%) and education (62%), while EM-Focused Investors strongly focus on agriculture (73%) and financial services (71%). Both groups of investors actively target employment (approximately 70% of both), as well as diversity and inclusion, including gender and racial equality (around 60% of both groups).

Target impact categories also notably vary by asset class and target returns. A larger share of Private Equity Investors targets environmental categories compared to Private Debt Investors; for example, nearly half of Private Equity Investors target climate (49%) and 27% target air, compared to 32% and 8% of Private Debt Investors targeting these same categories. On the other hand, compared to Private Equity Investors, a larger share of Private Debt Investors allocate capital to certain basic services, such as housing (51% versus 20%) and employment (79% versus 65%). In addition, compared to Below-Market Investors, a larger share of Market-Rate Investors targets health (68% versus 27%), water (54% versus 15%), and energy (63% versus 23%).

ACCOUNTING FOR THE NEGATIVE IMPACT OF INVESTMENTS

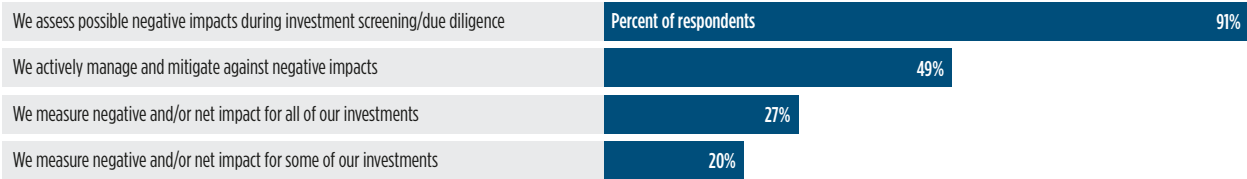
Respondents also offered insight into whether and how they measure negative impact. Most investors in the sample measure negative impact at least to some extent (90%). Nearly all of those evaluating negative impact do so during investment screening or due diligence (91%; Figure 12). In addition, nearly half of investors accounting for negative impacts actively manage and mitigate against them (49%).

Among sub-groups, just over half of EM-Focused Investors actively manage and mitigate against negative impacts, compared to 35% of DM-Focused Investors. In addition, 90% of Primarily Environmental Investors assess possible negative impacts during screening, compared to 70% of Primarily Social Investors doing so, and nearly two-thirds of Primarily Environmental Investors actively manage and mitigate against negative impact, compared to 29% of Primarily Social Investors that do so.

Just under 40% of two-year repeat respondents measured the negative impact of their investments in 2017; today, by contrast, 89% of repeat respondents measure negative impact in some form, demonstrating the rapid and extensive growth of this practice.

Figure 12: Methods of accounting for negative impact

n = 251; excludes 27 respondents who do not account for negative impact. Respondents could select multiple methods.



Source: GIIN, *The State of Impact Measurement and Management Practice, Second Edition*

REASONS FOR MEASURING AND MANAGING IMPACT

Respondents were asked to rate the importance of various motivations in terms of impact and financial return for measuring, managing, and reporting on the impact of their investments; every investor in the sample measures and manages their impact because they find it at least ‘somewhat important’ to better understand whether their impact demonstrates progress toward their goals (Figure 13). Moreover, just over 75% of respondents do so because they believe it is ‘very important’ to proactively report their impact to key stakeholders, while nearly 60% measure, manage, and report their impact because the resulting data hold ‘very important’ business value for investors to capture.

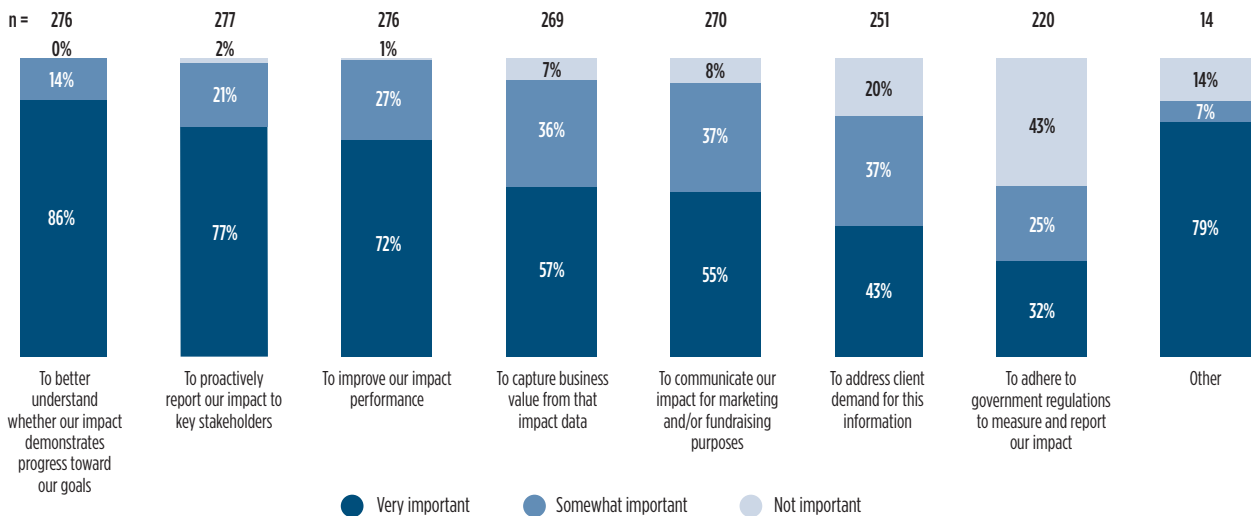
Motivations for IMM varied by sub-group. Over half of DM-Focused Investors cited ‘addressing client demand’ as a ‘very important’ motivator (53%), compared to just over one-third of EM-Focused Investors (34%). Among investors who only make impact investments, 37% conduct IMM because it is ‘very important’ to address client demand, compared to 55% of investors making both impact and impact-agnostic investments. Furthermore, a larger share of Below-Market Investors compared to Market-Rate Investors measure and manage their impact to better understand whether impact demonstrates progress towards their goals (95% versus 78% citing as ‘very important’) and to improve their impact performance (80% versus 65%).

“We believe the way to grow the impact field is by doing and being transparent about our investments. The learning returns garnered from our investments are just as helpful for us as they can be for others.”

– Foundation

Figure 13: Reasons for measuring and managing impact

Number of respondents shown above each answer option. Those respondents who chose ‘not sure/not applicable’ have not been included.



Note: ‘Other’ motivations include to adhere to certification schemes, to demonstrate the value of a dual mission, to gather data on impact progress, and to promote learning and awareness.

Source: GIIN, *The State of Impact Measurement and Management Practice, Second Edition*

Respondents selecting ‘other’ motivations offered additional insight into why they measure and manage the impact of their investments: to lead by example in making impact more comparable and transparent across the industry, to help portfolio companies enhance their operations, and to raise awareness of the importance of impact assessment practices.

Perspectives on the market

IMM practice has greatly matured over the past several years. As both investors and other industry stakeholders have recognized the crucial role that IMM plays in the market, demand for robust resources has increased and more sophisticated tools have emerged to enable more rigorous IMM practice. In a clear indication of the industry's progress, investors now face a new set of challenges chiefly pertaining to the collection, aggregation, and comparison of impact data.

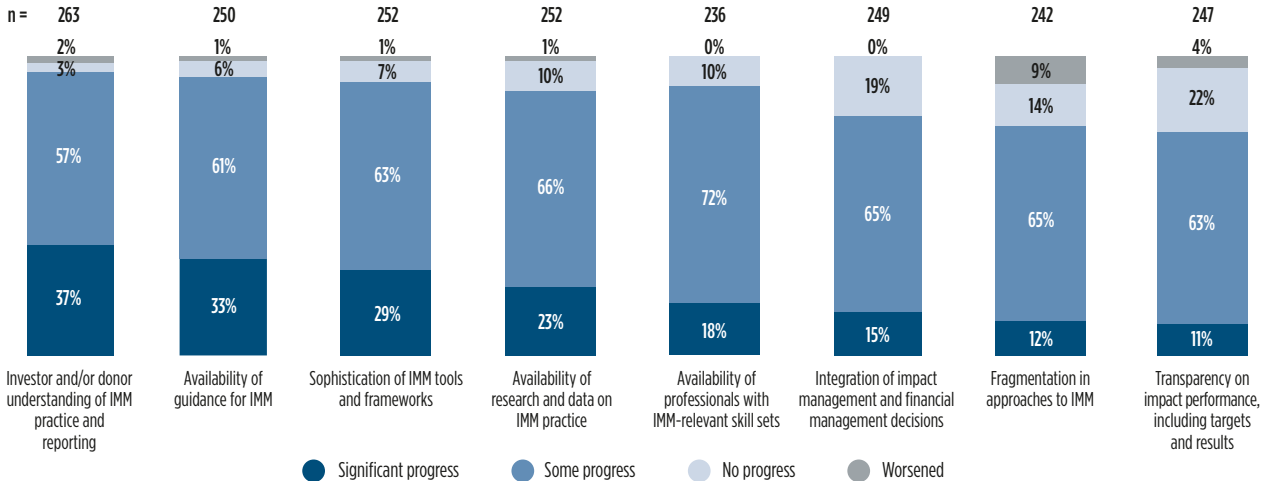
Respondents shared the progress they have seen in advancing IMM practice over the past three years and the extent to which challenges still remain. Respondents also reported internal organizational challenges and the importance of various resources, ideas, and behaviors for IMM.

PROGRESS IN IMM PRACTICE

Investors reported progress across all indicators of rigorous IMM (Figure 14). A third or more of investors felt that significant progress has been made over the past three years in 'investor and/or donor understanding of IMM practice and reporting' (37%) and 'availability of guidance for IMM' (33%); over one-quarter felt that significant progress has been made in the 'sophistication of IMM tools and frameworks' (29%). Strikingly, almost all respondents also reported at least some level of progress in all three of these areas (95%, 94%, and 92%, respectively).

Figure 14: Progress in IMM practice over the last three years

Number of respondents shown above each answer option. Those respondents who chose 'not sure/not applicable' have not been included.



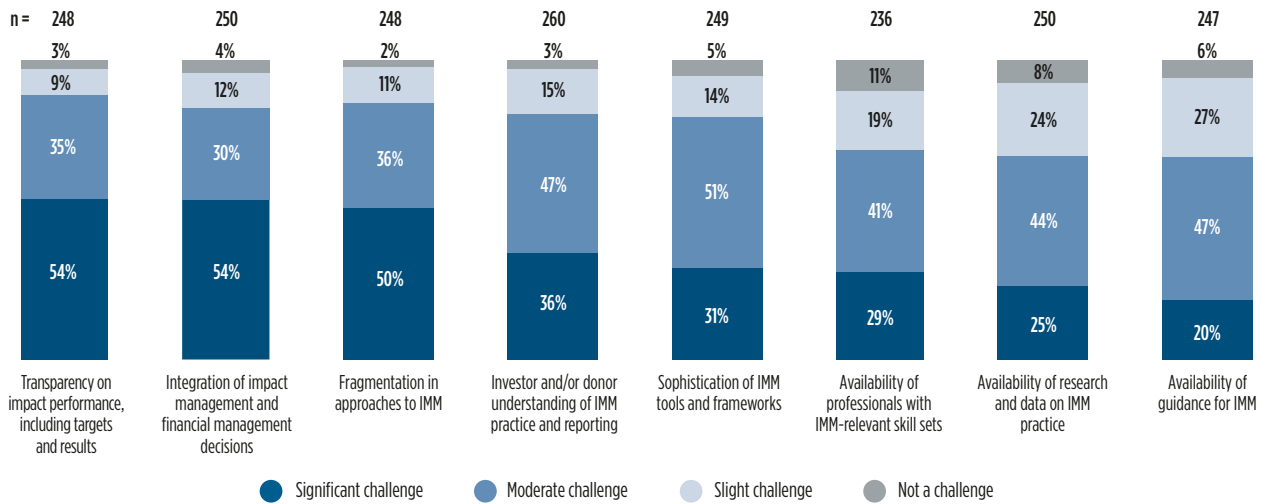
Source: GIIN, *The State of Impact Measurement and Management Practice, Second Edition*

REMAINING CHALLENGES IN IMM PRACTICE

Despite this progress, several significant challenges remain. Most critically, more than half of respondents (54%; Figure 15) cited 'transparency on impact performance, including targets and results' and 'integration of impact management and financial management decisions' as the two most significant remaining challenges in IMM. Four percent actually perceive 'worsened' transparency on impact performance over the past three years. Another key challenge facing the market includes 'fragmentation in approaches to IMM' (50% describing this challenge as 'significant'); 9% of respondents reported that fragmentation has 'worsened' over the past three years. Notably, more than one in ten respondents reported as 'not a challenge' the availability of professionals with IMM-relevant skill sets.

Figure 15: Significance of remaining challenges in IMM practice

Number of respondents shown above each answer option. Those respondents who chose 'not sure/not applicable' have not been included.



Source: GIIN, *The State of Impact Measurement and Management Practice, Second Edition*

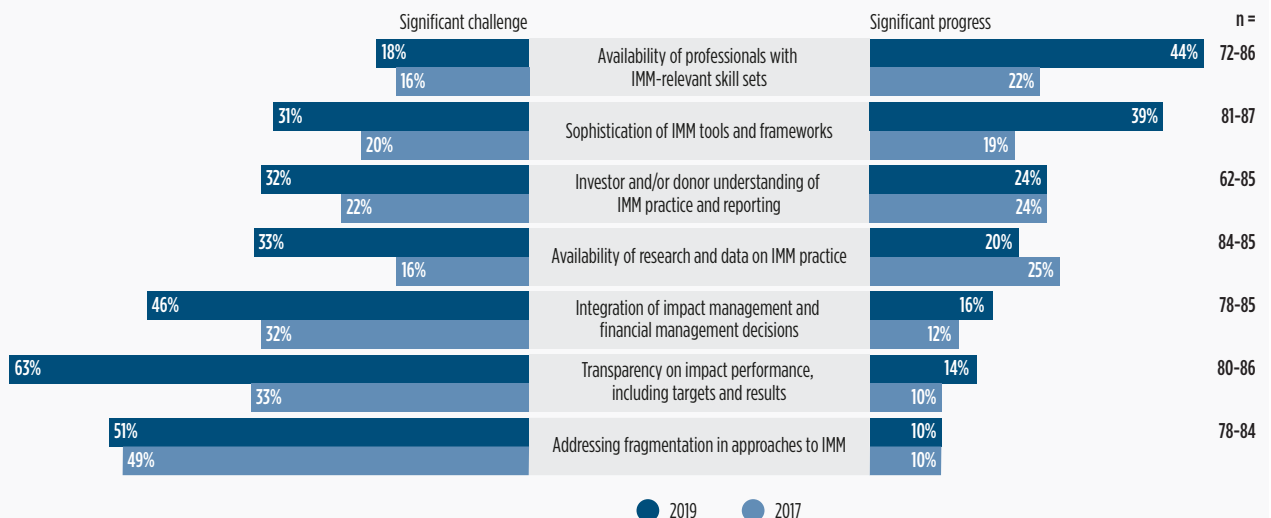
While developed-market-focused investors view the 'sophistication of IMM tools and frameworks' as a significant remaining challenge (36%), only 23% of emerging-market-focused investors concur with this assessment. Similarly, compared to EM-Focused Investors, a greater proportion of DM-Focused Investors (36% versus 27%) identify 'availability of professionals with IMM-relevant skill sets' as a significant challenge.

TWO-YEAR TRENDS

Over the past two years, investors report accelerating progress in the availability of professionals with skill sets relevant to IMM; 44% of repeat respondents indicated the field has made significant progress in this respect, compared to just 22% of these respondents reporting the same in 2017 (Figure 16).

Figure 16: Two-year comparison of progress made over the last three years and remaining challenges

Number of respondents shown beside each answer option. Those respondents who chose 'note sure/not applicable' have not been included.



Source: GIIN, *The State of Impact Measurement and Management Practice, Second Edition*

Significant progress in the ‘sophistication of IMM tools and frameworks’ was noted by 39% of respondents in 2019 versus just 19% in 2017. By contrast, in both 2017 and 2019, only one in ten respondents have identified significant progress in addressing the fragmentation in approaches to IMM.

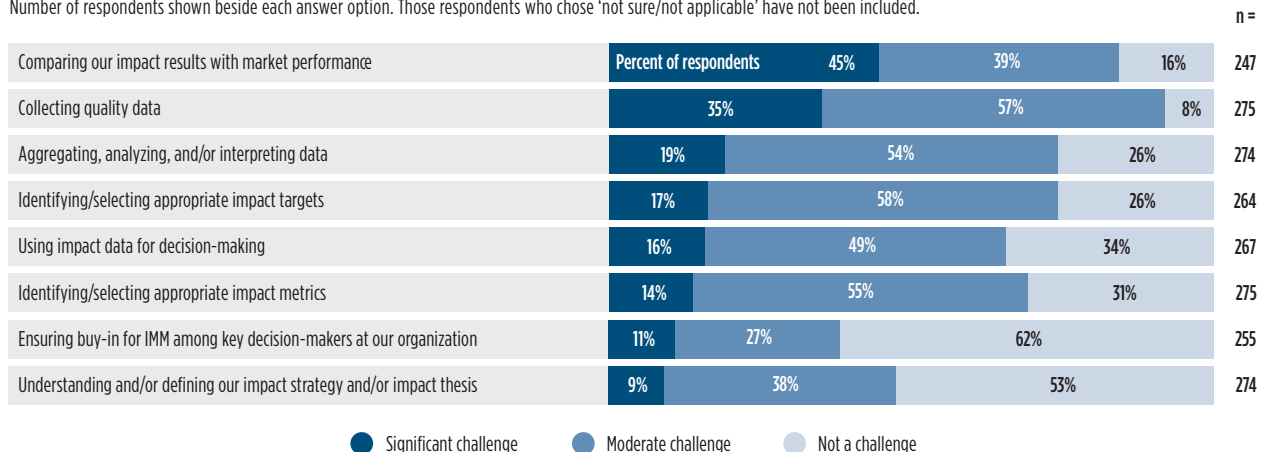
Repeat respondents have also shifted in their perceptions of challenges facing IMM. Today, investors especially wish there were more transparency in the sharing of impact targets and results across the market. In 2017, 33% of repeat respondents reported transparency as a significant challenge, while 63% reported the same in 2019. Similarly, repeat respondents view availability of data and research as an increasingly important challenge, with about a third of these respondents describing this as a significant challenge in 2019 compared to 16% in 2017.

SEVERITY OF CHALLENGES IN IMM PRACTICE WITHIN ORGANIZATIONS

Besides sharing their perspectives on challenges facing the market at large, respondents reported challenges faced by their own organizations when implementing IMM. Continuing a trend from 2017, as confirmed by repeat respondents, these challenges primarily relate to impact measurement—that is, to collecting, comparing, and using impact data. Forty-five percent of respondents cited ‘comparing our impact results with market performance’ as a significant challenge for their organizations (Figure 17). Other significant challenges cited include ‘collecting quality data’ (35%) and ‘aggregating, analyzing, and/or interpreting data’ (19%). By contrast, respondents found strategic issues less challenging; only 9% of respondents cited ‘understanding and/or defining our impact strategy and/or impact thesis’ as a significant challenge. While 11% of respondents did report that ensuring buy-in for IMM among key decision-makers is a significant challenge at their organizations, nearly two-thirds of respondents indicated that this is not a challenge at all, possibly reflecting the progress made in IMM practice over the past several years as the industry’s focus has shifted from understanding IMM to implementing best practices.

Figure 17: Severity of organizations’ challenges in IMM practice

Number of respondents shown beside each answer option. Those respondents who chose ‘not sure/not applicable’ have not been included.



Source: GIIN, *The State of Impact Measurement and Management Practice, Second Edition*

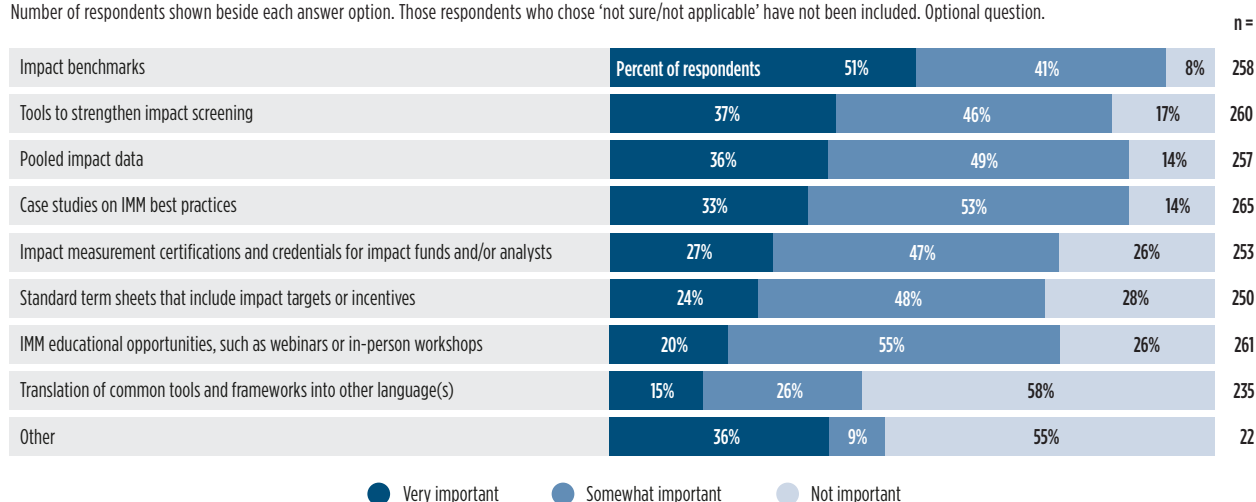
IMPORTANCE OF RESOURCES TO STRENGTHEN IMM PRACTICE

Respondents described the importance of various resources to further developing IMM across the industry. These resources reflect the nature of the key challenges highlighted in the sub-section above, with clear focus on tools to support or develop benchmarks, impact screening, and pooled impact data.

Just over half of all respondents (51%) find impact benchmarks a very important resource to advance IMM practice (Figure 18), followed closely by ‘tools to strengthen impact screening’ (37%), ‘pooled impact data’ (36%), and ‘case studies on IMM best practices’ (33%). Several respondents also noted that human and capital resources, as well as appropriate technology and tools for data analytics, are important to further implement IMM. This continues a trend from 2017, as repeat respondents selected similar resources as important to advancing IMM practice in both years. By contrast, respondents identified several resources as ‘not important’ to advancing IMM practice. Most prominently, roughly three in five respondents selected ‘translation of common tools and frameworks into other language(s)’ as ‘not important,’ followed by just over one quarter selecting ‘standard term sheets that include impact targets or incentives,’ ‘IMM educational opportunities,’ and ‘impact measurement certifications and credentials.’

Figure 18: Importance of resources to advancing the practice of IMM

Number of respondents shown beside each answer option. Those respondents who chose ‘not sure/not applicable’ have not been included. Optional question.



Note: ‘Other’ includes an assortment of tools and ideas, such as government legislation to mandate standardized IMM frameworks and reporting; use of technology to enhance data analytics and drive decision-making; less complexity in the IMM industry; increased capital and human resources, including funding opportunities; and case studies specifically on setting and managing impact targets, including negative impact.

Source: GIIN, *The State of Impact Measurement and Management Practice, Second Edition*

Among sub-groups, Private Debt Investors placed greater importance on ‘standard term sheets that include impact targets or incentives,’ with 32% identifying this as ‘very important’ compared with just 14% of Private Equity Investors. These two groups of investors also expressed broadly different views on the importance of both tools to strengthen impact screening (with 47% of Private Debt Investors indicating this as ‘very important’ compared with only 30% of Private Equity Investors) and IMM educational opportunities, such as webinars or in-person workshops (29% and 12%, respectively).

Similarly, investors targeting primarily social outcomes also placed greater importance on certain resources compared to those targeting primarily environmental outcomes. The greatest divergence was on case studies regarding IMM best practices, with just under half of all socially focused investors identifying these as very important (49%) compared to just 22% of environmentally focused investors. Investors targeting social outcomes also placed greater emphasis on tools to strengthen impact screening (37%, compared to only 12% of Primarily Environmental Investors).

TOOLS AND GUIDANCE FOR IMPACT PERFORMANCE

Demand for ways to aggregate, compare, and benchmark impact performance results continues to grow and mature alongside the impact investing industry. Fifty-one percent of respondents to this survey expressed that impact benchmarks are very important to advancing their organization's IMM practice, and 36% reported the same of pooled impact data. Indeed, over the past two years, the industry has greatly expanded its suite of approaches to data collection, aggregation, comparison, impact valuation, and benchmarking of impact results, representing significant steps toward enabling investors to transparently and reliably measure and manage their impact. Some of these market developments are described below.

Data collection: In June 2019, **Acumen** announced it would spin out the company 60 Decibels to manage **Lean Data**, an approach to data collection.⁷ Lean Data seeks to enable the reputable, cross-portfolio collection of quality data, including by investors. Leveraging mobile technology to directly communicate with end users impacted by investments, the approach involves collecting and analyzing data to help investors better understand the progress towards the social or environmental problem they seek to address.

Data aggregation and comparison: To allow investors to aggregate and compare impact performance results, the **GIIN** launched *Evaluating Impact Performance* in October 2019, the industry's first collaborative effort to assess annualized impact performance results. The first two sectors featured in this family of reports are clean energy access and housing.⁸ Through ongoing collaboration with advisors from the GIIN's Investors' Council, study participants, field-builders, and third-party sector experts, the GIIN developed an approach to rigorously and transparently aggregate, contextualize, and compare investments' impact. This represents a first step toward differentiating investments based on impact so that investors can factor impact into their decision-making alongside risk and return.

Impact valuation: The **Impact Multiple of Money** is an impact performance approach designed in 2018 by **TPG Rise Fund** and **Bridgespan Group**, in collaboration with other experts in the field, to estimate the financial value of the impact generated per dollar invested.⁹ This metric expresses the social value of an investment as a multiple of the original invested amount. Investors calculate this value in six steps: (1) consider the potential reach and impact of the invested product or service; (2) identify the target social or environmental outcomes; (3) select an external 'anchor study' that translates the target outcomes to economic outcomes while preserving the relevant context of the investment; (4) adjust for various risks that may arise from the anchor study, its assumptions, and other reviewed research; (5) estimate the terminal value of the investment by applying a discount rate to the risk-adjusted impact; and (6) divide the estimated value of the generated positive externalities by the total invested capital (for businesses) or account for their ownership stake in investee companies (for investors).

Impact evaluation: In January 2019, TPG Rise Fund spun out **Y Analytics**, an organization devoted to helping investors better understand and measure the impact of their investments. Y Analytics builds on third-party research to analyze methods and metrics that have the most impact, enabling investors to make well-informed decisions and maximize the efficiency of their capital's impact.¹⁰

Benchmarking impact results: The **World Benchmarking Alliance (WBA)** is an independent industry body working with a wide range of allies to develop evidence-based benchmarks for investors in a given industry to track and compare with its peers a company's impact performance in terms of the UN Sustainable Development Goals (SDGs). To design these benchmarks, WBA scopes relevant industries and companies to include within each benchmark, mapping current evidence-backed targets and existing standards across multiple dimensions within an industry.¹¹ The first set of benchmarks, set for publication in 2020, will cover food and agriculture, climate and energy, digital inclusion, and gender equality and empowerment.

Although the aggregation and transparency of impact results remain challenges, these sample efforts demonstrate progress toward understanding and improving impact performance across the industry.

7 60 Decibels, [A Simpler Way to Measure Impact: It's All About Listening](#) (New York: 60 Decibels, June 2019).

8 Rachel Bass, Noshin Nova, and Sophia Sunderji, [Evaluating Impact Performance](#) (New York: The GIIN, October 2019).

9 Chris Addy, Maya Chorenge, Mariah Collins, and Michael Etzel, "Calculating the Value of Impact Investing," *Harvard Business Review*, January–February 2019.

10 For more, see the Y Analytics website, <https://yanalytics.org/>.

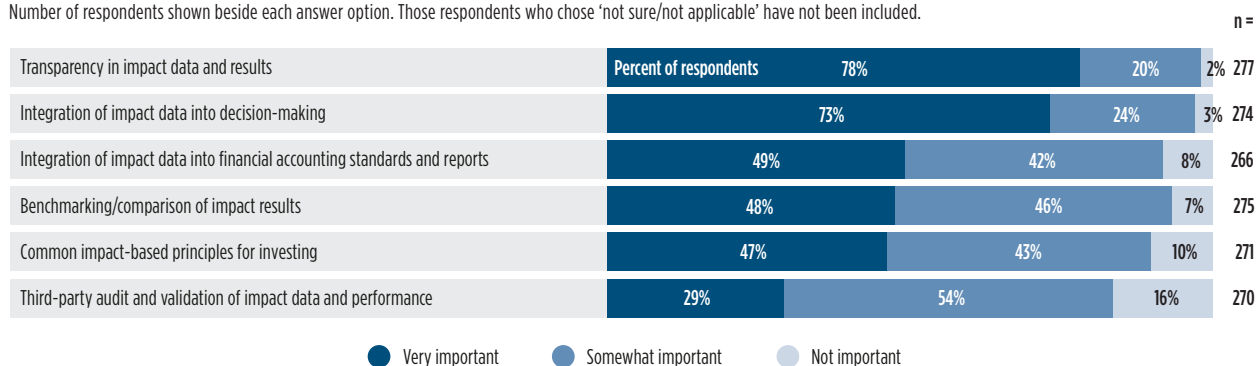
11 For more, see the website of the World Benchmarking Alliance, <https://www.worldbenchmarkingalliance.org/benchmarks/>.

IDEAS AND BEHAVIORS TO ADVANCE IMM PRACTICE

Beyond resources to strengthen IMM, respondents were asked to identify the importance of various ideas and behaviors for advancing the practice of IMM. Nearly four in five respondents cited ‘transparency in impact data and results’ as the most important idea or behavior, followed by ‘integration of impact data into decision-making’ (73%; Figure 19). This continues the trend from 2017, with 79% of repeat respondents reporting transparency in impact data and results as very important to advancing IMM. Just under half of respondents also identified ‘integration of impact data into financial accounting standards and report’ (49%), ‘benchmarking/comparison of impact results’ (48%), and ‘common impact-based principles for investing’ (47%) as very important. These reflect the challenges respondents identified, as discussed above: transparency in impact performance and the importance of impact data aggregation, comparability, and integration.

Figure 19: Importance of ideas and behaviors to advancing the practice of IMM

Number of respondents shown beside each answer option. Those respondents who chose ‘not sure/not applicable’ have not been included.



Source: GIIN, *The State of Impact Measurement and Management Practice, Second Edition*

GUIDANCE ON IMM

One common challenge faced by impact investors is a lack of shared understanding of how to conduct IMM. To assess how field-builders, researchers, and stakeholders in the industry can support IMM practice, 43% of respondents provided anecdotal responses to specify topics for which further guidance would be particularly helpful.

More than one in four respondents to this question indicated that standardization of metrics, impact benchmarks, pooling of data, or a combination of these require further support and guidance in order to enable comparison of impact results. One foundation described a lack of shared understanding around data management; while the industry requires indicators to measure impact, there are various layers of data being reported and, it said, “in practice, these are not comparable.” This sentiment echoes both the challenges investors face, as described above, and the recent push across the general industry to aggregate and compare impact performance results and integrate impact analysis into investment decisions. To address these challenges, the GIIN launched *Evaluating Impact Performance*, an effort to build an approach for comparing impact results within a sector and ultimately for enabling integration of impact into investment decision-making.¹² Responses to this question also strongly aligned with the ideas and behaviors respondents identified to advance IMM practice.

A smaller share of respondents requested guidance on how to collect data from investees with the least possible data collection burden. Identifying contribution or attribution also remains a challenge, as several respondents indicated a need for best practices around identifying an investor’s contributions to impact achieved beyond that which would have likely occurred anyway.

¹² Bass, Nova, and Sunderji, [Evaluating Impact Performance](#).

ALIGNMENT OF IMM WITH GLOBAL DEVELOPMENT AGENDAS

As global leaders begin to recognize that capital has the potential to create tremendous impact, impact investors have an increasingly important role to play in achieving global development agendas. In true symbiotic fashion, impact investors are also using global frameworks to map their impact goals, set impact targets, and shape investment products to achieve impact outcomes. Over half of respondents to this year's survey set impact targets based on a global development agenda (52%), such as the Sustainable Development Goals (SDGs) or the Paris Climate Accord. Global development agendas offer a common paradigm to which impact investors can align their goals and activities.

United Nations members adopted the 2030 Agenda for Sustainable Development in 2015. The Agenda comprises 17 **Sustainable Development Goals** (SDGs) that represent a call to action to address social inequities while protecting the planet.¹³ The SDGs, which include targets pertaining to access to basic services, environmental stewardship, and partnerships, align with many impact areas that impact investors target. The SDGs are the most common framework used by impact investors; in fact, 72% of respondents to this year's survey reported using the SDGs to guide their impact measurement practice, including not only setting SDG-aligned impact targets but also other practices. Some investors map their existing investments to understand which SDGs they impact; others channel investment capital toward SDG-aligned priorities or design investment products to proactively target the SDGs. Examples of how some impact investors direct capital toward the SDGs and integrate the SDGs across the investment lifecycle are profiled in the GIIN's 2018 case compendium, *Financing the Sustainable Development Goals: Impact Investing in Action*.¹⁴

The Paris Agreement, which falls under the United Nations Framework Convention on Climate Change, is a global action plan to combat climate change. While nearly every nation has committed to reducing greenhouse gas emissions, a clear investment gap has spurred action from both the private and public sectors to finance efforts to address climate mitigation and adaptation. In 2018, seven founding impact-oriented institutional investors officially launched the Global Investor Statement on Climate Change, calling on governments to pursue the Paris Agreement's goals, among other climate action objectives.¹⁵ As of September 2019, more than 515 institutional investors collectively managing more than USD 35 trillion have signed this Statement.¹⁶ A growing number of impact investors have not only made their own commitments to adopt renewable energy solutions and decrease their carbon footprints but have also aligned their impact investment targets with these goals. The Institutional Investors Group on Climate Change launched the Paris-Aligned Investment Initiative in May 2018 to illustrate how investors can transition and measure their portfolios in alignment with the Paris Agreement and its goals. For example, UBS Group has integrated the Paris Agreement into some of its investment decisions and strategies by only financing coal-fired operators that establish transition strategies aligned with the Paris Agreement. UBS Group also developed a Climate Aware World Equity Strategy, launched in April 2018 and aligned with the Paris Agreement, that aims to reduce the carbon footprint of a passive global equity portfolio and to increase investments in renewable energy.

Impact investing has also been featured more prominently at recent G7 and G20 summits. In 2018, G20 leaders collectively agreed that impact investment drives sustainable growth and offers one key solution to funding, and ultimately achieving, the SDGs. The **Global Steering Group for Impact Investment (GSG)**, the successor to the G8's Social Impact Investment Task Force, is an independent network created to catalyze impact investments globally. This intergovernmental push has encouraged 20 national governments to adopt impact investing initiatives, including both structured funds and DFIs to mobilize private capital for impact.¹⁷ For example, in 2018, Canada made a large-scale commitment to establish a Social Finance Fund with the aim to expand impact investing both nationally and globally. The GSG recognizes that measurement of results is critical to indicate progress; in its recent Working Group paper, published in October 2018, the GSG identified as top industry priorities 'commonly accepted and transparent market measurement,' along with setting clear impact goals.¹⁸

13 For more on the SDGs, see <https://sustainabledevelopment.un.org>.

14 Aliana Pineiro, Hannah Dithrich, and Arti Dhar, [Financing the Sustainable Development Goals: Impact Investing in Action](#) (New York: The GIIN, September 2018).

15 The Investor Agenda, "Accelerating Action for a Low-Carbon World," <https://theinvestoragenda.org/>.

16 "Global Investor Statement to Governments on Climate Change," <https://theinvestoragenda.org/focus-areas/policy-advocacy/>.

17 OECD, [Social Impact Investment: The Impact Imperative for Sustainable Development](#) (Paris: OECD, 2019).

18 Rosemary Addis and the GSG Working Group, [The Impact Principle: Widening Participation and Deepening Practice for Impact Investment at Scale](#) (London: Global Steering Group for Impact Investment, October 2018).

Measuring and managing impact

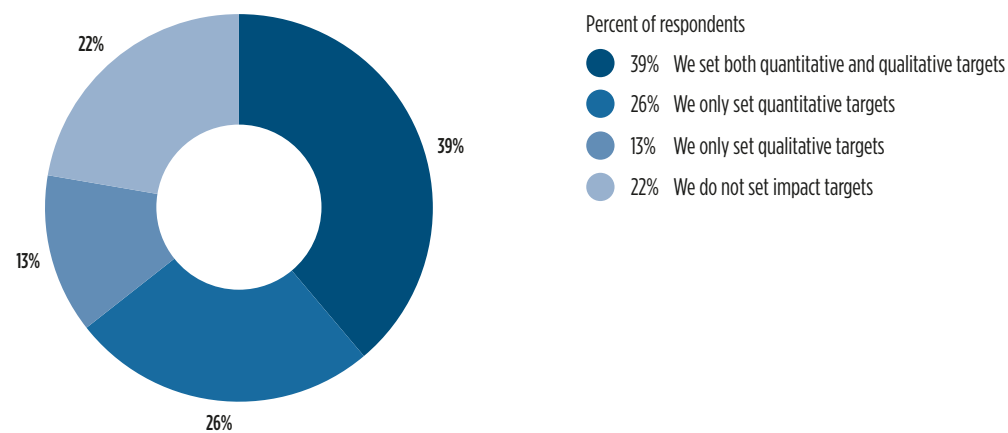
This section explores how investors measure and manage impact by setting impact targets, measuring progress towards those targets, and managing their investments to achieve their social and environmental impact goals.

IMPACT TARGETS

Most impact investors set impact targets as an important part of their impact measurement and management process (78%; Figure 20). Among respondents that do set impact targets, almost two-thirds set quantitative targets (64%), and just over half set qualitative targets (52%); 39% of respondents set both. Less commonly, about one-quarter (26%) only set quantitative targets, while 13% only set qualitative targets. Considering 109 repeat respondents, the proportion of investors setting impact targets has increased from 61% to 79% since 2017.

Figure 20: Setting impact targets

n = 278

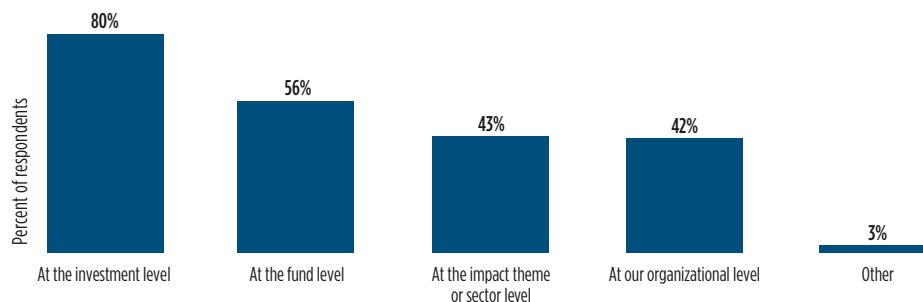


Source: GIIN, *The State of Impact Measurement and Management Practice, Second Edition*

Investors set impact targets at several different levels. Most investors set targets at the investment (80%; Figure 21) or fund (56%) levels, and they also commonly set targets at multiple levels. Forty-five percent set impact targets at both the fund and investment levels, and more than a third (36%) set at both the sector or thematic level and at the investment level.

Figure 21: Levels at which investors set impact targets

n = 217; optional question. Respondents could select multiple levels.



Note: 'Other' levels includes setting targets by type of business model or as a percentage of invested assets.

Source: GIIN, *The State of Impact Measurement and Management Practice, Second Edition*

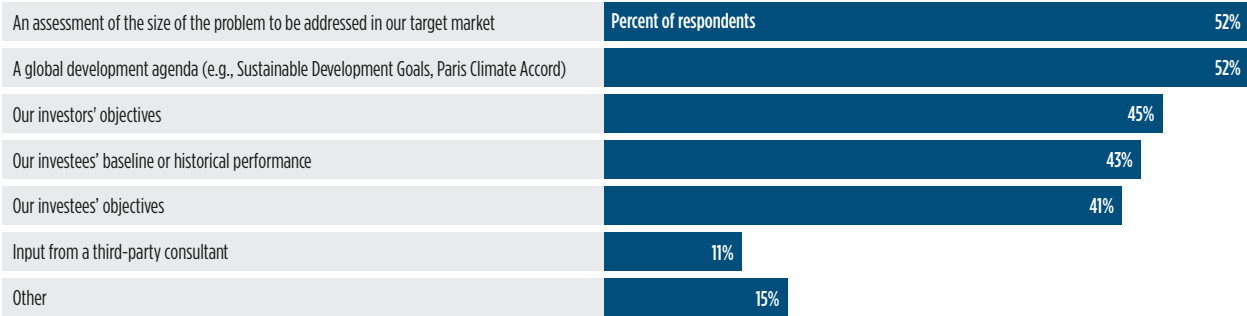
Investor sub-groups exhibited several notable differences. A greater share of Private Debt Investors set targets at the organizational level – or across all of the funds and investments they manage – compared to Private Equity Investors (54% versus 29%). Also, a greater share of Direct Investors set organization-wide targets compared to Indirect Investors (43% versus 26%).

To arrive at these targets, investors use a variety of inputs. Most commonly, investors examine the social or environmental problem they hope to address and set targets to help measure progress against those challenges or to develop targets in line with global development agendas such as the Sustainable Development Goals or the Paris Climate Accord (52%; Figure 22). Many stakeholders also influence investors’ target-setting: 45% of respondents set targets in line with their investors’ objectives, and 41% set targets in line with their investees’ objectives. Some impact investors work with third-party consultants to set their impact targets (11%).

More than a quarter set targets in line with both the overall size of the problem to be addressed and the SDGs (27%), and an equal proportion set targets that are in line with both a global development agenda and their investors’ objectives.

Figure 22: How impact targets are set

n = 217; optional question. Respondents could select multiple options.



Note: ‘Other’ ways includes setting targets in line with donors’ objectives; local, state or national contexts; or organizations’ strategic goals, often set by management or boards of directors.

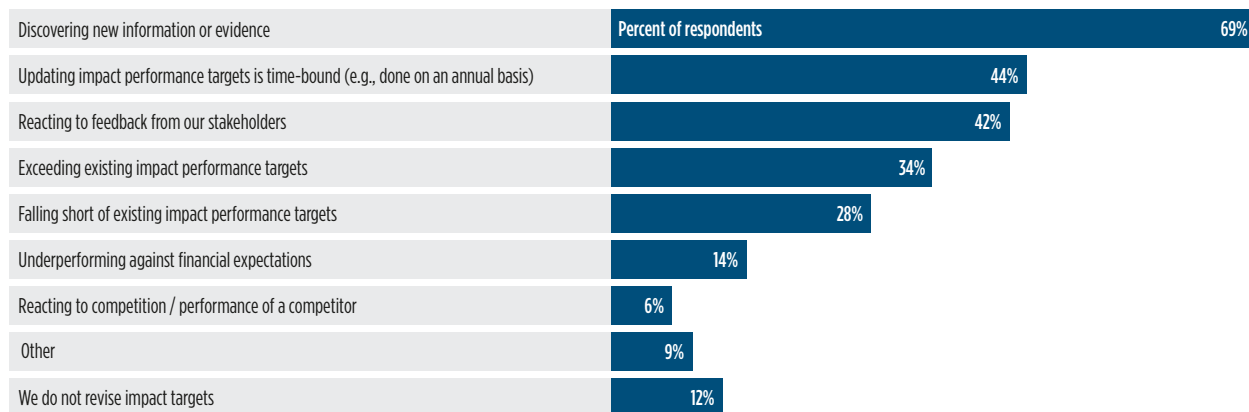
Source: GIIN, *The State of Impact Measurement and Management Practice, Second Edition*

Different types of investors set targets in different interesting ways. Private Debt Investors were almost twice as likely to set targets in line with their investors’ objectives compared to Private Equity Investors (57% versus 29%). And fewer Primarily Social Investors align their targets to broad development agendas (such as the SDGs or the Paris Climate Accord) compared to Primarily Environmental Investors (30% versus 50%).

Impact targets are not necessarily static across an investment’s lifetime. They may be adjusted or revised for many reasons; in fact, 88% of respondents indicated that they do in fact revise their targets. Most commonly, 69% of investors revise their impact targets after discovering new information or evidence (Figure 23). Other common reasons investors cited include reassessing and updating their impact targets at regular time intervals (44%) or revising based on feedback from stakeholders (42%). As investors measure their performance against their impact goals, they might adjust their targets: 34% revise impact targets because they have exceeded their existing targets, and 28% revise their targets after they fall short of their existing performance targets. Lastly, financial performance can play a role in setting impact targets: 14% of respondents said that they would revise their impact targets if an investment underperformed against financial expectations.

Figure 23: Reasons for revising impact targets

n = 191; optional question. Respondents could select multiple reasons.



Note: 'Other' reasons includes adding new sector themes, evolution of an investee's business model, and changes in investor or funder reporting requirements.

Source: GIIN, *The State of Impact Measurement and Management Practice, Second Edition*

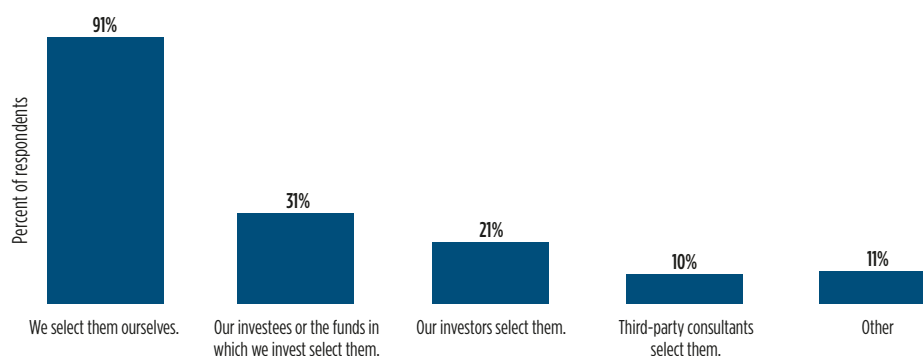
IMPACT MEASUREMENT

IMPACT METRICS

Investors select specific metrics to track performance against their impact targets. Nearly all select these themselves (91%; Figure 24). Less commonly, 31% of respondents reported that their investees or the funds in which they invest select their impact metrics. Additionally, 21% of respondents, primarily fund managers, said their investors select their impact metrics, indicating that stakeholders have some influence on both target- and metric-setting. Third-party consultants also play a similar role in metric-setting as in target-setting: 10% of respondents noted that third-party consultants select their impact metrics. Some investors engage a combination of stakeholders. More than a quarter (28%) both select metrics themselves and have their investees or funds select metrics, and 20% of respondents both select metrics themselves and have their investors select metrics.

Figure 24: Stakeholders involved in selecting impact metrics

n = 278; respondents could select multiple stakeholders.



Note: 'Other' includes co-investors, industry experts, and sector representatives.

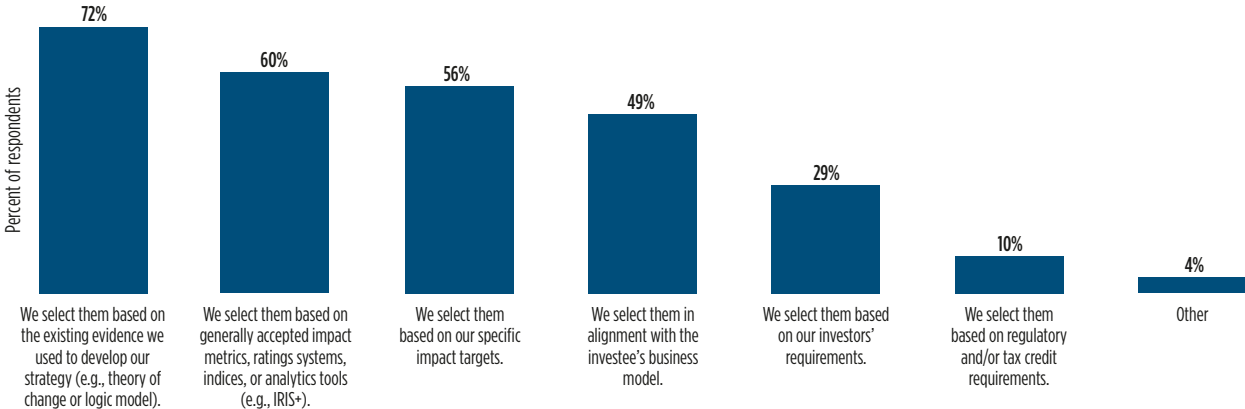
Source: GIIN, *The State of Impact Measurement and Management Practice, Second Edition*

Among respondents focused on private debt, 37% have their investors select their impact metrics, while 14% of respondents focused on private equity do so. As expected, compared to Direct Investors, a greater share of Indirect Investors have their investees or the funds in which they invest select their impact metrics (27% and 54%, respectively).

Besides considering the perspectives of these various stakeholders when selecting metrics, respondents consider many other factors. Most commonly, respondents select metrics based on the information and evidence they used to develop their strategy or theory of change (72%; Figure 25). Impact investors tend to use generally accepted standard metrics, ratings systems, or indices such as IRIS+ (60%). Interestingly, a greater share of EM-Focused Investors use these standard systems than do DM-Focused Investors (69% versus 51%).

Respondents also select metrics in line with each investee’s particular business model (49%) or based on their investors’ requirements (29%), again reinforcing the value of different stakeholders’ perspectives. Notably, selection based on investors’ requirements was far more common among Private Debt Investors compared to Private Equity Investors (42% versus 19%). Lastly, 14% of respondents select metrics in line with regulatory or tax credit requirements, though this was far more common among DM-Focused (19%) than EM-Focused (3%) Investors.

Figure 25: How impact metrics are selected
n = 278; respondents could select multiple options.



Note: ‘Other’ includes selecting impact metrics for individual clients or choosing them in line with SDG targets and indicators.
Source: GIIN, *The State of Impact Measurement and Management Practice, Second Edition*

Respondents shared their top two most important criteria in selecting impact metrics; these were reliability and utility (Table 2). As their top priority, respondents seek impact metrics that are reliable, meaning they are valid and indicate actual impact. As a second priority, they seek metrics that will be useful and actionable. Other important factors include standardization, which may again speak to general industry interest in greater standardization across IMM practice, and the ease and feasibility of collecting information for both investors’ and investees’ reporting.

Table 2: Most important criteria in selecting impact metrics
n = 273; optional question.

Criteria in selecting impact metrics	Ranked Importance	Weighted Score
Reliability: We want the data to be valid and indicative of actual impact	1	276
Utility: We want the data to be actionable and useful	2	222
Standardization: We want to be able to align with existing standards	3	123
Ease: We want it to be feasible to collect the information	4	98
Comparability: We want to be able to compare results among investors or investments	5	58
Precision: We want the data to have a high degree of precision and specificity	6	31

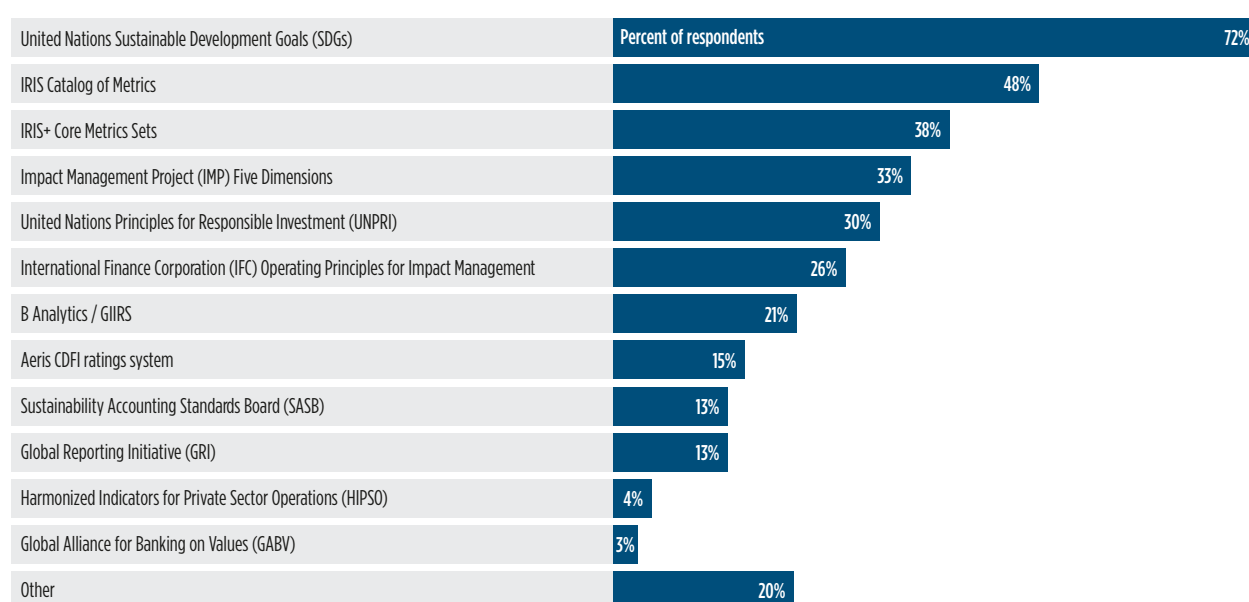
Note: Weighted scores were calculated by multiplying the number of responses selecting each criterion as their top choice by two, multiplying the number of responses selecting each criterion as their second choice by one, and adding these scores together.
Source: GIIN, *The State of Impact Measurement and Management Practice, Second Edition*

TOOLS AND FRAMEWORKS

Many tools and frameworks have been developed to help impact investors measure their impact. Most investors use more than one system or framework in their IMM practice; the average is three. The most commonly used are the United Nations Sustainable Development Goals (SDGs), which have gained significant traction across the global development community (72%; Figure 26). Next are the IRIS Catalog of Metrics (48%) and IRIS+ Core Metric Sets (28%).¹⁹ A third of respondents utilize the Impact Management Project’s Five Dimensions of impact,²⁰ and more than a quarter use principles that establish behaviors and processes, such as the UN Principles for Responsible Investment (UNPRI) or the International Finance Corporation’s (IFC’s) Operating Principles for Investment.²¹ Among the other tools used, some apply more to certain types of investors or those focused on particular asset classes, sectors, or impact areas (examples include the Aeris CDFI ratings system for CDFIs or the Harmonized Indicators for Private Sector Operations, or HIPSO, used by many DFIs).

Figure 26: Tools and frameworks used in IMM

n = 257; optional question. Respondents could select multiple tools and frameworks.



Note: Others include SPTF/CERISE SPI4, GOGLA, and CDFI certification systems.

Source: GIIN, *The State of Impact Measurement and Management Practice, Second Edition*

Some respondents also described reasons why they use these particular tools or frameworks. Many mentioned that they use frameworks to allow data to be standardized and compared: 22% of respondents that offered a write-in response mentioned standardization, and 9% mentioned comparability. One fund manager, for example, uses frameworks that “are standardized and allow for comparisons and benchmarking across our portfolios and with other investors, but also where there is customization so we can tailor the metrics to our own objectives and portfolio companies’ business models.” Several investors also choose those frameworks and tools that can best help them clearly communicate their impact to external audiences (5%). Others noted using frameworks that have been endorsed by respected groups (such as Opportunity Finance Network, a CDFI trade network endorsing the Aeris CDFI rating) or that their current or prospective clients use.

¹⁹ IRIS+ is the generally accepted system for measuring, managing, and optimizing impact, managed by the GIIN. <https://iris.thegiin.org/>.

²⁰ For more, see the Impact Management Project website: <https://impactmanagementproject.com/>.

²¹ For more, see the Principles for Responsible Investment website, <https://www.unpri.org/>; and “Operating Principles for Impact Management,” International Finance Corporation, <https://www.impactprinciples.org/>.

TWO-YEAR TRENDS

There are several interesting changes in the use of these tools and frameworks from 2017 to 2019 (Table 3). Use of the UN SDGs has almost doubled since 2017, as these global goals have gained traction among investors and other stakeholders. Use of the UNPRI has also nearly doubled, and several more strategy-specific frameworks have become more prevalent, such as the Sustainability Accounting Standards Board (SASB) and the Global Alliance for Banking on Values (GABV). Remarkably, no framework has seen a decline in uptake among investors. Notably, some widely used resources—such as IRIS+ Core Metrics Sets or the IFC Operating Principles—have been released since the 2017 edition of this survey.

Table 3: Changes in the use of IMM tools and frameworks, 2017–2019

n = 83; optional question.

Tool or framework	2017	2019
United Nations Sustainable Development Goals (SDGs)	43%	80%
IRIS Catalog of Metrics	65%	65%
United Nations Principles for Responsible Investment (UNPRI)	29%	46%
B Analytics / GIIRS	39%	42%
Sustainability Accounting Standards Board (SASB)	8%	34%
Global Reporting Initiative (GRI)	12%	33%
Aeris CDFI ratings system	10%	29%
Global Alliance for Banking on Values (GABV)	7%	23%
Other	18%	31%

Note: The offered list of tools and frameworks varied somewhat between the 2017 and 2019 surveys; the table above only includes those referenced in both years.

Source: GIIN, *The State of Impact Measurement and Management Practice, Second Edition*

Alignment to the UN SDGs varies by respondent sub-group: notably, a smaller share of Primarily Social Investors (57%; Table 4) use the UN SDGs compared with Primarily Environmental Investors (87%) or Social and Environmental Investors (79%). EM-Focused Investors use both the IRIS+ Core Metric Sets and the IFC Operating Principles at higher rates than do DM-Focused Investors (respectively, 45% versus 29% for IRIS+ and 40% versus 8% for the IFC Operating Principles). Lastly, Social and Environmental Investors or Primarily Environmental Investors more often use the UNPRI than do Primarily Social Investors (37% versus 16%).

Table 4: Tools and frameworks used in IMM by respondent sub-group

n = 273; optional question.

	Full Sample n = 273	DM-Focused Investors n = 106	EM-Focused Investors n = 112	Social & Environmental Investors n = 155	Primarily Social Investors n = 87	Primarily Environmental Investors n = 15	Direct Investors n = 203	Indirect Investors n = 29
United Nations Sustainable Development Goals (SDGs)	72%	68%	75%	79%	57%	87%	69%	93%
IRIS Catalog of Metrics	48%	42%	54%	49%	47%	40%	46%	59%
IRIS+ Core Metrics Sets	38%	29%	45%	41%	37%	13%	37%	48%
Impact Management Project (IMP) Five Dimensions	33%	31%	30%	37%	31%	13%	30%	52%
United Nations Principles on Responsible Investment (UNPRI)	30%	26%	29%	37%	16%	33%	27%	41%
International Finance Corporation (IFC) Operating Principles for Impact Management	26%	8%	40%	33%	17%	7%	21%	41%
B Analytics / GIIRS	21%	23%	16%	28%	7%	27%	18%	41%
Aeris CDFI ratings system	15%	25%	3%	8%	29%	0%	13%	24%
Sustainability Accounting Standards Board (SASB)	13%	12%	9%	17%	6%	20%	11%	38%
Global Reporting Initiative (GRI)	13%	10%	14%	19%	5%	0%	11%	14%

Source: GIIN, *The State of Impact Measurement and Management Practice, Second Edition*

INDUSTRY-DEFINING RESOURCES

Given the wide array of resources, tools, and initiatives in the industry concerning impact management, impact investors consistently cite fragmentation in impact measurement and management as a significant challenge restricting industry development (50% of respondents). To address this fragmentation and build industry cohesion, field-builders have developed complementary resources to offer greater clarity regarding the expectations of impact investors and the tools needed for effective IMM across various stages of the investment cycle. Some of these advancements are described below.

Clarifying impact investors' identity and behaviors

IDENTITY

- In April 2019, the **GIIN** released four **Core Characteristics** that define baseline expectations of what it means to practice impact investing: impact investors should (1) invest with the intention to create positive social or environmental impact alongside financial return, (2) use evidence and impact data in investment design, (3) manage their impact performance, and (4) contribute to the growth of the industry.²² These Characteristics are designed to strengthen the identity of impact investors and enable the market to scale with integrity.

PROCESS

- Also in April 2019, the **IFC** launched its **Operating Principles for Impact Management**, which establish nine features of effective impact management across all phases of the impact investment process: strategic intent, origination and structuring, portfolio management, exits, and independent verification.²³ The principles are designed to establish, clarify, and build market consensus around key elements of processes inherent to impact investing. More than 70 organizations have become signatories to the Principles since they were launched.

Implementing guidance for impact measurement and management

CONVENTION

- The **Impact Management Project** (IMP) led a multi-stakeholder initiative to help investors articulate impact expectations and communicate and manage their impact. In order to guide impact measurement, the IMP identified five dimensions of impact performance: what, who, how much, risk, and contribution. In September 2018, the IMP also launched a network of organizations seeking to agree upon standards of practice.²⁴

OPTIMIZATION

- In May 2019, the **GIIN** launched **IRIS+**, a generally accepted system for impact measurement which identifies Core Metrics Sets of performance indicators by impact theme or category. The system, which is aligned to the SDGs, the IMP's five dimensions, and more than 50 other frameworks and conventions, allows impact investors to efficiently identify and select appropriate, evidence-backed metrics; offers guidance to standardize data collection and reporting; and enables data comparability.²⁵

Together, these resources seek convergence of IMM practice and strengthen investors' ability to rigorously measure, manage, and understand their impact in a standardized manner.

22 For more, see "Core Characteristics of Impact Investing," The GIIN, <https://thegiin.org/characteristics>.

23 For more information, see "Operating Principles for Impact Management," International Finance Corporation, <http://www.impactprinciples.org/>.

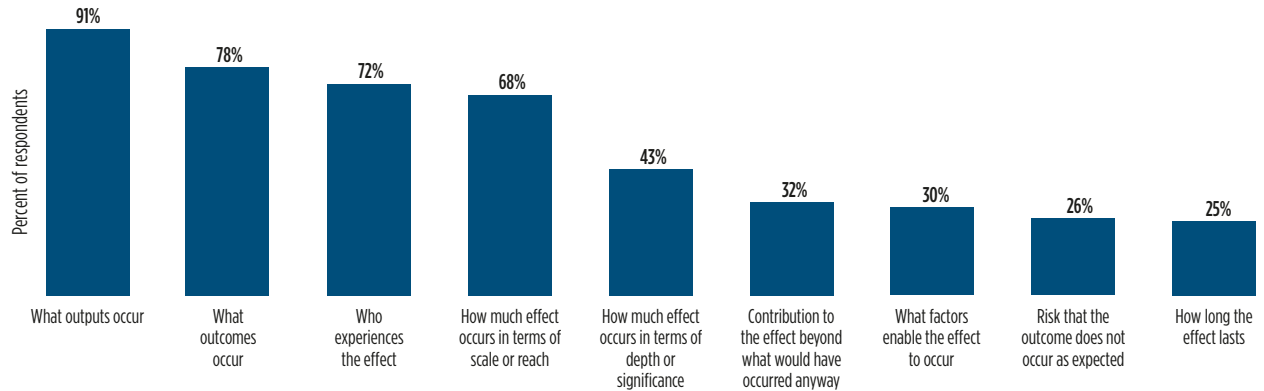
24 For more information, see Impact Management Project, <https://impactmanagementproject.com>.

25 For more information, see IRIS+, <https://iris.thegiin.org/>.

Impact investors also assess metrics that examine various dimensions of impact. For example, 91% of respondents measure outputs, or the direct products of an organization’s activities (such as number of clients served or goods produced; Figure 27). More than three-quarters seek to understand outcomes (78%), or the deeper effects of an organization’s outputs (such as client savings or higher education rates). Investors also consider who is affected by their investments (72%). About one-quarter evaluate impact risk (the risk that outcomes will not occur as expected) or how long the effects of their investments last.

Figure 27: Dimensions of impact evaluated

n = 276; optional question. Respondents could select multiple methods.

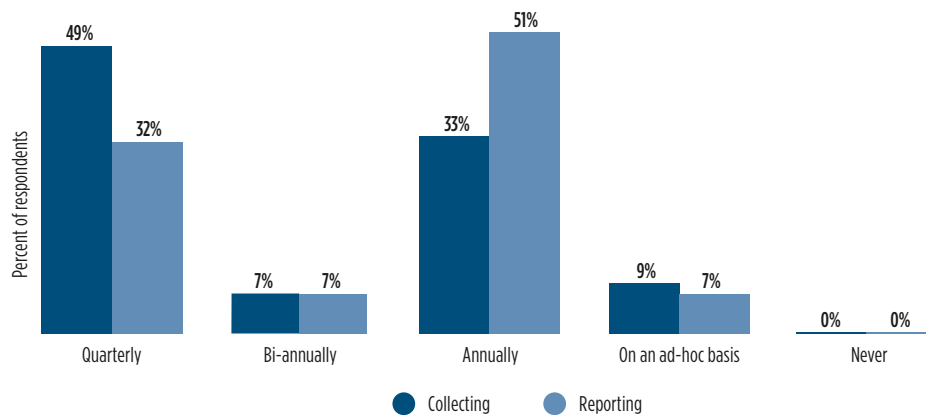


Source: GIIN, *The State of Impact Measurement and Management Practice, Second Edition*

Respondents collect impact data and share these data with relevant stakeholders at varying time intervals, most commonly collecting impact data quarterly (49%) and reporting annually (51%; Figure 28). Just under half of respondents collect data quarterly; one-third collect annually. Twenty-nine percent of respondents both collect and report annually, and a roughly equal number (28%) both collect and report quarterly.

Figure 28: Frequency at which respondents collect and report impact data

n = 275; optional question.



Source: GIIN, *The State of Impact Measurement and Management Practice, Second Edition*

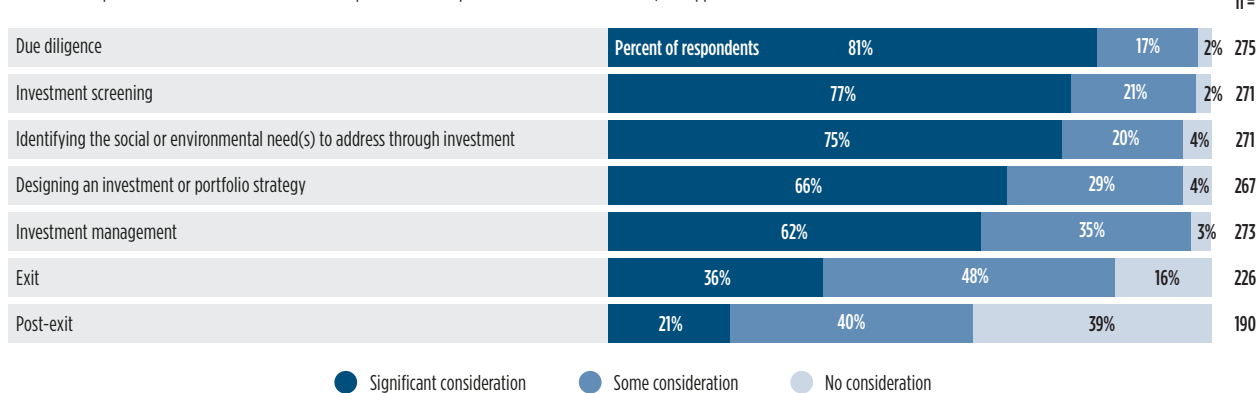
IMPACT MANAGEMENT

Impact investors typically use impact data to inform multiple stages of the investment process. Most commonly, respondents give impact data significant consideration during due diligence (81%; Figure 29), investment screening (77%), and in identifying the social or environmental needs to address through investment (75%). Impact data also inform broader investment strategy, such as overarching portfolio strategy (66%).

After selecting investments, 62% of respondents consider impact data in managing these investments. While it is less common to consider these data at later stages of the investment process, more than a third give impact data significant consideration at exit (36%). Page 44 describes in further detail how investors consider impact in the exit process.

Figure 29: Consideration of impact data at each stage of the investment process

Number of respondents shown beside each answer option. Those respondents who chose 'not sure/not applicable' have not been included.

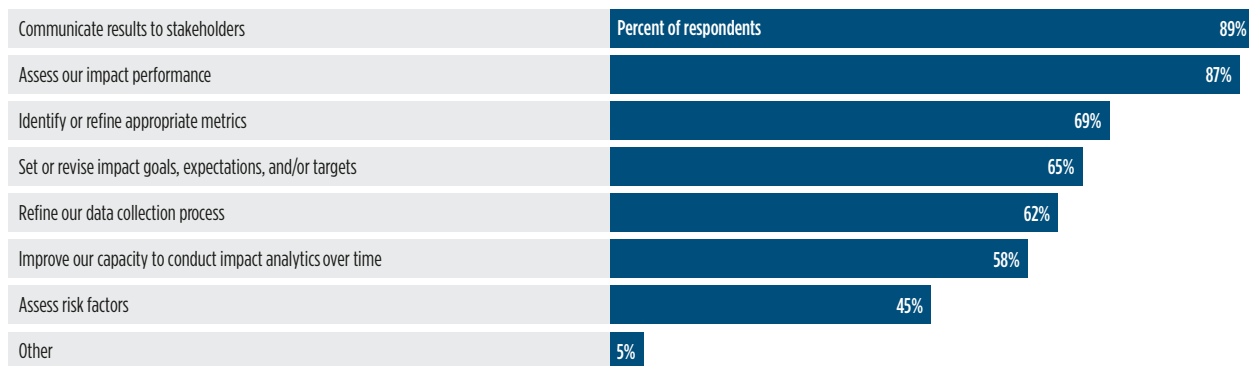


Source: GIIN, *The State of Impact Measurement and Management Practice, Second Edition*

Investors use these impact data to drive a range of key activities and decisions. Most commonly, they use impact data to communicate impact results to stakeholders (89%; Figure 30) and to assess impact performance (87%). Well over half of investors use impact data to identify or refine their metrics (69%) and targets (65%), refine their overall data-collection process (62%), or improve their capacity to conduct impact analytics over time (58%).

Figure 30: Uses of impact data in the investment process

n = 278; respondents could select multiple uses.



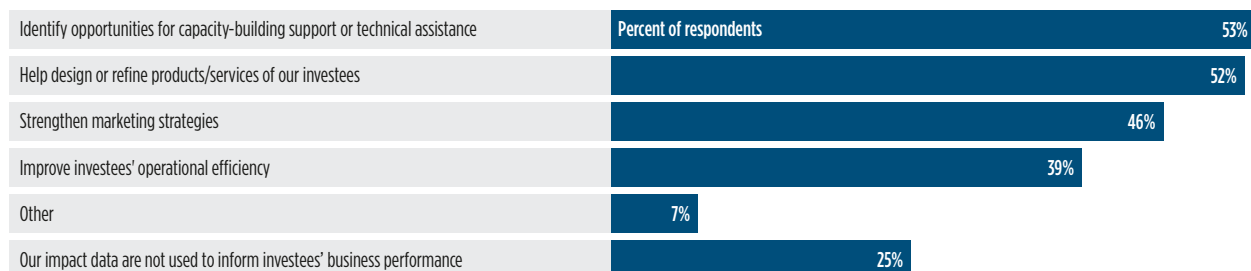
Note: 'Other' includes assessing the need for non-financial support, improving risk exposure, and identifying innovative investments.

Source: GIIN, *The State of Impact Measurement and Management Practice, Second Edition*

Besides helping investors with these aspects of the investment process, impact data also contribute directly to investees' business performance. Over half of investors use impact data to identify opportunities for capacity-building support or technical assistance for their investees (53%; Figure 31) or to help design or refine their investees' products and services (52%). Other common uses of impact data include strengthening investees' marketing strategies (46%) and improving their operational efficiency (39%).

Figure 31: How impact data contributes to investees' business or project performance

n = 265; optional question. Respondents could select multiple options.



Note: 'Other' includes operational risk identification and mitigation and attracting other impact-oriented investors.

Source: GIIN, *The State of Impact Measurement and Management Practice, Second Edition*

Compared to DM-Focused Investors, a higher proportion of EM-Focused Investors use impact data to identify opportunities for capacity-building support or technical assistance (43% versus 68%). Interestingly, a greater proportion of Private Equity Investors than Private Debt Investors use impact data to help design or refine their investees' products and services (65% versus 48%), strengthen their investees' marketing strategies (64% versus 36%), and improve their investees' operational capacity (51% versus 28%).

IMPACT INVESTING AND RESPONSIBLE EXITS

Impact investors consider impact-related factors alongside financial factors at various stages of the investment lifecycle, including in determining why, when, and how to exit their investments. Many revisit their impact goals or targets when planning to exit an investment, assess the progress made against such targets at the time of exit, or exit in a way that best ensures that their impact will continue long-term. The risks of not exiting responsibly include the risk that an investee's follow-on shareholders might deprioritize positive practices that lead to impact or alter the business model, affecting the investee's ability to generate positive impact in the long run. Indeed, over one-third (36%) of respondents to this survey give impact data 'significant consideration' at exit, and 21% give it 'significant consideration' after exit.

The GIIN's 2018 report, *Lasting Impact: The Need for Responsible Exits*,²⁶ outlines four key ways in which impact investors exit their holdings responsibly to best enable long-term impact. First, investors plan for a responsible exit from the outset by, for example, sourcing investments with impact embedded into the business model. Second, they structure investments to support long-term growth by considering factors such as reasonable return expectations and holding periods or by integrating impact-related factors into legal documents. Third, they manage investments to instill positive governance and operational practices for the long term. And fourth, investors seek buyers with a shared vision for social and/or environmental impact at a time when investees are poised for long-term growth.

Creating Impact: The Promise of Impact Investing,²⁷ published by the International Finance Corporation in 2019, also encourages investors to consider impact at exit, including the effect on the investee's sustained impact. It explains that the IFC Operating Principles for Impact Management stipulate that, at exit, investors should take the opportunity to assess the impact achieved during the investment, using the exit process to review, document, and improve their future decisions and processes.

Several examples below detail how impact investors consider impact at exit:

- **The Rise Fund** evaluates impact achieved relative to targets set at the time of investment. It uses these learnings to improve the accuracy of its future investment underwritings and impact targets.²⁸
- **Renewal Funds** has exited various investments to mission-aligned investors and also encourages companies to embed legal certifications (such as B Corp or fair-trade certifications) in order to help ensure investees stay true to their impact goals over the long term.²⁹
- **Adobe Capital** plans for a responsible exit in how it structures investments. For example, using alternative investment structures, such as mezzanine financing, can provide companies with more flexibility, helping to ensure their long-term growth and success. Adobe took this approach with its investment in Natgas, an alternative energy provider in Mexico, which it exited in 2016. By structuring its investment as mezzanine capital, it provided Natgas with more flexible financing than traditional private equity structures. Flexible loan repayment options 'limited pressure to exit on a specific timeframe, which can limit buyer options, lead to unsustainable growth, and force equity dilution.'³⁰
- **Beartooth Capital** often sells its real assets and land investments to mission-aligned buyers that plan to conserve the land long-term. For example, after restoring a piece of rangeland in Montana, it sold to a mission-aligned investor in 2016 who planned to continue the land's restoration and preserve it for conservation. Beartooth also often secures conservation easements on its properties prior to exiting in order to ensure long-term impact.³¹
- **PG Life**, through its private markets investments that address the SDGs – particularly education, healthcare, social inclusion, energy access, and clean energy – creates impact exit reports that reflect on the lessons learned during the investment, particularly those regarding managing for and sustaining positive impact.³²

26 Hannah Schiff and Hannah Dithrich, *Lasting Impact: The Need for Responsible Exits* (New York: The GIIN, January 2018).

27 International Finance Corporation, *Creating Impact: The Promise of Impact Investing* (Washington, DC: International Finance Corporation, April 2019).

28 International Finance Corporation, *Creating Impact: The Promise of Impact Investing* (Washington, DC: International Finance Corporation, April 2019). 53.

29 Paul Richardson, Mathieu Senard, and Edouard Rollet, "What a Successful B Corp Exit Looks Like," *B the Change* (blog), April 5, 2018, <https://bthechange.com/what-a-successful-b-corp-exit-looks-like-6a8230e32afb>.

30 Schiff and Dithrich, *Lasting Impact: The Need for Responsible Exits*.

31 Schiff and Dithrich, *Lasting Impact: The Need for Responsible Exits*. 25.

32 International Finance Corporation, *Creating Impact: The Promise of Impact Investing* (Washington, DC: International Finance Corporation, April 2019). 51.

Capacity for impact measurement and management

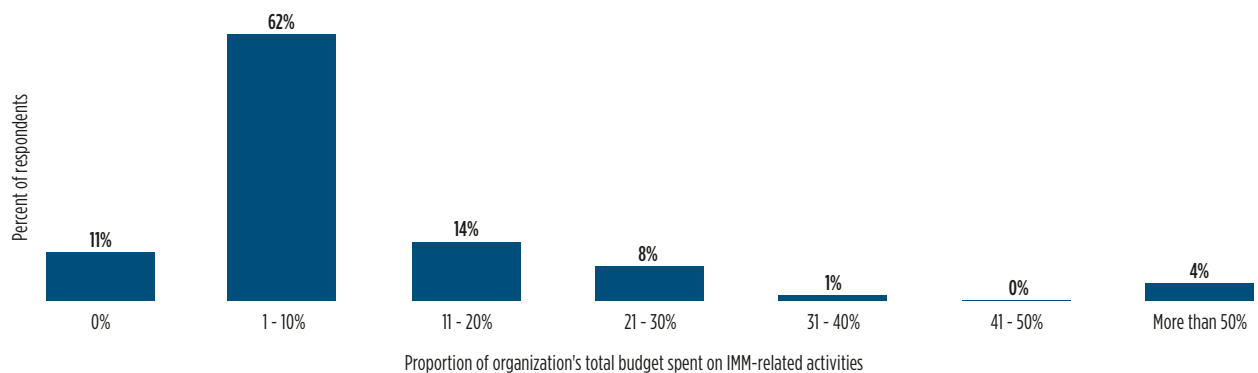
This section explores how organizations dedicate staff and other resources to operationalize IMM and how they allocate their budgets to support various IMM activities.

BUDGET ALLOCATIONS FOR IMM

Impact investors often contemplate the appropriate amount to spend on measuring and managing their impact. While there is no single answer, respondents provided data on the proportion of their organizational budgets spent on IMM-related activities. The average respondent spends an estimated 12% of their organization's total budget on IMM, and the median spends 6%.³³ Almost two-thirds (62%) of investors spend between 1% and 10% of their total budget on IMM, and only 4% spend more than half of their organization's budget on IMM-related activities (Figure 32). Overall, 11% of respondents reported that none of their organization's budget is allocated specifically to IMM activities; in some cases, respondents explained, IMM is challenging to estimate as a percentage of budget because IMM-related activities are integrated into other budgeted activities, such as investment processes, and not explicitly allocated.

Figure 32: Proportion of organization's total budget spent on IMM-related activities

n = 176; optional question. These percentages refer to the proportion of respondents that fall within each category.



Source: GIIN, *The State of Impact Measurement and Management Practice, Second Edition*

Respondents also shared the proportions of their IMM-related budget allocated across various IMM activities: planning, data collection, data analysis, impact management, and reporting. Most respondents allocate between 11% and 20% of their IMM-related budget toward each of these, suggesting a relatively even flow of resources to various stages of the IMM process. Just 1% to 4% of respondents allocate more than half their budget to any single IMM-related activity. The average investor allocates the smallest proportion of their IMM funds toward planning (14%) and the highest proportion toward data collection (25%; Table 5).

³³ Excluding those respondents that reported spending none of their organization's budget on IMM, the average investor spends 14% on IMM-related activities, and the median spends 10%.

Table 5: Average proportion of IMM-related budget allocated to various IMM activities

n = 184; optional question.

IMM activities	Average proportion of IMM budget
Planning: building or updating our theory of change and strategy	14%
Data collection: collecting and validating data from investees	25%
Data analysis: analyzing and interpreting data from investees	20%
Impact management: using data and insights to improve our work	17%
Reporting: reporting impact to internal and/or external stakeholders	24%

Source: GIIN, *The State of Impact Measurement and Management Practice, Second Edition*

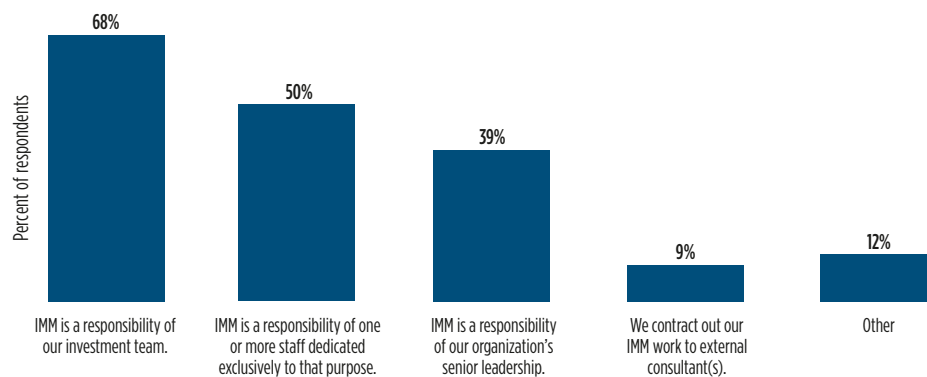
ALLOCATION OF HUMAN RESOURCES TO IMM

Staffing is important for effective IMM implementation, and how impact investors allocate human resources varies widely. Anecdotally, respondents shared different interpretations of the relationship between impact investing activities and IMM; while some see IMM as wholly integrated into all aspects of the impact investing process and therefore could not isolate human resources allocated to IMM from standard investment activity, others view IMM as a distinct activity and allocate human resources accordingly.

On average, one-third of all full-time employees within an organization’s impact investing team contribute directly, in some form, to IMM practice, with a median of one in five employees contributing to IMM. These responsibilities are spread across different personnel, including the investment team, senior leadership, and exclusive IMM staff. More than two-thirds of respondents integrate IMM responsibilities across the organization’s investment team (68%), while half of respondents have one or more staff dedicated exclusively to the purpose of IMM (Figure 33). Thirty percent have both the investment team and dedicated IMM staff conduct IMM activities. Several respondents also noted anecdotally that all employees at their organization contribute to IMM, recognizing IMM as intrinsic to all aspects of their work.

Figure 33: Human resources allocated to IMM

n = 278; respondents could select multiple options.



Note: ‘Other’ includes integrating IMM responsibilities into other workstreams, such as operations, investment advisory, ESG, or across all functions of the organization. Some respondents also indicated that IMM is a partial, but not exclusive, responsibility of one or more staff members.

Source: GIIN, *The State of Impact Measurement and Management Practice, Second Edition*

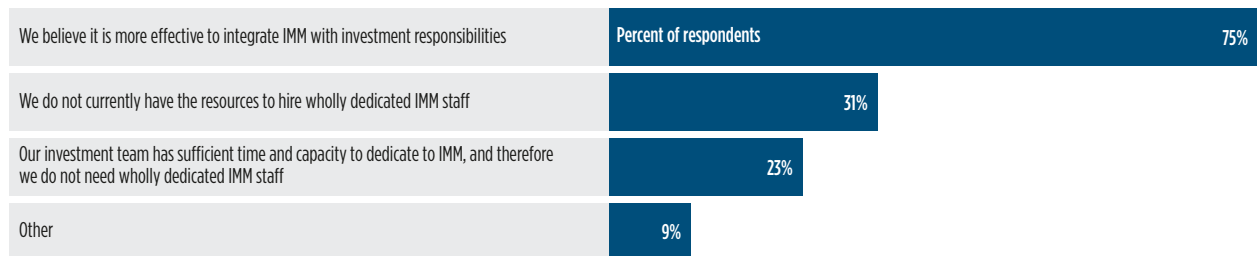
Among sub-groups, certain types of investors dedicate a greater proportion of personnel exclusively to IMM. While 64% of Private Debt Investors dedicate one or more staff exclusively to IMM, only 35% of Private Equity Investors do the same. Similarly, a larger proportion of Small Investors (44%) dedicate staff exclusively to IMM compared to both Medium and Large Investors (24% each). Both EM-Focused Investors have a greater tendency to dedicate staff exclusively to IMM than their

DM-Focused counterparts (59% versus 40%). Likewise, Indirect Investors do so at a greater rate than do Direct Investors (57% versus 46%).

The most common approach remains integrating IMM responsibilities across the investment team, which investors do for several reasons (Figure 34). Most commonly, 75% of these respondents find it more effective to integrate IMM with investment management responsibilities. Another 31% of respondents currently lack the resources to hire wholly dedicated IMM staff, and 23% feel that since their investment team has sufficient time and capacity to dedicate to IMM, they have no need for dedicated IMM staff. More Direct Investors than Indirect Investors find it more effective to integrate IMM and investment responsibilities (79% versus 46%).

Figure 34: Reasons impact investors integrate IMM responsibilities into roles on the investment team

n = 106; respondents could select multiple options. Optional question.



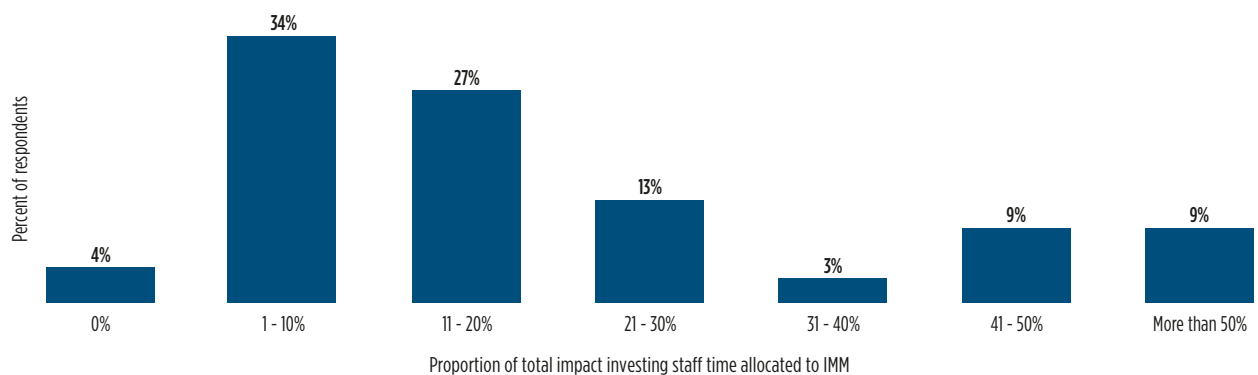
Note: 'Other' includes respondents indicating they have not developed a team dedicated to IMM. Several others specified that incorporating IMM into the investment team is more collaborative or efficient and that professionals on the investment team possess the necessary expertise to effectively integrate impact into investment decisions.

Source: GIIN, *The State of Impact Measurement and Management Practice, Second Edition*

Respondents also reported the proportion of impact investing staff time typically spent conducting IMM activities (Figure 35).³⁴ Within impact investing teams, an average of 25% and a median of 20% of staff time is allocated to IMM. The proportion of staff time allocated to IMM also varies, with just over a third of respondents noting that staff spend 10% or less of their time on IMM responsibilities, while over a quarter spend between 11% and 20% of their time on IMM. Nine percent of organizations indicated spending more than half of staff time on IMM activities, and 6% reported that all their impact investing staff time is focused exclusively on IMM. As discussed above, exactly how investors allocate human resources to IMM varies widely and depends on how and to what extent they integrate IMM into their investment processes. Time allocations similarly vary, potentially also reflecting the manner and extent of IMM integration.

Figure 35: Time allocated to IMM

n = 223; optional question.



Source: GIIN, *The State of Impact Measurement and Management Practice, Second Edition*

³⁴ Four percent of respondents reported that 0% of impact investing staff time is allocated to IMM; 2% of respondents reported that none of their full-time staff contribute to the organization's IMM practice.

EXTERNAL CONSULTANTS FOR IMM

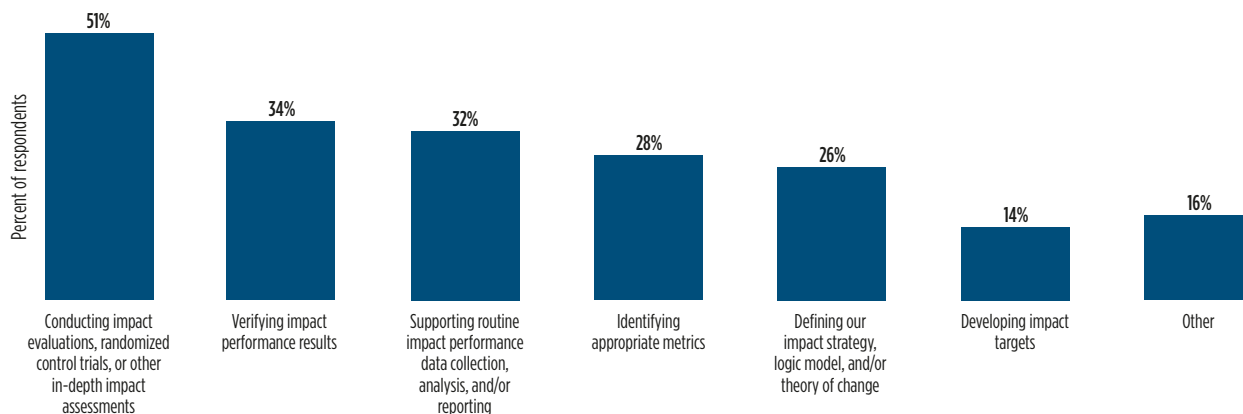
Besides allocating staff time to IMM, many organizations turn to external consultants for support on various IMM tasks across the investment process, from defining impact strategy at the start of an investment to conducting impact evaluations and verifying results at the end. More than half of respondents (53%) have used external consultants to support one or more IMM tasks.

Of those investors that use external consultants for IMM, the greatest proportion hire external IMM consultants to conduct impact evaluations, randomized control trials, or other in-depth impact assessments (51%; Figure 36), and just over one-third use consultants to verify their impact performance results (34%). Twenty percent of respondents hire external consultants not only to conduct impact assessments but also to verify results, and 32% use consultants to support routine collection, analysis, or reporting of impact performance data. By contrast, somewhat fewer respondents hire consultants to help define their impact strategy, logic model, or theory of change (26%) or to develop impact targets (14%), suggesting the industry has progressed from seeking to understand impact to rigorously measuring it. Only four respondents reported hiring an external consultant for all of these tasks.

One for-profit fund manager noted that while they do not currently utilize external consultants, “in accordance with IFC’s requirement that signatories to its Operating Principles for Impact Management submit to an independent verification,” their organization is “currently conducting a search of the appropriate entity that can provide such services and will complete this verification process.” Another foundation highlighted their organization’s keen interest in “exploring greater use of consultants to assist with refining [the organization’s] IMM process.”

Figure 36: Use of external consultants for IMM tasks

n = 148; respondents could select multiple options. Optional question.



Note: ‘Other’ includes hiring external consultants to screen and structure investments to maximize impact; conduct impact surveys and draft reports; advise on technical metrics; improve sustainability practices; build a database and dashboard; and provide financial data. Several respondents also mentioned that consultants are hired ad hoc, depending on organizational capacity.

Source: GIIN, *The State of Impact Measurement and Management Practice, Second Edition*

Among sub-groups, investors use consultants for different reasons, with the greatest divergence in conducting impact evaluations and verifying impact results (Table 6). Notably, 63% of EM-Focused Investors hire external consultants to conduct impact assessments (evaluations, randomized control trials, or other in-depth assessments), compared to just 39% of DM-Focused Investors doing the same. Similarly, a greater proportion of Private Debt Investors hired consultants (63%) for this purpose compared with Private Equity Investors (46%). A smaller proportion of Primarily Social Investors reported hiring external consultants to verify impact results compared to Social and Environmental Investors (16% versus 45%).

Table 6: Use of external consultants for IMM tasks, by sub-group

Optional question.

	EM-Focused Investors	DM-Focused Investors	Private Debt Investors	Private Equity Investors	Primarily Social Investors	Social and Environmental Investors
n	73	56	46	35	55	86
Conducting impact evaluations, randomized control trials, or other in-depth impact assessments	63%	39%	63%	46%	53%	53%
Verifying impact performance results	40%	30%	30%	23%	16%	45%
Supporting routine impact performance data collection, analysis, and/or reporting	27%	34%	22%	37%	24%	35%
Identifying appropriate metrics	23%	30%	17%	31%	22%	31%
Defining our impact strategy, logic model, and/or theory of change	23%	23%	33%	23%	29%	24%
Developing impact targets	11%	13%	11%	14%	7%	17%
Other	16%	16%	17%	17%	18%	16%

Source: GIIN, *The State of Impact Measurement and Management Practice, Second Edition*

FUNDING IMM CAPACITY

Impact investors fund their IMM activities and capacity in various ways. Most respondents fund their IMM capacity through management fees, cash flows, or profits from impact investments (72%), while just under one-quarter use management fees, cash flows, or profits from their broader investment activities (24%; Figure 37). Overall, 11% of all respondents fund IMM through management fees, cash flows, or profits from a combination of both their impact investments and their broader investment activities. Twenty-two percent rely, at least in part, on donor funding, and only 11% fund IMM capacity through a full or partial cost-share with investees, though one respondent noted that their organization funded its IMM activities using a specific investment.

Figure 37: Funding sources for IMM capacity and activities

n = 267; respondents could select multiple options. Optional question.

Funding Source	Percent of respondents
Through management fees, cash flows, or profits from our impact investments	72%
Through management fees, cash flows, or profits from our broader investment activities	24%
Through donor funding	22%
Through a full or partial cost-share with our investees	11%
Other	12%

Note: 'Other' includes endowments or specifically unrestricted philanthropic support, parent company funding, investor funding, or integration within the operations budget.

Source: GIIN, *The State of Impact Measurement and Management Practice, Second Edition*

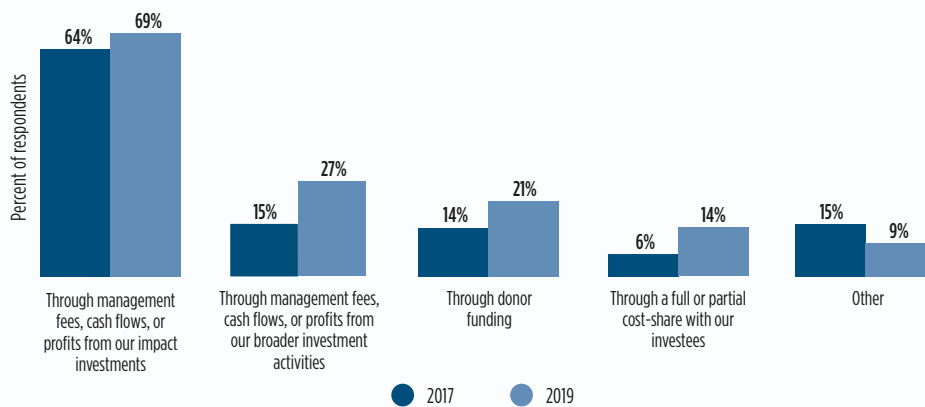
Nearly three-quarters of both EM- and DM-Focused Investors fund IMM activities through management fees, cash flows, or profits from impact investments (71% and 73%, respectively). However, while 32% of DM-Focused Investors obtain funding from broader investment activities, only 16% of EM-Focused Investors do so. Compared to DM-Focused Investors, a greater proportion of EM-Focused Investors use donor funding for IMM (12% versus 28%) or fund IMM through a full or partial cost-share with investees (6% versus 19%).

TWO-YEAR TRENDS

Two-year repeat respondents have diversified their funding sources for IMM, increasing the use of each (Figure 38). Especially notable is the increase of organizations funding IMM through management fees, cash flows, or profits from their broader investment activity, which grew from 15% of respondents in 2017 to 27% in 2019. Similarly, impact investors indicated greater use of donor funding in 2019 (21% of respondents compared with 14% in 2017). However, despite an overall increase in the use of donor funding, one respondent this year shared frustration with the lack of available external funding sources to support their IMM activities, which they felt conflicts with high industry expectations to collect and share impact data.

Figure 38: Two-year trends in IMM funding sources

n = 108; respondents could select multiple options. Optional question.



Note: 'Other' in 2019 includes the organization's operational budget, endowments, or unrestricted philanthropic support. 'Other' in 2017 includes operational budget or volunteer support.

Source: GII, *The State of Impact Measurement and Management Practice, Second Edition*

Accountability for performance

Impact investors often seek to hold themselves accountable for the social and environmental impact of their investments through both external agents and internal mechanisms. As this section explores, such mechanisms include setting incentives for staff or investees, codifying impact targets in legal documents, and reporting their impact performance.

INCENTIVIZING STAFF TO ACHIEVE IMPACT

Respondents shared whether and how they incentivize their organizations' staff to achieve impact targets. More than 75% of investors stated that their teams are intrinsically motivated to achieve impact (Figure 39), while one-fifth noted that achievement of impact is a factor in employee evaluations. Slightly over 40% of investors offer no explicit incentives for staff to achieve impact, although 67% of these particular respondents also highlighted their team's intrinsic motivations.

Figure 39: Incentives for staff to achieve impact

n = 278; respondents could select multiple answer options.

	Percent of respondents
Our team is intrinsically motivated by impact	76%
One of the factors in employee performance evaluations is the achievement of impact	21%
A proportion of compensation is tied to the achievement of impact goals for some staff	10%
A proportion of compensation is tied to the achievement of impact goals for all staff	7%
Other	3%
We do not have explicit incentives for staff to achieve impact	43%

Note: 'Other' includes tying impact into business models such that profit and impact are linked and fostering a close working relationship between investment and impact teams.

Source: GIIN, *The State of Impact Measurement and Management Practice, Second Edition*

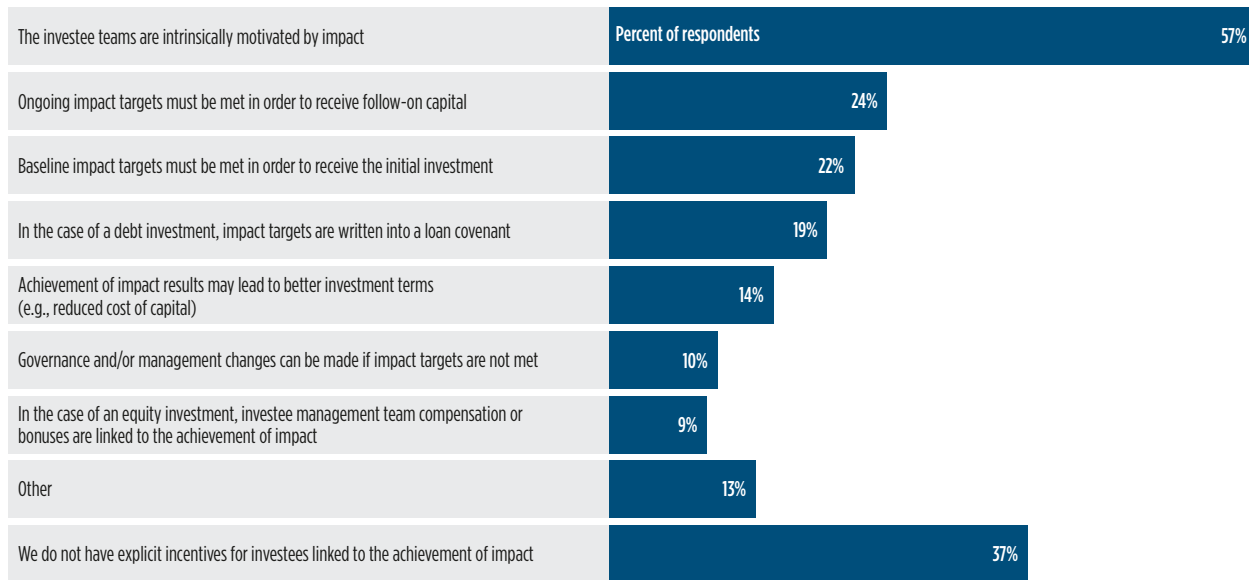
Nearly twice as many Large Investors compared to Medium Investors incorporate the achievement of impact into their employee performance evaluations (29% versus 15%). Furthermore, just over 10% of both Small and Medium Investors tie a proportion of compensation to the achievement of impact goals for some or all staff, compared to 36% of Large Investors. There are also some notable differences among other sub-groups. Twenty-one percent of EM-Focused Investors tie a proportion of compensation to impact achievement for some or all staff compared to 18% of DM-Focused Investors, and half of DM-Focused Investors have no explicit incentives for staff to achieve impact compared to just over one-third of EM-Focused Investors. Furthermore, a quarter of investors that make only impact investments incorporate the achievement of impact into employee evaluations, which compares to 14% of investors that make both impact and impact-agnostic investments. Over half of investors making both impact and impact-agnostic investments have no explicit incentives for staff to achieve impact, compared to 38% of investors making exclusively impact investments.

INCENTIVIZING INVESTEEES TO ACHIEVE IMPACT

In addition to sharing their incentives for staff, investors also reported incentive mechanisms in place for investees. Nearly 60% of respondents described their investees as intrinsically motivated by impact (Figure 40), and approximately one quarter provide follow-on capital only if impact targets are met. Slightly more than one in five investors provide the initial investment only if baseline impact targets are met (22%). Conversely, of the 37% of investors without any explicit incentives for investees to achieve impact, 36% of these respondents noted that their investees are intrinsically motivated by impact.

Figure 40: Incentives for investees to achieve impact

n = 278; respondents could select multiple answer options.



Note: 'Other' includes requiring annual impact performance reporting from investees, developing exit clauses if impact targets are unmet, providing technical assistance to meet investees' IMM requirements, encouraging investees to incorporate impact results into their equity story when preparing for IPOs, and facilitating evaluation and corrective action if impact targets are not met.

Source: GIIN, *The State of Impact Measurement and Management Practice, Second Edition*

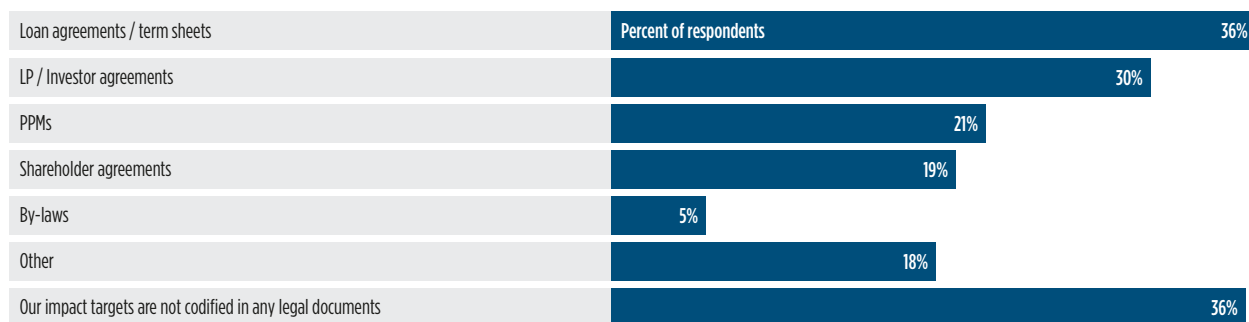
Overall, a higher proportion of Small Investors set incentives for investees compared to Medium and Large Investors; 27% of Small Investors require investees to meet baseline impact targets in order to receive the initial investment (compared to 17% of Medium and 14% of Large Investors), while 30% state that ongoing impact targets must be met to receive follow-on capital (compared to 18% of Medium and 15% of Large Investors). Separately, 32% of Private Debt Investors require investees to meet baseline impact targets in order to receive the initial investment, compared to 16% of Private Equity Investors. Furthermore, nearly half of investors making both impact and impact-agnostic investments have no explicit incentives for investees to achieve impact, compared to just 30% of investors making only impact investments. A greater share of the latter group also requires investees to meet ongoing impact targets in order to receive follow-on capital (29% versus 17%).

CODIFYING IMPACT TARGETS IN LEGAL DOCUMENTS

Nearly two-thirds of respondents legally codify their impact targets in some form (64%; Figure 41), but the specific investment terms that incorporate impact targets naturally vary by asset class. For example, more than one-third of respondents codify impact targets in loan agreements or term sheets, with a greater share of Private Debt Investors (as expected) doing so than Private Equity Investors (55% versus 18%). Just under a fifth of investors codify impact targets in shareholder agreements (19%), with proportionally more Private Equity Investors doing so than Private Debt Investors (32% versus 9%). Overall, 30% of respondents codify impact targets in LP/investor agreements, and about a fifth do so in Private Placement Memorandums (PPMs).

Figure 41: Legal documents through which impact targets are codified

n = 278; respondents could select multiple answer options.



Note: 'Other' includes investment memos, donor grant agreements, investment process and transparency codes, investee-focused KPIs, impact reports, side agreements, convertible notes, community benefit agreements, a DFI-specific code of responsible investing, and subscription agreements.

Source: GIIN, *The State of Impact Measurement and Management Practice, Second Edition*

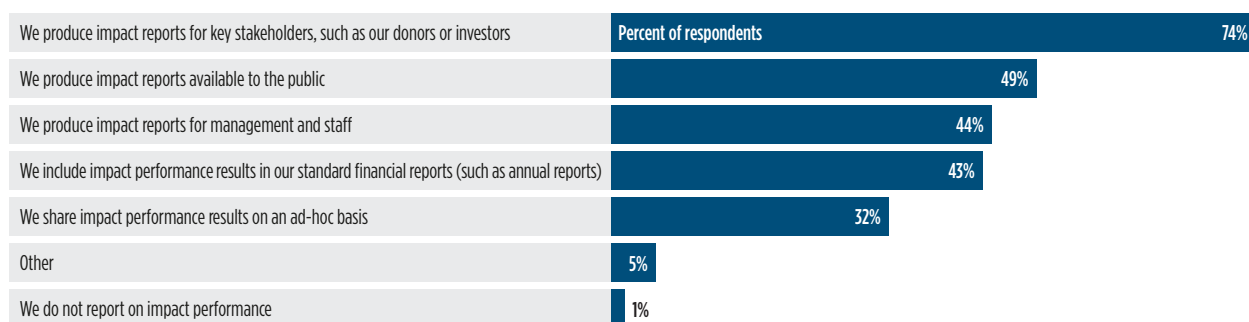
In addition, a larger share of investors making only impact investments codify impact targets in shareholder agreements compared to those making both impact and impact-agnostic investments (23% versus 13%); around 30% of investors making only impact investments do not codify their impact targets in any kind of legal document, while 44% of investors who make both impact and impact-agnostic investments do not incorporate impact targets into legal documents. Further analysis by respondent sub-group shows that half of below-market-rate investors codify impact targets in loan agreements or term sheets compared to 28% of market-rate investors.

REPORTING IMPACT PERFORMANCE

Nearly universally, respondents report the impact performance of their investments in some form. Approximately three in four respondents produce impact reports for key stakeholders, such as donors or investors (74%), while close to half publish public impact reports (49%; Figure 42). Among the handful of respondents that do not report impact performance, a majority plan to do so within the next year.

Figure 42: Methods of reporting impact performance

n = 278; respondents could select multiple answer options.



Note: 'Other' includes sharing with government regulators, reporting to the UN Principles for Responsible Investment, producing borrower spotlights for each investment, running regular checks on whether investees are meeting goals, and incorporating impact performance into quarterly reporting.

Source: GIIN, *The State of Impact Measurement and Management Practice, Second Edition*

Overall, a larger share of Private Debt Investors reports their impact performance in several ways compared to Private Equity Investors. More than 60% of Private Debt Investors produce impact reports available to the public compared to 35% of Private Equity Investors; a greater share of Private Debt Investors also produce impact reports for management and staff (55% versus 34%) and for key stakeholders, such as donors or investors (84% versus 75%). Furthermore, more than half of Market-Rate Investors (54%) produce impact

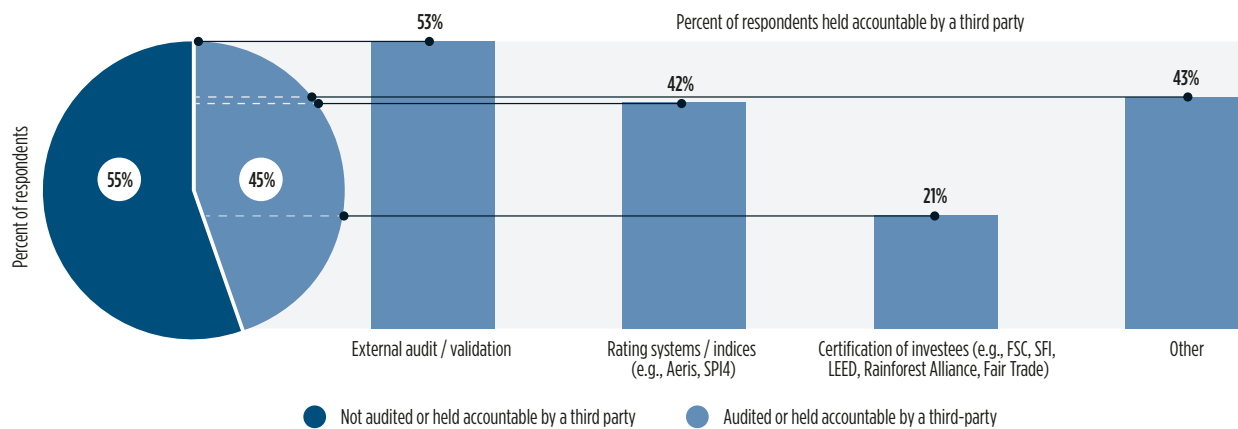
reports for the public compared to 36% of Below-Market Investors that do so. Additionally, compared to impact investors that also make impact-agnostic investments, a significantly larger share of investors making only impact investments produce impact reports available to the public (36% versus 56%) and include impact performance results in their standard financial reports (33% versus 48%).

EXTERNAL ACCOUNTABILITY MEASURES

While most investors are not held accountable by a third-party for their impact results (56%, Figure 43), those who are use various agents to do so. Over half of those respondents are held accountable for their impact performance results by external audits, and 42% use various rating systems or indices such as AERIS, GIIRS, or SPI4.

Figure 43: Third-party accountability for impact performance results

n = 278; respondents could select multiple answer options.



Note: 'Other' agents for third-party accountability include independent advisory committees, IFC Operating Principles, investors of funds, regulatory bank examiners for Community Reinvestment Act credit, UN Principles for Responsible Investment, B-Corps, board and donors, UN Board of Auditors, and internal audits.

Source: GIIN, *The State of Impact Measurement and Management Practice, Second Edition*

Some notable differences are also seen among sub-groups. Nearly 60% of Private Debt Investors are audited by a third-party in some form, compared to 40% of Private Equity Investors; in addition, four times the share of Private Debt Investors than Private Equity Investors are aligned to external ratings systems or indices (36% versus 8%). Furthermore, a greater share of impact-only investors aligns with rating systems compared to investors making both impact and impact-agnostic investments (20% versus 10%).

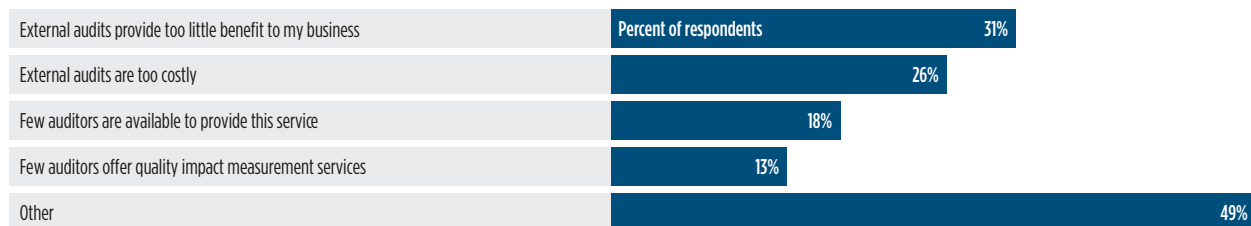
Among those respondents that are not audited or held accountable by a third party, 11% plan to be audited in the near future. Among those who do not plan to be audited in the near future, nearly one-third believe that not enough business value can be gained from external auditing, and just over a quarter think external audits are too costly (Figure 44).

A larger proportion of Primarily Environmental Investors than Primarily Social Investors believe that external audits provide too little business benefit (46% versus 35%), while nearly twice the share of Primarily Social Investors think that too few auditors provide this service (15% versus 8%).

“Our reputation as a meaningful investor in this space is at stake if we are not ready to hold ourselves to the integrity of what we’re reporting, and that is critical to all that we do in future.”
– For-profit fund manager

Figure 44: Reasons that investors did not pursue third-party auditing or review

n = 137; optional question. Respondents could select multiple answer options.



Note: 'Other' includes lack of investor demand for audits, use of internal audit systems, auditing by investors, and unreadiness for audit. It also includes investors who plan to be audited in the near future (11%).

Source: GIIN, *The State of Impact Measurement and Management Practice, Second Edition*

TWO-YEAR TRENDS

Generally, two-year repeat respondents demonstrate a growing commitment to internal accountability for their impact. Nearly 85% of repeat respondents stated that their staff is intrinsically motivated by impact, up from 46% in 2017. While the share of repeat respondents tying compensation to achievement of impact goals (for at least some staff) remains relatively low this year (16%), this does represent an increase from the 12% of respondents who reported doing so in 2017. Similarly, nearly two-thirds of repeat respondents reported that their investee teams are intrinsically motivated by impact, compared to just over one-third in 2017; this could be why a significantly larger share of respondents reported this year that they do not have explicit incentives for investees to achieve impact (35%, up from 19%).

In addition, the share of repeat respondents that pursue some form of third-party accountability has held somewhat consistent, and a slightly larger proportion are specifically pursuing audits (from 20% in 2017 to 25% in 2019). Over half of repeat respondents said they produce impact reports available to the public, up from 43% in 2017; a slightly larger share this year also produce impact reports for key stakeholders (72%, up from 67%).

IMPACT INVESTING AUDITS

As the rigor of IMM practice across the industry has increased, so too has demand for external validation of impact performance to hold the impact investing industry accountable. According to this survey, close to one-third of respondents hired external consultants specifically for the purpose of verifying impact performance results, and nearly 30% identified third-party audit and validation of impact data and performance as ‘very important.’ Both industry-wide frameworks requiring certification and tools for validation have emerged to facilitate this assurance – internally for impact management processes and externally to validate publicly available impact data.

The **International Finance Corporation’s (IFC’s) Operating Principles for Impact Management**—a set of common market standards for impact investors launched in April 2019—call for a common discipline around the management of impact investments. Specifically, Principle 9 demands independent verification to lend credibility to the market and requires signatories to ‘publicly disclose alignment with the Principles and provide regular independent verification of the extent of alignment.’³⁵

The **United Nations Development Programme** has also developed a framework called the **SDG Impact Practice Standards for Private Equity Funds**, a set of standards developed as a public good to inform practice that can direct and orient investment activities towards achievement of the SDGs.³⁶ This includes a certification, the **SDG Impact Seal**, launched in September 2018, which seeks to authenticate investments that align with UNDP’s impact standards. The Impact Seal is a tiered certification framework that seeks to provide third-party independent accreditation to fund managers and asset owners along with other industry bodies. The tiered component enables private equity investors to adopt standards at varying levels over time and provides investors with authentication to certify that their impact investing practices meet industry standards.

In addition to frameworks, the impact investing industry also uses tools and other services to facilitate impact verifications. For example, in the financial inclusion sector, **CERISE SPI4** is a social audit tool that was developed to allow financial service providers (FSP) to evaluate their level of implementation of the Universal Standards for Social Performance Management, a set of responsible business practices for the financial inclusion industry.³⁷ The tool comprises several features to facilitate social performance assessment, including a social dashboard, standard metrics, technical resources, implementation guidance for the practices assessed in SPI4, and benchmark comparisons. SPI4 can be used either internally for self-assessment or externally with a credited auditor. To enable users to compare their impact performance results with their peers, CERISE also publishes quarterly benchmark tables for comparisons against a database of quality audits, most recently in October 2019. For example, GAWA Capital, an impact investing firm that leverages private capital markets to support social entrepreneurs, incorporates evidence on the social impact of its investments at each stage of the investment lifecycle. Both of GAWA’s co-CEOs are certified CERISE SPI4 auditors and use the SPI4 audit results in GAWA’s investment implementation plans. Additionally, other third-party financial inclusion ratings agencies, such as Microfinanza, offer comprehensive verifications.³⁸

To increase transparency and accountability in environmental sustainability, **Trucost ESG Analysis** was established in 2001 to assess risks related to climate change and natural resources by auditing carbon using a Carbon Scorecard.³⁹ In 2016, Trucost was acquired by S&P Dow Jones Indices and became a part of S&P Global in an effort to address growing demand for environmental impact data. The 2019 Carbon Scorecard measures carbon efficiency, covering 13 indices and six metrics to reflect the level of carbon intensity in capital markets and increase transparency in carbon risk. This global environmental dataset enables investors to integrate climate change analysis into their investment decisions.

35 For more, see: International Finance Corporation, [Operating Principles for Impact Management](#).

36 UNDP, “[UNDP launches ‘SDG Impact’ to help unlock investment in Global Goals](#)” (New York: UNDP, September 25, 2018).

37 For more, see the tool and brief: CERISE, “SPI4,” <https://cerise-spm.org/en/spi4/>.

38 See more on [Microfinanza](#).

39 For more, see: Trucost ESG Analysis, “Portfolio Footprints and Audits,” <https://www.trucost.com/capital-markets/portfolio-footprints-audits/>.

Ernst & Young (EY), a global assurance, tax, and advisory firm, provides impact investing advisory and assurance services to both asset managers and asset owners.⁴⁰ These services include orientation, design, implementation, and accountability for sustainable investing, along with reporting and verification services, such as peer benchmark analyses and impact report compilation. While EY has traditionally focused on these services for Environmental Social and Governance (ESG), the firm increasingly extends its efforts to impact, offering strategy execution services in alignment with the GII and IRIS+ and conducting research to better understand sustainable investments, as made evident in its October 2018 report on creating positive impact while delivering returns.⁴¹ EY also provides outcomes measurement services using its Long-Term Value Framework and seeks to identify the total value of social, environmental, and economic impacts for its clients in order to both mitigate negative impacts and deepen positive ones. Several other global advisory firms also offer services around impact verification, with still more beginning to explore lines of business in impact investing.

While engaging in external audits is one step toward impact verification and transparency, increasing market accountability also requires sharing these audit findings with the industry. For example, in 2018, Nesta, a UK-based organization, was the first organization to make its impact audit findings publicly available in its commitment to transparency on impact performance.⁴² Most recently, in September 2019, LeapFrog, a UK-based private equity firm, became the first IFC Operating Principles signatory to announce the completion of its independent impact audit and shared the results publicly in an effort to bolster accountability in the market.⁴³ These examples, along with the tools and initiatives presented above, represent developments across the industry to bolster the rigor and reliability of impact performance results.

40 EY, [ESG and Impact Investing: An Emerging Business Driver](#) (Amsterdam: Ernst & Young Accountants LLP, 2013).

41 EY, [How Do You Create Positive Impact whilst Delivering Greater Returns?](#) (London: EYGM Limited, October 2018).

42 Nesta's full impact strategy audit report is available [on their website](#). Charley Clarke, Anton Simanowitz, Barbora Sladkova, and Karim Harji, [Nesta Impact Investments: Impact Strategy Audit Report](#) (Hove, UK: Itad, June 27, 2018).

43 LeapFrog Investments, "[In Impact Investing First, LeapFrog Announces Audit on Impact Principles, Achieving Top Rating](#)," news release, September 19, 2019.

Appendices

APPENDIX 1. LIST OF SURVEY RESPONDENTS

We are grateful to the following organizations for their participation, without which this research would not be possible.

3Sisters Sustainable Management, Inc	Blue Haven Initiative
Aavishkaar	Blue like an Orange Sustainable Capital
Access to Capital for Entrepreneurs	BlueOrchard Finance Ltd
ACTIAM	BNP Paribas
Active Impact Investments	BonVenture Management GmbH
Addenda Capital Inc.	Bridge
Adenia Partners	Bridges Fund Management
African Wildlife Foundation	Brighter Investment
Alterfin	Builders Fund
Althelia Funds/Mirova Natural Capital	Business Oxygen Pvt. Ltd
Ameris Capital	Business Partners
Ankur Capital	Calvert Impact Capital
Annie E. Casey Foundation	Capricorn Investment Group
Anonymous 1	Caprock
Anonymous 2	Carolina Small Business Development Fund
Anonymous 3	CDC Group
Anonymous 4	CEI Ventures
Anonymous 5	Christian Super
Anonymous 6	City Light Capital
Anonymous 7	Clean Energy Trust
Anthem Asia	Clearinghouse CDFI
Aquila Capital	Climate Fund Managers
ARK Impact Asset Management, Inc.	Closed Loop Fund
Ashburton Investments	Colorado Enterprise Fund
Asper Investment Management	Community Capital Management (CCM)
Avanath Capital Management	Community Forward Fund Assistance Corp
AXA Investment Managers	Community Investment Management, LLC
Bamboo Capital Partners	Community Vision Capital & Consulting
Barclays	Conservation International
Beartooth Group	Conservation Resources
BESTSELLER FOUNDATION	Convergence Partners
Bethnal Green Ventures	Cordaid Investment Management BV.
Beyond Capital Fund	Creas
Big Issue Invest	Creation Investments Capital Management, LLC
Big Society Capital	Credit Suisse
BIO Invest	Crevisse Partners

Criterion Africa Partners	GAWA Capital	Japan Social Impact Investment Foundation
Cultivian Sandbox	GEF Capital Partners, LLC	JCS INVESTMENTS LIMITED
D3 Jubilee Partners	Generation Investment Management LP	JW McConnell Family Foundation
DBL Partners	Global Endowment Management	Kaizen Private Equity
DEG - Deutsche Investitions - und Entwicklungsgesellschaft mbH	Global Innovation Fund	KIBOW Foundation
Dev Equity	Global Partnerships	KKR & Co.
Developpement International Desjardins	Global Social Impact	Kukula capital
DOEN Participaties	Goodwell Investments	Lafise Investment Management Ltd
DWS Group	Grassroots Capital Management and Caspian Impact Investors	LeapFrog Investments
EcoEnterprises Fund	Gray Ghost Ventures	LearnStart/ Learn Capital
Economic and Community Development Institute	GroFin	Leviticus Fund
Ecosystem Integrity Fund (EIF)	HCAP Partners	LGT Venture Philanthropy and LGT Impact
Edwards Mother Earth Foundation	Investisseurs & Partenaires (I&P)	Living Cities, Inc
Elevor Equity	Idaho-Nevada CDFI	Local Enterprise Assistance Fund (LEAF)
Enclude, a Palladium Company	IDB Invest	Local Initiatives Support Corporation (LISC)
ENGIE Rassembleurs d'Energies	IDP Foundation, Inc.	Lok Capital
Enterprise Community Investment	IFU Investment Fund for Developing Countries	Low Income Investment Fund
Esmee Fairbairn Foundation	IGNIA Partners	MainStreet Partners
EXEO Capital / Agri-Vie	Impact Capital	Maj Invest
Fahe	IMPACT Community Capital	MaRS Catalyst Fund
Farmland LP	Impact Development Fund	MCE Social Capital
Ferd SE AS	Impact Engine	McKnight Foundation
Ferd Sociale Entreprenører AS	Impact Finance	Medical Credit Fund
Finance in Motion	Impact First Investments	Mennonite Economic Development Associates (MEDA)
FINCA Ventures	Impact Investment Exchange Pte. Ltd.	Menterra Venture Advisors Private Limited
FinDev Canada	Impact Investment Group	Merck
Finnfund	Impax Asset Management	Mercy Corps Ventures
Fledge	Incofin Investment Management	MicroVest Capital Management
FMO	Inerjys Ventures	Minerva Capital Group
Fondaction	Inpulse Investment Manager	Mission Driven Finance
Ford Foundation-PRI	Inspire Impact	MissionPoint Parnters
Foundation Our Future	Inspirit Foundation	National Community Investment Fund
France Active	International Finance Corporation	National Council on Agricultural Life and Labor Research Fund, Inc. (NCALL)
Franklin Templeton	International Fund for Agricultural Development	Nesta
Futuregrowth Asset Management (Pty) Ltd	Investec Asset Management	Neuberger Berman
Garden Impact Investment	Investing for Development SICAV	New Forests
Gary Community Investments	iungo capital	

New Market Funds Inc.	Shell Foundation	Vancity
New Markets Venture Partners	Shinsei Corporate Investment Limited	Virginia Community Capital
New Ventures / Adobe Capital	SilverStreet Capital	Vermont Community Loan Fund
Nexus for Development	Sitra	Villgro Innovations Foundation
NN Investment Partners	SJF Ventures	Vital Capital Fund
Nonprofit Finance Fund	Social and Sustainable Capital	Volta Capital
Novastar Ventures	Social Enterprise Fund	Vox Capital
Nuveen, A TIAA Company	Social Ventures Australia	WaterEquity
Obviam	Sonen Capital LLC	Working Capital for Community Needs
Oikocredit	Sophia School Corporation	Wellington Management
Omnivore	Southern Pastures	Wespath Benefits and Investments
Overseas Private Investment Corporation (OPIC)	Sumitomo Mitsui Banking Corporation	WHEB Asset Management
Opportunity Fund	SunFunder	Wilstar
Palestine Investment Fund (PIF)	Surdna Foundation	Women's World Banking
Partners for the Common Good	Sycomore Asset Management	Working Solutions
Pearson Ventures	Symbiotics SA	Zurich Insurance Group
PGIM Real Estate	Temporis Capital	
Phatisa	Terra Global	
Phitrust Partenaires	The California Endowment	
Pillar Nonprofit Network	The Disability Opportunity Fund	
Promotora Social Mexico (PSM)	The Forest Company	
Q Impact	The Lyme Timber Company	
QBE Insurance Group	The Nature Conservancy - NatureVest	
Quadia	The Osiris Group	
Qudra Strategy	The Rockefeller Foundation	
Quona Capital	The Sasakawa Peace Foundation	
RBC Global Asset Management	The Sustainability Group of Loring, Wolcott & Coolidge	
responsAbility Investments AG	ThomasLloyd Group	
Rhiza Capital	Tiedemann Advisors	
RobecoSAM AG	Treehouse Investments, LLC	
Root Capital	Tribe Impact Capital	
RS Group	TriLinc Global	
Rural Fund by Rabobank	Trillium Asset Management	
SA Capital Limited	Triodos Investment Management	
Salmon Innovation Fund	Triple Jump	
San Luis Obispo County Housing Trust Fund	TriStar	
SeaChange Capital Partners	Turner Impact Capital	
SEAF	UBS	
Shared Interest	UN Capital Development Fund	
	Upaya Social Ventures	

APPENDIX 2. DEFINITIONS

GENERAL

- **Impact:** The social and/or environmental performance of investments.
- **Impact Investments:** Investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return.
- **Impact Measurement and Management (IMM):** IMM includes identifying and considering the positive and negative effects one's business actions have on people and the planet, and then figuring out ways to mitigate the negative and maximize the positive in alignment with one's goals.

IMPACT MEASUREMENT TERMS

- **Impact objective:** The overarching goal with which an investment is made.
- **Impact category:** Area of development in which impact is sought, which aligns with generally accepted industrial classification schemes. All impact categories in this report are linked to [IRIS+](#).⁴⁴
- **Target:** A goal against which progress is measured.
- **Metric:** A quantitative or qualitative unit of measure used to track progress towards a target.

TYPES OF IMPACT

- **Negative impact:** The detrimental effects and externalities of an investment.
- **Net impact:** The sum of negative and positive impacts.
- **Outputs:** The direct products of an organization's activities (e.g., client-provided services, goods produced, trainings delivered, etc.).
- **Outcomes:** The likely or achieved short-term and medium-term effects of an organization's outputs (e.g., client savings, higher student graduation rates).
- **Contribution:** Whether an enterprise's and/or investor's effects resulted in outcomes that were likely better than what would have occurred otherwise.
- **Depth:** Significance of the impact for the people or ecosystems affected.
- **Benchmark:** Comparison of performance against peers.

⁴⁴ IRIS is the catalog of generally accepted performance metrics within the IRIS+ system, managed by the GIIN. For more on IRIS+, see iris.thegiin.org/.

APPENDIX 3. OUTREACH PARTNERS

The GIIN appreciates the support of the following organizations, which helped to encourage impact investors in their networks to participate in the survey.



As the only comprehensive funders' network in Asia, AVPN is a leading ecosystem builder for the social investment sector with 590+ members globally. AVPN's mission is to catalyse the movement toward a more strategic, collaborative, and outcome-focused approach to social investing, ensuring that resources are deployed as effectively as possible to address key social challenges facing Asia today and in the future.

<https://avpn.asia/about-us>



The Bertha Centre for Social Innovation and Entrepreneurship is a specialized unit at the University of Cape Town's Graduate School of Business (GSB). Its mission is to build the capacity and pioneering practices in Africa—with partners, practitioners and students—to advance the discourse and systemic impact of social innovation. In collaboration with the GSB, the Centre has integrated social innovation into the business school curriculum, established a wide community of practitioners and awarded over ZAR 7 million in scholarships to students from across Africa. It was established in 2011 in partnership with the Bertha Foundation, a family foundation that works with inspiring leaders who are catalysts for social and economic change and human rights, the Centre has become a leading academic center in Africa.

<http://www.gsb.uct.ac.za>



Confluence Philanthropy advances mission-aligned investing. It supports and catalyzes a community of private, public and community foundations, families, individual donors, and their values-aligned investment managers representing more than USD 70 billion in philanthropic assets under management, and over USD 3.5 trillion in managed capital. Members are committed to full mission alignment when prudent and feasible. Based in the United States, Europe, Latin America, Canada, and Puerto Rico, members collectively invest around the world.

<http://www.confluencephilanthropy.org/>



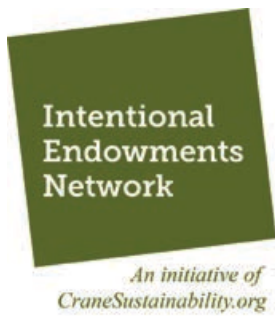
The Hellenic Impact Investing Network (HIIN) is a global network aiming to create awareness and mobilize action about sustainability and impact investing in the Greek investor and entrepreneur community around the world with special focus on next generation Greek family members. Furthermore, it aims at supporting the creation of a friendly environment for such investments in Greece and showcasing innovative, pioneering opportunities to the global impact investing community. The HIIN is partnering up with established global impact investing organizations to reach its goals.

www.thehiin.org



Impact Investors Council is a member-based industry body that has been established to build a compelling and comprehensive India Impact story and strengthen Impact Investing in India. Envisioned in 2013, IIC was incorporated in December 2014. IIC promotes the cause of supporting underprivileged citizens through Impact Investing. Its mission is to encourage private capital to bridge the social investment gap in India in sectors such as financial inclusion, clean energy, education, water and sanitation, and healthcare. It has an active support from around 40 prominent impact investors and ecosystem players managing funds in excess of USD 1 billion.

<http://www.iiic.in>



The Intentional Endowments Network (IEN) supports colleges, universities, and other mission-driven tax-exempt organizations in enhancing financial performance by aligning their endowment investment practices with their mission, values, and sustainability goals. It does this in a variety of ways, including hosting in-person forums and events; facilitating peer networking; curating useful resources on sustainable investing opportunities; and providing educational venues for information exchange around a variety of sustainable investing strategies, such as ESG integration, impact investing, and shareholder engagement. In doing so, this broad-based, collaborative network contributes to creating a healthy, just, and sustainable society. IEN is an initiative of The Crane Institute of Sustainability, a tax-exempt 501(c)(3) non-profit.

<http://www.intentionalendowments.org/>



New Ventures (NV) catalyzes innovative enterprises that generate profit and contribute to solve environmental and social problems in Latin America. As the leading platform of the impact investing sector in the region, NV works through four main pillars, which are acceleration, financing, promotion, and training, to strengthen the regional social entrepreneurship ecosystem.

<http://www.nvgroup.org>



SIIF aims to catalyze a new capital flow model that transcends existing boundaries between private, public, and civil sectors. SIIF seeks to nurture a social impact investment ecosystem that will support Japan's sustainable development, making it a global forerunner in shouldering social issues unique to developed economies. SIIF takes three approaches to achieve its mission:

- (1) Fund: Provide risk capital and demonstrate a variety of models for social impact investment in Japan.
- (2) Hub: Build the cornerstone of the ecosystem and connect impact communities into a network by providing subsidies, investments, and other financial as well as non-financial support to intermediaries that connect business operators, investors, and other important stakeholders.
- (3) Thinktank: Co-create, circulate, and catalyze social change together with important stakeholders. SIIF seeks to produce information and make policy proposals necessary for the growth of a social impact investment market.

<http://www.siif.or.jp>



SABR is a company that specializes in conducting field research, business design, capacity building, and launching initiatives through analytics techniques, innovation approaches, and designing leadership and execution strategies to enable individuals and institutions to create a positive social and environmental impact in the Arabic society.

www.sabr-sp.com

About the Global Impact Investing Network

This report is a publication of the Global Impact Investing Network (GIIN), the global champion of impact investing, 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 a coherent impact investing industry.

Research

The GIIN conducts research to provide data and insights on the impact investing market and to highlight examples of effective practice.

thegiin.org/research

Impact Measurement and Management (IMM)

The GIIN provides tools, guidance, trainings, and resources to help investors identify metrics and integrate impact considerations into investment management.

thegiin.org/imm

Membership

GIIN Membership provides access to a diverse global community of organizations interested in deepening their engagement with the impact investment industry.

thegiin.org/membership

Initiative for Institutional Impact Investment

The GIIN Initiative for Institutional Impact Investment supports institutional asset owners seeking to enter, or deepen their engagement with, the impact investing market, by providing educational resources, performance research, and a vibrant community of practice.

thegiin.org/giin-initiative-for-institutional-impact-investment

Impact Performance Research Series

The GIIN has unveiled a new approach for rigorously comparing impact data between investments through its newest series, *Evaluating Impact Performance*. This new approach aggregates investment-level data to demonstrate the comparability of impact results within a sector. The first two installments of the series focus on housing and clean energy access. To download the series, visit thegiin.org/research/publication/evaluating-impact-performance.

FOR MORE INFORMATION

Please contact Sophia Sunderji at ssunderji@thegiin.org with any comments or questions about this report.

To download industry research by the GIIN and others, please visit www.thegiin.org/knowledge-center.

DISCLOSURES

The Global Impact Investing Network (“GIIN”) is a nonprofit 501c(3) organization dedicated to increasing the scale and effectiveness of impact investing. The GIIN builds critical infrastructure and supports activities, education, and research that help accelerate the development of a coherent impact investing industry.

Readers should be aware that the GIIN has had and will continue to have relationships with many of the organizations identified in this report, through some of which the GIIN has received and will continue to receive financial and other support.

The GIIN has collected data for this report that it believes to be accurate and reliable, but the GIIN does not make any warranty, express or implied, regarding any information, including warranties as to the accuracy, validity or completeness of the information.

This material is not intended as an offer, solicitation, or recommendation for the purchase or sale of any financial instrument or security.



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