What is Impact Investing?

Impact investing is a type of responsible investment that seeks measurable social and environmental impact alongside financial return for investors.

Although there were earlier “impact-like” investments, the Rockefeller Foundation coined the term impact investing in 2007, describing “investments made with the intention of generating both financial return and social and/or environmental impact.”

As of 2018, global impact investing assets under management reached US$228 billion, doubling in scale from the previous year (GIIN 2018).

Leading examples of impact investing firms include:

- Bridges Fund Management (UK): Growth, property, social business and impact performance contract investment funds in the UK.
- Bamboo Capital Partners (US): Invests in a global portfolio of companies in sectors like energy, health care, housing, financial inclusion and education.
- Calvert Impact Capital (US): A non-profit investment firm that works with investors to move capital into communities around the world.
- Leapfrog Investments (UK): Invests in high-growth, purpose-driven businesses in some of the world’s fastest growing markets.

To date, impact funds tend to have been offered by niche firms, but more and more major institutional investors (like Bain Capital, BlackRock and Deutsche Bank) have begun to explore this approach.

The chart below illustrates several responsible investing approaches, highlighting differences in “impact investing”:

The concept of “Impact Investing”

<table>
<thead>
<tr>
<th>Traditional</th>
<th>Responsible Investing (RI)</th>
<th>Socially Responsible Investing (SRI)</th>
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<tbody>
<tr>
<td>Competitive Returns</td>
<td>ESG Risk Management</td>
<td>High Impact Solutions</td>
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<td>Limited or no focus on ESG factors of underlying investment analysis and execution.</td>
<td>ESG risks integrated into analysis of all holdings, as a component of financial risk management.</td>
<td>Negative and positive screening of ESG risks is used to align a portfolio to specific values.</td>
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<td></td>
<td>Shareholder engagement is used to influence behaviour of holding.</td>
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Key organizations and institutions associated with Impact Investing

For more information on impact investing, check out the following organizations:

- Bridges Ventures
- Global Impact Investing Network (GIIN)
- Impact and Reporting Investment Standards (IRIS)
- Net Impact
- Purpose Capital
- Responsible Investment Association
- Rockefeller Foundation
- Toniic

About the Lee-Chin Institute

The Lee-Chin Institute helps business leaders integrate sustainability into business strategy and practices by actively developing and disseminating research, tools and curricula. Currently, our research focuses on three themes: sustainability strategy, social entrepreneurship, and impact investment/responsible investment. For more information about the Institute and what we do, check out our website or follow us on Twitter and LinkedIn.