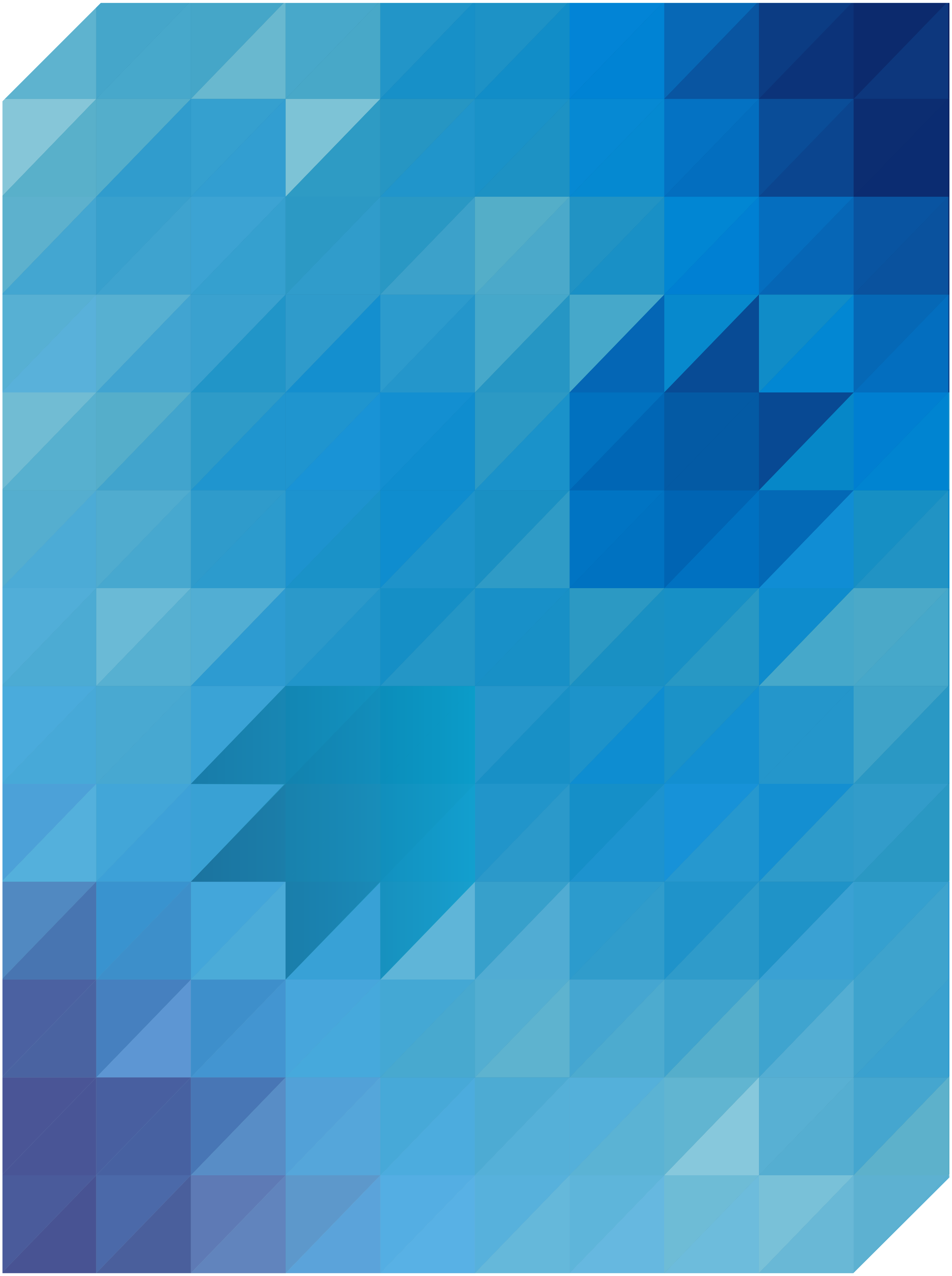
GIIN
GLOBAL IMPACT INVESTING NETWORK

ANNUAL **IMPACT INVESTOR** SURVEY **2020**

THE **TENTH** EDITION



2020 Annual Impact Investor Survey

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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 to accelerate the development of a coherent impact investing industry. For more information, see http://www.thegiin.org/.

Acknowledgments

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Several networks and stakeholder groups provided valuable support by encouraging their members and networks to participate in the survey. These outreach partners are acknowledged in Appendix 3.

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THIS SURVEY HIGHLIGHTS THE IMPRESSIVE DECADE OF MARKET EVOLUTION

Just 24 members responded to the 2010 report; this year, the survey provides insights from nearly **300 of the world's leading impact investors.**

Letter from the CEO

Dear Reader,

When the GIIN launched its first survey of impact investors in 2010, I could never have imagined where we would be – as a market and as a world – ten years later.

We completed that original survey amid the lingering consequences of the financial crisis and the Great Recession. This year, our team pushed forward with a survey during the global coronavirus pandemic. The virus and its ripple effects are exposing global inequities in unsettling ways, leaving the world's most vulnerable citizens more exposed to new harm.

Sadly, the crisis is highlighting – and even exacerbating – our most troubling global trends.

Even amidst the deadly pandemic, other existential concerns still loom. The climate crisis is growing continually more dire, while the global 'inequality crisis' is threating lives in other ways. This year's fifth anniversary of the adoptions of both the United Nations Sustainable Development Goals and the Paris Climate Accord is marked by insufficient progress. And around the world, we face a crisis of distrust in business and government – the very leaders we need guiding us toward progress.

But if crisis exacerbates our most troubling trends, I am convinced that it can also amplify our most encouraging trends, as well.

The growth and increasing sophistication I have witnessed in the impact investing market over the previous ten years give me solid reason for that hope. Each year, we have consistently seen impact investors doing more of what they do best: leveraging the power of finance to tackle our biggest challenges.

This year's survey highlights that impressive decade of market evolution. Our 2010 report relied on data from just 24 members of the GIIN's Investors' Council. This year, the survey provides insights from our largest number of respondents ever: nearly 300 of the world's leading impact investors, who collectively manage USD 404 billion in impact investment assets.

In their 2020 survey responses, we find encouraging signs of progress sprouting up in fresh ways. The impact investing industry is diverse in geography, asset class, and approach. The market is growing in both depth and sophistication: nearly seven out of every ten respondents believe that impact investing is growing steadily.

The global impact investing community can help rebuild into a more inclusive, more resilient, and more sustainable future.

The industry is also showing signs of coalescing around a consistent set of impact measurement and management (IMM) frameworks. In 2010, most respondents used their own proprietary systems to track impact outcomes. Now, almost all are aligning around a core group of IMM systems, including the GIIN's own IRIS+. And yet, respondents still see opportunity for refinement. The GIIN's focus on impact performance is targeted at that opportunity – raising the bar on the real results of impact investing by supporting the comparability that will drive growth and build trust.

Perhaps most promising of all, the world's concurrent crises are not scaring impact investors away from their important work. The survey finds most are maintaining a positive outlook for the future, despite substantial COVID-19-related headwinds: 57% say they are unlikely to change their capital commitments because of the pandemic, and 15% say they are likely to commit additional capital.

So, on the tenth anniversary of this survey, I am convinced that our moment of unprecedented crisis is also an unprecedented opportunity.

The global impact investing community can help rebuild into a more inclusive, more resilient, and more sustainable future. We can shape a recovery that improves the lot of all the world's citizens. We can lead the way toward a transformed financial system that honors the role of every stakeholder – from workers to the planet itself.

Amit Bouri
Co-Founder and CEO, Global Impact Investing Network
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Methodology

This report captures data collected from 294 impact investing organizations via a survey administered between February and April 2020. The survey included questions on respondents' impact investing activity during 2019, investment plans for 2020, assets under management (AUM) as of the end of 2019, and perspectives on the state of the market.

Inclusion criteria

To ensure that respondents have meaningful experience with impact investing, responding organizations either (1) manage at least USD 10 million in impact investing assets and/or (2) have made at least five impact investments. The GIIN provided its definition of impact investments (see Appendix 3), which respondents used to self-report their eligibility.

Sampling

The respondent sample is a non-probability purposive sample. The Research Team made efforts to generate a diverse set of participants from which a respondent sample could be drawn. Over 1,600 impact investing organizations were invited to participate, and the survey was also publicized via the GIIN's online social media, network channels, and outreach partners (listed in Appendix 4), which, in turn, invited their own networks to participate. The full list of participants is included in Appendix 1.

Data collection, cleaning, and accuracy

The survey was administered via an online data collection tool. A handful of respondents, for technical reasons, completed the survey manually and the GIIN Research Team entered their responses on the back end. Participants were instructed to complete the survey only with respect to their impact investing portfolios, reminded of the inclusion criteria and the definition of impact investments.

While this report is based on self-reported data, the GIIN Research Team collects and cleans data in a systematic way. The Research Team checked survey responses using a data cleaning tool developed to detect potential errors and inconsistencies. Any anomalies were addressed directly with respondents and incomplete or inaccurate data was modified or deleted with respondents' permission. In cases where organizations completed the survey but did not meet the inclusion criteria, participants were removed from analysis. For survey participants that did not meet the inclusion criteria described above, a separate set of questions was asked to ascertain what impact investment activity was underway. Due to the small number of participants that responded to these questions, this data has not been analyzed for inclusion in this report.

Data recoding

A handful of survey questions allowed respondents to provide free-form answers in categories marked 'other.' To enable more useful interpretation of responses, in some cases the GIIN Research Team recoded these free-form responses into more uniform categories or themes.

Sample overlap with previous surveys

The sample for this report changes each year, which is important to consider when comparing this report's findings with those from previous years' surveys. To understand changes and trends in investment activity over time, the Research Team examined the responses of 79 investors that participated in both the 2016 and 2020 Annual Surveys (reporting data on assets for the years ending 2015 and 2019). Analysis of this sub-sample, described as 'repeat respondents,' shows changes in activity by the same set of respondents over five calendar years from the end of 2015 to the end of 2019 and four periods of compound change. Such analysis is presented where appropriate. Most analyses described in the narrative are statistically significant at the 90% confidence level; cases where trends analyses are not statistically significant are indicated.

Separately, of 294 respondents this year, 166 had also responded to the survey in 2019. Some analyses examine this sub-sample, comparing their responses between last year and this year. These comparisons between this year and last year are indicated as such in the report.

Role of outlier respondents

As is often the case in research, a handful of outliers in a sample can have outsized influence on aggregate findings. Some respondents to the Annual Survey manage comparatively large impact investing portfolios, which can skew aggregate analysis toward their particular concentrations. Where appropriate, analysis is presented either excluding or including outlier respondents to enable more nuanced interpretation of findings to best reflect the insights and activity of the broad sample. Inclusion and exclusion of outliers has been indicated throughout.

Analyzing data by subgroup

Most findings in this report aggregate the responses of all 294 impact investors. The report also presents differences in responses among subgroups of investors (for example, those with a large majority of their capital allocated to a particular asset class or geography). The Research Team tested differences between subgroups for statistical significance where it was appropriate to do so. Most comparisons presented in the narrative are statistically significant at the 90% confidence level. Cases where significance testing would be inappropriate or where subgroup comparisons are not statistically significant are indicated.

Table i presents a full list of respondent subgroups. More precise subgroup analysis is also described as relevant, such as analysis of those respondents that are focused on a given region (for a list of regions, see Table iii).

Table i: Respondent subgroups referenced in the report

Sub-group	Description of the category	Number of respondents
DM-HQ Investors	Respondents headquartered in developed markets	227
EM-HQ Investors	Respondents headquartered in emerging markets	61
DM-Focused Investors	Respondents that allocate ≥ 75% of their current impact investment AUM to developed markets	140
EM-Focused Investors	Respondents that allocate ≥ 75% of their current impact investment AUM to emerging markets	126
Private Equity–Focused Investors	Respondents that allocate ≥ 75% of their current impact investment AUM to private equity	83
Private Debt–Focused Investors	Respondents that allocate ≥ 75% of their current impact investment AUM to private debt	65
Market-Rate Investors	Respondents that principally target risk-adjusted, market-rate returns	197
Below-Market Investors	Respondents that principally target below-market-rate returns, some closer to market rate and some closer to capital preservation	97
Small Investors	Respondents with total impact investment AUM ≤ USD 100 million	157
Medium Investors	Respondents with total impact investment AUM > USD 100 million and ≤ USD 500 million	63
Large Investors	Respondents with total impact investment AUM > USD 500 million	72

Note: Some investors marked ‘no single headquarters location,’ so the sum of DM-HQ Investors and EM-HQ Investors is less than the size of the full sample.
Source: GIIN, 2020 Annual Impact Investor Survey

Organization types

In many sections of the report, respondents are described by their organization type. For brevity, organization types referenced in the report have abbreviated names. Table ii includes a list of these and a description of what each includes.

Table ii: Types of respondent organizations referenced in the report

Organization type	Description of the type	Number of respondents
Asset manager: for-profit	Asset manager: for-profit (including fund managers and investment managers)	149
Asset manager: not-for-profit	Asset manager: not-for-profit (including fund managers and investment managers)	40
DFI	Development finance institution (government-backed institution investing in the private sector)	14
Diversified financial institution	Diversified financial institution (including banks and credit unions)	8
Family office	Family office	12
Foundation	Foundation	40
Insurance company	Insurance company	3
Pension fund	Pension fund / retirement fund	5
Other	Other organization types	23

Source: GIIN, 2020 Annual Impact Investor Survey

Region and sector codes

Regions and sectors referenced in the report are given abbreviated codes as shown in Tables iii and iv. Respondents indicated their country headquarters, and the Research Team mapped countries to their corresponding regions.[1] In some cases, the Research Team analyzed differences in investment activities and market perceptions among respondents that allocate 75% or more of their AUM to a particular region, focusing only on those regions to which a meaningful sample has substantial allocations. The numbers of these respondents are listed in Table iii to provide context for the regional comparisons throughout the report.

Table iii: Region codes

Code	Name of region	Number of respondents that allocate ≥ 75% of AUM to each region
DM	**Developed markets**	
East Asia	East Asia	11
Oceania	Oceania	4
U.S. & Canada	United States and Canada	74
WNS Europe	Western, Northern, and Southern Europe	15
EM	**Emerging markets**	
EECA	Eastern Europe, Russia, and Central Asia	1
LAC	Latin America and the Caribbean (including Mexico)	19
MENA	Middle East and North Africa	2
SE Asia	Southeast Asia	5
South Asia	South Asia	13
SSA	Sub-Saharan Africa	37

Source: GIIN, 2020 Annual Impact Investor Survey

Table iv: Sector codes

Code	Name of sector
Arts & culture	Arts & culture
Education	Education
Energy	Energy
Fin services (excl. microfinance)	Financial services (excluding microfinance)
Food & ag	Food & agriculture
Forestry & timber	Forestry & timber
Healthcare	Healthcare
Housing	Housing
ICT	Information and communication technologies
Infrastructure	Infrastructure
Manufacturing	Manufacturing
Microfinance	Microfinance
WASH	Water, sanitation, and hygiene

Source: GIIN, 2020 Annual Impact Investor Survey

1 Countries were mapped to their corresponding regions in accordance with the World Bank guidelines.

The impact investing industry is diverse in geography, asset class, and approach. The market is also growing in depth and sophistication: **nearly seven in ten respondents believe the impact investing market is growing steadily**.

Executive summary

The 10th edition of the Global Impact Investing Network's (GIIN) Annual Impact Investor Survey reflects insights from 294 respondents that collectively manage USD 404 billion of impact investing assets. Respondents shared their investment activity for the year ending 2019 and their plans for 2020, their reflections on developments over the past decade, and their views of future challenges facing the market. The report also includes longitudinal analysis of 79 repeat respondents that completed both this year's survey and the 2016 survey (providing year-end 2015 data).

The survey data collection period (February to April 2020) coincidently took place as the novel coronavirus COVID-19 pandemic spread across the globe, the full consequences of which remain unclear. As the world wrestles with its response to and recovery from COVID-19, significant economic implications in every geography and sector appear likely. For this reason, following the close of data collection on April 5 2020, the GIIN additionally invited participating investors to share their reflections on the implications of COVID-19. Among respondents, 122 shared their perspectives on how COVID-19 might change their future allocations and risk assessments.

To place the Annual Survey's insights in the context of the broader impact investing market, this report updates the estimate of the size of the impact investing market, drawing on the market-sizing methodology, as part of the initial release in April 2019.[2] Based on a database of over 1,720 impact investors, this methodology estimates the size of the current market at USD 715 billion.

KEY FINDINGS

1 THE IMPACT INVESTING INDUSTRY REMAINS DIVERSE.

2 IMPACT INVESTING HAS GROWN IN DEPTH AND SOPHISTICATION OVER TIME, in terms of:

- Market evolution over the past decade;
- Indicators of market growth over the past decade;
- Motivations for making impact investments; and
- Growth of realized gross returns and assets over time.

3 IMPACT MEASUREMENT AND MANAGEMENT PRACTICES HAVE MATURED, BUT OPPORTUNITIES FOR REFINEMENT REMAIN.

4 IMPACT INVESTORS HOLD A POSITIVE OUTLOOK FOR THE FUTURE, DESPITE HEADWINDS.

1 THE IMPACT INVESTING INDUSTRY REMAINS DIVERSE

The respondent sample is diverse. Hailing from 46 countries, respondents are headquartered in both developed markets (DM, 77%) and in emerging markets (EM, 21%).[3] The focus of their investment activity is more balanced regardless of headquarter location. In terms of the geographic allocation of assets, 48% of respondents invest primarily in DMs while 43% are focused on investing in EMs. Approximately two-thirds (65%) of respondents are asset managers (either for profit or non-profit). Sixty-one percent of organizations in the sample are exclusively impact investors; the remainder (39%) additionally allocates a portion of their assets to impact-agnostic investments.[4]

2 Abhilash Mudaliar and Hannah Dithrich, *Sizing the Impact Investing Market* (New York: The GIIN, 2019).

3 The remaining 2% of respondents have no single headquarter location.

4 'Impact-agnostic investments' are investments that do not have an intention of a positive social or environmental impact and consequently do not seek to measure impact performance.

Collectively, respondents to the survey manage USD 404 billion of impact investing assets,[5] but the median investor manages USD 89 million. The large amount of assets under management (AUM) is heavily skewed by three large outliers, which account for 45% of the sample's AUM. In fact, small investors - or those managing less than USD 100 million in impact investing assets – comprise 53% of the respondent sample. In terms of overall impact AUM, excluding outliers, 55% of impact investment assets are directed to developed markets while 40% are allocated to emerging markets. Including outliers, however, most capital (59%) is allocated to emerging markets, with sub-Saharan Africa (SSA) attracting the most assets (21%).

In another reflection of diversity, respondents allocate impact investing capital across asset classes. Excluding outliers, private debt accounts for 21% of respondent AUM, followed by public equity at 19%. Including outliers, private debt still attracts the highest capital allocation (34%). Although public equity attracts the second largest allocation of AUM, only 17% of the respondents in the sample utilize this asset class in their portfolio. This reflects the larger average size of investments in public equity compared to those in private debt and private equity.

In terms of specific investment activity for 2019, investors used the full gamut of asset classes, with private debt (37%), publicly traded debt (24%), and private equity (16%) attracting the most capital during 2019. These asset classes were also the most commonly used by number of transactions in 2019 – 61%, 16%, and 11% of transactions respectively, used private debt, publicly traded debt, and private equity.

Regarding how respondents set their impact performance goals, 60% target both social and environmental impact in their investments. There is broad use of the SDGs with 73% using this framework for at least one measurement and management purpose. Nearly three-quarters of respondents to this year's survey target 'decent work and economic growth' (SDG 8). On average, respondents target eight different SDG-aligned impact themes, reflecting the diversity of their impact goals.

2 IMPACT INVESTING HAS GROWN IN DEPTH AND SOPHISTICATION OVER TIME

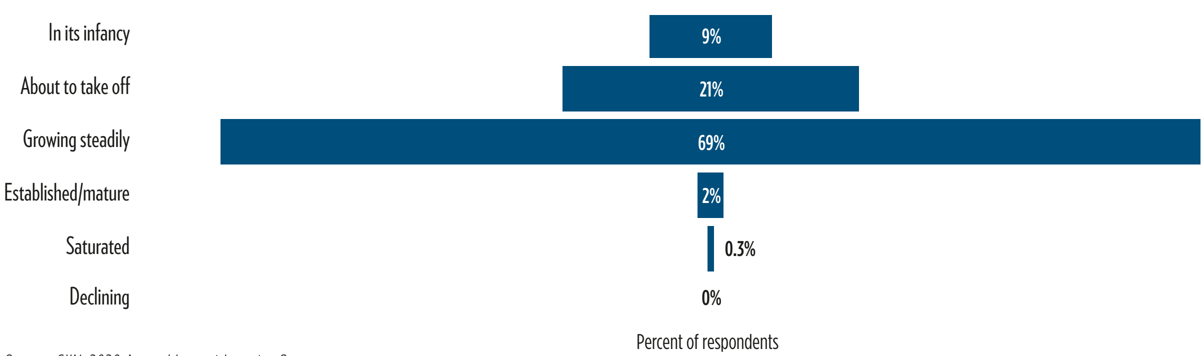
Impact investing is growing in depth of practice and sophistication of issues that investors already have and plan to address going forward. This is reflected in investors' perceptions of indicators of market growth and evolution over the past decade, their motivations to commit capital, and the nature of geographic and sector allocations over the past five years.

Market evolution over the past decade

A clear majority of respondents consider the impact investing market to be 'growing steadily' (69%, Figure i) with 21% describing the market as 'about to take off.' Notably, no respondents see the impact investing market 'declining.' When asked a similar question on the 2011 survey, 75% of respondents indicated then that the market was in its very early stages.[6]

Figure i: Stages of industry evolution

n = 290; optional question.



Source: GIIN, 2020 Annual Impact Investor Survey

5 Two respondents chose not to share their assets under management.

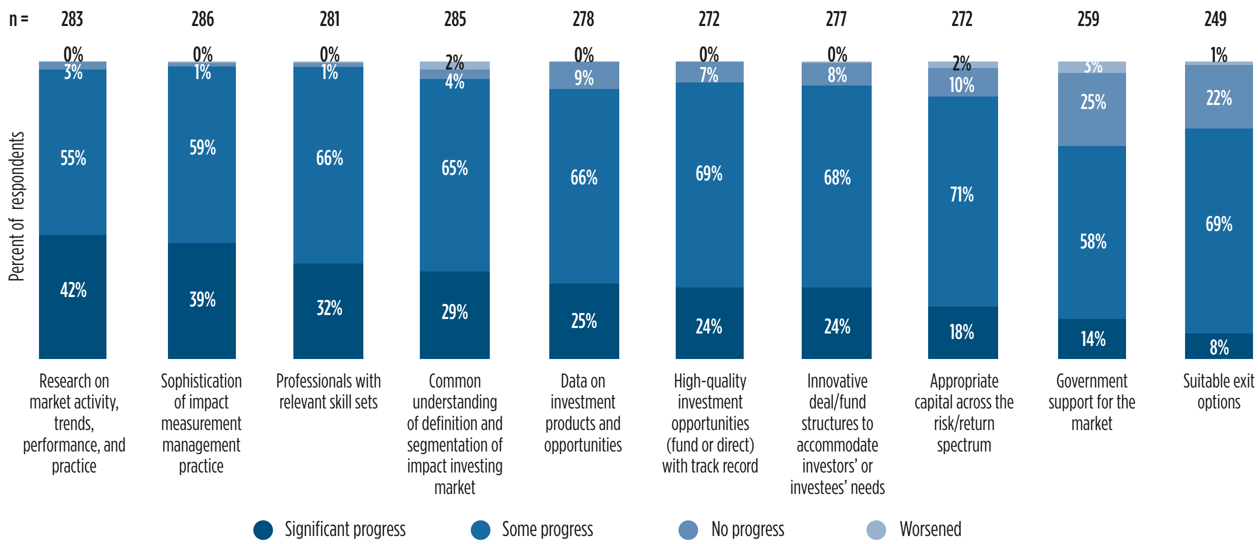
6 Yasemin Saltuk, Amit Bouri, and Giselle Leung, *Insight into the Impact Investment Market* (New York: J.P. Morgan and the GIIN, December 2011).

Indicators of market growth over the past decade

Respondents reflected on several indicators of industry growth over the past ten years (Figure ii) citing that the greatest area of progress was in 'research on market activity, trends, performance, and practice' (42% see 'significant progress' made over the past decade). Additionally, many respondents believe that 'significant progress' has been made on the 'sophistication of impact measurement and management practice' and 'professionals with relevant skill sets' (39% and 32%, respectively).

Figure ii: Progress over the past decade on indicators of market growth

Number of respondents shown above each indicator; some respondents chose 'not sure / not applicable' and are not included. Ranked by percent selecting 'significant progress.'



Source: GIIN, 2020 Annual Impact Investor Survey

Motivations for making impact investments

Impact investors' motivations stand at the root of the industry's development. Unsurprisingly, the top three reasons for making impact investments all concern impact. Nearly all respondents (87%) consider both 'impact being central to their mission' and 'their commitment as responsible investors' as 'very important' motivations. Furthermore, 81% believe that impact investing is an efficient way to achieve impact goals.

Interestingly, 70% of investors find the financial attractiveness of impact investing relative to other investment strategies at least somewhat important. Together with the fact that 88% of respondents report meeting or exceeding their financial expectations and over two–thirds of respondents (67%) seek risk-adjusted, market-rate returns for their assets, this finding may imply a shift from the increasingly outdated perception of an inherent tradeoff between impact and financial performance. The initial survey conducted a decade ago noted investor's expectation of a tradeoff. It also found wide variance in return expectations;[7] by contrast, respondents to this year's survey appear to have consolidated more strongly around risk-adjusted, market-rate returns but are satisfied with concessionary financial performance, if this is in line with what they target.

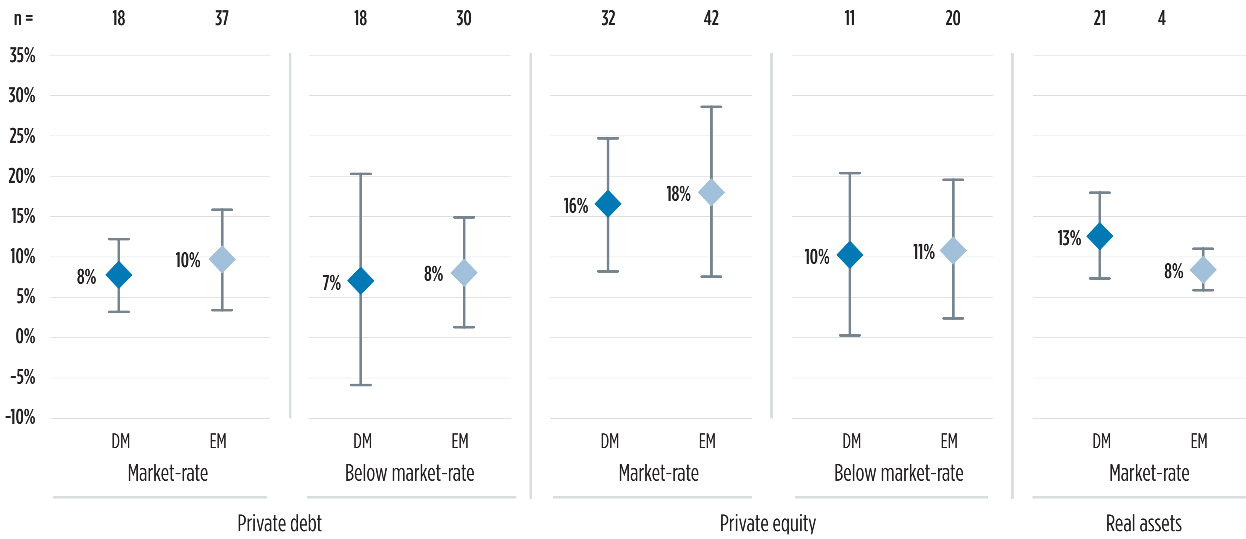
7 Nick O'Donohoe, Christina Leijonhufvud, Yasemin Saltuk, Antony Bugg-Levine, and Margot Brandenburg, *Impact Investments: An Emerging Asset Class* (New York: J.P. Morgan, The Rockefeller Foundation, and the GIIN, November 2010).

Growth of realized gross returns and assets over time

Over time, impact investments across asset classes in private markets have generated strong realized returns.[8]

Figure iii: Average realized gross returns since inception for private markets investments

Number of respondents shown above each bar; year of first impact investment ranges from 1956 – 2019, with 2011 as the median year. Averages shown beside each diamond; error bars show +/- one standard deviation.



Source: GIIN, 2020 Annual Impact Investor Survey

Given the volatility of private equity as an asset class, returns on this instrument naturally have the greatest variance. As expected, market-rate investments generally performed better than their below-market-rate counterparts. Emerging market investments performed similarly to developed market investments across asset classes and had similar ranges of returns. Notably, half of respondents began impact investing either before or during past recessionary cycles and have retained reasonable performance. This track record may bode well for impact investors during the potential economic downturn they currently face.

Among repeat respondents to both this year's and the 2016 surveys (the latter reporting year-end 2015 data), aggregate impact AUM grew from USD 52 billion to USD 98 billion, at a compound annual growth rate (CAGR) of 17%.[9] The fastest-growing regions of investment were Western, Northern, and Southern Europe (WNS Europe) and East and Southeast Asia (SE Asia), which grew at 25% and 23% CAGR, respectively. Growing interest in SE Asia is also reflected in the full sample's investment plans, as over half of respondents (52%) plan to grow allocations to SE Asia over the next five years. The same share of respondents intends to increase their future allocations to SSA.

Table v: Changes in geographic allocations among repeat respondents (2015 – 2019)

n = 79; figures in USD millions.

Region	2015	2019	CAGR
WNS Europe	6,365	15,318	25%
East and SE Asia	4,080	9,385	23%
LAC	6,216	13,167	21%
U.S. & Canada	10,036	20,625	20%
MENA	1,447	2,881	19%
Oceania	1,915	3,419	16%
South Asia	4,535	7,822	15%
EECA	5,997	9,264	11%
SSA	9,602	12,808	7%
Other	1,625	2,793	15%
Total	51,817	97,483	17%

Note: East and SE Asia were combined in the 2016 survey but disaggregated in the 2020 survey, so have been combined for this analysis.
Source: GIIN, 2020 Annual Impact Investor Survey

8 While respondents to the survey did share public market realized return data since inception, the sample sizes are too small to make meaningful inferences.

9 Two large outliers within the sub-sample of repeat respondents skew this growth. CAGR excluding these two outliers (n=77) is 9% per annum.

By sector, repeat respondents grew their capital allocation most quickly to water, sanitation, and hygiene (WASH), at a CAGR of 33% from 2015 to 2019 and to financial services (excluding microfinance) at a CAGR of 30%. Half of respondents plan to increase the volume of capital allocated to WASH over the next five years.

While food and agriculture accounts for a relatively small proportion of AUM (9% excluding outliers), it is the most common sector for investment, with 57% of respondents having some allocation and the highest proportion of respondents (54%) planning to increase their allocations over the next five years. Healthcare is another common sector; almost half of respondents have some allocation to healthcare. Among repeat respondents, healthcare was the third-fastest-growing sector, and 51% of respondents plan to increase their capital allocations to healthcare over the next five years.

Table vi: Changes in sector allocations among repeat respondents (2015 – 2019)

n = 79; figures in USD millions.

Sector	2015	2019	CAGR
WASH	3,083	9,735	33%
Fin services (excl. microfinance)	5,667	16,432	30%
Healthcare	2,405	5,590	23%
Food & ag	3,746	8,284	22%
Energy	9,007	19,077	21%
ICT	1,198	2,058	14%
Infrastructure	1,144	1,818	12%
Housing	4,238	6,322	11%
Microfinance	9,525	13,439	9%
Manufacturing	1,667	1,356	-5%
Education	1,695	1,257	-7%
Arts & culture	142	52	-22%
Other	8,298	12,063	10%
Total	51,817	97,483	17%

Note: The 2016 survey included a category for 'conservation,' which was not included in the 2020 survey, and the 2020 survey included a category for 'forestry & timber,' which was not available in the 2016 survey. Both categories have been combined with 'other' for this analysis.

Source: GIIN, 2020 Annual Impact Investor Survey

Yearly investment activity sheds light on how these overall AUM allocations translate to specific annual results. Respondents reported both the number of deals and the amount of capital deployed. During 2019, the full sample of respondents executed 9,807 transactions amounting to USD 47 billion in capital.[10] The activities of the 79 repeat respondents illustrate growth over a longer period: the number of impact investments made by this group grew 9% per year, from 4,885 investments made in 2015 to 7,014 in 2019, and their volume of capital invested grew by 12% per year, from USD 14 billion invested in 2015 to USD 22.5 billion in 2019.

Since inception, 99% of investors in the full sample have met their impact performance expectations. Even more impressively, as indicated above, 88% of respondents also met their financial return expectations.

3 IMPACT MEASUREMENT AND MANAGEMENT PRACTICES HAVE MATURED, BUT OPPORTUNITIES FOR REFINEMENT REMAIN

A cornerstone of impact investing is the ability to translate intention into impact results. Impact measurement and management (IMM) practices have evolved over the past decade and now reflect an increasingly strategic use of tools for different purposes at different stages of the IMM cycle. Despite their maturation, respondents still identify opportunities for greater development of these practices, especially concerning the comparison and verification of impact results.

In the first edition of the Annual Survey, 85% of respondents used their own proprietary IMM systems.[11] One decade later, 89% use external systems, tools and frameworks for IMM. The most commonly used IMM resources are the SDGs (73%), the IRIS Catalog of Metrics (46%), IRIS+ Core Metrics Sets (36%),[12] and the Impact Management Project's five dimensions of impact convention (32%).

10 This figure excludes six outliers. Including these outliers, total capital invested was USD 79 billion through 23,029 investments. Figures also exclude nine organizations that did not report 2019 investment activity.

11 Nick O'Donohoe, Christina Leijonhufvud, Yasemin Saltuk, Antony Bugg-Levine, and Margot Brandenburg, *Impact Investments: An Emerging Asset Class* (New York: J.P. Morgan, The Rockefeller Foundation, and the GIIN, November 2010).

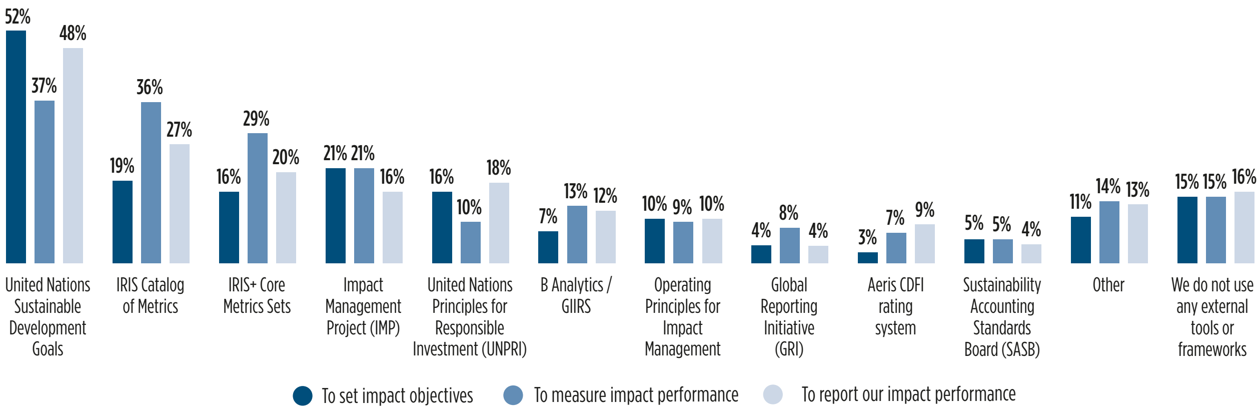
12 IRIS+ Core Metrics Sets are short lists of evidence and best practice-based sets of IRIS metrics, by impact theme. About one-third of respondents indicated using both the IRIS Catalog of Metrics and IRIS+ Core Metrics Sets. See more: https://iris.thegiin.org/

Coalescence around the SDGs in particular, as well as IRIS, IRIS+, and the IMP, has meant that approaches to IMM are now becoming more standardized. Consequently, the smallest share of respondents (20%) anticipates 'fragmentation of IMM approaches' to remain among the challenges facing the market over the next five years.

Impact investors use IMM frameworks, tools, and systems for several primary purposes: to set impact objectives; measure their impact performance; and report on their impact results. The average investor uses at least three such resources (frameworks, tools, and systems) to fulfill these complementary purposes. The SDGs are used most across all purposes, whereas IRIS and IRIS+ are mainly used to measure and report on impact (Figure iv).

Figure iv: Use of tools, frameworks, and systems, by purpose

n = 294; respondents could select multiple answer options for each purpose.



Source: GIIN, 2020 Annual Impact Investor Survey

Compared to when they first started making impact investments, 88% of respondents believe they have increased the rigor of their IMM practices. Nevertheless, impact investors describe a range of challenges they expect to face over the next five years that could be addressed by further development of IMM practices.

Concerns about impact washing (66%) loom largest, followed less acutely by the market's 'inability to demonstrate impact results' (35%) and the 'inability to compare impact results with peers' (34%). Notably, the GIIN's recently published report *The State of Impact Measurement and Management Practice*, also highlighted comparing and validating impact results as the most significant challenge impact investors face.[13]

While 39% of respondents cited 'sophistication of impact measurement and management practice' as an area of 'significant progress' over the past decade, 48% indicated the same area as a 'significant challenge' for impacting investing over the next five years.

Comparability and validation of impact performance can address investor's concerns regarding impact washing. Nearly a quarter of respondents (23%) do not yet compare their impact performance with industry peers and 39% do not independently verify their impact performance, compared to when they first started making impact investments. Thus, opportunities remain to refine IMM practices in these areas, building upon the progress made to date.

Several notable initiatives are afoot to address these concerns, including the International Finance Corporation's Operating Principles for Impact Management which, among other principles, require verification. The GIIN's Impact Performance Studies and the Impact Weighted Accounts initiative out of Harvard Business School are both developing working methodologies to interpret and compare impact results.

4 IMPACT INVESTORS HOLD A POSITIVE OUTLOOK FOR THE FUTURE, DESPITE HEADWINDS

Investors were asked to identify financial and impact risks to their portfolios. While current risks are useful to consider, the prospect of a changing risk profile for impact investors cannot be ignored. This report considers risks in the context of forward-looking financial and impact performance expectations against the backdrop of a fast-changing macro environment due to the COVID-19 pandemic. Investors remain relatively positive about their prospective performance despite the effects of the pandemic, sharing cautious optimism as they continue to forge ahead with priorities identified in the GIIN's *Roadmap for the Future of Impact Investing: Reshaping Financial Markets.*[14]

13 Rachel Bass, Hannah Dithrich, Sophia Sunderji, and Noshin Nova, *The State of Impact Measurement and Management Practice, 2nd ed.* (New York: The GIIN, January 2020).

14 Amit Bouri, Abhilash Mudaliar, Hannah Schiff, Rachel Bass, and Hannah Dithrich, *Roadmap for the Future of Impact Investing: Reshaping Financial Markets* (New York: The GIIN, March 2018).

In terms of financial risk, the largest share of investors stated 'business model and execution risk' (77%), and 'liquidity and exit risk' (68%) as at least moderate risks facing their portfolios. Furthermore, over a third of investors consider 'country and currency risk' and 'macroeconomic risk' to be severe.

Interestingly, 13% of investors primarily allocating capital to WNS Europe reported severe macroeconomic risk, compared to just 4% of U.S. & Canada-focused investors. Because some respondents specifically noted COVID-19 and a general recessionary outlook, this contrast between two major economic blocks may reflect the difference in timing of the pandemic's full severity between Europe and North America over the data collection period.

Investors are more relaxed about the impact risks they foresee affecting their portfolios with far fewer impact-associated risks cited as 'severe.' Nearly two-thirds of respondents cited at least moderate execution risk (the likelihood activities are not delivered as planned and do not result in the target outcomes), while 61% of investors perceive at least moderate levels of external risk (the probability that external factors disrupt an investor's ability to deliver the expected impact).

Uncertainty is inevitable in the face of a significant global event like COVID-19; as such, respondents to an additional questionnaire concerning plans in light of the global pandemic (n=122) reflect varying approaches. Most respondents (57%) indicated that they are 'unlikely' to change the volume of capital they had planned to commit to impact investments in 2020. While 20% are at least 'somewhat likely' to commit less capital than they had planned, 15% say they will 'likely' commit more capital than planned. Sixty-three percent of respondents who shared insights on how COVID-19 might affect their work are 'unlikely' to change their SDG-aligned impact themes over the next five years.

The historically positive expectations for financial and impact performance reflected by investors' responses for the period as of year-end 2019 - referenced above - may not prevail given the current macro context. The follow-up survey found that as COVID-19 spread, respondents' perceptions of market stability and performance expectations shifted. Almost half of respondents to the COVID-19 questionnaire (46%) expect their portfolios to underperform relative to their financial expectations, while 34% expect performance in line with expectations. By contrast, only 16% of investors expect to underperform in terms of impact, while 18% expect outperformance relative to impact expectations.

While 41% of respondents to the COVID-19 sub-survey believe that overall risk severity has 'very likely' changed because of COVID-19, just 13% believe that the severity of impact risk has 'very likely' changed as a consequence of the pandemic.

Respondents' narrative comments suggest that, in general, impact investors are responding to this crisis with flexibility and resolve. They are mitigating the potential for defaults by renegotiating loan terms, investing more funds to support their investments, and exercising patience to still realize their performance expectations over the longer term. Some further comment that, especially at this time, impact investors are well-placed to support the underserved, recognizing the extent to which marginalized communities are most negatively affected by the COVID-19 pandemic.

In these respects, then, impact investors hold fast to one of the industry's core characteristics, the principle of contributing to the development of the field. The Annual Survey asks how investors intend to contribute to the sector over the next five years in light of the GIIN's *Roadmap for the Future of Impact Investing: Reshaping Financial Markets*, which presents a vision for more inclusive and sustainable financial markets and articulates a plan for impact investing to lead progress toward this future.[15] Respondents to this survey intend to contribute across all six action areas,[16] with particular focus on 'Identity,' 'Education & Training,' and 'Policy and Regulation.' Specifically, most respondents plan to contribute by 'sharing best practices for reporting and IMM' (65%), 'supporting the development of businesses focused on impact' (52%), and 'creating an environment conducive to impact investing' (51%).

If translated into action, investors' plans augur well for growth and maturation of impact investing practice and activity, despite the current headwinds.

15 Amit Bouri, Abhilash Mudaliar, Hannah Schiff, Rachel Bass, and Hannah Dithrich, *Roadmap for the Future of Impact Investing: Reshaping Financial Markets* (New York: The GIIN, March 2018).

16 The six areas of action set out in the Roadmap are: (1) Strengthen the identity of impact investing by establishing clear principles and standards for practice; (2) Change the paradigm that governs investment behavior and expectations about the responsibility of finance in society via asset owner leadership and updated finance theory; (3) Design tools and services that support the incorporation of impact into the routine analysis, allocation, and deal-making activities of investors; (4) Develop products suited to the needs and preferences of the full spectrum of investors, from retail to institutional and of various types of investees; (5) Increase supply of trained investment professionals and pipeline of investment-ready enterprises through targeted professional education; and (6) Introduce policies and regulation that both remove barriers and incentivize impact investments.

NOTE TO READERS

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Sample characteristics

The GIIN's 2020 Annual Impact Investor Survey incorporates data and perspectives from 294 individual impact investing organizations. This section describes this diverse sample in terms of several characteristics to contextualize the research findings.

Organization type

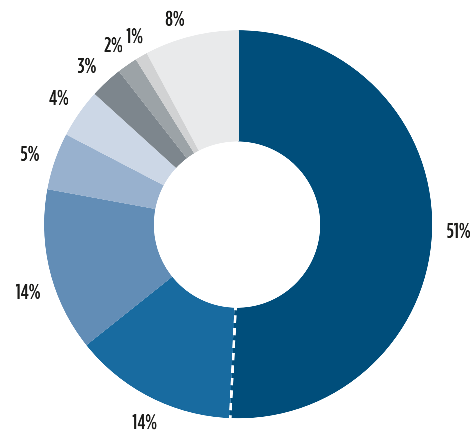
The surveyed sample includes a range of organization types. Similar to the past few years, this year's respondents are primarily asset managers (65%; Figure 1), with half of the whole sample comprising for-profit asset managers. Foundations constitute another 14% of the sample, while development finance institutions (DFIs; 5%), family offices (4%), diversified financial institutions (3%), and others account for the remaining organizations.

Figure 1: Organization type

n = 294

Percent of respondents

- 51% Asset managers: for-profit
- 14% Fund managers: not-for-profit
- 14% Foundations
- 5% DFIs
- 4% Family offices
- 3% Diversified financial institutions
- 2% Pension funds
- 1% Insurance companies
- 8% Others



Note: 'Other' organizations include community development finance institutions (CDFIs),[17] NGOs, nonprofits , permanent investment companies, real estate developers, sovereign wealth funds, and independent federal government agencies.

Source: GIIN, 2020 Annual Impact Investor Survey

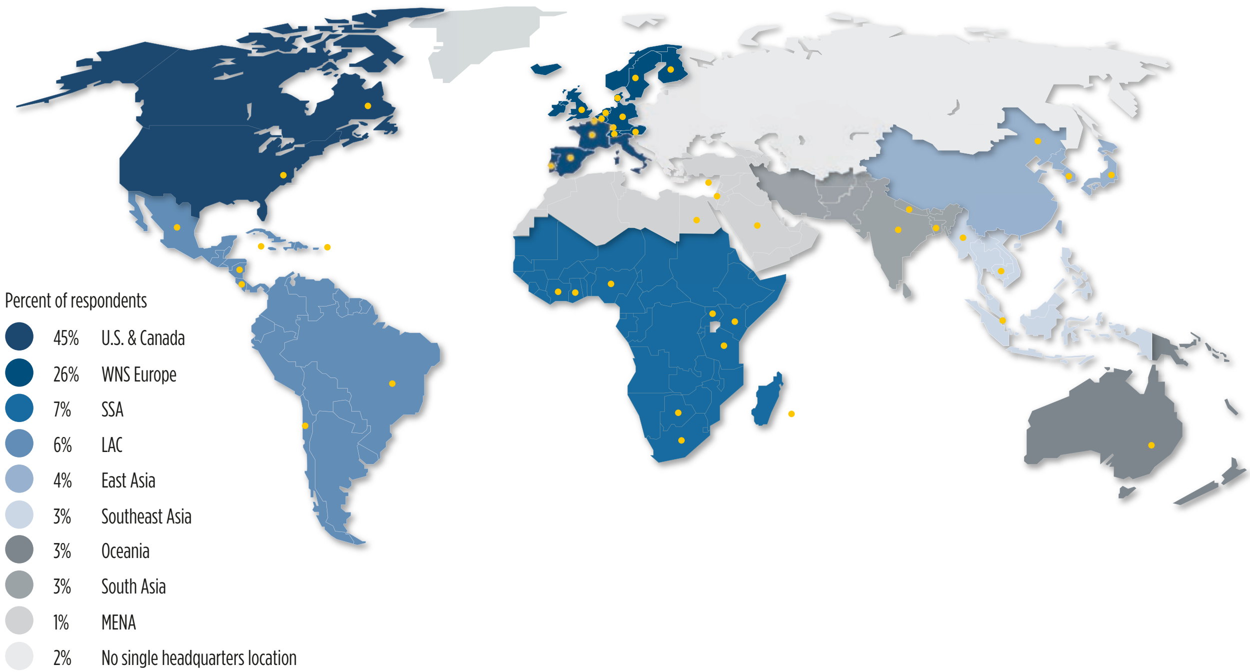
17 CDFIs are mission-driven financial institutions, certified by the U.S. Department of the Treasury, that cater to low-income people in the United States. This definition comes from the U.S. Department of the Treasury, "Community Development Financial Institutions Fund," https://www.cdfifund.gov.

Headquarters location

The surveyed sample represents impact investors from 46 countries.[18] Over three-quarters (77%) of the sample is headquartered in developed markets, while another 21% is based in emerging markets. Seven percent of impact investors are based in SSA, 6% are in LAC, and 3% are in each of SE Asia and South Asia. By country, most respondents are headquartered in the United States, followed by Great Britain, Canada, and the Netherlands.

Figure 2: Organization headquarters location

n = 294



Note: Yellow dots represent countries where respondents are headquartered.

Source: GIIN, 2020 Annual Impact Investor Survey

Sample characteristics by subgroup

Table 1 breaks down the sample by key characteristic subgroups such as geographic headquarters and focus, asset class focus, returns philosophy, and organization size. All subgroups are defined in the Methodology section on page IX.

Table 1: Sub-groups in the sample

Sub-group	Number of respondents	Percent of full sample
DM-HQ Investors	227	77%
EM-HQ Investors	61	21%
DM-Focused Investors	140	48%
EM-Focused Investors	126	43%
Private Equity-Focused Investors	83	28%
Private Debt-Focused Investors	65	22%
Market-Rate Investors	197	67%
Below-Market Investors	97	33%
Small Investors	157	53%
Medium Investors	63	21%
Large Investors	72	24%

Source: GIIN, 2020 Annual Impact Investor Survey

18 This year, respondents indicated the country of their organizations' headquarters which were then mapped to the regional level using the World Bank guidelines.

Naturally, there is significant overlap across various subgroups. Notable relationships are outlined below:

- Ninety-three percent of Large Investors are headquartered in developed markets, and just over half are also DM-Focused Investors. In addition, 88% of Large Investors are Market-Rate Investors, compared to 57% of Small Investors.
- Just over half of Private Debt–Focused Investors are Below-Market Investors (52%), while just over 80% of Private Equity–Focused Investors are Market-Rate Investors. In addition, two-thirds of all Private Equity–Focused Investors in the sample are Small Investors.[19]
- Seventy percent of all Below-Market Investors are Small Investors, and 35% are Private Debt–Focused Investors.

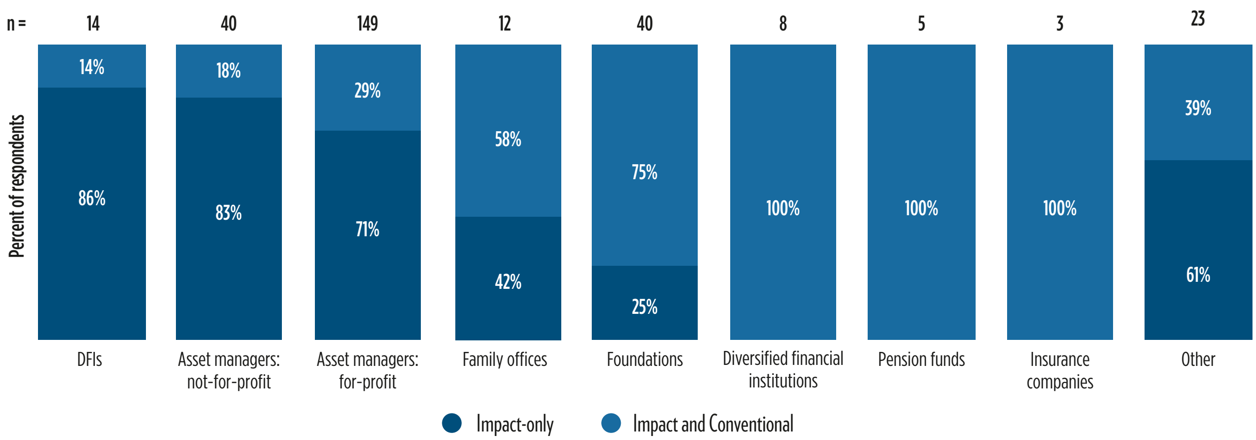
Investors also making impact-agnostic investments

Respondents indicated whether their organization exclusively makes impact investments or whether they also make impact-agnostic investments, or those that do not intend to create a positive social or environmental impact. Sixty-one percent make only impact investments, while 39% make both types of investments.

This percentage varies significantly by organization type and geographic focus. Just over three-quarters of all EM-Focused Investors make only impact investments, compared to half of all DM-Focused Investors. In addition, 86% of DFIs make only impact investments, compared to 42% of family offices and a quarter of foundations (Figure 3).

Figure 3: Investment type by organization type

n = 294



Note: 'Other' organizations include community development finance institutions (CDFIs), NGOs, nonprofits , permanent investment companies, real estate developers, sovereign wealth funds, and independent federal government agencies.

Source: GIIN, 2020 Annual Impact Investor Survey

Year of first impact investment

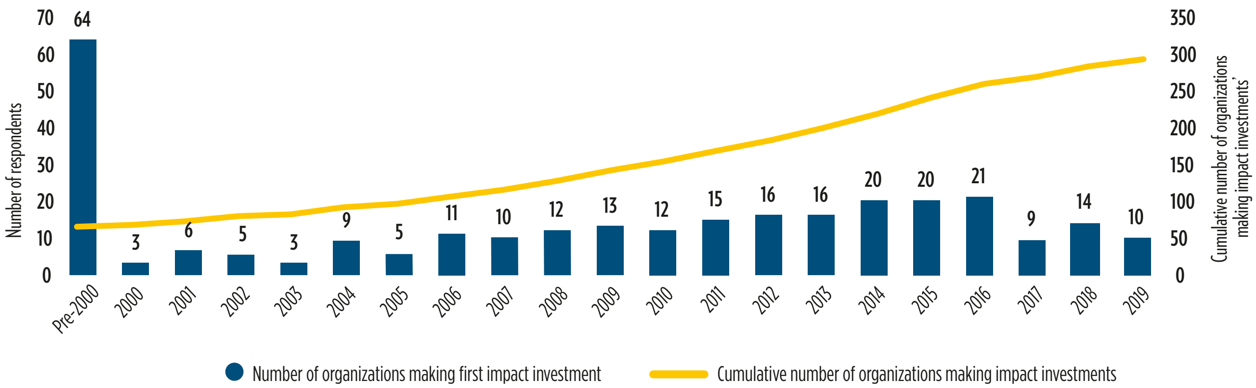
Just over half of all respondents began making impact investments within the last decade (52%; Figure 4), but a significant share of participants have been active in the field for even longer; a quarter made their first impact investment more than 20 years ago.

Impact investors headquartered in developed markets comprise the vast majority of the 64 investors that began making impact investments before 2000 (91%), while EM-HQ Investors comprise 26% of all investors that entered the market over the past decade. Only 10% of organizations making their first investment within the past decade are Large Investors; by contrast, 69% are Small Investors.

19 This relationship was not shown to be statistically significant.

Figure 4: Year of first impact investment

n = 294



Source: GIIN, 2020 Annual Impact Investor Survey

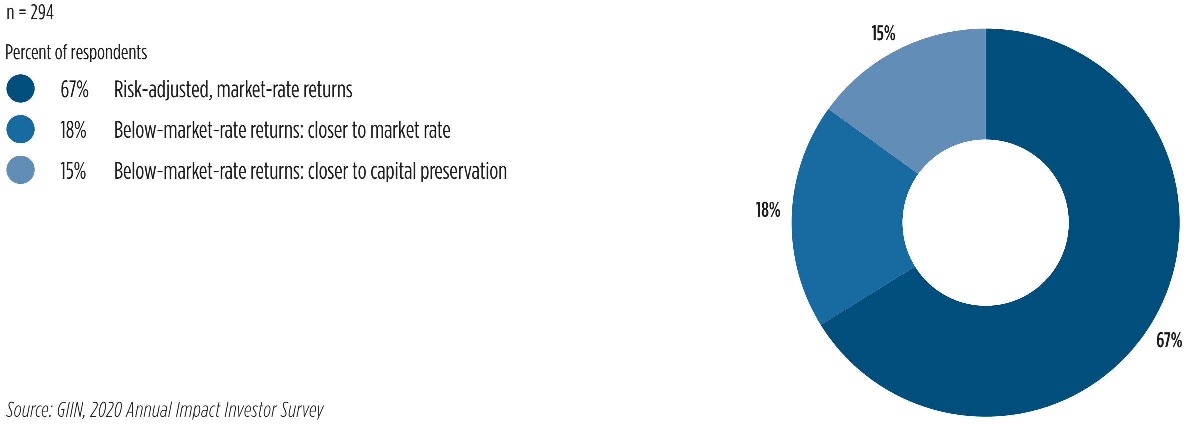
The decline in the number of respondents that entered the market in the past few years may be a reflection of this survey's eligibility criteria, which requires that respondents have a minimum volume of impact investing activity (see page IX for a full description of the research inclusion criteria).

Target financial returns

While impact investors target financial returns along a spectrum ranging from capital preservation to market-rate, most respondents in this sample target risk-adjusted, market-rate returns (67%; Figure 5).

Figure 5: Target financial returns primarily sought

n = 294



Source: GIIN, 2020 Annual Impact Investor Survey

Target financial returns vary by asset class focus and organization size and type, among other characteristics. Interestingly, just 6% of Large Investors seek below-market returns closer to capital preservation compared to 21% of Small Investors and 13% of Medium Investors.[20] Furthermore, 81% of Private Equity–Focused Investors seek market-rate returns, compared to less than half of Private Debt–Focused Investors (48%); similarly, a quarter of Private Debt–Focused Investors seek capital-preservation strategies, compared to just 6% of Private Equity–Focused Investors.

Motivations for making impact investments

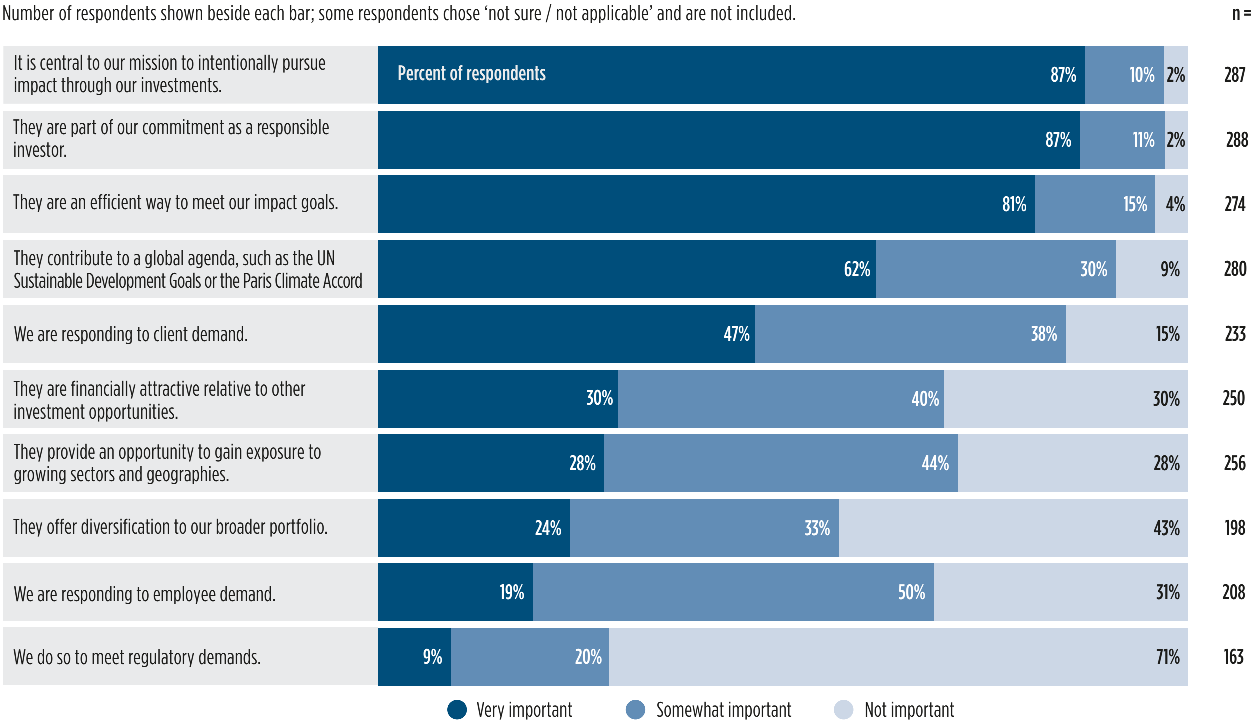
A wide variety of reasons motivate investors to make impact investments. The top three most-cited reasons all concern impact: that investors have a mission to pursue impact through their investments (87%; Figure 6), that impact investing is central to their commitment as responsible investors (87%), and that impact investing is an efficient way to achieve their impact goals (81%). However, 70% of respondents noted that financial attractiveness relative to other investment opportunities is at least 'somewhat important.' Furthermore, 85% make impact investments in response to client demand.

20 Please see page X for a detailed description of various subgroups in the sample, including investor size.

Impact investors' motivations also tend to vary by geographic focus and returns philosophy. Just over half of DM-Focused Investors see contribution to a global agenda, such as the United Nations Sustainable Development Goals or the Paris Climate Accord, as at least a somewhat important reason to make impact investments, compared to 70% of EM-Focused Investors. In addition, 40% of Market-Rate Investors cite increased exposure to growing sectors and geographies as a 'very important' motivation for making impact investments; the corresponding figure is just 17% for Below-Market Investors.

Figure 6: Motivations for making impact investments

Number of respondents shown beside each bar; some respondents chose 'not sure / not applicable' and are not included.



Source: GIIN, 2020 Annual Impact Investor Survey

Sample characteristics of repeat respondents

Throughout this report, trends are presented for a subset of 79 organizations that participated in both the 2016 and 2020 Annual Impact Investor Surveys (reflecting 2015 and 2019 data), described as 'repeat respondents.'[21] Using data submitted in 2020, this section describes the characteristics of that sub-sample to contextualize analyses of these trends, even though some characteristics of this sub-sample may have been different in 2016.

21 Analysis of this sample, shows changes across four calendar years: from the end of 2015 to the end of 2019.

Organization type

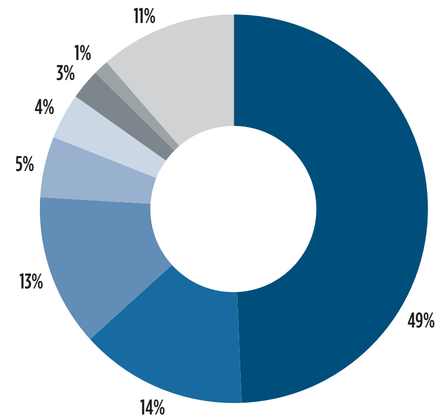
The repeat respondent sub-samples are primarily asset managers, with 49% of the full sample being for-profit and 14% not-for-profit (Figure 7). Foundations comprise 13% of repeat respondents, followed by diversified financial institutions (5%), family offices (4%), and DFIs (3%).

Figure 7: Organization type breakdown among repeat respondents

n = 79

Percent of respondents

- 49% Asset managers: for-profit
- 14% Asset managers: not-for-profit
- 13% Foundations
- 5% Diversified financial institutions
- 4% Family offices
- 3% DFIs
- 1% Pension funds
- 11% Other



Note: 'Other' organizations include community development finance institutions (CDFIs), cooperative organizations, nonprofits, permanent investment vehicles, social impact investment wholesalers, and nonprofit carbon offset developers.

Source: GIIN, 2020 Annual Impact Investor Survey

Headquarters location

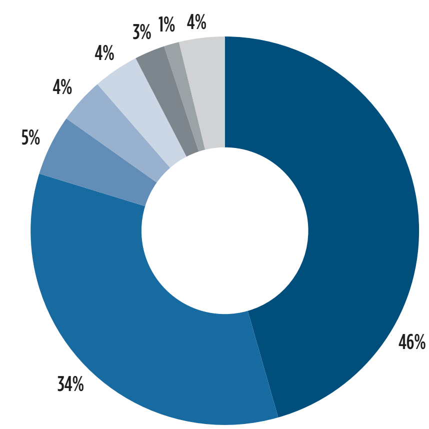
Repeat respondents are headquartered in 22 countries, with most headquartered in the United States (42%), followed by Great Britain (9%), the Netherlands (9%), and France (6%).[22] A clear majority of this sub-sample is headquartered in developed markets, while 13% are headquartered in emerging markets (5% in SSA and 4% in LAC; Figure 8).

Figure 8: Headquarters location of repeat respondents

n = 79

Percent of respondents

- 46% U.S. & Canada
- 34% WNS Europe
- 5% SSA
- 4% LAC
- 4% Oceania
- 3% South Asia
- 1% MENA
- 4% No single headquarters location



Source: GIIN, 2020 Annual Impact Investor Survey

Other characteristics of repeat respondents

Like the full sample, about two-thirds of all repeat respondents target market-rate returns (65%), while 19% target below-market returns closer to capital preservation. The rest target below-market returns closer to market rate.

More than two-thirds of all repeat respondents make only impact investments; 32% make both impact and impact-agnostic investments.

22 This year, respondents indicated the country of their organizations' headquarters, which was then mapped to the regional level following World Bank guidelines.

State of the impact investing market

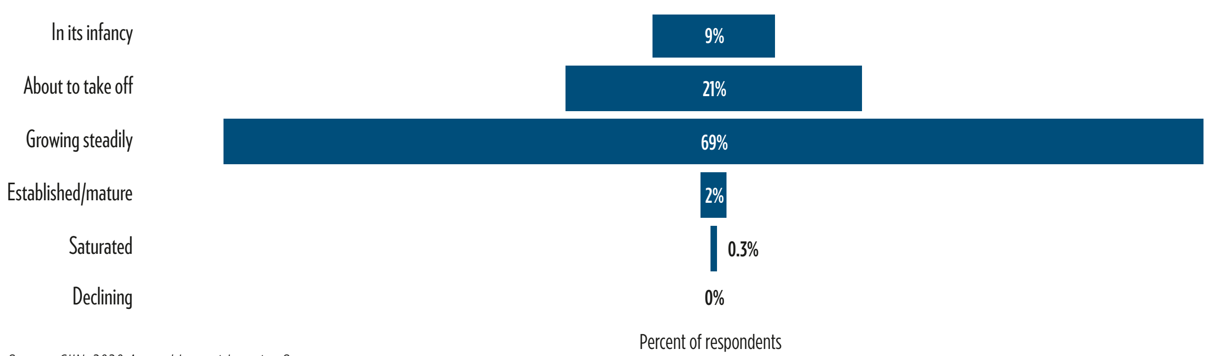
This tenth annual edition of the impact investor survey provides a unique opportunity to take stock of the evolution of the impact investing market over the past decade. Respondents shared their views on indicators of market development, as well as their perceptions on remaining challenges for the industry.

Stages of market evolution

Respondents shared their beliefs of where the impact investing market is in the various stages of evolution. The clear majority of respondents view the impact investing market as 'growing steadily' (69%, Figure 9). Just over one-fifth described the market as 'about to take off,' and 9% described the market as 'in its infancy.' Notably, no respondents see the impact investing market as 'declining,' and very few see the market as 'mature' or 'saturated.'

Figure 9: Stages of industry evolution

n = 290; optional question.



Source: GIIN, 2020 Annual Impact Investor Survey

By headquarters location, a greater share of EM-HQ Investors described the market as 'in its infancy' (16%, compared to 7% of DM-HQ Investors), while a greater share of DM-HQ Investors described the market as 'growing steadily' (71%, compared to 63% of EM-HQ Investors).

This question was also asked in the 2011 Annual Survey (although the answer options were different in 2011).[23] Most respondents in 2011 viewed the market as in its very early stages: three quarters viewed it as 'in its infancy and growing,' 19% described it as 'about to take off,' and 6% described it as 'a lot of talk, not much action.' No respondents selected the other answer options, which included that the market was 'in its prime,' 'a potential bubble,' or 'slowing down.'

Progress over the past decade on indicators of market growth

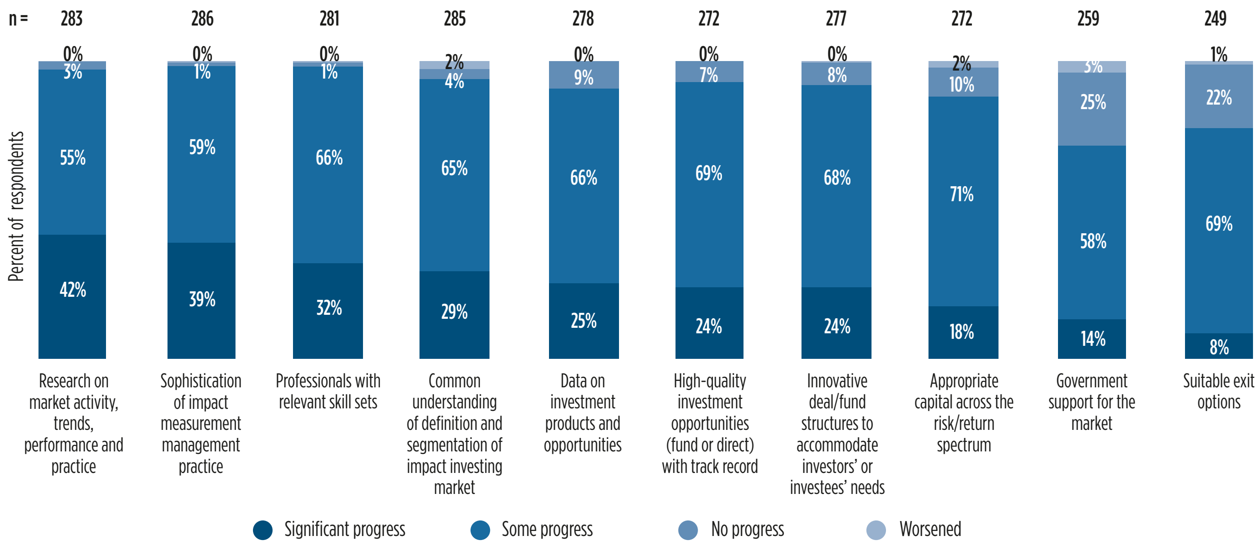
Respondents shared their opinions on indicators of market development, reflecting on progress made over the past ten years.

The greatest area of progress involves 'research on market activity, trends, performance, and practice,' with 42% noting 'significant progress' had been made over the past ten years (Figure 10). The second-greatest area of progress concerns the 'sophistication of impact measurement and management practice' (with 39% noting 'significant progress'). Some respondents noted no progress in 'suitable exit options' (22%) and 'government support for the market' (25%), yet 77% and 72% of respondents noted at least some progress on each of these respective indicators of market growth, respectively.

23 Yasemin Saltuk, Amit Bouri, and Giselle Leung, *Insight into the Impact Investing Market.* (New York: The GIIN, December 2011).

Figure 10: Progress over the past decade on indicators of market growth

Number of respondents shown above each indicator; some respondents chose 'not sure / not applicable' and are not included. Ranked by percent selecting 'significant progress.'



Source: GIIN, 2020 Annual Impact Investor Survey

In some cases, different segments of respondents perceived different levels of progress. For instance, a greater share of DM-HQ Investors noted 'significant progress' in 'research on market activity, trends, performance, and practice' compared to EM-HQ Investors (47% versus 16%). Additionally, a greater share of DM-HQ Investors saw 'significant progress' in 'government support for the market' (15% versus 5% of EM-HQ Investors).

Market-Rate Investors reported greater progress in the 'sophistication of impact measurement and management practice' (43% reporting 'significant progress') compared to Below-Market Investors (32%). Interestingly, more Below-Market Investors noted seeing 'significant progress' over the last ten years in 'government support for the market' than did Market-Rate Investors (19% versus 11%).

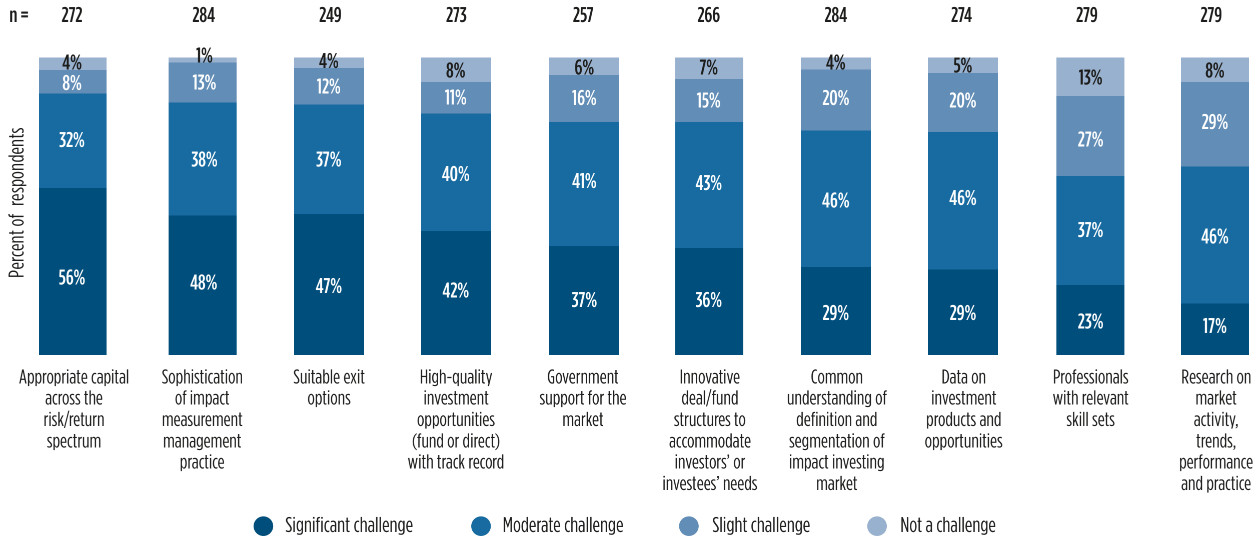
Remaining challenges for the market

Respondents also shared their perspectives on the greatest remaining challenges for the impact investing industry. The top challenge is the lack of 'appropriate capital across the risk/return spectrum,' (56% describing this as a 'significant challenge' (Figure 11). Interestingly, 'sophistication of impact measurement and management practice,' reported as the second-greatest area of significant progress, was also the second-greatest remaining challenge. Respondents also noted the third-greatest challenge, 'suitable exit options,' as an area of lower progress (although most respondents nevertheless noted some progress there). In this vein, one respondent emphasized the importance of increasing the sophistication of impact measurement and management (IMM) practice still further, explaining that despite "great progress in the sophistication and standardization of impact measurement," IMM practice remains "insufficient… to measure outcomes."

On the other hand, less than one in five respondents noted 'research on market activity, trends, performance and practice' as a significant challenge.

Figure 11: Remaining challenges for the market

Number of respondents shown above each indicator; some respondents chose 'not sure / not applicable' and are not included. Ranked by percent selecting 'significant challenge.'



Some respondent subgroups perceive different levels and types of challenges. EM-Focused Investors reported greater challenges in accessing 'appropriate capital across the risk/return spectrum' and 'suitable exit options' compared to DM-Focused Investors (60% versus 51% and 60% versus 34%, respectively). EM-HQ Investors also reported greater challenges in accessing 'appropriate capital across the risk/return spectrum' (66%, compared to 52% of DM-HQ Investors) in addition to 'government support for the market' (57% versus 32%). Below-Market Investors noted 'appropriate capital across the risk/return spectrum' as a greater challenge (69% reporting 'significant') compared to Market-Rate Investors (49%), which may be expected, given each group's financial returns focus. Interestingly, a greater share of Below-Market Investors identified 'suitable exit options' as a significant challenge (66%, compared to 38% of Market Rate Investors). A greater share of Below-Market Investors also note 'high-quality investment opportunities (fund or direct) with track record' as a significant challenge (52%, compared to 37% of Market-Rate Investors).

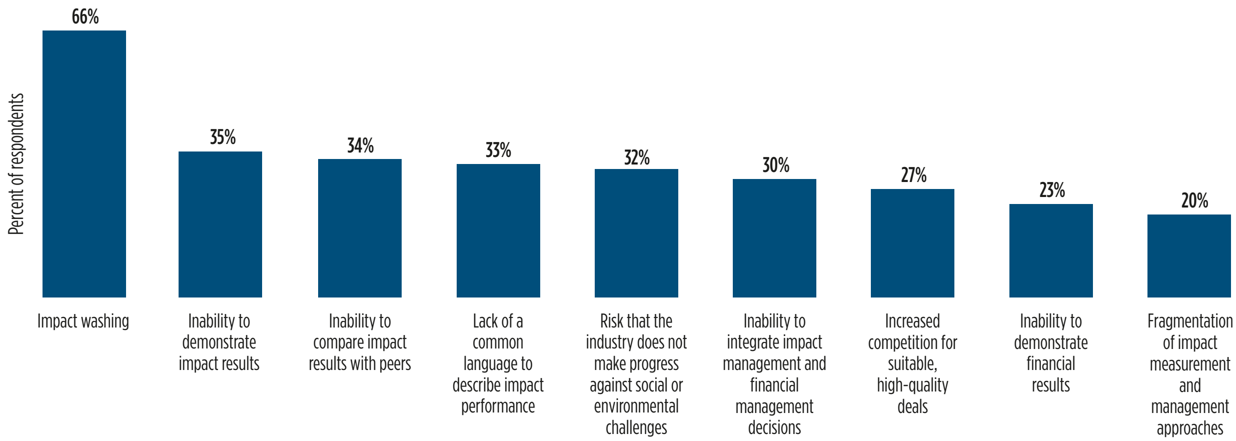
Challenges facing the market over the next five years

Respondents indicated their expectations for the greatest challenges likely to face the impact investing market over the next five years. Each respondent selected three challenges. By far, the greatest proportion of respondents (66%) see 'impact washing' as an important challenge (Figure 12). The second- and third- most noted challenges also concern impact performance: the 'inability to demonstrate impact results' (35%) and the 'inability to compare impact results with peers' (34%). This identified a need to advance IMM practices, in particular through the collection of transparent and comparable data, echoes findings in the GIIN's second edition of *The State of Impact Measurement and Management Practice*.[24] Interestingly, the smallest share of respondents expect 'inability to demonstrate financial performance' (23%) and 'fragmentation of impact measurement and management approaches' (20%) to be among the market's greatest challenges for the next five years.

24 Rachel Bass, Hannah Dithrich, Sophia Sunderji, and Noshin Nova, *The State of Impact Measurement and Management Practice, 2nd ed.* (New York: The GIIN, January 2020).

Figure 12: Greatest challenges facing the market over the next five years

n = 294



Note: Each respondent selected three challenges. Indicators are ranked in order of the number of respondents that selected each as a challenge.

Source: GIIN, 2020 Annual Impact Investor Survey

Respondent subgroups noted several interesting differences in their perception of expected challenges (Table 2). Compared to EM-HQ Investors, a greater share of DM-HQ Investors noted 'impact washing' as a top challenge (55% versus 70%). Comparatively more Market-Rate Investors expect 'lack of a common language to describe impact performance' to be a top challenge (39%, compared to 22% of Below-Market Investors), as do Large Investors (47%) compared to Small (32%) and Medium (21%) Investors. A higher proportion of DM-Focused Investors (38%) expect the 'risk that the industry does not make progress against social or environmental challenges' to be a challenge, compared to EM-Focused Investors (26%).

A greater share of EM-HQ Investors expects the 'inability to integrate impact management and financial management decisions' to be a challenge compared to DM-HQ Investors (43% versus 26%). Finally, more EM-Focused Investors see the 'inability to demonstrate financial results' as a top challenge compared to DM-Focused Investors (29% versus 19%), as do Private Equity–Focused Investors (31%, compared to 14% of Private Debt–Focused Investors).

Table 2: Greatest challenges facing the industry over the next five years, by respondent subgroup

	n	Impact washing	Inability to demonstrate impact results	Inability to compare impact results with peers	Lack of a common language to describe impact performance	Risk that the industry does not make progress against social or environmental challenges	Inability to integrate impact management and financial management decisions	Increased competition for suitable, high-quality deals	Inability to demonstrate financial results	Fragmentation of IMM approaches
Full sample	294	66%	35%	34%	33%	32%	30%	27%	23%	20%
DM-HQ Investors	227	70%	33%	34%	34%	33%	26%	28%	22%	19%
EM-HQ Investors	51	55%	37%	27%	29%	27%	43%	25%	31%	24%
DM-Focused Investors	140	66%	35%	34%	39%	38%	29%	22%	19%	19%
EM-Focused Investors	126	65%	40%	31%	28%	26%	29%	31%	29%	21%
Private Equity-Focused Investors	83	59%	36%	30%	29%	31%	33%	31%	31%	19%
Private Debt-Focused Investors	65	71%	42%	28%	29%	37%	29%	34%	14%	17%
Market-Rate Investors	197	63%	37%	35%	39%	29%	27%	25%	23%	20%
Below-Market Investors	97	72%	32%	31%	22%	36%	34%	30%	23%	21%
Small Investors	159	64%	35%	31%	32%	36%	33%	27%	23%	22%
Medium Investors	63	70%	38%	37%	21%	30%	30%	24%	22%	18%
Large Investors	72	69%	35%	36%	47%	24%	22%	29%	22%	19%

Source: GIIN, Annual Impact Investor Survey 2020

Some respondents also expect other challenges, such as the need for increased engagement from investment consultants and wealth managers, which can often act as a 'gateway' between capital and impact investment opportunities. One insurance company noted the importance of "increased participations by wealth management platforms," and another asset manager indicated that "the investment consultant industry is the single largest barrier to increasing the scale of impact capital available in the market."

However, reflecting on market progress, one asset manager noted that "the market has developed significantly in the last ten years, in terms of a common understanding[…] as to what impact investing really means, the availability of market data and trends, and the sophistication of impact measurement and management mechanisms. Entities have been bringing innovative investment methods to the table (blended finance, social impact/green bonds, open-ended funds), creating a dynamic sector which can cater to different types of investors[…] Impact measurement and management may help investors to identify quality investments that will truly have a positive social/environmental impact, separating the wheat from the chaff."

Lastly, one DFI reflecting on the market's evolution over the past decade and on what is needed going forward, noted that "the industry has grown in number of investors, understanding of the landscape and increasing sophistication in the set of investable opportunities. There was an initial burst of activity that ranged in quality—this has now consolidated, and high-quality investors and investments are building track records for the next decade."

The Roadmap for the Future of Impact Investing

In the *Roadmap for the Future of Impact Investing*, the GIIN offers a vision for the future of the impact investing industry, outlining six categories of action to help grow the industry and transform financial markets.[25] Published in March 2018, the vision was developed in consultation with a broad array of industry stakeholders. To achieve this ambitious vision in which financial markets ultimately drive social and environmental change, fundamental shifts in behavior are needed in the investment community.

Respondents to this survey were asked to share the areas in which they anticipate contributing directly to roadmap action areas over the next five years. Respondents evidently intend to contribute across all six areas, with a particular focus on three: Identity, Education & Training, and Policy & Regulation. In terms of shaping the market's identity, almost two-thirds of respondents plan to contribute by 'sharing best practices for reporting and IMM' (65%; Figure 13). Just over half of all respondents anticipate 'supporting the development of businesses focused on impact' (52%) and 'creating an environment conducive to impact investing' (51%).

Figure 13: Anticipated direct contributions to roadmap actions over the next five years

n = 276; optional question. Respondents could select multiple answer options.

1. IDENTITY
- 1a. Establish principles for impact investing (43%)
- 1b. Share best practices for IMM and reporting (65%)
- 1c. Clarify the roles of various types of capital (36%)

2. BEHAVIOR & EXPECTATIONS
- 2a. Align incentives with impact (39%)
- 2b. Launch a campaign to change mindsets about the role of capital (22%)
- 2c. Update fundamental investment theory (14%)

3. PRODUCTS
- 3a. Develop retail products (21%)
- 3b. Expand institutional-quality products (35%)
- 3c. Commit capital to emerging fund managers (23%)
- 3d. Advance blended-finance vehicles (37%)

4. TOOLS & SERVICES
- 4a. Develop ratings for impact (23%)
- 4b. Build analysis and allocation tools that incorporate risk, return, and impact (37%)
- 4c. Expand impact investment banks (5%)

5. EDUCATION & TRAINING
- 5a. Train finance professionals (37%)
- 5b. Support the development of businesses focused on impact (52%)

6. POLICY & REGULATION
- 6a. Clarify fiduciary duty (10%)
- 6b. Establish tax incentives for impact investments (5%)
- 6c. Create an environment conducive to impact investing (51%)

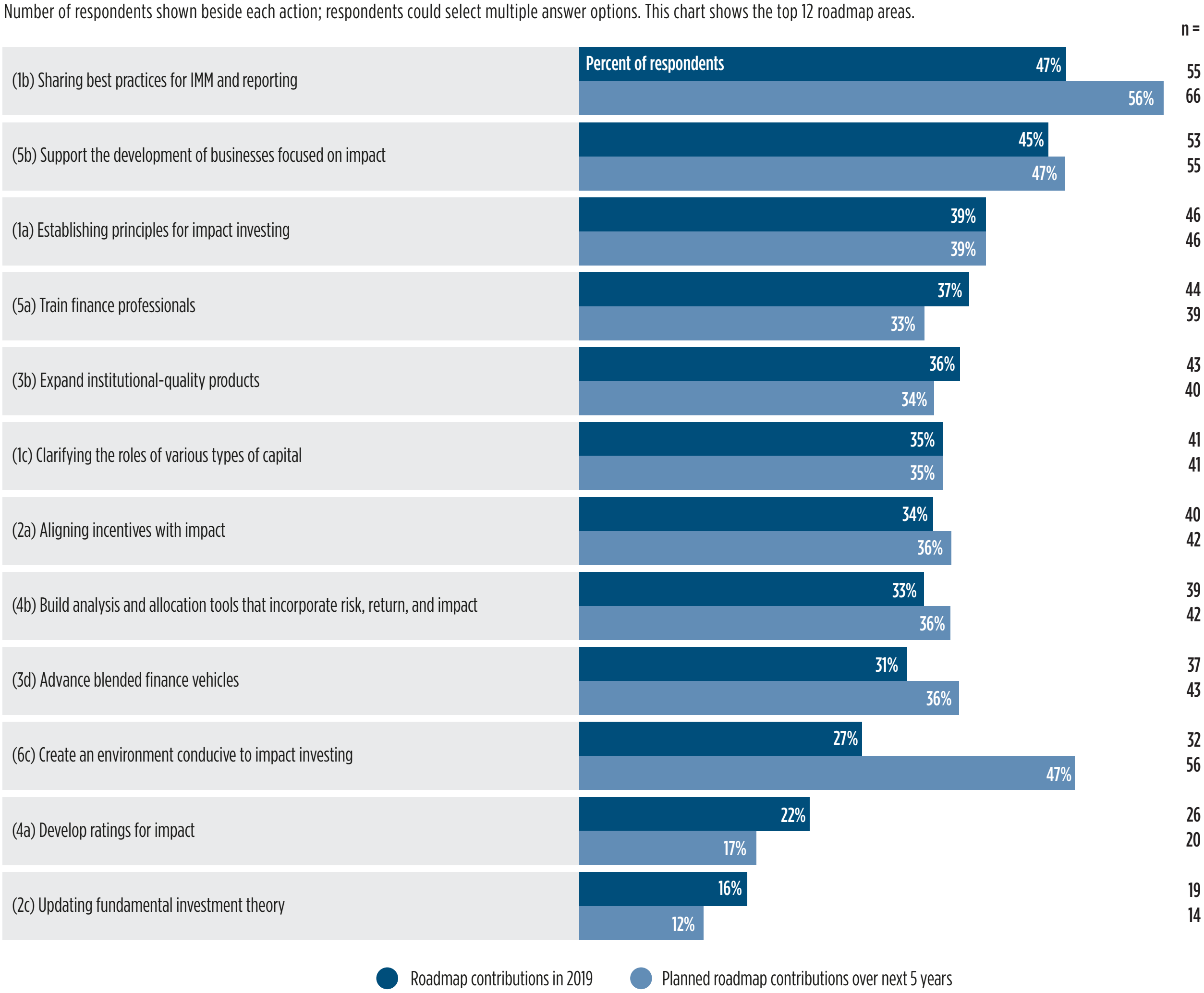
Source: GIIN, 2020 Annual Impact Investor Survey

25 Amit Bouri, Abhilash Mudaliar, Hannah Schiff, Rachel Bass, and Hannah Dithrich, *Roadmap for the Future of Impact Investing: Reshaping Financial Markets* (New York: The GIIN, March 2018).

While this year's respondents shared insights on their anticipated contributions to the roadmap, last year's respondents (to the GIIN's *2019 Annual Impact Investor Survey*) shared their contributions during 2018 toward each of the roadmap actions.[26] Among those repeat respondents who shared insights on both last year's survey and this year's, under half (47%) contributed to 'sharing best practices for IMM and reporting' in 2018, and over half (56%) plan to contribute to this action over the next five years (Figure 14). Interestingly, while 27% of respondents contributed to 'creating an environment conducive to impact investing' in 2018, 47% of the repeat sub-sample plan to do so in the future.[27]

Figure 14: Contributions to roadmap actions in 2018 and planned contributions over the next five year, among repeat respondents

Number of respondents shown beside each action; respondents could select multiple answer options. This chart shows the top 12 roadmap areas.



Note: This question was required in 2019 and optional in 2020. This sub-sample compares 118 repeat respondents who provided responses to the roadmap contributions question both last year and this year.

Source: GIIN, 2020 Annual Impact Investor Survey

26 Abhilash Mudaliar, Rachel Bass, Hannah Dithrich, and Noshin Nova, *2019 Annual Impact Investor Survey* (New York: The GIIN, June 2019).

27 For the remaining roadmap areas, the number of respondents was too small to enable meaningful analysis.

Several respondents this year offered additional insight into their contributions. A common thread was to contribute to the identity of impact investing through dialogue with likeminded stakeholders to share best practices and help advance the industry. Of 23 respondents that shared additional insights, several noted that many of the Roadmap actions are already deeply integrated into their organization's business operations and strategies.

"We strive to develop markets through collaboration, innovation, and pioneering solutions. We recognize we can't do it alone."

– For-profit asset manager

As further examples of how they have helped advance these Roadmap actions, a few respondents offered color on funds they have launched, such as funds focused on gender-lens investing, using various blended finance structures, and offering technical assistance. Several respondents emphasized that the use of data, tools, training, and expertise is critical to achieve the industry's vision to build more inclusive and sustainable financial markets. One for-profit asset manager in particular underscored the importance of collaboration, stating: "We strive to develop markets through collaboration, innovation, and pioneering solutions. We recognize we can't do it alone."

WHERE THEY ARE NOW

In 2010, 24 investors, all members of the GIIN's Investor Council,[28] participated in the initial industry research on the state of the market.[29] For the first time, this publication produced insights on the potential of impact investing, including the size of the market and expectations for its growth and financial returns.

At the time, impact investing was a nascent practice; the term 'impact investing' was coined in 2007 and the GIIN itself was subsequently established in 2009. The inaugural survey, one year later, arrived at an opportune time for the industry's growth. Where this legion of early proponents would be today—ten years later—could never have been predicted.

Early adopters of impact investing as a strategy were considered outliers prepared to invest in services and products that best served vulnerable beneficiaries at the base of the economic pyramid. These initial advocates have demonstrated their longevity and contribution to the field. Today, many continue to harness the business value of impact investments, remain actors in the sector, and have paved the way for others to follow.

Four of these early actors shared with the GIIN perspectives on their impact investing journey and key lessons they have learned. Each responded to both the initial survey in 2010 and this year's tenth anniversary edition.

Before the term 'impact investing' was coined, **Prudential Financial**, a U.S.-based financial institution and global investment manager, established a business unit in 1976 to consider market inefficiencies that would offer a good return on investment while also driving social change. This initiative was born from Prudential's deep understanding that financial markets can be a force for good. Indeed, Prudential were instrumental in helping farmers and homeowners avoid foreclosure during the Great Depression and after the Second World War, fueling economic recovery by intentionally providing much-needed loans on favorable terms to small businesses with the potential for growth.

Since 1976, Prudential have invested more than USD 2 billion in impact investments, including more than USD 1 billion over the past decade. The company have invested across a range of asset classes, including private debt and equity, real estate equity and mortgages, asset-backed securities, and real assets specifically focused on the area around their Newark, New Jersey headquarters.

Ommeed Sathe, Vice President of Impact and Responsible Investing at Prudential Financial, shared the view that when Prudential first started their impact investing strategy, returns were "innately concessionary." In later, more recent decades, Prudential have used the power of their balance sheet to demonstrate the possibility of catalyzing capital flows into non-traditional opportunities. Lessons from their early years helped Prudential to understand that they needed to do more internally to support risky investments and work collaboratively with other early advocates of social finance. Ommeed feels that their experience has led Prudential to have a stronger impact investing practice today. He believes that the "world needs people who run to a fire rather than run away from it" to effectively encourage mainstream capital to reach markets and initiatives in which it would not usually invest.

JP Morgan, the GIIN's original partner on the initial 2010 survey, shared similar sentiments to Prudential. As a traditional financial services provider offering comprehensive banking, structuring, and investment solutions to governments, corporates, and institutions around the world, they have recognized the power of using their products to demonstrate the potential of impact investing.

Erin Robert, Head of Impact Finance, explained that while their initial foray into impact investing was a corporate initiative, it effectively proved the concept. From this seed, JP Morgan scaled the idea. The company have aimed to create impact investing structures and products that are familiar to mainstream investors. Jessica Matthews, Head of Sustainable Investing in JP Morgan's wealth management business, explains that by using existing financial mechanisms, re-purposed, they have fostered adoption of impact investing strategies across various product offerings.

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28 The GIIN's Investors' Council is where leading impact investors gather. Comprising asset owners and asset managers with diverse interests across sectors and geographies, the Investors' Council provides a forum for experienced impact investors to strengthen the practice of impact investing. For more, see https://thegiin.org/investors-council.

29 Nick O'Donohoe, Christina Leijonhufvud, Yasemin Saltuk, Antony Bugg-Levine, and Margot Brandenburg, *Impact Investments: An Emerging Asset Class* (New York: J.P. Morgan, The Rockefeller Foundation, and the GIIN, November 2010).

JP Morgan is aware of market dynamics in their wealth portfolio that they believe are driving client demand for impact investing. Specifically, they anticipate USD 58.7 trillion of wealth will transfer to mainly female millennials over the next 35 years; at the same time, 90% of women believe it is important to make a positive impact on society, and close to half of wealthy millennials take social responsibility into account when making investment decisions. Matthews explains that developing scalable, replicable structures can make mainstream impact investing solutions more attractive, thus meeting the demand by private bank clients to make a meaningful difference with their capital.

In using impact data from the JP Morgan Chase Foundation to inform many of their investment choices, Robert suggests that "one plus one does equal three—it is possible to match what our clients want [in terms of impact] and at the same time increase (grow) their funds."

The United Kingdom–based **Bridges Asset Management** exclusively specializes in sustainable and impact investments focused on long-term challenges in four key themes, from healthy lifestyles to green solutions. Michele Giddens, co-CEO and Founder, explains that they launched their first fund in 2002 as a single fund strategy to benefit the most vulnerable local communities.

More than a decade later, Bridges has learned that a range of returns for limited partners can be derived from a variety of asset classes and impact expectations. This insight led them to launch a multi-fund strategy focusing on several distinct themes. Since that first fund, which raised GBP 40 million (worth at that time about USD 60 million), Bridges have raised more than GBP 1 billion (over USD 1.2 billion) across their portfolio and extended their single-strategy approach to multiple strategies involving a suite of funds.

At the heart of Bridges' mission is the belief that impact investing ideals can be achieved through several different tools. Giddens explains that while Bridges is a commercially oriented investor dedicated to impact, their roles as thought leader and field builder are equally important to their mission. Through the development of nonprofit initiatives, such as Bridges Insights, the Impact Management Project, and their involvement in the GIIN, they have contributed to the field's overall growth. Reflecting on the past decade, Giddens expresses satisfaction that "mission is no longer a niche strategy. … consideration of impact in every investment decision is key to building an inclusive and sustainable economy."

At the other end of the commercial scale is the **Annie E Casey Foundation**, a philanthropic foundation based in Baltimore, Maryland, United States. Their mission is to develop solutions that enable American children from vulnerable communities to have stronger futures. Alongside their annual grant commitment to various initiatives, the Foundation invests USD 117 million of their endowment in impact investments that focus on affordable housing and community and economic development. Their investments especially focus on entrepreneurs from minority groups.

Tracy Kartye, Director of Social Investments, and James Wahls, Portfolio Manager at the Foundation, explain that the basis of their impact investing strategy is to ensure that their assets are aligned with their mission. Reflecting on the past decade, what stands out for Kartye is how far the Foundation has advanced on their impact investing journey. Their "impact investing strategy did not happen overnight;" as Wahls explains, maintaining stakeholder support for the strategy requires constant reinforcement of its importance at the board level.

Through its programmatic work, the Annie E Casey Foundation has developed internal expertise in the systemic problems that exclude people from opportunity, and they believe that children need strong families, communities, and access to economic opportunity to flourish. Raising awareness of these systemic failures has, Kartye reports, provided impact investing opportunities for their endowment. Wahls adds that because, as a foundation, they can venture into impact investing opportunities that other, more commercial investors might not be able to pursue, they can demonstrate the viability of those opportunities. Once they have demonstrated success, Wahls believes, other investors "are more likely to listen."

These pioneers of impact investing have all demonstrated what is possible across diverse experiences in the industry. Besides developing the feasibility of impact investing in line with their business objectives, they also influence the broader movement. Whether leveraging mainstream capital, responding to consumer demand for more impact products, building the field, or laying the groundwork for other investors to follow, these investors in the first survey cohort represent the contributions of many early practitioners.

Investment activity

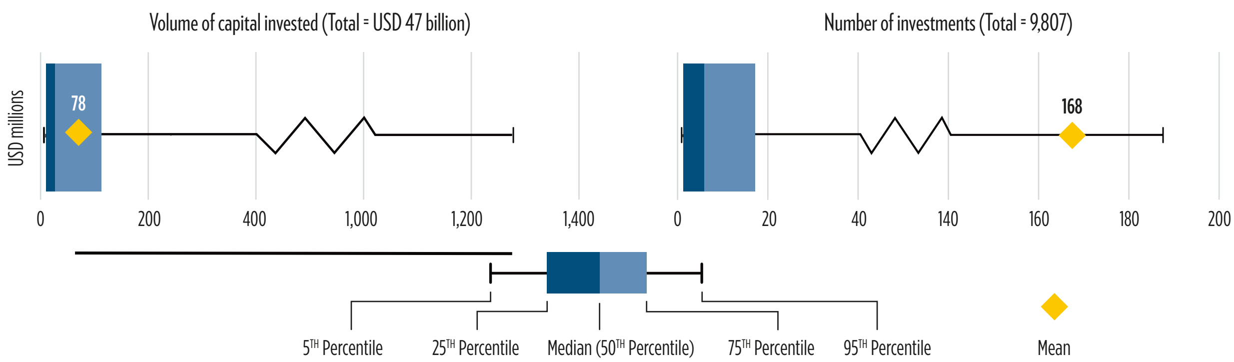
Regarding annual investment activity, respondents shared information on their impact investments in 2019 and on their planned impact investment activity for 2020. This section details those figures.

Investment activity in 2019

Collectively, 279 impact investors invested USD 47 billion in 9,807 impact investments during 2019.[30] The median respondent invested USD 16 million into six investments over the course of the year, with the presence of larger investors in the sample driving a significant difference between the median and average respondent (Figure 15).

Figure 15: Distribution of capital invested and number of investments in 2019

n = 279; capital invested figures in USD millions. Figures shown from 5th percentile through 95th percentile.



Note: Excludes six outliers, as well as nine respondents that did not report 2019 investment activity.

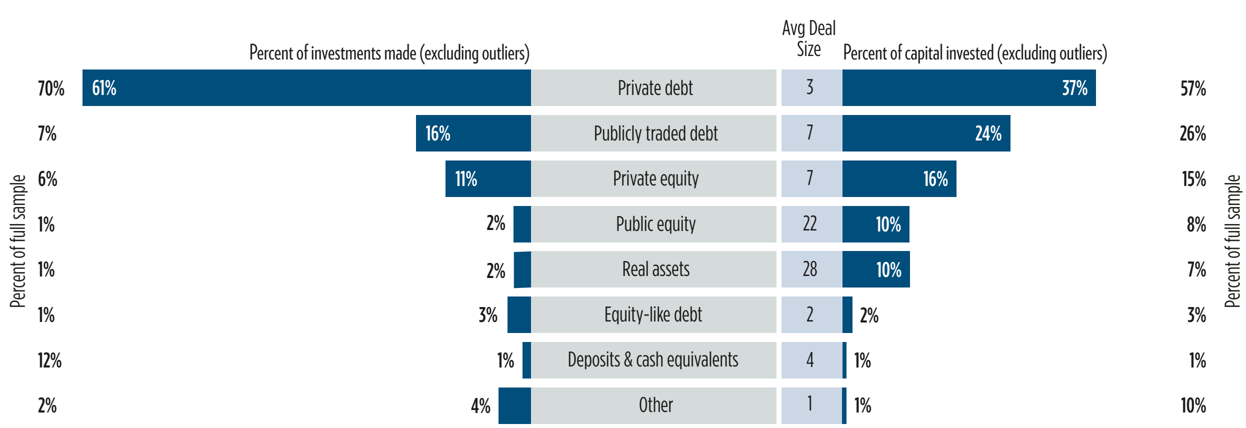
Source: GIIN, 2020 Annual Impact Investor Survey

Over one-third of that capital (37%) was invested through private debt, which also accounted for well over half (61%) of the number of investments made (Figure 16). Publicly traded debt accounted for nearly a quarter of the total volume of capital invested (and 16% of transactions), and private equity comprised 16% of capital invested (and 11% of investments).

Among respondents that shared data on their investment activity for 2019, the overall average deal size was USD 5 million across all asset classes (Figure 16).[31] By asset class, the average deal size was largest among investments in real assets (USD 28 million), followed by public equity (USD 22 million), private equity (USD 7 million), and publicly traded debt (USD 7 million).

Figure 16: Capital invested and number of investments made in 2019, by asset class

n = 279; capital invested = USD 47 billion and number of investments = 9,807. Graph shows sample excluding outliers; percentages of full sample shown alongside each bar.



Note: Excludes six outliers and nine respondents that did not report 2019 investment activity. 'Other' includes guarantees, alternatives, mezzanine, New Market Tax Credits, and revenue-based financing.

Source: GIIN, 2020 Annual Impact Investor Survey

30 This figure excludes six outliers. Including these outliers, total capital invested was USD 79 billion through 23,029 investments. Figures also exclude nine organizations that did not report 2019 investment activity.

31 This figure excludes six outlier respondents.

Investors exclusively making impact investments had an average private equity deal size of USD 2.8 million in 2019 compared to USD 28 million for respondents that also make impact-agnostic investments. Average deal size also varied by regional focus; investors allocating greater than 75% of their portfolio to WNS Europe had the largest deal size (USD 4.5 million), followed by those focused on the U.S. & Canada or SSA (both USD 1.9 million).[32]

Planned investment activity for 2020

Collectively, respondents plan to allocate USD 48 billion to 12,534 investments in 2020, an increase over 2019 of 2% in terms of capital invested and 28% in terms of number of investments (Table 3).[33]

EM-Focused Investors plan a 44% increase in their 2020 activity, compared to a planned decrease of 36% for DM-Focused Investors. Meanwhile, Private Debt–Focused Investors expect to invest 18% more capital in 2020, and Private Equity–Focused Investors plan to decrease their investment by 2%.

Table 3: Investment activity, reported in 2019 and planned for 2020

n = 279

	Capital invested (USD millions)		Number of investments	
	2019 reported	2020 planned	2019 reported	2020 planned
Mean	128	146	52	59
Median	18	20	6	8
Sum	46,875	47,967	9,807	12,534
Aggregate % growth (projected)	-	2%	-	28%

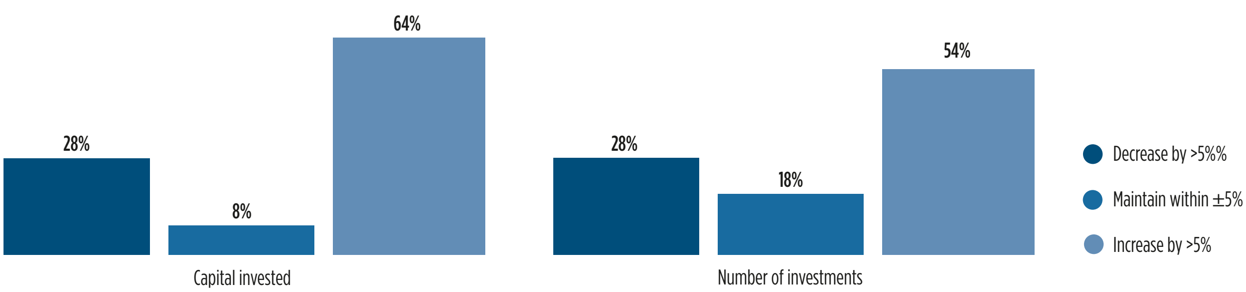
Note: Note: Excludes nine respondents that did not share data on investment activity for 2019, 2020, or both.

Source: GIIN, 2020 Annual Impact Investor Survey

Nearly two-thirds of respondents (64%) plan to increase the volume of capital they invest by more than 5% during 2020 (Figure 17), and over half (54%) plan to increase the number of investments they make.[34] At the time of data collection, just over a quarter of investors planned to decrease their impact investing activity in 2020.

Figure 17: Expected change in 2020 investment activity

n = 285



Note: Note: Excludes nine respondents that did not share data on investment activity for 2019, 2020, or both.

Source: GIIN, 2020 Annual Impact Investor Survey

32 This relationship was not shown to be statistically significant.

33 Most respondents reported their plans in early 2020, before the COVID-19 pandemic. To consider how the COVID-19 pandemic might impact respondents' investment plans, the Research Team administered a short survey in April 2020 in which respondents indicated whether they expected their investment activity plans for 2020 to change materially because of the COVID-19 pandemic. Overall, respondents did not expect material changes to their 2020 investment plans, as described in further detail on page 61.

34 These figures exclude nine respondents that did not share data on investment activity for either or both years.

Activity by organization type

Among the organization types, DFIs reported the highest median amount of capital invested in 2019 (USD 273 million), followed by pension funds, insurance companies, and diversified financial institutions (USD 241 million, USD 220 million, and USD 153 million, respectively; Table 4). DFIs also reported the highest median number of investments made, followed by not-for-profit asset managers. Foundations and family offices expect some of the highest rates of growth in capital invested; the median foundation expects to grow its volume of capital invested by 26%, while the median family office plans to increase its capital invested by 14%.[35]

Table 4: Investment activity by organization type

		Volume of capital invested (USD millions)			Number of investments		
	n	Median 2019	Total in 2019	Total planned for 2020	Median 2019	Total in 2019	Total planned for 2020
Asset managers: for-profit	142	19	23,710	20,780	6	4,822	6,434
Asset managers: not-for-profit	40	12	1,768	2,281	11	1,619	1,793
DFIs	11	273	11,076	19,847	21	373	730
Diversified financial institutions	5	153	798	853	2	25	25
Family offices	11	5.7	110	198	5	85	128
Foundations	40	12	931	889	5	1,471	1,837
Pension funds	4	241	2,433	847	9	35	40
Insurance companies	3	220	4,811	1,050	220	133	180
Other	23	6	1,328	1,223	12	1,244	1,367
Total	279	-	46,875	47,967	-	9,807	12,534

Note: Excludes six outliers and nine organizations that did not report 2019 activity. 'Other' organizations include community development finance institutions (CDFIs), NGOs, nonprofits, permanent investment companies, real estate developers, sovereign wealth funds, and independent federal government agencies. Across various organization types, the changes between 2019 reported and 2020 planned activities may have been driven by outliers, which have been included in analyses to present an aggregated view.

Source: GIIN, 2020 Annual Impact Investor Survey

Comparing planned with reported 2019 activity

A total of 166 respondents completed the survey in both 2019 and 2020; among these, 155 respondents described their investment activity for both years. Table 5 compares the planned figures reported by these investors last year with their actual figures reported this year. Over half exceeded their target volume of capital invested by more than 5%, while just over one-third fell short by over 5%. Collectively, both the volume of capital invested and the number of investments made in 2019 fell short of plans by 15% and 13%, respectively.

Table 5: Capital invested and number of investments in 2019 among repeat respondents

n = 155

	2019 Planned	2019 Reported	Difference	Percent of respondents that exceeded plans by >5%	Percent of respondents that met within within +/- 5% of target of target	Percent of respondents that fell short by >5%
Capital invested (USD millions)	58,531	49,821	-15%	54%	11%	35%
Number of deals	12,620	11,010	-13%	45%	13%	42%

Note: Two organizations account for the bulk of the difference between 2019 planned and reported capital invested, and another organization is primarily responsible for the difference between the number of investments planned and reported. These three organizations were not removed from this analysis in order to represent aggregate changes.

Source: GIIN, 2020 Annual Impact Investor Survey

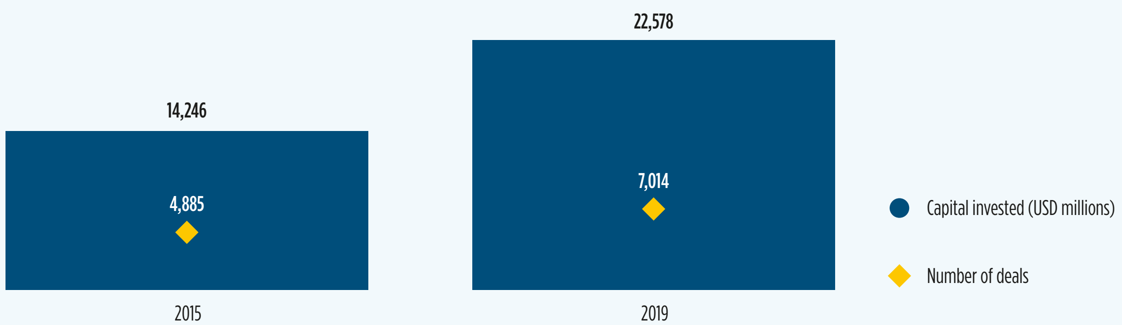
35 These findings related to foundations and family offices were not shown to be statistically significant.

TRENDS ANALYSIS

Respondents who completed the survey in both 2016 and 2020 (reporting on their 2015 and 2019 activity) grew their volume of capital invested by 12% per annum, from USD 14 billion invested in 2015 to USD 22.5 billion invested in 2019 (Figure 18).[36] In addition, the number of impact investments made by this group grew 9% per year, from 4,885 investments made in 2015 to 7,014 in 2019. Average deal size grew by 2% per year, from USD 2.9 million in 2015 to USD 3.2 million in 2019.[37]

Figure 18: Reported investment activity in 2015 and 2019 among repeat respondents

n = 78; capital invested in USD millions.



Note: Note: Excludes one outlier for 2019 investment activity.

Source: GIIN, 2020 Annual Impact Investor Survey

36 The CAGR for capital invested is 14%, if one large investor is removed from analysis.

37 The increase in volume of capital invested was shown to be statistically significant, while changes in the number of deals and average deal size were not.

NOTABLE COMMITMENTS OVER THE PAST DECADE

Over the past ten years, both asset owners, private and institutional alike, and asset managers have made substantial commitments to divest from harmful investments, deepen their impact, and tackle social and environmental issues. This timeline portrays a handful of the many notable commitments made by impact investors over the past decade, along with the progress they have achieved to date (subject to publicly available information). Naturally, this reflects merely a small snapshot of the diverse activities and impacts associated with many impact investors over the last decade, and just a few among many to celebrate.*

ASSET OWNERS

In **April 2012**, the **Heron Foundation** announced a shift toward impact in its investment strategy with a plan to invest 100% of its endowment, along with other forms of capital, in mission-related investments. The Foundation pledged to move its entire USD 270 million endowment into impact investments by fiscal year 2017. In December 2016, one year ahead of schedule, the Heron Foundation achieved its goal.

In meeting this goal, the Foundation recognized that "the urgency and size of the problems we face require that [the Heron Foundation] work differently."

In **January 2013**, **Bank of America** began working on a goal they had set just a few months prior: their Environmental Business Initiative to invest USD 50 billion over 10 years to help address climate change. Areas of focus included energy efficiency, renewable energy and energy infrastructure, low-carbon transportation, and water and waste recycling. Their target was subsequently increased to USD 125 billion in 2015. At the end of 2019, the bank reached this milestone, six years ahead of schedule.

In April 2019, Bank of America announced a new goal of the initiative: to "mobilize" USD 300 billion in capital by 2030.

In **September 2014**, the **Rockefeller Brothers Fund (RBF)** pledged to divest from investments in fossil fuels, with an immediate focus on eliminating the Fund's exposure to coal and tar sands, two of the most intensive sources of carbon emissions. In April 2014, RBF's exposure to coal and tar sands was 1.6% of its total portfolio, which it had reduced to less than 0.05% as of June 2019. In addition, the Fund reduced its total fossil fuel exposure from 6.6% in April 2014 to an estimated 1.0% today.

RBF also increased its fund target for impact investments as a share of its total assets under management. Notably, between 2014 and 2016, the Fund's target for impact investments increased from 10% to 20% of its total endowment, which reportedly totaled USD 1.26 billion as of the end of 2019.

In **August 2016**, the **California Public Employees' Retirement System (CalPERS)**, one of the largest public pension funds in the United States and which manages more than USD 300 billion, adopted an ESG Five-Year Strategic Plan. The plan identifies strategic initiatives to direct the investment team's work: increased transparency, diversity and inclusion, investor engagement, and sustainable investment research, among others.

2011 — 2012 — 2013 — 2014 — 2015 — 2016

ASSET MANAGERS

In **2011, Vital Capital** launched its USD 350 million investment fund, Vital Capital Fund, focusing on high-demand sectors including affordable housing, healthcare, and agriculture in Sub-Saharan Africa.

Over the last decade, Vital's investments have proven the private equity fund's 'no-tradeoff approach' between a project's social/environmental impact and its financial return. Since its launch, the fund has provided essential products or services to over 5.4 million individuals in the form of water, quality foods, healthcare, energy and housing, and made over USD 78 million in payments to smallholder farmers.

In **April 2014, Cheyne Capital** launched the Social Property Impact Fund to help tackle the shortage of affordable housing for disadvantaged groups in the UK, including the homeless and the elderly. The fund raised GBP 100 million (more than USD 120 million) from various institutional investors, including pension funds and foundations, as well as from funds of funds and HNWIs. It has since provided over 1,000 units of affordable housing.

In **February 2015, BlackRock** announced the creation of BlackRock Impact to deploy both equity and debt into investments around the world that produce measurable social and environmental outcomes. The unit manages more than USD 225 billion of the firm's value-aligned investments.

Additionally, in January 2020, BlackRock announced that climate will be central to its investment strategy. In his 2020 letter to CEOs, Larry Fink—CEO of Blackrock—wrote that given evolving awareness around climate change, "we are on the edge of a fundamental reshaping of finance" and a significant reallocation of capital due to climate risk. The firm hopes to take concrete actions to put sustainability at the center of its investment approach, by, for example, pushing companies to disclose their plans to align operations with the goals of the Paris Climate Agreement and by revisiting its product offerings and underlying investments.

In **June 2015**, **DBL Partners** closed their USD 400 million impact fund, DBL Partners II, one of the largest venture capital impact funds. The fund primarily invests in clean energy, health care, sustainable products and services, and information technology in the Western United States. As of December 2019, 61% of the Fund's portfolio companies are either headquartered in or have facilities located in low- or moderate-income areas or Enterprise Zones.

*See Appendix 2: Sources for Notable Commitments over the Past Decade

ASSET OWNERS

In **April 2017, Ford Foundation** announced the largest commitment to date by a private foundation to Mission-Related Investments (MRI), committing USD 1 billion of its USD 12 billion endowment over the following decade to "reduce poverty and injustice." Its two initial areas of focus are affordable housing in the United States and financial inclusion in emerging markets. Since then, the Foundation has committed USD 174 million to 12 fund managers under its four private-market MRI strategies of affordable housing, financial inclusion, quality jobs, and diverse managers. Its affordable housing portfolio has preserved more than 16,000 units of affordable housing in the United States, with managers providing residents with dedicated social services.

"We need to expand our imaginations and our tools if we want to tackle the large-scale problems facing the world today. We can't neglect the tremendous power of markets to contribute." – Darren Walker, President of the Ford Foundation.

In **July 2017**, the world's largest pension fund – **Japan's Government Pension Fund (GPIF)**, which has USD 1.3 trillion under management – announced plans to raise its allocation to ESG investments over time from its then-current 3% to 10%.

In **November 2017**, **Zurich Insurance Group** announced plans to double its impact investment portfolio to USD 5 billion, paired alongside the introduction of portfolio-level impact targets such as the avoidance of five million metric tons of CO2-equivalent emissions. This commitment came soon after Zurich announced it had achieved its multi-year investment goal of USD 2 billion in green bonds.

As of December 2019, Zurich's impact investments collectively contributed to the avoidance of 2.8 million tons of CO2-equivalent emissions.

In **March 2018**, the **Nathan Cummings Foundation (NCF)** announced a goal of 100% alignment of their nearly USD 500 million endowment with the foundation's mission. Since that time, the foundation has aligned 90% of its endowment with its mission, divesting USD 100 million from non-mission-aligned investments and committing or deploying USD 180 million in impact investments.

"Philanthropy works best when it focuses its gaze on solving systemic problems. Our view is that we must maximize all of our resources to achieve this goal. Impact investing is a powerful tool to engage the private sector and to push for markets that produce more just and sustainable returns for society." – Rey Ramsey, Independent Trustee & Interim CEO of NCF

In **September 2018**, on the closing day of the Global Climate Action Summit (GCAS) in San Francisco, **a group of 29 U.S.-based foundations** pledged USD 4 billion over the next five years to tackle climate change.

Funders include Bloomberg Philanthropies, the IKEA Foundation, Kresge Foundation, the David and Lucile Packard Foundation, and the Rockefeller Brothers Fund, among others.

In **June 2019**, the **Government Pension Fund of Norway** – the world's largest sovereign wealth fund, with USD 1 trillion in AUM – divested more than USD 13 billion from oil, gas, and coal-extracting companies. The Fund was also given a legal mandate to invest up to USD 20 billion directly into renewable energy companies. The Fund plans to divest from any company that either generates more than 10 gigawatts of electricity from coal or mines more than 20 million tons of thermal coal each year.

In **November 2019**, the **European Investment Bank (EIB)** – the world's largest multilateral financial institution – pledged to end its financing of oil, gas, and coal projects after 2021. This policy will make the EIB the first multilateral lender to eliminate financing for energy projects that contribute to the climate crisis.

"We will stop financing fossil fuels and launch the most ambitious climate investment strategy of any public financial institution anywhere." – Werner Hoyer, EIB President

2017 — 2018 — 2019 — 2020

ASSET MANAGERS

In **July 2017, Bain Capital** closed its impact investment fund, the Bain Capital Double Impact Fund, with a final raise of USD 390 million. The fund's investors include public pensions, family offices, and HNWIs. The Bain Capital Double Impact Fund invests in for-profit, lower-middle-market companies in North America, with a focus on sustainability, health and wellness, and education and workforce development. According to Bain Capital's 2019 impact report, the fund's portfolio companies employed 4,342 people and reduced carbon emissions equal to taking 6,900 cars off the road for a year.

In **October 2017, TPG Rise Fund** met its USD 2 billion fundraising goal, making it one of the world's largest private equity impact funds. The fund's investors include HNWIs, foundations, and diversified financial institutions. As of 2020, the Fund manages more than USD 4 billion in impact investing assets, with investments focused on education, financial inclusion, healthcare, and clean energy, among others. Investments are made around the world, primarily in the United States, East Asia, and Sub-Saharan Africa. Since inception, the fund has deployed more than USD 1.7 billion in capital across the globe and has become one of the world's largest investors in education technology, career learning tools, and quality education for underserved students.

In **April 2018, KKR & Co.** launched KKR Global Impact, the firm's impact investing business aligned to the UN Sustainable Development Goals. The business unit made private equity investments in smaller and medium-sized companies in renewable energy and environmental management.

KKR closed its first global impact fund in February 2020, raising USD 1.3 billion. The fund is set to focus on several impact themes, including climate change, water and sanitation, workforce development, and infrastructure, among others.

In **May 2019, LeapFrog Investments** closed its third fund, at that time one of the largest private equity funds raised by an impact-only fund manager. With USD 700 million under management, the fund targets low-income consumers in Asia and Africa and aims to reach 70 million consumers with investee products and services.

Previously, LeapFrog had closed its first fund of USD 135 million in 2009 and its second fund in 2019 at USD 400 million. Over the last decade, LeapFrog has reached 189 million people across its funds' investments and provided 128,000 jobs in 35 emerging markets.

"It is time for a better kind of capitalism. LeapFrog was founded on a philosophy of Profit with Purpose, rejecting conventional trade-off thinking in financial markets. That has proved a winning strategy, driving strong growth and returns while changing tens of millions of lives." – Dr. Andrew Kuper, Founder and CEO of LeapFrog Investments

The asset manager landscape

In the impact investing ecosystem, asset managers bridge sources of capital and on-the-ground investment opportunities. This critical role enables asset owners to deploy capital toward today's social and environmental challenges more efficiently and effectively than they could otherwise. In this year's sample, 37% of respondents invest through asset managers, and 65% of respondents are themselves asset managers. This section explores the perspectives of these respondents.

Investing through asset managers

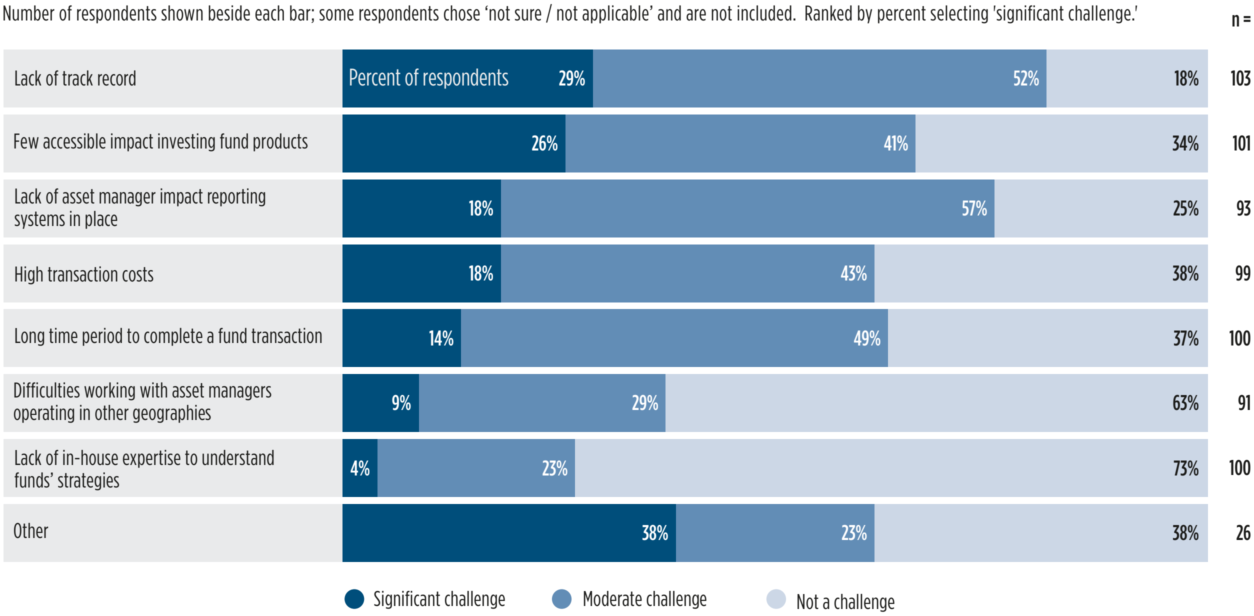
This year, 37% of respondents reported investing through asset managers, including fund or investment managers.[38] Respondents who invest indirectly allocate a median of 58% of their impact investing assets into funds or other investment intermediaries. Twenty-nine percent of those investing through asset managers are foundations, followed by for-profit asset managers (26%) and DFIs (12%). The vast majority are headquartered in developed markets (89% versus 10% in emerging markets). Just over half are DM-Focused Investors (51%) and just under a third are EM-Focused investors (31%). Less than a fifth of respondents that invest through asset managers focus on private equity (18%); 17% focus on private debt.

Greatest challenges when investing through impact investing asset managers

Respondents shared their perspectives on the greatest challenges their organizations face when investing through impact investing asset managers. More than one-quarter (29%) indicated 'lack of track record' as a significant challenge, while 26% of respondents cited 'few accessible impact investing fund products' as a significant challenge (Figure 19). Interestingly, most respondents do not perceive logistical considerations as particularly challenging when investing through asset managers, such as working across geographies or the need for in-house expertise to understand funds' strategies.

Figure 19: Greatest challenges investing through asset managers

Number of respondents shown beside each bar; some respondents chose 'not sure / not applicable' and are not included. Ranked by percent selecting 'significant challenge.'



Note: 'Other' challenges include insufficient in-house capacity to provide impact assessments, lack of independent impact measurement and reporting systems, inconsistencies in reporting methodologies being used, alignment to impact goals and priorities, and the need to provide more hands-on support for asset managers, especially first-time impact fund managers.

Source: GIIN, 2020 Annual Impact Investor Survey

Closing transactions can be particularly challenging when investing in emerging markets and seeking below-market rate returns. One EM-Focused family office noted that the asset managers with which they work "don't have the in-house capacity for impact assessments." A greater proportion of those seeking below-market rate returns perceive high transaction costs to be a significant challenge compared to those focused on market-rate returns (28% versus 12%). A larger share of Below-Market Investors also highlighted the 'long time period to complete a fund transaction' as a significant challenge (21% versus 10% of Market-Rate Investors).

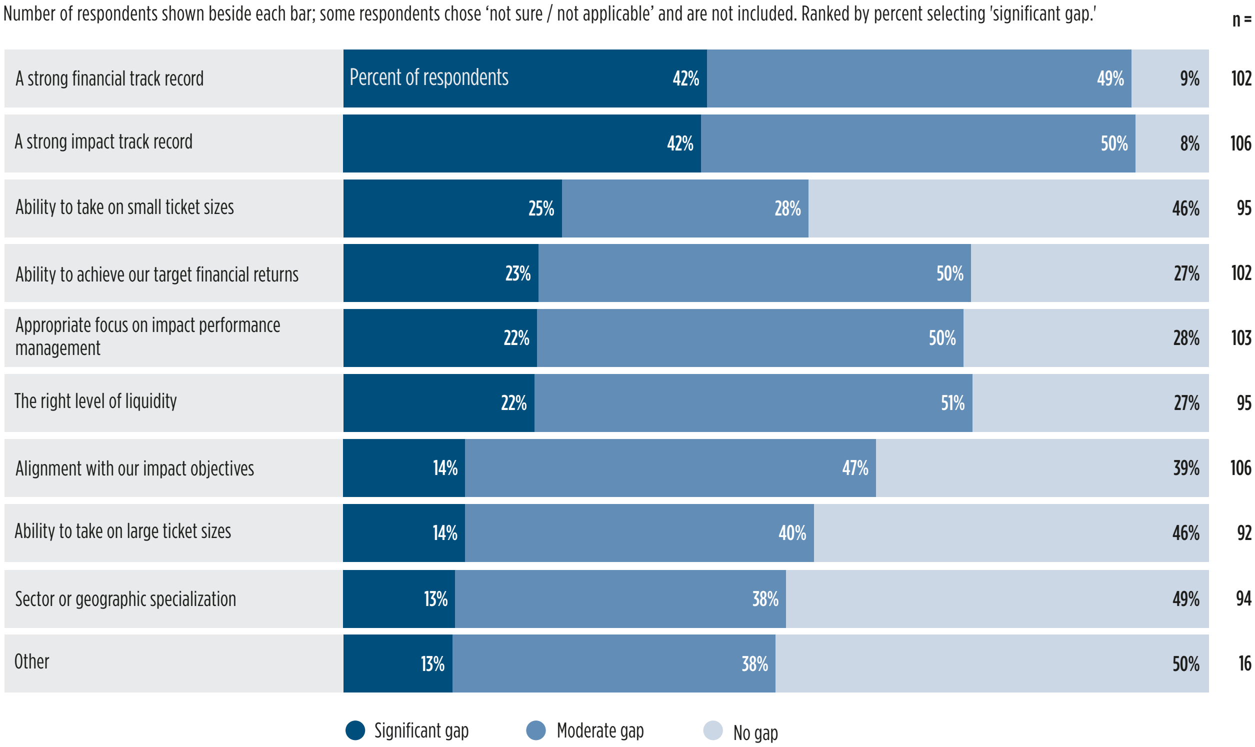
38 Of 109 respondents that typically invest through asset managers, 13 reported they did not, at the end of 2019, have impact investments allocated through asset managers.

Greatest gaps in available fund products

One of the most significant challenges respondents cited was 'few accessible impact investing fund products.' Respondents then offered additional detail on gaps they perceive in the fund marketplace. The top two most significant gaps concerned strong financial and impact track records (42% each; Figure 20). A quarter of respondents cited the inability of funds to take on small ticket sizes as a significant gap. Interestingly, less than a quarter cited financial returns as a significant gap in available fund products.

Figure 20: Greatest gaps in available impact investing fund products

Number of respondents shown beside each bar; some respondents chose 'not sure / not applicable' and are not included. Ranked by percent selecting 'significant gap.'



Note: 'Other' gaps in available fund products include the lack of independent impact measurement standards and the talent pool for first-time fund managers.

Source: GIIN, 2020 Annual Impact Investor Survey

Investors focused on emerging markets and below-market-rate returns identified track record and impact alignment as particularly pronounced gaps. Among EM-Focused Investors, 57% identified strong financial records as a significant gap, compared to just 27% of DM-Focused Investors. And investors seeking below-market rate returns identified impact objective alignment as an especially acute gap, with 28% of Below-Market Investors noting impact objective alignment as a significant gap, compared to just 6% of Market-Rate Investors.

Interestingly, nearly half of respondents perceive no gap in fund products based on ticket size, whether small or large (46% each). However, investors with differing return philosophies identified different mismatches in ticket size as particularly challenging. In particular, Below-Market Investors over Market-Rate Investors cited the inability of funds to take on small ticket sizes as a significant gap (35% compared to 19% of Market-Rate Investors). This suggests that the size of tickets investors seek in impact investing fund products may change with their target return philosophy.

Asset manager activity

This year's report included 189 asset managers, representing 65% of all respondents in the sample and accounting for 31% of total AUM.[39] Of these asset managers, 79% identified as for-profit; the remaining 21% identified as not-for-profit asset managers.

Capital raising

Asset managers collectively raised nearly USD 18 billion in 2019 and plan to raise USD 22 billion in 2020, excluding one outlier (Table 6).[40] The median asset manager raised USD 31 million in 2019 and plans to raise USD 51 million in 2020.

Table 6: Asset managers' capital raised in 2019 and planned raise for 2020

Figures in USD millions.

	All asset managers		Asset managers: for-profit		Asset managers: not-for-profit	
	2019	2020 projected	2019	2020 projected	2019	2020 projected
n	139	154	110	120	29	34
Mean	128	142	139	159	85	80
Median	31	51	35	75	18	15
Sum	17,792	21,869	15,316	19,133	2,476	2,737

Note: Excludes one outlier. Respondents that did not report raising capital in 2019 have been excluded from 2019 capital raise data. Respondents that did not share projections for 2020 have been excluded from planned raise for 2020 data. The decline in mean between capital raised in 2019 and planned to raise for 2020 in not-for-profit asset managers is primarily due to a shift by one organization that raised capital in 2019 and does not plan to raise in 2020.

Source: GIIN, 2020 Annual Impact Investor Survey

The amount of capital raised and projected by asset managers varies by investor subgroup (Table 7). Although Private Equity-focused and Private Debt-focused Investors both raised similar amounts of capital in 2019, the median capital raise for those investing in private debt was significantly higher—USD 44 million—than the USD 28 million median among asset managers investing primarily in private equity. At the same time, Private Equity-focused Investors plan in 2020 to nearly double their capital raised in 2019, while Private Debt-focused Investors plan a smaller increase.

Table 7: Asset managers' capital raised in 2019 and planned raise for 2020, by sub group

Figures in USD millions.

	Headquarters locations				Geographic focus				Asset class focus				Target returns			
	DM-HQ Investors		EM-HQ Investors		EM-focused Investors		DM-focused Investors		Private Equity-focused Investors		Private Debt-focused Investors		Market-Rate Investors		Below-Market Investors	
	2019	2020P	2019	2020P	2019	2020P	2019	2020P	2019	2020P	2019	2020P	2019	2020P	2019	2020P
n	107	112	29	38	67	78	64	65	36	49	39	39	108	118	31	36
Mean	157	170	32	69	63	119	176	149	94	124	89	113	153	174	42	37
Median	39	58	10	50	21	50	50	53	28	65	44	53	41	87	6	12
Sum	16,806	19,004	927	2,614	4,250	9,255	11,245	9,694	3,389	6,072	3,488	4,418	16,490	20,531	1,301	1,338

Note: Excludes one outlier. Respondents that did not report raising capital in 2019 have been excluded from 2019 data. Respondents that did not share projections for 2020 have been excluded from projected 2020 data.

Source: GIIN, 2020 Annual Impact Investor Survey

In total, 80 asset managers reported capital raise projections in last year's survey and reported raising capital in this year's, allowing the Research Team to compare their projected capital raises for 2019 with their actual capital raises in 2019. Almost a third of asset managers surpassed their capital raise plans by more than 5%, and nearly two-thirds fell short of their projections by more than 5%; just 4% raised within 5% of their projections (Figure 21). Respondents that fell short collectively

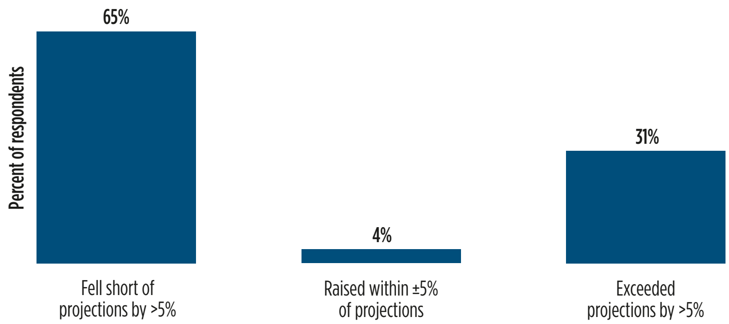
39 Of 189 asset managers in the total sample, three did not provide responses to these questions specifically for asset managers.

40 In total, 140 organizations reported raising capital 2019 (note that not all asset managers raise capital each year), and 155 reported that they plan to raise capital in 2020. One outlier is excluded from the analyses of both capital raised and capital raise projections. Including this outlier, the full sample raised nearly USD 27 billion in 2019 and plans to raise just under USD 32 billion in 2020.

raised USD 6 billion, about half of their planned capital raise. Respondents that exceeded their projections did so sharply, raising well over double their planned capital (USD 2.8 billion capital planned compared to USD 6.9 billion capital raised).

Figure 21: Projected versus actual capital raise in 2019

n = 80; this includes repeat respondents who both projected raising capital last year and raised capital this year.



Source: GIIN, 2020 Annual Impact Investor Survey

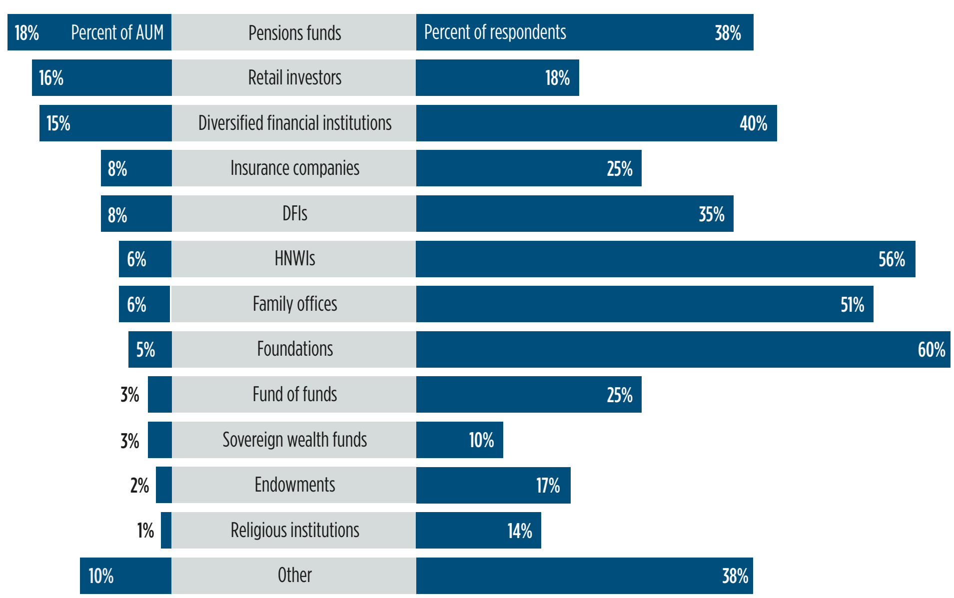
Asset managers' sources of capital

The 186 asset managers that reported on their activity collectively managed USD 125 billion in impact investing assets as of the end of 2019.[41] Most are Small Investors (53%) that tend to invest directly (88%) and target market-rate returns (76%). More than a third invest primarily through private equity, just under a quarter invest primarily through private debt, and a clear majority are headquartered in developed markets (72%).

On average, asset managers in the sample oversee USD 673 million, with the median asset manager overseeing just under USD 89 million. Excluding two outlier respondents, 184 asset managers sourced USD 94 billion from a variety of investor types (Figure 22). Nearly six in ten asset managers manage capital from foundations, with most also receiving capital from high-net-worth individuals (HNWIs; 56%) and family offices (51%). Perhaps unsurprisingly, pensions funds/retirement funds account for 18% of all asset manager AUM, while religious institutions constitute just 1%.

Figure 22: Sources of capital for impact investing asset managers

Left side – Percent of AUM: n = 184; AUM = USD 94 billion. Excludes two outliers.
Right side – Percent of respondents managing capital from each investor type; n = 186



Note: 'Other' sources of capital include government funding, corporations, other institutional investors, labor funds, investment consultancies, universities, and non-profit organizations. Several respondents were unable to provide a break-down that aligns with these sources of capital; these responses have also been captured in 'other.'

Source: GIIN, 2020 Annual Impact Investor Survey

41 These analyses exclude three asset managers that did not complete the questions specific to asset managers.

Sources of capital vary among different subgroups of asset manager (Table 8).[42] Not-for-profit asset managers sourced nearly 40% of their capital from diversified financial institutions, while only 13% of for-profit asset managers' capital came from such institutions. A similar pattern emerges between Market-Rate and Below-Market Investors; Below-Market Investors sourced one-third of their capital from diversified financial institutions, which provided just 13% of the capital Market-Rate Investors manage. HNWIs disbursed 18% of the capital Small and Medium Investors manage but only 4% of that managed by Large Investors.

Table 8: Asset managers' sources of capital by investor type, target returns, asset class focus, and investor size

		Investor type		Target returns		Asset class focus		Investor size		
	All asset managers	Asset managers: for-profit	Asset managers: not-for-profit	Market-Rate Investors	Below-Market Investors	Private Equity-focused Investors	Private Debt-focused Investors	Small Investors	Medium Investors	Large Investors
Pensions funds	18%	20%	4%	20%	3%	20%	7%	7%	12%	20%
Retail investors	16%	17%	2%	16%	6%	1%	13%	2%	3%	18%
Diversified Financial Institutions	15%	13%	38%	13%	33%	13%	29%	9%	13%	15%
Insurance companies	8%	8%	2%	8%	4%	5%	3%	2%	4%	9%
DFIs	8%	8%	6%	7%	22%	19%	18%	20%	18%	6%
HNWIs	6%	6%	7%	6%	5%	11%	2%	18%	18%	4%
Family offices	6%	6%	1%	6%	1%	8%	3%	15%	6%	5%
Foundations	5%	4%	9%	5%	7%	5%	5%	15%	8%	4%
Fund of funds	3%	3%	1%	3%	2%	6%	1%	2%	5%	3%
Sovereign wealth funds	3%	3%	1%	3%	0%	3%	3%	1%	1%	3%
Endowments	2%	1%	6%	2%	1%	4%	1%	2%	3%	1%
Religious institutions	1%	1%	1%	1%	0%	0%	0%	2%	1%	1%
Other	10%	9%	24%	10%	16%	4%	15%	6%	8%	11%
n	184	147	37	139	45	63	43	99	39	46
AUM (USD millions)	94,300	86,684	7,616	87,248	7,052	16,882	19,967	3,041	10,359	80,899

Note: Capital sources are weighted by asset manager AUM. Excludes two outliers. 'Other' sources of capital include government funding, corporations, other institutional investors, labor funds, investment consultancies, universities, non-profit organizations, and General Partners. Several respondents were unable to provide a break-down that aligns with these sources of capital; these responses have also been captured in 'other.'

Source: GIIN, 2020 Annual Impact Investor Survey

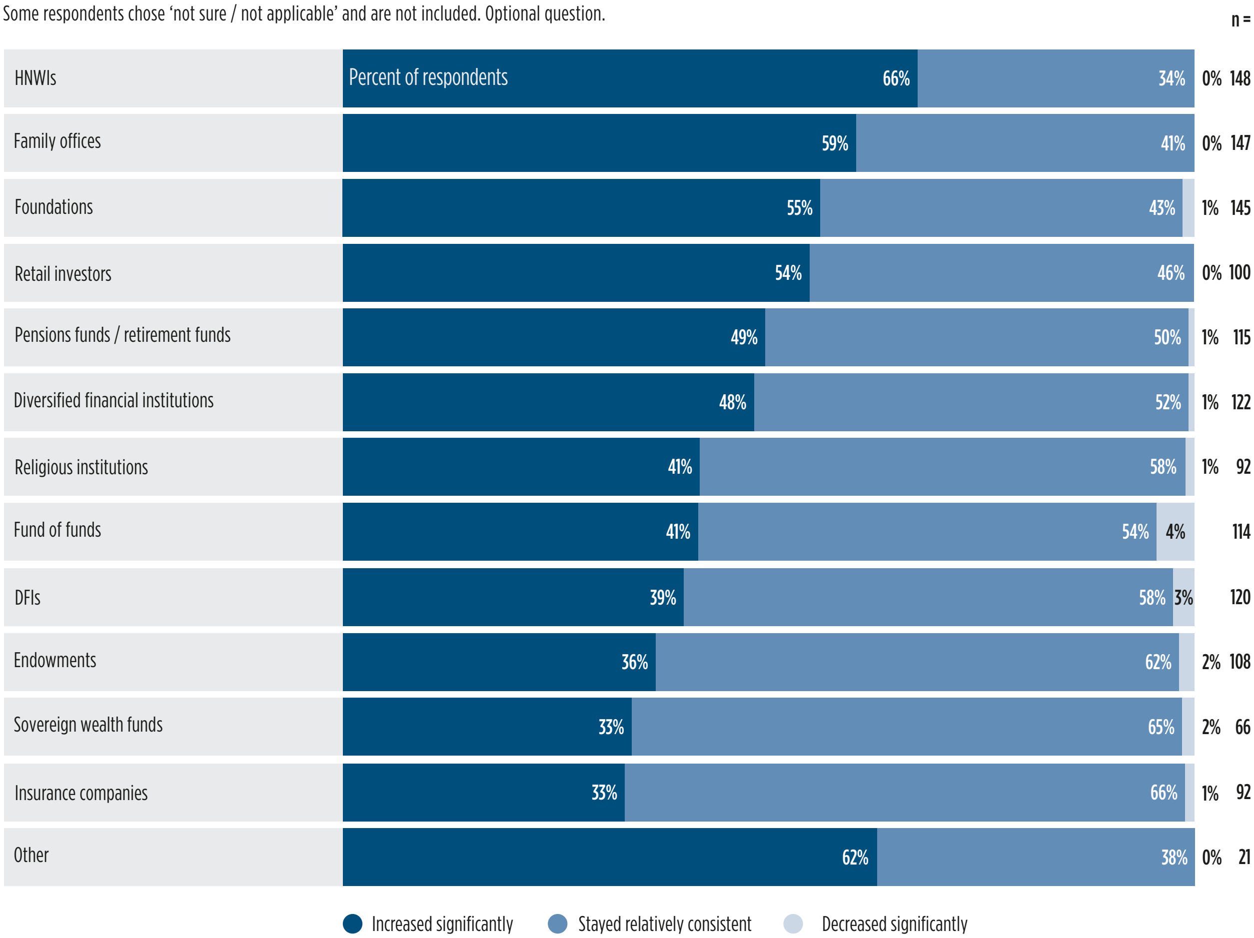
Evolution in investor types over the past five years

Asset managers shared their views on how investors have changed their level of investment in impact investing funds over the past five years. As the industry has grown, two-thirds of asset managers note significantly increased investment into impact funds by HNWIs (Figure 23), and 59% and 55% note significantly increased investment by family offices and foundations, respectively. One-third perceive a significant increase in investment by insurance companies into impact investing funds. While this evolution reflects respondents' perceptions, the survey's repeat respondents did indeed experience increased investment that mirrors these perceptions, with the largest increase in capital from foundations, family offices, and HNWIs, as described on page 28.

42 These differences were not tested for statistical significance.

Figure 23: Change in investment level over the past five years

Some respondents chose 'not sure / not applicable' and are not included. Optional question.



Note: Respondents active in impact investing for fewer than five years commented on changes in the level of investment since their organization's inception. 'Other' includes government funds, charities, and corporations.

Source: GIIN, 2020 Annual Impact Investor Survey

By subgroup, a greater share of DM-HQ Investors perceived a significant increase in investment by diversified financial institutions (53%), compared to just 29% of EM-HQ Investors. Also, 35% of DM-HQ Investors reported a significant increase by insurance companies, compared to just 12% of EM-HQ Investors.

TRENDS ANALYSIS

To understand the changing asset manager landscape over time, the Research Team analyzed the 39 asset managers that responded to the survey both this year and in 2016. AUM for this sub-sample of repeat respondents grew by a CAGR of 13% over the period (Table 9).[43]

Asset managers increased their sourcing of capital from every type of investor, aligning with respondents' perceptions of growing levels of investment from many types of investors, as illustrated on page 26. In fact, the largest increase in capital by source was from foundations, growing at a rate of 25% CAGR.

Table 9: Changes in asset managers' sources of capital, among repeat respondents

n = 38; figures in USD millions.

Source of capital	2015	2019	CAGR
Foundations	670	1,642	25%
Family offices/HNWIs	1,964	3,943	19%
Diversified financial institutions	3,886	7,037	16%
Retail investors	4,012	5,534	8%
Pension funds or insurance companies	5,285	6,891	7%
Development finance institutions	2,851	3,670	7%
Fund of funds	1,186	1,490	6%
Endowments	176	195	3%
Other	636	3,169	49%
Total	20,667	33,570	13%

Note: One outlier has been excluded that drove significant changes in 'endowment' and 'other.' Both have been included in 'other' for this analysis. While the 2020 survey specified the inclusion of both 'banks and credit unions' as part of diversified financial institutions, the 2016 survey only specified the inclusion of 'banks.' Several respondents were unable to provide a break-down that aligns with these sources of capital; these responses have also been captured in 'other.'

Source: GIIN, 2020 Annual Impact Investor Survey

43 Excluding one large outlier.

Asset allocations

Assets under management

The respondent sample reported USD 404 billion in impact investing assets under management (AUM) as of the end of 2019.[44] On average, respondents managed USD 1.4 billion and USD 89 million at the median (Figure 24). Average and median AUM differ significantly because several respondents manage especially large amounts of impact investing capital. In fact, the three largest respondents accounted for 45% of this full sample's AUM. To depict a more representative picture of the sample's allocations, analyses in this section are presented primarily excluding these three outlier respondents.

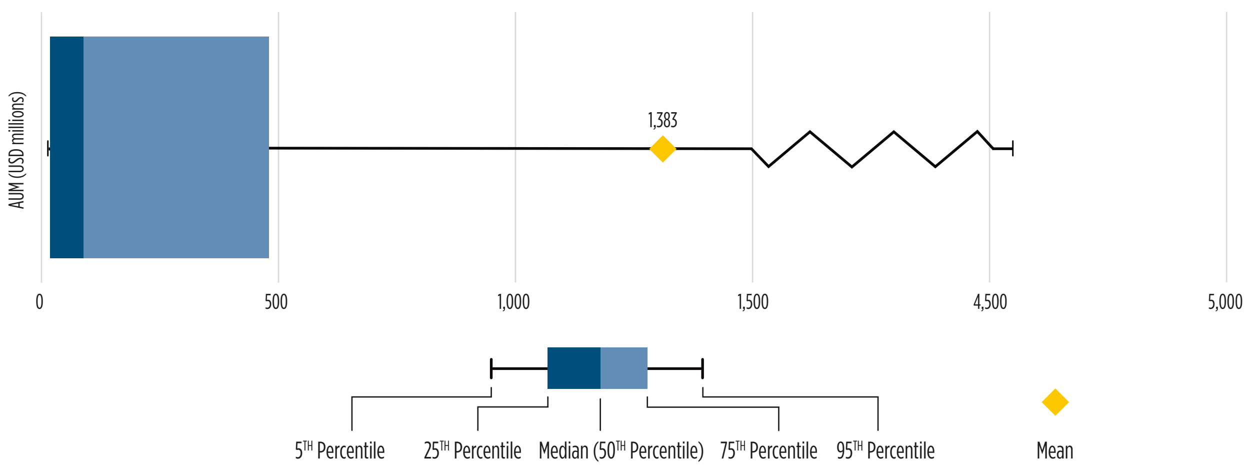
NOTE TO READERS

This figure is not an estimate of the size of the full impact investing market. Rather, it represents the assets of this sample of investors.

For a description of the full market size, see page 40.

Figure 24: Distribution of respondent AUM (USD millions)

n = 292; total AUM = USD 404 billion. Showing 5th through 95th percentiles.



Note: Excludes two respondents that did not share AUM figures.

Source: GIIN, 2020 Annual Impact Investor Survey

TRENDS ANALYSIS

The Research Team analyzed changes in AUM among the sample of repeat respondents that participated both this year and in the 2016 Annual Impact Investor Survey (which reported their AUM as of the end of 2015). Between 2015 and 2019, 79 organizations increased their aggregate AUM from USD 52 billion to USD 98 billion, a compound annual growth rate (CAGR) of 17%. This growth was significantly driven by two large respondents; without them, respondents grew their impact investing AUM at a CAGR of 9%.

The sample AUM includes both capital invested directly into companies or other projects and capital invested indirectly via asset managers or other intermediaries. Seventy-six percent of the total sample AUM is invested directly; the remaining 24% is invested indirectly (Figure 25). Because AUM includes both direct and indirect investments, some of the total sample AUM may be double-counted; in other words, some of the capital respondents invest indirectly could be managed by asset managers that also responded to this survey. For an estimate of the full impact investing market size, excluding potentially double-counted assets, refer to page 40.

44 This excludes two organizations from the full sample of 294 that did not provide AUM figures.

Figure 25: Percent of sample AUM invested directly and indirectly

n = 292; AUM = USD 404 billion.

Source: GIIN, 2020 Annual Impact Investor Survey

Direct and indirect investing varies somewhat by organization type. Perhaps unsurprisingly, asset managers in the sample have the greatest proportion of their impact investing assets invested directly (89%), followed by DFIs (76%). On the other end of the spectrum, diversified financial institutions (including banks) have 81% of their impact investing assets invested indirectly, and foundations have 74% of their impact investing assets invested indirectly.

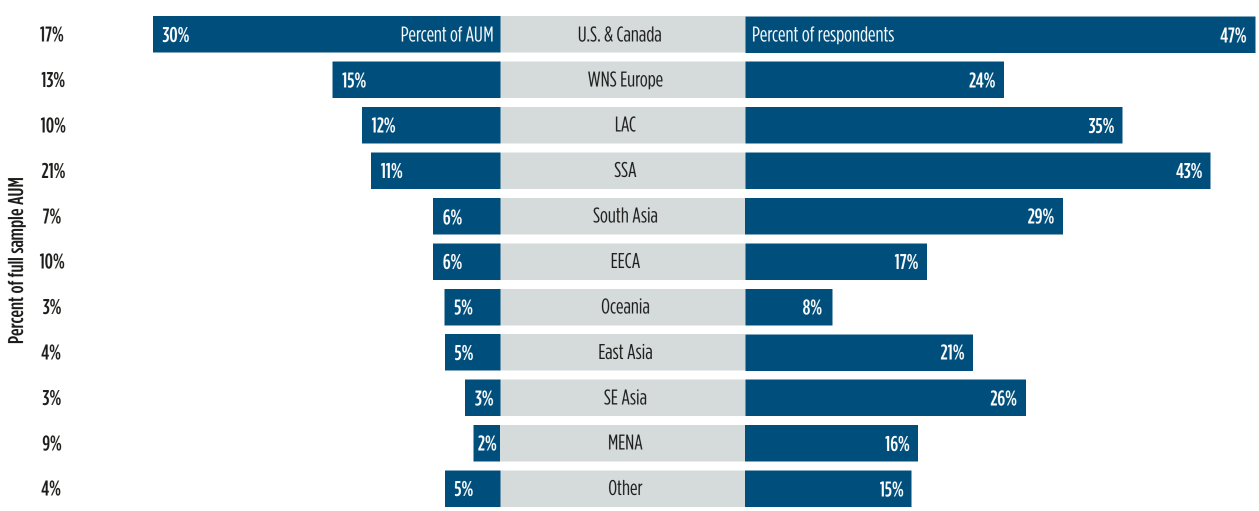
AUM by geography of investment

Impact investors allocate capital around the globe. Excluding outlier respondents, 55% of AUM are allocated to developed markets, and 40% are allocated to emerging markets.[45] Again excluding outliers, respondents have the most capital allocated to the U.S. & Canada (30% of sample AUM), followed by WNS Europe (15%; Figure 26). Including outlier respondents, however, the majority of capital is allocated to emerging markets (59%), with the top region of investment being SSA (21%). Excluding outliers, LAC and SSA are also top regions of investment (12% and 11% of sample AUM, respectively).

Examining the number of respondents with some allocation to each geography, the U.S. & Canada and SSA are the most common regions of investment, with 47% of respondents having at least some allocation to the U.S. & Canada and 43% having some allocation to SSA. Additionally, more than a third of respondents have some allocation to LAC, and over a quarter allocate to South Asia or SE Asia.

Figure 26: Asset allocations by geography of investment

Left side—Percent of AUM excluding outliers; n = 289; AUM = USD 221 billion.
Right side – Percent of respondents with any allocation to each geography; n = 294; respondents may allocate to multiple geographies.



Note: 'Other' includes investments allocated globally.

Source: GIIN, 2020 Annual Impact Investor Survey

45 The remaining assets were allocated globally.

While these differences were not tested for statistical significance, geographic allocations differ somewhat between respondent subgroups (Table 10).[46] Excluding outlier respondents, Private Equity–Focused Investors allocate a greater share of capital to the U.S. & Canada and to SSA compared with Private Debt–Focused Investors (30% versus 20% of AUM, and 29% versus 13% of AUM, respectively). On the other hand, Private Debt–Focused Investors allocate a greater share of AUM to LAC (18%, compared with 7% of Private Equity–Focused Investors' AUM). Below-Market Investors also allocate a greater share of their AUM to the U.S. & Canada than do Market-Rate Investors (42% versus 30%), while Market-Rate Investors allocate a greater share to LAC (12% versus 6%).

Table 10: Geographic allocations by respondent sub-group

		Asset class focus		Target returns	
	Overall	Private Equity-focused Investors	Private Debt-focused Investors	Market-Rate Investors	Below-Market Investors
U.S. & Canada	30%	30%	20%	30%	42%
WNS Europe	15%	1%	2%	15%	11%
LAC	12%	7%	18%	12%	6%
SSA	11%	29%	13%	11%	16%
South Asia	6%	11%	10%	6%	6%
EECA	6%	2%	19%	6%	3%
Oceania	5%	0%	1%	6%	0%
East Asia	5%	9%	5%	5%	3%
SE Asia	3%	7%	6%	3%	4%
MENA	2%	2%	4%	2%	7%
Other	5%	3%	1%	5%	3%
n	289	83	64	193	96
Total AUM (USD millions)	220,914	19,183	24,042	206,520	14,394

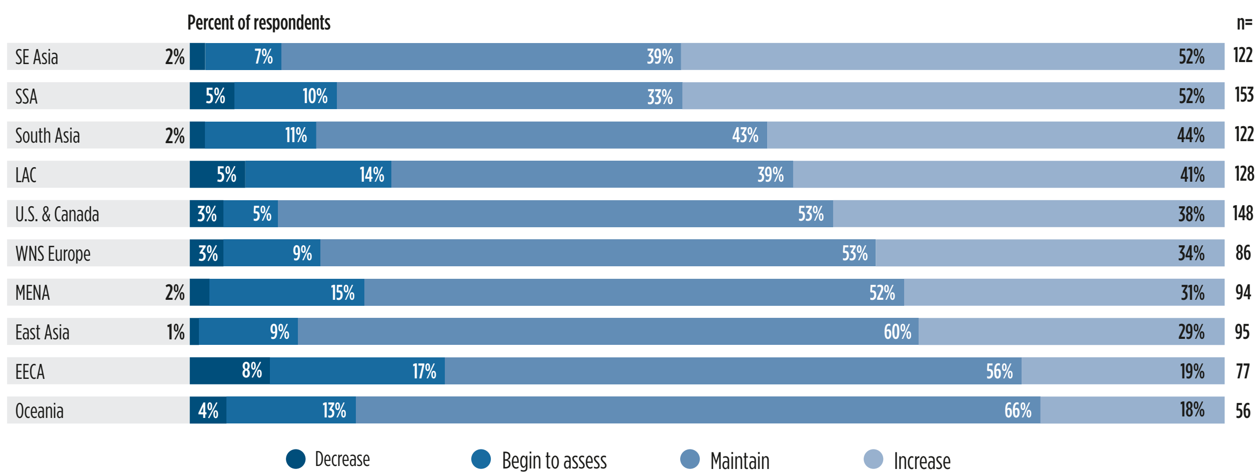
Note: Excludes three outliers. 'Other' includes global investments.

Source: GIIN, 2020 Annual Impact Investor Survey

Respondents indicated plans to increase their allocations to many emerging markets over the next five years. Over half of respondents plan to increase their allocations to SE Asia and SSA (52%, Figure 27), 44% plan to increase their allocations to South Asia, and 41% plan to increase their allocations to LAC, reflecting a growing interest in multiple emerging markets.[47]

Figure 27: Planned geographic allocations changes for the next five years

Number of respondents shown beside each bar. Some respondents chose 'not sure' and are not included. Optional question.



Source: GIIN, 2020 Annual Impact Investor Survey

46 Dollar-weighted allocations were not tested for statistical significance, because statistical tests on dollar-weighted figures between subgroups could yield meaningless answers.

47 Most respondents reported their plans in early 2020, before the COVID-19 pandemic. To consider how the COVID-19 pandemic might impact respondents' planned allocations, the Research Team administered a short survey in April 2020 in which respondents indicated whether they expected their allocations over the next five years to change materially because of the COVID-19 pandemic. Overall, respondents did not expect material changes to their planned geographic allocations, as described in further detail on page 65.

TRENDS ANALYSIS

Among the sample of repeat respondents, the fastest-growing regions of investment were WNS Europe and East and SE Asia (which were combined in the 2016 survey), which grew at 25% and 23% CAGR, respectively.[48] Growing interest in SE Asia is also reflected in the full sample's plans for the next five years, with more than half of respondents planning to grow their allocations to SE Asia.

Table 11: Changes in geographic allocations among repeat respondents (2015 – 2019)

n = 79; figures in USD millions.

Region	2015	2019	CAGR
WNS Europe	6,365	15,318	25%
East and SE Asia	4,080	9,385	23%
LAC	6,216	13,167	21%
U.S. & Canada	10,036	20,625	20%
MENA	1,447	2,881	19%
Oceania	1,915	3,419	16%
South Asia	4,535	7,822	15%
EECA	5,997	9,264	11%
SSA	9,602	12,808	7%
Other	1,625	2,793	15%
Total	51,817	97,483	17%

Note: East and SE Asia were combined in the 2016 Survey but disaggregated in the 2020 survey, so have been combined for this analysis.

Source: GIIN, 2020 Annual Impact Investor Survey

AUM by sector of investment

Respondents allocate impact investing capital across a range of sectors, reflecting the overall diversity of the market and a commitment to providing basic services through impact investments. Excluding outlier respondents, the largest sector is energy, comprising 16% of sample AUM, followed by financial services (excluding microfinance), with 12% of AUM (Figure 28). Including outliers, financial services (excluding microfinance) is the largest sector, with 20% of sample AUM, followed by energy (17%).[49]

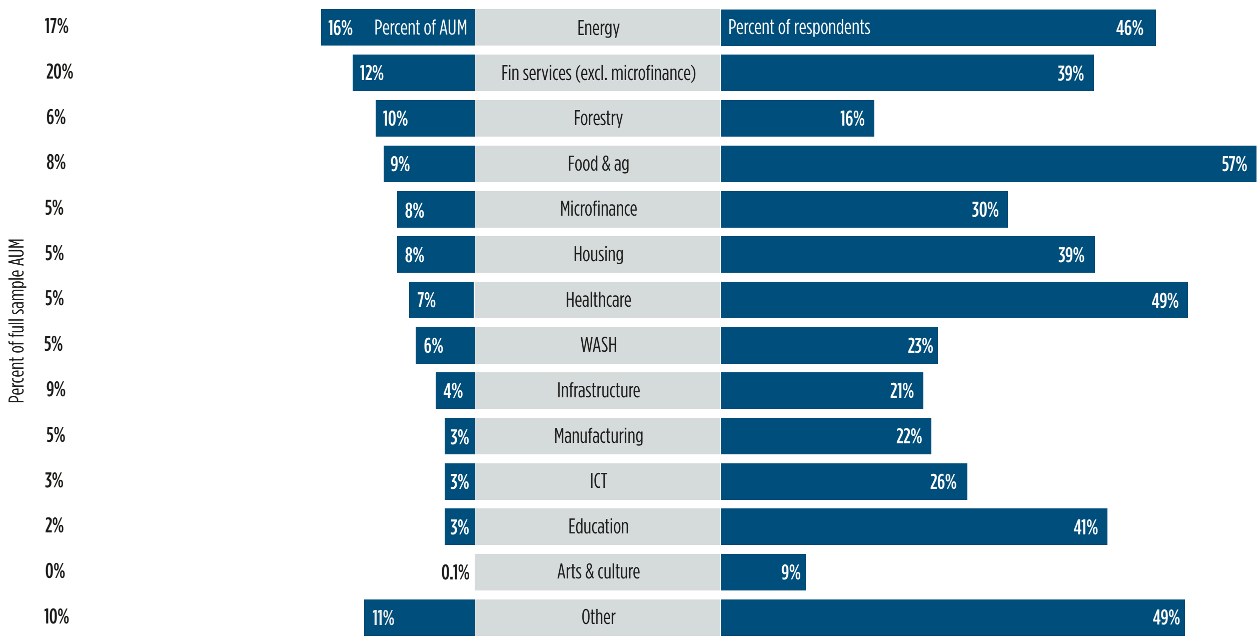
Food & agriculture, which accounts for 9% of sample AUM (excluding outliers), is the most popular sector, with 57% of respondents having some allocation. Respondents also continue to indicate growing interest in the food & agriculture sector; it is the top sector to which respondents plan to increase their allocation over the next five years. Healthcare is another popular sector, with almost half of respondents having some allocation to healthcare. Healthcare was also the third-fastest-growing sector among repeat respondents.

48 The increase to East and SE Asia was shown to be statistically significant, while the increase to WNS Europe was not.

49 Allocations to some sectors may be greater in reality than as reflected in these analyses. For example, some investors are active in arts & culture through their investments in other sectors like housing or education. These investments may be classified here as housing or education investments, though they also have an impact on arts & culture.

Figure 28: Asset allocations by sector

Left side—Percent of AUM excluding outliers; n = 289; AUM = USD 221 billion.
Right side – Percent of respondents with any allocation to each sector; n = 294; respondents may allocate to multiple sectors.



Note: 'Other' includes investments that did not align to these sector categories such as real estate, tourism, community development, retail, and sector agnostic investments.

Source: GIIN, 2020 Annual Impact Investor Survey

Sector allocations differ by respondent subgroup (Table 12).[50] EM-Focused Investors allocate a greater share of their capital to energy than do DM-Focused Investors (23% of AUM versus 12%), as well as to financial services (excl. microfinance) (29% versus 3%) and microfinance (12% versus 2%). These differences may reflect particular demand for access to basic services (that is, energy and finance) in emerging markets. Private Debt–Focused Investors allocate a greater share of their AUM to microfinance than do Private Equity–Focused Investors (32% versus 6%), while Private Equity–Focused Investors allocate a greater share to healthcare (10% versus 2% of Private Debt–Focused Investors' AUM). Market-Rate Investors, compared to Below-Market Investors, allocate a greater share of their AUM to energy (16% versus 5%) and forestry & timber (11% versus 1%). On the other hand, Below-Market Investors allocate a greater share of their AUM to housing and healthcare than do Market-Rate Investors (18% versus 7% and 19% versus 6%, respectively).

Table 12: Sector allocations by respondent sub-group

		Geographic focus		Asset class focus		Target returns	
	Overall	DM-focused Investors	EM-focused Investors	Private Equity-focused Investors	Private Debt-focused Investors	Market-Rate Investors	Below-Market Investors
Energy	16%	12%	23%	12%	14%	16%	5%
Fin services (excl. microfinance)	12%	3%	29%	24%	17%	12%	11%
Forestry	10%	17%	1%	2%	1%	11%	1%
Food & ag	9%	10%	10%	12%	9%	9%	8%
Microfinance	8%	2%	12%	6%	32%	8%	9%
Housing	8%	11%	3%	1%	10%	7%	18%
Healthcare	7%	9%	4%	10%	2%	6%	19%
WASH	6%	10%	1%	0%	0%	6%	1%
Infrastructure	4%	4%	4%	2%	1%	4%	1%
Manufacturing	3%	3%	3%	3%	1%	3%	6%
ICT	3%	3%	3%	8%	1%	3%	2%
Education	3%	4%	1%	12%	4%	2%	8%
Arts & culture	0%	0%	0%	0%	0%	0%	0%
Other	11%	12%	6%	9%	7%	11%	12%
n	289	139	124	83	64	193	96
Total AUM (USD millions)	220,914	123,131	80,168	19,183	24,042	206,520	14,394

Note: Excludes three outliers. 'Other' includes investments that did not align to these sector categories such as real estate, tourism, community development, retail, and sector agnostic investments.

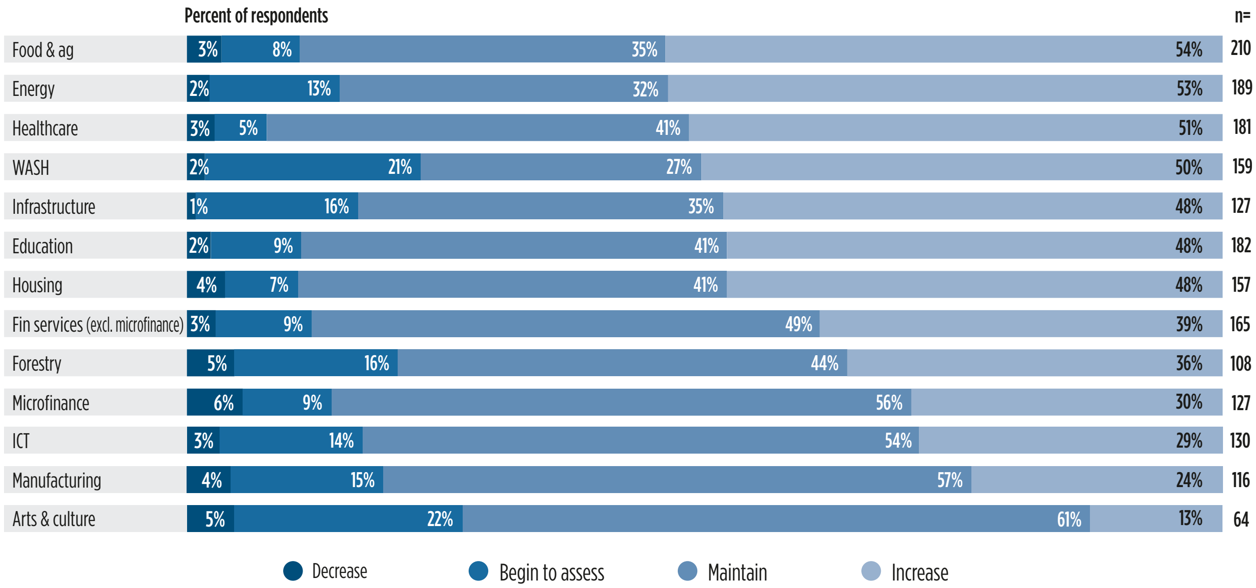
Source: GIIN, 2020 Annual Impact Investor Survey

50 Dollar-weighted allocations were not tested for statistical significance, because statistical tests on dollar-weighted figures between subgroups could yield meaningless answers.

Respondents indicated how they plan to change their sector allocations over the next five years. Of those respondents who indicated plans for food & agriculture, energy, or healthcare investments (n = 181–210), more than half plan to increase their allocations to these sectors over the next five years. This seems to demonstrate their continued commitment to providing access to basic services through impact investments (Figure 29). WASH is another top sector for planned increases in allocation; it was also the fastest-growing sector among four-year repeat respondents (as described on page 35). Almost half of respondents that indicated plans for infrastructure, education, or housing investments planned to increase their allocations to those sectors. Of those respondents sharing their plans for WASH and arts & culture, more than a fifth plan to begin assessing those sectors over the next five years.

Figure 29: Planned sector allocations changes for the next five years

Number of respondents shown besides each bar. Some respondents chose 'not applicable' and are not included; optional question.



Source: GIIN, 2020 Annual Impact Investor Survey

Repeat respondents have grown their allocations to most sectors since 2015. WASH was the fastest-growing sector, with allocations growing at 33% CAGR from 2015 to 2019 (Table 13).[51] Next, financial services (excluding microfinance) grew at 30% CAGR; financial services is also the second-largest sector in terms of the full sample's asset allocations as of the end of 2019.

Table 13: Changes in sector allocations among repeat respondents (2015 – 2019)

n = 79; figures in USD millions.

Sector	2015	2019	CAGR
WASH	3,083	9,735	33%
Fin services (excl. microfinance)	5,667	16,432	30%
Healthcare	2,405	5,590	23%
Food & ag	3,746	8,284	22%
Energy	9,007	19,077	21%
ICT	1,198	2,058	14%
Infrastructure	1,144	1,818	12%
Housing	4,238	6,322	11%
Microfinance	9,525	13,439	9%
Manufacturing	1,667	1,356	-5%
Education	1,695	1,257	-7%
Arts & culture	142	52	-22%
Other	8,298	12,063	10%
Total	51,817	97,483	17%

Note: The 2016 Survey included a category for 'conservation,' which was not included in the 2020 survey, and the 2020 survey included a category for 'forestry & timber,' which was not available in the 2016 Survey. Both categories have been combined with 'other' for this analysis.

Source: GIIN, 2020 Annual Impact Investor Survey

AUM by asset class

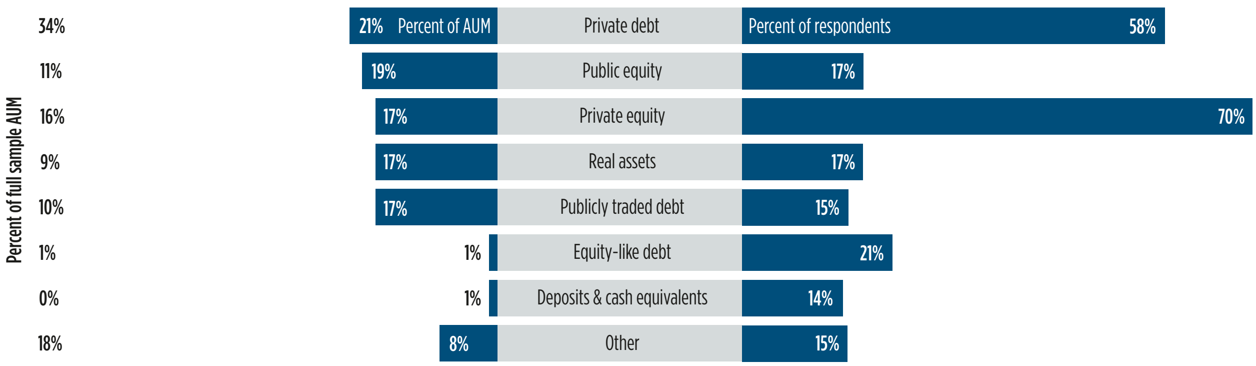
Respondents allocate impact investing capital across asset classes, another reflection of the diversity of the impact investing landscape. Private debt, public equity, and private equity have attracted the most capital. Excluding outlier respondents, private debt accounts for 21% of respondent AUM, while public equity accounts for 19% (Figure 39). Including outlier respondents, private debt comprises 34% of the full sample AUM, while public equity accounts for 11%.

Private equity is the most common asset class, with 70% of respondents having at least some allocation, while 58% of respondents are active in private debt. By contrast, a much smaller proportion of respondents (17%) have some allocation to public equity, even though it is the second-largest by AUM, excluding outliers. This reflects the larger average deal sizes in public equity compared to private debt and private equity (see page 16 for average deal sizes across asset classes).

51 This increase was not shown to be statistically significant.

Figure 30: Asset allocations by asset class

Left side—Percent of AUM excluding outliers; n = 289; AUM = USD 221 billion.
Right side – Percent of respondents with any allocation to each asset class; n = 294; respondents may allocate to multiple asset classes.



Note: 'Other' includes guarantees, mezzanine financing, and social outcomes contracts.
Source: GIIN, 2020 Annual Impact Investor Survey

Asset class allocations differed among respondent subgroups in several ways. A greater share of capital managed by EM-Focused Investors (compared to that managed by DM-Focused Investors) is allocated to private debt (36% versus 9%) and private equity (25% versus 13%; Table 14). By contrast, DM-Focused Investors allocate a greater proportion of their assets to public equity (27% versus 3%) and real assets; while DM-Focused Investors have 30% of their capital in real assets, EM-Focused Investors allocate none of their capital to this asset class. Below-Market Investors allocated a greater share of their assets to private equity (27% compared to 16% for Market-Rate Investors) and private debt (45% compared to 19%). On the other hand, Market-Rate Investors allocate a greater share to public markets, including 20% to public equity (compared to 4% of Below-Market Investor AUM) and 18% to publicly traded debt; Below-Market Investors have no allocation to publicly traded debt.

Table 14: Asset class allocations by respondent sub-group

		Geographic focus		Target returns	
	Overall	DM-focused Investors	EM-focused Investors	Market-Rate Investors	Below-Market Investors
Private debt	21%	9%	36%	19%	45%
Public equity	19%	27%	3%	20%	4%
Private equity	17%	13%	25%	16%	27%
Real assets	17%	30%	0%	18%	8%
Publicly traded debt	17%	15%	22%	18%	0%
Equity-like debt	1%	0%	2%	1%	5%
Deposits & cash equivalents	1%	1%	0%	1%	2%
Other	8%	5%	12%	8%	9%
n	289	139	124	193	96
Total AUM (USD millions)	220,914	123,131	80,168	206,520	14,394

Note: Excludes three outliers. 'Other' includes guarantees, mezzanine financing, and social outcomes contracts.
Source: GIIN, 2020 Annual Impact Investor Survey

Among repeat respondents, the highest growth since 2015 occurred in public equity, which grew at 33% CAGR (Table 15), followed by real assets (21%).[52]

Table 15: Changes in asset class allocations among repeat respondents (2015 – 2019)

n = 78. Figures in USD millions.

Asset class	2015	2019	CAGR
Public equity	6,420	19,968	33%
Real assets	4,532	9,762	21%
Publicly traded debt	2,513	4,476	16%
Private debt	18,851	27,600	10%
Private equity	9,938	13,831	9%
Deposits & cash equivalents	1,204	1,148	-1%
Equity-like debt	4,355	1,294	-26%
Other	137	1,884	93%
Total	47,948	79,963	14%

Note: Excludes one large outlier that significantly grew allocations to publicly traded debt (including this respondent, allocations to publicly traded debt increased by 72% CAGR). The 2016 Survey included a category for 'pay-for-performance instruments,' which have been included in 'other' for this analysis.

Source: GIIN, 2020 Annual Impact Investor Survey

Impact investing in listed equities

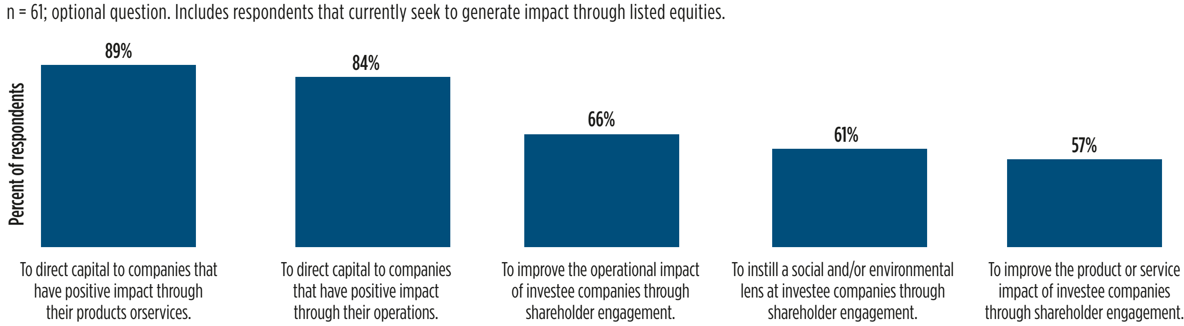
This year's survey included several questions on impact investing in listed (or public) equities. Twenty-one percent of respondents seek to generate impact through listed equity investments. Fifteen percent do not currently do so but plan to in the future, and 64% of respondents do not and do not plan to do so in the future.

A greater proportion of Market-Rate Investors seek to generate impact through investments in listed equities (26%, compared to 11% of Below-Market Investors). DM-Focused Investors are also more likely to invest in listed equities (28% compared to 11% of EM-Focused Investors), as are Large Investors (32% compared to 17% of Small Investors). These differences may reflect the higher average transaction sizes for impact investments in listed equities (see page 16).

Of those respondents seeking to generate impact through investments in listed equities, the most common approaches for doing so are through directing capital to companies that have positive impact through their products or services (89% of respondents) or through their operations (84%; Figure 31). Other strategies included engaging as a shareholder to generate impact by improving investee companies' operational impact (66%), instilling 'a social and/or environmental lens' (61%), or 'improving the product or service impact of investee companies' (57%).

Figure 31: Strategies for generating impact through listed equities investments

n = 61; optional question. Includes respondents that currently seek to generate impact through listed equities.

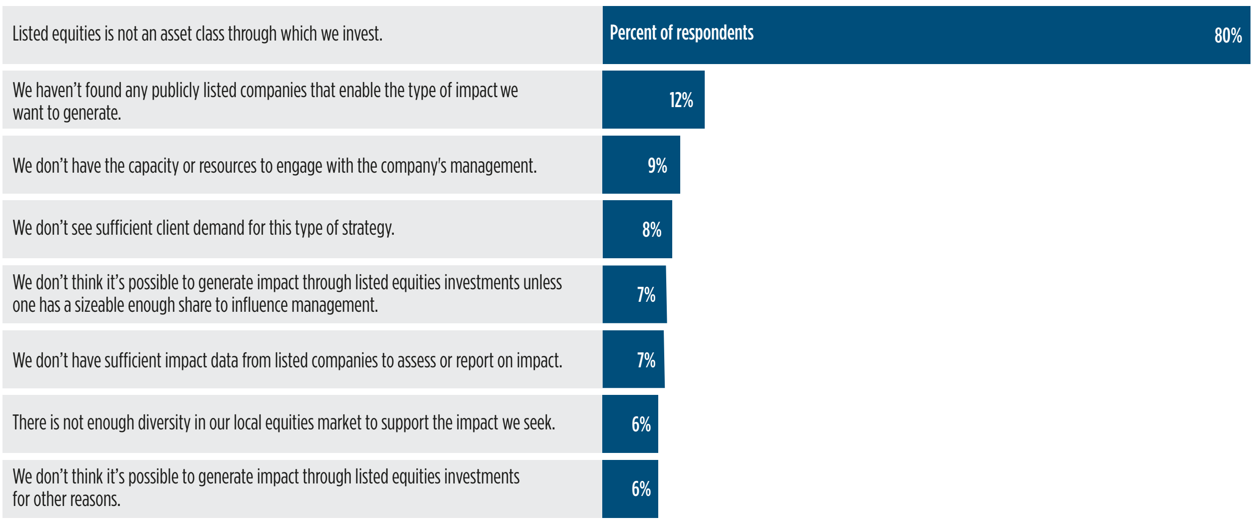


Source: GIIN, 2020 Annual Impact Investor Survey

52 The increase to public equity was shown to be statistically significant, while the increase to real assets was not.

Respondents that do not seek to generate impact through investments in listed equities shared why they do not or would not do so. The vast majority (80%) noted that listed equities are simply not an asset class through which they invest (Figure 32). Others indicated reasons related to generating impact via listed equities investments.; 12% have not found that publicly listed companies enable the type of impact they seek. A somewhat smaller share (7%) do not 'think it's possible to generate impact through listed equities investments unless one has a sizeable enough share to influence management,' lack 'the capacity or resources to engage with the company's management' (9%), or both, while 7% 'do not have sufficient impact data from listed companies to assess or report on impact.' Eight percent 'do not see sufficient client demand for this type of strategy' to pursue it.

Figure 32: Reasons respondents do not seek to generate impact through listed equities investments
n = 205; optional question.



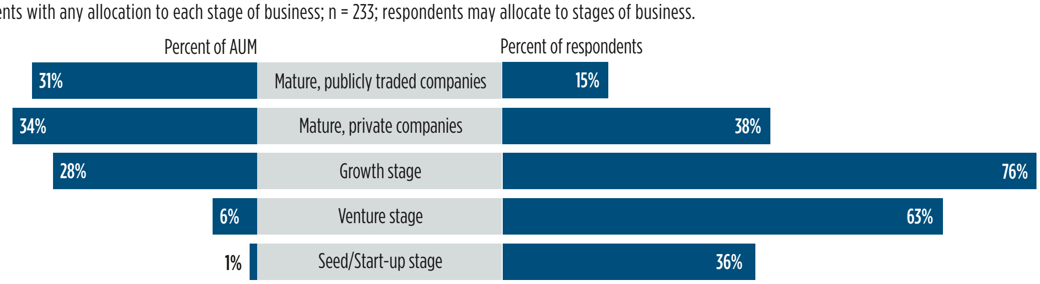
Source: GIIN, 2020 Annual Impact Investor Survey

AUM by stage of business

Although not all respondents invest in companies (some invest in real assets, for example), those that do indicated how they allocate capital by stage of business. Excluding outliers, respondents allocate the greatest share of capital to mature companies (31% to mature, publicly traded companies, and 34% to mature, private companies; Figure 33). Growth-stage companies account for over a quarter of respondent's AUM (28%); growth-stage businesses also represent the most common stage at which respondents invest (76% with some allocation).

Although just 6% of sample AUM is allocated to venture-stage companies, respondents are active in venture-stage investing; 63% have some allocation to venture-stage companies. This reflects the fact that venture-stage businesses often require smaller amounts of capital. Similarly, more than one third of respondents have some allocation to seed- or startup-stage companies, even though this accounts for just 1% of their overall AUM.

Figure 33: Asset allocations by stage of business
Left side—Percent of AUM excluding outliers; n = 232; AUM = USD 105 billion. Optional question.
Right side – Percent of respondents with any allocation to each stage of business; n = 233; respondents may allocate to stages of business.



Note: Excludes allocations that respondents were not able to classify to one of these stages of business.
Source: GIIN, 2020 Annual Impact Investor Survey

Below-Market Investors allocate more capital to early- and mid-stage businesses, with 20% of their AUM allocated to venture-stage businesses (compared with 5% of Market-Rate Investors' AUM) and 47% of capital allocated to growth-stage businesses (compared with 27% of Market-Rate Investors' AUM; Table 16). Market-Rate Investors allocate a greater share of their capital to mature, publicly traded companies (32% versus 10% of Below-Market Investors' capital). EM-Focused Investors also allocate a greater share of capital to growth-stage businesses (55%, compared to only 17% of DM-Focused Investors' capital). By contrast, DM-Focused Investors allocate 42% of their capital to mature, publicly traded companies, while EM-Focused Investors allocate just 8% of their capital to this stage of business.

Table 16: Allocations by stage of business, among respondent sub-groups

		Geographic focus		Target returns	
	Overall	DM-focused Investors	EM-focused Investors	Market-Rate Investors	Below-Market Investors
Mature, publicly traded companies	31%	42%	8%	32%	10%
Mature, private companies	34%	37%	26%	35%	21%
Growth stage	28%	17%	55%	27%	47%
Venture stage	6%	4%	9%	5%	20%
Seed/Start-up stage	1%	0%	2%	1%	4%
n	232	139	124	193	96
Total AUM (USD millions)	105,110	72,002	26,046	99,406	5,704

Note: Excludes outliers and allocations that respondents were not able to classify to one of these stages of business.
Source: GIIN, 2020 Annual Impact Investor Survey

TRENDS ANALYSIS

Among repeat respondents, the greatest growth since 2015 occurred in allocations to mature, publicly traded companies (37% CAGR; Table 17). Repeat respondents also grew their allocations to venture stage companies at 22% CAGR. Interestingly, the sample of repeat respondents decreased their allocations to seed- and startup-stage businesses by 14% CAGR over the period.

Table 17: Changes in allocations by stage of business, among repeat respondents (2015 – 2019)

n = 53; optional question. Figures in USD millions.

Stage of business	2015	2019	CAGR
Mature, publicly traded companies	5,993	21,278	37%
Venture stage	940	2,095	22%
Mature, private companies	7,142	11,914	14%
Growth stage	6,234	10,374	14%
Seed/Start-up stage	691	380	-14%
Total	21,001	46,040	22%

Note: Excludes allocations that respondents were not able to classify to one of these stages of business.
Source: GIIN, 2020 Annual Impact Investor Survey

SIZING THE IMPACT INVESTING MARKET

A key reference point for impact investors is the supply of capital allocated to impact investments. This data assists practitioners in understanding the supply of capital relative to the social and environmental demand for it, how the impact investing market compares to analogous markets, and finally, the potential for growth of the impact investing market.

*The full impact investing market size is estimated at **USD 715 billion**: the impact investing assets under management of over 1,720 organizations as of the end of 2019.*

Last year, for the first time, the GIIN developed a rigorous methodology to estimate the total size of the market.[53] Since this inaugural market sizing effort, the GIIN has strengthened its database and methodology to continually improve its approach. Through continuous research, the initial database of impact investing organizations has grown substantially. At the same time, additional rigor has been applied to strengthen methodological assumptions, triangulate third-party databases, and methodically extract redundant organizations. See the full methodology on the following page. While an advantage of market sizing is to compare the market to itself over time, it is possible that the differences between last year's estimated size and this year's figure are a consequence of a combination of growth in the market and also a stronger, richer data set.

To avoid confusion, it is important to note that the 2020 Annual Impact Investor Survey only describes the assets of a respondent sample of 294 investors and therefore does not represent the full market size. Drawing on a separate, more inclusive database of impact investing organizations, this market sizing analysis goes beyond the Annual Survey sample to estimate top-line data on the full industry.

SIZE OF THE MARKET

This analysis examines the supply of capital allocated to impact investing as of the end of 2019, using impact investing AUM as the indicator of market size.

The GIIN estimates that over 1,720 organizations manage USD 715 billion in impact investing AUM as of the end of 2019. The market comprises a range of investor types, in terms of characteristics like organization type, headquarters location, and investor size.

DATABASE CHARACTERISTICS

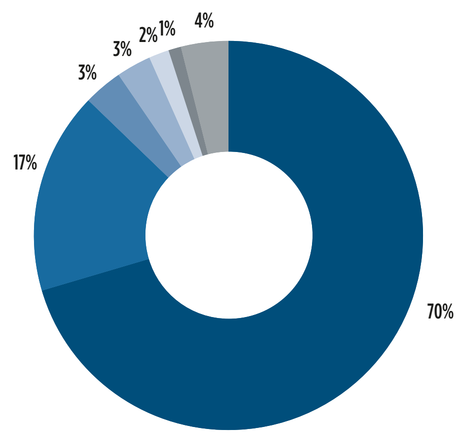
The market size database captures many types of organizations, across both asset managers and asset owners. The majority (70%) are asset managers, while 17% are foundations. Others include diversified financial institutions, banks, DFIs, family offices and institutional asset owners such as pension funds and insurance companies (Figure A).

Figure A: Organization type

n = 1,728

Percent of respondents

- 70% Asset managers
- 17% Foundations
- 3% Diversified financial institutions
- 3% DFIs
- 2% Family offices
- 1% Pension funds and insurance companies
- 4% Others



Note: Includes only organizations represented in the database (n = 1,728). 'Other' includes corporations, community development finance institutions (CDFIs), and non-governmental organizations.
Source: GIIN

53 Abhilash Mudaliar and Hannah Dithrich, *Sizing the Impact Investing Market* (New York: The GIIN, April 2019).

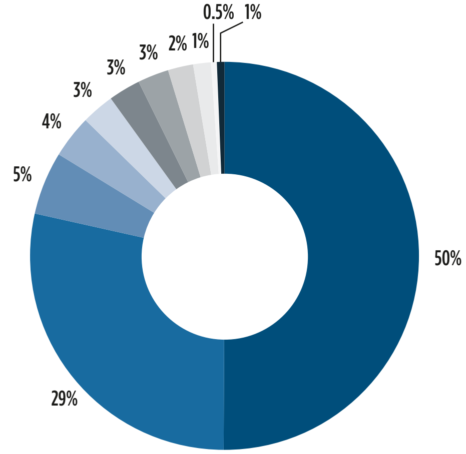
The database also includes a global group of investors. Half are based in the U.S. and Canada (50%) and 29% are based in Western, Northern & Southern Europe (Figure B). It also includes investors based in regions like Sub-Saharan Africa, Latin America & the Caribbean, Asia, and the Middle East & North Africa.

Figure B: Organizations' headquarters location

n = 1,419; excludes organizations for which headquarters location was unknown.

Percent of respondents

- 50% U.S. & Canada
- 29% Western, Northern, & Southern Europe
- 5% Sub-Saharan Africa
- 4% Latin America & Caribbean (including Mexico)
- 3% Southeast Asia
- 3% East Asia
- 3% South Asia
- 2% Oceania
- 1% Middle East & North Africa
- 0.5% Eastern Europe & Central Asia
- 1% No single headquarters location



Source: GIIN

RANGE OF ASSETS MANAGED

Within the estimated market size AUM of USD 715 billion, there is a wide range in the amount of impact investing capital that organizations manage.

The database includes capital allocated across asset classes, both in private and public markets. The GIIN did not determine which asset classes to include or exclude but rather included those that investors classified as impact investments.

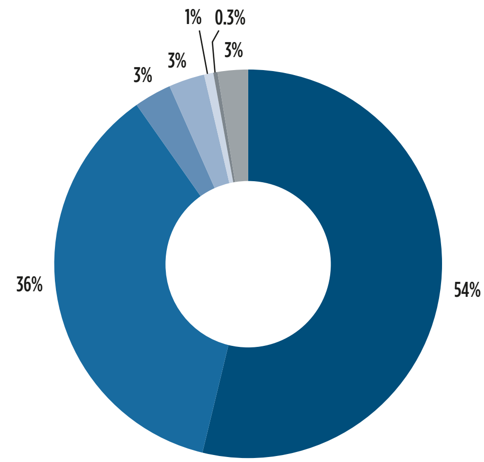
Over 1,200 asset managers account for just over half (54%) of industry assets under management, while 50 development finance institutions (DFIs) manage over a third (36%) of total industry assets (Figure C). Pension funds and insurance companies manage 3% of total directly invested AUM, as do diversified financial institutions. Foundations and family offices account for smaller proportions of total AUM.

Figure C: AUM by organization type

n = 1,728. Figures represent direct investments only, as of the end of 2019.

Percent of respondents

- 54% Asset managers
- 36% DFIs
- 3% Pension funds and insurance companies
- 3% Diversified financial institutions
- 1% Foundations
- 0.3% Family offices
- 3% Others



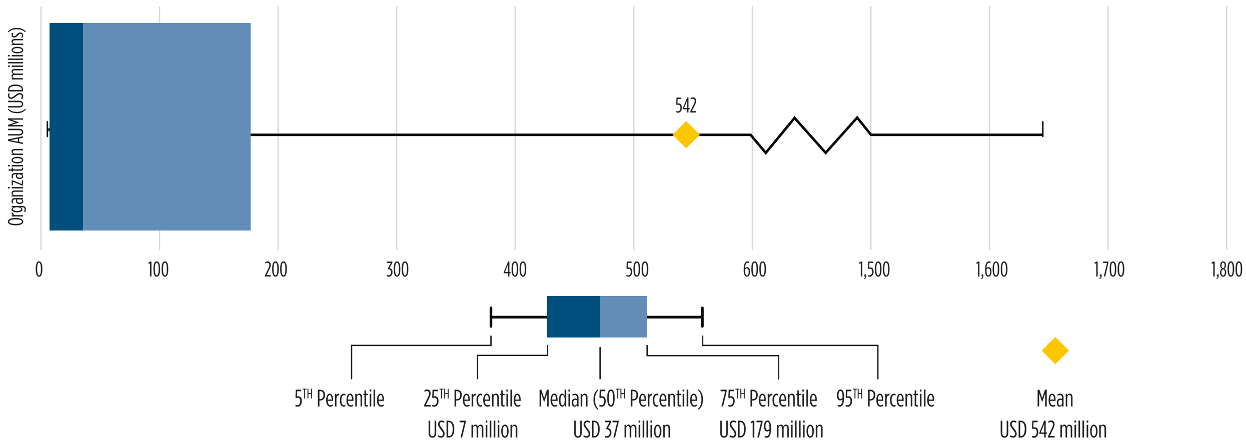
Note: Total AUM represented is USD 621 billion, which is based on the database AUM before estimating for organizations not included in the database. (See the methodology on the following page for details). 'Other' includes corporations, community development finance institutions (CDFIs), and non-governmental organizations.

Source: GIIN

The median organization manages USD 37 million, while the average manages USD 542 million (Figure D).

Figure D: Distribution of impact investor AUM

n = 865 organizations with known AUM data. Includes directly invested capital only, as of the end of 2019. Showing 5TH through 95TH percentiles. Figures in USD millions.



Note: Represents organizations with known AUM data (n = 865). For the remaining organizations (n = 863), AUM figures were estimated using assumptions (see step 4 of Methodology).
Source: GIIN

MARKET SIZING METHODOLOGY

To calculate the impact investing market size, the following method was deployed.

1. Compiled a database of impact investing organizations

The Research Team initially compiled a database of impact investing organizations (not individual investors or specific funds). This database contains 1,728 organizations and was initially built by drawing from a variety of sources, including the GIIN's own data assets from past research studies[54] and reputable third-party impact investor networks.

The database was compiled using the GIIN's definition of impact investing, which indicates that investors must intend to create a positive, measurable social and environmental impact alongside a financial return.[55] The Research Team distinguished between impact investors and those that only employ analogous practices such as negative screening or ESG strategies. To do this, the team drew data from past GIIN research studies (for which organizations had self-identified as impact investors) or from networks and databases recognized to focus specifically on impact investors. The team triangulated its database against other third-party databases like the 2020 ImpactAssets,[56] the Global Impact Platform managed by Phenix Capital[57] and the 2020 list of signatories to the International Finance Corporation's Operating Principles for Impact Management.[58]

In addition, the Research Team also identified a subset of the database where AUM was either unknown or not updated since 2015. From this subset, a random sample of 684 organizations was drawn.[59] In each instance, the organization's public web profile was accessed and a 'key word analysis' was conducted.[60] After concluding this exercise, 107 organizations were

54 The GIIN's data assets include: Annual Impact Investor Surveys conducted over the past ten years, The State of Impact Measurement & Management Practice surveys conducted in 2017 and 2019, the GIIN regional landscaping studies, and its membership base.

55 The GIIN defines impact investments as investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return. They can be across asset classes, in both emerging and developed markets, and target a range of returns from below-market to market-rate, depending on the investors' strategic goals.

56 ImpactAssets, "ImpactAssets 50," https://www.impactassets.org/ia50_new/?filters=

57 Phenix Capital, "Global Impact Platform," https://globalimpactplatform.com/

58 Impact Principles, "Operating Principles for Impact Investing," https://www.impactprinciples.org/

59 Using a 95% confidence level and a confidence interval of 1.76.

60 Key words included: 'social,' 'environmental,' 'social/environmental outcomes,' 'social/environmental measurement,' 'sustainability,' 'communities,' 'Opportunity Zones,' 'underserved,' 'sustainable investing,' 'ethical investing,' 'economic development,' 'SDGs,' and references to SDG targets. Several keywords needed to be present to indicate that the organization's stated intent was to follow the principles outlined in the Core Characteristics of Impact Investing. Each website was accessed between May 25 and May 27, 2020.

removed from the database. At the same time, the Research Team used this random sample to identify any organizations that had become inactive since the initial compilation of the database using the website as a proxy for activity. After concluding this exercise, a further 64 organizations were removed from the database.

2. Gathered data on organizations' impact investing AUM

The team attained impact investing AUM information for 50% of these organizations (n = 865), drawing from various sources such as data submitted by organizations for past GIIN research studies, online public sources, and third-party databases mentioned above. As data was compiled, it was triangulated for overlap and duplicate listings. All duplicate listings were removed and the most recent AUM figure was used. In instances of repeat listings from the same year and where there were differences in AUM, the most conservative figure was used.

All data is self-reported by organizations. AUM figures include only impact investing assets (in cases where organizations make both impact investments and 'impact-agnostic' investments).

For 59% of organizations, data was accurate as of year-end 2019, while others were from previous years. For earlier AUM figures, the team estimated AUM as of the end of 2019 by applying a growth rate to investor portfolios. The team drew from analysis of 2020 Annual Survey repeat respondents (see page 29), which grew their aggregate AUM at a CAGR of 17% since 2016. However, this was largely driven by two respondents, without which repeat respondents grew their AUM at a CAGR of 9%. To use a conservative estimate, the Research Team therefore used 9% in this market sizing analysis.

3. Counted only directly invested capital to eliminate potential double-counting

The database includes both asset managers and asset owners. It includes those that make direct investments into projects and organizations and those that invest indirectly, through asset managers. For this reason, the AUM of some organizations likely includes investments into asset managers in the database.[61] To avoid potentially double-counting assets, the GIIN counted only directly invested capital. To do this, the GIIN used a two-pronged approach: for organizations that had participated in GIIN Annual Surveys, the team counted only capital invested directly, since respondents had shared these figures. For organizations that had not participated in the Annual Surveys, the team analyzed the average proportion of assets invested directly by each organization type, drawing on data from the 2020 Annual Survey. The team then used these averages to count only direct investments.

4. Estimated the AUM of organizations for which AUM data was unknown

Next, the team estimated the assets managed by the remaining 863 organizations for which AUM figures were unknown. The team identified each investor by their organization type, and then applied the average AUM of each organization type (drawing from averages of those with known AUM and looking at only directly invested capital). To produce averages that were realistic and not skewed by particularly large organizations, the team identified large outliers within each organization type and excluded these organizations from average calculations. The total estimated direct AUM for all 1,728 organizations in the database was USD 621 billion.

5. Estimated the proportion of the full universe captured

While the Research Team has built as comprehensive a database as possible, there are undoubtedly actors that have not been captured. Drawing on its understanding of the GIIN's knowledge of the market, the team estimated what proportion of the universe it might not have captured in the database and from there extrapolated the overall market size. This final extrapolation added USD 94 billion to the above AUM (roughly 13%), resulting in the final market size of USD 715 billion.

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61 For instance, a family office might invest in an asset manager who invests directly into a social enterprise. If the family office and the fund manager managing the family's assets are included in the database, the family's assets would be counted twice. To avoid such cases of potential double-counting, the Research Team included only assets invested directly instead of indirectly.

Measuring and managing impact

A core characteristic of impact investing is the measurement and management of impact. This chapter explores the impact objectives and SDG-aligned themes that impact investors target, along with some of the common tools and frameworks they use to set objectives and to measure and report their impact performance. Impact investors also shared their perspectives on how impact measurement and management (IMM) practice has evolved at their organizations since they first started making impact investments, an indication of the industry's increasing sophistication over the past decade.

Impact objectives

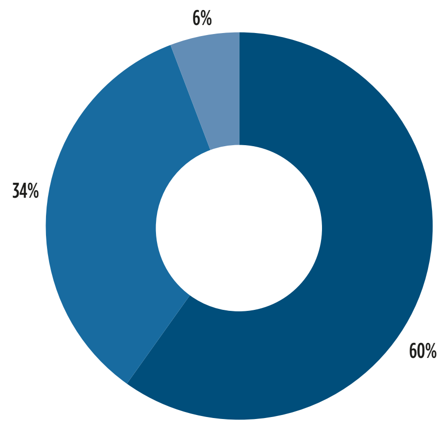
In this year's survey, 60% of respondents target both social and environmental impact, while 34% target only social impact and just 6% focus solely on environmental impact objectives (Figure 34).

Figure 34: Primary impact objectives

n = 294

Percent of respondents

- 60% Both
- 34% Social
- 6% Environmental



Source: GIIN, 2020 Annual Impact Investor Survey

- Nearly every respondent (97%) seeking below-market-rate returns targets social impact objectives, whether alongside environmental objectives or as their sole impact objective. And over half of Below-Market Investors (54%) target only social impact objectives, compared to just a quarter of Market-Rate Investors.
- While a larger proportion of Small and Medium Investors target only social impact objectives (40% each), just 17% of Large Investors target only social impact. About eight in ten Large Investors focus on both social and environmental impact, compared to somewhat more than half of Small and Medium Investors (53% and 56%, respectively).

Table 18: Primary impact objective, by sub-groups

	Geographic focus		Target returns		Investor size		
	DM-focused Investors	EM-focused Investors	Market-Rate Investors	Below-Market Investors	Small Investors	Medium Investors	Large Investors
Both	59%	57%	68%	43%	53%	56%	79%
Social	31%	41%	25%	54%	7%	5%	4%
Environmental	9%	2%	7%	3%	40%	40%	17%
n	140	126	197	97	159	63	72

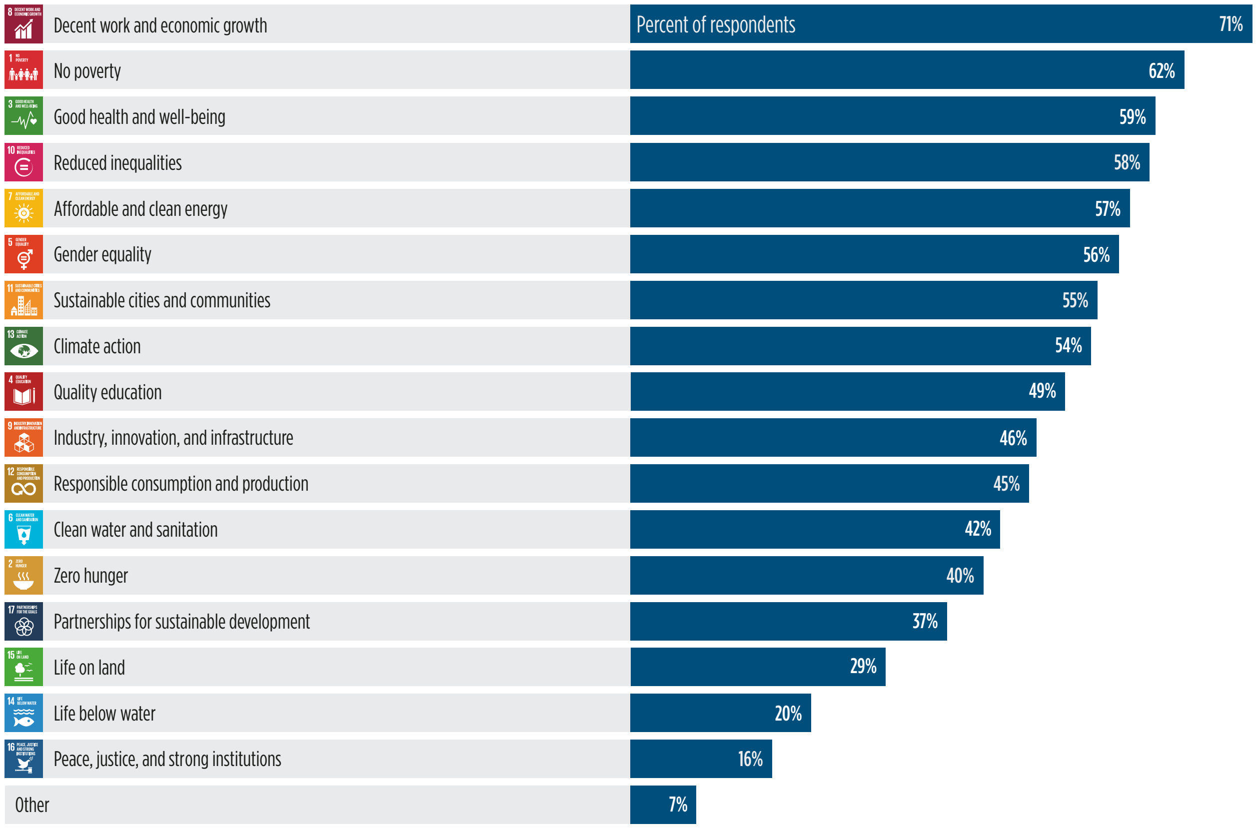
Source: GIIN, 2020 Annual Impact Investor Survey

With growing global consensus around the United Nations' SDGs, impact investors target a variety of SDG-aligned impact themes. Nearly three-quarters of respondents target 'decent work and economic growth' (SDG 8; Figure 35). About three-fifths of respondents target 'no poverty' (62%; SDG 1) and 'good health and well-being.' (59%; SDG 3). Only 16% seek to address 'peace, justice, and strong institutions' (SDG 16), a less common impact target in the industry.

On average, respondents target eight different SDG-aligned impact themes, with the median impact investor targeting seven impact themes across their portfolio. A small handful of respondents indicated that they do not proactively align with any SDG-aligned themes or that their investments are cross-cutting and cannot be categorized in this framework.

Figure 35: SDG-aligned impact themes targeted by impact investors

n = 294; respondents could select multiple answer options.



Note: 'Other' target SDG-aligned impact themes include affordable housing, technology and innovation, small and medium-enterprise development, racial equity, and cross-cutting themes such as job creation, focus on stakeholders with disabilities, gender equality, and environmental conservation. Some respondents also noted that they do not proactively target SDG-aligned impact themes.

Source: GIIN, 2020 Annual Impact Investor Survey

Subgroups vary in their target impact themes. A greater proportion of DM-Focused Investors, as compared to EM-Focused Investors, target 'sustainable cities and communities' (SDG 11; 70% versus 38%) and 'climate action' (SDG 13; 62% versus 44%). By contrast, EM-Focused Investors tend to target 'gender equality' (SDG 5; 71% versus 41% for DM-Focused Investors) and 'no poverty' (SDG 1; 77% versus 48%), an indication that geographic focus helps to shape target impact themes.

Additionally, a greater proportion of Large Investors—nearly seven in ten—focus on 'climate action' (SDG 13), compared to about half each of Small and Medium Investors (48% and 52%, respectively). Large Investors also more commonly target 'affordable and clean energy' (SDG 7; 75%), with again about half of Small and Medium Investors targeting the same (51% and 54%, respectively).

Impact measurement and management systems, tools, and frameworks

In order to set impact objectives and to measure and report impact performance, impact investors use a wide variety of industry frameworks, tools, and systems. Most commonly, respondents use the SDGs (73% reporting use for at least one purpose), the IRIS Catalog of Metrics (46%), and IRIS+ Core Metrics Sets (36%; Figure 36).[62] These findings align with those in The State of Impact Measurement and Management Practice report, published by the GIIN in January 2020, which similarly identified the SDGs, IRIS, IRIS+, and the Impact Management Project's five dimensions of impact as the most commonly used tools, systems, and frameworks.[63]

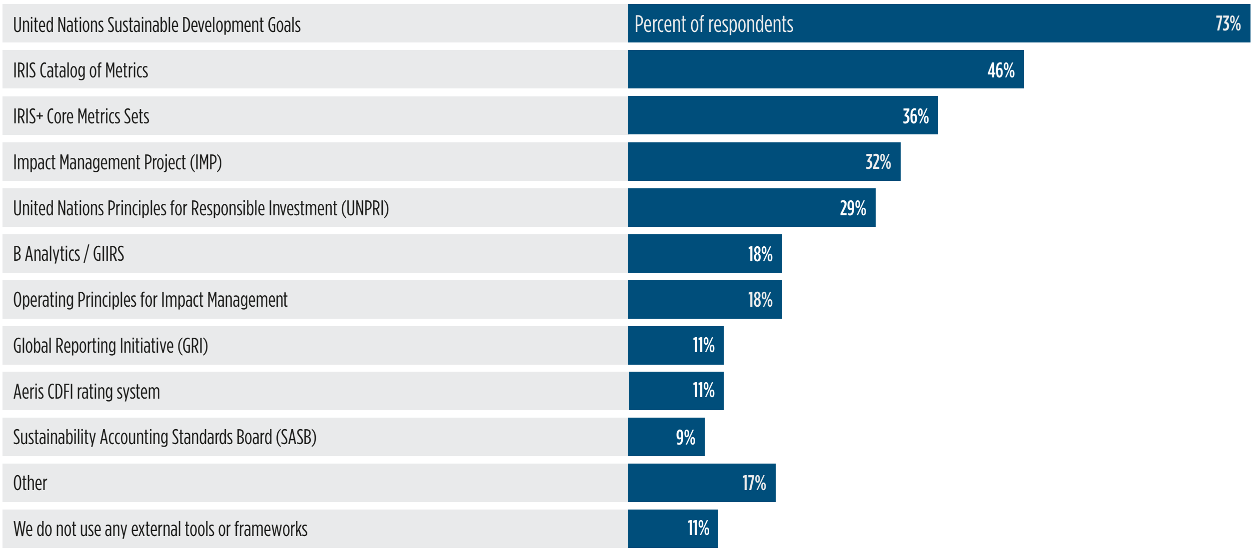
Most investors use a blend of these resources to help them understand, measure, and manage their impact. The vast majority (89%) use at least one external resource in their IMM practice. The average and median impact investor both use three tools, systems, or frameworks to measure and manage impact. The remaining 11% of respondents indicating that they use no external resources, and some noted that they use proprietary rather than external frameworks in their IMM practice.

62 IRIS+ is the generally accepted system for measuring, managing, and optimizing impact. IRIS+ Core Metrics Sets are concise evidence-based sets of IRIS metrics, organized by impact theme. One-third of respondents use both the IRIS Catalog of Metrics and IRIS+ Core Metrics Sets. For more, see https://iris.thegiin.org/.

63 Rachel Bass, Hannah Dithrich, Sophia Sunderji, and Noshin Nova, *The State of Impact Measurement and Management Practice, 2nd ed.* (New York: The GIIN, January 2020).

Figure 36: Overall use of tools, frameworks, and systems

n = 294; respondents could select multiple answer options.



Note: 'Other' includes various external tools and frameworks, both broad and sector-specific, including the Impact Multiple of Money, CERISE-SPI4, SPI4-Alinus, GRESB, TruCost, HIPSO, Lean Data's 60 Decibels, Progress out of Poverty Index, GOGLA, IPAR, and MESIS. Some respondents also described general frameworks such as theory of change or logic frameworks as well as various proprietary measurement and management systems.

Source: GIIN, 2020 Annual Impact Investor Survey

These tools and frameworks tend to target different purposes. Some provide guidance for setting impact objectives, others focus on measurement, and still others offer a standard for reporting impact performance. Respondents to this survey identified how they use each of these tools and frameworks (Figure 37). Despite the abundance of tools with varying purposes, in general, impact investors most commonly rely on the SDGs and IRIS/IRIS+ across all three functions: setting objectives, measurement, and reporting.

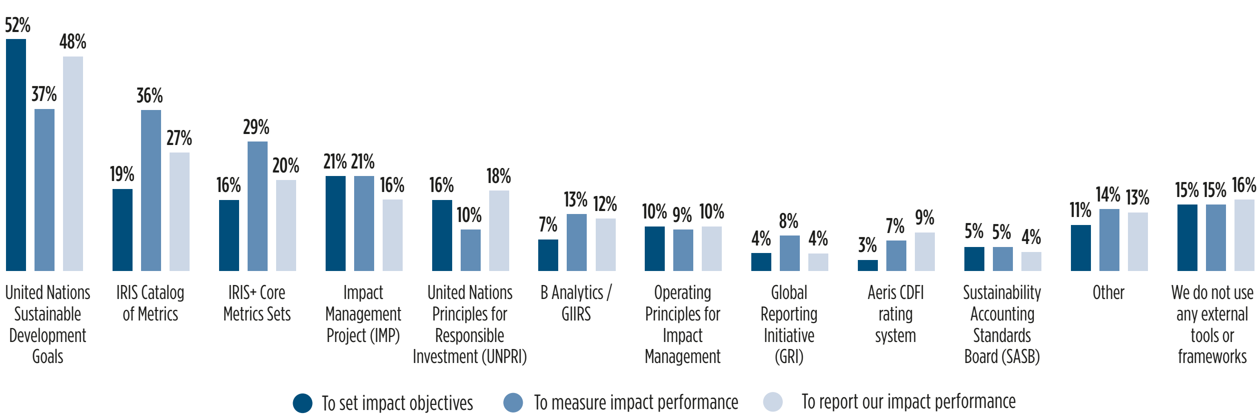
To set impact objectives: Respondents most often use the SDGs (52%), the Impact Management Project's five dimensions of impact convention (21%), and the IRIS Catalog of Metrics (19%).

To measure their impact performance: Well over a third of respondents turn toward the SDGs, IRIS Catalog of Metrics, (at 37% and 36%, respectively), or both, while 29% of respondents use IRIS+ Core Metrics Sets.

To report impact performance: Just under half of respondents use the SDGs (48%), while 27% use the IRIS Catalog of Metrics.

Figure 37: Use of tools, frameworks, and systems, by purpose

n = 294; respondents could select multiple answer options for each purpose.



Source: GIIN, 2020 Annual Impact Investor Survey

Geographic focus plays a role in preferences for IMM tools, systems, and frameworks. Although nearly every respondent that uses an external IMM system is headquartered in developed markets, some interesting trends surfaced for respondents that make investments in emerging markets. In particular, when measuring impact performance, just under half of EM-Focused Investors use the IRIS Catalog of Metrics (48%) versus about a quarter of those that invest primarily in developed markets (26%). And more EM-Focused Investors (37% versus 21% of DM-Focused Investors) also use IRIS+ Core Metrics Sets to measure their impact.

By contrast, a greater proportion of DM-Focused Investors (17%) uses Aeris to report their impact performance, compared to just 1% of EM-Focused Investors. Also, a larger share of DM-Focused Investors uses the SDGs in their IMM approach, especially for setting impact targets; 60% of EM-Focused Investors use the SDGs for settings targets (versus 42% of DM-Focused Investors).

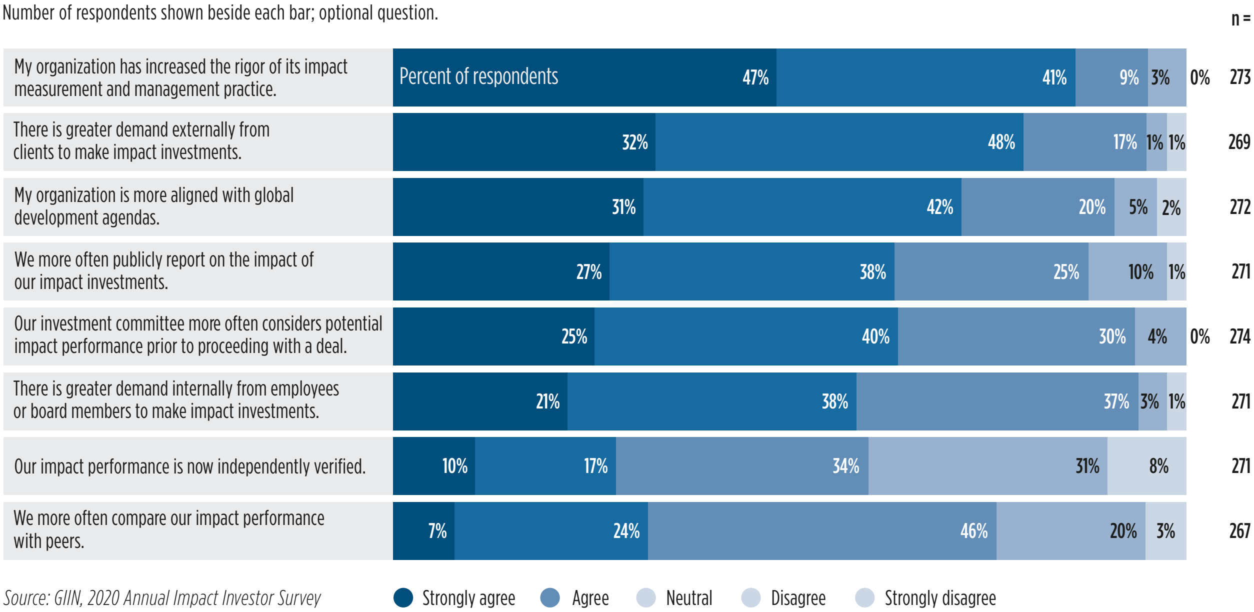
Evolution of demand for impact investments and IMM practice

This year's survey examined how impact investors' perceptions of their own impact investments and IMM practices have changed since their organizations first began to make impact investments. Quite clearly, as the market has grown and matured, investors have strengthened their approaches to measuring and managing impact, with greater external client demand for impact investments, greater demand for more sophisticated IMM, and growing alignment with global development agendas.

The greatest proportion of respondents agreed that their organizations have increased the rigor of their IMM practices (88%; Figure 38). About eight in ten also indicated seeing greater demand externally from clients to make impact investments compared to when they first started as impact investors. Just under three-quarters reported that their organizations are more aligned with global development agendas.

Figure 38: Changes in IMM practice and demand compared to when impact investors first started making investments

Number of respondents shown beside each bar; optional question.



Source: GIIN, 2020 Annual Impact Investor Survey

Significant areas of opportunity remain. Nearly one quarter of respondents (23%) do not compare their impact performance with peers in the industry more often than when they first started making impact investments. The GIIN's *The State of Impact Measurement and Management Practice* report highlighted comparing impact results with market performance as the most significant challenge impact investors face within their organizations.[64] And, concerning the independent verification of impact results, 39% of respondents disagreed or strongly disagreed that their impact performance is now independently verified.

The industry as a whole is making progress on both of these fronts by developing infrastructure to strengthen the market's approach to both the impact verification and comparison of impact. For example, the Operating Principles for Impact Management, launched by the IFC in April 2019, call for independent verification and have a total of 94 signatories as of May 2020.[65] To enable comparisons on the basis of impact, the GIIN, in collaboration with the industry, has developed an approach to rigorously aggregate, contextualize, and compare investments' impact through its Impact Performance Studies.[66]

Respondents' perceptions of organizational evolution vary with their target returns philosophy. Just over half of Market-Rate Investors strongly agreed that their organizations had increased the rigor of their IMM practices, while a smaller proportion (39%) of Below-Market Investors indicated the same. A greater share of Market-Rate Investors also strongly agreed that they are now more aligned with global development agendas (34%) than those targeting below-market-rate returns (24%). Interestingly, while 39% of those focused on emerging markets strongly believe their organizations are now more aligned with global development agendas, less than a quarter (22%) of DM-Focused Investors reported the same.

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64 Rachel Bass, Hannah Dithrich, Sophia Sunderji, and Noshin Nova, *The State of Impact Measurement and Management Practice, 2nd ed.* (New York: The GIIN, January 2020).

65 IFC, "Operating Principles for Impact Management," https://www.impactprinciples.org/.

66 Rachel Bass, Noshin Nova, Sophia Sunderji, *Evaluating Impact Performance* (New York: The GIIN, October 2019).

A DECADE OF IMPACT MEASUREMENT AND MANAGEMENT: FROM TAXONOMIES TO CORE METRICS AND ANALYTICS

Impact measurement and management (IMM) is, and has always been, an integral cornerstone of the practice of impact investing. Impact management is one of the four key practices outlined in the GIIN's Core Characteristics of Impact Investing.[67] IMM has greatly evolved over the past decade. The original Annual Impact Investor Survey, produced 10 years ago, revealed that the overwhelming majority of impact investors used proprietary measurement systems to measure their impact. In fact, 85% of respondents in 2010 used their own systems, while 13% used an investee's system and just 2% employed a third-party system.[68] There was no widespread use of any frameworks or conventions to allow impact investors to understand their impact in a standardized way.

Now, a decade later, a dramatic shift has gained standard impact measurement systems widespread adoption across the industry; nearly nine in ten respondents to this year's survey use a measurement tool or system. A variety of measurement standards, tools, and frameworks have matured alongside the industry, with the average respondent now using three different tools to measure and manage their impact: selecting impact targets, guiding expectations, and measuring and optimizing impact. This has allowed impact investors to become increasingly sophisticated in their impact management approach, as the market has shifted from seeking buy-in for impact measurement to integrating impact across all stages of the investment process. Outlined below are the tools and frameworks impact investors use most widely, along with the role they play in the measurement and management process.

Shaping impact targets and processes: Impact investors most commonly rely on the United Nations' **Sustainable Development Goals (SDGs)** to shape their impact targets, with 73% of respondents to this year's survey reporting using the SDGs. Members of the United Nations adopted the 2030 Agenda for Sustainable Development in 2015, a call to action to address social and environmental challenges. Its predecessor, the United Nations' Millennium Development Goals—intended to be achieved by 2015—gained only modest traction in the industry. The SDGs, however, have become the most widely used framework among impact investors. In addition to target-setting, impact investors often use the SDGs to guide their impact measurement practice by mapping investments to the SDGs, and channeling capital toward SDG-aligned priorities. In 2019, the IFC launched its **Operating Principles for Impact Management** to build consensus and discipline around the processes inherent to impact investing.[69] With over 93 signatories as of May 2020, the Principles establish nine features for effective impact management across the impact investing process: strategic intent, origination and structuring, portfolio management, exits, and independent verification.

Measuring and optimizing impact results: IRIS+ is the generally accepted system to measure, manage, and optimize impact, managed as a public good by the GIIN. As one of the most widely used systems, IRIS+ is used by 36% of respondents and IRIS by 46%. Launched in 2019, IRIS+ builds on the IRIS Catalog of Metrics, first released in 2008. Over the last ten years, the catalog has grown in coverage and has become increasingly aligned with other standards and metrics sets. The catalog now includes more than 600 standardized metrics

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67 The GIIN, "Core Characteristics of Impact Investing," https://thegiin.org/characteristics.

68 Nick O'Donohoe, Christina Leijonhufvud, Yasemin Saltuk, Antony Bugg-Levine, and Margot Brandenburg, *Impact Investments: An Emerging Asset Class* (New York: J.P. Morgan, The Rockefeller Foundation, and the GIIN, November 2010).

69 Impact Principles, "Operating Principles for Impact Investing," https://www.impactprinciples.org/.

for measuring impact. From 2018 to 2019, the GIIN led a broad and global consultation process through which more than 1,000 stakeholders informed the evolution of IRIS to IRIS+. The resulting IRIS+ system helps impact investing stakeholders translate their impact intentions into results by helping them to frame their impact goals in a common way (using the SDGs or common impact categories), providing a built-in evidence base to inform theories of change, offering Core Metrics Sets (short lists of key metrics to assess progress towards impact goals) in addition to the full IRIS catalog of metrics, and offering third-party resources and guidance on how to advance IMM practice. IRIS+ has over 9,000 registered users as of April 2020 and is aligned with more than 50 other standards, metrics sets, and conventions, including the SDGs, the five dimensions of impact, and HIPSO.

Guiding impact expectations: To help define impact in a common way, the Impact Management Project (**IMP**) launched a global consultation approach with the IMP's Practitioner Community of over 2,000 enterprises and investors that culminated in the "five dimensions of impact." This convention identifies five key dimensions that help stakeholders understand their effects on people and the planet in a common way: who, what, how much, risk, and contribution.[70] As of 2020, the **IMP** serves as a forum for building consensus on how to measure, manage, and report on impact. It manages the IMP Structured Network, a collaborative, coordinated effort of standard-setting organizations to provide complete standards for impact measurement, management, and reporting.

Interpreting and comparing impact results: The industry's next milestone is to interpret impact results and integrate impact into all investment decisions. Standardized, contextualized impact results, along with targets for impact and financial performance, will enable the industry to design analytical tools for impact investors. Using these tools, impact investors can make more efficient investment decisions, inform their management of investments, and allocate capital to investments with greater impact. The industry is already progressing towards this milestone. In 2019, the GIIN launched the **Impact Performance Studies**, the industry's first cross-portfolio effort to aggregate and compare impact performance within a sector.[71] In seeking to rigorously and transparently contextualize and compare investments' impact, these studies represent an important step toward differentiating and benchmarking investments based on their impact performance. Harvard Business School has also developed an approach to incorporate monetary valuations of impact into accounting statements through the **Impact-Weighted Accounts Project**.[72] This research effort, which forms part of the Global Steering Group and the IMP's broader Impact Weighted Accounts Initiative, seeks to include line items in financial statements to reflect a company's positive and negative impacts on employees, customers, the environment, and society as a whole. This integrated view of performance is meant to capture impact within accounting statements and drive informed decision-making. The Impact Frontiers Collaboration, an initiative of the IMP, also developed four steps to enable the integration of impact and financial analysis for investor decision-making.[73] This is the first output of this consensus building group in an effort to pioneer new ways of integrating impact and financial management.

Each of these resources plays a complementary role in strengthening investors' IMM practice, helping investors to set impact targets, select impact metrics, and measure, understand, and report their impact performance. Ultimately, coalescing around more standardized approaches can facilitate the analysis of impact performance and lead to smarter investment decisions.

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70 Impact Management Project, "Impact Management Norms," https://impactmanagementproject.com/impact-management/impact-management-norms/.

71 Rachel Bass, Noshin Nova, Sophia Sunderji, *Evaluating Impact Performance* (New York: The GIIN, October 2019). https://thegiin.org/research/publication/evaluating-impact-performance

72 https://www.hbs.edu/impact-weighted-accounts/Pages/default.aspx

73 *Stanford Social Innovation Review*, "How Investors Can Integrate Social Impact With Financial Performance to Improve Both", Impact Frontiers Collaboration, May 15, 2020, https://ssir.org/articles/entry/how_investors_can_integrate_social_impact_with_financial_performance_to_improve_both.

Current market topics

Each year, the Research Team gathers practitioners' perspectives on key topics within the industry. This year, respondents shared insights on their engagement with climate investing and catalytic capital.

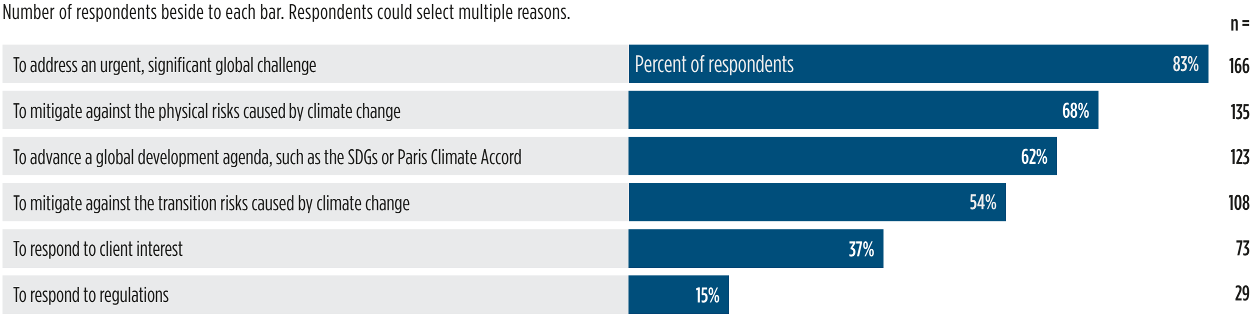
Climate investing

Impact investors increasingly recognize that substantial capital flows are needed to address the climate crisis. Over two-thirds of respondents (68%) address climate change through their impact investments. Of that sub-sample, 76% target market-rate returns, and 76% make primarily direct investments. The vast majority (80%) are headquartered in developed markets and target environmental impact objectives either as their sole objective (8%) or alongside social objectives (84%).

Most respondents addressing climate change through their impact investments (83%) do so in order to 'address an urgent, significant global challenge.' More than two-thirds seek to 'mitigate against the physical risks caused by climate change' (Figure 39), such as droughts, storms, and floods, among other natural disasters resulting from increased temperatures, rising sea levels, and changes in weather patterns. By contrast, only 54% address climate change through impact investments in order to mitigate against the transition risks caused by climate change—that is, unplanned or abrupt changes to businesses or assets that may occur after an investment transaction—such as changes in policies, shifts to low-carbon technologies, or other liabilities.[74] More than one-third of respondents address climate change in response to client interest, while just 15% do so in response to regulations.

Figure 39: Reasons for addressing climate change through impact investments

Number of respondents beside to each bar. Respondents could select multiple reasons.



Source: GIIN, 2020 Annual Impact Investor Survey

By subgroup, a greater proportion of certain investor types address climate change to mitigate transition risks: more Market-Rate than Below-Market Investors (62% versus 29%), more DM-Focused than EM-Focused Investors (63% versus 43%), and more Large than Small Investors (75% versus 44%).

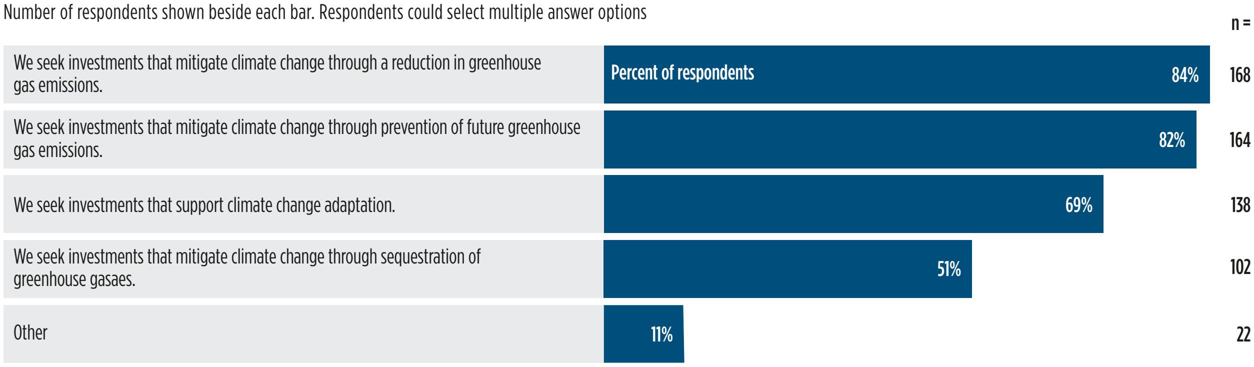
Additionally, several respondents described the disproportionate effects of climate change on economically vulnerable communities. As a U.S.-based respondent described, those most likely to face adverse impacts from the consequences of climate change also "pay the highest costs for mitigating that negative impact." This reflects the inherent link between social and environmental impact, another motivation several respondents cited for making investments to address climate change.

Respondents take various approaches to address climate change through their investments. Most commonly, impact investors seek investments that mitigate climate change by reducing greenhouse gas emissions (84%; Figure 40). Meanwhile, close to the same proportion of respondents (82%) seek investments that prevent future greenhouse gas emissions. Perhaps unsurprisingly, 78% of those that seek to reduce greenhouse gas emissions also seek to prevent future emissions.

74 Definitions for 'physical risk' and 'transition risk' are adapted from the Task Force on Climate-Related Financial Disclosures (TCFD).

Figure 40: How respondents address climate change through impact investments

Number of respondents shown beside each bar. Respondents could select multiple answer options



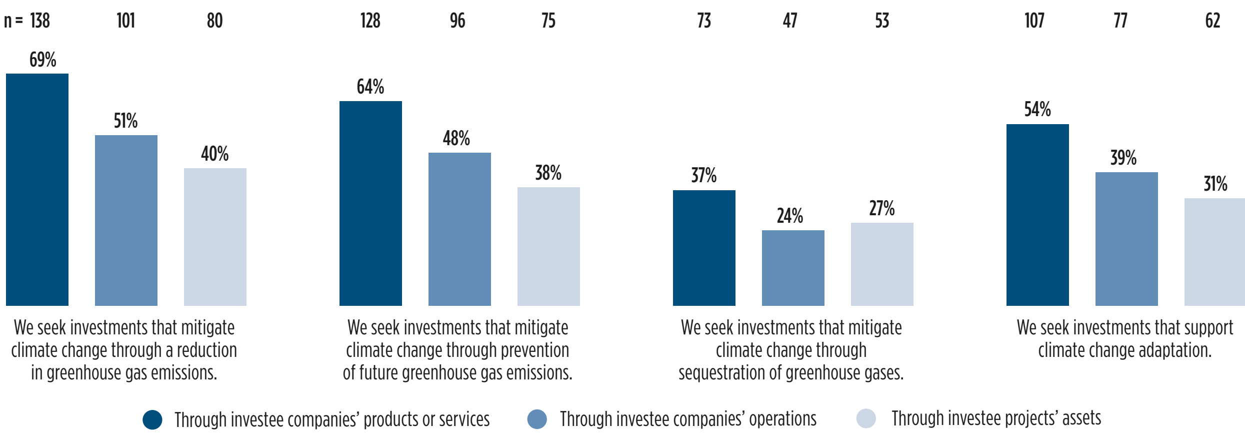
Note: 'Other' includes irrigation and responsible cultivation, circular economy projects, roof-top and community solar, behavioral change of consumptive patterns and usage of natural resources, weather insurance, and the creation of carbon credits. Some respondents also indicated they only invest in climate change when there is a social benefit to communities.

Source: GIIN, 2020 Annual Impact Investor Survey

Impact investors may seek investments to mitigate climate change at different levels of operation (Figure 41), whether through an investee companies' products or services, an investee companies' operations, or an investee projects' assets. Respondents most commonly address climate change through their investee companies' products or services.

Figure 41: Approaches to address climate change

Respondents could select multiple answer options.



Note: While sub-group differences mentioned in the narrative are statistically significant, not all comparisons in the table were found to be statistically significant.

Source: GIIN, 2020 Annual Impact Investor Survey

Engagement with catalytic capital

Impact investors engage with catalytic capital as a way to generate positive impact and may play different roles in catalytic capital structures. Overall, 78% of respondents have either engaged in catalytic capital structures or plan to do so in the future. More than two-thirds of the total sample currently engage in catalytic capital, whether by providing catalytic capital, participating in a transaction involving catalytic capital, or raising catalytic capital from investors (Table 19).[75] A greater proportion of Below-Market Investors have provided catalytic capital compared to Market-Rate Investors (73% versus 37%). A larger share of Private Debt–Focused Investors than Private Equity–Focused Investors have raised catalytic capital from investors (60% versus 24%).

NOTE TO READERS

*"**Catalytic capital structures** are investments that accept disproportionate risk and/or concessionary returns relative to conventional investment in order to generate positive impact and enable third-party investment that otherwise would not be possible. This can include debt, equity, and guarantees along with investment instruments."*

– John D. and Catherine T. MacArthur Foundation

Catalytic capital is deployed for many reasons, most commonly to enable innovation and prove a novel business model, financing structure, or target market; support early-stage businesses; and reach underserved populations, as described on page 53.

75 While subgroup analysis mentioned in the narrative is statistically significant, not all comparisons in the table were found to be statistically significant.

Table 19: Respondents' participation in catalytic capital structures

	All	Market-Rate Investors	Below-Market Investors	DM-HQ Investors	EM-HQ Investors	Private Equity-focused Investors	Private Debt-focused Investors
We have provided catalytic capital.	49%	37%	73%	52%	39%	27%	58%
We have participated in a transactionin which catalytic capital was provided by another organization.	34%	32%	39%	37%	23%	22%	51%
We have raised catalytic capital from our investors.	32%	27%	43%	31%	33%	24%	60%
We have not engaged with catalytic capital and do not plan to in the future.	22%	29%	9%	22%	25%	34%	11%
We have not engaged with catalytic capital but plan to in the future.	11%	13%	6%	8%	20%	16%	8%
n	294	197	97	227	61	83	65

Source: GIIN, 2020 Annual Impact Investor Survey

In terms of instrument, those engaging in a catalytic role—whether by providing, participating in, or raising catalytic capital—do so most frequently through debt with flexible terms (62%), grants (47%), and equity in an "all catalytical capital" structure (46%). Junior equity is the least commonly used instrument, with only 14% of respondents using this type of instrument to engage with catalytic capital.

Investors that provide catalytic capital

In total, 144 respondents have provided catalytic capital, constituting a diverse array of organization types. These respondents are primarily for-profit asset managers (27% of those that provide catalytic capital), foundations (22%), and not-for-profit asset managers (20%). Investors deployed a total of USD 3.5 billion in catalytic capital in 2019, with the average and median investor deploying nearly USD 34 million and USD 5 million, respectively (Table 20).

Table 20: Investment activity of catalytic capital providers in 2019

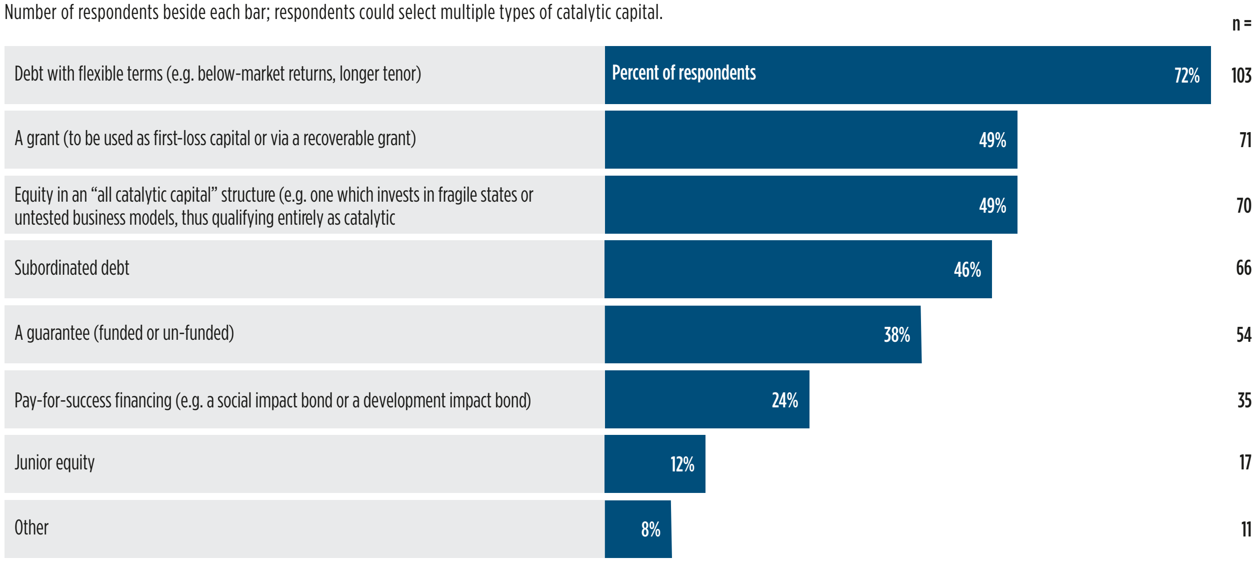
	n	Total	Median	Average
Amount of capital deployed (in USD millions)	103	3,487	5	34
Number of transactions	99	2,707	6	27

Note: In total, 144 respondents in the sample reported providing catalytic capital. Of these, 103 reported deployed catalytic capital in 2019 and 99 provided data for the number of transactions.
Source: GIIN, 2020 Annual Impact Investor Survey

Respondents that provide catalytic capital most commonly do so through debt with flexible terms (72% of providers; Figure 42). Just under half provide grant capital (49%), equity in an "all catalytic capital" structure (49%), and subordinated debt (46%).

Figure 42: Types of catalytic capital that organizations provide

Number of respondents beside each bar; respondents could select multiple types of catalytic capital.



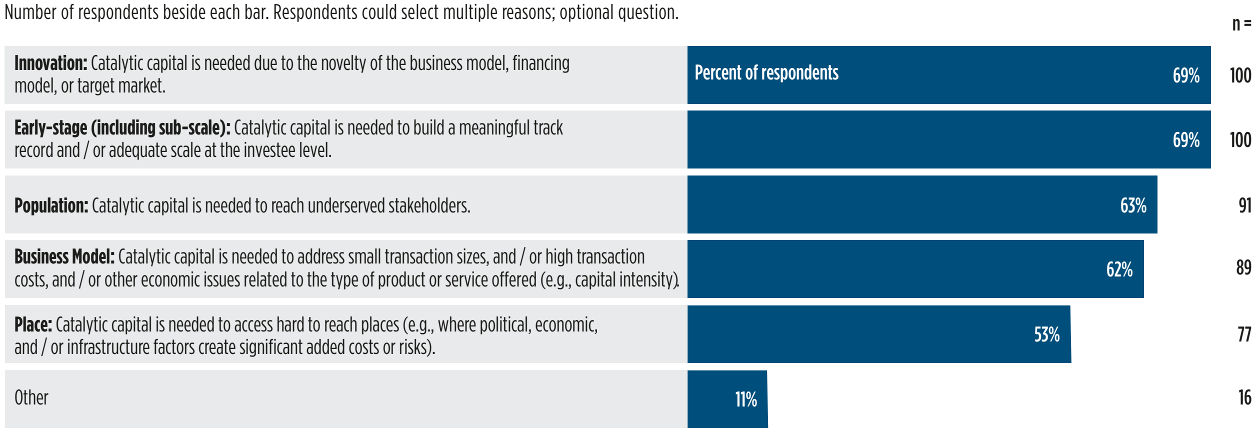
Note: 'Other' types of catalytic capital noted by respondents include technical assistance facilities, public debt, pay-for-success financing indirectly through an intermediary, capacity-building grants, and business development support for investees.

Source: GIIN, 2020 Annual Impact Investor Survey

Investors provide catalytic capital for diverse reasons related to supporting (1) innovation, (2) early-stage investments, (3) particular populations, (4) specific business models, and (5) underserved places. Most respondents identified each of these five factors as a reason why they provide catalytic capital. Catalytic capital is most commonly provided because the business model, financing model, or target market is novel, as 69% of respondents indicated (Figure 43). Sixty-nine percent of respondents also reported that they provide catalytic capital to build a meaningful track record and/or adequate scale at the investee level.

Figure 43: Reasons that impact investors provide catalytic capital

Number of respondents beside each bar. Respondents could select multiple reasons; optional question.



Note: 'Other' includes to attract commercial capital, meet a specific risk profile, facilitate investments from large institutional investors and increase the scale of impact investing, fill capital gaps, and address the needs of minority and/or vulnerable populations.

Source: GIIN, 2020 Annual Impact Investor Survey

Motivations for providing catalytic capital vary among those active in particular asset classes. More than nine in ten Private Equity–Focused Investors that provide catalytic capital do so to support innovation, compared to two-thirds of Private Debt–Focused Investors. On the other hand, Private Debt-focused Investors more often provide catalytic capital to reach underserved stakeholders (71% versus 55% of Private Equity–focused Investors).

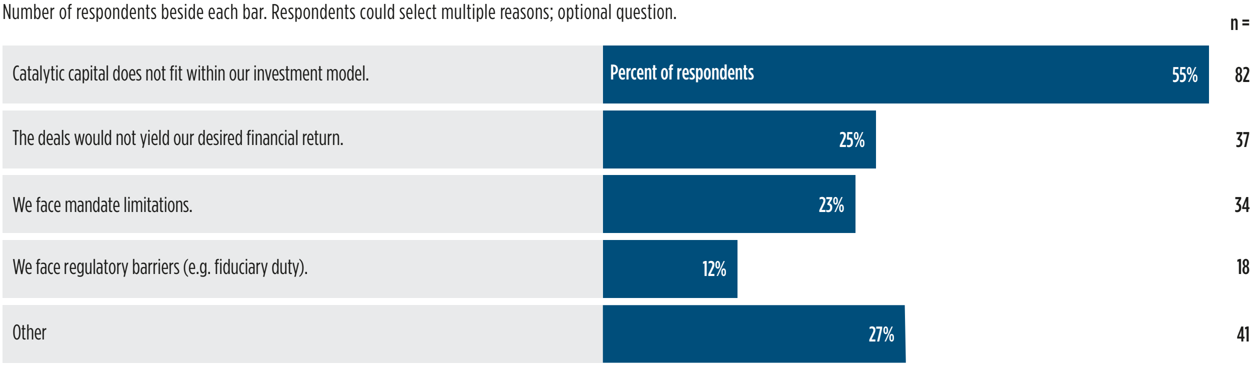
Investors that do not provide catalytic capital

Although many respondents are providing catalytic capital, just over half (51%) have not. While some of these respondents do engage with catalytic capital by raising catalytic capital or participating in catalytic transactions, more than one-third of the sample has not engaged with catalytic capital at all.

Investors choose not to provide catalytic capital for many reasons. As respondents reported, most commonly this is because catalytic capital does not fit within their investment models (55%; Figure 44). A small handful reported other reasons, such as logistical challenges related to appropriate skillsets, deal selection, the availability of co-investors, or ability to generate impact.

Figure 44: Reasons impact investors do not provide catalytic capital

Number of respondents beside each bar. Respondents could select multiple reasons; optional question.



Note: 'Other' includes lack of skills needed to execute deals efficiently, inability to find the right deals or co-investors, deals would not yield desire impact, transaction costs, lack of alignment with organizational strategy and to avoid market distortions. Some respondents also indicated that other functions within their organizational structure focus on providing catalytic capital, while their entity does not .

Source: GIIN, 2020 Annual Impact Investor Survey

PAVING THE WAY WITH POLICY: THE EVOLVING ROLE OF GOVERNMENT IN IMPACT INVESTING

Over the past decade, governments have increasingly facilitated ecosystems to unlock the full potential of impact investing in their own countries. From developing policies and frameworks to creating oversight agencies and making impact investments directly, governments around the world have led in roles across the industry.[76] While not itself impact investing, policy that facilitates the practices of Environmental, Social, and Governance (ESG), responsible, and sustainable investing can also create pathways to impact investing. Supportive regulatory environments have propelled the market forward, setting precedents for other policymakers to catalyze the growth of the industry in their own communities. Highlighted here are several noteworthy evolutions taken from the past decade in government policy to create a supportive environment for impact investing.

Canada: Canada has implemented both federal and provincial legislation over the past decade to support impact investing. Not long after the term 'impact investing' was first coined, the Canadian Task Force on Social Finance was established in 2010 to help advance the impact investing movement. With the release of its report, *Mobilizing Private Capital for Public Good*, many foundations committed to investing at least 10% of their capital into mission-related investments by 2020.[77] In 2012, Nova Scotia passed the Community Interest Companies Act, while British Columbia enacted a new corporate structure, the Community Contribution Company.[78] Both policies provide a governance framework for social enterprises driven by both profit and social purpose, making it easier for investors to identify investment opportunities. Most recently, in 2019, Manitoba announced its Social Impact Bond project, committing to raise CAD 3 million from private investors to provide resources and parenting support for up to 200 Indigenous mothers who are at risk of having their newborns placed in the child welfare system.[79] At the national level, the Government of Canada developed a Social Innovation and Social Finance Strategy in 2018 to support innovative approaches to combating social and environmental challenges. The Strategy includes the nation's first Social Finance Fund, a commitment of CAD 805 million over 10 years to channel financing toward innovative ideas targeting social impact objectives.[80]

Japan: The Japan Social Impact Investment Taskforce along with the start of Japan's involvement in Social Impact Bonds (SIBs) began in 2014. Japan funded a five-year project at Meiji University to pilot four social impact–driven projects in 2015 and 2016 focused on education, employment, and human development primarily for children and young people. Japan's SIB market has since grown, with the Ministry of Health, Labor, and Welfare expanding on the pilot SIB program by launching a grant program for research and development of Japanese SIBs.[81] To encourage sustainable investing and industry growth among institutional investors, Japan established its first Stewardship Code in 2014, the Principles for Responsible Institutional Investors, and released a revised version

76 While DFIs and government donors also play a critical role in supporting impact investing ecosystems, this market spotlight focuses primarily on policy developments.

77 MaRS Discovery District, "Canadian Task Force on Social Finance Celebrates a Year of Momentum," news release, December 13, 2011, https://www.marsdd.com/news/canadian-task-force-on-social-finance-celebrates-a-year-of-momentum/.

78 *Community Interest Companies Act*, S.N.S. 2012, c. 38, https://www.canlii.org/en/ns/laws/stat/sns-2012-c-38/latest/part-1/sns-2012-c-38-part-1.pdf; Tamara G. Wong, Borden Ladner Gervais LLP, "Community Contribution Companies: A New Corporate Structure for Social Enterprise," *Lexology*, June 5, 2013, https://www.lexology.com/library/detail.aspx?g=adc4dcad-d276-4887-95b8-11b437e23400.

79 Province of Manitoba, "Manitoba Announces First Social Impact Bond: Doula Project Aims to Strengthen Bonds Between Indigenous Mothers and Infants and Reduce the Number of Days Infants Spend in Care: Stefanson," news release, January 7, 2019, https://news.gov.mb.ca/news/index.html?item=44895&posted=2019-01-07.

80 Government of Canada, "Social Innovation and Social Finance Strategy," updated February 5, 2020, https://www.canada.ca/en/employment-social-development/programs/social-innovation-social-finance/strategy.html.

81 Ken Ito, "The Rise of Social Impact Bonds in Japan," *Japan Times*, January 20, 2019, https://www.japantimes.co.jp/esg-consortium/2019/01/20/esg-consortium/rise-social-impact-bonds-japan/#.Xr1OG2hKg2x.

in 2017. The Code has since been signed by 281 institutional investors in Japan (as of April 2020), including the Japanese Government's Pension Investment Fund and Pension Fund Association.[82] In 2017, Japan enacted legislation to facilitate the transfer of funds from dormant bank accounts to a social investment bank in an arrangement similar to Big Society Capital in the United Kingdom (see below).[83] This new bank will provide funding to alleviate poverty and revitalize rural areas, targeting children and young people.

Netherlands: In 2008, the Netherlands developed its Dutch Corporate Governance Code, providing best practices to regulate the governance of companies listed on the Amsterdam Stock Exchange.[84] The government subsequently revised this Code in 2016, emphasizing the role of long-term sustainable value creation and 'culture' as components of effective corporate governance. In 2014, the Dutch government launched the Dutch Good Growth Fund to provide financial assistance to Dutch and local SMEs that operate in emerging markets with funding streams managed by both government and private companies.[85] Two year later in 2016, the Dutch Central Bank (DNB) launched a Sustainable Finance Platform to promote and encourage sustainable investment. In 2019, Dutch pension funds, the Federation of the Dutch pension funds, non-governmental organizations, trade unions, and the Dutch government signed the Responsible Business Conduct Agreement, a multi-stakeholder initiative on responsible investments by pension funds.[86] This agreement intends to tackle the negative consequences of pension fund investments, serving as a 'minimum' for ESG practice, in particular for human rights violations and the environment. In 2019, the government issued its inaugural green bond, a triple-A rated sovereign bond.[87] The Dutch Ministry of Foreign Affairs also backed AGRI3 in January 2020, a blended finance vehicle created by the United Nations Environmental Programme (UNEP) and Rabobank, an effort to scale up private sector investments in the SDGs. Notably, the DNB was the first central bank to sign the Principles for Responsible Investment (PRI) in 2019 and integrate the six ESG principles into its investment practice.[88]

South Africa: South Africa has implemented substantial enabling policies over the past decade. For instance, the Code for Responsible Investing in South Africa (CRISA), launched in 2011, provides guidance to institutional investors on executing investment analysis and activities in a way that encourages effective governance.[89] The South African government also amended its Pension Fund Regulation 28 in 2011 to facilitate greater consideration of ESG factors in investment selection.[90] As of 2019, South Africa has issued guidance notes to pension funds on incorporating and reporting on ESG factors. In 2009, South Africa set up a Venture Capital Company (VCC) tax regime to encourage domestic investment by allowing companies and trusts that invest in VCCs to reduce their income taxes.[91] This tax regime has seen varying degrees of

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82 Financial Services Agency of the Japanese Government, "The Council of Experts on the Stewardship Code," https://www.fsa.go.jp/en/refer/councils/stewardship/index.html.

83 The Investment Integration Project, *Sustainable Investing in Japan*.

84 Monitoring Commissie Corporate Governance Code, Ministerie van Economische Zaken, "The Dutch Corporate Governance Code 2008," https://www.mccg.nl/dutch-corporate-governance-code.

85 Dutch Good Growth Fund, "About DGGF", https://english.dggf.nl/about-dggf.

86 https://www.imvoconvenanten.nl/en/pension-funds

87 Vibeka Mair, "ESG Country Profile: The Netherlands," Responsible Investor, November 28, 2019, https://www.responsible-investor.com/articles/esg-country-profile-the-netherlands.

88 De Nederlandsche Bank, "DNB First Central Bank to Sign the Principles for Responsible Investment," news release, March 20, 2019, https://www.dnb.nl/en/news/news-and-archive/Persberichten2019/dnb382879.jsp.

89 Institute of Directors South Africa, *Code for Responsible Investing in SA* (Gauteng, Institute of Directors South Africa, 2011).

90 Government Notice No. 34070, National Treasury, No. R. 183, March 4, 2011, "Pension Funds Act, 1956: Amendment of Regulation 28 of the Regulations Made under Section 36," https://www.gov.za/sites/default/files/gcis_document/201409/34070rg9485gon183.pdf.

91 Income Tax Act No 58 of 1962 (as amended); *South African Revenue Service*, "Venture Capital Companies," https://www.sars.gov.za/ClientSegments/Businesses/Pages/Venture-Capital-Companies.aspx

success; based on current provisions, these deductions will no longer be permitted after June 2021.[92] As of 2018, more than 100 registered VCCs have raised over USD 240 million for South African small and medium-sized enterprises (SMEs).[93] In 2019, the South African government launched the SA SME Fund, which has a target size of USD 100 million and seeks to allocate funding to incubation programs, growth-stage investments, and impact investments.[94]

Thailand: In 2010, the government introduced the Thai Social Enterprise Office (TSEO) to stimulate the growth of social enterprises in the country.[95] That year, Thailand also released guidelines for sustainable reporting, and the Stock Exchange of Thailand (SET) has regularly published a list of Thai companies with strong ESG performance.[96] In 2016, the government passed the Royal Decree on Tax Exemption, providing tax benefits to both social enterprises and investors in these enterprises.[97] As of 2017, three million micro, small, and medium-sized enterprises are registered in Thailand and 120,000 organizations operate with a social mission. Such policies supporting the growth of social enterprises may support and further enable investment opportunities in Thailand. The government has also focused on incorporating ESG factors into investment processes. In 2019, Thailand's Government Pension Fund, the country's largest institutional investor, released new guidelines implementing ESG criteria across all its investments, including the use of an ESG scoring tool to evaluate each investment opportunity in stocks and bonds.[98]

United Kingdom: In 2012, Big Society Capital was founded by the UK government as an independent institution to grow the social investment market, receiving funding from both dormant English bank accounts and four of the UK's largest banks. Since its founding, Big Society Capital has evolved into a financial institution that supports social sector organizations by deploying capital to fund managers, with USD 2.3 billion in assets currently under management and made available to social enterprises and charities.[99] Two years later, in 2014, the government introduced the Social Investment Tax Relief program, offering a tax break of 20% of the value of investments made into organizations with a social purpose.[100] The UK has also evolved its pension fund policies. In 2016, the government published a new code of practice stating that trustees, as part of their fiduciary duty, should consider ESG factors in pension fund investments when financially significant.[101] Subsequently, in 2019, the UK government mandated pension funds take explicit responsibility to integrate financially material ESG considerations into their investment approach.[102]

These policy developments represent some of the many strides governments have made globally in demonstrating their commitment to impact investing.

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92 KPMG, "Section 12J Investments – Is it still a worthwhile investment opportunity?" September 2019, https://assets.kpmg/content/dam/kpmg/us/pdf/2019/09/tnf-south-africa-sep27-2019.pdf.

93 Ford Foundation and Dalberg, *Impact Investors Foundation Study*, December 2019, https://thegiin.org/assets/IIF%20Study%20on%20Impact%20Investing%20Full%20Report.pdf.

94 South Africa SME Fund, "About the SA SME Fund", 2019, https://sasmefund.co.za/.

95 Bob Doherty and Ada Chirapaisarnkul, "Social Enterprise Is Set to Take Off in Thailand," *British Council* (News and Events), https://www.britishcouncil.org/society/social-enterprise/news-events/news-social-enterprise-set-to-take-off-in-thailand.

96 Stock Exchange of Thailand, "Thailand Sustainability Investment," https://www.set.or.th/sustainable_dev/en/sr/sri/tsi_p1.html.

97 Mukund Prasad, Stefanie Bauer, Amar Gokhale, Shreejit Borthakur, and Harish Reddy, *The Landscape for Impact Investing in Southeast Asia* (New York: The GIIN and Intellecap, August 2018).

98 Asia Assets Management, "Thailand pension fund to integrate ESG criteria into equity investments in 2020," news release, November 5, 2019, https://www.asiaasset.com/post/22858-thaigpfesg1101-gte-1104.

99 Big Society Capital, https://bigsocietycapital.com/.

100 United Kingdom HM Treasury, July 2014, "Social Investment Tax Relief," https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/329284/Consultation_Social_investment_tax_relief.pdf.

101 Share Action, "New UK Pensions Regulator code of practice: a step forward for responsible investment," September 2016, https://shareaction.org/wp-content/uploads/2016/09/DCCodeOfPractice-PolicyBriefing.pdf.

102 UN Principles for Responsible Investment, "UK's new ESG pension rules: four measures to ensure their success," https://www.unpri.org/pri/pri-blog/uks-new-esg-pension-rules-four-measures-to-ensure-their-success.

Investment performance and risk

Target financial returns

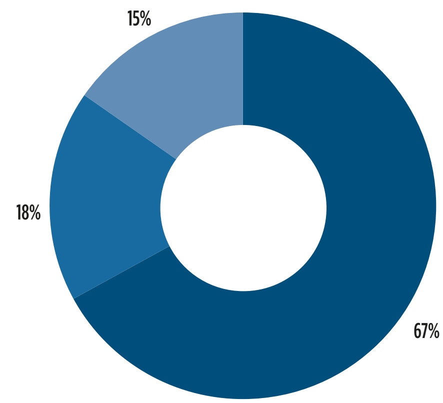
The pursuit of financial returns is a hallmark characteristic of impact investing, and these can widely vary from deeply concessionary to competitively market-rate. This year, just over two-thirds of respondents principally target risk-adjusted, market-rate returns, while the remaining third are split closely between below-market-rate: closer to market-rate (18%), and below-market-rate: closer to capital preservation (15%; Figure 45).

Figure 45: Target financial returns principally sought

n = 294

Percent of respondents

- 67% Risk-adjusted, market-rate returns
- 18% Below-market-rate returns: closer to market rate
- 15% Below-market-rate returns: closer to capital preservation

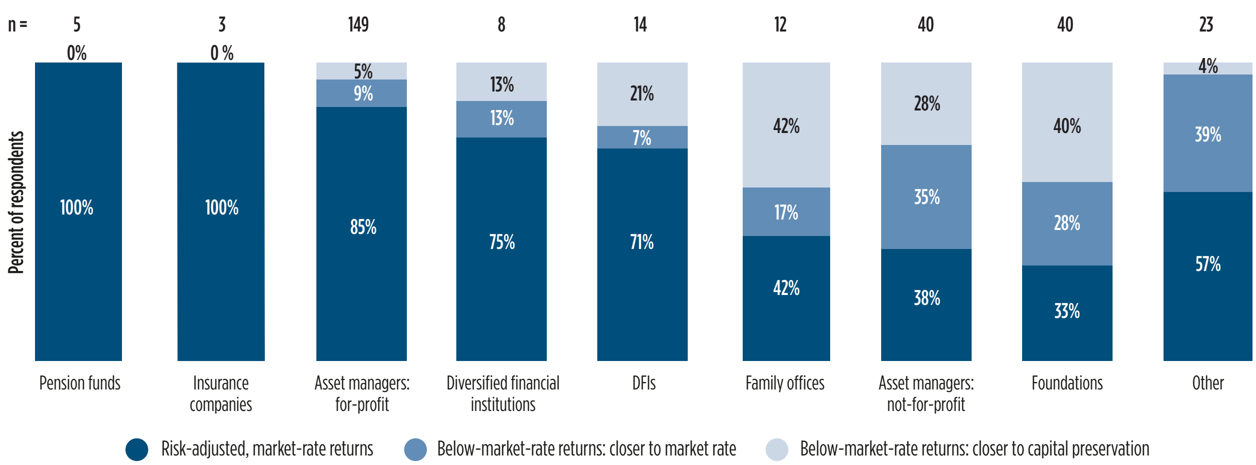


Source: GIIN, 2020 Annual Impact Investor Survey

Target returns vary by organization size and type, reflecting investors' organizational structures, investment strategies, and impact objectives. Nearly 90% of Large Investors target market-rate returns, compared to just over 55% of Small Investors.[103] In addition, most for-profit asset managers, DFIs, and diversified financial institutions target market-rate returns, while most family offices and foundations target returns closer to capital preservation (Figure 46).

Figure 46: Target financial returns by organization type

Number of respondents shown above each bar.



Note: 'Other' organizations include community development finance institutions (CDFIs), NGOs, nonprofits, permanent investment companies, real estate developers, sovereign wealth funds, and independent federal government agencies.

Source: GIIN, 2020 Annual Impact Investor Survey

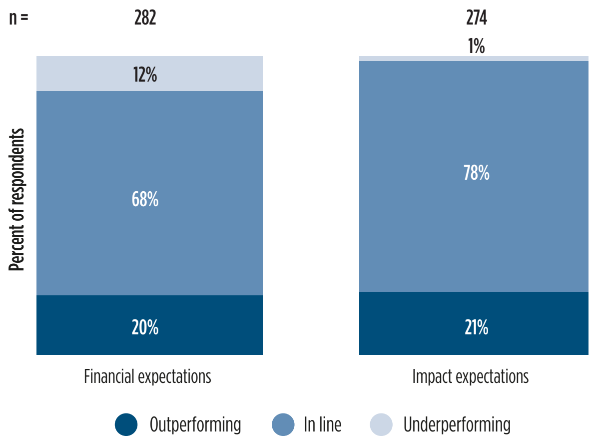
103 Please see page X for a detailed breakdown of the sample by various subgroups, including investor size.

Performance relative to expectations

An overwhelming majority of respondents reported meeting or exceeding both their impact expectations and their financial expectations (99% and 88%, respectively; Figure 47). Respondents were also asked to share what benchmarks they use to determine their performance relative to expectations by asset class. Just under 20% of investors responded to that question; financial benchmarks include but are not limited to the MSCI All Country World Index (for global equities investments), the MSCI World SMID Cap Index, the Barclays Global Aggregate Bond Index (for global fixed-income investments), the FTSE EPRA/Nareit Developed Index and Bloomberg Commodity Index (for real assets), the Corporate Emerging Markets Bond Index (CEMBI, for private debt), Cambridge Associates benchmarks (for private equity), and the Symbiotics Microfinance Index, as well as traditional internal financial reporting indicators. Tools and systems used to track impact performance include the UN SDGs, the GIIN's IRIS Catalog of Metrics, B Analytics, and the performance of investees relative to their targets; most respondents to this question, however, did not align with any impact benchmarks.

Figure 47: Performance relative to expectations

Number of respondents shown above each bar; some respondents chose 'not sure' and are not included.



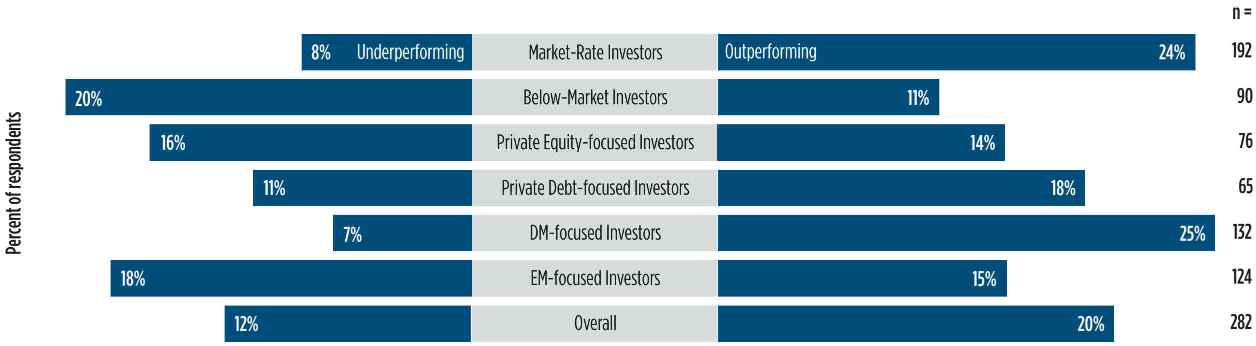
Source: GIIN, 2020 Annual Impact Investor Survey

Performance relative to expectations, and especially reported financial performance, varied by investor subgroup. Just 8% of Market-Rate Investors reported underperforming their financial performance expectations, compared to 20% of Below-Market Investors (Figure 48). In addition, nearly 20% of EM-Focused Investors reported underperforming financially, compared to just 7% of DM-Focused Investors. Interestingly, financial performance relative to expectations did not vary greatly between Private Debt- and Private Equity-focused Investors.

Several additional differences by subgroups were notable but not statistically significant (except where mentioned). Ninety-two percent of investors focusing more than 75% of their portfolio in the U.S. & Canada reported meeting or exceeding their financial expectations, and 94% reported the same for their impact expectations. For investors focused in WNS Europe, 80% reported meeting or exceeding their financial expectations, and 87% met or exceeded their impact expectations. An impressive 40% of LAC-focused investors and 30% of SSA-focused investors outperformed their impact expectations; 16% in both groups exceeded their financial expectations. Meanwhile, in two findings which were statistically significant, just over two-thirds of LAC-focused investors and 54% of SSA-focused investors met their financial expectations. Investors focused in South Asia also reported strong performance, with 92% meeting or exceeding their financial performance benchmarks and 100% meeting their impact performance benchmarks. Data were not sufficient to evaluate investors focused on other regions.

Figure 48: Financial performance relative to expectations by returns philosophy, asset class focus, and geographic focus

Number of respondents shown beside each bar; some respondents chose 'not sure' and are not included. Respondents that selected 'in-line with expectations' are not shown in this chart.



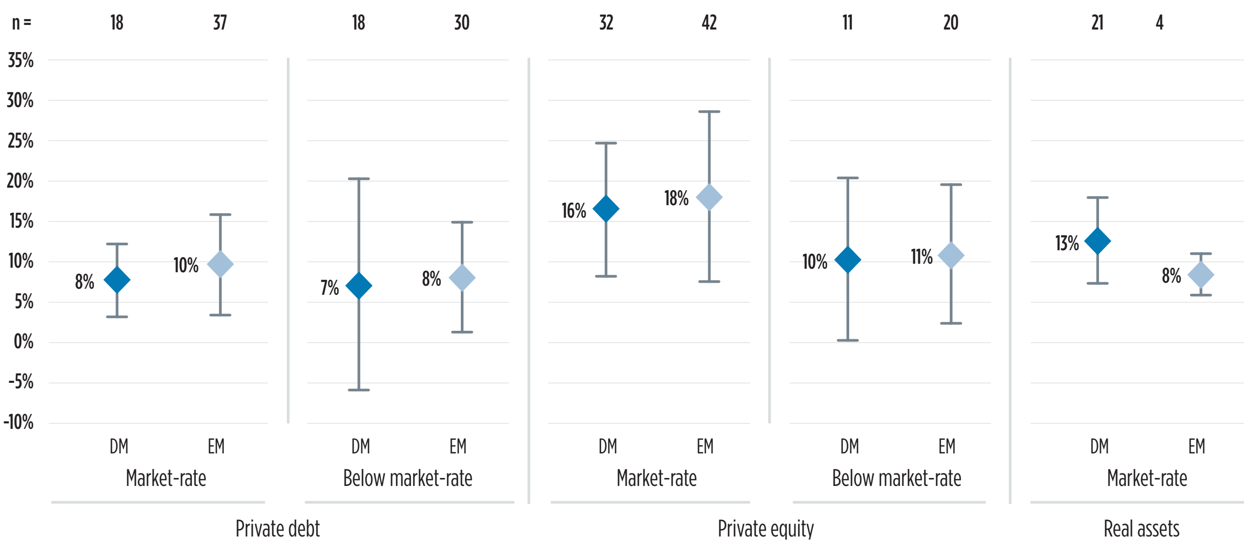
Source: GIIN, 2020 Annual Impact Investor Survey

Realized gross returns

To better contextualize their financial performance, respondents shared their realized gross returns since inception of their impact investing activity. Unsurprisingly, equity investments generated higher returns on average than investments through debt or real assets. Subgroups display some variation in average realized gross returns (Figure 49).

Figure 49: Average realized gross returns since inception for private markets investments

Number of respondents shown above each bar; year of first impact investment ranges from 1956 – 2019, with 2011 as the median year. Averages shown beside each diamond; error bars show +/- one standard deviation.



Source: GIIN, 2020 Annual Impact Investor Survey

Naturally, private equity investments saw the greatest variance. In general, market-rate investments performed better than their below-market-rate counterparts, while emerging-market investments, across the board, performed similarly to developed-market investments with similar ranges of return.

Portfolio risks

This year, respondents were asked to evaluate both the financial and impact risks to their portfolios. In terms of financial risk, as in years past, the largest share of investors (77%) stated that business model and execution risk is at least a moderate risk facing their portfolios, while a smaller share (68%) identified liquidity and exit risk at the same level (Figure 50).[104] Over a third of investors considered risks such as country and currency risk and macroeconomic risk to be severe; of course, perceptions varied widely by geographic region. A significant share of DM-Focused Investors did not perceive any country and currency risk (41%), while 82% of EM-Focused Investors perceived it to be at least a moderate risk. In addition, 35% of SSA-focused

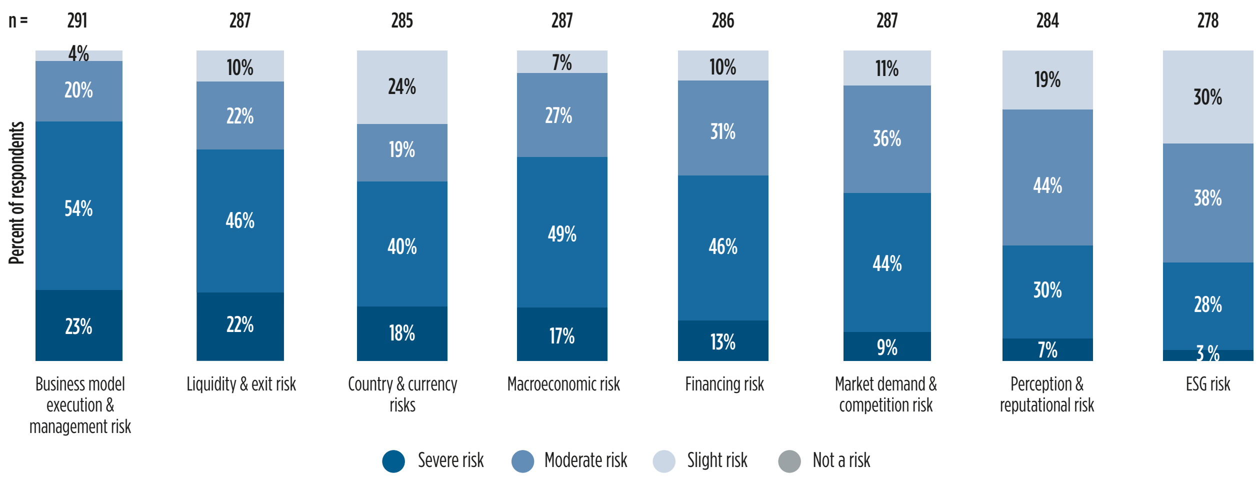
104 Please refer to Appendix 3 on page 74 for full definitions of the various portfolio and impact risks respondents were asked to assess.

investors and just over a quarter of LAC-focused investors cited country and currency risk as severe; respondents investing in SSA were also most likely to cite macroeconomic risk as severe. Thirteen percent of investors focused in WNS Europe reported severe macroeconomic risk, compared to 4% of U.S. & Canada–focused investors.

Investors across various segments also perceived different risks. Fewer Private Debt–Focused Investors (51%) cited at least moderate liquidity and exit risk compared to Private Equity–Focused Investors (82%). Furthermore, 36% of Private Equity–Focused Investors perceive severe business model and execution risk, compared to 17% of Private Debt–Focused Investors.

Figure 50: Contributors of financial risks to impact investment portfolios

Number of respondents shown above each bar. Some respondents chose 'not sure' and are not included. Year of first impact investment ranges from 1949 – 2019, with 2011 as the median year. Ranked by percent that selected 'severe risk.'



Source: GIIN, 2020 Annual Impact Investor Survey

In terms of impact risks—the various risks associated with 'the likelihood that impact will be different than expected, and that the difference will be material from the perspective of people or the planet who experience impact—a small share of investors perceive 'severe' risk.'[105] Nearly two-thirds cited at least moderate execution risk (the likelihood activities are not delivered as planned and do not result in the target outcomes), while 61% of investors perceive at least moderate levels of external risk (Figure 51).[106] Forty percent reported seeing no contribution risk—the risk that an investor's contribution leads to a worse or the same effect compared to what would otherwise have occurred—and just 2% perceive this risk as severe.

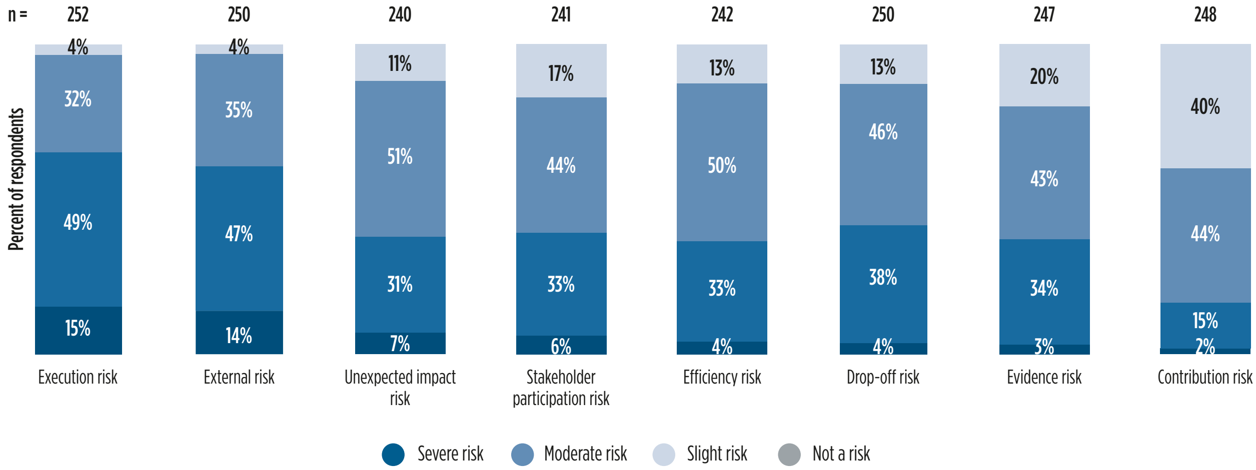
More than two-thirds of EM-Focused Investors cited at least moderate execution risk, higher than the just under half of DM-Focused Investors citing the same (68% and 49%, respectively). Similarly, around 40% of EM-Focused Investors assess stakeholder participation risk as moderate, compared to a quarter of DM-Focused Investors. In addition, 17% of Private Equity–Focused investors perceive severe execution risk, considerably higher than the 3% of Private Debt–Focused Investors assessing the same.

105 Impact Management Project, "Risk," https://impactmanagementproject.com/impact-management/impact-management-norms/risk/.

106 Please refer to Appendix 3 on page 74 for full definitions of the various portfolio and impact risks respondents were asked to assess.

Figure 51: Contributors of impact risks to impact investment portfolios

Number of respondents shown above each bar. Some respondents chose 'not sure' and are not included. Year of first impact investment ranges from 1949 – 2019, with 2011 as the median year. Ranked by percent that selected 'severe risk.'



Source: GIIN, 2020 Annual Impact Investor Survey

Respondents described several specific causes of these risk events, including the following examples:

- Macroeconomic developments such as the COVID-19 outbreak, general country-level recessions, and political instability (specifically in SSA)
- Changes in regulation in the microfinance sector, such as unsustainable interest rate caps and loan waivers
- Extreme weather events
- Unclear attribution (specifically among listed equities)
- Efficiency risks due to hedging against foreign exchange risk

A CONTINUED NEED FOR IMPACT INVESTMENT CAPITAL

15% of respondents are likely to **commit more capital** to impact investments in 2020 as a result of COVID-19.

THE EFFECTS OF THE COVID-19 PANDEMIC ON IMPACT INVESTING

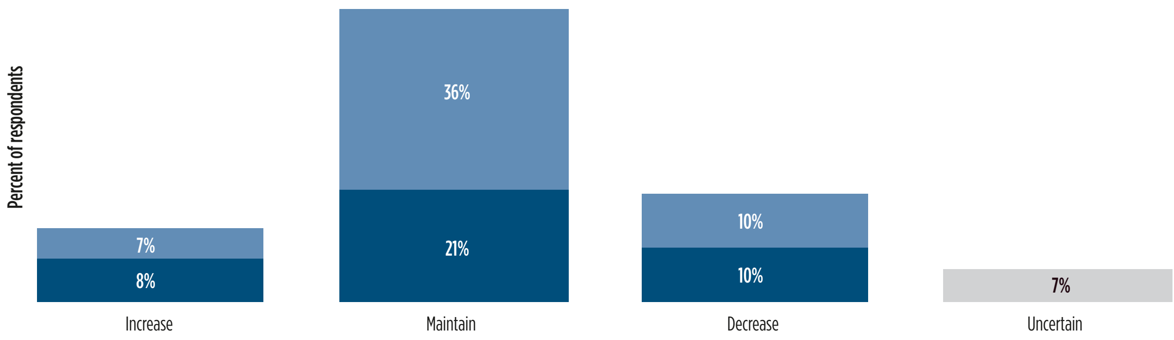
The COVID-19 pandemic is perhaps the most defining global event of 2020, and unquestionably so in terms of the breadth of its global effects. Because the bulk of the Annual Impact Investor Survey was conducted during February and March 2020, many respondents shared their perspectives before the pandemic unfolded across the world. Given that the wide-reaching health and economic issues caused by COVID-19 seem likely to alter investors' investment plans, the GIIN Research Team invited respondents to share how they expect the pandemic to influence their activity or change any of the perspectives they shared.[107] These responses help illuminate how the COVID-19 pandemic is affecting the impact investing market.

PLANNED INVESTMENT ACTIVITY IN 2020

Most respondents indicated that they are unlikely to change the amount of capital they had planned to commit to impact investments in 2020 as a result of the COVID-19 pandemic (57%, Figure 52). However, 20% are at least somewhat likely to commit less capital than they had planned; 15% are likely to commit more.

Figure 52: Changes to planned investment activity for 2020, as a result of the COVID-19 pandemic

n = 121; optional question.



Source: GIIN, 2020 Annual Impact Investor Survey

Several investors reported providing more funding to their current projects, especially to investments that are contributing solutions to the effects of the pandemic. Impact investments in this vein include telemedicine enterprises, online learning providers, and, as one respondent noted, "issuers and businesses offering solutions for preventing, testing, treating COVID-19 or supporting recovery from the economic crisis that has resulted from the pandemic."

However, one asset manager noted that new fundraises could be delayed, possibly halting or slowing the deployment of new capital. Another reported that due to cash pressures on existing clients, "available capital might be prioritized to support existing clients rather than new investments."

Several respondents also mentioned tactical challenges in the due diligence process that may hinder new investments, such as travel restrictions and social distancing that prevent site visits and direct engagement with prospective portfolio companies.

A higher proportion of EM-focused Investors reported plans to decrease capital commitments - 28%, compared with 14% of DM-focused Investors, although a slightly higher proportion also noted plans to increase (18% versus 12% of DM-focused Investors). A greater proportion of DM-focused Investors reported plans to maintain their capital commitments (68% compared to 48% of EM-focused Investors).[108]

107 The Research Team conducted a short survey during April 2020; the sample included 122 respondents to the Annual Survey.

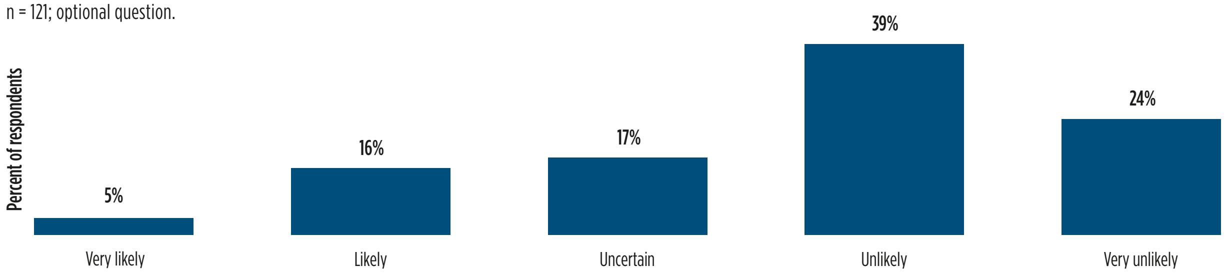
108 These differences were not tested for statistical significance due to smaller sample sizes.

CHANGES TO SDG-ALIGNED IMPACT THEMES

Most respondents do not expect to change their targeted SDG-aligned impact themes over the next five years as a result of the COVID-19 pandemic. Sixty-three percent are either unlikely or very unlikely to change their targeted impact themes; 21% are at least somewhat likely to change their target impact themes, and 17% are uncertain (Figure 53).

Figure 53: Likelihood of changes to target SDG-aligned impact themes over the next 5 years, as a consequence of the COVID-19 pandemic

n = 121; optional question.



Source: GIIN, 2020 Annual Impact Investor Survey

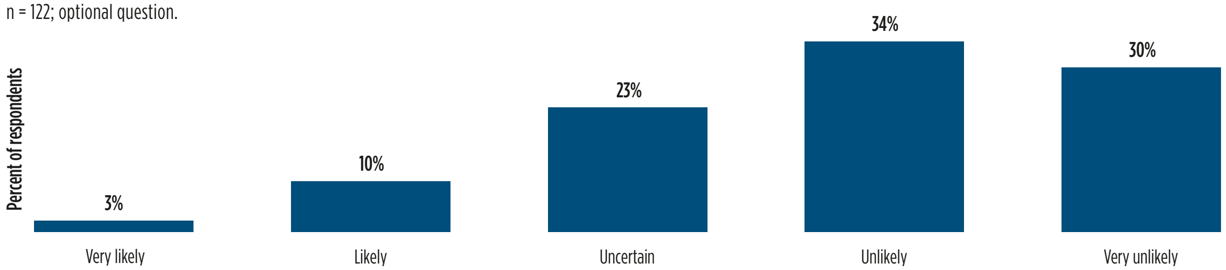
Many noted that the impact themes they already target are only exacerbated by the current pandemic, reinforcing the need for the solutions they already support. One asset manager reported that they "are already targeting themes in public health and education (including e-learning), so the pandemic only strengthens the need for more investments in these areas." Another explained, "fundamentally, the pandemic is just revealing social problems we already targeted, like poverty, inequality, and lack of access to basic services, including healthcare."

CHANGES TO TARGET GEOGRAPHIC REGIONS

Overall, respondents do not expect to change their geographic portfolio allocations over the next five years as a result of the pandemic. Sixty-four percent are either unlikely or very unlikely to change their target geographies, while 13% are at least somewhat likely to change, and almost a quarter are uncertain (23%; Figure 54). Many respondents noted that their target geographies are mandated by their objectives and theories of change and, as a result, are unlikely to change significantly.

Figure 54: Likelihood of changes to geographic allocations over the next 5 years, as a result of the COVID-19 pandemic

n = 122; optional question.



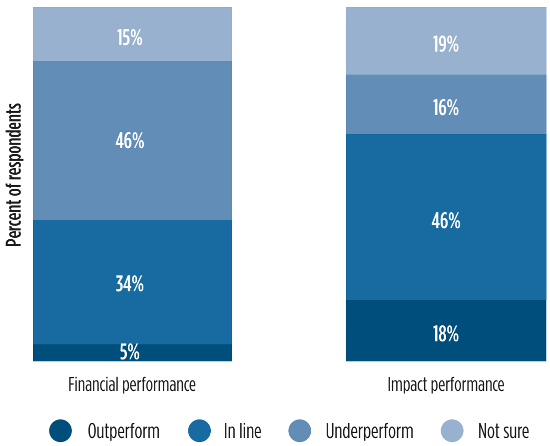
Source: GIIN, 2020 Annual Impact Investor Survey

PERFORMANCE AGAINST EXPECTATIONS

In the full Annual Impact Investor Survey, respondents indicated how their portfolios are performing against their expectations (page 59).[109] They then shared, on the GIIN's follow-up questionnaire, how they expect their performance might change as a result of the pandemic.[110] In terms of financial performance, almost half (46%) expect their portfolios to underperform their expectations, although more than a third (34%) still expect their performance to meet their expectations. Interestingly, a much lower proportion expect to underperform on impact—just 16%—while almost half expect performance to meet their expectations and a notable 18% expect their portfolios to outperform their expectations for impact.

Interestingly, more Below-Market Investors expect underperformance on financial expectations as well as on impact (79% expect financial underperformance compared to 28% of Market-Rate Investors, and 26% expect impact underperformance, versus 11% of Market-Rate Investors).[111]

Figure 55: Performance against expectations, as a result of the COVID-19 pandemic
n = 122; optional question.



Source: GIIN, 2020 Annual Impact Investor Survey

Several respondents described near-term risks from the economic impact of lockdowns and mandated closures of offices, manufacturing, and other company sites, noting that delays in portfolio companies' business activities will affect both financial and impact performance in the short-term. One respondent noted, however, that "in the long run we expect to perform well through a recession, but patience is required." Another explained, "we are long-term investors, and our financial and impact expectations are closely intertwined. While we expect near-term headwinds, we remain committed to our investment strategy and the social and environmental results on which it depends."

Some respondents active in private debt noted that they are working with investees to restructure loans or expect that their investees might need to temporarily defer loan payments. While this heightened risk of loan default may lead to short-term financial risk or underperformance, respondents explained that these effects would not be material in the long-term.

On the other hand, some respondents focused on private equity mentioned that their portfolios are currently performing better than peers because of their focus on unlisted and less volatile investments.

109 In the full sample analysis, a handful of respondents noting 'not sure' were removed, though analysis for this follow-on questionnaire includes 'not sure' responses, since a significant proportion noted 'not sure.'

110 As noted above, the follow-up questionnaire was administered in April 2020 and offered to all Annual Survey respondents.

111 These differences were not tested for statistical significance due to smaller sample sizes.

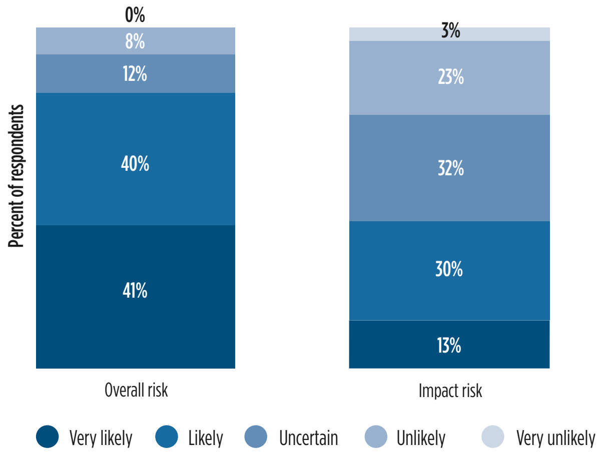
Several respondents also noted that investors across all asset classes and strategies may experience increased volatility and potential price corrections; in this regard, they do not expect impact investors to have a much different experience than 'impact-agnostic' investors.

INVESTMENT RISK

Respondents indicated whether the level of risk they perceive for their impact investing portfolios had changed as a result of the pandemic. The clear majority (81%) noted that the severity of overall risk is at least somewhat likely to change. Interestingly, however, only 43% reported the same for impact risk. More than a quarter believe that impact risk has probably remained unchanged, while only 8% believe the same about overall risk. More respondents are also uncertain about whether impact risk had changed (32%, compared to 12% for overall risk).

Figure 56: Likelihood that the severity of risk to impact investing portfolios has changed as a consequence of the COVID-19 pandemic

n = 120; optional question.



Source: GIIN, 2020 Annual Impact Investor Survey

Several respondents perceive overall risk to have dramatically increased (for example, macroeconomic, liquidity, currency, and market demand risks). As one described, "impact is typically aligned to financial risks and will therefore be impacted as well."

Some, meanwhile, perceive lowered impact risk. One asset manager explained, "on the impact side, we see less risk to [our] direct impact (investor contribution or additionality)—in many cases, the additionality of our finance will be even stronger/clearer as financial markets freeze up."

Finally, many respondents reflected on the possibility for increased demand for impact investing capital as a result of the COVID-19 pandemic. One below market, private debt-focused respondent described that "we believe the desire for our capital will increase exponentially. We are responding the way [we] are trained – [taking] high risk, to receive a modest financial return and a high social impact return. In the last four weeks, we have already seen an increase in demand for loans and investments." Several investors also pointed out that marginalized communities, such as low-income individuals and communities of color, have been disproportionally impacted by COVID-19, creating a continued need for impact capital. As one asset manager emphasized, "impact investing is more critical than ever during COVID-19. We're already supporting some of the most underserved communities, creating access to new capital flows and opportunities."

Impact investors can lead the way toward a transformed financial system that honors the role of every stakeholder – from workers to the planet itself.

Appendix 1:
List of survey participants

We are grateful to the following organizations, without which this research would not have been possible. For their participation, we thank:

4impact Venture Capital

Aavishkaar Capital

Access to Capital for Entrepreneurs

Accial Capital

ACTIAM

Active Impact Investments

Addenda Capital Inc.

African Development Bank Group

African Wildlife Foundation/Okavango Capital Partners

AlphaMundi

American Cancer Society's BrightEdge Impact Fund

Ameris Capital

Ankur Capital

Annie E. Casey Foundation

Anonymous 1

Anonymous 2

Anonymous 3

Anonymous 4

Anonymous 5

Anonymous 6

Antera Gestão de Recursos

Anthem Asia

Anthos Fund & Asset Management

Aquila Capital

Arborview Capital

Ascent Capital

Ashburton Investments

ASN Bank

Avanath Capital Management

Aventura Investment Partners

AXA Investment Managers

B Current Impact Investment

Baillie Gifford

Belgravia Family Office

BELLE Michigan Impact Fund

Bestseller Foundation

Bethnal Green Ventures

Beyond Capital

Big Issue Invest

Big Society Capital

Blue Haven Initiative

Blue like an Orange Sustainable Capital

BlueHub Capital

BlueOrchard Finance Ltd.

BNP Paribas

Boston Impact Initiative

Bridges Fund Management

Business Oxygen Pvt. Ltd.

Business Partners International

Calgary Foundation

California Community Foundation

Calvert Impact Capital

Campbell Global

Capital 4 Development Partners

Capri Global Capital Limited

Capricorn Investment Group

CDC Group

Charles H. Hood Foundation

Christian Super

City Light Capital

City of London Corporation

ClearSky

Common Fund for Commodities

Community Capital Management

Community Forward Fund Assistance Corp

Community Investment Management, LLC

Community Loan Fund of the Capital Region, Inc.

Community Vision Capital & Consulting

CONINCO Explorers in Finance

Conservation International Ventures

Cordaid Investment Management

Creation Investments Capital Management, LLC

Credit Suisse AG

Crevisse Partners

Criterion Africa Partners

DBL Partners

de Pury Pictet Turrettini & Co., Ltd.

Deetken Impact

Degroof Petercam

Development and Investment Bank of Turkey

Development Bank of Austria

Développement International Desjardins

Development Partners International LLP

DFO

Disability Opportunity Fund

DOB Equity

DOEN Participaties

DWS

ECMC Foundation

Edwards Mother Earth Foundation

EFM

Ehong Capital

Elevar Equity

Enclude

ENGIE Rassembleurs d'Energies

Enterprise Community Partners

European Bank for Reconstruction and Development

Fahe

Farmland LP

FHI Ventures

Finance in Motion

FINCA Ventures

FinDev Canada

Finnfund

FMO

Fondaction

Ford Foundation – PRI

Ford Foundation – MRI

Fundo Vale

Futuregrowth Asset Management

Gag Investimentos e Participações

Garden Impact Investemnt

GAWA Capital

Generation Investment Management

Glenmede

Global Social Impact

Goodwell Investments

Gordon and Betty Moore Foundation

Grace Impact

GroFin

Grupo Baoba

GSSG Solar, LLC

Habitat for Humanity International

Hancock Natural Resource Group (HNRG)

HCAP Partners

HealthQuad

Helios Investment Partners

HESTA

Hitachi Capital CSR Department

Hooge Raedt Social Venture (HRSV)

IDB Invest

IDP Foundation, Inc.

Impact First Investments

Impact Foundation

Impact Investment Group

Impax Asset Management

Impress Capital Limited

Incofin Investment Management

Inerjys Ventures Inc.

Injaro Investments

Innovation Edge

INOKS Capital SA

Insitor Partners

Inspired Evolution Investment Management

Inspirit Foundation

International Finance Corporation (IFC)

Invest in Visions

Investisseurs & Partenaires (I&P)

Irupé

Islamic Corporation for the Development of the Private Sector (ICD)

iungo capital

Japan Social Innovation and Investment Foundation (SIIF)

John D. and Catherine T. MacArthur Foundation

JP Morgan Chase & Co.

Kaizenvest

KIBOW Impact Investment

Kiva Capital Management

Lafise Investment Management

LeapFrog Investments

Lendable

Leviticus Fund

LimeVest Partners

Lion's Head Group

LISC

Local Enterprise Assistance Fund Inc.

Lok Capital

Low Income Investment Fund

Luxembourg Microfinance and Development Fund

MainStreet Partners

Maj Invest

MaRS Catalyst Fund

Mary Reynolds Babcock Foundation

McConnell Foundation

McKnight Foundation

Medical Credit Fund

Mennonite Economic Development Associates (MEDA)

Menterra Venture Advisors Private Limited

Merck

Mercy Corps

Mergence Investment Managers

Mesoamerica

MetLife

Michael & Susan Dell Foundation

Minderoo Foundation

Mitsubishi UFJ Trust & Banking Corporation

Mountain BizWorks

MOV Investimentos

National Australia Bank Limited

National Community Investment Fund

National Council on Agricultural Life and Labor Research Fund, Inc.

NatureVest/The Nature Conservancy

Neuberger Berman

New Forests

New Hampshire Charitable Foundation

New Market Funds

New Summit Investments

New Ventures / Adobe Capital

Nexus for Development

NN Investment Partners

Nonprofit Finance Fund

Norsad Finance

Northern Arc Investment Managers Private Limited

Nuveen, A TIAA Company

Obviam AG

Oikocredit

Old Mutual Alternative Investments

Open Road Ventures

Overseas Private Investment Corporation (OPIC) / U.S. International Development Finance Corporation (DFC)

Palestine Investment Fund

Patamar Capital

Paul Ramsay Foundation

Pearl Capital Partners

PGGM

PGIM Real Estate

Phatisa

Phitrust Partenaires

Planet Rise

Portocolom Asesores

Portugal Inovação Social

Positive Ventures

Praxis Mutual Funds

Prudential Impact Investments

Pure Leapfrog

PureTerra Water Technology Growth Fund

QBE Insurance Group

Q-Impact

Quadia SA

Quona Capital

RBC Global Asset Management (U.S.) Inc.

Realdania

Réseau d'investissement social

du Québec

responsAbility Investments AG

Restone Capital

Rise Ventures

Root Capital

RS Group

SA Capital, Ltd.

Sahel Capital Agribusiness Mangers

Save the Children Australia

SEAF

Seattle Foundation

Shared Interest

Shinsei Corporate Investment, Ltd.

Sifem

SilverStreet Capital LLP

SITAWI

SJF Ventures

SLM Partners

SME Impact Fund

SME.NG

Snowball

Social Ventures Australia

Sonen Capital

Sophia School Corporation

Soros Economic Development Fund

Stonechair Capital

Surdna Foundation

Swedfund

Sycomore Asset Management

Symbiotics

TBL Mirror Fund

Temasek Trust

Temporis Capital

The California Endowment

The Children's Investment Fund Foundation (UK)

The Climate Trust

The David and Lucile Packard Foundation

The Impact Fund

The JumpFund

The Kresge Foundation

The Lemelson Foundation

The Life Initiative

The Lyme Timber Company LP

The Myer Foundation

The Rise Fund (TPG)

The Rockefeller Foundation

The Sasakawa Peace Foundation

TLG Credit Opportunities Fund

Tourism Conservation Fund

Treehouse Investments, LLC

TriLinc Global, LLC

Triodos Investment Management

Triple Jump

True Wealth Ventures

Turner Impact Capital

UBERIS SA

UBS Optimus Foundation

UNICEF USA Impact Fund for Children Bridge Fund

United States African Development Foundation

UOB Venture Management Pte. Ltd.

Upaya Social Ventures

VERGE Capital (Pillar Nonprofit Network)

Vermont Community Loan Fund (VCLF)

Virginia Community Capital

Vital Capital

Vodia Ventures

Volta Capital

Vox Capital

Wallace Global Fund

Walter S. Mander Foundation

WaterEquity

Wellington Management

Wespath Benefits and Investments

Whatcom Community Foundation

WHEB

Working Capital for Community Needs

WWB Asset Management

WYNG43

X8 Investimentos

Yellowdog

Yunus Social Business

Zarius Properties

Zhejiang MiYin Investment Management Co., Ltd.

Zurich Insurance Group

Appendix 2:
Sources for notable commitments over the past decade

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Appendix 3:
List of definitions provided to survey respondents

General

- **Impact investments:** Investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return. They can be across asset classes, in both emerging and developed markets, and target a range of returns from below-market to market-rate, depending on the investors' strategic goals.
- **Climate—physical risk:** Risks from increasing temperatures, rising sea levels, and changing weather patterns (e.g., drought, flood, storms).
- **Climate—transition risk:** Post-transaction risks from unplanned or abrupt changes to businesses or assets, such as changes in policies, shifts to low-carbon technologies, or other liabilities.
- **Catalytic capital:** Debt, equity, guarantees, and other investments that accept disproportionate risk and/or concessionary returns relative to conventional investments in order to generate positive impact and enable third-party investment that otherwise would not be possible.

Asset classes

- **Deposits & cash equivalents:** Cash management strategies that incorporate intent toward positive impact.
- **Private debt:** Bonds or loans placed with a select group of investors rather than being syndicated broadly.
- **Publicly traded debt:** Publicly traded bonds or loans.
- **Equity-like debt:** An instrument between debt and equity, such as mezzanine capital or deeply subordinated debt. Often a debt instrument with potential profit participation, such as convertible debt, warrant, royalty, or debt with equity kicker.
- **Private equity:** A private investment into a company or fund in the form of an equity stake (not publicly traded stock).
- **Public equity:** Publicly traded stocks or shares, also described as listed equities..
- **Real assets:** An investment of physical or tangible assets as opposed to financial capital, such as real estate or commodities.

Stages of growth

- **Seed/Start-up:** Business idea exists, but little has been established operationally; pre-revenue.
- **Venture:** Operations are established, and company may or may not be generating revenues but does not yet have positive EBITDA.
- **Growth:** Company has positive EBITDA and is growing.
- **Mature:** Company has stabilized at scale and is operating profitably.

Contributors of portfolio risk

- **Business model execution and management risks:** Risks of a company generating lower profits than anticipated and of ineffective and/or underperforming management.
- **Country and currency risks:** Political, regulatory, local economic, or currency-linked risks.
- **ESG risk:** Risk derived from noncompliance with environmental, social, or governance criteria.
- **Financing risk:** Risk of the investee not being able to raise subsequent capital necessary for its growth.
- **Impact risk:** The possibility that the investment does not achieve the desired social or environmental benefits.
- **Liquidity and exit risk:** The risk of being unable to exit the investment at the desired time.
- **Macroeconomic risk:** Risk that includes regional or global economic trends.
- **Market demand and competition risk:** Risks of low demand for the investee's products or services or declining revenues resulting from the actions of a competitor.
- **Perception and reputationalrisks:** Risks of loss resulting from damages to an investor's or investee's reputation.

Contributors of impact risk

- **Evidence risk:** The probability that the evidence on which the strategy is based is faulty and so the expected impact will not occur.
- **External risk:** The probability that external factors disrupt the ability to deliver the expected impact.
- **Execution risk:** The probability that the activities are not delivered as planned and do not result in the desired outputs.
- **Stakeholder participation risk:** The probability that the expectations or experiences of stakeholders are misunderstood or not taken into account, reducing their participation or uptake.
- **Drop-off risk:** The probability that the expected impact does not endure.
- **Unexpected impact risk:** The probability that significant unexpected positive and negative impact may be experienced by people and the planet.
- **Efficiency risk:** The probability that the expected impact could have been achieved with fewer resources or at a lower cost.
- **Contribution risk:** The risk that an investment leads to the same or worse effect compared to what would otherwise have occurred.

Appendix 4:
Outreach partners

The GIIN appreciates the assistance 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.

www.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.

www.gsb.uct.ac.za

The Catholic Impact Investing Collaborative (aka CIIC- pronounced "seek") works to spread the word of Impact Investing through community building, sharing experiences, and learning from each other. Our goal is to accelerate and expand the use of wealth in service of people and planet.

www.catholicimpact.org

China Social Enterprise and Impact Investment Forum (CSEIF) was jointly initiated by a group of 17 Chinese top foundations and venture philanthropic organizations in 2014. CSEIF advocates establishing a supportive ecosystem for the social enterprise and impact investment sector in China with an open and inclusive attitude.

www.cseif.cn/index.php

The Church Investors Group represents institutional investors from many mainstream Church denominations and church related charities. Our aims are to encourage the formulation of investment policies based on Christian ethical principles, to encourage responsible business practice through engagement with company managements and to share information and views on ethical matters related to investment. The CIG has 70 members, predominantly drawn from the UK and Ireland, with combined investment assets of over £21bn.

www.churchinvestorsgroup.org.uk

The European Microfinance Platform (e-MFP) with over 130 members is the leading network of European organisations and individuals active in the financial inclusion sector in developing countries. e-MFP fosters activities which increase global access to affordable, quality, sustainable and inclusive financial services for the un(der)banked by driving knowledge-sharing, partnership development and innovation.

www.e-mfp.eu

The Global Steering Group is an independent global steering group catalyzing impact investment and entrepreneurship to benefit people and the planet.

www.gsgii.org

ImpactAlpha is a digital media company redefining business journalism around social and environmental value. ImpactAlpha's daily newsletter, The Brief, is read by more than 70,000 professionals and influencers globally. News and original features are featured on ImpactAlpha.com. Our open database, ImpactSpace, aka "CrunchBase for Impact," includes profiles on more than 10,000 impact ventures, funds and deals.

www.impactalpha.com

The Impact Investors Foundation (IIF) engages and collaborates with key stakeholders, active in the impact investing space, to unlock capital for social investments in Nigeria. Our overarching goal is to promote the growth and excellence of impact investing in Nigeria.

www.impactinvestorsfoundation.org

Intellecap is the advisory arm of The Aavishkaar Group, which works to build businesses that can benefit the underserved segments across Asia and Africa. All our work at Intellecap is designed to make markets equitable and inclusive.

www.intellecap.com

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.

www.intentionalendowments.org

Mission Investors Exchange is a leading network of foundations engaged in impact investing. Its more than 200 members comprise a vibrant community committed to tackling the world's most intractable social and environmental issues, from climate change and global health to education and quality jobs.

www.missioninvestors.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.

www.nvgroup.org

Pensions for Purpose is a collaborative initiative of impact managers, pension funds, social enterprises and others involved or interested in impact investment. Our aim is to promote understanding of impact investment by effective sharing news stories, blogs, case studies, academic research and thought leadership papers and acting as a first port of call for journalists seeking comment on impact investment-related issues.

www.pensionsforpurpose.com

Phenix Capital is an Amsterdam-based investment consultant that catalyses institutional capital for the SDGs. We enable institutional investors to make impact fund investments through Global Impact Platform, institutional impact events, and placement services.

www.phenixcapital.nl

The Responsible Investment Association (RIA) is Canada's industry association for responsible investment. RIA members believe that the integration of environmental, social and governance (ESG) factors into the selection and management of investments can provide superior risk adjusted returns and positive societal impact.

www.riacanada.ca

The Responsible Investment Association Australasia (RIAA) champions responsible investing and a sustainable financial system in Australia and New Zealand. RIAA is dedicated to ensuring capital is aligned with achieving a healthy society, environment and economy. With over 300 members managing more than $9 trillion in assets globally, RIAA is the largest and most active network of people and organisations engaged in responsible, ethical and impact investing across Australia and New Zealand. Our membership includes super funds, fund managers, banks, consultants, researchers, brokers, impact investors, property managers, trusts, foundations, faith-based groups, financial advisers and individuals.

www.responsibleinvestment.org

A company specialized in conducting field research, designing business solutions, building capabilities and launching initiatives; through the use of analytical techniques, innovation methodologies, and designing leadership and operational strategies; to enable individuals and institutions to grow and make a positive impact in the societies in which they operate.

www.sabr-sp.com/ar/home

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.

www.siif.or.jp/en

Transform Finance envisions a world where capital is a tool for the advancement of real, transformative social change. Through thought leadership, trainings, convenings, and the Transform Finance Investor Network, we support all stakeholders, from community leaders and activists to investors and entrepreneurs, who are exploring that vision.

www.transformfinance.org

About the Global Impact Investing Network

This report is a publication of the Global Impact Investing Network (GIIN), the leading 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

Roadmap for the Future of Impact Investing

Interested in helping to build the field of impact investing? The GIIN's *Roadmap for the Future of Impact Investing: Reshaping Financial Markets* presents a vision for more inclusive and sustainable financial markets and articulates a plan for impact investing to lead progress toward this future. To download the Roadmap and find more information about opportunities to get involved, visit **roadmap.thegiin.org**.

For more information

Please direct any comments or questions about this report to research@thegiin.org.

To download industry research by the GIIN and others, please visit https://thegiin.org/research.

Disclosures

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