BC ESG • Technical Field Reference

Impact Investing Quick Card: Definition, GIIN Core Characteristics & IRIS+ Taxonomy

Current version — Nov 2, 2026. Update history: https://bcesg.org/impact-investing-measurement-giin-standards-portfolio-construction/
Governing standard: Post 43 • Free Desk Reference

CORE GOVERNING DEFINITION & MARKET SCOPE

Impact Investing: The practice of allocating capital to enterprises, organizations, or projects with the **explicit intention** to generate positive, measurable environmental or social outcomes alongside financial returns. Impact measurement frameworks like GIIN's IRIS+ standard enable investors to quantify and compare impact across portfolios, ensuring accountability and authenticity.

Market Scale (2025): Global impact AUM exceeds **$1.5 trillion** (GIIN State of the Market: ~$1.6T, ~21% 6-yr CAGR).

Return Profile: 79% of surveyed investors target risk-adjusted market-rate returns.

GIIN CORE CHARACTERISTICS OF IMPACT INVESTING

1. Intentionality — PURPOSE

Explicit, up-front commitment and intention to generate positive social or environmental outcomes alongside financial returns. Without deliberate purpose, outcomes are incidental, not impact.

2. Measurement — EVIDENCE

Rigorous, evidence-based measurement using research and impact data in design, setting baseline and target metrics, tracking progress systematically, and reporting transparently.

3. Financial Returns — CAPITAL

Expectation of competitive, market-rate or concessionary returns aligned to capital source (not pure philanthropy). 79% of allocators target commercial risk-adjusted hurdle rates.

4. Diversity & Growth — INDUSTRY

Flexibility across asset classes, sectors, and geographies, coupled with using shared conventions (IRIS+) and contributing data back to grow industry benchmarking benchmarks.

GIIN IRIS+ MEASUREMENT STANDARD ARCHITECTURE

Core Metrics Sets

Curated, evidence-backed shortlists of standardized indicators tied to specific impact themes. Enables direct cross-portfolio aggregation, peer benchmarking, and LP reporting.

Supplementary Metrics

Context-specific or exploratory indicators for deep-dive diligence, regional nuance, or emergent business models. Adds operational color without breaking core comparisons.

Impact Themes & Mapping

Structured taxonomy aligned to UN Sustainable Development Goals (SDGs), GRI Standards, and 50+ reporting frameworks. Report once and translate across standards.

STANDARDIZED IRIS+ METRIC TAXONOMY BY THEME

Domain & Category	Core Standardized Metrics (Sample)	Measurement Units & Target Basis
Climate ENVIRONMENTAL	Greenhouse gas emissions avoided; renewable energy generated; clean energy capacity installed; energy efficiency gains.	tCO2e avoided; MWh clean power generated; MWh energy saved; % reduction vs facility baseline.
Natural Resources ENVIRONMENTAL	Volume of water conserved; sustainably managed land area; biodiversity preservation and habitat protection.	Cubic meters (m^3) conserved; protected hectares (ha); count of endangered or benefited species.
Pollution ENVIRONMENTAL	Air pollutants reduced (NOx, SOx, PM); hazardous industrial waste managed; post-consumer plastic diverted.	Metric tonnes air emissions reduced; kg/tonnes hazardous waste treated; tonnes plastic diverted from landfill.
Employment SOCIAL	Direct jobs created; full-time equivalent (FTE) positions; living wage adherence; net income growth per worker.	Total FTE count; % living wage compliance; $ average annual wage uplift over local median.
Health SOCIAL	Underserved lives improved; healthcare access expanded; targeted disease cases treated or prevented.	Number of direct patients served; healthcare clinic coverage area; incidence reduction rate.
Education SOCIAL	Learners trained; vocational curriculum hours delivered; graduation and accredited completion rates.	Student enrollment count; total classroom/curriculum hours; % credentialed completion.
Financial Inclusion SOCIAL	Individuals gaining first-time credit access; unbanked populations banked; smallholder farmers capitalized.	Active borrower count; unbanked % of customer base; smallholder farmer yield/income growth.

IRIS+ IN INVESTMENT SCREENING & DUE DILIGENCE

- **Screening:** Establish verified baseline and quantitative target expectations prior to term sheet execution.
- **Peer Benchmarking:** Benchmark company performance against sector quartiles in the GIIN dataset.
- **Portfolio Aggregation:** Enforce common unit denominator across investees to roll up total thematic outcome.
- **LP Transparency:** Provide limited partners quarterly verifiable audit trails of impact claims and variances.

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Five Dimensions of Impact, Methodological Tests & Portfolio Construction

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THE FIVE DIMENSIONS OF IMPACT (IMP / IMPACT FRONTIERS STANDARD)

Dimension	Governing Analytical Question	Operational Application & Example Metrics
1. WHAT	What outcome is occurring, is it positive or negative, and how important is it to the people or planet experiencing it?	Identify target environmental or social outcome; assess stakeholder materiality (e.g., tCO2e emissions avoided, renewable energy generated).
2. WHO	Who experiences the outcome, and how underserved are they relative to the baseline condition?	Demographic baseline; proportion of direct beneficiaries who are low-income, women, rural, or marginalized (% below poverty line).
3. HOW MUCH	How many people or assets are affected (scale), what degree of change is achieved (depth), and for how long (duration)?	Three quantitative dimensions: **Scale** (total count reached), **Depth** (magnitude of change, e.g. % income increase), and **Duration** (years benefit persists).
4. CONTRIBUTION	Did the enterprise's and investor's efforts produce outcomes likely better than what would have happened anyway?	Assess additionality against counterfactual baseline; determine investor contribution mechanism (signaling, engagement, flexible capital).
5. RISK	What is the likelihood that the impact differs from what is expected across downside and drop-off scenarios?	Impact risk scoring across evidence risk, external/policy risk, execution risk, drop-off risk, and unintended negative consequence risk.

ADDITIONALITY, ATTRIBUTION & MEASUREMENT INTEGRITY TESTS

Additionality Test

The Counterfactual Question: Would the impact have occurred without this investment? Requires explicit counterfactual analysis. Prevents claiming credit for market-driven baseline improvements or pre-existing regulatory trends.

Attribution vs. Contribution

Causality Standard: Attribution claims direct, isolated causality (rare outside RCTs).
Contribution: Acknowledges the investment's catalytic or enabling role in a broader ecosystem. Most credible funds report contribution.

Baseline & Boundary Control

Scope Definition: Clear boundaries between direct beneficiaries and indirect spillovers. Audits baselines to eliminate "impact inflation" or greenwashing caused by shifting measurement windows or cherry-picked cohorts.

PORTFOLIO CONSTRUCTION: ASSET CLASSES, THEORY OF CHANGE & INVESTOR TYPOLOGY

Asset Class / Allocation	Primary Impact Transmission Mechanism	Return Target & Liquidity Profile
Private Equity & VC	Early/growth capital into business models scaling clean tech, healthcare, or edtech; active board governance and impact milestone covenants.	Market-rate (7–10%+ IRR target); 7–10 yr illiquid; J-curve return profile.
Fixed Income & Bonds	Green, social, and sustainability-linked bonds with ring-fenced proceeds, mandatory KPI reporting, and step-up coupon penalties for missed goals.	Capital preservation / fixed coupon (3–5% yield); medium liquidity.
Real Assets & Infra	Tangible assets in renewable generation, grid storage, sustainable timber, or water treatment; impact locked into operational performance metrics.	Inflation-protected cash flow (5–8% yield); long-term illiquid holding.
Public Equities	Best-in-class thematic equity allocation aligned to SASB/TCFD materiality; shareholder engagement and proxy voting for corporate transformation.	Market-rate equity benchmark; high daily liquidity; signaling contribution.

Theory of Change Architecture

- **Problem & Context:** Document verified market failure or underserved need.
- **Inputs & Activities:** Capital deployment + operational support & governance.
- **Outputs & Outcomes:** Immediate goods/services delivered → long-term change.
- **Assumptions & Risks:** External dependencies, drop-off factors, and mitigation.

Investor Typology & Hurdle Rates

- **Philanthropic Capital:** Concessionary returns (0–3% or capital preservation); prioritizes catalytic depth over commercial yield.
- **Blended Finance:** Tiered capital structure; first-loss grants catalyze private institutional participation.
- **Mainstream Institutional:** Commercial hurdle rates (79% of market); impact as risk mitigation and growth driver.

Disclaimer: This technical reference is compiled strictly from published research on impact measurement standards (GIIN, IRIS+, IMP). It does not constitute investment, financial, legal, or tax advice, nor a recommendation of any security, fund, or strategy.