

# Impact investing needs clearer labels

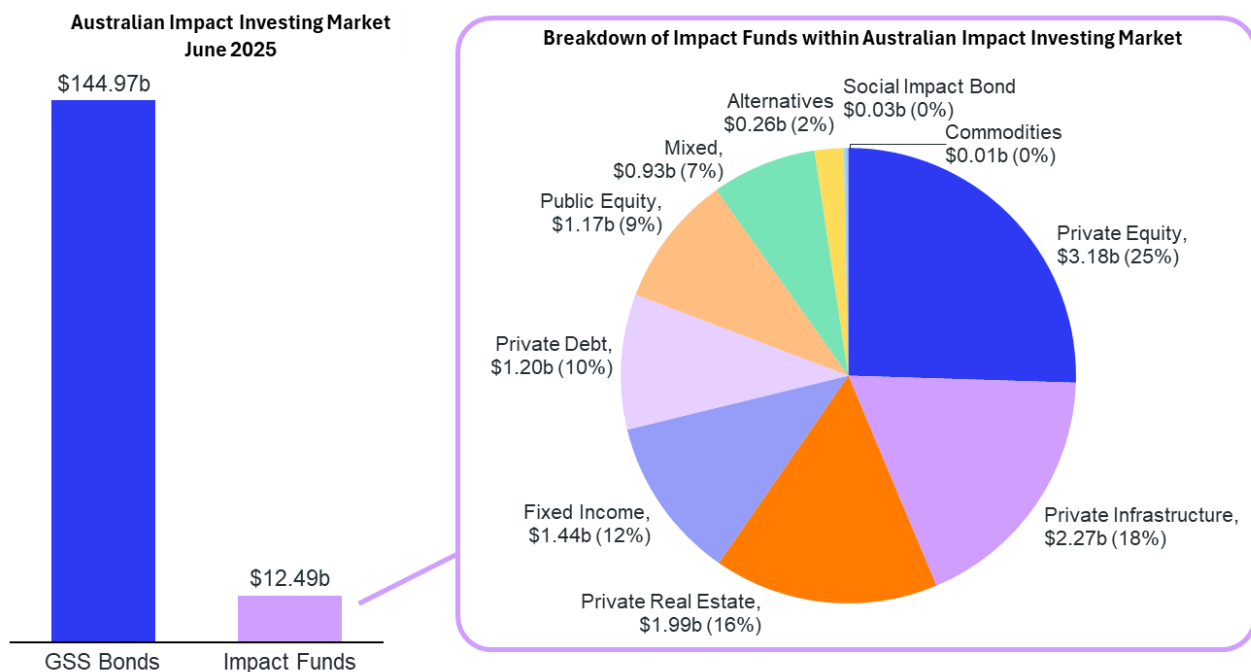
## Clearer return signals can reduce barriers

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Impact investing in Australia has grown rapidly in recent years. Impact Investing Australia’s (IIA’s) 2025 benchmarking report<sup>1</sup> estimates the market had expanded to around \$157b at June 2025, up from \$20b in 2019.

While the headline figures suggest a rapidly expanding market, IIA’s report also reveals that growth has been uneven. As shown in Figure 1, most capital is concentrated in green, social and sustainability (GSS) bond products issued by a relatively small number of issuers, with semi-sovereign bonds alone accounting for about \$67b of the total.

Figure 1: Australian Impact Investing Market at June 2025



Source: [Impact Investing Australia](#) (2025)<sup>2</sup>

<sup>1</sup> Campbell, B., Cripps, M., Edwards, M., Hetherington, D., Logue, D., Raj, S., and Zhao, Y., (2025). The 2025 Impact Investing Benchmarking Study, Impact Investing Australia, Melbourne  
Available at: <https://impactinvestingaustralia.com/wp-content/uploads/2025/10/Benchmarking-Impact-Final.pdf>

<sup>2</sup> ibid

We believe most capital flowing into impact investments outside the GSS bond market has been directed into investments aligned with environmental outcomes. In particular, sectors such as renewable energy and green infrastructure have attracted large-scale capital deployment, supported by favourable government policy settings and market-rate returns. These sectors also offer investment opportunities at a scale that align with the needs of Australia's superannuation funds and other institutional investors, where minimum investment sizes commonly range from \$50-100m. As a result, large green infrastructure funds have been able to absorb and deploy substantial amounts of superannuation capital.

Meanwhile, most social impact investment opportunities in Australia are far smaller, making it harder for them to attract capital from superannuation funds and other institutional investors.

Expanding the scale of social impact investment opportunities remains a central challenge for Australia's impact investing community. Addressing this challenge will require action on multiple fronts. In this article we focus on one part of the puzzle that is immediately addressable: clearer labelling of the financial return characteristics of each impact investment.

Language matters. The terms we use shape how current and prospective market participants understand the expected returns of different investment opportunities. Clearer labelling of impact investments presents an opportunity to establish shared expectations across the market and reduce misunderstanding - particularly for investors and advisers who are newer to impact investing. While financial return labelling alone will not solve the challenge of scale, it can play a critical role in laying the groundwork for mainstreaming impact investment.

We acknowledge Responsible Investment Association Australasia (RIAA's) leadership through its Responsible Investment Certification Program and Treasury's ongoing work under the Sustainable Finance Roadmap to develop sustainable investment product labels. These projects play an important role in clarifying the sustainability and impact characteristics of investment products. However, they do not address a separate and unresolved need in the market: **clearer labelling of the financial return and risk/return profile of impact investments**. Addressing this gap will require collaboration across the impact investment sector.

### Clarifying the risk-return proposition

'Impact investment' has become an increasingly recognised term. However, it's not consistently understood, particularly when it comes to how **impact objectives intersect with financial return expectations**.

Most widely used definitions of impact investing in Australia and internationally deliberately encompass a wide spectrum of financial returns, from fully 'market-rate' investments through to strategies that accept concessional returns in pursuit of impact outcomes.

Within the impact investing community's 'tent', this breadth is well understood, and we focus on more granular distinctions of impact, such as degrees of intentionality, additionality and measurability.

However, in the broader investment sector, the term is often interpreted differently. For many investors and their advisers who are outside the tent, 'impact investing' carries an implicit assumption that financial returns are likely to be concessional relative to risk. This perception can immediately terminate any interest, particularly among institutional investors and financial advisers whose mandates require market-rate returns. For these investors-and particularly those bound by fiduciary duties-opportunities must first meet risk-adjusted return requirements before impact considerations can even be assessed.

For this reason, we believe the market would benefit from clearer terminology that signals whether the risk-return proposition reflects a market rate of return for the level of risk or instead offers concessional returns or return of capital only. One way to achieve this would be clearer, more consistent financial return labelling across the market.

### **Better labels can attract more capital to impact opportunities**

By clearly signalling how financial return expectations relate to risk and impact objectives across different categories of impact investments, financial return labels can create a shared frame of reference for investors, advisers and intermediaries. This kind of clarity can make engagement far more efficient, particularly when communicating with institutional investors, financial advisers and others outside the impact investing tent.

**Clearer labelling has the potential to reduce misunderstandings, streamline due diligence and reduce the time and cost investors currently spend trying to interpret where different impact investments sit on the risk-return spectrum. Ultimately, this should help more capital find its way to impact opportunities that align with investors' mandates.**

Labels can also help investors articulate their expectations when setting investment mandates. Institutional investors, foundations and family offices typically express clear parameters about the types of investments their managers should pursue and those that fall outside their mandate. A shared labelling system would provide a common language for these discussions, allowing investors to specify more precisely which categories of impact investment are appropriate for their portfolios and which are not. This clarity could make it easier for investment managers and fund managers to source opportunities that align with their clients' objectives, while avoiding misunderstandings about expected financial returns and impact outcomes.

In short, simple and widely-accepted labels for impact investment in Australia could eliminate the costs of confusion and misunderstanding that currently act as barriers to taking impact investment - particularly investments targeting social outcomes - into the mainstream.

### **A shared opportunity to move the market forward**

For any labelling system to be effective, it must be widely understood and adopted across the market. No single organisation can establish this on its own. Developing a shared approach will require collaboration among the organisations that have helped shape Australia's impact investing ecosystem, including foundations, impact fund managers, advisers, and intermediaries.

Superannuation funds should also have a seat at the table - potentially through representative organisations such as the RIAA - so that the steps we take today help pave the way for more impact investment by superannuation funds in the future.

A practical next step would be to convene a roundtable of leaders from across the sector to explore how clearer labelling could work in practice and to build consensus around a labelling system that support clearer financial return expectations across Australia's investment markets.

The Impact Investment Summit will be held at the end of this month in Sydney and will bring together many of the leaders in Australia's impact investment sector. We will be attending the Summit and welcome the opportunity to continue this conversation with others in the sector about how clearer labelling could support the next stage of growth for impact investing in Australia.

*SVA is a leading social impact organisation and not-for-profit, founded to accelerate innovation in the social sector. Our team has championed the impact investing market since convening and facilitating the Goodstart transaction in 2009.*