

Influences on the Quality of Impact Investor Disclosure Statements

by

Patrick Simon

A thesis
presented to the University of Waterloo
in fulfillment of the
thesis requirement for the degree of
Master of Environmental Studies
in
Sustainability Management

Waterloo, Ontario, Canada, 2022

© Patrick Simon 2022

Author's Declaration

I hereby declare that I am the sole author of this thesis. This is a true copy of the thesis, including any required final revisions, as accepted by my examiners.

I understand that my thesis may be made electronically available to the public.

Abstract

The Sustainable Development Goals (SDGs) currently have a funding gap of roughly 2.5 trillion dollars. This funding gap requires the help of private institutions to reduce the current gap. Impact investing, a form of investing that combines financial returns with social and environmental returns, came into fruition in 2008 to help close this gap, and since its inauguration, impact investing has exploded in popularity. However, with this growth in popularity also comes an increase in the number of critics and criticisms regarding the impact investing sector. The lack of accountability and the inability of a universal method of evidence and data collecting regarding impact investors' social and environmental returns from their investments has led to fears that impact investing may be another form of "greenwashing". A method that has been discussed to provide information to stakeholders regarding impact investing's strategy to provide social and environmental returns is to create disclosure statements. These disclosure statements would explain impact investors' strategies on investing ideas, methods, and goals. Disclosure statements provide accountability regarding impact investors and their investments and lead to investment efficiency and legitimacy for their stakeholders. One framework that has impact investors create these disclosure statements is OPIM or the Operating Principles for Impact Management. This framework has impact investors voluntarily joining their framework and disclosing their investment strategy by explaining how their investments will align with OPIMs 9 principles. This research thesis focuses only on the quality of reporting being done by impact investors, using a quantitative approach by analyzing the 116 OPIM member's disclosure statements, and using a textual analysis to determine the overall quality of these reports. Following the

textual analysis, a theoretical approach was done through legitimacy theory, voluntary disclosure theory, and institutional theory to understand whether the characteristics of size, location, whether being primarily an impact investor, or the date of adoption, have any influence on the quality of the produced disclosure statements. The findings found that location and the date of adoption to OPIM did have an impact on the quality of the disclosure statements. However, size and being primarily an impact investor did not. The research findings help understand why certain characteristics have an impact on the disclosure statements being produced by impact investors while others do not.

Acknowledgements

My appreciation goes out to my supervisor, Professor Olaf Weber, for all his support, kindness, and guidance throughout my master's degree and through the development of this thesis. I would also like to give my appreciation to my committee member Dr. Sean Geobey and Dr. Tingting Wu for agreeing to help me on this journey.

I would also like to thank my parents, sister, and my partner Aleks for their love and support during the past year and a half. I couldn't have done it without you all.

I am also grateful to my roommates, Braden and Grayson, my close friend Sophia and my classmates and new friends that I've met through this program. Thank you to Tobi, Onurcan, Manna, Aishwarya, Clare, & Kaitlin, for the long nights, helping hands, and the guidance and encouragement you brought, which will never be forgotten.

Thank you all for such a fantastic journey!

Table of Contents

<i>Author's Declaration</i>	<i>ii</i>
<i>Abstract</i>	<i>iii</i>
<i>Acknowledgements.....</i>	<i>v</i>
<i>List of Figures.....</i>	<i>viii</i>
<i>List of Tables</i>	<i>ix</i>
<i>Chapter 1 : Introduction</i>	<i>1</i>
1.1 Impact Investing Challenges	2
1.2 Criticisms of Impact Investing	3
1.3 Disclosure Statements and the Operating Principles of Impact Management.....	4
1.4 Theories and Research Question.....	5
1.5 Quality of Reporting	9
1.6 Research Limitations	11
<i>Chapter 2 : Literature Review.....</i>	<i>12</i>
2.1 Goal of Impact Investing.....	12
2.2 Barriers Faced.....	15
2.3 Theories.....	19
2.4 Gaps in the Literature.....	24
<i>Chapter 3 : Methods</i>	<i>27</i>
<i>Chapter 4 : Results</i>	<i>31</i>
4.1 Descriptive Analysis	31
4.1.1 Location	33
4.1.2 Size.....	35
4.1.3 Industry	36
4.1.4 OPIM signatory's Percent Key-Term Distributions.....	38
4.2 Statistical Tests.....	38
4.2.1 Complete Data Sets Analysis	39
4.2.2 Regional Results	40
4.2.3 North American and European Results	42
4.3 Quality of OPIM member Disclosure statements	44
<i>Chapter 5 : Discussion</i>	<i>48</i>
<i>Chapter 6 : Thesis Limitations.....</i>	<i>60</i>
<i>Chapter 7 : Conclusion.....</i>	<i>62</i>

7.1 Future Research	66
<i>References</i>	67
<i>Appendices</i>	72
<i>Appendix A OPIM's 9 Principles</i>	72
<i>Appendix B Research Data Set</i>	73

List of Figures

Figure 1: Number of Impact Investors Joining OPIM Per Year	32
Figure 2: Number of OPIM Signatories in Each Region	34
Figure 3: Total AUM by Region (in USD in \$MM)	35
Figure 4: Total Covered Assets per Region (in USD in \$MM)	36
Figure 5: Number of OPIM Members Which are Primarily Focused on Impact Investing or Partially Focused on Impact Investing	37

List of Tables

Table 1: Key Terms	28
Table 2: Number of OPIM Signatories per Region	33
Table 3: OPIM Member Key-Terms Percentage Distributions	38
Table 4: Two-Way ANOVA Test Results Using all Signatories	39
Table 5: Two-Way ANOVA Test Results for Europe.....	41
Table 6: Two-Way ANOVA Test Results for North America	42
Table 7: Two-Way ANOVA test for North America and Europe.....	44

Chapter 1: Introduction

On September 25, 2015, the United Nations General Assembly (UNGA) adopted the 2030 Development agenda titled “Transforming our world: the 2030 Agenda for Sustainable Development”. This agenda, under paragraph 59, outlines the Sustainable Development Goals (SDGs), which would become the guiding framework towards global development for the international community. The 17 goals that the SDGs outline are intended to help create and set national policy priorities for individual states to achieve a broad range of development goals by 2030 (UNGA, 2015).

The SDGs follow the Millennium Development Goals (MDGs), which were ratified in 2000 and created a set of goals to help the international community resolve 8 global issues by 2015 (Wysokińska, 2017). However, one area where the SDGs differ from the MDGs is that the SDGs call upon businesses, governments, and civil society actors to help achieve the development goals (Scheyvens, Banks & Hughes, 2016). Even though both the public and private sectors are called upon to achieve the SDGs, there is currently a \$2.5 trillion funding gap to achieve the required \$3.3 trillion to \$4.5 trillion annual investments in SDG-focused sectors in developing countries alone (Doubmbia & Lauridsen, 2019).

To close the \$2.5 trillion funding gap that is currently plaguing the SDGs, it has been mentioned that a partial reliance on impact investors is required (Phillips, Johnson, 2019). Impact investing is a term for a new strategy of investing, which was created in 2008 (GIIN,

N.D). Impact investing is a form of investing that focuses on balancing financial returns with generating measurable social and environmental returns (Caseau & Grolleau, 2020). Since impact investing's inauguration in 2008, it has seen exponential growth, with over 1300 organizations managing more than 500 billion dollars' worth of impact investing assets, with these numbers continuing to grow (Busch et al., 2020).

1.1 Impact Investing Challenges

With the incredible growth that the impact investing sector has seen in recent years, there has been an increase in challenges that these investors have faced. While there has been an increase in investors interested in the impact investing market, the impact investing market is still relatively small. This small market size means that there is a shortage of "investment-ready deals" that have the opportunity for acceptable social and financial returns for the investors (McCallum & Viviers, 2020). This leads to impact investors taking on investments that may be considered riskier since there is a limited number of projects and organizations that they can invest in.

Another challenge that impact investors face is the demand for evidence and data regarding the social returns from impact investors (Diouf, 2015; Weber, 2016; Reisman, Olazabal, & Hoffman, 2018; McCallum & Viviers, 2020). Currently, there is no universal set of metrics that impact investors can use to measure social and environmental returns from their investments (Diouf, 2015). There are some metrics that are in use, such as the Impact Reporting and Investment Standards (IRIS) and the Global Impact Investing Rating System (GIIRS).

However, these do not fulfill all the required measurements that are often requested from impact investors' stakeholders (McCallum & Viviers, 2020).

The lack of universal metrics to measure social and environmental returns creates an inability to consistently track positive social and environmental impacts and the creation of disagreements about what should be considered a social and environmental impact created by the investors. However, there is also an argument that each investment has different goals concerning the impacts created, meaning that it would not be efficient or possible to create a standardized method of measuring these impacts (Sales, 2015).

1.2 Criticisms of Impact Investing

These challenges have created criticisms towards the impact investing industry, primarily regarding the accountability of impact investors and their responsibility towards showing evidence of the social and environmental returns coming from the investments. The inconsistency and lack of knowledge concerning the quality and the number of impact investors reporting their social and environmental impact results, strategies, and goals have created growing concerns regarding the legitimacy of the Impact Investing sector.

In 2020 the Global Impact Investing Network (GIIN) sent out a survey to the impact investing community. This survey focused on a wide range of topics, but one section focused on the concerns that many of the participants had in the impact investing sector. A question asked what are the three biggest challenges that are being faced by the Impact Investing community

(GIIN, 2020), with 3 of the most significant percentages being "impact washing," with 66 percent of respondents picking it, the "inability to demonstrate impact results" with 35 percent, and the "risk that the industry does not make progress against social or environmental challenges" with 32 percent (GIIN, 2020).

The results that came from the GIIN survey show that even within the Impact Investing community, there are worries and concerns with the lack of evidence found regarding actual social and environmental impacts created by impact investors' investments. The lack of evidence concerning the social and environmental impact is not the only criticism towards impact investors. There are concerns about the lack of evidence regarding impact investors' strategies to ensure that there are social and environmental returns from these investments.

1.3 Disclosure Statements and the Operating Principles of Impact Management

With impact investors themselves having worries regarding the lack of strategy and evidence of social and environmental impacts coming from impact investments, it shows just how important it is to figure out and find solutions to these issues.

One solution to this problem is for impact investors to disclose their social and environmental strategies and the impacts of their investments. Disclosing these strategies allows for more accountability towards these investors, which provides, overall, a better product. Disclosing an investment strategy can help provide a better product since evidence has shown

that organizations that disclose their investing strategies and results promote investment efficiency and legitimacy to their stakeholders (Zhong & Gao, 2017).

To encourage impact investors to create disclosure statements regarding their strategies to implement and show evidence of social and environmental returns, the International Finance Corporation (IFC), along with impact asset managers, owners, and other stakeholders, created the Operating Principles of Impact Management (OPIM) (IFC, 2020). OPIM was created in 2019 to provide a framework for impact investors to use that describes essential aspects of these investors' strategies to achieve social and environmental impacts with their investments. The framework that OPIM has created does not merely focus on investors connecting their assets with goals such as the SDGs. Instead, it focuses on investors creating and explaining the strategy on how Impact Investors' investments will contribute to achieving social and environmental returns (IFC, 2020). OPIM differentiates itself compared to other impact investing networks such as GIIN by requiring OPIM signatories to create and publish disclosure statements which state the organizations impact investing strategies.

1.4 Theories and Research Question

While OPIM has created an opportunity to view and analyze impact investors' disclosure statements and their investment strategy, the literature on the quality of these disclosure statements is still limited. This research thesis will fill in the gap currently missing in academic literature regarding impact investing reporting. This is be done by using the 116 signatories of

the Operating Principles of Impact Management (OPIM) and analyzing the quality of their published disclosure statements required for each signatory of OPIM to create (OPIM, N.D).

To understand who and why some impact investors create disclosure statements and to determine what motivates impact investors to create higher quality reporting, legitimacy theory, voluntary disclosure theory, and Institutional theory are used. These theories have been used in previous research on Environmental, Social, and Governance (ESG) reporting and Corporate Social Responsibility (CSR) reporting but have not been used to discuss impact investing (Aureli, Del Baldo, Lombardi, & Nappo, 2020).

Legitimacy theory is often used to explain the growth of non-financial reporting, which has been growing in the financial sector (Van zijl, Wöstmann, & Maroun, 2017). Legitimacy theory does not focus on the financial values that non-financial reporting, such as ESG and CSR reporting, can bring to an organization. Instead, it allows financial firms to disclose non-financial material to achieve stakeholder expectations and social norms (Van zijl, Wöstmann, & Maroun, 2017).

Initially, voluntary disclosure theory focused on the disclosure of financial information. It has since evolved to explain the voluntary disclosure of non-financial information (Hummel & Schlick, 2016). The transformation occurred because institutions with outperforming sustainability performances would voluntarily disclose their non-financial information to show

that their performance is not just based on the financial performances to increase the market value of their organizations (Hummel, & Schlick, 2016). Voluntary disclosure theory assumes that organizations that voluntarily disclose non-financial information are more likely to be outperforming others in this aspect.

When discussing institutional theory, often, a focus is on how firms respond to pressures from industry regulations and the norms and values of other firms within the same industry (Campopiano & De Massis, 2014). However, for the impact investing industry, there are no existing industry regulations meaning that the central pressures that impact investors may focus on the norms and values that other impact investors use, whether it be from impact investors in local regions or from impact investors that are a part of similar impact investing groups (Shi, Magnan, & Jeong-Bon Kim, 2012). These institutional norms and values become more recognized, and defined organizations are driven by concerns of legitimacy to change their behaviours to include the practices of other institutions in the same sector (Comyns, 2018).

To achieve the goal of this research proposal, the thesis focuses on answering the following Research Questions (RQ):

RQ1: Does size affect the quality of the disclosure statements that impact investors publish?

The use of legitimacy theory when examining the size of an impact investor and the impact that it may have on the quality of the disclosure statements that they produce would say

that larger impact investing firms would have higher quality disclosure statements. Legitimacy theory would explain the higher quality disclosure statements by focusing on how larger firms have more stakeholders to show legitimacy to, thus are under more pressure to produce higher-quality reporting than smaller impact investing firms. The independent variable of size in this research thesis is defined as the Assets Under Management (AUM) for each OPIM member.

RQ2: Does location affect the quality of the disclosure statements that impact investors publish?

Institutional norms and values within different regions may impact the quality of reporting done by impact investors, as discussed by institutional theory. However, these regional differences may not be as apparent when comparing impact investors to other impact investors that are a part of the same investing framework and network. When comparing disclosure statements within a network of impact investors, it allows the network to create its own norms and values that may negate the regional norms, and thus there may be no regional differences between disclosure statements that impact investors are publishing. Location is based on where an impact investing firm is headquartered.

RQ3: Does being primarily an impact investor or not affect the quality of the disclosure statements that impact investors publish?

Based on voluntary disclosure theory, firms that are primarily an impact investor are more likely to produce higher quality disclosure statements compared to firms that are not primarily focused on impact investing because impact investors do not prioritize financial returns

as much as institutional investors and, as such, has a focus on creating strategies for non-financial returns. This focus on non-financial returns would assume that impact investors are more likely to produce higher quality disclosure statements compared to other investors that only have impact investing as a minority focus.

RQ4: Does the date of adoption for an impact investing strategy affect the quality of the disclosure statements that impact investors publish?

When using voluntary disclosure theory to examine whether the date of adoption influences and impacts the quality of a published disclosure statement, it would be thought that the earlier a firm adopts an impact investing strategy, the higher the quality of the disclosure statement. This would be the case because firms who decide to voluntarily create a disclosure statement as quickly as they can, are more likely to have a strong non-financial focus and strategy already. However, institutional theory may say that there will not be much difference in the quality of reporting, as signatories who adopt a strategy for impact investing may use the norms and values already being used by the current members of the adopted strategy.

1.5 Quality of Reporting

When discussing what the quality of reporting means, there is a consensus on what “high quality reports” conveys. The consensus believes that higher-quality reports have data and information that stakeholders are interested in, and that this information is written in a clear manner where the stakeholders are easily able to understand the goals and strategies of an organization (Brammer & Pavelin, 2008; Beattie, McInnes, & Fearnley, 2004). Because each

report is different and the specific requirements for each report are different, it is difficult to create a consistent measurement for what is the quality of the reporting that is being done.

For OPIM and the quality of the disclosure statements that their signatories have published is dependent on how the disclosure statements respond to OPIMs 9 principles, which can be seen in Appendix A. It is the response to these 9 principles that OPIM define the quality of reporting being done by their members. The responses to OPIMs 9 principles explain how their impact investments will be decided upon, including what their objectives are. Define the expected impacts from each of their investment. How will these organizations monitor the progress towards the social and environmental impacts of their investments? Finally, how OPIM members will exit their investments with consideration of the social and environmental impacts once they do exit (OPIM, N.D)?

Answering these questions in detail is what OPIM is looking for when OPIM members create these disclosure statements, and it is how they answer that impacts the quality of their disclosure statements. With this being said each member does have different goals and objectives which can make the content in each disclosure statement a little different compared to the others. It is because of this that rather than having a subjective method of analyzing the data of each disclosure statement, this thesis focuses on key terms to define the quality of reporting being done. These keywords come from OPIMs 9 principles and as such many, if not all appear in each disclosure statement at least several times.

1.6 Research Limitations

Determining the quality of a disclosure statement and other reports is a subjective and complex task since defining the quality of reports can be done using several different methods; this, along with having a selection bias by focusing on impact investors that have signed onto OPIM, are two limitations that this research thesis faces. There are many ways to determine the quality of a disclosure statement, and the method this report chooses is only one. Because of this, researchers who decide to examine the quality of the disclosure statements that impact investors publish using a different method may have different results than the ones that this research concludes with.

Focusing on a dataset where impact investors decide to join may limit the generalizability of the findings beyond OPIM members. This can become a limitation since the impact investors that are signatories to OPIM may have more of a focus on the social and environmental impacts that their portfolios have when being compared to other financial institutions that may be considered impact investors but do not have a framework to use that ensures that their portfolios balance social and environmental causes with financial returns. If researchers decide to use another dataset to determine what characteristics cause a better-quality disclosure statement, those results can be different from the results from this research.

Chapter 2: Literature Review

This chapter begins by looking at the definitions of impact investing and whether these definitions impact what goals impact investors have. This is followed by the barriers and challenges faced by impact investors and the impact investing community as the size of the community continues to grow drastically. This section discusses the lack of opportunities for impact investors, the difficulty of agreeing on what impact investing should be, and the lack of ability to measure social and environmental impacts coming from impact investing.

Next, a review of how legitimacy theory, voluntary disclosure theory, and institutional theory can help understand impact investors' motivation to disclose their impact investments. Lastly, a discussion regarding gaps in literature has been done. This section looks at how there has been no research that focuses on whether the location or size of impact investors have an impact on the quality of reporting being done. It also looks at how there has not been a focus on looking at impact investors' overall investing strategy, but rather a strong emphasis on the impact of their investments only.

2.1 Goal of Impact Investing

In 2007, a meeting led by the Rockefeller Foundation focused on developmental finance and philanthropy at the Bellagio Center in Northern Italy. During this meeting, the term impact investing was officially coined (Agrawal & Hockerts, 2021). Since its inauguration, the overriding goal of impact investing has been to find a middle ground between conventional investments and philanthropy.

Conventional investing focuses on creating financial returns while other concerns, such as creating social and environmental impacts, are not significant. On the opposite end, philanthropy primarily aims to create positive social and environmental impacts with their work while not having a strong desire for financial returns. Impact investing tries to achieve both philanthropy and conventional investing goals by balancing social and environmental impacts alongside financial returns with their investments (Weber, 2016).

There are several definitions for impact investing, many with slight differences. One example of a definition of impact investing is “Seeking to generate both financial return and social and/or environmental value – while at a minimum returning capital, and, in many cases, offering market-rate returns or better” (Harji & Jackson 2012). This definition mentions that impact investing looks for both financial returns and social and environmental returns with their investments but emphasizes the market rate of these investments and how they are often at market rate or higher.

The Global Impact Investing Network (GIIN) uses its own definition of impact investments which focuses on the idea that “investments are made to generate positive, measurable social and environmental impact alongside a financial return” (N.D). This definition primarily focuses on generating positive social and environmental impact with these investments while emphasizing the necessity to measure the social and environmental impacts created. Both definitions are accurate for impact investing, as impact investing focuses on balancing social and

environmental impacts with financial returns. However, the primary focus of these investments depends on the investors themselves.

One area and focus that many impact investors has is to invest in opportunities that align with the SDGs. With the SDGs having a \$2.5 trillion funding gap annually, just in developing nations alone, many impact investors have decided to use the SDGs to set their impact strategies and objectives. This can be seen in a GIIN survey conducted in 2020, asking 294 impact investors how they set their impact investing goals. 52% of them responded with the SDGs (GIIN, 2020). With this being said even if some impact investors do not directly set their impact investing goals to align with the SDGs, many of the social and environmental impacts that their investments create do still have the influence to help achieve the SDGs.

There is also a disparity between impact investors' main impact objectives within the impact investing community and whether a decision to focus on social or environmental impacts from their investments should be made. While roughly 59% of the participants of the GIIN survey responded by saying that they focus on both social and environmental impacts, the difference between investors who focus on only social impacts or only environmental impacts is quite significant. Roughly 36% of impact investors only focus on social impacts, while a mere 5% of impact investors solely focus on environmental impacts (GIIN, 2020).

This large gap between social and environmental impacts could be caused by focusing on environmental impacts, which could indirectly lead to social impacts. At the same time, it is not always the case that impact investors focusing on social impacts can indirectly create positive environmental impacts. This would mean that many impact investors who focus on environmental impacts would be more likely to create social and environmental impacts.

Regardless of the balance between social and environmental impacts with financial returns, the overall goal of impact investing has seemed to interest many investors. There are currently more than 1300 organizations that are managing more than 500 billion dollars' worth of assets involved in impact investing, with these numbers continuing to grow (Busch et al., 2020). However, as the popularity of impact investing grows, it is becoming more evident that there are several barriers and challenges faced by impact investors and impact investing stakeholders.

2.2 Barriers Faced

With the growth that impact investing has seen since its start in 2008, there has been an increased demand for evidence of the impact that has been created by impact investing (Reisman, Olazabal & Hoffman, 2018). The demand for evidence of positive impacts from impact investing has also created a need for research that focuses on the barriers, concerns, and challenges faced by impact investors. This research has found many issues that impact investors face, which could create a negative image of impact investing if not solved.

A significant barrier that impact investors face is the current lack of supply of impact investing opportunities (Phillips & Johnson, 2019; McCallum & Viviers, 2020). While there has been an increase in the number of impact investors, the number of projects that impact investing can invest in has not increased at the same rate. This is caused by several reasons, including the lack of financial literacy from potential business partners (Philips, & Johnson, 2019). Non-profits have had concerns about the inability or the know-how of how to create "feasibility studies" or how to ask for loans in the "finance culture" (Philips, & Johnson, 2019). These organizations are used to focusing on donations and do not need to show financial results from these donations, whereas the impact investors are interested in seeing financial returns from the projects that they invest in (Brown & Swersky, 2012).

Another reason that there is a lack of supply of opportunities for impact investors to invest in is that these investment opportunities do not offer financial returns, which would cause these opportunities to be more philanthropic in nature rather than impact investing opportunities. They mainly focus on social and environmental issues rather than creating or focusing on monetary gain (Weber, 2016). It is also essential to know that there are several opportunities for impact investors to invest, but because many focus on investing in developing nations, these investments tend to be riskier for investors due to the instability within these economies (Huppé & Silva, 2013). Unfortunately, the financial returns are often below or near market-level returns, even with these risky investment opportunities. Thus, the fiduciary duty of investors to maximize returns while minimizing risk for their clients limits the projects that impact investors can invest in.

There has also been a focus on whether impact investors trying to achieve two different goals with their investments makes it challenging to earn suitable financial returns while helping social and environmental causes. The article *Killing Two Birds with One Stone* discusses how having multiple goals for an investment strategy can dilute impact investors' goals (Caseau & Grolleau, 2020). Investors who believe that impact investing can be riskier due to having a lower possibility of achieving their goals and thus will cause impact investing to have a reduction in attractiveness, reducing the financial actors interested in participating in this strategy (Caseau, & Grolleau, 2020). According to Caseau and Grolleau (2020), this concern may impact investors to exaggerate and overstate the actual returns that these investments have earned to gain participants. This exaggeration can cause serious harm to the legitimacy of impact investing when the overstated is not fulfilled. Because of this, strategies were recommended to ensure that individuals that are skeptical of impact investing have little to worry about by having less of a need for impact investors to overstate their social, environmental, and financial returns.

Greenwashing or "Impact washing" is another challenge and one of the most significant challenges facing the impact investing sector. The GIIN annual survey in 2020 asked the respondents what they believe is the largest challenge that the impact investing market faces over the next five years. 66% of respondents had "impact washing" as the most significant challenge, followed by the "inability to demonstrate impact results" with 35%, and risk that the industry does not make progress against social or environmental challenges" had 32%. All three of these concerns deal with the inability of impact investors to measure the effects of their investments.

While tools such as IRIS and GIIRS are metric systems to help impact investors measure the social and environmental impacts that their investments created, these tools do not always satisfy all the required measurements that are often looked for (McCallum & Viviers, 2020). With a lack of a standardized metric to measure social and environmental impacts, there becomes an inconsistent ability to track impacts and the inability to agree on what constitutes positive impacts (Sales, 2015). This inability to agree on what is thought to be positive social and environmental impacts leads to impact investors' inconsistent and ineffective reporting that is being done on their investments.

It is not only the lack of tools for impact investors to use to measure impacts created by their investments, but many organizations focused on social and environmental impacts, especially in developing nations, rarely produce information regarding their performances (Huppé & Silva, 2013). The measuring that is being done is often focused more on outputs and activities, such as the number of people being trained, instead of focusing on actual change such as the rise in income or the progression towards zero poverty (E.T. Jackson and Associates Ltd., 2012). This causes data reliability issues for impact investors, as the number of people being trained does not necessarily mean anything towards specific impact goals.

The difficulty of measuring and agreeing on what should be considered social and environmental impacts has led to fears that "greenwashing" or "impact washing" could damage the reputation of impact investing. Greenwashing is often mentioned when institutions focus on

noticeable actions and aspects, such as creating reports, or posting something positive on social media, while there is negligence on unobservable aspects such as actual measurements of social and environmental impacts (Wu, Zhang, & Xie, 2020).

Even though greenwashing is a severe fear, the ability to measure and communicate social and environmental impacts is a daunting task. With no consensus as to what social impacts are, the high cost and high resource-intensive it is to evaluate social and environmental returns, or the inability to create a consistent way of measuring impacts are all complicated issues that allow the opportunity for greenwashing to happen (Phillips & Johnson, 2019).

Therefore, it is increasingly important to analyze Impact Investors' strategies and goals, as analyzing this allows for a better understanding of how impact investors are hoping to create social and environmental changes with their investments. Analyzing the quality of reports produced by impact investors allows for a better understanding of how these investors will achieve their non-financial goals with their investments, rather than trying to measure their results afterward.

2.3 Theories

One reason why there is a risk of the inability to demonstrate impact results is because there have been disagreements on how to define "impact." As mentioned earlier, there are impact investors who focus on making social and environmental impacts, and there are those investors focused on creating financial returns (Barman, 2015). Both groups put value into their

investments' social and environmental impacts but for different reasons (Brandenburg, 2010). For impact-focused investors, the importance of financial returns matters depending on the quality of and amount of social and environmental impacts that their investments create (Barman, 2015).

For impact investors focused on financial returns, the reporting of social and environmental impacts is mainly used to prove that they are impact investors rather than conventional investors (Barman, 2015). This "legitimacy" approach is well documented, and Legitimacy theory has been used to explain these actions. Legitimacy theory is often used to explain the growth of non-financial reporting, which has been growing in the financial sector (Van zijl, Wöstmann, & Maroun, 2017). Legitimacy theory does not focus on the financial values that non-financial reporting, such as ESG, and CSR reporting, can bring to an organization. Instead, it allows financial firms to disclose non-financial material to achieve stakeholder expectations and social norms (Van zijl, Wöstmann, & Maroun, 2017). Impact investors that are focused mainly on financial returns rather than social and environmental impacts are more likely to be conventional investors that are interested in engaging with impact investing (Barman, 2015), and the reporting of social and environmental impacts is an opportunity to legitimize themselves in the impact investing sector.

Frequently, impact investors primarily focused on the social and environmental impacts done through their investments are more likely to produce higher quality disclosure statements. This is what voluntary disclosure theory believes, a contrast to legitimacy theory. Initially,

voluntary disclosure theory focused on the disclosure of financial information. It has since evolved to explain the voluntary disclosure of non-financial information (Hummel & Schlick, 2016). The transformation occurred because institutions with outperforming sustainability performances would voluntarily disclose their non-financial information to show that their performance is not just based on the financial performances to increase the market value of their organizations (Hummel, & Schlick, 2016).

There have been numerous occasions where using legitimacy theory and voluntary disclosure theory have taken place to understand the relationship between sustainability performance and sustainability disclosure of information (Hummel, & Schlick, 2016; Cho, Freedman, & Patten, 2012). With legitimacy theory and voluntary disclosure theory having conflicting views, they have often been used to explain different explanations concerning why organizations disclose non-financial information and thus have been mutually exclusive theories. However, a study done by Katrin Hummel and Christian Schlick (2016) investigated whether these two theories can be used together to explain quality versus quantity concerning the disclosure statements that organizations create and publish.

The authors argue that organizations that produce lower quantities, but higher quality disclosure statements are more likely to have better-performing sustainability actions, thus explaining voluntary disclosure theory (Hummel & Schlick, 2016) since they have more willingness to expand on their sustainability performances. On the other hand, organizations that produce and publish higher quantities, but lower quality disclosure statements can show a

negative relationship between sustainability performances and lower quality disclosure statements, which can explain legitimacy theory (Hummel, & Schlick, 2016).

There has been extensive research done on ESG reporting and several articles written looking at the influence of size on an ESG score. An article written by Samuel Dremptetic (2020) discusses how the size of a financial firm has a positive connection to the amount of ESG data that one has and how that influences the organization's sustainability performance. However, the author notes a substantial size bias in this measurement because larger firms have access to more resources than smaller firms (Dremptetic, Klein, & Zwergel, 2020). This bias, therefore, promotes larger firms and their ability to advance their ESG reporting in situations where smaller firms are not able to. This leads to the idea that comparing smaller and larger firms' ESG scores is challenging because smaller institutions cannot create as much ESG reporting.

Due to the firm size bias, if one looks at just legitimacy theory or voluntary disclosure theory separately, results may differ because larger firms can benefit from creating ESG reports more than smaller firms. Therefore, it can be beneficial to simultaneously use Hummel and Schlick's (2016) idea of looking at legitimacy and voluntary disclosure theories. Seeing the quality and quantity of written reports can allow for a firm size bias to be less impactful because the quality is more impactful and meaningful than the quantity of reporting.

An article written by Prakash Sethi (2015) evaluates the quality of CSR reports from several of the world's largest financial institutions to see what aspects and factors explain the differences in the overall quantity and quality of CSR reporting. This research finds that legal factors and where the financial institution is located significantly impact the quality of the CSR reports that one produces and publishes (Sethi, Martell, & Demir, 2015). This research also concludes that the large financial institutions regularly publish CSR reports, yet these reports are continuously lower quality reporting.

The findings in the research study done by Sethi (2015) show that firms that are proactive in publishing CSR reporting usually have higher quality reporting in their sectors, which can translate to being a more socially responsible organization. These findings seem to prove Hummels and Schlick's thoughts about using legitimacy theory and voluntary disclosure theory to be accurate, where institutions that produce a larger quantity of reports, but lower quality tend to have less of a focus on social and environmental aspects their organization.

While legitimacy theory and voluntary disclosure theory are essential to help understand whether specific characteristics may impact a firm's reporting quality, institutional theory can help understand why firms that are part of the same strategy, group, or focus are more likely to produce the same quality of reporting. Institutional theory focuses on how "organizations are embedded in a comprehensive system of political, financial, educational, cultural and economic institutions that exert institutional pressure on them" (Jensen & Berg, 2011). These factors emphasize the external influence that impacts an organization (Dimaggio & Powell, 1983) and

helps understand why organizations do things that may negate other influences, such as competitive considerations (Zhilong, Hafsi & Wei, 2009).

Both national and industry conditions influence the quality of reporting being done by an institution. However, some argue that institutional theory implies that reporting quality is primarily influenced by home-country institutions as organizational (Ball, Kothari, & Robin, 2000; Shi, Magnan, & Kim, 2012). While this may be true for many nations, some nations have less institutional pressure to produce higher quality disclosure statements (Weber, 2016). In these cases, industry conditions have a stronger influence on the quality of reports produced. Because of this, when publishing reports voluntarily while being a part of an organization such as OPIM may cause not much of a difference in the quality of reporting, regardless of region or location.

2.4 Gaps in the Literature

While the amount of research focusing on impact investing has been steadily growing, the number of peer-reviewed publications is still relatively small (Clarkin & Cangioni, 2015). Much of the research that has been done for impact investing has focused on three things, defining what impact investing is, understanding what it is trying to achieve, and the difficulties that have been faced by impact investors (Agrawal & Hockerts, 2021). These topics are critical, especially for a concept as new as impact investing. However, this results in significant research gaps that still need to be done for impact investing.

An area of research that has not been focused on much by researchers is whether the characteristics of size and location of impact investors have any relation to the quality of impact investment reporting that has been done. While this question has been asked and researched in the field of ESG and CSR reporting (Drempetic, Klein, & Zwegel, 2019; El-Bassiouny & El-Bassiouny, 2018; Weber, 2014), it has not been done in impact investing. It can be opportunistic to use the results found from the ESG and CSR research that has been done. However, the results may be dramatically different.

Since ESG and CSR reporting has become more of a social norm, it is more common for companies to feel legal and social pressure to create CSR and ESG reports (Murphy & McGrath, 2013), something that could hinder their quality. Impact investing, on the other hand, does not have the responsibility to publicly release reports regarding the impacts that were created by their investments. This can result in the size and location of impact investors might not have as large of an influence on impact investing reports because it is voluntary rather than a necessity.

Finally, the research that has been done looking at impact investors' reporting has focused on the outcome and the social and environmental impacts that have come out of impact investors' investments (Viviani & Maurel, 2019). There has not been much research looking at investors' complete investing strategy. A strategy that explains how they decide whom to invest in, how they will help organizations, their expected impacts, their exit strategy, and their actual social and environmental impacts that were achieved. Looking at the impact investors' entire strategy rather than only researching the social and environmental outcomes allows for the opportunity to

create a standardized method of measurement that can be easier to implement compared to focusing on creating standardized methods of measuring only social and environmental impacts.

Chapter 3: Methods

This research thesis is looking to see the quality of the disclosure statements that OPIM members have created and published and not the quality of the investment strategies themselves. The methodological approach that was used for this research thesis is a textual analysis which was done on OPIMs 116 signatories. OPIM was used as a data set as it is a publicly available selection of disclosure statements created and published by self-defined impact investors (OPIM, N.D).

To create a non-subjective way of determining what is considered a “quality” disclosure statement, a dictionary of 12 terms was searched for, and the frequency of each term was found by creating a program using R that found the key terms in each disclosure statement. The frequency of the Key terms was then turned into a percentage of the total terms in each disclosure statement. Before turning the frequency of the key terms into a percentage of the total terms coding out numbers, removing stop words, and stemming each word was done. Using a percentage of key terms instead of just looking at the frequency of these terms was done to ensure that longer disclosure statements do not necessarily mean higher quality.

Table 1 has two different columns, one labeled “Stemmed Key Terms,” which are the words searched for in each disclosure statement. The second column, labeled “Encompassed Terms,” are the terms included under the stemmed version in column one. Each of the 12 terms was chosen for several different reasons. “Impact”, “Social”, “Envion”, and “Sustain”, are

included as these terms focus on the non-financial impacts that impact investors are disclosure statements are focusing. “Develop”, “Goal”, “Govern”, and “Framework” were chosen as key terms, as a combination of SDG-related aspects, as well as frameworks that may govern impact investors and their non-financial goals. Lastly, “Achieve”, “Monitor”, and “Progress” were chosen as these terms are the primary focuses for several of OPIMs principles that OPIM signatories must explain in their disclosure statements.

Table 1: Key Terms

<u>Stemmed Key Terms</u>	<u>Encompassed Terms</u>
“Impact”	“Impact”, “Impacts”
“Social”	“Social”
“Environ”	“Environment”, “Environments”
“Sustain”	“Sustain”, “Sustainable”, “Sustaining”, “Sustainability”
“Develop”	“Develop”, “Development”, “Developments”, “Developing”
“Goal”	“Goal”, “Goals”
“Achieve”	“Achieves”, “Achieving”, “Achieve”, “Achievement”, “Achievements”
“Monitor”	“Monitor”, “Monitors”
“Govern”	“Govern”, “Governs”, “Governing”, “Government”, “Governments”
“Risk”	“Risk”, “Risks”
“Progress”	“Progress”, “Progresses”, “Progressing”
“Framework”	“Framework”, “Frameworks”

Following the percentage of Key Terms, an examination was be done to see whether the characteristics of size, location, sign-on date to OPIM, and whether the signatories are primarily an impact investor have an impact on the signatories' quality of the produced disclosure statement. These independent variables might affect the likelihood of having a higher quality disclosure statement, the dependent variable, compared to other OPIM signatories.

This was be done by using a 3-step process. The first step was to look at the 116 disclosure statements to determine whether there is a connection between size, sign-on date to OPIM, location, and having a primary focus on being an Impact Investor can determine whether specific characteristics of Impact Investors affect the quality of the disclosure statements that are being produced.

The second step was to take a more in-depth look at the two largest regions, North America, and Europe, to see whether there are connections in specific regions to quality disclosure statements compared to the size, sign-on date, and industry focus. The third step examines the two largest regions, Europe, and North America, to focus on any discrepancies between these two groups.

This research paper defines size as the natural logarithm of a firm's total amount of covered assets listed on the OPIMs dataset, which has been done several times (Rahman & Alsayegh, 2021; Weber, 2013). A natural logarithm scale is used to ensure normalization in the analysis of size for this research.

Location is based on six regions and one "multilateral" category. These regions are Asia, Australia, Europe, Latin America, North America, Sub-Saharan Africa (SSA), and Multilateral, which are institutions that are not based in a single country. The regions are categorized into larger groups due to the lack of diversity in OPIM signatories. This would result in some regions having zero or very few amounts of signatories if regions were to be split into smaller areas.

The independent variable of sign-on date focuses on the year that signatories of OPIM signed onto it, which consists of three categories, 2019, 2020, and 2021. Finally, determining which signatories are primarily focused on impact investing was done by searching each signatory's website to determine who is and is not primarily an impact investor. To be considered primarily an impact investor, the about section was examined for each OPIM member, and was examined to see whether there was a strong emphasis on impact investing. If it was discovered that impact investing was a large part of an organization, then they were “primarily” an impact investor.

To determine whether these characteristics affect the quality of disclosure statements a factorial Analysis of Variance (ANOVA) test will be done independent variables of Region, Date of Adoption, Size and Primarily Impact Investors.

Chapter 4: Results

This section is split into three parts. The first section is a descriptive analysis using the independent and dependent variables. The second section are the statistical tests that have been conducted to find the results to the four research questions. Finally, the last section analyses 5 higher-quality disclosure statements and 5 lower-quality to determine differences between higher and lower quality disclosure statements.

4.1 Descriptive Analysis

Before examining the results from the statistical analysis which have been done to help answer the research questions, a descriptive analysis is conducted. As of October 2021, there are 144 signatories of OPIM. However, only 116 were analyzed due to the removal of null values. The null values were considered null because the disclosure statements published on OPIM were not available for numerous reasons, such as the disclosure statement being a corrupt file. Of the 116 signatories focused on, 94 have published a disclosure statement, and 22 have not. As shown in Figure 1, most signatories signed onto OPIM in 2019, while 2020 and 2021 had roughly the same number of signatories joining.

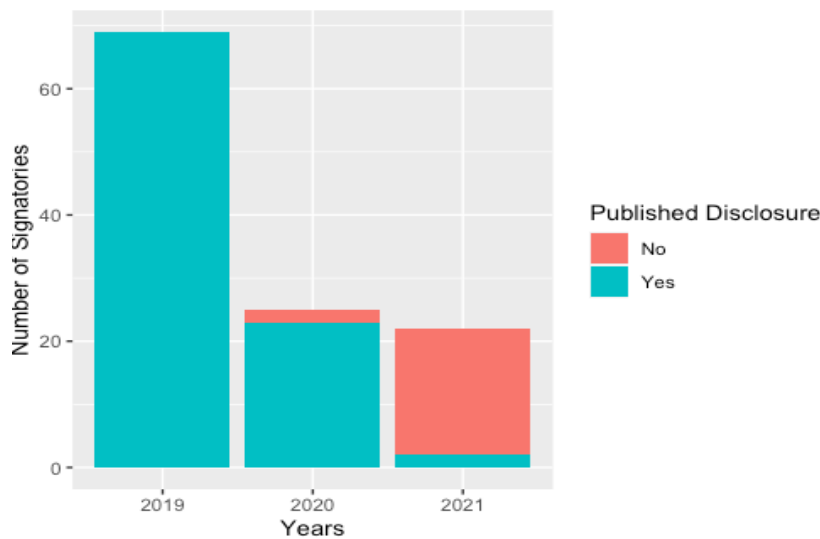


Figure 1: Number of Impact Investors Joining OPIM Per Year

There is also a discrepancy between the years concerning the publishing of disclosure statements. While the signatories in 2019 have all published a disclosure statement and most signatories in 2020 have as well, 2021 is currently behind, with only a small number of impact investors creating and publishing a disclosure statement on OPIM. While there may be several reasons for the differences between the years, one reason could be that the 2021 signatories lack time to create and publish a disclosure statement. The time that other signatories have already had.

Data that could help with this dilemma could show how long it takes on average to publish disclosure statements after joining OPIM. However, OPIM requires signatories to publish new disclosure statements annually and remove previous reports (OPIM, N.D). This removes the opportunity to investigate this. However, if future policies change, it could provide

an opportunity to examine whether the time it takes to publish disclosure statements impacts the quality of the published work.

4.1.1 Location

The 116 Signatories are categorized into different regions and 1 “other,” considered “multilateral.” The numbers per region can be seen in table 2. North American and European signatories represent most OPIM signatories, with 83% of signatories from these regions. At the same time, Australia and SSA are the two regions with the lowest participants of OPIM, with 0.9% and 2.6% of signatories, respectively.

Table 2: Number of OPIM Signatories per Region

Regions	Number of Signatories	Percent of Signatories
Asia	6	5.2%
Australia	1	0.9%
Europe	54	46.6%
Latin America	6	5.2%
Multilateral	6	5.2%
North America	40	34.5%
SSA	3	2.6%

Figure 2 shows that most OPIM members who have not published a disclosure statement are located in Europe and North America. This is again due to these two regions having the most significant percentage of OPIM members. However, the other regions have a respectable number of signatories publishing a disclosure statement. Signatories a part of the multilateral group have

all created disclosure statements, and most of the Asian and SSA organizations have also created and published a disclosure statement. In contrast, roughly half of the Latin American members have not published one.

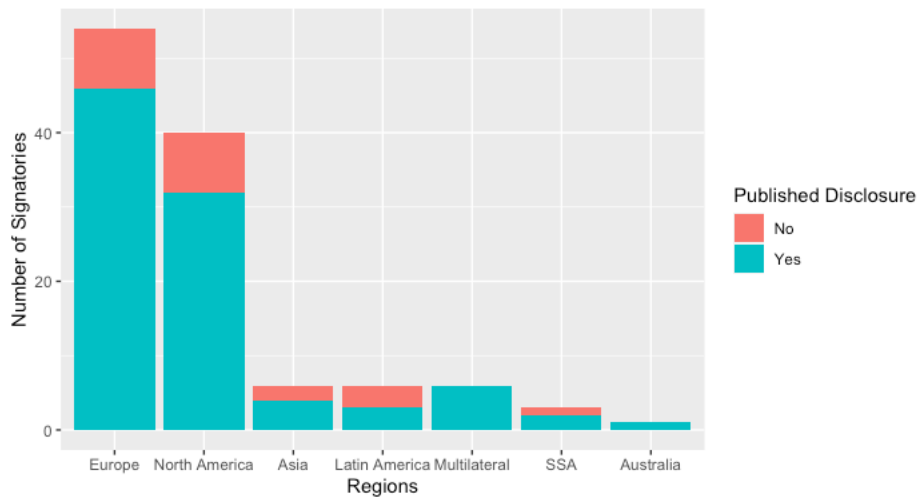


Figure 2: Number of OPIM Signatories in Each Region

There are similarities when looking at OPIM signatories' regions and comparing them to the regional representation in the 2020 annual survey done by GIIN (GIIN, 2020). North America and Europe dominate both groups. However, for the GIIN survey, North America is the larger group which consists of 45%, whereas Europe represents 26% (GIIN, 2020). The significant presence of European and North American impact investors that are occupying these groups, while the lack of other regions is concerning. There is a diversity issue within these groups, where less than a quarter of signatories are headquartered in developing regions.

4.1.2 Size

When looking at the size variable for this research, AUM was considered a viable and consistent figure to find for all OPIM signatories. Figure 3 shows the total AUM that signatories have in each region. This chart shows just how large the organizations in Europe and North America are. Both regions have over 10 trillion dollars under management, while in comparison, the other five regions combined have a minuscule amount of AUM. With this being said, figures 4 and 5 show that even though North America and Europe organizations are the largest in terms of AUM, it does not directly translate to the total covered assets that these organizations are using for impact investing.

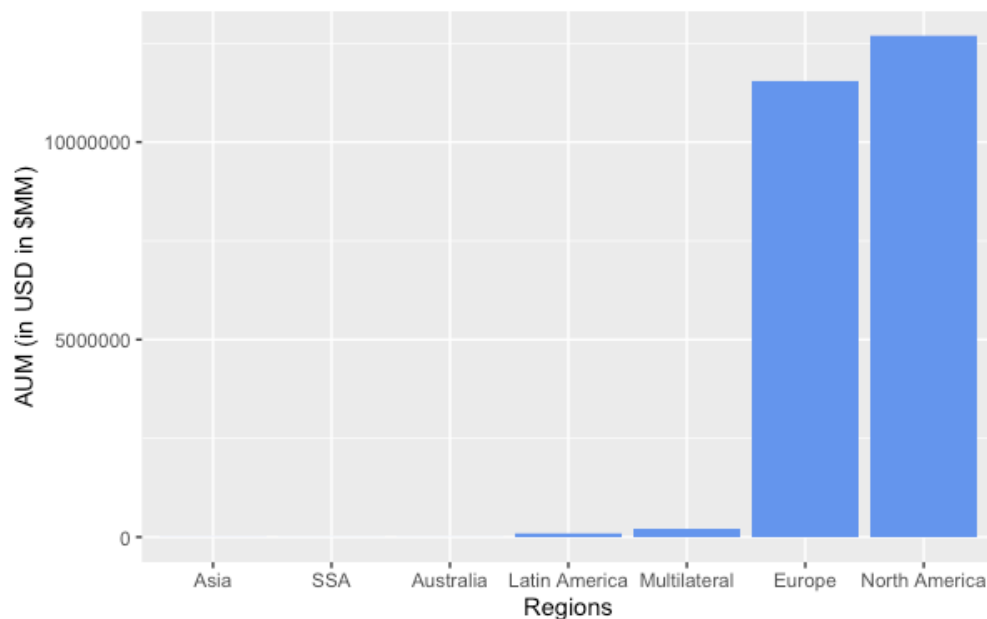


Figure 3: Total AUM by Region (in USD in \$MM)

Figure 4 shows that despite several outliers in terms of total covered asset sizes for North American signatories, the total covered asset falls to the third-highest amount behind European signatories and Multilateral signatories. With its signatories being more consistent, Europe

allowed for the region's total covered assets to be roughly 10 billion USD and fell behind only Multilateral signatories. Even though Multilateral signatories have only six members, they account for more than 15 billion USD in covered assets reported on OPIM, making them the most significant "region" based groups in terms of covered assets focused on impact investments a part of OPIM.

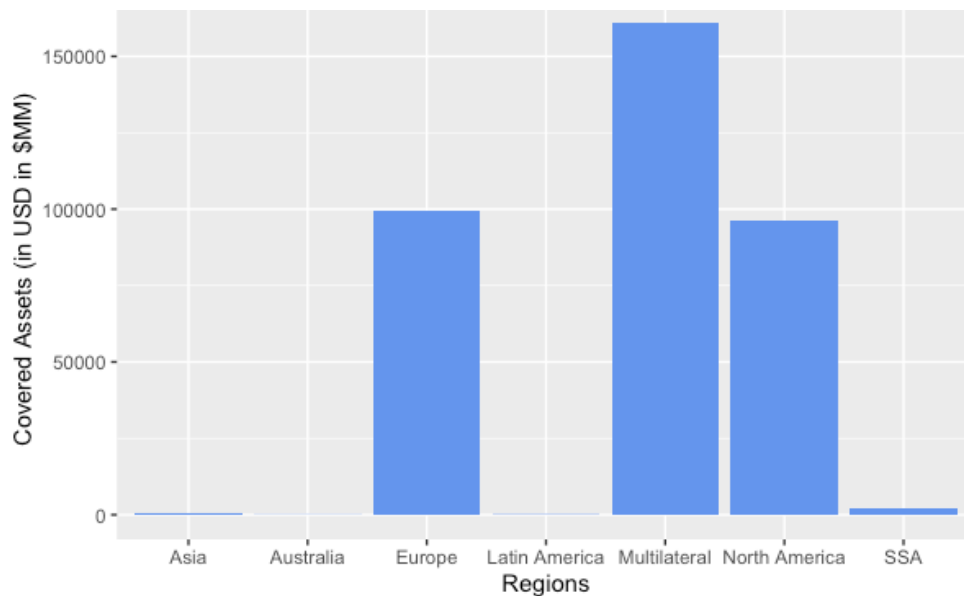


Figure 4: Total Covered Assets per Region (in USD in \$MM)

4.1.3 Industry

The last part of the descriptive analysis for the independent variables looks at the size of groups among OPIM members that are traditionally Impact Investors or whether only a part of their business is focused on Impact Investing. Figure 5 shows that OPIM signatories are split almost 50/50 on whether their business model focuses on impact investing or only a part of the business focuses on impact investing.

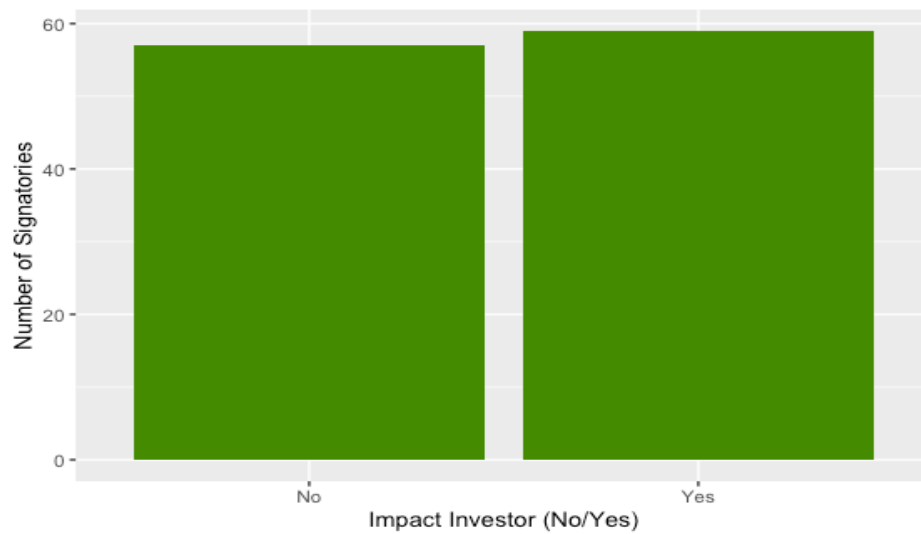


Figure 5: Number of OPIM Members Which are Primarily Focused on Impact Investing or Partially Focused on Impact Investing.

The close split between the two groups shows a focus from OPIM to get signatories from conventional investors and organizations primarily focused on Impact Investing, rather than solely focusing on getting signatories who only focus on Impact Investing. This is important because, during the creation of Impact Investing, one of the goals was to get conventional investors to begin investing in opportunities that help solve social and environmental concerns (Agrawal & Hockerts, 2021). With OPIM achieving the goal of getting conventional investors to begin investing in impact investing causes, it allows for different methods of helping impact investing goals, whether it be private equity firms, venture capital firms, or real estate firms, having a diverse group of signatories interested in Impact Investing is essential for Impact Investing's future.

4.1.4 OPIM signatory's Percent Key-Term Distributions

This section exams the distributions regarding the percentage of key-terms in the OPIM signatories' disclosure statements. Table 4 shows the distributions for the key-term percentages for OPIM members. The minimum percentage was 0 and this was given to the 22 signatories that did not produce a disclosure statement. The max percentage of key-terms was 13.6%. The average percentage was 8.3%. However, the average score is skewed due to the high number of OPIM members not publishing a disclosure statement, resulting in the high number of data points at the 0 percent mark in this data set.

Table 3: OPIM Member Key-Terms Percentage Distributions

Min	1 st Quartile	Median	Mean	3 rd quartile	Max	Standard Deviation
0.00	0.083	0.099	0.083	0.109	0.136	0.042

4.2 Statistical Tests

This section examines the analytical findings that have been found using OPIMs data set of impact investors. ANOVA tests were used throughout this section. This section is split into three different focuses. The first focus is on investigating the findings done with all 116 signatories of OPIM. The second and third focus relates to looking at the two largest regions, North America, and Europe. One of the focuses investigates each of these regions independently of each other and the other regions to see whether there are internal differences in quality for each region. The third focus is on directly comparing the quality of disclosures from members in each region to the other regions.

4.2.1 Complete Data Sets Analysis

Table 4 shows the results of the ANOVA tests that have been done for the entire OPIM data set. The p-value column of table 4 shows the p-value or difference of means between the categories. A p-value < 0.05 means that the difference of means is significant, and therefore we can reject the null hypothesis of there not being any significance in means. The date of adaption has a p-value < 0.05 , which means a significant difference between the percentage of key-terms in a published disclosure statement and when the impact investors have signed onto OPIM. The independent variable of Region also has a p-value < 0.05 which means there is a significant difference of means between the region where an impact investor is headquartered and the percent of key-terms in their published disclosure statements. While there is a significance in the differences in means for the date of adoption variable and the regions variable, the variables of size nor being an impact investor have significance concerning the quality of disclosure statements published on OPIM, as each of these independent variables has a p-value of > 0.05 .

Table 4: ANOVA Results Using all Signatories

Independent Variable	Dependent Variable	DF	Sum SQ	Mean SQ	F value	P-Value
Regions	OPIM Disclosure Statement Quality	6	0.014	0.002	2.96	0.010
Size	OPIM Disclosure	1	0.000	0.000	0.006	0.938

	Statement Quality					
Impact Investor (Yes/No)	OPIM Disclosure Statement Quality	1	0.000	0.000	0.068	0.795
Date of Adoption	OPIM Disclosure Statement Quality	1	0.105	.105	127.7	0.001

4.2.2 Regional Results

In this section, a more in-depth look at the two largest groups of signatories is done. This has been done to see whether the independent variables of Impact Investor (Yes/No), Date of Adoption, and Covered Assets impact the quality of disclosure statements in the two regions, with the highest number of signatories to OPIM. Only the two largest regions were looked at due to the limitations that the other regions had of having too few signatories signed onto OPIM.

Table 5 examines the region of Europe and the independent variables of date of adoption, size and whether being an impact investor has any impact on the percentage of key terms found in an OPIM members disclosure statement. The ANOVA test results show that the independent variables of date of adoption does have p-values below 0.05. This means that these two variables

do have a significance in the likelihood of creating and publishing a disclosure statement with a higher percentage of key-terms, for OPIM members headquartered in Europe.

While the independent variable of date of adoption did have a p-value below the threshold of 0.05, the independent variables of size and whether being primarily an impact investor did not. This means that the difference in means between the size of an OPIM member in Europe does not have a significance in the likelihood of creating and publishing higher quality disclosure statements.

Table 5: ANOVA Results for Europe

Region	Independent Variable	Dependent Variable	DF	Sum SQ	Mean SQ	F value	P-Value
Europe	Date of Adoption	OPIM Disclosure Statement Quality	1	0.04	0.04	59.67	<0.001
Europe	Size	OPIM Disclosure Statement Quality	1	0.000	0.000	0.54	0.466
Europe	Impact Investor (Yes/No)	OPIM Disclosure Statement Quality	1	0.003	0.003	4.109	0.058

Table 6 examines the region of North America and the independent variables of date of adoption, size and whether being an impact investor has any impact on the percentage of key terms found in an OPIM members disclosure statement. The ANOVA test results show that the

date of adaption has a p-value < 0.05 , which means a significant difference between the quality of disclosure statements of and the when the impact investors have signed onto OPIM. While there is a significance in the differences in means for the date of adoption variable, neither size nor being an impact investor have significance concerning the quality of disclosure statements published on OPIM, as each of these independent variables has a p-value of > 0.05 .

Table 6: ANOVA Results for North America

Region	Independent Variable	Dependent Variable	DF	Sum SQ	Mean SQ	F value	P-Value
North America	Date of Adoption	OPIM Disclosure Statement Quality	1	0.046	0.046	58.904	<0.001
North America	Size	OPIM Disclosure Statement Quality	1	0.002	0.002	2.076	0.158
North America	Impact Investor (Yes/No)	OPIM Disclosure Statement Quality	1	0.003	0.003	3.707	0.621

4.2.3 North American and European Results

This section examines both Europe and North America in a single data set to see whether there are any significant findings while looking at just these two regions together, compared to focusing on all 7 of the regions that have been done previously. This smaller data set could show whether two similar regions have any differences between each other.

Table 7 shows the results from the ANOVA test that has been done for the independent variables of Date of Adoption, Regions, size, and being primarily an impact investor and whether these variables have any impact on the dependent variable of quality of disclosure statements. The independent variable date of adoption, in table 7, has been like tables 4, 5, and 6, in the way that each have p-values less than the 0.05 required to show that there is a significance in the means between the date of adopting OPIM and the likelihood of having a higher quality disclosure statement.

The independent variable Regions allows to directly compare Europe and North America with each other to determine whether being headquartered in either of these regions has a significant impact on the quality of disclosure statements that are being reduced. However, with a p-value of 0.5 being greater than a p-value of 0.05, there is no significance in the means between regions and the quality of disclosure statements. This means that there are no significances between the quality of disclosure statements produced between these two regions.

The independent variable for size has a p-value of 0.556, which is greater than the required p-value of 0.05 or lower, required for the significant difference between means for size and the dependent variable of quality of disclosure statements.

Lastly, the independent variable of being primarily an impact investor has a p-value of 0.842, which is greater than the p-value of 0.05 required for the significance between being a primarily impact investor and the dependent variable.

Table 7: ANOVA for North America and Europe

Independent Variable	Dependent Variable	DF	Sum SQ	Mean SQ	F value	P-Value
Year of Adoption	OPIM Disclosure Statement Quality	1	0.852	0.852	110.142	<0.001
Regions	OPIM Disclosure Statement Quality	1	0.000	0.000	0.458	0.5
Impact Investor (Yes/No)	OPIM Disclosure Statement Quality	1	0.000	0.000	0.040	0.842
Size	OPIM Disclosure Statement Quality	1	0.000	0.000	0.349	0.556

4.3 Quality of OPIM member Disclosure statements

To show that looking at key terms can be a valid method to examine the quality of reporting being done, this section examines and compare 5 higher-quality reports and 5 lower-quality reports to see the differences between these. The 5 higher-quality reports that are examined were created and published by BMO Financial Group, The U.S International Development Finance Corporation, Partners Group AG, Denham International Power GPLP, and

AvantFaire Investment Management Limited. The 5 lower quality reports were created and published by Mountain Nazca, Cassa Depositi e Prestiti (CDP), DEG – Deutsche Investitions- und Entwicklungsgesellschaft mbH, The Osiris Group & Mirova.

When examining each of the 5 higher-quality reports it is clear what each signatories' goals are for the social and environmental impacts that come from their investments. This is done by several methods, but one common method that each of the 5 higher-quality reports did was to create a table listing their goals and explain how these goals align with frameworks such as the SDGs. The SDGs that these OPIM members are focused on were then specified, depending on the goals of the specific OPIM member. However, when examining the lower 5 quality reports, their goals were broad, or do not mention specific goals. An example of this can be found in the CDP disclosure statement where they state that the “CDP has structured its own process for identifying specific priorities with respect to the promotion of sustainable development at national and international level” (CDP, 2020). This statement is broad and does not tell us what their investments are hoping to achieve.

The higher quality reports also explain specifically within the report itself each OPIM principle whereas the lower quality reports direct the reader to outside links or references, however, sometimes these links do not even work. An example of this can be seen under Principle 5 for the report done by DEG (2021) where DEGs explanation to how they are going to “Assess, monitor, and manage potential negative impacts” by stating “DEG’s operations are guided by its Guideline for Environmental and Social Sustainability.” And then reference a link,

however, the link sends the reader to a broken webpage. Another example is “DEG regularly monitors the Environmental and Social risks of each investment and documents it in its Environmental and Social Indicator System in a systematic manner.” These quotes show a lower quality statement because these statements do not tell the reader about DEGs methods to monitor their investments and are just broad statements.

This is in comparison to a higher quality report such as the report created by AvantFaire (2021), where they respond to the same principle with statements such as “AvantFaire’s underlying fund manager selection process includes assessment through engagement meetings, due diligence questionnaires, and scrutiny of investment operation documents to demonstrate its intention, process and evidence in sustainability and ESG integration.” This statement is a more detailed explanation of how AvantFaire will assess the potential negative impacts of each investment.

Overall, when examining higher quality reports vs lower quality reports, the clear difference between reports is the details within them. Higher quality reports go more in-depth in their explanations of how they respond to each of the 9 principles compared to the lower quality reports. In addition to this, the higher quality reports focus primarily on giving the reader all the necessary data, whereas the lower quality reports direct the readers to different sources to get information that may be important. However, this is not always the case and within the higher and lower quality reports, there may be more in-depth details for certain principles in the lower quality reports compared to higher quality reports, but the overall reporting done for the higher

quality reports show more in-depth responses that are clear and give a useful oversight to their impact investing strategies compared to the lower quality reporting being done.

Chapter 5: Discussion

This section takes a more in-depth view of the statistical testing done in the last chapter to discuss and analyze the results found. This is done by reviewing the four research questions individually to determine whether the results showed conclusive responses to the four research questions. The statistical test results are explained to understand why they appeared and why they may have contrasted with previous research done.

RQ1 focused on whether the characteristic size of each OPIM signatory impacts the quality of the disclosure statements that they publish. The ANOVA model conducted to answer RQ1 determined no significant differences in the quality of disclosure statements from OPIM signatories concerning the size of these members.

The ANOVA model, found in Table 4, focused on all the OPIM signatories, and resulted in a p-value of 0.938, which is higher than the required p-value of 0.05 to provide any significant differences between the independent variable of size and the dependent variable of the quality.

Table 5, Table 6, and Table 7 examined the two largest regions, North America, and Europe, to determine whether OPIM signatories in these regions had differences in the quality of disclosure statements within each region and within a smaller data set regarding the independent variable size. The p-value for table 6, which focused on OPIM signatories' sizes in their respected region, had Europe having a p-value of 0.466. While in Table 6 had North America

having a p-value of 0.158. Table 7 combined OPIM signatories from North America and Europe into a single data set to determine if there were significant differences between OPIM signatories' sizes in a smaller data set than Table 5. The p-value was 0.556.

With each of these ANOVA models having a p-value of over 0.05, they conclude that OPIM signatories, being considered a larger or smaller impact investing firm, will not impact the quality of the disclosure statement they produce and publish OPIMs website. These findings are interesting since they contradict many other studies that focus on different types of reporting and rankings.

A study conducted to compare a firm's size to its ESG score saw a significant positive correlation between its size and its ESG score (Drempetic, Klein & Zwegel, 2019). This article reasons that larger firms have more resources for better and higher quality reporting. While the second reasoning deals with the idea that larger firms are more likely to feel pressure to disclose and report information to gain legitimacy from the public and stakeholders (Drempetic, Klein & Zwegel, 2019).

Haniffa and Cooke, in their study, mention that size has a solid connection to the likelihood and quality of social disclosure for two reasons. The first reason they mention believes that larger firms and companies partake in more social activities and impact society more than smaller firms due to sheer size (Haniffa & Cooke, 2005). At the same time, the second reason is

that larger firms are under more societal scrutiny and, because of this, are under more pressure to disclose their non-financial activities to gain legitimacy. These examples align with Legitimacy theory, yet the disclosure statements on OPIM do not follow this trend.

With the ANOVA model showing that there is no significant difference in terms of the likelihood of producing a disclosure statement and the quality of the published disclosure statement for OPIM members, the question becomes, why are these results different? With OPIM consisting of only members who joined voluntarily and only having to publish disclosure statements voluntarily, these firms are more likely to have substantial impact investing procedures already, something that voluntary disclosure theory predicts (Mahmood, Ahmad, Ali, & Ejaz, 2017). Voluntarily publishing a disclosure statement regarding a firm's impact investing strategy allows OPIM members to attract more investors, customers, and other stakeholders to the organization. Thus, the firms who join OPIM are more likely to have a positive impact investing strategy and thus are open to providing higher quality disclosure statements, regardless of size.

RQ2 focused on whether the location of OPIM signatories influenced the overall quality of their disclosure statements, and the results concluded that for OPIM signatories, there is a significant impact that location has on the published disclosure statements quality when comparing all regions together. When doing the ANOVA test for the entire data set of OPIM signatories, the result of a p-value of 0.010 shows that there is significant difference in means.

Analyzing the data set with only North America and Europe allows the opportunity to analyze whether being a part of the two largest regions, concerning the number of OPIM members each region has, influences the quality of the disclosure statements produced. The results from the ANOVA test resulted in a p-value of 0.50. This p-value is higher than the 0.05 needed to support the idea of having a difference of means. Thus, there is no significant difference in the quality of disclosure statements produced by these two regions.

With the results from Table 4 showing a p-value of 0.01, it means that there is a difference in means among OPIM members locations and the quality of the disclosure statements that they produce. These differences can be explained by institutional theory. The results from the statistical tests that were done to find the answer to RQ2 are interesting as they align with previous research on institutional theory which has mentioned that the home-country institutional norms that come from different political, financial, educational, and cultural systems can cause the quality of reporting to differ, depending on a firm's location (Jensen & Berg, 2011). These home-country norms are also noted to be the primary influences on the reporting quality of firms (Ball, Kothari & Robin, 2000; Shi, Magnan & Kim, 2012; Baldini, Dal Maso, Liberatore, Mazzi & Terzani, 2018).

The past research on institutional theory can also explain why there are no differences in means between European and North American OPIM members and their quality of reports being published on OPIM. With these two regions being like each other means that their institutional

norms, and values would also be similar. This allows for the two regions to not have a significant difference in means when it comes to the quality of their disclosure statements.

RQ3 focused on whether being primarily an impact investing firm had an impact on the quality of disclosure statements that are being published on OPIM. Having impact investing as the primary investing strategy that a firm uses would assume that these firms would create and publish higher quality disclosure statements regarding their impact investing strategies than firms that do not focus on impact investing. This may occur purely because impact investors' primary strategy is the impact investing potentials, goals, and understandings. However, following the statistical testing that has been done, the results prove otherwise, regarding which group is more likely to publish a disclosure statement and the quality of these disclosure statements.

When looking at the ANOVA statistical test results of the entire data set, a p-value of 0.795 was found. This p-value shows that the categorical means are nearly identical rather than having a significant difference in means between Primarily impact investing firms and non-primarily impact investing firms. This means that these two groups have similar scores regarding the quality of disclosure statements.

Concerning the North American and European OPIM signatories' data, the p-values are lower at 0.058 and 0.158, respectively. These p-values are still larger than the 0.05 required to

represent a significant difference in means between OPIM members within each region but are still smaller than the p-values found for the entire OPIM dataset.

Finally, when examining the data set with OPIM members from North America to OPIM members from Europe, an ANOVA test concluded that the p-value for the difference in means was 0.842, significantly higher than the required p-value of 0.05 needed to prove that there is a significant difference in the means between these two groups.

These results show no significant difference between the likelihood of producing and the quality of a published disclosure statement made by firms primarily focused on impact investing and firms that only have a sub-focus on impact investing that published a disclosure statement on OPIM. Institutional Theory can help understand the results that were concluded by the ANOVA test by understanding OPIM and its framework as an institutional framework for impact investing firms to follow. Regardless of efficiency, as mentioned by Galbreath (2013), but rather by the assumptions and the expectations that OPIM and their signatories set in place.

Another explanation for these findings could be that, while OPIM members, which are primarily focused on impact investing, have a strong focus on non-financial performances and thus, are more likely to voluntarily publish their disclosure statements (Hummel & Schlick, 2016), the investors that are not primarily focused on impact investing, who join OPIM are the investors that are already in a solid position to produce higher quality disclosure statements. This

implies that regardless of having a primary focus on impact investing or not, investors that sign onto OPIM are more likely to be top performers in non-financial returns since they voluntarily create and publish disclosure statements that outline their impact investing strategies and goals. This would fit the previous research that has been done on voluntary disclosure theory.

The last research question, which focuses on whether the year that an OPIM member signed onto OPIM had an Impact on the quality of their disclosure, the answer to this is that yes, signing onto OPIM earlier has a more significant influence on having a higher overall percentage of key-terms, thus a higher chance of publishing a disclosure statement and a higher quality disclosure statement. However, these results are due to the OPIM members that have not produced a disclosure statement, rather than the quality itself. When performing an ANOVA test using the entire data set, the p-value was 0.001, lower than the required 0.05 p-value score needed to show a significance in the difference of means between the years that OPIM members signed onto OPIM.

When comparing OPIM members within Europe and North America, the p-values were 0.001 and 0.001. Again, these numbers are lower than the required p-value of 0.05, and thus there is a significant difference in the means between the year that a member signs onto OPIM and the quality of their disclosure statement.

Finally, when putting Europe and North America into a single, smaller data set to examine whether the two largest regions had a difference between the date of adoption and the quality of disclosure statements, the ANOVA test presented a p-value of 0.001, again, lower than 0.05. This supports the idea that the date of adoption impacts the likelihood of publishing a disclosure statement and the quality of the published disclosure statement that OPIM members will create.

The results for RQ4 show a solid link to the year that a firm signs onto OPIM, the likelihood of creating and publishing a disclosure statement, while the quality of these published disclosure statements is inconclusive. However, the main contribution to the difference in the quality of reporting for each year is the likelihood of an OPIM member creating a disclosure statement rather than the overall quality of the produce statement. This is the case since all the members in 2019 have published and produced a disclosure statement, while members who joined in 2020 have most members but not all who have produced one, and nearly all the members who joined in 2021 have not produced a disclosure statement.

Two possible explanations can explain these results. The first explanation can be that timing is the limiting factor for these results. It may take a certain amount of time for each signatory to produce and publish a quality disclosure statement on OPIM. The second explanation could be that institutional norms, values, and other factors play a role in the likelihood of an organization publishing a quality disclosure statement. These institutional norms and values lead to new OPIM members having institutional pressures to create and publish

quality disclosure statements. These actions can be explained by previous research done on institutional theory.

As mentioned earlier, institutional theory research has focused on how institutional norms and values help understand why organizations act the way they do, even when these actions negate competitive advantages and considerations (Zhilong, Hafsi & Wei, 2009). Current OPIM members already publishing a disclosure statement create institutional pressures for new signatories to publish their disclosure statements in a reasonable time frame (Jensen & Berg, 2011). This aligns with previous research done with institutional theory and can be one explanation for why the results for RQ4 appeared as they did.

The overall, results are inconclusive that size, and whether being primarily an impact investor has any likelihood of a disclosure statement being published and were also inconclusive that these independent variables have a connection to the quality of the disclosure statement. However, the date of adoption and location did impact the overall quality of reporting for OPIM signatories.

These results are surprising as previous research in reporting has shown that size do have a connection to the quality of reporting while being primarily an impact investor should also correlate to higher quality disclosure statements (Baldini, Dal Maso, et al., 2018; Galbreath, 2013; Chan, Watson, Woodliff, 2014). However, previous research has mainly focused on

mandatory reporting and required firms to do so in their respected fields, yet the disclosure statements that OPIM members create and publish are made voluntarily. With these disclosure statements being voluntary, it makes sense that the independent variables do not have as strong of a connection to the quality of disclosure statements being produced as the firms that are publishing these disclosure statements are more likely to have a substantial impact on investing strategy which results in them having higher quality disclosure statement.

While legitimacy theory did not help explain whether size impacted the quality of reporting for OPIM members, voluntary disclosure theory and institutional theory can help explain why the independent variables examined, overall, did not have an impact on the quality of disclosure statements that OPIM members are producing. The case that OPIM members voluntarily create and publish their disclosure statement agrees with the voluntary disclosure theory idea that firms who voluntarily publish reports are more likely to do so since they may already have strategies for the social and environmental impacts caused by their investments (Hummel, & Schlick, 2016). This can help explain why there is no significant difference between the quality of reporting done by firms that are primarily an impact investor and firms that are only partially an impact investor.

Institutional theory can help understand the results found in this thesis by recognizing how institutional norms and values significantly influence the impact investors' disclosure statements that are being produced. OPIM having nine principles as their framework gives OPIM members a more concise structure to these disclosure statements. It creates a concise structure to

the disclosure statements being produced, but it also gives OPIM members an understanding of what impact investing should be. It creates norms for OPIM members to follow and regulates what impact investors should focus on.

These institutional norms also allow future OPIM members to see the values of OPIM and are what causes the quality of reporting not to be impacted by the date of adopting OPIM and the region in which OPIM members are based. Later adopters of OPIM can benefit from the norms of current members and can understand the values that are brought from OPIMs framework of 9 principles. This framework helps with one of the more significant concerns with impact investing, which lacks consistent methods to measure impact investors' efforts and goals. With the results found through the data analysis finding no significant differences in the quality of disclosure statements among OPIM signatories in terms of the independent variables, it can be argued that the nine guiding principles of OPIM allow for impact investors to create detailed and consistent plans on their impact investing strategies.

Finally, while institutional theory does focus on institutional influences by regional institutions, OPIM signatories have created the values and norms needed so that regional differences amongst its members do not impact the quality of reporting done by impact investors in different regions. This can be seen as no significant difference in quality when comparing the different regions that OPIM members are a part of.

As for the qualitative analysis that was done using the 5 higher-quality and 5 lower-quality disclosure statements, the results show that using a key-term search can help distinguish between higher and lower quality statements. As mentioned previously, creating a high-quality report is done through conveying information and data which stakeholders are interested in, in a clear and easy to understand manner (Brammer & Pavelin, 2008; Beattie, McInnes & Fearnley, 2004) and using a key-term dictionary can help distinguish what information appears in a disclosure statement by the number of key terms in one. When examining a disclosure statement which has terms such as “sustainable”, “social”, and “monitor”, it is more likely that the disclosure statements go more in-depth on ideas that focus on these terms. Therefore, using a key-term search can help distinguish high- and low-quality reports.

When reading through the disclosure statements produced, the main issue found for the lower quality reports was that they were usually broad and generalized. These disclosure statements would not mention specific details regarding their investment strategies or the goals for the non-financial returns from their investments. This is compared to the higher-quality reports that would specify and explain in for detail on what they would invest in, what the goals of the investments would be, how they would monitor their investments, and how they plan to exit their investment strategy in a respectable manner.

Chapter 6: Thesis Limitations

While this research thesis has been able to fill in the gap regarding Size, Location, whether being primarily an impact investor, and the sign on year of OPIM has an impact on the likelihood of signatories publishing a disclosure statement and the quality of the disclosure statements that are being produced, there are several limitations to this study. The first limitation is that OPIM lacks regional diversity in its members. Most OPIM members are either located in Europe or North America. The lack of regional diversity makes it difficult to find whether the location impacts the quality of disclosure statements produced in other regions since many of the firms are headquartered in just two regions. While the results did find that there was a difference in means for the quality of the disclosure statements amongst different regions, more OPIM signatories from different regions could help solidify these results.

Another limitation that this study faces is that examining key terms in a disclosure statement can be one method of analyzing the quality of a disclosure statement and other reports, but it could be considered too broad of an approach. Analyzing a disclosure statement by the percent of key terms shows that the measurement is consistent amongst all the analyzed disclosure statements. However, this method can be seen as too broad of an approach. While the key terms were gathered partially by selecting terms from the nine OPIM principles, the terms themselves cannot reflect whether the disclosure statements responded to each of OPIMs principles.

In addition to this, focusing on key-terms or at disclosure statements in general can lead into “green-washing”. When examining the percent of key-terms in a disclosure statement, there is no direct focus on the actual investing that is being done by OPIM members. This means that even if an OPIM organization has a higher quality disclosure statement due to having a higher percentage of key-terms in their disclosure statement, it does not have a direct link to being a “good” impact investor.

The last limitation of this research thesis is that OPIM only publishes the current year's disclosure statement. This limits the opportunity to compare prior years' published disclosure statements and see the differences in qualities between years. These missed opportunities do not allow us to see whether there is improvement and growth for members in their time as part of OPIM. Something that can give positive information into whether being a part of a framework has a positive influence on impact investors.

Chapter 7: Conclusion

Impact investing has a solid possibility to help close the current financial SDG funding gap. However, the impact investing sector needs to continue to find methods to analyze investors' social and environmental goals, to ensure that these impact investors are not only focusing on financial returns. Rather than examining impact investors' evidence of financial and environmental returns from their investments, this research examined disclosure statements that described impact investing strategies of how they will achieve their social and environmental goals through their investments.

Previous research that has been done on reporting quality has concluded that size, location, whether being primarily an impact investor, and the date of adoption should have an impact on the quality of reporting done. Research done using legitimacy theory has focused on the fact that larger firms have more resources and more stakeholders that pressure these firms to create higher quality reports. However, the results from this paper contrast with the previous studies, as there were no significant differences in the quality of disclosure statements, regardless of size.

Prior research on the impact that location has on the quality of reporting focused on the regional norms caused by political, social, financial, and cultural influences and how they impact the quality of reporting done in different regions. The results show that location for OPIM members did have an impact on the quality of the disclosure statements produced, thus are like

previous research done on this topic. However, when looking between similar regions such as North America and Europe, there were no significant differences found in the quality of reporting being done.

Based on previous research done on voluntary disclosure theory, being primarily an impact, investors should have had an impact on the quality of their disclosure statements. This was believed because previous research focused on how these firms are more interested in non-financial results and are more likely to have already a strategy to produce these non-financial results. However, this research shows no significant differences in the quality of disclosure statements produced, regardless of whether OPIM members were primarily impact investors or not. These results can be explained by the fact that all OPIM members voluntarily publish these results, regardless of their primary focus, and thus only firms that already have solid strategies for social and environmental returns from their investments are likely to join OPIM.

Finally, in terms of the date of adoption, no actual research examined this topic. However, voluntary disclosure theory was used to try to answer the question. When using voluntary disclosure theory, a focus on early adopters would produce higher quality disclosure statements. This was done because institutions that already focus on non-financial returns are more likely to have already an idea of their strategy to produce these returns and thus are more likely to publish these strategies as soon as possible.

The results from this thesis have shown that the date of adoption only has a significant impact on the likelihood that a disclosure statement will be published, but not the quality of the disclosure statement. However, in terms of the significant impact on the likelihood of producing a disclosure statement that the date of adoption has, this falls in line with research on institutional theory. OPIM members have created a norm where all signatories create a disclosure statement, but it does take some time. The firms that have not published a disclosure statement are likely to produce it within a reasonable time frame because of the instituted norms created.

The results for RQ4 show a solid link to the year that a firm signs onto OPIM, the likelihood of creating and publishing a disclosure statement, and the quality of these published disclosure statements. However, the main contribution to the difference in the quality for each year is the likelihood of an OPIM member creating a disclosure statement rather than the overall quality of the produce statement. This is the case since all the members in 2019 have published and produced a disclosure statement, while members who joined in 2020 have most members but not all who have produced one, and nearly all the members who joined in 2021 have not produced a disclosure statement.

Two possible explanations can explain these results. The first explanation can be that timing is the limiting factor for these results. Each signatory may take a certain amount of time to produce and publish a quality disclosure statement on OPIM. The second explanation could be that institutional norms, values, and other factors play a role in the likelihood of an organization publishing a quality disclosure statement. These institutional norms and values lead to new

OPIM members having institutional pressures to create and publish quality disclosure statements. These actions can be explained by previous research done on institutional theory.

As mentioned earlier, institutional theory research has focused on how institutional norms and values help understand why organizations act the way they do, even when these actions negate competitive advantages and considerations (Zhilong, Hafsi & Wei, 2009). Current OPIM members already publishing a disclosure statement create institutional pressures for new signatories to publish their disclosure statements in a reasonable time frame (Jensen & Berg, 2011). This aligns with previous research done with institutional theory and can be one explanation for why the results for RQ4 appeared as they did.

Overall, while this thesis used legitimacy theory, voluntary disclosure theory, and institutional theory as the theoretical base to predict the results of this thesis, only voluntary disclosure theory and institutional theory predicted the actual outcomes. With impact investors only becoming OPIM members voluntarily, these disclosure statements are not required, and the impact investors who do join OPIM are more likely already to have a strategy for their social and environmental returns. Thus, the independent variables would likely not influence the overall quality of reporting done. The institutional theory also explains how OPIM has created its norms and values for its members. Because of these norms, OPIM signatories are more likely to produce similar quality reports, that other independent variables have less of an influence on the overall quality.

7.1 Future Research

This research investigated what characteristics influenced the likelihood of a disclosure statement produced by OPIM signatories and the quality of the published disclosure statements. Future research can use this information to compare different frameworks and originations to see whether specific frameworks allow for the opportunity to produce higher quality disclosure statements and strategies toward impact investing compared to each other. One possibility is to compare OPIM member disclosure statements to the reports produced by GIIN members. This comparison would allow the opportunity to compare a new framework such as OPIM to a more established one, such as GIIN.

Another possibility for future research is to use a qualitative research approach of comparing the quality of an OPIM member's published disclosure statement to their impact investment financial and social performance. This can be done using the published OPIM disclosure statements and creating a survey for OPIM members to complete. The survey can focus on whether OPIM members are following through with the impact investing strategies they mention in their disclosure statement, whether there is any connection to the quality of the disclosure statement, and how the impact investing firm is doing in terms of financial social and environmental returns.

References

- Agrawal, A., & Hockerts, K. (2021). Impact investing: review and research agenda. *Journal of Small Business & Entrepreneurship*, 153-181.
- Aureli, S., Baldo, M. D., Lombardi, R., & Nappo, F. (2020). Nonfinancial reporting regulation and challenges in sustainability disclosure and corporate governance practices. *Business Strategy and the Environment*, 2392-2403.
- Baldini, M., Maso, L., Liberatore, G., Mazzi, F., & Terzani, S. (2015). Role of Country- and Firm-Level Determinants in Environmental, Social, and Governance Disclosure. *Journal of Business Ethics*, 79-98.
- Ball, R., Kothari, S., & Robin, A. (2001). Corrigendum to "The effect of international institutional factors on properties of accounting earnings". *Journal of Accounting and Economics* 30 , 1-51.
- Barman, E. (2015). Of Principle and Principal: Value Plurality in the Market of Impact Investing. *Valuation Studies* 3(1), 9-44.
- Block, J., Hirschmann, M., & Fisch, C. (2021). Which criteria matter when impact investors screen social enterprises? *Journal of Corporate Finance* 66, 1-18.
- Brandenburg, M. (N.D). Making the Case for Social Metrics and Impact Investing. *Community Development Investment Review* 5(2), 47-49.
- Brown, A., & Swersky, A. (2012). *The First Billion A forecast of social investment demand*. The Boston Consulting Group.
- Busch, T., Bruce-Clark, P., Derwall, J., Eccles, R., Hebb, T., Hoepner, A., . . . Weber, O. (2021). Impact investments: a call for (re)orientation. *SN Business & Economics*., 1-13.
- Campopiano, G., & Massis, A. (2015). Corporate Social Responsibility Reporting: A Content Analysis in Family and Non-family Firms. *Journal of Business Ethics*, 511-534.

- Caseau, C., & Grolleau, G. (2020). *Impact Investing: Killing Two Birds with One Stone?* CFA Institute.
- Chan, M., Watson, J., & Woodliff, D. (2014). Corporate Governance Quality and CSR Disclosures. *Journal of Business Ethics* , 59-73.
- Clarkin, J., & Cangioni, C. (2016). Impact Investing: A Primer and Review of the Literature. *Entrep. Res. J.* 6(2), 135-173.
- Cormier, D., & Magnan, M. (1999). Corporate Environmental Disclosure Strategies: Determinants, Costs and Benefits. *Journal of Accounting, Auditing & Finance* 14(4), 429-451.
- Daugaard, D. (2020). Emerging new themes in environmental, social and governance investing: a systematic literature review. *Accounting & Finance* 60, 1501-1530.
- DiMaggio, P., & Powell, W. (1983). The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields. *American Sociological Review* 48(2), 147-160.
- Doni, F., Martini, S., Corvino, A., & Mazzoni, M. (2020). Voluntary versus mandatory non-financial disclosure. *Meditari Accountancy Research* 28(5), 781-802.
- Doumbia, D., & Lauridsen, M. (2019). *Closing the SDG Financing Gap—Trends and Data*. IFC.
- Drempetic, S., Klein, C., & Zwergel, B. (2020). The Influence of Firm Size on the ESG Score: Corporate Sustainability Ratings Under Review. *ournal of Business Ethics*, 333-360.
- ElAlfy, A., Darwish, K., & Weber, O. (2020). Corporations and sustainable development goals communication on social media: Corporate social responsibility or just another buzzword? *Sustainable Development* 28, 1418-1430.
- Galbreath, J. (2013). ESG in Focus: The Australian Evidence. *Journal of Business Ethics*, 529-541.
- GIIN. (2018). *Roadmap for the Future of Impact Investing: Reshaping Financial Markets*. GIIN.
- GIIN Research Team. (2020). *2020 Annual Impact Investor Survey*. GIIN.

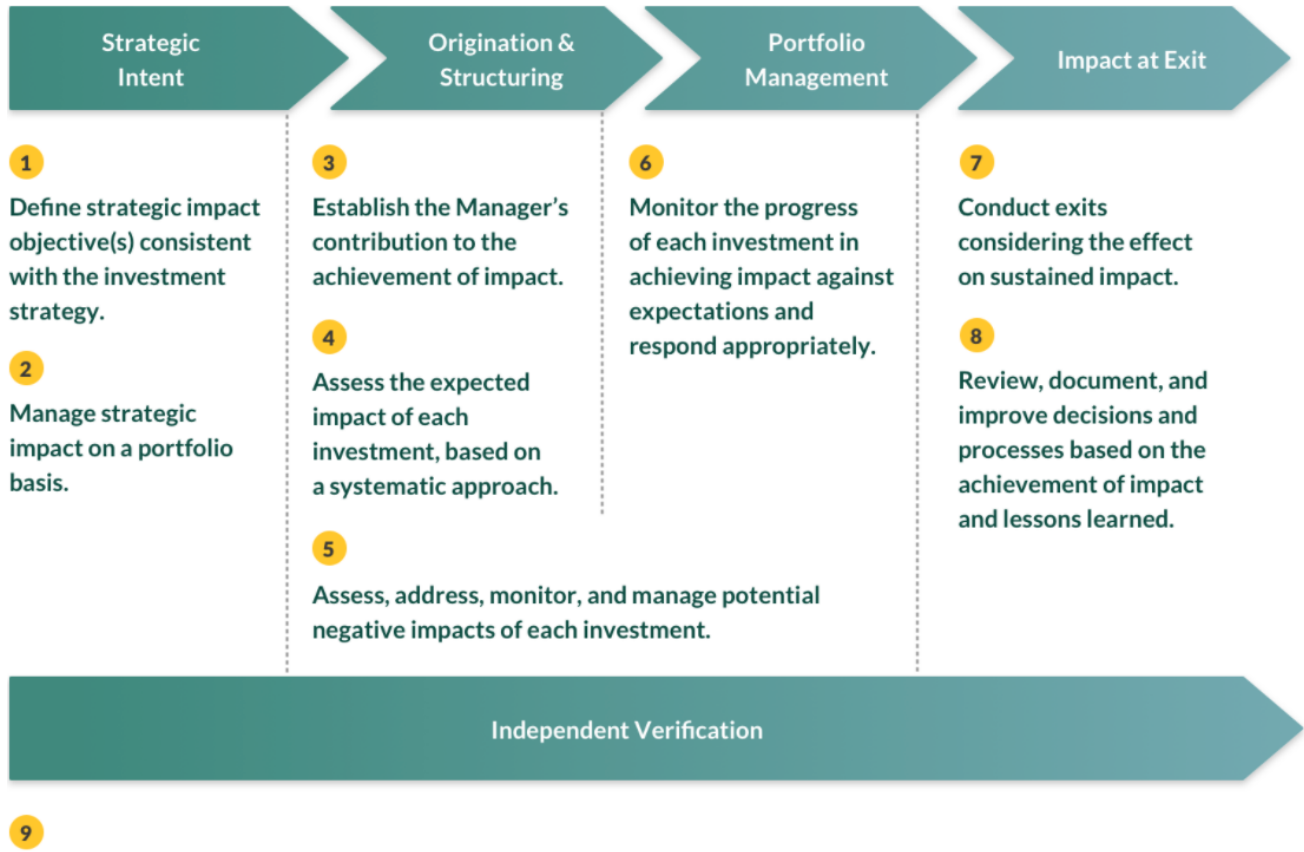
- Groh, S., Straeten, J., Lasch, B., Gershenson, D., Filho, W., & Kammen, D. (2015). *Decentralized Solutions for Developing Economies*. Springer Proceedings in Energy.
- Harji, K., & Jackson, E. (2012). *Achievements, Challenges and What's Next in Building the Impact Investing Industry*. E.T. Jackson and Associates Ltd.
- Hummel, K., & Schlick, C. (2016). The relationship between sustainability performance and sustainability disclosure – Reconciling voluntary disclosure theory and legitimacy theory. *J. Account. Public Policy*, 35, 455-476.
- Huppé, G., & Silva, M. (2013). *Overcoming Barriers to Scale: Institutional impact investments in low-income and developing countries*. International Institute for Sustainable Development.
- IFC. (2020). *GROWING IMPACT New Insights into the Practice of Impact Investing*. Washington: IFC.
- Jensen, J., & Berg, N. (2012). Determinants of Traditional Sustainability Reporting Versus Integrated Reporting. An Institutional Approach. *Business Strategy and the Environment* 21, 299-316.
- Jensen, J., & Berg, N. (2012). Determinants of Traditional Sustainability Reporting Versus Integrated Reporting. An Institutional Approach. *Business Strategy and the Environment* 21, 299-316.
- Kiliç, M., Uyar, A., Kuzey, C., & Karaman, A. (2021). Does institutional theory explain integrated reporting adoption of Fortune 500 companies? *Journal of Applied Accounting Research* 22(1), 114-137.
- Lokuwaduge, C., & De Silva, K. (2022). ESG Risk Disclosure and the Risk of Green Washing. *Australian Accounting Business and Financial Journal* 16(1), 146-159.
- Lokuwaduge, C., & Heenetigala, K. (2017). Integrating Environmental, Social and Governance (ESG) Disclosure for a Sustainable Development: An Australian Study. *Business Strategy and the Environment* 26, 438-450.

- Mahmood, Z., Ahmad, Z., Ali, W., & Ejaz, A. (2017). Does Environmental Disclosure Relate to Environmental Performance? Reconciling Legitimacy Theory and Voluntary Disclosure Theory. *Pakistan Journal of Commerce and Social Sciences* 11(3), 1134-1152.
- McCallum, S., & Viviers, S. (2020). Exploring key barriers and opportunities in impact investing in an emerging market setting. *South African Journal of Business Management*, 51(1), 1-11.
- Murphy, D., & McGrath, D. (2013). ESG reporting – class actions, deterrence, and avoidance. *Sustainability Accounting, Management and Policy Journal* 4(2), 216-235.
- Phillips, S. D., & Johnson, B. (2018). Inching to Impact: The Demand Side of Social Impact Investing. *Journal of Business Ethics* , 615-629.
- Phillips, S., & Johnson, B. (2019). Inching to Impact: The Demand Side of Social Impact Investing. *Journal of Business Ethics*, 615-629.
- Rahman, R., & Alsayegh, M. F. (2021). Determinants of Corporate Environment, Social and Governance (ESG) Reporting among Asian Firms. *Journal of Risk and Financial Management*, (14)4, 1-13.
- Reisman, J., Olazabal, V., & Hoffman, S. (2018). Putting the “Impact” in Impact Investing: The Rising Demand for Data and Evidence of Social Outcomes. *American Journal of Evaluation*, 39(3), 389-395.
- Scheyvens, R., Banks, G., & Hughes, E. (2016). The Private Sector and the SDGs: The Need to Move Beyond ‘Business as Usual’. *Sustainable Development*, 371-382.
- Scott, A., & Lucci , P. (2015). UNIVERSALITY AND AMBITION IN THE POST-2015 DEVELOPMENT AGENDA: A COMPARISON OF GLOBAL AND NATIONAL TARGETS . *Journal of International Development*, 752-775.
- Shi, Y., Magnan, M., & Kim, J.-B. (2012). Do countries matter for voluntary disclosure? Evidence from cross-listed firms in the US. *Journal of International Business Studies* 43, 143-165.

- Tian, Z., Hafsi, T., & Wu, W. (2009). Institutional Determinism and Political Strategies An Empirical Investigation. *Business & Society* 48(3), 284-325.
- UNDP. (2015). *Impact Investment in Africa: Trends, Constraints and Opportunities*. Addis Ababa: UNDP.
- Van Zijl, W., Wöstmann, C., & Maroun, W. (2017). Strategy disclosures by listed financial services companies: Signalling theory, legitimacy theory and South African integrated reporting practices. *S.Afr.J.Bus.Manage*, 48(3), 73-85.
- Weber, O. (2014). Environmental, Social and Governance Reporting in China. *Business Strategy and the Environment*, 303-317.
- Weber, O. (2014). Environmental, Social and Governance Reporting in China. *Business Strategy and the Environment*, 303-317.
- Weber, O. (2016). Impact Investing. *Routledge Handbook of Social and Sustainable Finance*, 85-101.
- Wu, Y., Zhang, K., & Xie, J. (2020). Bad Greenwashing, Good Greenwashing: Corporate Social Responsibility and Information Transparency. *Management Science* 66(7), 3095-3112.
- Wysokińska, Z. (2017). Millenium Development Goals/UN And Sustainable Development Goals/UN As Instruments For Realising Sustainable Development Concept In The Global Economy. *Comparative Economic Research*, 101-118.
- Zhong, M., & Gao, L. (2017). Does corporate social responsibility disclosure improve firm investment efficiency? Evidence from China. *Review of Accounting and Finance* 16(3), 348-365.

Appendices

Appendix A OPIM's 9 Principles



Source: <https://www.impactprinciples.org/9-principles>.

Appendix B Research Data Set

Organizations	Country	Regions	Date of Adoption	Size (AUM)	Covered Assets	Impact Investor	Percent Key Terms	Published Disclosure Statement
Actis	UK	Europe	2019-04-12	\$7,600.00	\$885.00	No	0.104914934	Yes
Acumen Capital Partners	USA	North America	2019-04-12	\$153.00	\$67.00	No	0.103399433	Yes
Adenia Partners	Mauritius	SSA	2020-03-31	\$435.00	\$400.00	No	0.108695652	Yes
Adjuvant Capital L.P.	USA	North America	2021-09-15	\$300.00	\$-	No	0	No
Albright Capital Management LLC	USA	North America	2019-09-01	\$429.70	\$0.01	No	0.114210985	Yes
Amethis	Luxembourg	Europe	2021-09-24	\$810.00	\$-	No	0	No
Amundi	France	Europe	2019-04-12	\$2,060,000.00	\$2,000.00	No	0.082034454	Yes
Apollo Global Management, Inc.	USA	North America	2020-10-05	\$455,000.00	\$0.01	No	0.086343838	Yes
Arcano Partners	Spain	Europe	2020-09-07	\$3,660.00	\$245.00	No	0.112484549	Yes
AvantFaire Investment Management Limited	Hong Kong	Asia	2020-06-23	\$20.00	\$10.00	Yes	0.117726658	Yes
AXA Investment Managers	France	Europe	2019-04-12	\$994,330.00	\$900.00	No	0.094269103	Yes
Bamboo Capital Partners	Luxembourg	Europe	2021-04-08	\$250.00	\$-	Yes	0	No
Belgian Investment	Belgium	Europe	2019-04-12	\$1,286.00	\$1,286.00	Yes	0.10591133	Yes

Company for Developing Countries (BIO)								
BentallGreenOak	Canada	North America	2021-04-05	\$70,000.00	\$-	No	0	No
Big Society Capital	UK	Europe	2020-03-30	\$895.00	\$895.00	Yes	0.105889533	Yes
BlackRock, Inc.	USA	North America	2020-01-10	\$9,496,000.00	\$3,700.00	No	0.114586875	Yes
Blue Earth Capital AG	Switzerland	Europe	2020-12-10	\$373.00	\$373.00	Yes	0.12226776	Yes
Blue like an Orange Sustainable Capital	USA	North America	2019-04-12	\$203.00	\$152.00	Yes	0.098064854	Yes
BlueOrchard Finance Ltd.	Switzerland	Europe	2019-04-12	\$3,210.00	\$2,400.00	Yes	0.094178604	Yes
BMO Financial Group	Canada	North America	2020-05-13	\$706,115.00	\$23.00	No	0.133567663	Yes
BNP Paribas Asset Management	France	Europe	2019-04-12	\$543,520.00	\$1,577.00	No	0.098434004	Yes
BTG Pactual Impact Investing Fund, L.P.	Brazil	Latin America	2021-04-08	\$68,000.00	\$-	Yes	0	No
CAF Corporacion Andina de Fomento	Multilateral	Multilateral	2019-04-12	\$46,900.00	\$451.00	No	0.110310671	Yes
Capria Ventures	USA	North America	2019-04-12	\$400.00	\$100.00	No	0.101471334	Yes
Capricorn Investment Group, LLC	USA	North America	2021-07-13	\$5,540.00	\$-	Yes	0	No
Cardano Development B.V.	Netherlands	Europe	2019-04-12	\$3,173.00	\$3,173.00	No	0.096324121	Yes
Cassa depositi e prestiti S.p.A.	Italy	Europe	2019-04-12	\$543,520.00	\$5,685.00	No	0.089807555	Yes
CDC Group plc	UK	Europe	2019-04-12	\$9,200.00	\$9,200.00	No	0.11476265	Yes

Christian Super	Australia	Australia	2019-05-31	\$2,000.00	\$110.00	Yes	0.136322049	Yes
Closed Loop Partners	USA	North America	2021-03-25	\$280.00	\$280.00	No	0.08893789	Yes
Community Investment Management	USA	North America	2019-04-12	\$260.00	\$260.00	Yes	0.088026981	Yes
Compania Espanola de Financiacion del Desarrollo, S.A., S.M.E., - COFIDES	Spain	Europe	2019-04-12	\$1,226.00	\$1,226.00	No	0.10522696	Yes
Cordiant Capital Inc.	Canada	North America	2019-04-12	\$840.00	\$840.00	No	0.097733711	Yes
Credit Suisse AG	Switzerland	Europe	2019-04-12	\$1,670,000.00	\$8,585.00	No	0.079892651	Yes
Deetken Impact Sustainable Energy	Costa Rica	Latin America	2020-05-27	\$60.00	\$60.00	Yes	0.108008817	Yes
DEG - Deutsche Investitions- und Entwicklungsgesellschaft mbH	Germany	Europe	2019-04-12	\$10,440.00	\$10,440.00	No	0.090598291	Yes
Denham International Power GPLP SCSp	USA	North America	2019-07-01	\$1,000.00	\$338.00	No	0.121225194	Yes
Developing World Markets	USA	North America	2019-12-02	\$670.00	\$670.00	Yes	0.100851064	Yes
Development and Investment Bank of Turkey (TKYB)	Turkey	Europe	2021-09-23	\$140.55	\$-	No	0	No
Development Partners International LLP	UK	Europe	2019-09-20	\$900.00	\$609.00	No	0.104575163	Yes
Dream Unlimited Corp.	Canada	North America	2020-10-29	\$13,000.00	\$465.00	No	0.11622807	Yes
DWS Group GmbH & Co. KGaA	Germany	Europe	2019-11-26	\$982,000.00	\$727.00	No	0.088522264	Yes

Earth Capital	UK	Europe	2020-01-07	\$1,700.00	\$33.00	Yes	0.108910891	Yes
EcoEnterprises Fund	Costa Rica	Latin America	2021-06-07	\$250.00	\$-	Yes	0	No
Egyptian-American Enterprise Fund	USA	North America	2019-08-30	\$612.00	\$612.00	No	0.109032847	Yes
European Bank for Reconstruction and Development (The)	Multilateral	Multilateral	2019-04-12	\$62,000.00	\$59,400.00	No	0.100042937	Yes
European Development Finance Institutions (EDFI)	Multilateral	Multilateral	2019-04-12	\$343.00	\$343.00	No	0.084051724	Yes
Finance in Motion GmbH	Germany	Europe	2019-08-01	\$2,600.00	\$2,600.00	Yes	0.093649775	Yes
FinDev Canada	Canada	North America	2019-04-12	\$1,700.00	\$209.00	Yes	0.117291415	Yes
Finnfund	Finland	Europe	2019-04-12	\$734.60	\$735.00	Yes	0.106436898	Yes
Flat World Partners	USA	North America	2019-04-12	\$74.00	\$74.00	Yes	0.109135802	Yes
FullCycle	USA	North America	2019-09-19	\$250.00	\$250.00	Yes	0.080724876	Yes
GEF Capital Partners Latam	Brazil	Latin America	2020-05-21	\$115.00	\$115.00	Yes	0.102578797	Yes
Genui GmbH	Germany	Europe	2021-03-29	\$813.00	\$813.00	Yes	0.108878808	Yes
GroFin Managers	Mauritius	SSA	2020-11-24	\$177.00	\$-	Yes	0	No
I&P	France	Europe	2019-04-12	\$104.00	\$104.00	Yes	0.103295622	Yes
IDB Invest	Multilateral	Multilateral	2019-04-12	\$15,700.00	\$15,700.00	Yes	0.103920822	Yes

IFC Asset Management Company	Multilateral	Multilateral	2019-04-12	\$4,317.00	\$4,317.00	No	0.097250718	Yes
Impact Bridge S.A	Spain	Europe	2020-02-27	\$40.00	\$40.00	Yes	0.11589404	Yes
IMPACT Community Capital	USA	North America	2021-02-16	\$30.00	\$-	Yes	0	No
Impact Finance Management	Switzerland	Europe	2021-01-25	\$30.00	\$-	Yes	0	No
Incofin Investment Management	Belgium	Europe	2019-04-12	\$1,200.00	\$431.00	Yes	0.093942054	Yes
INOKS Capital SA	Switzerland	Europe	2019-09-27	\$650.00	\$650.00	Yes	0.114803625	Yes
Insitor Partners Pte. Ltd.	Singapore	Asia	2021-09-27	\$25.00	\$-	Yes	0	No
International Finance Corporation (IFC)	Multilateral	Multilateral	2019-04-12	\$98,000.00	\$80,773.00	No	0.091178965	Yes
Investing for Development SICAV	Luxembourg	Europe	2019-08-09	\$10.00	\$7.00	Yes	0.09825784	Yes
Kiva Capital Management, LLC	USA	North America	2021-03-31	\$12.00	\$-	Yes	0	No
Kohlberg Kravis Roberts & Co. L.P.	USA	North America	2019-04-12	\$233,800.00	\$1,300.00	No	0.114634146	Yes
LeapFrog Investments	Mauritius	SSA	2019-04-12	\$1,600.00	\$1,600.00	Yes	0.091180867	Yes
Lightrock	UK	Europe	2019-04-12	\$1,150.00	\$1,150.00	No	0.090808824	Yes
MCE Social Capital	USA	North America	2021-10-18	\$12.00	\$-	Yes	0	No
MEF - Microfinance Enhancement Facility	Luxembourg	Europe	2021-01-27	\$669.00	\$-	No	0	No

MicroVest Capital Management LLC	USA	North America	2019-04-12	\$257.00	\$257.00	Yes	0.069233921	Yes
MIGA	USA	North America	2020-02-13	\$22,382.00	\$22,382.00	No	0.090819993	Yes
Mirova	France	Europe	2020-03-27	\$30,100.00	\$619.00	Yes	0.092173913	Yes
Mountain Nazca	Mexico	Latin America	2020-01-24	\$39.00	\$39.00	No	0.070769231	Yes
MUFG Bank, Ltd.	Japan	Asia	2021-03-04	\$630.00	\$-	No	0	No
Neuberger Berman	USA	North America	2019-08-15	\$402,000.00	\$81.00	No	0.116707617	Yes
Norfund	Norway	Europe	2019-04-12	\$3,323.00	\$3,323.00	No	0.106476938	Yes
Nuveen, a TIAA company	USA	North America	2019-04-12	\$1,200,000.00	\$6,870.00	No	0.102790015	Yes
Obviam	Switzerland	Europe	2019-04-12	\$1,070.00	\$884.00	Yes	0.104196816	Yes
Octopus Investments	UK	Europe	2021-01-01	\$12,470.00	\$-	No	0	No
Oesterreichische Entwicklungsbank AG (OeEB)	Austria	Europe	2019-04-12	\$1,762.00	\$1,762.00	No	0.10767098	Yes
Omnivore Capital Management Advisors Private Limited	India	Asia	2020-06-19	\$92.00	\$92.00	Yes	0.11156742	Yes
Partners Group AG	Switzerland	Europe	2019-04-12	\$119,000.00	\$4,225.00	No	0.123740202	Yes
Pegasus Capital Advisors, L.P.	USA	North America	2021-05-10	\$838.00	\$-	Yes	0	No
PROPARCO	France	Europe	2019-04-12	\$6,887.00	\$6,887.00	No	0.096664608	Yes
Quona Capital	USA	North America	2020-04-10	\$372.00	\$372.00	Yes	0.083492915	Yes
Radicle Impact Management	USA	North America	2020-12-14	\$75.00	\$46.00	Yes	0.112903226	Yes
RAISE Impact	France	Europe	2020-06-02	\$236.00	\$236.00	Yes	0.115398617	Yes

responsAbility Investments AG	Switzerland	Europe	2019-04-12	\$3,270.00	\$3,270.00	Yes	0.083261058	Yes
RockCreek	USA	North America	2019-04-12	\$17,800.00	\$17,800.00	Yes	0.090502793	Yes
Sarona Asset Management Inc.	Canada	North America	2019-06-20	\$285.00	\$285.00	Yes	0.084409991	Yes
SEAF	USA	North America	2020-02-06	\$300.00	\$300.00	Yes	0.110462693	Yes
SIFEM (Swiss Investment Fund for Emerging Markets)	Switzerland	Europe	2019-04-12	\$1,059.00	\$884.00	Yes	0.117962466	Yes
STOA Infra & Energy	France	Europe	2019-04-12	\$221.00	\$221.00	Yes	0.092947221	Yes
Swedfund	Sweden	Europe	2019-04-12	\$7,500.00	\$599.00	No	0.100858369	Yes
Symbiotics SA	Switzerland	Europe	2019-08-06	\$2,400.00	\$2,400.00	Yes	0.110047847	Yes
The Investment Fund for Developing Countries (IFU)	Denmark	Europe	2019-04-12	\$160,000.00	\$936.00	No	0.099472759	Yes
The Osiris Group	Hong Kong	Asia	2019-06-04	\$62.00	\$62.00	Yes	0.091841094	Yes
The Private Infrastructure Development Group Ltd.	UK	Europe	2019-10-18	\$1,437.00	\$1,437.00	Yes	0.09884986	Yes
The Rise Fund	USA	North America	2019-04-12	\$12,000.00	\$5,500.00	Yes	0.134680135	Yes
TowerBrook Capital Partners L.P.	USA	North America	2021-08-26	\$7,310.00	\$-	No	0	No
TriLinc Global, LLC	USA	North America	2020-03-23	\$526.00	\$526.00	Yes	0.118110236	Yes
Triple Jump	Netherlands	Europe	2019-09-12	\$1,100.00	\$1,100.00	Yes	0.102603369	Yes
Turk Ventures Advisory Limited	UK	Europe	2020-04-16	\$666.50	\$-	No	0	No

Turk Ventures Advisory Limited	UK	Europe	2020-04-16	\$7.00	\$1.00	No	0.10654828	Yes
U.S. International Development Finance Corporation (formerly OPIC)	USA	North America	2019-04-12	\$31,300.00	\$31,300.00	No	0.133036597	Yes
UBS Group AG	Switzerland	Europe	2019-04-12	\$3,940,000.00	\$8,200.00	Yes	0.097482725	Yes
UOB Venture Management Private Limited	Singapore	Asia	2019-09-09	\$2,000.00	\$150.00	No	0.107744108	Yes
VentureWave Capital Ltd.	Ireland	Europe	2019-06-17	\$0.01	\$0.01	No	0.112137203	Yes
Vinci Partners Investimentos Ltda.	Brazil	Latin America	2021-02-12	\$10,000.00	\$-	No	0	No
Vital Capital	Cyprus	Europe	2021-06-03	\$350.00	\$-	Yes	0	No
Water.org	USA	North America	2019-04-12	\$947.00	\$947.00	Yes	0.080284553	Yes
WaterEquity	USA	North America	2019-04-12	\$182.00	\$182.00	Yes	0.109297374	Yes
Zurich Insurance Group	Switzerland	Europe	2019-04-12	\$395,300.00	\$5,800.00	No	0.117012885	Yes