



COLUMBIA | SIPA

Sustainable Investing Research Initiative

## SUMMARY

### Columbia University Sustainable Finance Seminar

#### **SFS6: Advances in Impact Investing: Triggering Systems Change**

Sep 2, 2025

#### **OVERVIEW**

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The seminar examined the state of impact investing in the current political and economic climate. It explored how the field has evolved over the past two decades, the setbacks it faces today, and strategies for triggering systems change and ensuring long-term resilience. Two keynote presentations provided distinct perspectives: one focused on the historical development of impact investing and its current phase of retrenchment, while the other highlighted the institutionalization of impact investing and the growing importance of system-level approaches.

The open discussion that followed expanded on these ideas, addressing materiality, fiduciary duty, disclosure frameworks, and the balance between public and private responsibilities. Participants also debated the political backlash to sustainable finance, the challenges of credibility and humility in claims about impact, and the opportunities for global collaboration. The seminar concluded with a set of action-oriented priorities aimed at defending existing progress, refining tools, and preparing for systemic transformation.

***I. Historical Development and Current Inflection Point***

The first presentation traced the trajectory of impact investing from its early beginnings to its current challenges. In the earliest phase, optimism and favorable government conditions encouraged experimentation. Investors were enthusiastic about integrating social and environmental considerations into financial practices, and new products began to emerge. This early stage provided the foundation for broader adoption.

The following phase, during the mid to late 2010s, was marked by rapid growth. Investment vehicles proliferated, measurement tools expanded, and the language of “impact” gained traction across markets. Foundations, donor collaboratives, and private investors helped to bring momentum to the field. During this time, impact investing was no longer a niche activity but became increasingly mainstream.

The pandemic created a crisis but also highlighted the relevance of impact-oriented capital. Alongside social justice movements, the crisis spurred investor interest in resilience, equity, and community rebuilding. Impact investing was seen as a vehicle to mobilize resources for urgent needs and systemic change. However, this period also exposed weaknesses, including the absence of infrastructure for rapid capital deployment and limitations in measurement frameworks.

The current phase is characterized by backlash. Political resistance to ESG and sustainable finance has grown, particularly in the United States, where regulations and tools such as shareholder engagement are being challenged. This retrenchment threatens progress made over the past two decades. At the same time, the field is more established and sophisticated than before, suggesting resilience in the face of opposition.

The presentation emphasized three priorities for this moment. The first is the need to defend progress by safeguarding the tools and standards that have been built. The second is to secure small but meaningful wins, even during periods of resistance. The third is to prepare for long-term transformation by developing frameworks and proposals now, so they are ready when political conditions improve.

The framing emphasized that while the backlash is real, it cannot erase the growing recognition that financial systems must adapt to global realities such as climate change and inequality. The call was to remain vigilant, focus on credibility, and continue building momentum toward systemic change.

## ***II. Institutionalization, Materiality, and System-Level Approaches***

The second presentation examined how impact investing has matured and diversified. The field first relied on private market pioneers, including foundations, family offices, and other early adopters. Over time, larger institutional investors also became involved. Pension funds and insurance companies are now active participants. These actors bring both scale and new challenges, as they seek to balance financial obligations with sustainability goals.

A central theme was the contested meaning of “impact.” One definition focuses on managing externalities across portfolios, while another centers on mobilizing capital toward targeted social or environmental problems. Both approaches are valid, but they require different strategies. The first requires stronger disclosure systems and accountability structures, while the second requires creative mechanisms to direct capital toward underfunded solutions.

The presentation highlighted the growing adoption of system-level thinking. Instead of concentrating solely on vertical interventions, investors are examining leverage points within entire systems, such as healthcare, housing, or climate transitions. This shift is supported by the wider use of theory-of-change frameworks, which encourage investors to begin with a social or environmental challenge and then design investment strategies that align with solutions.

Two strategic imperatives were identified. The first is to achieve “better beta” by ensuring that markets as a whole account for environmental and social risks. This involves redefining materiality to incorporate systemic issues, not just firm-level risks. The second imperative is to design mechanisms that allow rapid mobilization of capital around urgent problems, such as climate resilience or equity in health systems.

Challenges to this vision include significant political and regulatory headwinds, particularly in the United States, which is experiencing an aggressive deregulatory agenda and threats to the independence of financial regulators. Globally, the narrative around sustainable finance has become fragmented, with inconsistent terminology such as the confusing and varied uses of the word 'impact' complicating the landscape. The discussion also emphasized a critical need to align disclosure standards and expand the definition of materiality beyond narrow financial terms to incorporate systemic and portfolio level risks. Despite setbacks, the outlook remained cautiously optimistic. The interconnections between regulations, market practices, and global challenges mean that sustainability is embedded too deeply to be rolled back entirely. Even as backlash occurs, forward-looking investors and companies continue to press ahead. The presentation concluded by calling for investors to actively use their voices, engage portfolio companies, and advocate for regulations that maintain integrity while promoting resilience.

### ***Humility and Claims of Impact***

Participants reflected on the importance of humility in articulating the value of impact investing. The field has often promised transformative outcomes, but the infrastructure needed to deliver at scale is not yet fully in place. Some argued that overstatement creates risks to credibility and invites backlash. Others emphasized that by moderating claims, focusing on tangible results, and presenting clear evidence, institutions can build trust, improve tools, and make a stronger case for continued investment.

### ***Fiduciary Duty and Beneficiary Interests***

Fiduciary duty was repeatedly discussed as a central challenge. While some argued that fiduciary responsibility is confined to financial returns, others insisted that it also covers long-term stability, security, and quality of life for beneficiaries. Pension funds were highlighted as examples—they support retirement security as well as serve broader social purposes. An expanded interpretation of fiduciary duty was viewed as opening new space for sustainability-oriented investment strategies that balance financial performance with long-term well-being.

### ***Materiality and Disclosure***

The conversation turned to the question of materiality. What is immaterial at the level of one firm may become material across a portfolio or the entire economy. New technologies, particularly artificial intelligence, are expanding the boundaries of what can be identified and measured as relevant. Participants agreed that disclosure standards must keep pace, moving beyond narrow definitions of financial materiality to incorporate system-wide considerations. Many called for frameworks that integrate sector-specific indicators with broader portfolio-level measures.

### ***Public and Private Responsibilities***

The group considered who should bear the costs of sustainability. Many projects with strong social or environmental value require subsidies or shared risk. Some argued that public funds should shoulder more of the initial costs to mobilize private capital at scale. Others believed that private investors should see such costs as part of enlightened self-interest. The simplistic divide between “finance-first” and “impact-first” was seen as outdated, as hybrid models combining both are increasingly common.

### ***Credibility and Infrastructure Gaps***

Another theme was the mismatch between ambition and capacity. Participants observed that while impact investing has gained visibility, the systems to deploy capital rapidly into solutions remain underdeveloped. This gap limits the ability to respond to crises and slows progress toward systemic change. Building robust infrastructure, such as clear reporting systems, supportive regulations, and cross-sector platforms, was identified as essential for translating aspirations into real-world impact.

### ***Disclosure Frameworks and Standardization***

Several participants noted the difficulties created by fragmented or inconsistent disclosure frameworks. Past debates between different reporting standards have left companies and investors struggling with duplication and misalignment. Inconsistent terminology across institutions further complicates compliance. There was strong agreement that greater standardization, alignment, and simplification are needed, particularly to allow investors to compare performance across sectors while also evaluating systemic risks.

### ***Allocation of Responsibility Across Actors***

The dialogue highlighted uncertainty about which actors should take the lead in financing major transitions. For example, city-wide net-zero plans require massive capital mobilization. Governments, investors, and companies all have roles to play, but coordination is limited. Participants argued that without clear allocation of responsibilities, ambitious goals risk remaining aspirational. Collaborative models involving both public and private actors were seen as essential for achieving impact at scale.

### ***International Perspectives and Collaboration***

Contributions from outside the United States pointed to differences in political and institutional contexts. Examples from Europe and Asia showed how pension reforms and government-led policies have created new opportunities for channeling capital into impact-oriented strategies. Participants highlighted that while regional approaches differ, cross-border collaboration can mobilize resources more effectively. Partnerships between global investors, local governments, and community institutions were considered promising avenues for scaling systemic solutions.

### ***Political and Cultural Headwinds***

Finally, participants acknowledged the strong headwinds facing the field. In the United States, political attacks on ESG and sustainable finance have slowed momentum and created uncertainty. However, participants stressed that these challenges are cyclical. Preparing frameworks, tools, and proposals during periods of resistance ensures that the field will be ready when more favorable conditions emerge. Over time, climate change, inequality, and technology will drive markets to adjust

## **PART III – CONCLUSION AND ACTION-ORIENTED PRIORITIES**

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The seminar concluded with recognition that impact investing is at a critical juncture. Despite political resistance and structural challenges, the urgency of global risks demands continued action. Key priorities identified include:

- **Defend Existing Progress:**

The first priority is safeguarding achievements. Over the past two decades, impact investing has developed tools, standards, and norms that give it credibility and substance. These must be preserved, even as political backlash intensifies. Defending progress involves not only resisting rollbacks but also reinforcing the legitimacy of current practices. Protecting these foundations ensures that the field can withstand challenges and continue to evolve without losing hard-won momentum.

- **Balance Top-Down and Bottom-Up Approaches:**

A second priority is balancing systemic reforms with community-level action. Policy frameworks and regulatory changes are essential to create enabling environments for sustainable finance. At the same time, investments in grassroots initiatives build inclusive ownership and deliver benefits directly to communities. Linking top-down and bottom-up approaches strengthens resilience and equity. Participants argued that durable change requires both structural reforms and local empowerment working in tandem, rather than relying on one direction alone.

- **Embrace Humility and Transparency:**

Humility was identified as critical for strengthening credibility. Participants agreed that the field has at times overpromised, creating skepticism and backlash. By adopting more measured claims, focusing on outcomes, and clearly explaining successes and failures, impact investing can build trust among stakeholders. Transparency also helps refine tools and sharpen strategies. A culture

of humility encourages learning, reduces reputational risks, and positions the field as a pragmatic force for long-term change.

- **Reframe Fiduciary Duty:**

Reconsidering fiduciary duty emerged as another priority. Narrow definitions that focus solely on short-term financial returns do not reflect the long-term interests of beneficiaries. Expanding fiduciary duty to include stability, resilience, and quality of life broadens the scope of investment strategies. Pension funds and insurance mechanisms illustrate this potential, as their missions naturally align with long-term security. Reframing fiduciary duty opens a pathway for institutions to embrace sustainability without undermining their core responsibilities.

- **Advance Materiality and Disclosure Frameworks:**

Strengthening disclosure systems was emphasized as vital. Materiality should not be viewed as static or narrowly financial, but as a spectrum that includes systemic and portfolio-level risks. Advances in data analytics, including artificial intelligence, can make disclosure more robust and meaningful. Integrating sector-specific indicators with broader systemic measures will allow investors to evaluate both firm performance and wider impacts. Improved frameworks can reduce fragmentation, build comparability, and enhance the integrity of decision-making.

- **Promote Cross-Sector Collaboration:**

Collaboration across sectors was seen as indispensable for scaling impact. No single actor can address systemic challenges alone. Investors, governments, academia, and civil society must combine resources and expertise. Partnerships can accelerate transitions in areas such as housing, healthcare, and climate adaptation. Global coordination was also highlighted, with cross-border initiatives offering new opportunities for scaling solutions. Collaboration not only pools resources but also distributes responsibility, making ambitious goals more achievable.

- **Prepare for Future Opportunities:**

The final priority is preparing for the future. Political resistance may stall progress in the short term, but long-term drivers of change remain unavoidable. Climate risks, inequality, and technological disruption will continue to shape markets. Participants stressed the importance of using this period to develop strategies, frameworks, and proposals. Being ready with clear solutions when conditions improve allows the field to seize momentum quickly. Preparation today ensures faster progress tomorrow.

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