SUSTAINABILITY

REPORT

CFA Institute Research & Policy Center

Impact Investing: Guidance for Designing Listed Equity Strategies That Generate Real-World Outcomes

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Executive Summary

Impact investing has evolved from a niche philanthropic approach to a popular investment choice among mainstream investors. Investors in listed equity impact products, however, often fail to achieve the real-world change they seek. Whereas private equity investors can exert influence through concentrated ownership and direct governance, listed equity investors face dispersed ownership and limited control.

"Impact Investing: Guidance for Designing Listed Equity Strategies That Generate Real-World Outcomes" provides guidance for creating listed equity impact strategies that effectively deliver social and environmental impact. This report is written primarily for asset managers, but its insights and recommendations have relevance for asset owners, consultants, and regulators as well.

In this report, we define impact investing as requiring 1) a credible Theory of Change that links actions to outcomes, and 2) an investor's active role achieving the targeted environmental or social outcome. Listed equity strategies that simply buy shares in companies whose products or services have positive effects on people or the planet—for example, renewable energy or affordable housing—without additional investor actions to improve outcomes, lead to investment products that lack the rigor necessary to achieve real-world change.

Creating Impact

Shareholder engagement and stewardship activities are the primary mechanisms for creating change through listed equity. To influence one listed company to create one change, asset managers must ensure their engagement

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proposals are not only socially or environmentally valuable but also financially and strategically viable for the company.

A credible impact investing strategy begins with SMART objectives—Specific, Measurable, Affects people/planet, Realistic, Time-bound. Managers should clearly define baselines, targets, and beneficiaries, while emphasizing "win-win" opportunities that align impact with business value.

A rigorous theory of change that sets out the steps needed to achieve an outcome, tests assumptions, and measures progress is essential. Proposals should be grounded in deep company and sector research, based on credible economic rationales, and delivered by experienced professionals with C-suite level communication skills.

Impact Portfolios

An impact objective is inherently company-specific; scaling impact across a portfolio of holdings introduces additional challenges. Effective engagement for each company requires deep expertise and often requires years of sustained effort. Shallow engagements across many companies rarely deliver meaningful outcomes. Reducing the number of portfolio holdings to allow for deeper engagement can lead to more concentrated portfolios, high idiosyncratic risk, and large deviations from market benchmarks. Portfolio managers may face additional challenges in the form of trade-offs between financial valuation goals and impact goals. Estimating the long-term value of a successful engagement outcome can help managers guide these decisions.

Benchmarking is a critical challenge, as traditional indices are ineffective for measuring the performance of a portfolio with concentrated risks and both financial and non-financial objectives. Alternative benchmarks and measures, such as custom benchmarks, absolute return targets, or the acceptance of high levels of tracking error can better align expectations and reduce short-term performance pressures. Adopting such benchmarks requires investors and clients to prioritize long-term value creation and measurable real-world outcomes over quarterly returns.

The regulatory environment introduces additional risks, such as incurring fines for misrepresentation of a strategy or failing to meet certain criteria for an investment product claiming to have impact. Best practices to mitigate these risks include clearly defining objectives, avoiding exaggeration, and reporting impact efforts and outcomes with transparency and integrity.

Achieving measurable real-world environmental and social change through listed equity requires rethinking conventional investing norms around diversification, benchmarking, and time horizons. Asset managers must balance financial objectives with impact objectives while navigating a demanding regulatory landscape.

Key Takeaways

- Engagement and stewardship are the primary mechanisms for creating real-world outcomes in listed equity impact investing.
- SMART objectives and a credible theory of change link investor actions to measurable outcomes.
- Constructing a portfolio of companies with impact objectives requires substantial resources, including sector expertise and specialized company knowledge.
- Benchmark mismatch can be addressed through custom benchmarks and metrics, such as absolute-return benchmarks or a tolerance for higher tracking error.
- Regulatory risk can be mitigated through alignment between objectives and outcomes and reporting with transparency and integrity.

Introduction

Impact investing has evolved from a niche practice among mission-driven institutional investors to a growing movement among mainstream investors seeking to align financial returns with positive environmental and social outcomes. Impact investing has its origins in philanthropy and private markets, where investors can exert direct influence through capital allocation and governance.

The evolution to listed equities, however, presents unique challenges for generating real-world outcomes. Unlike private equity, where investors often hold controlling stakes and provide strategic guidance, listed equity investors typically lack the concentrated ownership and direct influence needed to compel change. The mechanisms to create impact in public markets thus rely heavily on shareholder engagement and long-term stewardship.

In this report, we explore how listed equity strategies can be designed to generate real-world outcomes. We define a real-world outcome as a positive change in an environmental or social condition that occurs as a result of a company's deliberate actions—actions that are in addition to its routine business operations, products, or services. Reducing pollution and waste, improving product safety, and protecting biodiversity and nature are a few examples of real-world outcomes that impact investors may seek to achieve.

This report sheds light on the resources and efforts necessary to make listed equity impact strategies effective in generating real-world outcomes. We examine the practical elements of designing a listed equity impact investing strategy, including

- influencing one or more companies to make one or more changes;
- balancing tradeoffs between risk, return, and impact;
- benchmarking; and
- navigating legal and regulatory considerations.

We also offer guidance for addressing the challenges inherent in listed equity impact investing. By providing impact investors with a clear framework and actionable recommendations, we aim to support more disciplined investment practices and improve the effectiveness of strategies that seek to achieve meaningful environmental and social impacts.

This report was written primarily for asset managers who are seeking guidance on designing an impact investing strategy for a listed equity portfolio. It also has important implications for asset owners, consultants, and regulators as they seek to understand and/or evaluate the effectiveness of a listed equity impact investing portfolio.

What Is an Impact Investing Strategy?

There is a spirited debate in the investment industry about what sort of strategies should be named, classified, or referred to as "impact investing." At one end of the spectrum, some define impact investing as investing in companies whose products or services have inherently positive effects on people or the planet. This view emphasizes the nature of a company's business model—such as renewable energy, affordable housing, or health care access—as the primary source of impact. At the other end of the spectrum, a more rigorous definition requires that investors contribute to change through deliberate actions, such as shareholder engagement, proxy voting, or capital allocation strategies. According to this view, the intention is to influence corporate behavior to achieve improvements in environmental or social conditions in the real world.

This report adopts the latter view. Our definition of impact investing is consistent with the one presented in "Definitions for Responsible Investment Approaches," by CFA Institute, the Global Sustainable Investment Alliance (GSIA), and the Principles for Responsible Investment (PRI), which defines impact investing as "investing with the intention to generate positive, measurable social and/or environmental impact alongside a financial return" (CFA Institute, GSIA, and PRI 2023, p. 19). Two critical components of this more rigorous definition of impact investing are (1) a credible *theory of change*—how and why the investment strategy will influence a company to create the intended impact—and (2) the investor's active role in bringing about the change.

The investor's active role in bringing about the change is foundational to impact investing and distinguishes it from other responsible investment approaches. An investment strategy that simply buys shares of listed companies that "do good" through their core business activities, with no contribution of additional direct equity capital, is better characterized as a responsible investing, sustainable investing, ethical investing, values-based investing, or thematic investing strategy. These approaches have merit in terms of meeting investors' requirements or preferences, but they do not meet the threshold for impact investing.

Influencing One Company to Make One Change

To influence a single listed company to make a single change, listed equity impact investors face two primary challenges. First, they are only one of many shareholders, so they often lack the concentrated ownership or governance rights necessary to compel action. Second, it is difficult to identify and advocate for changes that are both environmentally and/or socially beneficial *and* economically viable for a company. To be effective, impact proposals must align with the company's operational realities and management's duties to shareholders. Because of these challenges, achieving real-world outcomes by investing in listed equities is difficult, though not impossible. The following ideas can help investors improve the efficacy of their engagement and stewardship efforts to influence listed companies.

Start SMART

When attempting to influence listed companies, investors should begin with a clear impact objective grounded by reason and expertise. As a helpful way to formulate an impact objective, we propose a variation of the SMART goal-setting framework: *specific*, *measurable*, *affects* people and/or the planet, *realistic*, and *time bound* (Dolan 1981).[1] We discuss each of these elements next.

[1] The original definition of SMART was set out by Dolan (1981, p. 36) as "specific, measurable, assignable, realistic, and time-related." There have been variations of the acronym over the years.

Specific

An impact objective should be specific in its description of the environmental/social change or future state that is being sought. For example, an objective to "influence XYZ company to implement a greenhouse gas emission reduction program within two years" provides an investor and a company a specific goal to achieve. Being specific about the envisioned outcome also lessens the temptation to claim credit for positive but unintended consequences—that is, impacts that do not result from the efforts of the investor.

Measurable

To evaluate whether an impact has occurred, an impact objective should be defined by one or more baseline measures and one or more targets that represent the desired environmental or social outcome or future state. We recommend investors select measures for which accurate data are consistently available, though we acknowledge that measuring the environmental or social impact of a listed company is difficult due to a lack of generally accepted methodologies and publicly disclosed company metrics.

Another difficulty with measuring outcomes lies in quantifying the investor's contribution to the impact. Even when an engagement achieves its intended objectives, it can be challenging to establish the extent to which the investor influenced these results, especially in cases where multiple stakeholders or coalitions were involved. When engagements are conducted in conjunction with other investors, it is important to clearly define and disclose one's contributory role to ensure precision and fairness.

To preserve credibility, investors should take credit only for the impact to which they directly contributed and not overstate their influence. Clear definitions and calculations for metrics, along with disclosures of data sources, can enhance an impact investor's credibility. In addition, providing such evidence as detailed records or company testimonials acknowledging the investor's role can further validate their contribution. Transparent and comprehensive reporting serves not only to showcase successes but also to bolster credibility and accountability in the pursuit of impactful change.

Affects People and/or the Planet

An impact objective should aim to achieve a real-world outcome that affects people and/or the planet. The objective should be specific with regard to the people, regions, ecosystems, or animal or marine populations that are being targeted for improvements. For instance, an impact objective might aim to secure a company commitment to reduce deforestation in certain areas of the Amazon region to preserve the livelihood and food security of indigenous peoples.

Realistic

SMART impact objectives should be economically and operationally realistic. One way that well-intentioned investors often go awry is by setting unrealistic objectives. For example, an investor who believes that addressing a given environmental or social issue is urgent might push for changes that would reduce a company's profitability or that are incompatible with its business model. Such proposals are unlikely to be accepted by management. Instead, we recommend investors identify "win-win" opportunities—such as resource efficiency or risk mitigation—that align impact with business value.

Time Bound

Finally, an impact objective should specify a reasonable time frame within which the change should occur. Impact through a publicly traded company typically unfolds over multiple years, often requiring sustained engagement for two to five years or more.

Develop a Rigorous Theory of Change

Theory of Change is a framework that comes from the field of program theory and evaluation, which has its roots in evaluating complex social and community change programs. A theory of change describes how and why an intervention is expected to solve a problem and lead to the desired outcomes.[2] A theory of change (1) identifies the steps that must occur to produce a long-term outcome, (2) identifies and clarifies the assumptions about how change will take place, and (3) evaluates progress and makes adjustments. Impact investors can apply the Theory of Change to deconstruct their objectives into defined steps, explain how taking these steps will result in achieving the impact objective, and make modifications to the process as needed.

Make Well-Researched and Insightful Proposals

Effective proposals are informed by rigorous analysis, diligent research, and industry expertise. Impact investors can strengthen the credibility of their recommendations by thoroughly understanding a company's business model, regulatory environment, and competitive landscape. They can also offer a roadmap with specific policies, processes, or operations to achieve the impact objectives. Impact objectives should be grounded in business value and provide a compelling economic argument for the company. Reflecting on lessons learned from unsuccessful engagements adds further value to the process, offering insights that can inform and improve future efforts.

[2] See www.theoryofchange.org/.

Investors can enhance their knowledge by consulting with industry, sustainability, and regulatory experts. Acquiring knowledge and expertise can help investors identify feasible pathways for change, validate the strategic and financial implications of proposed actions, and perhaps uncover innovative solutions that may not be widely known or adopted. This approach reinforces the investor's role as a constructive partner and increases the likelihood of meaningful engagement outcomes.

Investors may also be able to leverage a broad array of data sources in support of their proposals. Public data—including corporate sustainability disclosures, science-based data, academic models, regulatory filings, and peer benchmarks—provide a foundation for assessing the current state of a company's impact on an environmental or social condition. Alternative data sources, including satellite imagery, supply chain analytics, and digital sentiment analysis, can reveal hidden environmental or social issues and emerging stakeholder concerns. Integrating these diverse data into their analyses may help investors construct a comprehensive and evidence-based case for change that demonstrates both strategic alignment and operational feasibility.

Increase Influence

Influencing publicly traded companies is often a function of ownership concentration, strategic collaboration, and reputational credibility. One approach to increasing influence is to acquire a larger ownership stake in a company. This strategy is more applicable for companies with smaller market capitalizations, where meaningful stakes can be acquired with relatively modest capital. Investors must weigh this approach, however, against portfolio diversification, risk tolerance, and regulatory thresholds that may trigger reporting or compliance obligations.

Collaborative engagement offers another avenue for influence. By working with other investors, particularly those with similar objectives, impact investors can present a stronger, more credible case. Such efforts must be undertaken with care to avoid legal and reputational risks, such as concerns about anticompetitive behavior.

In some cases, impact investors may be able to enhance their strategic reach while optimizing resource allocation by partnering with firms or individuals who have a demonstrated track record of successful corporate engagement. These individuals or firms often possess reputational capital that enables them to exert influence without requiring large ownership stakes. Their involvement can lend credibility to an initiative, attract broader support, and facilitate more productive dialogue with company leadership.

Influencing Multiple Companies to Achieve Multiple Changes

Whereas influencing a single company to achieve a real-world outcome is already a complex and resource-intensive endeavor, scaling this approach across a portfolio of listed companies introduces a new set of challenges. As investors seek to generate multiple impacts across multiple holdings, they must navigate a web of operational, strategic, and measurement complexities that can test the limits of traditional investment frameworks.

Resource Constraints and Organizational Capacity

One of the most significant barriers to scaling impact is the resource intensity of meaningful engagement. Each engagement requires sustained effort over multiple years, often involving deep research, relationship building, and iterative dialogues with company leadership. As the number of engagements grows, so does the need for specialized staff, including analysts with sector-specific expertise and engagement professionals with C-suite–level persuasion skills. Infrastructure capabilities to support tracking, documentation, and reporting often must be enhanced. We recommend tracking each call, letter, and meeting held with a company to monitor and measure progress toward achieving milestones and performance indicators.

According to estimates from industry practitioners, a single full-time engagement professional may have the capacity to manage 10–30 engagements at a time, depending on complexity.[3] Deeper and more substantive engagements—those most likely to result in real-world outcomes—require greater time and attention. Scaling up engagement efforts creates tension between breadth and depth: The more companies included in the portfolio, the harder to maintain the quality of engagement necessary for impact.

In addition, the cost of building and maintaining a high-functioning engagement team is substantial. An asset owner that adopts an impact investing strategy may be able to justify these costs in terms of long-term value creation or mission alignment. An asset manager, however, must consider how to recover these expenses, either by charging higher fees for impact strategies or by spreading costs across multiple strategies that benefit from the efforts of the engagement team. Both options can potentially affect an investment product's competitiveness and scalability.

Defining and Managing Portfolio-Level Impact Objectives

Translating company-level impact goals into a coherent portfolio-level strategy is another major challenge. Impact objectives are inherently company specific, shaped by each firm's business model, financial profile, and industry.

[3] Based on input from members of the CFA Institute ESG Technical Committee.

Aggregating diverse impact objectives into a unified portfolio narrative requires careful design and disciplined execution. The Operating Principles for Impact Management offer a useful framework for navigating these challenges. The nine principles offer guidance for defining and managing the strategic intent of the strategy; structuring, managing, and monitoring the portfolio; and reporting on and exiting impact investments (Operating Principles for Impact Management 2025).[4]

To be effective, a strategy's impact objectives should be considered alongside its financial objectives in portfolio construction. Ideally, all holdings should be selected for their financial potential and also for their capacity to generate specific, measurable real-world outcomes. Investors must determine how theories of change for individual companies align—or potentially conflict—with the overall investment strategy. The lack of standardized metrics and reporting frameworks further complicates this task, making it difficult to compare progress across companies or to communicate results to clients or stakeholders in a consistent and credible way.

Risk, Return, and Impact Tradeoffs

Most listed equity portfolios are designed to be well diversified, with holdings spread across sectors, geographies, and risk factors. This diversification helps manage volatility and performance relative to market benchmarks. In contrast, an effective listed equity impact investing strategy would likely require a more concentrated approach. Achieving meaningful influence would generally require larger ownership stakes, deeper engagement, and longer holding periods. As a result, impact portfolios may hold fewer companies—perhaps as few as 10 to 30—creating a concentrated portfolio that exhibits higher levels of idiosyncratic risk. Pursuing multiple impacts across multiple companies may force an investor to confront tradeoffs between impact, risk, and return at the portfolio level.

Investors must also balance tradeoffs among risk, return, and impact at the individual holding level. In a typical equity strategy, portfolio managers often set valuation targets for each holding that prompt an addition, reduction, or sale of the holding. Tensions can arise when market movements happen more rapidly than the coming fruition of an engagement effort, presenting a portfolio manager with dilemmas—such as whether to sell a holding that has become fully valued when the engagement is still ongoing or to hold an overvalued security to realize engagement success. Portfolio managers may often need to choose between achieving the financial target or the impact objective for a particular holding.

[4] For more information on the common and emerging practices in implementing the Operating Principles for Impact Management, see www.impactprinciples.org/common-and-emerging-practices/.

The decision time frame and the valuation-driven nature of traditional, broad market portfolios can easily be out of sync with the goals, objectives, and time frames of impact portfolios. Investors may find it beneficial to estimate the value of portfolio holdings under scenarios of successful engagement. The projected valuation should significantly exceed short- to medium-term financial return estimates and provide portfolio managers with a rationale to maintain positions until the long-term value from engagement is fully realized.

Benchmarking

Achieving meaningful real-world impact may require concentrated investments, leading to portfolio risks and returns that differ greatly from market indexes. Consequently, traditional methods of performance evaluation would be less relevant for listed equity impact investing strategies. Asset managers who are held to performance expectations against standard benchmarks can face career risk when the performance of a concentrated impact investing portfolio deviates wildly from that of a traditional diversified portfolio. If a broad market index is used as a benchmark, a client must be willing to accept a higher level of tracking error than what would normally be expected.

Some investors may look to impact investing indexes as suitable benchmark solutions. However, investors should be aware that the goals or strategies of an impact index may not align with those of the investor. Rather, these indexes are largely designed to be used for index tracking rather than as a benchmark for active management.

Some impact investors have chosen to adopt alternative performance benchmarks, such as absolute return targets or custom benchmarks composed of long-term impact goals as well as financial goals. These approaches can help align incentives, reduce short-term performance pressures, and support the patient capital needed for transformative engagement. However, they also require a shift in mindset—from asset owners and their stakeholders or asset managers and their clients—about what success looks like and how it is most effectively measured.

Characteristics of a Listed Equity Impact Strategy

Exhibit 1 presents a conceptual picture of the characteristics that a highly effective listed equity impact investing strategy would be likely to have.

We acknowledge that the average listed equity impact investing portfolios in the marketplace do not have the characteristics outlined in Exhibit 1. Instead, these portfolios aim to meet investor preferences and are closely aligned with responsible, sustainable, ethical, values-based, or thematic investing.

Exhibit 1. Conceptual Characteristics of a Listed Equity Impact Investing Strategy Designed to Deliver Real-World Outcomes

Degree of Diversification	Relatively low
Holdings Count	Relatively few (for example, 10–30 companies)
Engagement Level	Very high
Required Resources	Specialized investment staff with deep knowledge of industries and engagement
Investment Goal	Financial return goal plus impact goal
Benchmark and Risk Measurement	Absolute return, custom benchmark, or high tracking error
Impact Measurement and Reporting	Specific, measurable impact objectives or targets

Legal and Regulatory Considerations

The offering of a listed equity impact strategy can present a range of legal and regulatory challenges. Most regulatory frameworks continue to emphasize risk and return as the primary characteristics of investment products, offering limited guidance on how to address the unique features of impact strategies. With the notable exception of the United Kingdom's Financial Conduct Authority (FCA), which has introduced specific rules for financial products with an "impact" label under its Sustainability Disclosure Requirements (SDR), regulators globally remain largely silent or ambiguous on the subject. As a result, firms are often left to interpret how existing rules apply, increasing their exposure to legal and compliance risk.

The EU's Sustainable Finance Disclosure Regulation (SFDR) Article 9 does not have sufficient precision to serve as a model for best practice. Article 9 requires disclosure for products with a sustainable investment objective (European Parliament and the Council 2019), but the definition of "sustainable investment" under SFDR does not necessarily imply an intention to generate real-world outcomes. A recent study found that only 20% of Article 9 funds explicitly aimed to deliver such outcomes, highlighting the gap between regulatory classification and actual impact intent (Sheitza and Busch 2024).[5]

A particular challenge lies in the attribution and measurement of impact. Listed equity investors typically lack the direct channels of influence available to private equity investors. As a result, it is difficult to demonstrate causality between investment activity and real-world outcomes—especially in complex environmental and social systems where multiple actors contribute to change.

[5] Sheitza and Busch (2024) analyzed 1,000 Article 9 funds, finding that only 20% can demonstrate how the investment strategy may have impact. However, this 20% cohort of funds largely lacks the defining criteria outlined in this report to be truly impact generating, and those allocating capital for impact were largely in the microfinance sector.

The difficulty in assigning credit can further complicate regulatory disclosures and increase the risk of misrepresentation.

Ensure Strategy Integrity

In jurisdictions without clear regulatory guidance, firms may look to the United Kingdom's SDR and investment labels regime as a model for best practice. Under this regime, the use of the term "impact" in a product's name is restricted to those that qualify for the "Sustainability Impact" label. To obtain this label, a product must meet the criteria outlined in the *FCA Handbook* (ESG 4.2 Criteria for Applying Sustainability Labels),[6] which include the following:

- A clearly defined sustainability objective focused on impact
- A robust theory of change or equivalent framework
- Evidence of the product's contribution to the intended impact
- Ongoing measurement and transparent reporting of impact performance (see FCA 2023, p. 44)

In our opinion, listed equity strategies that merely buy shares in companies that do well by doing good—without demonstrating an investor's intention and active role in bringing about the change—are unlikely to meet these standards. Such strategies should instead be described using such terms as "sustainable," "thematic," or "responsible," rather than "impact," provided such terms are appropriate and permissible under applicable regulations.

Align Words and Actions

Across jurisdictions, regulatory enforcement actions related to environmental, social, and governance (ESG); sustainability; and impact strategies have consistently stemmed from inaccurate disclosure and failure to implement the strategy as described. These practices reinforce a fundamental regulatory expectation: Firms must clearly articulate their investment strategies and ensure that their actions align accordingly. For guidance on best practices, firms may consult the United Kingdom's SDR (FCA 2023); the CFA Institute Global ESG Disclosure Standards for Investment Products, Provision 2.A.19 (CFA Institute 2021); and the Operating Principles for Impact Management (2025).

Communicate Responsibly

Most jurisdictions prohibit false or misleading claims in marketing and client communications. These rules are typically principle based, requiring firms to exercise judgment in how they describe their impact. To mitigate legal, compliance, and reputational risks, we recommend the following practices when reporting on impact:

[6] See https://handbook.fca.org.uk/handbook/esg4/esg4s2?timeline=true.

- *Clearly define the impact objective:* Use the SMART framework to describe what outcome will be sought, whom or what it will benefit, and how it will be measured.
- *Be specific about the contribution the firm provided:* Clearly describe the firm's role in achieving the outcome.
- *Avoid embellishment:* Do not overstate the firm's involvement or the magnitude of the results.
- *Acknowledge others who contributed:* Recognize the roles of other stakeholders and partners.
- *Give context and provide balance:* Present a nuanced view that includes both positive and negative outcomes.[7]

By adhering to these principles, firms can enhance the credibility of their impact strategies and reduce the risk of regulatory scrutiny.

Conclusion

Clearly, achieving multiple real-world outcomes through a listed equity portfolio is not simply a matter of scaling up a single-company engagement model. It requires a fundamental rethinking of resource allocation, portfolio design, and performance measurement. Investors who want to implement an effective impact investing strategy through listed companies must be prepared to invest in the people, processes, and systems necessary to support high-quality engagement and shareholder governance activities at scale. They must also be willing to challenge conventional norms around diversification, benchmarking, and time horizons.

We offer the following guidance for investors seeking to develop an impact investing strategy that can effectively generate real-world outcomes.

- **Define clear impact objectives:** Investors should set specific, measurable, realistic, and time-bound impact objectives that create real-world outcomes for people or the planet and align with the company's economic interests.
- **Develop structured plans for engagement and shareholder activities:** Investors should create detailed plans for engaging directly with management and boards, voting on corporate actions, and filing shareholder resolutions. These plans should outline the steps required to achieve the impact objectives and the metrics for measuring progress. Pairing efforts with other investors can amplify the influence of smaller investors and increase the likelihood of successful outcomes.

[7] This list is based on advice provided in Fidler (2024).

- **Build deep industry and company expertise:** Investors should possess expertise in the environmental and social issues facing the company, as well as a thorough understanding of the company's business model and industry. Proposals should be based on credible arguments and feasible solutions to achieve impact while creating shareholder value.
- **Manage resources effectively:** Investors should have sufficient resources to manage multiple engagements simultaneously, including dedicated staff with industry expertise and C-suite communication skills, as well as appropriate operational infrastructure. Investors should be prepared to justify the additional costs of an effective impact strategy in terms of expected benefits.
- **Balance impact aspirations with financial goals:** Investors should carefully balance a portfolio's impact objectives with its financial performance goals and be ready to address potential impact versus valuation tensions at the security level, particularly because engagement timelines may outlast short-term valuation changes.
- **Legal and compliance risks:** Investors should stay informed about the evolving regulatory landscape and ensure their impact investing strategies comply with relevant regulations. This includes understanding the classification of sustainable investment activities, mitigating greenwashing risks, and adhering to portfolio labeling requirements.

Ultimately, impact through listed equity investing can be achieved through strategic clarity and resource commitment, as well as a willingness to depart from traditional portfolio and benchmarking norms.

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