Finding clarity in responsible and impact investing

By Perpetual Wealth Management
17 February 2026

“Impact” has become a buzzword. As more investors seek to align their portfolios with their values, the lines between responsible, sustainable, and impact investing have become increasingly blurred and used interchangeably. The term “impact” is often used loosely which has fuelled concerns about “impact-washing”. In this article we explore the different terms and how investors can turn understanding into action.

The responsible investing spectrum

Responsible investing is an umbrella term for a wide spectrum of approaches. Each plays an important role in how investors can influence progress and manage long-term risk.

Negative Screens exclude certain industries, sectors, regions or companies from a portfolio. Often these exclusions include pornography, tobacco, alcohol, adult entertainment to name a few examples. Sometimes also dubbed “sin stocks”, these can either be zero tolerance exclusions or set at a certain revenue threshold.

ESG integration is often the first step. It focuses on how companies operate, managing environmental, social and governance risks to improve financial resilience and promote good corporate behaviour.

Sustainable investing goes a step further. It considers what you invest in, targeting assets or companies that contribute to long-term environmental and social sustainability, such as renewable energy, water management, or health innovation. These strategies support solutions but do not always measure or report specific impact outcomes.

Impact investing sits at the far end of the spectrum, just before philanthropy. It’s about the difference an investment makes. Impact investors deliberately channel capital to projects or enterprises that deliver measurable social or environmental outcomes, but unlike philanthropy these investments also aim to generate financial returns. The measurable element is central and in some cases, may involve accepting below-market returns in pursuit of greater demonstrable benefit.

It’s worth remembering that you don’t need to do “impact” to have an impact. Responsible and sustainable approaches help shift capital towards better-run companies, higher standards, and long-term value creation.

Cutting through the noise

1. **Impact investing isn’t always where you think it is**
   Some “impact” funds fall short of genuine impact because they lack clear intentionality or measurable results. Conversely, some investments not branded as impact, such as financing affordable housing or backing an early-stage clean-tech venture, may have far

greater real-world effect. Fund names are useful, but they're not proof of the underlying investments within a portfolio and it's important to "look under the hood" to ascertain what is actually being invested in.

2. **Every dollar influences the world but not every dollar has impact**
   All investments have consequences, but genuine impact requires a clear cause-and-effect link between capital and outcome. Buying a share in a listed renewable-energy company might support the energy transition indirectly, but it rarely adds new capacity; it simply transfers ownership. Impact is far easier to achieve in private markets, given investment opportunities and comparatively less constrictive regulatory regime, where investors can see how their capital is used and measure the results, whether that is megawatts generated, homes built, or patients treated.
3. **Engagement is essential but talk doesn't equal change**
   Corporate engagement is one of the most visible tools investors use to influence companies. Yet, while shareholder dialogue and voting can improve governance, much of it still stops at policy rather than action. A commitment to "engage" is easy to announce; measurable outcomes are much harder to prove. True impact comes when engagement changes what a company does, not just what it says.
4. **Screening shapes behaviour but doesn't create new outcomes**
   Excluding harmful industries or rewarding ESG leaders helps align portfolios with values and reduces reputational or transition risk. Over time, collective capital shifts can influence market norms but screening doesn't directly fund new solutions or measurable social outcomes. It redirects capital, it doesn't deploy it.
5. **Measurement and intentionality define impact outcomes**
   Real impact investing starts with an explicit goal to create measurable change and reports transparently on outcomes. Without this, "impact" becomes a narrative rather than a result. Investors should look beyond glossy labels to ask: what's being measured, what's changed because of my capital, and how do we know?

In the context of your portfolio

Different responsible investing strategies all have legitimate roles to play, from improving governance and managing risk, to supporting sustainability themes, to directly funding measurable change. But impact investing isn't always the highest-impact choice. Many "impact" products trade scale and liquidity for narrative appeal, while ESG and sustainable approaches can often drive broader systemic change through influence, capital flow, and market signaling.

For those who do wish to pursue genuine impact, the most direct results are often achieved in private markets where investors can see how their capital is being used and track tangible outcomes.

In practice, a balanced approach often works best. By blending these approaches, investors can build diversified portfolios that deliver both positive outcomes and competitive returns. Reporting and transparency remain key, ensuring investors understand what's being measured, how it's being achieved, and how it aligns with their goals and values.

If you'd like to explore how these approaches can work together in your portfolio, contact us at the below link.

Take your first step - contact us 1800 631 381

If you're looking for an expert view on where to invest in 2026 and beyond, our experienced financial advisers and investment specialists would love to help you. Contact your Perpetual Private adviser, submit the form below or call us on 1800 631 381.

Submit the form