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HOW TO KEEP TRACK ON IMPACT INVESTING PROMISES: EXPLORING THE POTENTIALS OF NEW GOVERNANCE SCHEMES

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ABSTRACT

Impact investing is gaining momentum but still calls for an examination of how such a promise regarding the allocation of capital toward social and environmental goals can be kept on track. This paper explores the role and different levers of governance, particularly formal structures, in the advancement of impact investing. Through a focus group convened by the French Sustainable Investment Forum, we build on an innovative framework, the *Société à Mission*, to uncover investor expectations regarding the need to transform governance schemes for impact. Our review shows that traditionally, governance has been utilized to address agency biases and mitigate the risk of opportunism among actors, thereby reinforcing transparency and alignment. However, we argue that some of the practical challenges regarding evaluation, integration, and institutionalization stem from the specific nature of impact, which calls for extending governance concerns to include cognitive and methodological matters, at every stage of the investment chain.

KEYWORDS: Impact investing; Governance; *Société à mission*; Corporate purpose; Controlled Promises

JEL CODES: A13, G23, K20

HOW TO KEEP TRACK ON IMPACT INVESTING PROMISES: EXPLORING THE POTENTIALS OF NEW GOVERNANCE SCHEMES

Impact investing is becoming a key player in transforming finance to support social and environmental change. This approach stands out by its commitment to directing capital explicitly toward measurable social and environmental goals. Initially limited to private equity investors, impact investing is gradually expanding beyond this traditional scope to listed investors (Bernal et al., 2021), and is now estimated to encompass nearly one trillion in assets under management (Hand et al., 2022). To really achieve the goals of impact investing, there needs to be a significant transformation of practices, starting with those of the asset managers (Hehenberger et al., 2019), where innovation is expected to play a key role (Laperche & Burger-Helmchen, 2019). Asset managers are at the center of a chain of promises. Upstream, the asset manager issues a specific promise to capital providers about the use of funds in line with particular social and environmental objectives, along with given performance targets. Downstream, it is the investor's concern to inform investment decisions based on promises made by the companies themselves regarding their ability to generate impact. It is then up to the investor to assess their plausibility. Observers and practitioners of impact investing have reported ongoing challenges to keep track of these promises (Hockerts et al., 2022). This raises concerns that the original aspiration championed by "pioneers" may be diminished to mere impact washing (Busch et al., 2021; Findlay & Moran, 2018), especially if fund governance does not adequately address these challenges (Bengo et al., 2021).

In this context, in France, a legal innovation known as the *Société à Mission* (*S à M*) is spreading within the financial sphere. The *S à M* is a specific governance scheme which enables companies to create a legal commitment toward a freely expressed purpose, enshrined in the articles of incorporation. Additionally, it requires the creation of an internal, independent governance committee to oversee and report on the fulfillment of the purpose (see Box 1). While not specifically designed for impact investing, fund managers and asset owners are showing marked interest for the "mission", not only considering adopting it themselves but also encouraging companies in which they invest to follow suit. To date, the financial sector is thus one of the most visible early adopters of the *S à M*, with around a hundred "investors" having adopted this new status. This article focuses on the means by which governance—in terms of formal governing structures—can help the development of impact investing. The paper is structured as follows. First, the literature review highlights the challenges of keeping track of impact investing promises. It identifies a series of persistent challenges to manage impact: challenges related to evaluating impact, integrating impact into investment decisions, and institutionalizing impact investing. The review reveals that in these cases, governance has largely focused on avoiding agency relationship biases, particularly strategic uncertainty, and the risk of opportunism among various parties, using governance to strengthen both transparency and alignment.

In the second part, the paper examines the potentials of the *S à M*, as an internal monitoring mechanism for promises, perceived by investors—both asset owners and managers—, for both themselves and their portfolio companies. A Focus Group comprising various impact investors interested in, or already operating within, the French governance scheme of the *S à M*, serves as the basis for this examination. First, using the mission as a projective methodological tool, we attempted to clarify the obstacles experienced by asset managers in the course of their activities. Second, seeing the *mission* as a governance mechanism on its own, we sought to explore possible responses in the eyes of investors to the previously identified challenges.

The findings suggest that more than agency risks, the challenge for impact investors when assessing whether promises made by their investee companies are met, lies in the highly ambitious and innovative goals that these promises encompass. This sharply complicates the monitoring capacity of investors because simple performance indicators may quickly become outdated in a rapidly changing environment, the knowledge and expertise required for proper oversight on highly technical issues may become very high, or the drift from initially discussed strategies may not be caused intentionally by opportunistic management teams but because more efficient paths may be discovered or designed along the way.

In this context, appropriate governance schemes may be particularly useful to track the efforts made by investee companies as close to the strategy as possible, and to bring cognitive capabilities within the monitoring mechanisms. In our case, the introduction of new internal governance bodies such as the mission committee, despite looking like a self-regulatory mechanism, provides a space for deliberation and assessment of the efforts made toward impact, which provides benefit for investees as well as asset managers.

This debate can take different forms along the chain of promises, which can be reinterpreted in the light of the challenges identified above:

- Evaluation: steering decisions made in the name of impact beyond an initial projection, including adapting to exogenous or endogenous contingencies.
- Integration: ensuring the quality of the impact management process itself and reflexivity on these practices.
- Institutionalization: keeping unique and diverse practices legitimate even as there is more pressure to conform to standard norms.

Thus, our research highlights why the *Société à Mission*, considered at the level of investors as well as portfolio companies, could be of interest to financial players in impact investing.

Finally, our study makes some contribution to the impact investing literature by demonstrating: 1) the multifaceted nature of impact promises and the practical management issues General Partners (GPs) face in implementing them, 2) the cognitive difficulties investors encounter in understanding and monitoring these issues, as well as in identifying ways to overcome them; and 3) the mechanisms through which governance, exemplified by mechanisms such as the *S à M* scheme, can provide leverage.

LITERATURE REVIEW: KEEPING TRACK OF IMPACT INVESTING PROMISES

Impact investing puts asset managers at the center of a chain of promises

Historically, impact investing (II) has developed as an independent branch of sustainable finance (Höchstädter & Scheck, 2015) and has been defined as investments made with the explicit intention of generating a positive and measurable social and environmental impact, alongside a financial return¹. Its proponents thus call for a paradigm shift in the role of finance (Hehenberger et al., 2019), particularly in response to the limitations of traditional financing methods in supporting transitions.

In this context, we first seek to grasp the main challenges facing the impact investor and this promise of a paradigmatic shift of II set out above, namely *intention* and *impact measurement*. In order to do this, we propose to look beyond the strictly conceptual dimension of the II promise, which has already been the subject of much discussion, by considering it as a promise that is expressed to various players in the investment chain, and which is embodied in levers that are themselves activated at different stages of the responsible investment process

¹ GIIN, Annual Impact Investor survey – 2020, p75.

(itself poorly described, Borrello et al., 2023). This structuring effort should enable us to effectively identify the main issues in the field, from the perspective of the asset managers (See Figure 1).

To support the proposal to transform the field of finance toward impact, an academic consensus has fairly quickly emerged attesting to the need for significant, multifaceted changes in the instruments and levers of action to be activated by asset managers (Brest & Born, 2013; Kölbel et al., 2020). This has been the subject of a series of studies since the early 2010s, confirming the need for investors to rationalize throughout the investment cycle (Hehenberger et al., 2019). During the screening period (*pre-investment*), identifying and evaluating social ventures that are part of a given investment thesis (Kreutzer, 2022) requires skills that stand out from the investor's usual field of expertise. During the *post-investment* period, the integration of impact into financial decision-making and specific impact monitoring calls into question the practices and methods of investors. These practices include the introduction of active engagement measures and social impact measurement tools (Lehner et al., 2022). Finally, at the end of the equity investment (*exit*), there is the question of valuing, attributing (Hockerts et al., 2022), and stabilizing the social outcomes (Brest & Born, 2013) so that successive investment cycles do not compromise the efforts made by the impact investor during the period in which the shares are held.

We then translate the general concerns expressed above into an actorial system that describes the investment chain (Agrawal & Hockerts, 2021). This chain is built around fund managers (investment companies or GPs). They manage capital, either on their own or on behalf of third parties (investors or LPs), through financial vehicles known as investment funds. These funds are essentially made up of temporary holdings of financial securities of investees – or portfolio companies (PC) – which satisfy an investment thesis (the subject of a contract between GP and LP). Finally, we should add the public for whom social or environmental considerations are a priority. These are known as beneficiaries (B).

Promises made by GP to an investment chain's actors	Materialization in the investment process	
GP > PC	Pre-investment: Identification and Evaluation	Post-investment: Impact monitoring through measurement
GP > LP	Pre-investment: Investment thesis constitution, including impact considerations	Post-investment: Impact integration into the investment decision. Reporting to owners
GP > Financial Sphere	Pre- and post-investment: Justifying a distinctive impact approach alongside other sustainable strategies Exit: Perenniality of impact after the shares have been sold	

Figure 1 – Promises of Impact Investing from the perspective of the asset manager

Impact management challenges from the perspective of asset managers: the prism of governance

Drawing from this analysis, we propose to synthesize the principal impact management challenges identified in the existing literature for asset managers and, accordingly, to outline the governance responses that have been proposed. The aim is to respond to an initial enigma raised by some authors, according to which impact investing suffers from a still fragmented study of its concerns from the point of view of governance (Bengo, Borrello, & Chiodo, 2021), and to demonstrate, if this is not the case, how it is treated.

Managing portfolio companies' impact projections: an evaluation challenge for asset managers (GP > PC)

Several studies have highlighted the difficulty fund managers face in assessing the potential impact of their investments and the influence of their decisions on promoting responsible finance (Arjaliès et al., 2023). The debate underscores the necessity of measuring impact to be recognized as an impact investor (Bugg-Levine & Emerson, 2011). This requirement demands significant time and resources to collect data on the social outcomes of commercial activities. Additionally, there is fundamental uncertainty about defining impact and determining who is qualified to do so (Lehner et al., 2022). This challenge necessitates building closer relationships of trust with stakeholders, contrasting with passive capital investment practices (Agrawal and Hockerts, 2019). Consequently, this issue has raised several management concerns, particularly from the asset manager's perspective:

- **poor quality information**, whether produced or provided by investee companies. Situations of information asymmetry in the context of an agency relationship, for example (Höchstädter & Scheck, 2015), or the risks of over-confirmation of entrepreneurial pitch speeches to meet the expectations of capital providers (Kreutzer, 2022), maintain a bond of mistrust with regard to portfolio companies and compromise the asset manager's ability to gain a faithful understanding of what makes an impact, and then to closely monitor/report on the impact (Agrawal & Jespersen, 2024);
- **relational conflict** due to a misalignment/mismatch between the interests of investors and investees (Agrawal & Hockerts, 2019) also contributes to this potential climate of mistrust.
- finally, **poor impact anticipation or projection**. The impact frame of reference is constructed prior to investment. Several elements tend to show that measurement and reporting systems are relatively ill-equipped to manage impact during the life of the investment, namely the measurement, reporting, and management of intended, unintended, and achieved impacts (Brest & Born, 2013; Höchstädter & Scheck, 2015; Lehner et al., 2022; Ormiston et al., 2015).

In response, management issues related to expertise in impact assessment and monitoring have resulted in significant efforts in the governance of investments by the GP – primarily aimed at enhancing the GP's ability to influence the behaviors of the PC. First, by advocating a “more active role” for the asset manager itself in the life of the investment, including tabling resolutions at general meetings, for example, or by establishing regular dialogue with their portfolio companies (Marti et al., 2023). This more active management of PCs may involve contractual commitments with equity acquisition, such as shareholders' agreements with impact objectives and dedicated incentives for PC executives, including performance-related compensation tied to impact goals (e.g., Geczy et al., 2021). In other cases, the burden of proof of impact is shifted to a third party, such as through social impact bond contracting, which involves a third party with expertise in impact assessment (Schinckus, 2017). Finally, this shift in favor of governance measures that enable closer relations with shareholdings is also reflected in a series of innovations regarding practices (Ben Slimane et al., 2022) that can be seen in terms of fund constitution, in terms of temporality (evergreen, or patient capital for example) or even in terms of transforming the size and nature of asset managers' portfolios (Brandstetter & Lehner, 2015).

Managing fidelity with the impact thesis: a challenge of integration with other performance criteria (GP > LP)

Impact management in investment decisions must align with an impact thesis agreed upon contractually between asset owners and managers. In this regard, integrating performance criteria linked to impact on the core operations of GPs, and their role in guiding investment decisions, has been subject to specific concerns, especially considering the sometimes-turbulent cohabitation with other considerations when building portfolios (e.g., diversification or return expectations). It can consequently force trade-offs or compromises (Bernal et al., 2021). This stems from a desire to go beyond a simple *ethos*, a rhetoric of impact that would essentially limit impact to the discourses of investors and fund managers (Bengo et al. 2021) without actually being able to take into consideration equivalently multiple, sometimes divergent interests, such as impact and financial returns (Alijani & Karyotis, 2019; Smith et al., 2022).

However, the interdependencies between impact and financial return are so multifaceted that it proves difficult to realize this ambition (Hockerts et al. 2022), leading some authors to describe the situation as one of *hybrid of hybrids* (Moran & Ward-Christie, 2022). We can see here that the relationship of mistrust between GPs and PCs is also reflected at a higher level in the investment chain, this time between GPs and LPs. Also, the ability of GPs to move toward a robust and credible integration of impact preferences may have been questioned according to aspects that intercept the governance of the GP funds themselves (Lee et al., 2020). Recent studies have begun to cast doubt on the possible compatibility between fund governance schemes, which are based mainly on agency relationships, and the new responsibilities that these impact asset managers are taking on, particularly toward the beneficiaries of the projects financed (Smith et al. 2022). Indeed, asset managers are primarily remunerated based on their ability to make the capital they manage on behalf of LPs grow. This situation has been described as likely to create significant dissonance, particularly among fund managers, including when it comes to monitoring asset owners' preferences in terms of impact (Lee et al. 2020). There are still few situations in which these variable remuneration schemes (carried interest) are constructed with lasting concern for impact, sometimes referred to as impact fidelity (Thirion et al., 2022).

Moreover, even when economic incentives were used to reflect LPs' impact preferences in management decisions, this governance of funds, driven by the principles of fiduciary responsibility toward capital providers, is increasingly being challenged. The very capacity to take better account of, and report on, the multiple interests of beneficiaries at the level of governance through multiple accountability efforts, for example (Ebrahim et al., 2014; Smith et al., 2022), is instead being called upon as an avenue of research to be explored. Fund governance is the subject of recurring questions about its ability to focus on multiple objectives, even in contexts where the objectives may appear contradictory (Lampthey & Ngoasong, 2023; Thirion et al., 2022).

Managing the Impact approach in the financial sphere: the challenge of institutionalization

Finally, the recurring management issues of impact investors include those of institutionalization, i.e., linked to the financial field taken more broadly and envisaged as a socially constructed space within which different investment logics and investor rationalities are currently in play (Nicholls, 2010). General Partners face the imperative of proving the uniqueness of their investment model and the specificity of their practices to legitimize their approach amidst diverse developments in sustainable finance (Bengo et al., 2021; Hockerts, 2022). They aim to avoid accusations of impact washing (Busch et al., 2021; Findlay & Moran, 2018) and convince limited partners of the credibility of a differentiated approach, despite its potentially higher resource demands.

Despite this assertion in favor of a differentiated model, several authors note the inability of players in the field to move away from traditional practices (e.g., Trabelsi et al., 2023), and point to a poor institutional culture for Impact Investing, characterized by the weakness, or even absence, of dedicated regulatory structures (Lehner, 2022). This weakness is embodied in the need for reference standards for impact assessment methods (Harji & Jackson, 2018), despite the efforts made more recently (Islam & Habib, 2023). In a similar vein, Wood et al. (2013) showed how difficult it is for impact investment players to break away from traditional performance frameworks, a phenomenon that is reflected in the almost systematic use of traditional market benchmarks as performance standards, including for impact funds. The consequence of this is a legitimacy crisis unfolding in practice, to the detriment of the distinctiveness of the impact approach. GPs are consequently led to conform to pre-existing normative frameworks. This can be partially explained by the dominance of a robust normative framework, primarily rooted in mainstream finance. This framework governs, among other aspects, the relationships between subscribers, LPs, and GPs, based on the principle of fiduciary responsibility (Brandstetter & Lehner, 2015). Moreover, some scholars argue that the growing but critically unexamined standardization of responsible finance intensifies the issue (Zetsche & Anker-Sørensen, 2022). The legitimacy crisis impacting investors goes beyond deal durations, with concerns about the sustainability of impacts post-exit. Investors worry that the impact-focused efforts made during a deal may not last under new ownership. At the European level, financial practices are subjected to tightened regulations, which mandate new reporting requirements for asset managers, aiming for standardization and transparency. However, the implications for impact investors are still debated (Cremasco & Boni, 2022). Essentially, regulations have concentrated more on fund composition and investments at specific times rather than on fund management practices, especially the methodological choices (Arjaliès et al., 2023) related to impact that guide investment decisions. This regulatory environment has led to confusion over fund classifications, with a rapid qualification of "Article 9"² funds upon SFDR's implementation, followed by a significant wave of declassification.

In summary, the table below outlines governance measures implemented to address specific management issues in impact investing, from the asset manager's perspective (Figure 2).

² Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector, article 9, "Where a financial product has sustainable investment as its objective..."

Promises made by GPs to investment chain's actors	Materialization in the investment process	Associated management issue	Main obstacles described in term of governance	Associated governance measures
GP > PC	Pre-investment Evaluation Post-investment monitoring	EVALUATION Qualifying impact as an investor (legitimacy) Predicting impact and setting objectives over the lifetime of the investment Measuring and tracking deviations within PC	Information Asymmetry between GPs and PCs regarding access capacity to data related to impact objectives	Transparency: Upstream accountability effort
			Misalignment of interest Divergence with PC management	Stewardship and engagement strategy e.g. role of the investor Management incentives on impact performance
GP > LP	Pre-investment: Investment thesis constitution Post-investment Integration	INTEGRATION Managing impact considerations in investment decisions in line with an investment thesis Facing turbulent and complex cohabitation with other performance dimensions (inc. financial ones)	Information: Imbalance of power between impact and financial performance monitoring tools	Accountability efforts toward impact: Standardization of methods and tools for impact
			Misalignment of interest Impact fidelity toward LP and to investment thesis vs. GP's own interest	GP remuneration schemes based on impact performance
GP > Financial sphere	Pre-investment, Post-investment and Exit: Perenniality	INSTITUTIONALIZATION Justifying its existence in a sustainable finance sector in a major transformation Ensuring lasting impact within the PC beyond the life of the investment	Information Lack of impact culture /lack of credibility of the impact GP (washing) Misalignment of interest Sustainable finance standardization efforts blind to the specific challenges of impact investing	New regulations classification of sustainable funds according to standards

Figure 2 – Main challenges as seen by the GP and associated governance measures

In short, our review of impact investment literature highlighted the fact that the principal impact management issues faced by the asset manager are discerned through two significant constraints (Figure 2):

- the first pertains to information regarding the impact, highlighting the problematic or asymmetrical access to data (reliability, existence, frequency);
- the second concerns situations of interest misalignment, induced by diverging perspectives or conflicting interests carried out by the different parties in the investment chain

From the perspective of the asset manager, we showed that these impact management issues have been extensively approached in terms of agency relationships with the actors they interact with – portfolio companies and/or asset owners. Subsequent governance measures focused on responses that aimed at reinforcing agency relationships by either mitigating the informational issues (through increased efforts in accountability or transparency) or building more alignment (e.g., incentive remuneration schemes).

This observation rather reflects the difficulties within a 'classic' governance framework in supporting impact investing and might partly explain the persistence of impact management issues. If governance has been mobilized in impact investing, it has been limited to responses compatible with pre-existing governance structures in the financial landscape, which were established prior to the emergence of impact investing.

Box 1: Société à Mission – an innovative governance scheme built around a binding purpose

The *Société à Mission* was introduced in law in 2019 (Segrestin et al. 2021). It requires the stipulation of a purpose into the articles of incorporation, which creates a commitment from shareholders as well as directors toward specific social and environmental objectives (Hiller, 2013).

In addition, a *Société à Mission* requires several governance mechanisms to oversee the fulfillment of the purpose:

- the **mission committee** is a governance body independent from both the board of directors and management. The mission committee's sole responsibility is to monitor the execution of the mission. Each year, it must present an annual report to the General Meeting.
- an external audit by a third party must be carried out at a given frequency. It investigates the proper functioning of the mission committee and the reliability of the report on the purpose.

The adoption of this legal innovation is possible for all forms of company. To date, over 1,500 companies have adopted this framework, among which are a hundred financial institutions of impact investing.

This controlled governance aims to protect social and environmental initiatives, which have all too often been feared to be at the mercy of a change in shareholding or a strategic shift (DesJardine et al., 2021). It is also an opportunity to clarify a mandate for company directors and to enrich the performance framework to judge the quality of a purpose-driven strategy (Levillain et al., 2024).

RESEARCH SETTING: SINGLE FOCUS GROUP WITHIN THE FRENCH SUSTAINABLE INVESTMENT FORUM

Method and choice of focus group

To address our research questions, namely “what are the potentials perceived by investors in a renewed governance scheme in managing persistent impact management issues?”, we chose to adopt a qualitative and inductive approach, based on a single focus group (Krueger, 2014; Wilkinson, 1998). The absence of clear conceptual boundaries in the field of Impact Investing, particularly in terms of impact governance, coupled with the empirical novelty represented by the use of a new legal corporate form such as a “*Société à Mission*”, justifies the use of an exploratory investigative method to sound out collective opinions on a specific subject (Fontana & Frey, 2005; Merton & Kendall, 1946). Thus, the aim of our research is to shed light on what is still unknown, and to provide a preliminary understanding of the phenomenon by uncovering focus group participants' perceptions. This preliminary understanding can, in turn, support future investigations in the field.

Focus group description

This qualitative study was conducted as part of the “*Société à Mission and Impact Investing*” working group, set up within the research commission of the French Sustainable Investment Forum (FIR), a non-profit and multi-stakeholder organization renowned for promoting socially responsible and sustainable investment practices. The group's steering committee was made up of two FIR coordinators, another coordinator from an institutional investor (*Préfon*), and the authors themselves.

The selection of participants in this focus group made it possible to build a credible and representative sample in order to explore the challenges of Impact Investing governance, for several reasons (see Figure 3). First, because the focus group brought together participants who were all involved in Impact Investing, to varying degrees. Some of them are already well-known for their pioneering role in the sector, while others are more recently committed to this approach, notably through direct investing in funds classified as Article 9 under the SFDR regulation.

Second, the fact that the focus group included participants who were not only Limited Partners, but also General Partners, investing in both the listed and unlisted worlds, made it possible to cover the diversity of parties making up the current and relatively fragmented landscape of Impact Investing, and to enable a variety of perspectives to emerge within the focus group (Krueger 2014). From the point of view of the *Société à Mission*, the members of this group also cover contrasting realities. The majority currently have one or more *S à M* in their portfolios. In addition, as LPs or GPs, focus group members are already themselves *Sociétés à Mission*, or currently considering it for a near future, (see Figure 3).

Finally, the voluntary commitment of these players in the working group demonstrates a form of reflexivity on their responsible investment practices, but also reflects a strong interest in governance issues, coupled with a willingness to critically examine the field. This ability to position themselves in relation to the theme being addressed (Guignon & Morrissette, 2006) facilitated group dynamics and synergistic relationships among participants to generate data through their interactions.

Code	Name	Main geographical operating scope	Type of actors (LP, GP)	Asset class	Assets under management (Approx . In €)	Funds labelled under Article 9 regulation (number of fund - late 2023)	Investment Thesis (thematic and/or engagement)	Is the investor a SàM itself ?	Presence of SàM in their funds
II1	AXA IM	Global	GP	Multiassets	845 Mds	Yes	Thematic and engagement	No	Yes
II2	CAVP	France	LP	Multiassets	8 Mds	Yes	Thematic and engagement	No	Yes
II3	Citizen Capital	France	GP	Private equity	200 M	Yes (3)	Thematic	Yes	Yes
II4	Harmonie Mutuelle	Europe	LP	Multiassets	2.3 Mds	Yes	Thematic and engagement	Yes	Yes
II5	Hottinguer	Global	GP	Equity	3 Mds	Yes	Thematic and engagement	No	Yes
II6	La Française AM	World	GP	Equity	45 Mds	Yes (31)	Thematic and engagement	No	Yes
II7	MAIF	World	LP, GP	Equity	18 Mds	Yes	Thematic and engagement	Yes	Yes
II8	Malakoff Humanis	Global	LP, GP	Multiassets	40.3 Mds	Yes	Thematic and engagement	No	Yes
II9	Meeschaert AM	Global	GP	Equity	4 Mds	Yes (2)	Thematic and engagement	No	Yes
II10	Mirova	Europe	GP	Equity (Public, private)	29 Mds	Yes (32)	Thematic and engagement	Yes	Yes
II11	Ofi Invest	Global	LP, GP	Equity (Public, private)	187.3 Mds	Yes (3)	Thematic and engagement	No	Yes
II12	Phitrust	France	GP	Equity (Public, private)	42 M	Yes (2)	Engagement	Yes	Yes
II13	Préfon	France	LP	Multiassets	13.7 Mds	Yes	Thematic and engagement	No	Yes
II14	Sycomore AM	Global	GP	Equity (Public, private)	7.1 Mds	Yes (7)	Thematic and engagement	Yes	Yes

Figure 3 - Composition of the "Entreprise à mission et II" focus group

Focus group sessions

Formally, the study was broken down into six working sessions of around two hours each, between July 2021 and July 2022, interspersed with a similar number of steering committees to prepare and debrief the collective sessions.

The working group was built around two main questions, alternately asking 1) what could be the motivations for an impact investor to invest in a *Société à Mission*, or 2) probing the potential associated with being "an investor with a mission" from the point of view of fund governance. On this basis, each session focused on particular themes, either associated with the specific attributes of the "Société à Mission" governance system (Sessions i and vi), or with the new governance potential associated with investing in a company with this governance scheme (Sessions ii and iii), or with the asset class specificities for an investor motivated to adopt a mission for its own sake (Sessions iv and v) - see Figure 4.

Each session was divided into three distinct sequences. First, a testimonial from a focus group participant, or a specific external intervention, selected for their relevance to the issue specifically addressed that day.. Then, in sub-groups, brainstorming exercises were organized, based on scenarios derived from real or foreseeable situations. There the authors took the role of organizer, facilitating the exploration of themes within the sub-groups, and allowing for the confrontation of different opinions. A feedback session was organized to disseminate the collective opinions of the sub-groups, and to take forward the elements discussed in small groups. These reflections were then summarized and discussed at the following session.

To provide a closer idea of this process, we can develop the example of the session that was dedicated to impact evaluation (ii). The session began with an external speaker presenting an innovative approach to impact evaluation (namely the NEC initiative), followed by a

discussion with the audience. The aim here was to examine the knowledge and lack of knowledge of focus group participants on the specific issue of impact evaluation, and to broaden the spectrum understood by each player beyond their strict individual and fragmented representations.

Second, a workshop designed prior to the session by the Focus group steering committee aimed to confront participants with a fictitious situation involving an investment decision in a company with an “a priori” positive impact due to its activity (recycling). Participants were asked to reflect, as a GP or an LP, on this typical case of pre-investment impact evaluation and monitoring, first without a specific governance scheme at PC level, and then to consider a scenario in which the invested company could adopt the quality of a Mission. This thought exercise highlighted several already known investors' concerns, but more importantly it helped to point up additional issues for GPs that the presence or absence of a mission at PC level raised.

Data collection

These collective sessions, spread over the course of a year, enabled the authors to collect a series of data from a variety of channels (see Fig.4), including session discussions, direct testimonies, and additional interviews conducted as part of the drafting of a public report published at the end of the working group³. In addition to these data, the authors can also draw on written accounts of the session discussions, systematically written in duplicate - by a research member and by a working group coordinator from the FIR.

Participant observation at all focus group sessions (approx. 2h)	Six sessions: (i) introductory, (ii) evaluation, (iii) investing in a SAM, (iv) mission investor (unlisted), (v) mission investor (listed) and (vi) mission committee.
Testimonies/cases selected for their relevance to the issue	Four interventions: Turenne, NEC initiative, Citizen Capital, Mirova
Participant observation at steering committees (approx. 1h)	Six sessions
Data support	Preliminary and final versions of a public report, meeting materials and minutes of discussions

Figure 4 - Participatory observation data collection

Data analysis

Our data analysis was based on an in-depth examination of session reports and other data sources set out in the previous section. As the participant observation of the four authors enabled us to gain a detailed, contextualized understanding of the case submitted to our study, as well as the mobilization of various and heterogeneous sources, we did not choose formalized coding of the verbatims collected, so as not to mask the complex interactions that guided our reasoning. In line with Krueger (2014)'s methodological measures, focus groups often yield unstructured data, elements that are not strictly materials, and which must be

³ https://www.frenchsif.org/isr_esg/fir-groupes-de-travail/entreprises-a-mission/

analyzed as conversations rather than formal interviews, thus requiring a flexible analysis, and which makes a rigid categorization challenging. Emphasizing a qualitative approach without formal coding, but nevertheless one that is grounded in deep data collection, allows for nuanced interpretation and contextually rich insights, essential for informing renewed impact management and governance issues. Moreover, the very protocol of our focus group, based on a systematic steering committee involving external members from our research team, systematic synthesis of past sessions shared with all the participants, and a form of collective validation when collectively writing the public reports, provides additional guarantees regarding the robustness of our results. Finally, this decision was also justified by the fact that the aim of this exploratory research was not, at first glance, to draw up an exhaustive inventory of the issues at stake, but rather to highlight certain critical points that had so far remained invisible. On this basis, verbatims quoted in the findings section, chosen for their particularly revealing character in relation to the issues developed, serve to illustrate the underlying discussions, without however conveying their systematic coding.

To process the data in consideration of our research questions, we proceeded in two stages. In the first stage, using the mission as a methodological tool, we attempted to clarify the impasses experienced by investors, with the aim of highlighting their specific impact management issues. This preliminary phase was based on an examination of individual concerns, coupled with a diagnosis that was gradually shared between the focus group participants. The aim here was to use the mission as a spotlight concept to enable the emergence of the renewed impact management issue, then seen through the prism of governance. In a second phase, we sought to explore, via the mission, this time seen as a governance mechanism in its own right, a possible response in the eyes of investors to the issues previously identified. The aim here was to refine the description of the governance issue in a more specific direction, as defined by the perceived potentials of the *Société à Mission*. Under these conditions, this work aims not only to clarify impact management and underlying governance issues independent of the mission, but also their conditions of effectiveness in the eyes of investors, more or less "mission-dependent", as we will further develop in the "Discussion" section.

FINDINGS

In comparison to the current understanding highlighted in the literature review, this research unveils three original impact management issues, particularly with the perspective of strengthening the credibility of the claim of impact stated by the asset manager. These issues, developed at governance level, call for extending governance concerns to include cognitive and methodological matters, at every stage of the investment chain.

At the forefront is an issue related to the dynamic and hypothetical nature of impact. This challenge is linked to how governance structures of investments can enable a better understanding and steering of formerly "projected" impacts.

This, in turn, underscores two underlying concerns for the asset manager within the broader investment chain. First, a concern regarding how to bring asset owners a guarantee regarding the impact promise, particularly in relation to its integration into the investment process. Then, a concern related to clarification of their normative position, within the whole financial sphere.

The presentation of the findings concurrently aims to shed light on the potential of the *Société à Mission* and certain prerequisites to address the concerns expressed above, as perceived by the impact investors gathered within the panel.

Impact Evaluation: from a ballistic projection to a dynamic steering of impact

Shared diagnosis: precariousness of the projected impact

When acquiring a participation, selecting a few impact metrics is challenging, as confirmed by all the GPs in the focus group. Indeed, monitoring measurable impact criteria is central, even defining, to impact investment, setting the pace for the relationship with PCs, in the same way as for accounting and financial metrics. Moreover, achieving these criteria will also be the basis for judging the fund's performance at the end of the holding period. However, from the perspective of the GP, the establishment of these criteria is necessarily based on an incomplete understanding of the potential impacts to which the holding in question could lay claim. On the one hand, because the very existence of the relevant data is only sometimes assured, establishing such a choice presupposes a detailed and in-depth representation of the activities of its holdings, which goes far beyond the scope of the usual due diligence. The investor's projection of an impact depends on i) knowledge of the impact factors by activity (e.g., a taxonomy), ii) the availability of data and iii) a relative consensus on the inferences between impact and associated criteria.

On the other hand, even if this data does exist, it can only claim the status of a temporally situated intention. This intention of impact is based on a series of hypotheses, made explicit at a specific time on which the investor relies, and can be described as a "projected impact". The group's discussions revealed that several internal operational hazards (such as the unsuccessful outcome of an R&D project or a change of shareholder), or developments external to the company (the emergence of new technology or a change in regulations, for example), can lead to strategic shifts, trade-offs, and changes of various kinds, undertaken by the investees. This point has been extensively illustrated in our study during the interview with the NEC Initiative, a metric impact method based on a life cycle analysis (Session (ii)).

In this specific context, the investors in this study describe this evaluation situation as precarious in several respects and question the reliability of such a projection, particularly from a dynamic point of view. Based on real-life experience, the testimonies confirm the precariousness of the initial impact intention, fragmented and threatened by a series of factors relating to the life of the investment. The investees' companies may be subject to their own evolution to a field of constraints that influence particular trajectories over and above opportunistic behavior, and which tend more or less inevitably to render obsolete the investor's initial projection of the impact.

Moreover, close monitoring of impact projects in progress would inevitably lead to a substantial change in the investor's detailed understanding of how impact works. This learning, along the way, is likely to call into question the initial impact projection based on extrapolations and ultimately lead to the invalidation of the interest/relevance of the metric on which this projection was based. Among others, one of the investors (Investor II2, for example) illustrates this point with one of his cases dealing with the protection of the elderly, particularly about the risks of falling and their repercussions. It was expressed as "*a need for dynamics KPIs that could incorporate deviation from the initial plan*".

Consequently, the working group helped redefine the impact management issue associated with evaluation, calling for a shift from a ballistic projection of a target trajectory to a dynamically steered impact.

Governance issue revealed: Building a steering capability and discussing desirable evolutions

This first development highlights a critical issue for investors concerning their investments: making impact measurement reliable, which undermines their ability to predict impact over the life of the investment. Investment decisions are based on an ability to anticipate the impact over a time horizon. From the point of view of impact governance, this raises two fundamental questions. The first relates to the predictive quality of the model underlying the construction of the impact measurement (robustness, quality of the information used to construct it, etc.). The second is the asset manager's ability to adjust the projected impact as he learns and as the available information evolves.

Faced with the challenge posed by the possibility of a significant mismatch between the projection and the reality of impact over time, investors have noted the risk of being the sole guardians of impact control. They felt that it was unreasonable to expect investors to have sufficient expertise to fully assume this role, given the wide variety of impact-related issues and the many ways in which they interfere with the company's activities. The panelists also stressed the importance of regular impact monitoring, carried out at company level, as close as possible to business activities, to reduce uncertainties about how the business will perform in the face of hazards and to be able to update the projection of an activity and its associated impacts. More specifically, the aim is to ensure that companies can arbitrate and inform decisions through governance bodies that systematically address financial and extra-financial issues, in such a way as to ensure alignment with impact objectives and a constantly renewed operational reality. The aim is to provide the GP with guarantees that a specific form of rationality regarding impact is being exercised at the company level.

Perceived potential of the S à M: expressing a formal commitment and in-house control at PC level

In this original context of scrutinizing the asset managers' capacity for projection and adjustment about the impact of their Portfolio Companies, the adoption of the *Société à Mission* by the PC was questioned as a possible vector for reinforcing this capacity.

The attributes of the *Société à Mission* have been explored as a **potential means of facilitating the commitment** of such a rationalization form in two directions. First, with the mission as the object of commitment. The ability to establish a freely formulated mission provides the company with the opportunity to precisely articulate the objectives that merit deep commitment and the resources allocated to them. As a legal commitment, the statutory mission forms a binding obligation for the company and necessitates maintaining reflexivity regarding the foundations of this very commitment. It enforces an effort to achieve homeostasis concerning potential impacts, which must withstand external constraints. For the investor, the substantive commitment expressed through the mission is perceived as a means to specify the object and scope of control.

Second, the mission has been anticipated as a **source of insurance** regarding the quality of impact monitoring, mainly through governance mechanisms. Several elements support this perspective from the asset owners' point of view. *Sociétés à Mission* are obligated to report on their mission, a responsibility entrusted to an independent mission committee, with the annual publication of a public report. This internal dimension of control, supplemented regularly by external audits, has the potential to enhance the robustness of impact measurement. This approach promotes enhanced monitoring of potential impacts, granting investors access to new sources of information. It also facilitates dynamic revision of representations related to impact. The existence of such a control mechanism has not been considered likely to invalidate potential tensions between social and environmental objectives as sources of impact and profitability ambitions. However, it appears to offer a dedicated space for addressing these issues and, ultimately, a new space for dialogue for investors. The mission

committee has been envisaged as "*a space for discussing materiality issues, a place where tensions are openly and productively expressed*" (session (iii) - evaluation).

In conclusion, the focus group identifies a promising use of the *Société à Mission* for the companies in their portfolio, allowing for a less imposed approach to impact control, one that is more dialogic and which can regularly draw on field expertise and insights stemming from the study of practices, primarily through the mission committee. Naturally, this preliminary observation raises a series of questions regarding the role and involvement of the investor in establishing the governance mechanism that is the mission-driven company. What is the desirable level of involvement, for example, in drafting the mission and exercising control (as a member of the mission committee)?

Impact integration: guaranteeing the quality of the impact management process.

Shared diagnosis: the methodological barrier in fund management

At the same time, discussing the possibility of adopting the mission at the level of asset managers themselves has prompted exploration of the governance of impact asset managers' practices, who, as such, claim a distinct positioning and role from that of traditional investors. As a result, they face new responsibilities, particularly about the upper end of the investment chain (notably asset owners), for whom they make the promise of managing financial assets according to multiple performance logics. At the GP level, the claim to this singular role is embodied in its investment thesis. In this document, the asset manager sets out a singular promise of impact backed by financial objectives. By way of illustration, some impact promises claim methodological originality, a reworked approach to finance, or an extension of its traditional boundaries, in particular by investing in areas where finance has little or no involvement (Session (iv) - Citizen Capital case study).

More fundamentally, it is the transformation of this intention, i.e., the question of its operational integration, that was raised during this research. Beyond the initial promise of impact, making this promise of impact a reality on a day-to-day basis forces asset managers to deploy their own means of action, practices, and methodological apparatus. At a time when the number of investors claiming to be part of this fringe of sustainable finance is growing across all asset classes, the panelists interviewed for the study agreed that it would be useful, particularly for LPs, to gauge the credibility of this promise.

However, the previous result highlighted the profound precariousness of an impact projection that drives the investment process, not only due to its status as a situated intention exposed to various temporal uncertainties, but also as an evaluative framework subject to the risk of obsolescence as understanding of the activity and its associated impacts becomes more refined. A precarious situation perceived by focus group participants as a strong pressure on the impact management process, and which therefore calls for the adoption of a reflexive stance.

In this context, the focus group made it possible to clarify new questions and reframe the integration issue at GP level, in two directions:

- the first relates to the relevance, or quality, of the method and tools used to understand and translate the notion of impact for a GP into actionable elements;
- the second relates to the quality of its integration, including its consideration alongside the financial question, whether in connection with an investment decision or to assess the fund's overall performance.

Governance issues revealed: guaranteeing the quality of the impact management process

The second governance issue revealed by this study therefore concerns the asset manager and questions the credibility of the promise of impact that it expresses to third parties, not by guaranteeing that it will be fulfilled at the level of its portfolio companies, but rather about the quality of the impact approach implemented by the investor himself.

For impact investment funds, this means assuring third parties that their methodological originality and any changes in indicators are not indicative of a diminished ambition about impact but are consistent with the impact investment thesis or are the result of possible changes in activity and/or the degree of knowledge they have about the drivers of impact. In the words of the Group's investors, it is a question of reconciling the need for revisability to avoid "*fixed indicators that have become obsolete*" without giving in to "*opportunistic evolution*". It has finally been described as "*a challenge to control both methodological evolutions, and the risks of opportunistic shifts*" (sub-group 1 - Session (ii)).

In this setting, faced with challenges related to fund governance, two salient points emerge about the methodological dimension. First, there is a need to take **a closer and more informed look** at ensuring that the impact promises made by the funds are translated into reality in the impact methodological process and reporting system. More broadly, according to the testimonies gathered, the aim is to "*improve understanding between what the investor does and its impact*", and to **establish causality by auditing its tools**. It is, therefore, above all, the process of designing, managing, and revising the methods used to establish impact indicators and, ultimately, to monitor relations with the investments, whose capacity for a more or less faithful representation of the investment's activity and its impact needs to be grasped. Second, it is crucial to explain "the trade-offs or contradictions" that the impact investment model entails, mainly when it is based on new forms of action, such as new financial vehicles, investment strategies or forms of commitment (for instance II3 - who had already adopted the corporate form, set out some of its legal commitments to the focus group. Among them were a "*promise of inventing new (financial) vehicles*", and the commitment to "*meet (today's) unmet need*").

Perceived potential of the S à M: A dedicated governance for impact management.

Consequently, the focus group was asked to explore the potential of the *Société à Mission*, at the level of the asset managers. The question was whether it would be worthwhile to mobilize this system of controlled governance based on a promise to integrate impact. From this point of view, the mission and its governance were imagined successively as:

- a governing body that "verifies that the promises have been kept". Since the impact approach is based on an impact management system built and deployed by the investor, one can question the quality of this system for producing knowledge about the companies it follows. By adopting the *Société à Mission*, investors can make their particular promises explicit. Moreover, they also give their mission committee, as a critical and external body, the responsibility of informing them of the relevance of the impact criteria they use or of examining methodological developments on a regular basis. One case discussed was the example of an impact fund focusing on dynamic employment integration (e.g., Investor II10) and the relevance of the monitoring criterion associated with gross job creation.
- a governing body to "enable impact promises to be made", the aim of which is to help to build a system that is more robust to the various injunctions that come into conflict with its impact approach. One of the threats to the credibility of its approach lies in the fact that these (impact) concerns interfere with other critical elements of its performance. This can create tensions, for which it regularly has to inform/justify

arbitrations, compromises, or renunciations. The recent *Orpéa case*⁴ was a case in point. Here again, the mission committee could take responsibility for informing and investigating the quality of the knowledge production process and how broader principles of vigilance or consideration of potential adverse impacts are incorporated.

All these elements have motivated the idea of a mission taken as potentially contributing to the enhancement of third-party assurance regarding the robustness of the investor's approach to impact.

Institutionalization: from standardization of practices to the preservation of singular approaches

Shared diagnosis: a series of pressures exerted on the impact investor

Finally, the testimonies heard during sessions helped to replace the impact investor at the heart of a range of growing diverse pressures, exerting a strong influence on this attempt to exercise a new rationality in support of an impact investment paradigm shift.

In particular, the focus group provided an opportunity to examine the practice of impact in the light of normative and regulatory issues. A series of developments in the field of responsible finance, driven by the regulator or conveyed by codes of good practice, are perceived in an ambivalent way by the focus group's investors. On the one hand, the regulator and civil society, more generally, are aiming for a better framework for financial practices and for a form of finance that is more firmly rooted in the challenges of transition. On the other hand, these new reporting standards are perceived by actors in the field as new pressures to conform and to standardize which, along with all the financial and extra-financial standards, run the risk of "*stifling the ability to invent new models*" of financing, or of resulting in "exclusively regulatory management of indicators", and ultimately contribute to a "*normative blurring*" (Session (iv)). During this session, some listed investors, for instance, mentioned the "*risk that ESG standardization will drown out reflection on Mission and Impact*" and lead to a strictly regulatory steering of indicators.

Focus group participants also pointed out that, behind this challenge of clarifying their normative positioning in the financial ecosystem, impact asset managers need to rethink their position in the investment chain and the associated channels of action vis-à-vis the other players involved. For the impact-oriented GP, this entails departing from traditional top-down patterns (embodied in fiduciary relationship) and limited interactions, to conceive new forms of actions between GPs and LPs, but also between GPs themselves.

Governance issue revealed: An ability to discuss, position, and preserve impact model specificities

In a nutshell, facing this "*regulatory tsunami*", investors are arguing to avoid a trend toward blind standardization in sustainable finance, which would invalidate the existence of an ecology of forms of commitment and practice, which impact investing makes possible today. This observation, in the form of a fear for the future of the practice, highlights a governance challenge for the financial practice claiming an impact, anchored in a regulation and cooperation issue in this multi-approach, multi-player ecosystem. Ultimately, it is a question of ensuring the existence of a distinctive impact practice that does not shy away from

⁴ Orpéa is a nursing home group, which was at a center of a scandal following public revelations of malpractices, and a widespread system of mistreatments of elderly residents at Orpéa, but also in many similar organizations. Before the scandal, many responsible investors held nursing home organizations shares because they usually meet ESG criteria very well. See for instance: Van Weeren (2024).

demanding governance criteria to attest to the credibility of the approach defended by its investors. In other words, one that can discuss and position its specificities in this general context of regulatory tightening, and vis-à-vis other players, through which they could interact.

Perceived potential of the S à M : governing the variety of promises in the sustainable finance ecosystem

Positioned at the level of the impact investor but also of other players in the investment chain, several potentials of the *Société à Mission* have been explored to intercept these pressures. The first can be exemplified by the challenge of qualifying funds eligible for Article 9 (as defined by the SFDR). The mission, as a controlled governance mechanism, has been envisioned as being capable of facilitating the establishment of Article 9 funds that go beyond mere declarations and can, in fact, provide third parties with the means to monitor their implementation, thanks to the verifiability of commitments. More broadly, this regulatory situation has prompted inquiries into the potential role of the mission in relation to the standard: on the one hand, as an interesting avenue for the implementation of this new normative framework. On the other hand, given the concerns raised by these compliance requirements - for example, the possibility that they may suppress or invalidate certain unique approaches or commitment pathways promoted by investors - the mission can offer a protective mechanism (articulation of specific commitments, investigative and control capabilities, etc.). However, the precise methods and conditions for its effectiveness are yet to be fully explored.

Figure 5 summarizes the results of this study in relation to the impact management issues previously identified for asset managers in the literature review. The table also illustrates the conditions under which governance was potentially perceived as a potential lever for managing these impact management issues.

Actors	Impact management issues		Potential of a new governance scheme
	In literature review	As described by the focus group	
GP > PC	<p>Evaluation: following a predicted trajectory</p> <p>Predicting impact objectives prior to investment</p> <p>Tracking deviations from the stated target overtime</p>	<p>Evaluation</p> <p>Steering a dynamic projection</p> <p>Steering a trajectory and assessing its possible/desirable evolutions.</p>	<p>To whom: PC</p> <p>For what:</p> <p>Commitment:</p> <p>Securing a PC's promise and intention on impact, with explicit terms, objectives, and means</p> <p>Control: providing in-house (homeostatic) supervision of the mission. Controlled data that are up-to-date and accessible to investors</p>

GP > LP	<p>Integration: Impact fidelity on investment decisions</p> <p>Ensuring that impact is considered consistently across deals and fairly in relation to other performance issues.</p>	<p>Integration: Quality of impact management process</p> <p>Guaranteeing that GP can develop and deploy methods that fit a particular impact investment thesis.</p>	<p>To whom: GP</p> <p>For what:</p> <p>Commitment: GP promises on the impact management process content</p> <p>Control: discussion of methodological choice: quality of integration between impact and profit and conditions of revisability</p>
GP > Financial sphere	<p>Institutionalization: Building legitimacy</p> <p>Pushing for harmonization/standardization of impact on the sustainable finance landscape</p>	<p>Institutionalization: Coping with conformation pressures</p> <p>Preserving original investment models and a variety of practices</p> <p>Revisiting the classic actorial chain: coordination issues, cooperation beyond investment horizons</p>	<p>To whom: both GP and LP</p> <p>Commitment: clarifying the investor's position on the variety of forms of sustainable investment. Provide details of its impact thesis and subsequent promises</p> <p>Control: Beyond the declarative, provide evidence of this positioning over time. Discussing the rigor/relevance of the impact thesis</p>

Figure 5 – Results overview

DISCUSSION AND CONCLUSION

This study discusses the role and levers of governance for impact investing, by exploring the burgeoning interest in innovative governance schemes, such as *S à M*, among impact investors, both asset owners and managers. Through a focus group conducted within the French Sustainable Investment Forum, our findings shed new light on persistent management challenges and obstacles in the implementation of impact investing, namely evaluation, integration, and institutionalization, by reinterrogating the governance schemes that prevail in today's practices. Addressing a novel governance framework, which is structured around a commitment to a controlled mission, enables the specification of several contributions to the literature on impact investing.

First, regarding impact management issues, in alignment with the findings of Kolbel et al. (2020), Harji & Jackson (2018), and Marti et al. (2023), this research confirms the ongoing practical challenges associated with implementing impact considerations into the financial practices of asset managers at various levels of the investment chain. This study reaffirms that the primary obstacles to impact reliability stem from the difficulty of establishing an appropriate measurement framework to effectively support the promise of aiding impact projects. While the categories of management issues—evaluation, integration, institutionalization—remain consistent with those discussed by these authors, this work diverges distinctly from the primarily relational aspects that have been central to analyses to date, particularly regarding potential information asymmetries and/or interest divergences

(Agrawal & Hockerts, 2019, 2021). This research further illuminates the unique methodological and cognitive demands of impact assimilation work, especially acknowledging the inherent fragility of impact projection, which faces a fundamental limitation in that it largely relies on constructing a forecast based on a situated and limited understanding of Portfolio Companies' (PCs) current activities. However, the robustness of the entire investment chain and, consequently, the credibility of impact investing as a distinct approach to finance, depends on this reliability. Our findings reveal that beyond the intentions expressed by various parties in the investment chain, the inherent nature of impact makes the reliability of its measurement especially challenging. As a result, a condition for the credibility of impact investing for the investor is to be able to construct an assessment of impact and deploy methodologies accordingly, relying on expert and updated knowledge of portfolio companies' strategies, particularly from the perspective of their impact implications. Finally, while the literature has advocated for the standardization of impact management processes (Agrawal & Hockerts, 2019; Lehner et al., 2019; Nicholls, 2018), this study suggests that standardization should not necessarily be at odds with the need to enhance in-house expertise within social ventures to specify, clarify, and objectify potential impacts.

Second, about the governance of impact investing. These findings contribute to the call within the impact investing literature for strengthened governance mechanisms, particularly emphasizing the need to equip both investors and social ventures with tools that enhance expertise and accountability for socially-oriented practices (Hockerts et al. 2022; Bengo et al. 2021). The literature review initially revealed that governance in this context has largely been examined through the lens of agency theory (Thirion et al., 2022; Agrawal & Hockerts, 2021). Given the particular nature of issues related to impact management, especially those tied to the complexity of methodological discussions specific to this field, this study also underscores the importance of equipping the governance of funds with the ability to engage in discussions on methodological choices and impact aspects at all levels of the investment chain. First, regarding expertise, this study confirms that the challenges of ensuring impact reliability are not only due to investors' disclosures or situations of information asymmetry with social ventures. Instead, they primarily stem from the difficulty of creating an appropriate measurement apparatus to effectively support the promise of aiding impact projects. Second, in terms of accountability, Bengo et al. (2021) underscore the necessity of formally structuring the division of roles between setting social objectives and their control. This separation is advocated as a crucial precondition for the responsible management of impact projects, encouraging impartiality and transparency in investing processes. Developing new governance schemes for impact investing, as investigated through the "Société à Mission," framework, offers a chance to examine the feasibility and conditions necessary for this separation.

This research maintains an exploratory status. At this stage, it aims primarily to understand how thinking about new governance structures for impact investing can reveal novel approaches to resolving impact management issues and signal a shift in the role and responsibilities of asset managers within the investment chain, an area that still requires significant clarification. For instance, the involvement of investors or their potential roles in the governance of the mission remain to be fully explored. Future research will be needed to examine how these different potentials align with actual practices. Beyond potential, it will be essential to observe their deployment and various implementations to confirm and discuss their conditions of effectiveness. Aspects such as the formulation of missions (Lévêque, 2022), the composition and methods of the governance body in charge of following the mission, and especially the active role that impact investors could assume in this renewed governance framework, are still completely uncharted territory.

Symmetrically, further research will be required to study how social ventures mobilize the innovative governance schemes, such the *Société à Mission*, and to symmetrically transform their relationships with investors, whether impact-oriented or not.

Finally, this work is subject to several limitations. The first, and perhaps the most critical, arises from the fact that this legal innovation is currently limited to the French framework. However, many impact investors, including those in the focus group, do not restrict their investment scope to national borders (See Figure 1). The mission's movement in legal frameworks is a complex phenomenon that redefines the categories traditionally associated with social ventures (Segrestin & Levillain, 2023). It will be necessary to understand to what extent its adoption by the finance sector argues in favor of international diffusion of this innovation and under what conditions it can continue to claim to be a credible alternative for robust impact governance implementation on a global scale.

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