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Impact Investment & Sustainability

Handbook

Impact Incubator for Nurturing Sustainability [i2 SustainIT]
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Acknowledgements

This handbook shares the experience, insights and research in the area of impact investment and sustainability from Worldview Impact Foundation and EPN Consulting and all i2 SustainIT Project partners: CEED Bulgaria; Creative District; IDEC and Knowledge, Innovation and Strategies Management Club.

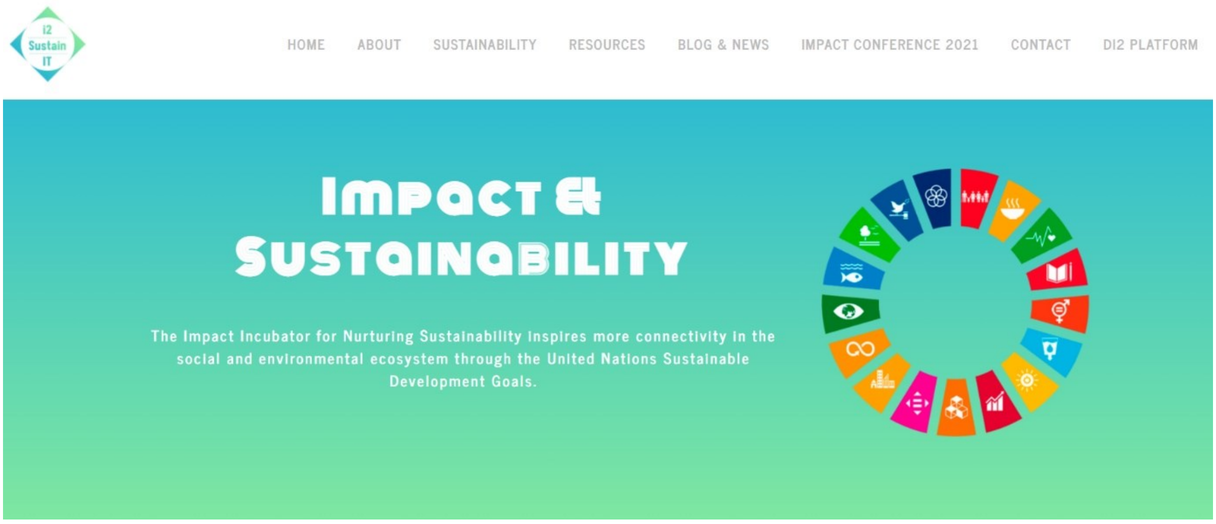
The Impact Investment & Sustainability Handbook (i2 Sustain Handbook) has been created as part of the 'Impact Incubator for Nurturing Sustainability' project, co-funded by the Erasmus+ programme of the European Union and based on the Impact Measurement Guidelines (IMGuide) and Design Thinking for Impact Incubation Toolkit (DTi2 Toolkit) outputs in the project.

The **i2 Sustain Handbook** builds on the work of a variety of organisations in the field of social entrepreneurship, impact investing and sustainability around the world that have already shared their research and understanding about these topics through various initiatives. The intent of this handbook is to provide a digestive of the topics of impact investment and sustainability, whilst enhancing in an easy to grasp way the knowledge of investors how to approach investing with impact in mind.

Project partners

EPN Consulting UK	Founded in 2009 in London and specializes in consultancy services. The company's expertise is in European Business, European Projects, Intelligent Transport Systems & Sustainable Transport, MaaS and Smart Mobility in Smart Cities.
Worldview Impact Foundation UK	A non-profit international organisation with a mission to making an impact at the grassroots to create positive changes. It is working on mitigating climate change by creating sustainable livelihoods for the poor while reducing poverty to improve living conditions in the developing world.
Creative District Belgium	A not-for-profit organization, accompanying and supporting initiatives in the Creative and Cultural Industries sector for societal impact. Its values of the creative and inclusive project with a human dimension induce to accompany the spirit of entrepreneurship and innovation.
CEED Bulgaria	A foundation, promoting entrepreneurship by providing knowledge, know-how and contacts to help entrepreneurs grow their businesses to the next level. Today, the Foundation has regional offices and operates in more than 14 countries around the Globe.
KISMC Bulgaria	A not-for-profit organization created by academicians, professional experts, consultants and coaches to foster knowledge and innovation management in Bulgaria and support the development of the innovation ecosystem in the region by bridging the gap between education, research and business.
IDEC Greece	A training consulting company in Greece. Its activities consist of training, management consulting, quality assurance, evaluation and development of ICT solutions for both the private and public sector.

The Impact Incubator for Nurturing Sustainability project website can be found here: https://www.i2sustainit.eu/



Executive Summary

The **Intellectual Output 3** “**Impact Investment & Sustainability Handbook**”, with the abbreviation that you’ll be coming across – **i2 Sustain Handbook**. This is the third instrument of the “The Impact Incubator for Nurturing Sustainability” (i2 SustainIT) Project.

The key idea for the development of this handbook is to focus more on providing practical tools and an overview of the impact investment state in Europe and beyond, whilst embedding the UN Sustainability Development Goals (UN SDGs). The UN SDGs provide widely accepted measures that can be used to unlock impact investing for mainstream investors, consequently contributing to resolving the world's challenges or simply at local, regional, national, EU level.

The **i2 SustainIT** Project is a continuation of an already completed Erasmus+ project - Boost Aid for Social Entrepreneurship through Training (**BASET**). The rationale behind continuing BASET and the tools developed during the project was the realisation that mentors and investors, who play a crucial role for the success and impact of social projects, **need an additional and verified set of supporting instruments**.

Considering the conclusions from the developed outputs in the BASET project, the i2 SustainIT project focused on:

1. the needs of social entrepreneurs, who need mentoring support as well as investment for their social projects;

2. the impact of mentoring and investing in social enterprises, although these are topics with significant added value to tackling social and environmental challenges, are still under-explored.

These two findings provided us with insights **creating an environment for equipping impact investors with the right details that are easy to digest**, and the right tools which can help them make decisions to invest in entrepreneurs not only based on financial returns but with the impact they would make by helping projects with a high level of impact.

Despite the various existing reports and research on the impact investment ecosystem, the current **Handbook** provides in-depth research of existing models and has an inclusive and customised approach towards the players in the impact and sustainability ecosystem.

Moreover, this handbook is complemented by a digital platform - [Digital Impact Incubator Platform (di2 Platform)] - which gathers social impact projects, resources for social entrepreneurs, mentors and impact investors to connect and bridge any gaps for the realisation of projects with social, environmental and/ or economic impact.

Bringing entrepreneurs closer to funding and experience

The place for social entrepreneurs, impact investors and mentors to exchange ideas, share experiences and connect.

We aim for this Handbook's content to be transferrable to various industries and contexts. The different sections could be used as an add-on to a diverse range of materials supporting mentors, investors and entrepreneurs.

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Foreword

On behalf of my team, I am delighted to share the information in this handbook which brings together the experiences, insights and research in the area of impact investment and sustainability from Worldview Impact Foundation and EPN Consulting and all i2 SustainIT Project partners: CEED Bulgaria; Creative District; IDEC and Knowledge, Innovation and Strategies Management Club.

Impact investments are defined as investments made into companies, organisations, and funds with the intention to generate long-term impact on sustainability alongside a financial return. While this definition leaves room for a broad set of investments, we want to highlight two key elements: intentionality and measurement. The investors' intentions should include some elements of both impact on sustainability and financial return. And while there is more consensus on metrics for financial return on investment (ROI), an impact investor should also aim to measure the impact on sustainability of their investments. In essence, all investments make an impact on society; some positive, some negative. Impact investors intentionally pursue investments that lead to measured positive impact on sustainability. There are two sides of any impact investing deal: the impact investor and the impact investee. The goal is for both sides to benefit.

To give an example our large-scale impact investment in mangrove restoration in the delta region of Myanmar has multiple benefits directly impacting 6 of the UN SDGs with every $1 invested to plant one mangrove tree. The importance of restoring and protecting mangroves is reflected most clearly in Sustainable Development Goal (SDG) 14, which focuses on sustainably governing our oceans and coasts and recognises mangroves' immense value to local communities. But restoring mangrove forests also supports the achievement of many other SDGs, including eliminating poverty and hunger (SDG 1 and SDG 2), ensuring livelihoods and economic growth (SDG 8), taking actions against climate change impacts (SDG 13) and halting biodiversity loss (SDG 15). So far, we have planted 20 million mangrove trees that will drawdown 20 million tons of CO2 from the atmosphere as they continue to grow for 20 years. Our end goal is to plant 1 billion trees by 2030 and scale up from Asia to impact other mangrove harbouring countries in Africa and South America.

We look forward to keeping you engaged beyond what we have presented in this Handbook as everyone has a role to play to create positive changes on our planet through large deployment of capital as impact investments to achieve long-term impact on sustainability.

Dr. Bremley W.B. Lyngdoh

Founder & CEO
Worldview Impact Foundation

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i2 SustainIT project

The overall goal of the project is to maximise the understanding and transfer of knowledge on impact, impact investment and sustainability to tackle societal and environmental challenges.

Objectives

1. Create a set of innovative educational tools for mentors and investors to enhance their skills and know-how to better support social entrepreneurs in their impact journeys in the incubation phase.

2. Establish an immersive digital incubator platform, with an open access of the knowledge base of the developed tools for impact investors and mentors, while connecting them with the social entrepreneurs and their early stage projects.

Partners

The partnership includes six participants from four countries:

- United Kingdom - EPN Consulting - Project Coordinator
- United Kingdom - Worldview Impact Foundation
- Bulgaria: KISMC
- Bulgaria: CEED Bulgaria
- Greece: IDEC
- Belgium: Creative District

The project objectives are to create a set of innovative educational tools for mentors and investors to enhance their skills and know-how to better support social entrepreneurs in their impact journeys in the incubation phase.

Additionally, the **i2 SustainIT project** resulted in the establishment of an immersive digital incubator platform, with an open access of the knowledge base of the developed tools for impact investors and mentors. It is also connecting them with social entrepreneurs and their early-stage projects.

Upgrading the Ecosystem

Continuation of another Erasmus+ project - Boost Aid for Social Entrepreneurship through Training /BASET/. i2 SustainIT aims to continue compiling all resources and integrating them in a space which will be the "ONE STOP SHOP" for mentors, impact investors and social entrepreneurs to help solve the challenges of our age.

Embracing Impact

Nurturing sustainability by embracing impact and change at a very early stage of identifying challenges and providing solutions. The focus of the project is on long-lasting positive effect through educating and upskilling mentors and investors to better support social entrepreneurs by various innovative for this market tools.

Upskilling & Connecting

Supporting the professional development of mentors in the context of the project as well as providing high-quality support to impact investors, while enhancing the communication, collaboration and exchange of know-how and expertise of these target groups including social entrepreneurs.

Overall, the outcome of the i2 SustainIT project has been a set of tools and resources embracing the impact investment and sustainability ecosystems. *Supporting mentors by training them in the design thinking approach to integrate in their assistance and supporting investors to responsibly invest in social entrepreneurs for maximising social impact.*

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Target Groups

The target groups of the i2 SustainIT project are the following:

- Primary
  Mentors - Experienced and trusted individual providing advice and help to Entrepreneurs for projects with social impact.
  Investors - Individual aiming to invest capital in a venture addressing social and/ or environmental issues with the goal to also get ROI.
- Secondary
  Social Entrepreneurs - Entrepreneurs who impact the lives of citizens through innovative approaches to solving social problems.

Impact & Sustainability

The project is strongly focused on impact and sustainability and provides direct positive impact through the upskilling of mentors and investors who will nurture social entrepreneurs and the sustainable development of their projects.

All the resources created during the project duration will contribute to economic growth, reducing the negative impact on the environment and will foster the development of people, communities and cultures to achieve reasonable quality of life, healthcare and education across the globe.

How to use this Handbook

The i2 SustainIT project aims to produce materials that are easier to digest and provide insightful information. This Handbook can be used to support investors in their journey of understanding sustainability and impact investment.

Thus, investors will be capable of delivering enhanced support (besides financial) to social entrepreneurs. Investors will be able to adapt empathetic approaches to the journeys of those entrepreneurs. This support will help them reach more people, scale and be financially sustainable.

Moreover, learning more about social impact and getting diverse ideas of the existing know-how and practices that thrive in this area.

What you will discover

We have structured the handbook in a way that you will learn more about the i2 SustainIT Project and where the idea for the project came from. In addition to that, you'll get an overview of the support for social entrepreneurs from the prism of investors, providing insights that would help you understand a vast spectrum of information about pioneer countries and practices in investing in social impact.

Then, we have illustrated the social and impact investment ecosystem through an overview of this field, while providing supporting research insights and tools that could help you make more informed decisions in identifying and choosing social investees in your portfolio based on several criteria.

We recommend that you review the whole handbook, while also using the table of contents to jump directly where you feel you may need extra knowledge/ know-how.

Furthermore, we understand that this handbook is not extensive and conclusive and there’s much more to be added, but we feel that we have grasped an adequate amount of information to support you in your impact investing and sustainability journey.

‘360-degree’ Handbook

High net worth individuals, institutional investors, financial and wealth advisors and philanthropists are continuously looking for new opportunities to deploy their capital and have financial return as well as contribute to social impact. Nevertheless, a niche market but growing with full speed, there’s much to be explored on the topic, including implementing the UN SDGs into the whole process of impact investing.

Result – this Handbook as an extensive overview of the topics of impact investment and sustainability that will provide a more comprehensive and structured data on the market of investing in projects with social impact and sustainable potential. It is meant to help not only investors, but, also mentors, along with entrepreneurs to have a 360-degree understanding of the topics.

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Key Terms

With impact investment and sustainability in mind, we've used several key terms across the Handbook (including some useful terminology) that have been very well described by the European Venture Philanthropy Association (EVPA)[1], Simmons & Simmons[2], Schroders[3] and Bates Wells[4] below:

A - M

Carbon footprint

A measure of a group, individual or a company's total greenhouse gas emissions.

Environmental factors

This is the "E" of the term "ESG", and concerns issues related to resource use, pollution, climate change, energy use, waste management and other physical environmental challenges and opportunities.

Environmental, social, governance (ESG) factors

Environmental, social and governance (ESG) refers to the three central factors commonly used when assessing the sustainability of a business's activities or an investment.

ESG integration

An investment approach that takes into consideration a range of sustainability and ESG-related risks and opportunities in addition to traditional financial analysis.

European Commission Action Plan on Financing Sustainable Growth

Published in March 2018, the Action Plan sets out objectives and key actions to promote a re-orientation of private capital flows towards sustainable investments.

Financial sustainability

Financial sustainability for a social enterprise is the degree to which it collects sufficient revenues from the sale of its services to cover the full costs of its activities. For charities, it involves achieving adequate and reliable financial resources, normally through a mix of income types.

Green bond

A fixed income instrument in which the proceeds raised from sale are used to fund green projects.

Greenwashing

The practice of seeking to gain an unfair competitive advantage by overstating or overemphasising the extent to which an investment or business's practices are "green" or "sustainable".

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[1] European Venture Philanthropy Association (EVPA) - https://evpa.eu.com/glossary
[2] Simmons & Simmons - https://www.simmons-simmons.com/en/features/sustainable-financing-and-esg-investment/ck1681ntg2eyu0b4971qekjh0/glossary-of-key-sustainable-finance-and-esg-concepts
[3] Schroders - https://www.schroders.com/en/uk/private-investor/a-guide-to-investing/sustainable-investment-glossary/
[4] Bates Wells - https://bateswells.co.uk/impact-economy-glossary/

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Green investment

Investment activities that focus on companies or projects that are committed to the conservation of natural resources, the production and discovery of alternative energy sources, the implementation of clean air and water projects, or other environmentally conscious business practices.

Impact Economy

The term 'impact economy' is used to refer to businesses that take a "triple bottom line" approach to their operations, aiming to benefit society and the environment alongside achieving financial success. Such businesses can include, but are not required to be, registered B Corps, benefit corporations, social enterprises or cooperatives. 'Impact investing' is a core sector within the impact economy (see below). Public sector organisations working in partnership with the private sector to deliver initiatives for sustainable development could also be an example of activity within the impact economy.

Impact Investment

Impact investments are investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return.

Impact Measurement & Impact Reporting

Impact measurement and impact reporting are terms used to describe the processes by which an organisation, such as a charity or a business, evaluates and publicly reports on the effect it has had on society and/or the environment, or on its progress towards achieving its purpose and intended outcomes.

Impact strategy

An impact strategy represents the way in which an investor codifies its own social impact investing activity along three axes: social impact, financial return and risk associated with the achievement of both the social impact and the (eventual) financial return. EVPA identifies two main impact strategies: investing for impact and investing with impact.

Impact Value Chain

Represents how an organisation achieves its impact by linking the organisation to its activities and the activities to outputs, outcomes and impacts.

Institutional Investor

Entities such as pension funds, insurance companies and sovereign wealth funds who manage large pools of long-term capital with the objective of meeting the long-term needs of their clients. (Source: Wilton, D., (2019) "Pricing Impact: Extending Impact Investing to Price Externalities and Lower the cost of Capital to Impactful Investments", Zheng Partners LLC).

Investee

The social purpose organisation that is the target of the investor's activity and the recipient of financial and non-financial support.

Investing for impact

Impact strategy followed by investors that adopt the venture philanthropy approach to support social purpose organisations maximising their social impact. Investors for impact support innovative solutions to pressing societal issues, providing in-depth non-financial support and taking on risks that most of other actors in the market cannot – or are not willing to – take. Within the social impact ecosystem, investors for impact (i) test – and scale – new solutions, (ii) support different types of social purpose organisations, also those that have no market outlet and (iii) build social infrastructures. The DNA of investors for impact is reflected in the ten principles of the EVPA "Charter of investors for impact".

Investing with impact

Impact strategy used by investors that have access to large pools of resources and need to guarantee a certain financial return alongside the social impact they aim at generating. Investors with impact invest in proven solutions and/or organisations with viable business models, often helping them scale while making sure that impact considerations are part of all investment decisions.

Investment

An investment is the use of money with the expectation of making favourable future returns. Returns could be financial, social, and/or environmental. In the social impact ecosystem, grants are considered as a form of investment.

N - Z

Social impact

The attribution of an organisation's activities to broader and longer-term outcomes, which are in turn defined as the changes, benefits, learnings, or other effects (positive or negative, both long and short term) that result from an organisation's activities. In academic terms, to accurately calculate social impact outcomes should be adjusted for: (i) what would have happened anyway (deadweight); (ii) the action of others (attribution); (iii) how far the outcome of the initial intervention is likely to be reduced over time (drop off); (iv) the extent to which the original situation was displaced elsewhere or outcomes displaced other potential positive outcomes (displacement); and for unintended consequences, which could be negative or positive.

Social enterprise

A social enterprise is an operator in the social economy whose main objective is to have a social impact rather than make a profit for their owners or shareholders. It operates by providing goods and services for the market in an entrepreneurial and innovative fashion and uses its profits primarily to achieve social objectives. It is managed in an open and responsible manner and, in particular, involves employees, consumers and stakeholders affected by its commercial activities.
The European Commission uses the term 'social enterprise' to cover the following types of business:
Those for who the social or societal objective of the common good is the reason for the commercial activity, often in the form of a high level of social innovation.
Those where profits are mainly reinvested with a view to achieving this social objective.
Those where the method of organisation or ownership system reflects the enterprise's mission, using democratic or participatory principles or focusing on social justice.
There is no single legal form for social enterprises.
Many operate in the form of social cooperatives, some are registered as private companies limited by guarantee, some are mutual, and a lot of them are no-profit-distributing organisations like provident societies, associations, voluntary organisations, charities or foundations. (Source: European Commission)

Social entrepreneur

Social entrepreneur is defined as a leader or pragmatic visionary who:
Achieves large scale, systemic and sustainable social change through a new invention, a different approach, a more rigorous application of known technologies or strategies, or a combination of these.
Focuses first and foremost on the social and/or ecological value creation and tries to optimise the financial value creation.
Innovates by finding a new product, a new service, or a new approach to a social problem.
Continuously refines and adapts approach in response to feedback.
(Source: Swab Foundation for Social Entrepreneurship)

Social Impact Ecosystem

The social impact ecosystem is the space where organisations adopt impact strategies, which can be classified as investing for impact or investing with impact.

Social Return on Investment (SROI)

SROI is a framework of principles that allows us to account for social value/impacts. It places the involvement of stakeholders as central to understanding the consequences of activities and the value of experiences so that we can better understand, report and manage impacts to improve performance.

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Sustainable and responsible investment (SRI)

SRI is a long-term oriented investment approach which integrates ESG factors in the research, analysis and selection process of securities within an investment portfolio. (Source: Eurosif (2018), "European SRI Study 2018")

Tech-for-good

'Tech-for-good' is a term used to refer to technological services and products that are designed to produce a positive social and/or environmental outcome. For example, tech-for-good can include apps or software to be used by the people they are designed to benefit, or technology that helps organisations with a public purpose, such as charities, to increase their social impact. The tech-for-good movement includes innovators using a range of technologies, from blockchain to AI and machine learning, to address a variety of social issues. Within the tech-for-good movement, the term 'social tech' is also used. (More information: Tech Nation report on tech for social good in the UK)

Theory of Change

In the context of impact measurement, a theory of change is a comprehensive description and illustration/diagram of how and why a desired change is expected to happen in a particular context. It usually traces how what an organisation does (its activities or interventions) leads to change in people's lives (outcomes).

Triple Bottom Line

The 'triple bottom line' approach requires businesses to commit to measuring their social, environmental, and economic impact: the financial 'bottom line' (a traditional measure of value creation in business) and social and environmental value creation. This more rounded approach to measurement aims to inform decisionmakers about a fuller range of the business' impacts, including its 'externalities', and encourage management of the business so as to pursue profit creation in tandem with generating benefits for people and planet. The triple bottom line conceptualises sustainability performance as integrated into businesses' DNA. The concept was proposed by John Elkington, sustainability advisor and author, in the 1990s and has since become a well-used term in business lexicon. However, 25 years after articulating the triple bottom line, Elkington argued that mainstream interpretation had frequently reduced the concept to an accounting tool and expounded that its goal is more substantive: to create system change, for the transformation of capitalism.

United Nations Principles for Responsible Investment (UN PRI)

An organisation that promotes responsible investment through a set of six investment principles that offer actions for integrating responsible investment into investment decisions.

Venture Philanthropy

VP is a high-engagement and long-term approach whereby an investor for impact supports social purpose organisations to maximise social impact, through three core practices:

- Impact measurement and management: Measuring and monitoring the change created by an organisation's activities and using the information/data to refine activities in order to increase positive outcomes and reduce potential negative ones.
- Non-financial support: Providing support services to a social purpose organisation in order to maximise its social impact, increase its financial sustainability or strengthen its organisational resilience.
- Tailored financing: Choosing the most suitable financial instrument(s) to support a social purpose organisation. These instruments include grant, debt/loan, equity, and hybrid financial instruments. The choice of the financial instrument(s) depends on a number of factors, such as the investor for impact's willingness to take risk, or the SPO's business model and stage of development.

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Impact Investment

Impact investment refers to investments made with socioeconomic and environmental impact in mind. Investors themselves have a dual focus – financial and social. Although there's social impact in mind impact investors do want financial return, but the difference with investors in general is that impact investors would like to see their money have a positive effect on people or the planet. Put simply – invest ethically.

Return on Investment (ROI) in any investment is key but being able to see the impact you have with your invested cash is paramount. The only way to be able to monitor this is by measuring and tracking this positive impact of the investment on the society and the environment.

Impact investment has a cumulative effect, especially when more individuals and organisations become more successful in applying best practices. Nevertheless, although the market is growing (the impact investing market size is $715 billion[5]) there are unexplored areas and models to suit each impact investor or potential such as this area doesn't promote the one-size fits all.

Considering that the impact economy is a scope where activities can deliver tangible improvements in outcomes for our society and the planet in general, more structured know-how, expertise, best practices and tools will contribute for the optimization of the positive impact on the world as well as

[5] SG Analytics (2021), Impact investing market size is $715 billion: what is the future of our planet? See more at: https://us.sganalytics.com/blog/impact-investing-market-size-is-715-billion-what-is-the-future-of-our-planet/

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financial return to those who invest in impact projects, i.e. creating value beyond what could otherwise not be achieved at such a scale.

Investors in social outcomes weigh up the balance between the social and financial returns which they expect from an investment, according to their own priorities. They may accept lower financial returns to generate greater social impact. It is important that investors **consider how returns are made and how they are distributed as part of their routine investment allocation.**

Impact investment is significantly different from philanthropy. It complements it. Impact investment is a tool sitting between donations and commercial investments and could be part of a Socially Responsible Investment Allocation (SRI), representing those investments within a portfolio motivated to generate social and/ or environmental impact.[6]

Impact investments are investments made with the intention to **generate positive, measurable social and environmental impact alongside a financial return.**

Impact investments can be made in both emerging and developed markets and target a range of returns from below market to market rate, depending on investors' strategic goals.

[6] Corporation, The City of London (2015), A Brief Handbook on Social Impact Investment; A UK Perspective

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The growing impact investment market provides capital to address the world's most pressing challenges in sectors such as sustainable agriculture, renewable energy, conservation, microfinance, and affordable and accessible basic services including housing, healthcare, and education.

Four practices define impact investing. [7]

The set of Core Characteristics below aims to provide clear reference points and practical actions to establish the *baseline expectations for impact investing.*

1	2	3	4
Intentionality	**Use Evidence and Impact Data in Investment Design**	**Manage Impact Performance**	**Contribute to the Growth of the Industry**

These Core Characteristics of Impact Investing complement the GIIN's existing definition of impact investments, which are investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return.

1. **Intentionality** - Impact investing is about the intentional desire to contribute to measurable social or environmental benefit. This is at the heart of what differentiates impact investing from other investment approaches.
2. **Use Evidence and Impact Data in Investment Design** - Impact investing needs to use evidence and data where available to drive intelligent investment design that will be useful in contributing to social and environmental benefits.
3. **Manage Impact Performance** - Impact investing comes with a specific intention, including having feedback in place and communicating performance information to support others in the investment chain to manage towards impact.
4. **Contribute to the Growth of the Industry** - Complement the existing definition of impact investments.

Why Impact Investment?

Impact investing challenges the popular idea that social and environmental issues should be addressed by donations, charities, etc. rather than investments aiming to contribute positively to resolving these issues and achieving financial returns. The impact investing market offers diverse and viable opportunities to investors to support the advancement in social and environmental solutions through investments that also produce financial returns. [8]

[7] Global Impact Investing Network (GIIN). See more at: https://thegiin.org/characteristics
[8] Global Impact Investing Network (GIIN). See more at: https://thegiin.org/impact-investing/need-to-know/#what-is-impact-investing

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According to the Global Impact Investing Network (GIIN) investors entering the growing impact investing market have **various motivations when it comes to investing in impact.**

A few common ones are:

- **Banks, pension funds, financial advisors, and wealth managers** can PROVIDE CLIENT INVESTMENT OPPORTUNITIES to both individuals and institutions with an interest in general or specific social and/or environmental causes.

- **Institutional and family foundations** can LEVERAGE SIGNIFICANTLY GREATER ASSETS to advance their core social and/or environmental goals, while maintaining or growing their overall endowment.

- **Government investors and development finance institutions** can PROVIDE PROOF OF FINANCIAL VIABILITY for private-sector investors while targeting specific social and environmental goals.

The terms impact investing, socially responsible investing, ethical investing, environmental, social and governance (ESG) criteria have kept appearing in the media and **reached peak times in year 2020** when investors invested four times more cash in ESG investment funds than the previous year. And impact investing funds grew from $502 billion in assets under management in 2019 to $715 billion in 2020.[9]

Investing for Good have summarised it well:

"Impact investors have an opportunity to pioneer a new form of responsible capitalism, generating a measurable impact on society and allowing for onward investment in causes that matter to and inspire them."[10]

In the table below Principles for Responsible Investment (PRI) showcases how and why investors want to measure social and environmental impact:[11]

- To communicate the social or environmental performance of investments to external stakeholders.
  Investment managers may need to respond to reporting requirements from clients with specific preferences regarding the use of their capital. Asset owners may want to respond to interest and demand from their beneficiaries and external stakeholders.

[9] Stephanie Kater et al (2021), Why the World Needs Both ESG and Impact Investing. See more at: https://www.bridgespan.org/insights/library/impact-investing/why-the-world-needs-both-esg-and-impact-investing
[10] Investing for Good, Why Impact Investing. See more at: https://www.investingforgood.co.uk/why-social-investment
[11] PRI (2013), Understand the Impact of Your Investments – Measuring Environmental and Social Performance

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- To ensure their funds are not supporting poor practices that could lead to reputational risk. *Over-indebtedness among end users of microcredit.*

- To improve the environmental or social impact of their investments. *Measuring impact enables investors to set targets for the companies or funds in which they invest, providing a basis for engagement to improve performance over time.*

- To create positive social or environmental impact as an integral part of their mission. *Such investors may want to evaluate the social and environmental impact of their investments to assess and improve their performance against these objectives.*

Below you can see a clear distinction in the focus of investments generating positive impact:

	Traditional	Screening	ESG integration	Themed	Impact-first	Philanthropy
				Impact investing	Impact investing	
		Responsible investment	Responsible investment	Responsible investment		
				Targeted social and/or environmental impact	Targeted social and/or environmental impact	Targeted social and/or environmental impact
	Competitive returns	Competitive returns	Competitive returns	Competitive returns		
FOCUS	Limited or no focus on ESG factors of underlying investments	Negative or exclusionary screening and positive or best-in-class screening, based on criteria defined in a variety of ways (i.e. by product, activity, sector, international norms.)	The use of qualitative and quantitative ESG information in investment processes, at the portfolio level, by taking into account ESG-related trends, or at the stock, issuer or investee level.	The selection of assets that contribute to addressing sustainability challenges such as climate change or water scarcity.	Environmental or social issues which create investment opportunities with some financial trade-off.	Focus on one or a cluster of issues where social and environmental need requires 100% trade-off.
EXAMPLES		▪ Ethically-screened investment fund ▪ Best-in-class SRI fund	▪ Long-only public equity fund using ESG integration to create additional value	▪ Clean energy mutual fund ▪ Emerging markets healthcare fund ▪ Microfinance structured debt fund	▪ Fund providing debt or equity to social enterprise or trading charity	

Source: Adapted from Bridges Ventures (2012)

So, why impact investment?

There are investors out there who do not only seek financial returns.

Their vision is to be 'responsible investors' who would like to contribute to positive change, i.e., social, environmental, economic. Therefore, they seek information on environmental, social and corporate governance (ESG) performance from the funds and companies they invest in.

An ESG analysis helps them with: [12]

- Accessing fully the risks and opportunities associated with the specific investments
- Making better investment decisions
- Generating more accurate valuations of businesses

Understanding ESG can help investors mitigate the risk of potential negative outcomes that can affect a business.

Who is making impact investments?

There has been increasing interest to invest in impact.

In the early 2020 following the Covid outbreak, it was reasonable to ask whether this would slow or reverse the rise of impact investing.

"Today, it's clear, impact investing is here to stay."[13]

GIIN have summarised well the individual and institutional investors:[14]

- Fund managers
- Development finance institutions
- Diversified financial institutions/banks
- Private foundations
- Pension funds and insurance companies
- Family offices
- Individual investors
- NGOs
- Religious institutions

[12] PRI (2013), Understand the Impact of Your Investments – Measuring Environmental and Social Performance
[13] IFC Insights (2021), As Impact Investing Grows, So Do Expectations. See more at: https://www.ifc.org/wps/wcm/connect/news_ext_content/ifc_external_corporate_site/news+and+events/news/insights/impact-investing-for-growth
[14] GIIN. See more at: https://thegiin.org/impact-investing/need-to-know/#what-is-impact-investing

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Current state of Impact Investment

The 2020 Annual Impact Investor Survey shares data compiled from nearly 300 of the world's leading impact investors. These investors collectively manage over $404 billion of impact investing assets, an important sub-group of the $715 billion global impact investing market.

The survey revealed 4 KEY FINDINGS in impact investing market trends:

1. The impact investing industry remains diverse.
2. Over time, impact investing has grown in sophistication and depth.
3. Impact investment management and measurement practices have matured, but opportunities for refinement remain.
4. Impact investors have a positive outlook for the future despite recent adverse conditions.

Despite the dramatic growth in impact investing over the past 10 years, experts say more capital is needed to address current significant and pressing challenges.

Experts agree impact investing can yield appreciable results for both investors and the companies they support.

The Impact Investing Trends 2021:[15]

Climate solutions, including low-carbon investment opportunities, will gain even greater importance.

Scepticism about ESG (environmental, social, and corporate governance) in general will be replaced by a better understanding of how beneficial it can be.

The biodiversity crisis will transform how impact investors deal with habitat destruction, over-harvesting, and the introduction of invasive species.

Social inequalities will continue to test impact investors' creativity, with some willing to risk failure to pursue solutions.

[15] UBQ (2021), 2021 Impact Investing Market Trends. See more at: https://www.ubqmaterials.com/blog-post/impact-investing-market-trends-in-2021/

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Overview of the state in Europe

Global sustainable investments are expected to reach $150 trillion over the next decade. In Europe, Bloomberg's analysis shows that funds devoted to environmental, social and governance (ESG) factors amounted to $132 billion in 2019 alone, and assets managed by funds that incorporate ESG criteria increased to $668 billion — a 56% increase in one year.[16]

The drastic increase in ESG investments is echoed in the growth of the impact investing market. According to GIIN's analysis, the size of the global impact investing market reached $502 billion by 2019.[17]

I2 SustainIT partner countries

Below we have reviewed the state of impact investment in the countries where the [i2 SustainIT partners] are providing support in the social entrepreneurship ecosystem. Although the challenges and opportunities for investors in each country vary, there are visible similarities.

Belgium

Impact investing in Belgium has been growing over the past decades even though the sector lacks visibility and now accounts for around EUR 421.6 billion of assets being professionally managed in 2016. [18] A report realized by the Belgian organisation, King Baudouin Foundation, shows that a total of 381 projects were supported.[19] They also pointed out that many Belgian organizations were involved in impact investing in 2015, representing all or part of their activity. The funds provided for international aid to less developed countries were made by the private sector, alongside donations made by philanthropic organisations and public cooperation programmes.

Impact investors in Belgium come in all shapes and sizes investing in diverse industries. There is considerable diversity in legal structures, the size of portfolios and the origin of their capital. However, all of them have the same final objective: achieve financial returns while having an impact

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[16] Bloomberg (2020), European ESG Funds Pulled in Record $132 billion in 2019. See more at: https://www.bloomberg.com/news/articles/2020-01-30/european-esg-funds-pulled-in-record-132-billion-in-2019
[17] GIIN (2020), 2020 Annual Impact Investment Survey. See more at: https://thegiin.org/research/publication/impinv-survey-2020
[18] Eurosif (2018)
[19] King Baudouin Foundation (2017)

on communities in developed or developing countries. Nevertheless, it is very complicated to segregate impact first investors and finance first investors as traditional profit-oriented organisations working on corporate social responsibility do not fall into the impact investors spectrum.

According to the King Baudouin Foundation, Belgian impact investors often focus on writing checks to firms in the growth stage and have a higher tolerance to risk. [20] In this report, **impact investors in Belgium face 4 obstacles** when building their portfolio:

1) No exit strategy: it can be challenging for investors to invest capital in startups and organisations when they know it will not be easy to withdraw themselves from that business.

2) Excessively small transactions: no matter the type and size of the investment, books must be kept and reviewed in the same thorough way. In the corresponding line of thought, small transactions and therefore small deals are perceived as financially unattractive to investors as a lot of work will have to be put into it, even though the impact on society and communities is significant. The trade-off impact - return is therefore not worthy.

3) Lack of information: as part of the due diligence, investors must control the story and the data provided by the social companies. There is often a lot of missing information and data is often incomplete. Geographic and language barriers are also sometimes an issue as it is hard to connect with the investees for impact measuring and monitoring.

4) Legal Structure: according to the Belgian impact investors surveyed by the King Baudouin Foundation, in Belgium there is a lack of hybrid legal structures that are tailored to suit impact investments. Belgium currently only has the SA (public limited company), which is geared towards maximizing profits, or the ASBL (non-profit association) which excludes any profit. The compulsory rules for crowdfunding – small or large – applied by the FSMA (Financial Services and Market Authority) make it difficult for companies to attract small investors.

The profile of organisations engaged in impact investment in the broad sense in Belgium varies. It includes finance institutions with public funding, foundations, investors or investment funds linked to civil society and private fund managers. According to a survey carried out by S.Lab at the request of the King Baudouin Foundation, most Belgian players in this field already have considerable experience: a third have been active for more than 30 years and 20% have between 20 and 30 years' experience.[21] The survey was limited to financing in low- to medium-income countries, excluding those within Europe, and of course to less developed countries as listed by the OECD (DAC List of ODA Recipients).

The organisations receiving impact investment range from startups and new companies to mature companies, but also include companies in the growth phase. All the Belgian players engaged in impact investment for development are involved in activities in the growth phase, while 5 out of 9

[20] King Baudouin Foundation (2019)
[21] King Baudouin Foundation (2016), Mapping Belgian Social Impact Investment for Development

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also target projects in the startup phase (startups, new initiatives). An equivalent number of support businesses in the mature phase. Foundations and investors linked to civil society have the greatest involvement in new projects.

Bulgaria

In Bulgaria social investment is becoming more and more important in nurturing and financing the growth of non-profits and social enterprises. The Bulgarian market has faced significant challenges in rebuilding its economy and the social sector simultaneously. Despite unprecedented fast integration with Western Europe, the process of transition revealed unaddressed social needs such as an aging population, inclusivity of vulnerable groups, disability, health issues, unemployment, and many others.

In addition, the discussions on the SDGs in Bulgaria have been sporadic and not systemic, focused on specific issues, and conducted mainly by NGOs. The business world is still not actively involved. SDGs have been laid down in the National Development Programme of Bulgaria 2030, but impact investments are still scattered, and most investor funds haven’t aligned their funding goals with the SDGs.

Overall, the impact investment ecosystem in the country is immature. Only 2 funds are officially committed to impact investments. These are Cleantech, operating for more than 5 years and the Urban Impact Ventures, that was incorporated in 2021. Although the ecosystem is young there is huge unexplored potential and opportunities to be revealed.

Greece

The concept of Impact Investing is still non-existent in Greece, except for Renewable Energy Resources. According to Morningstar Greek businesses rank around average regarding its total performance in the ESG (Environmental, Social, Governance) factors, while their performance in corporate governance is substantially lower comparing with other countries of the European south such as Italy and Portugal. The progress made by Greek firms in incorporating strategies with an

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environmental orientation is minimal, according to Morningstar, contrary to the performance of the country in social context. [22]

According to Avlonas, a visiting Professor on sustainability at the Athens University for Economics and Business, the problem stems from the fact that local firms have failed to evaluate efficiently the importance of ESG indexes. According to the research conducted by Socrates Lazarides (CEO of Hellenic Exchanges - ATHEX) the overall level of ESG incorporation in Greece can be characterized as inadequate, whereas when implemented it could be defined as descriptive and not quantitative.[23]

A different approach seems to be followed by large companies in Greece, which appear to pay attention at ESG factors with remarkable results. Companies that are distinguished in the field are TITAN Sement Company SA, Mytilineos Holding, Terna Energy finance, which have earned the interest of global impact investors.

Furthermore, initiatives about raising awareness on impact investing with the aim of attracting investments are taken by organisations. Indicatively:

- **Hellenic Impact Investing Network** - aims at creating awareness and mobilizing action in the global investor community about sustainability and impact investing in Greece.
- **Hellenic Fund for Sustainable Development -** invests in companies that apart from financial return their operation has substantial impact on society and the environment.

In conclusion, although impact investment is still unknown in Greece there are initiatives that prove that this trend is starting to emerge in the country. The development of the clear legal framework regarding impact investing should be also prioritized for Greece not to lose the opportunity of this emerging global investing reality.

United Kingdom

According to new figures released by Big Society Capital, the UK's leading social impact investor, social impact investing in the UK has increased from £833 million in 2011 to £6.4 billion in 2020. There has been consistent growth year-on-year, with visible acceleration between 2019 and 2020 – the year of the pandemic, which saw a 26% increase in the value of social impact investments in the UK.[24]

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[22] Morningstar, see more at: https://www.ekathimerini.com/economy/244117/greek-businesses-out-of-the-esg-loop/

[23] Tania Bizoumi et al (2019), Innovation in Stock Exchanges: Driving ESG Disclosure and Performance

[24] Big Society Capital (2021), see more at: https://bigsocietycapital.com/latest/uk-social-impact-investment-market-swells-to-a-record-64-billion-in-year-of-the-pandemic/

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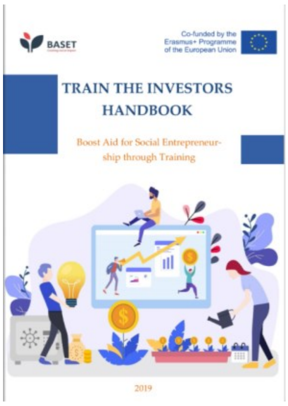
The social impact investment market is dominated by social property funds as well as social lending accounts. This growth in the social lending sector has been associated with the launch of funds due to the response to the Coronavirus pandemic and existing funds that contributed to social lending, supporting social enterprises and charities by providing flexibility and liquidity.

Social impact investment plays an important role in providing financial support to social enterprises and charities, helping struggling communities following the impact of Covid-19.

More information about the social investment scene in the UK is available in the **Train the Investors Handbook**, developed by the predecessor of the i2 SustainIT project – Boost Aid for Social Entrepreneurship.

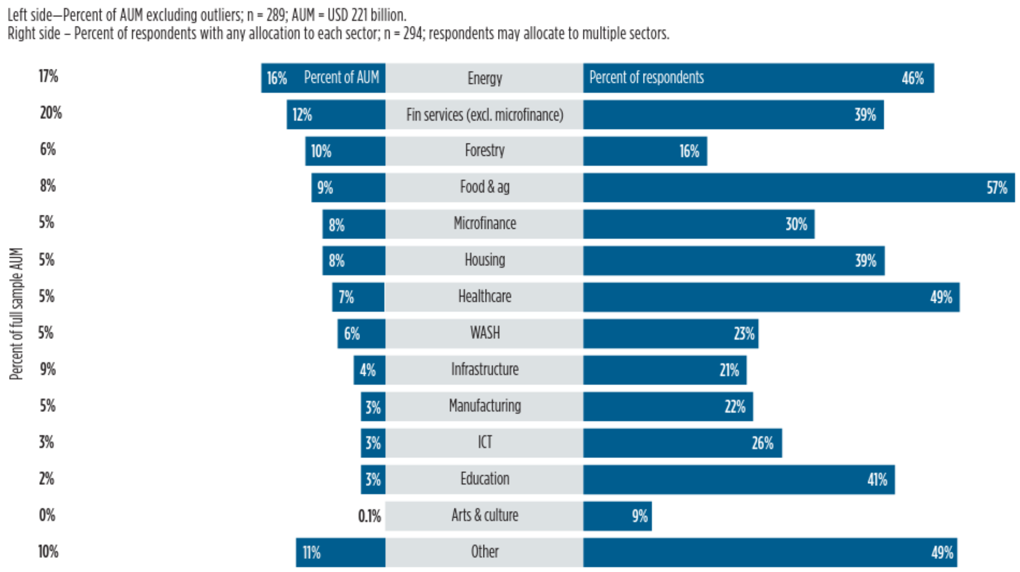


The **Train the Investors Handbook** provides practical knowledge, lessons and hands-on guidance supporting investors to understand the social entrepreneurs' needs and training them in all issues related to financing and encouraging social ventures.

Popular Sectors for Impact Investment

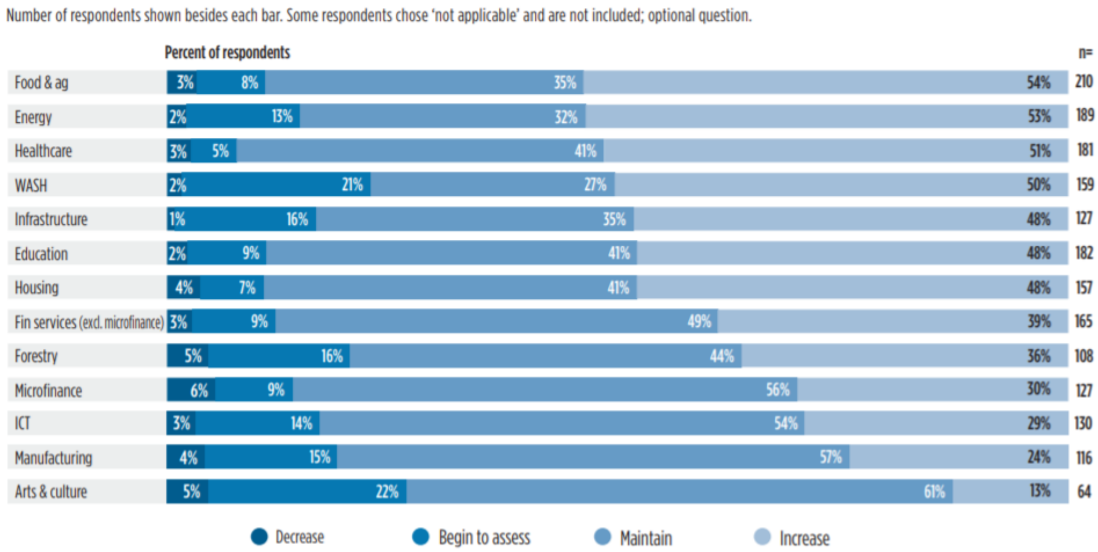
As previously mentioned, according to GIIN's impact survey of nearly 300 world's leading impact investors, they allocate impact investing capital across a range of sectors, reflecting the overall diversity of the market and a commitment to providing basic services through impact investments.[25]

Allocations by sector



Note: 'Other' includes investments that did not align to these sector categories such as real estate, tourism, community development, retail, and sector agnostic investments.
Source: GIIN, 2020 Annual Impact Investor Survey

Investors outlined how they plan to change their sector allocations over the next five years



Source: GIIN, 2020 Annual Impact Investor Survey

[25] GIIN Annual Impact Investor Survey 2020

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Regardless of the sector,

Impact investments can be made in various ways:

traditional model aligned with the theory of change

We recommend you go through the **Simple Theory of Change Checklist by GIIN:**

1. Describe the problem you are trying to solve through your investment strategy or your business strategy
2. Describe the key stakeholders you are aiming to affect through your strategy
3. Describe your entry point to creating impact for key stakeholders - people and/or planet
4. Describe the steps needed and the assets you will allocate to address the problem and create impact
5. Describe any limitations to your theory
6. Describe the short-term and long-term change(s) you see as your goal
7. Describe the expected measurable effects - positive and negative, near- and long- term - of your strategy

More details on the Checklist

concept of additionality and purpose-driven companies

By additionality we mean:

"**Additionality** (meaning the company provides a product or service that a competitor or government entity isn't providing, thereby advancing rather than simply maintaining social or environmental goals)."[26]

Research by EY with Harvard Business Review Analytic Services and Oxford Said Business School shows that **purpose-driven companies outperform their peers.** Over the long run they benefit from greater client retention,

[26] MIT Management Sloan School (2019), Impact investment is hot right now. Here's why. See more at: https://mitsloan.mit.edu/ideas-made-to-matter/impact-investing-hot-right-now-heres-why

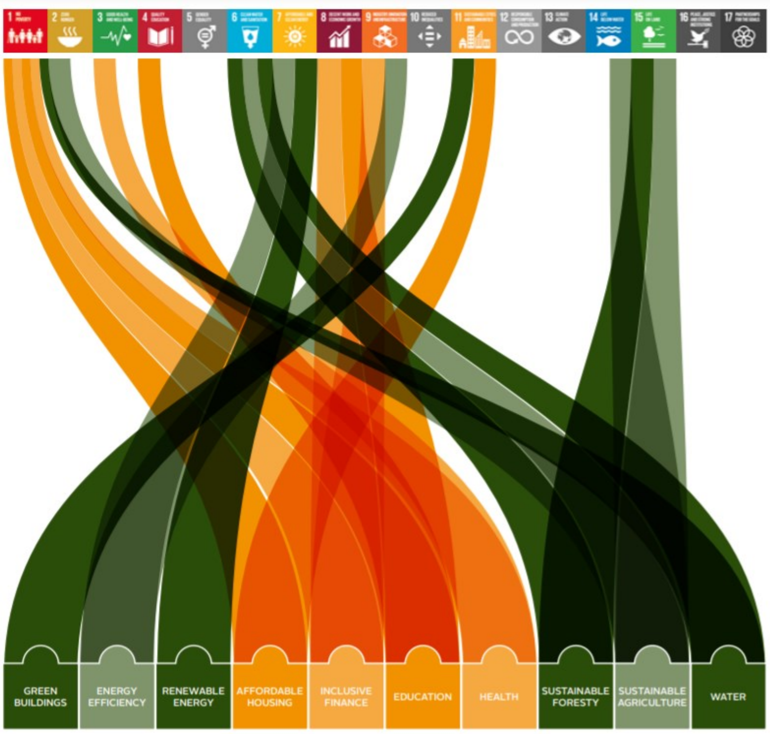
better margins, stronger brand loyalty and from an investors' perspective, higher valuations.[27]

mainstream approach focusing on medium and large businesses that deliver products or services to benefit society and the environment

**The sectors we have included in this section of the Handbook are taken from various sources.*

Impact Investing Market Map

Principles for Responsible Investment (PRI) developed **the Impact Investing Market Map** (the Market Map). The goal of the Market Map is to bring more clarity to the process of identifying mainstream impact investing companies and thematic investments so that asset owners and fund managers can better assess opportunities in this market. However, this additional information could also be useful for any type of investors to gain knowledge into the various sectors of investing with impact.



Source: Impact Investing Market Map by PRI

The Market Map

focuses on *medium and large impact investing companies* (privately-owned or listed equity firms) in the real economy. The PRI used two basic frameworks, the UN Sustainable Development Goals (SDGs) and the PRI Reporting Framework, to identify 10 thematic investments (themes): energy efficiency; green buildings; renewable energy; sustainable agriculture; sustainable forestry; water; affordable housing; education; health; and inclusive finance.

[27] Forbes (2016), Investor Tip: Look for Purpose-Driven Companies. See more at: https://www.forbes.com/sites/advisor/2016/07/06/investor-tip-look-for-purpose-driven-companies/?sh=6a1040153d6d

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"The PRI's Market Map project has produced something that isn't just aspirational; it's operational. It offers a replicable analytical approach, based on a global consultative process, that is both structured and nuanced. For organisational leaders, executives, and investors, this document provides a pathway to the consistent application of criteria, which is critical to scaling impact, while also maintaining a clear focus on the reason for impact investing: the targeted impact itself".

Mark Newberg, Director of Impact Strategies, Womble Bond Dickinson (US) LLP[28]

Below we are describing the fields of the **Impact Investing Market Map in more detail.**

Green Buildings

Aligning with UN Goal 11 – Sustainable Cities & Communities

Green building projects are well known to investors and policy makers. The US is among the leaders in this sector, followed by Australia, Germany, Norway, the UK, Singapore, South Africa, United Arab Emirates and Brazil.

According to a research report by Market Research Future the green building market is project to an impressive 17.48% CAGR through 2022 to 2030.[29]

The market relies entirely on certifications provided by third-party organisations or national bodies and standards. The reason behind this is that different certifications address a variety of practices or technologies, energy efficiency, water efficiency, materials efficiency, operations optimisation, waste reduction, etc. The market has also seen the rise of net zero building constructions and green building projects that are aligned with the concept of the circular economy, including the net zero community concept.

PRI identified the following SDG and associated target aligned with the green buildings' thematic investment:

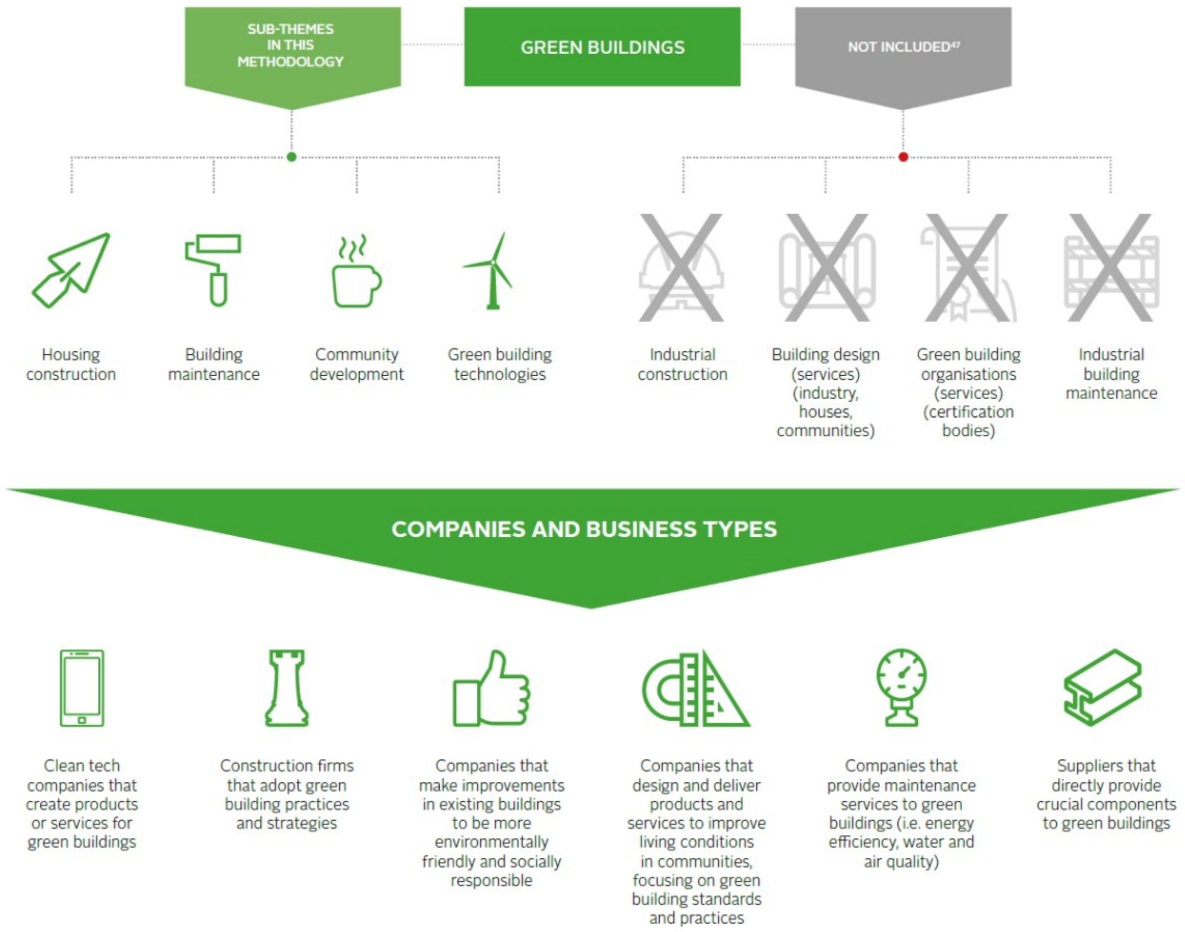
11.c: Support least developed countries, including through financial and technical assistance, in building sustainable and resilient buildings utilizing local materials.

Green building approaches, practices and products contribute directly to positive environmental and social

[28] PRI (2018), Green Buildings. See more at: https://www.unpri.org/thematic-and-impact-investing/impact-investing-market-map-green-buildings/3540.article

[29] Market Research Future (2021), Green building Market Research Report, Product, Application and Region – Forecast till 2030

impacts, including climate change mitigation and themes that are related to the circular economy and the SDGs.



Source: Impact Investing Market Map by PRI

Market Map's definition:

"Companies that generate their revenues from buildings designed, constructed, operated, maintained, renovated and destroyed using environmentally-friendly and resource-efficient processes. Source: PRI."

Energy Efficiency

Aligning with UN Goal 7 – Affordable & Clean Energy and Goal 9 – Industry, Innovation & Infrastructure

Energy efficiency is often associated with clean technology companies, green energy enterprises and smart or eco products. It is a concept that focuses on the products, services, technologies and infrastructure that help organisations, companies, households and individuals reduce their energy consumption, use clean energy sources or implement systems and management tools to improve energy use.

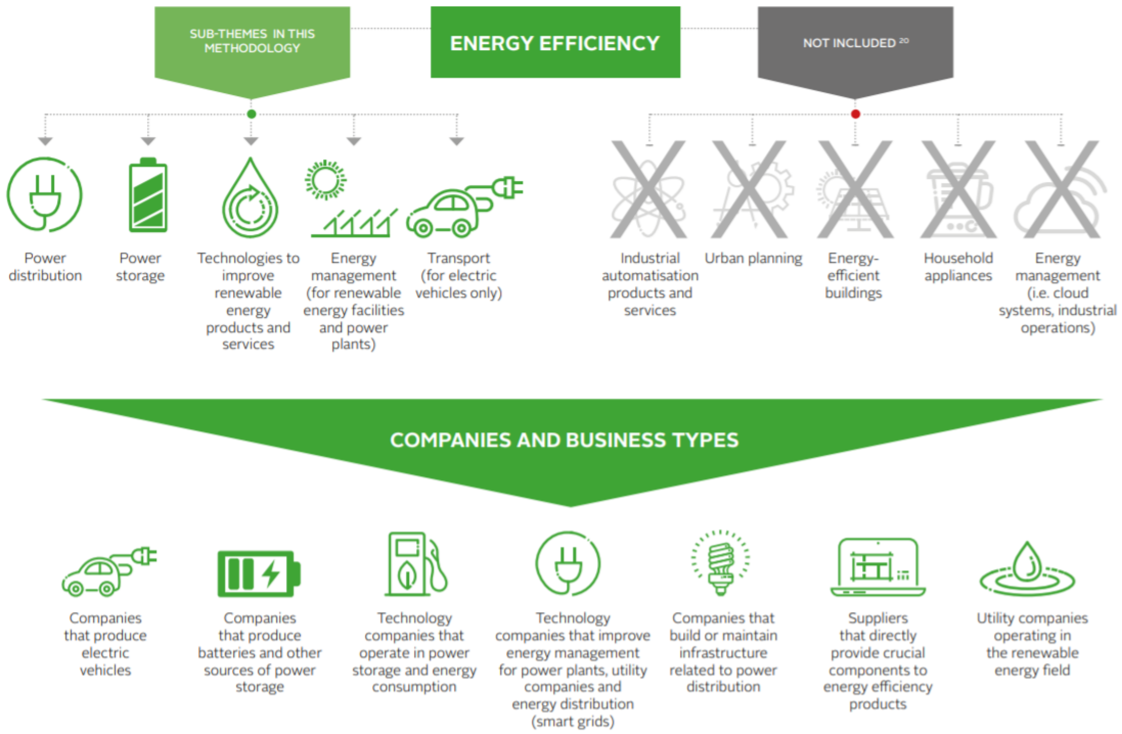
PRI identified the following SDGs and targets aligned with the energy efficiency thematic investment:

7.a: By 2030, double the global rate of improvement in energy efficiency.

7.b: By 2030, expand infrastructure and upgrade technology for supplying modern and sustainable energy services for all in developing countries, in particular least developed countries, small island developing States and landlocked developing countries, in accordance with their respective programmes of support

7.b.1: Investments in energy efficiency as a proportion of GDP and the amount of foreign direct investment in financial transfer for infrastructure and technology to sustainable development services.

9.4: By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.



Source: Impact Investing Market Map by PRI

Market Map's definition:

"Products, services, infrastructure or technologies that proactively address the growing global demand for energy while minimising effects in the environment. This includes technologies and systems that promote efficiency of industrial operations and industrial automation and controls, and optimisation systems; infrastructure, technologies, and systems that increase the efficiency of power management, power distribution, power storage and demand-side management"; and technologies and products that focus on using renewable energy sources to transport vehicles (this includes cars and buses). Source: PRI.

Renewable Energy

Aligning with UN Goal 7 – Affordable and Clean Energy

On the one hand renewable energy is directly connected to climate change. On the other, climate change is closely connected to poverty, health and security. Access to energy is crucial for social and economic development. Transitioning to renewable energy and increasing the access to energy and energy efficiency leads to minimizing the negative impact on the environment and contributing to achieving the UN SDGs.[30]

Non-conventional energy generation is one of the most well-known industries in the impact investing field, having evolved from an illiquid or early-stage impact market to a mainstream market in the past 15 years. However, non-conventional energy generation has many sub-concepts such as renewable energy, green power, sustainable energy, clean energy and alternative energy, which may sound similar but are very different in practice.

PRI identified the following SDGs and targets aligned with the renewable energy thematic investment:

7.1: By 2030, ensure universal access to affordable, reliable and modern energy services.

7.2: By 2030, increase substantially the share of renewable energy in the global energy mix.

7.a: By 2030, enhance international cooperation to facilitate access to clean energy research and technology, including renewable energy, energy efficiency and advanced and cleaner fossil-fuel technology, and promote investment in energy infrastructure and clean energy technology.

[30] Triodos Investment Management. See more at: https://www.triodos-im.com/energy-and-climate

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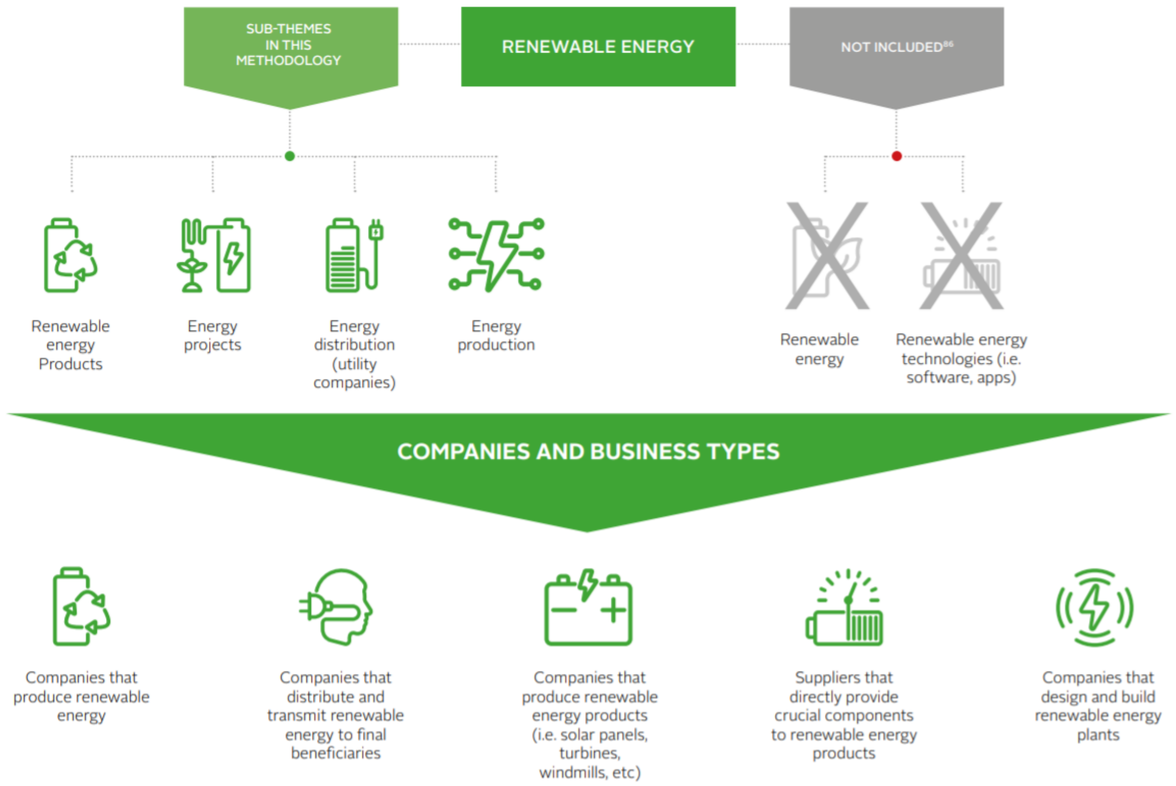
Market Map's definition:

"Products, services or infrastructure projects supporting the development or delivery of renewable energy and alternative fuels, including generation, transmission, and distribution of electricity from renewable sources including wind, solar, geothermal, biomass, small scale hydro (25MW), waste energy, and wave and tidal". Source: MSCI."



Source: Impact Investing Market Map by PRI

The market is also increasingly adopting and investing in renewable energy sources. A study by Deloitte indicates that many corporations are pledging to generate as much as 100% of their power from renewable sources in the coming years.

Renewable energy focuses exclusively on energy production that can last for the foreseeable future and does not use fossil fuel inputs for energy creation. Therefore, coal, gas and nuclear energy are excluded from the concept of renewable energy.

Healthcare

Aligning with UN Goal 1 – No Poverty and Goal 3 – Good Health & Well-being

One of the motivations behind investing is having a better future. Despite the traditional industries impact investment is usually known for such as environmental sustainability and poverty, healthcare is a sector which is key for all nations, even more visible with Covid-19 appearing on the horizon.

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Healthcare is associated with improvements in disease progression, quality of life, discoveries of bacteria, major medical discoveries, etc. The development of new treatments requires financial backing, either from the governments and corporations or investors, etc. to research by larger or smaller pharmaceutical companies.

When targeting healthcare investment toward cures and treatments for diseases, smaller pharmaceutical companies offer an opportunity to make investments that are more likely to be put to R&D. If the motivation to invest is impact on the development of new drugs, rather than funding corporate endeavours, small biotech companies are more likely to invest the investors' money in research.[31]

The above can be used as a generic reference to assess companies in the health field or as a primary condition that a fund manager or investor can consider when evaluating potential investments.

PRI identified the following SDGs and targets aligned with the affordable housing thematic investment:

1.4: By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance.

3.1: By 2030, reduce the global maternal mortality ratio to less than 70 per 100,000 live births.

3.2: By 2030, end preventable deaths of new-borns and children under 5 years of age, with all countries aiming to reduce neonatal mortality to at least as low as 12 per 1,000 live births and under-5 mortality to at least as low as 25 per 1,000 live births.

3.3: By 2030, end the epidemics of AIDS, tuberculosis, malaria and neglected tropical diseases and combat hepatitis, water-borne diseases and other communicable diseases.

3.4: By 2030, reduce by one third premature mortality from noncommunicable diseases through prevention and treatment and promote mental health and well-being.

3.5: Strengthen the prevention and treatment of substance abuse, including narcotic drug abuse and harmful use of alcohol.

[31] Forbes (2021), Healthcare-Focused Impact Investing: Another Way to Invest For Change. See more at: https://www.forbes.com/sites/forbesfinancecouncil/2021/04/28/healthcare-focused-impact-investing-another-way-to-invest-for-change/

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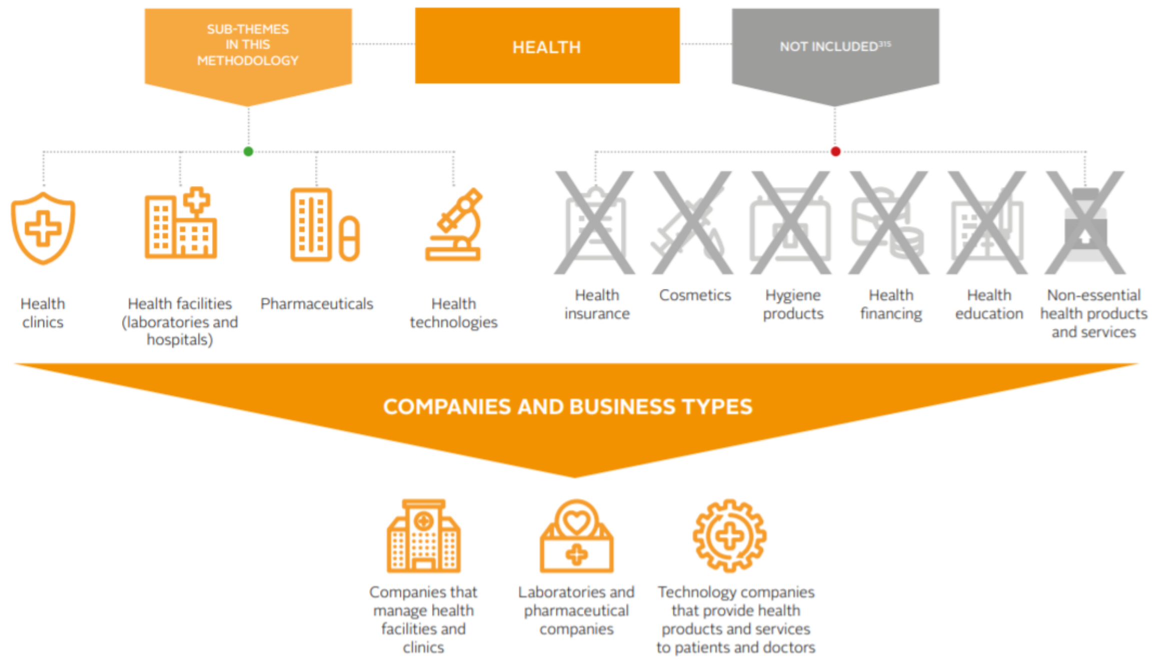
3.7: By 2030, ensure universal access to sexual and reproductive health-care services, including for family planning, information and education, and the integration of reproductive health into national strategies and programmes.

3.8: Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all.

3.b: Support the research and development of vaccines and medicines for the communicable and non-communicable diseases that primarily affect developing countries, provide access to affordable essential medicines and vaccines, in accordance with the Doha Declaration on the TRIPS Agreement and Public Health, which affirms the right of developing countries to use to the full the provisions in the Agreement on Trade-Related Aspects of Intellectual Property Rights regarding flexibilities to protect public health, and, in particular, provide access to medicines for all.

3.c: Substantially increase health financing and the recruitment, development, training and retention of the health workforce in developing countries, especially in least developed countries and small island developing States.



Source: Impact Investing Market Map by PRI

Market Map's definition (based on UN and WHO):

"Companies that serve the population with access to good quality services, health workers, medicines and technologies. To achieve these goals, when applicable, companies should provide equity in access to health services, quality of health services should be measurable, and, most importantly, companies

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should actively provide affordable services, products and technologies that will not create hardship or impoverishment from health cost."

Recommendation

When assessing industries in this field, it is important to identify if companies comply with national and international principles beyond contractual agreements between the private and public sector.

Affordable Housing

Aligning with UN Goal 1 – No Poverty and Goal 11 – Sustainable Cities & Communities

Affordable housing is crucial for social development and social equality; around 1.6 billion people are housed inadequately, of which around one billion live in slums and informal settlements.

While affordable housing is an urgent need for marginalised groups and low-income populations, there is also a huge need to fill this gap in emerging and developed economies.

A study by McKinsey & Company revealed that the housing affordability gap is equivalent to $650 billion per year, or 1% of global GDP. The gap exceeds 10% of local GDP in some of the world's least affordable cities. But to replace today's sub-standard housing and build additional units by 2025 would require an investment of $9 trillion to $11 trillion for construction; with land, the total cost could be $16 trillion. Of this, $1 trillion to $3 trillion may have to come from public funding.

Countries define affordable housing differently and there are no international standards that can provide a common definition and general direction for this industry.

Some investors and governments use a variety of concepts in their affordable housing projects and programmes, from low-cost housing (usually adopted by international development agencies for projects in Africa, Asia and Latin America), to social housing (usually associated with student housing and low income groups that are not interested in owning a house in the short term), and inclusive housing (housing investments and programmes that aim to integrate marginalised communities in urban centres, and gender and ethnic inclusion in housing projects and investments).

Some governments adopt policies and projects related to public housing for renting, while others invest in affordable housing for low-income homeowners.

PRI identified the following SDGs and targets aligned with the affordable housing thematic investment:

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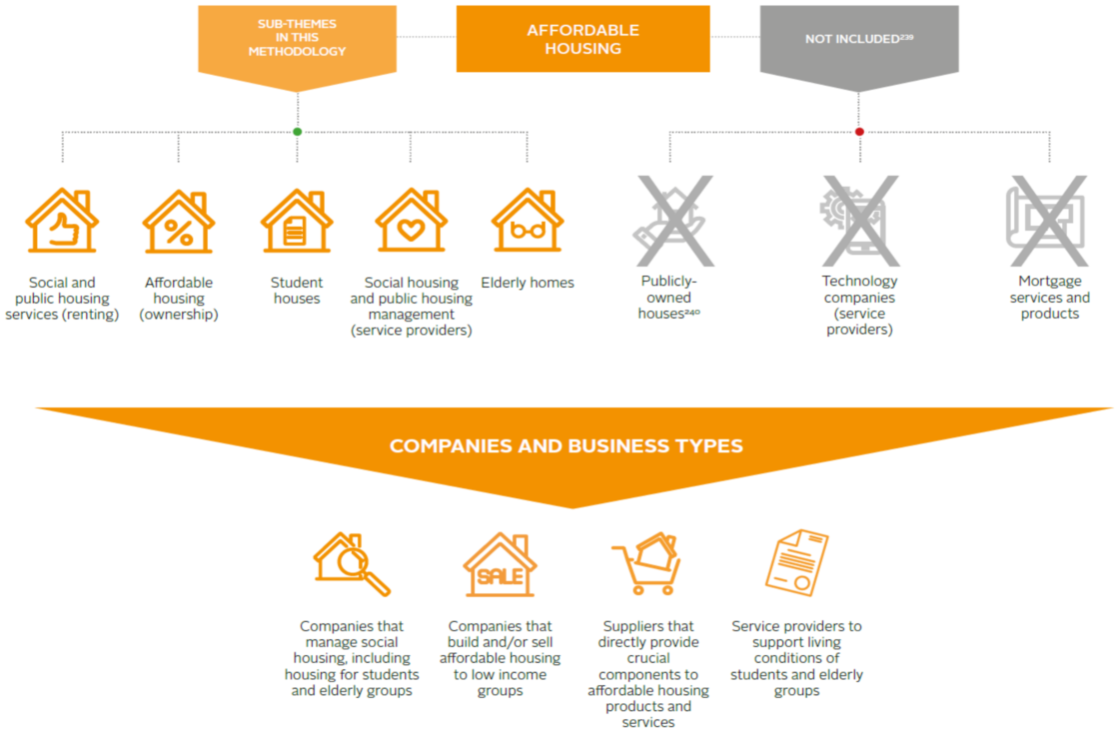
11.1: By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums

1.4: By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance.



Source: Impact Investing Market Map by PRI

Market Map's definition (based on GIIN):

Companies that invest in housing projects, services and infrastructure "for which the associated financial costs are at a level that does not threaten or compromise the occupants' enjoyment of other human rights and basic needs, and that represents a reasonable proportion of an individual's overall income".

Water & Sanitation

Aligning with UN Goal 1 – No Poverty and Goal 6 – Clean Water and Sanitation

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Water is considered to be a multi-impact investment due to its effects on the microclimate, food supply, industrial chain, health, productivity and the environment overall. A study by the World Health Organisation (WHO) found that the global economic return on sanitation spending is $5.5 per US dollar invested.

In recent decades, international organisations have logged growing interest from public authorities to expand private investments in water and sanitation, driven by two factors:

1) **Public sector budget constraints** making it more difficult to allocate capital into new investments or to increase existing investments in the water sector
2) **Private operators have better access to knowledge in the field and** dependency on public organisations for investments has waned.

Water management, water technologies, water distribution and water conservation are some of the areas that private and public organisations can operate in under this theme.

Most countries have specific regulations on water and sanitation companies. Not all countries adopt or follow basic conditions defined by the WHO for water quality. Most companies that have committed to providing fresh, safe and sustainable water and sanitation services adopt voluntary certifications to achieve their sustainable and responsible goals. However, this is not the case across the entire industry, particularly in emerging markets and developing countries. [32]

PRI identified the following SDGs and targets aligned with the affordable housing thematic investment:

1.4: By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance.

6.1: By 2030, achieve universal and equitable access to safe and affordable drinking water for all.

6.2: By 2030, achieve access to adequate and equitable sanitation and hygiene for all and end open defecation, paying special attention to the needs of women and girls and those in vulnerable situations.

6.3: By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally.

[32] Principles for Responsible Investment (2018), Water; see more at: https://www.unpri.org/thematic-and-impact-investing/impact-investing-market-map-water/3544.article

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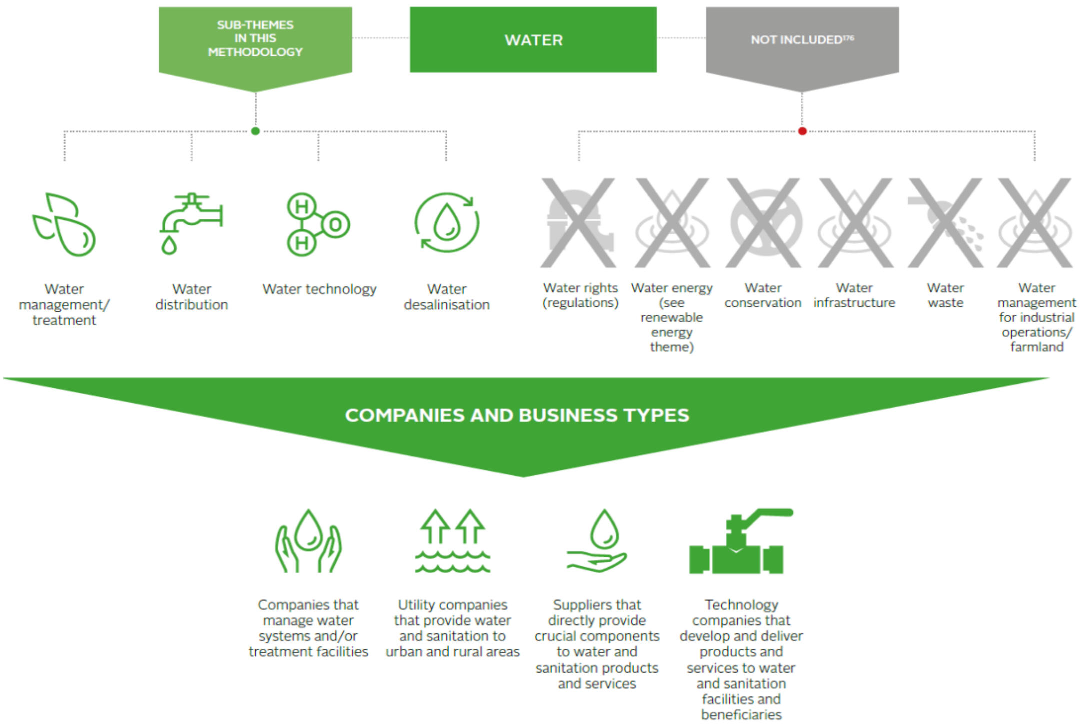
6.4: By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.



Source: Impact Investing Market Map by PRI

Market Map's definition:

"Companies that produce or deliver products, projects and services with the scope to provide basic sanitation and safe and fresh water to humans without compromising the quality and sustainability of water resources. This includes water waste and water utilities, water infrastructure and water technology."

It is important to note that private investors and companies may adopt practices that provide fresh water and access to water, but at a high cost to consumers and low-income groups.

Recommendation:

When assessing industries in this field, it is important to identify if companies comply with national and international principles beyond contractual agreements between the private and public sector.

Sustainable Agriculture

Aligning with UN Goal 2 – Zero Hunger, Goal 6 – Clean Water and Sanitisation, Goal 14 – Life Below Water, Goal 15 – Life on Land

Sustainable agriculture as a thematic investment is relatively new in the impact investing industry; but while few companies currently work or invest in this area, it is a growing market.

Sustainable agriculture generally focuses on products, services and practices that ensure the protection of local economic, social and natural interests. Companies may adopt a variety of certifications and practices to align their agribusinesses with sustainable standards and country regulations. However, since this is a relatively new thematic investment, there is still an array of definitions of sustainable agriculture, and countries define standards and sustainable agriculture practices differently.

Some certifications are designed for different types of companies, processes, sustainable targets and sustainable practices, such as the Protected Harvest certification, which covers farmers, buyers and customers. As a result, the focus and scope of certifications may differ drastically, making it more difficult for investors and companies to compare sustainable agriculture businesses.

PRI identified the following SDGs and targets aligned with the sustainable agriculture thematic investment:

2.3: By 2030, double the agricultural productivity and incomes of small-scale food producers, in particular women, indigenous peoples, family farmers, pastoralists and fishers, including through secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets and opportunities for value addition and non-farm employment.

2.4: By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality.

6.5: By 2030, implement integrated water resources management at all levels, including through transboundary cooperation as appropriate.

6.6: By 2020, protect and restore water-related ecosystems, including mountains, forests, wetlands, rivers, aquifers and lakes.

15.3: By 2030, combat desertification, restore degraded land and soil, including land affected by desertification, drought and floods, and strive to achieve a land degradation-neutral world.

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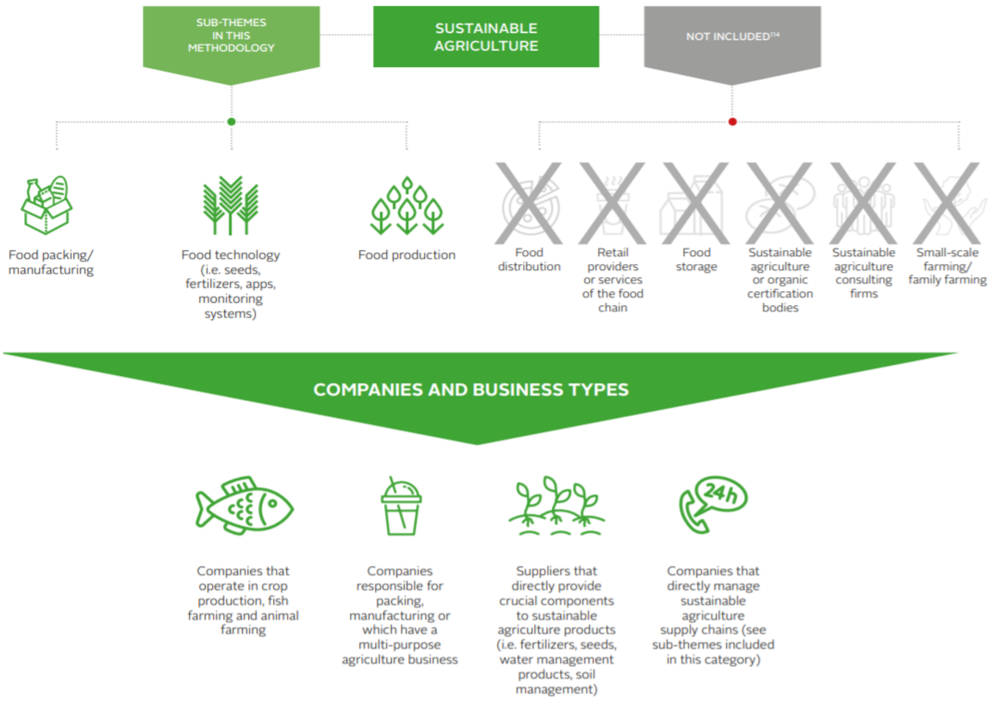
15a: Mobilize and significantly increase financial resources from all sources to conserve and sustainably use biodiversity and ecosystems.

14.1: By 2025, prevent and significantly reduce marine pollution of all kinds, in particular from land-based activities, including marine debris and nutrient pollution.



Source: Impact Investing Market Map by PRI

Market Map's definition:

"Sustainable agriculture conserves land, water, and plant and animal genetic resources, and is environmentally non-degrading, technically appropriate, economically viable and socially acceptable"."

Sustainable Forestry

Aligning with UN Goal 6 – Clean Water and Sanitisation and Goal 15 – Life on Land

UN agencies and international conventions have created basic definitions and conditions for sustainable forestry, but these are not acknowledged or adopted by all countries. Some countries may have regulations that allow the private sector to create artificial forestry to the detriment of wild forests. Meanwhile, others may have policies that align sustainable forestry businesses with extractive practices and/or companies may not be responsible or accountable for managing and preserving soil and local vegetation (conservation practices).

Nevertheless, the international community agrees that sustainable forestry models should focus on facilitating the adoption of "mechanisms that not only ensure sustainable forestry and conservation, but also provide satisfactory livelihood opportunities for forest-dependent communities, and promote sustainable economic development for all nations, including countries with low forest cover".

Demand for certifications and sustainable forest management businesses is also on the rise. An increasing number of countries142 are adopting and implementing policies and incentives to promote and secure sustainable forestry businesses; global initiatives such as the Paris Agreement and the SDGs provide clear commitments to countries and the private sector to operate in this field.

PRI identified the following SDGs and targets aligned with the sustainable agriculture thematic investment:

6.6: By 2020, protect and restore water-related ecosystems, including mountains, forests, wetlands, rivers, aquifers and lakes.

15.1: By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements.

15.2: By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally.

15.3: By 2030, combat desertification, restore degraded land and soil, including land affected by desertification, drought and floods, and strive to achieve a land degradation-neutral world.

Market Map's definition:

"Companies that generate revenues from products, services, infrastructure and projects to meet the social, economic, ecological, cultural and spiritual needs of present and future generations. These needs are for forest products and services, such as wood and wood products, water, food, fodder, medicine, fuel, shelter, employment, recreation, habitats for wildlife, landscape diversity, carbon sinks and reservoirs, and for other forest products". Source: UNECE."

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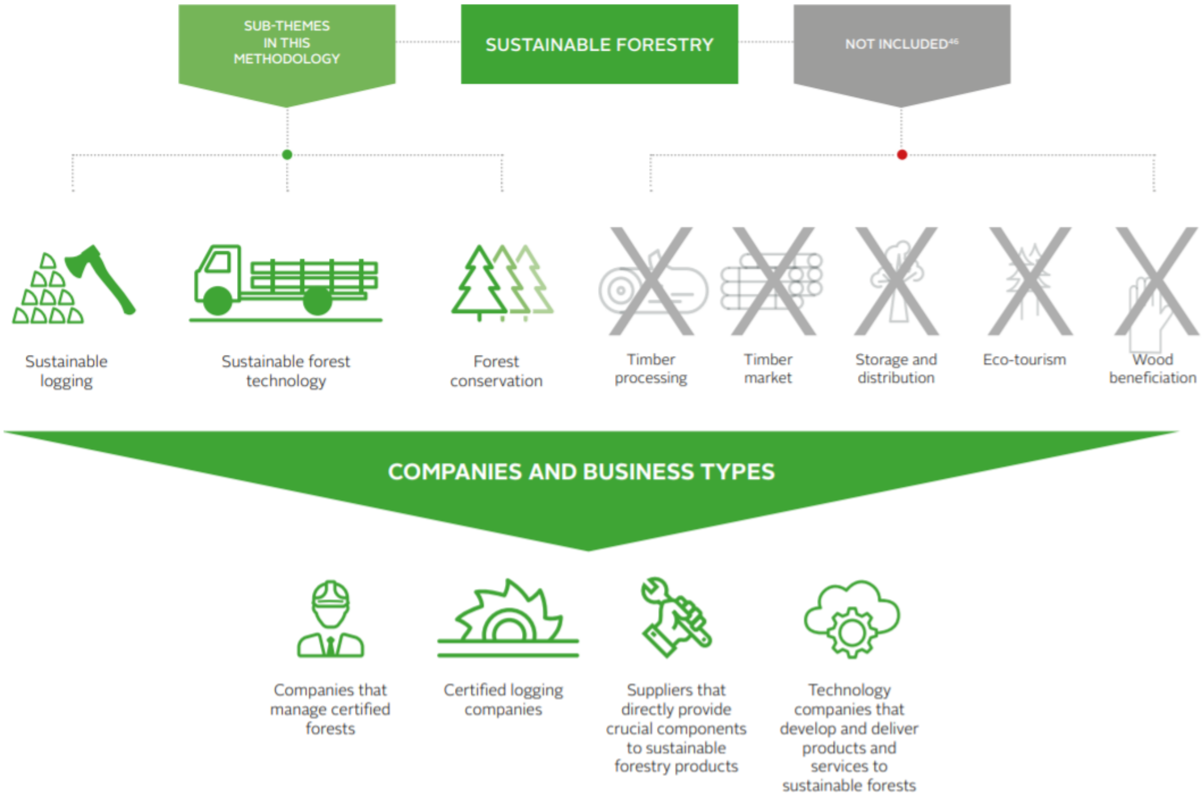

Education

Aligning with UN Goal 1 – No Poverty, Goal 4 – Quality Education and Goal 8 – Decent Work and Economic Growth

Education is a basic human right covered by the UN and the SDGs. The World Bank identifies education as a powerful driver of development and one of the strongest instruments for reducing poverty and improving health, gender equality, global peace and stability.

Private investors can support public sector education goals in different ways, from financing student access to colleges and higher degrees (i.e., Master's, MBA, PhD), to running education facilities (both privately-owned or under concessions/PPPs) and training teachers to provide technology-based educational services in remote areas in emerging countries.

While it is important to differentiate mainstream and impact investments in this field, there are no certifications, global networks or responsible impact investing initiatives available. In many cases, impact investing companies operating in this theme differentiate themselves based on social commitments targeting low income and marginalised groups or defining strategies that support gender equality and other social goals.

It is important to highlight that impact investments in education account for only a small share of overall education funding.

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The sector is still in its infancy, meaning "large international players still dominate the landscape, and most investors are taking a gradual, opportunistic approach to building their education portfolios.

The lack of innovations restricts deal flow and limited examples of success heightens perceptions of risk, so funders have clustered around either proven, for-profit models targeting those who can already afford to pay, or grant-like models to reach more vulnerable beneficiaries.

For education, the SDGs focus on providing access to educational infrastructure, services and technologies to "ensure equal access to all levels of education and vocational training for the vulnerable, including persons with disabilities, indigenous peoples and children in vulnerable situations". **Access to education should also be inclusive, affordable and of high quality.**

The UN Declaration on Human Rights Education and Training provides a good reference of the limitations and goals of education policies, regulations and organisations operating in the education field. PRI defined pre-conditions for impact investing companies operating in the educational field:

- *companies that provide access to educational services, infrastructure and technologies targeting vulnerable groups including low-income groups, indigenous peoples, children in vulnerable situations, marginalised groups and disabled people*
- *education facilities and services that support gender equality*
- *companies that provide access to educational services, infrastructure and technologies targeting vulnerable groups including low-income groups, indigenous peoples, children in vulnerable situations, marginalised groups and disabled people.*
- *education facilities and services that support gender equality*
- *education facilities, services and technologies that operate in pre-primary, primary, secondary and tertiary education*
- *companies that provide access to educational services to teachers and educators across all levels of education*
- *companies that provide access to affordable and quality services for marginalised groups, low-income populations and people with disabilities*

PRI identified the following SDGs and targets aligned with the sustainable agriculture thematic investment:

1.4: By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance.

4.1: By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes.

4.2: By 2030, ensure that all girls and boys have access to quality early childhood development, care and pre-primary education so that they are ready for primary education.

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4.3: By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university.

4.4: By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.

4.5: By 2030, eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable, including persons with disabilities, indigenous peoples and children in vulnerable situations.

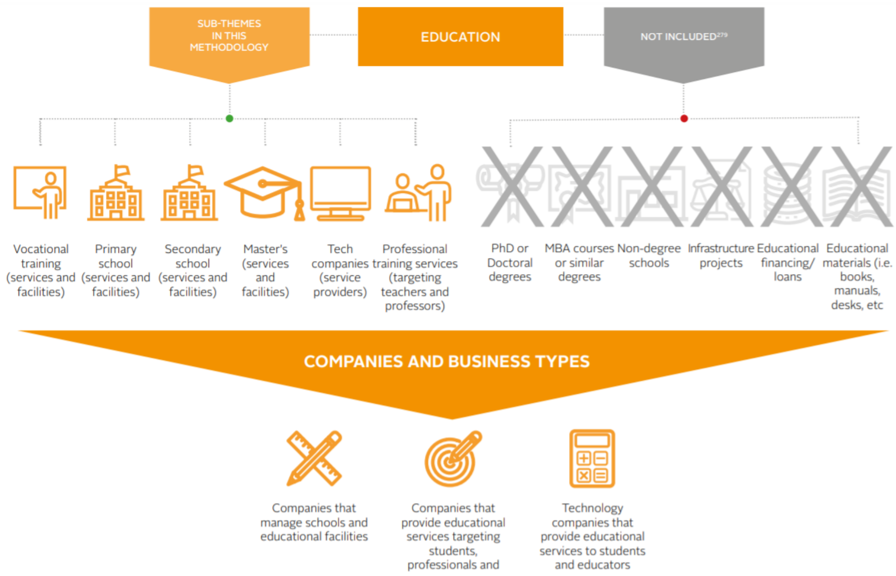
4.6: By 2030, ensure that all youth and a substantial proportion of adults, both men and women, achieve literacy and numeracy.

4.a: Build and upgrade education facilities that are child, disability and gender sensitive and provide safe, non-violent, inclusive and effective learning environments for all.

8.6: By 2020, substantially reduce the proportion of youth not in employment, education or training.

Market Map's definition:

"Companies and organisations that ensure equal access to all levels of education and/or vocational training for the population, including vulnerable groups such as low-income individuals, those with disabilities, indigenous peoples and children in vulnerable situations; and/or companies which provide support to teachers and educators in all levels of education. The companies and organisations focus on supporting education development for individuals that is affordable, with quality and non-discriminatory policies or practices for women, girls and minority groups."



Impact Investing in the Digital World

Distributed Ledger Technology

In order to understand the impact of distributed ledger technology, it's important we understand what it stands for:

A distributed ledger is a database that is consensually shared and synchronized across multiple sites, institutions, or geographies, accessible by multiple people. It allows transactions to have public "witnesses." The participant at each node of the network can access the recordings shared across that network and can own an identical copy of it. Any changes or additions made to the ledger are reflected and copied to all participants in a matter of seconds or minutes.33

According to Investopedia, the advantages of the distributed ledger technology are:

- Harder to attack in terms of cyber attacks due to all the distributed copies
- Records are resistant to malicious changes by a single party
- Have extensive transparency due to difficulty to manipulate
- Reduce operational inefficiencies
- Speed up the amount of time a transaction takes to complete
- Functions 24/7 due to automation
- Easy flow of information allowing easy trail for accountants
- Limits the possibility of fraud on the financials of companies
- Reduces the use of paper

This technology is making waves in the following industries: Finance; Music and entertainment; Diamond and precious assets; Artwork; Supply chains of various commodities.

Blockchain & Cryptocurrencies

The blockchain technology offers promising solutions aligned with the United Nations Sustainable Development Goals (SDGs) by addressing the challenges of the impact investing industry. The SDGs are being supported by the public and private sector actors to support its agenda to reduce the negative impact on people and the planet by 2030.

The SDGs provide a framework for investors and corporations to align their activities and investments. Thus, impact investing supports the generation of positive and measurable social and environmental impact, alongside a financial return.

Key messages to consider when relating blockchain to impact investing:[34]

- *Impact investing* seeks to generate positive, measurable social and environmental impact alongside a financial return. Impact investing faces challenges to better address the financing needs of the United Nations Sustainable Development Goals (SDGs).
- *Blockchain technology* offers solutions that are promising to address the challenges of the impact investing industry by converting non-financial value such as impact into digital tokens that can be tracked.
- *Impact tokens* describe a group of digital tokens used on a blockchain with the specific goal of unlocking investments for projects with positive social and environmental impact in support of the SDGs.

Blockchain technology is a new opportunity for investment. It enables the transfer of value in a frictionless manner, providing trust as an immutable ledger and converts assets into digital tokens that can be programmed through smart contracts. “Impact tokens”, as mentioned above, describe a group of tokens with the specific goal of unlocking investments for projects with positive social and environmental impacts.

Deloitte outlines that the original Blockchain is open-source technology which offers an alternative to the traditional intermediary for transfers of the crypto-currency Bitcoin. The intermediary is replaced by the collective verification of the ecosystem offering a huge degree of traceability, security and speed.

Blockchain as a term explained by Deloitte

You (a "node") have a file of transactions on your computer (a "ledger"). Two government accountants (let's call them "miners") have the same file on theirs (so it’s "distributed"). As you make a transaction, your computer sends an e-mail to each accountant to inform them.
Each accountant rushes to be the first to check whether you can afford it (and be paid their

[34] David Uzsoki & Patrick Guerdat (2019), Impact Tokens: A blockchain-based solution for impact investing. See more at: https://www.iisd.org/publications/impact-tokens-blockchain-based-solution-impact-investing

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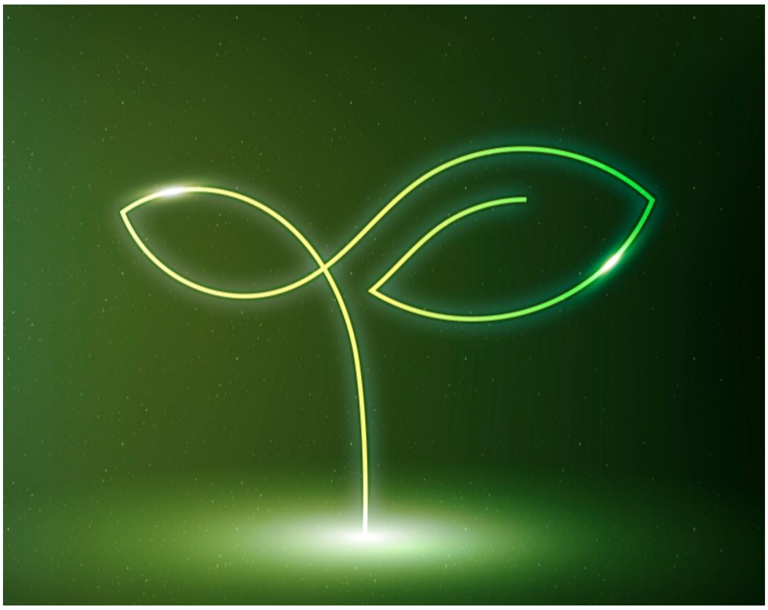
salary "Bitcoins"). The first to check and validate hits "REPLY ALL", attaching their logic for verifying the transaction ("proof of work"). If the other accountant agrees, everyone updates their file… This concept is enabled by "Blockchain" technology.

Impact tokens as a term by the International Institute of Sustainable Development (IISD)

Impact tokens contribute to the UN SDGs and often represent a specific impact in the form of a measurement metric such as number of vaccinations, tonnes of carbon dioxide or number of children attending school. These tokens are registered on a blockchain and can be tracked along a supply chain. They offer proof that a positive impact has been delivered, which can then be attributed to a particular activity or investment.[35]

Blockchain is best known as the technology that underpins cryptocurrencies such as Bitcoin — assets whose carbon footprint and utility in illicit transactions put them beyond the ESG pale.



It is recommended that investors focus on companies exposed to the evolution of distributed ledger technology rather than engaging directly in cryptos.

Furthermore, newer blockchains could even undercut the energy needs of traditional central payment systems contributing to the fact that distributed ledger technologies can have a positive impact on fighting climate change.[36] However, **cryptocurrencies still carry significant risks for responsible investors.**

The price of cryptocurrencies increased in 2020 as well as the consciousness about the impact that investing in cryptocurrencies can have on the environment, society, and the governance of firms (ESG

[35] International Institute of Sustainable Development (2019), Impact Tokens: A blockchain-based solution for impact investing

[36] Financial Times (2021), Does crypto belong in an ESG portfolio? See more at: https://www.ft.com/content/f428a5da-ff3f-471a-b29c-c30a9cc9a304

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investing). Moreover, Bitcoin saw over 300% in value during 2020, along with other cryptocurrencies.[37]

One of the more challenging questions facing investors is whether ESG and cryptocurrency are compatible investment strategies?

The case for cryptocurrencies supporting ESG objectives, not surprisingly, mostly comes from those with material interest in their value appreciation.

Cryptocurrencies and the ESG principles are far from compatible. However, there's no right or wrong answer.

Investors should take a decision to invest in cryptocurrency or not based on how much they are investing with impact in mind.

The below information helps in moving forward with a potential decision.

Due to no legal standards defining ESG, it is important to break down and elaborate the ESG criteria:

Environment

The major environmental concerns of ESG relate to reducing the impact of climate change and ensuring sustainable development.

- The arguments used in favour of cryptocurrencies from an environmental perspective are that they mostly use renewable energy, and that their energy consumption acts as an incentive to develop more environmentally friendly forms of energy production.
- A significant proportion of Bitcoin mining is powered by renewables, but most is not. Mining is powered by burning coal, particularly during seasonal fluctuations in the output of hydroelectric power. Hence the alarming estimates of energy use and CO_2 production.
- Blockchain's indirect influence, such as holding governments and businesses to green pledges, means that greenwashing could become a thing of the past, boosting the environment because aid reaches its destination.
- There are a multitude of blockchain technology-based programmes fighting to save the planet from climate change.

Social

The "social" in ESG includes areas such as diversity, human rights, consumer protection and financial inclusion. **Blockchain can not only help track social impact but help to shape it.**

There are a number of things to have in mind:

[37] LSE (2021), Can investors embrace both cryptocurrencies and ESG? See more at: https://blogs.lse.ac.uk/businessreview/2021/02/05/can-investors-embrace-both-cryptocurrencies-and-esg/

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- Cryptocurrencies make it easier for people in different countries to pay each other, negating financial borders currently controlled by banks and governments.
- The use of blockchain offers far-reaching possibilities for social impact, including transparency, supply chain management, digital identity, personal data protection, legitimacy, compliance, trust, etc.
- There is truth to the privacy benefits of cryptocurrencies but the flip side in countries with the rule of law is that they facilitate criminal activity including tax evasion and evasion of exchange controls.
- Perhaps the worst conflict with social concerns relates to consumer protection. Assets with the volatility of cryptocurrencies are simply not suitable investments for the vast majority of investors. Prices appear highly manipulated due to much of the cryptocurrency operating in grey areas that are not properly regulated.[38]

Government

It is not straight forward to apply concepts of corporate governance to cryptocurrencies. It has been claimed that cryptocurrencies from Bitcoin onwards are decentralised, i.e., there is no central party in control of them. However, many cryptocurrencies are evidently centralised and have a single organisation that acts as their creator, maintainer of the network, and prime beneficiary from their sales.

In terms of governance perspective, it appears that the perception created about cryptocurrency and the reality is worrying. Therefore, **cryptocurrency rates extremely poorly on any measure of governance.**

Conclusion:

Blockchain can reduce costs and abolish traditional financial services barriers with borderless payment systems quicker than the current systems.

People are also studying how artificial intelligence and the internet of things (IoT) blend in with blockchain.[39]

[38] LSE (2021), Can investors embrace both cryptocurrencies and ESG? See more at: https://blogs.lse.ac.uk/businessreview/2021/02/05/can-investors-embrace-both-cryptocurrencies-and-esg/
[39] Terrapass (2021), Blockchain for Social Impact: The Good, The Bad, and in Between. See more at: https://terrapass.com/blog/blockchain-social-impact-good-bad#:~:text=Cryptocurrencies%20make%20it%20easier%20for,being%20built%20into%20blockchain%2C%20too

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Covid-19 effects on Impact Investment

In 2020 GIIN launched the 'Response, Recovery and Resilience Investment Coalition' (R3 Coalition) with the initiative to represent the collaboration across impact investing networks so impact investors could react to new on-the-ground and macroeconomic realities and support their current investees.

Covid-19 has exposed the fragility of economic and social systems, exposed long-standing social inequalities and constrained abilities of businesses and investors to operate effectively.[40]

GIIN outlines several insights on the impact of Covid on the impact investing scene based on:
- interviews with asset owners, asset managers and service providers about their challenges with the existing portfolios and strategies to navigate those challenges
- research and perspectives from the R3 Coalition Partner Networks
- desk research on available resources on financial and non-financial support during Covid

Main insights:

Many impact investors are offering short-term support with a long-term horizon in mind

Impact investors have varying mandates and objectives yet are universally exploring ways to support investees through the COVID-19 crisis

[40] GIIN (2020), The Impact Investment Market in the Covid-19 Context, Investor Support of Enterprises, Response, Recovery and Resilience Investment Coalition

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Impact investors are activating their personal and professional networks

With investor support, many entrepreneurs are exploring innovative ways to expand or pivot their business models

Although Covid-19 has had its disruptive effects everywhere, it has accelerated the need to act and invest with impact. The widespread exposure of unemployment, poverty, homelessness, security, etc. has only risen even more to the surface.

"Covid-19 has accelerated the need to act and invest with impact."

The need of capital for impact is key to solving social and environmental challenges and the majority of impact investors in 2020 had expected to maintain their investment plans, with over 15% to increase the amount of capital they would like to invest. However, according to GIIN, over 50% of impact investors seeking to deploy additional capital are worried about conducting due diligence fast enough in order to make a difference.[41]

[41] Polly Jean Harrison (2020), COVID-19 Emphasises the Need for Impact Investment and the use of Technology in Deploying It. See more here: https://thefintechtimes.com/covid-19-emphasises-the-need-for-impact-investment-and-the-use-of-technology-in-deploying-it/

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Sustainability

In 1987, the United Nations Brundtland Commission defined sustainability as

"meeting the needs of the present without compromising the ability of future generations to meet their own needs."

According to United Nations

"sustainable development requires an integrated approach that takes into consideration environmental concerns along with economic development."[42]

[42] United Nations. See more at: https://www.un.org/en/academic-impact/sustainability

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Sustainability explained

In the broadest sense, ‘sustainability’ refers to the ability of something to maintain or “sustain” itself over time.

Sustainability could be broken down into three pillars:[43]

Economic – profits/ prosperity

Economic sustainability focuses on natural resources that provide physical inputs for economic production, such as renewable energy as well as exhaustible inputs.

Environmental – planet

Environmental sustainability focuses on the “life support systems”, such as atmosphere or soil – those that must be maintained for economic production or human life.

Social – people

Social sustainability focuses on the human effects of economic systems, such as eradicating poverty and hunger, or fighting inequality.

[43] Investopedia. See more at: https://www.investopedia.com/terms/s/sustainability.asp

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Sustainability and Sustainable Development

In 1987 United Nations' Report of the World Commission on Environment and Development: Our Common Future, the UN defined the sustainable development as **'meeting the needs of the present without compromising the well-being of future generations'.**

The Earth Charter broadened the definition to include the global society – **'founded on respect for nature, universal human rights, economic justice, and a culture of peace.'**[44]

"… sustainable development, sustainable growth, and sustainable use have been used interchangeably, as if their meanings were the same. They are not: "Sustainable growth" is a contradiction in terms: nothing physical can grow indefinitely. "Sustainable use" is applicable only to renewable resources: it means using them at rates within their capacity for renewal. "Sustainable development" is used in this strategy to mean: improving the quality of human life while living within the carrying capacity of supporting ecosystems. A "sustainable economy" is the product of sustainable development. It maintains its natural resource base. It can continue to develop by adapting, and through improvements in knowledge, organisation, technical efficiency, and wisdom."[45]

[44] Impact Garden. See more at: https://impactgarden.org/sustainability-and-impact/
[45] IUCN (1991), Caring for the Earth: A Strategy for Sustainable Living

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Sustainability Timelines

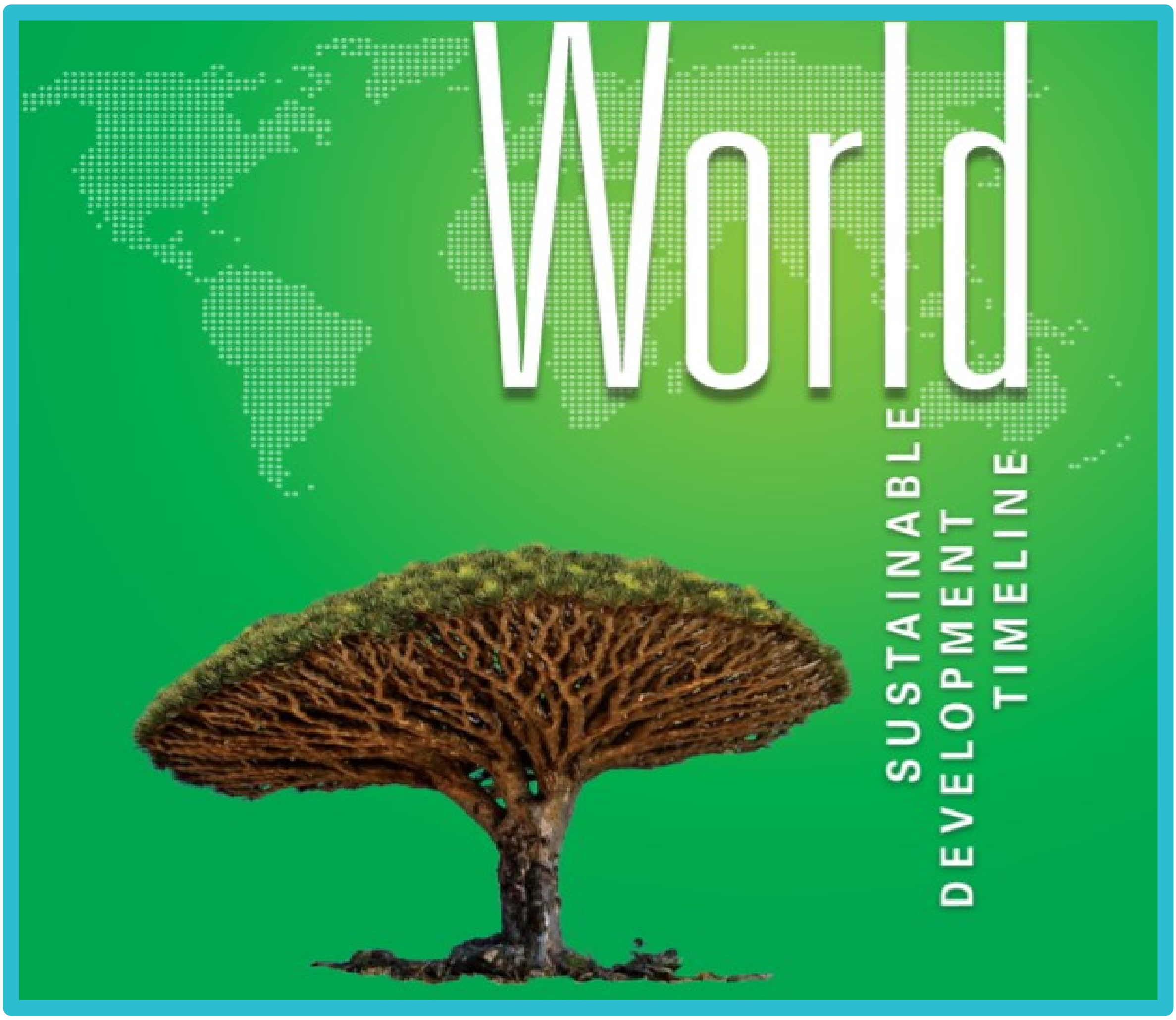
As the Asian Development Bank outlines it well:

Concern about the environment is not new

The pursuit of sustainable development is a balancing act: it requires the implementation of policies, strategies, programmes, and projects that treat environment and development as a single issue; it also demands changes in the mindsets, attitudes, and behaviours of stakeholders.

A detailed world sustainable development timeline

**This timeline catalogues major sector and thematic landmarks in the world since 1948*



SUSTAINABLE DEVELOPMENT GOALS

United Nations Sustainable Development Goals

The United Nations Sustainable Development Goals or often known as the abbreviation UN SDGs or simply the SDGs emerged as an outcome of the United Nations Conference on Sustainable Development in Rio de Janeiro in 2012 (Rio+20).

The countries that represented/ attended the conference agreed on releasing a new set of goals replacing the Millennium Development Goals (MDGs) which were launched in 2000 to address poverty and hunger.

The official declaration of the Rio+20 'The Future We Want' outlined the SDGs as "The goals should address and incorporate in a balanced way all three dimensions of sustainable development and their interlinkages." Referring to: people, planet and prosperity.

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Thus, in 2015 the 193 member countries adopted the so called **2030 Agenda for Sustainable Development**, defining the 17 Sustainable Development Goals and the 169 targets addressing the greatest challenges facing the world, as well as 232 indicators for real-world outcomes in areas such as water, health, poverty, gender equality and biodiversity.

End poverty in all its forms everywhere

End hunger, achieve food security and improved nutrition and promote sustainable agriculture

Ensure healthy lives and promote well-being for all at all ages

Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

Achieve gender equality and empower all women and girls

Ensure availability and sustainable management of water and sanitation for all

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Ensure access to affordable, reliable, sustainable and modern energy for all

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

Reduce inequality within and among countries

Make cities and human settlements inclusive, safe, resilient and sustainable

Ensure sustainable consumption and production patterns

Take urgent action to combat climate change and its impacts*

Conserve and sustainably use the oceans, seas and marine resources for sustainable development

Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss

Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

Strengthen the means of implementation and revitalize the global partnership for sustainable development

[More detailed information on each SDG]

The Goals and targets stimulate action in areas of critical importance for humanity and the planet:

People	**Planet**	**Prosperity**	**Peace**	**Partnership**

i2 SustainIT Project – Impact Incubator for Nurturing Sustainability
Project No. 2019-1-UK01-KA204-061873

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Role of UN SDGs in Impact Investment

After extensive research we have found that PRI's five-part framework for investors that are seeking to understand the real-world outcomes of their investments, and to shape those outcomes in line with the SDGs, is a solid ground for underpinning the knowledge of the SDGs into investments.

The five-part framework is divided as follows:[46]

1) **IDENTIFY OUTCOMES**
   - identifying and understanding the positive and negative real-world outcomes related to the investees' operations, products and services. This part builds on activities such as mapping existing investments to the SDGs and determining the scale of investments in SDG-aligned activities.
2) **SET POLICIES AND TARGETS**
   - setting policies and targets and taking intentional steps to shape outcomes. This part has a holistic approach at looking across all investments and all SDGs when considering the most important outcomes.

[46] PRI (2020), Investing with SDG Outcomes: A Five-Part Framework

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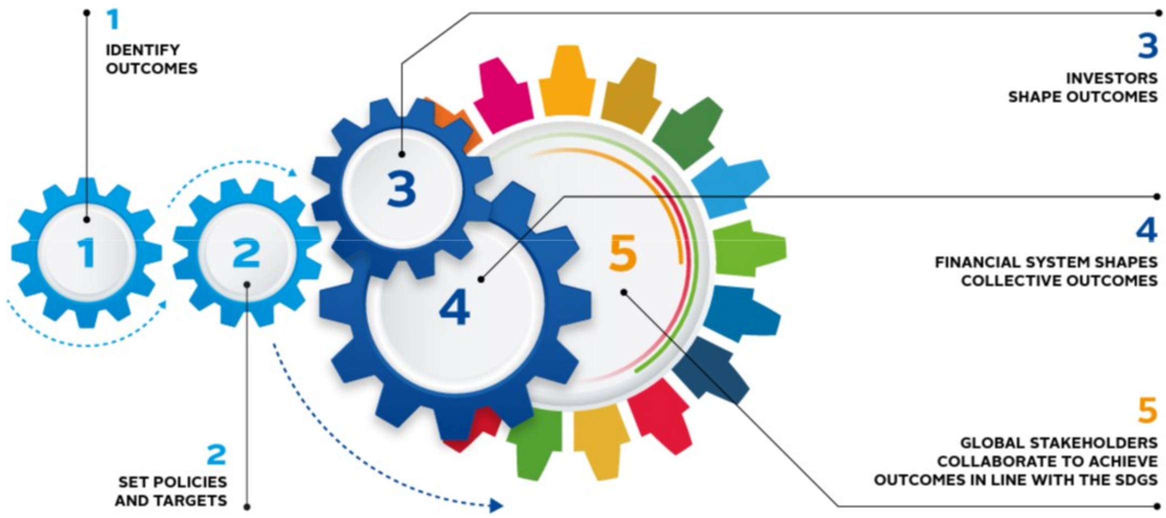
3) **INVESTORS SHAPE OUTCOMES**
- shaping outcomes in line with the policies and targets and reporting on progress against those objectives through investor actions such as investment decisions, engagement with policy makers, key stakeholders and how it can be communicated through disclosure and reporting.

4) **FINANCIAL SYSTEM SHAPES COLLECTIVE OUTCOMES**
- considering contribution of the financial system and shaping outcomes in line with the SDGs at the financial system level. This takes place both through aggregating the actions of individual investors, and from investors acting collectively – including alongside other financial system participants such as credit rating agencies, index providers, proxy advisors, banks, insurers and multilateral financial institutions.

5) **GLOBAL STAKEHOLDERS COLLABORATE TO ACHIEVE OUTCOMES IN LINE WITH THE SDGS**
- the finance sector, businesses, governments, academia, civil society, the media, individuals and their communities must act collectively to ultimately achieve the SDGs. Necessary elements include programmes to connect supply and demand of investments at scale, and collaboration on tools to contextualise outcomes data in the global thresholds and timelines required to achieve the SDGs.



Source: Principles for Responsible Investment

According to PRI, more support for investors needs to be developed, although there are already several tools, metrics and data sets that can be useful for investors to take action across the framework. Given the urgency with which the SDGs must be achieved, *investors must work with others to further develop the tools and incentives needed.*

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PRI have summed up well 2 points:

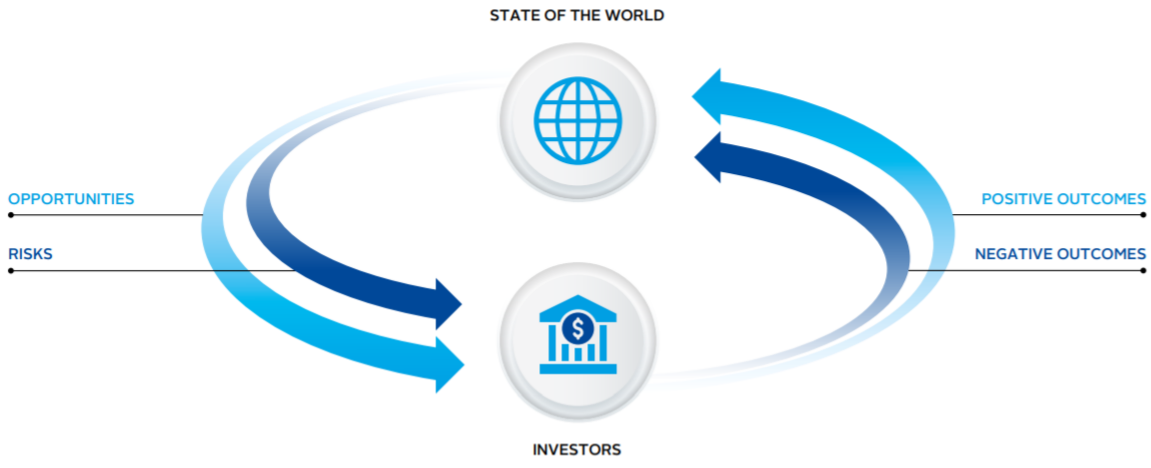
1) **What investors can bring to the SDGs** - The United Nations Conference on Trade and Development (UNCTAD) estimates that meeting the SDGs by 2030 will require US$5 trillion to US$7 trillion per year from the private sector.

The financial system's role in shaping outcomes in line with the SDGs cannot only involve new capital, it will require investors to redirect existing capital and be good stewards of the entities they invest in.

2) **What the SDGs can do for investors** – Investors have long been focused on why environmental, social and governance (ESG) issues are relevant for their portfolios.

Focusing on SDG-aligned outcomes, including through collective action, can also feed back into portfolio performance, and into the resilience of the financial system itself. There is a continuous feedback cycle between (ESG) risks and opportunities and (SDG-aligned) outcomes: ESG issues create risks and opportunities for investors, whose actions shape outcomes on the world, which feed back into portfolios in the form of ESG risks and opportunities, and so on (Figure 2).

Below you can see the **Continuous cycle of investors' SDG outcomes, the resulting state of the world, and ESG investment risks and opportunities.**



Source: Principles for Responsible Investment

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Impact Investment portfolios and SDGs

To build their portfolios in an optimised way, investors need to take investment decisions and use tools to help them support meeting the SDGs.

Investors must:

- Understand the positive and negative outcomes from their investments and related activities
- Shape those outcomes in line with the SDGs

"Outcomes" can be identified and measured at the level of a particular asset, economic activity, company, sector, country or region. Progress can be assessed against recognised global sustainability performance thresholds and timeframes – including the SDG targets and indicators.

TYPES OF OUTCOMES		
Outcomes investors have caused	***Outcomes investors have contributed to***	***Outcomes investors are directly linked to***
Through their own business activities	*Through a business relationship or investment activity that facilitates an outcome from an investee company or project*	*Through the activities, products or services of an investee company or project.*

Investors have the responsibility through their investments (alone or in collaboration with others) to use their leverage to influence the investees with the aim of **decreasing the negative outcomes and increasing the positive outcomes.**

	Investment decisions	Stewardship of investees	Engagement with policymakers	Disclosure and reporting
1. Identify outcomes Investors identify and understand the unintended outcomes from current investment activities	▪ Task Force on Climate Related Financial Disclosure (TCFD) (including portfolio carbon footprinting Scopes 1-3, and forward-looking climate scenario analysis) ▪ EU Taxonomy for sustainable activities ▪ PRI Reporting Framework (including annual PRI Climate Snapshot)			
2. Set policies and targets Investors set policies and targets for their intentional activities to reduce negative outcomes and increase positive ones.	▪ TCFD (investor disclosure of metrics and targets) ▪ Climate Action 100+ (includes clear objectives in investor engagement with companies such as greenhouse gas emissions reduction) ▪ Transition Pathway Initiative (TPI) ▪ UN Net Zero Asset Owner Alliance (will set targets to align portfolios to net zero by 2050) ▪ EU Taxonomy for sustainable activities			
3. Investors shape outcomes Investors individually seek to increase positive outcomes, decrease negative outcomes and measure progress toward established targets.	▪ Paris Agreement Capital Transition Assessment (PACTA) tool ▪ IPR valuation data ▪ Other tools and initiatives under Parts 1 and 2 above are also relevant for Part 3			
4. Financial system shapes collective outcomes Investors collectively seek to increase positive outcomes, decrease negative outcomes and measure collective progress.	▪ Tools and initiatives under Parts 1, 2 and 3 above are also relevant for Part 4		▪ Engagement of investors with: ▪ EU Action Plan ▪ EU Green New Deal ▪ Investor Agenda ▪ Green Bond Standards	▪ UN Climate Portal ▪ IPCC Emissions Gap Report ▪ Global Stocktake (2020)
5. Global stakeholders collaborate to achieve outcomes in line with the SDGs Investors work with broader stakeholders - including businesses, governments, academia, NGOs, consumers, citizens and the media - to globally achieve all SDGs.	▪ UNFCCC Paris Agreement ▪ SDG Goal 7 - Affordable and Clean Energy ▪ SDG Goal 12 - Responsible Production and Consumption ▪ SDG Goal 13 - Climate Action			

Source: Principles for Responsible Investment

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Investor SDGs Tips

The S&P Global have summarised the key philosophies to implement when embracing the SDGs:[47]

- **Balance risk and positive impact** - When companies evaluate their performance on the SDGs, they should consider the positive contributions they make to the SDGs as well as their actual or potential negative impacts and the effectiveness with which these impacts are managed.
- **Focus on important SDG needs in a company's own operating context** – Understanding exposure to SDGs issues across the sectors and countries in which the company operates can help in prioritising action and deployment of scarce resources to target those SDGs most closely tied to a company's business model and operations.
- **Align business models with the SDGs and expand access** – This could be done by focusing on the delivery of products, services and technologies that address specific SDG needs. The impact of those efforts could be maximised by pursuing new markets that expand access to SDG-aligned products and services in those countries that need them the most.
- **Take a value-chain approach** – modelling techniques can offer an effective means to screen value chains for SDG risks that may not be visible at first. It is crucial to effectively manage the ESG risks within a company's operations.
- **SDGs can guide better ESG disclosure** – SDGs can encourage companies to consider issues related to the SDGs that usually the corporate world may not monitor or report.
- **Data and modelling as a tool for action** – Can be an effective and efficient means to better understand SDG risks and opportunities where direct engagement with suppliers and customers is challenging. Those results should be placed within the company's context and consider the corporate strategy and financial materiality.

[47] S&P Global. See more at: https://www.spglobal.com/esg/solutions/company-analytics-sdg-evaluation

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Practical Tools for Investors

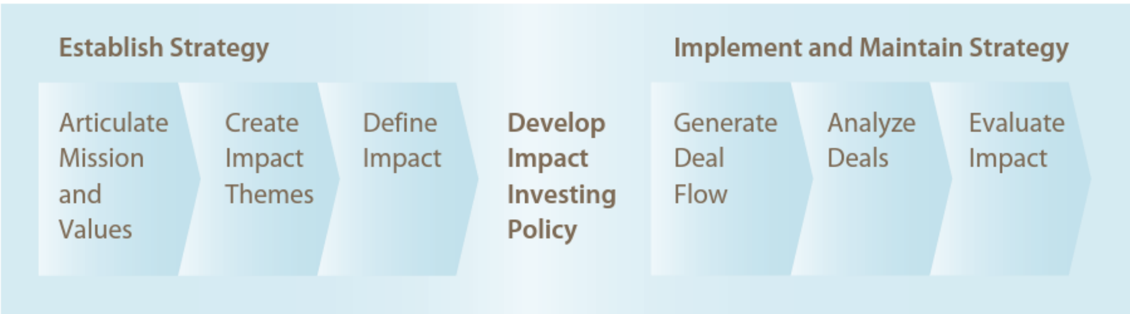
We have used several resources to showcase various tools in support of investors for impact investing and sustainability.

Impact Investing

A very practical framework which impact investors can use to **move toward action in**:

- Establishing an Impact Investing Strategy
- Implementing and Maintaining an Impact Investing Strategy

The Impact Investing Cycle



Source: Godeke, S. and Pomares, R. (2009) Solutions for Impact Investors: From Strategy to Implementation. Rockefeller Philanthropy Advisors.

Common questions to begin with any impact investment journey:

- **Why** are you interested in impact investing?
- **What issues** will your impact investing address?
- The How and When of Your Theory of Change. **What is your strategy** to make this change happen?
- The Who. **How would you like to be involved** in and manage your impact investing?
- **What** is your time horizon and level of **engagement**?

Once investors can answer the questions above, they can take a decision how to proceed in their impact investment journey. More detailed information on The Impact Investing Cycle

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The European Venture Philanthropy Association (EVPA) have outlined

10 principles investors for impact are driven by in their Charter[48]

The 10 principles of the EVPA Charter of investors for impact identify the distinctive characteristics that differentiate investors for impact from other capital providers that also aim at generating positive impact on society.

The principles help investors for impact better describe how they drive social impact; how to integrate those principles into their strategies and activities.

Source: EVPA

[48] EVPA (2020), The Investing For Impact Toolkit

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General Tools

PRI – Impact Investing Market Map

This guide identifies 10 thematic impact investments using the UN SDGs and the PRI Reporting Framework: energy efficiency; green buildings; renewable energy; sustainable agriculture; sustainable forestry; water; affordable housing; education; health; and inclusive finance.

It focuses on medium and large impact investing companies (privately-owned or listed equity firms) in the real economy and aims to segment the market into these themes each with common definitions, basic criteria and relevant KPIs for tracking and accessing impact.

IFC – Impact Management Principles

This resource has been developed by the World Bank's Impact Investment Bank, in consultation with a core group of external stakeholders (impact asset managers, asset owners and industry associations). It aims to establish a common discipline and market consensus around the management of investments for impact as well as to help shape and develop the market.

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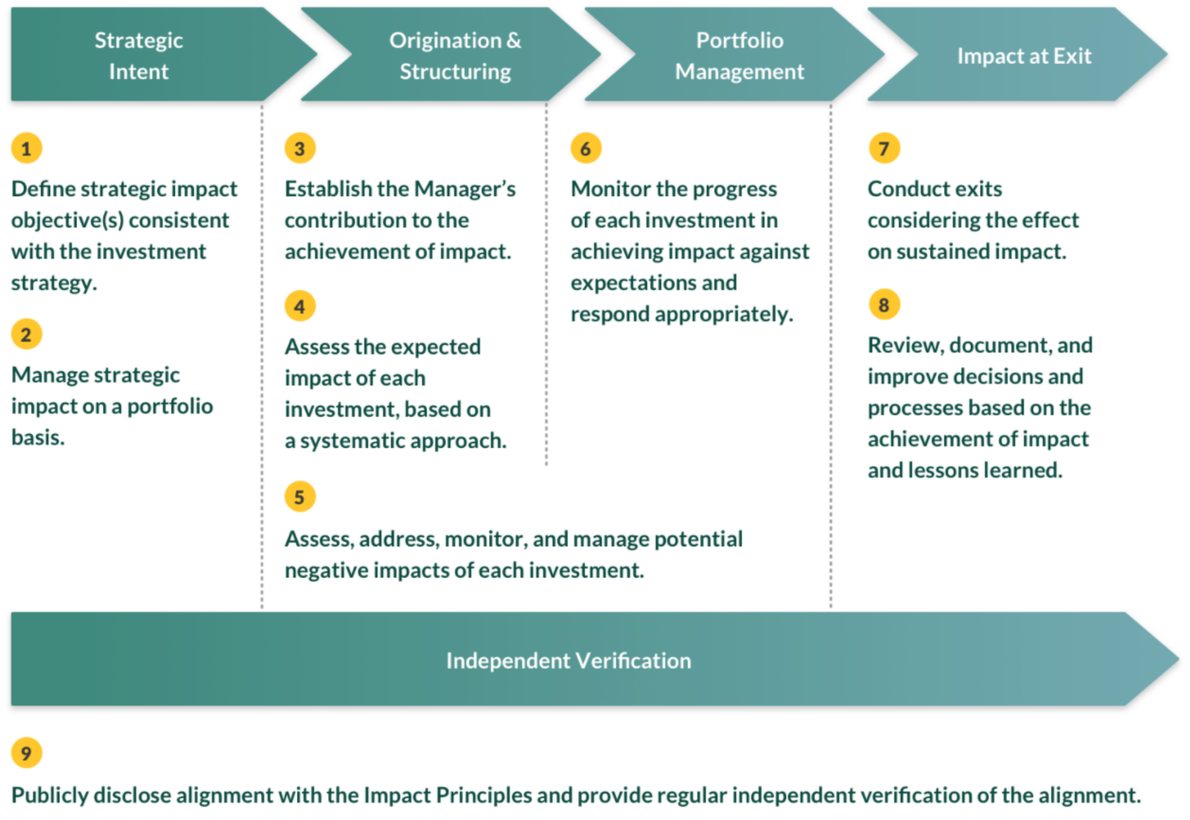

Toniic T100 Project

This multi-year study of the portfolios of over 75 Toniic Impact Network members reveals new insights about impact investing. The T100 Project includes periodic reports, videos and podcasts, and the Toniic Diirectory, a peer-sourced directory of over 1,700 impact investments across all asset classes.

T100

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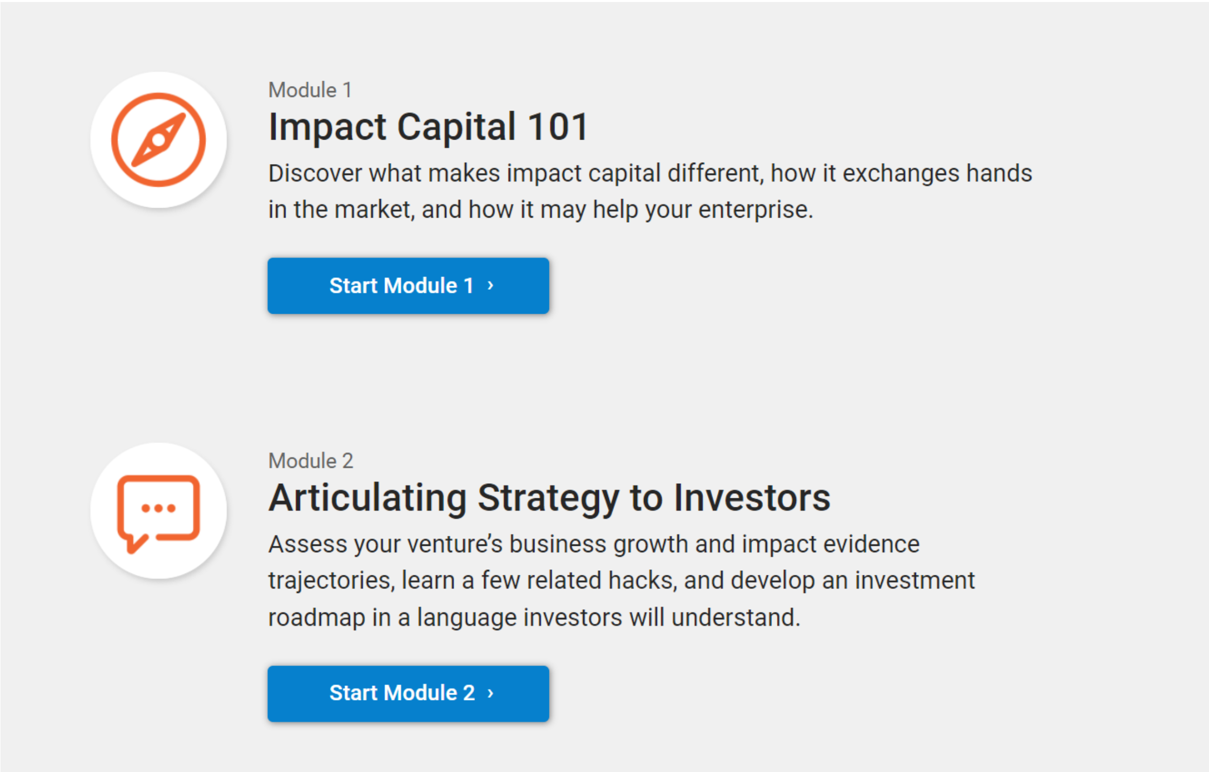
Impact Fundraising

Case – Smart Impact Capital

This online guidebook is crowd-sourced and scalable. It can help impact entrepreneurs be more efficient and effective throughout their investment capital raising journey.



Impact Measurement

According to NPC there are 4 steps in impact measurement:[49]

Steps		Issues to consider
Plan	**Set goals.** Articulate the desired impact of the investments to serve as a reference point for investment performance.	• Have you developed a theory of change? This will set out what you want to achieve (your final goals) and how you plan to achieve it through your portfolio. It will provide a theoretical framework to underpin your measurement efforts so you can move away from ad hoc, opportunist data collection. • When conducting due diligence on a potential investment, consider how each investment will fit into your theory of change. • If you plan to offer any additional support to an investee on top of investment capital (Investor Plus), consider the potential impact of that support and how to measure it
	Develop framework and select metrics. Determine	If you have key thematic focus areas (housing, energy, community development, etc), select a number of outcomes to achieve within each thematic area. The Outcomes Matrix

[49] NPC (2015), Investing for Impact: practical tools, lessons, and results

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	metrics to be used for assessing the performance of the investments. Utilise metrics that align with existing standards.	developed by Big Society Capital is a useful tool and includes outcomes and measures for 9 outcome areas and 15 beneficiary groups. • You may want to consider a select number of standardised indicators, such as IRIS37, to collect across the portfolio. • Work with potential investees on the metrics they plan to report on. • In all cases, we recommend you prioritise the data collected so you are not trying to collect too much data. Do not be tempted to prioritise data that is easy to collect but does not tell you much about your impact.
Do	**Collect and store data.** Capture and store data in a timely and organised fashion.	• Build a tracking system to see when impact reporting data is due; ensure information is provided on time and identify gaps. • Collect impact information regularly from funds and companies. This will include both standardised metrics (ie, IRIS) to compare across the portfolio, along with an organisation's own impact metrics and case studies or anecdotes. • Ask investee about the impact of any Investor Plus support you have provided.
	Validate data. Verify that impact data is complete and transparent by cross-checking calculations and assumptions against known data sources, where applicable.	• Verify data through field visits, meetings with management and staff, and inputs from co-investors. We have found it particularly important to validate standardised metrics (such as IRIS) that are reported, where we have found data anomalies, even for the same metric reported by the same organisation year on year.
Assess	**Analyse data.** Review and analyse data to understand how investments are progressing against impact goals.	• Analyse impact data for individual investments—compare against targets and against historic data where possible. • Assess each investment using NPC's Impact Assurance process to understand the impact practice of each organisation. A high score (ie, a robust impact measurement process) will provide more confidence that targeted impact will be achieved. You can then compare scores across the portfolio and investigate the outliers. • Analyse impact data within thematic context. It may be possible to aggregate if investments are working towards similar outcomes. This will provide you with a sense of how your collective investments are contributing to thematic outcomes. The impact data collected may lead you to update the priority sector outcomes you want to achieve. • Where possible aggregate indicators collected across the portfolio (ie, IRIS metrics).
Review	**Report data.** Share progress with key stakeholders.	• By collecting and analysing the data, you will be able to show the impact of the portfolio on different levels: – by individual investment, by theme, across the portfolio • Share Impact Assurance Classifications with investees and other investors: this will hopefully encourage investees to move up the impact process spectrum if they understand what best practice measurement looks like. • Share impact report widely with other investors, investees and other key stakeholders.
	Make data-driven investment management decisions. Assess stakeholder feedback on reported data and address recommendations to make changes to investment thesis / theory of change.	Review the impact investment portfolio—and make any necessary trading decisions based on impact performance. • You may need to review your theory of change as a result of your findings.

Source: NPC

A great review of impact measurement frameworks can be found here.[50]

Below you can find a brief of a few tools for impact measurement, but we have also prepared an extensive review of impact

[50] LSE Enterprise Working Paper #1602

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measurement and such tools in the [Impact Measurement Guidelines] created during the i2 SustainIT project.

GIIN – IRIS+

IRIS+ is the generally accepted system for measuring, managing, and optimizing impact. IRIS+ makes it easier for investors to translate their impact intentions into impact results.

GIIN – Navigating Impact

Helps investors select both impact strategies and adopt suitable metrics that indicate performance toward their goals. It has been created in consultation with industry experts, impact investors, and standards setters.

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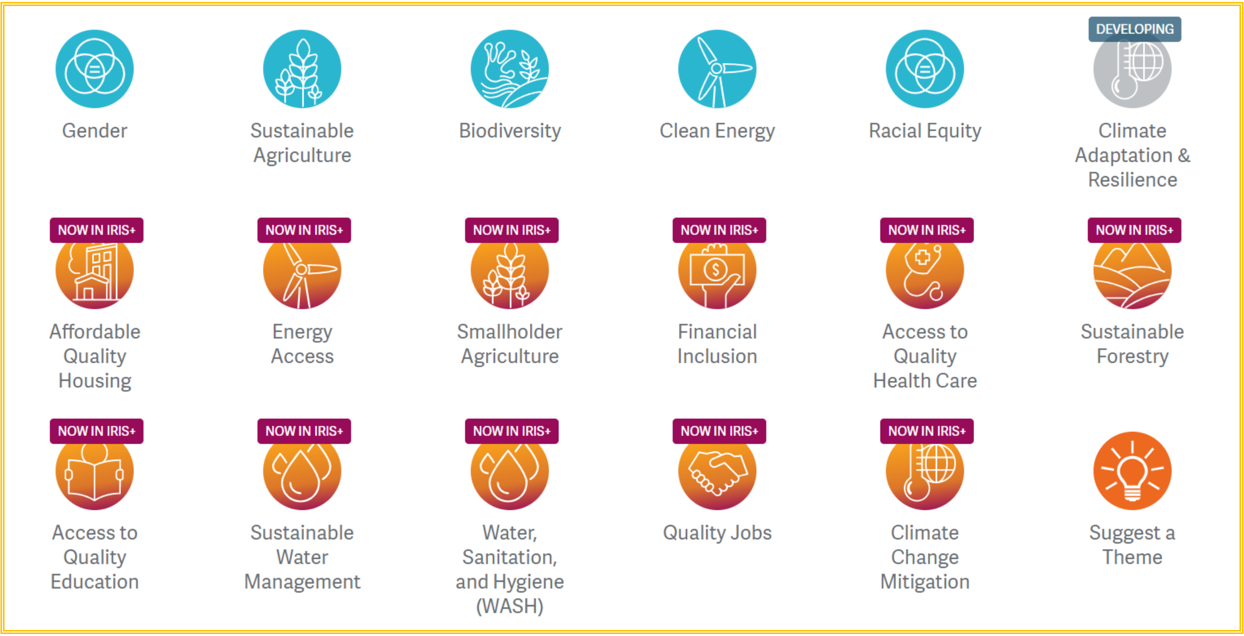
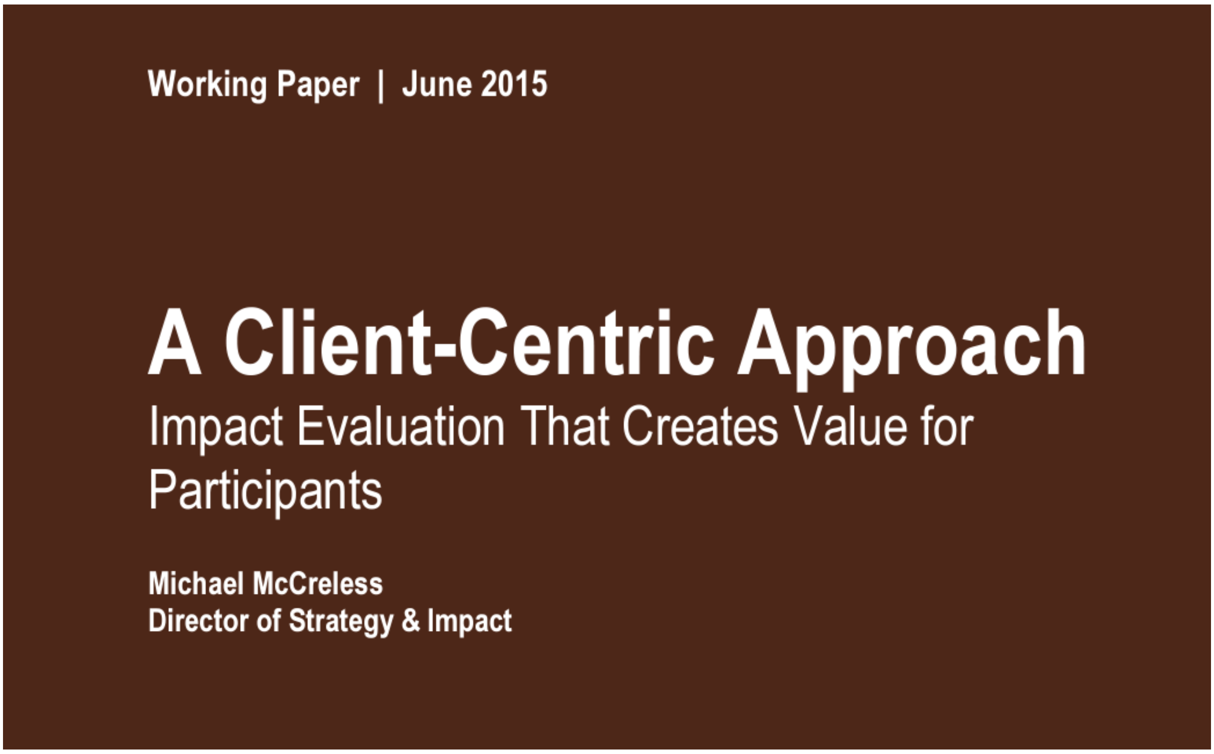


Root Capital – Client Centric Approach

'Impact Evaluation That Creates Value for Participants'. Root Capital tries to flip the head on impact measurement, aiming to use it as a tool to create value downstream to entrepreneurs as well as upstream for impact reporting.


Working Paper | June 2015

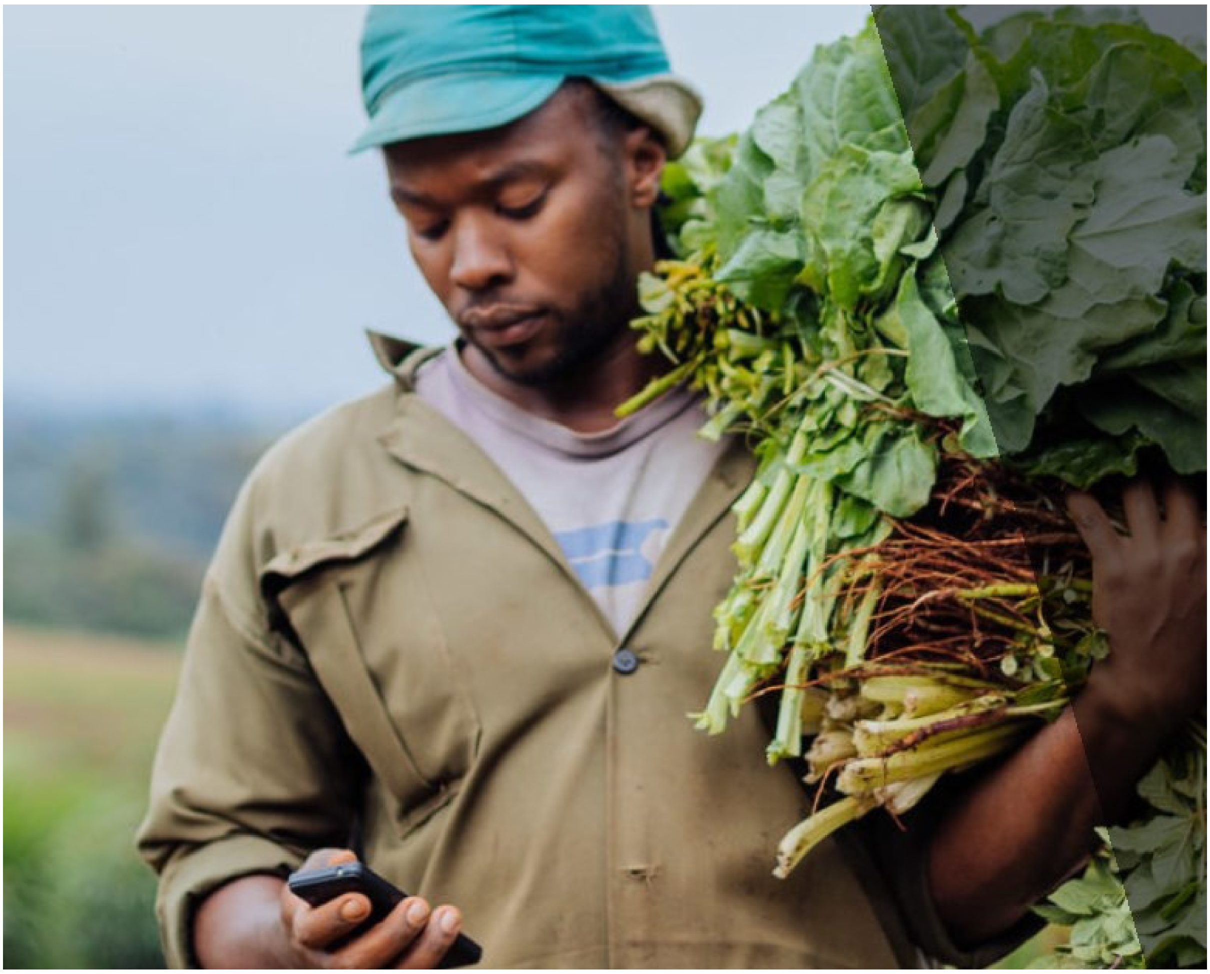
A Client-Centric Approach

Impact Evaluation That Creates Value for Participants

Michael McCreless
Director of Strategy & Impact

Acumen – Lean Data

Low-cost technology and methods to help businesses gather high-quality data on their social performance, customer feedback and behaviour. Through a partnership with Unilever a specific toolkit has also been designed to better understand how programmes and services are affecting women and girls across the globe.



Global Value Exchange

You can search over 30,000 social impact measurement metrics on this free, crowd sourced database. Enter keywords to search 1000's of outcomes, indicators, and valuations.

The Global VALUE Exchange

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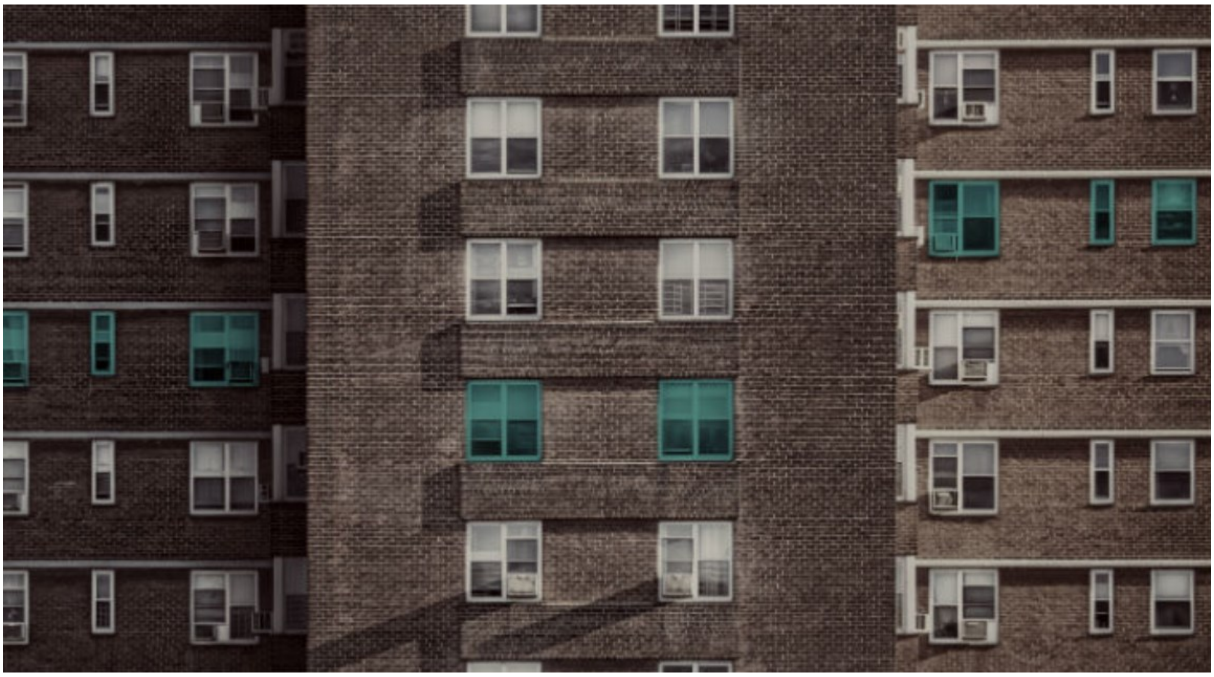
Investing For Good – The Good Investor

A practical blueprint for investors looking to enter the social impact investment market – making it easier to successfully invest in organisations delivering positive impact. This guide is structured around incorporating impact assessment into the various stages of the investment process, progressing from the investors' initial exposure to investment opportunities, through the screening and analysis, and onto making investment decisions, monitoring and evaluating, and reporting on the impact achieved.



Good Finance – Impact and Outcomes Matrix

A practical tool to help organisations to plan and measure their social impact. It includes outcomes and measures for 9 outcome areas and 15 beneficiary groups. Whilst focused on the UK, this tool is a useful reference for developing a common language regarding social investment and impact assessment.

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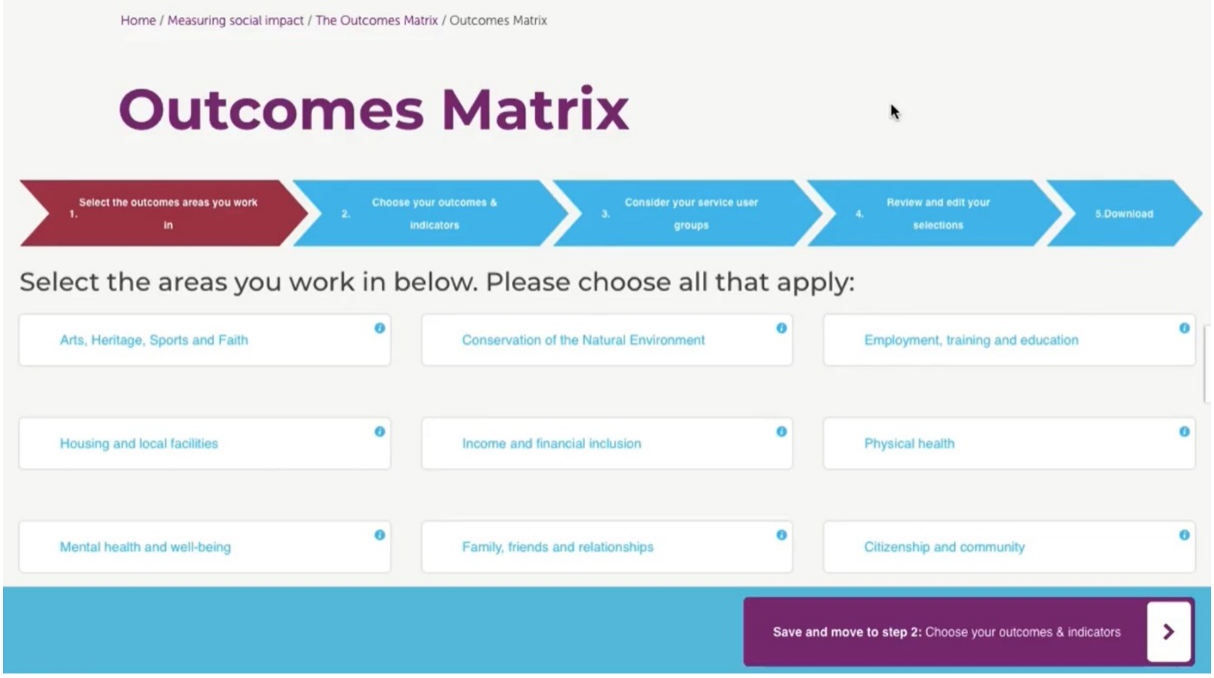

For more Impact Measurement tools,

[read the Impact Measurement Guidelines]

developed under the i2 SustainIT project.

Impact Reporting

Global Reporting Initiative

The GRI Standards represent global best practice for reporting publicly on a range of economic, environmental and social impacts. Sustainability reporting based on the Standards provides information about an organisation's positive or negative contributions to sustainable development.

The Reporting Exchange

"The global resource for sustainability reporting". This free online platform provides reliable, comparable information on sustainability reporting requirements and resources across over 70 sectors and 60 countries.

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Toniic – Impact Portfolio Tool

An Excel-based tool that enables impact investors to document the relationships between asset classes and the impact of a portfolio of investments. Investors classify every underlying investment by various variables and the tool outputs visual representations of the individual portfolios as well as investment data.

Impact Evaluation

As we previously mentioned GIIN has been helping impact investors for a long period of time. Their COMPASS methodology for comparing and assessing impact builds on their experience with impact investors. This methodology has been tested and has already been widely accepted to assess and compare impact results.

Designed to offer investors insights into three critical impact performance figures:[51]

1) Scale
2) Pace
3) Efficiency

[51] GIIN (2021), COMPASS: The Methodology for Comparing and Assessing Impact. See more at: https://thegiin.org/research/publication/compass-the-methodology-for-comparing-and-assessing-impact

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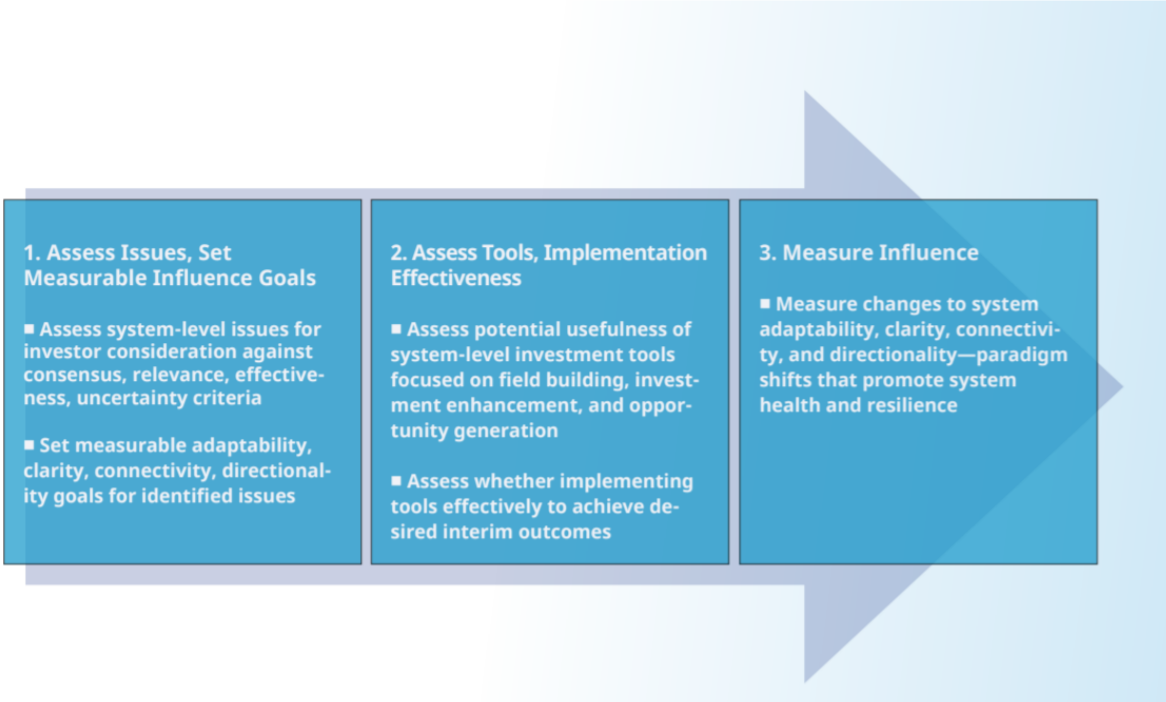
This research effort aims to standardise the components for and process of impact performance analysis, describing each step of the analytic process GIIN has developed. Thus, it can be used for analyses at:

- Investment level
- Fund level
- Portfolio level

The Compass methodology also helps to accelerate progress toward impact benchmarks, ratings, and other tools for analysing and managing performance that are needed to further develop the impact investing industry and fill the existing market infrastructure gap.

Furthermore, in addition to the Compass methodology, the so called "system-level investing" helps investors to consider the bigger picture of environmental, social and financial systems' supporting their portfolio related decisions in the long-term. The Investment Integration Project (TIIP) refers to the "system-level investing" based on the approaches investors are growingly implementing with the goal of increasing the health, stability and resilience of the broader environmental, societal and financial systems within which they operate and rely on creating long-term wealth.[52]

Summary of Measuring Effectiveness: Roadmap to Assessing System-level and SDG Investing



Source: IRRCi & TIIP (2018)

The trend of investors integrating the ESG factors into their investment management is growing. They use the ESG as a tool to minimize risks and maximize the rewards of individual securities and portfolios. Moreover, some investors are exploring policies and practices to help them protect and enhance the broader environmental, societal and financial systems.

Many of these investors have embraced the UN SDGs providing them with a set of goals, targets within the goals and indicators for measuring progress towards those targets and goals.

[52] IRRCi & TIIP (2018), Measuring Effectiveness: Roadmap to Assessing System-level & SDG Investing

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According to the IRRCi & TIIP investors focus on the big picture issues referred to as "system-level investing" but few know about the tools that are available to manage the impact on the environment, society and the financial system in their portfolios.

Many investors aim to align their investment practices with the SDGs but struggle to understand if they are contributing to progress toward their achievement. Hence, the **Roadmap to Assessing System-level and SDG Investing** for measuring effectiveness of their system-level investing approaches in the context of the SDGs.

Questions investors ask:

- How do things like ecosystems under stress, societies in turmoil, and economic crises affect investment risk and return, especially given that the world is more interconnected now than ever before?
- What can we do, as individual investors and as a broader finance community, to help to stabilize and enhance the environment, society, and financial systems such that they benefit rather than harm our investments?
- How do we measure whether our efforts to stabilize and enhance these systems are effective?
- What are the carbon emissions and working condition consequences of our investment in this enterprise or fund?
- What can we do, as an individual investor and as a collective investment community, to address climate change and labour issues and, in turn, help to foster an environment and society that promotes the long-term growth and solvency of our assets?

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Investors strive to maximize their return on investment (individual market transaction) for a given level of risk. Evaluating ESG risks and impacts of investment as part of these security level and portfolio level transactions.

System-level investors integrate these into their investment management and acknowledge how their investments affect and are affected by the environmental, societal and financial systems.

Portfolio-Level Investing vs System-Level Investing

Investment Considerations	Security-Level And Portfolio-Level Investing	System-Level Investing
Individual Market Transactions	☑	☑
Maximizing Short-Term Risk/Reward	☑	☑
Achieving Financial Returns Against a Benchmark	☑	☑
ESG Risk/Reward	☑	☑
Environmental or Social Impact of Individual Investments	☑	☑
Impact of Environmental, Societal, or Financial System Context On Market Transactions		☑
Maximizing Long-Term Risk/Reward		☑
Impact and Influence on Broader Environmental, Societal, and Financial Context		☑

Source: IRRCi & TIIP (2018)

Considering the system-level goals the UN SDGs do represent an important addition to investors. The SDGs focus on creating sustainable change that fortifies the overarching environmental, societal and institutional systems.

Impact investors embrace the SDGs and support their achievement. They see the SDGs as part of their ‘investment agenda’ promoting blended financing, with consideration of investor risk/return expectations.

Impact Investment Portfolio

In order to understand the impact of individual investments, be they funds or direct investments, NPC have created **impact dashboards.**

These provide an investor with all the information they require to look at each investment and understand the impact their money or support is having on both the investee itself and the beneficiaries or issues the investment is set up to help.

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This template is with explanations of each category for investors to apply to their own portfolio.[53]

About the company or fund			
Year founded:	*When was the company or fund established?*	**Target geography:**	*Where does the company or fund work?*
Location:	*Where is the company or fund headquartered?*	**Net income or capital committed:**	*For a company, provide net income. For a fund, provide total capital committed. Shows size.*
Projected financial return:	*What is the projected financial return?*	**Stage:**	*For a company: Start-up or Established.* *For a fund: First, Second or Established fund.*
		Structure:	*For-profit, Not-for profit, Hybrid*
Impact theme:	*Which theme or themes is it addressing?*		

About your investment			
Date of initial investment:	*When did you make first investment?*	**Committed capital:**	*How much have you invested in total (plus grant finance if relevant)?*
Asset class:	*Cash, Fixed Income, Private Equity, etc.*	**Impact type:**	*KLF uses 4 categories – Impact First, Thematic, Sustainable, Responsible. Others use Impact First or Finance First.*
Investment rationale:	*Why did you invest in the first place? Could include: theme it addresses, projected financial return, innovative business model, catalytic investment, etc.*		

Investor Plus: *Rate your level of Investor Plus support (Low, Medium, High)*	
Finance	*Does your investment create additional financial leverage through being catalytic, taking a cornerstone investment, bringing in public finance, or combining with grant finance?*
Advisory	*Is your investment accompanied by training, business and strategic advice and/or mentoring?*
Advocacy	*Is your investment accompanied by advocacy and profile raising, access to networks?*

[53] NPC (2015), Investing for Impact: Practical Tools, Lessons and Results

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Social/environmental impact ratings			
NPC's Impact Assurance Classification:	*This is an assessment of impact processes—whether the company or fund measures outputs, has a clear theory of change, reports on change created, shows additionality. Classify each investment from Stage 1–4.*		
External ratings:	*Is it rated by GIIRS? Is it a B Corp?*	**IRIS user:**	*Does it produce IRIS metrics?*

Social/environmental metrics			
	2012	**2013**	**2014**
Show metrics achieved in historical context. Can be enterprise-own metrics, but highlight where standardised (ie, IRIS).			

Sustainability

General use

United Nations – Sustainable Development Goals (SDGs)

A universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity, the 17 SDGs form the basis of many funds' impact strategy and reports.

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United Nations – SDG Guide

The UN's guide for organisations wanting to get started with the SDGs, including creating vision statements, needs assessments, costings and preparations for monitoring progress.

Case Studies

Investment for Impact & SDGs

Belgium

IMPACT INVESTMENT DESCRIPTION	INVESTMENT AMOUNT
Otary is an energy player that is at the centre of the energy transition. They build a bridge between the offshore energy sector and the public at large, all the while maintaining an open and accessible attitude to expand the scope of renewable energy production. Otary is a partnership of eight Belgian companies active in the field of renewable energy. The team is composed of professionals who combine their experience, expertise and strengths to contribute to a sustainable future for all. Otary develops, finances, builds and manages offshore wind farms. They furthermore provide a broad range of services during an offshore wind project's life cycle. TheSeaMade wind farm consists of two concession zones, Seastar and Mermaid. SeaMade will produce enough sustainable energy to power 485,000 Belgian homes on an annual basis.	The project is to be financed by its 8 shareholders and a consortium consisting of the European Investment Bank and 8 commercial banks. This group includes AG Insurance, ASN Bank, Belfius, ING, KBC, KfW Ipex-Bank, Rabobank and Société Générale. The European Investment Bank will provide a EUR 250 M tranche via the European Fund for Strategic Investments (EFSI or Junker Plan) and fund a EUR 50 M tranche that will be guaranteed by Delcredere|Ducroire, while EKF will guarantee a EUR 208 M tranche.

SOCIAL & ENVIRONMENTAL IMPACT

- Producing enough sustainable energy to power 485,000 Belgian homes on an annual basis
- Enhancing sustainable energy production and consumption
- Expanding the scope of renewable energy production

CONTRIBUTION TO UN SDGs

The construction of the project will start now, the offshore works in spring 2017 and the first power is expected to be injected in the Belgian grid mid-2018. The power station will be fully operational by the end of 2018. The Rentel project shall then contribute to Belgium's leading role within offshore wind energy, the achievement of the Belgian 2020 goals, the EU climate standards and even the transition to a durable economy and energy supply.

Nathalie Oosterlinck, CEO Rentel: "This is a very important step in the project. Thanks to this investment we do not only contribute to achieving the international, but also the Belgian climate objectives. By 2020, 13% of our produced energy will have to be renewable. Half of it will come from offshore wind energy. By investing in local power stations we reduce having to import electricity. This increases Belgium's energy independence. Furthermore, the realization of the new wind farm generates approximately 1400 direct jobs and another 1400 indirect jobs during development and construction stage. During the exploitation stage 100 permanent jobs will be created."

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TURBULENT

IMPACT INVESTMENT DESCRIPTION	INVESTMENT AMOUNT
Turbulent is a green-tech company developing vortex water turbines for low-head micro hydropower in rivers or canals. The Vortex turbine is designed to be a continuous, resilient and cost-effective alternative to the existing low-head hydropower, traditional hydropower as well as intermittent energy solutions such as solar systems, diesel generators and small wind turbines. Current development is focused in on-site generation for on-grid and off-grid installations.	The Turbulent team has secured Seed funding and Belgian and European research grants since 2015, and is being supported by the European Innoenergy programME, the iMinds/IMEC incubator, StartIt@KBC, Start-up Chile and Parallel 18.

SOCIAL & ENVIRONMENTAL IMPACT
• Communities and villages • Hospitals, schools, libraries and other public services • Grid connected businesses • Off-grid businesses • Ski resorts, mountain resorts • Governments • Utilities and mobility service providers • Energy development and energy infrastructure companies • Telecommunication • Irrigation associations and agribusiness in irrigation districts

CONTRIBUTION TO UN SDGs
7 AFFORDABLE AND CLEAN ENERGY Turbulent's micro-hydropower technology brings energy that is both clean and affordable to communities all over the world. The average LCOE of a Turbulent micro-hydropower plant amounts to 0,03 - 0,08 USD/kWh, which is currently among the lowest cost of energy in the world. Turbulent energy is 100% green, does not need big infrastructure to be built, and includes no rare earth materials. All components of a Turbulent turbine can be recycled, making it truly clean and sustainable. The decentralisation of energy sources also helps to make it more affordable, and removes the need for high voltage transmission lines over hundreds of kilometres. More information about the closely related UN SDGs

France

BiOceanOr
Biology For Ocean

IMPACT INVESTMENT DESCRIPTION	INVESTMENT AMOUNT
Bioceanor offers innovative solutions for real time and predictive monitoring of water quality. The company develops tools to monitor and control the quality of environmental water. Their products and services are part of an ecological approach to preserve resources. In the aquaculture sector, they promote a better understanding of the surrounding environment and help to understand the impact of activities on the ecosystem. They strongly believe in the potential of aquaculture to feed an increasingly populated planet, but they also believe that the growth of aquaculture while respecting the environment is a sustainable approach that must be strongly supported.	Inventures invested 1.5M euro in Bioceanor along with a local fund Région Sud - Provence-Alpes-Côte d'Azur and Blue Ocean Partners.

Co-funded by the Erasmus+ Programme of the European Union

SOCIAL & ENVIRONMENTAL IMPACT
The investment will help Bioceanor to establish: • Predictive Fish Farming in Mediterranean Sea • Connected shrimp farming in Tahiti • Smart Maintenance for oyster farming in Mediterranean Sea • Coral Reefs surveillance in Mo • Increase knowledge of environments and awaken consciousness. • Campaigning for a better understanding of all aquatic environments and the impact of human activities on these environments • Finding solutions to reduce human footprint on the oceans
CONTRIBUTION TO UN SDGs

The company has committed to 3 SDGs. Bioceanor's work is focused on finding solutions to reduce marine pollution and minimize the impact of ocean acidification. Additionally, the company aims to improve the protection of marine ecosystems while educating about climate change and its effects. [More information about the Bioceanor's impact and values]

Bulgaria

NASEKOMO

IMPACT INVESTMENT DESCRIPTION	INVESTMENT AMOUNT
Nasekomo produces premium sustainable insect products for the feed and agriculture industries. Nasekomo is the largest manufacturer in Central and Eastern Europe of high-quality protein products from industrial rearing of the insect Black Soldier Fly. THe company is pioneering the next-generation model of insect-protein industrialization for insect farms, agro-industrials and waste operators by providing higher value-added insect (BSF) lifecycle management, genetics and technical services while growing production capacity via partnerships and franchising. The investment received allows Nasekomo to grow its presence on the market and increase its productivity via deploying robotics and data analytics. The company also launches a new selective breeding programme in order to provide the planet with continuously improving efficiency in transforming waste into insect-based products.	4M euro invested by Morningside Hill and New Vision 3 backed by the Fund of Funds in Bulgaria participated in the round
SOCIAL & ENVIRONMENTAL IMPACT	
• Deploys the principles of circular economy and have a zero-waste production • Lowers the carbon footprint of the feed industry • Provides an alternative to fossil fuel based fertilizers • Deploys vertical farming to limit land use • The company's products naturally improve animal health • Helps preserve the biodiversity and keep the value chain plastic free • Enhances the rate of responsibly upcycled agro-industry by-products into animal protein, oil and fertilizer • Limits the carbon footprint of the foofd industry and provides an organic alternative to chemical fertilizers • Reaches mass production with vertical farming • Preserves biodiversity and the ecosystems supported by wild fish	
CONTRIBUTION TO UN SDGs	

Nasekomo insect production helps achieve several of the United Nations Sustainable Development Goals (UNSDGs):

- 2 Zero Hunger: Nasekomo uses vertical farming to reduce the land needed for their production. This land can then be used to grow crops to feed the increasing number of people on the planet
- 4 Life below Water: Nasekomo proteins are an alternative to fish meal, which is produced from wild fish caught in our oceans. Thus, inclusion of more insect meal into animal feed will help preserve biodiversity and preserve the ecosystems supported by wild fish
- 12 Responsible Consumption and Production: Nasekomo uses the principles of circular economy to responsibly upcycle agro-industry by-products into animal protein, oil and fertilizer
- 13 Climate Action: Nasekomo's production limits the carbon footprint of the feed industry and provides an organic alternative to chemical fertilizers

More information about Nasekomo's impact and SDGs

United Kingdom

what3words

IMPACT INVESTMENT DESCRIPTION	INVESTMENT AMOUNT
what3words has raised more than £95m in equity funding, £6.32m of which came from a round involving Mustard Seed.	Invested amount: £95 million Investors: ITV is acquiring a minority stake valued at £2 million. These investors - Intel Capital Horizons Ventures Jam Jar Investments Force Over Mass Capital Theo Osborne invested £3.5 million in Series A. These investors - Intel Capital Aramex Force Over Mass Capital Mustard Seed Theo Osborne invested £8.5 million in Series B. IKEA owner and operator Ingka Group has invested close to £12 million.

SOCIAL & ENVIRONMENTAL IMPACT

what3words is becoming a global addressing standard, so everyone in the world has a simple, accurate and reliable address they can use whenever they need it. They are helping businesses, governments and services worldwide to use 3 words addresses to become more efficient and improve their customer experience. The company is showing how better addressing can reduce businesses' environmental impact, ease pressure on crowded cities, fuel economic growth in developing nations and save lives.

CONTRIBUTION TO UN SDGs

what3words has been recognised as businesses that is demonstrating a positive impact against one or more of the United Nations Millennium Development Goals (MDGs). Adopted by world leaders in the year 2000, the MDGs are, to date, the most broadly supported, comprehensive and specific development goals in the world, and have been built upon by the Sustainable Development Goals (SDGs) taking their place at the start of this year. Businesses are a key enabler of global development, be this through helping achievement the MDGs or future contribution to the SDGs. The Unilever Global Development Award identifies those businesses that are demonstrating a positive impact on global development.

Best Practices

Support to Social Entrepreneurs

Impact Central

Impact Central is led by four founders, who, in previous careers, have built their own businesses, consulted FTSE 100 companies, been board members for start-ups, created innovation labs, launched accelerator programmes, raised equity funding, designed communication strategies, led professional services firms, developed extensive networks.

Since 2018 Impact Central has helped dozens of impact-driven startups navigate the path of scaling their business. Their 6-month accelerator programme provides impact entrepreneurs with all the skills and support they need: from their faculty of world-class experts, own dedicated experienced mentors, and individual coaching from qualified coaches. They tailor their experience around the unique needs of the company.

The Conduit

The Conduit was founded in 2018 by Nick Hamilton, Paul van Zyl and Rowan Finnegan.

Their aim is to convene a collaborative community that scales and accelerates solutions to the world's greatest challenges. The vision is a just, prosperous and sustainable world and are committed to supporting their community to achieve this vision whilst also ensuring they themselves are an industry leader in sustainable and ethical hospitality.

Conduit membership offers access to more than 150 in-person and digital events a year, including workshops, panel discussions, fireside chats, thematic dinners and networking drinks with world-renowned speakers, all centred around showcasing systemic solutions to our 8 thematic areas: Racial Equity, Climate Action & A Sustainable Future, Education, Learning & Development, Employment & Economic Opportunity, Sexuality & Gender Equity, Peace & Justice, Health, Nutrition & Wellbeing and Arts and Culture.

Resilient Forest

Launched by Minister Céline Tellier, in charge of environment and forest, the “Resilient Forest” pilot project aims to encourage forest owners to think differently about their management to regenerate their forests and orient them towards a forest that is more resilient to climate change.

Since 2018, spruce bark beetles have caused a lot of damage in forests. This crisis is the result of a set of risk factors that are becoming better known: unfavourable climatic conditions (successive droughts and high heat), inadequacy of certain stands to their stationary conditions, weaknesses of certain species in the face of climate change (beech for example), etc.

However, research has highlighted important means of action: a better adaptation to climate change of certain species (sessile oak, alisier, birch, Corsican pine, etc.); the benefits of combining several species in terms of risk distribution, complementarity in the use of resources, mutual protection against insects, diseases, droughts, etc.; the benefits of forest genetic diversity and appropriate provenance choices.

The objective of the aid proposed by Wallonia to private forest owners is to rebuild a more resilient forest, so that it can provide many ecosystem services for a long time. Thanks to this “Resilient Forest” call for projects, this regional support aims to guide regenerations after bleaching or windfall according to the following three axes: the mixing of species, adapted to global changes and further integrating biodiversity.

CCIW Certification for Sustainable Entrepreneurship

On 7 July 2016, the Walloon government adopted the second Walloon Sustainable Development Strategy. This strategy aims to create a society that is more respectful of people and the environment. It provides a framework to encourage sustainable development initiatives by all actors – public and private – in Wallonia.

Following the example of their Flemish counterparts, the Chambers of Commerce and Industry of Wallonia, with their regional structure (CCI Wallonie), offer Walloon companies the opportunity to concretise their commitment to sustainable business and make it known with the launch of the CCIW Certification for Sustainable Entrepreneurship.

The CCIW certification Sustainable Entrepreneurship is based on the guidance programme developed by the Flemish Chambers of Commerce (Voka), the Voka Charter for Sustainable Entrepreneurship (VCDO). It is a practical programme that starts from the concrete activities of each company and, together with the management, develops an action plan that contributes to the realisation of various SDGs.

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SDGs Impact Examples

AfriKids

AfriKids is a child rights and community development organisation based in northern Ghana that aims to eradicate child poverty. It has become somewhat well known internationally for its bold exit strategy – it aims to achieve the self-sufficiency of AfriKids Ghana and to close down its UK office by 2017. In order to support its non-income earning activities AfriKids has developed an impressive social enterprise portfolio, which includes its Energy for Life clean cook stove business and its responsible travel company Blue Sky Travel.

Aduna

Aduna is a health food social business on a mission to make baobab and other African 'superfruits' famous, in turn creating demand for underutilised natural products and providing sustainable incomes for small-scale producers in rural Africa. The business model is based around a community-owned supply chain, which means that instead of the business paying the producers a small premium for the raw materials used – before processing them and then selling them on – it is the rural communities that purchase and process the raw materials before then selling them to Aduna at a higher price."

BBOXX

i2 SustainIT Project – Impact Incubator for Nurturing Sustainability
Project No. 2019-1-UK01-KA204-061873
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Fast-growing impact businesses that have secured the greatest backing so far include Imperial College London spinout BBOXX which provides renewable energy to communities with unreliable electricity supplies across the world. The scaleup company has raised at least £111m in announced and unannounced equity fundraisings, £10.1m of which was secured in a round involving UK impact fund Ceniarth.

As a next generation utility, BBOXX is providing affordable, reliable, and clean electricity and other utility services to millions who are living without, transforming lives and unlocking the potential of communities, cities, and countries. BBOXX is working alongside governments and world-class international partners to help to achieve the United Nations' Sustainable Development Goals in the next decade, with energy access serving as a catalyst for enabling economic development of communities and making progress on a range of the global goals. BBOXX is scaling through partnering with others, such as our joint venture with EDF in Togo, and through the backing of our investors including Mitsubishi Corporation.

ELeather

Man-made leather manufacturer ELeather has secured at least six equity rounds, amounting to £90.3m, two of which (totalling £75m) saw participation from Environmental Technologies Fund. ELeather is the pioneer of engineered leather. Its revolutionary process transforms leather into advanced materials while achieving a significantly lower environmental footprint.

ELeather reduces waste, increases performance, and enables brands to create extraordinary products and memorable customer experiences, while improving sustainability. Born in the UK, ELeather has grown to supply recycled leather to multiple industries ranging from transport to footwear, across more than 50 countries. It's leather, evolved.

More information on the sustainability performance of ELeather as a company.

Conclusions

To sum up the current Handbook, investors should not adopt a one size-fits-all approach to evaluating impact investment opportunities. Each sector has unique dynamics that investors should consider. However, the awareness this handbook provides can help investors navigate their search for investments that provide financial returns with measurable impact.

Impact investment has a cumulative effect, especially when more individuals and organisations become more successful in applying best practices.

Despite the various existing reports and research on the impact investment ecosystem, the current i2 Sustain Handbook shares digested information from in-depth research of existing models on the topics of impact investment and sustainability.

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