



IMPACT INVESTING – THE FUTURE?

Sarah Gordon, Chief Executive Officer, Impact Investing Institute

Webinar

Tuesday, 29 June 2021, 10:00 BST

A Word From Today's Chairman



Professor Michael Mainelli

Executive Chairman

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Today's Agenda



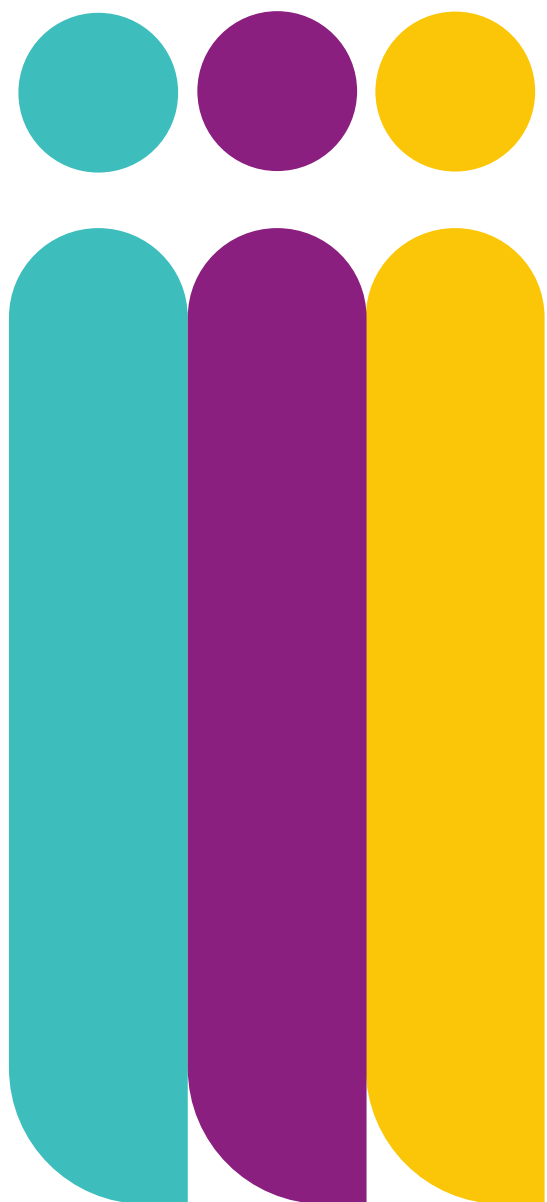
- 10:00 – 10:05 Chairman's Introduction
- 10:05 – 10:25 Keynote Presentation – Sarah Gordon
- 10:25 – 10:45 Question & Answer

Today's Speaker



Sarah Gordon

Chief Executive Officer
Impact Investing Institute



Impact Investing – The Future?

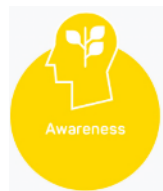
Sarah Gordon, CEO Impact Investing Institute

Who we are

The Impact Investing Institute is an independent, non-profit organisation.

Our aim is to accelerate the growth and improve the effectiveness of the impact investing market so that more capital contributes to achieving the UN's Sustainable Development Goals and the well-being of people and the planet.

We deliver change through:



Awareness

We increase **awareness and understanding** of impact investing so that more people choose to save and invest with impact



Education

We increase **competency** in impact investing so more investors incorporate impact into their investment decisions



Research

We make **evidence and data** around impact investing accessible so it can be used to drive the investment market



Measurement, Management & Reporting

We work on the development and adoption of **high-quality reporting standards** so that businesses and organisations incorporate impact at the heart of their business models



Policy & Advocacy

We advocate for **enabling policies and regulations** that support impact investing

POLL 1: Do you think impact investment is...

a. only for philanthropists

b. a niche asset class

c. a way to get private capital to deliver public policy

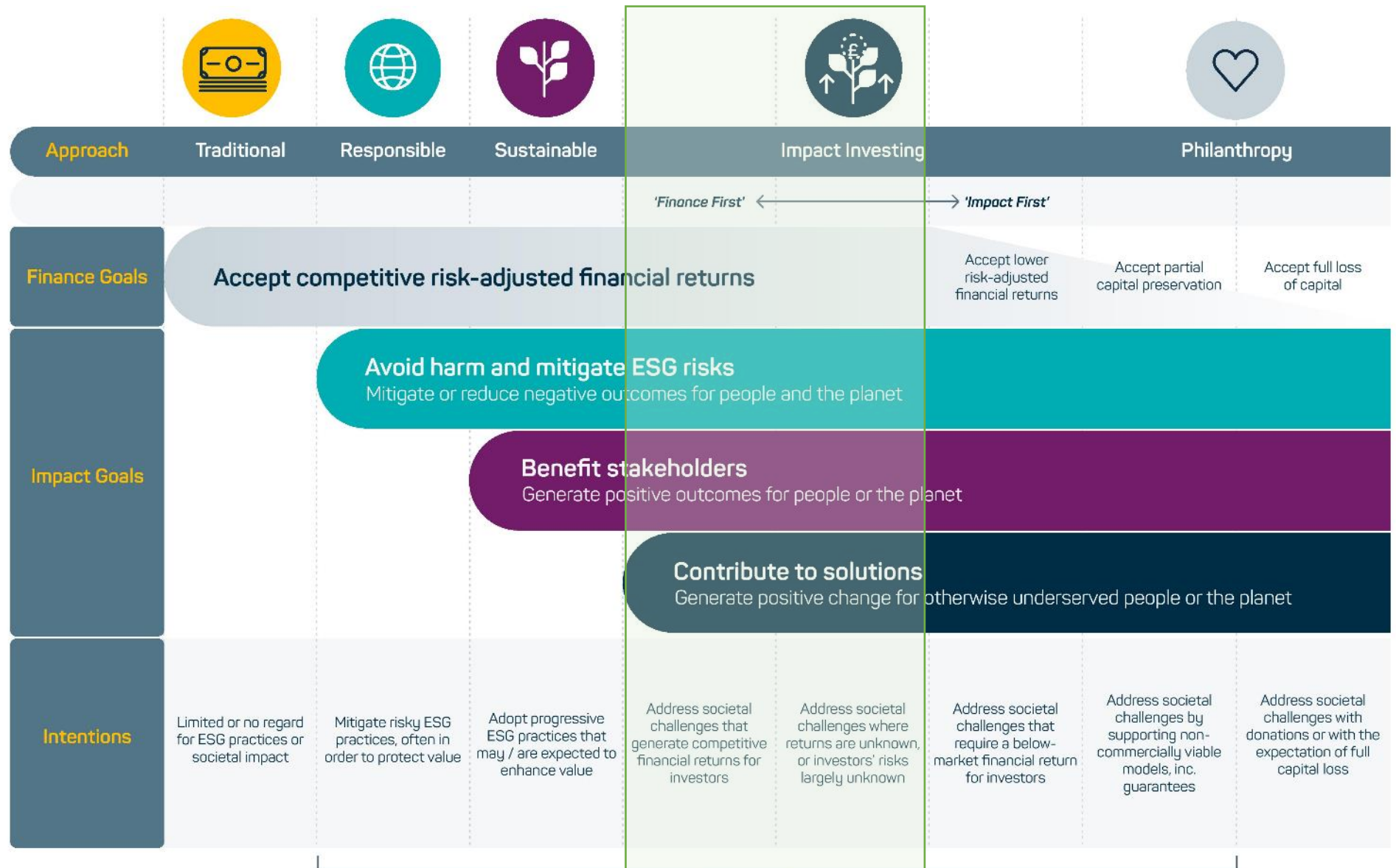
d. a lens that will ultimately be applied to all investments

Our definition of impact investment

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

Impact Investing and the Spectrum of Capital

- Intentionally generates a positive impact on people or the planet
- Measures both the financial return and the impact on society/the environment



The 'Impact Economy'

Building an evidence base

The Institute's goal is to make evidence and data around impact investing more accessible so that investors feel confident to pursue a long-term impact investing strategy. That is why we are building an evidence base of impact investing opportunities in the UK and emerging markets that looks at risk and return as well as impact profiles across asset classes:

Place-based Impact Investing: We have developed an evidence base for place-based impact investments; a framework for measuring and reporting place-based impact investing; and a critical review of existing institutional asset management models – as well as recommendations for growing the place-based impact investing 'market'.

Social Housing: We have helped to establish the [Sustainability Reporting Standard for Social Housing](#), which has close to 100 organisations signed up as either early adopters or endorsers. We have also been working on a financial analysis of the UK social housing sector to demonstrate the positive role it can play in a diversified portfolio that seeks to achieve strong and stable risk-adjusted returns.

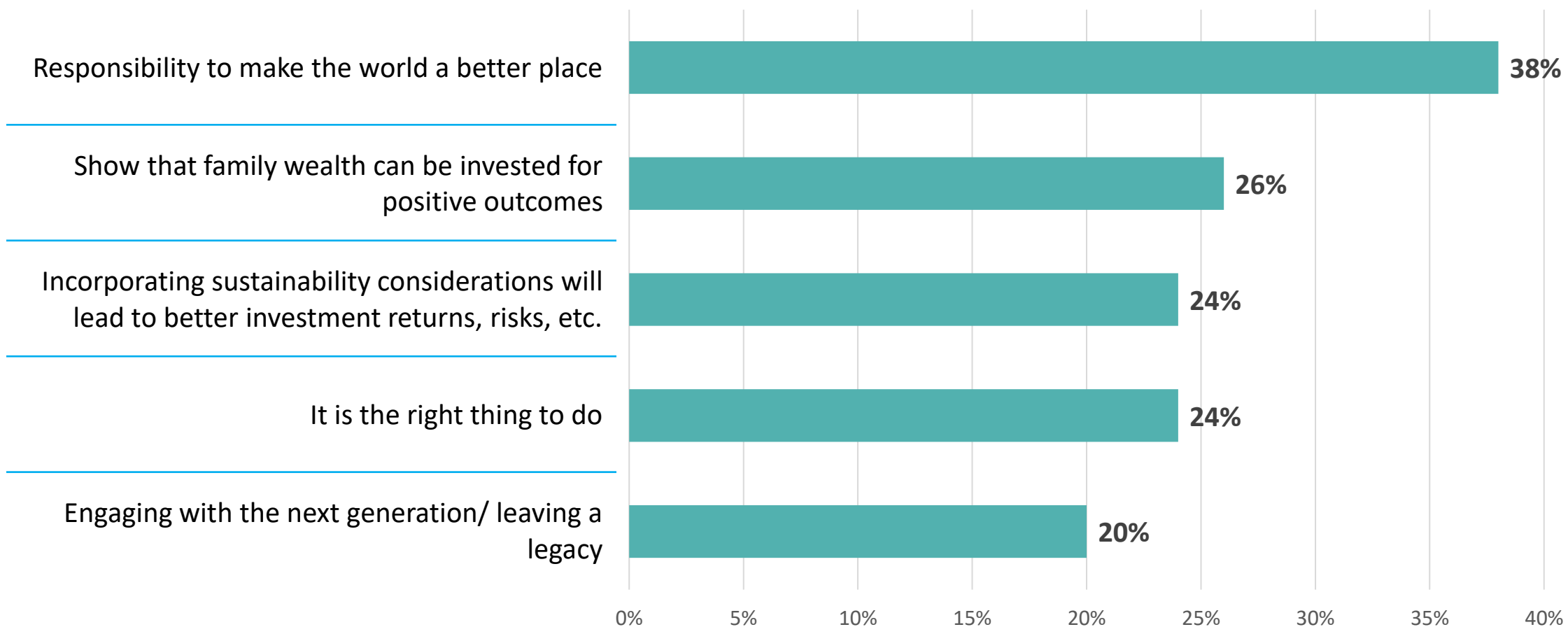
Impact Investing Opportunities in Emerging Markets: In partnership with Dalberg Advisors, the Impact Investing Institute has developed a set of case studies of investments in emerging and frontier markets made by institutional investors including pension funds. The case studies cover multiple asset classes, themes and geographies, including emerging and frontier markets in Africa, Asia and other global regions.

Impact of underlying assets / enterprises

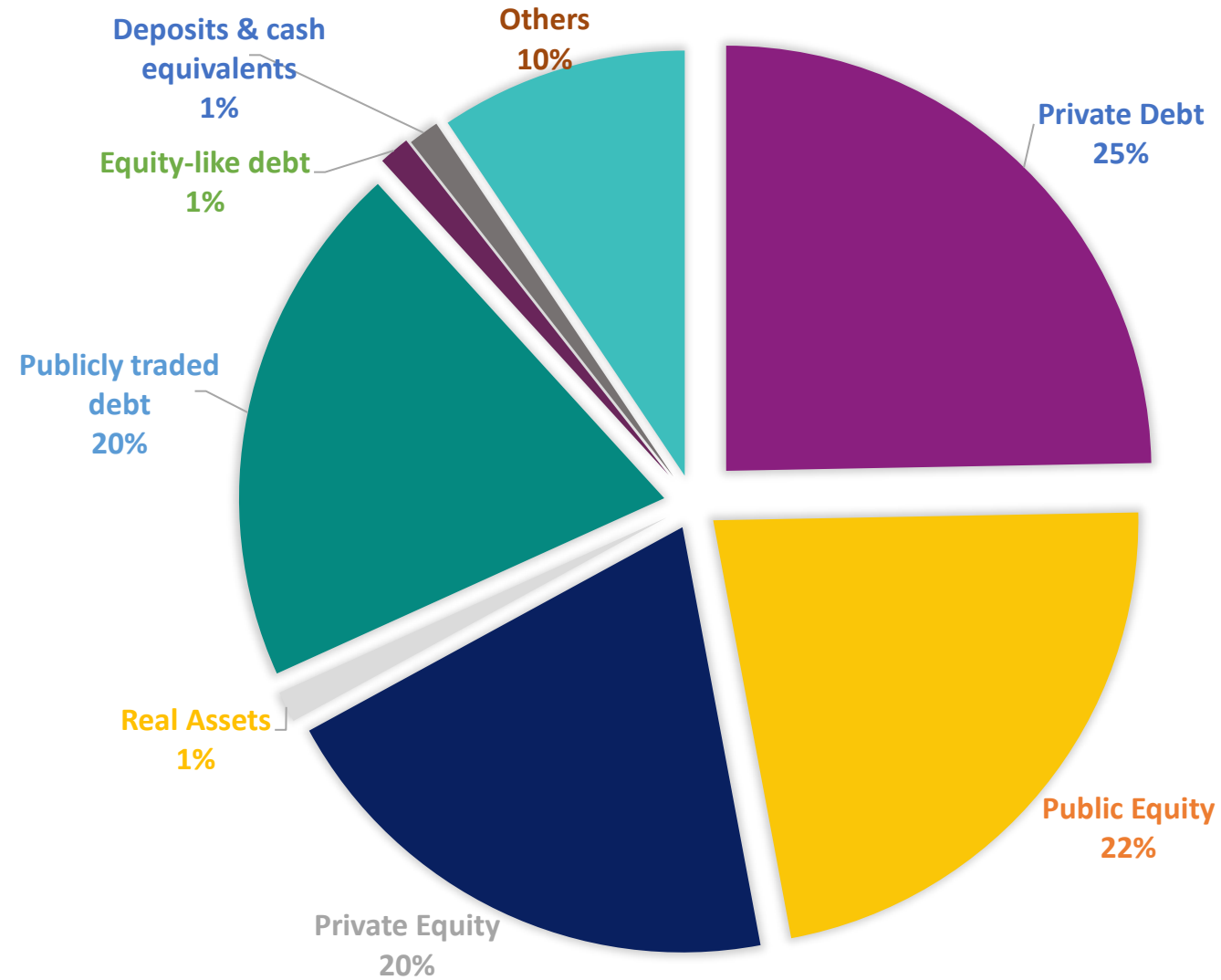
	Act to avoid harm			
		Benefit stakeholders	Contribute to solutions	
Investor's contribution	Signal that impact matters + Engage actively + Grow new/undersupplied capital markets + Provide flexibility on risk-adjusted return	1 E.g. Ethical bond fund	E.g. Positively-screened / best-in-class ESG fund	E.g. Sovereign-backed bonds (secondary market) funding vaccine delivery to underserved people or renewable energy projects
	Signal that impact matters + Engage actively + Grow new/undersupplied capital markets + Provide flexibility on risk-adjusted return	2 E.g. Shareholder activist fund	E.g. Positively-screened / best-in-class ESG fund using deep shareholder engagement to improve performance	E.g. Public or private equity fund selecting and engaging with businesses that have a significant effect on education and health for underserved people
	Signal that impact matters + Engage actively + Grow new/undersupplied capital markets + Provide flexibility on risk-adjusted return	3 E.g. Anchor investment in a negatively-screened real estate fund in a frontier market	E.g. Positively-screened infrastructure fund in a frontier market	E.g. Bond fund anchoring primary issuances by businesses that have a significant effect on environmental sustainability, access to clean water and sanitation
	Signal that impact matters + Engage actively + Grow new/undersupplied capital markets + Provide flexibility on risk-adjusted return	4 <i>Investment archetype not widely observed</i>	E.g. Positively-screened private equity fund making anchor investments in frontier markets	E.g. Private equity fund making anchor investments in businesses that have a significant effect on income and employment for underserved people
	Signal that impact matters + Engage actively + Grow new/undersupplied capital markets + Provide flexibility on risk-adjusted return	5 <i>Investment archetype not widely observed</i>	<i>Investment archetype not widely observed</i>	E.g. Below-market charity bonds, or an unsecured debt fund focused on businesses that have a significant effect on employment for underserved people
	Signal that impact matters + Engage actively + Grow new/undersupplied capital markets + Provide flexibility on risk-adjusted return	6 <i>Investment archetype not widely observed</i>	<i>Investment archetype not widely observed</i>	E.g. Patient VC fund providing anchor investment and active engagement to businesses that have a significant effect on energy access for underserved people

Investors have personal and financial motivations

What are your primary motivations for engaging in impact investing?



Global Impact Investment by Asset Class

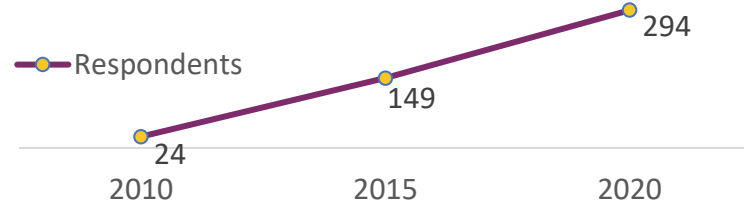


Source: GIIN 2020 Annual Impact Investor Survey

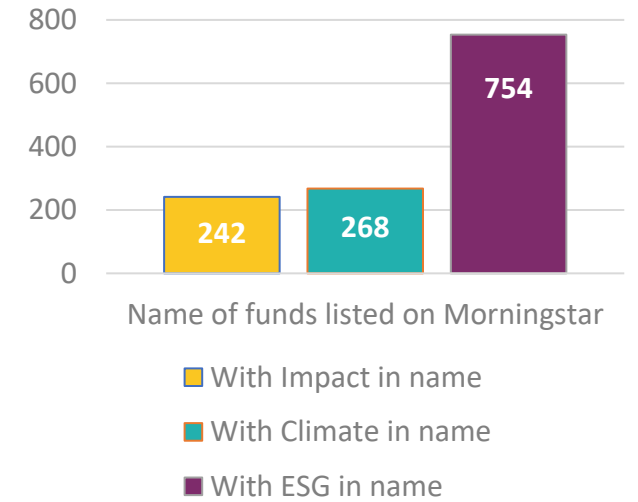
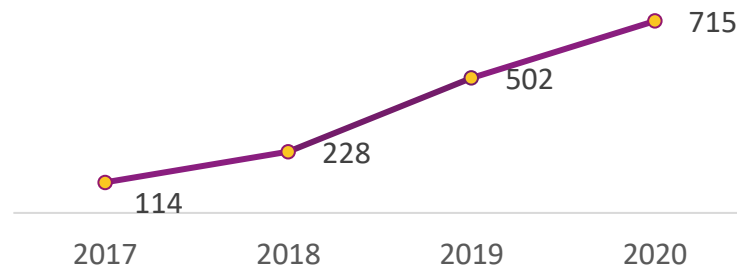
To avoid double counting only directly invested capital is included; assets invested by pension funds through intermediaries are not reflected in the data.

The growth of the impact investing market

GIIN Annual Impact Investing Survey



Impact investing market size (\$bn, GIIN estimate)



POLL 2: Do you think impact investment is worthwhile?

a. Yes, it has real value

b. No, it distracts from the purpose of investment, which is to generate financial return

c. No, it leads to "green washing" or other unintended consequences

d. Only in a limited and specific way



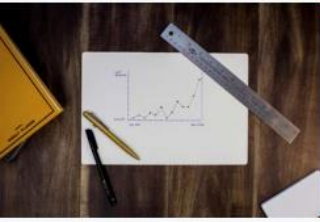
Introduction to impact investing



The purpose of impact investing



The impact investing market



Impact measurement, management and reporting



Impact investment thesis, strategy and portfolio management



Impact investment sourcing and due diligence



There are some challenges...

- Lack of **skills and knowledge** about impact investing
- A need for harmonization of **global reporting standards**
- Ensuring the integration of **social and environmental factors**

Example – Green Jobs Challenge Fund

- The Fund will serve environmental charities and public authorities to create and protect 5,000 jobs in England. The jobs will focus on improving the natural environment. Fund size: £40m.

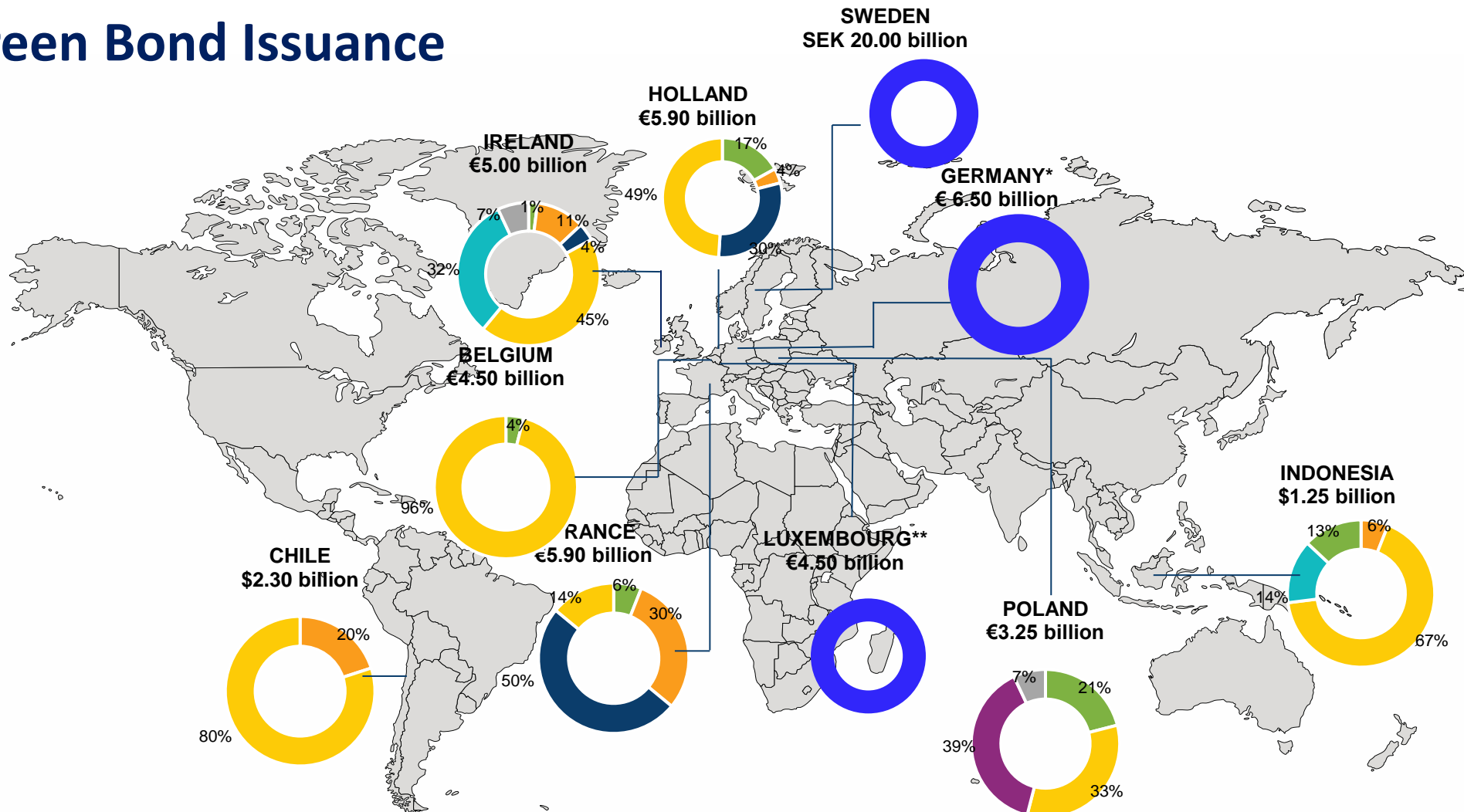
Social Co-Benefit		Example KPIs			
Social Co-Benefit (SBP)	Target Population	Project-level Indicator	Data Source	Benchmark (by industry and/or geographic area)	Data Source
Employment generation	Economically underperforming regions	Job creation: Number of jobs created and/or retained	Company data	Employment / unemployment rate	ONS - Regional labour market statistics / Workforce jobs by region and industry
		Job security: Number of zero hours contracts / Number of temporary contracts	Company data	Number of temporary workers contracts	ONS - Temporary employees / zero hour contracts
		Job quality: Average wage	Company data	Average wage	ONS - Regional labour market statistics
Socioeconomic advancement and empowerment	People and communities who have traditionally faced the highest barriers to entry (e.g., Jobseekers, particularly low qualified and unqualified)	Upskilling: Number of workforce in job-related education or training	Company data	Employees participating in job-related education or training	ONS - Training received / Participation rates / training characteristics
		Inclusion of disadvantaged communities: Number of young people employed	Company data	Young people employment level	ONS - Regional labour market: Estimates of employment by age
		Inclusion of disadvantaged communities: Employees with BAME background	Company data	BAME employment level	ONS - Labour market status by ethnic group
		Inclusion of disadvantaged communities: Number of workforce with a disability	Company data	Disability employment level	ONS - Labour market status of disabled people



And many opportunities...

- Technological facilitation of investment opportunities, reporting and stakeholder engagement
- Significant global policy and regulatory shifts
- The growing recognition of the need for a 'Just Transition' to a net-zero carbon economy

Global Green Bond Issuance



- Renewable Energy
- Energy Efficiency
- Climate Mitigation
- Transport
- Water & Waste
- Sustainable Agriculture
- Other
- Total allocation (% per category not known)

***Categories:** Green Buildings, Energy Transition, Low Carbon Transport, Protection of the Environment, Water and Wastewater Management, Climate Finance and R&D, Access to Essential Services (Healthcare, Education, Social Inclusion), Affordable Housing, Employment Generation and Socioeconomic Advancement and Empowerment

****Categories:** Transport; International Cooperation; Research, Innovation and Awareness Raising; Energy and Industry; Agriculture, Forestry, Natural Landscapes and Biodiversity

**Get in
touch**

General: Info@impactinvest.org.uk
Speaking Opportunities / Media Enquiries: comms@impactinvest.org.uk

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Thank You For Listening



Forthcoming Events

- Wed, 30 Jun (11:00-11:45) Fraud & Pandemics From The Spanish Flu To The Present
- Wed, 30 Jun (16:00-16:45) Why AI Needs Another "AI" - Anthropology Intelligence
- Mon, 05 Jul (16:00-16:45) The Psychology Of Seduction
- Thu, 08 Jul (15:00-15:45) Focus On British Virgin Islands
- Tue, 13 Jul (11:00-11:45) Esop Sofa: Hot Topics In Employee Share Ownership
- Wed, 14 Jul (15:00-15:45) The Nifty Fifty: The True Story Behind The Infamous Stock Market Bubble

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