



Impact Report for 2019-20



# Putting capital to work for people and the planet

Launched in November 2019, the Impact Investing Institute is an independent, non-profit organisation, which aims to grow and improve the effectiveness of the impact investing market, both in the UK and internationally. As the world faces some of the biggest challenges it has ever seen, we reflect here on the work of the Institute in its first year, the impact it is already having and our ambitions for the future.

As Chief Executive, I wanted to start by saying a huge thank you to all those who have supported us during a fairly turbulent first year. It is clear that the world in which we used to operate will be very different after the events of 2020, and we are very grateful to our founding supporters

across government and the private sector for enabling us to start delivering change during it.

Like many other organisations, we made efforts to respond to the devastating human and economic costs of the coronavirus pandemic on communities around the world. Our main focus was to help more money reach those most in need.

We supported Social Investment Business, Big Society Capital and others on the launch of two emergency lending facilities aimed at providing much-needed finance to charities, social enterprises and small businesses in disadvantaged parts of the UK; all vital in providing services to those hit hardest, like the elderly, victims of domestic violence, or children living in poverty.



Sarah leads the Institute's team and works closely with the Board, the Advisory Council and external stakeholders to deliver the Institute's strategy. She is also in charge of the Institute's policy and advocacy work around green+ sovereign bonds, impact reporting and social investment.

Before Sarah was appointed CEO of the Impact Investing Institute in July 2019, she was Business Editor at the Financial Times, where she worked for 18 years. Prior to working at the Financial Times, Sarah worked in emerging markets fund management for Citigroup's asset management business and at Foreign & Colonial Emerging Markets, where her role included reviewing political and economic events, and producing analysis of the global economy. She started her career working for the UN Conference for Trade and Development's debt management programme in Geneva.

Sarah is a non-executive director of Social Finance, a Companion at the Chartered Management Institute and a Visiting Professor at the Global Institute for Women's Leadership at Kings College London. She was also formerly a trustee of CSV, one of the UK's largest volunteering charities.

We also worked on several projects focused on raising awareness and education levels about impact investing, improving reporting standards, as well as policy initiatives. These included setting up a regular events and engagement programme, working on sustainability standards for social housing in the UK, running a consultation with the pensions industry, and publishing a joint proposal on a green+ sovereign bond to scale up the UK's drive to a net-zero carbon economy with well-defined social and economic benefits.

As it becomes clear that the impact of the pandemic will be felt for years to come, it has served to remind us and others of the importance of the work the Institute is undertaking with your support. As the world changes, so will the demand for more transparency, more accountability and a better use of the world's resources if we are to contribute to solutions to the social, environmental and economic challenges we face in the UK and globally.

Driven by this reinforcement of the importance and urgency of our work and thanks to your funding and support, we are able not only to continue, but to accelerate, our work. I am really proud of the achievements of the team, who have adapted to new ways of working and whose energy and determination to deliver our ambitions for our first year has not been hampered. I would also like to thank the Board and our Lead Experts for their generous pro-bono support and expertise in guiding us through the year.

We continue to learn and develop but I am in no doubt that this year has given us a good start on the journey to improve lives through investing to create a positive impact.

A handwritten signature in black ink, appearing to read 'Sarah', with a stylized, flowing script.

**Sarah Gordon, CEO**

# Contents

About us	4
Our impact	5
The spectrum of capital	8
Laying the path to green recovery	10
Making impact reporting more accessible	14
Pensions with impact	19
Place-based impact investment	25
Providing practical learning tools for impact investing	28
Our voice	32
People, culture and organisation	39
What is next	40
Our funders and supporters	44
A note from our chair	46







## About us

We are an independent, non-profit organisation, which brought together two influential initiatives: the Government's Taskforce for Growing a Culture of Social Impact Investing in the UK and the UK National Advisory Board on Impact Investing. Our core team works alongside a number of Lead Experts providing pro-bono specialist support in their fields of expertise.

Our Board and Advisory Council include senior leaders with extensive experience in the financial services industry, social investment, policymaking and the voluntary sector.

As a trusted partner on impact investing to finance professionals, social purpose organisations and policy makers, we collaborate with other organisations in our field to work on specific and relevant projects. We run a series of research, education and advocacy programmes designed to bring about the market conditions to enable impact investing to flourish.

We are part of a global network of National Advisory Boards, which together form the Global Steering Group for Impact Investment. The Institute works with investors from across the spectrum of capital, including pension trustees, asset managers, investment advisors, as well as individual savers.

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We run a series of research, education and advocacy programmes designed to bring about the market conditions to enable impact investing to flourish and we collaborate with other organisations in our field to work on specific and relevant projects.

## Our impact

The Impact Investing Institute's vision is for lives to improve, as more people choose to use their savings and investments to help solve social and environmental challenges, while seeking a financial return.

We want to accelerate the growth and improve the effectiveness of the impact investing market in the UK and internationally, so more capital contributes to the well-being of people and the planet - as set out in the United Nation's Sustainable Development Goals.

Everything we do is collaborative and guided by our values of inclusiveness, independence, and integrity. Our ability to deliver impact is supported by our strong networks across the financial service industry, the social sector and with policy makers.

The Institute's work programme and collaborations are based on our Theory of Change, which describes how we plan to achieve the change we want to see in the short-, medium- and long-term.



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Our focus is on creating the market conditions for big pools of capital, such as pension funds, to be mobilised with an intention to deliver positive impact. By doing so we challenge the common myth that investing with impact means sacrificing financial returns.

# Our Theory of Change





Since January 2020, we have completed an ambitious programme of work underpinned by our Theory of Change. We focus on five key areas of work to drive more capital to go where it is needed and where it presents opportunities for investors.

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



Awareness



Education

We increase competency in impact investing so **more investors incorporate impact into their investments.**

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



Research



Measurement,  
management &  
reporting

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

We enable policies and regulations that **support impact investing.**

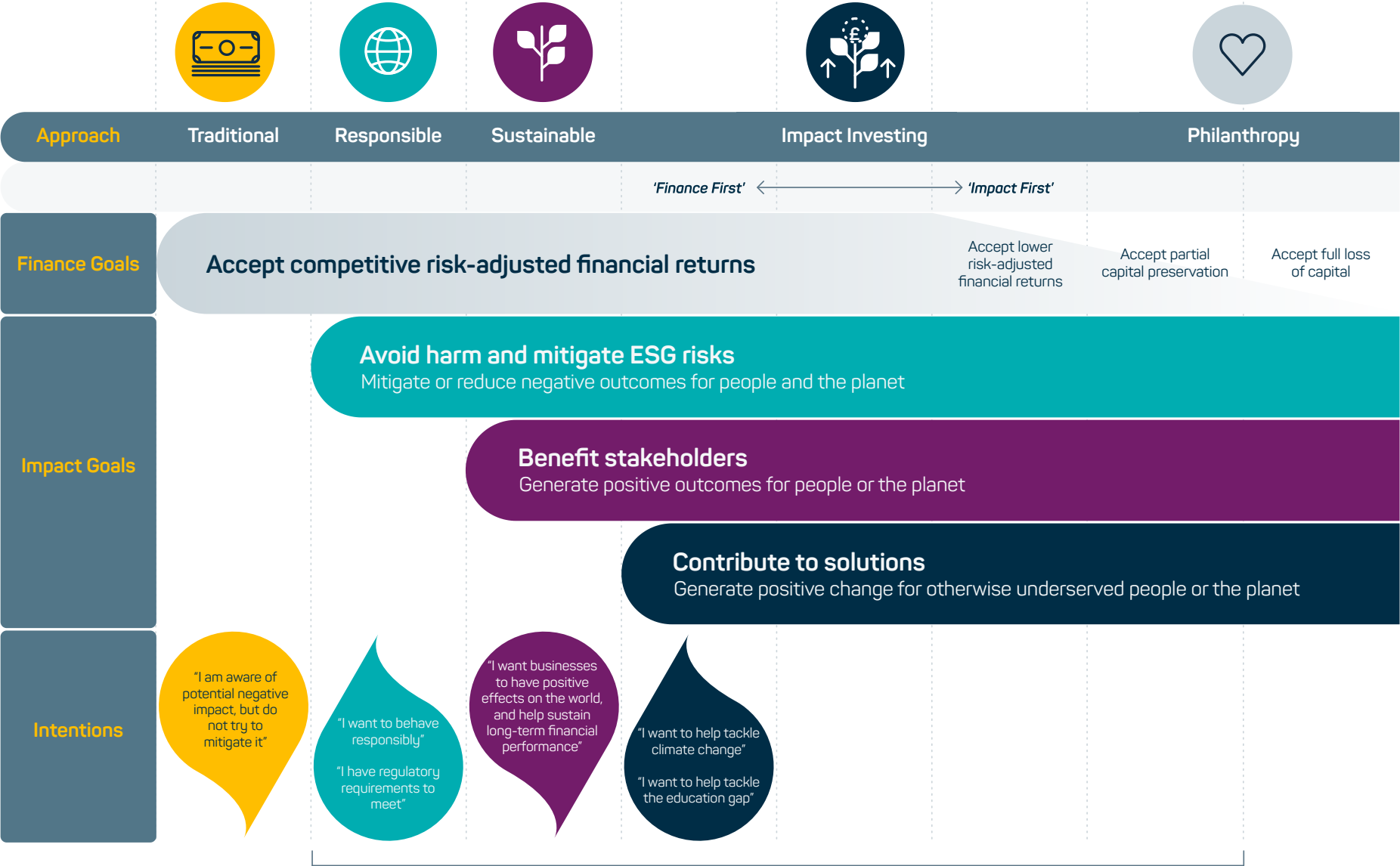


Policy &  
advocacy

We use these five key areas to guide our work and activities, endeavouring to ensure that everything we do enables our goal of improving people's lives, as more capital contributes to addressing social and environmental challenges.



# The spectrum of capital



Source: Bridges Fund Management and Impact Management Project.

We work across the spectrum of capital, which places impact investing in relation to traditional, responsible, and sustainable investing as well as philanthropy.

The spectrum, developed by Bridges Fund Management and the Impact Management Project, maps out the broad range of risk/return strategies that exist within sustainable and impact investing to explain how they relate to the capital markets more generally.

## **Delivering positive impact alongside a financial return**

The spectrum ranges from traditional investment on the one hand, to philanthropy on the other. Along it, there are a number of different strategies for investors to adopt, depending on their desired risk, return and impact profile. Impact investment builds on responsible and sustainable investment approaches, but also aims to benefit stakeholders and contribute to solutions, delivering positive impact alongside a financial return. Grant or concessionary capital can help leverage further investment capital.

## **Social investment**

Immediately after lockdown we worked with Social Investment Business and Big Society Capital on two emergency lending facilities for social enterprises, charities and small and medium-sized enterprises (SMEs) in disadvantaged parts of the UK.

Since January we have been working with a group of social investors and other social sector organisations convened by Nick Hurd, former Minister for Civil Society, to produce the case for the contribution of the social sector to the post-pandemic recovery of the UK. The case was used to inform Danny Kruger MP's report, "Levelling up our communities: proposals for a new social covenant", which the Prime Minister requested from him.

We continue to engage with professional business organisations, such as the British Chambers of Commerce (at national and local levels), and the CBI, to build stronger links between social enterprises and mainstream businesses, and to amplify the messages in our narrative.

We also contribute to global working groups and support initiatives that aim to increase the flow of capital to social enterprises globally, particularly in developing countries in Sub-Saharan Africa and Southern Asia. We also share our experience with our partners across the world – including through a webinar on supporting social enterprises, charities and SMEs in the context of the Covid-19 pandemic.





Policy & advocacy

# Laying the path to green recovery



As part of our policy and advocacy work and with the backing of a large group of leading investors and industry bodies, we developed a joint proposal for a UK Green+ Sovereign Bond, combining social with environmental impact.

The coronavirus pandemic has shown that we need truly resilient and sustainable systems that support our societies and economies so they can weather the effects of future ecological, social, and financial shocks. The need to address both the consequences of climate change and the social impact of a transition to a net-zero economy has never been more apparent.

## A joint proposal which gained wide support from investors

We developed our **proposal for a Green+ Gilt** in partnership with the Green Finance Institute and the London School of Economics' Grantham Research Institute on Climate Change and the Environment, and with input from fixed income market participants. The proposal gained the support of 40 leading asset owners and managers, representing more than £10 trillion in assets, as well as influential professional bodies. This strong endorsement demonstrates the growing investor demand for investments that help secure a net-zero carbon future, whilst taking advantage of the opportunities for society that such a transition represents.

## Why a just transition must underpin a green recovery

Our proposal emphasises the strategic potential for a sovereign bond to scale up the UK's drive to a net-zero carbon economy with well-defined social and economic benefits. It also set out how careful allocation of proceeds to

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The novel feature of the proposed Green+ Gilt is that financed projects would consciously deliver social co-benefits in addition to environmental outcomes, thereby contributing to a 'Just Transition'.

**Sarah Gordon, CEO**

the right projects could enable the government to demonstrate how environmentally sound investments can create high-quality jobs and contribute to “levelling up” regional inequalities in the UK, with local solutions targeting deprived areas and communities. This would help to ensure that the cost of the transition is not borne by those in society least able to afford it.

## Growing market demand for green finance vehicles with clear social and economic benefits

To demonstrate market appetite for this instrument, a think-in was held in September 2020 with a range of fixed income investment managers, which provided positive endorsement for our proposal. The addition of social co-benefits for each environmental project category was widely welcomed by the investors approached, with the focus on jobs and skills particularly well received.

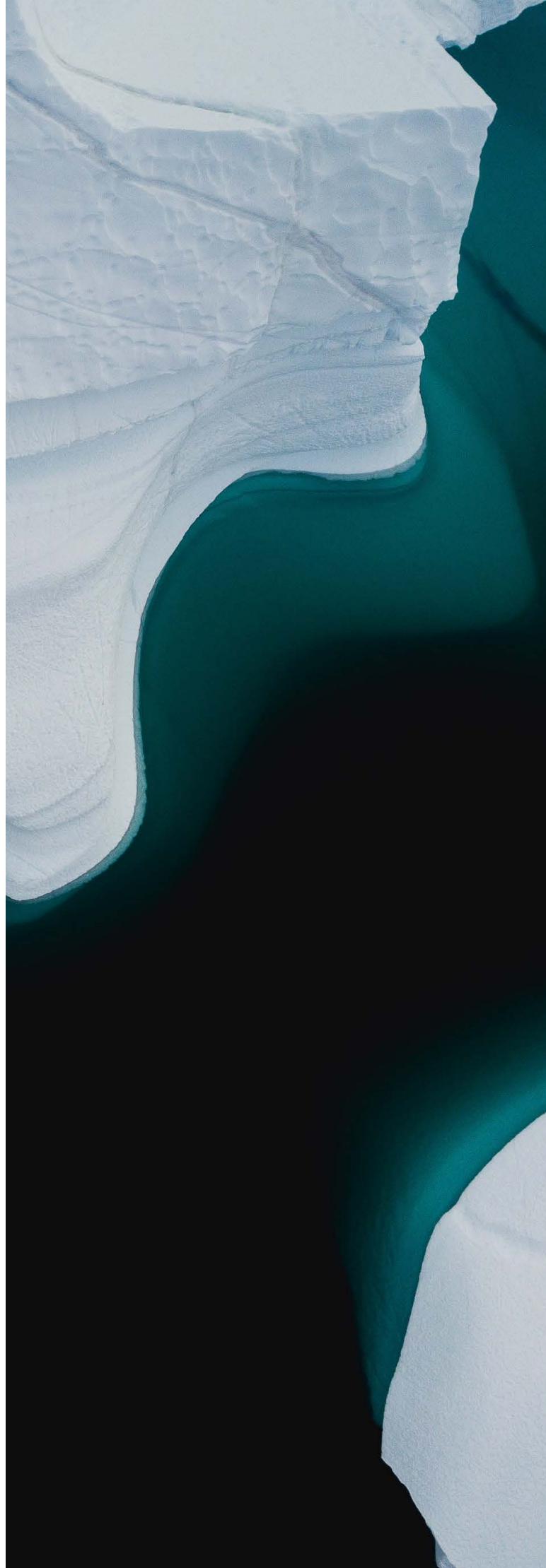




## The UK government's announcement to issue a series of green sovereign bonds

Our final proposal was presented to the UK government in early October with the support of the Lord Mayor, William Russell, Professor Lord Nicholas Stern, chair of the Grantham Research Institute and Emma Howard Boyd, chair of the Environment Agency. We engaged widely on the proposal with the relevant government departments and Members of Parliament and on Monday 9 October 2020, the Government announced its plan to issue the first of a series of green bonds in 2021. Whilst we were only one voice calling for a green gilt, we believe our proposal made an important contribution to the government's decision. This represents a significant step towards delivering plans to move towards a resilient, net-zero carbon economy that will bring a range of positive social benefits such as creating green collar jobs, boosting skills and regional revitalisation.

The Green+ concept has also gathered significant attention from international actors who are interested in potential applications outside the UK, including to finance a Just Transition to net zero in the world's poorest countries. We are currently working with our international partner organisations to adapt our Green+ proposal for global and emerging markets and will advocate for the deployment of Green+ financial instruments in forums such as the G7, G20 and COP26.





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As hosts of COP26, the world is looking to the UK as we continue to show leadership and ambition with regards to green finance. A Green+ Gilt, which so clearly aligns green investment with social and economic benefits throughout the UK, would provide such a globally important signal, whilst supporting the further development of a sterling green bond market here in the City of London.

**William Russell, Lord Mayor of the City of London**

You can find more information about our Green+ Gilt proposal and other areas of work on our website

[www.impactinvest.org.uk](http://www.impactinvest.org.uk)







Measurement,  
management & reporting

# Making impact reporting more accessible





Impact measurement, management and reporting are vital in reaching the Institute's goal of ensuring that more impact capital is going where it is needed and where it presents opportunities for investors. Together with our partners, we advocate with policy makers and regulators for the harmonisation of global impact measurement and reporting standards and their adoption in the UK.

Sustainability issues are critical to the future of the planet, the well-being of people and the prosperity of society. The number of consumers, investors and policy makers who want to see companies report transparently on the positive and negative impact of their business activities on the environment and society is rising rapidly.

## **Our vision for transparent, consistent, comparable reporting**

The lack of global impact reporting standards makes it difficult for companies to measure and report their impact in a consistent and comparable way, and for investors to hold them to account for this impact. The Institute's vision is for transparent, consistent, comparable reporting of environmental, social and economic outcomes, that reflect and drive progress towards a more inclusive, sustainable and prosperous world.

Currently, the Institute is engaging with policy makers and regulators in the UK, the EU and internationally, advocating for adoption of our recommendations on impact reporting, informed by the experience and views of reporting practitioners. A key part of this work will be recommendations for actions when the UK leads the G7 this year and hosts COP26 in November.



## What we have done to achieve our vision of transparent, consistent, and comparable reporting

We helped establish a **Sustainability Reporting Standard for Social Housing**, informing a sector-standard approach for Environmental, Social and Governance (ESG) reporting in UK social housing.

1

2

We supported the global convergence and increased adoption of high-quality standards for measurement, management and reporting of environmental and social outcomes through our engagement with policy makers and regulators, including via responses to key consultations from the UK Government, European Commission, CFA Institute and International Financial Reporting Standards Foundation.

We advocated for the introduction of a mandatory Public Interest Statement to enable organisations to report on their positive and negative impact and proposed the launch of a 'good practice' public interest reporting initiative.

3

4

We highlighted that significant action from keystone players is needed to advance impact reporting practices, in a **report on technology-enabled impact reporting practice** across the investment chain, in partnership with Deloitte.

We collaborated with the Impact Management Project, the leading forum for building global consensus on how to measure and manage impact, on the publication of a **paper on social and environmental outcomes reporting**, which sets out a series of recommendations to policy makers and regulators.

5







## Our contribution to making social housing more attractive for private investment

We have helped to develop a Sustainability Reporting Standard for Social Housing that can be used to boost flows of socially responsible investment in social housing.

Amplified by the current pandemic, the need for more social housing and affordable homes remains one of the top concerns for many people in the UK. There is no doubt that there is a crisis in the supply of genuinely affordable homes in the UK. “Access to adequate, safe and affordable housing” is a core target for Sustainable Development Goal (SDG) 11, Sustainable Cities and Communities.

### Attracting more private capital

The UK’s social housing sector relies on private capital to meet the need for more high quality, affordable housing. However, for housing providers to attract more private investment, it is vital that capital is aligned to both the financing needs of the sector and the delivery of positive social and environmental outcomes.



The Institute worked with a range of partners, led by The Good Economy, to develop a **Sustainability Reporting Standard for Social Housing**, with a final version published in November 2020. The Standard makes it easier for housing providers to report on their environmental, social and governance (ESG) performance in a transparent, consistent and comparable way and attract more private impact capital to help tackle the UK's deepening housing crisis.

The standard was developed as part of a wide-ranging consultation process that included feedback from 400 organisations, including housing associations, investors, trade bodies, financial experts and tenants' and residents' representative groups. To date, more than 70 lenders, investors and social housing providers have signed up as 'early adopters' of the standard and a number of other organisations have endorsed it.

## A wide commitment to the Standard

Housing associations have committed to reporting against the standard on an annual basis, while lenders and investors have committed to using the standard in their investment and credit policies, processes and/or product design. A new governance body is being set up to manage and monitor these standards.

It is understood that social housing is the first UK sector to come together with lenders and investors to create a common sustainability reporting standard. The standard offers a blueprint to other sectors where a plethora of ESG reporting frameworks fuels inconsistency and a lack of transparency.







Awareness

# Pensions with impact



Many pension schemes want to take action to reduce the negative impacts of their portfolio, and to generate positive impacts, through investments which also provide financial opportunity.

But research shows that lack of awareness about impact investing among pension schemes is one of the main reasons why they do not actively pursue impact as part of their investment strategy. We are addressing that gap through a targeted engagement programme with UK pension schemes, which represent a large and growing pool of capital that can have a significant positive impact on the well-being of people and the planet.

Together with leading practitioners, we have developed **Impact Investing Principles for Pensions**, which provide practical guidelines on how pensions can pursue an impact investing strategy.

We want to make it easier for investors to embrace the opportunities offered by impact investing and to integrate these into their investment decisions.

## Debunking common myths about impact investing

One of the Institute's top priorities is debunking the myth that impact investing means sacrificing financial returns, which is a common misconception among pension trustees and advisors who are understandably concerned about their fiduciary duties.

We provide pension trustees, advisors, asset managers, lawyers and policy makers with evidence, in both the UK and emerging markets, showing that competitive risk-adjusted returns

**1% of pension savings across the 37 OECD countries represents US \$320 billion**

and impact investing can go hand in hand, thus building awareness of and confidence in impact investing. We are also developing case studies that provide concrete examples of impact investments made by pension schemes, in the UK and globally. With the generous sponsorship of Barnett Waddingham, we also produced a short **explainer video** debunking the most common myths about impact investing that we use in our engagement with many of the UK's largest pension schemes, as well as investment consultants and policy makers.

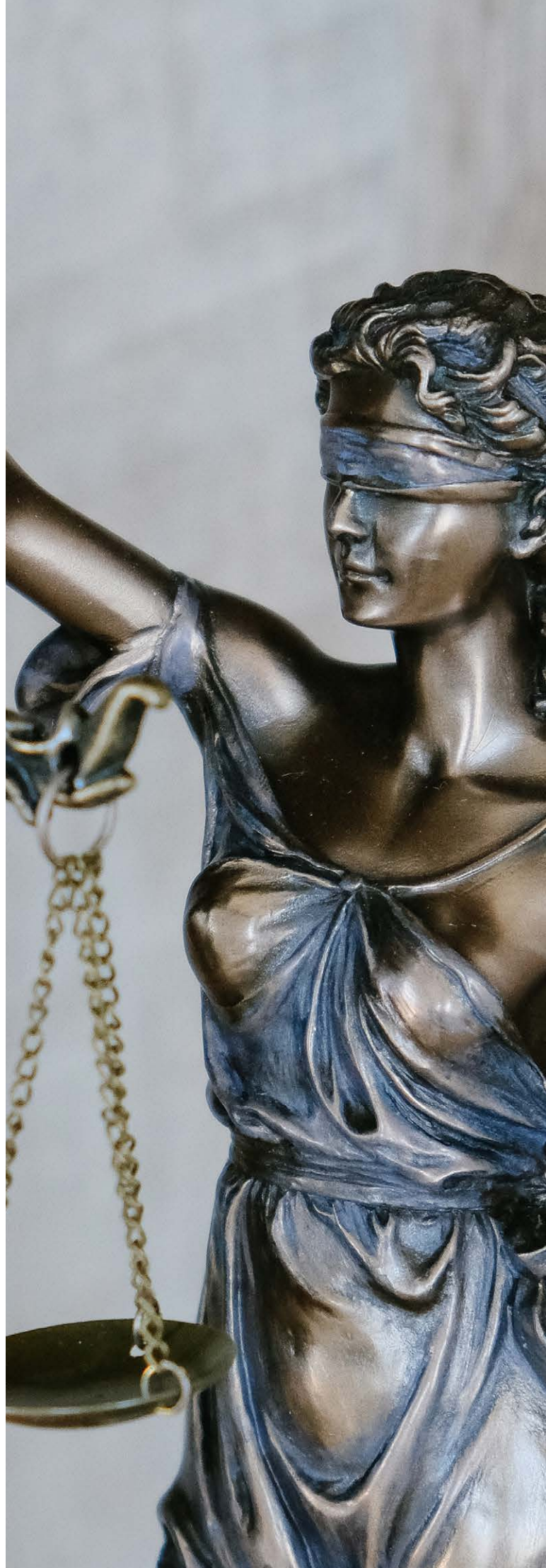


## Empowering pensions to adopt an impact investment strategy

Following an extensive consultation across the pensions industry, in partnership with Pensions for Purpose, the Impact Investing Institute launched its Impact Investing Principles for Pensions in November 2020. The Principles are designed to help pension schemes navigate and respond to the significant shift in understanding of risks and opportunities. Our goal is to get as many pension schemes as possible to actively use our Principles to guide their investment decisions and sign up to them as Adopters and Supporters, as part of the **Impact Investing Adopters Forum**, a peer support network.

The Principles are for trustees, local government pension scheme (LGPS) committee members, advisors and in-house investment teams across the full spectrum of pension schemes. However, we also recognise the significance of the role played by investment consultants, fiduciary managers, who advise pension trustees on adherence to their fiduciary duty principles, and asset managers in enabling the implementation of these Principles.

The Principles are based on a **legal paper**, produced by five City law firms on the Institute's legal panel, that addresses the compatibility of pension scheme trustees' investment duties and impact investing, a common concern among pension professionals.



## Making impact relevant for every stage in the investment chain

The Principles provide an accessible introduction to impact investing and the concrete steps pension schemes can take to pursue an impact investing strategy at every stage in the investment chain – from how pension schemes can put in place objectives and set an implementation framework, to how to hold investment consultants and managers to account, to how to report on what is being achieved through a balanced measurement framework. They have been written in consultation with the full breadth of representatives across the pensions landscape for whom they are designed.

The Principles represent a dynamic template given that impact investing is an evolving area, and they will be updated based on what we learn and develop from the Impact Investing Adopter's Forum as well as other initiatives and partnerships.

## Why pension schemes should use our Principles

Society generates negative impacts which pose systemic risks to the broader economy, such as carbon emissions, biodiversity loss and other environmental damage, and poor governance. But social impacts can also be material to a company's ability to create financial value as we find more efficient and effective ways of living in a sustainable world. That is why many pension schemes will want to consider what actions they can take to address both negative and positive impacts in their portfolio.

## Mitigating financial risks by considering impact

Financial risk mitigation plays a significant role as companies become more vulnerable to changes in societal attitudes, law, policy and practice as a result of their negative impacts. Investing in companies that are more resilient, future-fit and able to benefit from the shift towards more sustainable economies as a result of their positive impacts becomes a decision based on financial considerations rather than one based on values.

In 2019, for example, Britain's biggest auto-enrolment workplace pension provider Nest confirmed it will end its £40 million stake in the tobacco industry. The decision was financial: factors such as stricter global regulation, increasingly aggressive legal action by governments against the tobacco industry and falling global smoking rates led it to conclude that tobacco is now a poor long-term investment.

## The Institute's legal panel

Bates Wells

NORTON ROSE FULBRIGHT

TRAVERS SMITH



HERBERT SMITH FREEHILLS

Sackers





## Working towards a better future through impact investing

Impact investing can enhance the future of pension schemes and their members in the following ways:

Protect member benefits by helping pension schemes understand and respond to the negative and positive impacts of their portfolio on people and the planet.

①

②

Offer access to alternative investment options, such as green infrastructure, renewable energy or social housing, eased by the drive towards asset pooling in defined contribution (DC) schemes.

Meet the growing sustainability demands of members of DC pension schemes, highlighted by campaigns such as Make My Money Matter.

③

④

Limit defined benefit schemes' systemic risk exposure, by offering a route to better risk diversification and asset growth, and clearer mapping onto internationally agreed goals for the transition to a sustainable economy.





# Impact Investing: Principles for Pensions

1

## **Set impactful objectives:**

establish and incorporate 'impact objectives' as part of your pension scheme's statement of investment principles (SIPs) or policies, which can be explained to your members and are designed to serve the scheme's purpose.

2

## **Appoint investment consultants and managers with impact integrity:**

identify and appoint investment consultants who are aligned with your investment beliefs and objectives, and fiduciary and/or investment managers who can achieve your scheme's impact objectives through their investment and stewardship activities.

4

## **Manage and review your impact:**

monitor progress against your impact objectives by identifying relevant indicators and benchmarks, assisted by your investment managers.

3

## **Use your voice to make change:**

progress your impact objectives by formulating stewardship guidelines for your, or your investment manager's, voting and engagement activities.

If you are interested in becoming an adopter or supporter of the Principles, please email us at [pensions@impactinvest.org.uk](mailto:pensions@impactinvest.org.uk)







Research

# Place-based impact investment



Providing evidence on impact investing plays a vital role in encouraging investors to integrate impact into investment decisions and organisations to incorporate impact at the heart of their business models, as outlined in our Theory of Change. Together with The Good Economy and Pensions for Purpose, we have worked on a collaborative research project aimed at mobilising more flows of institutional investment to address place-based inequalities and support more inclusive and sustainable development across the UK.

## **Pandemic has amplified inequalities in the UK**

The pandemic has shone a light on the entrenched inequalities that exist between and within places and regions in the UK, from education and job opportunities to housing and health. The Public Health England report, Disparities in the risk and outcomes of Covid-19 (June 2020), noted that “people living in deprived areas have higher diagnosis rates and death rates than those living in less deprived areas”.

The most deprived areas of the UK spend nearly a third of their lives in poor health, compared with only about a sixth for those in the least deprived areas.

**There is a 19 year-gap in healthy life expectancy between the most and least deprived areas of England (NHS England)**

## **Encouraging investors to consider place-based investing opportunities**

Our vision for place-based impact investing is to enable a society that provides more equal and inclusive cities, towns and boroughs and to encourage mainstream institutional investors, like pension funds, to consider the opportunities presented by place-based investing, both with regards to financial return as well as to positive social, environmental and economic impacts in local communities across the UK.

The place you live should not dictate your chances in life and the UK government has made finding solutions to place-based inequalities a priority.

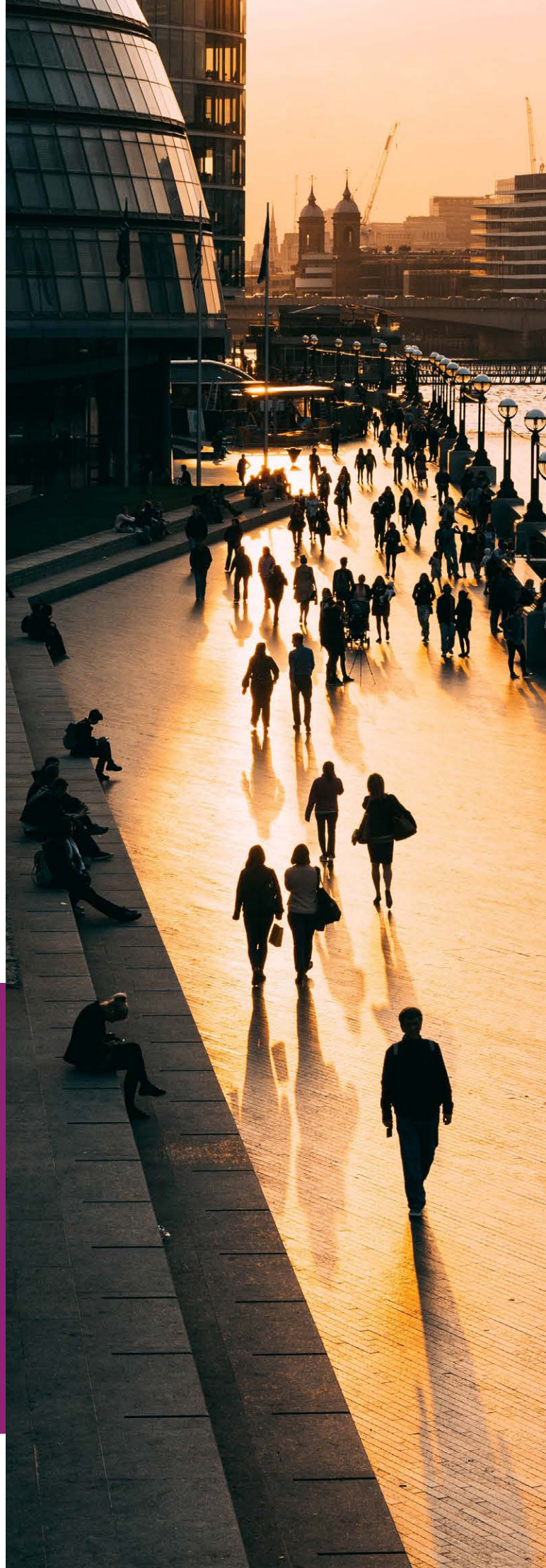
## Focus on three work streams

Thanks to the support of the Department of Digital, Culture, Media and Sport, the City of London Corporation and Big Society Capital, we have launched a collaborative project with The Good Economy and Pensions for Purpose to highlight the opportunities and develop mechanisms to increase flows of institutional investment, particularly local government pension scheme (LGPS) investment, into place-based impact investment. The project has three workstreams and combines a mix of quantitative and qualitative research, including extensive stakeholder consultation.

The Institute's placed-based investing project is a vital part of our wider goal 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 also 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.

### Three work streams:

1. Developing a conceptual framework for place-based impact investing measurement, management and reporting
2. Building the evidence base
3. Critical review of existing institutional asset management models







Education

# Providing practical learning tools for impact investing



Lack of knowledge about impact investing remains one of the main reasons for people not to consider impact in their financial decision-making process. As part of our efforts to increase competency in impact investing, we have created an open-source Learning Hub that helps individuals and organisations to build their knowledge of and skills in impact investing so that they can integrate it into their work and investment decisions.

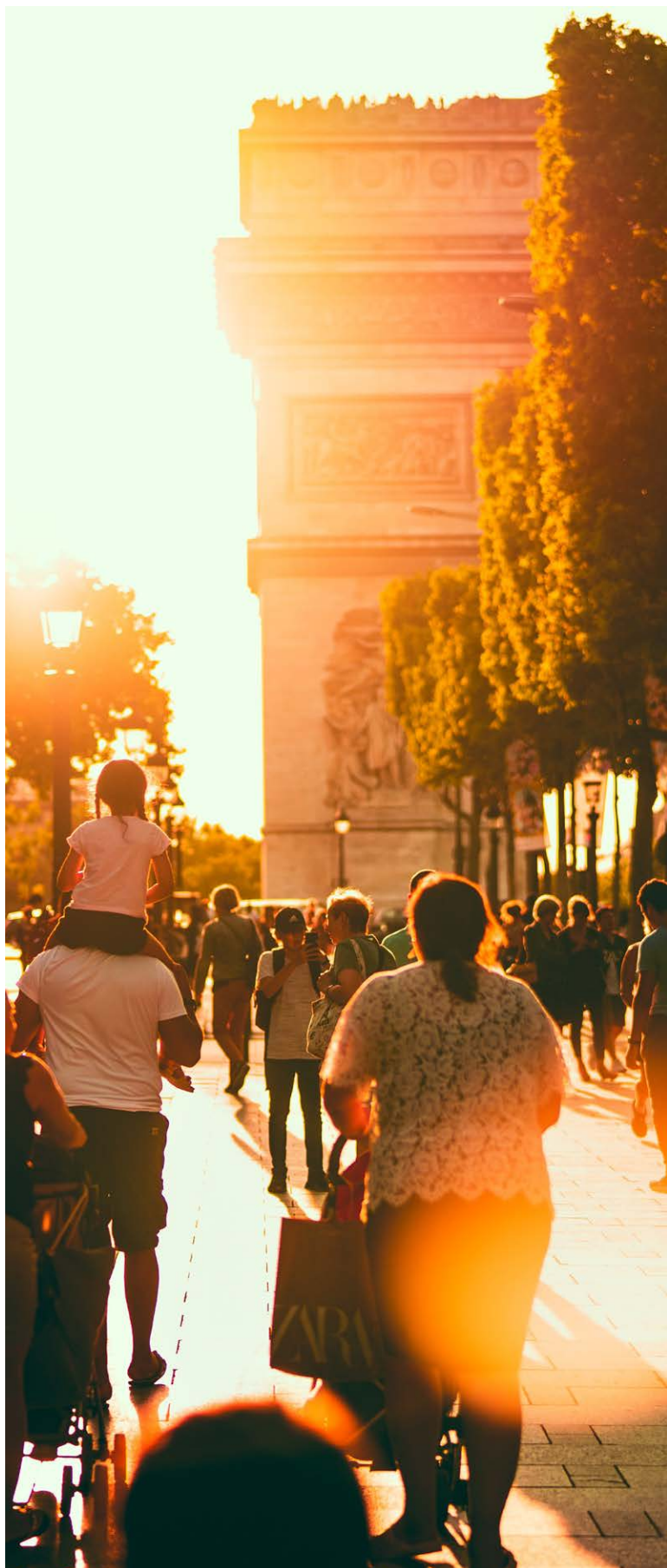
## Developing an Impact Investing Learning Framework

While impact investing is a growing and increasingly important field, it has not yet reached its full potential within mainstream finance. More awareness raising and education is needed for financial service professionals to make impact a core concern in their investment decisions.

We initially developed an **Impact Investing Learning Framework** to help providers of investment qualifications and training programmes integrate impact investing into their current qualification frameworks or develop new programmes for investment professionals.

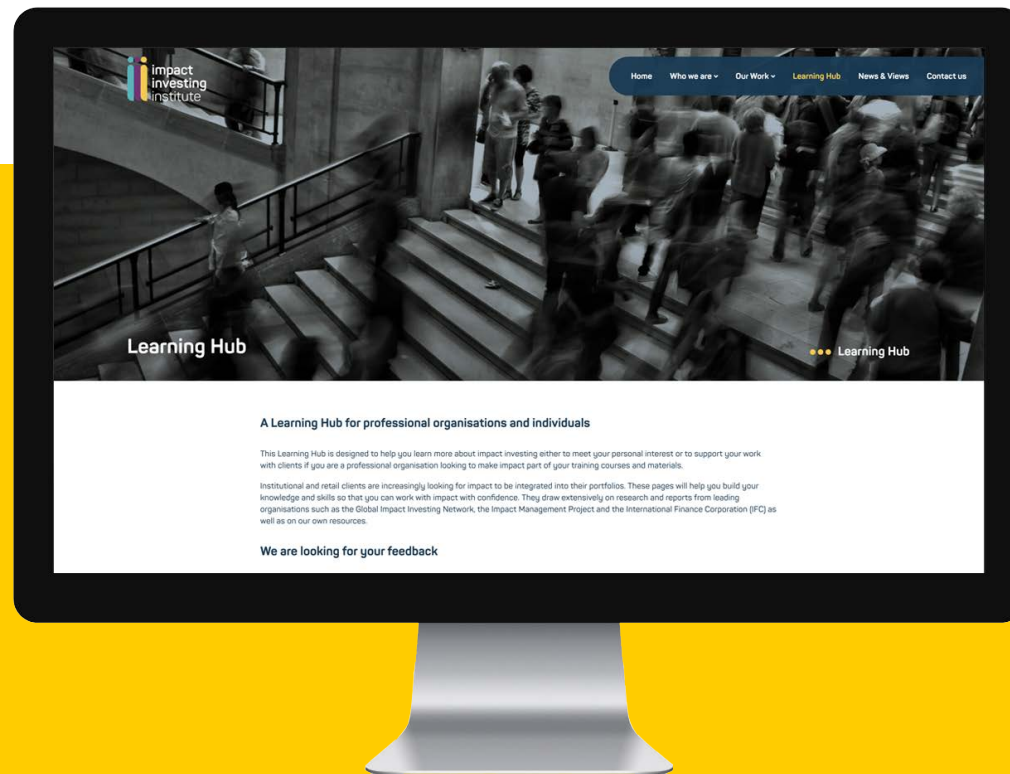
## Setting up a Learning Panel of impact investing professionals

We then set up a Learning Panel of representatives from across the impact investing sector, including Barclays, Aberdeen Standard Investments and Bridges Fund Management, who endorsed the final draft of the framework and supported our consultation with selected partners and stakeholders (including the European Venture Philanthropy Association, the Impact Management Project, the Cambridge Institute for Sustainability Leadership, Said Business School, GSG and The Global Impact Investing Network). Reed Smith, a member of our pro-bono legal panel, offered guidance on IP and copyright matters.



## Launching our online Learning Hub

The Learning Framework formed the basis of the Institute's **open-source online Learning Hub**, which is made up of six modules. Professional organisations can use the Learning Hub to make impact part of their training courses and materials, while individuals are able to use it to build up knowledge in their areas of interest in impact investing so that they can integrate it into their work and investment decisions. Resources featured on the hub are reviewed and expanded on a regular basis.





# Six Modules of the Learning Hub

Whether you want to find out more about the purpose of impact investing, how impact is measured, managed and reported or the impact investing market – our Learning Hub is the best way to start your impact learning journey.



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





Awareness

# Our voice



As a trusted partner on impact investing to finance professionals, social purpose organisations and policy makers, the Institute has an important role to play in increasing awareness and sharing best practice. We have the power to inform, debunk myths and increase understanding of impact investing so that we can reach our goal of improving people's lives as more capital contributes to addressing social and environmental challenges.

## Strength in collaboration and a strong network

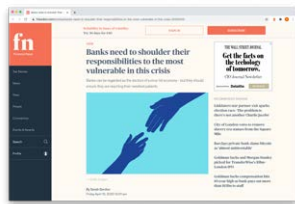
Everything we do is collaborative and guided by our values of inclusiveness, independence and integrity. Our ability to deliver impact is supported by our strong networks across the financial services industry, the social sector and with policy makers.

## Reaching a wide audience across multiple platforms

Since our launch in 2019, we have published 28 articles and press releases on our website, produced 18 publications, submitted five responses to consultations from UK and international standard setters and industry and government bodies and gained 346 mentions in the media reaching an audience of 1,057,836,000. The Institute and its work were featured in print, online, radio and TV media covering topics from the impact of the coronavirus pandemic, to fiduciary duty and the power of pensions, to standards for impact reporting. The Institute is fast becoming the 'go-to' organisation for comment on all issues around impact investment.



## Our top 5 media picks



**Banks need to shoulder their responsibilities to the most vulnerable in this crisis**, by Sarah Gordon



**Letter: Sustainable investment is possible under the rules**, by Tony Burdon, Sarah Gordon and Catherine Howarth



**Why busting the fiduciary duty myth is our top priority**, by Sarah Gordon

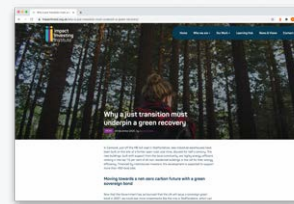


**Investors back call for Britain to issue 'Green +' gilts**, by Reuters



**How the pandemic drove financial innovation**, by Sarah Gordon

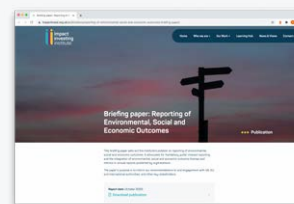
## Our top 5 publications and blogposts



**Why a just transition must underpin a green recovery**



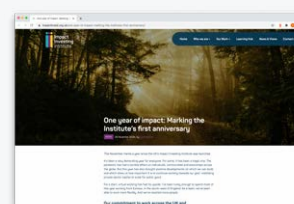
**Pensions - Supporting pensions to invest with impact**



**Environmental, Social and Economic Outcomes**



**Technology-enabled impact reporting practice across the investment chain**



**One year of impact: Marking the Institute's first anniversary**







## A Global Voice

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Solutions can't be national; they have to have to be global. We're building the power of the impact investment network.

Sarah Gordon

### Our Knowledge Exchange Series

Following a successful pilot held in May, we launched our Knowledge Exchange Series - roundtable events with National Advisory Boards (NABs) for impact investment in different countries around the world. The virtual events provide a platform for mutual learning and practical knowledge sharing between NABs to help strengthen impact investing markets globally.

Topics covered this year included organisational governance and sustainability, understanding the market-building needs of investors, as well as working with policymakers on responding to the impact of the coronavirus epidemic on social enterprises, charities and SMEs.

While the roundtables are open to NABs only, we publicly share a summary of each discussion on our website.

### Global partnerships

We are delighted to partner with global NABs, including those based in Sub-Saharan Africa and Southern Asia, as well as market-building organisations such as the African Venture Philanthropy Association and the Global Steering Group for impact investment (GSG).

The Institute plays an active membership role within the GSG, participating in global meetings, consultations and calls, providing input to GSG newsletters and contributing to several thematic working groups coordinated by the GSG.

We also supported the World Benchmarking Alliance (WBA) in their stakeholder engagement with UK actors and in developing the conceptual framework for the WBA's upcoming financial system benchmark, which will assess the world's 400 most influential financial institutions on their contribution to the achievement of the Sustainable Development Goals (SDGs). In October 2020 we co-hosted the WBA's UK consultative roundtable for the benchmark, alongside the City of London Corporation.





## Our engagement with government, regulators and policy makers

The Institute continues to lend its voice to support the creation of an enabling policy and regulatory environment for impact investing. We do so through communicating with and making recommendations to government, regulators and other policy makers, and through responding to consultations and other relevant developments and initiatives.

With the support of Herbert Smith Freehills LLP and Reed Smith, the Impact Investing Institute has responded to a range of consultations, making the case for the global convergence and increased adoption of high-quality standards for measurement, management and reporting of environmental and social outcomes. These included the European Commission's consultations on the review of the Non-Financial Reporting Directive and Renewed Sustainable Finance Strategy; the European Securities and Markets Authority's (ESMA) consultation on the Sustainable Financial Disclosure Regulation; the CFA Institute's consultation on ESG Disclosure Standards for Investment Products; and the IFRS Foundation's Consultation Paper on Sustainability Reporting.

We also submitted a letter to the Government's Department for Business, Energy and Industrial Strategy audit inquiry, supporting the introduction of a mandatory Public Interest Statement (as per the Brydon Review from December 2019 on the quality and effectiveness of audit to the Secretary of State) and proposing the launch of a 'good practice' public interest reporting initiative to pave the way towards legislation for more transparency on social and environment impact in corporate reporting.





## A space to talk

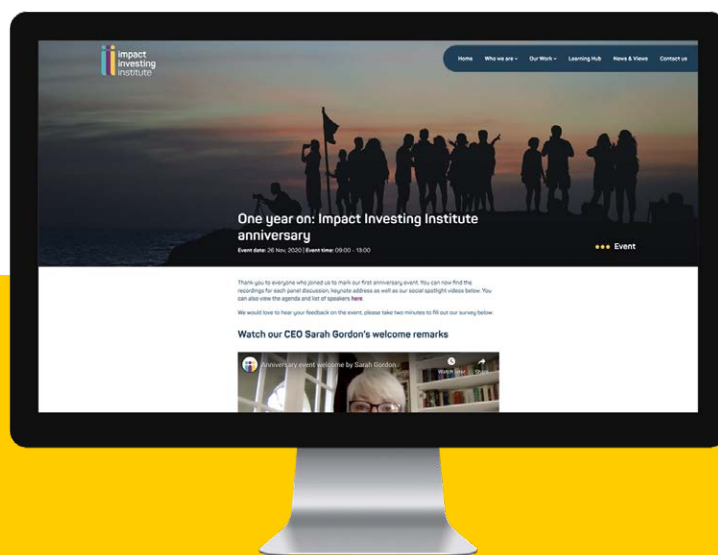
Lockdown forced us to get going on our events programme earlier than anticipated, and we delivered 11 webinars in 2020. These virtual events allowed us to introduce our work to more people and reach a more diverse audience, with better representation from individuals and organisations outside London and worldwide, including from emerging markets, than would have been the case with in-person events.

## Our first-year anniversary event

On 26th November 2020 we held our one-year anniversary conference to showcase the work the Institute has done over the last 12 months. We were extremely pleased to have such a strong line up of speakers such as Mark Carney, COP26 Finance Advisor to the Prime Minister,

Rosemary Addis, Executive Director of Impact Strategist and former Board member of the GSG, Guy Opperman, Minister for Pensions and Financial Inclusion, Diandra Soobiah, Head of Responsible Investment at NEST, Anne Richards, CEO of Fidelity International, as well as many other impact investing practitioners from around the world. We received great feedback on the event from our audience, in particular on the content being extremely engaging as a whole, but with a special mention of the short **social spotlight videos** featuring young entrepreneurs from around the world.

To make all content presented at the event accessible, we created a dedicated anniversary event page on our website which contains recordings of all of keynote speeches, panel discussion and other remarks.



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Impact investing can turn what can appear at first to be insurmountable challenges into tremendous commercial opportunities. That's what is happening at the moment with climate change, finally.

**Mark Carney, keynote speaker at the Impact Investing Institute anniversary event and COP26 Financial Advisor and UN Special Envoy**

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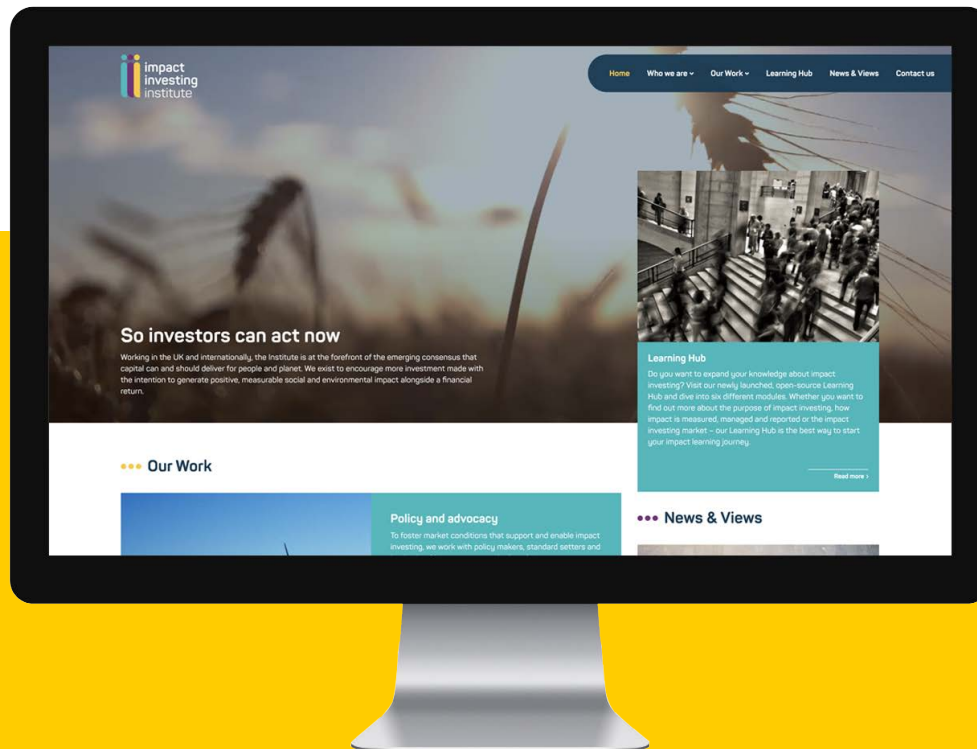
Superb event. Well done the Iii team. Loved the social entrepreneur stories as session interludes. And the fireside chat was brilliant between Elizabeth and Anne – such a lot of wisdom, logic and common sense. Happy Birthday!

**Daniel Brewer, CEO, Resonance**

## A fresh look for the Institute's website

In a growing digital world, our website remains our 'front door', and we re-launched an updated site to coincide with our first-year anniversary in November to better communicate the Institute's growing programme of work.

Our newly launched website continues to reach a global audience with the majority of users coming from the UK, USA, Canada, France, Netherlands and India.



In the first seven weeks after the re-launch we saw a significant increase in traffic with a **129 % increase in users**, a **108 % increase in sessions** and an increase of **21 % in session duration**.

Take a look at [www.impactinvest.org.uk](http://www.impactinvest.org.uk)





## People, culture and organisation

We have built a fantastic team to work alongside a number of Lead Experts providing pro-bono specialist support in their area of expertise, which include pensions, impact reporting and learning and education. Our Board and Advisory Council include leaders with extensive experience in the financial services industry, social investment, policymaking and the voluntary sector.

### A strong and innovative working model

The work of the Institute could not happen without the huge amount of time and commitment which the Lead Experts dedicate to it, and the collaboration between volunteers and paid staff is a real strength of our model. Our external, as well as our internal model is one of partnership, working in collaboration with other organisations and initiatives to drive progress in the field of impact investment.

We have grown in our first year to a team of eight permanent staff. We have remained agile in our structure, making use of consultants, associates from the On Purpose programme, and UK civil service fast-stream secondees to respond to the needs of the organisation. We are also very grateful to Big Society Capital for providing us with a secondee two days a week, and to Accenture, which provided us with a secondee for six months earlier this year.

### Focus on diversity

Alongside building the team, we have focused on developing our internal and external **diversity policies**, with the valuable support of Ariel White-Tsimikalis of Bryan Cave Leighton Paisner. We have appointed a Diversity and Inclusion Officer and have changed how we recruit, using BeApplied, which attempts to debias recruitment processes, for our most recent new hires.

During these challenging times when staff are working remotely and have had to adjust to several lockdowns and restrictions, we have increased our focus on the well-being of the team, making sure they have the professional and personal support they need.





## What is next

It's been a very demanding year for everyone. For some, it has been a tragic one. The pandemic has had a terrible effect on individuals, communities and economies across the globe. But this year has also brought positive developments on which we can build, and which show us how important it is to continue working towards our goal: mobilising private sector capital at scale for public good.

We have set out some goals for 2021 to help us make further progress towards our vision of accelerating the growth and improving the effectiveness of the impact investing market in the UK and internationally.





## Awareness

### To raise awareness and understanding of impact investing, we will:

- Continue our highly successful events programme, delivering webinars throughout the year on key topics around impact investing as well as the Institute's work programme and research.
- In partnership with Pensions for Purpose, support and grow the community of Adopters and Supporters of our Impact Investing Principles for Pensions via the **Impact Investing Adopters Forum** as well as dedicated events, communications and case studies to raise awareness, debunk myths and encourage more pension schemes and their advisors to invest with impact.
- Deliver the next five roundtables in our Knowledge Exchange Series, bringing together National Advisory Councils (NABs) from around the world to share experiences on topics ranging from supporting local investors and investees, to working with professional associations and engaging policymakers.



## Education

### To increase competency in impact investing, we will:

- Add four more modules to the Learning Hub to include content dedicated to the skills and knowledge investors need for impact investing in emerging markets and add more interactive elements such as explainer videos.
- Kick off partnerships with key industry associations and professional bodies, including the Chartered Institute for Securities & Investment and CFA UK, a professional membership body representing 11,000 investment professionals in the UK, as they use our Learning Framework and Hub to deliver educational events and develop educational materials on impact investing for their members.



## Research

### To make more evidence and data on impact investing available, we will:

- Release breakthrough research on the risk/return characteristics of investments into UK social and affordable housing, demonstrating that impact investing does not require sacrificing financial return.
- In Partnership with the Good Economy and Pensions For purpose, publish a White Paper which will include evidence on the current level of place-based impact investment by local government pensions schemes as well as research on the financial performance of key place-based impact investment asset classes.
- Publish case studies on investment opportunities across geographies and asset classes in Sub-Saharan Africa and Southern Asia that are suitable for UK pension schemes.
- Kick off our collaboration with CDC, the UK's development finance institution, on a series of events and publications bringing key lessons and evidence from CDC's investments in Africa to a mainstream investment audience.



## Measurement, management & reporting

### To support the development and adoption of high-quality reporting standards, we will:

- Establish a working group to develop robust and measurable social metrics that could be used in the design process for the UK government's new sovereign green bond – and that will pave the way for a UK 'Just Transition Taxonomy'.
- Continue to engage closely with key market developments, fostering our relationships with regulators, other policymakers and industry actors and responding to consultations to encourage harmonisation of global impact measurement and reporting standards and their adoption in the UK.
- Promote the Social and Affordable Housing Sustainability Reporting Standards Board which will launch this year, following our support as interim secretariat.





Policy &  
advocacy

### To enable policies and regulations that support impact investing, we will:

- Support the G7 summit and the UN Climate Change Conference (COP26) agenda by
  - continuing to provide advice to the UK government as it develops its sovereign green bond for launch later this year; and
  - engaging with the EU and international partners on the scope for the development and launch of Green+ Gilts around the world, including in emerging markets.
- Seek to catalyse significant public and private investment into a just and green recovery in the UK and in emerging markets by convening a coalition to explore the design of a Just Transition financing vehicle.
- Continue to amplify the case for the vital contribution of social investors and other social sector organisations to the post-pandemic recovery of the UK, in partnership with the Social Investment Forum, Big Society Capital, Social Enterprise UK and other key actors.



Our goal for 2021 remains for more capital to contribute to the well-being of people and the planet – as set out in the United Nation's Sustainable Development Goals. And for that we would like your support.

As we launch into year two and start to build on what we have achieved to date, we are grateful for the continued support of our current funders and partners and we continue to seek additional partners for our work.

If you would like to know more about how you and your organisation can help support and further the work of the Impact Investing Institute, please contact Sarah Gordon, CEO, at [sarah@impactinvest.org.uk](mailto:sarah@impactinvest.org.uk).

## Our funders and supporters

We remain collaborative in everything we do and understand that our ability to deliver impact is increased by our strong networks and connections across the social sector, financial services institutions and government.

None of our work would have been possible without the support of our generous funders. The Department of Digital, Culture, Media and Sport, the City of London Corporation and the Foreign, Commonwealth and Development Office (FCDO) IMPACT Programme, as well as our supporters from the financial services industry, have all supported us not just with their funding but also with their belief in our mission.

We would also like to thank all the partners who have generously offered us pro-bono and in-kind support this year. Their time and expertise have been invaluable to the Institute.

In 2019/20 we would like to say thank you to our funders:



## Our financial supporters

We are grateful for the support of our founding supporters from across the financial services industry.



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Previously Investec  
Asset Management





## Our pro-bono supporters

Our pro-bono supporters provide valuable support to our work, in the form of secondees, public relations advice, co-operation on specific projects and publications as well as legal advice.



## And our partners



If you had asked me at our launch about my aspirations for the first year of the Impact Investing Institute, I could not have predicted what we would achieve, and that we would do so against the backdrop of a global pandemic. I am incredibly proud of the progress our team has made and I know that this could not have been possible without the support of our board and advisory council, and the contributions from all our partners. Thank you all. We are engaged in a collective endeavour with a shared vision to help build a better world. Throughout the report there is mention of the growing urgency with which we must do this. I hope we will take the opportunity presented by these extraordinary circumstances to build back a more sustainable, more equitable and kinder world by increasing the flow of money that is invested to generate genuine, positive impact.



I look forward to working with all of you in the following year.

**Dame Elizabeth Corley**, Impact Investing Institute, Chair.

