



Impact Report

January 2021 – June 2022

Foreword

Building transformation through collaboration

The Covid-19 pandemic has taught us how fragile our control over global events can be. But the impressive healthcare response and the development and roll-out of effective vaccines also showed the extraordinary speed and scale at which the world can address problems when collaboration and co-operation take centre stage.

The world faces many pressing challenges beyond Covid-19. At the Impact Investing Institute, we remain resolute in our belief that many of these social and environmental challenges can be addressed successfully, and at pace, if capital markets are fairer and enable participants to embrace the opportunity to deploy their funds for the benefit of people and the planet as well as financial return.

This, the second of our Impact Reports since the launch of the Impact Investing Institute in 2019, attests to how that intention is being realised through deep collaboration with many capital market participants, social and environmental enterprises, academic bodies, and policy-makers and regulators.

Because of that collaboration, our ambition to achieve our goals has only broadened and accelerated over the past 18 months, despite the challenges of the pandemic.

We have ramped up our work providing tools, learning and guidance to give pension funds, endowments, and other institutional investors the confidence to put impact investing at the heart, not the periphery, of their portfolios. Through our work on the G7 Impact Taskforce, under the UK's presidency of the G7, we have created a global blueprint for investment vehicles to fund a global 'Just Transition' to net zero carbon emissions.

At COP26 and through a range of government consultations and engagements, we continue to push for the regulation and policy needed to deliver necessary systemic change to capital markets. And by working

with National Advisory Boards for impact investment in other countries, we are contributing to the solutions and methodologies that can help grow impact markets worldwide.

Achieving results, driving change

This activity is translating into tangible progress. Our work on place-based impact investing informed the UK government's recommendation for a new 5% local investment target for the Local Government Pension Scheme. We are contributing to work to develop a gold standard for UK financial institutions and companies' climate transition plans. And we continue to support and provide input to the UK government's green finance programme.

I believe that the team and volunteers at the Impact Investing Institute have reason to be very proud of what has been achieved over these past challenging 18 months – and their dedication to continue to reshape capital markets for good. I would like to thank our Board, Lead Experts and Advisory Council for their support and good advice. We owe a deep debt of gratitude to our financial and pro-bono supporters for making our work possible. And I thank every organisation and individual that has partnered with us, given guidance or advocated for our work.

Over the past two years, we have seen what the world can achieve with concerted effort. We look forward to working with you all to help deliver the capital markets solutions that society and our planet now urgently need to deliver a fairer and healthier future for all.



A stylized, handwritten signature in black ink that reads 'Sarah'.

Sarah Gordon
Chief Executive,
Impact Investing Institute

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Our impact in numbers

A member of the UK Transition Plan Taskforce, which is helping government implement the requirement for roughly 7,700 UK companies, alongside certain financial institutions, to report annually on their plans to transition to Net Zero from 2023 – [see pages 22-23](#).

Informed the UK government's recommendation of a new 5% local investment target for the Local Government Pension Scheme, which could catalyse **£16 billion** of investment into underserved communities. Research published by Alpha Real Capital in June 2022 found that 89% of LGPS funds have announced their intention to increase their allocation to places – [see pages 17-21](#).

Working to mobilise a further **£3.35 billion** of capital held in endowments and foundations into impact investing – [see pages 27-29](#).

Contributed to the note issuance threshold for Retail Charity Bond issues being lowered from **£10 million to £5 million**, which could allow more than 5,000 charities in the UK with an income between £1 million and £10 million to access debt markets – [see pages 35-36](#).

Pressed successfully for the issuance of **£16 billion** of green gilts by the UK government. The inaugural issuance, in September 2021, received the Largest Green Sovereign Bond award from the Climate Bonds Initiative – [see pages 35-36](#).



About us

Putting capital to work for people and the planet

The Impact Investing Institute aims to transform capital markets to make them fairer and work better for people and the planet. By enabling and encouraging more capital to be used to help solve the world's most pressing social and environmental challenges, we look to accelerate the growth and improve the effectiveness of impact investing – both in the UK and globally.

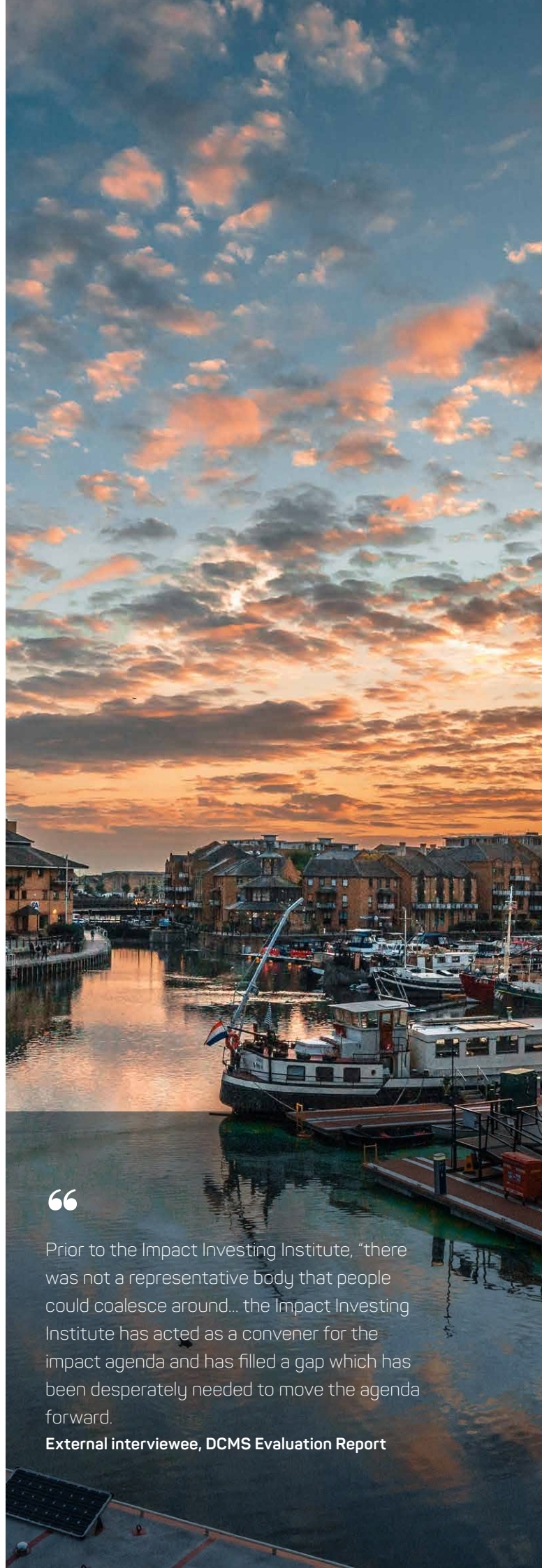
Solving the world's biggest and most urgent challenges – as set out in the United Nations Sustainable Development Goals (SDGs) – requires vast investment. Today over \$228 trillion is held in global equity and bond markets.¹ By encouraging more investors – from major institutions to individual savers – to mobilise this capital to help address these challenges, while also seeking a financial return, the world has a powerful opportunity to finance solutions at the scale and pace now urgently required.

In turn, capital markets can be a powerful force for good, operating fairly and equitably for the well-being of people and the planet.

A catalyst for action – in the UK and beyond

The Impact Investing Institute was launched in November 2019 to help deliver this transformation of capital markets. Created out of two influential initiatives – the Government's Taskforce for Growing a Culture of Social Impact Investing and the UK National Advisory Board on Impact Investing – the Institute has built a profile as an educator, thought leader, convenor and catalyst for action, primarily in the UK but increasingly internationally as well. This has been possible through our collaborative approach, guided by our values of inclusivity, independence and integrity, and our vision and aims as outlined in our Theory of Change (see page 8). We have built up extensive networks across the financial services industry, policy-makers, regulators, academia and the social and

¹ [Capital Markets Fact Book, 2021 - SIFMA](#)



“

Prior to the Impact Investing Institute, “there was not a representative body that people could coalesce around... the Impact Investing Institute has acted as a convener for the impact agenda and has filled a gap which has been desperately needed to move the agenda forward.

External interviewee, DCMS Evaluation Report

environmental sectors. We contribute to global working groups, we support initiatives that aim to increase the flow of capital for positive social and environmental benefit globally and we share our experiences and learning with partners across the world.

Above all, our success is attributable to the calibre and dedication of the people who work for us, or who guide and advise us – see pages 41-46.

From pioneering capital to mainstream markets

Recognising the scale of the global challenges we face, such as the pandemic and the climate crisis, we believe now is a critical moment for impact investment to accelerate. By raising awareness and educating investors, by making carefully targeted policy interventions, providing research and other tools, building and sharing an evidence base and disseminating blueprints for viable impact financing vehicles, we are focused on transforming impact capital from pioneering to mainstream practice.

Our aim is that by our fifth year of operation the Institute, and its partnerships, will have delivered a credible shift in capital markets to make them fairer, more effective and working better for people and the planet, with an intention to drive over £500bn UK-managed capital into investment under impact principles.²

Five years to £500 billion



² Note as point of reference that the Investment Association estimated the size of the UK investment management industry as £8.5 trillion at the end of 2019: <https://www.theia.org/sites/default/files/2020-09/20200924-imsfullreport.pdf>. 2026 £500bn assumes conservative percentages (2-10%) of UK pension market, including the Local Government Pension Scheme, insurance market, high net worth Individuals, international green+ bonds and Just Transition financing vehicles influenced by our research and advocacy.

What is impact investing?

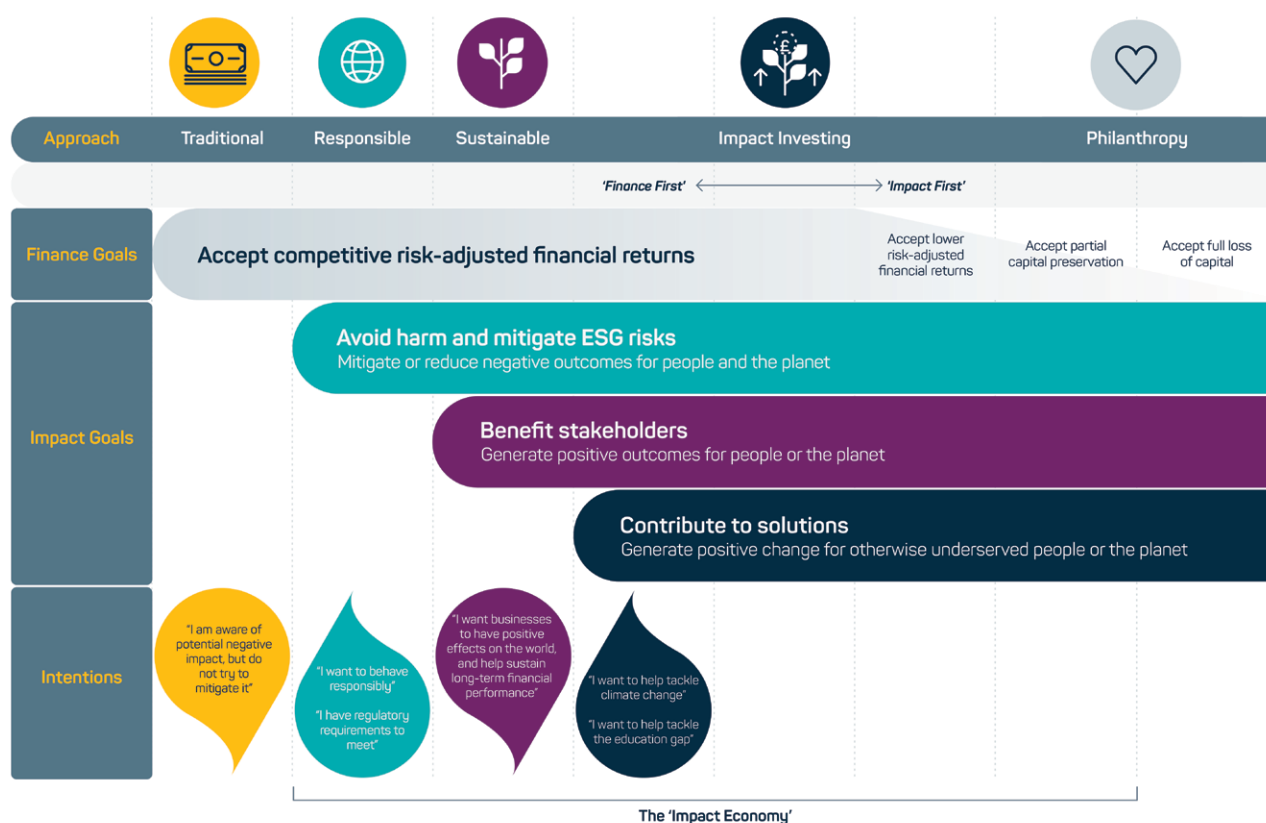
Impact investing sits on a spectrum of capital deployment. This ranges from traditional, financial return-focused investment at one end to philanthropy – which expects no financial return – at the other. See the Spectrum of Capital developed by Bridges Fund Management in Figure 1.

Over the past three decades, responsible investment has developed to enable investors to avoid industries doing explicit harm, such as arms, alcohol and tobacco. More recently, sustainable investment has looked to manage the financial impacts of environmental, social and governance (ESG) risks to specific businesses. It seeks to back companies that have strong or improving ESG practices, while avoiding or engaging with those presenting high ESG risks.

But it is impact investing that actively seeks to finance companies and projects seeking to deliver positive solutions to specific social and environmental challenges. Impact investment is intentional, and measurable, in the positive impact it seeks to deliver.

Making this dual bottom-line of 'impact plus financial return' acceptable and desirable to a critical mass of investors is key to the transformation of capital markets. It is also central to the Impact Investing Institute's work.

Figure 1: The spectrum of capital



Source: Bridges Fund Management and Impact Management Project.

Our strategy

Evolving our Theory of Change

Our Theory of Change describes how we plan to drive the change we want to see and the long-term outcomes we want to achieve.

Over our first two and half years, that plan has – naturally – evolved as we have grasped a clearer picture of the opportunities available to us to influence capital markets, and the actions that are most effective in shaping and delivering change. We have therefore adapted our Theory of Change to:

- reflect our greater ambition for all capital markets investments to be impact-focused
- acknowledge the market need and appetite for the Institute to be actively involved in investment vehicle blueprint design
- make explicit our vision for capital markets to be fairer.

Our Theory of Change is a living structure. As we continue to expand our understanding of what's needed or what's possible to deliver positive change, we will continue to review our activities and intended outcomes to ensure they reflect the most effective strategy to achieve our impact.

Figure 2: Theory of Change



Our five specific outcomes

All our activities are driven by the five outcomes we are looking to achieve in order to accelerate impact investing and direct capital to where it is required.

Awareness
Competence in and understanding of
impact investing and its benefits is widespread



Research
Investors change behaviour because of
impact investing research and data

Tools
Impact financing vehicle blueprints are
co-designed and distributed



Policy & advocacy
Policy-makers and regulators enable and
drive the growth of impact investing

Measurement, management & reporting
High-quality global standards
are widely adopted



On the following pages, we profile the key projects and initiatives we have undertaken between January 2021 and June 2022 to help achieve these outcomes.

Policy & advocacy

Mobilising capital towards a Just Transition

Making the transition away from a fossil fuel-focused global economy at the scale and speed now required to safeguard our planet is estimated to require up to \$9.2 trillion a year.³ As co-leaders of the G7 Impact Taskforce, we defined practical approaches and tools to direct more of the \$154 trillion⁴ held in institutional investments towards financing a transition to Net Zero that is fair, inclusive and leaves no-one behind – in other words, a Just Transition.

Co-leading the G7 Impact Taskforce

As part its 2021 presidency of the G7, the UK government convened an independent, industry-led G7 Impact Taskforce to contribute to a sustainable and inclusive recovery from the COVID-19 crisis and, more broadly, help drive a sustainable, impact-driven global economy. The Impact Investing Institute and the [Global Steering Group for Impact Investment](#) co-led the Taskforce. Specifically, we were tasked to lead on the design of principles and recommendations for financing vehicles that can mobilise private capital at scale to achieve impact in areas such as the creation of quality jobs, education and health in the context of the global transition to Net-Zero carbon economies.

Based on engagement with 170 finance, policy and thought leaders representing 110 institutions in 38 countries, our report, '[Mobilising institutional capital towards the SDGs and a Just Transition](#)', outlined concrete tools and approaches to accelerate a Just Transition to Net Zero – primarily by targeting the assets held globally by institutional investors such as pension funds, insurers and mutual funds.

³ McKinsey Sustainability, January 2022, 'The net-zero transition: What could it cost, what could it bring'

⁴ Thinking Ahead Institute (2021): 'Global Pensions Asset Study - 2021'



“

LeapFrog Investments applauds the findings of this important report. It articulates how the mission to tackle climate change depends on the parallel mission to eradicate poverty ... The reality is that 4 billion people in emerging economies are rising out of poverty, and it is crucial they leapfrog to decarbonised technologies...The role of investors is vital in ensuring this Just Transition.

Dr Andy Kuper, Founder and CEO, LeapFrog Investments

Principal outputs of the Impact Taskforce and the report included:

1. Defining the Elements of a Just Transition

Global consensus is emerging that for a transition to a low-zero carbon world to be sustained and successful, capital needs to be deployed in ways that are fair and beneficial for all – including the delivery of the SDGs.

To give all actors a clear and shared understanding as to what constitutes this Just Transition, the Impact Taskforce report defined three critical Elements of a Just Transition, applicable across all geographies, sectors, policies and investments – see Figure 3. The report also identified financing and investment opportunities that can align with each of the three Just Transition Elements – see Figure 4.

Figure 3: The three Just Transition Elements

Given the considerations above, there are three critical drivers of a Just Transition applicable across geographies, sectors, policies and investments. To be aligned with a Just Transition, actions should:

- Advance **Climate and Environmental Action**
- AND Improve **Socio-economic Distribution and Equity**
- AND Increase **Community Voice**

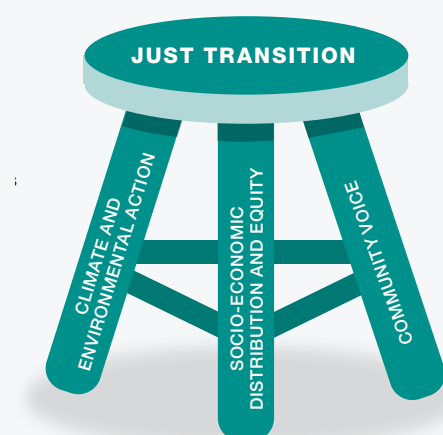
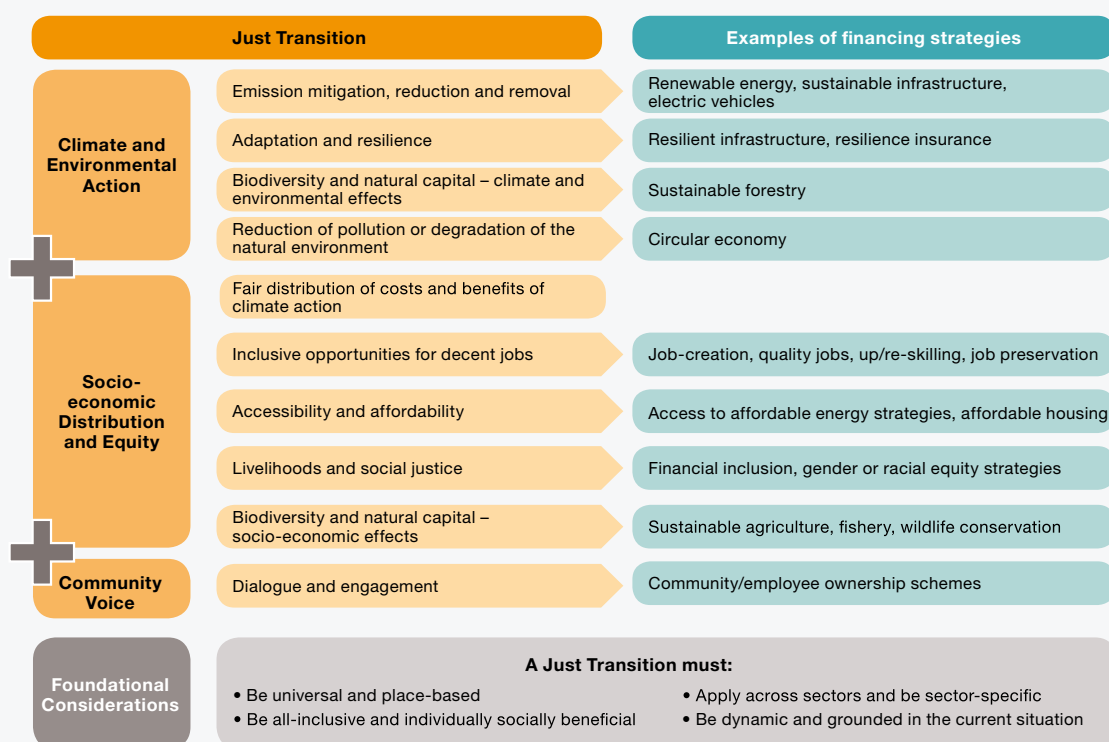


Figure 4: Examples of Just Transition financing strategies



2. Identifying principal areas of investment focus for a Just Transition

The need to invest in a Just Transition and the SDGs applies to all markets and asset classes. However, we identified key levers that are particularly important towards achieving a global Just Transition, and recommended these as the focus of future institutional investment:

- **Emerging markets** - Emerging markets present the biggest gap in funding the SDGs and a Just Transition – but also some of the biggest opportunities. As well as encouraging international investors to allocate more capital, the report recommended that institutional capital providers within emerging markets also need to be strengthened in order to build sustainable local financing routes and ecosystems.
- **Private investments** - Private assets give investors a powerful means to achieve their social and environmental objectives, because of the greater influence and control they involve – especially in emerging markets. The report identified that private equity, private debt, infrastructure and real estate are all familiar to investors and offer market-ready opportunities to mobilise more impact capital.
- **Public fixed income** - Fixed income meets the high investor demand for familiar products that can deliver an attractive, reliable yield and good liquidity. There is also great potential for emerging market bonds aligned with the SDGs and Just Transition objectives, as the rapid growth in green, sustainability-linked and other thematic bonds has shown.



3. Addressing the barriers to Just Transition investing

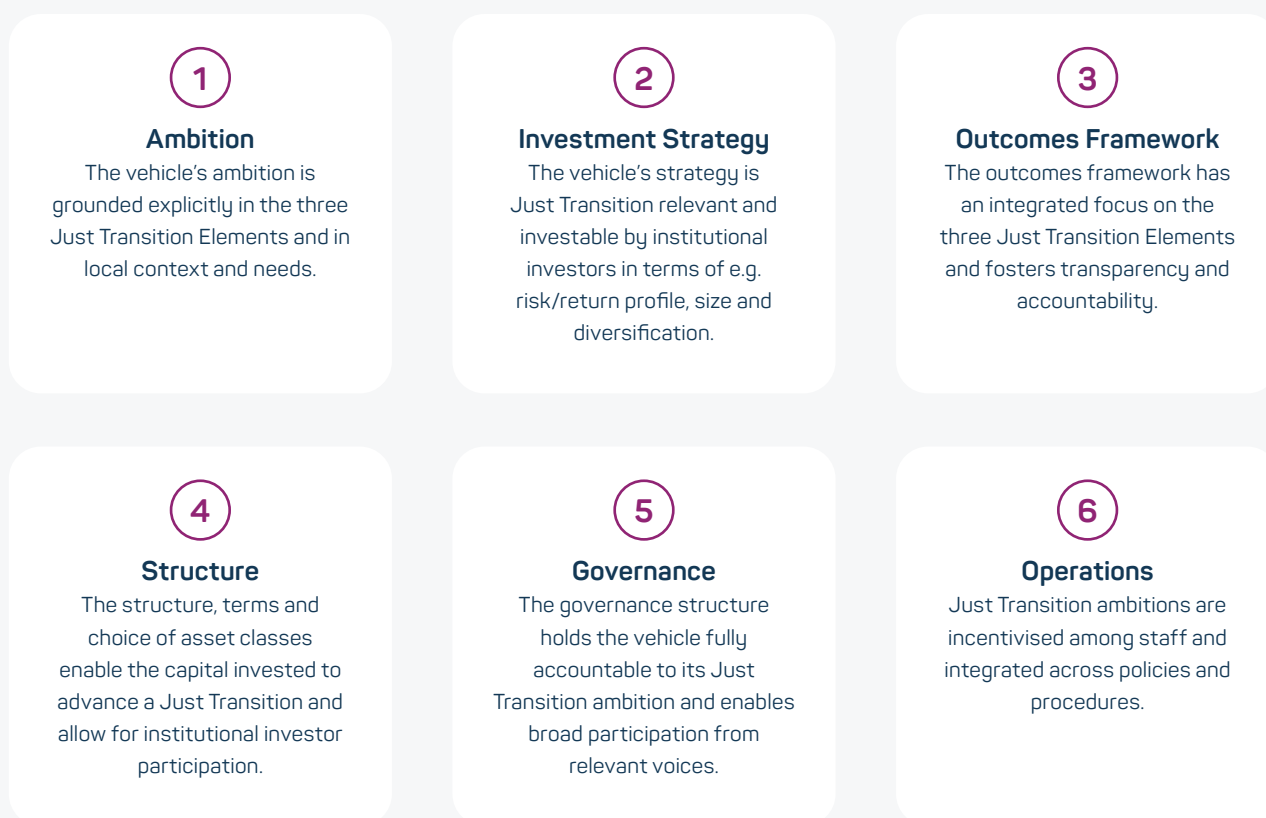
Institutional investors often cite a range of barriers to or concerns around investing for a Just Transition – especially where the focus is on emerging markets. Such barriers include real and perceived macroeconomic and political risks, lack of investment opportunities at scale, lack of liquidity and available pipeline, lack of reliable information, higher costs and lower credit ratings.

The Impact Taskforce report therefore identified a range of tools and instruments such as guarantees, securitisation, insurance and subordinated capital that can be used, often in partnership with impact-focused investors, to address risk and encourage institutional capital into relevant investments.

4. Creating a Just Transition Blueprint for investment vehicles

To provide a tangible starting point for developing, or adapting, suitable Just Transition investment vehicles, the Impact Taskforce put forward a Just Transition Blueprint (see figure 5). This provides a robust framework to shape vehicles that will be attractive to institutional investors. The Blueprint is designed to be applied to existing and new vehicles investing in any asset class.

Figure 5: The Just Transition Blueprint for investment vehicles is built around 6 principles



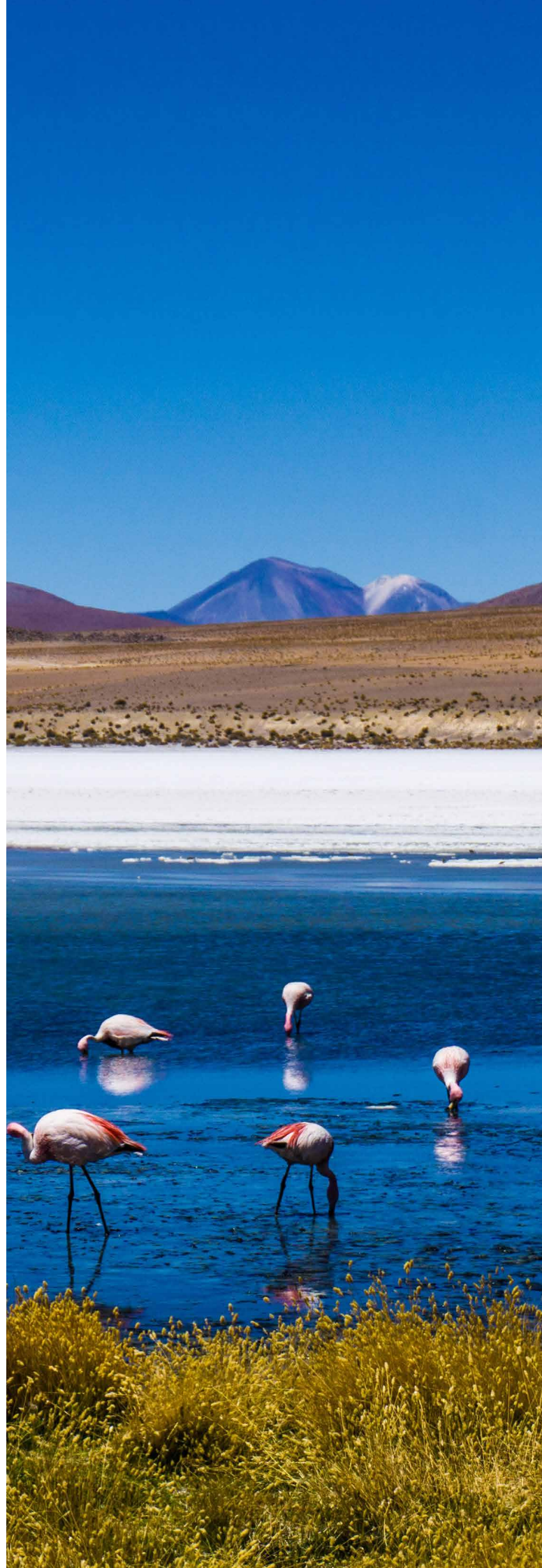
Case studies and action summaries

To show how these principles can work in practice, we have provided [case studies](#) of existing investment vehicles across a range of asset classes that already meet many of the requirements recommended in the Impact Taskforce's report. We have also created [Summaries of Key Actions](#) for eight different groups of stakeholders, for example institutional asset owners, asset managers and policy-makers, to help mobilise capital towards a Just Transition.

By providing practical examples of how social and environmental impact is being achieved alongside financial return, the report is giving institutional investors the confidence and the tools to step off the sidelines and put Just Transition investing at the heart of their strategies.

"A comprehensive approach" to a Just Transition

Since its publication in December 2021, 'Mobilising institutional capital towards the SDGs and a Just Transition' has received overwhelmingly positive feedback from asset owners and managers, impact investors and government and non-government bodies. We are working with these actors to help them implement the recommendations of the report, and also with our partner organisations in 34 countries to help implement these recommendations internationally.





In focus: Actis Energy 4 Fund

Today, 1.3 billion people in emerging markets lack access to electricity, which is crucial to economic development. Actis is an asset manager founded in 2004 that is seeking to address this, by enabling pension funds, sovereign wealth funds and other institutions to invest in energy projects offering attractive financial returns and measurable environmental impact.

Energy 4 is Actis' fourth energy-focused private equity fund. It invests in electricity generation and distribution businesses in selected countries across Latin America, Africa and Asia, including renewables (wind, solar, and hydro) and gas technologies.

The fund is a strong example of integration of the three Just Transition Elements defined in the Impact Taskforce Report.

- **Climate and Environmental Action** is targeted through its focus on renewable energy.
- It is furthering **Socio-economic Distribution and Equity** through its goals of job creation and training, supporting local small enterprises and delivering community access to energy.
- Thirdly, **Community Voice** is supported by the appointment of community liaison officers for each project, enabling two-way exchange of information with the local community.

Actis has also developed a proprietary impact measurement framework, Actis Impact Score (AIS), to allow for impact target setting and measurement across all of its investments.

Next steps

- Build on the work of the Impact Taskforce and government commitments made at COP26 to **support the Finance for Impact Initiative** by the City of London Corporation, which aims to channel private finance towards solving the social and environmental imperatives of a Just Transition to Net Zero.
- As part of this initiative, launch a **Just Transition Finance Challenge** with the City of London Corporation in July 2022 to support and recognise asset managers and asset owners driving the market on Just Transition financing.
- Work with **our global network of National Advisory Boards** for impact investment across 34 countries to drive local implementation of the recommendations of the Impact Taskforce.

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The work of the G7 Impact Taskforce has made it clearer than ever that we need to ensure that the transition to Net Zero is just - not only through environmental and climate action, but also by paying attention to socio-economic distribution and equity, and community voice being fully incorporated.

Naoki Ishii, Director, Centre for Global Commons, University of Tokyo

“

As part of the Biden Administration's Build Back Better World initiative (B3W), DFC is committed to prioritizing investments that narrow the global infrastructure gap, help tackle the climate crisis, drive job creation, support inclusive economic recovery, and advance gender equity and equality. As we pursue projects that mitigate and adapt to climate change, DFC will take into account the Just Transition Elements and the implications of our work at the nexus of the environment and social equity.

US International Development Finance Corporation

“

As more institutional investors approach us to develop climate-aligned investment solutions, the Just Transition Elements provide a comprehensive approach for developing an investment offering across private and public markets where people and planet are equally important. In addition, within emerging and frontier markets the importance of the local perspective and voice to ensure inclusion and enhanced opportunities is key to the achievement of a Just Transition.

Maria Teresa Zappia, Deputy CEO, Chief Impact & Blended Finance Officer at BlueOrchard and Head of Sustainability and Impact at Schroders Capital

“

... the Just Transition Elements provide an important approach to ensure that projects and investments meet the needs of energy-poor nations. The foundational considerations are well aligned with [our] mission to create green jobs and enable the productive use of power, ensuring equal opportunity for individuals, families, and communities to flourish in the modern, clean energy enabled economy.

Ashvin Dayal, Senior Vice President, Power & Climate Initiative at The Rockefeller Foundation and Interim CEO, Global Energy Alliance for People and Planet

“

This report provides a very usable approach to consider how we can combine climate impact, socioeconomic equity and local engagement in transactions – in a manner that still allows us to get transactions done. Ninety One will be considering this approach as we assess whether an investment qualifies as a just transition transaction. After all, impact is only achieved when a transaction goes ahead.

Nazmeera Moola, Chief Sustainability Officer, Ninety One

Tools

Enabling UK place-based impact investment

Places have the power to shape our wellbeing and our outcomes in life. This initiative looks to encourage institutional investors, especially the Local Government Pension Scheme, to consider the opportunities presented by place-based impact investing, both with regard to financial return and delivering positive social, environmental and economic benefits to underserved communities across the UK.

Why place-based impact investing matters

The places where we live, work, relax and connect shape our lives. They affect our identities, help to determine our health and educational outcomes, and define access to opportunities and networks of social and community support.

Research has shown that well-designed, built and maintained places help people thrive. They can help to improve well-being, drive economic growth and prosperity, and reduce entrenched inequalities.

An economy that works for all therefore requires an intentional approach to place. 'Place-based impact investing' (PBII) seeks to frame the involvement of private finance in regeneration and community wealth creation in the UK in a new way, carving a niche for responsible mainstream financial institutions to address the challenges we face.

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...pension funds are interested in place, which wasn't true at the beginning of the [place-based impact investing] initiative. The III raises awareness of community voice and is changing how the sector thinks

External interviewee, DCMS Evaluation Report



Mobilising institutional investors for place-based impact

The Impact Investing institute recognises that there is a real opportunity for responsible, patient private capital to invest directly in UK towns, cities and regions in ways that enhance local resilience as well as driving inclusive and sustainable development.

Together with The Good Economy and Pensions for Purpose, we published a joint white paper in May 2021 – ‘[Scaling up institutional investment for place-based impact](#)’. This sets out the case for institutional investors, specifically the Local Government Pension Scheme, to adopt a place-based approach.

The report showed that there are real opportunities for investors to secure financial returns while addressing place-based inequalities and supporting more inclusive and sustainable development across the UK. Investment opportunities include but are not limited to: affordable housing, clean energy, regeneration, small and medium-enterprise (SME) finance and infrastructure.

Addressing the barriers to place-based impact investing

We are now working with the UK government, Local Government Pension Scheme funds, fund managers, pension consultants, local authorities and other stakeholders to address the barriers to place-based impact investing identified in the report. Activities include:

- **Supporting the creation of appropriate financing vehicles**

Our report ‘[Financing structures for place-based impact investing – what works?](#)’ sets out the key characteristics for successful place-based impacting investing vehicles. Four case studies, [Bristol & Bath Regional Capital](#), [Schroder BSC Social Impact Trust plc](#), [English Cities Fund](#) and [Social Investment Business Recovery Loan Fund 2](#), show how investment products are delivering for investors, communities and places.

- **Defining an impact measurement framework**

Working with The Good Economy, we have been exploring [an approach to impact reporting for place-based impact investments](#). In conjunction with an expert working group, we are aiming to define metrics that would be both practical and useful when monitoring a place-based investment’s impact.

- **Facilitating origination of suitable investable projects**

Connecting interested institutional investors to suitable place-based opportunities can be complex. Our report, [Originating place-based impact investments](#), explored the viability of a web-based origination platform to connect investors to fund managers and enterprises that meet their needs, but concluded that other solutions are also required to support origination.

Creating a regeneration role for financial institutions

We also partnered with Lloyds Banking Group and place consultancies Metro Dynamics and RW Ventures on a project focusing on the role of mainstream UK financial institutions in regional regeneration.

The resulting report, ‘[Building Strong Places: a new, impactful role for financial institutions](#)’, an excerpt of which is represented as Figure 6, draws on lessons from the US, and our work in three ‘pathfinder’ places – Birmingham, Leeds and Liverpool. It concludes that places and financial institutions can work together in new ways to create and deliver projects that improve people’s lives, contribute to local economic resilience and generate an appropriate risk-adjusted financial return.

Following this project, the Institute and Metro Dynamics created a place-based impact investing toolkit to support both places and financial institutions looking to develop their investing approaches.

Figure 6: Defining place-based impact investing

Intentional investment in the needs of a place	Local partnership and engagement	Additionality, beyond business-as-usual
<ul style="list-style-type: none"> ● Intention to create positive impact in a particular place, alongside financial return. ● Portfolio investment that links the inter-dependent and mutually reinforcing set of priorities and transactions that make successful places and improve outcomes for low income, disadvantaged or excluded groups. ● Impact measurement, transparency, and information sharing linked to impact as well as financial goals. 	<ul style="list-style-type: none"> ● A clearly defined place and objective (or set of objectives), based on understanding of local economic character and need. ● Leadership and buy-in from the place being targeted, including local representation and stakeholder and/or community engagement. ● Collaboration that emphasises long-term impact, bringing together the right institutional as well as place-based partners. 	<ul style="list-style-type: none"> ● Financial institutions working alongside local partners as a problem solver and innovator, with impact goals or objectives informed by local needs as well as institutional appetite. ● Crowding in other funders, projects, and transactions into local priorities as the relationship matures; perhaps aligning with complementary Government funds, financial products, and initiatives.

“...There is huge potential for institutional investment to support levelling up...the Local Government Pension Scheme (LGPS) has total investments of over £330bn, making it the largest pension scheme in the UK. Only a tiny fraction of these funds are currently allocated to local projects. If all LGPS funds were to allocate 5% to local investing, this would unlock £16bn in new investment
HM Government’s ‘Levelling Up the United Kingdom’ paper citing findings from our report ‘Scaling up institutional investment for place-based impact’



Impact so far

- Scaling up institutional investment for place-based impact has been cited in several government reports, including the 'Levelling Up the United Kingdom' white paper, and the response to Danny Kruger MP's report, 'Levelling Up Our Communities: Proposals for a New Social Covenant', both published in February 2022 .
- Our report influenced the inclusion in the 'Levelling Up the United Kingdom' white paper of a new 5% local investment target for the Local Government Pension Scheme.

Next steps

- **Work with local authorities** to develop and deliver place-based impact investing approaches in specific geographies (starting with Wakefield).
- Start developing a **Community Development Financial Institution (CDFI) blended finance structure** suitable for place-based impact investment by mainstream financial institutions.
- Continue to **engage with mainstream investors, including Local Government Pension Scheme funds**, to make the case for place-based impact investment and demonstrate how it can be delivered.
- Convene a **national Place Coalition to advise on and distil learnings from the projects above**, bringing together diverse voices to influence our programme.





In focus: Sleaford Renewable Energy Plant

In 2020, Border to Coast Pensions Partnership, one of the largest pension pools in the UK, made a £40 million investment in a local renewable energy plant in Lincolnshire in partnership with Greencoat Capital, an investment manager specialising in renewable energy infrastructure. This was Border to Coast's first co-investment, aiming to seek a reliable return from renewable energy. RMPI Railpen, the manager for the UK's £30 billion Railways Pension Scheme, is also a partner.

The plant, which is owned as part of the Greencoat Renewable Income Fund, uses locally-sourced straw and sustainable woodchip to generate renewable power and heat. It has the capacity to generate electricity for 65,000 homes, saving 50,000 tonnes of CO₂ a year. The plant is providing 30 direct local jobs and a further 50 jobs in the fuel supply chain.

Awareness

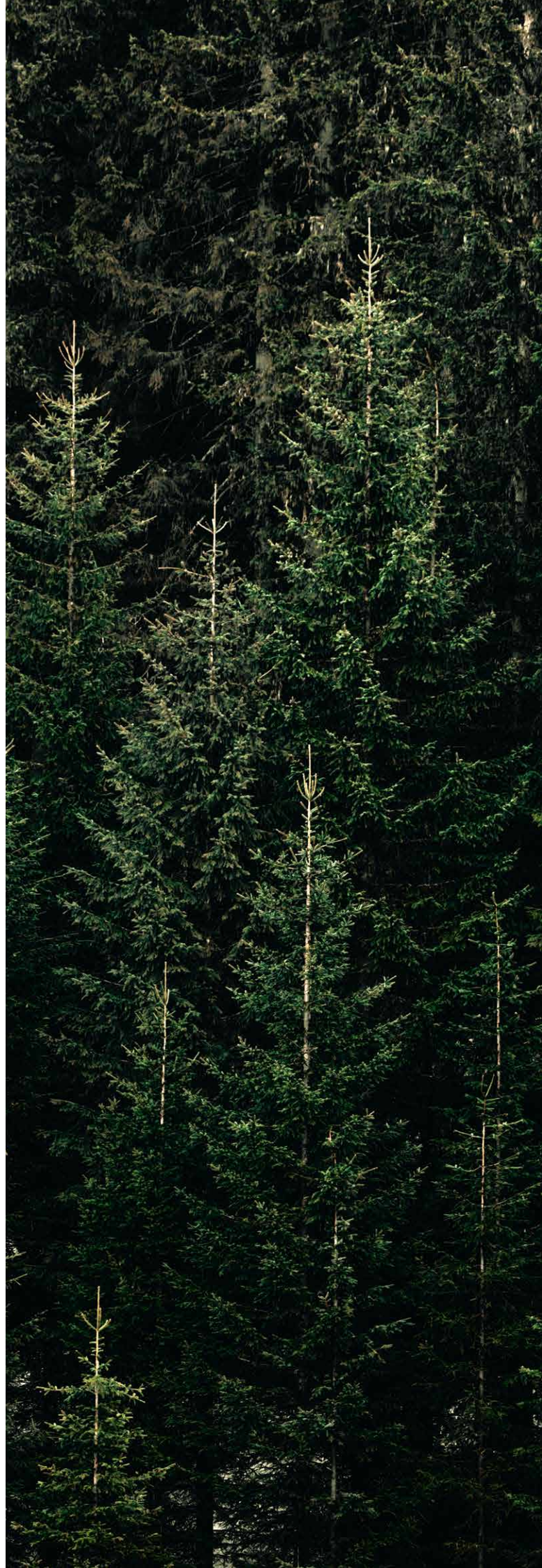
Shaping the impact debate at COP26

The 2021 United Nations Climate Change Conference, or COP26, held in Glasgow in November 2021, provided a vital forum in which to raise awareness and understanding of impact investing and its role in climate action among an audience that included 120 world leaders and over 40,000 registered participants from almost 200 countries.⁵

The Impact Investing Institute participated in a number of keynote events during the two-week summit and hosted our own. Through our daily briefings and social media posts, we were able to reach and engage with thousands of people on the importance of impact investing and the need for the world to focus on delivering a Just Transition to Net Zero.

- We hosted '[Pensions with impact – adopting a transitional mindset for a better future](#)' in the COP26 Green Zone, featuring a panel discussion with Shami Nissan (Head of Responsible Investment, Actis), Debbie Fielder (Deputy Head, Clwyd Pension Fund) and Sacha Sadan (Director of ESG, Financial Conduct Authority)
- Our Chair, Dame Elizabeth Corley, spoke at the COP26 Leaders Event: Action on Forests and Land-use. More information can be found [here](#). She also delivered a keynote address on the second day of the Green Horizon Summit, hosted by the City of London Corporation, discussing a Just Transition. See the video [here](#).
- Our CEO Sarah Gordon and Advisory Council member Laurie Spengler delivered keynote addresses at the Federated Hermes 'Further, Faster' conference, on the Just Transition and social justice respectively. You can watch videos of Sarah Gordon's speech (from 2:19:30) [here](#) and Laurie Spengler's speech (from 4:04:00) [here](#).

⁵ <https://www.un.org/en/climatechange/cop26>



- Sarah Gordon and our Deputy Chair Jamie Broderick featured at Accounting for Sustainability's event 'Financing the Future: Reflections on Week One'. The event also featured: David Blood (founder and Senior Partner of Generation Investment Management), Hiro Mizuno (UN Special Envoy on Innovative Finance and Sustainable Development) and Katie Murray (CFO, NatWest Group).
- Sarah Gordon contributed to ITV's [COP26 Daily Update](#).

We continue to deploy resources to help ensure the ideas and commitments discussed at COP26 maintain momentum. This includes playing a key role in two initiatives to come out of the summit: the UK Transition Plan Taskforce and the Finance for Impact Initiative (see 'Next steps').

COP26 engagement in numbers

Our daily briefing reached an average of **5,037** people and was read by an average of **1,564** people per day.

We generated **3,300** website sessions from **2,500** unique users during the summit.

Our social media posts received a total of **8,508** impressions on Twitter and **10,755** on LinkedIn.

Next steps

- We have been appointed to the Delivery Group for the **UK Transition Plan Taskforce**, launched by HM Treasury to produce a 'gold standard' for the climate transition plans which it will be mandatory for large UK companies and financial institutions to publish from 2023. We will focus on ensuring plans are robust, meaningful and acknowledge the need to deliver a 'Just Transition' to Net Zero.
- The **Finance for Impact Initiative** has been launched by the City of London Corporation to build on the commitments made at COP26 and the work of the Impact Taskforce, established under the UK's 2021 presidency of the G7. The Initiative brings together policy-makers and City representatives to channel private finance towards contributing to the solutions to the social and environmental challenges of a Just Transition.
- The **Finance for Impact Summit** in July 2022 will signal the next stage of this work. Together with the City of London Corporation and KPMG, we will launch two initiatives:
 - The Just Transition Finance Challenge for private and public asset managers and asset owners to mobilise more capital for a Just Transition in the UK and globally.
 - Recommendations to support the Financial Services sector to be more ambitious in integrating social considerations into sustainable finance strategies, alongside environmental ones.

Research

Sizing the UK's impact investing market

Until now, there has been no good answer to the question, “How big is the UK’s impact investing market?” In 2020, the Global Impact Investing Network estimated the impact investing sector to be \$715 billion globally⁶ but there was no clear sense of the UK’s contribution. Our aim was to provide an answer to this question in order to assess the level of activity now – and the scale of opportunity ahead.

Creating a methodology to estimate the market

Working with the professional services firm [EY](#), we developed a methodology for appropriately sizing the UK impact investing market and providing a baseline of its size. Working across the impact investment field, we obtained data and insights from asset owners, asset managers and industry stakeholders to develop a picture of where the market is today.

The resulting report, ‘[Estimating and describing the UK impact investing market](#)’, contains for the first time an estimate of the size of the total UK impact investing market. Key findings were:

- The UK impact investment market was worth an estimated £58 billion in 2020.
- The UK represents an estimated 3.3-8% of the total global impact market.
- Social investors, private equity and venture capital firms and foundations are the leading impact investors in the market today.
- However, institutional investors were identified as the primary drivers of future growth.
- Despite the rapid growth in the market, impact investing today still accounts for less than 1% of total assets under management in the UK.

⁶ Global Impact Investing Network [2020 Annual Impact Investor Survey](#)

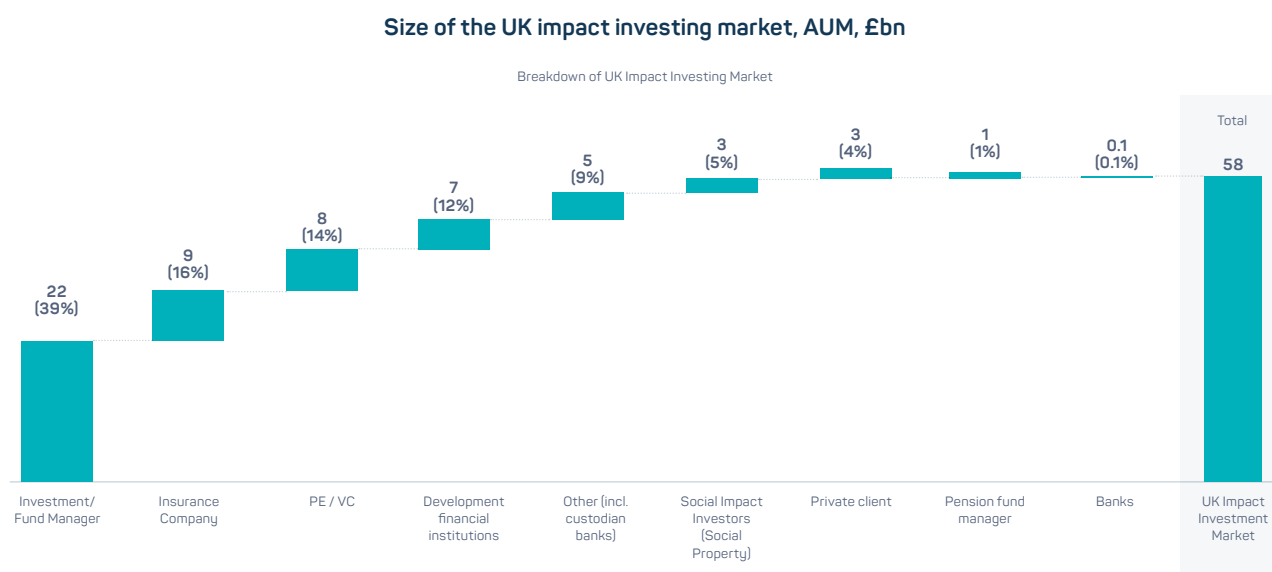
“

...the III is adding value to the global investment network – the III is focusing on the UK and gathering good data

External interviewee, programme evaluation



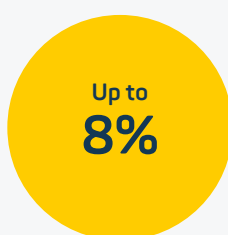
Figure 7: Breaking down the UK impact investing market by participant



Source: EY-Parthenon analysis, BSC, Investment Association



estimated size of UK
impact investment
market in 2020



of total global impact
investment market in
the UK



of total UK assets under
management in impact
investments

Insight into impact investing trends

As part of the report, we also conducted extensive research with more than 40 market participants and held interviews with industry bodies and subject matter specialists to assess their expectations and experiences of impact investing in the UK. Key findings were

- 97% of respondents believed allocation to impact investing had increased over the past two years.
- 64% predict 10% annual growth in flows into impact investments, with 36% forecasting 20%+ annual growth over the next few years.
- Top focus areas for investment are: healthcare, affordable and clean energy, and sustainable cities and communities.
- About 90% of respondents reported that 2020 returns from their impact investments were either in line with or exceeded their targets.
- 75% of survey respondents are planning to increase their own allocation to impact investments by more than 10% over the next five years.

A £100 billion UK impact market?

In a compelling exercise, we explored what these trends could mean for future growth in the UK impact investing market. Well over one-third of our market sizing survey respondents anticipated growth rates in excess of 20% year-on-year over the next five years, a bullish prognosis tempered by a two-thirds majority who said they were taking a more conservative view. Applying a weighted average to the estimated future market growth rates from our survey suggests a 15% market growth which, in practice, could double the funds allocated to impact to over £100 billion in five years.

Impact so far

- A well-attended launch of the research findings attracted over 300 representatives in person and online from across the financial sector, with the Minister for Sport, Tourism, Heritage and Civil Society, Nigel Huddleston MP, delivering the keynote address.
- The report has been covered or referenced by 19 different press outlets including Pioneers Post, FTAdviser, ESG Investor, Capital.com, ESG Clarity and Impact Investor Magazine.
- Online, the report has been downloaded 927 times and attracted 1,786 webpage visits.

Next steps

- **Share methodology and approach with National Advisory Boards** for impact investment in other countries to help them size their domestic markets.
- Work with the Department for Digital, Culture, Media and Sport to repeat the exercise in 2023-24 in order to **size the 2023 UK impact investing market, and the pace of its growth.**
- Refine and **improve our market sizing methodology** and ensure harmonisation with broader European approaches.

Tools

Helping endowments invest with impact

The UK's largest 300 endowed charitable foundations have over £72 billion in assets. The bulk of this is invested in mainstream capital markets without impact considerations. We wanted to provide the practical tools to enable more foundations to become impact investing asset owners, directing more of their capital to impact-focused outcomes.

Aligning investment with mission

It has been a longstanding paradox that charitable foundations bestow grants to achieve positive social or environmental objectives, yet the assets out of which those grants are made are often not invested with those same objectives in mind.

A number of pioneering foundations do seek to deliver positive impact via the choice of investments in their endowments as well as through their grant-making activities. Many more foundations look to exclude investment in industries at odds with their mission (e.g. armaments, tobacco and alcohol). But wider adoption of impact investing has been deterred by ongoing perceptions that it means lower financial returns (which is therefore at odds with trustees' fiduciary duties), is expensive and complex to deliver, and that suitable investment choice is lacking.

“

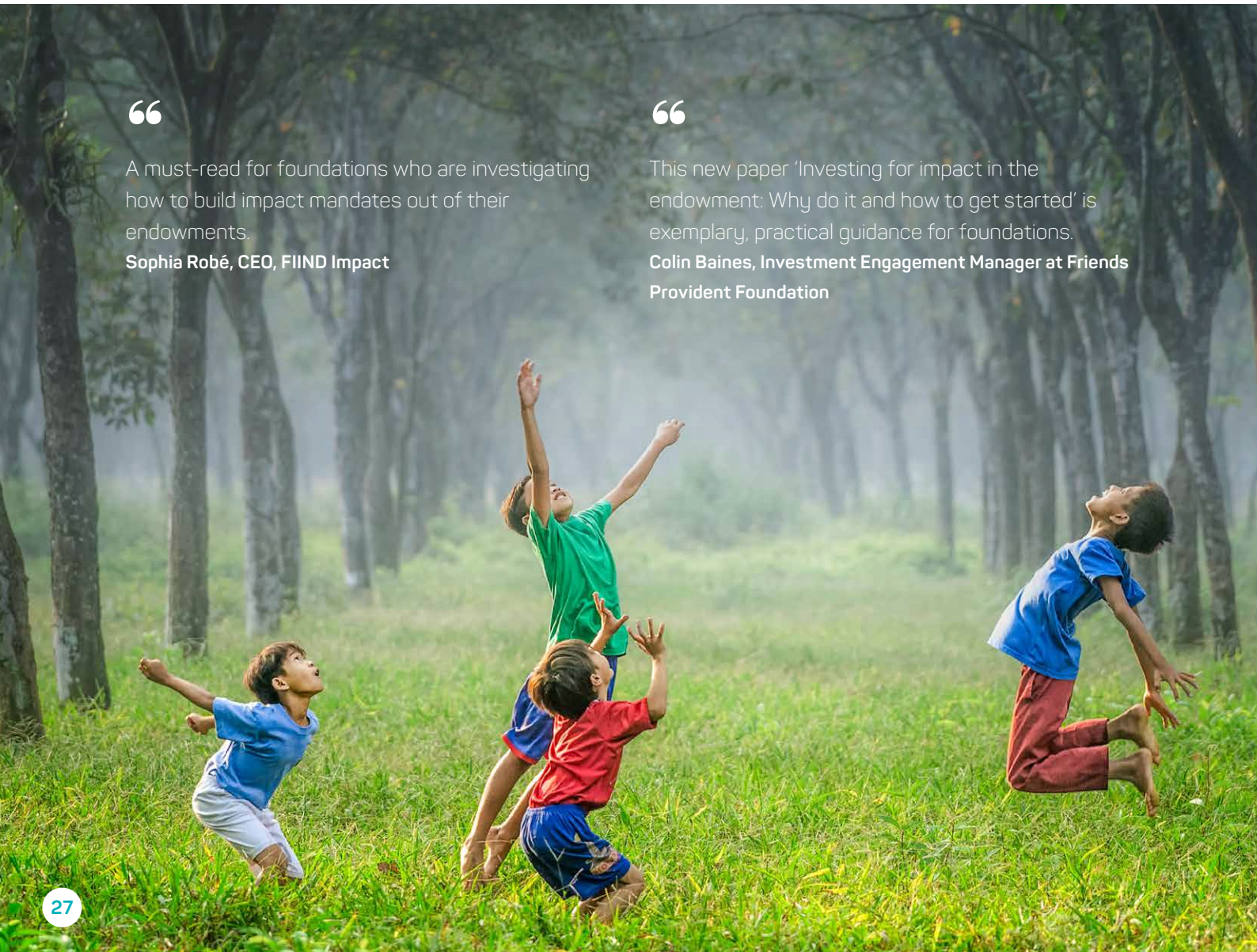
A must-read for foundations who are investigating how to build impact mandates out of their endowments.

Sophia Robé, CEO, FIIND Impact

“

This new paper 'Investing for impact in the endowment: Why do it and how to get started' is exemplary, practical guidance for foundations.

Colin Baines, Investment Engagement Manager at Friends Provident Foundation



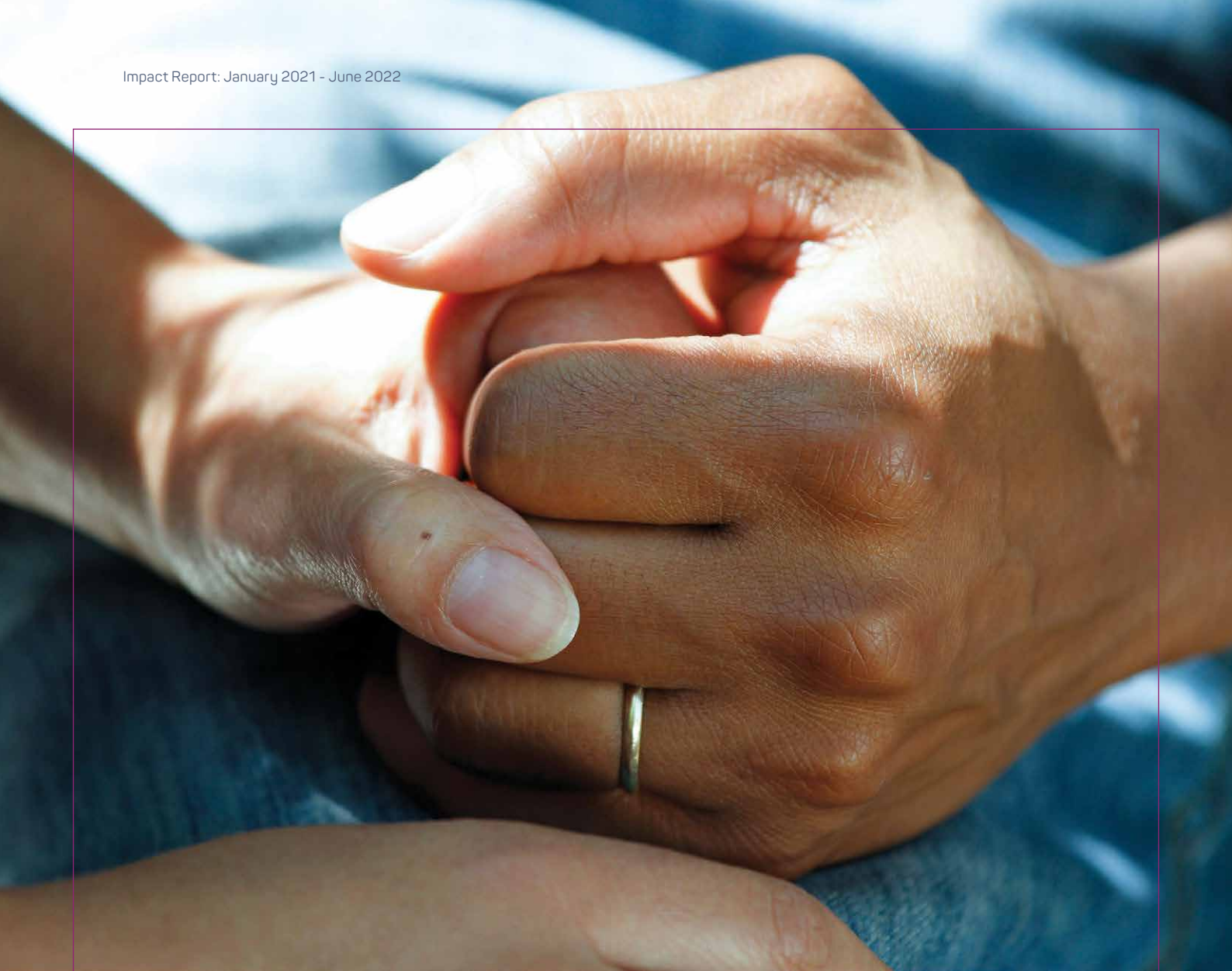
Motivating the endowment sector

In partnership with an expert panel from across the charitable foundation sector, we have been working to change that perception. Through a range of activities, we aim to motivate more foundations to increase the volume of charitable endowment assets invested for positive social and environmental impact while still meeting their need for financial return.

- Working with leading charity sector lawyers, we have published a paper to demonstrate comprehensively the compatibility of impact investing with trustees' fiduciary duties. '[Can Charities invest their Endowment with impact?](#)' explains why charity trustees should feel confident in concluding that, both from a 'mission lens' and a 'financial lens', impact investing is an approach which can most effectively advance the objects of the charity.
- Our practical how-to guide '[Investing with impact in the endowment: Why do it and how to get started](#)' provides information, steps and recommendations for foundation leaders and the professionals who support them to make their first moves into impact investing.
- To showcase best practice in action, we have published five [case studies](#) profiling trusts and foundations whose endowment investments are already delivering impact: Ceniarth LLC, Esmée Fairbairn Foundation, Friends Provident Foundation, Guy's and St Thomas' Foundation and Treebeard Trust.
- To facilitate conversations about impact investing within charitable foundations we have created '[An Impact Investing Presentation for Charitable Foundations](#)'. This provides an introduction to impact investing, busts prevalent myths, explains the advantages and provides steps on how to get started, supported by detailed speaker notes.

Next steps

- Co-create a **peer-learning network on impact investing for endowments** with the Association of Charitable Foundations (ACF) and other key sector players.
- Initiate a **practical research project on Investment Policy Statements (IPS)** that incorporate impact investing to enable endowments to see how they might reframe their IPSs.
- Continue a **campaign of engagement with the charitable endowment sector**, with presentations and participation at key conferences, seminars and other events.



In focus: Guy's and St Thomas's Foundation

Based in the heart of London, Guy's and St Thomas' Foundation seeks to drive more equitable health, especially in cities, by working with local communities and grassroots organisations, major corporates, government, hospitals, academics and others. In 2017/18, it allocated a small proportion of its £1 billion endowment to investments specifically linked to positive health impacts. In May 2022, it announced that it would increase this impact allocation to £100 million by 2026 – the largest-known allocation ever by a UK charitable endowment.

This new commitment involves investing around £25 million a year into funds focusing on health and its social determinants. It is also directing more capital into 'catalytic' investment opportunities – supporting very new but potentially transformational ideas in order to pave the way for others to invest. Ultimately, the foundation has a vision to use its whole £1 billion endowment to deliver a dual mandate of health impacts and financial return.

Awareness

Delivering Impact Investing Principles for Pensions

To facilitate impact investing at scale, an ongoing priority is to motivate the £3.9 trillion UK pension sector⁷ to adopt impact investment approaches. In particular, we want to debunk the myth that impact investing means sacrificing financial returns – and demonstrate that an impact approach is entirely compatible with fiduciary duties.

We continue to work with pension schemes, investment consultants, asset managers, policy-makers, lawyers and industry experts to provide practical guidance on how to integrate impact investing into both private and public pension schemes.

Creating practical principles for impact

Working with leading practitioners across the pensions sector and in partnership with [Pensions for Purpose](#), we continue to promote our four [Impact Investing Principles for Pensions](#) launched in November 2020. The principles provide concrete steps that pension schemes can take to pursue an impact investing strategy that is compatible with fiduciary duties.

As at mid-2022, 18 organisations, including pension schemes representing combined pension assets of more than £20 billion, plus investment consultants and fiduciary managers, have formally adopted the principles. A number of other major organisations have signed up as supporters, committing to actively promote the principles among their members and networks. These include the Institute and Faculty of Actuaries, the Global Steering Group for Impact Investment and the World Benchmarking Alliance.

“

We have backed the Impact Investing Principles for Pensions as it gives us a really tangible framework to help us get to where we want to be, including generating competitive returns to improve member outcomes. Through practical guidance and support, it will help us be part of the solution to the global systemic issues we currently face.

Pension Scheme Adopter of the Principles

⁷ Global Pension Assets Study 2022, Thinking Ahead Institute, Willis Towers Watson, https://www.thinkingaheadinstitute.org/content/uploads/2022/02/GPAS_2022.pdf



Impact Investing:

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.

Bringing peers together to motivate adoption

Our goal is to motivate as many pension schemes as possible to use the Impact Investing Principles for Pensions to actively guide their investment decisions. To encourage industry-wide engagement, our [Impact Investing Institute Adopters Forum](#), run in partnership with Pensions for Purpose, provides a peer support network for pension schemes, investment consultants and fiduciary managers that have committed to the principles.

The forum provides a platform where members can share experiences of pursuing impact investing plus materials, a quarterly newsletter and invitations to member events. As at mid-2022, the forum has 208 members. We have also published [case study examples](#) of pension funds that are already successfully integrating impact into their investment decisions to help others do the same.

Informing pension policy to deliver impact

We continue to look to influence and inform pension scheme regulation that may enable or require pension schemes to put a greater focus on impact investing. To this end we responded to two key consultations from the Department for Work & Pensions in 2021-2022: '[Climate and investment reporting: setting expectations and empowering savers](#)' and '[Consideration of social risks and opportunities by occupational pension schemes](#)'.

Next steps

- Conduct an **engagement campaign calling for a reframing of fiduciary duties**, working closely with key actors to remove the barrier that fiduciary duties still pose to many pension schemes.
- Continue to increase the number of pension schemes adopting the **Impact Investing Principles for Pensions** and membership of the **Impact Investing Institute Adopters Forum** with the aim of moving more pension capital into impact.

“

The Forum and Principles have been brilliant for providing a guide and framework to take impact investing forward. It is also helpful to know what peers are doing and to see what best practice looks like.

Pension Scheme Adopter of the Principles

“

The Impact Investing Principles for Pensions provide a crucial foundation for re-defining investment and corporate success.

Pension Scheme Adopter of the Principles

Tools

Building knowledge & skills

Although awareness is growing, greater understanding of impact investing is still widely required among all capital market participants. One of the most important roles of the Institute is to provide the practical tools and insight that help give investors – and the professionals who support them – the knowledge and confidence to integrate impact investing principles throughout their decision-making.

Enhancing the Learning Hub

Our open-source [online Learning Hub](#), launched in 2020, has become a key resource for investors and organisations seeking to build their understanding of impact investing. Comprising six modules, the Learning Hub is being used both by professional organisations to build their own training courses and materials and by individuals to explore the areas of impact investing in which they are interested.

We continue to update and develop the Learning Hub to enhance usability. Recently-added features include:

- Improved structure and interface.
- [Video explainer of the Learning Hub](#) featuring Will Goodhart, CEO of CFA UK and a board member and Lead Expert at the Institute.
- Estimated reading times for every resource and concise content summaries of key areas of learning, including what previous readers found particularly useful.
- Difficulty level ratings to ensure each learner can find the content that is right for them.

A 'go-to' resource for investors

Being one of the few global resources dedicated to impact investing has allowed the Learning Hub to attract a growing and global audience. We are pleased that over 21,500 users around the world have made use of the Learning Hub since its launch.





Learning Hub modules

- [Introduction to impact investing](#)
- [The purpose of impact investing](#)
- [The impact investing market](#)
- [Asset classes and products](#)
- [Impact measurement, management and reporting](#)
- [Impact investment thesis, strategy and portfolio management](#)
- [Impact investment sourcing and due diligence](#)
- [Advising on impact investment](#)
- [Building and managing impact investment products](#)
- [Investing in and managing impact assets](#)
- [Place-based impact investing](#)

Next steps

- Engage with qualification bodies and others to promote **impact investment education among investment professionals**, in particular supporting the certificate on impact and impact investing being piloted by the CFA Society of the UK in 2023, for which we successfully advocated.
- Explore new strategies to unlock mass market impact investing, including development of a **learning programme for retail impact investors** and their financial advisers and expanding existing modules on financial advice.

“

The Learning Hub is a great tool that enables both organisations and individuals to build their knowledge of impact investing.

Impact investor

“

One of the best set of resources, relevant articles and publications put together on impact investing

Impact investor

Policy & advocacy

Influencing policy and regulation

Impact investing can only become part of the mainstream with systemic change. We engage continuously with government, regulators and other policy-makers to help create an investment environment in which delivering positive social and environmental impact as well as financial return is not only supported but expected.

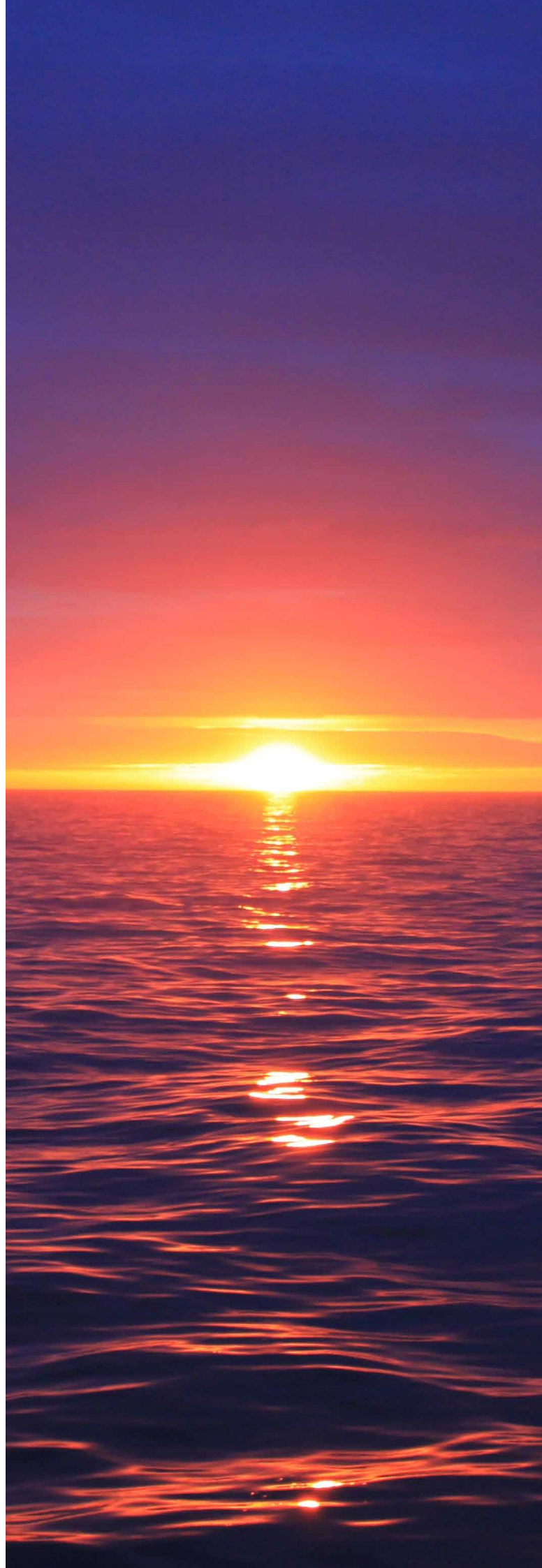
Since the creation of the Institute in late 2019, we have actively looked to inform and influence policy and regulation to enable capital to be deployed more easily for social and environmental good. We are also proud to have built our global profile as an informed and respected expert collaborator.

Working with regulators and government

We have developed a strong relationship with the UK's Financial Conduct Authority (FCA), advising on the regulatory landscape around impact investing. This has included being appointed to the FCA's Disclosures and Labels Advisory Group (DLAG), working alongside other key financial market stakeholders and subject matter experts to advise the regulator on the development and implementation of sustainability-related financial disclosure requirements

Following our [proposal paper in 2020 for a Green+ Gilt](#) and our [2021 paper on delivering green sovereign bonds](#) with social co-benefits, we were appointed Secretariat to the UK's Stakeholder Discussion Forum. This involves supporting HM Treasury and the UK Debt Management Office on their successful issuance of £16 billion of green gilts so far, with a special responsibility to report on social co-benefits.

We have also published a paper, '[The Green+ Bond: How EU Sovereign and Corporate Issuers could deliver Green Sovereign Bonds with Social Co-Benefits](#)', co-authored with the LSE's Grantham Research Institute, to lay out the strategic potential for a green sovereign bond with well-defined social and economic benefits to support the European Commission's new Strategy for "financing the transition to a sustainable economy."



Informing policy consultations

In April 2021, we responded to the Local Authority Pension Funds All-Party Parliamentary Group (APPG) inquiry into 'Responsible Investment for a Just Transition'. The inquiry sought to examine how local authority pension funds and other institutional investors can ensure a Just Transition to net-zero carbon emissions and how the UK government can best support them. We also spoke at one of the inquiry's evidence sessions. Our findings were featured in [the APPG's final report ahead of COP26](#).

In collaboration with responsible finance intermediary Allia C&C, Big Society Capital and Social Enterprise UK, we responded to HM Revenue and Customs (HMRC) and HM Treasury's consultation into tax reform of securitisation companies (special purpose vehicles set up to raise debt using securitised assets as collateral). In our joint response, we called for the note issuance threshold for such companies to be reduced to £5 million to give many more charity borrowers access to bond markets. In November 2021, HMRC published its [response to the consultation](#), announcing that the note issuance threshold for Retail Charity Bond issues had been lowered from £10 million to £5 million.

Driving impact market-building globally

As well as engaging with stakeholders, policy-makers and regulators in the UK, we work to promote and support impact investing globally. In our role as the UK National Advisory Board for impact investment we partner with other market-building organisations in different countries around the world, under the auspices of the [Global Steering Group for impact investment \(GSG\)](#).

We also ran a Knowledge Exchange Series of roundtables for market builders in other countries. These events provided a platform for mutual learning and practical knowledge sharing between organisations and have featured leading practitioners and thought leaders as guest speakers. Topics covered over 2021-2022 include organisational governance and sustainability, understanding supply- and demand-side opportunities, and how to work with investors and government locally and globally.

[Summaries](#) of the key insights gathered at each roundtable session have been published, providing a clear picture of the challenges, opportunities, solutions and lessons being learnt from impact investing champions across the globe.

Next steps

- Advance our **EU Green+ engagement programme** to encourage the European Union to include social considerations in its green bond standard.
- Continue to **work closely with the FCA**, including hosting roundtables on impact labelling, impact investing and 'additionality' in listed markets.
- As part of the **Delivery Group for the UK Government's Transition Plan Taskforce**, campaign for a Just Transition to Net Zero, focusing especially on the social aspects of a Just Transition.
- Assist **market-building organisations across the world** to drive a Just Transition in their local markets, informed by the G7 Impact Taskforce recommendations.
- Continue to **collaborate with global policy-making bodies** such as the OECD, G7 and G20, United Nations and World Bank to help grow the global impact investment market, including by responding to consultations and raising awareness at international fora.

Awareness

Getting the message across

Encouraging the global community of investors – from large institutions to private individuals – to embrace an impact approach to investing demands intensive and compelling communication. Over the past 18 months, we have worked to convey both the importance and the benefits of impact investing to a range of audiences. Our materials are accessible to all as a public good.

At the heart of industry conversation

To increase awareness and share best practice, we look to reach investors, policy-makers and relevant stakeholders through a range of channels and media. As well as our extensive presence at COP 26 in Glasgow in late 2021 (see pages 22-23), we featured as panellists at over 100 industry events and webinars.

Some examples include: In April 2021, our CEO Sarah Gordon was a panellist at the Bankers for Net Zero event 'Fiduciary Duty and the Companies Act: Is it fit for the 21st century?' Sarah, our Chair Dame Elizabeth Corley, and Lead Expert Ida Levine all appeared at Reuters' ESG Investment Europe event in October 2021. Also in October 2021, our Executive Director Sarah Teacher appeared as a panellist at the GSG Global Impact Summit Forum.

In February 2022, Dame Elizabeth Corley spoke at 'Scaling up a Sustainable Transition: Building back better and greener' hosted by the All-Party Parliamentary Group on UN Global Goals for Sustainable Development and the International Chamber of Commerce.

We have hosted 24 webinars and in-person events, including for the launches of the major reports detailed in previous sections. We have also hosted events such as 'The Power of Now: Investing for Gender and Climate', 'The Realities of Impact Investing in 2021: In Conversation with Sir Ronald Cohen and Dame Elizabeth Corley', 'Impact Investing in Emerging Markets: The Opportunities for Institutional Investors', and 'Green+ Bonds: Delivering Climate Action with Social Renewal'. We have been very fortunate to work with some influential organisations to co-host many of these events, which in total have attracted over 3,500 attendees.



In the press

The Institute and its work continue to be extensively quoted in print and online, and on TV and radio. Over the period we had 409 media mentions in publications with a total readership of 2.8 billion. We published 23 articles and press releases on our website and authored five external media pieces on subjects including the necessity of a Just Transition and how robust impact measurement can tackle greenwashing.

We continue to grow our social media presence, increasing our Twitter followers by 64% to 4,239 and our LinkedIn followers by 40% to 20,266. We have also grown the number of subscribers to our email newsletter by 1,367 since May 2021 to 5,966.

Quoted in the press

- [City of London bosses warn against Brexit deregulation](#), Financial Times, quoting Dame Elizabeth Corley
- [Why the UK wants to be an ESG leader post-Brexit](#), The Times, quoting Sarah Gordon
- [Is impact investing here to stay](#), Sears, quoting Jamie Broderick
- [UK seen winning premium in world's biggest green bond sale](#), Bloomberg, interview with Sarah Gordon
- [Developing \(and communicating\) an effective ESG, Sustainability or Impact Framework](#), Forbes
- [De-globalisation: The long goodbye, Portfolio Institutional](#), quoting David Krivanek
- [Making an impact in emerging markets](#), Infrastructure Investor, quoting David Krivanek
- Letter: [Companies that spurn ESG will be punished](#) by Jamie Broderick
- Op-Ed: [Greater private investment is needed to tackle the climate crisis](#) by Sarah Gordon

Improving the usability of our website

Our website continues to reach a global audience. As well as a high number of visitors from the UK, Europe and the US, we have seen growing interest from India, China, Australia and South Africa.

Alongside providing the latest information on the Institute's programme of work, the website is proving a vital resource of education and learning, including our online, open-source Learning Hub (see pages 33-34)

As our insight into the visitors to our website grows, we are looking to identify and characterise our key audiences. We then plan to restructure the website to ensure these audiences have smooth user journeys and are easily able to access the content and resources that are most useful to them. We are also looking to improve the accessibility of the website for disabled users.

Leading the debate

Our senior directors, lead experts and board members have featured as speakers at over 100 industry events and webinars over the past 18 months. Here are some of the things we said.



Putting pensions to work is one of the most powerful levers in our hands to address the climate and biodiversity crisis

Sarah Gordon, Chief Executive, 'Pensions with impact - adopting a transitional mindset for a better future', COP26 Green Zone



The UK impact investment market is £58 billion-worth of lives changed, of poverty reduced, of affordable housing units built and of nature conserved.

Sarah Teacher, Executive Director, launch of III Market Sizing Report, March 2022

We now have evidence showing real opportunities for investors to secure financial returns while addressing long-standing inequalities and supporting more inclusive and sustainable development across the UK.

Sarah Gordon, Chief Executive, Scaling up Institutional Investment for Place-based Impact, May 2021



My challenge to all of us over the next 12 months, not by 2030, is what we can do to contribute to the chipping away of social injustice.

Each one of us can take actions, both as professionals and citizens.
Laurie Spengler, Board Member, Federated Hermes Further Faster Conference, COP26.



We need to make sure the transition to a green economy is a Just Transition, leaving no community behind.

Dame Elizabeth Corley, Chair, Launch of the Impact Taskforce findings and recommendations, December 2021



The way we think about ESG is 'doing the thing right'; whereas impact is 'doing the right thing.' If you think about internal management practices, and how you manage your business at the entity level, that is doing the thing right. But the effect of a business on wider communities, wider society, wider economies – that is doing the right thing.

Simon Bond, Advisory Council Member, launch of III Market Sizing Report, March 2022



When you dig into it, you can make a contribution to climate in almost any industrial sector because everybody could conduct their business in a more responsible way

Jamie Broderick, Director, 'Pensions with impact - adopting a transitional mindset for a better future', COP26 Green Zone

Update

Progress on other projects

Developments on other initiatives that were profiled in our 2020 Impact Report

MANAGEMENT, MEASUREMENT & REPORTING Sustainability Reporting Standard for Social Housing

ESG investment in social housing has been inhibited by the absence of a common reporting standard. A multitude of frameworks resulted in reporting that lacked transparency, was inconsistent and, often, included ESG criteria irrelevant to the social housing sector.

To address this, the Sustainability Reporting Standard for Social Housing (SRS) was launched in November 2020 by the ESG Social Housing Working Group, a unique collaboration led by The Good Economy of 18 housing associations, banks, investors, service providers and the Impact Investing Institute.

The SRS is a voluntary reporting framework, covering 48 ESG criteria enabling housing providers to report on their ESG performance in a transparent, consistent and comparable way. To date, over 100 organisations have signed up to the SRS, allowing lenders and investors more easily to assess the ESG performance of housing providers, identify ESG risks and pursue opportunities to create positive social and environmental outcomes.

Having been one of the organisations to build and develop the standard, the Institute was pleased to support the handover of the SRS in June 2021 to a new permanent board, the Sustainability for Housing Board, chaired by Brendan Sarsfield, former CEO of the Peabody Trust.



The team

Our people

From the outset, the Impact Investing Institute has been structured so that we can act collaboratively and effectively. This is one reason why we work as a small group of paid staff in tandem with a much larger group of volunteers – more than 120 at the latest count, from our Lead Experts, to our Advisory Council members, to our pro-bono expert panels.

We believe this model allows us not only access to wide-ranging and senior expertise but, as importantly, is a living demonstration of the power of our work and the shared agenda to which we are all committed. Volunteers do not just contribute to our work, but inform and advocate in their own organisations and networks. The willingness of our Lead Experts, in particular, to dedicate significant time and effort to the Institute is a testament both to them as individuals but also to the importance of the work in which we are engaged.

How we bring expertise together

Our core team – We employ a tightly-knit team of 13 permanent staff, plus interns and secondees, for example from Big Society Capital and the Civil Service Fast stream, to direct policy, shape and execute our projects and initiatives, provide operational efficiency, and communicate our goals and share our research with the wider world. Many of our team have extensive experience in the media, social impact investing, the charity sector, finance, government, local authorities and the UN.

Lead Experts – A number of internationally recognised experts provide pro-bono specialist support in their fields, from capital markets, to social investment, to law and regulation. They inform and guide our activities, often taking a core role on specific projects.

Board – Led by Dame Elizabeth Corley as Chair, our 12-strong board comprises CEOs, chairs, principals and senior directors from leading foundations, not-for-profits, campaigning organisations, law firms and asset managers. Our five Lead Experts also sit on our Board.

Advisory Council – Thirty senior leaders with extensive experience in the financial services industry, social investment, policy-making and the voluntary sector conduct oversight and help to guide the Institute's strategic direction.

Partnerships & collaboration

We collaborate with many organisations including financial institutions, social purpose organisations, other not-for-profits, government and intra-government bodies to leverage their expertise, influence and reach among our target audiences. See the next pages for full details of our supporters and partners.

Diversity, Equity & Inclusion

Diversity, equity and inclusion (DEI) are central tenets of our work to change capital markets so that they are fairer and work better for people and the planet, and a core area where positive and negative impact can be delivered. Measuring DEI properly and delivering on goals to improve DEI both within the Institute as well as in the broader investment industry are critical to our mission to foster effective and accountable impact investment.

As we seek to influence policy and advocate for positive impact, we recognise that to deliver on our project goals and amplify our voice within the industry we must lead by example. As a small team, the Institute focuses on actions that are achievable and valuable. These have included:

Recruitment

- Ensuring fair and open competition for all roles we advertise, including using the BeApplied platform to help us to eliminate unconscious bias from our hiring process
- Using Board renewal processes and Advisory Council appointments to actively seek out individuals who will enhance governance diversity and broaden perspectives
- Being proactive in ensuring recruitment shortlists for Board and Advisory Council appointments have a Black, Asian or ethnic minority candidate

Governance and operations

- Making DEI a standing agenda point at every Board meeting with a dedicated DEI Board report; plus holding a bi-monthly DEI team meeting
- Annually measuring, reporting and reviewing diversity statistics across our team, Board, Advisory Council and panels to measure progress and review goals
- Having a policy for events and communications to ensure we meet our DEI commitments in our external engagements

Work programmes

- Developing a five-point DEI framework for the design and implementation of projects where we report on: the existing context; participation from diverse and marginalised groups; our partners; how the project will make life better for diverse or marginalised groups; and how we hold ourselves accountable to this throughout the project

Our culture

- Creating an inclusive and psychologically safe working environment through training and regular, open team discussion
- Setting up a 'Culture Club' where our team comes together every two months to discuss media covering DEI themes, and to identify relevant actions for the Institute team to implement
- Giving every team member the opportunity to contribute towards the Institute's DEI goals with DEI responsibilities distributed among the team

External engagement

Promoting diversity, equity and inclusion through engagement with external contractors and third parties by:

- Considering the diversity of teams in our proposal review process
- Recording diversity metrics for all external contractors we appoint to monitor progress;
- Setting clear diversity standards for all Institute communications and events
- Pro-actively supporting and engaging with initiatives and organisations that seek to remove structural barriers to diversity, equity and inclusion in the impact investment space

Measuring progress

We seek to hold ourselves accountable for making progress on DEI at the Institute by committing to certain outcomes over the next two years (April 2022-March 2024).

Funders & Supporters

Making our work possible

Fulfilling our mission is only possible through the strong networks and connections we have built – and continue to build – with government, financial institutions and the social sector, both in the UK and overseas.

Our work has been made possible through the help of our core supporters, who funded the establishment of the Institute as an independent, non-profit organisation, and continue to support our work programme.



Department for
Digital, Culture,
Media & Sport



We also thank our project funders who have enabled key aspects of our programmatic work.

Big Society Capital

BNP Paribas

Esmée Fairbairn Foundation

FCDO – IMPACT Programme

Global Steering Group for Impact Investment

Homes England

Investment Property Forum

Lloyds Banking Group

Property Funds Research

Sustainability Reporting Standard for Social Housing

Our financial services supporters

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



If you would like to support our work

To deliver on our ambitious and essential programme of work, we continue to seek financial and pro-bono support. If you would like to help, contact our Executive Director by email at Sarah.Teacher@impactinvest.org.uk

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.

ALLEN & OVERY

Bates Wells

BDB PITMANS

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SOCIETY
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Fast Stream

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KREAB

MONTFORT

NORTON ROSE FULBRIGHT

Skadden
Skadden, Arps, Slate, Meagher & Flom LLP
& Affiliates

TRAVERS
SMITH

Schroders

Our Panels

The aim of our panels is to bring together a wide range of individuals from diverse backgrounds who have knowledge and expertise that is fundamental to the delivery of our work. Each of our panels supports a specific work area or project, with the panel members providing accountability, guidance, practical support and insight.

Endowments Expert Panel

Our Endowments Expert Panel provides the Institute with advice to help us achieve our aim of making it easier for endowments to invest with impact. We are very grateful for the participation of the following panel members:

- **Caroline Mason**, CEO, Esmée Fairbairn Foundation
- **Kieron Boyle**, CEO, Guy's and St Thomas' Foundation
- **Colin Baines**, Investment Engagement Manager, Friends Provident Foundation
- **Barnaby Wiener**, Founder and Trustee, Treebeard Trust

Legal Panel

Our Legal Panel provides the Institute with pro-bono legal advice on a wide range of policy areas, such as pension schemes' fiduciary duties and sustainability reporting. We are very grateful for the participation of the following panel members:



Public Affairs Panel

Our Public Affairs Panel provides the Institute with pro-bono advice and support on a wide range of policy areas, such as our Green+ programme and sustainability reporting. It meets every few months and benefits from expertise from across the policy world and financial and social investment sectors. We are very grateful for the participation of the following panel members:

- **Andrew Palmer**, Head of Global Affairs, CDC Group
- **Antony Manchester**, Managing Director, UK Public Policy, BlackRock
- **Ed Boyd**, Co-Founder and Executive Director, ReGenerate
- **Elisha Walia**, Senior Director of Public Affairs (Europe, the Middle East and Africa), Aon
- **Fergus Moffatt**, Head of UK Policy, ShareAction
- **James Alexander**, CEO, UKSIF: UK Sustainable Investment and Finance Association
- **James Westhead**, Head of Engagement, Big Society Capital
- **Jane Gimber**, Associate Director, Financial Services, FleishmanHillard
- **Karen Wilson**, Strategic Partnerships, Office of the Secretary General, Organisation for Economic Co-operation and Development
- **Kate Benetti**, Executive Director, Government Relations, Morgan Stanley
- **Kelsey Paulding**, Associate Director, Kreab
- **Martin Parkes**, Managing Director, Global Public Policy, BlackRock
- **Mary Pizzey**, Research & Programmes Director, ReGenerate
- **Nick Collier**, Managing Director, Brussels, City of London Corporation
- **Sheila Nicoll**, Head of Public Policy, Schroders
- **Tessa Godley**, Policy and Strategy Manager, Big Society Capital & Policy Manager (seconded), Impact Investing Institute

Secretariat: Joe Dharampal-Hornby, Public Affairs Manager, Impact Investing Institute

Learning Panel

Our Learning Panel provides the Institute with strategic advice and direction on our education and training work and provides expert curation of the resources on our Learning Hub. The panel meets every few months and benefits from expertise across the investment and impact landscape. We are very grateful for the participation of the following panel members:

- **Alex Pitt**, Co-Founder, Mustard Seed
- **Anita Bhatia**, Investment Director, Endowment Team at Guy's and St Thomas' Foundation
- **Brishni Mukhopadhyay**, ESG Product Specialist, Lazard Asset Management
- **Damien Lardoux**, Head of Impact Investing, EQ Investors
- **Elizabeth Chiweshenga**, Senior Responsible Investment Analyst, Aberdeen Standard Investments
- **Gemma Woodward**, Executive Director, Quilter Cheviot
- **Jamie Innes**, Impact Manager, Tribe Impact Capital
- **Kat Shenton**, Impact and Sustainability Director, Octopus Investments
- **Kate Hewitt**, ESG and Impact Specialist, Montanaro Asset Management
- **Lyn Tomlinson**, Head of Impact, Cazenove Capital
- **Maggie Loo**, Partner, Bridges Fund Management
- **Rebecca MacDonald**, Senior Investment Director, Big Society Capital
- **Sarah Norris**, Investment Director, Standard Life Aberdeen
- **Tim Crockford**, Senior Fund Manager, JO Hambro
- **Tim Manuel**, Partner and Co-Head of Responsible Investment, Aon

Secretariat: Sophia Omar, Programme Officer, Impact Investing Institute

Pensions Panel

Our Pension Expert Panel provides the Institute with expert advice on our pensions programme to help us achieve our aim of making it easier for pension schemes to invest with impact. We are very grateful for the participation of the following panel members:

- **Charlotte O'Leary**
- **Irshaad Ahmad**
- **Julius Pursaill**
- **Mike O'Brien**
- **Ruston Smith**
- **Sarah Watters**

Secretariat: Sophia Omar, Programme Officer, Impact Investing Institute

Our partners

Everything we do is collaborative, and we are pleased to work with many influential partners across sectors and around the world. These include, but are not limited to:

Association of Charitable Foundations (ACF)
British International Investment
Dalberg
EVPA
EY
The Good Economy
London School of Economics' Grantham Research Institute on Climate Change and the Environment
Green Finance Institute
Homes England
The Impact Management Project (IMP) [Until Dec 2021]
Make My Money Matter
Metro Dynamics
Pensions for Purpose
ShareAction



Last word

From our Chair

As I reflect on what has been achieved over the last 18 months, I am at once proud of what the Institute, volunteers and our partners have collectively achieved, and determined to make sure this progress is accelerated. The global challenges we face are stark, whether in addressing social deprivation, or in achieving a Just Transition to Net Zero, but while this may seem daunting, it should also imbue us with a sense of urgency, underlining the necessity of our shared endeavour to help build a financial system which works better for people and the planet. We have laid the foundations: now, through initiatives like the Just Transition Finance Challenge, it is time to make sure we channel this urgency toward our collective goal: mobilising more capital, both private and public, towards creating a more sustainable and more equitable world.

None of what we have achieved would have been possible without the invaluable support of our Board and Advisory Council and the contributions of our funders, our partners and our volunteers. Thank you all – and I look forward to working with you further over the next 18 months.



Dame Elizabeth Corley
Chair of the Impact Investing Institute



The Impact Investing Institute is an independent not-for-profit organisation that aims to transform capital markets to make them fairer and work better for people and the planet. Our vision is for lives to improve, as more people choose to use their savings and investments to help solve environmental and social challenges, while seeking a financial return.

By enabling and encouraging more capital to be used to help solve the world's most pressing social and environmental challenges, we seek to accelerate the growth and improve the effectiveness of impact investing – both in the UK and globally.

We drive change through awareness raising, conducting research, providing useful tools, advocating for supportive policies, and collaborating.

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www.impactinvest.org.uk

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