Aligning Impact: Investment Meets Philanthropy

AFP Congress

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Aligning Impact: Investment Meets Philanthropy: Introductions

• Elissa Beckett, VP Development & Strategic Initiatives, Tides Canada
• Jory Cohen, Director of Social Finance and Investment, Inspirit Foundation
• Todd Jaques, Director, Strategic Initiatives, Tides Canada
Disclaimer

• Impact investing is still a gray area for CRA’s regulations
• Current recommendations for social finance and social innovation strategy should provide clarity
• Always consult legal counsel before launching an impact investment program
• We are not legal counsel
Agenda

1. Impact Investing 101
2. Impact Investing Instruments
3. Impact Investing in Action
4. Philanthropic Trends
5. Challenges and Preconditions
6. Sli.do Questions / Interactive
7. Closing
On your smartphone go to slido.com

Enter the code P920

Ask questions or vote for questions from other attendees
Introduction
All investments generate positive and negative outcomes for people and the planet.

Source: https://impactmanagementproject.com/
0.5%
99.5% 

Sources: Inside Philanthropy, Forbes, Toronto Star
$73B

Source: Philanthropic Foundations of Canada
7.8%

Source: Philanthropic Foundations of Canada
ESG

Environmental
- Climate change
- Clean energy
- Resource sustainability

Social
- Human rights
- Diversity policies
- Work & safety standards

Governance
- Executive leadership
- Corporate culture
- Corruption policies

Source: Financialliteracyinfor.ca
impact investments

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

Source: Global Impact Investing Network
Terminology

- Ethical Investing
- Responsible Investing
- Program-related Investing (PRI)
- Impact Investing
- Community Investing
- Green Investing
- Values-based Investing
- Mission-related Investing (MRI)
- Socially Responsible Investing
IMPACT INVESTING

Philanthropy
Fully oriented to positive impact

Thematic Investing
Investments in thematic sectors

Sustainable Investing (ESG)
Positive screen

Socially Responsible Investing (SRI)
Negative screen

Mainstream Investing
No consideration of impact

Source: Netimpact.org
<table>
<thead>
<tr>
<th>Traditional</th>
<th>Responsible Investing (RI)</th>
<th>Socially Responsible Investing (SRI)</th>
<th>Thematic</th>
<th>Impact-first</th>
<th>Venture Philanthropy</th>
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<tr>
<td><strong>Competitive Returns</strong></td>
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<td><strong>ESG Risk Management</strong></td>
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<td><strong>High Impact Solutions</strong></td>
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Source: MaRS State of the Nation 2014
Responsible Investing

Impact Investing

ESG screened

Intentional

Impact plus financial returns

Social Impact Bond

Specific instruments

Specific instruments
Impact Investing Instruments
Community Bonds

FEATURES

- Allows not-for-profits and charities to issue debt to raise funds
- Funds can be raised from accredited and retail investors
- Typically collateralized by an asset and tied to a revenue-generating project

EXAMPLES

- Centre for Social Innovation
- Innovation Works
- SolarShare
Loan Funds

FEATURES

- Pools of capital dedicated to not-for-profits, charities, and social enterprises
- Fundraising medium to match donated capital or gifts
- Typically collateralized by an asset and tied to a revenue-generating project

EXAMPLES

COMMUNITY FORWARD FUND
Financing for charities and nonprofits
Guarantees

FEATURES

• Funding made accessible by a third party guarantee of repayment

• Guarantors tend to like this financing model because they do not necessarily need to put up any capital

• Typically the guarantee model is seen with line of credits offered by financial institutions
Social Impact Bonds

**FEATURES**

- Agreement between investors, a service provider, and an outcomes payer
- Government tends to be the outcomes payer
- Investors offer the upfront capital to fund a program and get repaid based on the success of the intervention

**EXAMPLES**

RAFT: Empowering Our Youth
Private Equity Funds

**FEATURES**

- Investment that can align endowments with the mission of the organization
- Direct ownership positions in mission-aligned companies
- Typically these funds have a longer-term exit strategy than other investments

**EXAMPLES**

- InvestEco
  - Building companies that matter
- Raven Indigenous Capital Partners
- renewal Funds
  - Investing for Change
Donor Advised Funds

• Alternative to setting up a foundation
• ‘Philanthropic account’ housed at a public foundation
• Focused on grant making and traditional investments
• Various investment models
Impact Donor Advised Fund

- Based on Impact Assets (US) model
- 100% impact invested
- Investments are fully customized based on DAF purpose
- Tool for charities & philanthropists to enter impact investing
- Launching 2019
Impact Investing In Action
Driving positive change by connecting people, ideas and resources

See our impact ›
20 by 2020

• Target of investing 20% of the Foundation’s assets in impact investments by 2020
• Portfolio analyzed by Sustainalytics for ESG
• Investment Managers:
  – Committed to United Nations Principles for Responsible Investment
  – Proxy voting monitored by SHARE (Shareholder Association for Research & Education)
Targets

- Preference for local
Community Investment Fund

- Loans to charities and non-profits
- Recycling capital for community
Inspirit Foundation

FULLY COMMITTED.

OUR ROADMAP TOWARDS A 100% IMPACT PORTFOLIO

INSPIRIT FOUNDATION

IN PARTNERSHIP WITH

PURPOSE Capital

TidesCanada
About Inspirit:

OUR VISION:
We envision a more inclusive and pluralist Canada where our differences are valued and engaged, and everyone has an equal opportunity to thrive both socially and economically.

OUR MISSION:
We work to promote inclusion and pluralism through media and arts, support for young change leaders and impact investing — specifically addressing discrimination based on ethnicity, race and religion.
Why Impact Investing?

MISSION ALIGNMENT
For many, impact investing is a financial tool with social considerations. For us, it’s a commitment to activate every investment for positive systemic change and realize a more inclusive and pluralist society.

STRONGER FINANCIAL PERFORMANCE
Investing for positive impact has been linked to stronger long-term financial results compared to traditional investments, which disregard socio-economic and environmental impact.
Fiduciary Duty:

**INSPIRIT’S INVESTMENT POLICY STATEMENT:**
“Inspirit’s Board of Directors has a fiduciary duty to Inspirit. This includes careful stewardship of our assets beyond a duty of care for financial performance. It is the intent to optimize our investments for both risk-adjusted financial returns and risk-adjusted positive impact.”
Traditional vs. Impact

TRADITIONAL INVESTMENTS:
Investments in companies not necessarily relevant to Inspirit’s vision of creating a more inclusive and pluralist society.

IMPACT INVESTMENTS:
Investments in companies that are top performers along environmental, social, and governance metrics (ESG). Ideally, they also earn at least 50% of their revenue by contributing to a more inclusive and pluralist society.
• New Market Funds

OVERVIEW
PURPOSEFUL PERFORMANCE

Investment opportunities with lasting community benefit
Case Study – Vancouver Land Trust

• New Market Funds partnered with the Vancouver Land Trust
• Developing 358 affordable homes
• Targeting: lower income families, seniors, and supportive housing

"Typically non-profits and co-ops in Canada have been able to access either grant capital...[or] mortgages for project funding; the New Market equity provides a tool to access investment capital that they haven’t previously been able to access...[the] funding was the last bit of cash equity that unlocks the financing of this project."

residents to date

Supportive Health
6%

Seniors
31%

Families & Workforce
63%
Case Study – Wood Green Community Services

• New Market Funds, through their New Commons Development branch, provides:
  – Planning, development and construction leadership
  – Secures government support and trades
  – Lends to help secure other financing

• 36 new affordable rental housing units for seniors, a Parent-Child resource centre and a community gathering space.
Great Bear Rainforest and Haida Gwaii
Permanent Conservation Finance
Project Finance for Permanence

Landscape-level conservation approached holistically

Aim is to foster conditions required to secure sustainability of globally important places

Doing this thoroughly and all at once, not incompletely or incrementally
COAST FUNDS

$58 million + $60 million

Conservation Fund
A permanent endowment designed to ensure the ecological integrity of the world’s largest intact coastal temperate rainforest.

Economic Development Fund
A spend-down fund that invests in sustainable businesses and permanent infrastructure, consistent with the conservation fund’s long-term goals.
COAST FUNDS

$77 million
approved to 330 projects

$103 million
in assets under management

Conservation Fund: $78 million

Economic Development Fund: $25 million

Figures current as of December 31, 2017
Shellfish aquaculture
Fisheries
Technology and communications
Wildlife viewing
Nutraceuticals
Mushroom harvesting
Non-timber forest products
Tourism infrastructure

Ecosystem-based management compliant forestry operations
Renewable energy
Small scale, non-toxic, subsurface rock, mineral or gem extraction projects
Economic development capital corporations
Transportation infrastructure
Small business infrastructure
Creating First Nations Businesses

- Tourism
- Development Corporations
- Manufacturing & Processing
- Small Business & Services
- Aquaculture
- Transportation
- Forestry
- Fisheries
- Other

100 NEW & EXPANDED BUSINESSES

Legend:
- New Businesses Created
- Existing Businesses Expanded
Creating New Employment

- Manufacturing & Processing: 340 jobs
- Tourism: 200 jobs
- Conservation Economy: 150 jobs
- Development Corporations: 100 jobs
- Aquaculture: 70 jobs
- Forestry & Small Business: 30 jobs

917 jobs created
12% projects employ First Nations' workforce
Family-Supporting Incomes

Median Household Income, Central Coast

- Central Coast D: $56K in 2006, $63K in 2016

Data from Statistics Canada.
Trends
Philanthropy

• Wealth transfer: $780B inherited over next decade
• Social justice philanthropy: focus on root causes
• Evidence-based: measurable impact
• Non-charitable giving: social enterprise, impact investing, non-profits
Impact Investing

- 90% of HNWIs are interested
- Highest interest in ages 25-54
- Areas of Interest
  - Energy & Cleantech
  - Health & Wellness
  - Food
  - Education

Source: Market Momentum: Impact Investing & High Net Worth Canadians, MaRS 2018
Impact Investing

Top three barriers:

• Lack of qualified advice and expertise

• Lack of viable products and investment options

• Lack of liquidity

Source: Market Momentum: Impact Investing & High Net Worth Canadians, MaRS 2018
Challenges and Preconditions
External Challenges

• CRA guidance: opaque and vague
• Competition: traditional investment and impact investments
• Money managers: Assets Under Management issue
Internal Challenges

- Staff Capacity: time & expertise
- Leadership: CEO and senior staff
- Governance: board, committees, & policies
- Programming: ‘investible’ work
- Measurement: effective evaluation framework and tracking
Preconditions

• Effective programming that demonstrates social/environmental impact
• Capital asset or revenue generating activities*
• Staff capacity & leadership buy-in
• Donor interest
Sli.do and Interactive
Questions?

- Download Sli.do from app store (free) or use your browser and go to slido.com
- Enter event code: #P920
- Enter your question and/or vote up other interesting questions.
Interactive Piece – 45 min

• Starting to consider impact investing at your organization…
  – Divide into three areas of the room
  – Todd, Elissa and Jory to rotate
  – Worksheet with key questions to consider (and resources on the back)
  – Everyone will do everything
Three Areas of the Room

1. Board and Staff – Jory
2. Purpose and Programs – Todd
3. Donors and Partners - Elissa
Resources
Resources

- The Impact Management Project: https://impactmanagementproject.com/
- Inspirit’s Fully Committed: https://inspiritfoundation.org/impact-investing/
- SHARE: https://share.ca/about/
- New Market Funds website
Thank you!

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Jory Cohen, Director of Social Finance and Investment, Inspirit Foundation

Todd Jaques, Director, Strategic Initiatives, Tides Canada
Agenda

1. Impact Investing 101 – What is impact investing? – Elissa (3 - 5 min)
2. Impact Investing Instruments – definition plus examples (10 min)
   • Community Bonds - Jory
   • Loan Funds - Jory
   • Guarantees – Jory
   • Social Impact Bonds - Jory
   • Equity - Jory
   • Donor Advised Funds – Elissa or Todd
   • Other - Jory
3. Impact Investing in Action (15 min)
   • Hamilton Community Foundation - Elissa
   • New Market Funds - Elissa
   • Coast Opportunities Fund - Elissa
   • Inspirit - Jory
4. Philanthropic Trends – Todd (5 – 7 min)
5. Challenges and Preconditions – Todd and Jory (10 min)
6. Interactive Piece (45 min)
7. Resources / Closing (2 min)
Uncommon Solutions. Common Good.
THE IMPACT INVESTING CONTINUUM

Adapted from F.B. Heron Foundation
<table>
<thead>
<tr>
<th>Profit Only Investing</th>
<th>Responsible Investing</th>
<th>Sustainable Investing</th>
<th>Socially Responsible Investing (SRI)</th>
<th>Impact Investing</th>
<th>Impact Only Investing</th>
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<tbody>
<tr>
<td><strong>Returns Paramount</strong></td>
<td><strong>Impact Risk</strong> Adopt ESG to mitigate risk and retain value</td>
<td><strong>Impact Opportunity</strong> Adopt ESG to enhance value</td>
<td><strong>Passive Impact</strong> Adjusting investments based on certain ethical guidelines—regardless of effect on returns</td>
<td><strong>Equal Priorities</strong> Seeking specific positive impact &amp; competitive return</td>
<td><strong>Lower and/or Uncertain Return</strong> Seeking specific impact that requires lower return</td>
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<tr>
<td>No regard for ethics or impact</td>
<td>EG, “Business as usual”</td>
<td>EG, screening for coal stock, given risk in long-term</td>
<td>EG, investing in renewables, b/c of market opportunity</td>
<td>EG, eliminating stock in firearms because of moral beliefs</td>
<td>EG, patient and/or low-cost capital for affordable housing</td>
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<tr>
<td>No Return</td>
<td>EG, 0% interest loan, recoverable grant, grant.</td>
<td>EG, investing in market-rate entrepreneurs of color fund</td>
<td>EG, patient and/or low-cost capital for affordable housing</td>
<td>EG, 0% interest loan, recoverable grant, grant.</td>
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<td>Charities</td>
<td>Sustainable Social Enterprises</td>
<td>Profit-maximising Businesses</td>
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<td>Grants only: No trading, includes traditional philanthropy</td>
<td>Potentially sustainable social enterprise (&gt;75 percent in trading revenues)</td>
<td>Responsible business (consider ESG, value chain restructuring)</td>
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<td>Majority grants &amp; some trading revenues</td>
<td>Breakeven: all income from trading revenues</td>
<td>Strategic social investment (percent of profits allocated to CSR / CSI)</td>
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<td>Profitable sustainable social enterprise: surplus reinvested (no loss, no dividends)</td>
<td>Profitable social enterprise: surplus profit distribution</td>
<td>Mainstream Market Company</td>
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