

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

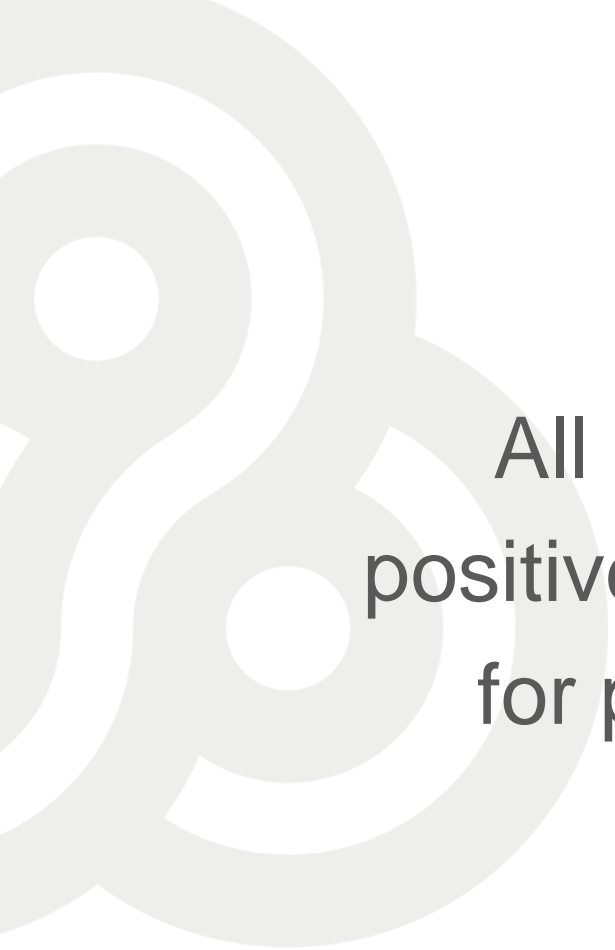
1. Impact Investing 101
2. Impact Investing Instruments
3. Impact Investing in Action
4. Philanthropic Trends
5. Challenges and Preconditions
6. Sli.do Questions / Interactive
7. Closing



Slido

- 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%

Sources: Inside Philanthropy, Forbes, Toronto Star



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](https://financialliteracyinfor.ca)



impact investments

im·pact in·vest·ments

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

Sustainable Investing

Ethical Investing

Responsible Investing

Program-related Investing (PRI)

Community Investing

Impact Investing

Green Investing

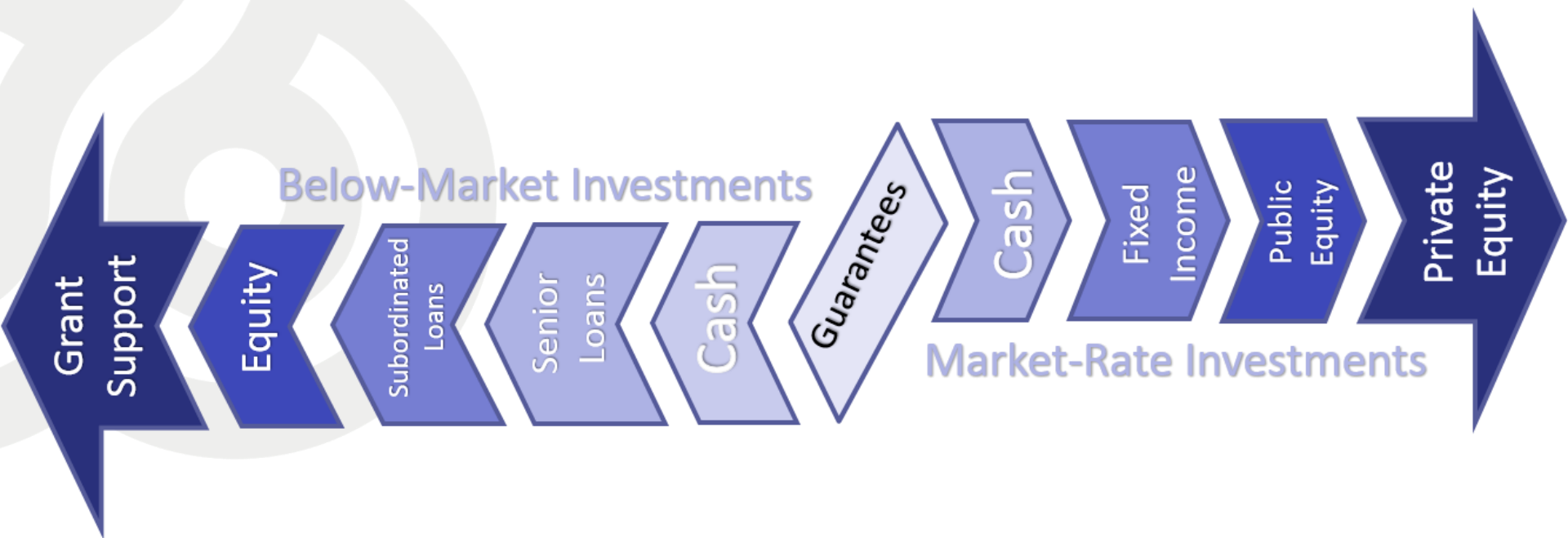
Values-based Investing

Mission-related Investing (MRI)

Socially Responsible Investing



Source: Netimpact.org



Source: FB Heron Foundation



Source: MaRS State of the Nation 2014

Responsible Investing

ESG
screened

Impact Investing

Intentional

Impact plus
financial
returns

Social Impact Bond

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

The logo for the Centre for Social Innovation features the text "CENTRE FOR SOCIAL INNOVATION" in bold, black, uppercase letters. The text is set against a background of several horizontal, orange brushstroke-like lines of varying lengths.

**CENTRE FOR
SOCIAL
INNOVATION**

The logo for Innovation Works consists of the words "INNOVATION" and "WORKS" stacked vertically in a bold, teal, sans-serif font. The text is enclosed within a teal rectangular border that has a slightly irregular, hand-drawn appearance.

**INNOVATION
WORKS**

The SolarShare logo features the word "SOLARSHARE" in a bold, black, sans-serif font. The letter "O" is replaced by a stylized sun icon with yellow rays emanating from it.

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



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

EXAMPLES



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



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





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



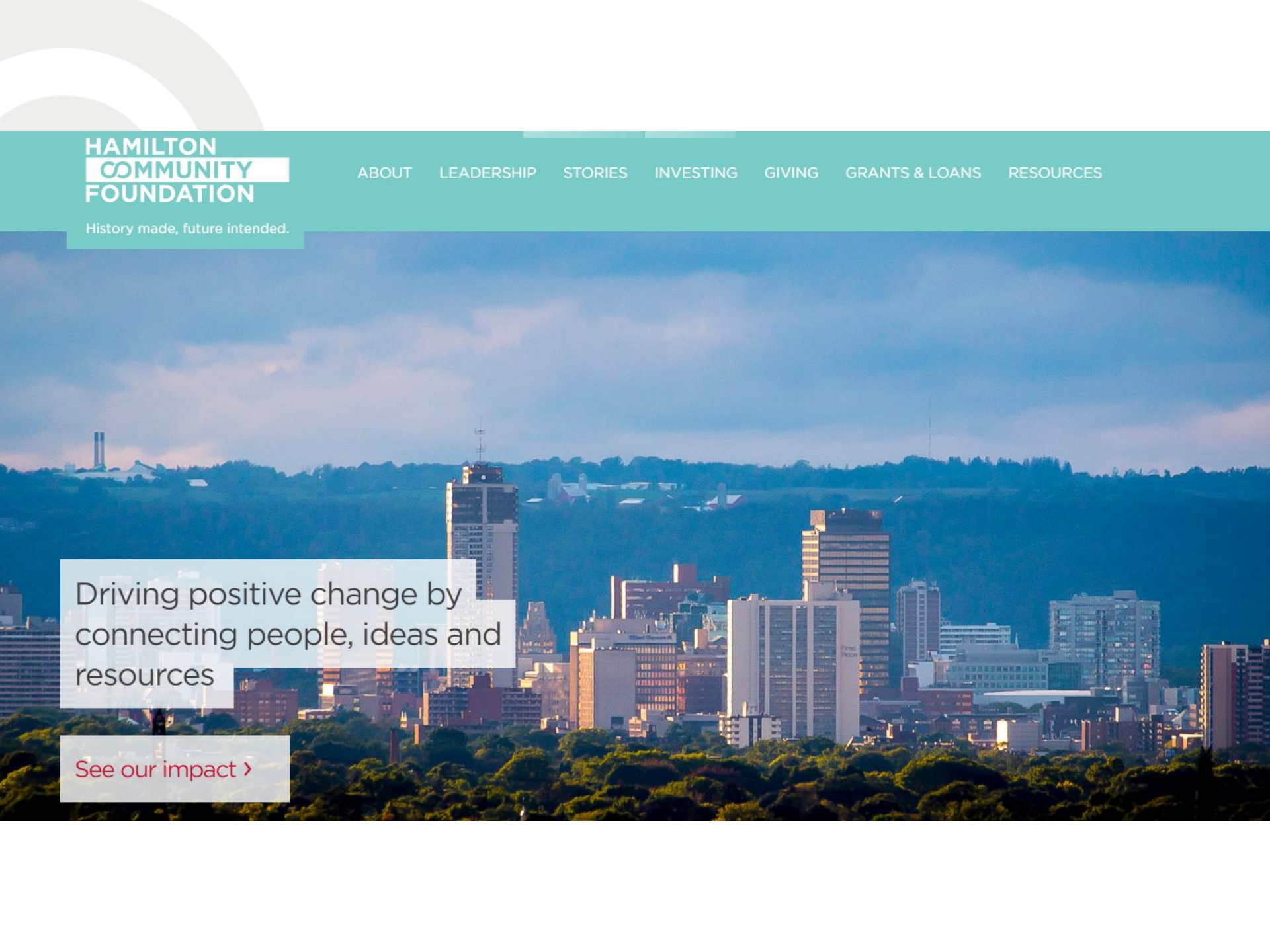
Impact Donor Advised Fund

- 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



Hamilton Community Foundation



Driving positive change by
connecting people, ideas and
resources

[See our impact >](#)

20 by 2020

**HAMILTON
COMMUNITY
FOUNDATION**

History made, future intended.

- 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

**HAMILTON
COMMUNITY
FOUNDATION**

History made, future intended.

- Preference for local

Education

Affordable
Housing

Youth

Health

Employment

Other
Granting
Priorities

Community Investment Fund

HAMILTON
COMMUNITY
FOUNDATION

History made, future intended.

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



Inspirit Foundation

FULLY COMMITTED.

OUR ROADMAP TOWARDS A 100% IMPACT PORTFOLIO





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.

OVERVIEW

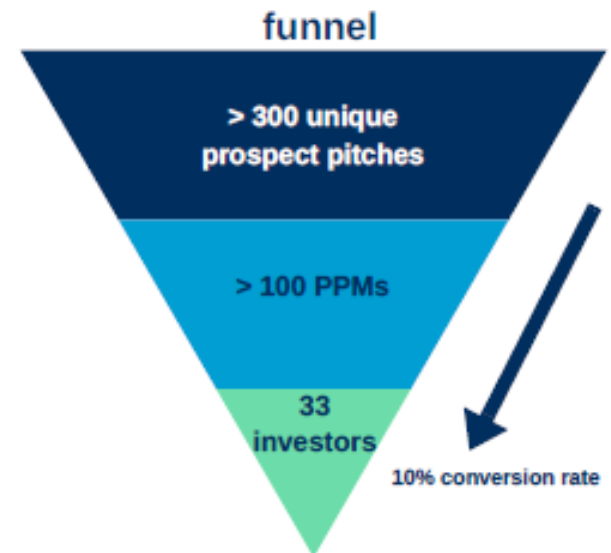
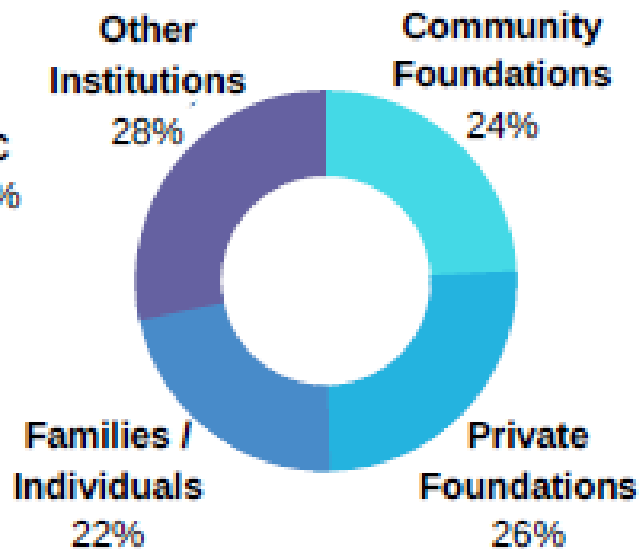
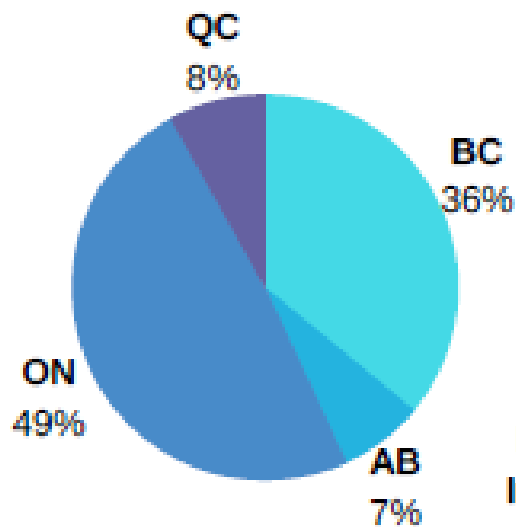
- New Market Funds

A wide-angle photograph of the Vancouver skyline, showing a dense cluster of skyscrapers and buildings nestled at the foot of the forested, snow-capped mountains of the Coast Range. The foreground is filled with lush green trees, and the sky is a mix of soft clouds and a hint of sunset or sunrise light.

PURPOSEFUL PERFORMANCE

Investment opportunities with lasting community benefit

investors



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."

- Patten, Kristin. *Vancouver Community Land Trust Foundation Case Study*. February 2015, page 20.
Vancity, personal communication, February 10, 2015



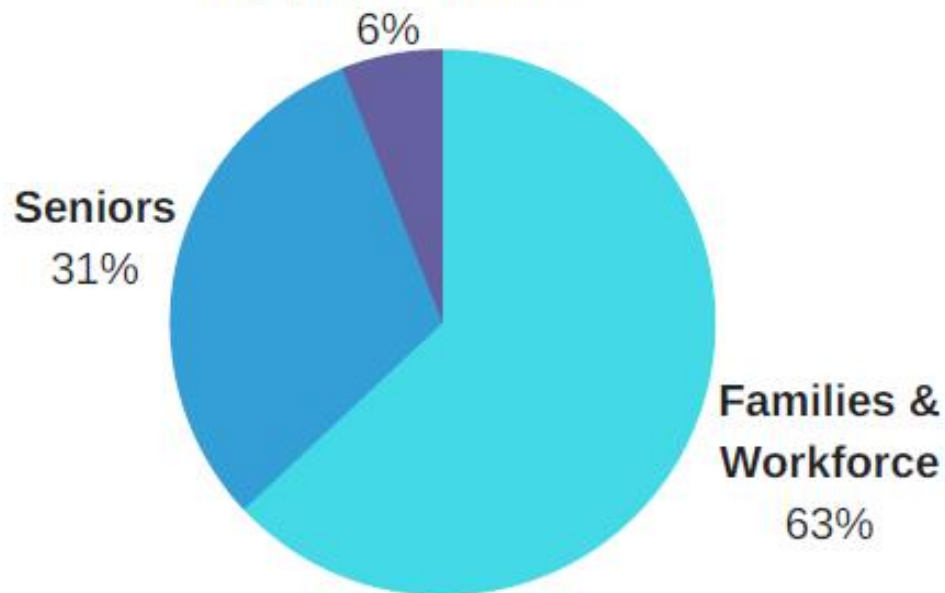
Madrona - Victoria, BC



The BRice - Vancouver, BC

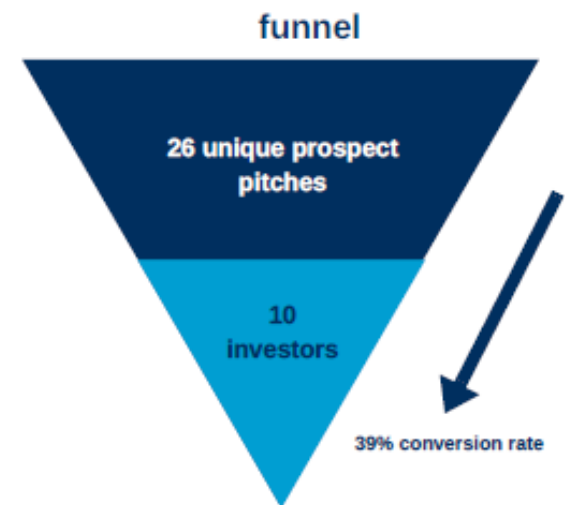
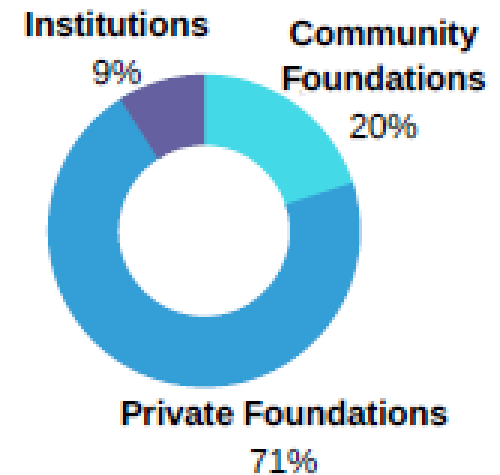
residents to date

Supportive Health



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.





Coast Funds

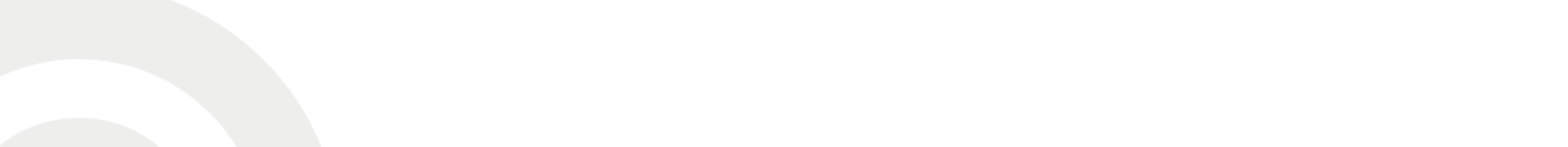




COAST FUNDS

LINKING ECOLOGY + PROSPERITY





COAST
FUNDS

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

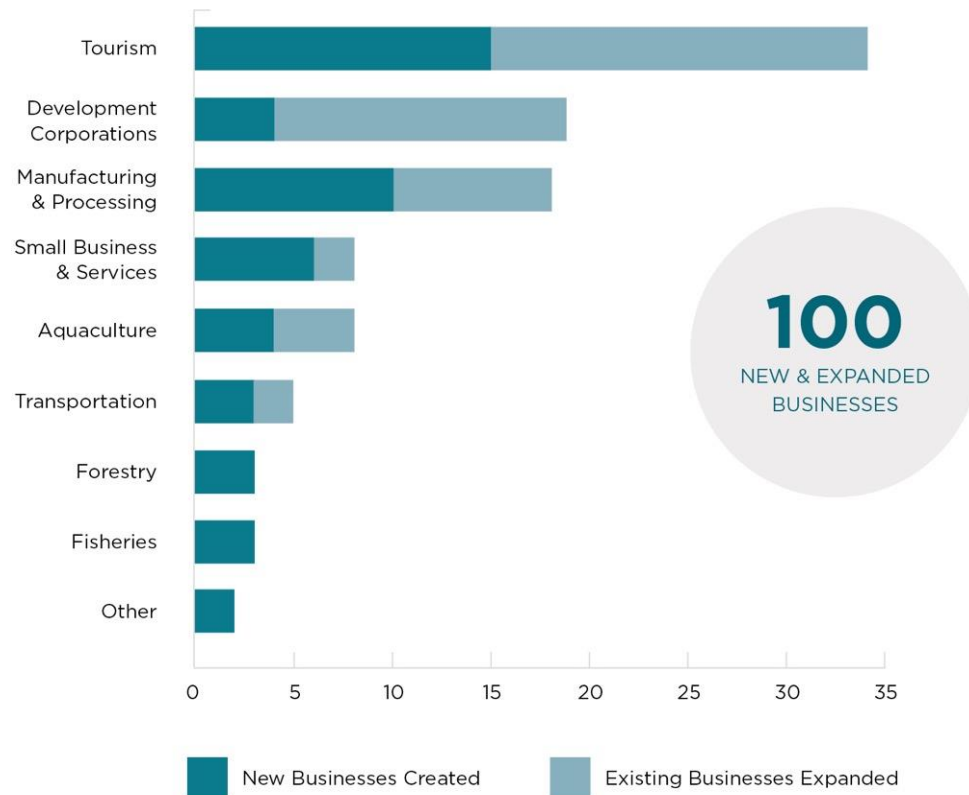




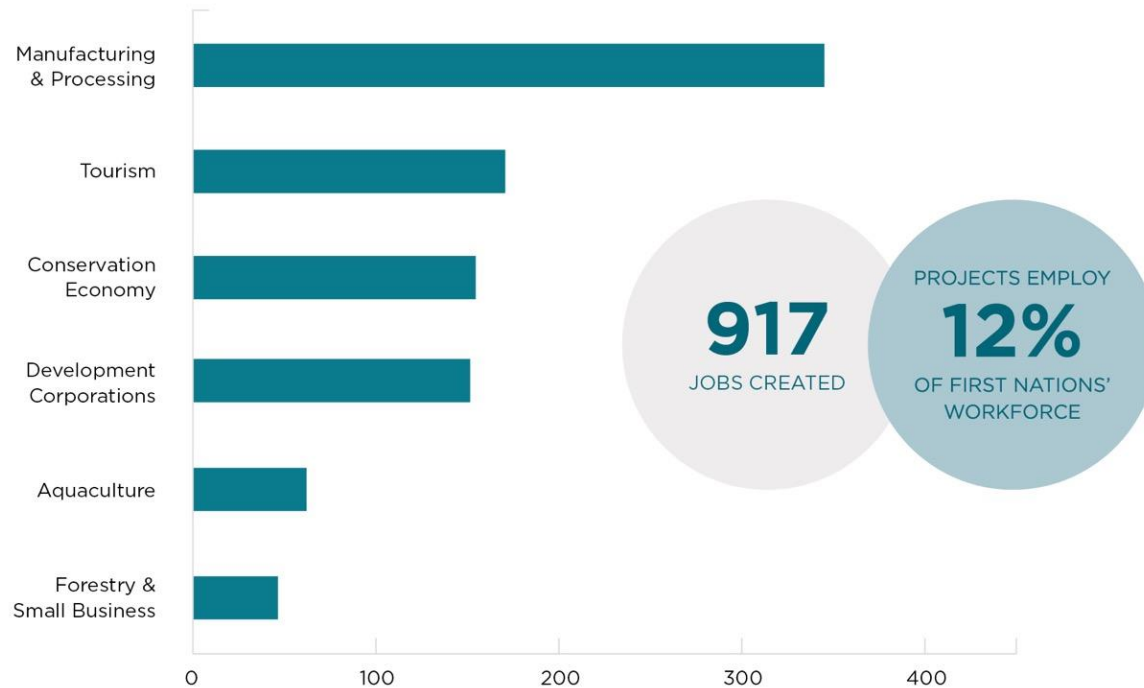




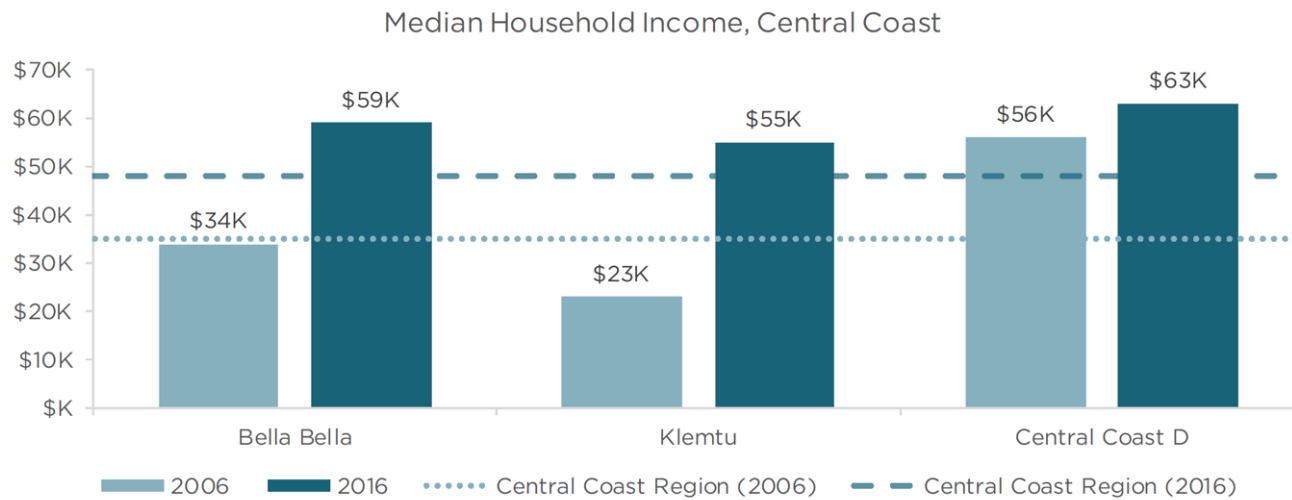
Creating First Nations Businesses



Creating New Employment



Family-Supporting Incomes



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

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

Sli.do 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!

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

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
1. Impact Investing in Action (15 min)
 - Hamilton Community Foundation - Elissa
 - New Market Funds - Elissa
 - Coast Opportunities Fund - Elissa
 - Inspirit - Jory
2. Philanthropic Trends – Todd (5 – 7 min)
3. Challenges and Preconditions – Todd and Jory (10 min)
4. Interactive Piece (45 min)
5. Resources / Closing (2 min)

**Uncommon Solutions.
Common Good.**





THE IMPACT INVESTING CONTINUUM

Adapted from F.B. Heron Foundation



| Prioritizing of Return vs Impact | | | | | | |
|--|--|--|---|--|--|---|
| Profit Only Investing | Responsible Investing | Sustainable Investing | Socially Responsible Investing (SRI) | Impact Investing | | Impact Only Investing |
| Returns Paramount No regard for ethics or impact | Impact Risk Adopt ESG to mitigate risk and retain value | Impact Opportunity Adopt ESG to enhance value | Passive Impact Adjusting investments based on certain ethical guidelines— regardless of effect on returns | Equal Priorities Seeking specific positive impact & competitive return | Lower and/or Uncertain Return Seeking specific impact that requires lower return | No Return Seeking specific impact, expectation of no return |
| EG, “Business as usual” | EG, screening for coal stock, given risk in long-term | EG, investing in renewables, b/c of market opportunity | EG, eliminating stock in firearms because of moral beliefs | EG, investing in market-rate entrepreneurs of color fund | EG, patient and/or low-cost capital for affordable housing | EG, 0% interest loan, recoverable grant, grant. |

Social value



"Blended" social & financial value



Financial value

| Charities | | Sustainable Social Enterprises | | | | Profit-maximising Businesses | | |
|--|--|---|--|--|---|--|---|---------------------------------|
| Grants only: No trading, includes traditional philanthropy | Majority grants & some trading revenues | Potentially sustaina- ble social enterprise (>75 percent in trading revenues) | Breakeven: all income from trading revenues | Profitable sustainable social enter- prise: surplus reinvested (no loss, no dividends) | Profitable social enterprise: surplus profit distribution | Responsible business (consider ESG, value chain restructuring) | Strategic social investment (percent of profits allocated to CSR / CSI) | Mainstream Market Company |

Adapted from: John Kingston, *CAF Venturesome* by Pieter Oostlander, Shaerpa & EVPA (2010) & *Principles for Social Investment Secretariat and United Nations Global Compact* (2012) *Foundations of Social Investment* www.unglobalcompact.org