Social Investment and Socially responsible Investment

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Definitions

- Social Investment: Using a charity's assets for both a charitable purpose and to achieve a financial return
- Socially Responsible Investing: Investing a charity's assets to either:
  - Minimise social harm
  - Maximise social benefit

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Social investment isn’t new

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Legal requirements

- Most charities have power to make social investments
- In many cases the law gives this power to charities without the trustees needing to change anything
- Does not amend existing trustee duties

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Points to consider

- Duration
- Risks (including costs)
- Measurement (including financial return, failure, resources)
- Tax and audit
- Specialist advice

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What is Social Investment?

- Definition evolving over time, but working definition:
- “Social investments have the intent and motivation of generating a social or environmental impact as well as financial return on investment. They aim to measure both the social and financial value they create and be held accountable for this.” Mark Salway (2016)
- “Social Investment is the use of repayable finance to achieve a social as well as a financial return” (Big Society Capital 2012)
- “Social investment has come to be seen as something to do with finance for the social sector ” (Floyd et al, 2015)
- In addition the charity sector also has around £3.5 billion in normal loans

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Research: Market to date

- Global about $77.4bn in impact assets (across 156 organisations).
- UK about £2bn and growing at around 25% p.a. (down from 38% original growth).

- Impact performance has been:
  - 1% underperforming
  - 72% Inline
  - 27% Exceeded
- Financial performance:
  - 11% underperforming
  - 70% Inline
  - 19% Exceeded

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Research: what do charities want from social investment?

- Sustainability
- Impact
- Scaling up and growth
- Investing in IT or the low carbon economy
- Autonomy and flexibility in income streams
- Building their internal infrastructure to focus on impact measurement.
- To develop intrapreneurs

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How positive do you feel about social investment?

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How do charities see their finance mix between grants and donations, or borrowing and investment now and in 5-years?

- There is a considerable change in how non-profit organisations see their finance models now versus 5-years time. Currently grants and donations are prevalent.
- We have quantified this as around 11% more borrowing, social enterprise and investment in 5 years. This is some £5bn capital.

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http://www.cass.city.ac.uk/__data/assets/pdf_file/0011/358634/CCE_Social_Investment_SymposiumReport_May17_web.pdf

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