



Presidenza del Consiglio dei Ministri
Dipartimento della Funzione Pubblica

FormezPA



«STRUMENTI DI FINANZA A IMPATTO SOCIALE»

Webinar - Giovedì 17 dicembre 2020 - ore 15:00 – 18:00

Progetto Azioni di supporto al DFP per la gestione e realizzazione di interventi nell'ambito del Fondo per l'Innovazione Sociale – FIS



RP Legal & Tax

«Gli strumenti di finanza a impatto sociale (impact investing)»

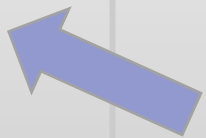
Roberto Randazzo

17/12/2020

Impact investing: definition, actors & tools

Impact Investing: *“Investments made into companies or organizations with the intent to contribute to measurable positive social and environmental impact alongside financial returns”*¹

IMPACT INVESTORS

- Banks / pension funds / financial advisors / UCITS
 - High net worth individuals / holding / club deal
 - Institutional and family foundations
 - Government investors and development finance institutions
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FINANCIAL TOOLS

- Equity funds and loans
- Outcomes funds
- Social and development impact bonds

IMPACT INVESTEEES

- **Third sector organisations**
 - Not for profit organisations
 - Social enterprises
- **Hybrid companies**
 - Social ventures
 - Profit with/for purpose

Strictly impact - Impact - Almost impact

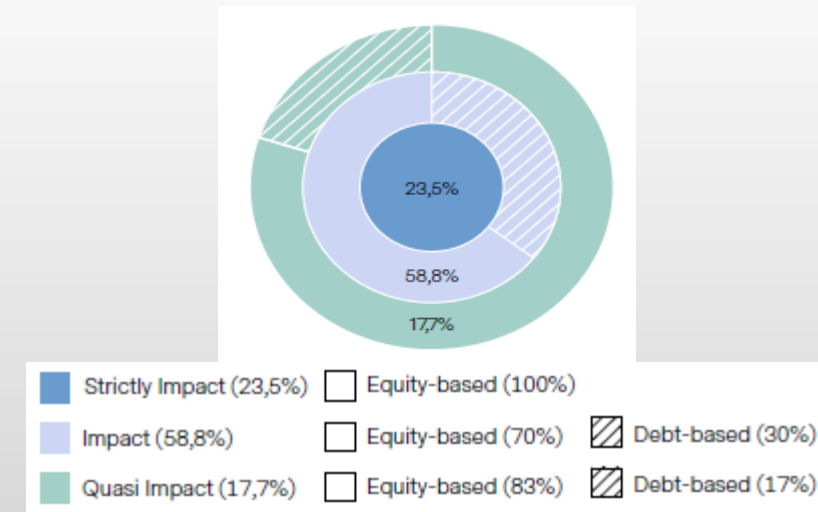
Impact investing is based on the three elements:

- 1. Intentionality:** explicit willingness to incorporate in the business model the search for a solution to a community problem and the generation of a positive social impact.
- 2. Measurability:** organization capacity to be accountable of the proposed social solution in quantitative and qualitative terms.
- 3. Additionality:** the aim to generate a positive social impact taking action in fields where market mechanism fail or only partially work.

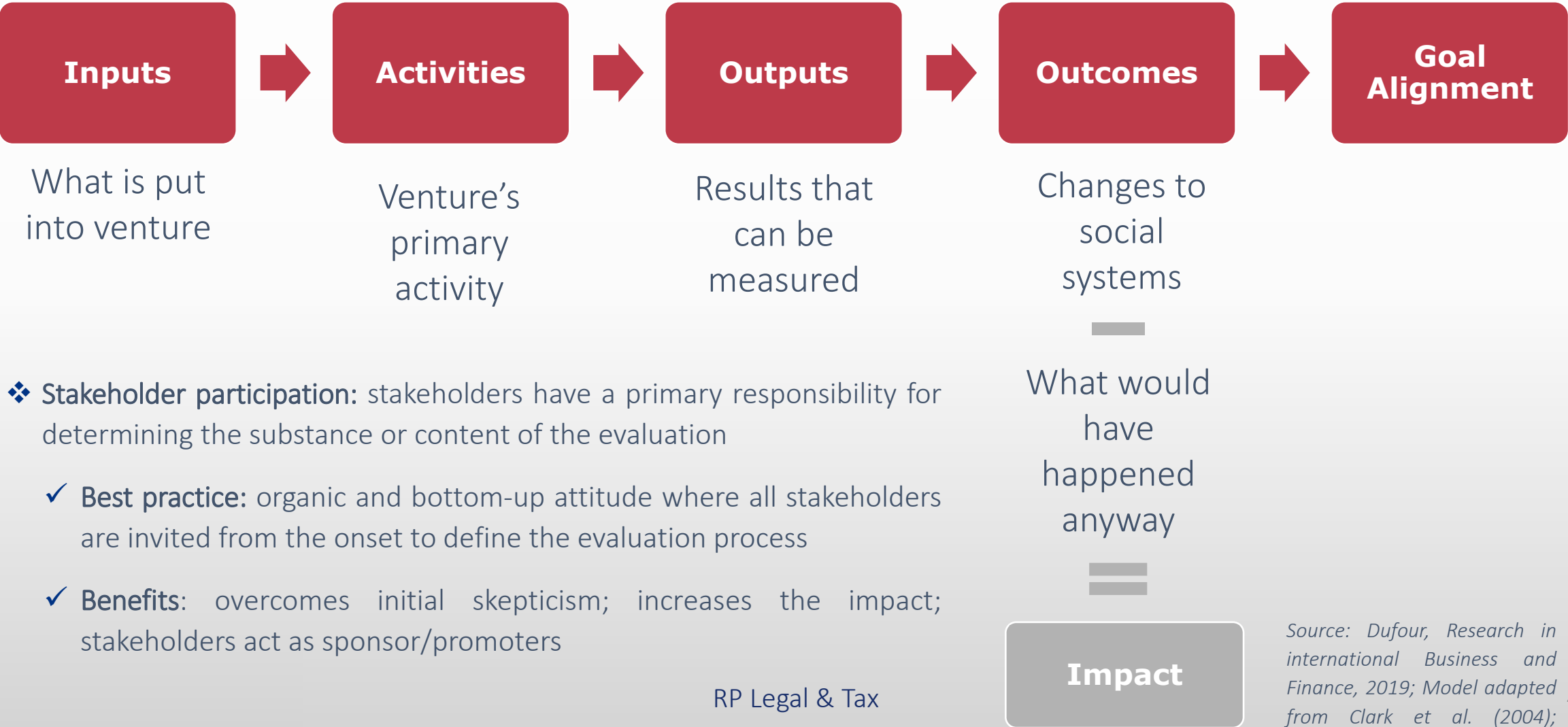
Accordingly, three categories of investors:

1. Almost impact
2. Impact
3. Strictly impact

strictly impact investors proactively approach the market looking for transformative solutions, exposing to risk of disproportionated return (additionality).



Impact value chain



- ❖ **Stakeholder participation:** stakeholders have a primary responsibility for determining the substance or content of the evaluation
 - ✓ **Best practice:** organic and bottom-up attitude where all stakeholders are invited from the onset to define the evaluation process
 - ✓ **Benefits:** overcomes initial skepticism; increases the impact; stakeholders act as sponsor/promoters

Source: Dufour, *Research in international Business and Finance*, 2019; Model adapted from Clark et al. (2004); Greene (1988)

EU - Regulatory framework on Sustainable Finance

- ❖ EU Regulation 2019/2088 “on sustainability-related disclosures in the financial services sector” integrated by EU Regulation 2020/852 “Taxonomy”. **First definitions** under art. 3:
 - ✓ **sustainable risk** “an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment”
 - ✓ **sustainable investment**: “...environmental objective, as measured, for example, by key resource efficiency indicators...”; or “...social objective, in particular an investment that contributes to tackling inequality or that fosters social cohesion, social integration and labour relations, or an investment in human capital or economically or socially disadvantaged communities”
- ❖ The two approaches of **ESG & Impact Investing** :
 - ✓ **Negative approach (ESG)** (artt. 3-7 of 2088) → Transparency obligations on sustainability risks & adverse sustainability impacts
 - ✓ **Positive approach (Impact Investing)** (artt. 8-11 of 2088) → Transparency obligations for sustainable investments
- ❖ **Transparency tools** → reporting, precontractual disclosures, policies, websites...

Strictly Impact Fund: italian case studies



Case study: Sefea Impact SGR

- ❖ SEFEA IMPACT SGR SpA launched its first **impact investment fund** «Sì – Social Impact – Fund» in 2018
- ❖ Mission: “*the **development of enterprises** that may provide, in a sustainable way and in the long term, adequate solutions to the social needs by consciously generating a **positive and measurable societal impact**, and thus becoming business models*”. The main elements are:
 - ✓ Support to the **social economy**: the focus is on societal needs
 - ✓ The investees are **enterprises**: organizations able to generate profits and with a viable business model
 - ✓ Investees must clearly aim to achieve **positive societal impacts** for their target **beneficiaries/stakeholders**
 - ✓ Investees must be (or become) fully **aware** of their impact approach
 - ✓ The impacts achieved must be **measured**
 - ✓ The projects must be **scalable/replicable**

Investment strategy: sectors and activities

❖ Main sectors:

- ✓ Education and Learning
- ✓ Health and Wellness
- ✓ Sustainable Food Production
- ✓ Cultural and creative industries
- ✓ Social housing services
- ✓ Energy efficiency and production
- ✓ Waste management and recycling
- ✓ Microfinance
- ✓ Social and sustainable tourism
- ✓ Sustainable mobility

❖ Main activities:

- ✓ Promotion of cultural, economic and social inclusion of disadvantaged people
- ✓ Conservation and promotion of natural heritage
- ✓ Preservation and promotion of know-how and typical local production
- ✓ Re-use of goods confiscated to the mafia
- ✓ Workers buyout" operation
- ✓ Maintenance or creation of new employment
- ✓ Location in Southern Italy (in particular Campania, Calabria, Puglia, Basilicata, Sicily and Sardinia)

Impact measurement: contractual terms

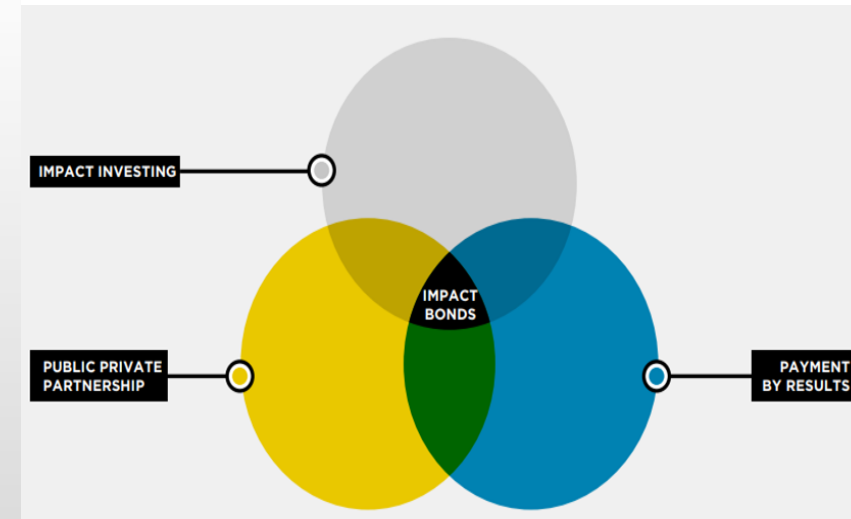
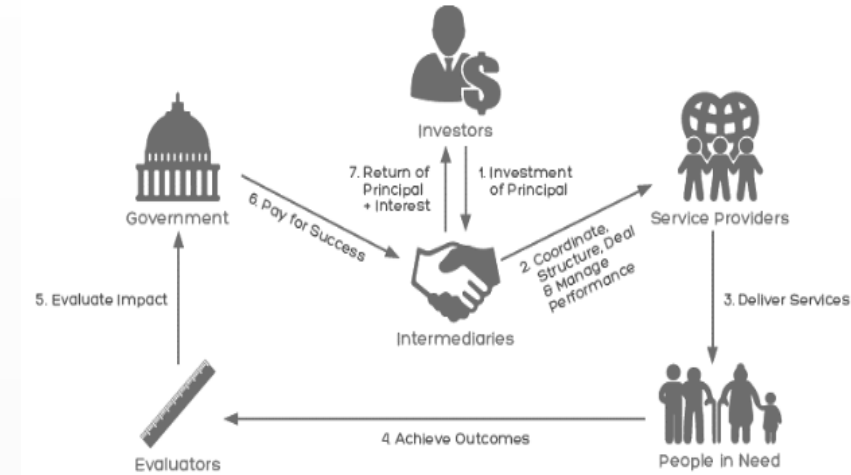
- ❖ Within the **Sale & Purchase agreement (SPA)**, the investee undertake, within a maximum period, to define accordingly with the investor:
 - ✓ **Indicators** needed to measure impact
 - ✓ **Objectives** to be achieved for each indicator
 - ✓ **Frameworks** for **measuring, monitoring** and **reporting** the indicators on a regular basis
- ❖ If the investee does not meet the **deadline** or does not meet the **objectives**:
 - ✓ The investee is obliged to **reimburse** the investor for the assistance received in defining the impact measurement system
 - ✓ The investor might exercise his **right of recess** (“recovery option”)
 - ✓ The investor might not exercise the right of recess and reimbursement, granting **extra time** to the investee to meet the deadline or objectives

Pay for success

❖ **Public-private partnership**: contract between a private party and a government entity, for providing a public asset or service, in which the private party bears significant risk and management responsibility, and **remuneration is linked to performance**.

❖ Based on “**Pay for Success**”: form of commissioning that is **outcomes-based**. The funder(s) pays the service provider according to the achieved results of the service.
Tools implemented so far:

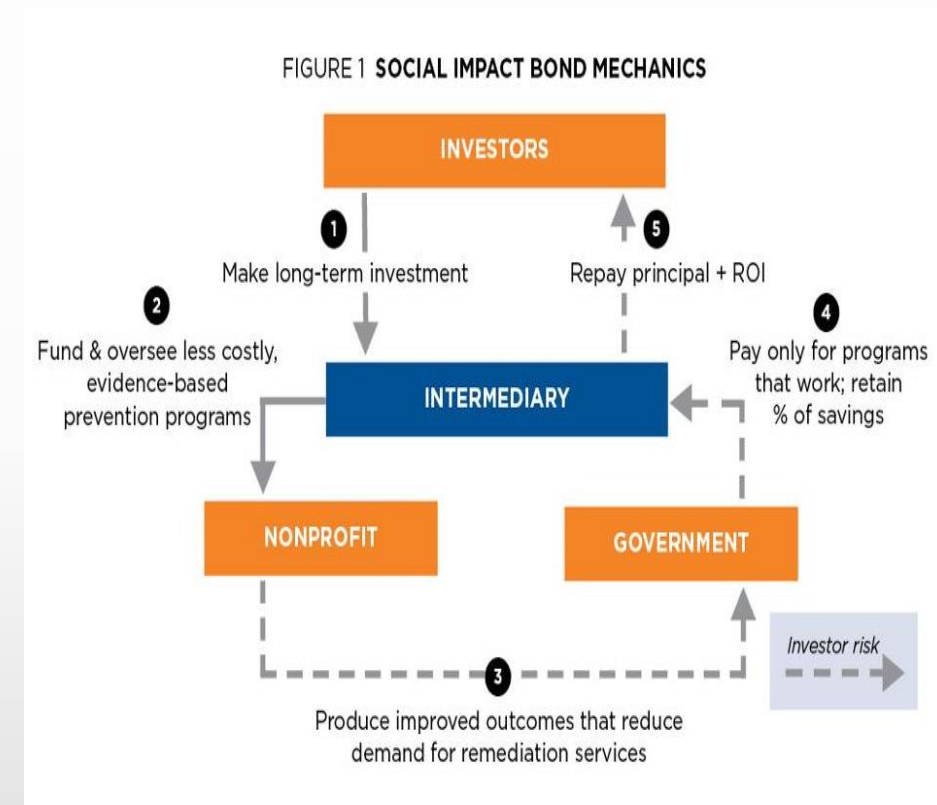
- ✓ **Social Impact Bond (SIB)**: a bond where the return and remuneration of the loan are conditional on the achievement of a certain social result. Applied by the Public sector to collect private funding, involves many actors and an Independent Evaluator
- ✓ **Development Impact Bond (DIB)**: variant of SIB aimed at developing countries
- ✓ **Outcome Fund**: platforms that collect both public and private funds for a thematic approach. Various impact finance tools are used in parallel to address single issues of social relevance.



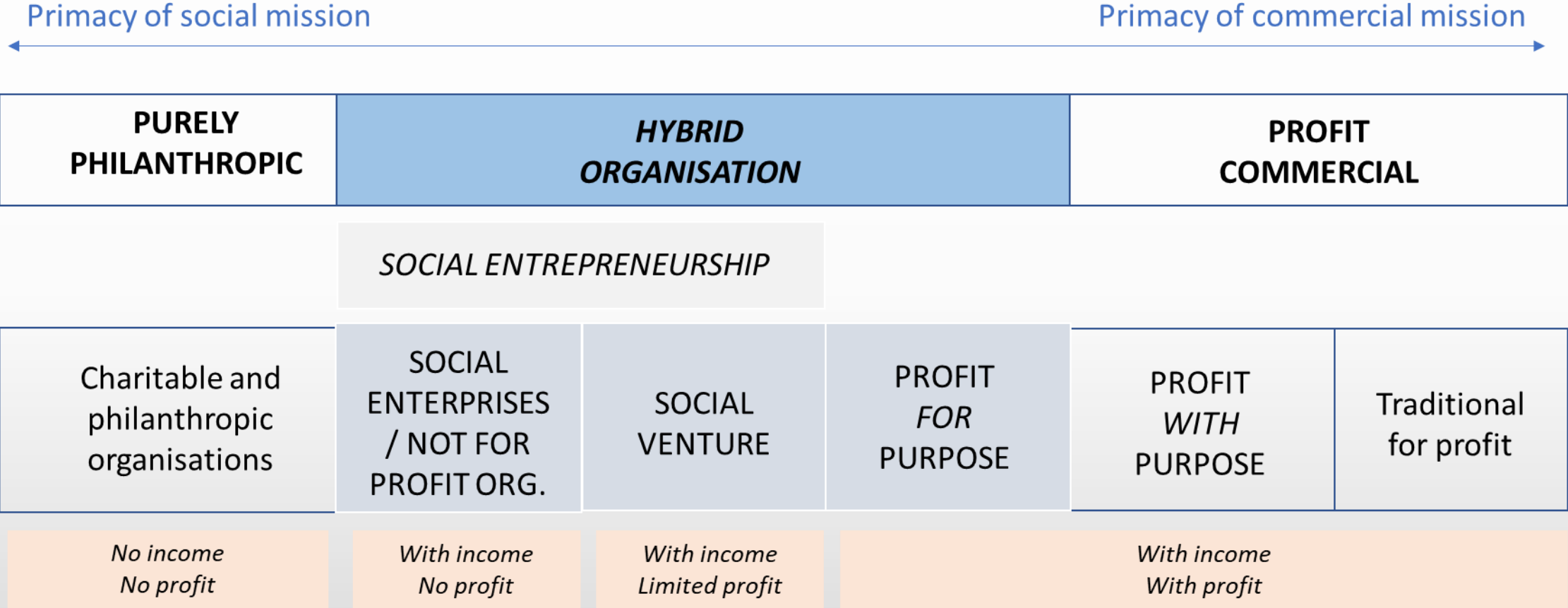
Source: Field Guide on Impact Investing, Social Impact Hub 2018

Social Impact Bonds

- ❖ Transforming **social problems** into “investable” opportunities by monetizing the benefits of tackling social problems
- ❖ Attract **private sector investors** wanting to bring their resources and skills to development
- ❖ **Strengths:**
 - ✓ Implementation of the social project
 - ✓ Social benefit for the community
 - ✓ Less expenses for the government
 - ✓ Return on investment for private investors
- ❖ **Weaknesses:**
 - ✓ Imbalance of exposure between the actors involved;
 - ✓ Are not bonds, not entitling holders to any voting power
 - ✓ The social provider, fully financed up-front, does not bear any economic risk and has no impelling interest to succeed.



Impact investee



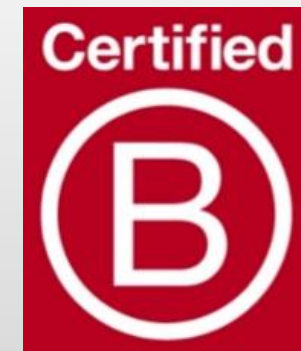
Profit with/for purpose: "Società Benefit" and B Corp

"Società Benefit" legal status (Law 208/2015)

"B Corp" Label

- ❖ **Purpose:** sharing profits along with pursuing common benefit purposes
- ❖ **Bylaws:** detailed purposes of common benefit and commitment to carry out activities in a responsible, sustainable and transparent manner (community, environment, stakeholders...)
- ❖ **Governance:** directors must balance the interests of shareholders and stakeholders
- ❖ **Enforcement:** shareholders can demand compliance from the directors
- ❖ **Annual report:** on the achievement of common benefit goals, to be attached to the annual financial statement, through the “**External Evaluation Standard**”
- ❖ **Antitrust:** penalties for misleading advertisement; provisions of the Consumer Code
- ❖ **Public Procurement:** reward criteria mechanisms in public tenders for all those companies measuring their impact through External Evaluation Standard (D.L. 124/2019)
- ❖ **Support:** tax credit to the extent of 50% of the costs incurred for acquiring the SB qualification (“Decreto Rilancio”)

- ❖ **Certification** issued by **B Lab** (non-profit entity) to companies that undertake to meet certain performance standards in order to generate a **positive impact on governance, employees, communities, environment and customers**. A minimum score of 80 points in the B Impact Assessment is required to obtain the certification.



Impact measurement

❖ What it represents:

- ✓ fundamental characteristic of any **evaluation system**
- ✓ **evidence of results achieved** in social, environmental, cultural, etc. area

❖ What it requires

- ✓ **Indicators & objectives**, with **intentionality** to achieve positive impact
- ✓ **Objective** and **verifiable data**, to quantify and qualify the result achieved

❖ What it's for:

- ✓ To **measure** the value generated by the company's social and environmental activities
- ✓ To have a **competitive advantage** over market competitors
- ✓ To **attract investments** from the financial sector oriented to ESG principles
- ✓ To **ensure efficient use of resources**, including those of the **government**

❖ Most recent initiatives:

- ✓ **GIIN** “*Methodology for Standardizing and Comparing Impact Performance*” (20 November)
- ✓ **Harvard Business School Impact-Weighted Accounts Project** for integration of ESG profiles and impact in economic-financial reporting
- ✓ **BIA** entered the **Nasdaq** “ESG resources for listed companies”
- ✓ “**Programma 2121**”: a **public-private initiative** promoted by the Italian Ministry of Justice and Lendlease, a global real estate operator, with the aim of facilitating the **reintegration of inmates into society**
- ✓ **EIB** and **Italian Ministry of justice** agreement on a **social impact bond** for the social inclusion of inmates
- ✓ “**Borsa dell’Impatto Sociale**” initiative