Impact Investing Moving Mainstream To Drive Economic Growth

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A copy of the research report is attached

Research key findings

Impact investing is on the brink of becoming a mainstream investment channel that will drive economic growth, but there are two key factors that will influence the speed, volume and degree of its effectiveness, according to qualitative research released by global legal and advisory practice, Taylor Vinters.

Impact investing and ESG are not the same (but are complementary)

Research based on hour long interviews of a panel of 36 key figures representing impact investors, investee companies, independent experts and public bodies working within the impact sector, finds that a major factor for the growth of investment in impact ventures is the need to have a clear recognition of the distinct roles and opportunities of impact investing and Environmental Social and Governance (ESG) reporting.

The key distinction between impact investment and ESG monitoring is considered to be that impact ventures are founded on clearly defined, high levels of intentionality, and that ESG monitoring is rooted in compliance and reporting.

A key observation is that impact ventures can offer quicker, more innovative solutions to major global challenges, such as environmental degradation and renewable energy, compared to ESG compliance and reporting, which is more focused on describing the status quo and also subject to risk from confusing metrics, and to claims of 'green-washing'.

Market innovation required

The second identified necessary factor for impact investing to quickly enter the mainstream of investment, is market innovation. This involves understanding that the impact element of business models has real intrinsic value. Participants in the research identified a growing awareness and realisation that intentionality of impact is an essential indicator of sustainable value. At a time of change in a more uncertain world, impact has become a long-term indicator of worth, and that the impact element of businesses should be considered an asset with financial value.

However, it is also considered that a situation needs to be created that allows stakeholders to determine a more precise spectrum of intentionality and return for investors seeking highly scalable, deployable propositions with market rate returns.

‘Impact first, investment first’ strategy

Research participants highlighted the fact that already this has led to what is becoming more commonly known as the ‘impact first, investment first’ model, in which impact and finance is in a lock-step relationship.

Another important element required for successful market innovation is marketisation. That the right rewards have to be created to generate results, how best to price externalities, and to incentivise investment and corporate behaviours. For example, innovations in shareholder agreements and other legal documents that underpin company formation and venture founder benefits.

The research identified that networks within the impact investing sector are considered vital to market innovation as they will help educate, and ensure impact assessment and due diligence in investment practice. The networks and organisations named include: VentureESG, Diversity ESG, GINN's Gender Lens Investing Hub, Responsible Investment Network – Universities (RINU), the Impact Investing Institute and Big Society Capital.

Impact ventures can solve the biggest global challenges

There is a view that there are very significant financial return opportunities from highly intentional impact ventures that address major challenges such as global warming, energy supplyand inequality within societies. Research participants highlighted that the $5 trillion a year investment the International Energy Agency estimates is needed to achieve net zero emissions by 2050, is unaffordable for governments, and that the majority of finance will have to come from the private sector.

Equally, the research points to the potential of the impact sector to provide solutions to major social challenges such as housing and social care, and that there is an opportunity for government and impact investors to work together in these areas. The study reveals a belief that unlocking this potential requires a combined strategy by government, business, public sector and the third sector. An example given is linking sustainable housing to tackling the housing shortage and homelessness, and how impact investors can play a full role in delivering on targets relating to these areas.

Research conclusion

The research concludes that impact investing is already entering the mainstream with heavyweight American private equity investors, including Apollo, KKR, Bain and TPG entering with funds targeting positive social and environmental impact, and that angel investors and VCs are also seeing impact as an important driver of commercial potential.

Study participants also believed that momentum can be accelerated in the impact investment sector to significantly drive economic growth by increasing the rate of innovation across all business areas leading to a new phase of businesses creation, new products and services, productivity improvements, increases in GDP, increased employment, as well as generating positive impact.

‘The results of this report are simple. If we accelerate innovation in the impact investment ecosystem, we will accelerate innovation across the whole of business. It would create extraordinary dividends by enabling growth and urgently needed solutions to the economic, energy, environmental and social challenges,’ comments Taylor Vinters CEO, Matt Meyer.

‘Unlocking the potential of impact investment could not be more timely in terms of the need to address the major challenges we face. There is a real opportunity to make a significantly positive difference through commitment to what is the investment channel of the future.’

Interviews with research panel members were one hour in length, and conducted independently by market strategy consultant and author, Dr John Knell.

A full copy of the report is available through this link:
https://24936110.fs1.hubspotusercontent-eu1.net/hubfs/24936110/Impact%20Investing%20Report/Impact%20Investment%20

Research Panel:
Adam Durant
Satavia
Alex Dunsdon
Climate VC
Alex Egan
Yellow Sub Geo
Ashley Abrahams
Guinness Ventures
Cam Ross
Green Angel Syndicate
Caroline Hyde
Cambridge Enterprise
Catherine Bottrill
Pilio
Cedric Lombard
Impact Finance
Chris Fellingham
Oxford University Innovation
Chris Willis Pickup Taylor Vinters
Dama Sathianathan
Bethnal Green Ventures
David Bartram
UnLtd
David Ovenden
Bockatech
Douglas Sloan
Big Society Capital
Emma Salgård Cunha
Cambridge Enterprise
Felix Litzkow
Crisis Venture Studio
Francis Wright

Turquoise / Low Carbon Innovation Fund
George Bevis
CanDo
Hayley Cross
Taylor Vinters
Jamie Broderick
Impact Investing Institute
Johannes Lenhard
University of Cambridge/Venture ESG
Dr Jonathan Harris
Total Portfolio Project
Jonny Page
Esmée Fairbarn Foundation
Dr Katharina Sommerrock
Lightrock
Katy Brown
Magic Mountain
Kieran John
Taylor Vinters
Lisa Barclay
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Lowri Hill
Yellow Sub Geo
Lucy Auden
C40 Cities
Maeve O'Hare
Balderton Capital
Mark Mann
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