



REDEFINING RETURNS:

Social Finance Awareness and Opportunities in the Canadian Financial Sector

June 2012

EST. 2010

VENTURE
★ DELI ★



PURPOSE
Capital



This report was commissioned by Human Resources and Skills Development Canada (HRSDC).

Authors:

Karim Harji, Alex Kjorven, Sean Geobey, Assaf Weisz

Research Assistance:

Hilary Best, Norm Tasevski

Special Thanks:

Rosalie Vendette, Tessa Hebb, Bonnie Wong, Brenda Plant, Jan Kinsky

Contact the Authors:

info@purposecap.com

The opinions and interpretations in this publication are those of the authors and do not necessarily reflect those of the Government of Canada.

Les opinions et les interprétations figurant dans la présente publication sont celles de l'auteurs et ne représentent pas nécessairement celles du gouvernement du Canada.



We cannot sacrifice society and the environment while collecting good financial returns in the long run. It's only a matter of time before we realize that.

– Pension Fund Analyst, Quebec

TABLE OF CONTENTS

EXECUTIVE SUMMARY	5
INTRODUCTION & CONTEXT	6
REPORT OBJECTIVES	7
METHODOLOGY & LIMITATIONS	8
AWARENESS OF SOCIAL FINANCE	11
SOCIAL FINANCE ACTIVITY	15
CHALLENGES & RECOMMENDATIONS	18
SUMMARY OF RECOMMENDATIONS	26
CONCLUSION	30
APPENDIX: BACKGROUND & CONTEXT ON SOCIAL FINANCE INVESTING	31
REFERENCES	36
ABOUT THE AUTHORS	38

EXECUTIVE SUMMARY

The financial sector in Canada, and globally, is in the midst of a period of volatility and uncertainty. Despite these challenges, there has been an increase in interest in the topic of social finance. This trend is consistent with international activity, driven by investors that are seeking a combination of financial and social returns to their capital.

This report provides new insights into the issues and opportunities around social finance as perceived by the Canadian financial sector. Through a combination of interviews, a national survey, and focus groups, we identified several key themes that relate to the awareness and activity around social finance, as well as the challenges and barriers to engaging in social finance. We provide a set of recommendations to address these issues, in order to increase the level of awareness and activity around social finance in the Canadian financial sector.

Our research discovered key issues and challenges related to the level of awareness and activity around social finance, as we describe below:

- There is generally a low level of awareness around social finance across the financial sector, apart from niches such as credit unions and those involved in the “green economy”.
- There is a higher level of awareness of associated terms such as socially responsible investing or corporate social responsibility. In a similar vein, there is an increased appreciation of the importance of non-financial considerations.
- There is confusion on the language and terminology used to describe social finance and associated terms, even among those who were somewhat familiar with these issues. Compounding this issue, information on social finance is usually accessed via mainstream media, which is often fragmented or lacks depth.
- Many impact investment opportunities are currently not accessible or suitable for mainstream investors, and there is often not enough product to create a balanced portfolio for retail or institutional clients. As well, social finance investments are generally perceived to be high risk.

- There remains a gap in social finance knowledge among financial advisors and wealth managers, with few channels to educate clients about their investment options.

In response to these issues outlined above, we proposed a set of recommendations in order to advance the level of awareness and activity of social finance in Canada, including:

- Increased sensitivity toward the proper use of financial terminology among social finance advocates as well as potential investees for social finance.
- Targeted education and awareness building of financial advisors and asset managers through industry associations and certification programs.
- Encourage the creation of information on impact investment opportunities, and reduce the barriers for community organizations to participate in innovative financing mechanisms.
- Equip prospective investees with tools necessary to enhance their financial and operational performance, and to enhance their investment readiness.
- Equip investors and intermediaries with tools unique to evaluating the risk and performance of social finance products.
- Strategically involve government to mitigate short-term investment risks in order to enhance long-term sustainability of potential investments, develop market infrastructure, and strengthen intermediary capacity.
- Provide clarity to institutional investors on their fiduciary obligations that are consistent with investing in social finance products.

INTRODUCTION AND CONTEXT

The financial sector is currently in a period of volatility and apprehension. While Canada seems to be better positioned than comparable countries, there remain ongoing concerns around economic growth, unemployment, and currency fluctuations. Today, the investment climate reflects the pessimistic mood of investors. There has been a corresponding flight to low-risk assets, particularly for institutional investors.

Despite these challenges, there are reasons to be optimistic. Investors have adjusted their risk/return expectations to more reasonable levels than we have seen over the past decade. At the same time, parallel movements are seeking to re-imagine capitalism as a system that defines value beyond a narrow measure of financial returns, and which recognizes the non-financial impacts of corporate and investment decisions as critical to the long-term performance and health of corporations. The limitations of modern portfolio theory have been recognized, and many of its core tenets need to be revised (Christian 2011).

These trends can be viewed as an opportunity for social finance in Canada. There is momentum globally, and increasingly in Canada as well, to explore alternative asset classes to those that perpetuated the financial crisis of 2008. As an example, microfinance was the only asset class that generated a positive financial return during the crisis, and many global institutional investors have since invested large amounts of capital into the sector. Socially-responsible investing - notably through the UNPRI signatories - is gaining traction among the largest global and Canadian institutional investors. JP Morgan has estimated the potential for impact investment capital over the next 10 years to be in the range of \$400 billion to nearly \$1 trillion globally (Saltuk et al, 2011).

Despite many of these positive developments and opportunities, the range of activity and invested capital

in social finance is relatively small. Social finance in Canada is at a nascent stage of development, and is currently characterized by its “uncoordinated innovation”; disparate entrepreneurial activities and business model innovations are occurring in response to market needs and policy incentives (Fulton and Freirich, 2009). While the market size for social finance has not yet been definitively established, the Social Investment Organization’s most recent survey estimates impact investments in Canada at \$4.5 billion (Bragg, 2010). There is a strong demand for finance that can generate both financial and social returns, as Canada’s social sector remains undercapitalized relative to the needs placed on it.

While Canada has a long history of credit unions and cooperatives, particularly in Quebec and British Columbia, we also have a relatively underdeveloped social finance sector that is characterized by significant gaps in knowledge, infrastructure, service providers, and deal flow opportunities. These issues are not unique to Canada, and are also present in countries such as the US and UK that have a more mature social finance sector. To date, Canada has seen relatively limited engagement of the traditional financial sector in social finance, with some regional exceptions.

OBJECTIVES

THE OBJECTIVES OF THIS REPORT ARE TO:

- Provide a Canada-wide overview of the level of awareness of social finance among the general finance sector;
- Identify whether raised awareness of social finance would serve to increase social finance investments;
- Identify the gaps in knowledge that exist within the financial sector regarding social finance;
- Identify barriers to investment by the financial sector in social finance options or opportunities;
- Proposes strategies and approaches designed to build awareness across the financial sector, to create investment in social finance; and,
- Provide recommendations for next steps for the federal government to help advance social finance awareness, and ultimately a social finance marketplace in Canada.

METHODOLOGY & LIMITATIONS

Our methodology consisted of a range of quantitative and qualitative approaches to create a robust picture of the state of social finance in Canada. Collected data was then triangulated to identify key themes and trends. The following is a summary of the key methods that we utilized:

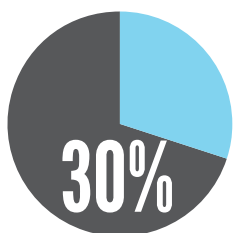
- **DOCUMENT REVIEW:**¹ We conducted an extensive document review that included key domestic and international publications, and also conducted in-depth analyses of websites, press releases, and case studies.
- **KEY INFORMANT INTERVIEWS:** We conducted 47 in-person or telephone interviews with stakeholders from the finance sector, across the country, and within different sub-sectors. Semi-structured interviews lasted between 30-60 minutes, and took place in-person, via phone or Skype. Interviews were conducted with individuals with various degrees of understanding and experience in social finance (including those without any experience). Informants were selected using a mixture of convenience sampling of people in Purpose Capital's network, survey respondents and a snowball sample of people suggested by interviewees.
- **SURVEY:** We conducted a widely-distributed survey, targeting respondents from various sub-sectors (banking, mutual funds, pension funds, venture capital, credit unions, and insurance providers) across the country. Within these sub-sectors, we targeted the members of Canada's major financial sector associations, and also directed the survey to key individuals within these networks, reaching out to a total of 317 recipients (some of these individuals represented groups of professionals). Survey questions covered similar subject matter to the interviews except for the additional follow-up questions for clarification.
- **FOCUS GROUPS:** We conducted focus groups of targeted participants in 3 major urban centres (Toronto, Vancouver and Montreal) in order to validate our key hypotheses and findings. In all, 21 participants attended focus groups, representing a diverse range of positions within the financial sector. Participants possessed varying degrees of awareness of social finance, ranging from those with no prior knowledge of the concept, to those already engaged in social finance activity.

The following table relates the key objectives as articulated in the Statement of Work to the methodologies we utilized to capture and validate data.

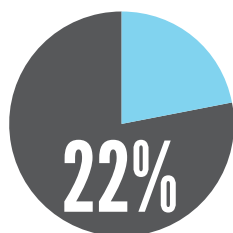
OBJECTIVES OF THE PROJECT	DOCUMENT REVIEW	INTERVIEWS	SURVEY	FOCUS GROUPS
The extent to which social finance instruments and mechanisms are understood across the finance sector	✓	✓	✓	✓
Whether raised awareness of social finance would serve to increase social finance investments from the general financial sector		✓	✓	✓
Other barriers to social investment	✓	✓	✓	✓
Recommendations for a practical way forward from these findings		✓	✓	✓

1. Please refer to the Appendix

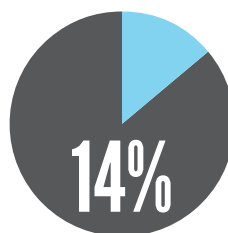
SURVEY RESPONDENTS BY SECTOR



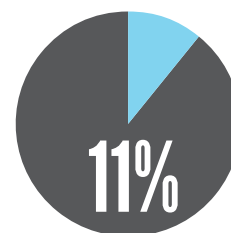
CREDIT UNIONS



INVESTMENT BANK



INVESTMENT FUND



CHARTERED BANK

7% PROFESSIONAL SERVICE (E.G. ACCOUNTING OR LEGAL)

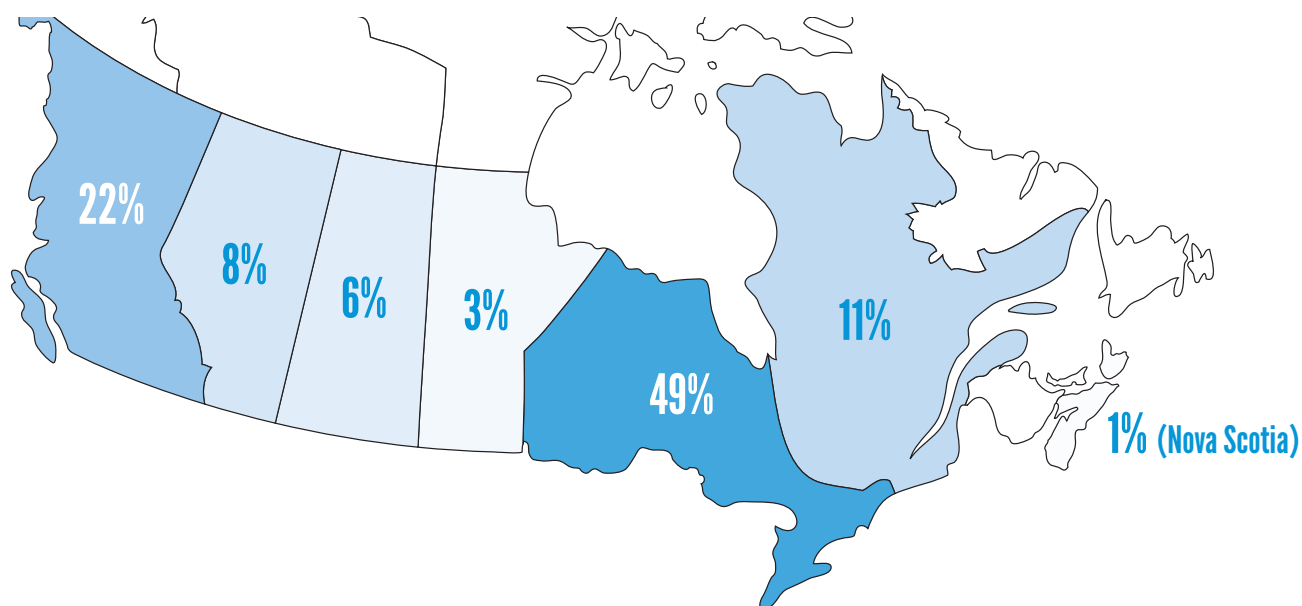
6% FINANCIAL MANAGEMENT OR CONSULTING

6% INSURANCE COMPANY

3% PENSION FUND

3% VENTURE CAPITAL / PRIVATE EQUITY

SURVEY RESPONDENTS BY REGION



LIMITATIONS

LOW RESPONSE RATES TO THE SURVEY: Overall our survey respondents represented the breadth of the financial sector, though responses were heavily weighted towards credit unions. Despite our broad outreach to financial sector associations as well as direct survey respondents, we achieved a relatively low response rate. We distributed the survey to over 317 recipients (institutions, associations, and individuals), and received 72 responses. We attempted to mitigate this issue through the use of multiple highly targeted survey rounds, though subsequent feedback suggested that surveying would continue to provide a limited set of respondents. As a result, we increased

our outreach to individuals via interviews and focus groups, and selectively targeted areas where we sought further detail or validation on preliminary survey findings.

SELF-SELECTION BIAS: As expected, many respondents to our requests for survey responses and interviews were disproportionately well-versed or interested in social finance. This bias was reflected in the survey, where a relatively high rate of respondents identified as being from the credit union sector. We addressed this limitation by reaching out to the

sectors that were underrepresented in the survey, such that our interview and focus group samples were relatively uniform across the targeted financial sectors.

INCONSISTENCY AROUND LANGUAGE: The sector continues to face a challenge around the usage of language. For example, terms with different meanings are often used interchangeably, resulting in a lack of clarity and understanding. This issue was mitigated by the use of clear language that was tested in advance of deploying our data collection tools, and the use of examples when asking questions through the survey, interview, and focus group tools. We note this as a general challenge for the growth of social finance, and elaborate on this issue later in the report.

NEGATIVE BIAS IN CURRENT FINANCIAL MARKETS:

There is a disproportionate focus within the financial sector on financial returns, as opposed to social or environmental returns. Our approach to addressing this risk was to conduct focus groups where participants were targeted and segmented according to certain characteristics or experiences (for example, bringing together existing investment professionals from the socially-responsible investment space). This allowed us to build a granular understanding of the key issues that these sub-sectors face.

AWARENESS OF SOCIAL FINANCE

What is the level of social finance awareness within the financial sector?

FINDING: THERE IS LOW AWARENESS OF SOCIAL FINANCE

Overall knowledge of social finance in the Canadian financial sector is low, based on our findings from the interviews in particular. However, social finance concepts tend to be more familiar to people working in the niche financial sectors such as socially responsible investing and credit unions. Due to the self-selection bias in our survey, our results reflect a higher level of awareness and engagement with social finance than that of the mainstream financial community.

Our interviews and focus groups demonstrated several key knowledge gaps. For many participants, the term social finance was associated with charity or lower financial returns. More broadly, social finance was often used interchangeably with related terms like corporate social responsibility, socially responsible investing, and microfinance, even amongst individuals who were relatively knowledgeable. As well, many survey respondents expressed a general interest in learning more about social finance and impact investing.

Outside of academics and some NGOs with a specific mandate to participate in the social financing sector or community, there's very little discussion going on that I'm aware of.

– Public Foundation Executive, British Columbia

[To me] social finance sounds like glorified philanthropy; only instead of a tax receipt, you can hope to get your money back.

– Investment Bank Executive, Ontario

Credit union respondents, on the other hand, demonstrated much greater awareness of social finance than the mainstream financial community. This finding is consistent with the Social Investment Organization's 2010 findings that of the \$4.45 billion in Canadian impact investments, \$951 million come from credit unions outside Quebec and \$1.9

billion come from Quebec Development Capital and Solidarity Finance (Bragg 2010), much of which has origins in the Desjardins movement. For every social finance term we asked about in our surveys, credit union respondents said they were more familiar than our other respondents, and we also saw this pattern in our interviews.

FINDING: THERE IS INCREASED AWARENESS OF (THE IMPORTANCE OF) NON-FINANCIAL CONSIDERATIONS

Consistent with broader trends in the business world, there is an enhanced focus on non-financial considerations, primarily within the context of a broader interpretation of risk. Environmental, social and governance (ESG) indicators are primarily seen as ways of gaining a richer understanding of the material risks involved in an investment (usually for publicly-traded companies). This has reinforced the need and demand for non-financial information, which has in turn prompted increased investment activity that makes use of this information.

“As an increasing number of institutional investors have adopted the self-interested, rational approach, its limitations and inadequacies have become increasingly apparent. In particular, the rational investor does not possess the capabilities of reason to assess the objective well-being of beneficiaries, recognize fundamental sources of investment reward in the real economy, or fulfill the fiduciary obligation to allocate benefits impartially between current and future generations.” (Lydenberg, 2012)

Negative screening is often the primary tool around ESG indicators, though there is some evidence that the tools available to evaluate non-financial considerations on the social dimensions (the S in ESG) remain limited. These frameworks are being operationalized through increased adoption of corporate social responsibility initiatives as a way to reduce reputational risk, and the growth of socially-responsible investing to provide a more balanced interpretation of the full range of risks that public companies face.

FINDING: THERE IS SOME AWARENESS OF TERMS RELATED TO OR ASSOCIATED WITH SOCIAL FINANCE

In the general financial community, awareness is low and confusing terminology (some of it disseminated by social finance advocates) often clouds a clear understanding. This is partly the result of inconsistent use of financial sector terminology by social finance advocates. For example, “Social Impact Bonds” are not bonds in any mainstream financial sense. Even the term “social” in social finance is confusing, as to many the label seemingly excludes environmental impact.

That said, there is awareness of many terms closely related to social finance. Socially responsible investment is quite familiar to people in the mainstream financial community, with 94% of our survey respondents identifying as either somewhat familiar or familiar with the term. Similarly, corporate social responsibility was a term that came up in many of our interviews. As well, in specific niches particularly among younger advisors and analysts, there is familiarity with concepts such as climate risk, sustainability and the general mainstreaming of “green economy” concepts. There was relatively less awareness of social issues or, when there was awareness, of how to take it into account.

We have a mandate to do a triple-bottom line evaluation of impact, but it has been difficult for us to develop the protocols and procedures for determining social benefit because we’re one step or two steps removed from that end recipient.

– Public foundation, British Columbia

Advisors note that there is demand for social finance from some private clients, though it is difficult to know how often there have been requests for products. Several advisors noted that high net worth individuals have asked for socially-oriented investments. This trend is consistent with evidence in other jurisdictions, such as the United Kingdom (Elliot 2011).

This [trend] is very exciting to me as a financial advisor. My clients are charitable but they are also interested in earning a good return on their investments, and if they can have an opportunity to include such [blended] investments such as these in their portfolio, they would be enthusiastic.

– Financial advisor, Alberta

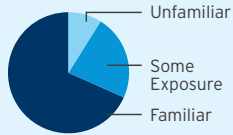
GLOBAL TREND: INCREASED INTEREST IN IMPACT INVESTING

Investors are becoming increasingly concerned about the social returns on their investments, and not exclusively with their financial returns (O’Donohoe, Leijonhufvud & Saltuk 2010). The impact investment philosophy unlocks substantial capital to build a more sustainable and equitable global economy, while allowing for diversification across geographies and asset classes (Palandjian 2010). Impact investments have the potential to complement philanthropy and government intervention as a potent force for addressing global challenges; these investments actively seek to place capital in businesses and funds that can provide solutions at a scale that philanthropic intervention alone cannot reach (Fulton & Freireich 2009).

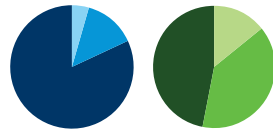
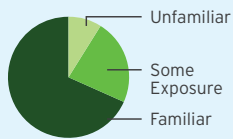


SURVEY RESPONDENTS AWARENESS OF SOCIAL FINANCE TERMS²

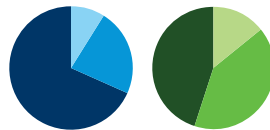
CREDIT UNIONS RESPONDENTS



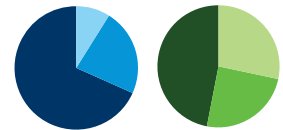
RESPONDENTS FROM ALL OTHER SECTORS



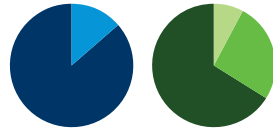
SOCIAL FINANCE



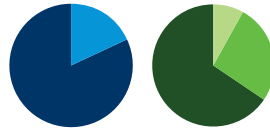
IMPACT INVESTING



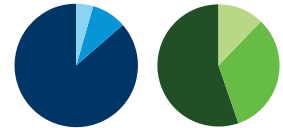
MISSION-RELATED INVESTING



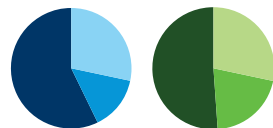
(SOCIALLY) RESPONSIBLE INVESTING



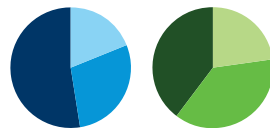
(ENVIRONMENTAL) SUSTAINABILITY



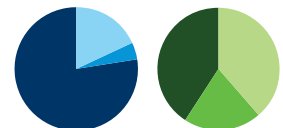
MICROFINANCE



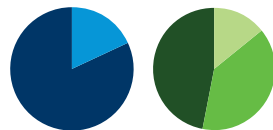
CLEANTECH



CLIMATE RISK



TRIPLE-BOTTOM LINE



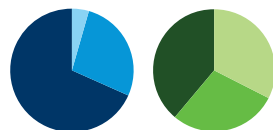
SOCIAL ENTERPRISE



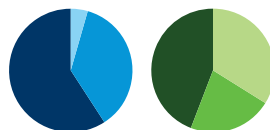
CO-OPERATIVES



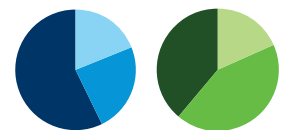
CREDIT UNIONS



SOCIAL IMPACT MEASUREMENT



ENVIRONMENTAL, SOCIAL AND GOVERNANCE STANDARDS (ESG)



LEADERSHIP IN ENERGY AND ENVIRONMENTAL DESIGN (LEED)

2. We caution readers from interpreting these results across the general financial sector given the self-selection bias and limited sample size of survey responses, as described in the section on limitations.

FINDING: INFORMATION ON SOCIAL FINANCE IS USUALLY ACCESSED VIA MAINSTREAM MEDIA

Mainstream and specialized media were the largest noted sources of information on social finance and impact investing. Interviewees cited The Economist, Globe & Mail, Financial Post and the Harvard Business Review as media through which they learned about social finance.

However, learning about social finance through these mainstream media outlets has not necessarily reduced confusion. Coverage appears to be fragmented and light on details, rarely distinguishing social finance from more widely-known concepts like socially responsible investing. This lack of depth in many ways contributes to confusion over terminology, and does not naturally lead to actionable information that advisors and analysts could follow-up on for product recommendations.

FINDING: THERE IS SOME STIGMA AROUND SOCIAL FINANCE

Despite a growing awareness of social and ecological considerations in business decision-making, a lack of clarity around the definition and scope of social finance contributes to the perception of investments in this area being high-risk. Beyond financial instruments, there is a general stigma around social finance investments and related institutions, particularly the association with the non-profit and charitable sector. The perception is that non-profits rely heavily on grants, which in turn lessens their capacity for properly managing credit, and contributes to a higher risk profile.

There is also a notable level of apprehension around government involvement, which is perceived to skew the market towards unattractive or unsustainable investments. Interestingly, the stigma attached to grant-receiving organizations in the social sector extends to revenue-generating social enterprises, cooperatives and credit unions that do not receive grants. It is believed that these organizations have significantly higher governance risks, despite a lack of evidence to suggest that the risks are significantly different from other financial institutions.

Why would they [charities] even want to ask for somebody's capital that they have to repay, when they can just go to their same old donor base that has been loyal for so long and ask for it for free? That is a structural problem, and has more to do with the charities than the providers of capital.

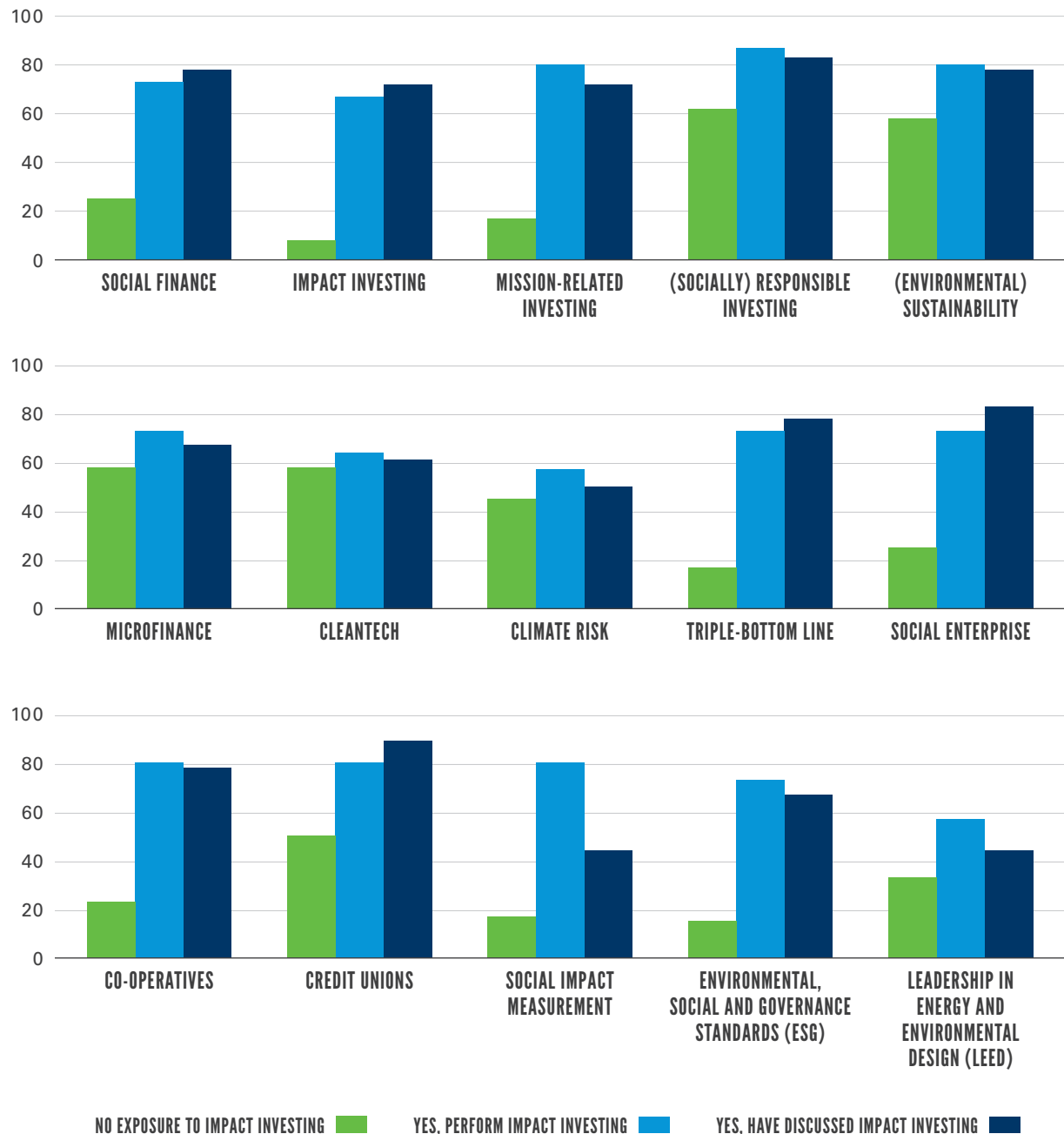
– Venture capital, Ontario

ACTIVITY

Does awareness lead to social finance activity?

Gauging the connection between awareness of social finance and social finance activity is difficult since the overall level of awareness is low.

SURVEY RESPONDENTS' LEVEL OF FAMILIARITY WITH SOCIAL FINANCE RELATED TERMS



FINDING: CREDIT UNIONS ARE CONDUCTING MORE SOCIAL FINANCE ACTIVITY THAN OTHER FINANCIAL SECTORS

Similar to findings on awareness, credit unions reported more social finance activity than other financial sectors. Members of this sector clearly highlighted that demand for social finance products often came from their member-owners directly. This meant that some of the credit unions were first-movers who had to develop social finance products and the systems to manage them on their own, rather than using models that had been developed by other financial organizations. In essence, their stakeholders required them to invest resources on developing products before there had been a clear demonstration of their viability in the marketplace.

Trailblazers in social finance recognized their flexible institutional structures as a key strategy for success. A variety of debt, equity and even grant-based instruments are used to support social investments and may come from different arms of the parent organization. This means that in practice, financing for a project could come from a small business loan, private equity, a foundation grant or some combination of these. Similarly, these trailblazers often had an “institutional indifference” meaning that they were equally open to investing in for-profit, not-for-profit and co-operative organizations.

FINDING: INSTITUTIONAL INVESTORS HAVE SETTLED ON ESG ASSESSMENTS

Institutional investors such as pension funds, have adopted some ESG assessments, but in most cases have not broadened their lens beyond that. There has been an increase in interest resulting from a number of institutional investors signing on to the United National Principles for Responsible Investing (UNPRI)³ and the Carbon Disclosure Project (CDP)⁴, including some of Canada’s largest institutional investors.

However, there is still a great deal of uncertainty regarding fiduciary responsibility. Some institutional investors have found the logic of SRI appealing, and see ESG considerations as a necessary component of a holistic risk-assessment and a long-term orientation. However, other institutional investors retain a narrower focus on prioritizing financial returns. In some cases where institutional investors are seeking to integrate ESG considerations, there can be significant internal pressures against this shift such as from legal counsel or investment committee members.

FINDING: LOW AWARENESS AMONG BOTH ADVISORS AND CLIENTS PERPETUATES LOW DEMAND FOR SOCIAL FINANCE PRODUCTS

Investment advisors had low familiarity with social finance in general, and social finance products in particular. Related to the challenge of a lack of accessible products for retail clients, financial advisors and asset managers may not be able to refer products that fit the risk/return profiles clients are seeking. This is especially true if the advisor’s institution does not offer their own product, and where there is less incentive to conduct research on external products.

Even where there is awareness of social finance among advisors, there remains a gap in the knowledge of available social finance products and their track records. This gap in knowledge is particularly important as investors generally prefer working with the financial advisors they already have a relationship with, rather than conducting their own research into the financial products available at boutique firms.

GLOBAL TREND: INCREASING IMPACT INVESTMENT ACTIVITY

More capital is being directed towards (deliberate) impact investing, even if the exact magnitude and nature of those flows are under debate. The Monitor Institute (Fulton & Freireich 2009) stated that the industry could grow to \$500 billion within 5-10 years, representing an estimated 1% of global assets under management as of 2008. A survey by JP Morgan and the Global Impact Investing Network (GIIN) in November 2010 estimated a market size of profit potential ranging from \$183 billion to \$667 billion, and invested capital in the range of \$400 billion to nearly \$1 trillion (O’Donohoe, Leijonhufvud & Saltuk 2010). A revised study in December 2011 surveyed investors representing over 2,200 private transactions totalling over \$4 billion of investment, up from 1,000 transactions and almost \$2.5 billion in the previous year (Bouri et al 2011).



3. The UNPRI is an investor initiative in partnership with the UN Environment Program’s Finance Initiative and the UN Global Compact that seeks to help institutional investors integrate environmental, social and governance issues into their decision-making.

4. The CDP is an independent not-for-profit organization that provides companies and investors with a system to measure, disclose, manage and share climate change and water information.

Generally, interview and survey respondents saw opportunities in social finance even if they were not currently engaged in the field. There is evidence that clients - high net worth individuals and retail investors, in particular - are expressing more interest in the area of social finance and impact investing. However, there are few channels to educate clients about their options, and this has reinforced the challenge of uncovering latent demand for social finance products.

FINDING: FEW SOCIAL INVESTMENT PRODUCTS ARE AVAILABLE AS MAINSTREAM INVESTMENTS

There are few specific product offerings that are available as mainstream impact investments in Canada. For example, Socially Responsible Investment funds are available through a wide range of investment advisors, though several interviewees noted a dearth of options on impact investment products (beyond screening).

Clean tech and internationally-oriented microfinance are recent additions that are becoming more widely available. For advisors and investors there are now a number of high-profile institutions that offer options, including Desjardins, Vancity, Sustainalytics, Sarona Asset Management, and RBC/Phillips Hager & North.

CHALLENGES & RECOMMENDATIONS

LANGUAGE & VOCABULARY

There are several different terms that are used interchangeably by those in non-profit organizations and financial institutions alike. Words like 'impact', 'sustainability' or even 'social' hold very different meanings for those on different sides of the capital equation. Generally speaking, those in mainstream finance have a tendency to categorize impact investing into the more familiar realm of socially responsible investing (SRI).

There is a debate happening [amongst ourselves] between those who feel they have been doing impact investing for decades, perhaps under the theories of responsible investing, versus those who have recently adopted much more critical views on what impact actually means.

– Venture Capitalist, Alberta

Furthermore, the misapplication of specific terms with established definitions has had a detrimental impact when it came to building trust and credibility between the social and financial sectors. For example, as ubiquitous as the term 'donation' may be amongst charities, the term 'bond' has equally strict expectations amongst the finance community. The Social Impact Bond was raised in a number of conversations as a misleading label for a product that has no guarantee of principle, as traditional bonds do. This is an obstacle in reaching Canadian investors who have precise expectations on various types of financial products. Asset managers expressed concern over recommending products where the risk or return parameters are not explicitly defined, or are inconsistent with existing product definitions:

When it comes to new products, there is no tolerance for any ambiguity around product structure, return expectations and exposure to risk. You can't create a radical new financial product or instrument, slap a familiar label on it and expect people to not only accept it, but allocate their savings towards it. It will only make investors more skeptical.

– Asset Manager, Alberta

RECOMMENDATION:

1. Create symmetry and ensure effective communication. Greater sensitivity toward terminology with long standing definitions amongst the financial community is required, especially if they relate directly to risk or return on investment.
2. Those on the demand side of capital (non-profits, social enterprises) may benefit from becoming more literate in financial vernacular and using it in the appropriate context (e.g. incorporating financial literacy training into the professional development tracks of non-profit executives).

GLOBAL TREND: LANGUAGE

Many of the impact investors in Canada actively supported the social economy long before the terminology to categorize their activity was developed. The sector faces issues around consistent language, and the term social finance is not well known or well understood by most investors (Harji & Hebb 2009). In a recent survey conducted by JP Morgan and the GIIN, survey respondents believed that the number of institutional or high net worth individual (“HNWI”) investors who “know what impact investing is” has doubled since 2009. However, three-quarters of respondents would still describe the current impact investing market as “in its infancy and growing”, rather than “about to take off” (19%) (Bouri et al 2011).



BOTTLENECK FROM ADVISORS/MANAGERS

Within the ecosystem of capital markets, the relationships between the owners and managers of capital take on multiple forms and result in complex mechanisms through which capital flows. Many of these mechanisms are highly regulated or operate within a rigid framework, which can slow the response to changing demands within the investment community.

As noted earlier, awareness among owners of capital has resulted in increased consideration of values-based investing. They are discovering impact investment opportunities through mainstream channels, and the notion that profit-generating opportunities can align with their personal philanthropic principles is resonating deeply amongst this new breed of investors.

These investors include young professionals who tend to be more proactive than prior generations with regards to financial management as well as to their responsibility to society, and large family estates that are exploring broader interpretations on how their legacy is built. For many investors in this category, they can be disincentivized from pursuing these objectives when their financial advisor or portfolio manager is unable to respond to their requests for additional information or products.

There is growing frustration among high-net worth individuals, and families, around the lack of impact investment expertise in Canadian estate planning & advisory services. These investors are either being directed away or offered little relevant information.

– Private Equity Executive, Ontario

In this regard, front-line professionals represent a key component of the financial ecosystem that is not yet adequately positioned to mobilize a significant pool of private capital from retail investors. This is the result of not only insufficient knowledge or incentive structures on the part of the advisor, but also from a lack of readily accessible products for asset managers to easily direct their investors to, with minimum effort on their part.

There are a handful of professionals who currently specialize in managing SRI products, or more rarely, are fuelled by their personal interest in social finance and may direct investors to local opportunities or ‘off the book’ transactions that bear no benefit to the professional. However, their reach pales in comparison to the industry at large.

I introduce local investment opportunities to my clients and tell them it’s there. But that’s all I can do. It cannot be brokered through my firm; they cannot have it in their portfolio here. I can’t oversee it and I don’t profit from these transactions. But I am willing to do this. Most advisors would not be.

– Portfolio Manager, Ontario

Changing the Know Your Client process to mandate asking whether clients care about social impact would be great, if there were more products around to actually fulfill that need when they say yes. Advisors need to be educated too, and we need a range of products.

– Advisor, Alberta

RECOMMENDATIONS:

1. Target awareness building and education of financial advisors and retail asset managers who will be most effective at unlocking latent demand among potential impact investors. This would support local social finance opportunities and enhance the value proposition of 'on the books' products while providing a motive for change at the institutional level.
2. Support education and training of front-line professionals through existing industry associations such as the Social Investment Organization, and certification programs, such as Concordia University's Sustainability Investment Professional Certification (SIPC). Furthermore, such education provides resources and trusted individuals that other front-line professionals may refer their clients to.
3. It is worth re-examining the practices surrounding client intake and the Know Your Client (KYC) protocols performed at advisory and asset management firms. Very few organizations have distinct lines of questioning to capture a client's social or environmental preferences, and how they may influence investment preferences. Clearly, this needs to be supported with product availability to adequately meet these newly identified needs - however asking the question is a critical first step to understanding the size and type of demand.

LIMITED PRODUCT ACCESSIBILITY

Many current impact investment opportunities in Canada are primarily targeted at private accredited investors, who are partial to local or community impact, or at foundations whose missions are distinctly aligned with the opportunity itself. This is largely because the most accessible investment opportunities are in the form of community bonds, loans or direct equity investments where the size of the investment is far below what may be attractive for larger institutional investors to even consider. Portfolio managers also expressed concern over their ability to meet their fiduciary duty in creating a balanced portfolio with only impact investment products available today.

If a client came to me with [too much of] a focus on social returns, I would not be confident in my ability to provide them a diversified portfolio using only these type of funds.

– Financial Advisor, Ontario

Finally, fund managers have cited existing securities legislation that limits the portion of illiquid assets allowed in a mutual fund portfolio⁵ as a key barrier preventing larger investment in social impact products. By their nature, community notes, bonds or investments into local loan funds are illiquid due to their vesting periods but most importantly due to the lack of a secondary market for the resale or valuation of these investments. Although investors may demand these products, and accept the increased risk or reduced liquidity associated with them, this regulation prevents them from accessing these assets through traditional mutual funds.

As channels of investment demand grow, there will be corresponding pressure to create impact investment products that are suitable for mainstream distribution (for retail or institutional investors). Additionally, many portfolio managers would expect that impact investment products be allowed status similar to existing investment options such as TFSA eligible securities or investments.

If the Federal government does not allow [social finance products] to be TFSA or RRSP eligible, that would reduce the legitimacy of these products and reduce the amount of investors who would participate. We need to think about Canadians investing in Canada.

– Credit Union Manager, Alberta

The Canadian Securities Association needs to consider granting social impact fund exemptions from the current securities restrictions around the value of illiquid investment allowed in a mutual fund portfolio. This is the single biggest barrier to being able to offer a Canada-wide, social impact fund through [our organization].

– Mutual Fund Executive, Ontario

5. National Instrument 81-102 (2.4) Restrictions Concerning Illiquid Assets.

RECOMMENDATION:

1. Support the creation of a centralized database of active social impact opportunities provides advisors with easy access to accurate information on social finance products - and to direct clients accordingly. Initiatives like SIO's directory of SRI Funds are great starting points for centralising information.
2. Remove barriers for community organizations to participate in innovative financing mechanisms (e.g. Community Bonds) to increase the potential pipeline of local investment opportunities. Advocacy efforts are underway to explore hybrid legal structures (such as Community Interest Companies and Benefit Corporations).
3. Support the development of a National Impact Investment Fund to consolidate many of the smaller scale, fragmented financing products so that they are more accessible to mainstream markets. In June 2011, the SIO completed its feasibility study on this National Fund of Funds. Efforts are underway to enlist resources and support for various sectors to further its implementation.

GLOBAL TREND: PRODUCT ACCESSIBILITY

Access to reliable, accurate information on viable investment opportunities remains one of the key issues for impact investors. A recent JP Morgan survey cites the lack of a track record of successful investments and a shortage of quality investment opportunities as the top two challenges to industry growth (Saltuk et al., 2011b). Search costs are high as "investment ready" opportunities are difficult to find, and the costs of due diligence can be prohibitively high for early-stage investments that require a relatively small amount of capital.



HIGH RISK PERCEPTION

The challenges around risk perception stem from a general lack of confidence associated with any financial products or investment initiatives where the social or environmental mandate appears to overshadow, or at a minimum, lessen the importance of the profit potential. As a result, there is a natural stigma towards non-profit lending, social finance or even credit unions' ability to generate financial returns.

The prevailing perspective is that social finance has stemmed from concessionary capital and compromising returns is necessary. They will soon realize this is not true once they see performance of more funds like [ours] and once investors begin to demand more.

– Private Equity Executive, Ontario

These perceptions of risk have been associated with a number of factors:

1. Low confidence in the ability of non-profits or social enterprises to effectively manage capital. In particular, there is negative bias towards those who have historically relied on government grants or subsidies; there is little confidence that these organizations can successfully operate a profit maximization strategy;
2. Lack of quality reporting and transparency with regards to their financial or operational metrics;
3. Lack of clarity around measuring social metrics is especially prevalent amongst investors when returns on a particular investment are directly calculated based on a pre-determined set of social outcomes and results;
4. Insufficient track record of success and ability to yield competitive returns;
5. Liquidity risk, even on securitized investments, in that it is unlikely to be morally acceptable for a lender or investor to foreclose on property or exercise a claim on assets used to carry out a social mission; and similarly,
6. High reputational risk associated with investing in this sector as these investments tend to generate greater levels of public interest and scrutiny.

The myth that co-ops and socially-minded organizations are for some reason a greater risk to the financial community than standard start-up businesses needs to stop. The statistics will tell you an entirely different story. They are in fact a far lower risk, have far fewer delinquencies and are far better able to weather the storms than start-up organizations that don't have that.

– Credit Union, Alberta

There are really good co-ops and co-ops that are not as good, but this is the same for [for-profit] companies too. It is really a matter of how good the governance is... it may take longer for a co-op to reach maturity, but once it has we expect the same kind of risk.

– Private Equity, Quebec

RECOMMENDATIONS:

1. Equip prospective investees with tools necessary to effectively monitor, understand and report financial as well as operational metrics. Non-profits and social enterprises may need to upgrade their financial reporting and monitoring strategies so as to generate the type of comparative information potential investors expect to see in for-profit companies.
2. Embedded executives have proven to be a very successful and cost effective model for integrating business expertise and capacity into organizations that don't currently have, or cannot afford these resources on a permanent basis.⁶
3. Equip investors and intermediaries with tools to evaluate the risk and performance of social finance products. The due diligence process of a non-profit or social enterprise may vary slightly from traditional methods, as the indicators of success may not be as obvious. Reference guides, like the Social Enterprise Analytical Model, published by the Chantier de L'Économie Sociale in Quebec, are a good starting point.
4. Educate the future generation of business leaders by integrating multi-dimensional risk assessment and impact investing principles into post-secondary and graduate programs.

GLOBAL TREND: RISK/RETURN/ IMPACT CONSIDERATIONS

Valuation of risk and return in social finance is still an emerging industry, as it is in many other parts of the world. Consequently, there is inconsistent use of language and a “challenge to build a lexicon of valuation” (Emerson 2003). Even a brief examination of some valuation methods indicates that there is no unilaterally accepted approach, let alone a single metric, to social impact measurement or the blended value that is created by all investments (Olsen and Galimidi 2008, Tuan 2008). Individuals vary in their expectations of impact and thus need to be addressed accordingly (Duncan & Wong 2010; Moon 2010). Standards and benchmarks for determining non-financial performance have yet to be widely adopted. Therefore investors must often rely on their own judgment to assess the impact being made (O'Donohoe, Leijonhufvud & Saltuk 2010). Measurements of social impact are often difficult to establish and are largely anecdotal (Geobey, Westley & Weber 2011; O'Donohoe, Leijonhufvud & Saltuk 2010). In the absence of performance benchmarks, investors have difficulty comparing the social performance of their investments against one another and as a result there is little consistent quantitative data about the social impact actually achieved (Bugg-Levine & Goldstein 2009).



6. Examples include the embedded executive program curated by MaRS Discovery District via the provincially funded Business Mentorship & Entrepreneurship Program. Similarly, the Industrial Research Assistance Program (IRAP) offers financial support and ‘consulting’ services for innovative new start-ups. The Canadian Youth Business Foundation loan recipients are required to work with a business mentor for the duration of their loan - the mentor is assigned by the foundation and ranges from seasoned executives to successful entrepreneurs.

GOVERNMENT INTERVENTION IN CAPITAL MARKETS

Government initiatives that aim to directly manipulate or influence the flow of investment are generally seen as intrusive, and were perceived negatively amongst those participating in this study. Some respondents described attempts to attract investors via tax incentives or similar one-dimensional efforts as unsustainable or even irresponsible. Many participants cited their experience with labour sponsored venture capital funds as the source of their apprehension, where others had less specific macroeconomic concerns towards government subsidy or intervention.⁷ For example, many believe that tax incentives fail to serve the long-term growth potential of a particular market segment by creating a dependency on incentives to attract capital, rather than the merits of a carefully conducted investment evaluation.

Finally, with regard to government intervention in social financing activities, some participants expressed concern over the long-term implications of increased private sector involvement in what were previously public sector responsibilities. Asset managers forewarned of the criticism they would expect from clients, if indeed a new product was introduced that funded a social service, especially when the pay-off or returns associated with these products are not clearly understood. Similarly, asset managers acknowledged that initiatives where clients feel that government is relinquishing their public sector responsibilities will be met with skepticism that may become a barrier to mainstream adoption.

As with any paradigm shift, people need to get used to new products and risk factors. Governments stepping in and providing a cushion during this process is pivotal - however it must be done responsibly. Investors need encouragement to navigate risks and rewards, not temporary lures or incentives that lead to misguided placements of capital.

- Portfolio Manager, Ontario

Our biggest macro-risk is [the impact of] government intervention in markets from fiscal indebtedness . . . [such as by] attempting to grow tax intakes . . . and how this translates into monetary and financial repression - that is, holding bonds and keeping interest rates low - these are our biggest challenges.

- Pension Fund, Quebec

RECOMMENDATIONS:

1. There is a case for government intervention, particularly around legitimizing social finance products, however the challenge is in how much and where. The role of government should be to mitigate short-term risk in order to create long-term sustainability, rather than simply to attract temporary infusions of capital toward certain initiatives.
2. There are various proposals for government support circulating within the social finance community that attempt to address both the immediate need for capital as well as the long-term sustainability of an asset class or market segment. Some of these are:
 - a. First loss capital guarantees provided by the government would provide risk mitigation to structured funds that contribute to impact investment objectives.
 - b. Supporting intermediaries (i.e. subsidizing staff, administration, legal costs etc.) or new funds, reduces the transaction costs associated with impact investing without skewing the risk/reward valuations associated with the investment itself.

7. Recognizing that the social economy in Quebec is notably more developed than in the rest of Canada, it was expected that there would be significantly different views on the role of government in directing the evolution of a social economy.

IMPACT INVESTING AS AN ASSET CLASS

Many respondents advocated for the maturation of impact investing to the point where its products represent a unique asset class of their own. Although this may be an intermediary step towards a necessary evolution of capital markets, participants expressed concern that pushing impact investments into their own asset class will marginalize their underlying principles, thus limiting its adoption into mainstream investment markets.

Branding a particular investment strategy as ‘social’ or ‘impact-based’ may reach a target market of values driven investors and raise awareness and capital towards certain social causes. However, several participants active in the SRI space feel strongly that advocating for the development of these niche investments may distract from existing strategies that aim to incorporate SRI principles more broadly across all asset classes and business activities.

Is impact investing an asset class? In some ways it is a little like the term cleantech. There are clean technology investors who invest in start-up equity, there are cleantech investors who invest in growth equity, there are cleantech investors who provide debt at an institutional level to renewable energy programs, and there are public companies with publicly traded debt and shares. It is something that cuts all the way across, but there is a bit of a theme to it.

– Credit Union, British Columbia

We are concerned about the potential negative impact that ‘impact investment’ may have on the SRI industry as a whole. It is possible that ‘impact investment’ may take away some of SRI’s steam (resources) to push some of the largest corporations towards enhanced social and environmental performance. For example, are the social and environmental benefits of a small organic juice company more ‘impactful’ than moving Coca-Cola towards enhanced CSR practices?

– Investment Fund, British Columbia

RECOMMENDATIONS:

1. For many, the ultimate goal of impact investing is to direct capital towards addressing some of the most pressing social and environmental challenges. For others, it represents a paradigm shift in the role of business and what it means to create value. A challenge occurs when the pursuit of one goal may distract or conflict with efforts of another. Ultimately, impact investing requires a holistic approach towards market development that simultaneously addresses the immediate need for capital deployment as well as broader macroeconomic objectives. This includes supporting:
 - a. Mechanisms and infrastructure to channel investment capital into social enterprises and non-profits. This includes creation of new financial products, education programs, and evaluation methods and most importantly, requires finding middle ground between the social and financial sectors, recognizing that compromises will need to be made.
 - b. Systems level changes to existing business mentality and definitions of value creation. For example, this occurs as organizations expand their responsibility towards a broader stakeholder base and the negative externalities that affect them. This must come organically, from within organizations; however, legislative innovations and other supports can be established to facilitate this process.

FIDUCIARY DUTY

The most common challenge to impact investing, as cited by fund managers or institutional investors, is their fiduciary responsibility to protect the investment of their clients or investors.

The mandates of institutional investors, especially pensions, are strictly regulated and many cite this rigidity as reason for not being able to consider impact investments where the financial risk is unfamiliar. Asset managers are expected and legally obligated to conduct their activities in a way that maximizes returns for their clients. In the absence of a strong record of success or proven financial sustainability, it can be challenging to provide a sound rationale for exploring social finance strategies.

If a pension plan believes supporting a particular social cause was a worthwhile thing to do...then they might very well have a dual mandate. But unless someone provides me with a dual mandate I'm not interested in it and, in fact, it would be irresponsible of me to pursue a dual mandate.

– Venture Capital Manager, Ontario

RECOMMENDATIONS:

1. Provide clarity to institutional investors on their fiduciary obligations, in a manner that is consistent with their existing principles. For example, there are now several legal interpretations (such as Freshfields II and the UNPRI) of fiduciary responsibility that allow for the consideration of a wider set of stakeholder interests, beyond a narrow focus on maximizing financial return.
2. In the current environment, there are several ways to fit impact investment in the context of fiduciary responsibility. These include:
 - a. Understanding fiduciary duty as an intergenerational task. In order to preserve future prosperity and existing standards of living, a concerted effort is required to build economic and business models that capture broader assessments of risk and value.
 - a. Proving that impact investment products and vehicles are able to generate market-competitive returns through effective reporting and communication to investors.

SUMMARY OF RECOMMENDATIONS

RECOMMENDATIONS	CHANGE AGENTS AND METHODS OF ACTION		
LANGUAGE & VOCABULARY	GOVERNMENT	INDUSTRY ASSOCIATIONS & INTERMEDIARIES	MARKET
1. Increasing sensitivity toward financial terminology.	Build Awareness	Build Awareness	Experiment & Explore
2. Increasing literacy, on the demand side of capital, with financial vernacular and using it in the appropriate context.	Education & Skill Training	Education Delivery	Experiment & Explore
BOTTLENECK FROM ADVISORS/ MANAGERS	GOVERNMENT	INDUSTRY ASSOCIATIONS & INTERMEDIARIES	MARKET
1. Targeting education and awareness building to financial advisors and retail asset managers, and those who have direct interaction with retail investors.	Education & Skills Training	Build Awareness	-
2. Support education and training of front-line professionals through existing industry associations and certification programs.	Accreditation	Education Delivery & Accreditation	-
3. Re-examine the practices surrounding client intake and the Know Your Client (KYC) protocols performed at advisory and asset management firms.	Policy & Regulation	Build Awareness	Build Demand

RECOMMENDATIONS

CHANGE AGENTS AND METHODS OF ACTION

LIMITED PRODUCT AVAILABILITY

	GOVERNMENT	INDUSTRY ASSOCIATIONS & INTERMEDIARIES	MARKET
1. Support the creation of a centralized database of active social impact opportunities.	Infrastructure Support	Consolidate Information	-
2. Remove barriers for community organizations to participate in innovative financing mechanisms.	Policy & Regulation	-	-
3. Support the development of a National Impact Investment Fund to consolidate many of the smaller scale, fragmented financing products into those that are more accessible to mainstream markets.	Infrastructure Support	Facilitate Partnerships	-

HIGH RISK PERCEPTION

	GOVERNMENT	INDUSTRY ASSOCIATIONS & INTERMEDIARIES	MARKET
1. Equip prospective investees with tools necessary to effectively monitor, understand and report financial as well as operational metrics.	Education & Skills Training	Education Delivery	Experiment & Explore
2. Finance embedded executive programs for social enterprises or non-profit organizations.	Infrastructure Support	Facilitate Partnerships	Build Demand
3. Equip investors and intermediaries with tools unique to evaluating the risk and performance of social finance products.	Education & Skills Training	Education Delivery	-
4. Educate the future generation of business leaders by integrating multi-dimensional risk assessment and impact investing principles into academia in post-secondary and graduate programs.	Build Awareness	Build Awareness	Build Demand

RECOMMENDATIONS

CHANGE AGENTS AND METHODS OF ACTION

GOVERNMENT INTERVENTION IN CAPITAL MARKETS

	GOVERNMENT	INDUSTRY ASSOCIATIONS & INTERMEDIARIES	MARKET
1. Mitigate short-term risk in order to create long-term sustainability.	Infrastructure Support	Build Awareness	-
2. Address both the immediate need for capital as well as the long-term sustainability of an asset class or market segment through:			
a. First loss capital guarantees	Policy & Regulation	Build Awareness	-
a. Supporting intermediaries	Infrastructure Support	Build Awareness	-

IMPACT INVESTING AS AN ASSET CLASS

	GOVERNMENT	INDUSTRY ASSOCIATIONS & INTERMEDIARIES	MARKET
1. Support impact investing with a holistic approach that simultaneously addresses the immediate need for capital deployment as well as broader macroeconomic objectives. This includes supporting:			
a. Mechanisms and infrastructure to channel investment capital into social enterprises and non-profits.	Infrastructure Support	Facilitate Partnerships	Build Demand
a. Systems level changes to existing business mentality and definitions of value creation.	Policy & Regulation	Build Awareness	Experiment & Explore

RECOMMENDATIONS

CHANGE AGENTS AND METHODS OF ACTION

FIDUCIARY DUTY

	GOVERNMENT	INDUSTRY ASSOCIATIONS & INTERMEDIARIES	MARKET
1. Clarify fiduciary duty.	Policy & Regulation	Build Awareness	Build Demand
2. Fit impact investment with the context of fiduciary obligations:			
a. Understanding fiduciary duty as an intergenerational task.	Education & Awareness	Education & Awareness	Build Demand
b. Proving that impact investment products and vehicles are able to generate market-competitive returns.	Education & Skills Training	Build Awareness	Build Demand

CONCLUSION

As this report has noted repeatedly, and as has been referred to in other publications (Task Force 2010, Harji and Hebb 2009), there is a breadth of existing social finance activity across the country. Canada's credit union sector has, and continues to be, a key driver of social finance activity. Several recent announcements such as the establishment of the MaRS Centre for Impact Investing and the RBC Impact Investing Fund provide positive signals for further evolution of this nascent marketplace.

This report identified the key issues related to the awareness of social finance among the financial sector, to identify gaps in knowledge and barriers to investment, and to propose strategies and recommendations to catalyze awareness and activity in social finance by the financial sector. Through primary and

secondary data collection and analysis, this report provided new insights into the issues and opportunities around social finance among the general financial sector across Canada.

In addition to our recommendations to address these issues, there is an emerging set of activity around social finance across Canada that can be leveraged and built upon. It is our expectation that the process of identifying and engaging individuals and institutions in this study, as well as the publication of this report, will itself contribute to increased awareness and adoption of social finance among the finance sector beyond the existing institutions already engaged in this area.

APPENDIX: BACKGROUND AND CONTEXT ON SOCIAL FINANCE AND IMPACT INVESTING

INDUSTRY OVERVIEW

Social finance⁸ is the deliberate, intentional application of tools, instruments, and strategies to enable capital to achieve a social, environmental, and financial return (Harji & Hebb 2009). Organizations that receive such investment can be found in the non-profit and for-profit sectors or in the hybrid space between them, they are mission-driven and seek to maximize blended value. Essentially, social finance addresses three separate but interconnected aspects of what we call the social capital market - the supply of capital searching for that “blended value” return, the demand for that capital, and the intermediaries that link the two (Harji 2009).

Investors are becoming increasingly concerned about the placement of their investments and not exclusively with their return on investments (JP Morgan 2010). Impact investments have the potential to complement philanthropy and government intervention as a potent force for addressing global challenges; they actively seek to place capital in businesses and funds that can provide solutions at a scale that philanthropic intervention alone cannot reach (Fulton & Freireich 2009). The impact investment philosophy unlocks substantial capital to build a more sustainable and equitable global economy while allowing for diversification across geographies and asset classes (Palandjian 2010).

More capital is being directed towards (deliberate) impact investing, even if the exact magnitude and nature of those flows are under debate. The Monitor Institute (Fulton & Freireich 2009) stated that the industry could grow to \$500 billion within 5-10 years, representing an estimated 1% of global assets under management as at 2008. A survey by JP Morgan and the Global Impact Investing Network (GIIN) in November 2010 estimated a market size of profit potential ranging from \$183 billion to \$667 billion, and invested capital in the range of \$400 billion to nearly \$1 trillion (O’Donohoe, Leijonhufvud & Saltuk 2010). A revised study in December 2011 surveyed investors representing over 2,200 private transactions totalling over \$4 billion of investment, up from 1,000 transactions and almost \$2.5 billion in the previous year, respectively (Bouri et al 2011).

SOCIAL FINANCE IN CANADA

Social finance in Canada is at a nascent stage of development, and can be characterized as “uncoordinated innovation”, where disparate entrepreneurial activities and business model innovations occur in response to market needs or policy incentives (Fulton & Freireich 2009). The Canadian Task Force on Social Finance (2010) has estimated that impact investments could yield \$30 billion for investment in social enterprises and more sustainable community organizations (2010), and the Social Investment Organization has identified \$4.45 billion in impact investments (Bragg 2010). Despite this potential, impact investing in Canada has been slow to materialize (Jagelewski 2011).

Government, at both the federal and provincial levels, has been the primary source of social finance in Canada - particularly through grants and contributions, as well as operating and program subsidies. (Hebb 2006; Cameron 2003). At the provincial level, Quebec has been a leader in social finance through targeted programs, dedicated financing vehicles and capital pools, and an enabling regulatory environment (Mendell & Nogales 2008; Strandberg 2006). As well as funding programs and projects directly, government has often funded social initiatives indirectly through intermediaries (Hebb 2006).

More recently, there has been increased interest among foundations to utilize the full range of their assets to achieve their social objectives (Godeke and Pomeroy, 2009). Several progressive Canadian foundations have already used program-related investments (PRIs) to invest in social enterprise and nonprofit property investments (Strandberg 2008). These efforts are occurring against a backdrop of interest across the country: the Centre for Impact Investing was recently established in Toronto at the MaRS Discovery District, and nascent policy initiatives to stimulate social enterprise have been initiated in British Columbia and Nova Scotia.

Despite these positive trends, Canada’s social sector remains undercapitalized relative to the needs and pressures placed on it, and only a small percentage of finance is “invested with intent” to fill this gap (Strandberg 2007; Mendell & Nogales 2008).

8. Note: we use the terms ‘social finance’ and ‘impact investing’ interchangeably for the purposes of this report.

Canada's nonprofit and voluntary sector is the second largest in the world (Hall et al. 2005), and several estimates of social enterprise activity across Canada suggest growth in the sector (Brouard et al. 2008; Pearson 2008). As it currently stands, there is a shortage of funding for social enterprises making it an inefficient and uncoordinated market (Malhotra, Laird, Spence 2010).

DEMAND FOR SOCIAL FINANCE

Since the 1970s, crises in the welfare state, international development, market structures and in state socialism have highlighted the weaknesses of both for-profit and public approaches to problem-solving on their own (Salamon 1994). At the same time, traditional non-profits have learned that commercial initiatives aligned with their social missions could provide an additional means of making an impact and diversifying revenue streams (Weisbrod 1998; James and Young 2007). This has led to the development of social enterprises seeking to combine both social and profit generation in a single organization (Ridley-Duff & Bull 2011).

Overall, this has resulted in a shift towards bringing the social sector into the centre of public policy attention, an increase in its scope, and an increase in its scale (Helmut & Salamon 2006). Social sector institutions receive grants and donations from individuals who do not benefit directly from the resulting social and environmental benefits. However, attempts at commercializing social sector activity has caused concern over mission drift, leading to the erosion of public trust in these organizations and the sector as a whole (Weisbrod 1998). Traditionally there has been little capacity for those providing funds to the social sector to be able to monitor performance, so the non-profit legal framework has served as a check against profit-taking (Hansmann 1980).

The non-profit sector itself has traditionally faced constraints that the for-profit and public sectors do not face. Salamon notes that the non-profit sector is prone to failures due to insufficient resources and narrowness of interest (1987), which can be partially attributed to lack of access to capital (Hansmann 1980). In accumulating capital for social purposes, the structure of Canada's investment industry is divided: philanthropy on one end of the financing spectrum and profit-maximization at the other (Harji 2009). Canada's existing tax, legal and regulatory frameworks have been developed over generations in support of this bifurcated system, making it ill-conducive to establishing the impact investing mechanisms necessary to coordinate the marketplace (Task Force 2010).

For example, a charity is only permitted to conduct business related to its expressed charitable purpose, thereby restricting the types of revenue-generating activities in which it may engage (PH&N, 2010). As a result, charitable status may be too restrictive for a social entrepreneur, who needs to generate alternative sources of revenue in funding their initiatives, yet incorporating as a for-profit eliminates the enterprise from qualifying for grant funding that may be necessary during the critical early stages of development.

Social economy organizations serve different purposes than for-profit and public organizations and, consequently, have different organizational needs. Businesses, unlike donation-based non-profits, have a one dimensional profit maximization objective, and can gauge the success of services through revenue-generation. They are able to clearly identify their customers and owners, and tend to have a more stable and predictable cash flow. This last point also means that donation based non-profits have higher relative needs for liquidity than similar-sized for-profits (Zeitlow, Hankin & Seidner 2007; Bowman 2007). Diversification of revenue streams can reduce this instability somewhat (Young 2007b), however, the lack of future profits as collateral for debt (Yetman 2007) or the option of equity investments, restricts the fundraising needed to develop those diverse revenue streams.

INVESTOR ENGAGEMENT

Impact investors can be segmented into two categories based on their investment objectives: impact-first, where achieving social or environmental good are the primary target, even if at the expense of financial return, and financial-first investors who often seek market rate returns but have an appetite for social or environmental value drives (Fulton & Freireich 2009). Each of these types of investors exist across various asset classes ranging from cash deposits to alternative instruments such as real estate or venture capital (PH&N 2010).

Many of the impact investors in Canada have been actively supporting the social economy long before the terminology to categorize their activity was even developed. The sector faces issues around consistent language, and the term social finance is not well known or well understood by most investors (Harji & Hebb 2009). In a recent survey conducted by JP Morgan and the GIIN, survey respondents believe that the number of random institutional or high net worth individual ("HNWI") investors who "know what impact investing is" has doubled since 2009. However, three-quarters of respondents would still describe the

current impact investing market as “in its infancy and growing”, rather than “about to take off” (19%) (Bouri et al 2011).

Valuation of risk and return in social finance is still an emerging industry, as it is in many other parts of the world. Along with this follows the inconsistent use of language and the “challenge to build a lexicon of valuation” (Emerson 2003). Even a brief examination of a subset of the available methods indicates that there is no unilaterally accepted approach, let alone a single metric, to social impact measurement or the blended value that is created by all investments (Olsen and Galimidi 2008, Tuan 2008). Individuals vary in their expectations of impact and thus need to be addressed accordingly (Duncan & Wong 2010; Moon 2010). Standards and benchmarks for determining non-financial performance have yet to be widely adopted; therefore investors must often rely on their own judgment to assess the impact being made (O’Donohoe, Leijonhufvud & Saltuk 2010). Measurements of social impact are often difficult to establish and are largely anecdotal (Geobey, Westley & Weber 2011; O’Donohoe, Leijonhufvud & Saltuk 2010). In the absence of performance benchmarks, investors have difficulty comparing the social performance of their investments against one another and as a result there is little consistent quantitative data about the social impact actually achieved (Bugg-Levine & Goldstein 2009).

Recently, efforts have been made to establish a common rating system. The GIIN created its Impact Reporting and Investment Standards (IRIS) to provide a common framework for defining, tracking and reporting on the performance of impact investments. IRIS provides an independent set of metrics for organizations to use when reporting their impact and aims to increase the value of non-financial data by enabling performance comparisons and benchmarking (GIIN 2010). The Global Impact Investment Ratings System (GIIRS) is based on the IRIS taxonomy and reporting standard. It aims to assess the social and environmental impact (but not the financial performance) of companies and funds using a ratings approach analogous to Morningstar investment rankings or S&P credit risk ratings (B Lab 2010). While these ratings systems are being embraced by the impact investing community, the industry “remains beset by inefficiencies and distortions that currently limit its impact.” (Bugg-Levine & Goldstein 2009).

Access to reliable, accurate information on viable investment opportunities remains one of the key issues for impact investors. The lack of a track record of successful investments, and a shortage of quality investment opportunities rank as the top two challenges to industry growth in the recent JP Morgan

survey, with inadequate impact measurement practice coming in third (Saltuk et al., 2011b). Search costs are high as “investment ready” opportunities are difficult, and the costs of due diligence can be prohibitively high for early-stage investments that require relatively small amounts of capital.

INTERMEDIATION CHALLENGES

A lack of intermediation is at the forefront of the challenges facing impact investment (Ayton & Sarver 2006; Emerson & Bonini 2003; Harji & Hebb 2009). Sophisticated intermediaries are essential to address many of the risks noted above; they match available financial products to the specific needs of investors. These intermediaries provide meaningful information to the market in order to overcome the systemic information asymmetry that reinforces this uncoordinated state (Bugg-Levine & Goldstein 2009). The dearth of intermediaries has been attributed to the relatively new existence of an impact investment marketplace and the smaller scale of deal making opportunities; economic incentives for intermediaries have not been sufficient to attract new intermediaries to the sector (Emerson & Spitzer 2007).

Intermediaries need reach a certain level of sophistication in order to identify potential partners and structure creative deals that blend the various risk and reward expectations of investors in a relatively seamless manner (Harji 2009). Without intermediaries, impact investors are not able to calibrate risk and opportunity adequately, therefore limiting the amount of capital injected into the social economy (Harji & Hebb 2009; Hope Consulting 2010). Conversely, social ventures are in need of capital and the lack of intermediaries acts as a barrier to the growth, success and operation of everyday business (Malhotra, Laird, Spence 2010). The supply of capital does not correspond to the needs of social enterprises and as it currently stands, there is a significant misalignment between the demand and supply sides of social finance (Harji & Hebb 2010; Mendell & Nogales 2008).

Unlike in the private sector, there is an absence of a well-functioning “capital curve” for social businesses that matches the right kind of capital to the best prospects for profitability (Bishop & Green 2010). Different classes of investors can layer their capital at various stages in order to create a “blended capital curve” corresponding to several risk, return and impact combinations. For example, impact-first investors such as venture philanthropists can provide early-stage finance that delivers low financial returns and high risk but offers desirable social returns. Government provides a combination of capital (such as grant-funded TA, below-market debt) that can

scale up proven ideas, and finance-first investors can provide larger investments at even greater scale. Bridge financing in between these stages can be made more efficient through better coordination from investors, and feasible possibilities include phased investing (baton pass), co-investing, and internal horizontal syndication (Kohler et al, 2011).

ROLE OF GOVERNMENT

While impact investing denotes a natural inclination to the financial markets, the role of government has been critical - even in the financial markets, as we have witnessed over the last few years. Learning from the United Kingdom in particular, we have a set of markers around ways in which government can engage directly or indirectly in social finance, and the results and unintended consequences (HM Treasury 2011; Joy et al 2011). Beyond these countries, we have witnessed an array of approaches that can create an enabling environment for impact investing, and many of these initiatives can and have stretched beyond funding (Thornley & Wood 2011). All these trends are occurring within a set of broader structural, economic, political, and social changes occurring at a tremendous pace, and all of which are important contributors to this movement.

In a period of global fiscal constraint, impact investments can complement government services and attract private investment capital, providing greater opportunity to implement public-private partnerships and outcomes-based finance (Saltuk 2011a). Policy

and regulation are helping to catalyze impact investment activity in several jurisdictions globally, across a range of sectors (Thornley & Wood 2011). With financial constraints, the role of the state may not necessarily be diminished - though this could be the case in some regions, presenting both a set of challenges as well as opportunities - instead, governments will be more likely to use the other levers at their disposal apart from direct funding. Policy intervention can include: increasing the amount of capital for investment (supply development); increasing the availability or strengthening the capacity of capital recipients (demand development); or adjusting terms of trade, market norms, or prices (directing capital) (Thornley & Wood 2011).

Regulation and legislation have presented considerable barriers to the development of social finance in Canada. The existing legal infrastructure can be described as a "patchwork", with inconsistent and inadequate relevant legislative and regulatory systems (Bridge 2009:3). The Canada Revenue Agency takes a very conservative view of charitable activity, which discourages innovation in financial instruments and tools to leverage the full range of foundation assets towards achieving their mission (Strandberg 2008). Social enterprises, despite their increasing popularity, still face significant barriers in accessing finance due to the lack of enabling infrastructure - especially the limitations imposed through their legal status (Mendell 2008, Carter and Man 2008, Bridge and Corriveau 2009).

TABLE 1: IMPACT INVESTMENT ASSETS AND AMOUNT OF ASSETS

Source: Social Investment Organization (Bragg 2010)

Impact Investments Assets by Category	Assets (millions)
Aboriginal Funds	285.7
Community Futures Development Corporations	910.6
Community Loan Funds and Social Venture Capital	348.8
Credit Unions	951.5
Foundations	32.0
International Impact Investments	5.6
Quebec - Development Capital	1,049.1
Quebec - Solidarity Finance	850.5
Total	4,447.8

TABLE 2: INVESTOR INITIATIVES BY ASSET CLASS

Adapted from: Phillips, Hager & North (2010), Task Force (2010)

		FINANCIAL FIRST	IMPACT FIRST
ASSET CLASSES	CASH		<ul style="list-style-type: none"> Vancity deposit products
	DEBT	<ul style="list-style-type: none"> Ottawa Community Loan Fund Insurance Corporation of BC 	<ul style="list-style-type: none"> Central One Credit Union of BC Jubilee Fund Social Capital Partners Edmonton Special Enterprise Fund Canadian Alternative Investment Cooperative
	MEZZANINE / QUASI EQUITY	<ul style="list-style-type: none"> Société de capital de risque autochtone du Québec (SOCARIAQ) Sarona Frontiers Markets Fund 	
ALTERNATIVE INVESTMENTS	VENTURE CAPITAL	<ul style="list-style-type: none"> Vancity Capital Corporation Emerald Ventures Chrysalix Clean Energy Tech Fund 	<ul style="list-style-type: none"> Chantier de l'Économie Sociale
	PRIVATE/GROWTH	<ul style="list-style-type: none"> Cape Fund Investeco 	
	REAL ESTATE	<ul style="list-style-type: none"> Alterna Community Alliance Housing Fund 	<ul style="list-style-type: none"> Jubilee Fund
	ABSOLUTE RETURN (HEDGE FUNDS)		

REFERENCES

- Ayton, R., and Sarver, S. 2006. *Social Lending Today: Challenges Facing Social Finance Intermediaries*, Centre for the Development of Social Finance, Background Paper
- Bragg, I. 2010 *Impact Investing in Canada: A Survey of Assets*. Social Investment Organization
- Bridge, R. and Corriveau, S. 2009. *Legislative Innovations and Social Enterprise: Structural Lessons for Canada*. BC Centre for Social Enterprise.
- Brouard F., Hebb T., Madill J. (2008). *Canadian Social Enterprises: An Empirical Exploration of Social Transformation, Financial Self Sufficiency and Innovation*. Journal of Nonprofit and Public Sector Marketing.
- Bugg-Levine, A. 2009. *Impact Investing: Harnessing Capital Markets to Drive Development at Scale*. Beyond Profit, May/June, 16-21.
- Bugg-Levine, A. and Emerson, J. 2011. *Impact Investing: Transforming How We Make Money While Making a Difference*. Jossey-Bass.
- Bugg-Levine, A. and Goldstein, J. 2009. *Impact Investing: Harnessing Capital Markets to Solve Problems at Scale*. San Francisco, CA: Federal Reserve Bank of San Francisco, Community Development Investment Review, Vol. 5, No. 2, August 2009, pp. 30-41.
- Canadian Task Force on Social Finance (2010). *Mobilizing Private Capital for Public Good*. Social Innovation Generation, MaRS Discovery District.
- Canadian Task Force on Social Finance (2011). *Mobilizing Private Capital for Public Good: Measuring Progress During Year One*. Centre for Impact Investing, MaRS Discovery District.
- Cameron, S. 2003. *A National Study of Community Investment in Canada*. www.socialinvestment.ca/Survey_Results.doc
- Carter, T. and Man, T. 2009. *Business Activities and Social Enterprise: Towards a New Paradigm*. 2009 National Charity Law Symposium, The Canadian Bar Association/Ontario Bar Association.
- Carter, T. and Man, T. 2008. *Canadian Registered Charities: Business Activities and Social Enterprise Thinking Outside the Box*. National Centre on Philanthropy and the Law Annual Conference.
- Christian, L. 2011. *A New Foundation for Portfolio Management*. RSF Social Finance.
- Elliot, A. 2011. *Investing for the Good of Society: Why and How Wealthy Individuals Respond*. The Big Society Finance Fund, April.
- Emerson, J. 2003. *The Blended Value Proposition: Integrating Social and Financial Returns*. California Management Review, Vol. 45, No. 4, Summer 2003.
- Emerson J. and Bonini S. 2004. *The Blended Value Map: Tracking the Intersects and Opportunities of Economic, Social and Environmental Value Creation*. Working Paper.
- Emerson, J. and Spitzer J. 2007. *From Fragmentation to Function: Critical Concepts and Writings on Social Capital Markets' Structure, Operation, and Innovation*. Skoll Centre for Social Entrepreneurship: Oxford.
- Fulton, K. and Freireich, J. 2009. *Investing for Social & Environmental Impact: A Design for Catalyzing an Emerging Industry*. Monitor Institute.
- Geobey, S., Westley, F. and Weber, O. 2010. *Innovation Through Developmental Impact Investing*. Social Innovation Generation, University of Waterloo. Working Paper
- Godeke, S. and Pomares, R. 2009. *Solutions for Impact Investors: From Strategy to Implementation*. Rockefeller Philanthropy Advisors.
- Hansmann, H. 1980. *The Role of Nonprofit Enterprise*. The Yale Law Journal Vol. 89, No.5, April, 835-901.
- Harji, K. 2009. *Delivering More Capital to Communities*. Making Waves. Volume 20, number 3 (Autumn/Winter 2009), pages 5-11.
- Harji, K. and Hebb, T. *The Quest for Blended Value Returns: Investor Perspectives on Social Finance in Canada*. Carleton Centre for Community Innovation: Ottawa.
- Hebb, T., LaPointe R. and Jackson E. T. 2006. *Mapping Economically Targeted Pension Fund Investing in Canada*. Carleton Centre for Community Innovation. Working Paper. Ottawa.
- Hebb T., A. Wortsman, M. Mendell, N. Neimtan, and R. Rouzier. 2006. *Financing Social Economy Enterprises*. Industry Canada Report, Ottawa. March 2006.
- Helmut K. and Salamon, M. 2006. *The Nonprofit Sector in Comparative Perspective*. In Powell, W. and Steinberg, R. 2006. *The Non-Profit Sector: A Research Handbook*. 2nd ed. Yale University Press, 89-114.
- HM Treasury. 2011. *Growing the Social Investment Market: A vision and strategy*.
- Jagelewski, A. 2011. *Social Impact Bonds: A Practical Social Innovation*. Policy Research Initiative, Government of Canada.
- James, E. and Young, D. 2007. *Fee Income and Commercial Ventures, in Young, D. 2007. Financing Nonprofits: Putting Theory into Practice*. AltaMira Press. 93-120
- Joy, I., de Las Casas, L., and Rickey, B. 2011. *Understanding the Demand for and Supply of Social Finance: Research to Inform the Big Society Bank*. The Big Society Finance Fund.

- Ludlow, J. and Jenkins, J. 2011. *Twenty Catalytic Investments to Grow the Social Investment Market*. The Big Society Finance Fund.
- Lydenberg, Steve. 2012. *Reason, Rationality and Fiduciary Duty*. Initiative for Responsible Investment. Hauser Center for Nonprofit Organizations.
- Malhotra, A., Spence, A., & Laird, H. 2010. *Social Finance Census 2010*. MaRS Discovery District & Ontario Nonprofit Network.
- Mendell, M. and Rocío Nogales, R. 2008. *Social enterprises in OECD Member Countries: What are the financial streams?* Working paper.
- O'Donohoe, N., Leijonhufvud, C. and Saltuk, Y. 2010. *Impact Investments: An Emerging Asset Class*. J.P. Morgan Global Research.
- Olsen, S., and Galimidi, B. 2008. *Catalog Of Approaches to Impact Measurement: Assessing social impact in private ventures*.
- Palandjian, T. 2010. *Investing for Impact: Case Studies Across Asset Classes*. The Parthenon Group and Bridges Ventures.
- Pearson, R. 2008. *The Nonprofit Capital Market in Canada*. The BC Alberta Social Economy Research Alliance (BALTA).
- Phillips, Hager & North. 2010. *An Overview of Impact Investing*.
- Powell, W. and Steinberg, R. 2006. *The Non-Profit Sector: A Research Handbook*. 2nd ed. Yale University Press.
- Ridley-Duff, R. and Bull, M. 2011. *Understanding Social Enterprise: Theory & Practice*, SAGE Publications Ltd.
- Salamon, L. 1987. *Partners in Public Service: The Scope and Theory of Government-Nonprofit Relations*. In Powell, W. ed *The Nonprofit Sector: A Research Handbook*.
- Salamon, L. 1994. *The Rise of the Nonprofit Sector*, Foreign Affairs, Jul/Aug 73, 4, 109-122.
- Saltuk, Y. 2011a. *Counter(Im)acting Austerity: The global trend of government support for impact investment*. J.P. Morgan.
- Saltuk, Y., Bouri, A., and Leung, G. 2011b. *Insight into the Impact Investment Market: An in-depth analysis of investor perspectives and over 2,200 transactions*. J.P. Morgan and the Global Impact Investing Network.
- Strandberg, C. 2007. *The Social Purpose Capital Market: An Opportunity for the Canadian Charitable Sector*.
- Strandberg, Coro (2008). *Primer: Responsible Investment Pilot Project*. Community Foundations of Canada. www.corostrandberg.com/pdfs/2008%2008%2001%20%20CFC%20Responsible%20Investment%20Primer.ppt
- Strandberg, C., and Brenda Plant, B. 2004. *Scan of the Community Investment Sector in Canada*. National Roundtable on the Environment and the Economy. Ottawa.
- Kohler, J., Kreiner, T, and Sawhney, J. 2011. *Coordinating Impact Capital: A New Approach to Investing in Small and Growing Businesses*. Santa Clara University.
- Thornley, B. and Wood, D. 2011. *Impact Investing: A Framework for Policy Design and Analysis*. InSight at Pacific Community Ventures and the Initiative for Responsible Investment at Harvard University.
- Tuan, Melinda (2008). *Measuring and/or Estimating Social Value Creation: Insights Into Eight Integrated Cost Approaches*.
- Weisbrod, B. 1977. *The Voluntary Nonprofit Sector*. Lexington Books.
- Weisbrod, B. 1988. *The Nonprofit Economy*. Harvard University Press.
- Weisbrod, B. 1998. *To Profit or Not to Profit: The Commercial Transformation of the Nonprofit Sector*, Cambridge University Press.
- Williamson, O. 1996. *The Mechanisms of Governance*. Oxford University Press.
- Young, D. 2007. *Financing Nonprofits: Putting Theory into Practice*. AltaMira Press.
- Zeitlow, J., Hankin, J. and Seidner, A. 2007. *Financial Management for Nonprofits: Policies and Practices*. John Wiley and Sons.

ABOUT THE AUTHORS

KARIM HARJI

Karim Harji leads Purpose Capital, and is a co-founder and partner at Venture Deli. He was recently involved in the strategic assessment of the Rockefeller Foundation's Impact Investing Initiative, where he co-authored a comprehensive scan of the evolution of the impact investing industry globally.

Karim teaches social entrepreneurship at the Faculty of Engineering at the University of Toronto and the Schulich School of Business at York University, and is also a Senior Research Associate at the Carleton Centre for Community Innovation at Carleton University. He is the co-founder of socialfinance.ca, the leading website on social finance and impact investing in Canada.

Karim serves on the Boards of the Social Investment Organization and the Small Change Fund, and holds a Masters degree in Public Administration from Carleton University.

ALEX KJORVEN

Alex Kjorven is a consultant at Purpose Capital.

Alex was Project Manager for the 2011 Social Finance Forum at the newly launched MaRS Centre for Impact Investing. Previously, she led the ACCESS Community Capital Fund, spearheading the expansion of their microfinance model across Toronto. A former Senior Associate at KPMG LLP, Alex led audits and evaluations of companies and worked with a variety of investors in the firm's Advisory practice, performing due diligence on financing and acquisition activities.

Alex is a Chartered Accountant and holds a Bachelor of Commerce degree from the University of Toronto.

SEAN GEOBEY

Sean is a doctoral candidate in the University of Waterloo's Department of Environment and Resource Studies and a McConnell Fellow with SiG@Waterloo. His research looks at social innovation in complex systems, with a focus on how decision-making can be improved for investments seeking both a financial and a social return. Prior to his current doctoral studies, Sean earned an MA in Economics from Queen's University with a focus on voluntary sector organization strategy and governance.

In addition, Sean is a regular contributor to the SocialFinance.ca and is a contributing member of the Waterloo Region Record's Community Editorial Board. He also serves on the Waterloo-Wellington Self-Help Alliance's board of directors, was a co-founder of the Laurier Students' Public Interest Research Group and is currently the Chair of Fair Vote Canada's National Council.

ASSAF WEISZ

Assaf Weisz is a co-founder and partner of Venture Deli, a firm that grows and capitalizes ventures that matter to the world.

Prior to this, he co-founded and was the Executive Director of the Young Social Entrepreneurs of Canada (YSEC), where he grew the organization to become one of the nation's largest networks of social entrepreneurs. Assaf also advises Laidlaw Foundation on its granting stream and PRI committee, and serves as a founding board member of Operation Groundswell - a conscious backpacking social enterprise that runs trips in over 20 countries.

In 2011, Assaf was recognized as a Fellow of Social Entrepreneurship by the Ariane de Rothschild Foundation and Cambridge University. He has guest lectured at Schulich School of Business, spoken on behalf of the City of Toronto at the G20 Youth Summit, and at the Global Engineering Symposium.

ABOUT VENTURE DELI

Venture Deli accelerates the growth of, and facilitates investment in, ventures that matter to the world. We turn early/growth-stage businesses into market leading companies that set the bar higher for social and environmental impact.

Venture Deli acts as an intermediary between social ventures and impact investors. Our work with ventures focuses on enhancing their investment readiness for a successful capital raise.

We help these businesses to refine their business models, assess and monitor their social impact, and strengthen their operational capabilities and management teams.

Venture Deli is a proud B Corp based in Toronto. The firm's partners teach social entrepreneurship courses at Canada's leading business (Schulich School of Business, York University) and engineering (University of Toronto) schools.

ABOUT PURPOSE CAPITAL

Purpose Capital helps to develop investment strategies that matter to the world.

Purpose Capital supports investors and advisors in building strategies that align their investments with their social and environmental impact objectives.

We inform investors and advisors on the key opportunities and issues related to these types of investments, advise them on the design and implementation of impact investment strategies, and offer approaches to measure and report on social impact.

Purpose Capital is a division of Venture Deli.

Venture Deli accelerates the development of promising early-growth companies across a variety of sectors by helping to strengthen their business models, management teams, and their social and environmental impact.

Certified



Corporation
bcorporation.net

Venture Deli is a Certified B Corporation. Unlike traditional corporations, Certified B Corporations are legally required to consider the impact of their decisions on the long-term interests of their employees, suppliers, community, consumers, and the environment.

Venture Deli

Centre for Social Innovation
720 Bathurst St. Suite 313
Toronto, ON M5S 2R4
t: 416.846.9787

info@venturedeli.com
venturedeli.com

Follow us on Twitter
[@venturedeli](https://twitter.com/venturedeli)

Purpose Capital

Centre for Social Innovation
720 Bathurst St. Suite 313
Toronto, ON M5S 2R4
t: 647.302.4752

info@purposecap.com
purposecap.com

Follow us on Twitter
[@purposecap](https://twitter.com/purposecap)



Matter to the world.