Investing with Purpose

A PILOT STUDY

CECP is a CEO-led coalition that believes that a company's social strategy — how it engages with stakeholders including employees, communities, and customers — determines company success.

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Prudential

A CECP ACCELERATE PROJECT

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THE CEO FORCE FOR GOOD

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The Study

CECP set out to uncover the type and depth of examples active among large companies that are investing capital with socially and/or environmentally driven intentions, particularly those outside the financial industry.

The Viewpoint

This pilot study seeks to equip the professionals at the companies within CECP's coalition. It provides companies with practical insights to on-ramp investments as a new approach within their societal engagement strategies.

The Takeaway

Cases of six approaches exhibit the types of investments large companies are leveraging for impact. While these activities are the exception and not the norm across industries outside of Finance, there is tremendous growth potential. A third of large companies report they are at least "somewhat" active with impact investing.

Note: *The term "CSR" (Corporate Social Responsibility) used in this paper refers to the function that focuses on societal engagement, giving, employee programs, and may include diversity and inclusion as well as other environmental efforts. It is noted that companies' individual structures and terminologies vary.*

Executive Summary

Corporate societal engagement professionals push themselves to find new ways to tackle societal and environmental problems, while also producing strong profits. CECP data show that corporate societal engagement continues to provide significant support to communities, but the complexity of societal issues has made companies eager to accelerate progress by innovating strategies that provide social/environmental and financial return at the same time.

This pilot study explores the practice of companies investing capital and in-kind resources to a social enterprise with the expectation of financial, social, and strategic returns. While this practice, referred to in this paper as "impact investing" or "Investing with Purpose," is commonly discussed and explored in research and conferences, the extent of its actual use among large corporations outside the financial sector has not been well understood.

Together with Prudential Financial Inc., CECP sought to uncover the types and depth of large companies using investments to advance social and business goals, particularly those outside the financial sector.

To consider the types of impact investing, the study covers six approaches. CECP provides informative cases to help map a clearer pathway for each of the six. The three approaches observed in this study that have the greatest potential for impact at scale are direct investments, corporate venture capital (CVC) self-managed funds, and investments in third party funds.

In terms of the depth, findings show that impact investing approaches remain the exception rather than the norm among large corporations. Analysis of CECP's company-reported dataset show that one-third of companies report being somewhat or highly active in impact investing. These companies are typically larger in terms of size of the company as well as the scale of their societal engagements. At some companies, cross-over use of the term "invest" with philanthropic efforts has resulted in some confusion and staff time has been dedicated to exploration although investments have not yet been made.

Companies investing capital with socially driven goals have successfully aligned business and social objectives for the strategy, and have aligned the required people and budgets for the execution. First steps to action in this area could include: scheduling a discussion during the annual strategic planning process, seeking out information about the social enterprise field, or exploring collaborations both between internal departments as well as external partners.

Context

CECP's coalition of leading global companies includes those who are venturing into new areas of activity within their societal engagement. CECP seeks to inform and equip those companies inquiring about impact investing practices. CECP also seeks to advance the movement of all large companies who consider societal engagement as an essential measure of business performance.

CORPORATE SOCIETAL ENGAGEMENT DRIVES FOR NEW TOOLS

In CECP's research, the top quartile of companies spend US$47.9 million per year, including corporate cash, foundation cash, and non-cash (in-kind) contributions to make up their total giving. However, total giving amounts by large firms have only witnessed moderate rise in recent years.[1] In conjunction, CECP regularly hears from its network that there is greater drive among corporate societal engagement professionals to leverage their knowledge and expertise and integrate socially-driven approaches in other departments. In a poll of over 200 CSR professionals, CECP heard that 90% of them are aware of examples of "good beyond giving" in the field.

Impact investing represents the opportunity to complement traditional philanthropic investments and tap into additional corporate resources. Responding to growing interest in this topic, CECP has held panel discussions on "impact investing" at its annual CECP Summit every year since 2012. Included were sessions entitled, 'Impact Investing: Opportunities for Corporate Philanthropy', 'Social Impact through Social Enterprise', and 'Redefining Returns: The Impact of an Emerging Investment Model'. Continued interest in the topic motivated CECP, with support from Prudential, to dig deeper.

IMPACT INVESTING FIELD

A growing number of investors (fund managers, portfolio managers, etc.) are expressing a desire to "do good while doing well". These are impact investors, who seek opportunities for financial investments that produce significant social or environmental benefits. Investment in such strategies is still small in absolute terms, but is on the rise and has enormous potential – considering the volume of unmet societal needs, the scale of critical environmental issues and the availability of resources that could be invested (according to a recent article by the *New York Times*, US$1.9 trillion of liquid assets exists on US corporate balance sheets).[2]

THE CONVERGENCE OF CSR AND IMPACT INVESTING

CECP has championed and is now witnessing an elevation of the role of the corporate societal engagement professional. With benefits to brand, human capital, and innovation more proven, the activities of corporate societal engagement professionals have become more closely tied with business strategy. To achieve results in this environment of rising expectations, Investments with Purpose are a pathway to accessing new budgets, leveraging internal skills, and increasing capacity to respond to business needs with socially-driven goals.

This inquiry examines how large companies are incorporating socially-driven investing into their social engagement strategies through data gathered from 15 respondent companies and secondary research. Successful examples of pioneering corporations show that integrating social strategies into corporate strategy can be good business, but there are many challenges to taking action.

The findings in this paper present representative cases, demonstrating how companies can use their corporate budgets alongside innovative corporate development tools to achieve social, environmental, strategic and financial return.[3] The findings have a bias towards action over theories. The research objective aims to summarize known activities to build an on-ramp for motivated and innovative future Investing with Purpose champions
to build pathways to action inside their companies.

DEFINING IMPACT INVESTING

Impact investing is investing with the intention of achieving financial returns and positive economic, social, or environmental impact that is measurable. While philanthropic activities are often called investments because of the social outcomes expected, impact investing is distinct from grantmaking because investors expect their money back with a return, although they may be willing to sacrifice maximum returns in favor of achieving quantifiable social results. Simply put, impact investing is about using traditional debt and equity instruments to pursue investments which represent both financial return potential and the intention to change their communities and the world for the better.[4]

Although relatively new, impact investing is quickly gaining favor with investors. The size of the global impact investing market is approximately US$60 bn, but is projected to grow to

THE INVESTMENT SPECTRUM

SOCIAL ⟵⟶ **FINANCIAL**

Philanthropy	Venture Philanthropy	Program Related Investment	Impact Investing	Sustainable Investing	Socially Responsible Investing	Traditional Investments
Pure charitable giving with no expectation of financial return	Donations used as seed capital for catalytic effect with expectation of operational sustainability over time through earned income models	Loans or equity investments focused on preservation of capital or below-market returns in exchange for social or environmental performance	Investments in companies, organizations, and funds to produce social and environmental impact alongside financial returns	Investments in companies that integrate environmental, social and corporate governance practices into long term strategy	Negatively screened investment portfolios that exclude companies or industries deemed "harmful"	Investments in financial assets for maximum risk-adjusted financial returns

US$2 trillion in 2025.[5] The two biggest roadblocks to achieving this growth are the "lack of appropriate capital across the risk-return spectrum" and the "shortage of high-quality investment opportunities with track record".[6] CECP's findings suggest large corporations are well suited to address both of these limiting factors, while also adding long-term value.

Impact investing is distinct from Socially Responsible Investing (SRI); the latter is more closely associated with seeking out socially conscious "green" or ethical investment strategies by avoiding morally questionable businesses – a negative screen. Instead, impact investing can be seen as a positive screen as it intentionally seeks investments that produce a positive social/environmental return. See the figure[7] above to illustrate the spectrum.

Impact investments can be made into social enterprises in both emerging and developed markets, and target a range of returns from below market to market rate.[8] Large multi-national corporations have the assets and oftentimes the employees required to take on both methods.

Corporate impact investments can be deployed across asset classes into equity investments or loans to fund managers or companies, as well as real assets. Real assets include investments into agricultural land and real estate (commercial and residential). Investments in the built environment (i.e. investment in physical buildings) are those that generate place-based or people-based impact, including: the creation of housing for underserved populations, the inclusive revitalization of an economically stagnant community, and the construction or retrofitting of energy efficient buildings.

Prudential Financial, Inc. leverages its deep roots in its hometown of Newark, NJ to invest in real assets that improve the lives of families in urban communities throughout the U.S. Prudential targets investments in affordable housing, urban transformation, and environmental sustainability. An example is the Habitat for Humanity FlexCap bond that Prudential helped originate. FlexCap bonds provide needed liquidity to the local Habitat for Humanity affiliates and to date has raised US$156 million for more than 280 affiliates. Prudential is the largest investor in the program and has committed more than US$32 million to date.

Companies also have the option to eventually absorb inclusive businesses to boost their growth prospects.[9] Companies and social enterprises benefit from corporate impact investing in numerous ways.

Company Benefits:

- Access to market insights and disruptive models
- Footholds in different markets and brand name recognition
- Access to talent
- New distribution channels

Social Enterprise Benefits:

- Financial capital
- Managerial, business or technical expertise
- Increased scalability
- Introductions and access to additional funders

Six Approaches

The six approaches covered in this section share details on the most common types of Investing with Purpose CECP found among large companies. Large companies with robust socially-driven investment portfolios are the exception, not the norm, within the sector. CECP believes these practices have strong growth potential as companies with cash on their balance sheet seek innovative methods to affect change on social issues.

APPROACH ONE: DIRECT INVESTMENTS

- Corporate acquires (or merges with) a social enterprise
- How it works: Acme Co. Merchandising team invests to own 35% of Organic B Corp
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APPROACH TWO: SELF-MANAGED FUNDS

- Entity created inside the corporation that invests in business and social enterprises
- How it works: Acme Co. Corporate Venture Capital fund invests US$15 million in STEM education technology company
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APPROACH THREE: THIRD-PARTY FUNDS

- Corporate funds transferred to a fund which then deploys money to social enterprises
- How it works: Acme Co. CSR team, in partnership with Finance Dept., invests US$8 million in XYZ Capital Corp that funds network of health clinics in remote locations
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APPROACH FOUR: STRATEGIC ALLIANCES

- Partnerships among Companies to create innovative market-based social benefits
- How it works: Acme Co. partners with ABC Job Placement (social enterprise which addresses chronic unemployment) to solve their hiring pipeline issues
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APPROACH FIVE: INCUBATORS AND ACCELERATORS

- Companies deploying financial and non-financial assets to spur growth of small social enterprises
- How it works: Acme Incubator allocated US$100,000 each to arts-cooperatives selling rotating art to senior centers, laundromats, and doctors' offices
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APPROACH SIX: CORPORATE FOUNDATIONS

- Foundation budget deployed to social enterprise, expected to be paid back
- How it works: Acme Corporate Foundation provides US$500,000 in a program-related investment to a non-profit organization's workforce development program
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APPROACH ONE:
DIRECT INVESTMENTS

Direct investments provide funds to social enterprises from the corporation's own balance sheet with the investment listed on its annual IRS disclosures. The capital may come from the corporate business unit most closely aligned with the social enterprise. Generally, this is the business unit that will be responsible for extracting strategic returns from the investment. Corporations measure returns through traditional financial metrics as well as by monitoring social impacts.[10] In the quest for innovation, social enterprises can provide access to untapped markets and new approaches to business strategy.

CAMPBELL SOUP ACQUIRES PLUM ORGANICS

In 2013, Campbell Soup purchased Plum Organics, a B Corp. Founded in 2007, Plum Organics is a leading innovator with the mission of inspiring a lifetime of healthy eating from the very first bite. On August 1, 2013, Plum was amongst the first to reincorporate as a public benefit corporation in the state of Delaware, codifying the company mission into its legal structure.

Plum Organics provides high-quality nutritious foods to children, with a special focus on those who chronically miss meals, while emphasizing environmental sustainability in the production line. Plum identifies the first three years of life as being critical to child development and one 1 of 5 children as being food insecure. This roughly matches the number of children living in families below the poverty line, according to the National Center for Child Poverty.[11] "As a mission-based company, Plum fundamentally believes that purpose and profit go hand in hand. B Corp certification allows us to hold ourselves to a higher standard, to demonstrate our values externally, and to be a part of a movement redefining the economy as a tool for positive social and environmental change."[12]

Campbell Soup is well recognized for its corporate social responsibility (CSR) and sustainability programs, including its Healthy Communities initiative in the company's hometown of Camden, NJ. In Campbell's report on its 2020 Sustainability and Citizenship Goals, the company outlined its main goals of "nourishing" consumers, neighbors, employees and the planet. Since the acquisition of Plum Organics, Campbell Soup has witnessed rising stock prices and Plum has retained its management team and core values, and operates as a standalone business inside of Campbell.

GENERAL MILLS ACQUIRES ANNIE'S

General Mills acquired Annie's, a B Corp and organic food business, for US$820 million, in 2014, in a bet on shoppers' continued demand for natural and organic foods.

"Powerful consumer shifts toward products with simple, organic and natural ingredients from companies that share consumers' core values show no signs of letting up," John Foraker, the chief executive of Annie's, said in a statement. "Partnering with a company of General Mills' scale and resources will strengthen our position at the forefront of this trend."[13]

"Consumers know and trust Annie's purpose-driven culture and authentic brand," Jeff Harmening, the chief operating officer for General Mills' United States retail business, said in a statement. "We believe that combining the Annie's product portfolio and go-to-market capabilities with General Mills' supply chain, sales and marketing resources will accelerate the growth of our organic and natural foods business."

These types of deals could help reduce the cost of organic staples, which would create ripples throughout the agriculture industry. With organics making up only 5 percent of the food market, they have a way to go, but General Mills is not taking things lightly. They've committed to doubling the number of acres of organic they purchase (from 5 million to 10 million) by 2020.[14]

APPROACH TWO: SELF-MANAGED FUNDS

The most commonly found investing with purpose approach in our study, both from survey respondents as well as in external research, was Corporate Venture Capital (CVC), which fits within the category Self-Managed Funds. In a self-managed fund, the corporation sets up an investment company or creates a captive fund, i.e. a fund funded entirely by the corporation. The corporation exercises control by holding a position on the fund's board, by appointing the fund's management team, or by doing both. The fund or firm may invest in multiple projects that align with its investment strategy and the company's core business. Both internal talent and venture capital expertise may be employed to run the fund.

Nearly half of our survey participants responded that they dedicate funds for corporate venture capital. In the US, in 2014, corporate venture capital investors participated in 656 deals totaling US$12.31 billion (its highest level since 2000).[16] CVC has also started to take root across a broad range of industries. Industries such as technology and pharmaceutical have long dominated corporate venturing, while industries such as consumer and construction (which for the most part did not engage in corporate venturing activity in earlier decades) are entering the arena.[17] According to some estimates, the number of companies with CVC efforts has doubled since 2009 to more than 1,200. Nearly 50% of the Fortune 100 companies and about 20% of the Fortune 500 companies are involved in CVC.[18]

CISCO VENTURES INVESTS IN HUSK POWER SYSTEMS

Cisco has one of the most active CVC units in the market and in 2009 made a cleantech sector commitment by investing in Husk Power Systems, a biomass electricity generator for rural households in India.[19]

Cisco and leading global venture capital firm Draper Fisher Jurvetson (DFJ) launched its first co-sponsored Global Business Plan Competition for university students in 2009. After reviewing the business plans of more than 1,000 unknown start-up companies, Cisco and DFJ awarded a seed round of US$250,000 to Husk Power Systems Inc., a company that turns rice husks into energy and was already powering 27 small towns in rural India.[20]

"The most amazing thing is that this seed money will probably be enough to generate 10 new power plants," said DFJ founder Tim Draper. "This is something that can help a whole society – and we think it will be a money-maker too."

Cisco judge and vice president of corporate development, Hilton Romanski, said, "Given Cisco's focus on emerging countries and the use of innovative technology to provide enhanced essential services, Cisco's investment in Husk Power Systems is a great way for us to accelerate these themes."[21]

INTEL CAPITAL PARTNERS WITH GRAMEEN TRUST

Intel Capital and Grameen Trust have invested together to form Grameen Intel Social Business, which aims to provide IT solutions for rural entrepreneurs in sectors including agriculture, education and healthcare — for instance, analytics platforms to improve selection of seeds and fertilizer. Projects like this enable companies to expand to rural markets where otherwise poor infrastructure would be a barrier to entry.[22]

Intel Capital, Intel's global investment organization (CVC unit), makes equity investments in innovative technology start-ups and companies worldwide. Intel Capital invests in a broad range of companies offering hardware, software, and services targeting enterprise, home, mobility, health, consumer Internet, semiconductor manufacturing and cleantech. Since 1991, Intel Capital has invested more than US$9 billion in over 1,000 companies in 46 countries. In that timeframe, 174 portfolio companies have gone public on various exchanges around the world and 231 were acquired or participated in a merger. In 2008, Intel Capital invested about US$1.59 billion in 169 investments with approximately 62 percent of funds invested outside North America.

APPROACH THREE: THIRD-PARTY FUNDS

Corporations can also invest corporate capital through third-party funds such as syndicates (temporary financial services group to handle a large transaction) or funds with companies as limited partners.[23] In most third-party funds, a general partner seeks investment capital with limited partner investors that support the fund's investment strategy. Therefore, the corporation is one of several investors in the limited partnership. General partners in the third-party fund make final investment decisions although the corporation may exert some authority, depending on the investment strategy of the fund, the governance structures, and whether or not the company initiated the fund.

3M PROGRAM RELATED INVESTMENT INTO CLOSED LOOP FUND

Since 2014, 3M has invested US$2 million into the Closed Loop Fund, as a program related investment (PRI). The Closed Loop Fund is a consortium of major corporations that have created a US$100 million fund aimed at improving recycling in municipalities. The US$5 million PRI commitment 3M has made is payable over four years.

Closed Loop Fund uses corporate investments to provide 0% interest loans to municipalities and below market rate investments to private companies to develop local recycling infrastructure. The goal is to boost recycling rates across the country in order to increase efficiency, reduce environmental impact, and divert waste back into the supply chain. The current estimate is that less than 50% of current households have access to recycling.

In most cases, investments are expected to come from a company's treasury or a business unit. When the funds come from a company foundation, the structure allows for PRIs, which are investments made by foundations to address social and environmental challenges. Unlike grants, PRIs can be invested in both non-profit and for-profit enterprises and investments are expected to be repaid, with below market rate of return.

The return on the investment will be multi-dimensional. First, shoppers will have the choice to choose brands that make a publicized effort to recycle their packaging. Second, there will be an increase in the volume of recyclable packaging by having a more consistent pipeline of recycled content. And third, there will be a reduction in the environmental collective footprint of participating companies and our shoppers.[24]

UNILEVER INVESTS ALONGSIDE ACUMEN

Acumen and Unilever announced in December 2015 that they will invest nearly US$800,000 to enable BURN Manufacturing to bring their new low-cost, energy-efficient, wood-burning cook stove, the Kuniokoa™, to smallholder and plantation workers in tea estates in Kenya and Tanzania.

Paul Polman, CEO of Unilever said, "By 2020 Unilever wants to have a positive impact on the lives of 5.5 million people across our entire supply chain. This first investment into BURN´s newly developed wood burning stove contributes to this target, helping to improve the livelihoods of smallholders, particularly women. This innovative stove reduces women´s exposure to cooking smoke and helps them to save time and money on fuel collection. Considering that women reinvest 90 percent of their income into their families this will have a ripple effect creating a brighter future for entire farmer communities."[25]

This is the first investment of the Enhancing Livelihoods Investment Initiative (ELII), a partnership between Unilever, Acumen and the Clinton Giustra Enterprise Partnership (CGEP), which aims to improve the livelihoods of smallholder farmers and their communities in Africa, South Asia, Latin America, and the Caribbean. The investment will allow BURN Manufacturing to provide cleaner and more efficient wood-burning stoves to rural communities.

APPROACH FOUR: STRATEGIC ALLIANCES

Strategic alliances include both strategic non-financial partnerships and joint ventures with social enterprises. These alliances can generate income, lower production and/or distribution costs, assist with product development and create innovative market-based social benefits. Some alliances may involve extending firms' supply chains; others may provide corporations with unique market insights.[26]

ROSHAN AND VODAFONE PARTNERSHIP FOR M-PESA

Roshan is Afghanistan's largest telecommunications provider. Roshan is also a B Corp,[27] whose mission is to invest in commercial entities but must have both social and economic returns.

In 2006, Roshan launched a mobile money transfer service in Afghanistan. The company agreed to engage in a profit share model for the provision of service and initially used Vodafone's award winning platform that was built for the launch of the successful M-PESA service by Safaricom in Kenya in 2007.[28] In Afghanistan, the product was locally renamed as M-Paisa where "M" stands for mobile and "Paisa" denotes cash in the local languages, Dari and Pashto. The platform was later moved to another provider that could deliver customized services in the specific languages.

In order to mitigate risk in this new line of business for Roshan, the company registered a holding company known as Mobile Service Development Afghanistan and this holding company acts as a trustee of the funds held in the M-Paisa system.

Using a fast, easy, and secure wireless technology M-Paisa is a proven system that provides access to financial services for the under-served, allowing earnings to be remitted through mobile money and allowing the unbanked to transfer cash. M-Paisa provides much needed services to a range of people across the nation with reduced costs for both banks and customers.

"The metrics prove that impact investing works. As the largest communications provider in Afghanistan, Roshan generates 6 percent of the country's GDP. With the rise of impact investing in emerging markets, a model that was once considered audacious is beginning to catch on."[29]

COCA-COLA AND SOLARKIOSK

In 2014, The Coca-Cola Company began a partnership with the company SOLARKIOSK to help further develop its EKOCENTER project, which was created to bring sustainable development to underserved communities. SOLARKIOSK uses a franchise model to allow a local entrepreneur the chance to be the operator and build a small business. The operator could employ up to four people. EKOCENTERs can provide solar power, safe drinking water, mobile connectivity, sale of consumer goods and a variety of services to communities. By providing underserved communities with basic goods and services in an economically self-sustaining model, EKOCENTERs act as a catalyst for community growth.

This strategic venturing partnership enhances Coca-Cola's market presence by building strong community ties and last-mile distribution, while Solarkiosk benefits from the rapid scale of its business model. To date, there are over 100 EKOCENTERs located throughout Africa and Asia.

APPROACH FIVE: ACCELERATORS AND INCUBATORS

Accelerators and incubators are agreements between corporations and social enterprises to embark on specific projects to realize financial, strategic, and social returns. Joint ventures are aligned with the corporate's core business and have the potential to produce innovations that can be absorbed into the firm's operations. The parties share expenses, revenues and assets with the joint venture lasting for a pre-determined period.[30]

Incubators support people or teams with ideas to gain access to the mentorship and space needed to grow at their own pace. Corporate incubators often do not have set timeframes for their support. The Barclays Eagle Labs provide space, 3D printers and labs to grow and innovate small businesses.[31]

Accelerators, in contrast, enable rapid screening of a large number of start-ups focused on a particular technology or region. The start-ups invited to participate in the accelerator are usually on the verge of launching revenue-generating activities, and the corporate sponsor promotes their development by granting them access to office space, technical support, high-quality mentoring, networks of other start-ups, and funding sources. Some companies will take a small equity stakes (5 percent or less) to lock in access to an especially promising venture.[32]

The number of incubators and accelerators providing tailored support to social enterprises continues to grow.[33] Currently, three out of four accelerators rely on philanthropy to survive, and around half of all accelerator budgets are funded through grants.

AT&T ED-TECH ACCELERATOR

As part of its Aspire program, AT&T is running a business accelerator, which works with organizations that use technology to help students succeed, strengthen schools and communities, or prepare learners for employment. AT&T has launched the AT&T Aspire Accelerator to provide financial, mentoring and business support for education startups and nonprofits. The Accelerator funds come from the company's US$350 million education initiative. The Accelerator is a new approach building on AT&T's education initiative that has in the past supported Udacity and Khan Academy.[34]

The six-month Accelerator program is headquartered in San Francisco but participants do not have to relocate. The program consists of four in-person sessions; participants meet remotely with an "Accelerator Entrepreneur in Residence" once a week and have access to AT&T's network of mentors and Aspire partners.

The program is open to any minimally viable product with potential to scale and improve education outcomes; special preference is given for tools that focus on helping at-risk students. Companies receive a US$100,000 investment in exchange for up to 5 percent of equity. They also get an additional US$25,000 to cover operating expenses. Nonprofit participants receive the same amount, provided in the form of a general contribution, as long as they regularly submit impact measurements.[35]

PwC FOUNDATION

PwC Foundation provides support to the Points of Light's Civic Accelerator, a startup boot camp and investment fund that focuses on civic ventures — for-profits & nonprofits. Seed investments are made (US$50,000 each) for two of the most promising solutions in each cohort.

With support also coming from the Starbucks Foundation and GE Foundation, the accelerator assists ventures that use innovative methods and platforms to mobilize people to address social issues in areas including education, environment, economy and technology-for-good. The platforms are diverse and include models driven by storytelling and cloud-based, tech platforms. Others seek to empower communities through crowdsourcing investments for small businesses and unique STEM education models.

PwC is one of the biggest funders of the Points of Light Accelerator, having provided grants in excess of US$2 million to date. Started with a three-year grant, in 2012, PwC believes strongly in earned revenue, and helping social enterprise grow.

APPROACH SIX: CORPORATE FOUNDATIONS

Access to capital remains a major problem in many places around the world and Corporate Foundations are well placed to help solve this by integrating impact investments as a key component of their portfolios, and benefit by the ability to re-invest returns from the sustainable social investments.

Mission-related investments (MRIs) and program-related investments (PRIs) differ from other forms of philanthropic investment because they are designed both to achieve a measurable social impact and to provide a financial return that can then be reinvested into other charitable pursuits.[36] PRIs as an investment class may include low-interest loans (often in the form of bridge loans), loan guarantees, real estate or equity investments.[37]

To qualify as a PRI the recipient's activities must significantly advance the foundation's charitable purpose and monetary gain cannot be the prime motivator behind the investment.

The Ford Foundation was an early adopter of PRIs, and currently holds US$280 million in such investments. Family, community and private foundations have primarily utilized PRIs, with less frequent adoption among corporations. Outside of financial companies, only one respondent mentioned a PRI. The corporations that do participate are primarily from the financial services industry, primarily banks and insurance companies.

Some corporations in Europe are taking very strategic approaches to their corporate foundations, aligning them with the core business. They use the foundations to invest in creating long-term value and pilot ideas that take much longer to develop and/or are riskier than what the company is willing to take. This strategy allows companies to take a long-term approach towards an innovation field without the short-term profit maximization pressure of the core business.[38]

PRUDENTIAL FINANCIAL INC., PROGRAM RELATED INVESTMENT

In 2015, The Prudential Foundation made a commitment to invest $5 million, as a Program Related Investment (PRI), in the Opportunity Finance Network.[39] The loan, expected to be repaid over a period of 5 years, aims to support grass-roots innovation in consumer finance through community loan funds, credit unions, and banks.

The $5 million PRI will provide additional loan capital to community development financial institutions (CDFIs), that are recipients of the NEXT Awards for Opportunity Finance.[40] Winning CDFIs that have received support from The Prudential Foundation include the Lower East Side People's Federal Credit Union (New York, NY)[41] and the Appalachian Community Federal Credit Union (Gray, TN).[42] The NEXT Awards aim to transform how the underbanked and unbanked in rural, urban, and immigrant communities access capital.

By financing community businesses—small businesses, microenterprises, nonprofit organizations, commercial real estate, and affordable housing—CDFIs spark job growth and retention in hard-to serve markets across the nation. The Opportunity Finance Network (OFN) is the leading national network of CDFIs investing in opportunities that benefit low-income, low-wealth, and other disinvested communities in the U.S.

Qualitative Findings from the Pilot

CECP's outreach process for the pilot study yielded qualitative findings related to the operations of Investing with Purpose within large companies. These two findings relate most directly to impediments to Investing with Purpose: 1) the cross-over usage of the term "invest" creates confusion in the marketplace and 2) low level of internal collaboration.

CROSS-OVER USAGE OF THE TERM "INVEST" CREATES CONFUSION IN THE MARKETPLACE

The Investing with Purpose outreach process revealed a range of different terminologies used to describe impact investing approaches, with several organizations choosing to use "investing" to refer both to grantmaking and to investment. There were both respondents and non-respondents that assumed the term "investment" referred to grantmaking. Many organizations in the societal engagement space, including CECP, fuel this mixed use of the word "invest." The reason it has been an attractive, evolved descriptor of grantmaking refers to the expectation of social returns, if not financial, when funds are disbursed to non-profit partners.

The terminology of impact investing for some potential respondents was a non-starter; they were staunch in the position that their department did not and would not impact invest. CECP relates these concerns to a sub-set of companies that prioritize arms-length separation of their societal engagement from the company, more often found when the corporate foundation is in the lead.

LOW LEVEL OF INTERNAL COLLABORATION

The study indicated that responsibility for impact investing tended to sit within the CSR department, although there is generally no official dedicated department for consideration of how core corporate assets are deployed into external social enterprises for impact.[43] Also, many of the corporate impact investment strategies employed by organizations were initiated at the executive / CEO level.

For impact investing strategies to be most effective, an alignment between core business and societal objectives is required. However, the current state of collaboration between CSR departments and those responsible for investments is not highly developed, or CSR is involved more in the post investment process, as noted by more than one interviewee. For example, more than one respondent noted that once investments were made, colleagues may contact them if Environmental, Social, and Governance (ESG) questions arose. Others operating within the CSR departments of large organizations might not be aware of their company's impact investing activities due to the breadth of different actors that may be involved. This was reported by both respondents as well as companies that expressed interest in the topic but did not respond.

The current lack of internal collaboration is exhibited by responses that discussed which departments were involved in the firm's first impact investing meeting. Examples outside of CSR, Sustainability or the Foundation were limited, but included:

- External and Legislative Affairs (1)
- Technology (1)
- Finance / Corporate Development (3)
- Corporate Strategy (1)
- Investment Bank (1)

It should also be noted that the practice isn't always traced back to one person driving a new approach forward. Respondents were split in whether or not their company had an internal champion advocating for an impact investing approach. Companies also reported when the first meeting on impact investing occurred. Responses showed that around half of first meetings occurred after 2010, indicating recent momentum for action investing in social enterprises.

The interest in the ability to invest is clear, as are the barriers to actually taking action. Five companies reported affirmatively that there had been staff time invested in considering new socially-driven investment but funds have not yet been deployed. While this occurred across all specific investment types included in the questionnaire, green bonds and social impact bonds were reported by our CSR respondents as the investment type where the false starts were actually higher than those that invested.

Profile of Large Corporate Impact Investors

This profile of large corporate impact investors will address depth of Investing with Purpose. The source for this section is *Giving in Numbers*, CECP's company-reported dataset on total giving and employee engagement practices, which is collected annually. It is the largest and most comprehensive survey of its kind. 200+ companies responded to report if they were impact investing and, if so, to what degree. One-third of companies are "somewhat" or "highly" active as reported in the figure at right:

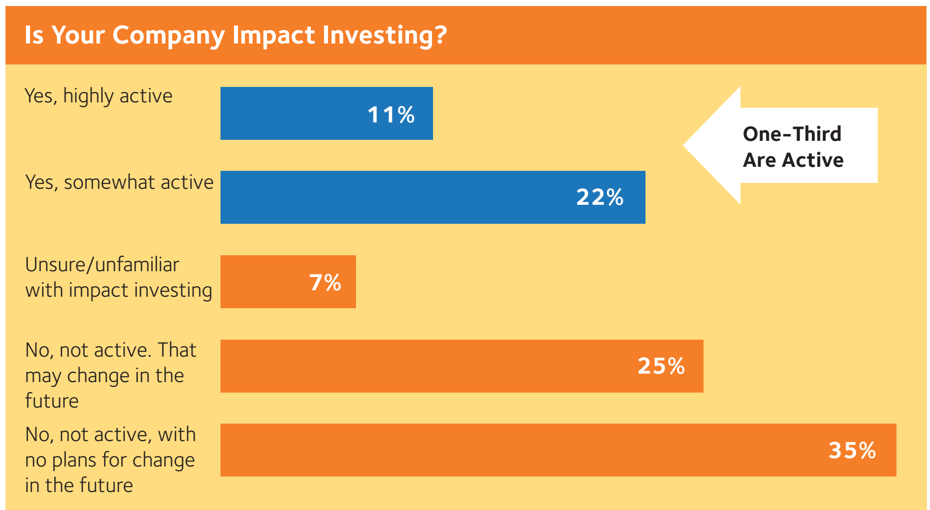
DISTINCTIVE FACTS ABOUT COMPANIES REPORTING IMPACT INVESTING ACTIVITY

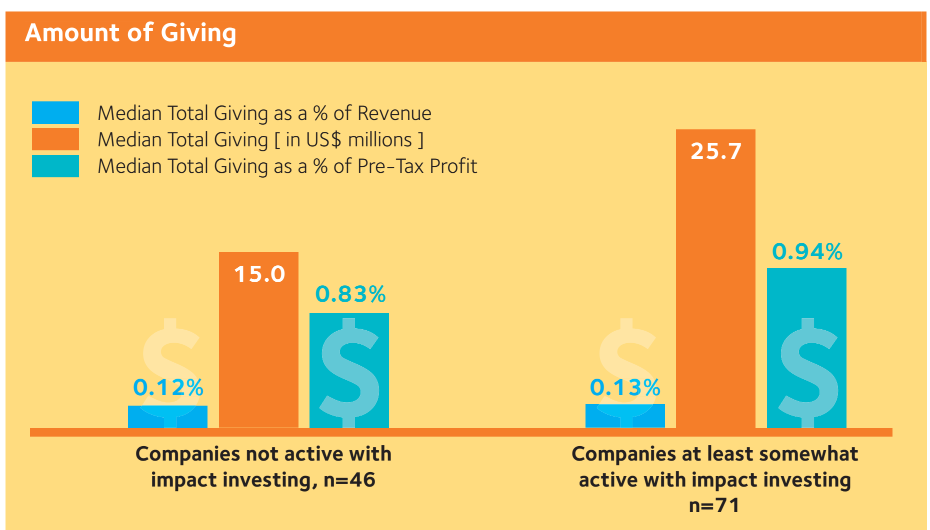
Not surprisingly, the finance industry is most heavily represented – 38% of those who responded said they were "somewhat active" or "highly active." In addition to Financials, the three industries that most reported impact investing are Materials, Communications, and Consumer Staples, compared to the whole sample of *Giving in Numbers* companies. Due to their skewing effect, when financials are removed from industry comparison, the proportion of each industry within the set of companies active in impact investing compared to their representation in *Giving in Numbers* overall is:

- 18% Materials, compared to 8%
- 11% Communications, compared to 7%
- 14% Consumer Staples, compared to 12%

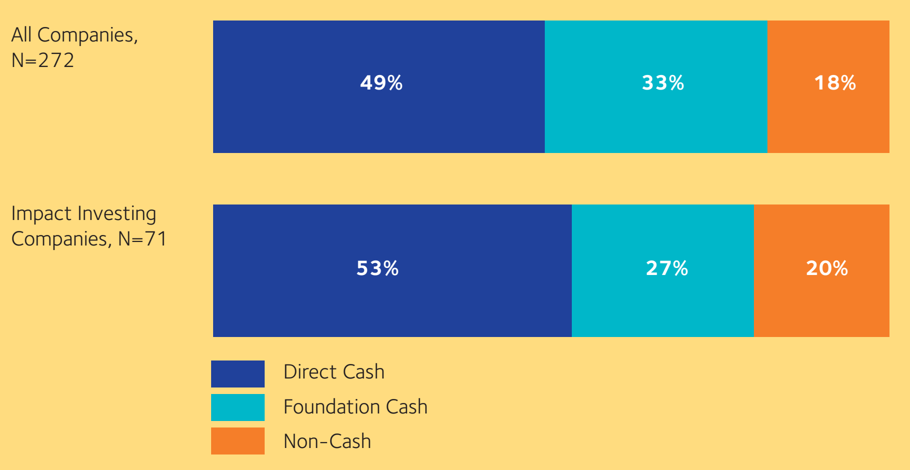
Companies more active in impact investing are more likely to be reporting ESG data to investors: 62% of "somewhat" or "highly" active impact investing companies compared to 56% in the whole *Giving in Numbers* sample. Also, more impact investing companies are headquartered outside the United States: 17% of companies who stated involvement in impact investing, compared to 12% of those who indicated no. CECP data also show that companies that are more active with impact investments are also contributing greater amounts of Total Giving in their overall corporate engagement strategies. See details in the figures below:

Impact investing companies have a lower proportion of foundation cash giving, made up for by higher corporate cash and non-cash in their total giving portfolio. Further, companies that report impact investing activities are larger when compared by revenue, profit, and employees. The figures at right are also drawn from the 2015 dataset.

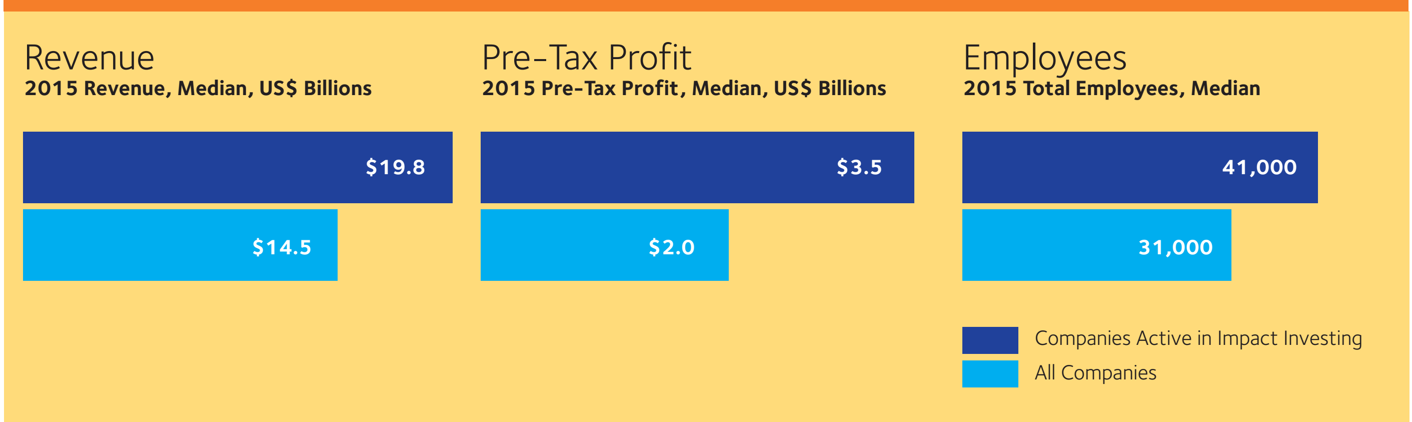




Type of Giving



Company Characteristics



Taking Action

This report, through examples, seeks to inspire an on-ramp to action for the two-thirds of companies that have not yet leveraged investments for their societal engagement objectives, and to encourage those companies who have taken the first step to consider deeper investment. Presenting cases within each of the six approaches supports a company's ability to identify which of the six might be their first pathway to action.

ANNUAL STRATEGIC PLANNING

CECP offers two suggestions for your team to use an annual strategic planning process to watch for the potential of an investment opportunity:

Focus Areas or Pillars

When reviewing the previous year and planning ahead, review your company's focus areas through a lens of business priorities. Those focus areas which are most highly tied to corporate priorities are also the most likely social issues for which the company could Invest with Purpose. Those social issues have highest probability due to their relevance to departments in the company. The examples in this paper are the result of successful departmental collaborations. There is higher likelihood that colleagues from other departments will explore socially-driven approaches to their work if they see the direct connection to business goals. Your team can leverage your issue-specific knowledge to identify opportunities within one of the six approaches above, as well as the right department with which to begin a discussion of new action.

Need for Greater Impact

There are also likely discussions on projects or programs that did not meet expectations when internally reviewing the previous year. There may have been an outcome goal set but not achieved. While some projects may be sunset due to missed expectations, it could also be they would find success in a new approach. The team can consider whether social enterprises and investments may have a role to play in future planning as new method of achieving new outcomes.

CATALYSTS FROM THE SOCIAL ENTERPRISE FIELD

For those in the company currently focused on grant-making, the greatest inspiration to Invest with Purpose may come from encountering a social enterprise that is doing great work within your company's issue area of focus but is not seeking grant funding. Social enterprises organize through many umbrella organizations. Your team might explore the newsletters and online materials of Social Enterprise Alliance, B Corporations, or Echoing Green (see Appendix for more examples).

Social enterprise conferences could be a source of inspiration and education, if your budget and schedule allows your team to attend. Many are run by graduate schools. Should your team find a social enterprise that is active in the issue area, the team has a concrete partner for which they would then seek the right budget line from which to invest in that company for socially driven purposes. This may be from the team's budget or through activating the interest of another department or unit.

NAVIGATING THE SIX CORPORATE INVESTMENT TOOLS

This report has covered cases from six investment approaches. Showing six does not imply a recommendation to begin by testing all or multiple approaches. The table below should help team members navigate which might be their most likely on-ramp if they are not currently investing with purpose. The column headers indicate resources or inputs. The blue cells indicate the approach's distinctive factors. Readers can use this table to help further understand which approach aligns with their internal environment and readiness to undertake a new approach.

Approach	Senior Executive Buy-in	Amount of Funds Invested	Investing Expertise Level	Specific Entity Needed
Self-Managed Funds	**Varies**	**Varies**	**Higher**	**Yes**
Third Party Funds	**Varies**	**Varies**	**Lower**	**No**
Incubator & Accelerator	**Varies**	**Lower**	**Varies**	**Yes**
Direct Investment	**Higher**	**Higher**	**Higher**	**No**
Strategic Alliance	**Varies**	**Varies**	**Lower**	**No**
Foundation	**Lower**	**Varies**	**Varies**	**Yes**

This table was updated 11/21/16 to reflect practitioner feedback.

COLLABORATE WITH COMPETITORS

Partnerships are the essential ingredient needed to ensure the greatest likelihood of success across all areas where corporations seek to create positive outcomes, as reaffirmed in a new report. Often, there are aligned incentives and win-wins for a diverse range of stakeholders — across the public, private, and social sector — meaning that collective efforts can be more powerful.[44]

3M investing into the Closed Loop Food alongside peers in the Consumer-Packaged Goods industry is a good example of collaboration among competitors to achieve mutual benefit. Several other CECP companies are amongst the other initial investors in the fund, namely Walmart, PepsiCo, Coca-Cola, Colgate-Palmolive, Goldman Sachs, Keurig Green Mountain, and Johnson & Johnson.

Mars and Danone are other organizations that have chosen to collaborate. The two firms operate in overlapping markets and therefore have shared long-term interest, including a focus on creating greater resilience in their supply chain. For this reason, the two large food multinationals joined forces to launch the Livelihoods Fund for Family Farming.[45]

COLLABORATE WITH EXTERNAL INVESTORS

In order to facilitate collaboration between corporations and external investors, there needs to be more opportunities for these functions to connect. When asked if they would invest in a social enterprise alongside a traditional investor, such as a private equity fund, 10 out of 15 of our study respondents replied yes. Results showed they would be most likely do so in order to share risk and access greater due diligence.

Dedicated corporate venture units are starting to partner with impact investors in supporting social enterprises. At the 2014 Social Capital Markets (SOCAP) event, Deborah Magid from IBM Ventures spoke about her interest in partnering with impact investors in supporting entrepreneurs that have social impact at the core of their models. A panel was also convened at the event where Google and Pearson joined the impact discussion in a whole new way — profiling their available resources, and available investment, for disruptive ideas in education across developed and developing contexts.[46] Companies need to have more opportunities like this to exchange experiences and share stories of specific success cases and failures.[47]

PREDICTIONS

CECP has a 15-year history of tracking the changes in total giving. Combining these trends with our findings in this pilot study positions us to assess how we believe the field can grow. Using CECP's dataset of total giving contribution figures, financial benchmarks, and the indication of how many companies are active with investing, we have calculated a conservative estimate for future growth. We estimate the Investing with Purpose market potential across the S&P 500 at US$2.4bn, annually, given study findings and near-term estimations.

As noted above, J. P. Morgan Chase estimates that the entire impact investing field will grow to US$2 Trillion by 2025. The total funds invested through Global Corporate Venture Capital show rates of growth of 17% from 2013 to 2014, 72% from 2013 to 2014, and 69% from 2014 to 2015, as reported in the report by CB Insights. That trajectory underscores the growth potential for large corporations seeking to take new action.

CECP ACTIVITIES

The focus for a future, follow-up study on these topics would be a year-round approach of collecting data on the presence of investing in order to build a representative set of involved companies. An increasingly robust dataset on Investing with Purpose can produce deeper analysis on the state of the six approaches to Investing with Purpose across the corporate sector.

This paper discussed the cross-over usage of the term "invest." In future CECP publications, CECP will increase its awareness of the use of the term "invest" in order to build clarity on the tools large companies can activate for societal engagement and impact.

Lastly, a second pilot study currently underway at CECP, Good Beyond Giving, seeks to cover a full range of socially driven activities in large companies that fall outside of grants to nonprofit organizations. The Good Beyond Giving findings will represent socially-driven investments within its scope and in its future publication. It is an important category of activity with the potential for significant allocations of capital in the coming years.

Appendix

RESEARCH METHODOLOGY

Our initial research consisted of an extensive review of existing literature on corporate social impact strategies, which allowed us to explore current approaches and identify gaps. With this secondary research in mind, we asked over 100 companies to partake in a questionnaire. Our survey contained 25 questions, formulated in order to achieve our study objectives.

The organizations approached were nearly all CECP-affiliated companies. We interviewed all the organizations that did respond to our questionnaire, which proved a fruitful exercise and revealed many similarities and differences that large organizations face in integrating impact investment solutions. We are grateful to all 15 organizations that dedicated the time to completing our questionnaire and speaking with our research team.

It is important to note that we could not develop detailed case studies for this report on all the organizations interviewed. Our approach was to select cases that would illustrate the range of strategies used by our participants. Through our secondary research, we also are able to discuss the impact investing activities of CECP and non-CECP firms who were not directly involved in our study. We are grateful for their exemplary practices.

INVESTING WITH PURPOSE SURVEY COMPANY PARTICIPANTS

CALCULATIONS

CECP's prediction on page 19 was calculated using its dataset and assumptions derived from the Investing with Purpose research process. CECP calculated an average investment based on the following assumptions:

- Investment would be approximately .25% of Pre-Tax Profit
- 33% of large companies will be active

The first assumption was determined by discounting the current levels of total giving as compared to pre-tax profit published in *Giving in Numbers* benchmarking table. The first assumption was then applied to the 2015 pre-tax profit figures of companies that did indicate they were somewhat or highly active in impact investing. That produced an average monetary figure of investment. That was multiplied by 165 assuming 33% of the Fortune or S&P 500 would be active in some capacity in the near term.

Please note the section "Profile of Large Corporate Impact Investors" was calculated by CECP staff using CECP's company-reported dataset. This dataset received over 270 responses in 2016, CECP's 15th year of gathering information on these topics from large corporations.

SOCIAL ENTERPRISE ORGANIZATIONS

- Ashoka
- Aspen Network of Development Entrepreneurs
- Be Social Change
- CSI: Centre for Social Innovation
- Echoing Green
- Impact Hub
- Next Billion
- Social Enterprise UK
- Social Venture Network
- StartingBloc
- Unreasonable Institute

SUGGESTED READINGS

- *Investing in Breakthrough Corporate Venture Capital*. Volans, MacArthur Foundation
- *Private Capital Public Good*. US NAB on Impact Investing
- *Investing for Social & Environmental Impact*. The Monitor Institute
- *Spotlight on the Market, The Impact Investor Survey*. JPMorgan & GIIN
- *Corporate Social Impact Strategies, New Paths for Collaborative Growth*. European Venture Philanthropy Association

Endnotes

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25 **Unilever and Acumen Announce Investment to Bring Cleaner More Affordable Cook Stoves to Smallholder Farmers and Plantation Workers in East Africa, Acumen, 2015**
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28 M-Money Channel Distribution Case – Afghanistan, ROSHAN M-PAISA, International Finance Corporation
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34 **EdSurge, AT&T Launches Edtech Accelerator for Aspiring Entrepreneurs, Tony Wan, 2015**
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36 **Mission Investors Exchange Corporate Foundations Challenges in Adopting Mission Related Investments, 2014**
37 Northern Trust, Impact Investing, A Guide for Philanthropists and Social Investors, 2013
38 **European Venture Philanthropy Association, Corporate Social Impact Strategies, New Paths for Collaborative Growth, 2015**
39 **http://ofn.org**
40 **http://nextawards.org**
41 **https://lespeoples.org**
42 **http://www.myacfcu.org**
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CECP is a CEO-led coalition that believes that a company's social strategy — how it engages with stakeholders including employees, communities, and customers — determines company success. Founded in 1999, CECP has grown to a movement of more than 150 CEOs of the world's largest companies across all industries. Revenues of engaged companies sum to US$7 trillion annually. A non-profit organization, CECP offers participating companies one-on-one consultation, networking events, exclusive data, media support, and case studies on corporate engagement. For more information, please visit **cecp.co**.

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