



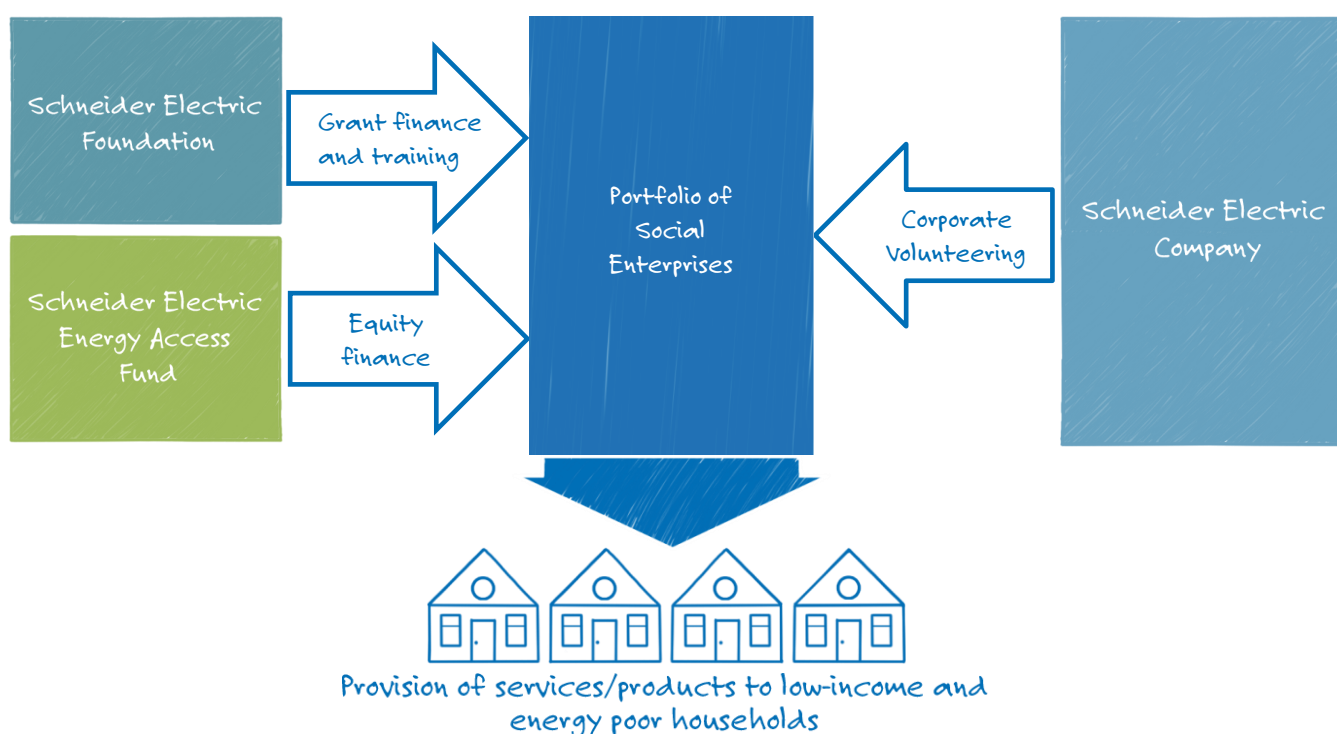
Corporate Impact Investing

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A new tool with new benefits?

What do a food company, a clothing manufacturer and an electricity company have in common? All these companies, Danone, Adidas and Schneider Electric respectively, have started to explore impact investing, a new form of investing that aims to generate not only a financial, but also a social and/or environmental return. Together with the use of corporate venture capital, impact investing could potentially enlarge the spectrum of returns to a financial, social/environmental *and* strategic dimension. To examine this new field, this issue of Beyond Philanthropy's "Notes from the Field" describes the example of Schneider Electric, a French multinational electricity distribution and management company with over 150,000 employees in 100+ countries and € 23.6 billion sales.

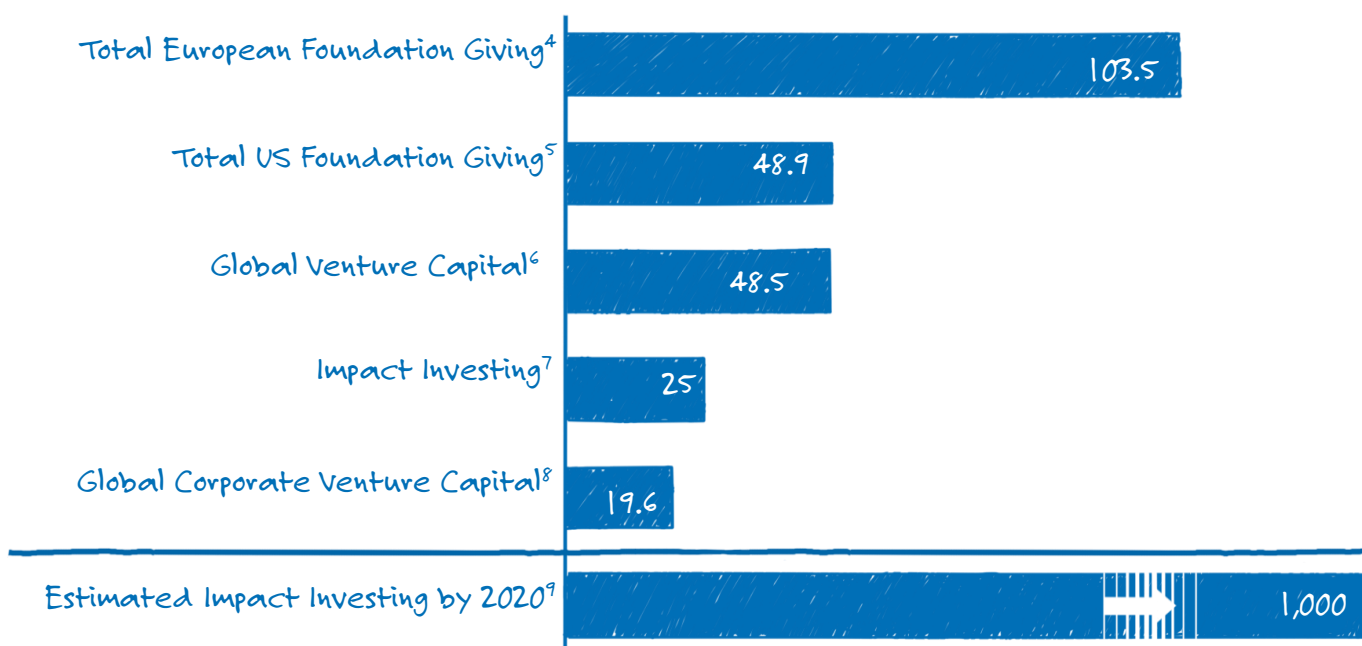
Realizing that **conventional CSR tools are by far not sufficient** to tackle today's (energy) challenges, the sustainability department of Schneider Electric in cooperation with the Schneider Electric Foundation developed a **strategy with three pillars**: technical and educational training, product and technology development as well as investment. The investment activities are carried out through Schneider Electric's own **impact investing fund**. Financed by Schneider Electric and its employees, the € 5 million Schneider Electric Energy Access Fund (SEEA) is making equity investments in social enterprises. In addition to the financial support, Schneider Electric employees provide non-financial support through **corporate volunteering**. This corporate engagement is strategically **complemented** by the activities of the **Schneider Electric Foundation**, which provides capacity building to ensure the investment readiness of the social enterprises. These social enterprises are combating energy poverty in Sub-Saharan Africa and Europe, geographic areas where Schneider Electric is also active.



Inspired by Schneider Electric's case study, we decided to look into other examples of corporate impact investing. Some of these examples, such as Patagonia with its "\$ 20 Million & Change" Fund or Adidas with its "Hydra Ventures" investment arm, are well known. Overall, however, the field is still emerging: We found a lot of different terminologies, ranging from "corporate venturing"¹, "corporate venture capital"² or "corporate impact investing"³. All of these have come up either in the literature or during the expert workshop on corporate impact investing at the 2014 conference of the European Venture Philanthropy Association. What unites them in this context is the expectation to deliver not just a financial, but also a social and/or environmental return. But whenever the financing comes from a corporation, there is the **additional expectation of a strategic return**, which could come in the form of access to **new products, services, technology, intellectual property and markets**.

As shown below, **impact investing is currently only about 15% of the combined European and US foundation giving** and about half the size of global venture capital. While it is important to win over more foundations for impact investing, convincing venture and in this case specifically corporate venture capitalists, would also benefit the impact investing sector.

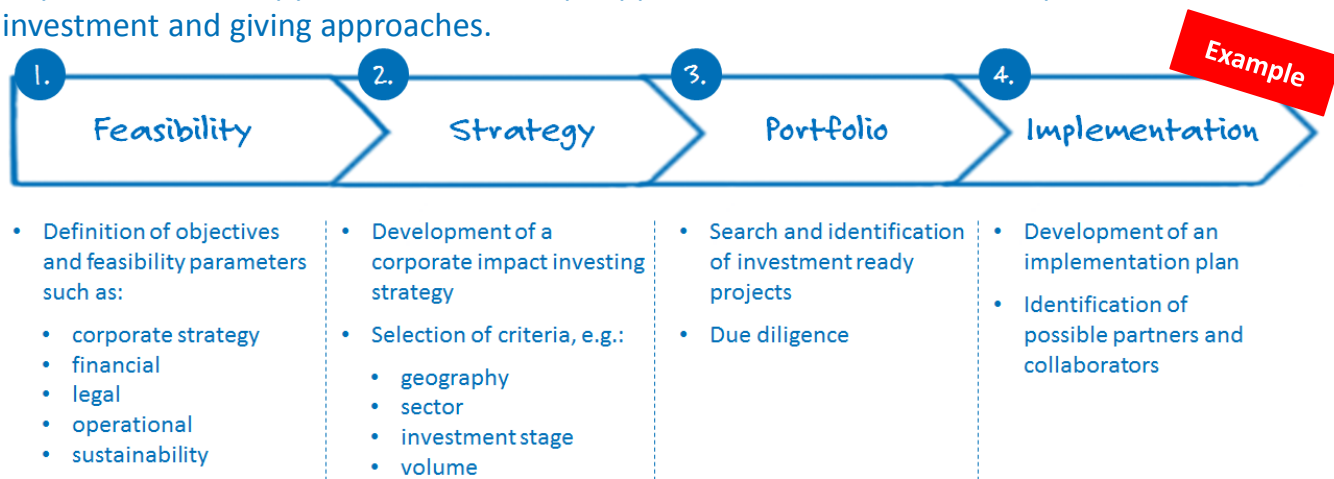
Philanthropic giving, impact investing and corporate venture capital
(in 2013 in USD bn)



When engaging corporates, it is important for impact investors and intermediaries to understand the additional expectation of a strategic return, alongside social/environmental and financial returns. On the other hand, when corporates are engaging in impact investing, the additional expectation would be a social/environmental return, alongside financial and strategic returns. Which specific return is new and additional depends on where you are coming from. One large multi-national company shared with us that they first invested because of financial and social returns. However, they have now **realized a strategic value of their investment**, since they have come across new and innovative business models. In any case, blending these different return expectations could certainly grow the pie of investments for good.

It is still too early to determine if the example of Schneider Electric might herald a new paradigm of corporate engagement or become a new standard of CSR. Systematically investigating, analysing and answering these questions would definitely **add value to businesses and other organisations**, and would contribute to the toolbox of **corporate social innovation**. We believe that the space where social, financial and possibly strategic impact will blend in the future is a space that corporate investors need to explore further.

Are you interested to take a fresh look at your CSR programme or want to know how corporate impact investing can benefit your organisation? Based on a needs assessment Beyond Philanthropy follows a 4 step approach with the aim to optimize our clients' investment and giving approaches.



On the basis of this process our clients decide which innovative investment or giving methods they would like to introduce to their organization and if they need our support during the implementation. Please get in touch with us if you want to know how your company can benefit from the design of innovative approaches that yield financial, social/environmental and strategic value.

Authors of this brief and your contacts on this matter are:

Beyond Philanthropy - invest impact GmbH
 Michael Alberg-Seberich
 Managing Director
alberg-seberich@beyondphilanthropy.eu
 Tel.: +49 (0) 30-2408824-20
 Monbijouplatz 2, D-10178 Berlin

Fabian Suwanprateep
 Project Manager
suwanprateep@beyondphilanthropy.eu
 Tel.: +49 (0) 30-2408824-24

Beyond Philanthropy is a specialised consultancy which helps businesses, foundations and individuals to maximise the impact of their philanthropic activities. We support our clients with tailored services spanning strategy consulting, project management and research. Using our team and expert network, to date Beyond Philanthropy has successfully cooperated with more than 50 clients on projects in over 30 countries, addressing themes such as children and young people, sustainable development and democracy and human rights, among others. The fact that 80% of our clients use our services again is testament to our professionalism and the value of our combined 40 years' experience in the sector. To find out more about Beyond Philanthropy, please visit: www.beyondphilanthropy.eu

Endnotes

- 1: Volans 2014, "Investing in breakthrough - corporate venture capital"
- 2: ibid.
- 3: EVPA Annual Conference, 2014
- 4: Association of German Foundations 2014, "Zahlen, Daten, Fakten zu dem deutschen Stiftungswesen 2014", original amount: EUR 83 bn
- 5: Giving USA Foundation 2014, "Giving USA: The Annual Report on Philanthropy"

- 6: EY 2014, "Global Venture Capital Insights and Trends 2014"
- 7: World Economic Forum 2013, "From the Margins to the Mainstream"
- 8: Global Corporate Venturing 2013, "Full Year Data Analysis"
- 9: J.P. Morgan Global Research 2010, "Impact Investments – An emerging asset class"