



Impact investing study in the Private Equity Field

Impact business Afternoon

May 23th, 2017, Helsinki

Collaborative study



"IMPACT INVESTING IS AN INVESTMENT APPROACH THAT INTENTIONALLY SEEKS TO CREATE BOTH FINANCIAL RETURN AND POSITIVE SOCIAL OR ENVIRONMENTAL IMPACT THAT IS ACTIVELY MEASURED."

01

Intentionality matters

02

Targets financial returns

03

Targets environmental or social impact

04

Outcomes are actively measured

Examples of impact themes:



ENVIRONMENTAL THEMES:

- Renewable energy
- Resource and energy efficiency
- Climate change
- Water and air quality
- Circular economy



SOCIAL THEMES:

- Health and wellbeing
- Education
- Affordable housing
- Financial inclusion
- Food security



Impact investing study:

3

OBJECTIVES:

4

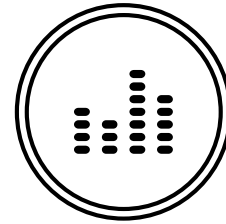
STEPS:

1.DEMAND?

"What do institutional investors think about impact investing?"



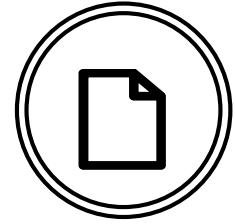
INSTITUTIONAL INVESTORS INTERVIEWS



SURVEY FOR PEs



PE INTERVIEWS



FINAL REPORT

2.CURRENT STATE?

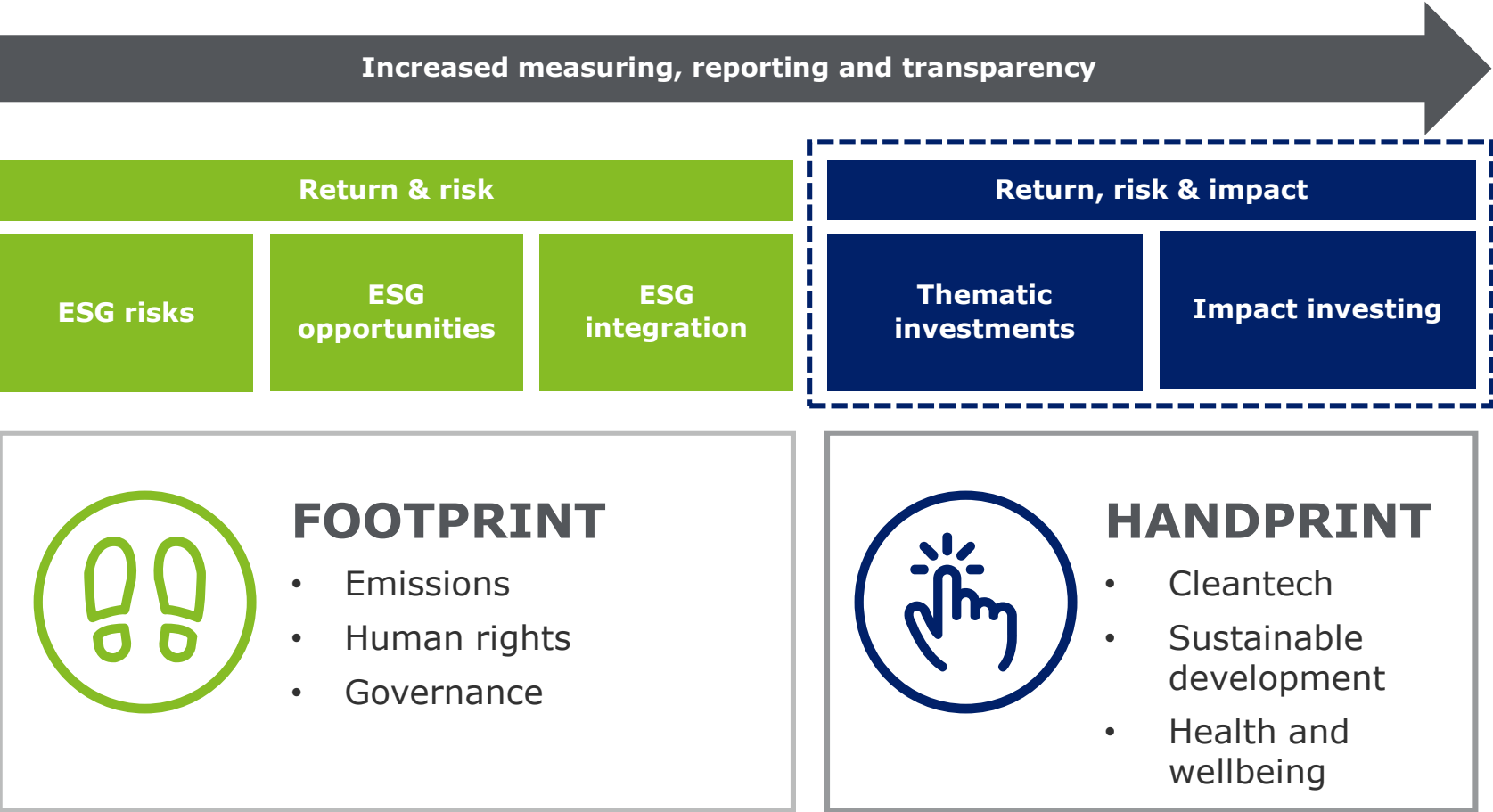
"What is the current state of ESG maturity and the role of impact for the Private equity investors?"

3.FUTURE?

"What can be said about the future of impact investing in the Private equity field?"



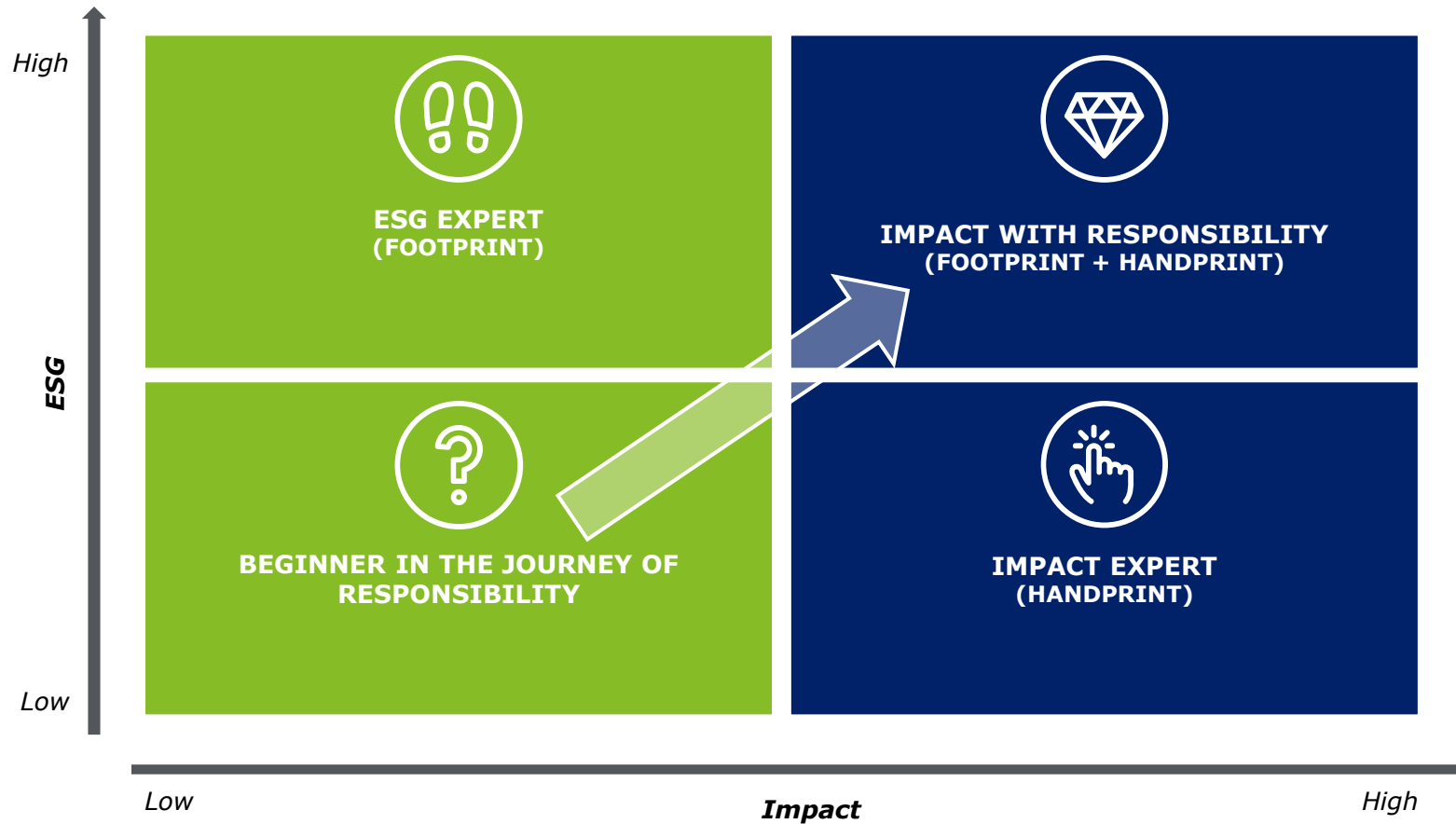
Framework for responsible investing



Impact investing and thematic investments bring a **third dimension** next to return and risk.

The focus is on solving environmental and social problems.

Footprint-Handprint matrix



Based on the current state of **ESG** maturity and the role of **impact**, actors can be divided into four categories.

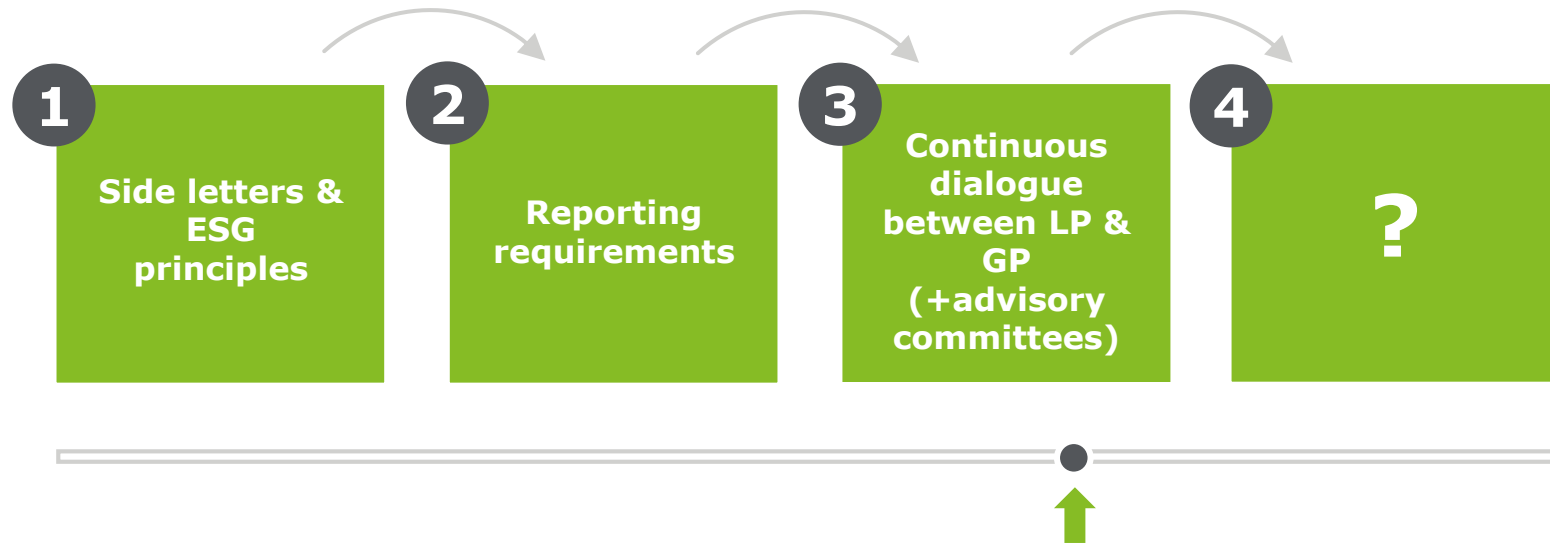
Moving to the right upper corner =
Footprint + Handprint

DEMAND?

Institutional investors

Institutional investors have systematically built their practices around ESG

Development of ESG practices between Institutional investors and Private equity investors:



Institutional investors expect Private equity investors to **proactively develop** their ESG practices and **communicate** on their efforts.

**“The portfolios of Private Equity
investors **ALREADY INCLUDE LOTS OF
IMPACT**”**

**Cleantech, circular economy, health and
wellbeing...**

Impact investing?

Institutional investor interviews - Key findings:

- The broader change in society is driving the growth of impact investing
- Financial return and impact can go hand in hand – financial returns can not be sacrificed
- Current ESG practices among the Private equity investors form a solid base for the development of impact investing
- Impact can be used as a tool to identify future proof business opportunities (Thematic investments, UN Social Development Goals)

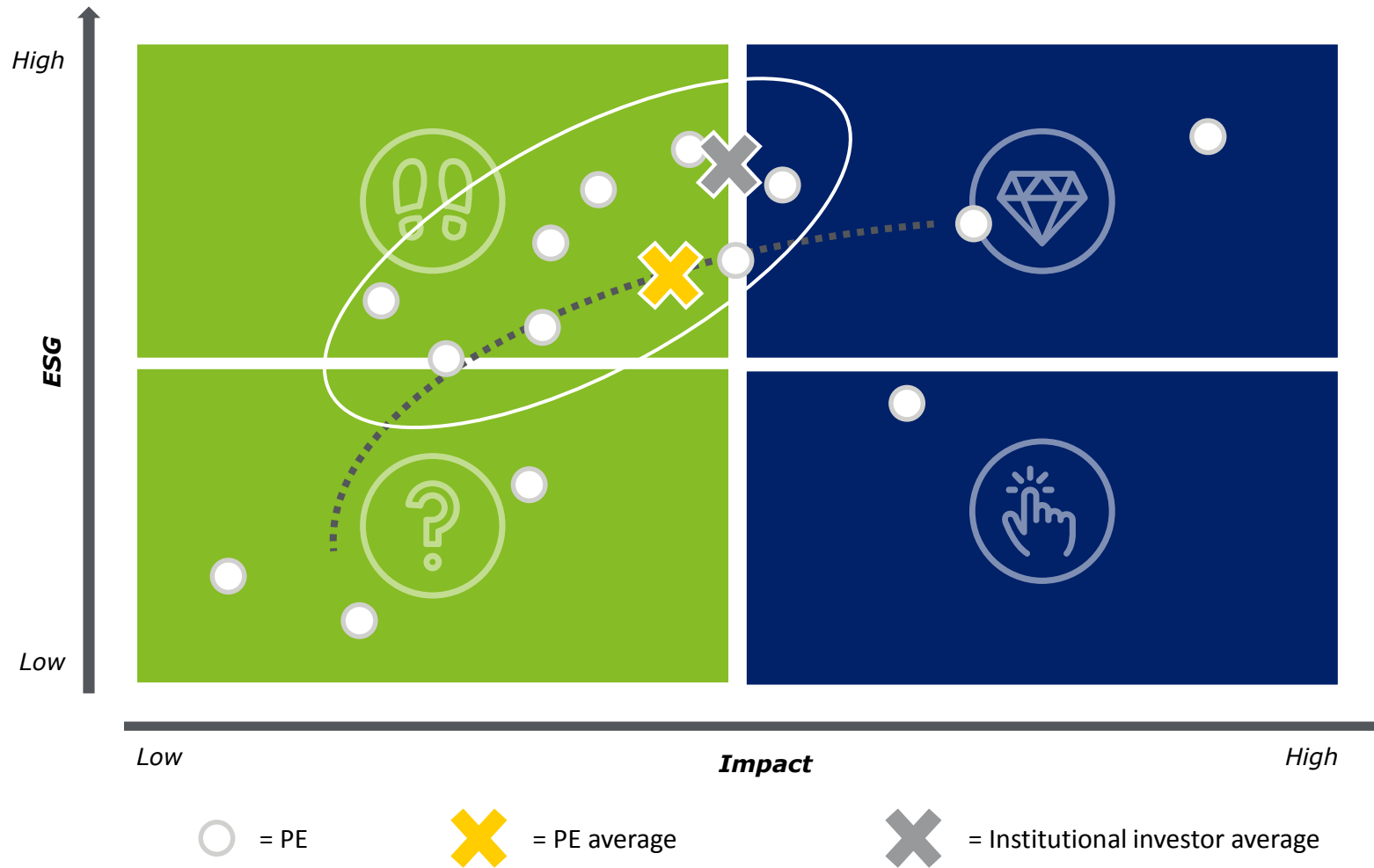
The **impact investing ecosystem** is still at the early stage.

Institutional investors are **familiar with impact investing** and they are following closely its development as well as building their own approaches to impact investing.

CURRENT STATE?

Private equity investors

ESG and impact maturity in the Private equity field



The **transition to right upper corner** happens through the development of ESG practices.

Responsible investing and ESG practices have been already integrated as a core part of Private equity investors' business.

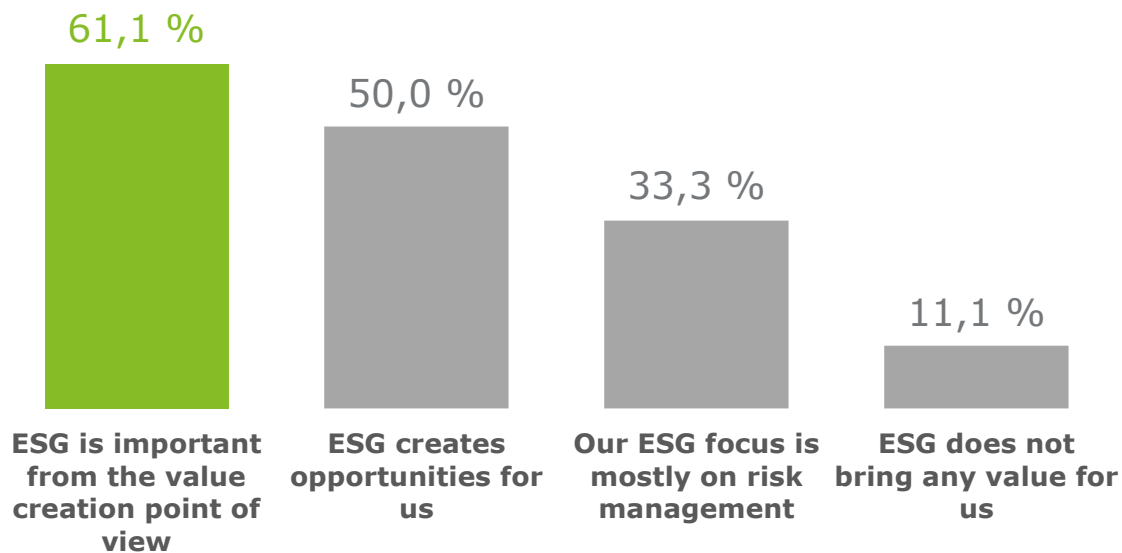
01 Responsibility is a core part of Private equity investors' business

72,2 %

Responsible investing can be seen as a basic requirement.

02 The focus of ESG has moved from risk management to opportunities

How do you see the role of ESG in your business?



03 However, the role of ESG measuring is still at the moderate level

41,2 %

We haven't build practices to measure and monitor ESG.

04 ESG has also role in developing portfolio companies and in exit

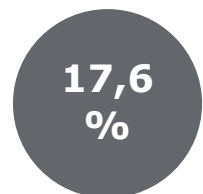
61,1 %

We consider ESG related opportunities in developing portfolio companies.

38,9 %

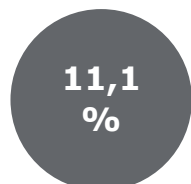
We try to build an interesting investment story from the ESG point of view for our investments.

01 Impact investing as a term is familiar to respondents



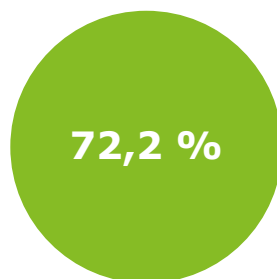
I don't know the term impact Investing/I have a weak understanding.

02 Investments are approached primarily from return perspective, but impact is also present



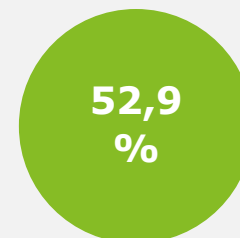
We target only return.

vs.



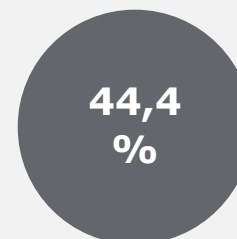
We seek also impact, but return is the first target.

03 Thematic investments are seen as interesting opportunities



Thematic investments, targeting environmental and social impact, provide interesting investment opportunities.

04 However, impact is not yet visible in the PEs' strategies



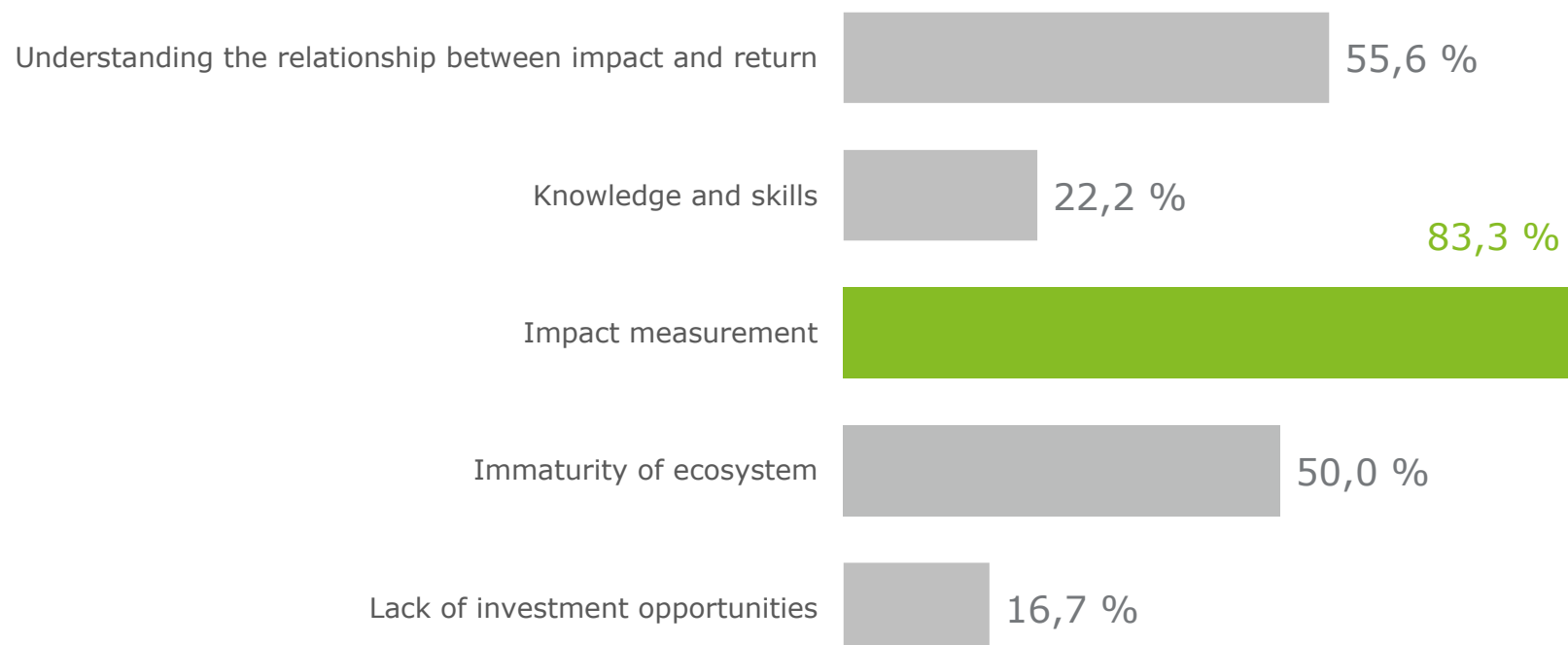
Impact does not have a role in our investment strategy.

**“We can target impact by investing in
INNOVATIVE COMPANIES THAT
CHANGE THE WORLD”**

FUTURE?

Challenges?

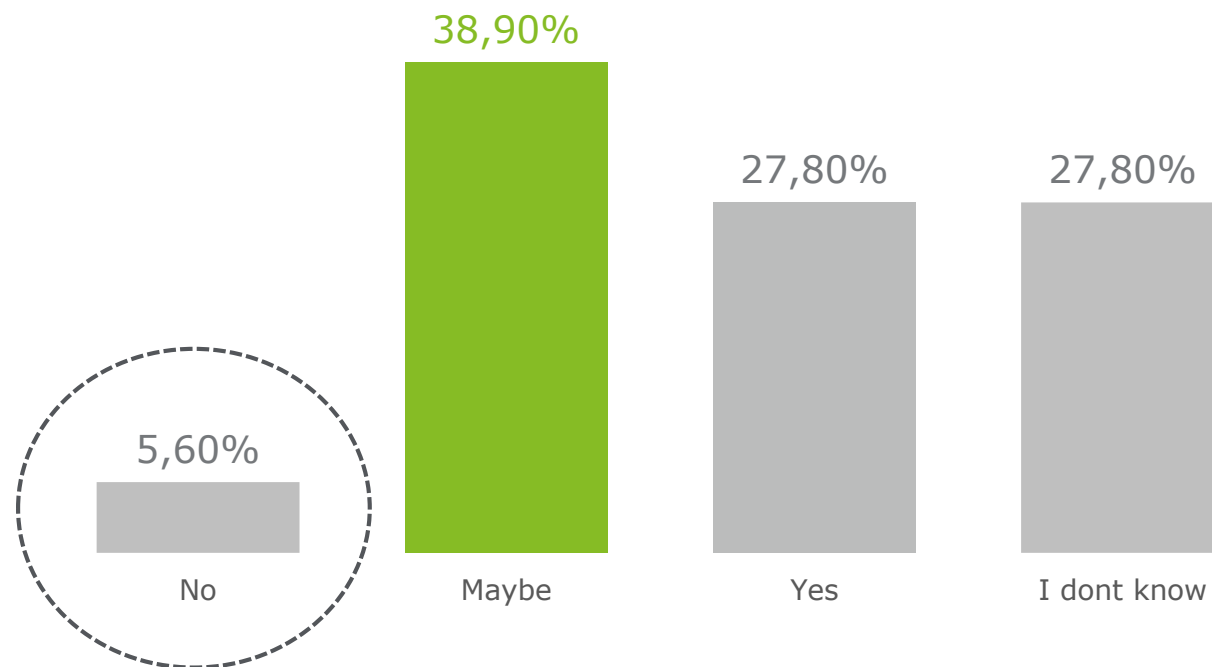
What you consider to be the biggest challenges for the growth of impact investing?



“There is enough information available, but concrete procedures are missing or they are still emerging.”

Future outlook?

Are you going to consider impact in the next fund?



Only 5,6 percent of respondents say that they are not going to consider impact in the next fund.

KEY FINDINGS **and** RECOMMENDATIONS

KEY FINDINGS:

01

ESG has a **central and integrated role** in the PE's business – the focus has moved **from risks to opportunities**.

02

ESG forms a solid base for the growth of impact investing in the PE field.

03

Impact can be seen as a tool to identify **future-proof long term business opportunities**.

04

Institutional investors see that **PEs have lots of impact in their current portfolios** – currently this impact is not utilized.

05

There is both **demand and potential supply** for impact investing in the PE field, but currently **they don't encounter**.

06

The **most important driver** for the growth of impact investing, is seen to be the **interest of institutional investors**.

RECOMMENDATIONS:

01

Current portfolios: Identify the impact in the current portfolios and utilize it more effectively.

02

Proactive communication: Bring impact visible and communicate it to LPs.

03

Future-proof business: Focusing on the handprint can help to understand, which themes will be the most important in the future.

04

Bring impact to strategy: Include impact in the investment strategy and use it as a part of the investment stories.

05

Common language: Building a common language and dialogue between LPs and GPs is vital for the development of impact investing.

06

Need for pioneers: Ecosystem is still at the early stage and someone needs to be first.

THANK YOU!

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