
UK Practitioners' Council: First Meeting Notes

Date: 25th February 2016, 1pm-4pm

Location: 38 Seymour Street, London W1H 7BP

Attendees:

- Alastair Davis (CEO of Social Investment Scotland)
- David Hutchinson, OBE (CEO, Social Finance)
- James Perry (Entrepreneur and Co-Founder of UK B Lab)
- Jonathan Jenkins (CEO of Social Investment Business)
- Matt Robinson (Head of Strategy & Market Dev. at Big Society Capital, soon to join CDC)
- Michele Giddens (Chair; Co-Founder and Partner at Bridges Ventures)
- Rod Schwartz (CEO and Founder of ClearlySo)
- Shamez Alibhai (Partner and Portfolio Manager at Cheyne Capital)
- Whitney Thomas (IR Manager at Triodos Bank)
- Zoe Burgess (Secretariat; Bridges Charitable Trust)
- Active Observers (Kieron Boyle at Cabinet Office, Andrew Croft at SEUK)

Apologies:

- Cliff Prior (CEO of UnLtd, soon to become CEO at Big Society Capital)
- Edward Siegel (MD, Big Issue Invest)
- Active Observer: Lisa Stonestreet (Programme Director at UKSIF)

Minutes
Introductions
<ul style="list-style-type: none"> • The Chair invited members to introduce themselves by summarising their entry path into impact investment and rationale for joining the field. • The Chair welcomed participants who together bring a variety of expertise on impact investment with backgrounds ranging from finance to advisory and entrepreneurship.
Role and Membership of GSG, UK National Advisory Board and Practitioners' Council
<ul style="list-style-type: none"> • Members discussed the origins and relevance of the word 'social' in 'social impact investment'. The group broadly agreed that removing the word 'social' in the UK may be more inclusive of other types of investment that address environmental challenges. Proposal to re-name the UK entities: "Practitioners' Council on Impact Investment" and "National Advisory Board on Impact Investment" to be discussed at the next meeting. • The Chair informed participants that the current GSG (composed of 13 countries plus the EU) welcomes new members. To apply, countries must create a NAB or equivalent body and submit a detailed application including information on: (i) the country's impact investment ecosystem: areas of potential and areas where there are challenges, and (ii) the national body and its members: its history, the background of its members, experience so far and vision for the coming three years. • Members were invited to share ideas for future membership of UK NAB and PC via email.
Highlights of activities of GSG and its member countries
<ul style="list-style-type: none"> • Members were pleasantly surprised at the amount of activity happening around the world following the recommendations of the G8 and former UK NAB. A request was made for the GSG to strengthen feedback loops with those formerly involved by sharing an update on global implementation of recommendations to celebrate successes and learnings. • The group discussed the M360 communications research and its validity. Concerns were raised that a) the narratives were sourced from those already familiar with impact investing, and b) 'powerful government tool' skews the narrative in the UK away from Millennials, which is also perceived to be a lively area of discussion. Members requested an understanding of the extent to which these communications happen in isolation from other discourses (e.g., those happening at the World Economic Forum) and how collaboration can be fostered with those outside of the specialism and distributed via appropriate channels for maximum effect. • Impact investment is an 'emergent landscape' and opinion is malleable, not polarised. Members endorsed the M360 recommendation to amplify positive messaging externally and not directly rebut negative narratives but respond to them with positive stories. Members voiced that caution will be required to avoid a perception of positive naivety.
Framework for work of Practitioners' Council
<ul style="list-style-type: none"> • The Chair presented a perspective on the evolution of the impact investment 'ecosystem'. Members valued its positivity and ambition, but noted a supply-side focus. There was a request to map the demand-side onto the curve, which is perceived to be more nascent. A discussion followed on whether the evolution of the sector was exponential or linear. • A participant updated the group on the government and policy context: (i) former UK NAB made a lot of recommendations to government, predominantly about infrastructure building, most of which have now been achieved; (ii) today the context for the UK government is very different, characterised by: (a) no money – cuts are being felt everywhere, including at central government level for the first time, (b) "less for less" is political policy of government, and (c) significant systems change is underway (with devolution being the most obvious example) and there is uncertainty as to how this will play out. SIBs have done well, prompting government to find >£100m in their Spending Review to be allocated to them, however the government is relatively less focused on

other aspects of impact investment. While they want to promote the UK as a world leader, the government need the private and tertiary sectors to play a much more active role in driving the next round of growth. The implication of this is that the best way to engage government in the short-term will be with specific requests that only they can achieve once a significant evidence base demonstrates the rationale for change.

- The government last spoke to the UK NAB in July 2015. Since then they have made progress setting up a SIB lab to build a repository of learning for social-based commissioners in line with the Government Performance Lab at Harvard Kennedy School. In addition, the UK now has a definition of social investment law for the first time. This expresses the power of impact investment for Trustees within Foundations and its impact will be felt when the UK looks at pension funds and the role of fiduciaries.
- In addition, (i) the Financial Conduct Authority is opening a call for evidence into how its regulations may preclude investors wanting to invest for social impact, (ii) the government is planning to elicit external expert advice on mission-led businesses to better understand their size, growth, activities, impact and likely evolution, and (iii) there is a new commission into new dormant assets that can be directed to good causes.
- Members noted that there was a **disproportionate emphasis on government in the former NAB**. Kieron echoed this sentiment & highlighted that governments are no longer members but active observers in the reformed Global Steering Group. One reason for this is to enable members to be more provocative and challenging in their recommendations.

2-3 areas of focus to present to the UK National Advisory Board

- Strong consensus that a **market segmentation** is required for members to develop a more nuanced set of recommendations. This is reflective of the sector's evolution: the relationship between supply and demand, risk and complexity, and impact and return today varies by product and by player across the lifecycle. Big Society Capital have developed a product segmentation they will share as a starting point.
- Survey respondents identified a diverse range of levers for growth of impact investment in the UK over the next 3 years: from regulatory and tax incentives to promote capital supply and demand, increased scale and scope of government commissioning for social value, profit-with-purpose businesses, the crowd, building a track record of success, educating stakeholders and pipeline development. The most commonly cited risk or challenge associated with growth was impact fidelity followed by mission-driven organisational scale and capacity, hyperbole, transparency of impact intention and performance, brand protection, mismatch in quantity and type of capital supply and demand, failure to achieve stated levels of financial return, unexpected budget cuts, volume and quality of existing pipeline, law and regulation for retail investors, distrust among market players and achieving 'break-away' scale.
- Consensus among group to **stick with working group themes** as used by G8 and former UK NAB (impact measurement, asset allocation, mission alignment, international development, social business frontier, capacity building, procurement) to avoid re-inventing the wheel at this stage. Recognition that segmentation work may inspire new themes of work. Members also shared an ambition to **think big and bold**, presenting challenging arguments, as required, to shift out of the niche and into the mainstream.
- Kieron mentioned that talent recruitment and management is not captured by existing themes. This was considered by former NAB but seen as too 'diffuse' to bring ideas to G8.

Urgent questions for the UK National Advisory Board

- The Chair closed the meeting by summarising a few of the most urgent questions to present to the NAB, which were endorsed by other members:
 1. **Role of fiduciaries:** should we directly challenge the fiduciary assumption that all pension fund holders care about is a high risk-adjusted rate of return? Should there be a mechanism to require fiduciaries to demonstrate that they are acting in the accordance with the wider

wishes of their beneficiaries (discussion included fiduciaries asking beneficiaries about their interest in social and environmental factors through to bringing to the UK an approach similar to 'Fonds Solidaires' in France)?

2. Role of government: while government is not the only stakeholder, it has a significant role to play given it is responsible for ~35-40% of the UK economy. What can we do to improve government's focus on and achievement of positive outcomes? This includes increasing alignment between the values of government & outsourced service providers.

3. Accounting for externalities: How can we hold organisations of the future to account to a broader set of stakeholders, not just shareholders?

Key milestones for 2016

- The Chair informed members of an intention to publish a report in at least draft form by the end of 2016 on the UK landscape for impact investment including the 3-5 biggest levers for change over the next three years.

Actions			
What	How	Who	When
GSG			
Relevance of 'social' in 'social impact investment'	Propose to remove the word 'social' in 'Global Social Impact Investment Steering Group' in order to be more inclusive of investment addressing environmental challenges.	Chair	8 th March (GSG tele-conference)
International successes and learnings	Inform GSG that demand exists for an aggregation and dissemination of international successes and learnings following G8 recommendations to all those formerly involved.		
UK National Advisory Board			
Segmentation	Present UK segmentation work to NAB to inform their recommendations and areas of focus.	Chair	April (1 st meeting of UK NAB)
Urgent questions	Present 3 urgent questions to UK NAB, leveraging expert opinion on these topics where possible.		
Audience	Encourage NAB to develop recommendations for a diverse set of stakeholders, not just government.		
Bold ambition	Encourage NAB to think big and bold, and dare to challenge the status quo.		
Working themes	Recommendation to use working group themes used by G8 and former UK NAB as a starting point, with any changes informed by segmentation work		
Name change	Review proposal to rename the group "UK National Advisory Board on Impact Investment"		
UK Practitioners' Council			
Segmentation	Work with Big Society Capital to develop UK segmentation by product and by player (with market sizing, if possible)	Secretariat BSC	May 26 th (2 nd meeting of UK PC)
Name change	Review proposal to rename the group "UK Practitioners' Council on Impact Investment"	Chair	