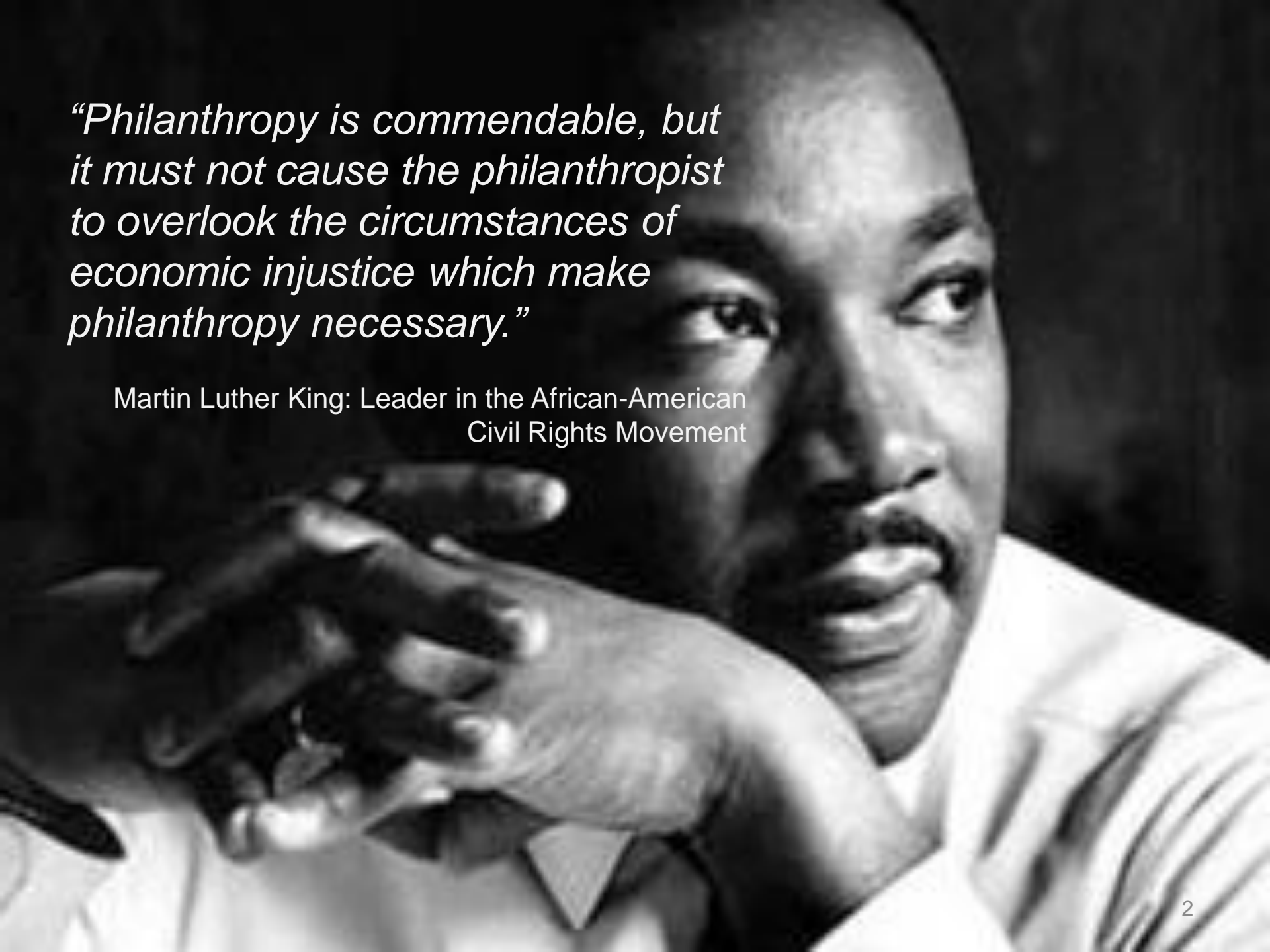




# Impact Investing

Social Innovation Summit  
Zurich, Switzerland, 31.10.2015

A black and white portrait of Martin Luther King Jr. He is shown from the chest up, looking slightly to the right with a thoughtful expression. His hands are clasped together in front of him, resting on his chin. He is wearing a light-colored shirt and a dark tie. The background is dark and out of focus.

*“Philanthropy is commendable, but it must not cause the philanthropist to overlook the circumstances of economic injustice which make philanthropy necessary.”*

Martin Luther King: Leader in the African-American  
Civil Rights Movement

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# Positioning Impact Investing

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## Philanthropy – Impact Investing - SRIs

### **Philanthropy:**

#### **Aim:**

Philanthropic expenditure aims to provide financial means to forward a charitable cause with no return expectation

#### **Vehicle:**

Donations to charities, foundations, social enterprises, associations

### **Impact Investing:**

**Investment with the objective to create positive social and / or environmental impact as well as some financial return**

### **Socially Responsible Investments (SRIs):**

#### **Aim:**

SRIs aim for risk adjusted maximum return building on ESG trends

#### **Vehicle:**

Investments with a negative screening process on ESG criteria, building on sustainability trends, or best in class approaches

# Defining Impact Investing

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## Working definition

Investments towards ideas that are based on innovative business models that provide a solution to social and / or environmental problems with a minimum return of principle

# Intentions Matter

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## Investor perspective

Genuine belief that ones own investment portfolio ought to be aligned to ones own values and aspirations

Change of mindset from risk adjusted optimal return strategies to impact generation strategies

Determine a set of parameters (impact area, return expectation, vehicle, time frame....)



# Intentions Matter

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## Investee perspective

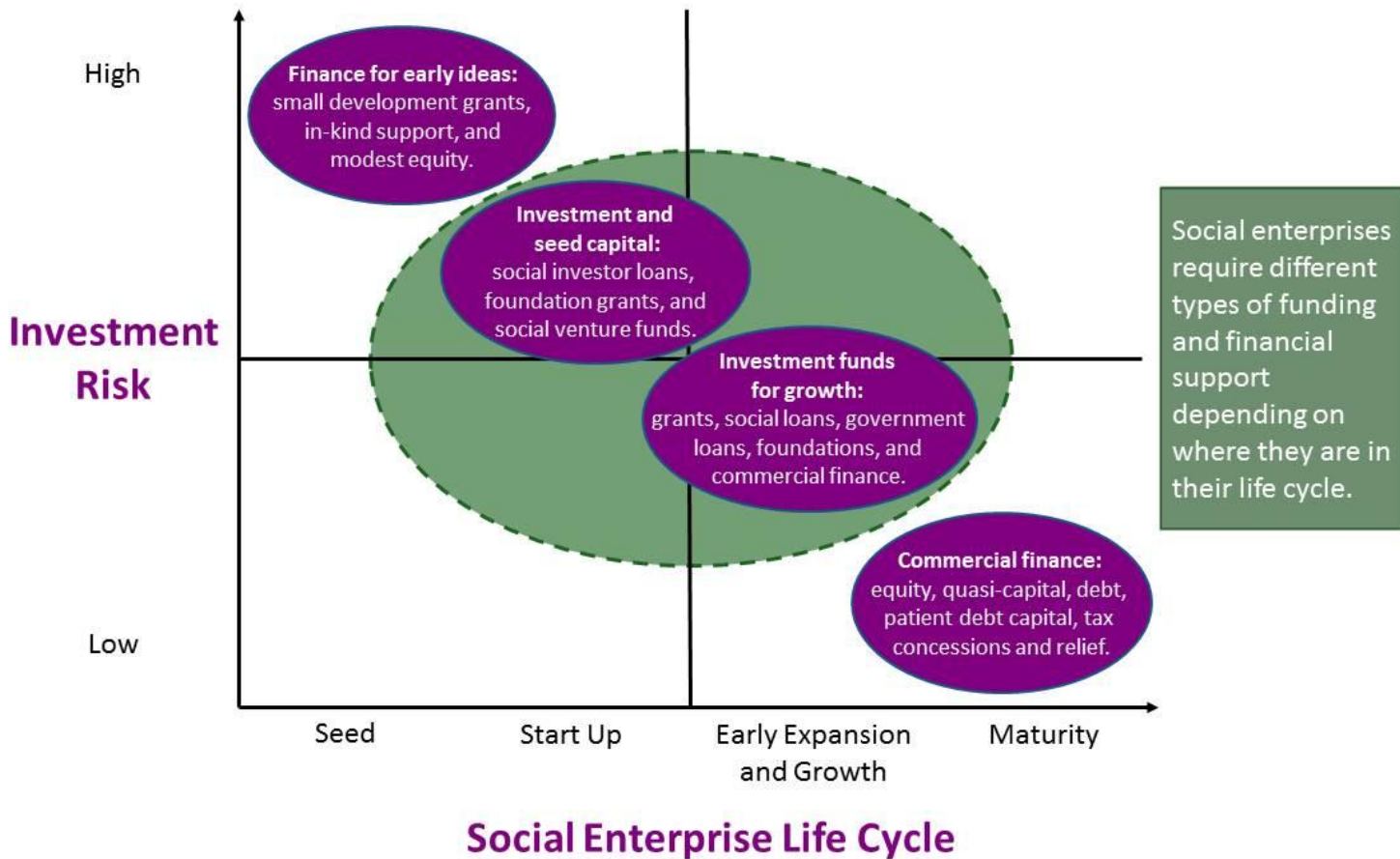
Genuine belief that business ought to serve real needs of people with respect for the planet

Change of mindset from seeking purely financially oriented investors to seeking partners for impact

Get finance savvy, speak investor's speak and build a business model that shows investment readiness



# Growing Social Enterprises



Source: Australian Government - Social Enterprise Development and Investment Fund



# So *what* is Impact Investing?

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Debt or equity investments, cash deposits, bonds, guarantees, hybrids

The focus is on organizations designed to make positive impact

Generating positive impact is the reason of being for the organization

Return must be at least a return of principal (interest free loan)

## Impact Investing

A lot broader than traditional private equity investments

Excludes investments with unintended positive impacts

Excludes best-in-class, negative screenings, SRIs

Excludes donations and other forms of giving where no return is expected

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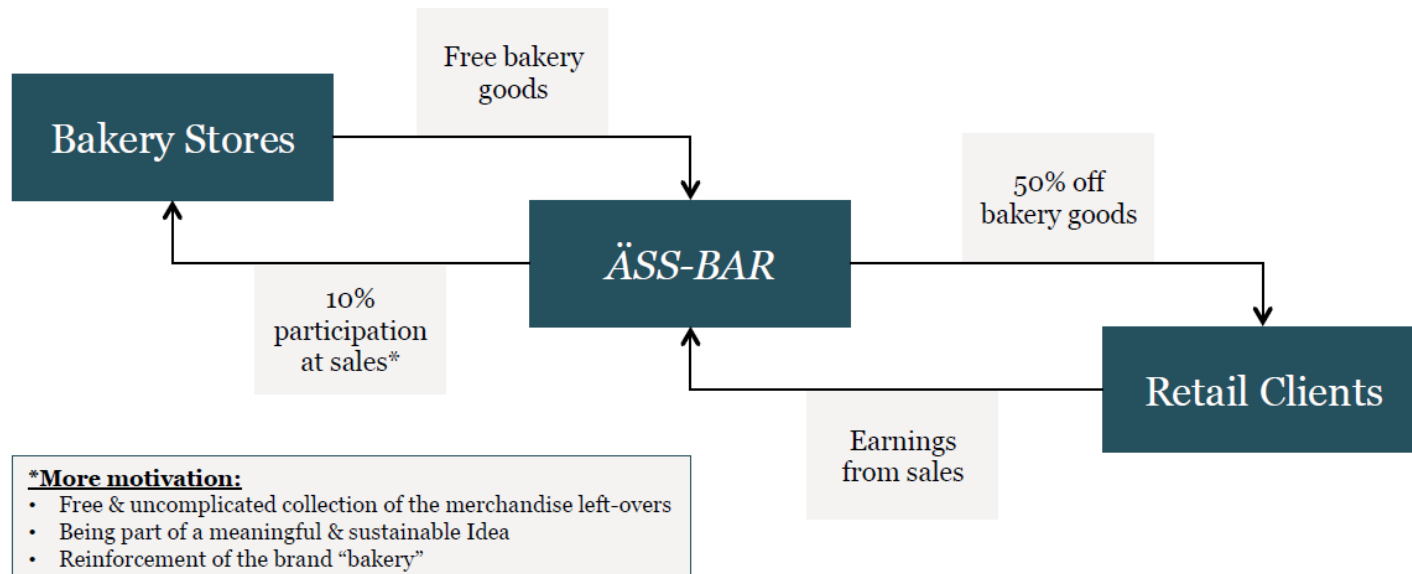
# Case Example: Äss Bar

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# Äss Bar Business Model

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# Äss Bar Value Proposition

## To Customers:

- Price
- Food waste reduction
- High Quality Products
- Local Business support
- New / Cool / Community Building
- Prestige / Image

## To Suppliers:

- Additional revenue + enhanced flexibility
- Immediate impact
- Reputational gains for bakeries
- Sense of responsibility good for employee engagement
- Cheap waste disposal

## To Investees:

- Reduction of food waste
- Employee Generation / motivation 15 employees now
- awareness raising on food waste
- Quality and price ratio
- Pre screening of supplies
- Flexibility / no production cost

## To Impact Investors:

- Reduction of food waste
- Profitable
- Image / reputational gains
- Job Generation

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# Äss Bar SWOT

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| Strengths  | Weaknesses  |
|--|---|
| <ul style="list-style-type: none"><li>• Good (&amp; increasing) network of partners</li><li>• Good social reputation</li><li>• Image</li><li>• Very healthy demand &amp; supply</li><li>• Customers feel good about what they do</li></ul> | <ul style="list-style-type: none"><li>• Limited scalability</li><li>• Depending on partners</li><li>• Random product supply every day</li><li>• Good PoS is key -&gt; cost driver</li></ul> |
| Opportunities  | Threats   |
| <ul style="list-style-type: none"><li>• Very important &amp; relatively untouched topic of food waste</li><li>• Scalability to other products</li><li>• Very high relevance of topic</li></ul>   | <ul style="list-style-type: none"><li>• Market entry of big companies</li><li>• Self-killing possibility</li></ul>  |

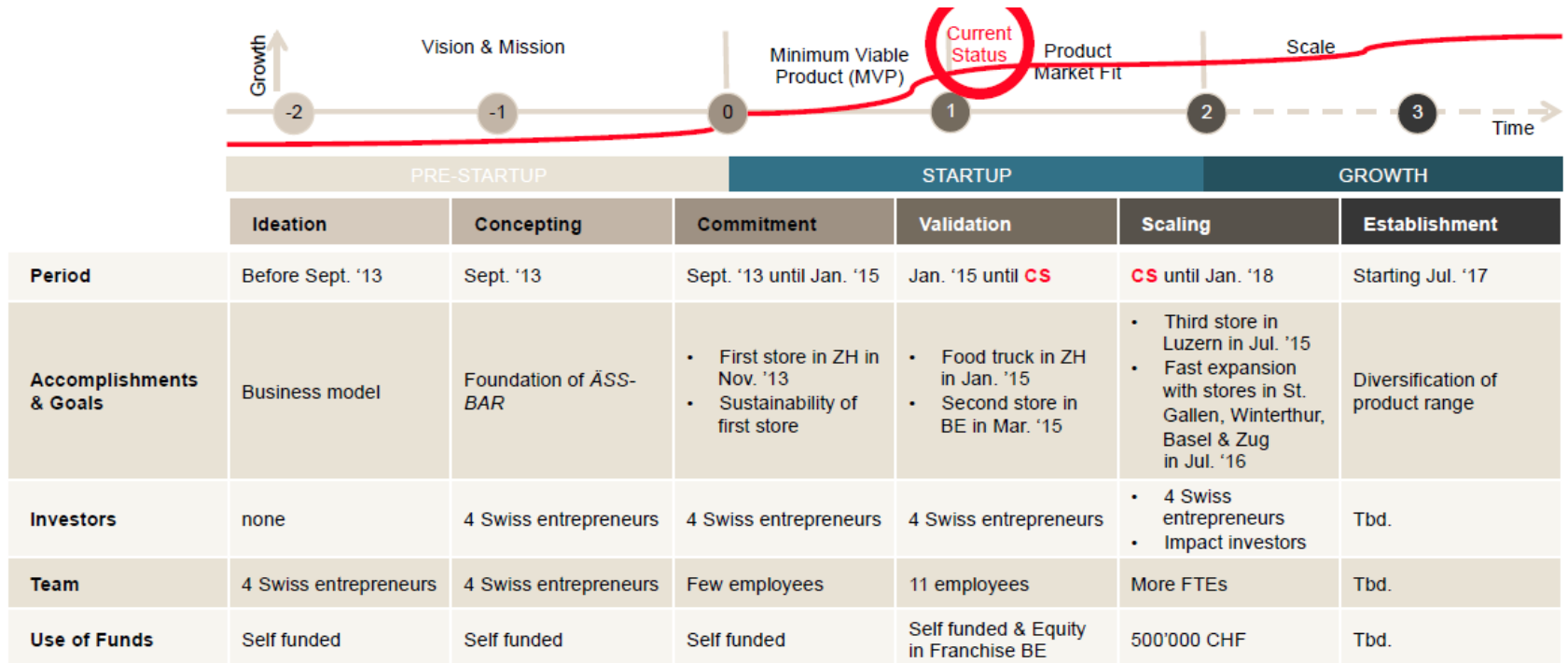
# Facts

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- 1/3 of all food is thrown away: That's 2 million tons or 140'000 truckloads per year only in Switzerland
- Äss Bar needs around 100'000 to open a new shop
- Shops break even after 4 – 6 months
- Management team keen and capable to execute expansion plans











# Time Line



# Would you invest or not?

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|                                     |   |   |   |
|-------------------------------------|---|---|---|
| <b>The Situation</b>                |    | <b>Legal &amp; Tax</b>                      |    |
| <b>The Solution</b>                 |    | <b>Marketing, Sales &amp; Distribution</b>  |    |
| <b>The Area &amp; Ist Potential</b> |    | <b>Market Analysis &amp; Competition</b>    |    |
| <b>The Business Model</b>           |    | <b>Team, Board, Partners &amp; Networks</b> |    |
| <b>The Underlying Magic</b>         |  | <b>Current Financial Situation</b>          |  |

# How would you invest?

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## Investment contract

- Impact Investing Group sets up a contract with ÄSS-BAR for the following rights:
- Impact Investing Group has the right to **invest CHF 0.5 Mio for 20% of ÄSS-BAR's equity** in two tranches:
  - **Step 1:** In January 2016 an investment of CHF 100'000 for 4% of equity
    - Money is used to open one new store in Luzern
  - **Step 2:** In January 2017 an investment of CHF 400'000 for 16% of equity
    - Money is used to open four new stores in St. Gallen, Winterthur, Basel and Zug

(The investment may only be used for opening 5 new branches named above)
- **Step 3:** Right to participate in diversifying product range, new investments needed



# Humanistic Management Center

## From Principles to Practice

Think Tank | Learning Institution | Advisory Firm

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