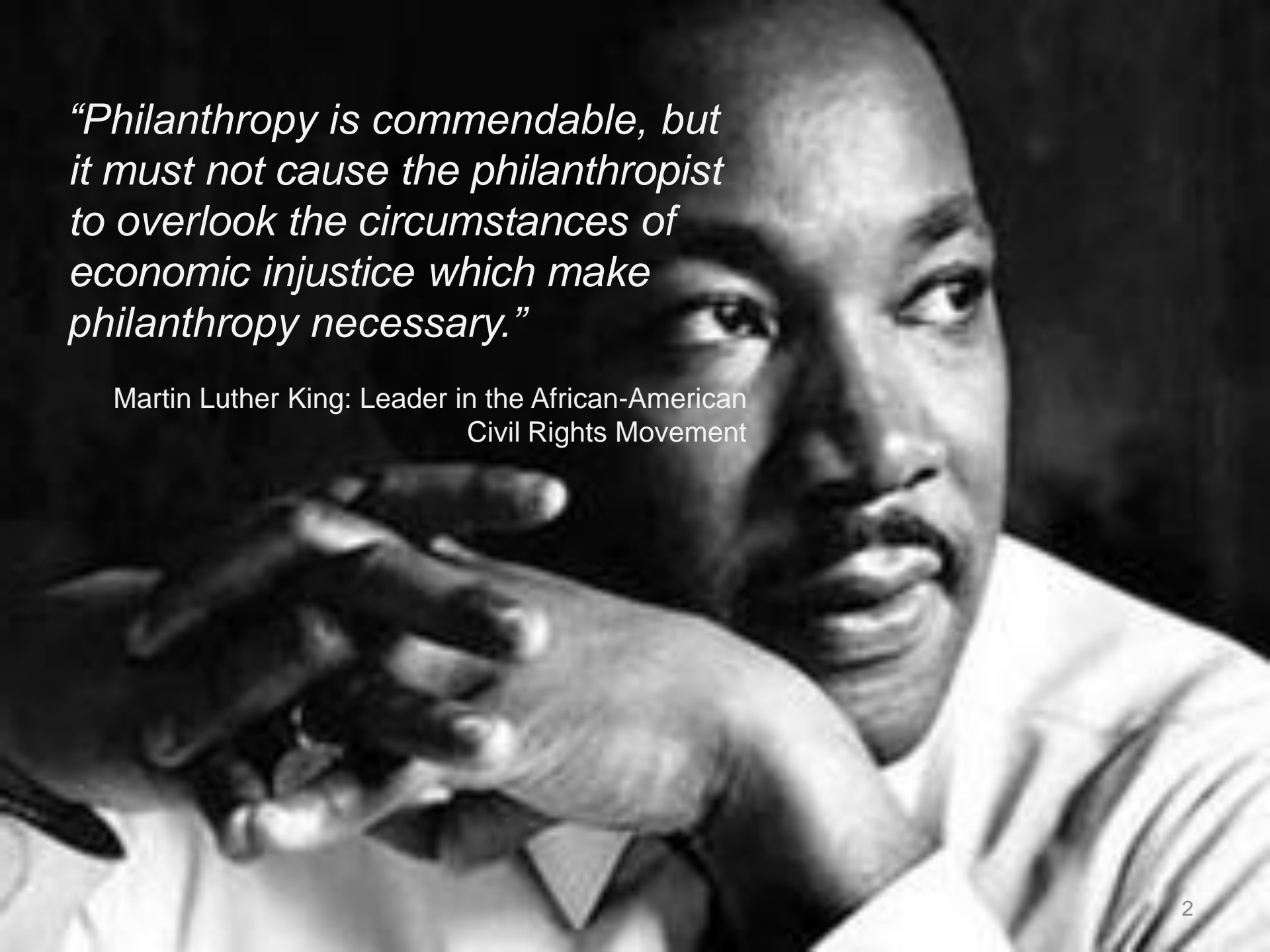




Impact Investing

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, wearing a suit and tie. His hands are clasped together in front of him, resting on a surface. He has a thoughtful expression, looking slightly to the right of the camera. 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

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

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

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

Investee perspective

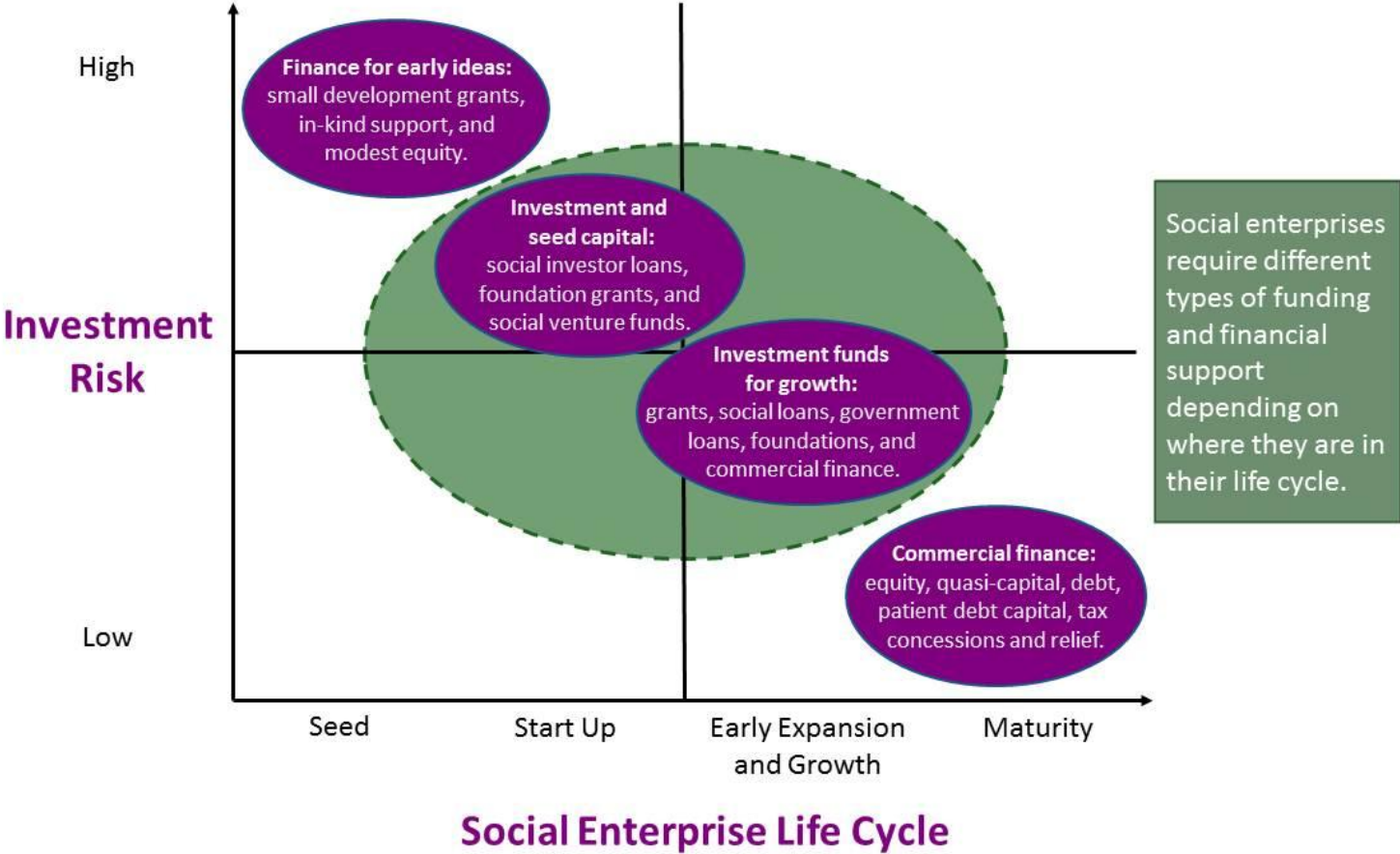
Genuine belief that business ought to serve real needs of people with respect for the planet

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?

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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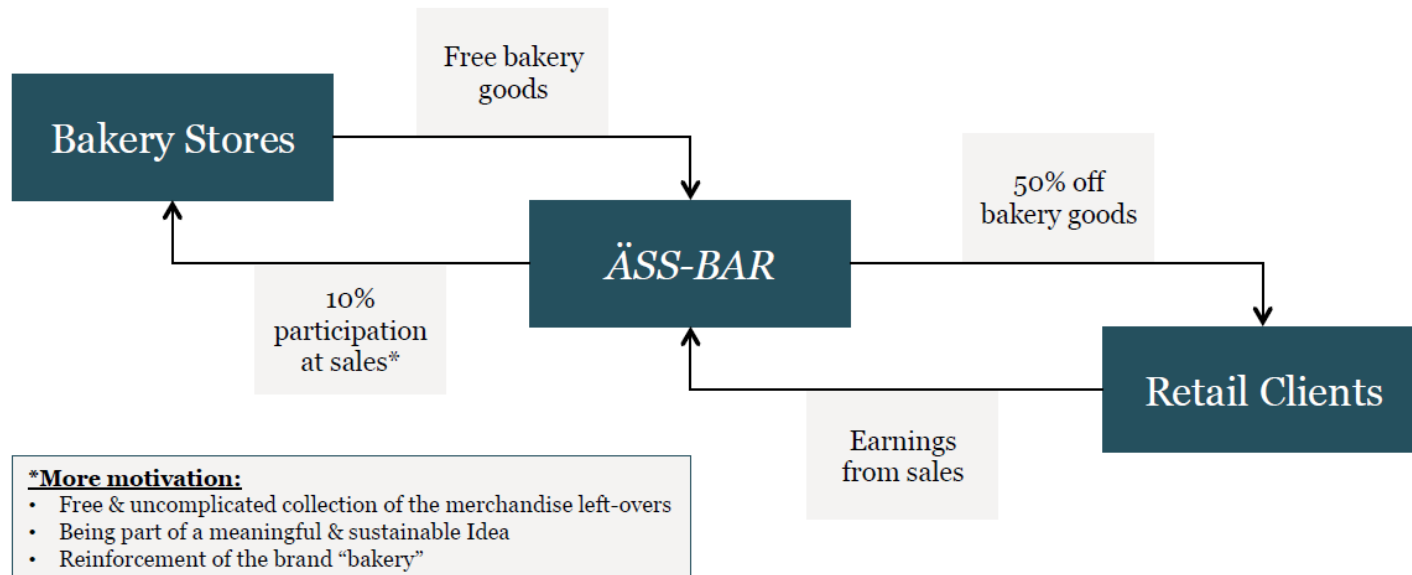
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Discussion

Case Example: Äss Bar



Äss Bar Business Model



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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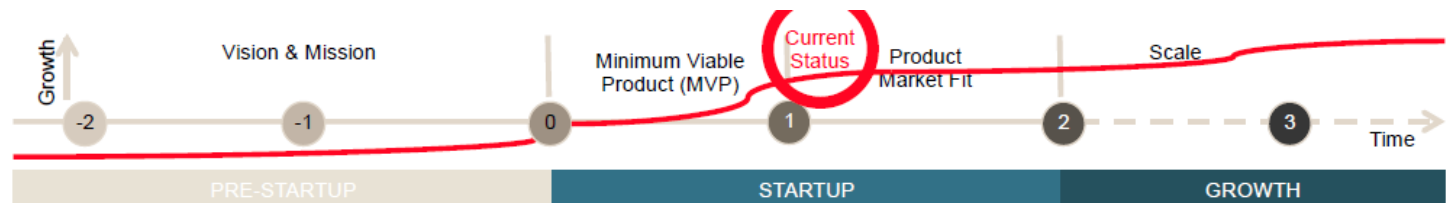
Äss Bar SWOT

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

Facts

- 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



	PRE-STARTUP			STARTUP	GROWTH	
	Ideation	Concepting	Commitment	Validation	Scaling	Establishment
Period	Before Sept. '13	Sept. '13	Sept. '13 until Jan. '15	Jan. '15 until CS	CS until Jan. '18	Starting Jul. '17
Accomplishments & Goals	Business model	Foundation of <i>ÄSS-BAR</i>	<ul style="list-style-type: none"> First store in ZH in Nov. '13 Sustainability of first store 	<ul style="list-style-type: none"> Food truck in ZH in Jan. '15 Second store in BE in Mar. '15 	<ul style="list-style-type: none"> Third store in Luzern in Jul. '15 Fast expansion with stores in St. Gallen, Winterthur, Basel & Zug in Jul. '16 	Diversification of product range
Investors	none	4 Swiss entrepreneurs	4 Swiss entrepreneurs	4 Swiss entrepreneurs	<ul style="list-style-type: none"> 4 Swiss entrepreneurs Impact investors 	Tbd.
Team	4 Swiss entrepreneurs	4 Swiss entrepreneurs	Few employees	11 employees	More FTEs	Tbd.
Use of Funds	Self funded	Self funded	Self funded	Self funded & Equity in Franchise BE	500'000 CHF	Tbd.

Would you invest or not?

The Situation	<input checked="" type="radio"/>	Legal & Tax	<input checked="" type="radio"/>
The Solution	<input checked="" type="radio"/>	Marketing, Sales & Distribution	<input checked="" type="radio"/>
The Area & Ist Potential	<input checked="" type="radio"/>	Market Analysis & Competition	<input checked="" type="radio"/>
The Business Model	<input checked="" type="radio"/>	Team, Board, Partners & Networks	<input checked="" type="radio"/>
The Underlying Magic	<input checked="" type="radio"/>	Current Financial Situation	<input checked="" type="radio"/>

How would you invest?

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



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From Principles to Practice

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