



## Investing for Good- A Social Enterprise and Social Investment Strategy for the University of Edinburgh

### Introduction

In line with its commitment to make a significant, sustainable and socially responsible contribution to society, the University has committed to invest up to £8m in social investments from treasury funds for the benefit of society. The University has already made significant progress and is recognised as a sector leader in responsible investment.

At the same time, the University recognises rising student interest in social enterprise and social investment, and the opportunities to link social enterprise and investments to University objectives on learning and teaching, excellence in research, widening participation, community engagement and sustainability.

This strategy sets out a vision and objectives for the University to implement an integrated approach to social enterprise and investments that delivers multiple benefits. We will invest in organisations which deliver both traditional business rigour and the creation and delivery of social and environmental impact.

Our overall approach is in line with our Strategy 2030 commitments to a values-led approach, to social and civic responsibility, to inclusive growth and to tackling society's greatest challenges.

### Background and Context - What Do We Mean By Social Investment

Social investment is an approach to managing money which delivers a social benefit alongside a traditional financial return.

The G8 Social Impact Investment Taskforce defined social impact investment as: *“those forms of investment financing that intentionally target specific social objectives along with financial returns and measure the achievement of both”*<sup>1</sup>. Most recently the UK Government has defined *Social impact investment as: investment in the share or loan capital of those companies and enterprises that not only measure and report their wider impact on society – but also hold themselves accountable for delivering and increasing positive impact.*<sup>2</sup>

Neither definition is prescriptive about the precise balance or amount of social/environmental and financial returns and recognises that these vary widely across the spectrum of investment opportunities thus providing a flexible definition for investments that have common intent or purpose.

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<sup>1</sup> 'G8 Social Impact Investment forum outputs and agreed actions' (July 2013).

<sup>2</sup> Government Response to Advisory Group Report on 'Growing a Culture of Social Impact Investing in the UK' (June 2018).

This means that the volume of impact investment cannot be officially recorded due to the unclear definition of the term, however the most often quoted Global Impact Investing Network (GIIN) suggests a market of US\$114 billion in impact investing assets, of which US\$22.1 billion committed in 2016.

There is increasing interest world-wide to deploy and develop social investment opportunities as means both to lever in new funding to traditional charitable or public benefit opportunities and, just as importantly, to provide innovation and business rigour to these activities.

The growing interest in Social Impact Investment is manifest in various forms whether in terms of:

- Retail approaches to reducing the poverty premium: *“a further consequence of poverty – and something that inhibits the attempts of those to improve their financial situation – is that low income households often find that they pay more for basic goods and services simply due to their position in markets”*<sup>3</sup>,
- The influence of investors on the companies they fund: *“companies must ask themselves: What role do we play in the community? How are we managing our impact on the environment? Are we working to create a diverse workforce?”*<sup>4</sup>
- New financial instruments and institutions such as Big Society Capital, Social Impact Bonds, Charity Bonds, Social Investment Tax relief and the Social Stock Exchange.

The social investment sector continues to innovate and to grow rapidly, and there is an opportunity for the University to deliver on a range of social outcomes linked to its mission and values, whilst maintaining an appropriate level of return. The Scottish Government’s 10-year Social Enterprise strategy<sup>5</sup> highlights that there are more than 5000 social enterprises in Scotland, with income of over £1bn per year and employing more than 100,000 people.

There are also significant opportunities to show genuine global leadership in this area, and to innovate to link in a planned way the University’s mission and goals, investments, business opportunities, research priorities and teaching and learning activities to secure synergies.

The University is prepared to invest in social impact and mission driven organisations and will not be limited to investments in traditional legal structures such as companies limited by guarantees, Scottish charitable incorporated organisations (SCIOs) or Community Interest Companies (CICs). Rather, the focus

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<sup>3</sup> Paying more to be Poor” Citizens Advice Scotland, (April 2016).

<sup>4</sup> Larry Fink’s Letter to CEOs - BlackRock (January 2018).

<sup>5</sup> <https://www.gov.scot/publications/scotlands-social-enterprise-strategy-2016-2026/pages/3/>

will be on social and environmental impact. We will expect to see clear indications and measurement of social and environmental impact and financial return.

## **Vision**

Over the next 5 academic years to 2023-24 the University will be recognised as the leading UK university for social enterprise and investments. We will do this by taking a rigorous approach to investments that delivers an acceptable return, whilst also delivering multiple benefits for society, the economy and the environment.

Our social enterprise and investment activities will be integrated with our research and teaching, our efforts on widening participation and sustainability, and with the City Deal and local community engagement. We will look to innovate to drive the sector forward, working in partnership with others who wish to make change, and investing flexibly.

## **Our Objectives Over The Next Five Years**

### **Objective 1 Deliver A Rigorous, Effective and Transparent Investment Process That Delivers A Portfolio Return on Investment of CPI+1.5% Over the Period to 2023**

Taking a long-term view and a portfolio approach, the University will integrate social investments into its normal processes for investment development, assessment, agreement and reporting.

A portfolio approach will be developed, working with existing providers and developing new partnerships. This approach will aim at a mix of investment returns and risks, where higher risk investments may be made for commensurate benefits to society, environment or the wider economy, whilst still delivering the overall mandate. We will consider a mix of equity investment for early stage companies as well as long-term loans and invest in funds, consistent with our duties as a charity. Where possible and consistent with University financial objectives, we will consider long-term investments.

We will actively seek partners to co-invest with us, and learn from their expertise and experience. We will explore whether our alumni and investment partners would wish to co-invest with us or provide seed funding in advance of investment.

### **Objective 2 Create an Innovative, Integrated and Exciting Culture of Social Entrepreneurship within the University**

Working with students and student leaders, our professional and academic staff and the departments of Finance, Social Responsibility & Sustainability (SRS), Edinburgh Innovations and the Business School, we will create processes, programmes, courses and awards that demonstrate the value and benefits of social entrepreneurship to the University Community

Over time, we will develop a package of measures to further support student social enterprise including accelerators, hackathons, prizes, a student investment fund and high quality communications and events.

### **Objective 3 Expand the Range and Quality of Social Enterprise Learning and Teaching Opportunities for Staff and Students**

Continue to strengthen the quality and range of courses available to students and staff who wish to pursue social enterprise as a mode of study, a means to enhance their University experience, or to assist in developing business ideas. Working with the Careers Service, we will explore the use of social enterprise as an enabler of graduate attributes and supporting career development.

Explore further course development, training packages, MOOCs and links to outside bodies including the Social Enterprise Academy.

### **Objective 4 Use Social Enterprise and Social Investments to Support University Objectives to Deliver Multiple Benefits**

There are significant opportunities to link the University's activities on social enterprise and investments to our wider objectives.

Students can gain valuable real-world experience of community and business needs when taking courses or establishing enterprises. Research can track investments and enterprises and demonstrate impact for society whilst bolstering the University's credentials as a hub for social investment. Business ideas to support widening participation and opportunity can be potentially supported through our social entrepreneurs and investments.

The student experience can be enhanced, the opportunities for business and governmental engagement increased, and practical and measurable interventions delivered to achieve social and sustainability objectives.

Student experience can be enhanced by enterprise education and support in a number of ways. Students derive understanding and satisfaction from applying what they learn in their studies in real world examples, bringing their studies alive. Students also gain socially from meeting like-minded individuals and finding support peer groups and potentially team members and collaborators. Regardless of whether the venture is successful, students develop experience and skills that stand them in good stead for future employment, whether in their own business or as employers in other organisations. The strategy supports enhanced employer engagement across a wide range of private and public sector organisations, expanding the reach and impact of the university in its social investment and enterprise goals.

### **Objective 5 Leverage the University's Actions in this Area to Promote its Reputation as a Leading Socially Responsible University**

By creating and maintaining leadership in this area, the University should be able to demonstrate clearly to its stakeholders- current and future students, staff, alumni,

politicians, community group and businesses- that it is a valuable presence across the City region.

The generation of positive news stories, personal testimonials, and business engagement that will flow from successful enterprises and investments will enhance the University's reputation, particularly with future students.

There are opportunities to use our influence over our supply chains, from whom we procure £350m of goods and services annually, to employ social enterprises and mission led organisations. There is also potential to link this to community benefit clauses in contracts as required by the Procurement Reform (Scotland) Act 2014

There will be opportunities to leverage our activities for attracting potential future partners, such as Big Society Capital, donors and High Net Wealth individuals, and major corporates seeking to enhance and development their social and environmental activities.

### **Our Social Investment Success Criteria**

The University has committed to invest up to £8m from treasury funds and the criteria for judging the success for investments are:

#### Financial

- Preservation of capital
- Level of expected annual return and associated financial metrics- CPI+ 1.5% overall (managed as a portfolio)

#### Social and Environmental

- Sustainability or carbon benefits
- Social benefits
- Relative impact of our investments on the area invested in.
- Ability to drive forward innovation in the sector

#### Organisational

- Reputational impact and managing downside risks
- Impact on broader University objectives such as research, teaching, student experience, widening participation, operations and city relations
- Range of available partners to share and manage risk, and track record of those organisations being invested in
- Engaging existing partners
- Enhancement of commercial and industry engagement objectives including higher levels of social enterprise engagement and increased start-up activity

### **Investment Priorities and Benefits**

Proposed thematic priorities for the investment strategy are illustrated in Table 1

**Table 1 – Proposed Thematic Priorities for Social Investments**

Young people (broadly defined aged 3-26)	<ul style="list-style-type: none"> <li>• Widening participation in education</li> <li>• Opportunities for young people and lower income people tied to education, learning and entrepreneurship</li> <li>• Social entrepreneurship</li> <li>• Mental health and wellbeing</li> <li>• Access to and support for young people seeking further education, pathways to professions or other pre-University support to increase educational opportunity or life chances</li> </ul>
People on low incomes (e.g. community regeneration/creating opportunities)	<ul style="list-style-type: none"> <li>• Disadvantaged communities in Edinburgh and Midlothian and broader city deal area</li> <li>• Asset-based local investments</li> <li>• Regenerating areas using local people and entrepreneurship</li> </ul>
Environmental sustainability	<ul style="list-style-type: none"> <li>• Climate change, low carbon and renewable energy</li> <li>• Resource use and the circular economy</li> <li>• Nature conservation, restoration and access</li> </ul>
Homelessness and housing supply	<ul style="list-style-type: none"> <li>• Investments to support direct homelessness</li> <li>• Investments to improve housing access for low income and deprived communities</li> </ul>
Access to Education	<ul style="list-style-type: none"> <li>• Care leavers education</li> <li>• Mature returners to education from challenging backgrounds</li> <li>• People leaving the criminal justice system (e.g. ex-offenders)</li> </ul>
International development in Africa or Asia	Development, social businesses, food, water, energy, microcredit- working with established partners

The balance of investments should ensure a substantial allocation of funds for the Edinburgh and city deal region for Scotland with lesser sums allocated to the UK and to global investments. Due to the higher risks and higher oversight costs, we will only invest globally when we have experienced co-investment partners. In general, our appetite is for no more than a 33% stake in co-invested funds. We will be particularly interested in investments that support wider University objectives, that generate innovation to tackle complex social and environmental issues, and investments that present opportunities to scale over time. In the interests of

manageability and oversight costs, we would expect to take a maximum of fifteen positions at any one time.

The University's Strategic Plan commits the University to making an impact for society. The benefits from social investment are proposed as:

- Significant reputational benefits from being seen to support socially beneficial activity at a local level (as the 'toun's college' for over four centuries) and at Scottish and UK and (potentially) at a global level
- Investment in projects which support its overall goals and mission and deliver tangible real world change
- Higher yields than currently returned by cash on deposit
- A professionally managed Edinburgh-Innovations led sustainable model taking a blended approach to returns, with higher returns than cash
- Direct experience of, and leadership in, a model of investment of increasing interest around the world and opportunities for business engagement through co-investment, partnership and research
- The potential to link its investments to its work on curriculum redesign and the student experience, our social responsibility strategy, research into global problems
- Positive impact on student satisfaction, stakeholder perceptions and staff morale.
- Opportunities to leverage support from business, government, sponsors or alumni.

Over time, and in line with commitments to explore measures to assess the overall social impact of the University, the University will develop measures of the social and environmental impact of the investments. To support this strategy a marketing and communications plan will be developed.

### **Governance and Management**

Development of, and proposals for, the social enterprise and social investment strategy priorities will be overseen by the Social Responsibility & Sustainability (SRS) Committee on behalf of the University and the budget holder (Director of Corporate Services Group). Sign off of investments up to £1m will be via Director of Finance, with larger investments requiring Policy & Resources Committee approval. Court approval will be sought for this strategy.

The SRS Committee (which includes student leaders) in turn will be supported by the SRS and Finance departments and Edinburgh Innovations as required. The development of a pipeline of proposals, assessment, management and monitoring will be undertaken by Edinburgh Innovations through its existing Investment Team. This allows the opportunity to leverage existing resources and expertise, and ensure social investments are subjected to the same degree of rigorous scrutiny as other investments. Similarly, the activities of Edinburgh Innovation's Enterprise Services Team will be aligned with this strategy to allow opportunities for promotion, development of the pipeline of proposals, and de-risking.

The budget holder is the Director of Corporate Services Group with the Director of SRS and the Director of the Edinburgh Futures Institute responsible for strategic priorities. An informal advisory group will support the Director of Corporate Services Group on priorities, financial and commercial assessment and risk management prior to discussion by SRS Committee. Membership of the group includes the Director of Finance Specialist Services; Director of SRS; Director of Edinburgh Futures Institute; Director of Corporate Services Group Operations; Senior Economist, Data-Driven Innovation; an investment committee member; Chief Operating Officer, Edinburgh Innovations.

As well as commercial assessment and social and environmental impact, the group will consider risk issues more generally, and the impact of, for example, an economic downturn on our reputation as investors. A risk log will be created and maintained.

Reporting will be annual to the SRS Committee, the Investment Committee and Policy and Resources Committee.

### **Impact Evaluation and Metrics**

Following agreement of this strategy, a set of detailed impact metrics for social, environmental and enterprise impact will be developed. These will be developed with academic colleagues including those from the business school and the Edinburgh Future Institute, and with colleagues from Finance, SRS and Edinburgh Innovations.

### **Communications**

To support this strategy, a marketing and communications plan will be developed as part of an overall strategic approach on SRS issues with the Communications and Marketing department.

### **Review**

An action plan to deliver this strategy will be prepared during 2020. The strategy will be reviewed in 2022.