Donor Advised Funds:

A Practitioner's Guide to Social Impact Investing

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Disclaimer: This guide is intended as a general summary of the legal and tax position. If a DAF or a donor wishes to obtain advice on their specific circumstances they should approach a suitably qualified adviser.

Executive Summary

Donor Advised Funds (DAFs) are an increasingly common method of global philanthropic giving, with more than $80bn in assets under management in the US[1].

In the UK money contributed to DAFs, grants made from DAFs and charitable assets managed in DAFs have all grown year on year. In 2015/2016 the total UK charitable assets under management in DAFs reached £1bn[2].

Donors and their professional advisers are increasingly aware of the advantages of using a DAF to channel philanthropic giving.

> Beyond donations and grant-giving, many donors are choosing to allocate a portion of their philanthropic giving to social impact investment. They recognise social impact investment as an alternate way of supporting organisations to deliver better outcomes and greater positive impact.

Their money has the potential to amplify impact many times over, allowing scarce funding to go further. This is because any financial returns from the social impact investments are 'recycled' back into other social impact investments or can be used for grant making in the future.

There are many examples of charitable foundations, both in the US and UK, who have been early social impact investment pioneers. It is encouraging to see more DAFs, professional advisers and philanthropists are following in their footsteps.

This guide aims to empower DAFs, professional advisers and philanthropists with clear information, step-by-step guidelines and case studies. It will help them make informed decisions when using DAF assets for social impact investment that enables greater impact .

Who is this guide relevent for?

- DAF EXECS
- REFERRAL PARTNERS
- DAF COMPLIANCE/LEGAL
- DAF TRUSTEES
- DONORS

[1]Forbes article: The $80Billion Charity Stash: Donor Advised Funds Reach Record Highs 15 November 2016
[2]Philanthropy Comes of Age: The rise and rise of donor advised giving in the UK (Charities Aid Foundation 2017)

Call to actions and recommendations

1.

Learn about social impact investment.

Referral partners and DAFs: Talk to social investors, understand how social impact investments are assessed, collect examples of social impact generated and learn about any failures. Talk to social entrepreneurs who have raised social impact investment, ask them why social impact investment is needed in addition to grants and what it can deliver for them that grants can't.

2.

Educate and inform donors on social impact investment.

Referral partners and DAFs: Speak with donors directly, or hold an event to educate and inform them how they could use their money in this way. Bear in mind practical steps to comply with the financial promotions regime. Donors already making social impact investments often say they work best when used alongside grants. Thinking about social impact investment can help donors focus on financial sustainability, and is often a first step towards more strategic philanthropy.

3.

Explore whether social impact investment is right for you and your client.

Referral partners: Discuss with clients to understand their motivations, preferences and attitudes towards making social impact investments. Referral partners that are not authorised persons can provide generic educational information to help clients decide whether a DAF account is the right way to achieve their goals.

DAFs: Have conversations at management and trustee levels to decide whether this is something that should be considered as a tool to further advance the DAF's charitable objects.

4.

Think about governance structures and business processes.

Referral partners: If you are an Authorised Person[1], put in place policies to communicate social impact investment opportunities to your clients. Make arrangements with DAFs to communicate the ongoing performance of social impact investment to your client.

DAFs: Consider whether the Board needs additional skills and oversight to make social impact investment. Put in place policies and processes for communication, making investment decisions, ongoing monitoring, reporting and receiving financial returns.

5.

Think beyond high net worth donors.

Referral partners and DAFs: Donors with smaller amounts to donate may also wish to allocate a portion of their giving to social impact investment. Could a DAF add value by aggregating multiple small donors' contributions and put this combined sum into social impact investment opportunities for greater impact?

[1] An authorised person refers to a person authorised by the Financial Conduct Authority under Part 4 of the Financial Services and Markets Act 2000 (FSMA) to carry out regulated activities.

Section 1: Introduction

What is a DAF?

A Donor Advised Fund, or DAF, is a philanthropic fund held within an organisation which is itself a charity.

It is essentially a charitable giving account. Donors can make contributions in cash or transfer existing investments to the fund as often as they like and then recommend grants to their chosen charities[3].

DAFs are not a new concept. In the US, DAFs are a multi-billion-dollar sector and a rapidly growing segment of philanthropy with more than $80bn of assets under management[4].

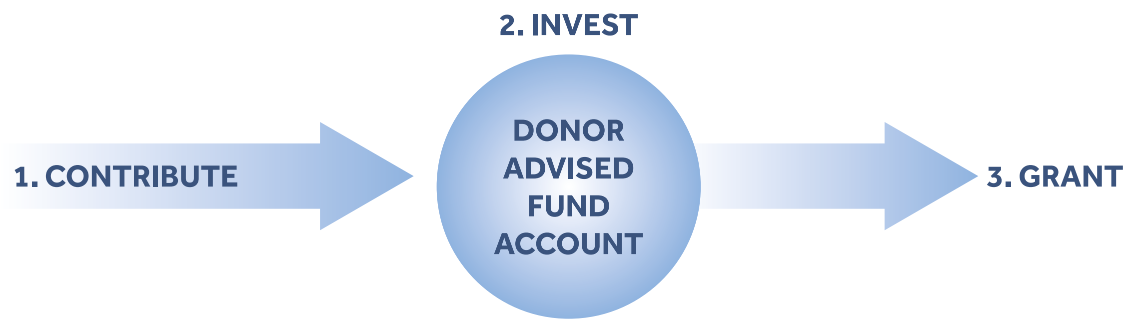
DAF providers range from bespoke philanthropy advisers serving the very wealthy to large-scale providers such as Fidelity and Charles Schwab serving the masses.

A DAF allows donors to:

- make irrevocable charitable donations
- receive immediate tax relief
- recommend charitable grants from the fund over time

Fig 1: DAF mechanism

How does a DAF work?



Step 1: Donor makes a charitable contribution.
- Donor makes an irrevocable donation of personal assets
- Donor receives tax relief for donations to the DAF account
- Donor can make more donations at any time

Step 2: Donor recommends investments to grow the balance. Social impact investment can be made here.

Step 3: Donor recommends grants from the DAF account to qualified charities at any time. Social impact investment can be made here if it is a Programme Related Investment.

[3]NPT-UK website: http://www.npt-uk.org/what-is-a-donor-advised-fund
[4]Forbes article: The $80Billion Charity Stash: Donor Advised Funds Reach Record Highs 15 November 2016

DAFs in the UK

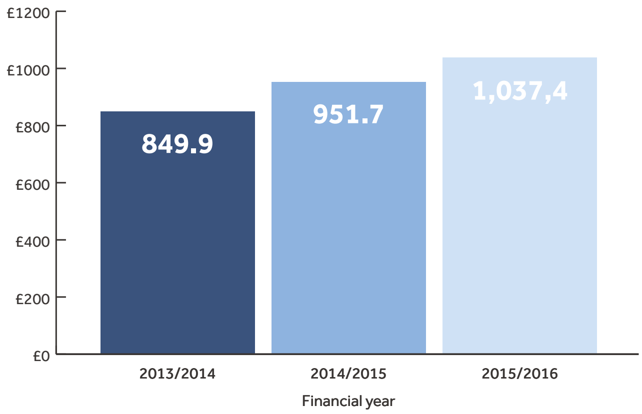
DAFs are increasingly popular in the UK because they are easy and convenient to administer, offer cost savings and relative anonymity compared to setting up a family foundation or charitable trust. Donors to DAFs also benefit from UK tax advantages, such as Gift Aid and tax relief.

DAFs in the UK have enjoyed growth in all key areas over the past few years[5]. As of 2015/16:

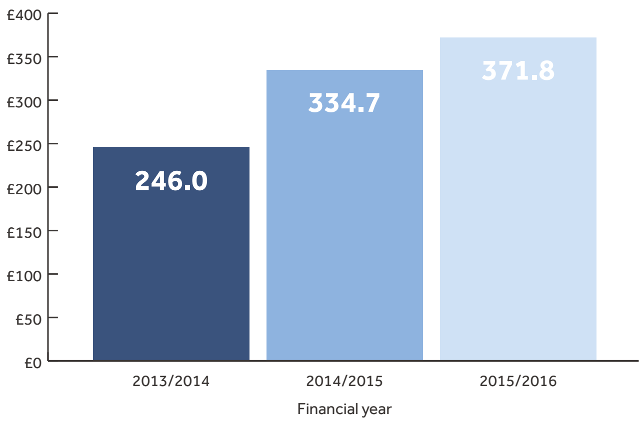
- Charitable assets under management in all DAF accounts topped £1bn for the first time, a 9% increase from the previous year. The steady rise is a result of both an increase in contributions to DAF accounts and gains from investment returns.
- Contributions to DAF accounts rose to a high of £371.8m, a 11% increase from the previous year.
- Grants made from DAF accounts reached their highest ever level at £279.5m, a 5% increase from the previous year. This means around 75% of the money taken into DAFs was paid out – many people wanted to distribute the funds immediately.

Fig 2: Growth of DAFs in the UK

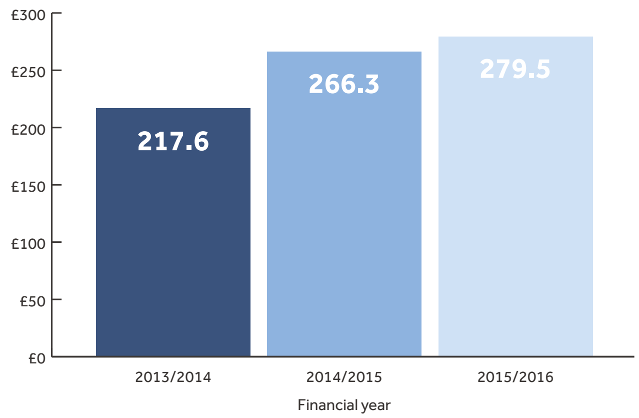
Charitable assets



Contributions in



Grants out



[5] Philanthropy Comes of Age: The rise and rise of donor advised giving in the UK (Charities Aid Foundation 2017)

CASE STUDY:

Ms Jane B

Jane is a retired doctor based in London. She set up a DAF account 18 years ago, and has started using it to make social investments since 2012.

When did you set up your DAF account?
I set up my DAF account in 1999 following a friend's recommendation. It was mainly set up to donate some of the returns I incurred from investing in shares, while being tax-efficient and benefitting from Gift Aid.

> "Over the years, I have donated more shares into the DAF account to increase its potential to generate more income. The more income that is generated, the more can be given away to charities and social enterprises."

What was your motivation for making social investment?
I was introduced to CAF Venturesome's social investment fund in 2012. The idea that my donation can go round and round across different charities and social enterprises to create more impact is appealing. My DAF account is still mostly used for making small grants to charities of my choice, but social investment has increased.

Thinking about the social investment you have made so far – do you consider it a grant or do you consider it a loan which will be repaid?
I consider it as a grant which will not be repaid. Anyway, everything in my DAF account isn't mine anymore, as I have given it away.

How would you describe your overall experience in making social investment using your DAF?
I am pleased to have invested in the fund using my DAF account. In fact, I have used an additional £30,000 from the DAF capital account to make more social investments this year.

> "I would recommend more donors to consider this to increase the recyclability of their funds."

My experience with CAF has been positive for various reasons. I am impressed by the low failure rate that their investments have achieved. The team seems to be very careful in vetting the charities and social enterprises that the fund has lent to. They also provide clear reports and organise events, so that I can know more about the charities being supported.

What would make it easier for more donors to explore using DAF to make social investment?
More people have to know about DAF and social investment. It would be great if there could be more publicity to extend this charitable mind-set, giving opportunities to more people, especially the young, to donate through mechanisms like payroll giving.

What is social impact investment?

Social impact investment is designed to achieve a social as well as a financial return, typically to a charity or social enterprise.

Social impact investment can help charities and social enterprises increase their impact on society, for example by growing their business, providing working capital for contract delivery, or buying assets.

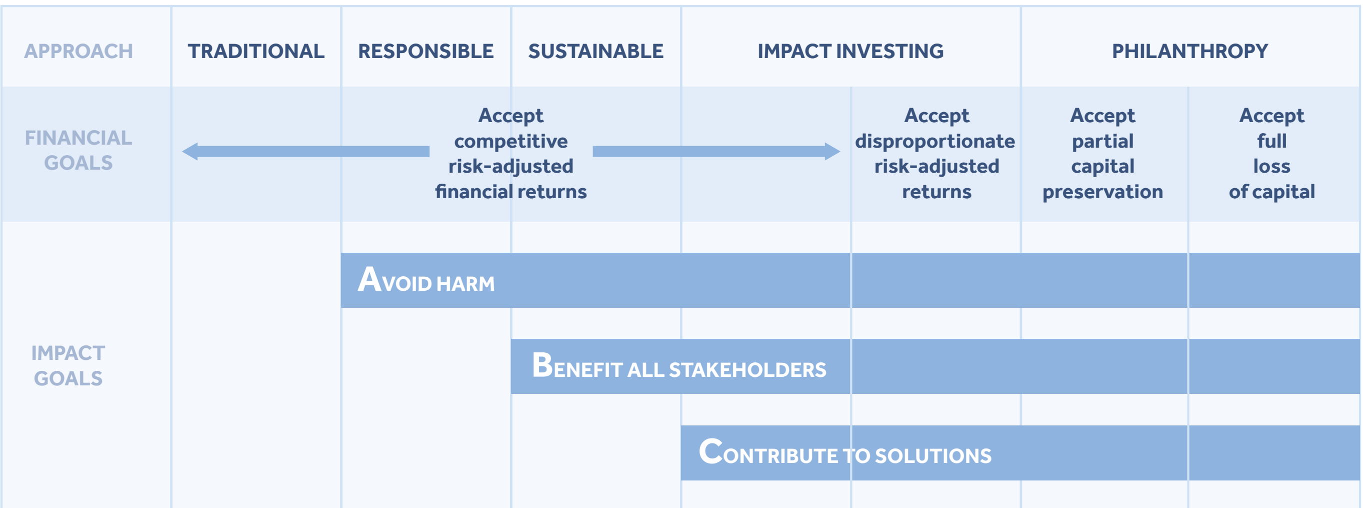
Charities can both make and receive social impact investment.

Social impact investments made by charities (including DAFs) are designed to both further the charity's purposes and achieve a financial return for the charity[6]. Generally, social impact investment is part of the 'Spectrum of Capital'[7] which sits between traditional financial-only investment on the one hand and impact-only philanthropy on the other.

As shown in the diagram below, there is some overlap across the different categories, with many investors or businesses operating between or across them.

Most DAFs in the UK have made social impact investments to provide financing for organisations that seek to benefit all stakeholders or contribute to social solutions. These investments target a range of risk-adjusted returns, from competitive and sub-market to capital preservation.

Fig 3: Spectrum of Capital



When evaluating a social impact investment opportunity, DAFs can use this guide to help position the opportunity along the spectrum (see Section 4B).

[6]Charities (Protection and Social Investment) Act 2016
[7]The Rise of Impact: Five steps towards an inclusive and sustainable economy (UK National Advisory Board on Impact Investing, 2017)

Different types of social impact investment products

Different types of social impact investment products are available. Social investors can select the most suitable investment products based on their attitude to risk, liquidity requirements, level of involvement and other considerations.

Likewise, charities and social enterprises seeking social impact investment can specify what type of investment they wish to receive depending on their legal structure, stage of growth, ability to repay and other considerations.

Below are some common types of social impact investment products:

Debt

- **Secured loan** a loan secured against an asset (often a building or equipment) as collateral
- **Unsecured loans** a loan not secured against an asset
- **Quasi-equity** a loan with repayments partly or fully based on performance, such as profits or income
- **Charity bonds** a tradeable loan from a group of investors over a fixed time with a fixed rate of interest, typically unsecured

Equity

- **Equity investment** an investment in exchange for shares in an organisation (not applicable for charities)
- **Community shares** a withdrawable, non-transferrable equity investment into a cooperative or community benefit society (not applicable for charities)

Outcomes financing

- **Social Impact Bonds** a mechanism in which investors pay for a set of interventions to improve a social outcome. If the social outcome improves, the investors receive their initial investment plus a return for the risks they took. The repayment and interest is provided by an outcomes payer, typically government or charitable foundations, and in some cases, philanthropists.

CASE STUDY:

Ms Makella Benjamin

Makella is a Corporate Consultant at a foreign exchange company. She has been making social investments through her DAF account for two years.

What was your motivation for setting up a DAF account?
I first heard of the concept of DAF at a networking event hosted by SharedImpact. I have always been interested in supporting children and women-related causes in emerging countries. I am not a millionaire, but I do give regularly. I think a DAF is a cool way to give to charities and can make my money go further. I have since used my DAF to give out grants and make social investments.

What was your motivation for making social investments?

> A project's charitable cause and geographic region are usually the starting points when I consider giving. It just so happens that the charities I would like to support are raising social investment at the time.

The initial impetus for making social investment is to recycle the funds in my DAF account. Social investment can also fund new mechanisms of helping people as an alternative to aid. MicroLoan Foundation is a good example of supporting small businesses and people who actually prefer to pay their money back rather than to receive handouts.

What type of social investments have you made so far using your DAF account?
I have made one social investment through my DAF account into Alterfin, an organisation that invests in microfinance institutions and organisations active in sustainable agriculture. Individuals can subscribe to Alterfin shares to enable it to make investments in the Southern hemisphere.

I have given grants to MicroLoan Foundation and Bottletop Foundation, as their mission and work align with my interests in supporting children and women-related causes in emerging countries.

How would you describe your experiences so far?
My contribution has been quite small to date, so even when money does come back, I see it as funds being recycled rather than as an investment that diversifies my portfolio.

My experience has been positive so far and I hope to make more social investments on a more regular basis later in life. I would definitely recommend other donors to consider using DAF to make social investment.

What would make it easier for donors like you to make social investment via DAFs?

> When I was looking for social investment opportunities, there is often a minimum threshold for investment contributions. It would be great if DAFs can pool together smaller funds to meet the minimum threshold, like crowdfunding for social investment, which is easier nowadays with online platforms and social media.

Consider this situation

A wealthy donor approaches their DAF, as he would like some of the money he has already donated to be used for a social impact investment opportunity he has identified.

The DAF has never made any social impact investments. Trustees of the DAF meet to discuss whether they should make this investment on behalf of the DAF. They consider their powers of investment and whether the opportunity is in line with their charitable objects.

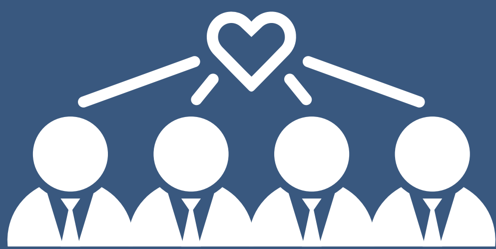
The DAF's trustees weigh up all the factors. They are comfortable the social impact investment is in line with the DAF's charitable objects and can be considered a Programme Related Investment. They also agree they have the necessary powers to make the investment, and that they have considered their duties around exercising these powers.

They decide to make the social impact investment. This time, the additional legal costs are passed on to the donor.

This was a one-off social impact investment identified by the donor. However, it led to a broader trustee discussion about the use of social impact investment as a way to further the DAF's charitable objects. The DAF's trustees decided that social impact investment is a worthwhile tool, alongside their established grant making, to help them achieve their social mission.

The DAF's trustees also considered the possibility that the donor would go to another DAF to make the investment if they did not accommodate his request. This would result in less funds being made available for them to achieve their charitable mission.

The DAF went on to explore how they could offer social impact investment opportunities to donors. They also considered ways to pool together small investments from smaller donors to make sizeable social impact investments as well as offering a different charging structure for these donors.



Section 2: DAFs and social impact investment

What type of social impact investment can a DAF make?

Generally speaking, DAFs can make social impact investments across debt, equity and outcomes financing products. They can make social impact investments directly into an organisation, or indirectly through a fund that invests in multiple organisations and/or products.

However, it is important to note that, like other charities, DAFs may be subject to specific restrictions or exclusions that prevent them from making certain types of social impact investments (see Section 4A).

DAFs in the UK have made social impact investments into a wide range of products and impact areas. Below are some examples:

	Type	Targeted social impact
Big Issue Invest Social Enterprise Investment Fund	Loan fund	Support social enterprises and charities in the UK across impact areas such as social care, early years education, financial inclusion, mental health and employment.
Impact Ventures UK	Equity fund	Invest in innovative and high growth social enterprises that have a positive impact on disadvantaged communities in the UK.
Golden Lane Housing	Charity bond	Provide housing for people with learning disabilities.
CAF Venturesome Funds	Loan fund	Provide affordable finance to charities and social enterprises to create long-term sustainability, develop capacity and capability and build a trading arm to generate income.
Bridges Evergreen Fund	Equity fund	Provide long-term, patient equity or quasi-equity investment into mission-led businesses across four key areas: health and wellbeing, education and skills, sustainable living and underserved markets.
Educate Girls	Development Impact Bond	Increased enrolment of marginalised girls and progress in literacy and numeracy outcomes in a remote rural district of Rajasthan.
Incofin Fairtrade Access Fund	Loan fund	Provides farmers' cooperatives and associations the long-term loans they need to renew their farms or adopt new technologies and equipment in Latin America, Africa and Asia.

CASE STUDY:

Mr Ian Davis

Ian is the former Managing Director of McKinsey & Company. He was involved in social investment as a Non-Executive Director of Big Society Trust. He has been making social investments through his DAF account for four years.

What was your motivation for setting up a DAF account?
I set up my DAF account with C. Hoare & Co's Master Charitable Trust in 2013. I see it as an administratively easy and tax efficient way to invest in society.

What was your motivation for making social investments?
I follow people and ideas that I believe in – I don't focus on a particular social issue. I evaluate both grants and repayable finance investment in the same way as I manage any investments in my portfolio. I regularly meet with people to review progress of outcomes and social impact, and will stop my contribution if the progress is not up to expectation.

What type of social investments have you made so far using your DAF account?
Through my DAF account, I have made social investments into a number of UK based social enterprises including Spark + Mettle, Code First Girls and North London Cares.

> I prefer making direct investments as I can also offer coaching and mentoring support. Social entrepreneurs often value my time and coaching more than the investment.

There is an instance where I have originally invested into an organisation through my DAF account and later invested as a private investor outside of the DAF. The organisation became increasingly successful and decided to adopt a private company structure to create greater impact.

> I am completely flexible in terms of social investment products. The decision to use grant or repayable finance depends on the opportunity itself – how scalable it is and the motivations of people doing it.

How would you describe your experiences so far?
The overall experience has been very positive. I value meeting credible social entrepreneurs and my DAF manager has been helpful in enabling these opportunities.

I would recommend donors who know what they want to do to speak to their DAF managers, and see how a DAF structure can help them do it – rather than the other way round.

What would make it easier for donors like you to make social investment via DAFs?
Organisations like BSC can help build awareness in the community to connect people with like-minded ambitions and objectives.

CASE STUDY:

Mr Luke Ding

Luke is a former currency hedge fund manager. He is now a dedicated investor and philanthropist.

What was your motivation for setting up a DAF account?
I set up my DAF account with Prism the Gift Fund back in 2010 when I was a hedge fund manager. I was extremely busy with my career at that time but I knew that one day I would want to focus more on my philanthropic giving. It made sense to set up the account back then as I would benefit from a good level of tax relief and Gift Aid.

What type of social investments have you made so far using your DAF account?
I am quite early in my social investment journey. I have put money into 1to4 GiftVest and I am now considering a Development Impact Bond (DIB) in health through UBS.

What was your motivation for making social investments?
So far I have made one social investment through the 1to4 GiftVest Programme. It is actually a donation to the GiftVest account from my Prism DAF account. The money is used by GiftVest to invest in social businesses in emerging markets and recycles time and time again. I was definitely attracted to the recycling of funds, amplifying economic reach and social impact.

I am currently considering a DIB opportunity in health through the UBS Donor Advised Fund. I am excited by this opportunity because it could be a catalyst for alternative sources of capital in the future – government, institutions and multinational organisations.

It's great to see how institutional investors have embraced investments related to the environment. I would love to see them do more in the social space in the future once it has built up a track record and the risks are better understood.

> I would like to see my investment catalyse and motivate alternative sources of money.

How would you describe your experiences so far?

> The experience has been positive so far, I am learning and I think social investing is an exciting field with lots of opportunities.

I do think the cost of making social investment is high in some cases and I always want to make sure the risk-adjusted impact is worthwhile.

How has this experience changed your overall approach to philanthropy and impact?
I think my approach is changing because of the opportunities I am seeing out there. I am cause agnostic as a person. I care about impact and I can donate or invest in any opportunity but I want to do a cost benefit analysis on any opportunity.

Why are DAFs making social impact investment?

Traditionally, a DAF's financial investment and grant-making activities are considered separately.

A DAF's investment activities are evaluated based on its ability to generate financial returns, and will not necessarily align with the social mission of its grant-making activities.

In recent years, donors have been increasingly looking beyond grants to support charities and social enterprises by making social impact investments. Many donors are motivated by the potential for their donated funds to "recycle" over time and are interested in using all the tools available to create social impact. Some donors have made social impact investments through their own foundations – others have done so through DAFs.

Social impact investing: donor or DAF originated?

DAFs and donors can both initiate social impact investment.

Donors can approach their DAF to request that the funds in their account are used for social impact investment. This is similar to the way donors can request that a donation is directed to a particular charity.

DAFs can also educate their donors on social impact investment as an alternative tool to help charities and social enterprises achieve their charitable objects. In particular, they may wish to highlight the potential for social impact investment to 'recycle' funds, so impact can be multiplied many times over, versus a grant which can only be used once.

DAFs that want to educate donors do so because they recognise that the non-profit and voluntary, community and social enterprise (VCSE) sector is changing. Charities and social enterprises are increasingly demanding social impact investment to build and develop their trading activities. DAFs can learn more about how to communicate with donors on social impact investment on p.27.

What happens to the financial return on a social impact investment made via a DAF?

The financial return will be recycled back to the DAF account, and will then be available for making additional grants and/or social impact investments in the future.

Whether a social impact investment is made through a charitable foundation or a DAF, the donors give their funds away when they transfer money to a DAF. This means they do not personally benefit from any financial return which may be generated by the social impact investment.

CASE STUDY:

Sir Harvey McGrath

Harvey is the former Chair of both Prudential plc and Man Group plc. He is involved with philanthropy and social investment through a number of roles including as a founding trustee of New Philanthropy Capital and the Chairman of Big Society Capital. He has been making social investments through his DAF account for 15 years.

What was your motivation for setting up a DAF account?
I set up a DAF account with Charities Aid Foundation (CAF) around 15 years ago in the form of a charitable trust under the CAF umbrella, primarily to make donations.

What was your motivation for making social investments?
Venturesome, part of CAF, and now known as CAF Venturesome, approached me to look at a social investment fund. They were seeking pioneers who were willing to allocate funds to a pooled account that would lend to charities. Although I recognised that some of my funds might not be repaid, I thought it was an interesting way to make my philanthropic funds go further. In the worst case, in the event that some of the loans were not repaid, I would in effect be making a donation to underlying charities.

I also saw it as an opportunity to be involved in something new, and I was interested to help develop the idea of social investment.

What type of social investments have you made so far using your DAF account?
Over the years, I have invested in a number of different funds through my DAF account, ranging from lower risk working capital lending, to high risk development loans, and a fund focused on community housing projects.

How would you describe your experiences so far?
The experience has been positive.

> I initially made a £1.5m allocation for social investment through my DAF account. Since then, given a low loss ratio on the lending, the funds have been recycled many times, so that my initial investment has enabled a total commitment of £6.6m in more than 400 deals.

To me, that is a very good outcome.

The DAF structure allows a lot of flexibility in how funds are deployed – you can be very hands-on in making social investment decisions or you can make use of funds such as the CAF Venturesome ones mentioned above.

How has this experience changed your overall approach to philanthropy and impact?
Having been introduced to social investment via my CAF account, I started to look at other ways of creating impact using both philanthropic and non-philanthropic capital, resulting in a number of social investments outside of my DAF account. This includes investments in funds managed by Bridges Fund Management.

> It's clear to me that that social investment sits alongside philanthropy and in many situations works best in conjunction with philanthropy.

Once you look into repayable funding, you need to apply a different lens and focus on understanding the organisation's business model, as well as its social impact.

Section 3: Myth busters

Myth 1: DAFs cannot make social impact investments

Fact: DAFs are charities, and charities can make social impact investments

In the UK, many DAFs have already made social impact investments. This guide provides DAF practitioners and trustees with a step-by-step guide to doing so (see Section 4).

Myth 2: Donors to DAFs profit from making social impact investments

Fact: Donors to DAFs receive no financial return from making social impact investments using funds in their DAF accounts

Once a donor has donated funds to a DAF, the funds no longer belong to them. Although a donor can expect a DAF to generally keep to their wishes, any social impact investment decision ultimately remains that of the DAF. Any investment will be made on the DAF's own behalf.

When a social impact investment generates a financial return, the funds will be paid into the donor's DAF account. Funds in the DAF account will never be available to the donor personally.

Myth 3: The financial promotions regime is preventing DAFs from making social impact investments

Fact: The financial promotions regime does not prevent DAFs from making social impact investments, but it has practical implications on communications for DAFs and referral partners

A financial promotion is a communication which constitutes an invitation or an inducement to engage in investment activity. The general position is that a financial promotion must either be made by an authorised person[1] or otherwise benefit from an exemption.

As explained above, DAF donors are not making social impact investments themselves. Once a donor has made a donation into a DAF, it becomes the property of that DAF. Therefore, communications with donors about social impact investments are not considered an invitation or an inducement to the donor to engage in investment activity. Generally, referral partners (authorised person or not) can provide generic materials on making social impact investments through DAFs. They can also refer donors to relevant DAFs that provide services or products related to social impact investing.

When communicating to donors about specific invitation or inducement to participate in a specific social investment, referral partners that are not authorised may run the risk of breaking rules around financial promotion. This would happen if donors who received the information decided to participate in that specific social investment using non-philanthropic funds (e.g. from personal investments).

Referral partners may practice different levels of caution to limit these risks depending on whether they are authorised persons (see p.29 – Section 4 C.2).

[1] An authorised person refers to a person authorised by the Financial Conduct Authority under Part 4 of the Financial Services and Markets Act 2000 (FSMA) to carry out regulated activities.

Myth 4: Social impact investment can only be made to charities or other regulated social sector organisations

Fact: Social impact investment can be made to different types of organisations, including companies limited by shares

DAFs can make social impact investment into different types of organisations. However, because DAFs are charities, they may be more cautious about making social impact investments into companies limited by shares (or other for-profit vehicles such as Limited Liability Partnerships). This is because of concerns around private benefit.

There are practical steps DAFs and their trustees can take to manage private benefits which might arise from making a social impact investment. These include ensuring any private benefits are necessary in the circumstances, reasonable in amount and in the interests of the charity. Find out more on p.24-25.

Barriers to social impact investment through DAFs
Big Society Capital got in touch with donors, referral partners to DAFs and DAFs to understand the barriers preventing them from making social impact investments. They told us the main barriers were:

1. Organisations believe they are too complex and they do not have the know-how to invest
2. Cost of due diligence and legal counsel
3. Lack of access to suitable social impact investment opportunities

Many of these barriers can be overcome – see the following section for details.

Myth 5: Social impact investment may result in taxable income for DAFs and donors

Fact: Neither DAFs nor donors will have to pay income and gains from social impact investment

A donation to a DAF account is treated the same whether funds are then used to make a further donation or a social impact investment. As any return generated by the social impact investment is held as charitable funds by the DAF, the donor does not receive any income as a result of the investment, taxable or otherwise.

The DAF, as a charity, benefits from the usual charity exemptions from tax on investment income provided that the funds received are applied for charitable purposes. This can include further social impact investments or donations. Each social impact investment is treated differently based on how it's classified by the DAF:

- **Programme Related Investments** are usually treated for tax purposes as applications of funds to further the purposes of the DAF rather than investments as such. The trustees must be able to show that proper consideration has been given to the investment and how it is expected to further the DAF's objects.
- **Mixed Motive Investments** will usually be treated as approved charitable investments provided that they are made for the benefit of the DAF and not to avoid tax. Trustees must be able to demonstrate that, taken together, the combination of financial return and execution of charitable objectives is sufficient for the investment to be made for the benefit of the DAF.
- **Financial Investments** similar to the above, will usually be treated as approved charitable investments.

Section 4: Step by step guide for DAFs to make social impact investments

A.

Check constitutional documents (p22)

1. Ensure there are no constitutional restrictions and the DAF has the necessary powers to make social impact investments

2. Familiarise yourself with social impact investment duties set out in CC14 and the Charities (Protection and Social Investment) Act 2016

3. Be aware of the general trustee duties in conjunction with the social impact investment duties in the 2016 Act

B.

Assess the social impact investment opportunity (p24)

1. Assess whether the investment's financial risk and return is in line with the DAF's expectations

2. Assess the investment's target social impact and outcomes and how they will be reported

3. Check the legal form of the investee and consider private benefit

4. Classify the social impact investment appropriately

5. Consider whether external advice is necessary

C.

Making the social impact investment (p27)

1. Ensure appropriate governance structure and processes are in place to make investment decision
2. Communicate the social impact investment decision to your donor(s)

D.

Post investment (p29)

1. Ensure processes are in place for ongoing monitoring and evaluation of the investments
2. Consider how to communicate ongoing performance to donors
3. Ensure processes are in place when funds - investment capital and investment return - are returned into the DAF account
4. Ensure policies and processes are in place when investments are not achieving their targeted social and financial returns

A. Check constitutional documents

1. Ensure there are no constitutional restrictions and that the DAF has the necessary powers to make social impact investment

DAFs that wish to make social impact investments should review their constitutional documents to make sure they do not stop them doing so. It is very likely that most DAFs will have general powers of investment and there will be no constitutional restrictions on making social impact investment.

Many DAFs can use existing powers in their constitutions to make social impact investments (such as the general power to apply funds to further their purpose and to make investments). If they wish, they can also use the statutory power to make social impact investments, provided that it is not restricted or excluded. The duties which apply to the exercise of the statutory power will also apply to any exercise of an express power under a DAF's own constitution.

2. Familiarise yourself with social impact investment duties set out in the Charity Commission's guidance on investment matters and the Charities (Protection and Social Investment) Act 2016

The Charity Commission's "CC14: Charities and Investment Matters" and interim guidance covering the new social investment power introduced by the Charities (Protection and Social Investment) Act 2016 provide guidance on exercising powers. The 2016 Act also sets out specific social investment duties which are discussed in more detail in the Charity Commission's guidance.

Commission Guidance: CC14 Charities and Investment Matters

CC14 guidance identifies the following types of investment:

1. Financial Investment – aim is to invest to achieve the best financial return with an appropriate level of risk.
2. Programme Related Investment (PRI) – primary aim is to use the charity's assets to further their aims in a way which has potential to produce a financial return
3. Mixed Motive Investment (MMI) – cannot be wholly justified as either a Financial Investment or a PRI but can still be justified as being in the charity's best interests overall.

[8] Technically, guarantees are also deemed to satisfy this criterion if they are not fully or partially called upon. However, social impact investments made by DAFs rarely take this form.

Charities (Protection and Social Investment Act) 2016

The 2016 Act introduced a new social impact investment power for charities, which came into force on 31 July 2016. If a proposed investment involves the provision of finance with a view to:

1. A financial return – meaning at least a partial return of capital or the repayment of capital, such as the payment of interest or some other form of financial return ; and
2. Directly advance the objects of the charity – which would include an investment which either wholly or partly advances the objects of the DAF as a charity, then the investment will be considered a social impact investment for the purposes of the 2016 Act.

The 2016 Act applies to most charities, unless the charity's purposes are set out in legislation, established by Royal Charter, or the charity's governing document restricts or excludes the statutory power. It is unlikely that a DAF's constitution will restrict or exclude the use of the statutory power. The Act requires trustees to have regard to certain specific duties when making a social impact investment. These are in addition to their general duties as a trustee.

The specific social impact investment duties for charity trustees are:

- a duty to consider taking advice
- a duty to obtain and consider any advice they conclude ought to be obtained
- a duty to satisfy themselves that it is in the interest of the charity to make the social impact investment, having regard to the benefit they expect it to achieve for the charity (by directly furthering the charity's purposes and achieving a financial return)
- duty to review any social impact investment held from time to time

3. Be aware of general trustee duties in addition to specific social impact investment duties

The 2016 Act does not override trustees' general duties (see The Essential Trustee box below). Duties specific to the social impact investment have to be taken on in addition.

There are two important points to note about these additional duties:

- The duty to consider taking advice extends to legal, financial, accounting or any other advice trustees believe appropriate depending on the kind of investment and the knowledge and experience of the trustees. Advice does not have to come from an outside professional. Staff who have the skills and knowledge required can provide that advice.

- The phrase "from time to time" does not recommend any specific time period for review and is an ongoing obligation for the length of time a social impact investment is held. Trustees can decide when the investment is reviewed, based on what they believe is reasonable and proportionate.

CC3 The Essential Trustee: what you need to know, what you need to do

Trustees have six main duties

1. Ensure your charity is carrying out its purposes for the public benefit
2. Comply with your charity's governing document and the law
3. Act in your charity's best interest
4. Ensure your charity is accountable
5. Manage your charity's resource responsibly
6. Act with reasonable care and skill

B. Assess the social impact investment opportunity

1. Assess whether the investment's financial risk and return is in line with the DAF's expectations

A DAF should assess a social impact investment opportunity as they would any financial investment. Understanding the financial return and risk is a normal requirement of any investment. Appropriate due diligence should be carried out, for example, by reviewing the business plan and financial statements, and interviewing the management team and stakeholders.

Some social impact investments may not appear attractive when judged purely on returns. However, a DAF may still consider these investments as Programme Related Investments if they are in line with the DAF's charitable objects.

2. Assess the investment's target social impact and outcomes

When considering making a social impact investment, the DAF will also need to understand the intended non-financial outcomes and social impact. Areas to look at may include target beneficiaries, theory of change and what a responsible exit from the social impact investment could look like.

This is particularly relevant if the investment is being considered as a Programme Related Investment (where the investment is wholly justified by the non-financial return) or Mixed Motive Investment (where the investment is partially justified by the non-financial return). The charity should also consider the risks of the social outcomes not being delivered, as well as financial risks.

Ultimately trustees should consider how these factors relate to the DAF's charitable objects. Decisions by the trustees should be properly recorded.

3. Check legal form of the investee

Social impact investment opportunities can range from direct investments into charities and social enterprises to indirect investments into funds that then invests in charities and social enterprises.

Social enterprises that don't have a constitutional asset-lock may cause concerns about private benefit. If they make these investments, DAFs will need to ensure the level of private benefit is necessary in the circumstances, reasonable in amount and in the interests of the DAF.

If a DAF is making social impact investment into private companies...

DAFs, as charities, may be more cautious about making social impact investments into companies limited by shares (CLS), and any other for-profit vehicles, because of concerns about private benefit. It is important to note that private benefit needs to be considered across the entire 'Spectrum of Capital' (Fig.3).

How are companies limited by shares different from regulated social sector organisations[12]?

CLS are usually designed to generate a profit for their shareholders, and so will not have constitutional restrictions on doing so. This is in contrast to charities, Community Interest Companies (CICs) and Community Benefit Societies (ComBens), which have pre-determined thresholds or restrictions on distributing profits to members.

Increasingly, there are opportunities to make social impact investments into private companies structured as CLS. They may have a social mission written into their constitutions or use tools, such as golden shares, to help lock in their social mission.

[12] Regulated social sector organisations include charities, Community Interest Companies (CICs), or Community Benefit Societies (ComBens)

How a DAF can address private benefit considerations:
When considering social impact investments into companies or funds that then invests into these companies, a DAF:

- should identify that the company's services, activities and potential beneficiaries are clearly within the DAF's charitable objects
- should ensure appropriate steps will be taken to limit any private benefit created (e.g. restrict dividend payments for a particular period)
- may wish to structure investments so that they are restricted to a specific charitable project
- may prefer to make a loan rather than an equity investment, to limit any private benefits.

Charity trustees (including those at DAFs) must generally ensure that any private benefit created from making a social impact investment is necessary in the circumstances, reasonable in amount and in the interests of the charity.

4. Classify the social impact investment opportunity appropriately

While considering how appropriate a social investment is, DAFs may find it useful to think about how it's classified (Fig.4). For example, is it a Programme Related Investment, Mixed Motive Investment or even a Financial Investment?

A DAF may classify the social impact investment based on a number of factors, such as:

- the financial risk/return profile
- intended social impact and outcome
- types of organisations receiving the investment(s)
- how aligned the investment is to the DAF's charitable objects and other relevant factors.

Fig 4: Classifications of social impact investment

Social impact investments made by DAFs are usually classified as Programme Related Investments

Programme Related Investments are investments made directly to further the charitable purposes of the investing charity. The expected level of financial return is not the reason for making the investment.

It is important to note that many charities making social impact investments have classified them as PRI. While PRI can provide a range of financial returns, investments that are expected to generate concessionary returns will usually be categorised as programme related.

Charities Aid Foundation (CAF) offers a number of social impact investments to its donors through CAF Venturesome. It offers different funds depending on an investor's appetite for risk.

Investment options range from funding high impact social organisations, to helping community land trusts create affordable homes for the community, to supporting enterprises in specific places in the UK. Donors that wish to use their philanthropic capital within their DAF accounts for social impact investment can choose which funds to invest in.

For CAF, these investments are considered a **Programme Related Investment** as they are in line with the CAF's charitable objects.

Mixed Motive Investments are investments not made wholly to further a charity's charitable purpose or to generate a return. Neither the investment return nor the social impact can justify the investment alone. Instead, it is justified by the combination of both. In practice, few charities define their social impact investments this way. Concessionary investments can be classified as mixed motive.

Financial Investments are made purely to generate a financial return. In practice, some financial investments may also generate social or environmental impact. A Programme Related Investment or Mixed Motive Investment may be reclassified as a financial investment if it stops contributing to the DAF's charitable purpose (and is justified). However, a financial investment cannot later be reclassified as a social impact investment, because the initial goal was purely commercial. Concessionary investments will not usually be classified as a financial investment.

National Philanthropic Trust in the US recently added a number of impact investments to its investment menu. They are considered financial investments that enable donors to generate both a market competitive risk adjusted financial return and social impact.

- iShares MSCI EAFE ESG Optimized ETF (ESGD)
- iShares Sustainable MSCI Global Impact (MPCT)
- iShares MSCI KLD 400 Social ETF (DSI)
- iShares MSCI ACWI Low Carbon Target ETF (CRBN)

5. Consider whether external advice is necessary

Trustees are required to:

- consider whether to get advice about the proposed social impact investment
- If so, obtain and consider any advice, and
- satisfy themselves that it is in the interests of the charity to make the social impact investment, having regard to the benefit they expect it to achieve for the charity, by directly furthering the charity's purposes and achieving a financial return

Trustees need to be confident they have the appropriate skills and knowledge to assess the social impact investment. If this expertise isn't available in-house, they may need to look outside the organisation.

C. Making the social impact investment

1. Ensure appropriate governance structures and processes are in place to make the investment decision

DAFs will need to consider whether there is sufficient oversight in place to make these investments, and how they will be monitored.

DAF trustees will be responsible for deciding whether to make the social impact investment and must comply with their duties as trustees when doing so. However, they can delegate certain tasks, like getting advice or carrying out a programme of transactions, once it has been approved.

Approving a Programme Related Investment may be treated in a similar way to grant-making. All decisions about social impact investment should be clearly and carefully recorded. Some DAFs may wish to have a separate committee advising the Board on social impact investment decisions. The committee can harness existing expertise, or bring in experts from outside the organisation.

There are no right or wrong ways of structuring these processes as each DAF will operate differently. However, it is important that trustees properly oversee the process and establish structures and processes to ensure the investment is monitored and reviewed on a regular basis, appropriate to its size and type.

2. Communicate the social impact investment decision to your donor(s)

How a DAF communicates with donors will depend on its position on social impact investment and if they:

- intend to make social impact investment opportunities available to donors, or
- only make social impact investments when asked by donors who already have specific investments in mind.

If they fall into the first category, the DAF will need to be careful when communicating opportunities to donors.

Any donor communication by a Referral Partner or a DAF about investments or proposed investments must be made via information on the DAF's activities. It must not be through an invitation or inducement to participate in investment activity, either directly or via influence over the DAF.

In particular:

- DAFs may hold events or meetings with donors to learn about social impact investment. DAFs should make it clear at the start of any meeting, and in any documents provided to donors, that they are being invited as donors and not investors.
- Any events must be appropriately presented as educational to show how social impact investment can be used as a tool to further charitable aims, and not as investment seminars or similar.
- Communications between the DAF and the donors, whether made directly or through a Referral Partner, should be made on a restrictive basis. This means donors should not pass information received about social impact investments from the DAF onto other people, and this restriction should be clearly explained in any documents provided to donors.

Referral partners, such as wealth managers and philanthropic advisers, may practice different levels of caution depending on whether they are authorised persons.

Referral partners that are authorised persons can promote specific social investment opportunities to donors as long as they follow the FCA's rules on financial promotions for authorised firms.

Referral partners that are not authorised persons can provide generic materials that don't include a specific invitation or inducement to take part in a specific social investment opportunity.

Where these materials outline a specific social investment opportunity, referral partners will need to take additional steps:

- There should be no problem if it is clear that it is the DAF, not the donor, making the investment and that the communication is purely for the donor's information.
- However, where it is not clear whether the donor intends to invest directly or via the DAF, be careful. There is the risk of making a financial promotion to a donor that ultimately invests directly.
- Where there is any doubt, it is good practice for documents to make clear, through specific wording, that they are for information only. It should also be clear that they are made available on the basis that any investment will only be made through the DAF and not directly by the donor.

CASE STUDY:

Mr Ronald Sheldon

Ron is the former Managing Director of Advent International, an international private equity firm. He is involved in social investment through a number of roles, including the Chairman of Big Issue Invest's Social Enterprise Investment Fund Investment Committee. He has been making social investments through his DAF account for eight years.

What was your motivation for setting up a DAF account?
I set up my DAF account with Charities Trust specifically to make social investment. At that time, I was helping Big Issue Invest on its Social Enterprise Investment Fund. We looked into DAF as an effective vehicle to attract donors to make an investment using their philanthropic capital.

What was your motivation for making social investments?
As I was making small philanthropic grants to various organisations, I began to really identify with social enterprises. I was attracted by the idea of social investment and thought of it as an excellent vehicle to recycle capital effectively. My motivation is never about having a personal gain, but hopefully the growing capital contributes to greater social impact.

What type of social investments have you made so far using your DAF account?
Through my DAF account, I have invested in two of Big Issue Invest's funds. I like investing in fund structures.

> It is key to make sure proper quality due diligence is undertaken prior to making any investments, the funds' dedicated and experienced teams can help me do that.

How has this experience changed your overall approach to philanthropy and impact?
I plan to invest a certain percentage of my wealth into social investment. Since social investment is never going to be a significant portion of my investment portfolios, I don't need to have a target financial return and see it more as philanthropic capital.

What would make it easier for donors like you to make social investment via DAFs?
Social investment is still a nascent concept for many donors, they will benefit from a knowledgeable DAF manager to present profiles of suitable social impact fund managers and assist investors to assess risks of opportunities coherently.

> For DAFs who are offering this option for donors, it is important to have in place a process for monitoring financial and social returns, putting in place a charging mechanism for this type of service, and developing a communications strategy to inform donors of performance.

D. Post investment

1.Ensure processes are in place for ongoing monitoring and evaluation of the investments

Before making the investment, DAFs should consider what happens after.

DAFs will already have processes in place to monitor financial investments, and may also monitor grants they have made. Social impact investment is no different and clear ongoing monitoring and evaluation should be in place.

In practice, ongoing evaluation of social impact investments might be different from ordinary financial investments because they are more likely to be illiquid investments, direct and possibly not as easy to value. In fact, they may have more in common with the way grants are monitored. It is the trustees' duty to ensure clear and appropriate processes are in place.

2. Consider how to communicate ongoing performance to donors

DAFs should consider how they will communicate the ongoing impact and financial progress of the social impact investment. While communicating ongoing performance is not required by law or regulators, it is often highly valued by donors.

Donors that have initiated the social impact investment themselves via the DAF may have a direct relationship with the investee or the social impact investment manager. Communications may be in the form of regular financial and impact reporting. Or it may involve face to face meetings if it was a substantial financial investment or the donor provided non-financial support (e.g. mentoring, general advice or an advisory role).

DAFs may also consider providing specific update communications on social impact and financial progress of the social impact investment. Some will hold events where donors have the opportunity to meet the social entrepreneurs and people that have benefited from the social impact investment.

As set out above, the potential regulatory implications of ongoing communications, including but not limited to the financial promotion regime, must be borne in mind.

3. Ensure processes are in place when funds – investment capital and investment return – are returned into the DAF account

Most donors set up DAF accounts to make grants to charities and do not expect money to come back into the accounts.

DAFs will need to ensure there are processes in place for when this happens. As these funds have already been donated to the DAF, the investment return will never go back to the donor for personal use. However, it is likely that investment capital and additional return will come back to the DAF.

DAFs will need to have processes in place to ensure the money can be credited back to the donor's account where it can be used for further social impact investment or for grant-making.

4. Ensure policies and processes are in place when investments are not achieving their targeted social and financial returns

When social impact investments do not achieve their social and financial returns, DAFs will need to have a clear policy and process on how they would respond, manage, report and communicate the situation. A DAF may take further actions to maximise the amount of investment capital to be returned and/or minimise the risk to beneficiaries. The type and level of actions (if any) depend on the nature of the failure, causes of failure, the beneficiary groups involved and the likely impact of a failed investment on them.

Sometimes, DAFs may be comfortable with social impact investments that do not achieve their targeted social and financial returns – especially when investing in experimental approaches or innovative solutions to challenging problems. It is important DAFs understand the risks involved when making these kinds of investment.

Like any financial investments, social impact investment may also fail to live up to initial expectations. It is important for a DAF to monitor social and financial returns carefully so that it can take action where necessary.

CASE STUDY:

Ms Alison C

Alison has been making social investments for over five years. Recently, she has set up a DAF account to make more social investments to support charities and social enterprises in the UK.

What was your motivation for setting up a DAF account?
I set up a DAF account in early 2017. It is set up as a mechanism to contribute to the Charities Aid Foundation (CAF) Development Fund.

What was your motivation for making social investments?
Through my life, I have been making small donations to many charitable causes. Around five years ago, I started to make social investments in the form of microloans through platforms set up by KIVA and CARE International UK (Lend with Care). I see it as a part of my philanthropic activities, rather than my investment portfolio.

> I believe giving people a hand up is better than just donating.

These platforms provide a way forward for individuals and small businesses in developing countries by connecting them with training, local connections and access to finance.

Recently, I have been looking at opportunities to make similar social investments to what I have done via KIVA and Lend with Care but closer to home. I did my own research and came across CAF's website and its Development Fund.

How would you describe your experiences so far?

> Being able to recycle my money is a wonderful thing.

My initial investment of £2,500 has provided 98 loans to more than 500 individuals and small businesses through the Lend with Care platform over the past five years. After the loans get repaid, I can relend to more people.

I have only set up my DAF account for less than six months, so it is still in the early days. I appreciate CAF's track record and their thorough due diligence on charities and social enterprise.

What would make it easier for more donors to explore using DAF to make social investment? How can we create a more supportive environment for donors like you?
I plan to invest a certain percentage of my wealth into social investment. Since social investment is never going to be a significant portion of my investment portfolios, I don't need to have a target financial return and see it more as philanthropic capital.

What would make it easier for donors like you to make social investment via DAFs?

> Size of investment is still a barrier for more donors to make social investment, as many opportunities have a high minimum investment amount.

I think more donors will use part of their donation funds for social investment in this way if they can more easily find opportunities online or via social media.

Glossary

Asset lock This is a legal clause that prevents assets of an organisation being used for private gain rather than stated purposes of the organisation.

Authorised Person This relates to a Financial Conduct Authority Authorised Person who has permissions to carry out one or more regulated activities. In the context of this guide, it is related to the financial promotions regime.

Charitable assets A charity's assets and resources, in particular cash, investments and properties.

Charities Organisations that are established for a charitable purpose. In England and Wales, the Charities Act 2011 provides a list of charitable purposes.

Concessionary return Sub-market financial return you might expect to get for making certain social impact investment.

Contributions What donors donate to their Donor Advised Fund accounts. These can be cash, or existing investments held by an individual.

Donor Advised Fund (DAF) A charity that makes investment and grants. Donors provide the assets (donated to the DAF as an irrevocable charitable contribution) and advise where donated funds should be directed. Note that once funds have been donated to the DAF, they are legally the property of the DAF. In practice, these funds are donated on the assumption that the DAF will follow the recommendations of the donor provided they are within the charity's rules.

Donor Advised Fund accounts A DAF account that is set up within the DAF. DAFs often allow donors to set up an account with a specific name, like setting up a bank account. However, the important difference is a DAF account is an irrevocable contribution and becomes a charitable asset. All balances will be granted to charitable organisations.

Financial investments (FI) This relates to funds that belongs to a charity that are not needed in the short to medium term and are invested in a fund or managed for investment return. Some social impact investment may be categorised as financial investments.

Financial promotions An invitation or inducement to engage in investment activity that is communicated in the course of business.

Gift Aid Scheme (in relation to UK tax-payers) Donors and charities can reclaim taxes the donor paid to HMRC. It is activated when a donor makes a new cash donation to a charity and has paid enough UK income and/or capital gains tax in each tax year to cover the amount of tax that charities claim on their behalf for that tax year. Higher rate or additional rate donors are eligible to claim the difference between their tax rate and the basic tax rate (20%) on the gross donation.

Golden share This is a share that can out-vote other shares in specified circumstances. Historically used by Governments during privatisations of public entities to ensure national interest was still protected. It is increasingly being considered by enterprises with a social mission as they are growing and expanding to ensure they can stay true to their social mission.

Grants/grant-making Charities such as DAFs make grants to charities or other non-profit organisations. In the context of DAFs, donors can usually recommend where grants go, provided the organisations recommended are qualified charitable organisations and the donor receives nothing in return for donation. In the context of social impact investment, the DAF and some donors may view these investments as repayable grants.

Market or competitive risk adjusted financial return Financial return you would expect to make within the context of non-social impact investment and what you might reasonably expect to return for the risk you are taking.

Mixed Motive Investments (MMI) Where an investment cannot be wholly justified as either a FI or a PRI, it could be categorised as a MMI. Trustees would need to consider the justification for making the MMI, the suitability of a MMI for the charity, the need to take professional advice and any matters related to private benefit.

Non-Profit Organisation or Non Profit An organisation that is not a business entity that has been formed to pursue a common not for profit goal, usually involving a profit lock to ensure excess revenue is not distributed to its members. These organisations will often have charitable status.

Programme Related Investments (PRI) These use a charity's assets directly to further its aims in a way that may also produce some financial return for the charity. It is different from Financial Investment in that the justification for making a PRI is to further a charity's aims. Many social impact investments are categorised as PRI, especially if the investment is expected to produce sub-market or concessionary financial returns.

Private benefit In the context of a DAF (which is a charity) making social impact investments into organisations that may be companies that seek to make a profit and distribute that to its shareholders. As a charity, a DAF and their trustees should manage any private benefits which might arise from making a social impact investment to ensure that any private benefits are necessary in the circumstances, reasonable in amount and in the interests of the charity.

Regulated social sector organisations A broad term that encompasses organisations that have a defined and social purpose. In the UK, it usually means charities, community interest companies, community benefit societies etc.

Social enterprises A broad term that encompasses organisations that have a defined and social purpose.

Social impact investment Investments made into companies, organisations and funds with the intention to generate social impact alongside a financial return which could be risk adjusted or concessionary.

Voluntary, Community and Social Enterprises (VCSEs) Third sector or civil society organisations. A term that is commonly used in the United Kingdom.

HCT Group

London Early Years Foundation