



ECCOScience e.V.
exploring impact investing

Exploring Impact Investing

Presentation on ECCOScience e.V.



Agenda

- What is Impact Investing?
- Why Impact Investing? Why a new science association?
- The Challenge
- What is ECCOScience about? – Framework and Research
- Founders – Who are we?
- ECCOScience Profile



What is Impact Investing?

- Impact investments are investments made into companies, organizations, and funds with the intention to generate social and environmental impact alongside a financial return. They can be made in both emerging and developed markets, and across asset classes, including bonds, listed shares, and private equity. *

- Stages of Impact Investing:



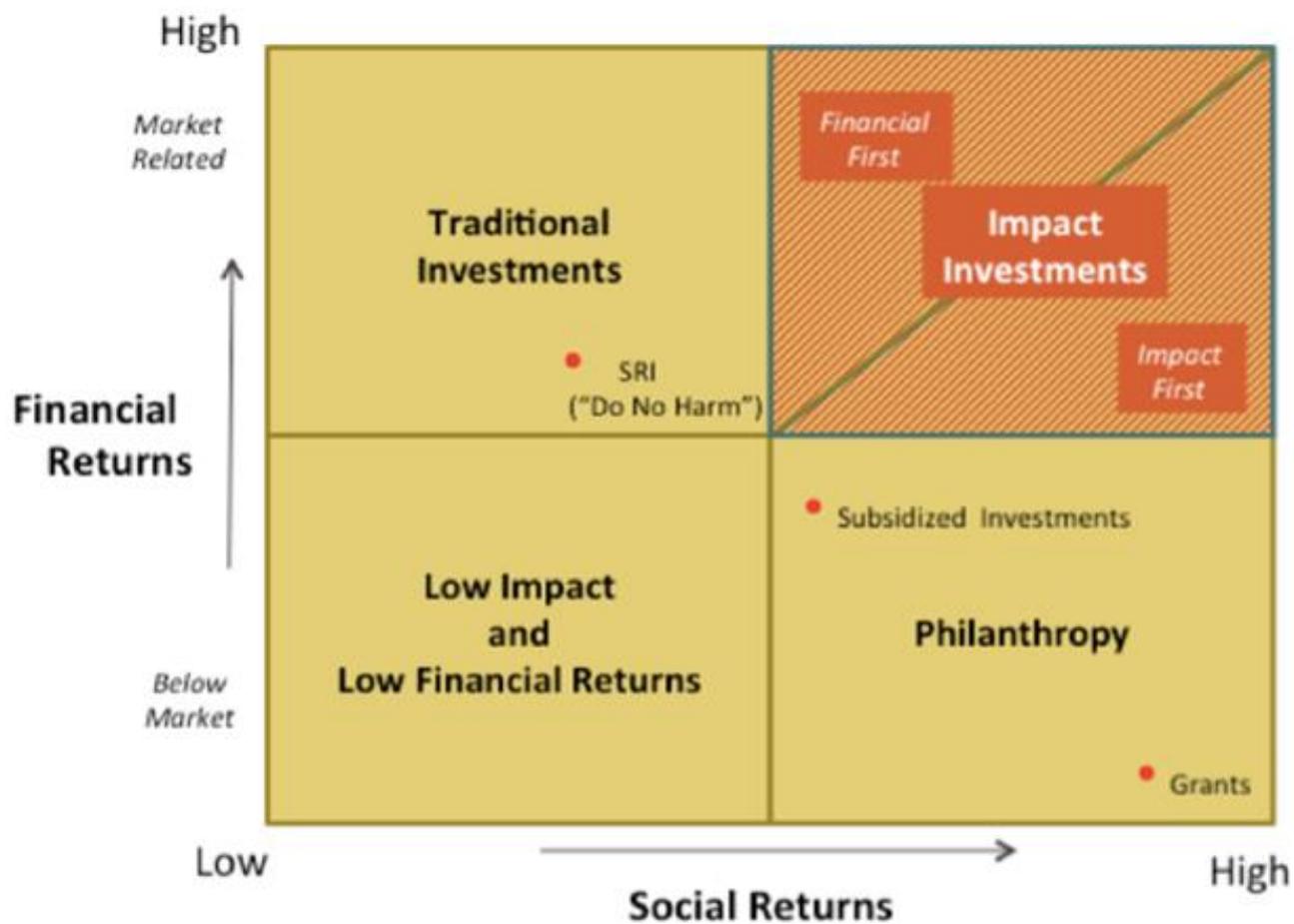
- The assumption that there's an inevitable trade-off between financial return and positive social or environmental impact no longer holds.**

*GIIN. (2017). <https://thegiin.org/>

** WEF. (2013). *From the Margins to the Mainstream*



The Impact Investing Spectrum*

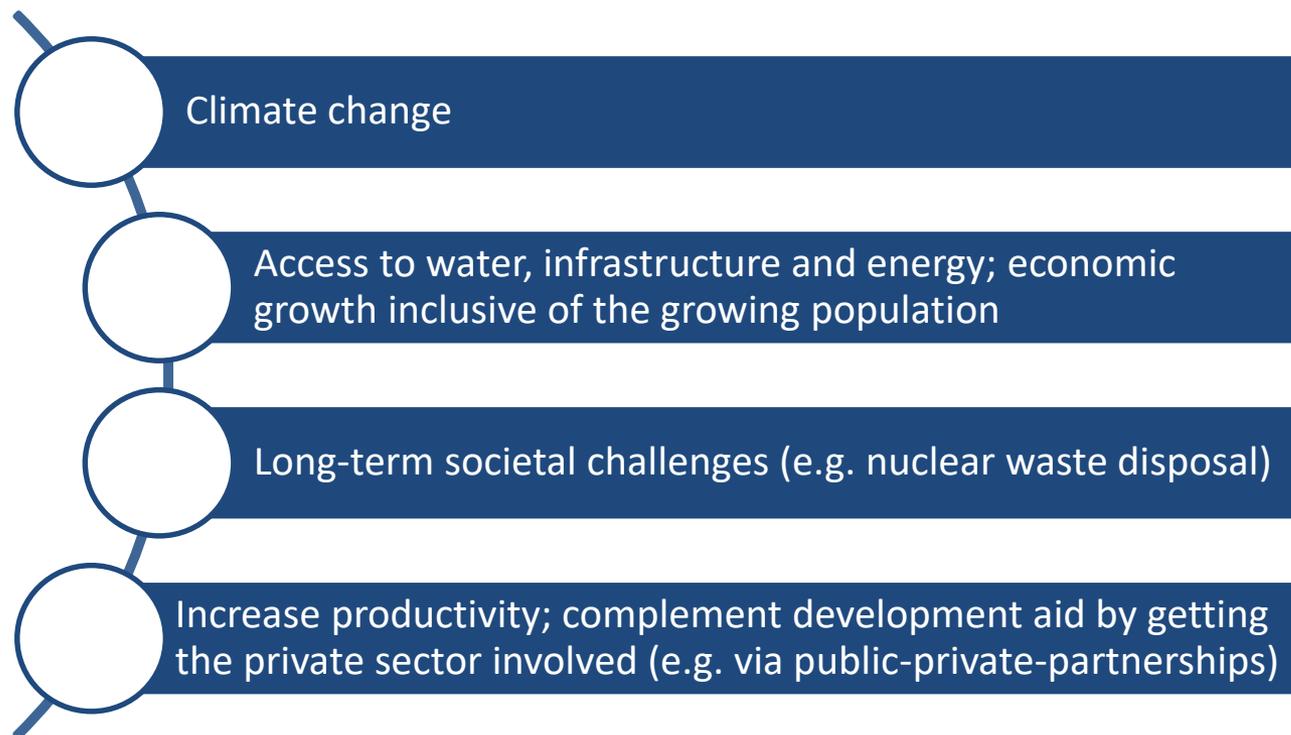


*Image source: Impact Engine



Why Impact Investing?

The modern world is facing numerous challenges that companies can help solve:



Impact Investing represents a way to address the problems of the 21st century.



Global Cooperation

Milestone agreements in 2015: The 2030 Sustainable Development Agenda, the Addis Ababa Action Agenda, and the Paris Agreement on Climate Change.





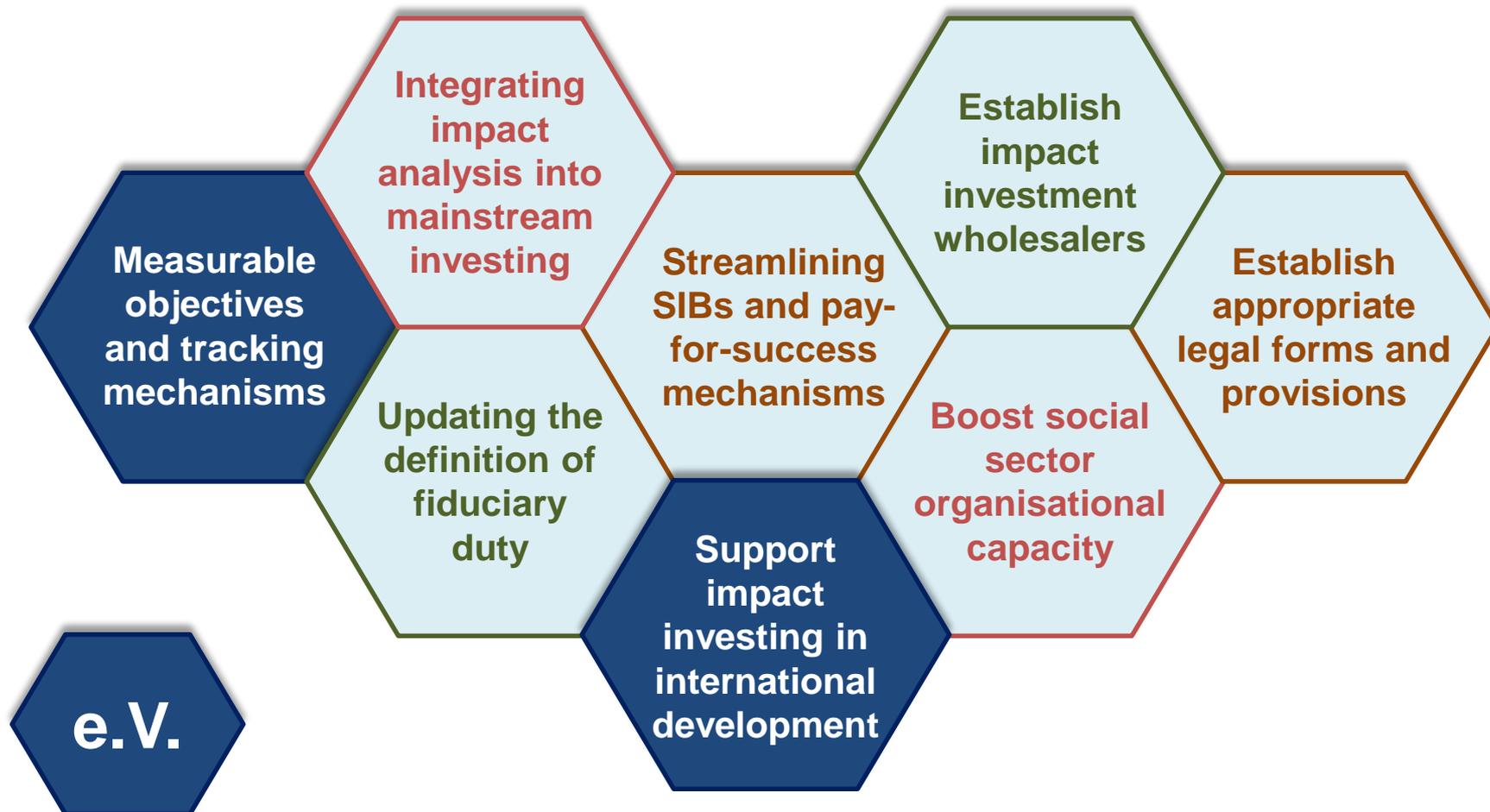
Why a new science association for Impact Investing?

- As of now, little academic research has been conducted on the long-term viability and results of Impact Investing. Our current understanding of Impact Investing is essentially based on the findings of practitioners and proponents of Impact Investing.
- Meanwhile, the field of Impact Investing is still nascent and fragmented, making it difficult to make informed investment decisions.

ECCOScience e.V. aims to help fill this gap in both theoretical and empirical research, thus forming the necessary bridge between theory and practice.



Suggestions from the G8 Taskforce on Impact Investing (2014)





Market size

Market estimates vary depending on definitions and criteria

Source	Market size estimate
Monitor Institute (2009)	US\$ 500 billion by 2020
JP Morgan & Rockefeller Foundation (2010)	US\$ 400 billion – 1 trillion by 2020
Calvert Foundation (2012)	US\$ 650 billion by 2020
World Economic Forum (2013)	US\$ 15-28 billion as of 2013
Global Impact Investing Network (GIIN) membership survey (2016)	US\$ 77.4 billion of impact investing assets managed by GIIN members as of 2015



Market size

- To reach the US\$ 500 billion expectation by 2020, the impact investing market should grow at a 45% annual rate.
- For comparison: on average, SRI in the U.S. grew by 11% per year between 1995 and 2012 (US SIF 2012).

“Impact investing is currently growing linearly. In order for it to grow exponentially, we need to find a way to incorporate mainstream investors into the mix.”

Randall Kempner, Executive Director, Aspen Network of Development
Entrepreneurs, Aspen Institute, USA (WEF 2013)



What is ECCOScience about?

ECCOScience e.V. aims to develop a true and fair view of Impact Investing, both in its financial and socio-environmental impact aspects. In the current models (Capital Asset Pricing Model (CAPM) and Fama French Model), financial risk is only described as a function of volatility and financial return. ECCOScience e.V. develops a more robust, integrated, marketable, and implementable model for II. The framework, similar to the Equator Principles, aims to produce an international consensus on the term "Impact Investing" that would be applicable globally:

ECCOScience e.V.

Comparison
of existing
concepts

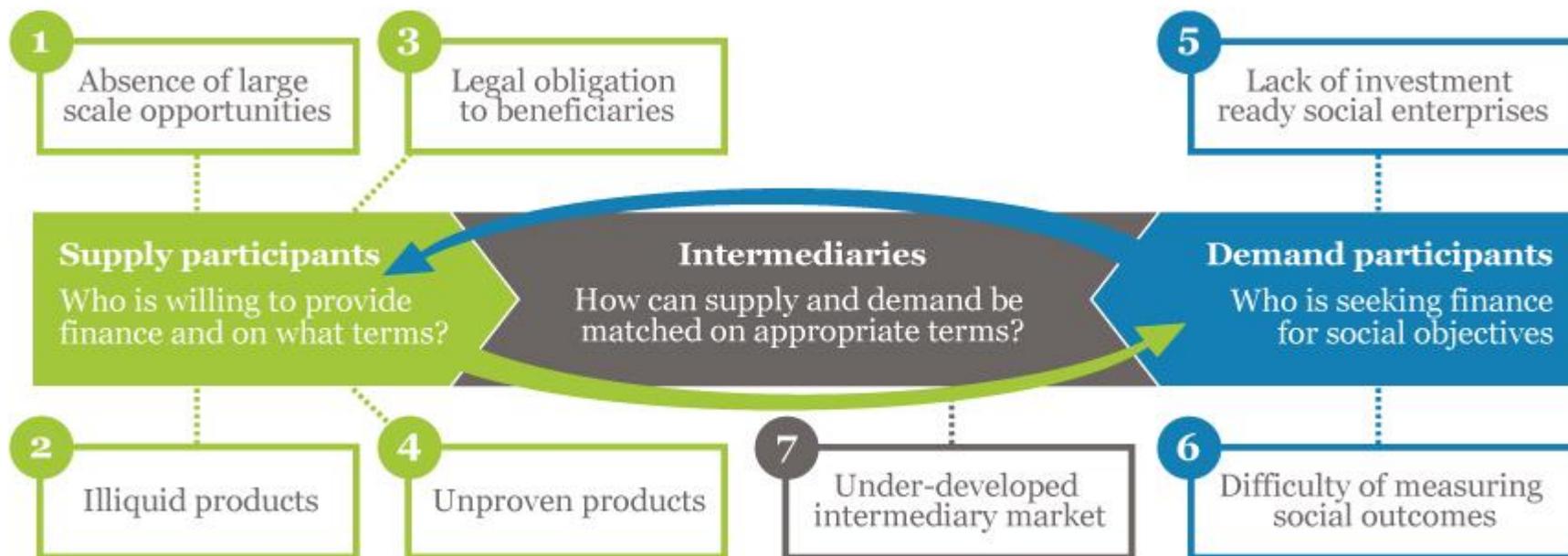
Description of
model and its
components

Guidelines for
measuring impact

Independent Impact Investing Theory



Bulding Block: The Challenge



Under-developed Impact investing ecosystem means that challenges faced by investors, intermediaries and entrepreneurs are compounded. With COP21/22 a Tipping Point is reached, and fast future development expected.



Building Block: Theory of Change

Theory of Change (ToC) is a comprehensive description and illustration of why and how a certain change is expected to take place.

Defining goals

What would success look like?

“Backcasting”

Identifying all the conditions required to get from here to there?

Mapping

Creating a visual pathway that can be used for strategy.

Strategy

Identifying necessary steps and developing indicators to measure success.

ECCOScience e.V. develops scientifically based ToCs with proven efficiency that can be used in making investment decisions.



Building Block: Investment Themes

Renewables

Energy efficiency and distribution

Mass transit and public transport

Waste and pollution control

Low carbon buildings

Agriculture

Land regeneration

Water and wetland management

Fisheries and aquaculture

Forest management

Sustainable manufacturing

Pharmaceuticals and biotech

Enabling technologies

Electric vehicles

Smart cities

Financial services

Community development

Education and Health

Poverty alleviation

and more...



What is ECCOScience about?

Specific fields of research are:

1. Determining/developing market potential; policy (COP21, 22).
2. Developing alternatives to ESG assessment (cf. Future Fit Benchmark or True Value Matrix of the 3D Foundation; Social Stock Exchange Benchmark).
3. Impact forecasting and evaluation.
 - Risk of creating no or undesired impact (extra-financial risks).
 - Ex-ante evaluation of extra-financial risks.
 - Identifying impact types/clusters and prioritization.
 - Theories of Change.
 - Methodology for modeling impact interactions and trade-offs.
4. Extend existing models.
 - Measuring risk, return, AND impact; internalization of external effects (true/fair value).
 - Monetization of goodwill (currently when switching from primary to secondary markets).



Impact Investing Research Themes

INVESTOR PERSPECTIVE

Portfolio strategies
Risk and return analysis
Secondary markets
Measuring impact

INVESTEES PERSPECTIVE

Social entrepreneurship
Provision of public goods
Investor relations
Impact reporting

ECOSYSTEM PERSPECTIVE

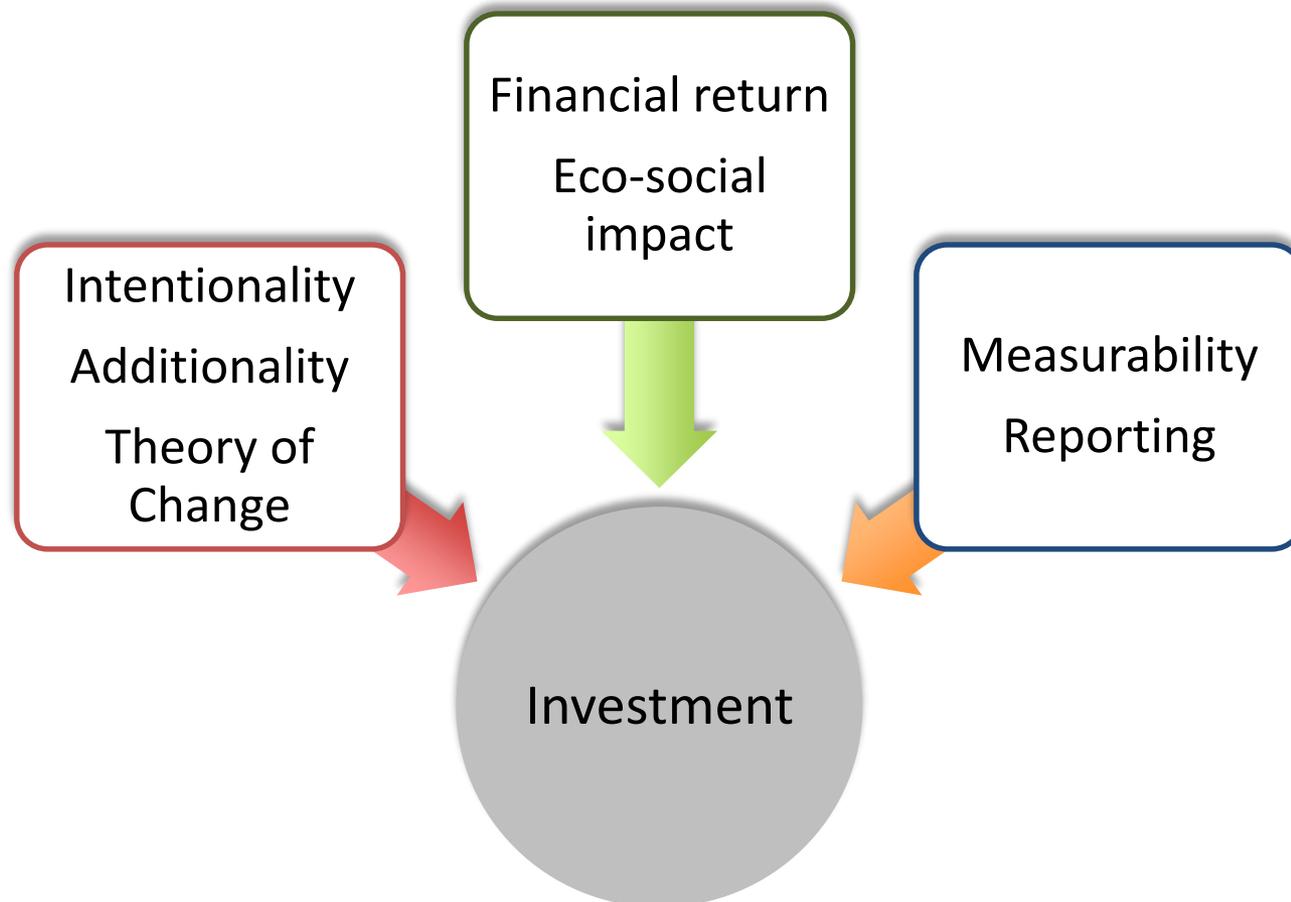
Capacity building
Market development
Network-building
Policy support

CASE STUDIES

Country/region
Sector/industry
Investor/enterprise
Asset type



What makes a good Impact Investment?





Market potential – COP 21, COP 22

Spurring low carbon climate resilient growth and avoiding the lock in costs of high carbon systems requires redirection of investment flows to green finance, green infrastructure and green energy (ESRCCC 2015). US\$ 90 trillion have to be invested in new green infrastructure until 2030 (IPCC 2015), i.e. US\$ 5-6 trillion p.a.

According to International Energy Agency (IEA), green investment need is US\$ 3-4 trillion stretched over 35 years (IEA 2015), including transitioning to Green Energy & Infrastructure, Resource Efficiency, Innovation in Automotive, Aircraft, Shipping, complemented by Clean Supply Chains and Green Agriculture (IIGC2015).



Investment opportunity



Opportunity! – Better Growth, Better Climate

- Following COP 21 (Paris) / COP 22 (Marrakech), global infrastructure investment must nearly all be green from now on (Pfeiffer et al, 2016).
- Infrastructure is central to COP21/22 and SDG and spurring growth.
- Expected Future emissions of existing power plants alone will take us over 2°C with 50% probability (Pfeiffer et al. 2016).
- To go CO2 negative we need Reforestation, Rehabilitation, Capture in Soil and CCS.
- All four Impact Investing Quadrants contribute to this new paradigm.

Investment opportunity



Who are we...



Dr. Margarethe Rammerstorfer has been a professor and researcher for more than 10 years, focusing on incomplete markets, energy finance and alternative investments sector, developing new ideas with the aim of implementing them in practice. Her teaching portfolio includes courses on Bachelor, Master, PhD and MBA levels.

Dr. Rammerstorfer has published numerous scientific articles in the field of energy finance and incomplete markets, ranging from empirical tests of theoretical models to real-world financial performance assessments.

In addition to her teaching responsibilities and research activities at the Vienna University of Economics and Business, she has an active role in the university's self-administration and is responsible for developing new as well as adapting existing study plans and strategies. In her former position at Modul University Vienna, she was responsible for the International Management program and worked as a Department Head at the same institute.



Who are we...



Karen Wendt is the editor of the Sustainable Finance Series with Springer Science and Business Media, a series dealing with new concepts in Economy, Investment, Finance, Strategy, Management, Leadership, Exponential Tech, Behavioral Finance allowing the economy and business to merge profit and purpose with the Paris Climate Agreement, Sustainable Development Goals and Choice Architecture by Application of Theories of Change.

Being an investment banker with more than 20 years experience Karen is the also the editor of Bestseller Responsible Investment Banking and an expert in the management of environmental and social risks, sustainable finance and positive impact investing. In 2003, she was instrumental in the development of the Equator Principles the risk management gold standard in Investment, which she implemented in two top tier financial institutions, putting preaching into practice and applying robust change management procedures. Karen is keynote speaker, advisor and leadership coach.



ECCOScience e.V. Profile

ECCOScience e.V. implements research projects on Innovation and Sustainable Development Goals, Paris Climate Agreement and "Impact Investing" on behalf of academia, multilaterals, companies and institutions. ECCOScience e.V. was founded in November 2016 by Prof. Dr. Margarethe Rammerstorfer and Prof. Karen Wendt as a non-profit organization. Through its founders, ECCOScience e.V. provides a direct link to professional networks in Vienna and Munich.

In its research projects, the association primarily focuses on SDG Economics and COP 21 implementation through innovation as well as supporting investors and financial intermediaries, companies with (indirect) access to capital markets, as well as international organizations and institutions. ECCOScience e.V. provides research on development of sustainable (triple bottom line investing), SDG Economics and application of theories of change ("positive impact investing"); Research of the construction of sustainable value chains in all areas of the economy and creation of an advanced portfolio engineering approach; The promotion of sustainable values in social life through research projects and stakeholder dialogues.

ECCOScience e.V.

impact investing

benefits
to society



benefits to
environment

financial performance

Responsible Investment > Sustainable Investment > Thematic Investment > Impact first





Impact Investing Ecosystem

Investors, social entrepreneurs, policy-makers, research institutions, etc.
(Ergänzen: (SIIA, TBLO, Roots of Impact, Swiss Foundation, EBRD, EIB))



and many more...



Publications

- **Karen Wendt (10/2015): „Will there be such a ‘Think’ as Responsible Investment Banking one day?“** Journal: The World Financial Review, www.worldfinancialreview.com/?p=4493
- **Karen Wendt, Ed. (2015): „Responsible Investment Banking - Risk Management Frameworks, Sustainable Financial Innovation and Softlaw Standards“** Publisher: Springer International Publishing, www.springer.com/us/book/9783319103105
- **Karen Wendt (2015): „Opportunities Through Positive Impact Investing and Finance Embedded in Banking Value Chains“** in Michael D’Heur (Ed.): „Sustainable Value Chain Management – Delivering Sustainability Through the Core Business“ Publisher: Springer International Publishing, link.springer.com/chapter/10.1007/978-3-319-12142-0_9#page-1
- **Karen Wendt, Ed. (10/2015): „CSR und Investment Banking“** Publisher: Springer Gabler, www.springer.com/us/book/9783662437087
- **Karen Wendt (2015): „Reform der Bankkultur von Innen – Brücke zwischen Positive Impact und Vertrauen“** in Andreas Schneider, René Schmidpeter (Ed.): „Corporate Social Responsibility“ Publisher: Springer Gabler, link.springer.com/chapter/10.1007/978-3-662-43483-3_64#page-1
- **Karen Wendt (2015): „Positive Impact Investing – was bringt das?“** in SCIAM Fachmedien GmbH. & Co KG: „Magazin für Qualitätsmanagement und Integrierte Managementsysteme“
- **Karen Wendt (2016): „Die Rolle des Qualitäts- und Changemanagers erläutert am Beispiel der Einführung der Äquatorprinzipien im internationalen Bankgeschäft“** in Brunhilde Schram, René Schmidpeter (Ed.): „Verknüpfung des Themengebietes CSR und Organisationsentwicklung“ Publisher: Springer Gabler, www.springer.com/de/book/9783662476994#aboutAuthors
- **Karen Wendt (2016): „Nachhaltiger Investieren durch Integrierte Ratings: Königsweg oder Utopie?“** in H. Kopp (Ed.): „CSR und Finanzratings: Nachhaltige Finanzwirtschaft: Rating statt Raten!“ Publisher: Springer Gabler, www.springer.com/de/book/9783662474600



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