BIG SOCIETY CAPITAL

Understanding enterprise-level impact: Enterprise resilience and impact growth

By Gabriel Ng & Philipp Essl

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About Big Society Capital

Big Society Capital exists to improve the lives of people in the UK through social impact investing.

We unite ideas, expertise and capital to create investment solutions for the UK's social challenges, supporting organisations that deliver both positive social impact and sustainable financial returns. So far, we have helped channel more than £2.5 billion* into investments tackling a wide range of problems such as homelessness, mental ill health and childhood obesity.

To widen access to social impact investing, we have partnered with Schroders, a global asset and wealth manager, to launch the listed Schroder BSC Social Impact Trust plc. As the portfolio manager, we provide investors with high impact investments that contribute to solutions to social challenges alongside targeting long-term capital growth and income.

Further information about Big Society Capital can be found at www.bigsocietycapital.com.

*As at end December 2021

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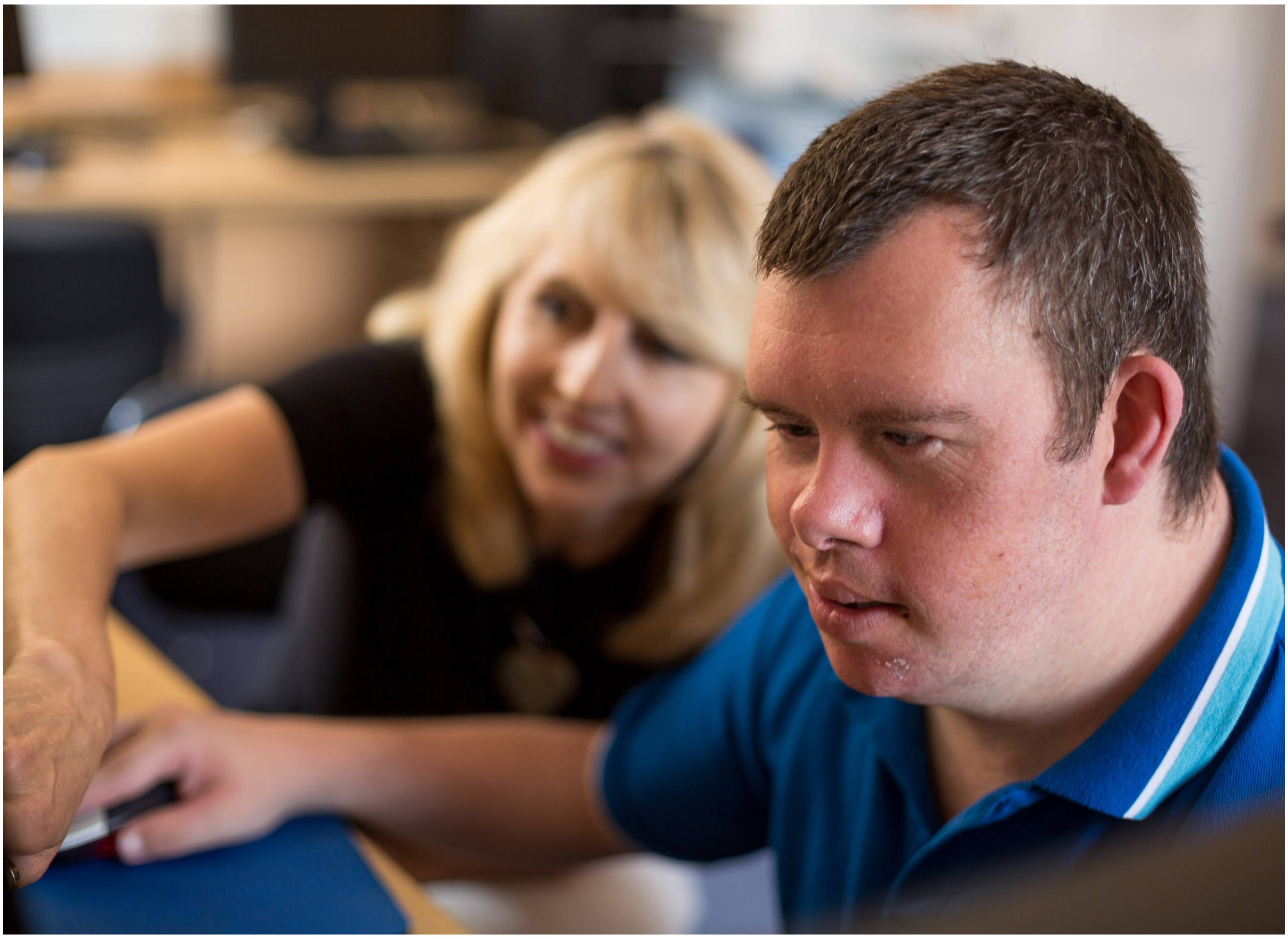
All mistakes remain the authors' own. For more information about our enterprise-level impact work or to provide feedback, please reach out to gng@bigsocietycapital.com or pessl@bigsocietycapital.com.



Executive summary

This report summarises Big Society Capital's development of an 'enterprise-level impact' framework and the lessons we have drawn from the process of testing it. Enterprise-level impact refers to the impact that investors have on frontline social enterprise and charities that receive their investment.

The aim of the report is to contribute to an evolving sector-wide discourse on the impact investors have on the resilience and impact growth of social enterprises and charities that receive their investment. We hope that a better understanding of such enterprise-level impact will help drive investment decisions and impact practices that ultimately result in stronger organisations, delivering more impact for people.

Developing a new framework

Enterprise-level impact is a vital link in the chain between investment and impact for people and one that is often overlooked. It is a crucial part of Big Society Capital's theory of change, which ultimately aims to improve the lives of people, but which is principally achieved through stronger intermediaries and enterprises. Our framework considers the key steps in this logical model. Firstly, it focuses on why organisations take on investment (purpose) and how they use the proceeds. Secondly, it then seeks to understand how this investment leads to two types of enterprise-level impacts: organisational resilience and growth.

A supplement, not a substitute for impact for people

The primary goal of Big Society Capital and the wider social investment sector continues to be on improving the lives of people. In that context, it is vital for us to understand enterprise-level impact as a thriving social sector is necessary; however, it does not detract from our collective responsibility to continue to improve the way we measure and manage impact for people.

Testing our enterprise-level impact framework

As part of our development process, we carried out a pilot with the participation of five social lending funds to test how we would operationalise our enterprise-level impact framework. We collected data on the use of proceeds and the purpose of investment of their loans, financial and impact information of the underlying borrowers, and self-reported resilience and growth survey data from the borrowers.

We found that:

- The taxonomies provided a clear, standardised categorisation which could be applied to a wide variety of loans, producing descriptive data that could be aggregated at a portfolio level, allowing us to draw quick insights. However, the real power of this descriptive data comes when overlaying the data with other datasets, such as whether an investment defaulted. Finally, having quantifiable data can help validate (or contradict) a fund manager's instinct (such as whether certain loans are inherently riskier), and allow them to adjust appropriately
- Our four key financial metrics (total assets, net assets, revenue, net income) at borrower-level provided a useful portfolio-level overview of a generally positive trend and, particularly when combined with other datasets, shed light on overall changes in resilience and growth
- On average enterprises reported strong resilience and impact growth and attributed these changes to the investment. However, a lack of correlation with financial metrics raised concerns about the validity of the results

Reflections & next steps

Our most important lesson was that a bottom-up approach working with stakeholders ensured partners found value in the framework and kept engagement levels high. We consistently heard from fund managers that our enterprise-level impact framework provided an articulation for the important impact that they were having on their investees - something they had known for a long time but had not always presented consistently. Also, they told us that the framework delivered value to them that we did not predict, for example, in communications to potential investees.

We are at the beginning of our journey. We found plenty of challenges while testing our framework, for example around attribution and on the quality and reliability of data. Whilst there remains plenty of work to operationalise and derive value from the enterprise-level impact framework, we believe it provides a platform for further projects to drive deeper insights. Combining enterprise-level data with other datasets has the potential to provide the sector with more nuanced analysis that can drive better impact and investment decision-making.

We are therefore excited to continue building on this initial work. The lessons we have drawn from our pilot will inform how we look to improve and roll-out the framework in our own portfolio, and as we collect more data, there will undoubtedly be more lessons we look forward to sharing. Nevertheless, we know that there will be challenges to our ambition to creating an impact-focussed, proportionate approach to enterprise-level impact that delivers value to the wider sector. As such, given that our work to date has been a collaborative project with our partners and we see a high degree of alignment between this work and the thinking and research done by other sector stakeholders, we invite interested readers to engage with us as we consider the best way to implement and take our framework forward.

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1.

Introduction

Why enterprise-level impact matters

Impact investors allocate capital to social enterprises and charities to ultimately improve the lives of people. Traditionally, impact management and measurement has focussed on tracking this improvement for people; the impact that investors have on the organisations that receive funding is less explored. This report sets out the development of Big Society Capital's framework to better understand 'enterprise-level impact' as a supplement to our primary focus on impact for people. It also details the findings from a pilot run by Big Society Capital to build a measurement methodology for enterprise-level impact, as well as our reflections on lessons learnt from the pilot.

Enterprise-level impact is critical to Big Society Capital's theory of change. A framework to measure and manage enterprise-level impact allows us and our partners to manage this key part of our thesis. Our hope is that this framework can unlock further, and more meaningful, quantitative analysis of our investments, ultimately driving better decision-making[1].

It is worth emphasising that enterprise-level impact should not be seen as a substitute for existing frameworks to manage and measure impact for people. Enterprise-level impact is intended as a supplement – to validate a vital link in the chain between investment and people. Embedding enterprise-level impact within our work is becoming increasingly important to us and certain other sector players. However, the articulation, and maximisation, of impact for people continues to be the overarching concern of most impact investors and other funders. We will continue to invest in intermediaries who have strong impact practices and who we believe are able to demonstrate to investors the positive impact to which they are contributing for individuals in the UK.

Our aim for this report is to contribute to creating a shared understanding of the impact on organisations receiving social investment. This might help lay the foundation for a shared piece of infrastructure (potentially including resources, aggregate data, and benchmarks) for the wider sector. This in turn will allow us to collectively better understand current practice and performance within our sector and over time surface insights to help the social investment market allocate capital in the most impactful and effective way. With this in mind, we hope that all those in the sector who are also thinking about this topic will engage with us as we consider the best way to implement and take our framework forward.

[1]Besides practical considerations, there is also a philosophical reason to strive for enterprise-level impact. A strong social sector is a moral good in itself, and is necessary for a just society. The charitable sector generates positive externalities, delivering many other benefits to society beyond its impact for direct recipients.

2.

Our enterprise-level impact framework

Resilience & growth

Our framework focuses on two specific types of enterprise-level impact: resilience and impact growth. Both concepts are closely interrelated, with many of the same drivers, but it is helpful to maintain a distinction between them. There are social enterprises that take on investment without aiming to grow, or where that growth will be inherently limited – perhaps because they have a local focus. Clearly there are many other impacts that occur in an organisation as a result of investment, some of which may be just as or even more important. However, we choose resilience and impact growth because of the close link we believe social investment has to them, and their close link with the ultimate impact for people that is delivered.

Impact growth: an increase in "impact-generating activities"

We define "impact-generating activities" as the activities and outputs that capture the essence of how the enterprise intends to deliver impact for people. For example, for an affordable credit provider, it is the number of low-cost loans it provides or for an employment charity, it is the percentage rate of successful work placements.

Traditionally, organisational growth is viewed through a financial or operational lens (e.g. revenue or EBITDA growth). However, there are many impact models where such growth is not correlated with impact, such as where a social enterprise is cross-subsidising service delivery to harder to reach populations through the margin it makes on a more profitable arm of its business. Conversely, what Big Society Capital and other impact investors ultimately aim for is the growth of impact. However, in certain contexts, impact can be hard to measure accurately: for example, an organisation could be delivering many diverse services to a local community. A focus on impact-generating activities is a compromise: an attempt to track the growth of a metric more closely correlated to impact, whilst being honest that we are not tracking impact itself.

Enterprise resilience:

We define "resilience" as organisations being financially more self-reliant and with it have the ability to better plan for the future; withstand short-term shocks and seize on long-term trends as opportunities, allowing them to sustain (preserve or mitigate a reduction in) impact-generating activities.

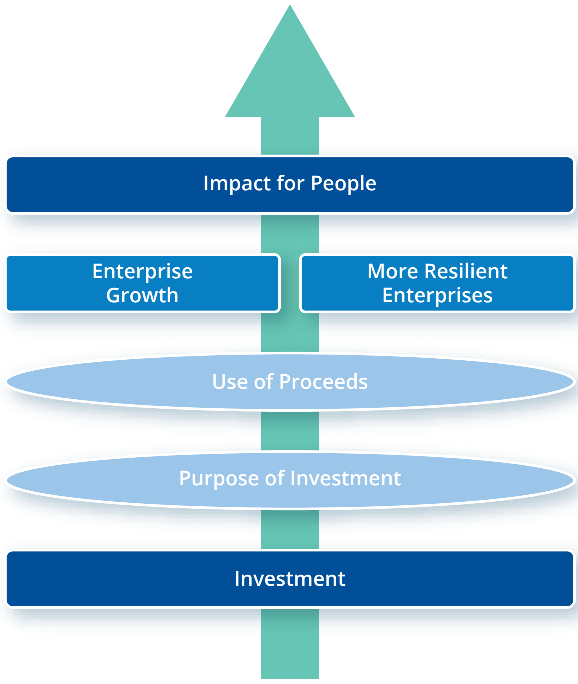
There exist many definitions of "resilience", as well as of similar concepts such as organisational "sustainability" or "durability", in academic literature and the sector; our definition, tested with fund managers and social enterprises, attempts a synthesis that is most relevant to social investment. This envisages financial self-reliance as the core part of resilience (because of its close connection to the investment received), which allows for a more forward-looking outlook, to which other aspects of investment may contribute (such as through non-financial support). All of this is with the goal of the preservation of impact-generating activities.

The link between resilience and impact for people

Whilst the causal chain from growth of impact-generating activities to greater impact for people is evident (although not always straightforward!), the link between resilience and impact is worth clarifying. The key is defining the counterfactual – in this case, a non-resilient enterprise – with which to act as a comparison. Without resilience, such an organisation is unlikely to be sustainable: because it runs out of money, or it is overwhelmed by an immediate shock, or slowly eroded by market trends. As a result, the impact generated by that enterprise is lost or diminished. Thus, whilst a resilient enterprise may not be increasing the amount of impact it delivers, the very fact they are continuing to deliver means it is generating more impact than what would have happened if it had been less resilient.

Purpose of investment & use of proceeds

In tracking the links on this chain, from investment, to enterprise-level impact, to impact for people, a key intermediate part is understanding why organisations take on social investment and what they spend the proceeds on. As mentioned above, some enterprises do not aim to grow; meanwhile, few enterprises look for investment explicitly because they want to become more resilient as an organisation (though often they aim to use the investment for purposes that will eventually contribute to their overall strength and sustainability). It is not our place to dictate what the goal of these social sector organisations should be, and our framework would not contribute to better decision-making if it were assessing organisations against a yardstick that the enterprise is not interested in – nor would it be fair on the enterprise.



We distinguish between why enterprises take on social investment – and how they hope to achieve their goals (by looking at what they spend the proceeds on). Existing frameworks (including our previous one) that tackled this issue often merged purpose and use of proceeds, when in reality the same purpose could be served by vastly different uses of proceeds. For example, an organisation looking to grow provision of their existing services (the purpose) – may take on a loan to hire staff or to invest in their back-end tech infrastructure (two different use of proceeds). The reverse could be true too: the same use of proceeds might have very different purposes, for example an organisation borrowing to buy new premises, which could be to expand to a new geographic area or alternatively to save them money in the long-term by replacing a head office they had previously been renting. We therefore developed our two taxonomies – one for purpose of investment and the other for use of proceeds, which are available in the appendix.

3.

Measuring enterprise-level impact

A fund manager pilot

Building on the conceptual foundation of our framework, we constructed a measurement methodology to track enterprise-level impact and carried out a pilot to test it. Enterprise-level impact plays a particularly prominent role in funds specialising in providing debt investment for charities and social enterprises. These funds, especially those with generalist mandates or those focussed on lending to smaller organisations, often cited the organisational impact they had on borrowers as a key part of their thesis. As such, the pilot, ran in conjunction with Access – The Foundation for Social Investment, involved a cohort of five debt funds: Key Fund's Northern Impact Fund, GMCVO's Access to Growth Fund, Northstar Ventures' North East Social Investment Fund, Big Issue Invest's Social Enterprise Investment Fund 2, and Social Investment Scotland's Social Growth Fund. Together, the five funds consisted of loans, of £25k to £1.75m (with a median loan size of £217,500), to 201 organisations at the time.

The aim of this pilot was to test, validate and refine our measurement methodology, inform how a measurement and management system might work in practice (such as roles and responsibilities, data gathering methodologies, feedback loops) and provide insights as we considered roll-out and implementation. For example, a few of our initial research questions included:

1. What self-reporting questions best capture enterprise-level impact?
2. Do financial metrics corroborate self-reported data on resilience?
3. What is the best way for this data to flow to Big Society Capital?

Our goal was to rapidly generate a feedback loop to allow us to improve our initial approach as opposed to carrying out an analysis to an academic level of rigour.

The pilot was launched in May 2021, following consultation with the participating fund managers as well as social enterprises on the study design. Data was collected from July to October 2021. We asked each fund to provide the following data:

- The use of proceeds and the purpose of investment of each loan
- Financial data about each borrower from when they took on the loan and each subsequent year (although we quickly pivoted from fund managers providing this data, which we discovered to be in inconsistent formats and a laborious task, to scraping the data directly from Companies House). Our initial aim was to build a regression model that would calculate a "financial resilience score" or a "coefficient" (similar to the Altman Z-Score used in mainstream finance) based on financial ratios; however, due to data limitations particularly with smaller organisations, we chose to instead focus on four key metrics to ensure the largest sample set possible: Total Assets, Net Assets, Revenue and Net Income
- Impact data from each borrower from when they took on the loan and each subsequent year
- Responses to a survey asking enterprises for their self-reported change in their resilience and impact from when they took on investment (see full list of questions in appendix), and the extent to which this change was attributable to the investment

Following initial data collection and analysis, we followed up individually with the participating fund managers and also hosted a roundtable to bring the participants together. We also conducted follow-up interviews with eight enterprises that had responded to the survey. A final roundtable was held with the participating fund managers to solicit feedback on our intended roll-out and implementation plan.

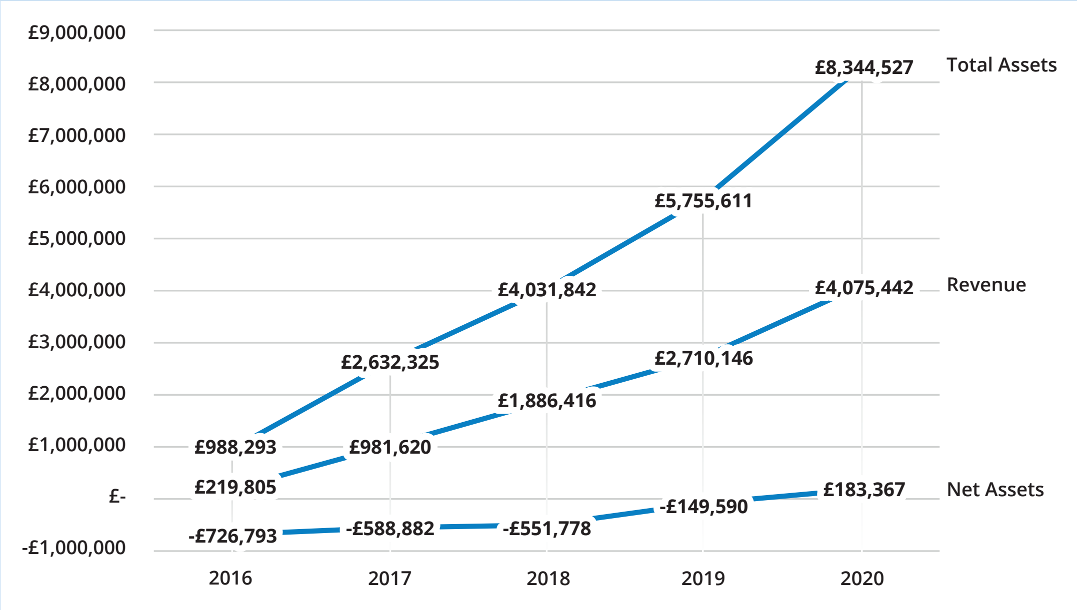
Measurement in practice: Fair for You case study

One enterprise that took part in this pilot was Fair for You, an ethical lender providing an alternative to high-cost credit. Fair for You received loans from both Big Issue Invest's Social Enterprise Investment Fund 2 and Social Investment Scotland's Social Growth Fund.

These loans were primarily to provide Fair for You with capital that they could on-lend as part of their existing offering that they had established for their clients. A secondary reason was to allow them to build out their IT infrastructure, thereby allowing them to capture more customer insights – which in turn led to them creating a new product. Applying our taxonomies, the principal purpose of investment was "Grow through existing product/service", with the secondary one being "Grow through new product or service". The use of proceeds to achieve these goals were "Financing onward lending" and "Technology".

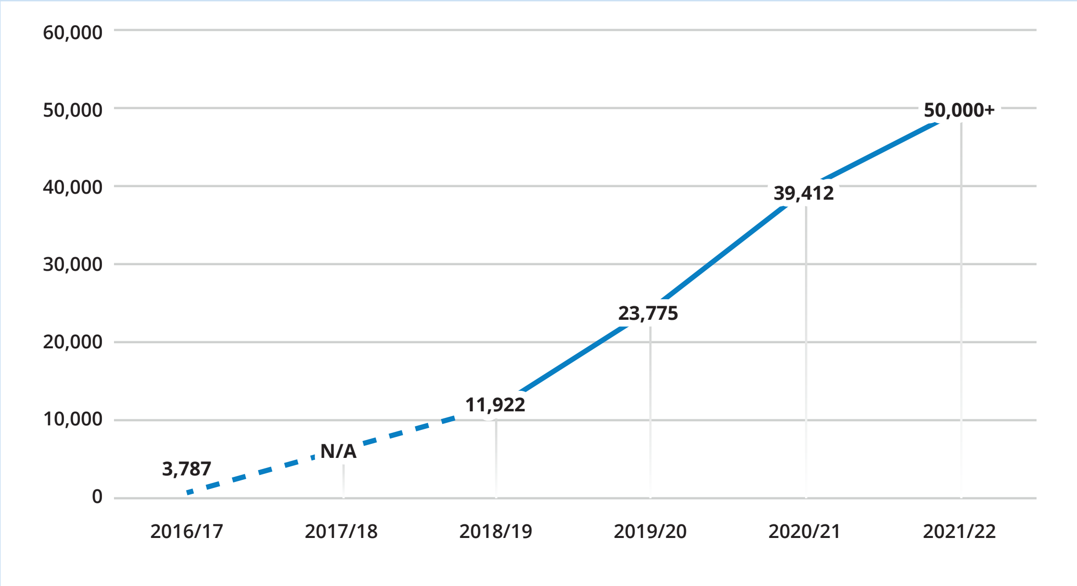
Examining Fair for You's financial metrics, we saw that the organisation's core metrics, in particular total assets, revenue, and net assets, have all grown since receiving investment.

Financial growth



Finally, we received Fair for You's survey response. Emma Goodwin, Fair for You's Deputy CEO, rated the change in the organisation's resilience and the change in the impact delivered by the organisation since it received investment as 8 out of 10. This aligns with the financial metrics highlighted above, but also the number of affordable loans they have been able to deliver.

Loans



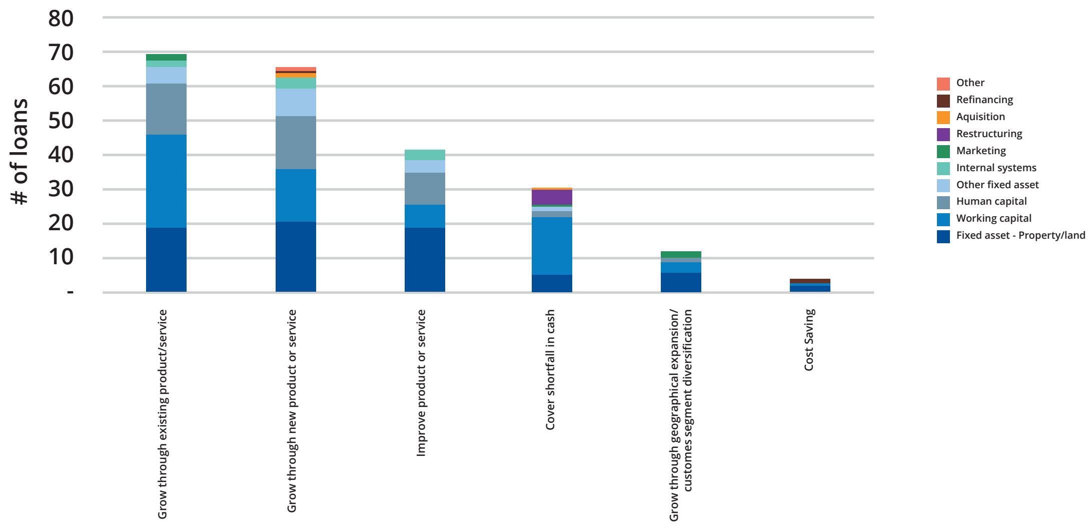
Please see here for a more detailed version of our case study of Fair for You.

Pilot findings

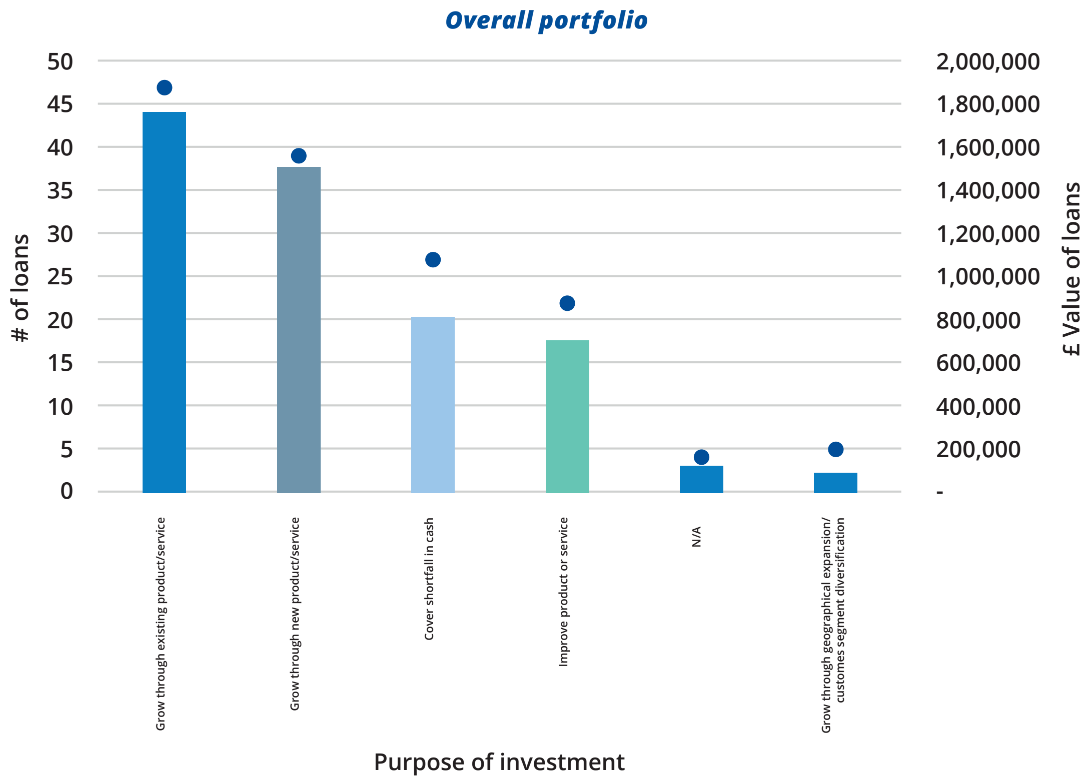
Purpose of investment & use of proceeds

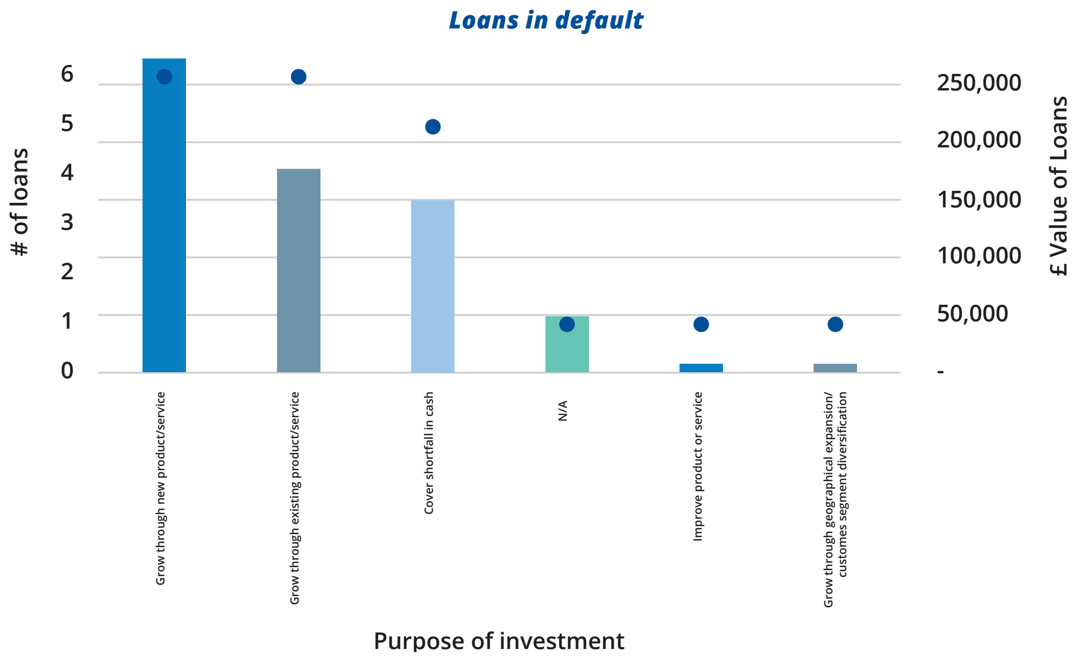
The taxonomies provided a clear, standardised categorisation which could be applied to a wide variety of loans, producing descriptive data that could be aggregated at a portfolio level, allowing us to draw quick insights. This data can provide a snapshot of capital flows, allowing us to understand trends in where funding flows and where gaps may exist. For example, across the pilot cohort, the majority of loans were to help fund expansion either through an existing product/service, or by offering a new one, or by serving a different geography or customer segment.

The real power of this descriptive data comes when overlaying the data with other datasets. For example, by combining the two taxonomies, we can understand the relative importance of certain use of proceeds in order to achieve certain purposes.



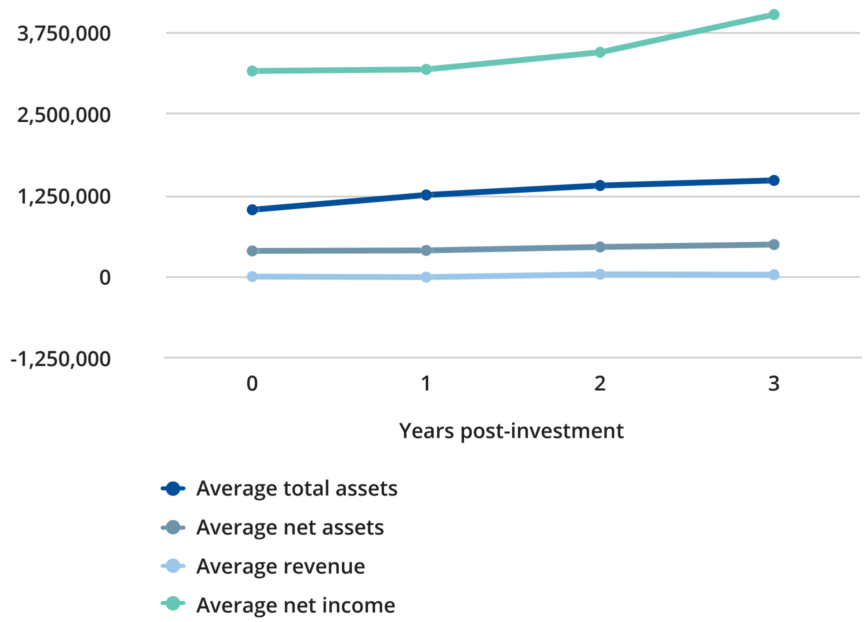
Having quantifiable data can help validate (or contradict) a fund manager's investment instinct, and allow them to adjust appropriately (for example, with differential loan pricing). Another example of the power of combining datasets is provided in the case of one fund where we overlaid loan default data. We can see, perhaps unsurprisingly, that loans taken to drive growth through a new product or service are overrepresented amongst the loans that have defaulted.



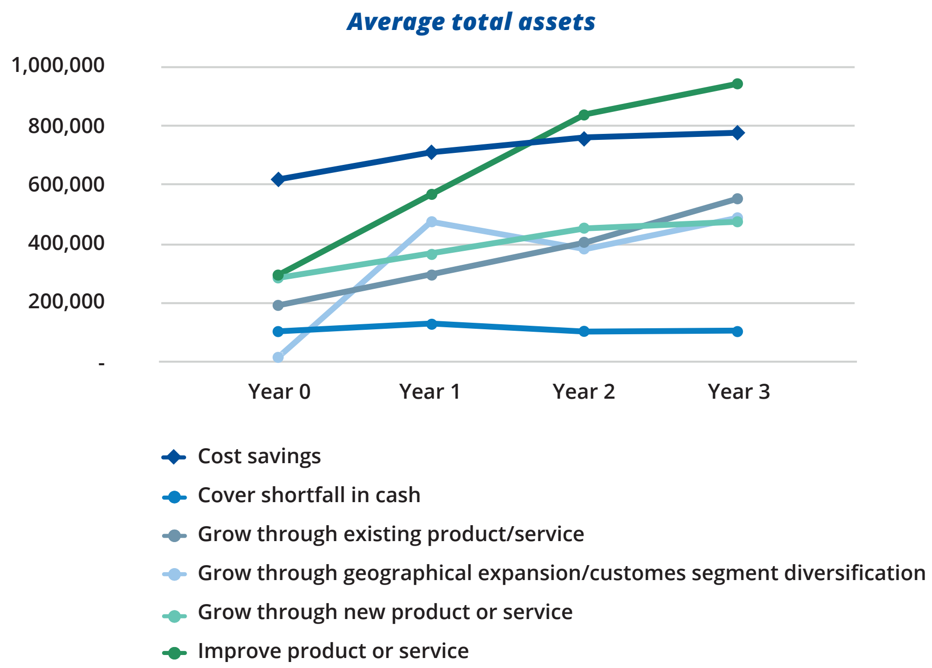


Financial metrics

Our four key financial metrics (total assets, net assets, revenue and net income) provided a useful portfolio-level overview of a generally positive trend. As illustrated below, on average all four metrics demonstrated an increase over time after the enterprise received investment, potentially indicative of growth and increased financial resilience. However, without a counterfactual, we cannot accurately attribute this enterprise-level impact solely to receiving social investment.



The financial data corroborated the purpose of investment data set. When we sliced the above financial data by purpose of investment, as predicted we saw a steeper increase where organisations borrowed in order to grow.



Survey data

On average enterprises reported strong resilience and impact growth and attributed these changes to the investment received. Mean, median, and modal scores across the four questions were high, but variance (indicated by the range and standard deviation in particular) was relatively low, which was surprising given the variety of different experiences with social investment.

All scores were on a scale of 0-10	Net Promoter Score	Change in Resilience	Attribution of Change in Resilience to Investment	Change in Impact	Attribution of Change in Impact to Investment
Mean	9.34	7.78	7.40	7.76	6.98
Median	10	8	8	8	7
St. Dev	1.087	1.562	1.820	1.392	2.134
Mode	10	8	8	8	8
Range	4-10	3-10	1-10	5-10	2-10

However, we found no statistical correlation between self-reported resilience and change in financial metrics. There are many potential reasons why this may be the case:

- Optimism bias, potentially affected by the power dynamic between investor and investee, may play a role as organisations are inclined to report a more positive outcome than would necessarily be justified by the underlying financials
- Who at the organisation is answering could be a factor; one social enterprise interviewee agreed that her colleague would have given very different answers, while fund managers pointed out that turnover means that staff may not be aware of the state of the organisation pre-investment
- We had a 60% response rate, which whilst good for a new online survey, means selection bias is a factor (in particular, organisations in more difficult situations or with negative experiences of social investment would be less likely to fill in the survey)
- Enterprise-specific reasons, for example: one organisation explained that they sought investment because a large grant which they relied on was not going to be renewed so therefore they needed to develop a new revenue source in order to continue operating. They successfully did so, meaning they felt quite resilient – despite their financial position not looking as healthy as it did when they had the grant. Another organisation explained that the investment helped them launch their business, and that they were tracking ahead of plan. Therefore, despite them still not yet being profitable, they felt more resilient than they did when they took on the investment.
- Given the concept of resilience can be subjective, organisations may be bringing their own definition to the survey. However, our interviews indicated a strong degree of alignment with our definition

Lessons & reflections

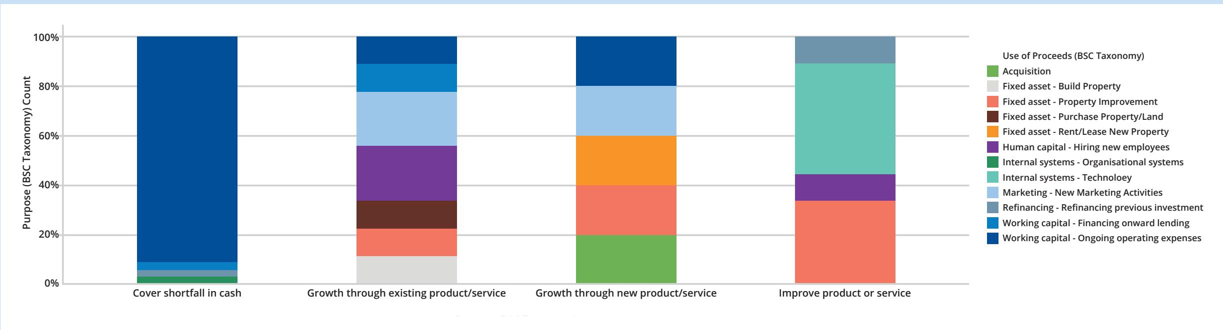
1. **Relying on self-reported data is challenging; persistence is needed.** Given the issues described above, we had low conviction about the self-reported aspect of our measurement framework and considered whether it was justified from a cost-benefit standpoint. However, both fund managers and social enterprises advocated the value of it: the former because they considered it to be a useful data point. They explained it was a "conversation starter" to anchor the regular discussions their relationship managers have with investees (especially where the organisation's self-rating differed significantly from what the manager would expect). Meanwhile, social enterprises argued that the survey provided a valuable perspective that added nuance and context to the financials

2. **High quality impact data is still a work in progress in certain areas of social investment**. We were unable to carry out a similar regression analysis on self-reported impact growth and impact data because there was insufficient impact data to robustly understand historical trends and the data that was available was in highly different formats. This was not entirely surprising given that we were aware of the difficulties our partners in this space have faced when collecting this kind of data. These findings reflect the broader challenges which all of us within the sector collectively face around collecting high-quality, meaningful impact for people data. It also highlights the importance for continued work to improve the way we all collect and manage impact for people data

3. **Measuring attribution remains incredibly difficult.** We discovered in follow-up interviews with respondents that there was considerable variation in how they had understood survey questions on attribution. Further, we found the data difficult to analyse meaningfully - although one potentially interesting finding was a correlation between a high score on whether the investee attributed their change in resilience to the investment and the Net Promoter Score awarded by the investee to the fund manager. Untangling impact attribution in social investment is a wider difficulty beyond enterprise-level impact. However, we continue to believe that our framework's use of analysis of financial metrics can help narrow the gap slightly, as these are metrics that should be heavily influenced by the receipt of investment

4. **Despite these challenges, a bottom-up approach ensures partners find real value in the framework.** Our decision to spend two years developing and testing an enterprise-level impact framework was partly driven by listening to our fund managers, who expressed a desire for a conceptual framework and measurement methodology to level up their decision-making and impact storytelling. This meant that, even with the difficulties described above, the reception has been enthusiastic and engagement levels high. We consistently heard from them that our enterprise-level impact framework provided an articulation for what they had known for a long time. But also, we believe the enthusiasm was driven because the framework delivered value to them that we did not predict. For example, one fund manager explained how they were using the use of proceeds data as a marketing tool when speaking to potential investees – they were able to point to the ways similar organisations had used social investment

The most excitement thus far has been focussed on the Use of Proceeds and Purpose of Investment taxonomies. Our blog introducing them unexpectedly received double the number of views of the average Big Society Capital blog. This element in particular was designed in a bottom-up approach, starting from a blank sheet of paper and developing categories through stakeholder interviews and reviews of investment papers.



"A standardised approach to categorising the purpose of loans and cash spend was welcomed by SIB as we continually pursue more comparable data sets to understand our customers and their needs in the sector. The two new taxonomies created a portfolio-level perspective on what the RRLF loans were used for.

Over 60% of deals had a purpose of 'Covering Shortfall in Cash' and were using its proceeds for 'Working Capital – ongoing expenses'- somewhat unsurprising knowing that the purpose of RRLF was to support charities and social enterprises that were experiencing disruption to their normal business model as a result of COVID-19.

More revealing analysis came from cross referencing these taxonomies with other organisational information. For example, a higher proportion of organisations with a purpose of loan of 'Covering Shortfall in Cash' had a primary revenue of Business 2 Customer, compared to other loan purposes. A lot of deals agreed in mid/late 2020 included assumptions around 'the world going back to normal' after the first lockdown, something particularly important for organisations relying on trading with customers. Moving forward, SIB is interested in how these purposes of loans and use of proceeds change over time now these assumptions have been proven wrong. This will help us understand how our customers are adapting to the changing environment and what other support they may need as they do so." - Jenny Smith, Learning Manager, Social Investment Business

You can read more about our taxonomies here.

5. **This is just the beginning: enterprise-level impact provides a platform for further projects to drive deeper insights.** While of course there remains plenty of work to operationalise and derive value from the enterprise-level impact framework, we are also thinking about how to combine the data that it will generate with other enterprise data that we hold or collect, for example on the impact models of organisations. We are excited by the potential to provide the sector with more nuanced analysis that can drive better decision-making.

4.

Conclusion

Looking ahead

Our ambition is to have an enterprise-level impact framework that works: one that delivers value and greater understanding to fund managers and investors, that does not impose undue burdens on managers or social enterprises, and that is ultimately impact-focussed. While we feel that our framework takes us in a step towards the right direction, it is equally clear though that there remain significant challenges to developing an appropriate, proportionate, and effective measurement methodology for enterprise-level impact. Challenges with data as well as individual idiosyncrasies mean this will always be an imperfect art rather than an exact science. Nevertheless, we believe there is the potential for real value in expanding the application of the framework more widely, while at the same time learning from and working to mitigate these challenges.

Big Society Capital is committed to continuing to listen to and engage with our stakeholders as we look to implement and roll-out an evolved form of our enterprise-level impact framework across our portfolio. We understand that data is exponentially more powerful when stakeholders and approaches are aligned, and our hope is to create a shared infrastructure, resource, and benchmark for the wider sector.

Whilst the development of this enterprise-level impact framework is new at Big Society Capital, we recognise that it is aligned and builds on work that many others in our sector have already conducted. Our fund managers valued the process and outputs of this project, but interest has extended to the wider sector as well. Throughout the framework development process and the pilot, we have seen the potential for close alignment with the priorities of sector infrastructure bodies. These include Access, the Arts Council (see this report by Golant Media Ventures and The Audience Agency on organisational resilience in the arts sector), Power to Change (see this report by MyCake on a "Year Zero" approach to analysing financial data, which was the approach adopted for the pilot), the National Lottery Community Fund (who have commissioned Ecorys to examine the question of resilience in the context of the Growth Fund), and the Department for Digital, Culture, Media & Sport (see the recent review of grant subsidy for blended finance prepared by New Philanthropy Capital, which discusses enterprise resilience and growth). The conversations with these sector players invaluably informed the development of our framework as we tested our approach.

It is in that spirit of shared learning that we have published this report as our contribution to the discussion of enterprise resilience and growth. We understand that this is a complex field with considerable space for nuanced discussion. We invite readers, especially those with different perspectives on enterprise-level impact, resilience, or impact growth, or those who are interested in exploring our findings, to reach out and engage.

Appendix 1

Use of proceeds and purpose of investment taxonomies

USE OF PROCEEDS TAXONOMY: What is the money actually being spent on?

Category	Use of Proceeds	Definition
Fixed asset -Property/land	Fixed asset purchase - property/land	Acquisition of a property freehold or long leasehold, e.g. new headquarter or housing accommodation. Acquisition of land. Including all associated fees, e.g. conveyancing, surveyors expenses, etc.
	Property improvements/ renovation	Redeveloping/improving already owned/rented property or newly acquired/leased property.
	Build property	Construction of new property, e.g. new headquarter or housing accommodation.
	Rent/lease new property	Renting or leasing a new property e.g. new headquarter or a housing accommodation.
Other fixed asset	Fixed asset purchase - not property/land	Acquisition of a physical item, e.g. hardware, vehicle, furniture, wind turbine, solar panels, etc.
	Fixed asset hire/lease - not property/land	Renting or leasing a physical item, e.g. hardware, vehicle, furniture, wind turbine, solar panels, etc.
Marketing	New marketing activities	New or increased/improved activities promoting and selling organisation's products or services, including market research and advertising.
Human capital	Hiring new employees	Employing new team members.
	Engaging new external consultant/contractor	Engaging person or organisation to provide specific services or to complete a project for a fixed period of time.
Refinancing	Refinancing previous investment	Replacing existing investment with a new investment under different terms.
Working capital	Purchase inventory	Purchasing goods or materials to create products for sale.
	Ongoing operating expenses	Pay existing ongoing operating expenses, e.g. staff salaries, rent, management of housing properties, etc.
	Financing onward lending	(Only for investees that are credit providers) Proceeds used as lending capital.
Internal systems	Technology	Purchase/subscription/development/improvement of new IT system/software.
	Organisational systems	Improvement/implementation of new operational systems, e.g. HR, data management, accounting, etc.
Restructuring	Restructuring	Modifying the financial and operational aspects of the company, usually when the business is facing financial pressures.
Acquisition	Acquisition	Buying or merging with another business or organisation.
Other	Other	Other use of social investment undefined in this taxonomy. Description to be provided by the enterprise.

Purpose of investment and use of proceeds taxonomies

PURPOSE TAXONOMY: Why is the money being spent the way it is?

Purpose	Definition
Cost savings	Generate a long-term reduction in ongoing organisational expenses.
Cover shortfall in cash	Allow the enterprise to increase its liquidity to cover ongoing expenses and ensure continued provision of product and service. Also applicable for a short-term loan used until company receives other form of financing or payment for a contract, e.g. a results contract.
Grow through existing product/service	Increase the provision of existing product or service.
Grow through geographical expansion / customer segment diversification	Expand existing activities by providing product or service to clients in a new geographic area or to previously not targeted customer market.
Grow through new product or service	Develop and launch previously not offered product or service.
Improve product or service	Enhance the quality or other aspect of already offered product or service.
Reduce the negative environmental impact of the organisation	Effect an overall reduction in, or mitigation of, the organisation's negative environmental impact, for example, greenhouse gas emissions, water or land usage, or waste generation.

Appendix 2
Survey self-reporting questions

Big Society Capital: Impact survey

Big Society Capital is a UK social investment wholesaler and a key investor in [fund]. We are carrying out this survey to better understand the impact social investment has on social sector organisations. We will be asking questions about changes your organisation has experienced since receiving social investment.

Your answers will not be published except in aggregated, anonymised form, but they may be shared with [intermediary]. Please try your best to answer truthfully - this research is vital for making sure social investment is working for organisations like yours.

1. What is the name of your organisation?

2. How likely are you to recommend social investment to an organisation in a similar situation to yours?

   [Scale of 0-10]

Resilience

These questions ask you about the change in resilience of your organisation since receiving [intermediary]'s investment.

We define resilience as 'Organisations are financially more self-reliant and with it have the ability to better plan for the future; withstand short-term shocks and seize on long-term trends as opportunities.'

3. In the time since receiving [intermediary]'s investment, how has your organisation's resilience changed? A score of 5 means no change
   [Scale of 0-10, with 0 being Substantial Decrease and 10 being Substantial Increase]

4. How much did [intermediary]'s investment contribute to the change in your organisation's resilience?
   [Scale of 0-10, with 0 being Not At All and 10 being Sole Main Contributor]

5. What are the main factors other than [intermediary]'s investment that have contributed to the change in resilience?

Impact creation

These questions ask you about the change in the level of your organisation's impact-generating activities since receiving [intermediary]'s investment.

Impact-generating activity refers to the activities your organisation carries out in order to create the impact on end beneficiaries that it hopes to have.

6. In the time since receiving [intermediary]'s investment, how has your organisation's level of impact-generating activities changed? A score of 5 means no change
   [Scale of 0-10, with 0 being Substantial Decrease and 10 being Substantial Increase]

7. How much did [intermediary]'s investment contribute to the change in your organisation's level of impact-generating activities?
   [Scale of 0-10, with 0 being Not At All and 10 being Sole Main Contributor]

8. What are the main factors other than [intermediary]'s investment that have contributed to the change in your organisation's level of impact-generating activities?