

Building Blocks Overview

Fund managers

What makes a good intermediary?



Vision

Compelling social mission with a clearly articulated, understood and acted upon strategy



Culture

Lived by values encouraging collaboration, inclusion and transparency



Governance

Balanced, diverse decision makers working with clearly defined processes



People

Adaptive team, that is supported and rewarded in delivering mission



Impact

Clearly defined social impact, regularly reported and acted upon



Investment processes

Purposefully designed, proportionate tools and processes



Business model

Sustainable growth based on understanding of beneficiary needs and competitive landscape



Comms & fundraising

Strategies based on clear understanding of mission, beneficiaries, audience and investors



Operational systems

Considered, proportionate legal, financial and portfolio management procedures

Building Blocks – The Key Elements

Fund managers

Building Block	Key elements	Identifying features	Identifying procedures
Vision 	Mission and strategy	<ul style="list-style-type: none"> ▪ A social mission with an articulated and understood strategy ▪ Adaptability to learnings and a changed environment 	<ul style="list-style-type: none"> ▪ Beneficiaries and key stakeholders are clearly defined, targeted and consulted including those with lived experience ▪ Steps taken to reflect user voice in development of mission and strategy ▪ Identified risks of not achieving social goals with planned mitigation
Culture 	Motivation	<ul style="list-style-type: none"> ▪ Board members and staff exhibit organisation's values through behaviour ▪ The willingness to learn from experience and failures in order to improve 	<ul style="list-style-type: none"> ▪ Open communication channels and access to front line organisations ▪ Non-financial rewards to maintain staff satisfaction
	Collaboration	<ul style="list-style-type: none"> ▪ Trusting relationships amongst staff and board ▪ The willingness to engage with other intermediaries, arrangers, investors and investees as well as other sector stakeholders where appropriate 	<ul style="list-style-type: none"> ▪ Internal communications' processes
	Inclusion	<ul style="list-style-type: none"> ▪ All staff feel valued, welcome, integrated and included ▪ Staff have equal access to opportunities 	<ul style="list-style-type: none"> ▪ Processes for soliciting and acting on staff ideas and feedback ▪ Members of staff at all levels are aware of the inclusive values of the organisation and are actively consulted and involved in policy development

Building Blocks – The Key Elements

Fund managers

Building Block	Key elements	Identifying features	Identifying procedures
Governance 	Strength and diversity of board	<ul style="list-style-type: none"> ▪ A diverse, balanced and engaged board ▪ An independent and entrepreneurial chair ▪ The relationship between chair and CEO ▪ The alignment of the skills of the board to the needs of the organisation ▪ The extent to which decision-making is effective and inclusive 	<ul style="list-style-type: none"> ▪ Process for engaging board in strategy development ▪ Board recruitment processes that promote diversity of candidates including those with lived experience ▪ Management information measuring progress against strategy ▪ Governance systems to detect and address risks and opportunities ▪ Clear decision making structures and processes ▪ Mission lock [and asset lock] policies
People 	Recruitment and professional development	<ul style="list-style-type: none"> ▪ High quality recruitment and development prioritised in organisation ▪ All employees are encouraged to develop and progress, and any barriers faced by specific groups are identified and action taken to address them ▪ Achievement recognised through financial and non-financial rewards 	<ul style="list-style-type: none"> ▪ Recruitment and performance management processes reflective of social mission, values, requisite skills and commitment to diversity ▪ Process for learning and development
	Staff skillset	<ul style="list-style-type: none"> ▪ Staff capability to adapt and deliver on multi-functional roles ▪ The diversity and skills balance of the senior management team 	<ul style="list-style-type: none"> ▪ Senior management team with mitigated key person risk ▪ The degree that management and team structure reflects size and life stage of organisation

Building Blocks – The Key Elements

Fund managers

Building Block	Key elements	Identifying features	Identifying procedures
Impact 	Social impact delivery	<ul style="list-style-type: none"> Staff experience in planning, measuring and reporting on social outcomes 	<ul style="list-style-type: none"> Social mission involves clear plan for making a positive difference to identified beneficiaries Metrics for tracking impact gathered regularly and used to tailor existing programmes and future investment decisions Transparency around impact measurement results
Effective investment process 	Pipeline and reach	<ul style="list-style-type: none"> Staff experience of investment and working with charities and social enterprises The understanding of relevant products and interventions for frontline organisations Diverse networks and reach 	<ul style="list-style-type: none"> Quantitative and qualitative feedback mechanisms allowing adaptation of product offering Strategy for pipeline development including wide networks to ensure diverse and broad reach Accessible application processes
	Portfolio construction	<ul style="list-style-type: none"> Active prioritisation of investment prospects Portfolio level thinking and decision making 	<ul style="list-style-type: none"> Structured process to consider strategic and portfolio fit of investments before due diligence
	Assessment and due diligence	<ul style="list-style-type: none"> The diversity, balance, level of seniority and chemistry of the investment committee Staff and IC members with sector specific knowledge and/or lived experience The investment committee's understanding of fund's mandate Quality of investment analysis and judgment 	<ul style="list-style-type: none"> Proportionate investment and diligence process Equality, diversity and inclusion considerations built into the assessment and due diligence process and decision making Mechanism to signpost potential investees to other funding avenues and maintain relationships Feedback procedures with investee organisations Investment policy alignment with organisation's strategy

Building Blocks – The Key Elements

Fund managers

Building Block	Key elements	Identifying features	Identifying procedures
	Monitoring and portfolio management	<ul style="list-style-type: none"> Builds ongoing collaborative relationships with investees 	<ul style="list-style-type: none"> Post investment support including regular reporting framework Feedback/complaints system Exit strategy Relationship managers for each investment
Business model 	Sustainable business model	<ul style="list-style-type: none"> The understanding of competitive landscape and the organisation's competitive advantage The willingness and ability to adjust model to meet market's demands 	<ul style="list-style-type: none"> Identified pathway to growth and sustainability
External communications and fundraising 	Communications strategy	<ul style="list-style-type: none"> Capability of articulating USP 	<ul style="list-style-type: none"> Communications strategy Brand development
	Fundraising	<ul style="list-style-type: none"> Staff experience of fundraising from a diverse range of investors Degree of understanding of investors' needs 	<ul style="list-style-type: none"> Contacts within relevant organisations Process for relationship management and reporting to shareholders/funders
Operational systems 	Data management systems	<ul style="list-style-type: none"> Systems used across different areas of the organisation 	<ul style="list-style-type: none"> Data management systems and processes established
	Legal documentation processes	<ul style="list-style-type: none"> Understanding of appropriate use of legal documents 	<ul style="list-style-type: none"> Legal guidance

Building Blocks – The Key Elements



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Building Block	Key elements	Identifying features	Identifying procedures
	Financial and operational risk management	<ul style="list-style-type: none"> Proactive and timely risk management 	<ul style="list-style-type: none"> Reporting on financial and management accounts System of internal control Disaster recovery, anti-fraud and recovery and resolution plans
	Regulatory permissions and controls	<ul style="list-style-type: none"> Culture of compliance 	<ul style="list-style-type: none"> Regulatory permissions in place Compliance and risk management planning/actions in place

Building Blocks – In Practice

Fund managers

Building Block	Key elements	4 – Best in class	3 – Good	2 – Able	1 – Needing development
<p>Vision</p>  <p>Compelling social mission with a clearly articulated, understood and acted upon strategy</p>	Mission and strategy	<p>A compelling, impact driven mission and strategy based on an in-depth understanding of the external context</p> <ul style="list-style-type: none"> Well-defined social objectives shaping organisation’s activities, outputs and outcomes Comprehensive knowledge of external landscape informed and updated through stakeholder consultation, research and partnerships Sector and competitor knowledge used to identify and mitigate risks against not achieving social goals Beneficiaries clearly defined throughout strategy development Well defined process to embed user voice in development of mission and strategy 	<p>A clearly defined social mission that guides investment strategy and process</p> <ul style="list-style-type: none"> Target outcomes defined Staff and board understand and are able to act upon the mission and strategy Clear social objectives that are linked to activities and intended outcomes Understanding of external landscape <i>e.g. social issues, policy and sector stakeholders</i> Risk of not meeting outcomes understood and mitigated against 	<p>Mission broadly defined and strategy being formulated</p> <ul style="list-style-type: none"> Target outcomes broadly defined Some link between activity and defined social outcomes Effort to understand external landscape <i>e.g. social issues, policy and sector stakeholders</i> Risks of not meeting outcomes broadly understood, but no mitigants considered Beneficiary groups loosely defined Inconsistent and piecemeal attempts to reflect user voice in development of mission and strategy 	<p>Mission and strategy missing or unclear/ failing to guide day to day operations</p> <ul style="list-style-type: none"> Target outcomes undefined Unclear and inconsistent decision making Weak impact chain with unclear or broken links between activities and social outcomes Little or no effort to understand external landscape <i>e.g. social issues, policy and sector stakeholders</i> Risk of not meeting outcomes is not understood or articulated No clear beneficiary groups identified or attempt to reflect user voice in development of mission and strategy

Building Blocks – In Practice

Fund managers



Building Block	Key elements	4 – Best in class	3 – Good	2 – Able	1 – Needing development
	Mission and strategy <i>cont.</i>	<ul style="list-style-type: none"> Management information, evaluating activities against milestones and strategy, regularly reviewed and responded to Social mission and strategy embedded into investment and communications activity with capability to adapt based on management information, changes to external landscape and opportunities 	<ul style="list-style-type: none"> Beneficiaries clearly defined during strategy development Some steps taken to reflect user voice in development of mission and strategy Management information evaluates activity against strategy A defined mission embedded into investment strategy and purpose 	<ul style="list-style-type: none"> Limited management information to assess against mission Commitment to embed social mission into investment strategy 	<ul style="list-style-type: none"> Inefficient management information No plans to embed social mission into investment strategy

Building Blocks – In Practice

Fund managers

Building Block	Key elements	4 – Best in class	3 – Good	2 – Able	1 – Needing development
<p>Culture</p> <p>Lived by values encouraging collaboration, inclusion and transparency</p>	Motivation	<p>Values clearly evident in staff and board behaviours, a culture of looking outwards and striving towards constant improvement</p> <ul style="list-style-type: none"> High levels of staff satisfaction, trust and connection to mission recorded across staff and board in internal staff surveys and feedback Frequent and proactive offers of non- financial rewards to staff <i>e.g. regular social events, extended annual leave</i> Frequent opportunities for staff to develop meaningful relationships with charities and social enterprises <i>e.g. through long term volunteering using skills, through opportunities to sit on the board of charities/social enterprises</i> 	<p>Values and expected behaviours arising from social mission</p> <ul style="list-style-type: none"> Staff and Board satisfied, connected to mission and trusting of each other – evidenced through staff surveys and feedback Non-financial rewards offered to staff on an ad hoc basis Some opportunity for connection to mission through charities and social enterprises <i>e.g. one off visits to investees</i> 	<p>Attempt to build culture in support of social mission</p> <ul style="list-style-type: none"> Staff and board aware of social mission and broadly act in line with achieving this <i>i.e. may hear different interpretations of mission and values from different people</i> No or limited formal staff recognition in place Early measures of staff understanding and satisfaction but with clear room for improvement <i>i.e. no regular consultation with staff through one to ones or surveys</i> 	<p>No clear values, underlying culture doesn't effectively support or actively undermines mission</p> <ul style="list-style-type: none"> Behaviours that don't align with social mission Lack of measures on staff satisfaction and connection to mission

Building Blocks – In Practice

Fund managers



Building Block	Key elements	4 – Best in class	3 – Good	2 – Able	1 – Needing development
	Collaboration	<ul style="list-style-type: none"> Internal processes for sharing information and decisions across all organisational levels <i>e.g. bulletin emails, intranet, newsletters, staff meetings</i> Management team challenge and constructively work together based on shared mission Two-way lines of communication with current and prospective investees and other stakeholders learning from experience and driving beneficial partnership Track record of developing and delivering on successful and mutually beneficial collaborative opportunities that drive innovation 	<ul style="list-style-type: none"> Internal processes for sharing information across all organisational levels Management team exhibit trust and confidence in each other Lines of communication and processes for engaging with intermediaries, front line organisations and wider stakeholders Some experience of engaging in collaborative projects when approached by others 	<ul style="list-style-type: none"> Some cascade of information across the organisation Management team meetings run efficiently but evidence of breakdown in communication and decision making channels 	<ul style="list-style-type: none"> Lack of communication across teams and stakeholders Dysfunctional management team with clear lack of trust with each other

Building Blocks – In Practice

Fund managers



Building Block	Key elements	4 – Best in class	3 – Good	2 – Able	1 – Needing development
	Inclusion	<ul style="list-style-type: none"> Consistent use of processes for soliciting and acting on staff ideas and feedback Members of staff at all levels are aware of the inclusive values of the organisation and are actively consulted and involved in policy development 	<ul style="list-style-type: none"> Consistent use of processes for soliciting and acting on staff ideas and feedback Some staff aware of the inclusive values of the organisation. Some attempts made to include staff in policy development 	<ul style="list-style-type: none"> Ad-hoc or infrequent use of processes for soliciting and acting on staff ideas and feedback Staff not aware of inclusive values of the organisation and are not consulted and involved in policy development 	<ul style="list-style-type: none"> No process in place or attempts made to solicit staff ideas and feedback Inclusivity not actively promoted as a value of the organisation

Building Blocks – In Practice

Fund managers

Building Block	Key elements	4 – Best in class	3 – Good	2 – Able	1 – Needing development
<p>Governance</p>  <p>Balanced, diverse decision makers working within clearly defined processes</p>	<p>Strength and diversity of board</p>	<p>Articulated, understood and adaptive process for decision making and accountability based on understanding of mission and balanced, diverse perspectives</p> <ul style="list-style-type: none"> ▪ Clear process for engaging board in the development of long term strategies not just the sign off ▪ Sufficient diversity on board and governance committees <i>e.g. equal gender balance, mix of ethnicity etc.</i> ▪ Board members have complementary skillsets aligned with the mission of the organisation <i>e.g. social sector, impact, financial and policy experience, lived experience</i> ▪ Trustee board recruitment processes that promote diversity of candidates 	<p>Articulated, understood processes for decision making and accountability based on multiple perspectives</p> <ul style="list-style-type: none"> ▪ Board has some level of engagement in development of strategy – could go further ▪ Some diversity on board but with further room to improve ▪ Complementary skillsets amongst board members and solid understanding of strategy ▪ Effective relationship between chair with CEO ▪ Governance systems to detect and address risks and market opportunities ▪ Some mission lock (or asset lock) procedures based on reasonable best efforts 	<p>Some process for decision making and accountability based on some relevant perspectives</p> <ul style="list-style-type: none"> ▪ Board with some diversity and of experience inside or with social sector. Most board members' commitment to sector aspirational rather than evidenced. Expertise bought in when not in house ▪ Limited use of recruitment processes to promote diversity of Trustee board members ▪ Early evidence of or commitment to developing governance systems for addressing risks and market opportunities ▪ Assets locked for process of investment but no long term lock of assets for social use 	<p>Unclear process on accountability and decision making with bias towards limited number of perspectives</p> <ul style="list-style-type: none"> ▪ Board lacking in diversity, experience and skills not aligned to mission or aware of strategy ▪ Unconstructive relationship between chair and CEO ▪ Social mission is incidental to the Governance and investment conditions of the intermediary

Building Blocks – In Practice

Fund managers

Building Block	Key elements	4 – Best in class	3 – Good	2 – Able	1 – Needing development
	Strength and diversity of board <i>cont.</i>	<ul style="list-style-type: none"> ▪ Board supports management team constructively to achieve mission ▪ Effective working/mentoring relationship between chair and CEO – chair thinks independently of CEO with strong understanding of mission and strategy ▪ Good chemistry amongst board members with honest and constructive conversations welcomed – all voices heard ▪ Board and committee meetings run with clear objectives and follow up procedures ▪ Social mission is locked into articles and investment terms ▪ Assets locked to secure and maintain their benefit for the social sector ▪ Established governance systems to detect and address risks and opportunities 		<ul style="list-style-type: none"> ▪ Lack of social impact focus/expertise at board level ▪ Chair manages board effectively but does not provide proactive support/challenge to CEO 	

Building Blocks – In Practice

Fund managers

Building Block	Key elements	4 – Best in class	3 – Good	2 – Able	1 – Needing development
<p>People</p>  <p>Adaptive team, that is supported and rewarded in delivering mission</p>	Recruitment and professional development	<p>Mission relevant, actioned and proportionate recruitment and performance management processes</p> <ul style="list-style-type: none"> Effective recruitment process that results in organisation attracting right balance of staff and level and diversity of experience <i>i.e. investment, social sector, lived experience, impact management, policy development, HR</i> Diverse staff team reflective of the communities in which the organisation operates and organisations served Mitigated key person risk in place <i>i.e. systems and training for all staff, succession planning, shared knowledge banks, outsourcing where needed</i> 	<p>Clear recruitment and performance management processes</p> <ul style="list-style-type: none"> Recruitment process clearly aligned with social mission and commitment to diversity Some diversity among staff but with further room to improve Emphasis on learning and development with allocated budget Established means of recognising staff performance. Good retention <i>i.e. average turnover rates c. 20%</i> 	<p>Evidence of/commitment to develop recruitment and performance management processes</p> <ul style="list-style-type: none"> Process for recruiting and managing staff aligned with delivering social mission Limited staff diversity but with recruitment processes in place to increase diversity Key investment roles filled but staff have limited direct experience of working with/for the social sector Early, inconsistent recognition process (unstructured ways of offering learning and development opportunities) Below average staff retention <i>i.e. >30%</i> 	<p>Lack of clear recruitment and performance management processes</p> <ul style="list-style-type: none"> Recruitment of staff not aligned to mission and strategy Bias towards one type of perspective/experience Non-diverse staff team Lack of emphasis on learning and development – no budget allocated Barriers to progression faced by specific groups Poor recognition and retention <i>i.e. <1 year common, >30% turnover</i>

Building Blocks – In Practice

Fund managers

Building Block	Key elements	4 – Best in class	3 – Good	2 – Able	1 – Needing development
	Recruitment and professional development <i>cont.</i>	<ul style="list-style-type: none"> All staff actively encouraged and supported to seek out learning and development opportunities in line with mission <i>i.e. allocated budget and time for learning and development</i> Any barriers faced by specific groups are identified and action taken to address them Culture of recognising achievement and promoting staff High retention <i>i.e. low turnover rates – c.15%</i> 			
	Staff skillset	<ul style="list-style-type: none"> Adaptive, entrepreneurial, 'solutions focused' staff from variety of relevant diverse backgrounds <i>e.g. mixture of financial, social, fundraising, impact measurement and lived experience</i> 	<ul style="list-style-type: none"> Staff with a mixture of experience, capable of adapting skills to multi-functional roles Balanced, effective senior management team with good working relationship amongst members 	<ul style="list-style-type: none"> Management with experience of sector and capacity to deliver Some staff track record of delivery in sector or field 	<ul style="list-style-type: none"> Management with no experience of sector or limited capacity to deliver mission Weak staff track record of delivery in the social sector

Building Blocks – In Practice

Fund managers



Building Block	Key elements	4 – Best in class	3 – Good	2 – Able	1 – Needing development
	Staff skillset <i>cont.</i>	<ul style="list-style-type: none"> Management team with complementary strategic, pragmatic and entrepreneurial skillsets, with proven track records of success and delivery Management team structure proportionate to life-stage and size of organisation, regularly reviewed to ensure fit for purpose 	<ul style="list-style-type: none"> Management team structure fits with life-stage and size of organisation 	<ul style="list-style-type: none"> Management team structure broadly aligned to organisational size – little evidence of a designed structure in response to organisational life-stage or strategy 	<ul style="list-style-type: none"> Management team structure and size disproportionate and unhelpful to life-stage of organisation (unsuitable number of managers per overall workforce)

Building Blocks – In Practice

Fund managers

Building Block	Key elements	4 – Best in class	3 – Good	2 – Able	1 – Needing development
<p>Impact</p>  <p>Clearly defined metrics, regularly reported and acted upon</p>	Social impact delivery	<p>Established impact measurement and assessment regularly reported and used to steer strategy and offering</p> <ul style="list-style-type: none"> ▪ Dedicated, experienced resource to lead on design and reporting of social outcomes ▪ Impact evaluation given same weight as financial return in investment decision making – capital weighted towards interventions with direct impact on beneficiaries ▪ Beneficiaries are consulted on impact metric design – all targets are realistic and relevant ▪ Established, evolving templates or tools for impact reporting allowing for comparison across portfolio and the wider sector where possible 	<p>Evolving impact assessment and measurement used to steer strategy</p> <ul style="list-style-type: none"> ▪ Staff experienced and committed to designing and reporting on social outcomes but no dedicated resource ▪ Impact evaluation given same weight as financial return in investment decision making ▪ Beneficiaries are consulted – targets are mostly realistic to the beneficiaries’ needs and expectation of social impact ▪ Established templates or tools for impact reporting allowing for comparison across portfolio ▪ Reporting of measures regular and proportionate – publishing of overall impact at least annually 	<p>Impact measurement in development</p> <ul style="list-style-type: none"> ▪ Some/limited staff experience in designing and reporting on social outcomes ▪ Impact evaluation part of investment decision making but not as integrated as financial return ▪ Beneficiaries are consulted – some planned indicators are standardised, specific, or address things practical or important to the beneficiary ▪ Some templates or tools for impact reporting ▪ Reporting of measures at individual level ▪ Impact measurement starting to inform organisation or engagement with investee strategy development 	<p>Lack of or unclear impact measurement that is unconnected to activity and decision making</p> <ul style="list-style-type: none"> ▪ Lack of staff experience in and commitment to planning, measuring and reporting on social outcomes ▪ Impact evaluation not part of investment decision making ▪ Beneficiaries are not consulted – few or none of planned indicators are standardized, specific, or address things practical or important to the beneficiary ▪ No templates or tools for impact reporting ▪ No or inconsistent reporting inside and outside organisation – lack of transparency

Building Blocks – In Practice

Fund managers



Building Block	Key elements	4 – Best in class	3 – Good	2 – Able	1 – Needing development
	Social impact delivery <i>cont</i>	<ul style="list-style-type: none"> Regular and proportionate reporting frameworks in place – overall impact published at least annually using on-going, trackable measures Impact measurement results (both good and bad) used to steer organisation, investee strategy development and wider sector growth towards depth and breadth of social impact Comprehensive set of targets for impact reporting in legal documentation External auditing – use of independent organisation to verify and constructively challenge social impact reporting 	<ul style="list-style-type: none"> Impact measurement results (good and bad) used to steer organisation or investee strategy development Comprehensive reference to impact reporting in legal documentation 	<ul style="list-style-type: none"> Reference to impact reporting in legal documentation Internal auditing – consideration to impact measures and reporting 	<ul style="list-style-type: none"> Impact measurement not used to steer organisation or investee strategy development No reference to impact reporting in legal documentation No independent auditing – no consideration of defensibility of impact reporting

Building Blocks – In Practice

Fund managers

Building Block	Key elements	4 – Best in class	3 – Good	2 – Able	1 – Needing development
<p>Effective investment process</p>  <p>Purposefully designed and proportionate tools and processes</p>	Pipeline and reach	<p>Clearly articulated investment process aligned with strategy and shaped by market demand and feedback</p> <ul style="list-style-type: none"> Proven staff experience of investment in charities and social enterprises Strong and diverse networks in place to deliver on a strategic and coordinated approach to developing pipeline Quantitative and qualitative research with prospective and current investees regularly conducted and debriefed leading to innovation and product refinement Accessible application processes 	<p>Established investment tools and processes aligned with strategy</p> <ul style="list-style-type: none"> Staff experience of investment and the social sector Structured approach to pipeline based on priorities and feasibility Structured research with charities and social enterprises about their needs for finance and development 	<p>Evidence of or commitment to developing tools and processes aligned to meeting strategy</p> <ul style="list-style-type: none"> Some experience of investment and working with the social sector – may be held in separate pockets of the organisation Moving from reactive to proactive approach to pipeline Ad hoc consultation with charities and social enterprises on product development – consultation may be limited in scope to questions in response to particular products rather than social sector needs Limited consideration of whether application processes are accessible 	<p>Lack of or ineffective tools and processes for investment and wider strategy</p> <ul style="list-style-type: none"> Limited or no experience of investment and working with the social sector among those constructing deals Piecemeal approach to pipeline, high resource investment for low conversion rate No consultation with charities and social enterprises on financial products needed

Building Blocks – In Practice



Fund managers

Building Block	Key elements	4 – Best in class	3 – Good	2 – Able	1 – Needing development
	Portfolio construction	<ul style="list-style-type: none"> ▪ System for detecting and prioritizing most likely investment prospects based on strategy and feasibility ▪ Decisions made at a portfolio level – considering how the balance of all deals is delivering on strategy prior to committing resource to due diligence 	<ul style="list-style-type: none"> ▪ Evidence of portfolio level thinking – may not be a clear process or happen prior to putting resource into due diligence 	<ul style="list-style-type: none"> ▪ Some attempts to review deals as a portfolio – predominantly happens in retrospect after deals in progress 	<ul style="list-style-type: none"> ▪ Little or no evidence of attempts to build a cohesive portfolio of deals aligned to mission and strategy – deals are ad hoc and reactive
	Assessment and due diligence	<ul style="list-style-type: none"> ▪ A proven, cohesive investment committee with a balance of skills and experience <i>e.g. financial, social sector, impact, lived experience and policy experience</i> ▪ IC members have experience of investing in similar asset class with a good understanding of risk and fund’s mandate 	<ul style="list-style-type: none"> ▪ An experienced investment committee with a balance of skills and perspectives ▪ Analysis of investment decisions (both social impact and financial return) based on reporting over deal term – may be sporadic ▪ Some equality, diversity and inclusion considerations built into the assessment and due diligence process and decision making but may not be used consistently 	<ul style="list-style-type: none"> ▪ An investment committee with relevant experience – may have imbalance towards certain skills, backgrounds or perspectives ▪ Some analysis of investment judgment/ analysis – likely sporadic and may be face value based on limited data or assessment with investee 	<ul style="list-style-type: none"> ▪ No investment committee or a committee lacking in balance and relevant experience ▪ No or limited review of investment analysis/ judgment post signing ▪ Equality, diversity or inclusion considerations not built into assessment and due diligence process and decision making ▪ No mechanism for signposting unsuccessful applicants to other funding sources

Building Blocks – In Practice

Fund managers

Building Block	Key elements	4 – Best in class	3 – Good	2 – Able	1 – Needing development
	Assessment and due diligence <i>cont.</i>	<ul style="list-style-type: none"> Quality of investment analysis and judgment (both social impact and financial return) assessed at a senior level through regular reporting across deal terms Equality, diversity and inclusion considerations built into the assessment and due diligence process and decision making Mechanism to sign post unsuccessful applicants to other funding sources and development support 	<ul style="list-style-type: none"> Mechanism to signpost unsuccessful applicants to other funding sources 	<ul style="list-style-type: none"> Ad hoc mechanism for signposting unsuccessful applicants to other funding sources – reactive rather than proactive Limited consideration of equality, diversity and inclusion considerations in assessment and due diligence process and decision making 	
	Monitoring and portfolio management	<ul style="list-style-type: none"> Dedicated, engaged manager for each investment <i>e.g. may sit on investee board if appropriate, has good working relationships with contacts in investee organisation</i> 	<ul style="list-style-type: none"> A named relationship manager for each investment Action plan and regular reporting framework for each deal 	<ul style="list-style-type: none"> Some resource to manage relationship with investees – may be limited in time or scope of engagement A process for reporting on investments – predominantly on a deal by deal basis rather than looking across whole portfolio 	<ul style="list-style-type: none"> No ongoing resource to manage investee relationship post deal No regular reporting framework for monitoring deals No feedback with investees

Building Blocks – In Practice

Fund managers



Building Block	Key elements	4 – Best in class	3 – Good	2 – Able	1 – Needing development
	<p>Monitoring and portfolio management <i>cont.</i></p>	<ul style="list-style-type: none"> ▪ Action plan and regular reporting framework for each deal and for portfolio as a whole discussed and debated ▪ Feedback from investees regularly sought with intention to understand and improve ▪ Post investment support developed with the investee based on diagnosed needs building an on going relationship; active non -financial support, including setting key impact milestones, measuring progress and helping them embed learning to improve their business models – individual learnings applied to wider sector ▪ Defined exit strategy for continuation of social mission – very likely to be achieved 	<ul style="list-style-type: none"> ▪ Agreed programme of post investment support; active non-financial support, including setting key impact milestones, measuring progress and helping them embed learning to improve their business models ▪ Exit strategy for continuation of social impact beyond investment – plans likely to be achieved at the end of the investment term 	<ul style="list-style-type: none"> ▪ Ad hoc, sporadic opportunities for investees to give feedback/ complaints – no clear process or commitment to acting on feedback ▪ Some post investment support, reactive rather than proactive; limited non-financial support to charities and social enterprises, no shared impact planning ▪ Exit strategy and infrastructure in development 	<ul style="list-style-type: none"> ▪ No post investment support; no non-financial frontline organisational development or networks ▪ No or unrealistic exit strategies for investments to realise financial value while achieving social impact or to continue to deliver social impact post investment

Building Blocks – In Practice

Fund managers

Building Block	Key elements	4 – Best in class	3 – Good	2 – Able	1 – Needing development
<p>Business model</p>  <p>Sustainable growth based on understanding of beneficiary stakeholder needs and competitive landscape</p>	Sustainable business model	<p>Proven, sustainable business model that adapts to and invests in the development of the market</p> <ul style="list-style-type: none"> Comprehensive understanding of competitor landscape and competitive advantage Proven path to growth and sustainability Core activities fundamental to social and financial performance Products and services designed with input from charities and social enterprises to ensure relevance Detailed understanding of cash flow flexibility/ constraints in adapting business model to changing environment 	<p>Developed business model that delivers sustainable growth</p> <ul style="list-style-type: none"> Understanding of competitor landscape and organisation’s competitive advantage Clear plan for path towards growth and sustainability Organisational activities expect both social and financial outcomes Products and services are accessible, affordable and inclusive 	<p>Developing model based on understanding of external landscape</p> <ul style="list-style-type: none"> Some analysis of competitive landscape and competitive advantage Plan for growth and sustainability Organisation activities have financial and social focus Products and services with some but limited take up 	<p>No clear model or logic behind activity</p> <ul style="list-style-type: none"> Lack of understanding of competitor landscape and organisation’s competitive advantage No clear path to growth and sustainability Organisation can perform financially without delivering social outcomes Products and services are not accessible, affordable and inclusive

Building Blocks – In Practice

Fund managers

Building Block	Key elements	4 – Best in class	3 – Good	2 – Able	1 – Needing development
<p>External communications and fundraising</p>  <p>Strategies based on clear understanding of mission, beneficiaries audience and investors</p>	Communication strategy	<p>Clear, consistent, strategic communication based on sector and investor insights, building long term presence</p> <ul style="list-style-type: none"> ▪ Defined, clearly communicated and regularly reviewed competitive selling points ▪ Information on products and services shared effectively and in easily digestible formats to targeted audiences ▪ Clear, distinct, credible brand recognised in immediate sector and beyond <i>e.g. tracking brand awareness and perception</i> ▪ Brand strategy aligned with social mission ▪ Senior management team have track record in effectively communicating organisation's vision and successfully raising funds 	<p>Planned, consistent communications structured around organisational activity and strategy</p> <ul style="list-style-type: none"> ▪ Defined and clearly communicated competitive selling points ▪ Information on products and services shared effectively and in easily digestible formats ▪ Investment into longer term communications strategy and brand ▪ Well recognised, credible brand in the sector 	<p>Planned communication reacting to short term initiatives and outside activity</p> <ul style="list-style-type: none"> ▪ Failing to define or communicate competitive selling points ▪ Growing recognition and credibility as brand in the sector 	<p>Unclear or inconsistent communication about organisation and purpose</p> <ul style="list-style-type: none"> ▪ Failing to define or communicate competitive selling points ▪ Lack of brand development ▪ Communications are predominantly reactive or short term, little investment into longer term market championing and brand building

Building Blocks – In Practice

Fund managers

Building Block	Key elements	4 – Best in class	3 – Good	2 – Able	1 – Needing development
	Fundraising	<ul style="list-style-type: none"> ▪ Clear understanding about investors and investees' need through experience and feedback <i>i.e. including rate of return needed/desired, product structure and investor reporting requirements</i> ▪ Established relationships/ meaningful contacts within relevant organisations - structured process for updating/ hearing from investors on regular basis ▪ Staff with proven experience of fundraising from a diverse range of investors – foundations, social investors, corporates, the government 	<ul style="list-style-type: none"> ▪ Clear understanding of investors and investees' need <i>i.e. rate of return, product structure, reporting requirements</i> ▪ Established relationships within relevant organisations ▪ Staff experience of fundraising across sectors – may be more comfortable in a few chosen fundraising routes 	<ul style="list-style-type: none"> ▪ Growing understanding about investors and investees' need, may be one dimensional or siloed ▪ Building relationships/ meaningful contacts within relevant organisations ▪ Some staff experience of fundraising across sectors – heavy reliance on particular fundraising routes or investors 	<ul style="list-style-type: none"> ▪ Lack of understanding about investors and investees, needs of the market ▪ Lack of relationships/ meaningful contacts within relevant organisations ▪ Limited or no staff experience of fundraising across sectors

Building Blocks – In Practice

Fund managers

Building Block	Key elements	4 – Best in class	3 – Good	2 – Able	1 – Needing development
Operational systems  Considered, proportionate legal, financial and portfolio management procedures	Data management systems	Systems in place across different areas of the organisation (either internally or outsourced) to: <i>track and monitor investments (loan book management), track client relationships (CRM), manage financials, pay roll and back office requirements</i> <ul style="list-style-type: none"> Clear, established processes for data management to go alongside established systems – practiced by all staff 	Systems in place across different areas of the organisation (either internally or outsourced) to: <i>track and monitor investments (loan book management), track client relationships (CRM), manage financials, pay roll and back office requirements but somewhat ineffective and duplication common</i> <ul style="list-style-type: none"> Process alongside systems – may be followed in a piecemeal way 	Some systems in place (either managed internally or outsourced) to: <i>track and monitor investments (loan book management), track client relationships (CRM), manage financials, pay roll and back office requirements</i>	Very limited systems in place (either managed internally or outsourced) to: <i>track and monitor investments (loan book management), track client relationships (CRM), manage financials, pay roll and back office requirements but somewhat ineffective and duplication common</i>
	Legal documentation processes	<ul style="list-style-type: none"> Legal advice actively sought and secured when needed based on understanding of appropriate use of legal documents Access to suitable standardised templates, where appropriate 	<ul style="list-style-type: none"> Legal advice reactively sought and secured when needed 	<ul style="list-style-type: none"> Legal advice only sought when required by investors and in a minimal capacity 	<ul style="list-style-type: none"> Legal advice sought and secured too late, often delaying transactions

Building Blocks – In Practice



Fund managers

Building Block	Key elements	4 – Best in class	3 – Good	2 – Able	1 – Needing development
	Financial and operational risk management	<ul style="list-style-type: none"> Proactive, accurate and timely financial risk management including: <i>reporting of financial and management accounts, system of internal control, disaster recovery, anti-fraud and recovery and resolution plans</i> Clear operations manual in place, that's been tested and verified Effective valuation committee/mechanisms 	<ul style="list-style-type: none"> Accurate financial risk management including some if not all of the following: <i>reporting of financial and management accounts, system of internal control, disaster recovery, anti-fraud and recovery and resolution plans</i> Operations manual in place Valuation committee/mechanisms 	<ul style="list-style-type: none"> Reporting of financial and management accounts but problems have occurred in the past Operations manual in development Limited valuation committee/mechanisms 	<ul style="list-style-type: none"> Frequent problems with reporting of financial and management accounts No clear operations manual Ineffective/no valuation committee/mechanisms
	Regulatory permissions and controls	<ul style="list-style-type: none"> All appropriate plans in place, with knowledge of procedures shared across the organisation Organisation proactively strives for best regulatory practice, regardless of permissions in place – culture of compliance 	<ul style="list-style-type: none"> Compliance practices in place All appropriate plans and regulatory permissions in place 	<ul style="list-style-type: none"> Minimum compliance practices in place All appropriate plans and regulatory permissions in place 	<ul style="list-style-type: none"> Difficulty with compliance practices Intention to get appropriate plans and regulatory permissions in place