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Not Only a Question of What but How:

An Exploration of Impact Investing Through Literature and Actors in the Nordics

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Abstract

The amount of capital needed to meet the Sustainable Development Goals (SDGs) is monumental – with the UN estimating that at the global level, $5 trillion to $7 trillion of investment is needed annually. Impact investing – the intentional dual pursuit for financial return and positive environmental and social impact – is one way the private sector can be part of moving the needle on these global issues. An investment strategy which used to be niche and socially focused, is now starting to enter into mainstream capital markets. Impact investing entails a different approach than traditional investing – being a strategy about not simply what you invest in, but also how you invest. This research explores the concept and process of impact investing through the combination of literature and actors in the Nordics. A diverse literature review taking hold in academic literature, recent industry literature, and surveys provides a holistic and insightful review of the field. At the firm level, four Nordic actors are examined through mixed data collection and semi-structured interviews. The firm level research provides insight, with varying degree among the cases, into investment approaches, impact integration, investor contribution, along with perspectives on risk and challenges with engaging in impact investing. Overall, there appears to be an investment approach rooted in technology, scalability, and commercialization – where the view is that impact and financials go hand in hand. Impact integration includes the use of the SDGs as screening, utilization of theory of change, drawing upon dimensions of impact from the Impact Management Project, and the establishment of measurement together with investees. Non-financial contribution surfaces among all the actors. Risk and challenges blend in with that of early-stage investing – highlighting questions that are complex and nuanced. Overall, the research through its culmination of literature and the actors examined, lays forth or affirms several differential steps and elements to impact investing. Some of these include establishing an impact goal(s), asking and considering different questions that specifically relate to the impact objective, considering and establishing investor contribution to impact, creating a logic model of how impact is to occur, and measuring and reporting on impact. This is valuable for both new investors looking to engage in impact investing and for current practitioners in reflecting upon and improving their own processes.

Keywords: Impact Investing, Sustainable Investing, Early-stage Impact Investing, Impact Startups

Executive Summary

Problem Definition

The world is facing an array of challenges – such as climate change, environmental destruction, poverty, and social inequality – challenges that are of such a scale that all contributions addressing them are welcome. The amount of capital needed to meet the Sustainable Development Goals (SDGs) is monumental – with the UN estimating that at the global level, $5 trillion to $7 trillion of investment is needed annually. Impact investing is one way the private sector can be part of moving the needle on these global issues, build additional momentum towards achieving the 2030 agenda for sustainable development, and why the sector has seen substantial growth over the last decade (IFC, 2019).

An investment strategy which used to be niche and socially focused, is now starting to enter into mainstream capital markets, with there being an increasing focus on *impact* and investments targeting the SDGs. However, impact investing entails a different approach than traditional investing – it being a strategy about not simply what you invest in, but also how you invest.

Despite impact investing's growth over the last decade, it is still a young discipline and with scholars' attention to it lagging that of practitioners (Roundy et al., 2017). Unlike the venture capital investing process, the impact investment process has not been investigated properly, and with research needed on strategies of investment at the firm level (Agrawal & Hockerts, 2021).

Research Aim and Methods

The overall aim of this research is to explore the concept and strategy of impact investing through literature and actors in the Nordics. The research follows an inductive approach – allowing for exploration and description (Norman & Priest, 2019). The following research objectives were pursued:

- Through literature map out impact investing – its definition, core attributes, and associated elements. Embedded into this is what separates it from so-called traditional investing and makes it unique.
- Dive down at firm level – investigating a select few actors in the Nordics – taking root in the following questions:
  What is their investment approach and how is 'impact' incorporated? Specifically, what is their approach and perspectives on impact assessment, measurement, and reporting?
  What lessons can be learned regarding their work and contribution as actors in the impact investment space?
- Through the culmination of literature and actors examined provide an insightful discussion on the concept and process of impact investing.

The literature takes hold of academic literature, industry literature, and surveys. The industry literature is primarily rooted in publications from Rockefeller and the International Finance Corporation (IFC) – prominent organizations in the field of impact investing. The literature particularly focused on impact investing and its origins, its place on the 'spectrum of investing', and overarching definition and core attributes. Further, additional elements regarding the process and approach of impact investing, the universal mechanics of impact investing, and challenges in the field.

Four organizations are part of the research – Katapult Accelerator, Norrsken, Ferd, and Grid.VC. Katapult and Ferd are two key actors in the Norwegian impact investment scene. Norrsken is a prominent Swedish impact VC firm, while Grid.VC is a Finnish VC fund focused on the energy sector. Research entails mixed data collection – including semi-structured

interviews, webinars, internal documents, and publicly available information. The amount and type of data for each case varies. While the investment approach of all the actors was examined, the cases of Katapult and Norrsken allowed for more insight into how impact is integrated in the investment process. Data analysis is done through content analysis method, with coding of information into investment approach, impact assessment, measurement, reporting, role/contribution, risk, and challenges.

Literature

Definition and Key Attrributes

The term impact investing was coined in 2007 – emerging out of discussions among actors in finance, philanthropy, and development through an initiative hosted by the Rockefeller Foundation (Höchstädter & Scheck, 2015). Impact investing entails the dual objective of financial return and impact – with the pursuit of a financial return differentiating it from philanthropy (grants, donations), while the focus on social and environmental impact bounds it from traditional investing. The Global Impact Investing Network's (GIIN) definition of impact investing – *investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return* (GIIN, 2021a) – has become widely adopted in the industry.

The first key attribute of impact investing and what differentiates it from traditional investment is *intentionality***.** Investors must go into an investment with the intention of not only achieving a financial return, but that of wanting to create positive impact. The second key attribute is *measurement* – investor commitment to measure and report on social/environmental performance of investments. A third still contested attribute is *additionality*, also known as *contribution***.** It entails an evident investor contribution to the outcome(s).

Key Elements from Industry Literature

The International Finance Corporation (IFC) includes contribution as a third key component – namely the difference an investor makes to a firm or the market which is part of driving the social or environmental outcomes. An investor can do so through financial contribution (e.g. patient capital, willingness to take higher risk) and non-financial contribution (e.g. knowledge and assistance, engagement).

In 2019, the IFC launched its Operating Principles for Impact Management – principles that are to ensure impact is purposefully integrated into the investment process. Some of these include setting strategic impact objectives, systematic impact assessment, establishing contribution to impact, addressing and assessing potential negative impact, and monitoring progress against set expectations (i.e. targets).

Key elements put forth by Rockefeller (2020) include having clear impact goals, the use of theory of change (a logic model of how impact is to occur), impact tools (actions an investor takes such as screening, patient capital, active engagement), and having an impact measurement and management (IMM) system which encompasses the whole process from due diligence to investment management.

Impact Investing Mechanics

There are three key actors in the impact chain of impact investing – the impact investor, the impact creator (company/enterprise), and the impact beneficiaries. The universal mechanics of impact investing can be conceptualized as *beneficiaries* (what/who experiences the impact), *outcomes* (what is the impact), *activity* (enterprise activity that generates the impact), and *return* (both financial and impact return for investors).

Challenges

There is continued uncertainty about impact investing's financial performance. A lack of clarity around how investments are managed to achieve impact, gives rise to concerns of *impact washing* (e.g. acting differently than stated impact focus, making impact claims without having any demonstratable positive environmental or social impact). This relates to there being no common standard for impact measurement and management, with there being an array of different methods available, making it challenging to navigate and identify best practices. Further, the One Initiative, a leading organization on impact investing research in the Nordics, found that when engaging in impact investing close to 75% of respondents take a longer time horizon, 62 % seek in-depth knowledge of the data and science available before investing, while close to 50% of respondents put forth it is requiring more engagement and specialization.

Firm Level Findings

The investment approach of the various actors was examined. Ferd conducts a systematic screening of funds aligning with their focus areas of renewable energy, proptech, and aquaculture – building upon existing internal knowledge and investments in these areas. Grid.VC targets new technology and innovations in the energy sector. Katapult and Norrsken take hold in the SDGs as broad focal points – targeting startups addressing challenges in several areas. All actors examined target startups and early-stage companies. Overall, there appears to be an investment approach rooted in technology, scalability, and commercialization – where the view is that impact and financials go hand in hand.

The research on Katapult and Norrsken allowed for insight into how impact is integrated in their investment process – with an impact assessment initially taking hold in the SDGs, followed by self-made assessments drawing upon theory of change and parameters from the Impact Management Project (IMP), workshops establishing measurement together with investees, and reporting revolving around one or a couple of key metrics for each company along with linked SDG(s). Norrsken also reports on progress against set impact targets, both for individual companies and the portfolio as a whole.

The challenge of impact assessment, measurement and reporting was a common narrative among the actors examined. First, assessing impact involves a degree of subjectivity and with investing in startups one might not know the ultimate impact before many years or even decades later. Second, impact might not be directly measurable. Three, the notion of wanting to balance reporting requirements and time needed for companies to develop was brought forward from several actors. Despite this, the view is that reporting is beneficial for portfolio companies and is part of their value creation. Four, it is challenging to aggregate impact across the portfolio.

Further, additional findings regarding whether impact investing entails greater risk, challenges with engaging in impact investing, and investor contribution were presented. Overarching findings being that impact investing does not necessarily entail greater risk or even less so considering the focus on environmental, social, and governance (ESG) aspects impact investing entails. They see the element of risk not being uniquely tied to impact investing, but rather the stage one invests in (i.e. startups, early-stage). Challenges blend in with that of early stage investing. Elements of contribution surface among all the actors, specifically an awareness of and focus on non-financial contribution. While these additional aspects are not explored in-depth, they shed some light on the questions of 'risk in impact investing', 'the role of the investor', and 'what is needed to engage in impact investing'. Questions that are important, complex, and nuanced.

Discussion and Conclusion

Taking hold of both literature and actors examined, the thesis provides a discussion on how 'impact investing is still investing', 'what impact investors do differently', and additional reflections on its complexity and outlook.

The financial objective means traditional investment criteria are still present. With an integrated view of financials and impact, these traditional investment elements become part of driving the impact – an impact that can scale and is financially sustainable. The impact objective is what makes the process of impact investing unique. The culmination of literature and the actors examined has laid forth or affirmed several differential steps and elements. Some of these include establishing an impact goal(s), asking and considering different questions that specifically relate to the impact objective, consider and establish investor contribution to impact, creating a logic model of how impact is to occur, and unsurprisingly measuring and reporting on impact.

This research contributes to the growing yet still low stream of academic literature on impact investing. The combination of academic literature, recent industry literature, and surveys provides a holistic and updated review of the field – that is valuable for academics and practitioners alike. The culmination of literature and investigation of actors at the firm level brings forth several aspects and elements of impact investing – providing insight into not only the *what*, but *how*. This is valuable for both new investors looking to engage in impact investing and for current practitioners in reflecting upon and improving their own processes.

Lastly, the thesis serves well as a broad foundation and inspiration for various future research avenues. Suggestions put forth include observational research on actors examined providing deeper insight into interaction with investees and considerations made regarding the impact objective; further explore how various impact investors address risk; performance research (both financial and impact); and organizational capacity building among impact investment firms.

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Abbreviations

DD – Due Diligence

ESG – Environmental, Social, Governance

GIIN – Global Impact Investing Network

IFC – International Financial Corporation

IMM – Impact Measurement and Management

IMP – Impact Management Project

SDGs – Sustainable Development Goals

SRI – Socially Responsible Investment

VC – Venture Capital

1 Introduction

Nineteen of the twenty warmest years on record have occurred this century, with the year 2016 having been the hottest (NASA, 2020). The evidence for why is unequivocally clear – human activities such as the burning of fossil fuels have raised CO2 levels in our atmosphere by 47 % since 1850 (NASA, 2020). And the consequences (already unfolding) are dire – rising sea levels, intense heat, wildfires, a dying ocean, extreme weather events – with the very world we know in jeopardy. We are on a path to make parts of the world uninhabitable by the end of this century (David Wallace-Wells, 2019). In an article through the World Economic Forum (WEF), president of the European Investment Bank (EIB) Werner Hoyer outlines that the pace of change needed in tackling the climate crisis, will require efforts from an array of actors, both public and private. He highlights that *without no private finance, there will be no green transition* (WEF, 2019). As daunting as climate change is – it is only one among the array of enormous challenges facing the world such as environmental destruction, poverty, and social inequality – challenges that are of such a scale that all contributions addressing them are welcome (IFC, 2019).

In her book on climate change and investing – *Investing to save the planet* – Ross writes, *the question is: what can investors do about it?...the answer is: a lot* (Ross, 2020, p. 24), pointing to the realm of sustainable investing. The past decade has seen tremendous growth in interest and activity within this realm. More recently, two pivotal moments have helped catapult the interest and growth in sustainable investing – the 2015 Paris Agreement and the world's commitment to limit global warming to well below 2 degrees Celsius, along with the launch of the UN Sustainable Development Goals (SDGs) that same year (Ross, 2020; Busch et al., 2021; IFC, 2019). Busch et al. (2021) puts forth that we are now at the dawn of a new era – a re-orientation towards impact in the financial sector, changing *sustainable finance from the business case of sustainability to the sustainability case of business that asks for positive impact of finance* (Busch et al., 2021, p. 2). This is where impact investing comes in – *investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return* (GIIN, 2021a). First coined in 2007 by the Rockefeller Foundation (Höchstädter & Scheck, 2015), impact investing has seen significant interest and growth the past decade (Rockefeller, 2020).

The amount of capital needed to meet the SDGs is monumental – with the UN estimating that at the global level, $5 trillion to $7 trillion of investment is needed annually (IFC, 2019). Impact investing is one way the private sector can be part of moving the needle on these global issues, build additional momentum towards achieving the 2030 agenda for sustainable development, and why the sector has seen substantial growth over the last decade (IFC, 2019). Rockefeller (2020) puts forth that without impact investing, the kind of change we need to solve deep enduring challenges and injustices will continue to elude us.

1.1 Problem Definition

In the financial world, there is an increasing attention given to the word 'impact' and investments that target the SDGs. Impact investing – which used to be niche and very socially focused – is now starting to enter into mainstream capital markets (Brännvall, 2020). Despite this, Brännvall (2020) points out that many fail to obtain their desired results, *as they approach investments in the social and environmental areas together with traditional approaches* (Brännvall, 2020, p. 5). Impact investing is not simply a strategy about *what* you invest in, but also *how* you invest**.** (IFC, 2019).

Despite impact investing's recent growth, it is still a young discipline, with scholars' attention to it having lagged that of practitioners (Roundy et al., 2017). The growth in the number of studies on impact investing is still low – with the current practice of impact investing not being equated with relevant theoretical, empirical, and critical knowledge (Agrawal & Hockerts, 2021). This lack of knowledge and research production ultimately threatens the success for both investors and investees (Agrawal & Hockerts, 2021).

In their study, Agrawal & Hockerts (2021) outline various research gaps. One, that unlike venture capital investing process, the impact investment process has not been investigated properly – bringing forth that at the firm level, research must study strategies of investment and investment management. Further, there is less knowledge and discussion around: impact investing as a potentially better investment strategy (than traditional investment strategies) for facilitating the growth of purpose-driven businesses and start-ups, the actual role of the investor and the considerations made during an investment process, and ultimately clarity around the role of capital (Brännvall, 2020). With these aspects in mind, I dive into the aim of my research and objectives.

1.2 Aim and Research Questions

The aim of this research is to explore the concept and strategy of impact investing through literature and actors in the Nordics, taking hold in the following research objectives:

(1) Through literature map out impact investing – its definition, core attributes, and associated elements. Embedded into this is what separates it from so-called traditional investing and makes it unique.

(2) Dive down at firm level – investigating a select few actors in the Nordics – taking root in the following questions:

- What is their investment approach and how is 'impact' incorporated? Specifically, what is their approach and perspectives on impact assessment, measurement, and reporting?
- What other lessons can be learned regarding their work and contribution as actors in the impact investment space?

(3) Through literature and actors examined provide an insighftful discussion on the concept and process of impact investing.

1.3 Scope and Limitations

The scope is two-folded. In diving down at the firm level the scope was put to the Nordics – with actors examined operating in Norway, Sweden, and Finland. This was a natural boundary, both from the author's own background and location, as well as to getting external help in obtaining access to firms and interviewees.

While it was made sure to examine literature and publications on the Nordics to provide relevant context – the research focuses on the strategy of impact investing – a universal and global concept. As such, in looking for and examining relevant literature, no set boundary was in place.

All actors examined engage in in startup and early-stage investing. Thus, while this study revolves around impact investing – its attributes and approach – additional aspects and discussion points are more applicable to that of early-stage impact investing.

While an exploratory approach and semi-structured nature have allowed for several aspects to surface, it also limits the the depth in which one can go into certain topics. While the literature reviewed is diverse – drawing upon academic literature, industry literature, and surveys – it is far from an all-encompassing review of literature on impact investing. The ensuing chapter (section 2.7) provides a further discussion on limitations.

1.4 Ethical Considerations

The main ethical consideration in this research revolved around the actors examined and the associated data obtained. For participating actors, it was made sure to provide background information about the research project and what the information was to be used for. Interviewees were each given the option of anonymity (e.g company, name, position). As such, some respondents preferred this – which is reflected in the writing and referencing on some respondents. It was also asked for consent from all respondents in the interview being recorded.

Further, it was made sure to ask whether any information obtained (both from interviews and internal documents) was sensitive. Any such material has been modified accordingly. The information obtained is not shared with anyone beyond what is presented in this thesis and is

stored on a password-protected computer or secure cloud service. All interview recordings will be deleted once this research project is finished.

Overall, having taken the steps above, along with carefully referencing and acknowledging the works of other people and organizations used in this thesis, the author views the risk of any ethical or plagiarism issues as low.

1.5 Audience

The thesis aims to be relevant for a wide-ranging audience, from those unfamiliar to impact investing to practitioners and academics with prior knowledge on the topic. The culmination of academic literature, recent industry literature, and surveys provides a holistic and updated review of the field – that is valuable for non-academics, academics, and practitioners alike.

Concrete elements and various discussion points on impact investing are brought forward – that is valuable for new investors looking to engage in impact investing as well as for current practitioners in reflecting upon their own approach and process.

For academics, it sheds light on the under-researched process of impact investing – both through industry literature and the practice of specific actors. Further, the thesis touches upon several important topics and questions related to the strategy and concept of impact investing, serving well as a foundation and source of inspiration for various future academic research avenues.

1.6 Disposition

The ensuing chapter (chapter 2) presents the research methodology and process. It briefly introduces the role of the literature examined and the cases examined at the firm level. Further, it outlines methods for data collection and analysis, along with a discussion on limitations and validity of the research.

Chapter 3 presents the literature examined – which includes academic literature, industry literature, and surveys. The literature maps out impact investing and its origins, definition, key attributes, elements from industry organizations, and additional theory.

Chapter 4 presents firm level findings and analysis. Each actor is first outlined individually, followed by presenting additional combined findings and analysis.

Chapter 5 takes hold of both literature and actors examined, providing a discussion on 'how impact investing is still investing', 'what do impact investors do differently', along with additional reflections on impact investing – its complexity and outlook.

Lastly, chapter 6 presents a conclusion – synthesizing the research, its objectives, and outlining suggestions for future research.

2 Methodology

This section describes the research design and process. A research design should revolve around answering three core questions: what will be studied? Why will it be studied? How will it be studied? (Norman & Priest, 2019). Hence, this section aims to address such questions, and describe the research process that took place.

2.1 Research Design

The research purpose is to provide insight into the phenomenon of impact investing – through academic and industry literature, and actors in the Nordics. The research follows an inductive approach – allowing for exploration and description (Norman & Priest, 2019).

The research has been an iterative process. Starting out with the umbrella term 'impact investing', initial literature was examined to get an overview and delineate potential research 'gaps'. An overarching research aim was formulated. At the firm-level, with help from Richard Georg Engström, actors to examine in the Nordics were identified. However, realizing that aspects from empirical cases required further context, additional literature was reviewed. Hence, it did not follow the conventional research process, but rather a continuous literature review. The culmination of findings from literature and cases provides the basis for this research. The overall research design is depicted below in figure 2-1.

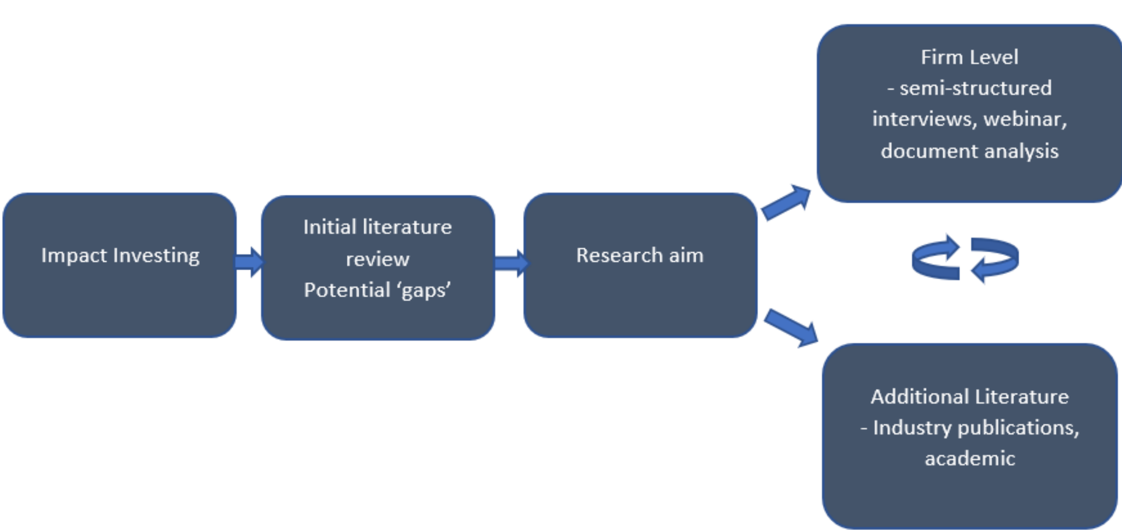


Figure 2-1. Research Process

Source: Author's own

2.2 Role of Literature

The literature reviewed is diverse – taking hold of academic and industry literature, along with surveys. The literature particularly focused on impact investing and its origins, its place on the 'spectrum of investing' and what delineates it from other investment strategies, overarching definition and core attributes, key elements regarding the process and approach of impact investing, the universal mechanics of impact investing, and challenges in the field.

Regarding industry literature, it mostly takes root in publications from Rockefeller and the International Finance Corporation (IFC). The reason for this? They are prominent actors or organizations in the field. Rockefeller first coined the term and has been instrumental in its rise (Höchstädter & Scheck, 2015). The IFC is part of the World Bank, and a global leader in private sector development in developing countries, having engaged in impact creation for 60 years (IFC, 2021). The IFC can be seen as the world's biggest impact investor (Gregory, 2016).

The literature review takes hold in research objective (1) – 'mapping out' impact investing through academic and industry literature, as well as research objective (3) in providing an insightful discussion on the process and concept of impact investing together with findings from the firm-level. The literature also serves to provide relevant context for the actors examined.

2.3 Firm Level (Case studies)

Four organizations (firms) are part of the research – Katapult Accelerator, Norrsken, Ferd, and Grid.VC. Katapult Accelerator and Ferd are two prominent actors in the Norwgian impact investment scene, part of creating a pipeline for impact investing in Norway (Due & Lund, 2018). Norrsken is not only a prominent Swedish impact investment firm, but also the biggest hub for impact in Europe (Norrsken, 2021). Grid is a finnish VC fund. Each actor is introduced below.

Katapult Accelerator

Katapult is based in Oslo, Norway and was launched in 2017. Katapult accelerates and invests in early-stage companies (start-ups). They define their mission as, *at katapult we work to make impact investing mainstream and mobilize capital and businesses to deliver positive impact. We accelerate and invest in tech companies solving the world's greatest challenges* (Katapult.vc, 2021). Starting out as a general accelerator (i.e. having no defined investment themes), Katapult has accelerated about 90 companies through their program from 32 different countries, holding over 50 companies in their main portfolio. They now have two defined verticals – ocean and climate (named Katapult Ocean and Katapult Climate). Katapult Ocean has been running for a couple of years, holding over 30 companies, while Katapult Climate is to run its first accelerator and investment program this year. They will be the 11th and 12th accelerator programs Katapult run (R1).

Norrsken VC

Norrsken VC runs a 125-million-euro fund and was sprung out of the Norrsken Foundation – which was started by Klarna co-founder Niklas Adalberth in 2016. They are located in Stockholm, and their so-called Norrsken House is also a huge co-working space. And according to themselves, is now also Europe's biggest hub for 'impact' (R3). Its founding is based on the view that entrepreneurs building rapidly scalable businesses are our best bet to solving the hardest and biggest problems, such as poverty, famine, environmental issues, mental health, and integration (Norrsken, 2021). In addition to its founder Niklas Adalberth, the fund is backed by various high net worth individuals along with institutions and pension funds such as EIF, Saminvest, Nordea, and SEB. Norrsken has of now invested in 25 companies (R3).

Ferd

Ferd is a Norwegian family-owned investment company based in Oslo, Norway. It is owned by 5th and 6th generations of the Andresen family. Ferd's activities and investments span across many areas. However, they have two mandates within impact investing – Ferd Social Entrepreneurs and Ferd Impact Investing. The former having a purely social focus, while the latter is environmental/climate focused, and the case for this study (Ferd, 2021a).

Ferd's environmental impact investing is primarily focused on funds – conducting systematic screening of funds aligning with their focus areas of renewables, aquaculture, and proptech. However, having a broad mandate and flexible approach, they are also open for direct investments and other partnerships. Current AUM is a couple of hundred million NOK (R6).

Grid.VC

Finnish venture capital firm targeting the energy sector and early-stage start-ups with new innovations. It was started up in 2019 by finnish utility company Leppakosken Sakho Oy – which is the biggest owner of the firm (R5). Along with capital from other finnish corporate investors, Grid.VC manages a total of 3 million euros. As of the spring 2021, it has made four investments (R5).

2.4 Data Collection

Research entails mixed data collection. Data collection includes semi-structured interviews, webinars, internal documents, and publicly available information from their websites. Data sources for each case below is listed below.

- Katapult: semi-structured interviews with two employees at Katapult, internal slides and documents obtained from interviewees, public information from websites (Katapult Accelerator, Katapult Ocean, Katapult Climate), and company portfolio websites.

- Norrsken: webinar, Norrsken Impact Report 2020, website, portfolio company websites, semi-structured interview with portfolio company.

- Ferd: semi-structured interview with Director of Ferd Impact Investing, website.

- Grid.VC: semi-structured interview with Managing Director, website.

A list of data sources with more detail is presented in appendix I.

For the interviews, an overarching interview guide was followed (see appendix II), taking hold in investment approach, impact integration (impact assessment, measurement, reporting), and additional aspects in their work. Inteview questions were modified for each actor based on desktop research beforehand as well as learnings from subsequent interviews.

One-to-one semi-structured interviews were mostly conducted in person via zoom. Interview with Grid.VC was conducted by phone while additional 'follow-up' phone calls were conducted with both employees at Katapult. Each interview was audio recorded, transcribed manually, and translated to English if applicable.

2.5 Data Analysis

Data analysis is done through content analysis method, widely used in qualitative research. Categorization and coding of information from interviews/webinars into: investment approach, impact assessment, measurement, reporting, role/contribution, risk, and challenges. Additional reports and documents from actors were analyzed and information identified that tied into aspects above. Written material can be treated qualitatively as identifying aspects through which connections are established (Norman & Priest, 2019).

Further, a partial portfolio assessment is done of Norrsken and Katapult to present concrete investments with associated impact metric(s). The assessment integrates the '4 Rings Model' (adopted from Richard Georg Engström), presented in section 3.5.2., and Brännvall's impact categorization presented in section 3.5.1. Lastly, case findings are connected with and discussed up against elements and components of impact investing identified in literature.

2.6 Role of Firm-Level Data and Research Aim

While four actors have been examined – they are not on the same level. Meaning the time spent as well as the type and amount of data for each one varies. This is partly due to limited availability from some actors (e.g. Norrsken), the stage they are at in their 'investment journey', and varying degree of available information. Thus, different aspects surface from each case. I want to clarify what each case brings.

Katapult: Insight into current investment approach and impact integration in the investment process. Perspectives from interviewees around impact investing and their work. Partial portfolio assessment.

Norrsken: Insight into current investment approach and impact integration in the investment process. Perspectives on process and work through webinar. Additional perspective on Norrsken's role through interview with portfolio company. Partial portfolio assessment.

Ferd: Recently established mandate. Insight into investment approach and perspectives on impact investing and their work.

Grid.VC: Recently established. Insight into investment approach and perspectives on impact investing and their work.

2.7 Limitations and Validity

The exploratory research approach and semi-stuctured nature of interviews means it could be difficult to replicate these findings in future research. The interview method (semi-structured) does play into the reliability of the data – acknowledging personal bias and interviewees' own interepretation of questions. Further, while interviews followed an overarching interview guide with common themes, some questions and aspects were not covered with all actors. This approach means some aspects have less 'footing' – lowering generalizability and comparability across the cases.

While attempts were made to interview other actors and people deemed relevant for this study, another limitation is the relatively low number of interviews. No interview was done with representatives at Norrsken due to limited availability. However, through email correspondence, it was assured that an updated website alongside new publications would allow for information and insight into how they work with impact investing. Overall, a greater number of interviews and actors examined would allow for an even more comprehensive picture and robust findings.

Despite these limitations, there are clear strengths in the research methods. The semi-structured nature allowed for flexibility, additional aspects to surface, and hence a broad and rich discussion. The cases coupled with a diverse and continuous literature review (academic, industry publications and surveys) – allowed for putting some findings in a broader context, generating unique insight and learning. Further, validity is ensured through outlining the research process and description of cases examined with their associated data collection and interviews.

3 Literature Review

The aim of the literature review is to explore impact investing through academic and industry literature. The section starts out with outlining some previous academic research on impact investing and discussing venture capital and accelerators. It then aims to map out impact investing by outlining its origins, its place on the investment spectrum, definition, key attributes, its mechanics, and other elements relevant to the impact investment process. In other words, the aim is to explore several aspects and elements of impact investing. Further, to provide background and context relevant for the firms investigated in this study.

3.1 An Arrary of Previous Academic Research

Höchstädter & Scheck (2015) investigates and reviews a large number of academic and practitioner works on impact investing – mapping out various definitions, terminologies, and strategies. They find commonality in that an explicit focus on some level of non-financial impact delimits it from traditional investments. However, boundaries to related concepts are not clear cut, and they particularly find a lack of clarity around what should constitute an impact investee (Höchstädter & Scheck, 2015).

As mentioned earlier, Agrawal & Hockerts (2021) conducts an extensive literature review on impact investing, covering 85 practitioner publications and academic studies. They dive into the terminological and definitional boundaries of impact investing, the progress of scholarship within the field – particularly how research focus and the definition of impact investing has developed over the years (Agrawal & Hockerts, 2021). Early on the definitions of impact investing were broad and primarily focused on differentiating it from that of charity and venture capital. Between 2012 and 2016, definitions became more nuanced and established differences to existing terms such as SRI, social impact bonds, venture philanthropy and microfinance. From 2016 and onwards, definitions in literature have developed further by incorporating aspects such as social motives, stakeholders, and profit (Agrawal & Hockerts, 2021). Further, they highlight there being an increased focus and discussion on commercialization – how to commercialize social (i.e. impact) enterprises. Lastly, it is emphasized how the field is emerging – *moving from pre-paradigm stage to paradigm stage* (Agrawal & Hockerts, 2021, p. 175).

Reeder & Colantonio (2013) looks at impact measurement and non-financial returns in impact investing. They highlight that having assessments that are realistic and appropriate for both investors and investees is difficult. Further, that impact investing's most crucial aspect is finding an effective way of measuring non-financial benefits. Höchstädter (2017), through a single case study, explores the impact measurement needs and practices of a prominent venture philanthropy organization (VPO). She indicates that future research should explore how other organizations communicate their impact contribution at the investment and portfolio levels, and in general what approaches are available.

Roundy et al. (2017) investigates the motivations and criteria of impact investors, specifically early-stage investors. They highlight how impact investors are pursuing opportunities for both value creation (i.e. positive societal externalities) and value capture (i.e. financial return for investors). In doing so, they put forth that impact investors evaluate the 'business case' of a venture along with social value-oriented criteria with varying levels of specificity. Tying into this is Lazzirini et al. (2014) and their examining of investors pursuing blended value creation (i.e. social and economic value). They create and present three models for blended value creation in the context of impact investing: (1) economic value is central, reinforced by signals of social value creation; (2) moderate emphasis on economic value, with social value creation as a precondition; and (3) social value is

central and contractually monetized to enhance economic value. Lastly, they put forth that more work is needed in unpacking the role and motivations of investors.

Cetindamar & Ozkazanc-Pan (2017) investigates mission drift at venture capital impact investors – labeling them as hybrid organizations which are pursuing simultaneous financial and social goals. Mission drift is put forth as the eventual dominance of the financial logic over social aims – through which they examine actual investments made and the intended aims (i.e. mission statements). In the eight cases examined, mission drift is found in four of them (Cetindamar & Ozkazanc-Pan, 2017).

In their paper, *Killing Two Birds with One Stone?*, Caseau & Grolleau (2020) dive into the conceptual idea of impact investing – namely the dual pursuit of impact and financial return. Such an idea is an attractive promise, but also constitutes the potential Achilles heel of impact investing. They bring forth that when two or more goals are pursued through a single means (in this case investing), people tend to have the perception that the means become less effective in obtaining either goal. Drawing upon psychcology literature and behavioral insight, other concepts (e.g. biases) are discussed for why the promise of impact investing might still be met with skepticism, while also outlining potential strategies for reducing such mental barriers. Their end message is a strong call for adding more behavorial insights into the realm of impact investing (Caseau & Grolleau, 2020).

Gregory (2016) addresses impact investing in comparison to commercial (i.e. traditional) investing, with a particular focus on risk – highlighting that impact investing often entails greater risk in comparison to traditional investing. He puts forth several reasons for potential elevated risk: unproven business models, investing in unstable markets with lower accessibility, impact investing's focus on startups and early-stage companies, unproven fund managers (i.e. limited experience with engaging in impact investing), and unproven entrepreneurs (i.e. having a social focus but lacking financial experience). While outlining potential risks tied to impact investing, he also suggests potential solutions for 'de-risking' impact investing. Some of these include: selective use of screens, replicate and adapt proven business models, finance growth-stage enterprises (i.e. not only early-stage companies), work with seasoned managers, and matching instruments to the type of investment (e.g. VCs are better suited to early-stage investments). He also emphasizes that impact investments are not necessarily worse bets (from a risk perspective) than other investments, but it entails a different approach in selecting and managing investments to realize the potential of a dual return (Gregory, 2016). Gregory presents such differences in a list of 'what do impact investors do differently' – outlining differential steps taken before entering an investment, at entry, in portfolio, and at exit. His steps are shown below in figure 3-1.

What do impact investors do differently?

Before entry:

- Allocate capital to sectors/markets based on potential for impact
- Search for investments with environmental, social and economic impacts
- Appraise impact potential and risks

At entry:

- Structure for impact as well as financial return
- Set impact targets and establish measurement process

In portfolio:

- Add value through advisory services, capacity building
- Measure impact
- Exercise patience – portfolio duration aims to maximize impact as well as financial return

At exit:

- Structure for sustained impact after exit
- Promote sustained measurement and impact reporting after exit

Figure 3-1. What do impact investors do differently?

Source: Gregory (2016)

Brännvall (2020) highlights that in addressing risk, there are many types of potential risks – risks that are tied to the pursuit of positive impact. She brings forth: risk of insufficient impact data (i.e. lack of evidence), stakeholder risk through lack of engagement and misunderstanding their needs, impact drop-off (i.e. positive impact cannot be sustained over time), inefficiency (i.e. the same impact could occur with fewer resources or less cost), external risks interrupting the ability to deliver impact, execution risk, misalignment between intended impact and company's operational model and/or mission, lack of endurance, and unexpected impacts (i.e. unforeseen outcomes) (Brännvall, 2020).

3.1.1 Previous Academic Studies on the Nordics

Various academic studies focused on the Nordics were reviewed. Due & Lund (2018) claims to likely be the first study on the Norwegian impact investment scene. They point to a field that suffers from ambiguous concepts and numerous unexplored aspects. It is put forth that the financial objective seems to be emphasized in the investment process of impact investors, and that most of their informants undertake a similar investment process to that found in traditional venture capital/private equity while including an additional impact element in the investment process (Due & Lund, 2018). The same is expressed by Bjerga & Drønen (2019). Using agency theory, they investigate how impact investors can control for agency problems that might arise due to the social objective – proposing that impact investors should have an active role in their investees to control and monitor the progress and outcomes of the investment. In addition, it is underlined that among their study sample there seemed to be a lack of common understanding of how pre-screening and due diligence should be done (Bjerga & Drønen, 2019).

Östgren & Tedroff (2020) examine impact investing in the Swedish residential real estate sector – addressing impact investing in general along with presenting relevant measures to apply when investing in real estate. They conclude that currently no one general framework can be applied, with investments and impact having to be assessed independently. Further, that the true core of impact investing comes down to intentionality – a true commitment and responsibility to generate definite sustainable advancement (Östgren & Tedroff, 2020). Lairikko (2017) examines the emergence of impact investing in Finland – interviewing Finnish actors in the space. The study highlights a field in its early development phase with limited growth due to challenges related to the novelty of the field, the particular impact investment characteristics, and a lack of attractive investment deals.

3.2 Venture Capital and Start-up Accelerators

In its early growth stage, impact investing has been mostly focused on private financing – private debt, equity, project finance, and venture capital (IFC, 2019). It is often put forth that investments in the private space have the greatest potential to generate impact. The notion being that investors through deploying capital to young companies with limited access to financing translates to more impact (Busch et al., 2021; Brännvall, 2020). Further, here the investor can be very 'hands on' in engaging with companies, and easier provide additional support (IFC, 2019). With that in mind, I find it important to touch upon venture capital to provide relevant context for this research paper.

Private equity investors invest in unlisted companies – meaning companies that are private and and its shares are not publically available on the stock market. Venture capital is a subspace of

private equity, but where the focus is investing in companies at an earlier stage. The common mantra of venture capital is that of higher risk but with the potential of higher financial returns (Ross, 2020).

Venture capital has played and plays a significant role in financing new innovative companies (Gompers et al., 2020; Fried & Hisrich, 1994). Over the last decade, the capital invested globally by venture capital investors and subsequently the numbers of start-ups receiving funding have grown considerably (Lerner & Nanda, 2020). It is common that venture capital investors raise funds for a specific time interval. This means that there is often an emphasis on finding ideas that can be commercialized and the linked financial value realized (i.e. exit the investment) within a moderately short period (Lerner & Nanda, 2020). Roundy et al. (2017) reiterates this – that traditional venture capital investments often entail a short timeframe (e.g. 3-5 years), with the sole aim being to pursue the highest possible financial return on investment (ROI).

Gompers et al. (2020) dive into the decision-making of venture capitalists – surveying over 800 VCs coupled with in-depth interviews. Overall, key factors considered in the investment process include market attractiveness, company strategy, technology, product or service, customer adoption, the competitive landscape, deal terms, and management team. Of all these, it is found that the greatest emphasis in investment selection is on the management/founding team (Gompers et al., 2020).

Along with the growth of venture capital, completely new financial intermediaries such as accelerators, crowdfunding platforms, and "super angels" have appeared in early-stage venture finance (Lerner & Nanda, 2020). Accelerators are a quite recent addition to the various initiatives aimed at supporting startups and entrepreneurs. Accelerator programs are meant to provide networking support, mentorship, technical assistance, and additional training – the goal being to help entrepreneurs quickly develop their ventures through bolstering their commercial and investment foundations (Lall et al., 2020).

More recently, the social impact accelerator has emerged – a new form of accelerator aimed at supporting startups in developing a sustainable business model – aiming for environmental and social impact alongside financial returns (Bergmann & Utikal, 2021). Lall et al. (2020) dive into the 'acceleration' of impact-oriented ventures – specifically looking at whether acceleration increases the input of outside equity investment into impact-oriented ventures. They define impact-oriented accelerators simply as *working with ventures that have the potential to address social or environmental challenges, while providing the requisite commercial benefits to investors, employees, and customers* (Lall et al., 2020). In conclusion, they put forward that their data suggests that acceleration does improve the flow of outside investment capital into impact start-ups. However, this does not seem to translate into ventures working in emerging economies and those with female founders (Lall et al., 2020).

3.3 What is Impact Investing?

3.3.1 Origins and the Investment Spectrum

The term impact investing was coined in 2007 – emerging out of discussions among actors in finance, philanthropy, and development through an initiative hosted by the Rockefeller Foundation (Höchstädter & Scheck, 2015). The term impact investing allowed for a broad umbrella under which an array of investors could congregate (e.g. the low-income housing lender, the microfinance investor, the green-tech venture capitalist). A term that encapsulated a common interest of using capital to do something good, where investment performance was to be seen through more than just a financial lens (Bugg-Levine & Emerson, 2011).

While the term was quite recently brought to life, the ideas of impact investing have evolved over centuries (Bugg-Levine & Emerson, 2011). Ross writes, *thinking about the social and moral implications of your money is not something unique to the modern world. People have been pondering about it for hundreds if not thousands of years* (Ross, 2020, p. 41). It reconnects with the old tradition that saw the wealthy responsible for the development and welfare of broader society (Bugg-Levine & Emerson, 2011). Its history is rooted in value-aligned investing among Quakers in 17th century England, American Quakers divesting from the slave trade in the 18th century, the environmental movement of the 1970s, the South African apartheid divestment movment in the 1980s, and the later growing focus on socially responsible investments (Bugg-Levine & Emerson, 2011; Ross, 2020). What many of these movements have in common is that of avoidance – avoiding making certain investments whether it be to religious, political, or moral reasons (Ross, 2020). This 'negative screening' approach falls under what is known as socially responsible investing (SRI) – which saw its emergence during the 1960s (IFC, 2019).

Further, the coming of impact investing is in line and connected to a broader movement that has gained traction in modern financial markets and economies – one appealing a more socially inclusive and ethical capitalism (Höchstädter & Scheck, 2015). What started out with ethical reasons was followed by an era in which sustainability was more integrated into the marketplace (Busch et al., 2021). As the understanding of environmental, social, and governance (ESG) risks has evolved, investors have gone beyond simple exclusion/inclusion criteria to integrating and asssessing ESG risks in investments (IFC, 2019). However, this has taken foothold predominantly as a way to manage and analyze financial risks (Busch et al., 2021).

Rockefeller (2020) presents a timeline of what they deem as modern impact investing milestones. Some of these include the establishment of the UN Principles for Responsible Investment (PRI) in 2006, the launch of the Global Impact Investing Network (GIIN) in 2009, the fossil fuel fuel divestment movement really taking hold in 2014, the start of the Impact Management Project (IMP) in 2016, and the growing shift in corporate purpose from shareholder to stakeholder – with the US Business Roundtable switching its definition in 2019 (Rockefeller, 2020).

Trelstad (2016) takes hold in the 'spectrum of capital' to paint a picture of where impact investing is coming from. Until the mid 20th century there were two dominant positions on the spectrum of capital – the philanthropic and the fiduciary. The former on one side of the spectrum – the donation of capital in generating social or environmental benefit with no regard for financial return. The latter at the other end, investing capital aiming for maximum financial return with no consideration for the social or environmental consequences of the investments (Trelstad, 2016).

From the 1960s and onwards the spectrum started to grow, the middle started to fill in. Moving in from the pure financial end you first had the emergence of SRI (i.e. reducing harm) and later at the the turn of the century more actively choosing investments based on social or environmental factors (i.e. sustainable investing). On the philanthropic end of the spectrum emerged 'program related investments' – a shift from pure grants to low-interest loans in financing social programs (Trelstad, 2016). It is out of this intersecting spectrum the concept of impact investing emerged (Trelstad, 2016) – combining philanthropic objectives with financial decision making (Höchstädter & Scheck, 2015).

Figure 3-2 below is one depiction of the investment spectrum from traditional investing to philanthropy – outlining some of the differences in terms of goal and approach. One moves from only 'financial yields' to an increasing consideration of 'social return' (i.e. impact) as one moves across the spectrum.

	TRADITIONAL INVESTMENT	RESPONSIBLE INVESTMENT	SOCIALLY RESPONSIBLE & GREEN INVESTMENT	IMPACT INVESTMENT	PHILANTHROPY
GOAL	Financial yields	Financial yields considering environmental, social, governance (ESG) criteria	Financial performance and financing of sustainable development	Social and environmental objectives, competitive or below market returns	Social and environmental goals without expectation of financial performance
APPROACH	No consideration of environmental, social and governance (ESG) criteria	Environmental, social, governance (ESG) exclusions *best-in-class*	High impact portfolios: sustainable themes *best-in-universe*	Selection of companies according to their social and/or environmental impact	Environment, social, governance criteria (ESG) criteria, donation

Financial return — IMPACT MEASURES — *Social return*

Figure 3-2. Investment Spectrum

Source: UNIDO, https://tii.unido.org/training-modules-investment

3.3.2 The 'Alphabet Soup of Terminology'

While figure 3-2 depicts a way to separate various investment terms, Ross (2020) discusses what she labels as the the 'alphabet soup of terminology'. That in the financial industry terms such as sustainable investing, ethical investing, and socially responsible investing (SRI) are often used interchangeably. In essence meaning not only a focus on financial returns, but also taking into account an investor's values and morals (Ross, 2020). To add more fuel to the fire, you now have the widespread term ESG (environmental, social, governance) encompassing all socially responsible investments (Ross, 2020). The same is emphasized by Busch et al. (2021) – that in both theory and practice sustainable investments are often referred to as social, ethical, responsible, or SRI. The different terms are complementary and have differing interpretations. They end up using sustainable investments as a generic umbrella term for investments that include ESG aspects in the investment decision (Busch et al., 2021).

As to responsible investing versus sustainable investing – the simple way is to view the former as 'do no harm' while the latter means 'do good'. Sustainable investing is about making active choices for what to invest in – strategies for wanting to make a difference. Such strategies could include 'positive screening or 'best in class' (i.e. selecting a company leading on sustainability issues in its sector or industry), or actively engaging through shareholder dialogue and voting. That is generally what makes sustainable investing different to that of responsible investing (Brännvall, 2020). As for the growing term ESG, Brännvall (2020) emphasizes that ESG goes alongside impact investing, that impact investing goes on top of such a framework – an ESG framework that looks at how environmental, social, and governance behaviours of a company can impact its performance, and

thus be used to drive investment decisions. She writes, *Impact investing can be seen as the brave little sister to the big responsible brother* (Brännvall, 2020, p. 17).

To not add more confusion – simply enough – *the idea behind impact investing is that investors can pursue financial returns while also intentionally addressing social and environmental challenges* (Bugg-Levine & Emerson, 2011, p. 2). The pursuit of a financial return differentiates it from philanthropy (grants, donations), while the focus on non-financial return bounds it from traditional investing (Höchstädter & Scheck, 2015).

3.3.3 'Lay of the Land'

While impact investing used to be niche and very socially focused – it is now starting to enter mainstream capital markets (Brännvall, 2020). Having seen significant growth and activity the last decade (Rockefeller, 2020), impact investing has turned into a complex and rich investment ecosystem (UNPRI, 2018).

The exact market size is difficult to pinpoint as different estimates and reports have used varying definitions as what to include (Rockefeller, 2020; IFC, 2020). However, the GIIN's most recent estimate of the impact investment market totals to 715 billion USD (GIIN, 2020). The IFC (2020), in their latest calculation, estimates the market size of potential private impact investors to be a little over 2 trillion USD – with assets managing private impact funds estimated at USD 415 billion (IFC, 2020). More importantly, it is evident that the impact investment space is growing rapidly (Rockefeller, 2020) – attracting a broader audience and larger private equity funds (IFC, 2020). Over the last five years, large asset managers such as BlackRock, J.P. Morgan, and Goldman Sachs have entered the space and established impact-product offerings (Rockefeller, 2020).

In GIIN's latest survey, they gathered data and insights from 294 impact investment actors across 46 countries. Some of the findings include:

- Close to 70% view the market as growing steadily while about 20% see it as soon to 'take off'.
- 16% invest through private equity.
- About two-thirds of the respondents seek market-rate returns for their investments.
- Over two-thirds target climate change through their investments (GIIN, 2020).

What about the Nordics? The One Initiative, a leading organization on impact investing research in the Nordics, launched the first major survey on the Nordics in 2019. This was followed up by a second survey in 2020 – surveying 128 investors across the region (One Initiative, 2020). Some findings include:

- The most targeted SDGs are 13 (climate action), followed by 12 (consumption and production), 7 (clean and affordable energy), and 3 (good health and well-being).
- There is a focus on technology among investors with scalability being a key consideration.
- The main asset classes include private debt, private equity, and direct investment.
- When engaging in impact investing close to 75% take a longer time horizon, 62 % seek in-depth knowledge of the data and science available before investing, while close to 50% of respondents put forth it is requiring more engagement and specialization.
- Only one third have a written impact policy statement (One Initiative, 2020).

Earlier on in the industry, there has been a delineation of impact investors into 'impact first' and 'finance first' investors – categorizing investors as either those who seek social/environmental

impact above financial return (i.e. willing to take a lower return on capital) or those who seek market rate returns where financial return is not sacrificed to achieve impact (Hebb, 2013). However, the One Initiative (2020) brings forth that whether a categorization of 'impact first' or 'financial first' approaches is relevant any longer – underlining that impact is now so strong on the agenda that we can move past this and rather towards more intricate assessments of intentionality. This same view is shared by Rockefeller (2020), as they express, *concepts of impact-first and financial-first investors have been helpful constructs, but this binary is no longer adequate and also embeds an unfortunate trade-off mentality* (Rockefeller, 2020, p. 34).

Flipping the coin, +impact (an initiative by Danske Bank), recently released an analysis of the Nordic impact startup ecosystem – drawing upon data from 1,230 impact startups (+impact, 2021). The report defines impact startups as *a startup company that addresses one or more of the UN Sustainable Development Goals (SDGs) at the core of its business*, emphasizing the notion of *if you remove the impact you also remove the business* (+impact, 2021, p. 5). The report highlights that investments into impact startups have grown by a multiple of 25 over the last 10 years – with Sweden being a front-runner and a key driver for this growth. Impact investing now totals to 34% of all VC activity in the Nordics – which is high and unique to the Nordics (+impact, 2021). Figure 3-2 below shows the growth of venture capital (VC) investments into Nordic impact startups.

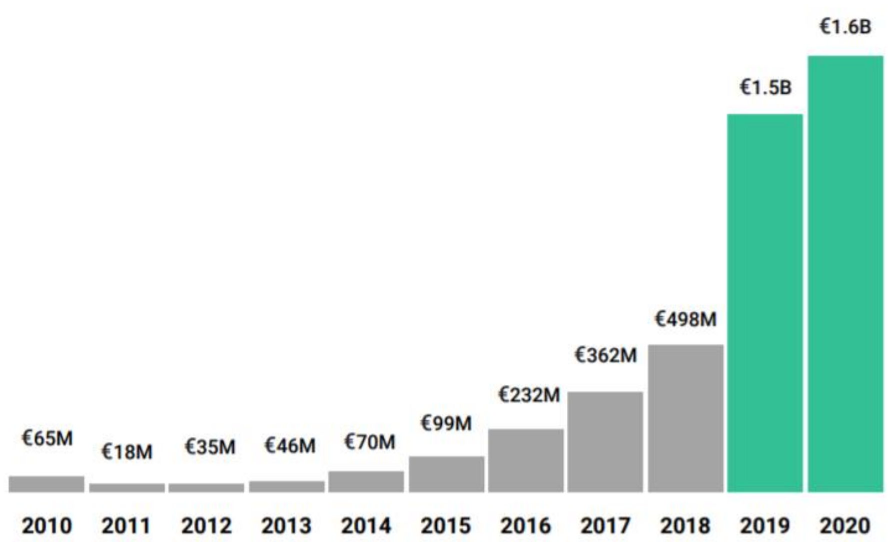


Figure 3-3. Yearly VC investment into Nordic impact startups

Source: Nordic Impact Startups 2021 Report (+impact, 2021)

3.3.4 GIIN Definition and Key Attributes

The Global Impact Investing Network (GIIN), launched in 2009, is a non-profit organization dedicated to increasing the scale and effectiveness of impact investing around the world – labeling themselves as the 'global champion of impact investing' (GIIN, 2021b). Their broad definition of impact investing has become widely adopted and put forth by other actors (Rockefeller, 2020; Brännvall, 2020). The GIIN defines impact investing as **investments made with the intention to generate positive social and environmental impact alongside a financial return** (GIIN, 2021a).

Let's break it down further. All investments have impact – whether it be positive, negative, or both (Rockfeller, 2020). Hence *positive impact* is a key differentiator. Impact, in a broad sense, is any meaningful change in social, cultural, economic, or environmental conditions. This is due to specific actions and/or behavioral changes by individuals, communities or the broader society. For the investor, impact means intentionally making an investment to make a positive difference for people, society, and the planet (Rockefeller, 2020). *Alongside* entails synchronous and interlinked results. Meaning there are two dual objectives in parallel – financial and positive social/environmental impact (Brännvall, 2020).

Within their definition, the GIIN outlines four key elements (GIIN, 2021a):

- **Intentionality**: investments are made with an intention of contributing to social and environmental solutions.
- **Financial returns**: investors seek a financial return on the investment, but this can range from below market rate to market rate. However, a return of capital at a minimum.
- **Range of asset classes**: no specific asset class, impact investments can be made across asset classes.
- **Impact measurement**: investor commitment to measure and report on social and environmental performance of investments.

The GIIN specifically highlights that the intention of contributing to environmental and social solutions delineates it from other investment strategies (e.g. ESG and SRI), while the goal of a financial return differentiates it from philanthropy (GIIN, 2021a). Two key attributes include intentionality and measurement. A third attribute, yet still contested, is that of additionality (also known as contribution) (Rockefeller, 2020). Each one is briefly outlined and discussed below.

The first key attribute of impact investing and what differentiates it from traditional investment is **intention** (IFC, 2019). Investors must go into an investment with the intention of not only achieving a financial return, but that of wanting to create positive impact. For example, two investors could choose to invest in a solar PV company. One for purely financial reasons, the other for wanting to take part in the reduction of GHG emissions (Rockefeller, 2020). In addition, the intention is rooted in the investor and not the investee. In other words, an investor can make an investment based on an impact potential they see in company or enterprise, without the investee sharing that same intent or view (IFC, 2019).

The second key attribute is **measurement** – one must seek to measure and track the impact (Rockefeller, 2020). Why measure? Eventually investors must be able to prove impact, it improves accountability, improves decision making, and allows one to see what change an investment induces (Brännvall, 2020). How do you measure impact? There is no one way or golden standard. Measuring impact is nuanced and there are many approaches. However, some sort of measurement (i.e. assessment) is crucial at the pre-investment stage and throughout the life of the investment (Rockefeller, 2020). In essence, impact measurement entails spotting the chain of logic from input

to output, having a link between cause and effect (Brännvall, 2020). Reeder & Colantonio (2013) puts forth that impact investing's core aspect is that of an effective way of measuring impact, or non-financial benefits as they label it. The same is shared by (Agrawal & Hockerts, 2021; Weber, 2016) – the measurement of outcomes is critical as the performance of impact investors relies on their social and not only commercial value creation. However, establishing assessments that are suitable and realistic for both investors and investees is challenging. There is a potential friction between what an impact investor would like to see, and what an investee can actually provide in terms of metrics and assessment (Reeder & Colantonio, 2013).

A third attribute is **additionality**, also known as **contribution.** This is rooted in a 'but for': but for your investment would the impact have occurred anyway? Some impact investors include this variable, but whether it needs to be a core component of impact investing is still an ongoing discussion (Rockefeller, 2020). The IFC includes additionality (they use the term contribution) as a key component (IFC, 2019). IFC's elements of contribution is presented in the ensuing section.

3.4 Leading Organizations and Impact Investing Elements

While having briefly outlined key attributes above, this section dives deeper down into the process of impact investing and associated elements**.** This is rooted in publications from Rockefeller and the IFC. The former entails Rockefeller's *Impact Investing Handbook: An Implementation Guide for Practitioners (2020).* The latter includes IFC's two most recent publications – *Creating Impact: The Promise of Impact Investing (2019)* and *Growing Impact: New Insights into the Practice of Impact Investing (2020).*

3.4.1 IFC and Impact Investing Elements

The IFC defines impact investments as **investments made in companies or organizations with the intent to contribute measurable positive social or environmental impact, alongside a financial return** (IFC, 2019). Thus, along with intent and measurement, the IFC includes contribution as a third key component.

Impact investing is not simply about what you invest in but how. Impact investments are not defined by a certain asset class with set risk and return characteristics, but rather by the investor's approach (IFC, 2019). Considering approach, they emphasize the importance of having an *impact thesis* – a credible narrative of what the investor provides the investees and how the investment contributes to the outcome(s). Figure 3-4 shows how they weave together the three components of intent, contribution, and measureability in outlining the *impact thesis of impact investing* (IFC, 2019). It starts with an intent (clear desire) to improve social and environmental conditions, an investor contributes based on that intent, and that contribution leads to measurable improvements. The investment contribution could lead to creating/improving a market and/or improving the processes or outputs at the firm level. Finally, this is part of driving the ultimate social or environmental outcomes. They express, *an investor has a credible narrative about investment impact only when these three components have been well defined* (IFC, 2019, p. 3).

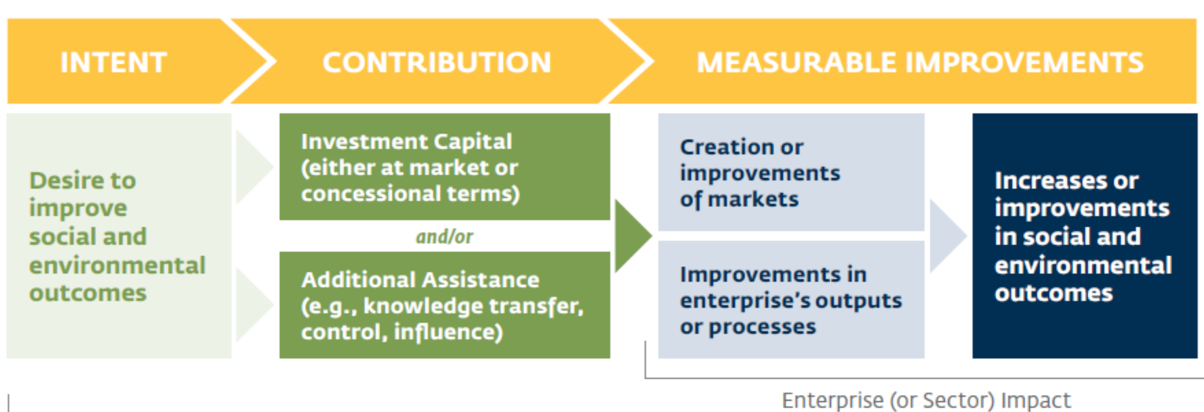


Figure 3-4. The Impact Thesis of Impact Investing
Source: IFC, Creating Impact: The Promise of Impact Investing (2019)

As mentioned above, the IFC includes **contribution** as a third key component – namely the difference an investor makes to a firm or the market which is part of driving the social or environmental outcomes. Two ways in which an impact investor could contribute is laid out – financial contribution (capital) and non-financial contribution (IFC, 2019).

Financial contribution (i.e. investment capital) is the most fundamental activity of investors – providing capital which enables the expansion of activities of a company (IFC, 2019). Financial contribution could come in a concessional form, meaning an investor only expects sub-commercial returns and is willing to take a lower financial return to achieve impact. However, most investors seek commercial returns. Hence, investors can contribute by taking on higher risk. In other words, supplying capital not available from other investors (IFC, 2019). Brännvall (2020) lays out that the effect of one's financing can be more considerable when most investors are not willing to enter. Thus, in her view, impact investing is synonymous with a willingness to accept high risk. If there is substantial capital available, then it might be better to classify it as sustainable investing (Brännvall, 2020). Another element of financial contribution is *patient capital* – one takes a long-term perspective and is willing to wait comparatively longer to realize a return on investment (IFC, 2019).

Beyond just capital, impact investors can make a difference in providing knowledge and assistance. This could come in the form of networking, opening additional fundraising, as well as organizational and management advice. In addition to providing knowledge and assistance, investors can contribute by controlling or influencing the decisions of management in the firm. This aspect entails active engagement with investees, which could include many different approaches. Some examples brought forward include on-going dialogue with companies, taking official board seats, and/or using one's investment team to provide hands-on management and support (IFC, 2019).

From an impact investor perspective, contribution translates to efforts to improve impact or the outcome (IFC, 2019). To what extent? In relation to controlling or influencing the decisions of a firm's management, the IFC expresses, *this strategy should involve, at a minimum, significant proactive efforts to improve impact* (IFC, 2019, p. 10). However, overall, emphasizing that while an investment may not be the sole reason for the outcome(s), the impact would not take place – at least not to the same extent – without the investment. Further, they note that it is rarely possible to attribute a certain result to a single activity (IFC, 2019).

IFC's Operating Principles for Impact Management

In 2019, the IFC launched a framework (or principles) for impact investing. Principles that are to ensure that impact considerations are actively integrated throughout the investment lifecycle (IFC, 2020). The principles are linked to four key stages of the investment process: strategic intent, origination and structuring, portfolio management, and portfolio (investment) exits (IFC, 2019). IFC's framework and principles is pictured below in figure 3-5.

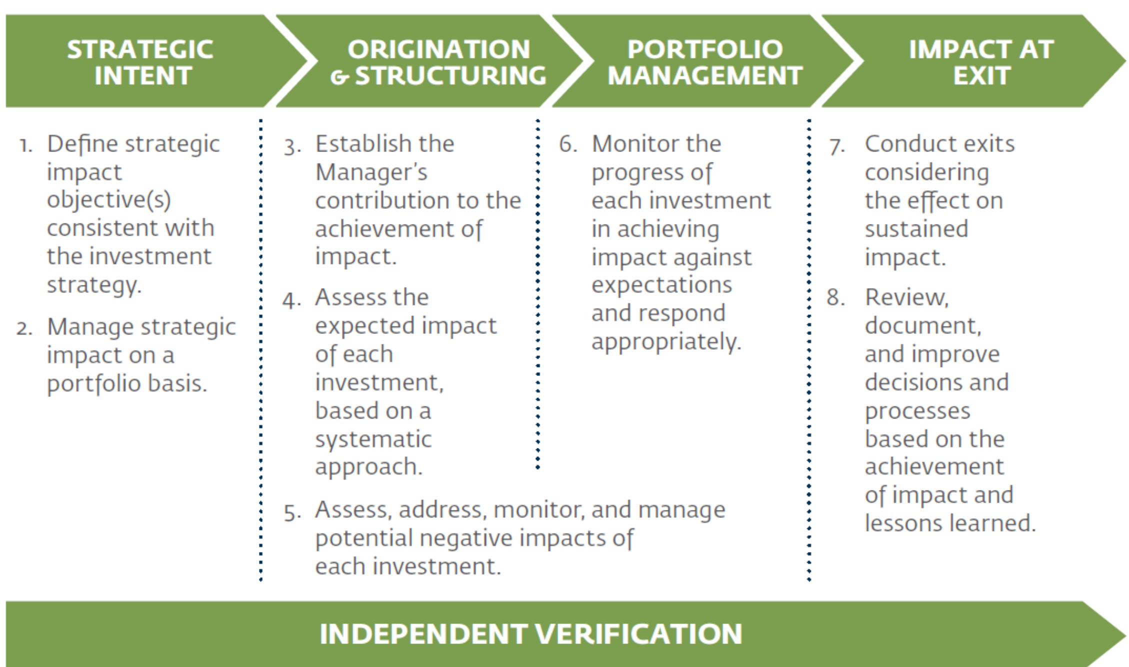


Figure 3-5. IFC's Operating Principles for Impact Management

Source: IFC, Creating Impact: The Promise of Impact Investing (2019)

I outline some of the principles further. (1) strategic impact objectives in place for achieving social or environmental effects (e.g. could be aligned with the SDGs) and a linkage between impact objectives and investment strategy; (2) there shall be a process in place for monitoring and managing impact performance for the whole investment portfolio; (3) establishing investor contribution to the impact objective (potential contributions outlined earlier); (4) a systematic impact assessment for each individual investment where impact potential should be assessed, the likelihood of achieving such impact, and consider opportunities to increase impact of the investment; (5) assessing and addressing potential negative impacts of each investment (should include ESG risk assessment and management for each investment); and (6) refers to having set impact targets allowing for monitoring progress and having a system in place for collecting and reporting such data (IFC, 2020). Note that the 9th principle refers to if you have officially signed up for these principles. If so, one is to prove alignment with the framework.

3.4.2 Rockefeller and Impact Investing Elements

While not presenting a set framework, Rockefeller (2020) outline a general process and elements of impact investing. Rockefeller outline the impact investment process as follows (depicted in figure 3-6).

It starts with the why – why are you investing in this? Rockefeller (2020) emphasizes that the 'why' is a critical step, but often an underappreciated step in making an impact investment. The 'why' entails setting **investment goals** alongside **impact goals**. Investment goals are those derived from established investing principles – examples include what risk are you willing to take, what financial return are you aiming for, the time horizon, and liquidity. As they put forth, these aspects also remain in place for impact investors. However, a distinct feature of impact investing is having impact goals alongside traditional investment practice. There is no set answer for an impact goal – investors and organizations have to map out their mission and goal(s). However, having a strong grasp of one's impact goals is crucial to impact investing (Rockefeller, 2020).

Figure 3-6. Rockefeller's Impact Investment Process

Source: Impact Investing Handbook: An Implementation Guide for Practitioners (Rockefeller, 2020), Author's own modification

By putting down the 'why', one is establishing a first foundation of intention, measurement, and possible contribution. Once overarching impact goals are established, the next step is translating these into a clear **theory of change** – a logic model of how impact is to occur (Rockefeller, 2020). Theory of change is outlined in section 3.4.5.

The handbook outlines the next step of the process as 'how' – where investors are to bring in impact tools and impact structures. **Impact tools** are actions an investor takes. Examples include screening, following a thematic strategy (e.g. water pollution, education,), engagement/active ownership, patient capital, and catalytic concessionary capital. The last term refers to taking/ accepting higher (disproportionate) risk and/or willing to take lower market rate return, driving an investment that would otherwise not happen. **Impact structures** are simply the intermediaries and enterprise vehicles (e.g. companies) one selects to invest in (i.e. the impact creator) (Rockefeller, 2020).

Impact Measurement and Management

Emerged through many years of philanthropic and social science research**,** the term Impact Measurement and Management (IMM) has gained prominence through the likes of the Impact Management Project (IMP) and GIIN (Rockefeller, 2020). IMM is an essential part of impact investing and refers to the process in which impact investors can understand the outcomes of their investments (i.e. measurement) as well as actions one can take to improve them (i.e. management). As depicted, IMM is part of the whole investment process – through goal setting, due diligence, data collection, to reporting and analysis. As for impact due diligence there exists no set approach, it can entail quantitative and technical data to more qualitative aspects. Narratives are often a starting point – understanding how change is to occur and what impacts derive from that change (i.e. is there a credible theory of change?). They bring forth the use of impact due diligence questionnaires as a good starting point – assessing linkages with an investor's theory of change and also potential misalignment (Rockefeller, 2020). Rockefeller (2020) further break down IMM into principles, frameworks, and standards.

Principles: broad rules and best practices that communicate intention and ensure overall integrity of the investment process. Specific examples (in the context of impact investing) include the Principles for Responsible Investment (PRI) and the IFC Operating Principles for Impact Management (Rockefeller, 2020).

Frameworks: specific methodologies and conceptual models to organize and frame your IMM. Frameworks allows for putting intentions into practice. Examples brought forward include the UN SDGs and the IMP's five dimensions of impact (Rockefeller, 2020).

Standards: metrics and taxonomies that can be applied to specific sectors, industries, and themes. The 'nuts and bolts' of measurement (Rockefeller, 2020).

Sections below present and discuss some of the specific aspects brought forward by Rockefeller. Specifically, IMP's five dimensions of impact, the SDGs, and theory of change.

3.4.3 IMP's Five Dimensions of Impact

The Impact Management Project (IMP), established in 2016, was a multi-stakeholder initiative to build consensus on defining and managing impact. Addressing impact in general, the organization provides resources for both enterprises and investors. The IMP has outlined five dimensions or fundamentals for impact (IFC, 2019). A framework which can be part of shaping one's theory of change as well as impact due diligence criteria (Rockefeller, 2020). The five dimensions are seen below in figure 3-7.

Impact dimension	Impact questions each dimension seeks to answer
What	•What outcome is occurring in the period? •Is the outcome positive or negative? •How important is the outcome to the people (or planet) experiencing them?
Who	•Who experiences the outcome? •How underserved are the affected stakeholders in relation to the outcome?
How Much	•How much of the outcome is occurring - across scale, depth and duration?
Contribution	•Would this change likely have happened anyway?
Risk	•What is the risk to people and planet that impact does not occur as expected?

Figure 3-7. IMP's Five Dimensions of Impact

Source: Impact Management Project

The IMP puts forth that an investor managing for impact entails considering the positive and negative impacts of the underlying enterprise, as well as the investor's own contribution to impact (IMP, 2021). Thus, these dimensions are meant to determine the total impact of a specific asset – meaning its combination of effects on both people and planet, both positive and negative. These are overarching dimensions – within each of these the IMP has created several more specific impact data categories (IMP, 2019).

Further, this is brought up as it illustrates what questions impact investors need to (or at least should) address. Questions that should be part of shaping the investment selection, impact measurement and investment management (Brännvall, 2020). In GIIN's most recent survey it was found that 32% of respondents used the IMP's five dimensions as a resource (GIIN, 2020).

3.4.4 The SDGs in Impact Investing

The SDGs have become widely used and implemented in the financial industry – a universally engaging framework that investors, investees, and clients will all recognize and can communicate on at an overarching level (Brännvall, 2020). These are 17 global goals as part of the UN's 2030 agenda for sustainable development – with all UN members signing up for implementing the goals (Ross, 2020). Figure 3-8 serves as a gentle reminder of the goals.

The GIIN find that the SDGs is the most widely used framework among impact investors – with 73% of respondents adopting them for target-setting, measurement, and/or management purposes. Many investors map specific investments to the SDGs and overall channel capital towards SDG-aligned areas (GIIN, 2020).

However, impact investing requires fairly precise problem definitions and objectives. Thus, the SDGs are the most meaningful when they are coupled with further analysis of what a goal means in a specific sector and geographical context (Brännvall, 2020). Building upon that, Brännvall (2020) puts forth that many (e.g. startups, large corporates, investors) claim to contribute to various SDGs, but without outlining how their operations and activities specifically relate. She writes, *general contributions phrased as 'we contribute to SDG ()' are rather meaningless unless they are backed up with the specific descriptions of what the company is doing, how much change it is creating, and daring to be specific* (Brännvall, 2020, p. 75).

Figure 3-8. UN Sustainable Development Goals

Source: UN, https://www.un.org/sustainabledevelopment/news/communications-material/

3.4.5 Theory of Change

'Theory of change' is a useful tool in describing how an investment will deliver its desired impact – a logic model rooted in 'if, then' type of questions (Brännvall, 2020). Or if we provide X support, we believe Y and Z will happen. It helps draw out connections and logic between activities, outputs, and outcomes and impacts. Activities entails what an investor will do in terms of capital and other contributions. Outputs are short-term direct results while outcomes/impacts are the longer-term shifts or changes that occur. A theory of change is usually created by setting the long-term goals (intended impact), and then working backwards to map out outcomes, outputs, and activities to get you there (Rockefeller, 2020; NordSIP, 2020). Figure 3-9 below depicts such a theory of change (i.e. logic model).

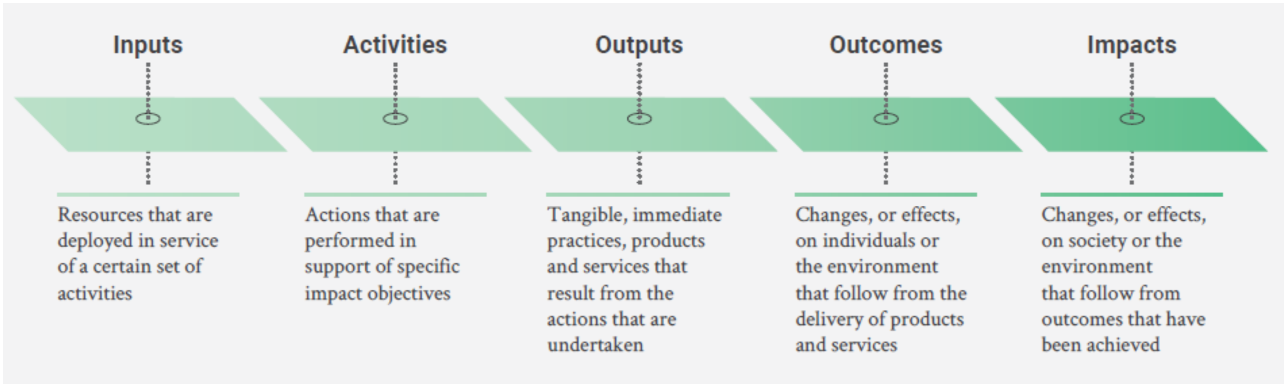


Figure 3-9. Logic Model Example

Source: Rockefeller, Impact Investing Handbook: An Implementation Guide for Practitioners (2020)

A construct born out of the field of program evaluation, theory of change can and should be a key element in impact investing (Jackson, 2013). He puts forth five reasons for why the theory of change should be a core element in the approach of impact investors (Jackson, 2013):

- The cause-and-effect process in impact investing requires systematic, disciplined, and continuous analysis
- Helps investors purposefully and clearly understand the change they are trying to drive, and better adjust strategies as they move forward
- Can be used to engage other key stakeholders in an implementation process and help build commitment for actions needed for impact
- An explicit theory of change can be used to hold investors accountable for their strategy and stated intentions
- A flexible tool that can be coupled with other evaluation methods and be applied at various levels (e.g. portfolio level, specific investment) opening up for useful insights

Lastly, as briefly touched upon earlier, Rockefeller (2020) views theory of change as a vital element of impact investing – an element that grounds your impact investing strategy. They express, *establishing a clear theory of change is critical for your success* (Rockefeller, 2020, p. 179).

3.5 Impact Investing Mechanics and Impact Categorization

Rockefeller puts forth the importance of knowing where you are in the 'impact capital chain' (i.e. how far are you from the ultimate impact?). Meaning when making an investment what other stakeholders are involved in the flow of capital – one needs to understand potential intermediaries, the users of capital, as well as the ultimate beneficiaries (Rockefeller, 2020).

Reeder & Colantonio (2013) puts forth that there are essentially three key actors in the chain in which impact is generated: the **impact investor** (facilitating the process), the **impact creator** (company/enterprise), and the **impact beneficiaries** (e.g. specific clients, people, environment) (Reeder & Colantonio, 2013). Figure 3-10 depicts the impact chain starting with the investor deploying capital (and potentially other contributions) to the impact creator, which then delivers impact generating outputs to the ultimate impact beneficiaries (experiencing the social or environmental outcomes). The impact return (i.e. social or environmental metrics) is then tracked and reported on by investors.

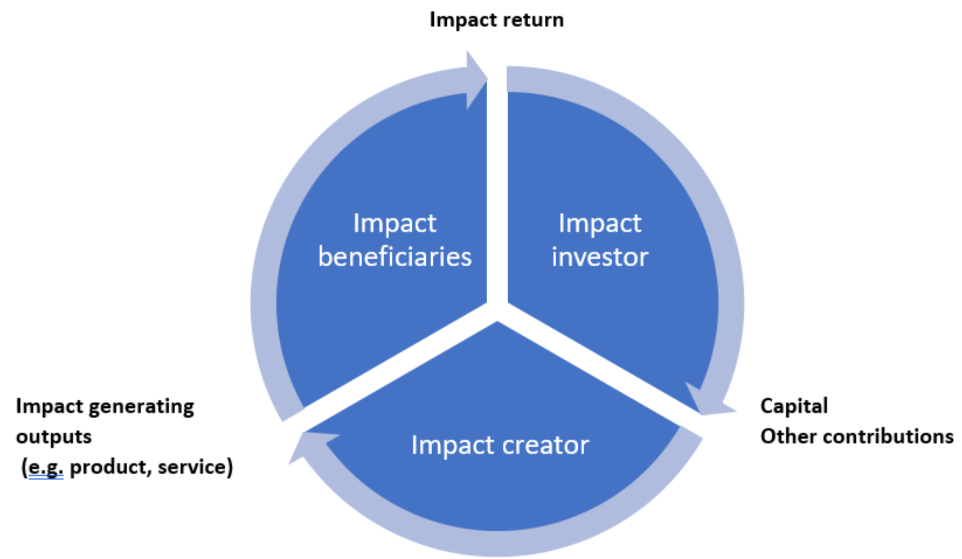


Figure 3-10. Impact Chain

Source: Author's own, inspired by Reeder & Colantonio (2013)

In their paper *Unpacking Impact in Impact Investing*, Brest & Born (2013) lay forth three basic parameters of impact in impact investing: enterprise impact, investment impact, and nonmonetary impact. Enterprise impact is the impact provided by the investee through their goods, services, or other benefits. Investment impact is an investor's financial contribution to the outputs created by an enterprise. Thirdly, nonmonetary impact entails all other contributions an investor/fund manager makes towards an enterprise's impact (Brest & Born, 2013). These three impact parameters are reflected in the figure above – namely capital and other contrbutions (i.e. investment and nonmonetary impact) along with impact generating outputs (i.e. enterprise impact).

3.5.1 Brännvall's Impact Categorization

In her book, Brännvall (2020) outlines three impact categories. A categorization which can be helpful in assessing the scope of impact – both for an individual company and the portfolio level. The three impact categories are (Brännvall, 2020, p. 25):

- **Impact at individual/group level**: impact for a specific segment of people. Might only include hundreds or thousands of beneficiaries.
- **Catalytic impact**: improvements and changes that affect several actors, for example in a value-chain. Many technology-based companies have the potential for such impact – providing services or solutions that can reach and affect many actors. Impact that entails hundreds of thousands or millions of beneficiaries.
- **Impact at system level**: radical innovation, a fundamental transformation in the way people behave and live. An example is many solutions targeting climate change, a global challenge, which requires a systematic change to a low-carbon society.

3.5.2 Four Rings Conceptual Model

The *Four Rings Conceptual Model* (adopted from Richard Georg Engström, The One Initiative) seen below 3-11 lays out the essential mechanics of impact investing – beneficiaries, outcome, activity, and return. The model is meant to help investors categorize and map out their impact investment strategy. The starting point (inner circle) is beneficiaries, next the outcome(s) you are generating, the activity that generates the outcome(s), and lastly the return from the investment (Engström). The four categories and associated questions are outlined below.

Impact Investing – The Mechanics

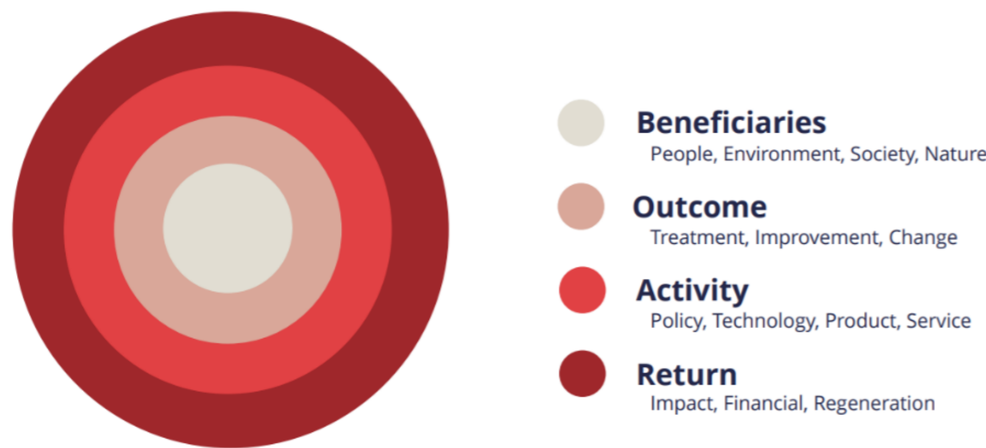


Figure 3-11. Four Rings Conceptual Model (Impact Investing Mechanics)

Source: Richard Georg Engström

Beneficiaries:

Who/what is benefitting from this investment? In other words, who are you targeting or what is the target of positive impact? (e.g. people, the environment, society, nature). On what scale (e.g. local, regional, global)?

Outcome:
What is the (or intended) outcome? Is it a treatment of something (e.g. treating a toxic wasteland)? An improvement (i.e. making something better, more efficient, effective)? Change (systemic change, a complete new way of doing something)?

Activity:
What activity is undertaken/generates impact? New technology or innovation? A product? Service? Policy? The activity is really the company (start-up) and the specific service or product it produces and delivers.

Return:
Impact return? Financial return? Regeneration? (i.e. systemic change, circularity, long-term impact and sustainability, solve a problem completely).

The mechanics of impact investment are universal, no matter where you are operating and investing in the world. These questions and considerations apply to all impact investors (Richard Georg Enström). This model will be re-visited in my analysis of two actors examined, along with Brännvall's 'impact categorization', forming a basis for a partial portfolio assessment.

3.6 Challenges in Impact Investing

While various components of impact investing have been outlined, I find it important to touch upon some of the challenges facing this discipline and the broader industry. The IFC puts forth four prominent challenges facing the impact investment industry (IFC, 2019):

1. **Continued uncertainty about financial performance**. There remains doubt as to whether impact investors can generate commercial financial returns in line with that of 'traditional' investors. While the industry has seen growth over the last decade, a widespread belief of lower financial returns continues to discourage investors to take on impact investing.
2. **Lack of clarity around how investments are managed to achieve impact, giving rise to concerns of *impact washing*.** The industry is lacking common standards for exactly what it means to engage in impact investing and manage an investment portfolio for impact. This current ambiguity is a threat to impact investing – its broader credibility and for potential new investors wanting to enter this space.
3. **Limited comparability of impact investments**. Unlike financial aspects and return, impact assessment and measurement are not at that point in which common approaches, metrics, and standards have become widely adopted. Hence, there is as of now difficult for investment managers to assess and compare impact across investments and against industry peers. Meaning, what is my/our relative impact performance?
4. **Regulatory frameworks and fiduciary duty**. Investment managers are often bound by regulatory frameworks that do not encourage the pursuit of creating impact alonsgside financial returns. Rather, fiduciary duty is still frequently interpreted as one dimensional – that of maximizing financial returns.

Impact washing – mirroring that of green washing (deceptively labeling or marketing something as environmentally friendly) – is *when a company or fund makes impact-focused claims in bad faith without truly having any demonstrable positive social or environmental impact* (Higden & O'Flynn, 2019). Findlay & Moran (2018) use the term purpose washing – defining it as when investors are misled about a manager's impact intentions (including measurement) and/or investment's potential impact. Another, perhaps simpler way to view it, is when an organization portrays itself as doing one thing but acts differently (Findlay & Moran, 2018). The risk of 'impact washing' will only be amplified

as the mainstreaming of impact investing continues and new inexperienced actors and investors enter (Higden & O'Flynn, 2019).

In GIIN's 2020 survey, practitioners were asked about challenges facing the field. Concerns about impact washing stands out as the largest, followed by 'inability to demonstrate impact results' and the 'inability to compare impact results with peers' (GIIN, 2020). Thus, challenges brought forward by the IFC and that of GIIN's survey respondents aligns well. These challenges tie into the field of impact measurement and management (IMM). Rockefeller (2020) emphasizes that despite the field having made substantial progress with there being an array of tools, methods, and resources available – challenges remain. With such an array there is a challenge in navigating and identifying what are best practices. Further, the performance of impact investments is largely self-reported, not verified, and a lack of transparency exists across the industry. Another difficulty is how to aggregate impact performance across the investment portfolio – particularly if different sectors are involved (Rockefeller, 2020).

Lastly, people are drawn to numbers, and the same exists in impact investing. There is a 'reporting and disclosure' mindset. Numbers are important for standardized reporting and allowing for comparability. However, a number might not account for the whole context and particularly the view of those most affected by an investment. It is critical to consider and design for the ultimate beneficiary (Rockefeller, 2020).

3.7 Literature Summary and Reflection

This section provides a list of key impact investing aspects and elements brought forward in examined industry literature. This is followed by a brief reflection.

<u>Core Attributes</u>

- Intention: investing for social and/or environmental impact
- Measurement: commtitment to measure and report on social/environmental performance
- Contribution* (not agreed upon, IFC includes it as a key component)
  - Financial: concessional terms, higher risk, 'patient capital (i.e. long time horizon)'
  - Non-financial contribution: can take different forms, but with a focus on contributing towards the impact objective

<u>IFC</u>

- Impact thesis: a credible narrative of tying together intention, investor contribution, and measurement (of increase or improvement in social/environmental outcomes)
- Operating Principles for Impact Management
  - Strategic impact objectives
  - Systematic impact assessment
  - Addressing and assessing potential negative impact
  - Monitoring progress against set expectations

<u>Rockefeller</u>

- Theory of change: a logic model of how impact is to occur
- Clear impact goals
- Impact tools: actions an investor takes (e.g. screening, patient capital, active engagement)

- Impact measurement and management (IMM) system: encompassing the whole process of impact investment from due diligence to investment management
    - Principles (e.g. IFC Operating Principles)
    - Frameworks (e.g. IMP's Five Dimensions)
    - Standards (i.e. metrics)

Reflections

Interestingly, I find what Rockefeller describes as impact tools (i.e. the actions an investor takes in achieving impact) similar to what IFC describes as contribution (i.e. how does the investor contribute towards achieving impact). In both, aspects such as concessionary capital, patient capital, and active engagement is brought up. The difference can perhaps be in how explicit it needs to be.

Further, while Rockefeller brings forward 'theory of change' and its importance in impact investing, it is not much discussed by the IFC. However, they highlight the importance of having an impact thesis – a credible narrative of what the investor provides the investees and how the investment contributes to the outcome(s) (IFC, 2019). As such, 'theory of change' seems to be a way in which you can establish such a narrative – meaning a logic model for how impact is to occur.

4 Firm Level Findings and Analysis

This section dives down at the firm level, outlining the four cases examined – Katapult, Norrsken, Ferd, and Grid.VC. Each case is outlined individually through a narrative style – with core aspects being investment approach, impact assessment, measurement, and reporting. What each specific case includes is outlined below.

Katapult: investment approach, impact integration in the investment process, Katapult Ocean's logic model, and a partial portfolio assessment using the 'Four Rings'.

Norrsken: investment approach and impact integration in the investment process, and partial portfolio assessment using 'Four Rings'.

Ferd: investment approach and perspectives on impact integration.

Grid.VC: investment approach and perspectives on impact integration.

After having outlined each case individually, additional findings from my investigation of these actors are put forth. Specifically, regarding *contribution, risk*, and *challenges*. Lastly, a summary of findings and analysis is presented.

4.1 Katapult Accelerator

4.1.1 Approach and Investment Process

Katapult started out as general impact accelerator, meaning having no defined verticals or themes. Rather they have invested across a spectrum of themes (both environmental and social) up to this point, with everything having been a go as long as it has positive impact on society and/or the environment (R2). Further, the focus is on technology while the geographical scope is global with no set restrictions. Their usual investment is $150,000 for an 8% stake of the company (R2).

While the initial approach has been broad, they are now pursuing two defined verticals – climate and ocean. The latter having already run accelerator programs and made 32 investments, while the climate accelerator will run its first program this year (R1). Portfolio Director Jørn outlined the reason behind this focus: *the need for and urgency to address these issues (climate, ocean) will automatically create financially sound investments (R1).*

Investment Process

Jørn describes their investment process as a funnel. The first step of the funnel entails scouting – in which they start with over 1000 start-ups that they themselves have identified or have directly contacted Katapult. Next is a first-round interview with about 150 of those companies followed by commercial and technological due diligence on 75 companies. A second-round interview is then conducted with 50 companies resulting in an in-depth assessment of the technology and scalability of 30 companies. Finally, 15 companies are selected for the program with usually about 12-13 companies accepting the offer (R1). This funnel approach is depicted below in figure 4-1. In summing up the process, Jørn expresses: *we throw a wide net and research many companies, do a basic selection and say ok we know this is appropriate …then we need to figure out if the impact (potential) is good or not. If so we pursue and work with that further (R1).*

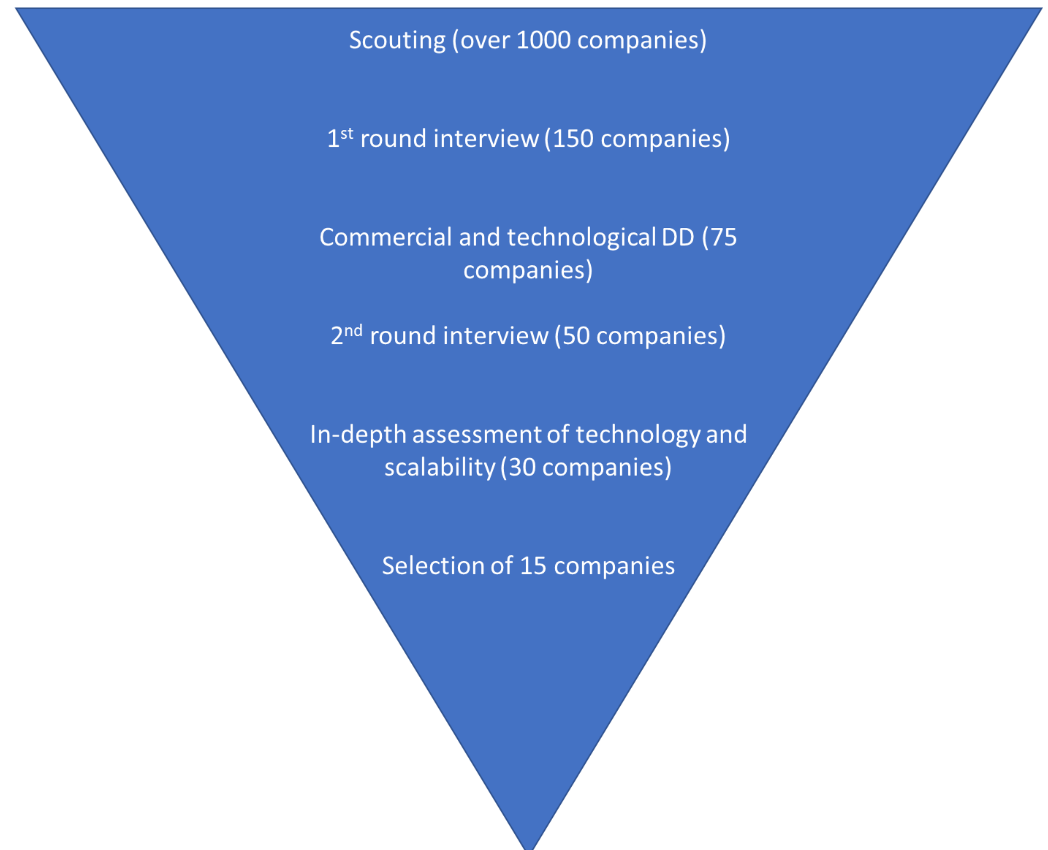


Figure 4-1. The Funnel Approach at Katapult

Source: Author's own, based on information from interviews

4.1.2 Impact Integration

While the 'funnel' outlines their overall investment approach, the question remains how 'impact' is assessed and integrated. Figure 4-2 below depicts how the impact objective is incorporated throughout the process at Katapult:

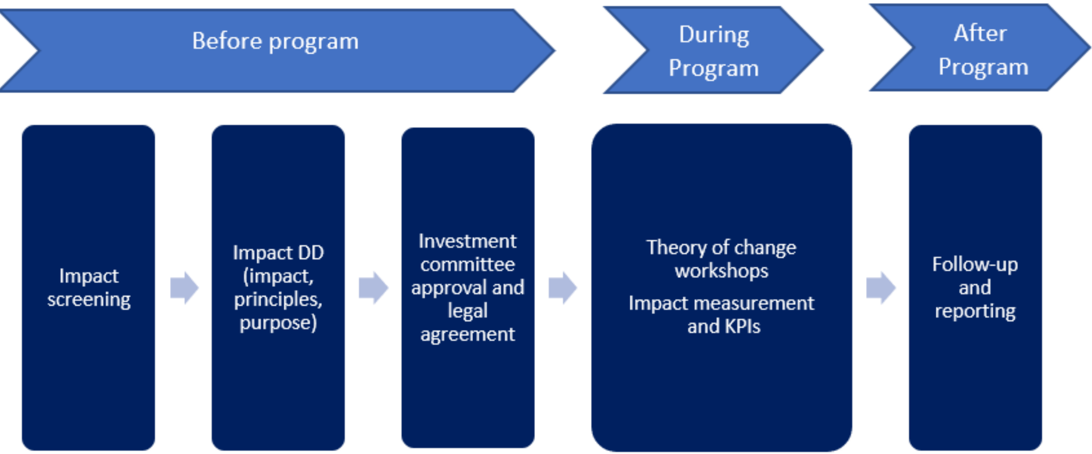


Figure 4-2. Katapult Impact Integration

Source: Katapult (2021), Author's own modification

Impact screening and due diligence

The first impact element is in scouting, where impact screening is conducted against the SDGs. The SDGs are used as initial starting point and foundation for impact (R1). Deeper down the funnel a more in-depth assessment of impact (i.e. impact due diligence) is done on about 75 to 100 companies resulting in an impact score. The impact score is based on three factors – **impact**, **purpose**, **principles** – with specific questions considered for each. Table 1 below lists what questions they consider for each of these factors (R1).

Table 5. Katapult's Impact Assessment Questions

Impact	• What outcomes does the effect drive and how important are they to the people (or planet) experiencing it? • Who experiences the outcome and how underserved are they in relation to the outcome? • How much of the outcome occurs? Does it happen at scale? Does the effect drive the outcome deeply? Does it last for a long time? • What is the enterprise contribution to what would likely happen anyway? • What is the risk to people and planet that the impact does not occur as expected?
Principles	• Is impact integral to the organization? • What evidence is there of this?
Purpose	• Is there evidence of an impact thesis/theory of change in the business? • Do they understand who experiences the outcomes?

As to how they weigh these different factors and questions, there is no one way. Jørn explains: *In general, it will vary what is important. I would say that the combination of what market (sector) you are in and the product reveals something about the purpose of the company and what impact you can have…this needs to be in place but how detailed it is will vary (R1).*

While impact due diligence involves Katapult considering the questions above, part of it also comes from the company application (questionnaire) for the accelerator (R1). Further, Jørn highlights that impact due diligence is not only about assessing the start-up at hand, but also looking inwards: *we are also looking at ourselves as investors in terms of additionality, intentionality, and measurability. Meaning do we create or add additional value? Are we going into an investment with a clear intention? And are we able to measure the impact? (R1)*

Hence, there are several questions and variables at play in addressing and assessing the impact objective. One employee touches upon this: *it is not black and white. We constantly have discussions on this and very much of it is subjective with our personal views and opinions. Frankly, we don't know the scale of impact before many years later, say 10 years or even 20. So at this early stage it is a little like putting your finger in the air and your theoretical logic/perspective is the most important thing (R2).*

<u>Impact in the acceleration program</u>

After initial impact screening and assessment, the Katapult team selects about 15 start-ups for their accelerator program. The selections are approved by an investment committee – which is made up of the investors who have allocated capital to the fund (R1). During the 3-month accelerator program Katapult and the companies dive deeper into impact measurement, KPI's, and run theory of change workshops together with the companies. Jørn explains: *With companies we choose to invest in we sit down together with them and agree upon things we want to measure (KPIs) and identify what to keep track of, not only what to measure but also how to measure it…the theory of change workshops address the questions of 'what are you trying to achieve?' and 'how do you get there'? (R1).*

<u>Reporting</u>

The current set-up is that each company has one key impact metric (i.e. impact KPI), which is reported on at least on a bi-annual basis. An impact report is given to all investors bi-annually alongside (integrated with) financial metrics (R1). Reporting is done on an individual basis for each company. An employee eloborates: *we have decided that we report on an individual basis for each company, everyone is targeting something different…I don't want to say 'this is our impact number', that is impossible. Combining metrics or creating impact numbers on a portfolio level I think only creates more confusion and questions than answers (R2).*

The impact report is not public, and currently only distributed to investors of the fund. An example of impact metrics for a few companies were obtained. These include (Katapult, 2021):

- tons of CO2 reduced
- kilos food waste reduced
- number of rural Kenyans provided financial access
- number of smallholder farmers introduced to formal markets
- kWh of clean energy produced

Along with the impact KPI, two SDGs were linked to each company (Katapult, 2021). As stated above, that is the impact reporting format they have at this stage. However, Jørn says that could change going forward: *we don't have a total metric (for whole portfolio)…but maybe for climate moving forward total CO2 reduction will be something we calculate and present. That will be a natural way of defining our impact. Other potential future portfolio metrics could be number of lives positively affected, number of jobs created…we don't know yet what will make sense on a portfolio level (R1).*

Tracking and reporting on impact is a key component of impact investing (GIIN, 2021a) – with some putting it forth as its most prominent feature (Reeder & Colanatonio, 2013). However, it is also a challenge, Jørn expresses: *impact tracking and reporting is absolutely a challenge. You need to take a bigger perspective and link it up to the company's mission. Despite the challenge it can be important for the company in terms of creating greater commitment and excitement (R1).*

4.1.3 Katapult Ocean

Katapult Ocean have up to this point made 32 investments from 17 different countries. The investments are grouped into 5 different ocean sectors: energy, harvesting, ocean health, transportation, and new frontiers (Katapult Ocean, 2020). In their *Katapult Ocean Blue World Perspective Report (2020)*, they outline their overall impact vision and dive deeper into each of these sectors. For each so-called ocean sector, they present an investment thesis and associated impact opportunities. Their overall impact vision and two sector examples are seen below.

Overarching vision

Vision: a world where a thriving ocean is in harmony with economic development.

Mission: **invest** in startups with a positive impact on our ocean. **Catalyze** capital, companies and startups to accelerate a shift in ocean industries. **Inspire** other actors (corporates, institutions, investors) to work with startups to create impact. **Steward** ocean tech startups to make progress on the UN SDGs (particularly SDG 14, Life below water).

Impact goal: catalyze 1 000 mNOK into ocean impact investing within 2025.

Investment sector examples

Ocean Health

- **Investment thesis**: protect ocean ecosystems. Need for reduced or restorative environmental impact. Waste and pollution affecting our oceans (marine and coastal ecosystems).
- **Impact opportunities:** resource use efficiency, waste management (domestic and industrial), consumer awareness building, alternative materials to replace plastic.

Harvesting (fisheries, aquaculture)

Harvesting is broken down into fisheries (wild catch) and aquaculture.

Fisheries

- **Investment thesis:** increasing demand for seafood, pressures on wild catch supply, unsustainable practices
- **Impact opportunities:** smart fishing gear, monitoring and enforcement technology, waste reduction, low and zero emission fishing vessels, supply chain efficiency and transparency, ecosystem regenerative ocean infrastructure.

Aquaculture

- **Investment thesis:** population growth and demand for protein with lower footprint, need for efficient and sustainable utilization of organic ocean resources
- **Impact opportunities:** tech for sustainable farm management, tech to improve animal welfare, improve supply chain transparency and market access, circular economy solutions, affordable and easy-to-use tech for small farmers, plant-based and lab-grown seafood, new use cases for algae, seaweed and other marine species (Katapult Ocean, 2020).

4.1.4 Katapult Ocean's Impact Logic

Katapult Ocean runs the same investment process as drawn out earlier (R1). However, insight into their impact logic was obtained. Combining all their themes and sectors, they have created an overall impact logic model for Katapult Ocean (i.e. impact framework, theory of change). This impact model is seen below in figure 4-3.

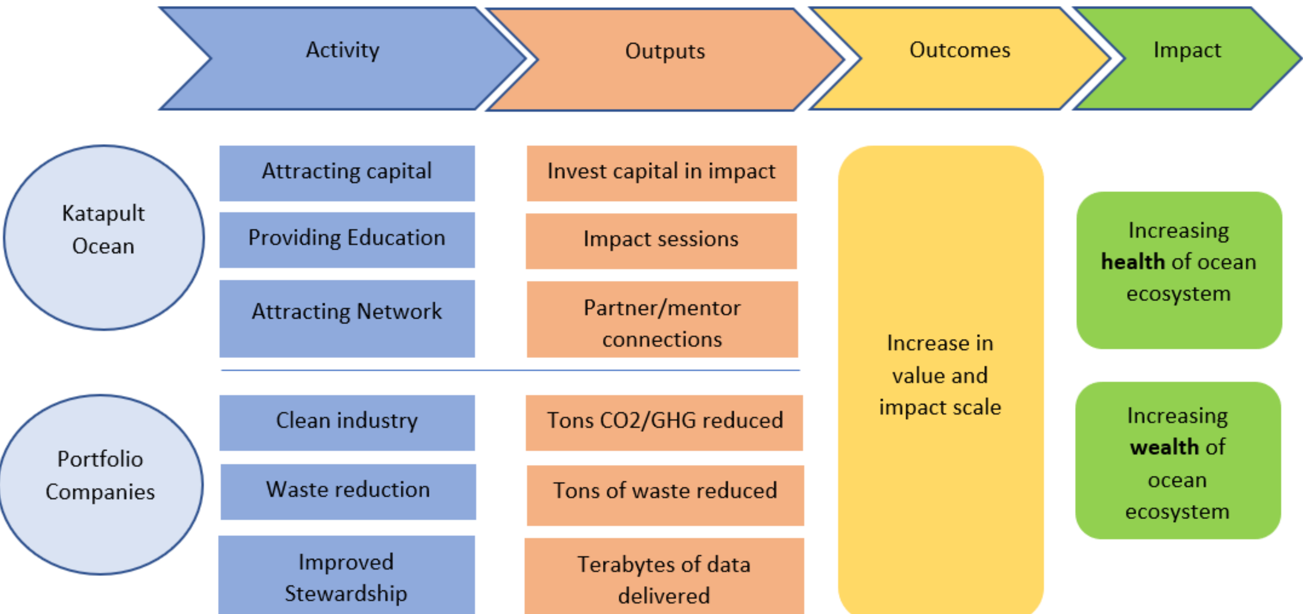


Figure 4-3. Katapult Ocean's Impact Logic Model

Source: Katapult (2021), Author's own modification

The logic model takes hold in both their portfolio companies and their own organization (i.e. program). Considering themselves, they highlight three core activities: attracting capital, providing education, and attracting network. While for their investment portfolio, their five ocean sectors are linked to three core activities – clean industry, waste reduction, and improved stewardship. All the activities lead to outputs which they combine into an overall outcome of *increase in value and impact scale* – meaning the merging of Katapult Ocean's contributions plus the outputs of their portfolio companies creates what they call an 'impact multiplier' for these companies – which is to be part of driving the ultimate impact of *increasing the wealth and health of ocean ecosystem* (Katapult, 2021).

Thus, they have outlined an organizational model (or narrative) of how impact is to occur. This aligns well with what Rockefeller outlined – having defined investment goals and impact goals leading into a theory of change (Rockefeller, 2020).

4.1.5 Katapult Portfolio Assessment

A partial portfolio assessment was done integrating the 'Four Rings' model and Brännvall's impact categorization. This assessment serves to illustrate concrete examples of what katapult has invested in with the associated impact metric and linked SDGs. As such, the 'Four Rings' model with its presentation of *beneficiaries*, *outcomes*, *activity*, and *impact return* was used to organize the assessment. Along with this is the author's attempt at classifying the impact potential of these investments using Brännvall's impact categorization (i.e. impact at individual/group level, catalytic impact, impact at system level). This entails author's own subjective assessment based on information from Katapult and company websites. These specific companies were used as the linked impact metrics were obtained from Katapult. Table 2 below presents the assessment.

Table 2. Katapult Partial Portfolio Assessment

Portfolio company	Beneficiaries	Outcomes	Activity	Impact return (metric)	Impact classification	SDGs
Chooose	Corporations People Planet/society	**Corporations**: reduce and offset carbon emissions of own operations **People:** raises climate awareness and options to reduce personal carbon footprint **Planet/Society:** GHG reduction Change (enabling change for companies and individuals)	Digital platform providing companies and individuals ways to take climate action and lower their carbon footprint	476 k tons CO2 reduced	Impact at system level Climate change a global problem, part of driving a fundamental shift in behaviour	11 (sustainable cities and communities) 13 (climate action)
Deligate	Grocery stores People Planet/Society	**Grocery stores**: operational efficiency, lower food loss, increased profits **People**: price markdowns offer savings and responsible consumption **Planet/Society**: less food waste means reduced GHG emissions Change (introduces a new way in which grocery stores operate)	Provides solutions for grocery stores to lower their food waste (product and price management)	1.4 m kilos food waste reduced	Catalytic impact. Improving practices of actors in food chain, potentially many beneficiaries.	2 (zero hunger) 12 (responsible production and consumption)
farmforce	People (small-holder farmers in developing countries) Society Environment	**People (farmers)**: improves operations and access to markets **Society:** improves agricultural supply chain transparency, traceability, and enables responsible sourcing **Environment:** enables better farming practices and responsible sourcing Improvement (farming practices and market access)	Digital platform (SAAS) allowing farmers to simplify their managament and imcrease traceability and transparency in connecting with agri businesses	340 k smallholder farmers introduced to formal markets	Catalytic impact. Improving practices of actors in food chain, potentially many beneficiaries.	1 (no poverty) 5 (gender equality)
solatom	Industrial actors Planet/Society	**Industrial actors:** reduces energy bill and amount of oil/gas used in thermal processes, sustainable energy supply **Planet/Society:** renewable energy supply to industrial thermal processes. Lowering demand for fossil fuel and related emissions Change (changing the energy source)	Solar solution designed for generating high temperature heat in industrial processes	219 k kWh of clean energy produced	Catalytic impact Enabling sustainable change for many industrial actors	n/a (not obtained)
FinAccess	Microfinance Institutions (MFI, Africa) People (Africa)	**MFI**: Digitalization leading to better operations and enabling growth **People**: improved access and affordability to financial services Improvement (improving financial infrastructure)	Digital finance infrastructure platform for African MFIs	470 000 rural Kenyans provided financial access	Catalytic impact Technology with potential for reaching many actors and beneficiaries	8 (decent work and economic growth) 10 (reduced inequalities)

4.2 Norrsken

Norrsken takes a broad approach to impact – any positive effect on people and/or planet with no pre-defined investment verticals or themes (R3). Despite using a broad take on impact, they require it to be intentional and of course measurable. An overarching investment focus is on technology and scalability – with technology seen as an impact and scalability enabler. The ultimate goal is to invest in and be part of an 'impact unicorn' – a company that positively affects one billion people (R3).

4.2.1 Investment Process and Impact Integration

Figure 4-4 depicts Norrsken's investment process and how the impact objective is integrated in the stages of deal screening, due diligence, deal structuring, investment management, and exit. I further outline and discuss some of these elements.

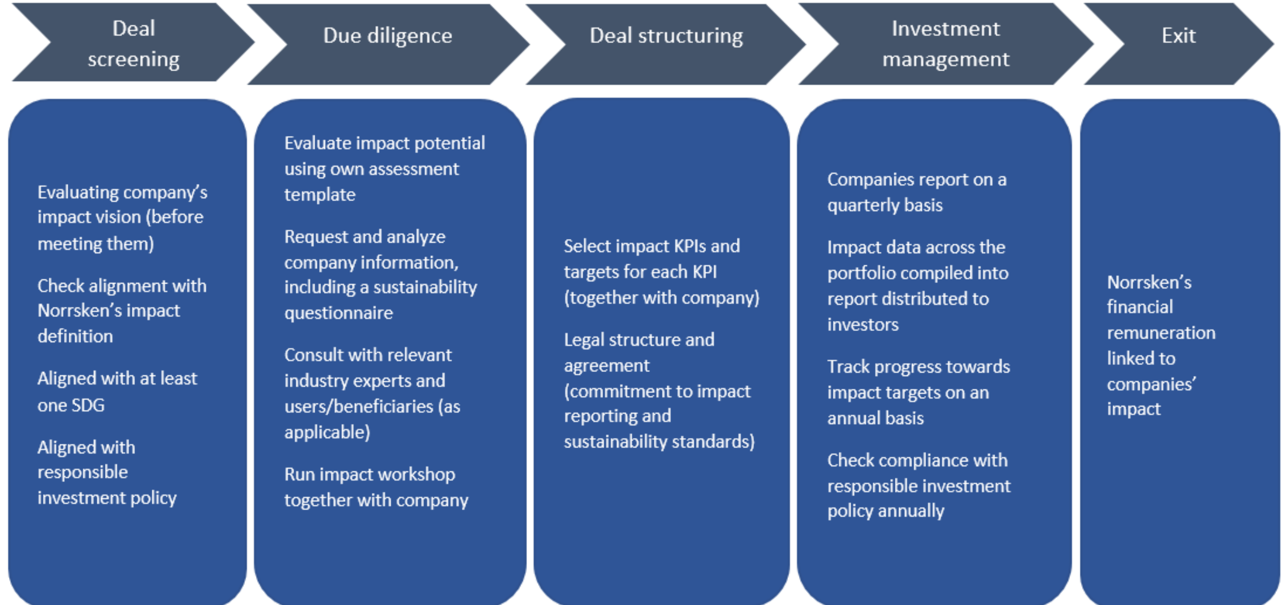


Figure 4-4. Impact integration in Norrsken's investment process

Source: Norrsken Impact Report (2020), Author's own modification

Due diligence

In due diligence they dive deeper into impact assessment. One aspect of that is evaluating the impact potential using a self-made impact assessment template (seen below in figure 4-5).

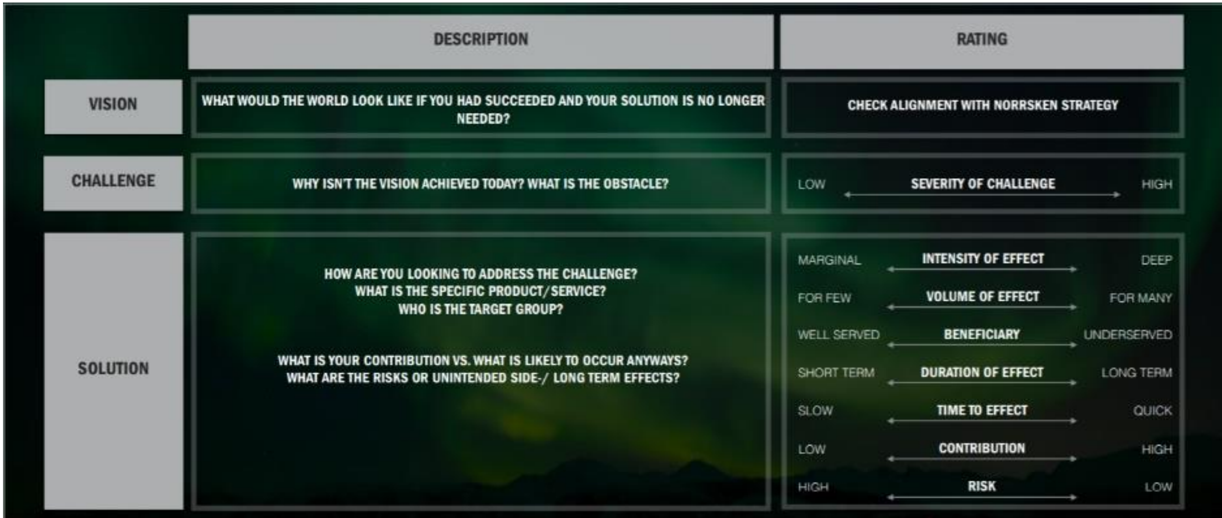


Figure 4-5. Norrsken's Impact Assessment Template

Source: Norrsken Impact Report (2020)

The assessment is built on the **theory of change** (left side) and several parameters from the **IMP** (right side) (R3). In their webinar, they put forth that the *assessment is to calibrate the level of impact.* However, also underlining that there is not a number (that comes out of it) while no 100% objective framework exists (R3).

Along with this assessment, companies must fill out a sustainability questionnaire that is to further highlight the impact potential while also outline potential ESG risks. Regarding risks the following was expressed: *Given that these are early-stage companies this is also meant as to ensure companies think about this from the very beginning. What are the risks in scaling from a sustainability perspective, what do they need to address?* (R3)

Deal structuring and investment management

As outlined in figure 4-5, Norrsken together with the company select impact KPIs to track along with impact targets. Impact targets are set not only for the first year, but also for the following three years as well as a long-term target (R3). What to take away from the legal structure is that the impact objective is integrated into this (i.e. a commitment from company to report on impact and integrate sustainability standards) (R3).

The companies are to report on a quarterly basis. While 'impact data' is/has been reported to investors annually, Norrsken launched their first public impact report this year – compiled of impact data across their investments (R3). The impact report is structured into different impact themes or clusters with associated companies, their impact generated in 2020 (i.e. impact metric), and aligned SDG(s). In addition, the report also presents 'jobs created' and 'diversity' (female employees among portfolio companies), percentage progress on impact targets (annual and long-term), and ESG risk incidents (Norrsken, 2020).

The impact themes are *sustainable and productive farming*, *food waste reduction*, *responsible consumption*, *education*, *transparency and accountability*, *electrification*, *energy efficiency and transformation*, and *healthcare and well-being*. For each impact theme, a 'problem' and 'solutions' are outlined (Norrsken, 2020). In other words, an investment thesis highlighting the 'why' and 'what'. While not aggregating portfolio impact in the report, Norrsken has done so on their website for each impact investment

theme (e.g. 'responsible consumption – 33M liters of water saved', 'energy efficiency and transformation – 10M kWh electricity reduced') (Norrsken, 2021). In summary, Norrsken outlines impact metric for each company, provides aggregated figures for each impact theme, and progress on impact targets (both for that year and long-term).

The heterogeinity and challenge of measurement was brought up in their webinar – how it varies from company to company. They highlighetd how for companies such as Einride (i.e. electrification) and companies targeting food waste, measurement and reporting is more straightforward – with clear and relevant impact KPIs. However, there are more 'trickier cases' in which there is an indirect impact: *here a good proxy is achieved milestones…milestones that show progress in certain areas* (R3). Examples brought forward include Heart Aerospace (electric aircrafts) and 'number of customer commitments', Elypta and 'milestones in cancer research', Material Exchange and 'number of suppliers/brands collaborating on the platform', and ClimateView and 'number of tons CO2 managed through the platform' (R3).

Despite the challenge and time required on reporting, Norrsken emphasized, *we also want to communicate the benefits of impact measuring, that it is not only a reporting burden for the companies… there are three benefits that we see* (R3). The benefits brought forward are:

- employee recruitment (sustainability a core driver)
- attracting new pool of consumers (i.e. actual numbers, 'walking the talk')
- raising new capital (proof of impact for new investors) (R3).

4.2.2 Norrsken Portfolio Assessment

As with Katapult, a partial portfolio assessment was done integrating the 'Four Rings' model and Brannvall's impact categorization. In their impact report, Norrsken had grouped their investments into different investment themes. A company example is brought forward from each environmentally aligned theme. As with Katapult, this assessment serves to provide concrete examples of what Norrsken has invested in with linked impact metric and SDG(s). The structure is rooted in the mechanics of the 'Four Rings' model – beneficiaries, outcomes, activity, and impact return. Along with this is the author's attempt at classifying the impact potential of these investments using Brannvall's impact categorization (i.e. impact at individual/group level, catalytic impact, impact at system level). This entails author's own subjective assessment based on information from *Norrsken's Impact Report 2020* and company websites. Table 3 below presents the assessment.

Table 3. Norrsken Partial Portfolio Assessment

Investment Theme	Number of investments	Company example	Beneficiaries	Outcome	Activity	Impact return (metric)	Impact classification	SDGs
Sustainable & productive farming	3	Ignitia	Farmers (West Africa) Local communities Environment	**Farmers**: better plan and optimize their farming practices. Increased production and income. **Local communities**: greater supply of food available, poverty reduction **Environment**: more efficient use of rain, more accurate chemical application, and better land use Improvement (farming practices, resource efficiency, improving local conditions)	More accurate tropical weather forecast modeling, providing farmers with weather forecast daily by SMS	228M number of forecasts (text messages) sent as of end of 2020	Impact at individual and group level. Improving the lives of people and communities in West Africa	1 (no poverty) 2 (zero hunger)
Food waste reduction	4	matsmart	People (Sweden, Finland, Denmark, Germany) Food producers Planet/Society	**People**: food at dicounted prices **Food producers**: enables selling food that otherwise would have gone to waste **Planet/Society**: reduces GHG emissions through reduction in food waste. Change (in the food chain for both producers and consumers)	e-commerce platform that buys surplus food from producers and resells at discounted prices	Annual impact return (2020): - 7.1 k tons of food saved - 15.3 k tons of CO2 saved	Catalytic impact. Improves the food value-chain spanning several countries.	12 (responsible consumption and production)
Responsible consumption	2	hygglo	People (Sweden) Environment	**People**: improves access to lending reducing need for own consumption, cost-savings **Environment**: sharing economy reduces the need for natural resources, reduces the environmental life-cycle impact of existing items Change (in consumption patterns)	Online platform and app that enables lending or borrowing of items between people	61.8 k items borrowed rather than bought during 2020	Impact at system level A fundamental shift in the way people consume (circular economy)	12 (responsible consumption and production)
Transparency & accountability	4	ClimateView	City governments Society Planet	**City governments**: provides a clearer view of taking climate action and achieving climate targets **Society**: facilitates action on climate change and work needed for society to avoid and mitigate devestating future effects from climate change. Both for specific cities and society as a whole **Planet:** enables climate action and GHG reduction Improvement (improving the ways in which cities take climate action)	A software platform (various digital tools) that enables cities to better map out and take climate action	77 Mt of CO2 emissions managed through platform (Dec 2020) 28 accumulated customers on platform (Dec 2020)	Catalytic impact. Improves transparency and use of resources in cities. Facilitating climate action benefitting millions	11 (sustainable cities and communities) 13 (climate action)
Electrification	4	einride	Road freight industry Society Planet	**Road freight industry:** efficiency gains, emission reduction, cost savings **Society:** targets the needed transition within logistics industry **Planet:** GHG emission reduction Change (potential systemic change within logistics)	A 'freight-as-a-service' platform built on electric trucks and automation solutions	4.5k accumulated tons of CO2 emission reduction to be realized from ordered electric trucks (as of end 2020)	Impact at system level A fundamental shift in the way logistical systems operate, global reach	7 (affordable and clean energy) 9 (industry, innovation and industry)
Energy efficiency & transformation	2	Alight	Corporations Society Planet	**Corporations:** source of local clean energy for companies to become energy sustainable and self-sufficient, help meet potential set climate targets **Society:** accelerates society's needed transition to green energy and adds new local sources of renewable energy **Planet**: GHG emissions reduction, combating climate change Change (changing energy supply and sourcing)	Solar power purchase agreement (PPA) provider. Delivering solar-as-a-service projects where customers (corporations) only pay for the electricity used.	38 MW's of solar capacity under management or construction (Dec 2020)	Impact at system level Part of driving the systemic shift we need for a low-carbon society	7 (affordable and clean energy)

4.3 Ferd

Approach

Ferd's overall impact investment strategy is early-stage companies with potential for positive impact on climate and the environment, alongside with potential for strong risk-adjusted financial returns (Ferd, 2021b). Why early-stage focus? Erik (Director of Impact Investing at Ferd) explains, *this (transition, impact) requires a disruption and change in most industries and sectors than the established ways. That type of technology and change very often comes from early-stage companies which are much faster at innovation and developing new technology than a large established company is able to do internally…so we believe that a lot of the future impact will come from today's startups (R6)*

As of now, they have primarily invested in funds, but have a broad and flexible mandate – being open for direct investments and other partnerships (R6). Further, Erik highlights that they have a global focus. Naturally targeting Norway and the Nordics but are also looking to Europe and the rest of the world – having done a fund screening of both Europe and the US (R6). Ferd has three focus sectors: **renewable energy**, **proptech**, and **aquaculture**. Ferd's website (Ferd, 2021b) outlines a brief investment rationale for each one. These are synthesized below.

Renewables: vital for the world in meeting its reduction targets. Significant growth and opportunities within wind, solar, and energy storage.

Proptech: construction and real estate industry contributes significantly to global GHG emissions. Impact opportunities within material science (innovation), energy efficiency, recycling, and other circular solutions. Wanting to invest in companies who are driving sustainability in the sector.

Aquaculture: seafood being a source of animal protein with the lowest environmental footprint compared to other options. Ferd having existing knowledge and investments within aquaculture. Wanting to be part of companies and funds addressing sustainability in this industry. Specific issues put forth include fish health, fish escapes, and current CO_2 footprint of the industry.

Along with these outlined investment theses, Erik elaborates on the reason for these areas: *not random at all, partly because Ferd already has investments within these areas. We want to create synergies with our other investment areas, and value generation that is overlapping. The second part is that all these sectors have an important role in the green transition, and we see that we can contribute with more than just capital in all these three sectors (R6).*

Thus, one reason for their approach is their view of these sectors having an important role in the transition our world needs to go through and the associated impact opportunities. Second, the mantra here is 'focus on your strengths'. Already sitting on knowledge, research, and investments within these sectors, it allows for linkages (synergies) to their existing activities and better support to investees (R6).

Impact Integration & Perspectives

The environmental impact investing mandate at Ferd is young, having only been established a couple of years ago. Despite just having started this investment journey, Erik briefly outlines how they integrate impact: *we do a systematic screening of funds aligning with our focus. We have pinpointed the SDGS that align with our focus areas, but in assessing funds we of course go deeper than that…we look at how they assess impact in their investments but also how they can create value creation through such impact (R6).*

Unlike Norrsken and Katapult, Ferd is a step above in the capital chain. Meaning they invest in funds that invest in specific companies. Thus, their assessment (so far) is of the fund and how they assess impact for the specific companies they invest in. This same notion also goes for reporting: *we are in that stage now where we are setting up an internal structure for what we would like to see reported for our aggregated portfolio, but then of course we are then dependent upon that those funds we are invested in also report on these metrics…we'll have to see how this exactly plays out as those funds we have invested in have also just recently started to invest (R6).*

While Ferd is in the process of establishing measurements and reporting, Erik does emphasize its importance: *if we are to invest in you now you have to start reporting on impact…and then we have to also help with establishing what metrics and KPIs to report on, what makes sense for the companies (R6).*

As with Norrsken and Kataptult, the challenge of measurement and reporting was brought up. Dealing with early-stage companies brings in the balancing act between wanting companies to spend time and resources on reporting versus business development and growth. Erik states, *it is important to remember that these are early-stage companies with limited resources and we don't want to put on a reporting 'handcuff', a pre-set KPI framework from our side…they need to spend time on other things* (R6). However, Erik completely agreed with Norrsken's take on the company benefits of reporting (R6).

Lastly, regarding not only Ferd's impact investing journey but also the field moving forward, Erik expressed, *impact measurement is something I am particularly excited about moving forward. I feel that it is quite open and uncertain what that will look like in a few years…you know what kind of frameworks will really be established? The SDGs are quite established, but outside of that there are many ways out there of doing it* (R6).

4.4 Grid.VC

Approach

Grid.VC is a Finnish venture capital firm targeting the energy sector and new innovations and start-ups. Their view is that the energy system is going through rapid change due to climate change implications – which is changing not only energy generation, but distribution mechanisms and the energy system completely – creating the need for new technologies (R5).

While Grid's website highlights making 'impactful investments together with industry partners' (Grid.VC, 2021), Managing Director Jussi puts forth that they see themselves more as enablers than impact investors: *it is not so much that we are investing in big impact investments (directly), but investing in those companies that are facilitating and enabling change* (R5). He further elaborated on their approach, *we are a bridge…we are merging the (established) energy companies which are more traditional and conservative in their ways with startups which are the opposite…so at Grid we are the facilitators bringing these together, identifying new technologies which are feasible and have potential to enter and penetrate the existing market* (R5).

Due diligence and Impact Perspectives

In assessing potential investments Grid starts with traditional investment criteria (e.g. market segment, potential demand, feasibility). However, an additional and essential criterion is whether or not their LPs (limited partners) can support an innovation. Jussi explains, *if we don't have that support then we don't have any additional offering towards this startup…our offering has to be more than money* (R5).

An impact assessment is not strictly part of the process. Jussi explains, *not really a part of the due diligence we do because for many of these companies you cannot categorize a direct impact, say enabling CO2 reduction* (R5). The same, naturally, applies to not tracking or reporting on impact (at least not yet). Jussi

states, *we have discussed this but so far we have put that on hold…exactly because most of our portfolio companies cannot track say CO2 savings directly so it doesn't make sense for us* (R5). He further elaborated: *of course you can do some sort of a mock-up of the impact, but then you start going into a lot of assumptions and then you end up with a number that actually doesn't say anything…as nice as it is to give a number I'd rather have a number that I can relate to and understand where it comes from* (R5). Hence, while Grid does not measure impact, it does not mean they are not intentionally pursuing or generating positive environmental impact. Rather, they cannot be labeled strictly as an impact investor, but Jussi fully acknowledged that: *we see ourselves more as enablers than an impact investor* (R5).

4.5 Additional Findings

Having outlined the investment approach and impact integration (assessment, measurement, reporting) at katapult and Norrsken, along with the approach at Ferd and Grid.VC – this section brings forth additional findings from these actors regarding *contribution*, *risk*, and *challenges*.

4.5.1 Contribution – What Do These Actors Bring to the Table?

Katapult & Norrsken

What do these actors bring to the table? Jørn captures this well: *you can have good ideas and intentions, but you need execution and growth to actually make an impact and an impact that comes quickly enough to have a meaningful purpose for the world to tackle these issues (R1).* This is where Katapult's role comes in. Being a startup accelerator and not simply an investor – the element of contribution surfaces quite clearly – bringing in various support and expertise (e.g. mentors, networking opportunities, impact workshops) (R2).

Another contribution aspect is 'patient capital' – not having a defined investment period (IFC, 2019). As one Katapult employee states, *we invest in the entrepreneurs and want to be part of their journey, on board till an exit opportunity presents itself. It could go quickly or it could take 10 years (R2).* Thus, they take a long-term perspective in contrast to traditional venture capital in which a defined investment period is often set beforehand (Lerner & Nanda, 2020; Roundy et al., 2017).

Attribution plays into contribution. Meaning, as an investor what can you take credit for? A Katapult employee expresses, *we are impact enablers, the companies and the entrepreneurs create the impact (R2).* Further, he states, *so what can we be attributed for? We do open up and enable a lot since we are so early, but there are many investments and funding rounds after us. It is very difficult to quantify, there is no straightforward answer for this…frankly, I am not worried about what credit we can get or what impact we can get credit for (R2).*

For both Norrsken and Katapult, specific contribution to the impact objective also surfaces. Both run impact workshops together with the companies – establishing what specific KPIs makes sense and are feasible for the companies to report on (R1, R3). Together with the startups they work through the impact element, and if not already evident for the company, provide help on this. Jørn explains: *for some companies it is very clear and convincing and we don't have to help them go through this while others have not really thought through their impact. There are companies that we get that haven't considered their impact at all, that have not classified themselves as impact or sustainable start-ups…then we help them set up a framework (an assessment) of that, we help them develop that metric or proxy (R1).*

Norrsken expressed, *involving founders in impact mapping/process at beginning is key* and further, *we go through the self-reported data from companies and see if it's sensible and we challenge the company* (R3). Meaning, challenging and improving the company in terms of impact reporting.

While an interview was not conducted with Norrsken, an interview was done with one of their portfolio companies. This gave some insight into Norrsken's role and contribution from the investee perspective. Considering the impact the firm is pursuing, a company representative expressed: *as a start-up you of course always focus on your business and being able to deliver to your customers…it becomes the second thing to focus on how you actually report and communicate your impact, the good things you do…Norrsken has helped us here, to communicate our impact, spread the word…up to this point the impact story has been a lot about Norrsken telling that story* (R4).

Examples of this include Norrsken posting about them (on their website) as well as displaying their impact in the latest public impact report. Thus, an additional aspect is telling the 'impact story' of these companies – attention that can give further growth and traction down the line (and hopefully greater impact) – which Norrsken expressed in their webinar (i.e. the benefits of reporting).

Ferd & Grid

As for Ferd and Grid, elements of investor contribution also surface. While specifics of Ferd's contribution was not touched upon – their investment strategy was focused on areas where their offering went beyond capital – areas in which they could bring in expertise and knowledge. Further, it was expressed that Ferd (as with Katapult and Norrsken) will help companies in establishing metrics to report on (R6).

Jussi puts forth how Grid provides 'active support' to their investees through their limited partners (LPs). This entails commercial support and pilot opportunities within LP's network or existing customer sites. Further, demonstration opportunities – opportunities which helps their growth and development for the market (R5). He puts forth, *our energy companies and LPs working directly with these start-ups, giving support…that is one of our differentiators from other VC funds (R5).*

Impact investing entails the parallel pursuit of financial return and social/environmental impact. Jussi captures how their contributions plays into this 'dual-sword': *and by that (support given) we are increasing their speed to the market, increasing their probability (of success) and therefore their valuation. That is helping ourselves in creating better returns…and speeding up the transition and enabling change in the energy sector* (R5).

4.5.2 Risk

The question of whether impact investing entails greater risk than other forms of investing was posed to several of the interviewees.

On whether impact investing entails greater risk, Jussi (Grid) simply dismissed the idea: *(there is) less risk to invest in the (green) transition and what is imminent* (R5). One employee at Katapult expresses, *risk is tied to it being so early stage, and you cannot bypass that. Not unique or linked to impact investing* (R2). Erik (Ferd) shares the same view – that risk is more tied to the company stage rather than if it is impact or not. However, he also adds: *On one hand I think there's lower risk in impact investing because you are more aware of the sustainability and environmental factors/aspects in your investment…and being unaware of that is in itself a risk, investors who do not include sustainability in their DD run a much higher risk* (R6).

While one aspect is financial risk, another is impact risk (i.e. impact washing, unintended consequences). With regards to that, one Katapult employee expresses*, risk is there no matter what, have to trust the team and their intention. You have to jump and make a bet* (R2). However, while also adding, *through our due diligence and interviews with founders, I see that risk as low* (R2).

During the webinar the question of how Norrsken screen for/avoid greenwashing (i.e. impact washing) when working with companies came up. The answer: *(we) build our own understanding, talk to a lot of experts, and explicitly focus on impact risks and potential unintended consequences* (R3). It was also highlighted that if a company acts differently than expected they have 'put options' in their agreements – meaning they have the ability to exit an investment at any point (R3).

While Katapult and Norrsken seem quite confident in their screening of companies and mitigating 'impact risk' – an audience member in Norrsken's webinar expressed, *we cannot be too sure about the consequences (impact) of our investments, especially in the venture space (R3).* That is very true – and while several of these actors point to the general risk in early-stage investing – the risk tied to the additional impact objective is unique.

4.5.3 Challenges & What is Needed to Engage in Impact Investing?

While the challenge of impact measurement and reporting has surfaced earlier – additional aspects regarding challenges and for 'what it is needed to engage in impact investing?' are brought forward. In One Initiative's Survey 2020 it was found that when engaging in impact investing close to 75% of respondents take a longer time horizon, 62 % seek in-depth knowledge of the data and science available before investing, while close to 50% of respondents put forth it is requiring more engagement and specialization (One Initiative, 2020). These findings were shared with interviewees – asking how they view it along with other aspects in their work.

Regarding the need for more specialization, Erik (Ferd) expressed: *yes and no. Do you need more specialization to do impact investments? Not really, so-called traditional investors can pretty quickly adapt to a focus on sustainability and impact…say give it a year where you really focus on this then you can do that (impact investing)* (R6). But he further added*, but to have say specific knowledge within renewable energy and the energy transition is of course relevant…so in that sense I agree* (R6).

On the need for more scientific knowledge/approach, Erik (Ferd) completely agrees: *I think there is and will be an increasing demand for this…but we haven't yet ourselves planned to bring on more scientific positions, say researchers within for example climate sciences. We have seen funds doing this and I think this will become more common* (R6).

As to the findings from One Intiative's survey, Jussi (Grid) states, *I agree, but not solely for impact investors. But any start-ups involving new technology, (you need) technical feasibility, understanding the market, you need to understand the science…so yes it is difficult* (R5). He further brought forward that determining technical feasibility is not that difficult, but rather the most difficult thing is matching the technology and the market. He expresses, *so you have to prove that the technology works and that it is commercially feasible before you actually get into the market…I think our LPs are more prepared to take on new innovations and such risk* (R5)**.** The latter point ties into potential contribution – a willingness to take on higher risk (Brännvall, 2020; IFC, 2019).

An employee at Katapult emphasizes the need for an open mindset, *with our broad approach there are many variables at play, and I think it is important to have an open mindset* (R2). He brings forward that Katapult's approach is based on the GIIN and other international sources but have been adapted to their resources and capabilities – with Katapult doing their analysis and due diligence in-house (R2). In terms of capacity, he further adds, *we have gained experience and you accumulate knowledge over time, you don't start at zero (from scratch) every time* (R2).

Taking a longer time horizon (i.e. patient capital) ties into possible investor contribution outlined earlier, but also potentially as a barrier for impact investing. One Katapult employee expressed, *I*

think we are in a transitional phase, but for the time being it takes too long to make a financial return on it, that's a core part of it (R2) – alluding to the fact why not more investors have entered the space. While Erik (Ferd) agrees that impact investing and particularly early-stage investments is something you should always be patient with – he expresses that it does not necessarily apply to all investments: *it depends on the sector and area you invest in. For example, if you invest in wind and solar which is more established, then you can potentially have the same time perspective as other (investment) strategies…it is more about how mature the industry is you are investing in* (R6).

4.6 Findings Summary & Analysis

This section summarizes and provides analysis on some key aspects that came up through my research on these actors: (1) regarding investment approach and use of SDGs; (2) impact integration (i.e. impact assessment, measurement, reporting) at Katapult and Norrsken; (3) risk and contribution; and (4) the actors examined & impact investing's core attributes.

4.6.1 Investment Approach

All actors examined target a specific segment – startups and early-stage companies. As Rockefeller outlines, targeting a specific institution – whether it be nonprofits, public companies, or startups – is one way to structure your impact investment strategy (Rockefeller, 2020). Early-stage focus brings in its challenges of greater uncertainty and higher risk (R2, R5, R6), but it also allows for easier establishing a credible impact narrative – where an investor's potential contribution becomes more evident (IFC, 2019).

Along with the early-stage focus is an overarching impact approach rooted in technology, innovation, commercialization, and scalability. A belief that technological scale equals greater impact (R1, R3). In One Initiative's Survey (2020) it was found that there is a focus on technology among investors with scalability being a key consideration (One Initiative, 2020). The same surfaces or is affirmed in this research.

In their pursuit for impact, what areas do these actors target? Ferd builds upon existing knowledge and investments in targeting renewable energy, proptech, and aquaculture. Grid specifically targets the energy sector and new innovation needed for the energy transition. Katapult (at least up to this point) and Norrsken throw a 'wide net' – targeting startups addressing challenges in several areas. Gregory (2016) puts forth that impact investors often screen for certain sectors, themes, or geographies. As such, he lays forth that many perhaps miss out on investments with potential impact. However, on the other hand, having a defined focus allows for developing deeper knowledge, which can be more valuable for investors (Gregory, 2016) and in turn allow for potential better contribution to the firms. This is an interesting consideration – one that ultimately ties into your impact objectives and the impact structures ones selects (Rocfeller, 2020).

The GIIN find that the SDGs is the most widely used framework among impact investors – with 73% of respondents adopting them for target-setting, measurement, and/or management purposes. Many investors map specific investments to the SDGs and overall channel capital towards SDG-aligned areas (GIIN, 2020). We see similarity in these actors – with Ferd, Katapult, and Norrsken all taking hold in the SDGs for 'initial screening'. Further, for Katapult and Norrsken they are part of shaping areas to invest in, as well as for communication and reporting. As Katapult puts forth, *the SDGs are used in assessing all our companies, a starting point and foundation for assessing impact* (R1). Considering the 'fluffiness' of the SDGs and the often lack of specificity in using them (Brännvall, 2020) – these actors do go deeper into assessing the impact of companies. For Katapult and Norrsken that has been outlined, with parts of it summarized below.

4.6.2 Impact Integration at Katapult & Norrsken

We see commonality in their approach of initial screening against the SDGs, incorporating theory of change, and drawing upon IMP's dimensions of impact. The latter is directly used in Katapult's impact assessment (i.e. impact factor). Katapult uses theory of change for individual investments while also used to create an overall logic model for their impact investment strategy (e.g. Katapult Ocean). Theory of change and elements from IMP are built into Norrsken's impact assessment template of companies (R3). While drawing upon these tools, we see that these actors have created and follow their own assessment framework – something that was expressed by Katapult interviewees and in Norrsken's webinar.

Both Katapult and Norrsken involve their investees in establishing impact measurement and metrics to track (i.e. workshops). Reporting revolves around one or a couple of key metrics for each company (R2; Norrsken, 2020). Norrsken also establishes impact targets for each company and for the portfolio, reporting on impact progress against set targets. Specific impact targets did not surface for Katapult.

The impact objective at both Norrsken and Katapult is broad – targeting any startups aiming for solving global challenges in line with the SDGs. However, Katapult now having defined two verticals (Climate, Ocean) allows this to be more specific. Katapult Ocean's impact vision and impact opportunities within specific sectors were brought forward. Both firms consider the 'why' (Rockefeller, 2020) with outlining the problem(s) in which they address (e.g. Norrsken Impact Report, Katapult Ocean Report).

On paper there appears to be a systematic approach to assessing impact in potential investments (IFC, 2020) – SDGs screening, assessment templates, and 'sit downs' with companies outlining theory of change and potential measurement. The assessing of negative impact also surfaced (as discussed below).

4.6.3 Risk & Contribution

There are several aspects to 'risk'. One, impact investing often entails higher risk in comparison to traditional investing (Gregory, 2016). Second, the willingness to take higher risk is an element in which impact investors can contribute and differentiate themselves (Brännvall, 2020; IFC, 2019). On whether 'impact investing entails greater risk' – the mantra seemed to be 'not really' or even less so considering the focus on ESG aspects impact investing entails. Interviewees see the element of risk not being uniquely tied to impact investing, but rather the stage one invests in (i.e. startups, early-stage). With such a view, contribution through taking higher risk (than other traditional VC investors) does not seem to apply considerably.

While risk came up mostly in the financial sense here, Brännvall (2020) puts forth that there are many risks linked to the additional impact objective of impact investors – including the risk of negative impact. While 'impact risk' surfaced through my investigation of Katapult and Norrsken, the question as to what extent and rigor this is addressed by these actors remains unanswered in this study. However, Norrsken came across as addressing potential impact risk in a more rigorous way – an example being the use of a questionnaire explicitly focused on potential sustainability risks as companies look to grow and scale (R3).

In summary, elements of contribution surface among all the actors, specifically an awareness of and focus on non-financial contribution. A clear investor contribution is something the IFC includes as a key component to impact investing (IFC, 2019). But part of that is also whether the

contribution is tied to the impact objective? (IFC, 2019). Through Katapult and Norrsken running 'impact workshops' with the companies, that becomes evident. Grid provides 'active support' to the companies while Erik (Ferd) highlights the importance of providing more than just capital in helping companies establish metrics and reporting moving forward.

However, if the view is that impact and financials go hand in hand, or as Norrsken expresses, *remove the impact you remove the business* (Norrsken, 2021) – the notion of 'contributing on the impact side' becomes hard to delineate. Then one can make the argument that helping with business growth and development (which these actors do) plays into impact contribution**.** As such, facilitating company growth and scale translates to more impact.

4.6.4 Actors Examined & Impact Investing's Core Attributes

The core attributes of impact investing are intention and measurement (GIIN, 2021a) – with a third contested attribute of contribution (Rockefeller, 2020). For Norrsken, Ferd and Katapult all these appear. I see intention as reflected through impact goals and the understanding of problems they are addressing (i.e. investment thesis) – along with investment screening against the SDGs. Measurement is clearly established at both Norrsken and Katapult, with Ferd following suit. Ferd's environmental impact investment mandate was recently established, but the elements of measurement and reporting are to be put in place – with it being a requirement from Ferd's side as to invest in a fund or not (R6). As to the element of contribution – that has been outlined earlier. It is no surprise that these actors align with all three – private equity, and especially early-stage investing, allows the third component of contribution to easier surface (IFC, 2019; Rockefeller, 2020).

While Grid does not align with all the key attributes of impact investing, the intention of impact is still there. This is reflected in their investment strategy of bringing forth new technology in the energy sector – enabling change and solutions needed for the energy transition (R5). Further, investor contribution is established – providing 'active support' to investees. While impact measurement is not established at this point, there is an awareness and rationale for why.

5 Discussion

Through an exploratory research approach combined with semi-stuctured interviews, various aspects of impact investing have surfaced. This section takes hold in some of these – both from literature and actors examined – and provides a discussion on how impact investing is still investing, what impact investors do differently, and additional reflections on impact investing's complexity and outlook.

5.1 How Impact Investing is Still Investing

Due & Lund, (2018); Bjerga & Drønen (2019) express that most of their informants undertake a similar investment process to that found in traditional venture capital/private equity while including an additional impact element in the investment process. That is perhaps not surprising, considering that impact investing is still investing. The actors examined are not pursuing a trade-off, but rather a complementary approach. Along with about two-thirds of GIIN's survey respondents (GIIN, 2020), they are seeking market rate financial returns.

Actors examined hold the view that impact and financials go hand in hand. There is not a one or the other. Erik (Ferd) encapsulates the essence of this view: *the essence is that there needs to be good impact and there needs to be a link between the impact and financial return. That's an essential criterion and potential dealbreaker. If not financial growth for the company, then lack of scale and limited impact. But also vice versa, if strong financial profile but lack of impact potential, then we will not invest. (R6)* Another interviewee expressed, *if impact is good, but no financial return then it is not sustainable in the long run (R2).* Hence, as put forward by the One Initiative (2020) and Rockfeller (2020), this research aligns with the notion that a categorization of 'impact first' and 'financial first' is no longer a relevant construct. The dual objectives entail a parallel and complementary pursuit.

Thus, so-called traditional investment criteria are still present – such as business model and revenue traction, scalability, founding team, market outlook and demand, and a viable product (R2, R5). A Katapult employee put forth that he does focus a lot on the financial aspects and the entrepreneurial team (R2). As to the latter, Gompers (2020) find that traditional VC firms place the greatest emphasis on the management/founding team in their investment selection criteria. While not having the grounds to rank its importance among these actors – that element will always be there in investing. Brännvall writes, *when investing in a company, you may think that you invest in a product, a competitive advantage or a business model. But all of this is about the people and their ability to ensure growth and execution through their teams* (Brännvall, 2020 p. 72).

These other investment criteria were not the focus of this study, but still key to understanding the phenomena of impact investing and its dual nature. While perhaps these other criteria are not directly related to an impact assessment, one could make the argument that it is, based on the view that financials and impact go hand in hand. A view of if you want impact, other traditional criteria need to be in place for it to actually be successful, grow, and have impact at a larger scale (R1, R2, R6).

5.2 What do Impact Investors do Differently?

While impact investing still entails traditional elements – the impact objective makes it unique to that of traditional investing. That has surfaced through the literature and the cases examined (particularly Katapult and Norrsken). Impact investing entails a different approach to that of traditional investing (IFC, 2019; Brannvall, 2020). Impact needs to be integrated into the investment process – both in selecting and managing investments (Gregory, 2016).

As introduced in the literature section, Gregory (2016) outlines steps of 'what do impact investors do differently'. A reminder of his steps is included below. They encapsulate well the differential process of impact investing, with several of these steps having surfaced through this research – both in literature and the actors examined. One sees that these steps align closely with IFC's Principles of Impact management. Further, these steps reflect the core attributes of impact investing – namely intention (before entry and how you assess a potential assessment), measurement (establish metrics at entry and track in portfolio), and the still contested aspect of contribution (i.e. capacity building, what do you add to the investees that is part of driving the impact outcome). This section takes hold in (and expands upon) some of the steps below – bringing forth learnings from literature and the actors examined.

What do impact investors do differently?

Before entry:

- Allocate capital to sectors/markets based on potential for impact
- Search for investments with environmental, social and economic impacts
- Appraise impact potential and risks

At entry:

- Structure for impact as well as financial return
- Set impact targets and establish measurement process

In portfolio:

- Add value through advisory services, capacity building
- Measure impact
- Exercise patience – portfolio duration aims to maximize impact as well as financial return

At exit:

- Structure for sustained impact after exit
- Promote sustained measurement and impact reporting after exit

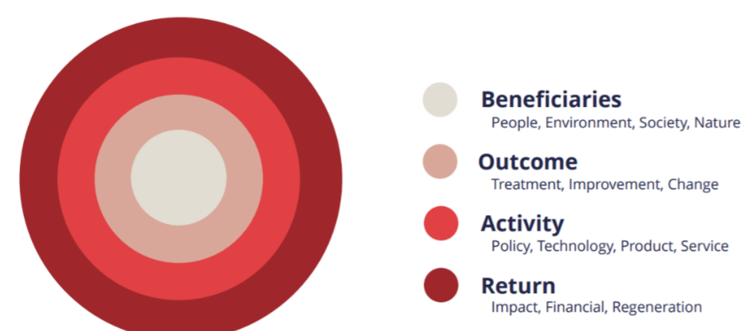
5.2.1 Before Entry

Here Gregory (2016) includes the steps *search for investments with impacts*, *allocate capital to markets/sectors based on potential for impact*, and *appraise impact potential and risks*. Hence, these steps encapsulate the key attribute of **intention** – going into an investment with a clear intent (or desire) for generating social/environmental impact (GIIN, 2021a). The IFC labels this as strategic intent (IFC, 2020), where impact objectives are established. Here, Rockefeller brings forth establishing a 'why' – which entails investment goals alongside impact goals – with the latter being what is unique to impact investing. As IFC expresses, it is only by having an *intent* to achieve a specific, articulated outcome that an impact investor can determine what sort of firm to invest in (IFC, 2019, p. 4).

How do you find and search for investments with impact? This connects to one's impact goals/objectives. Thus, there is no set answer to what an impact goal is. However, it is a crucial first step laying the foundation for the rest of the process (Rockefeller, 2020). Looking at the actors examined, their overarching search is rooted in:

Ferd – systematic screening of funds aligning with their focus areas of renewable energy, proptech, and aquaculture.
Grid – new technology and innovations in the energy sector – enabling CO2 reduction and needed change for the green transition.
Katapult – screening against the SDGs, with now a focus on climate and ocean. The latter we have seen outlining an investment thesis and impact opportunities within the umbrella theme of ocean.
Norrsken – taking hold in SDGs as broad focal points, but having categorized investment themes (e.g. food waste, electrification) with a delineation of 'challenges' and 'solutions'.

As *to appraise impact potential and risks*, that has appeared as 'impact assessment' and 'due diligence' in this research. What does this entail? It is evident that additional questions need to be asked and considered – questions that are related to the impact objective. We see that through the IMP's Five dimensions of impact – *what*, *who*, *how much*, *contribution*, and *risk* (IMP). Dimensions and questions that both Katapult and Norrsken draw upon. Further, the 'Four Rings' model (reminded of below) can be seen as a conceptual starting point for impact investors – outlining the universal mechanics of impact investing (Richard Georg Engström). It embeds questions an impact investor needs to consider. Questions such as: who/what is benefitting from the investment? What is the outcome? What is the activity (of the investee) that drives impact? Not only what is the financial return, but what is the impact return? The typical investor question is often 'what is the addressable market'. However, in impact investing it is more about 'what is the size of the problem' – how many is benefitting from this? On what scale? (Brännvall, 2020). Thus, the lens should be 'beneficiaries' not 'customers'.



In going into an investment (i.e. before entry) other steps have also surfaced in this research. Gregory notes *capacity building* in the portfolio, but being aware of and establishing what value one adds going into an investment appears to be an additional step. In other words, establishing investor contribution – what is an investor providing an investee from an impact perspective? (IFC, 2019). As brought forward from several of the interviewees – what is our offering beyond capital? (R5, R6). It ties into that of non-financial contribution (IFC, 2019) – what knowledge and assistance can an investor provide? An awareness of and focus on that aspect surfaced among the actors.

Further, another step is outlining a theory of change. In other words, a logic model of how impact is to occur. This was explicitly seen and laid out in the findings on Katapult, and with it being embedded into Norrsken's impact assessment. Katapult Ocean's framework was presented – depicting the theoretical logic from activity, outputs, to outcomes/impacts – merging the activities of Katapult as an impact accelerator/investor and those of portfolio companies. Which combined

is to ultimately drive progress on *increasing health and wealth of ocean ecosystem* (Katapult, 2021). As one Katapult employee expressed, *your theoretical logic/perspective is the most important thing at this stage* (R2). Rockefeller (2020) views theory of change as a vital element of impact investing, critical for one's success. The same is shared by Jackson (2013), as it will help investors purposefully and clearly understand the change they are trying to drive.

5.2.2 At Entry

Here Gregory (2016) includes the steps of *structure for impact as well as financial return* and *set impact targets and establish measurement process*. The former was not a focus of this study, but it came up through the investigation of Norrsken. Namely the legal agreement incorporating a commitment from the investee to measure and report on impact (R3). As to setting impact targets, Norrsken does this both for individual investments and for the portfolio as a whole (Norrsken, 2020). In establishing measurement, this is done for each individual investment. This is reflected through how both Norrsken and Katapult, together with companies, run impact workshops together with companies in outlining metrics to track (R1, R3). As Jørn states, *both what and how to measure* (R1). The same was expressed by Ferd – in needing to help establish what to measure and what is feasible for companies (R6). As such, an element of contribution also surfaces here – contribution to the impact objective. Actors examined take an active role in supporting companies on developing measurement processes and metrics to track (R1, R3, R6).

5.2.3 In Portfolio & Exit

Steps here include *add value through advisory services (capacity building)*, *measure impact*, and *exercise patience* (Gregory, 2016). The first point has been noted as contribution throughout this research. The IFC (2019) underlined the importance of this, including it as a key component of impact investing. They labeled this as non-financial contribution – coming through for example knowledge, assistance, and engagement (IFC, 2019). Such capacity building or contribution surfaced among all the actors (R2, R3, R5, R6). To reiterate one example, Grid.VC provides 'active support' to investees. In partnering with established energy companies, they provide demonstration and testing opportunities for startups (R5).

Measure impact should also include report on impact. Norrsken, Katapult, and Ferd all report (or about to) on impact. As GIIN puts forth, investor commitment to measure and report on social and environmental performance of investments is a core attribute of impact investing (GIIN, 2021a). The measurement of outcomes is critical as the performance of impact investors relies on their social and commercial value creation (Agrawal & Hockerts, 2021; Weber, 2016).

However, the challenge of measurement and reporting was a common narrative in this research (R1, R2, R5, R6). With all actors dealing with early-stage companies, the notion of wanting to balance reporting requirements and precious time needed for companies to develop was brought forward (R6). However, with an awareness of this and pointing to the fact that actors examined take part in establishing measurement from the very beginning together with companies, it seems to lower what Reeder & Colantonio (2013) outline as the potential friction between what an impact investor would like to see, and what actually an investee can provide in terms of metrics and assessment. Another aspect here, is whether one reports only on each individual investment or aggregates across the portfolio. The latter being a challenge, especially if different sectors are involved (Rockefeller, 2020). Norrsken has made an attempt at this, while Katapult (as of now) only reports on each individual investment (R1). Their view being that the impact of each investment is unique, with an aggregation creating more questions than answers (R2).

Another aspect of measuring impact is monitoring progress of each investment's impact against expectations (IFC, 2020). In other words, as addressed by Norrsken, what is the progress against

set impact targets? Tying into this, an investor should monitor and address potential negative impacts in the portfolio (IFC, 2020).

Exercise patience has been expressed in this research as 'patient capital' – pointed out as a way in which investors can contribute (IFC, 2019; Rockefeller, 2020). As expressed by several actors, this is perhaps not unique to that of impact investing, tying into that of early stage investing (R5, R6). However, as noted by Gregory (2016), patience in realizing 'impact' is unique. Such patience was brought up by Katapult – one invests in the entrepreneurs and is part of their journey (R2). This stands in stark contrast to the core element of traditional venture capital – an emphasis on a relatively short timeframe where financial ROI is the sole aim (Lerner & Nanda, 2020; Roundy et al., 2017).

At exit includes *structure for sustained impact after exit* and *promote sustained measurement and impact reporting after exit* (Gregory, 2016). Exit was not a focus of this study. However, it did surface through IFC's principles and Norrsken – with the former outlining exit steps such as *considering effect on sustained impact* and the notion of *review, document and improve* (IFC, 2020). As for Norrsken, it was highlighted that Norrsken's financial remuneration is linked to the company's impact (R3).

5.2.4 Potential Expansion & Reflections

Bringing in literature and the actors examined, steps brought forward by Gregory (2016) were discussed above. However, as outlined, additional steps have also surfaced. As such, I expand upon the list of 'what do impact investors do differently' with the following steps (in bold).

Before Entry:

- Allocate capital to sectors/markets based on potential for impact
- Search for investments with environmental, social and economic impacts
- Appraise impact potential and risks
- **Establish impact goals/objectives**
- **Create a logic model of how impact is to occur**
- **Consider and establish contribution to impact**

At Entry:

- Structure for impact as well as financial return
- Set impact targets and establish measurement process

In Portfolio:

- Add value through advisory services, capacity building
- Measure impact
- Exercise patience – portfolio duration aims to maximize impact as well as financial return
- **Report on impact**
- **Assess/monitor progress on impact and potential negative impacts**

At Exit:

- Structure for sustained impact after exit
- Promote sustained measurement and impact reporting after exit

Reflections

This should not be seen as a linear process with a 'check off' list, rather several of these steps intertwine into an iterative process. One's impact investment elements are always a work in progress and to be refined by iteration (Rockefeller, 2020). Further, Rockefeller (2020) brings forth that impact measurement and management is a cycle – a cycle of designing, collecting, assessing, and acting – which is driving the overall impact investment strategy. With the actors examined, both Norrsken and Katapult brought forward the notion of potentially needing to adjust and expand upon measurement (R1, R3). As one delves into the impact journey of startups, other aspects might come to realization. As Jørn (Katapult) expressed, *definitely need to adapt metrics and measurement, also engage and possibly change business models, you have to be open for that* (R1). IFC's Principle 8 – *review, document, and improve decisions and processes based on the achievement of impact and lessons learned* (IFC, 2020) – also reflects what should be an iterative and continuous process.

Further, this is not meant as an answer key to 'what impact investors do differently'. Rather, it captures elements of impact investing that have come up or been affirmed in this research through literature and the actors examined. As discussed, some aspects have surfaced in several actors, others only in one (e.g. Norrsken and impact targets). This could tie into impact investing being a broad strategy with many ways to do it, with a continuous debate on what it actually entails (Rockefeller, 2020). Further, all actors are relatively early on in their impact investment journey – with Grid.VC and the mandate at Ferd having recently been established.

Considering the elements outlined above, it begs the question of what is the minimum threshold to be labeled as an impact investor? How rigorous does the integration of impact need to be? Theory is one thing, but in practice? Grid, not measuring impact, could ultimately be part of driving greater environmental impact than other actors. As such, it boils down to whether you explicitly label yourself as an impact investor or not. If one does, the attributes of intention and measurement must surface – these are all agreed upon among leading organizations (Rockefeller, IFC, GIIN). Hence, the steps outlined might also be useful in such an inquiry and provide a guidepost for how rigorous the integration of 'impact' is in various investors.

5.3 Additional Reflections on Impact Investing

5.3.1 Clarity in the Complexity of Impact

An expression that has appeared several times throughout my research on these actors is 'good impact'. But what is good impact? What constitutes a successful impact investment? In response to the latter, one interviewee expressed: *I don't have that answer now. The level of impact for each company is individual and unique*, while adding, *investors have different views, it really depends on who you ask* (R2). It is important to remember that all assets have impact (Rockefeller) – and in impact investing's pursuit of *positive* impact, subjectivity is involved (R2, R5, Webinar), with there being many ways in which you can approach it (Rockefeller, 2020). Several of the interviewees pointed out that an impact assessment involves one's own perception of impact to a degree (R2, R5), and further, investing in startups one will not know the ultimate impact before many years or even decades later (R2).

In addition, different ways of how to view and classify 'impact' has surfaced. Terms such as direct impact, indirect impact, transitional impact, deep tech impact, and enabling impact have all come up (R2, R5; Katapult Ocean, 2021). Or Brännvall's impact categorization of individual/group level impact, catalytic impact, and impact at system level (Brännvall, 2020). Further, the notion of depth versus breadth of impact was brought forward in one interview – meaning does one target 'deep' impact for a select few or 'some' impact for many (R2). As one actor examined emphasized, for

them it does not make sense to report on impact at this stage as it is not directly measurable, but rather the strategy is rooted in investing in technology and innovation that enables impact – in this case enabling the reduction of CO2 in the energy sector (R5). Thus, 'impact' can take on many forms and nuances – it is not black and white (R2).

Trelstad (2016) argues that impact investing faces problems in that there is still disagreement on what impact investing actually embodies. He writes, *currently, impact can mean anything from venture investments in new health technologies to microfinance loans in Peru; from affordable housing in the US to renewable energy in India; from social impact bonds to private equity funds that create jobs* (Trelstad, 2016). His argument is valid, but its broadness can also be seen as a strength, allowing various investment intentions to group around one term (Bugg-Levine, 2011). While one can argue about the term – its conceptual and definitional aspects – Rockefeller highlights that one should rather focus on the approach (Rockefeller). This research has tried to do that – examining elements of impact investing brought forward in industry literature and the approach of specific actors.

Hence, while the pursuit for 'impact' can be subjective and ambiguous, I bring back IFC's take on impact investing: there needs to be a credible narrative of impact encompassing intention, contribution, and measurement (IFC, 2019). In other words, an intention (or desire to improve social/environmental outcomes) going in, an outline or awareness of how you as an investor is contributing to impact, and lastly a system in place for measurement and reporting on increase or improvement in social and/or environmental outcomes. The elements brought forward in section 5.2, building upon the IFC, other literature, and the actors examined then become important in establishing credibility and clarity in the realm of 'impact complexity'. By incorporating these elements – one is better off in gaining legitimacy no matter the type of 'impact' one is pursuing. The definition of impact investing and its boundaries could be a never-ending discussion. As such, the author's view (along with Rockefeller, Brännvall) is that it is important to focus on the approach. An approach which entails having clear impact goals, asking and considering different questions, and in doing so drawing upon tools that are part of the impact objective (e.g. theory of change, IMP dimensions).

5.3.2 Will All Investors Move in the Direction of Impact Investing?

One interviewee brought up the notion that in 10 years we will not really talk about impact investing, but rather just investing as impact assessments will be integrated into all investment processes (R6). To that point, another interviewee put forth that it starts with negative impact needing to be monetized as a cost factor – which is already happening with the increasing attention given to ESG (R5).

While ESG investing has seen significant growth and estimated to continue do so (Reuters, 2021) – this does not necessarily translate to positive impact (Brännvall, 2020). ESG investing is not impact investing (Busch et al., 2021). Impact investing is forward-looking – aiming at identifying companies and organizations whose activities target the pressing needs of society and the environment (NordSIP, 2020). Such a strategy of aiming to 'do good' is a leap from ESG (reducing harm) – that gap could be a hurdle for impact investing to go truly mainstream. However, impact investing is not a standalone thing (Rockefeller, 2020) – ESG is a foundation for impact investing (Brännvall, 2020) – a foundation which the financial world seems to slowly be embracing.

With all the steps outlined earlier in mind, it is clear that (on paper) it takes more to engage in impact investing. But to what extent? The notion of 'what is needed to engage in impact investing' was touched upon through the outlining of One Initiative's (2020) survey and briefly asking

interviewees about this. However, it was not a clear-cut answer with their responses also blending into the challenges of early-stage investing – examples being market readiness/penetration, technical feasibility, and execution uncertainty. Nevertheless, the impact objective adds another layer of complexity and considerations. Are other investors willing to learn and take this on?

A key answer to that could lie in financial performance – another factor to impact investing's growth going forward. Continued uncertainty as to whether impact investing allows for commercial financial returns in line with conventional investing is keeping potential new investors on the sidelines (IFC, 2019). While this could be an obstacle, one interviewee holds the view that we are now in a transitional phase, that this financial barrier is a temporary picture – a picture that will be broken once more financial evidence comes in (R2). He further adds, *competition has increased significantly since 2017, competition increases every month no question about it* (R2) – pointing to the evolving impact investment landscape and new actors coming in. While new actors entering the space is a good thing, it increases the risk of *impact washing* – threatening the credibility and legitimacy of the field (Higden & O'Flynn, 2019). Traditional investors entering this space need to change their approach (IFC, 2019). As seen from literature and actors in this study, new considerations and elements (outlined in section 5.2) should be incorporated into the investment process.

As this space continues to evolve – it is important for not only new but also the examined actors to follow suit on new publications, best practices, and learnings. By becoming 'too set' in your ways, one runs the risk of losing credibility and diminishing the probability of truly be part of driving positive impact. As Norrsken seems to be an example of – others should follow on publically disclosing impact progress, metrics, and methodology. One needs to dare to be transparent, share impact returns and how the impact element is integrated. One aspect of that is how impact investing is about generating positive outcomes for broader society – in that view the public is a key stakeholder and should have a right to see and follow the progress. Second, coming back to 'impact washing', publically disclosing information allows for transparency, accountability, as well as learning among actors. Such accountability and transparency are important. Hence, I share Findlay & Moran's (2018) view of impact investing moving forward, *if need be, sacrifice short-term growth for long-term growth and legitimacy* (Findlay & Moran, 2018, p. 19).

6 Conclusion

This thesis focuses on the investment strategy and concept of impact investing – an investment strategy entailing the dual objectives of financial return and positive impact. In doing so, an exploratory research approach was used – taking hold in both literature and a few actors in the Nordics. The research pursued the following objectives: (1) to map out impact investing through literature and theory – its definition, attributes, and associated elements – and embedded into that what separates it from so-called traditional investing and makes it unique; (2) dive down at the firm-level investigating the investment approach and perspectives of actors in the Nordics; and (3) through the culmination of literature and actors examined provide a discussion on the concept and process of impact investing.

As such, answers to the research objectives are embedded throughout the thesis. The first objective was addressed through academic literature, industry literature, and additional theory. On a broad level, impact investing's pursuit of a financial return differentiates it from philanthropy (grants, donations), while the focus on non-financial return bounds it from traditional investing (Höchstädter & Scheck, 2015). GIIN's definition of impact investing, *investments made with the intention to generate positive social and environmental impact alongside a financial return* (GIIN, 2021a), has become widely recognized in the industry. The key attributes of impact investing include intention and measurement, with a third contested attribute of contribution. Industry publications from leading organizations (Rockefeller, IFC) were used as a foundation to further explore additional elements of the impact investment process. Key elements brought forward are the establishing of impact goals/objectives, the establishment of contribution, the utilization of 'theory of change' (i.e. logic model), the IMP's Five Dimensions, and an IMM system encompassing the whole process.

At the firm level, the four actors Katapult, Norrsken, Ferd, and Grid.VC were examined. It provides a snapshot of where these actors are now in their investing journey – giving insight into their investment approach, Katapult's and Norrsken's integration of impact, and perspectives on impact assessment, measurement, and reporting. Overall, there appears to be an investment approach rooted in technology, scaleability, and commercialization – where the view is that impact and financials go hand in hand. The research on Katapult and Norrsken allowed for insight into how impact is integrated in their investment process – with an impact assessment intitially taking hold in the SDGs, followed by self-made assessments drawing upon theory of change and IMP parameters, workshops establishing measurement together with investees, and impact reporting – which revolves around one to two key metric(s) along with linked SDG(s) for each company. Norrsken also reports on progress against impact targets (for individual investments and portfolio).

Further, additional findings regarding risk, challenges with engaging in impact investing, and investor contribution were presented. Overarching findings being that impact investing does not necessarily entail greater risk, challenges blend in with that of early-stage investing, and an awareness of and focus on contribution to investees (beyond that of capital) clearly surfaced. While these additional aspects were not explored in-depth, they shed some light on the questions of 'risk in impact investing', 'the role of the investor', and 'what is needed to engage in impact investing'. Questions that are important, complex, and nuanced.

Chapter 5 addressed the last research aim, taking hold of both literature and actors examined. It provides a discussion on 'how 'impact investing is still investing', 'what impact investors do differently', and further reflections on impact investing – its complexity and outlook. The financial objective means traditional investment criteria are still present. With an intergrated view of financials and impact, traditional investment elements become part of driving the impact – an

impact that can scale and is financially sustainable. The impact objective is what makes the process of impact investing unique. The culmination of literature and the actors examined has laid forth or affirmed several differential steps and elements. Some of these include establishing an impact goal(s), creating a logic model of how impact is to occur, asking and considering different questions (e.g. Four Rings, IMP), establishing investor contribution to impact, and measuring and reporting on impact.

Impact investing is still a developing concept, with scholarly research lagging that of practice (Roundy et al., 2017). Further, unlike venture capital investing process, the process of impact investing has not been examined properly (Agrawal & Hockerts, (2021). This research is part of addressing this, providing insight into impact investing through the combination of literature and examining specific actors. Numerous aspects and elements of impact investing are brought forward in this thesis. This is valuable for both new investors looking to engage in impact investing and for current practitioners in reflecting upon and improving their own processes. The culmination of academic literature, recent industry literature, and surveys provides a holistic and updated review of the field – that is valuable for academics and practitioners alike.

The thesis highlights many important topics and questions related to the strategy and concept of impact investing, serving well as a broad foundation and inspiration for various future research avenues. Through the investigation of Norrsken and Katpault, insight was given into how they integrate impact into their investment and selection processes. An element brought forward was how they run impact sessions together with companies establishing among other things a clear theory of change and metrics to track. However, this interaction with investees needs further investigation. One thing is how this looks on paper, but what does it truly look like in practice? One can dive deeper into this through observational research and be a 'fly on the wall'. How are these workshops run? What does these interactions with companies look like and what is discussed (i.e. minutes from meetings)? That would provide valuable and deeper insight into the practices and considerations these actors make.

Another future research avenue is examining the performance of these actors – both financially and the ensuing impact of investments. All actors examined are early on in their impact investing journey. However, down the line, one can assess the impact return and financial return. Such research captures the essence of impact investing – its dual pursuit of financial return and impact. A 'performance lens' is of course relevant for all impact investors. In doing so, one can take hold in the 'Four Rings' conceptual model – which outlines beneficiaries, outcomes, enterprise activity, and returns. What are the real-world outcomes of investments? What is the impact on intended beneficiaries? How do they experience it?

One can take more hold of risk in impact investing. It was touched upon in this research, but risk tied to the impact objective needs more exploration. Risk is a complex topic, with both Brännvall (2020) and Gregory (2016) addressing various aspects of risk in impact investing. To what extent do various investors address these (particularly the risk of negative impact)? And how?

Another aspect touched upon in this research was organizational capacity builing. In other words, what does it take to engage in impact investing? One can take on an organizational lens in researching impact investment firms. For example, what people do you bring in (e.g. background, expertise)? Organizational structure? Particular organizational initiatives? Rockefeller (2020) expresses, *unless you are acting alone, impact investing can be as much about organizational change or interpersonal dynamics as it is about investment* (Rockefeller, 2020, p. 149). An important and interesting topic for future research.

Lastly, the actors examined are part of shaping an ecosystem where the supply of capital and investing takes on a new form. They are examples of where investing ought to be, if private capital wants to be part of driving the green transition and make progress on the SDGs. I find it important that the emerging strategy of impact investing does not fall into the competitive nature of the financial world – where there is an 'us against them' mentality in the relentless pursuit for financial returns. This boils down to collective progress and many actors driving impact together – where the ultimate recipient is our planet, people, and society. While impact investing will not be the 'silver bullet' to a better world (IFC, 2019) – it is an opportunity for the private financial sector to be part of driving positive change. An opportunity this sector needs to grasp. And to grasp it investors need to change their approach – not simply what they invest in, but also how they invest.

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Appendix I – List of Data Sources

In-text reference	Organization	Source	Date	Duration
R1	Katapult	**Interview** Jørn Haanæs, Director of portfolio and Investor Relations	8/4/2021 28/4/2021	35 min (zoom) 15 min (phone)
R2	Katapult	**Interview** Employee, central role in investment process and selection	9/4/2021 15/4/2021	50 min (zoom) 15 min (phone)
R3	Norrsken	**Webinar** *Deep-dive: how do we measure impact?*	16/4/2021	60 min
R4	Portfolio company (Norrsken)	**Interview** Start-up company in Norrsken's portfolio, company employee	14/4/2021	30 min (zoom)
R5	Grid VC	**Interview** Jussi Teijonsalo, Managing Director	27/4/2021	35 min (phone)
R6	Ferd	**Interview** Erik Bjørstad, Director Impact Investing	22/4/2021	35 min (zoom)
		Documents		
Norrsken, 2020	Norrsken	Norrsken Impact Report (2020). Retrieved from https://www.norrsken.vc/impact		
Katapult, 2021	Katapult	Internal documents/slides: example company KPIs, impact assessment template, Katapult Ocean framework		
Katapult Ocean, 2020	Katapult	Katapult Ocean Blue Perspective Report (2020). Retrieved from https://katapult.vc/ocean/our-impact/		

Appendix II – Interview Guide

Interviews were semi-structured and flexible. And modified for each actor based on desktop research beforehand. However, an overarching interview guide was followed – laying the foundation for the interviews.

Introduction

- My background and research
- Anonymity: is it ok if I use your name/company name in my paper? Or, would you/the company like to remain anonymous in the thesis?
- Record: may I record our conversation for me to later re-visit and transcribe it? It will be deleted once my thesis project is complete.
- Language: what language would you prefer (Norwegian/Swedish or English)?
- I would love to briefly hear about your background and how you ended up in this position.

Overall Investment Approach

Investigate how they pursue impact, how they view it, how they think about and structure their investment strategy.

- ➢ What is your general investment approach? Particular focus areas? Why?
- Who/what is the target of impact? (e.g. people, the environment, society, nature). Others?
- On what scale (e.g. local, regional, global)?
- ➢ What is your starting point for assessing companies? Key criteria?
- ➢ What is the return on your investments or the return you aim for? Impact return? Financial return?

Transition: what separates impact investment from traditional investment (or even ESG) is the explicit positive impact objective (not just a financial objective).

Impact Integration

<u>Impact Assessment and Measurement:</u>

- ➢ Created your own impact assessment or have you adopted existing impact frameworks? How do you assess impact?
- ➢ Do you require all portfolio companies to measure their impact? What do these requirements look like?
- ➢ What does your impact measurement process look like and how is it formulated?

<u>Impact Reporting:</u>

- ➢ How do you report on impact? (e.g. investment by investment, aggregate level)
- ➢ Have you created any impact reports or looking at doing this?

<u>Investment involvement/engagement:</u>

- ➢ What level of involvement do you take in your investees? (beyond capital investment)
- ➢ How do you work (follow-up) with your portfolio companies?
- ➢ Involved in determining impact KPIs and milestones? How are these agreed upon?

Other questions

- Is there greater risk in impact investing compared to other investment strategies? What kind of risk analysis do you conduct?
- One Initiative conducted a survey last year on impact investors in the Nordics (share findings). Do you agree? Other challenges you see/experience?
- What impact can you as investors take credit for?
- Is impact investing here to stay? What do you think is required for the field to grow further?
- Anything we have not touched upon regarding your work or impact investing in general that you would like to add?
- Any source of information you would recommend me to look into as I continue my research?

Additional Portfolio Company Questions

- Background on organization and business model
- How do you conceptualize your organization's performance? How would you describe your organization's mix of financial and social/environmental objectives?
- What impact metrics do you use and for what purposes? Are you required by your investor? Or own initiative and practices?
- Besides financial support, what support/help do you receive from your investor Norrsken? How often do you engage with them? What would such an engagement look like?
- Reporting a burden? Do you see ways it could improve?