SECA

Swiss Private Equity & Corporate Finance Association
Schweizerische Vereinigung für Unternehmensfinanzierung
Association Suisse des Investisseurs en Capital et de Financement

# 2024 SECA Impact Investing Survey

July 2024

FRANKLIN TEMPLETON

Sponsor of SECA’s
Impact Investing Initiative

# 2024 SECA Impact Investing Survey - Content

**Content** | Pages



With special thanks to

FRANKLIN TEMPLETON

Sponsor of SECA's Impact Investing Initiative

The use of data and charts from this survey is permitted with reference to "2024 SECA Impact Investing Survey".

# Investing With Impact

Dear Reader

Private investments in startups, established companies and infrastructure projects have become a major driver of innovation and economic growth in developed and emerging economies. The private market asset class has grown tremendously over the years providing investors in most cases attractive returns.

Private market investments also play a central role in impact investing, as investors can directly influence and steer their investees towards achieving climate-related, environmental, social or other impact goals. Private market impact investments range from funding startups, providing micro-finance in developing countries to investments in established companies that contribute to more sustainability. Major other areas for impact investing are infrastructure projects (often related to renewable energy), affordable housing or sustainable construction and investments in agriculture and forestry.

In summer 2023, SECA has launched the Impact Investing Initiative with the goal to further promote impact investments by Swiss investors and fund managers. The 2024 SECA Impact Investing Survey hopefully will provide further insights into the goals and challenges of Swiss impact and impact-aligned fund managers.

We thank all 31 firms and institutions that have participated in the survey! Special thanks goes to Franklin Templeton, the sponsor or SECA's Impact Investing Initiative!

Dr. Ulrich Geilinger
Former Chairman SECA

Prof. Dr. Maurice Pedergnana
General Secretary SECA

Dr. Bernd Pfister
Chairman SECA

# SECA and Impact Investing

SECA is Switzerland's representative association of the private equity, venture capital and corporate finance industries. The objective is to promote private equity and corporate finance activities in Switzerland with events, studies and reports professional education and setting of standards.

SECA has over 500 members such as venture capital/private equity firms, asset managers, banks, corporate finance advisors, auditing firms, lawyers, private investors and young private equity professionals (Young SECA).

SECA's Impact Investing Initiative was launched in 2023 with the goal to further promote private markets impacting investing in Switzerland.

www.seca.ch

- **Definition of impact investing:**
  *"Impact investments are investments made with the intention to generate positive, measurable social and/or environmental impact alongside a financial return."* Source: GIIN
- Impact investments can be done directly into companies and (infrastructure) projects or indirectly via impact funds.
- Impact investing has gained momentum during the last years, as more investors and stakeholders are seeking to generate a direct positive and measurable impact on mainly environmental and social issues and other Sustainable Development Goals (SDGs).
- Private market investments play a central role in generating significant impact in developed and developing countries towards the 17 SDGs.
- While some fund managers focus on impact investments only (impact fund manager), others have some allocation to impact investing or are "impact-aligned"+ (impact-oriented investors).

+ See definition page 21

# 2024 SECA Impact Investing Survey - Overview

Survey of 31 impact and impact-oriented investors with over CHF 1.3 trillion private markets assets under management (PMAUM), thereof

- 12 Swiss impact fund managers+
  with PMAUM of CHF 8 billion,
- 12 Swiss private equity/markets fund managers with an impact-orientation++,
  with PMAUM CHF 130 billion,
- 7 larger impact-oriented international investors
  with an office in Switzerland
  with PMAUM of CHF 1.19 trillion.

+ Headquarter in Switzerland, main focus impact investing

++ Headquarter in Switzerland, some allocation to impact investing or an impact-aligned investment approach. (Impact-aligned see classification of sustainability-related investment types according to Eurosif, page 19.)

More information about this survey on page 17.

## Impact Investments By Survey Participants

The 24 Swiss impact and impact-oriented fund managers:

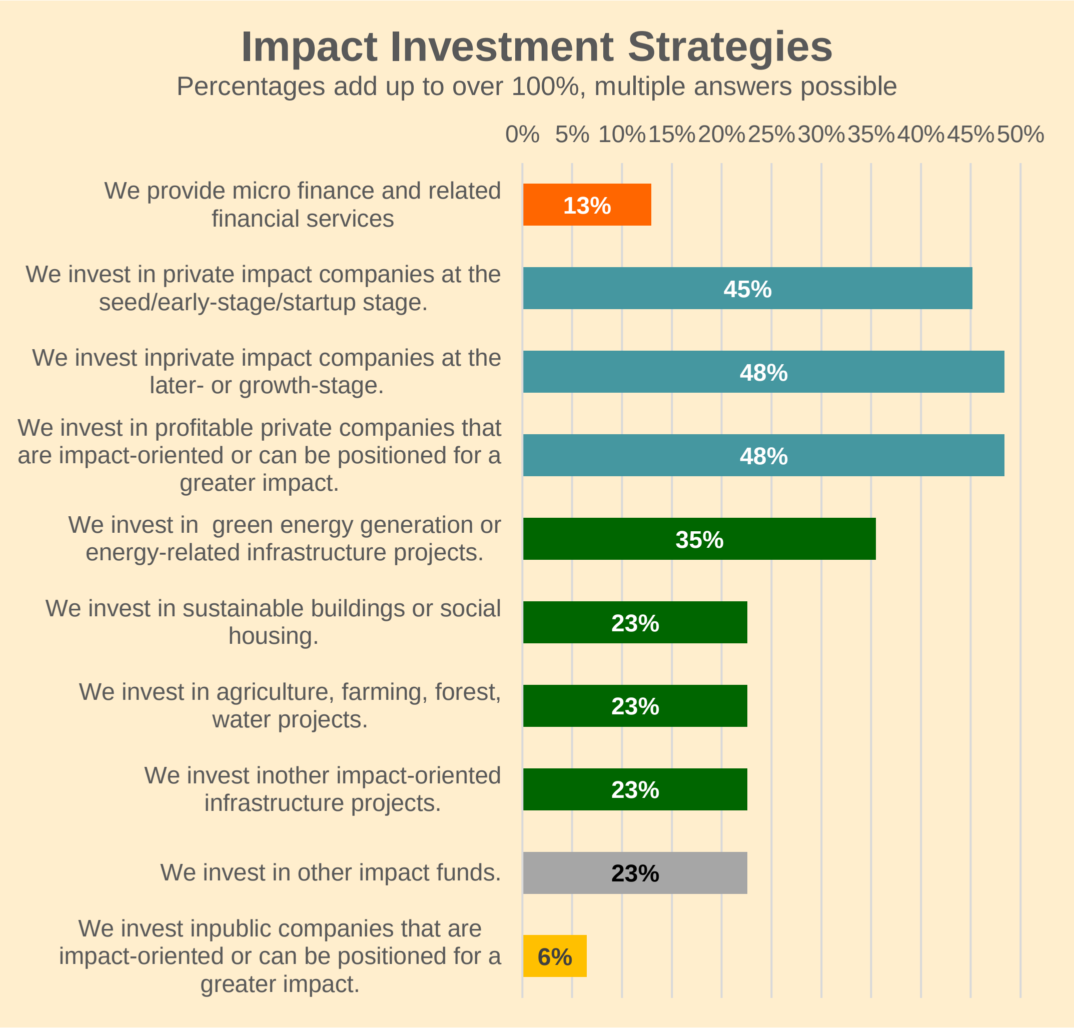
- have – up to end of 2023 - invested globally a total of CHF 5.4 billion
- into over 700 (impact) companies and projects,
- invest close to a CHF 1 billion annually in over 100 companies/projects in developed and developing countries,
- and 75% expect to increase their impact investments in 2024 and 2025

➢ GIIN in their newest report estimates the global impact investment volume (2022) at USD 39.8 billion annually with 6’000 financing transactions and 34% invested in private debt, 22% in public debt, 15% in public equity, 14% in private equity (including VC) and 7% in real assets.

# Impact Investment Strategies – Type of Investments

The 31 investors in the survey follow a wide range of strategies, ranging from investing in startups and growth companies to control investments in established companies to infrastructure projects all over the world.

- Micro finance has probably the longest tradition in impact investing in emerging markets. Fund managers usually team up with local partners/banks to provide micro or small loans to locals.
- New companies usually address impact goals with a new solution or product, while established companies have significant potential to become more sustainable.
- Energy- and climate-related infrastructure projects usually require larger amounts of capital that can be provided by specialist impact investors.
- Affordable and more sustainable housing and related property investments have emerged as relatively new field for impact investors also in developed countries  (as shelter and construction is a major contributor to CO2 emissions).
- Last, but not least, projects in agriculture, forests and water projects are important investment areas for impact investors.

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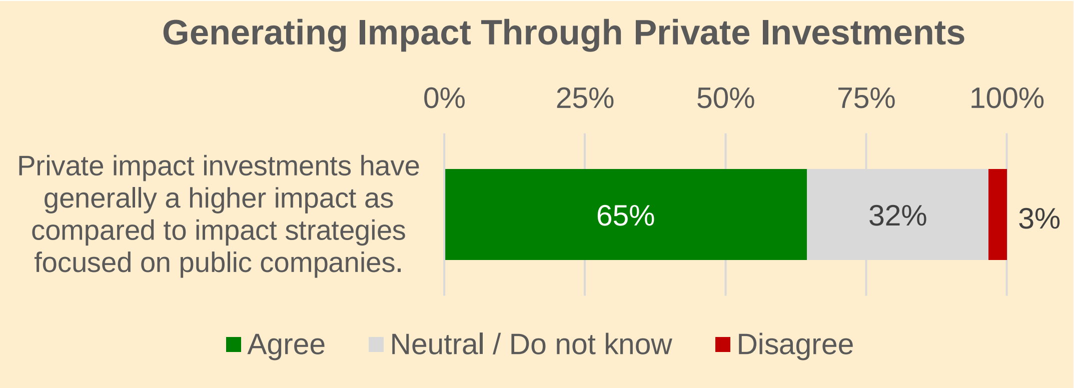
# Generating Impact – Private vs. Public Investments

Private market investments play a central role in impact investing area as private equity and debt investors have the best opportunity to target and implement specific impact goals in their investments.

Furthermore, such investors can directly influence and steer their investees towards achieving impact goals. And in some cases (buyouts, certain infrastructure projects), investors even have control over the company or project.

Two-thirds of the survey participants, therefore, believe that private investments can generate a higher impact (per $ invested) as compared to investments in public companies or listed bonds.



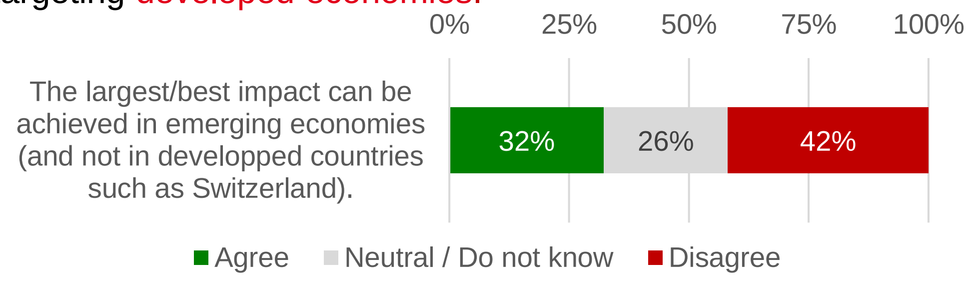

## Counter Point

- *"Currently, most impact investing takes place in private markets, making it a niche activity. To mobilize private capital at scale and finance an annual SDG gap of $4.5 trillion, impact investing must become more mainstream and available through public capital markets. This is particularly critical for emerging market countries, which are more vulnerable to climate and social challenges."* Milken Institute 2023
- *" … not only is impact investing in public equities possible, but it is in fact essential for shareholder welfare maximisation via engagement, as well as for achieving scale at the level required by potential solutions to some of the most pressing global issues."* Union Bancaire Privée 2020
- Public impact strategies and especially public debt have seen a strong increase lately, as it is more convenient for certain investors to engage here (as compared to private markets offerings). See impact allocation report by GIIN (pages 8ff).

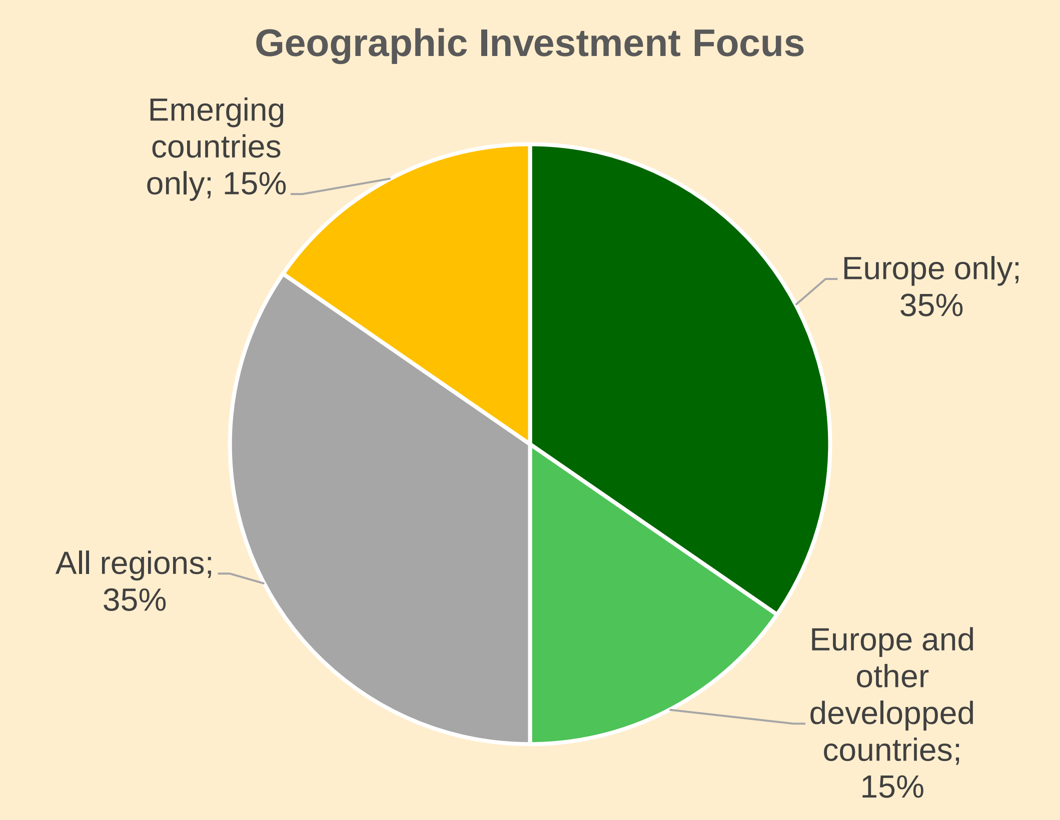
# Geographic Focus of Impact Investments

Half of the investors in the survey target Europe and other developed countries for their investments. 15% of respondents invest in developing countries only and 35% of investors cover both developed as well as developing markets.

Developing countries are probably in greatest need for impactful investments and 32% believe that therefore investments in these countries will generate most impact (see below). 42% of investors, however, think that significant impact can also be achieved by targeting developed economies.




> ➢ *"Historically, emerging market risk-reward perception has negatively impacted capital flows into the region, something that many believe needs to be urgently reversed if we are to win the fight against climate change."* impactInvestor

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# Thematic Focus of Impact Investments

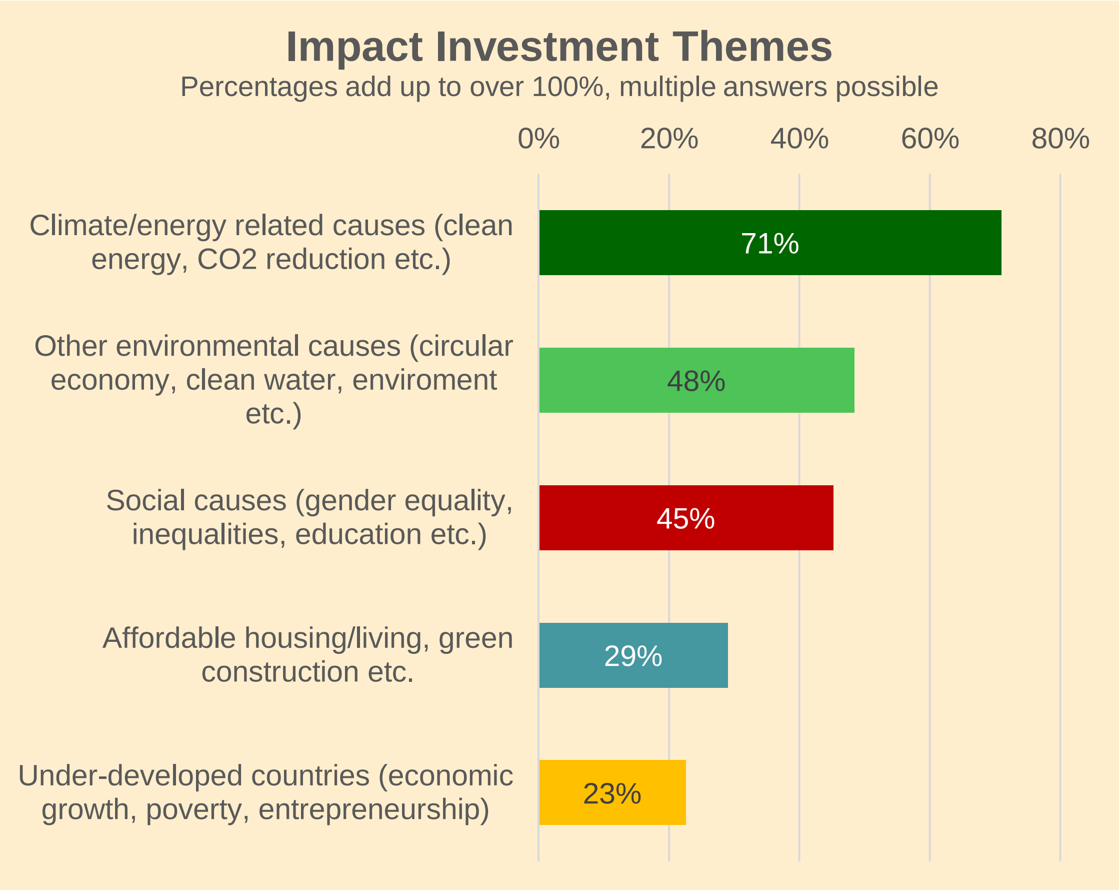
The majority of investors in the survey target climate-and energy-related investments, followed by environmental areas including circular economy, currently a “hot field” in impact investing.

Social causes such gender and financial equality as well education are a focus for almost half of the impact investors surveyed.

Affordable housing and green construction is becoming more relevant also in developed countries, where rents and house price have soared.

Specific problems of under-developed countries such as poverty etc. are addressed by a minority of investors.

➢ The recent ESG/sustainability survey by Swiss Sustainable Finance shows similar priorities by Swiss asset owners and managers that engage in impact investing (20 respondents). See SSF report, page 43. The total capital allocated to impact investing by Swiss asset/owners (79 investors) is estimated to be CHF 180 billion+ (or 11% of the total ESG/sustainable finance volume.

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+ This seems to be a very high number, especially when compared to the total annual global impact investing volume estimated by GIIN to be around USD 40 billion. But any such number or estimate depends on the definition of “impact investing”.

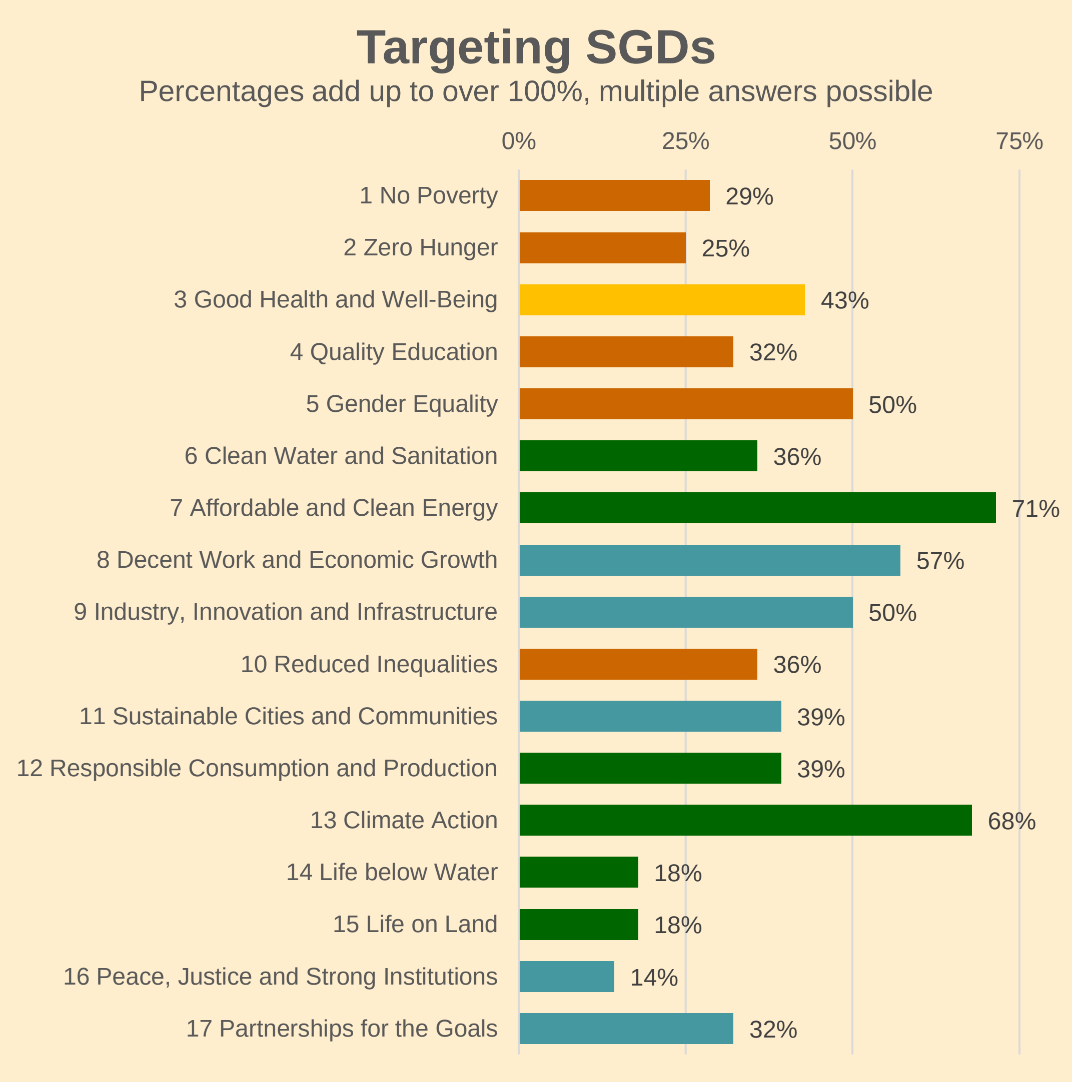
# Sustainable Development Goals (SDGs)


Impact investors usually classify their investments along the 17 Sustainable Development Goals (SGDs).

Climate-, energy- and environment-related goals (green bars) are most often targeted by investors in the survey.

A broad range of social goals (brown bars) and related economic and infrastructure goals (blue bars) are also frequently addressed.

- Other surveys confirm that climate-, energy- and environment-related goals are a top priority for impact funds (e.g. [Phenix Capital Impact Fund Universe Report 2024,] pages 17ff, registration required).



# Side Note: Climate Action (SDG 13) – Mitigation vs. Adaptation

13 CLIMATE ACTION

Investments to slow down (or mitigate) climate-warming are a high priority for investors with most capital flowing into areas such as CO2 reduction/capture as well as renewable energy and efficient heating (heat pumps) etc.

Investments in adaption technology and solutions to cope with climate change has been much lower as compared to investments in climate mitigation.

A recent report by the Global Adaptation and Resilience Investment Working Group looks at the potential of listed companies. Quote: "*Climate resilience investments can be made at scale, including in publicly traded companies.*"

And a whitepaper from PT1, Eric Group and DWR eco argues that "adaptation" investments should be a priority as well and might provide good returns. Quote:*".. it is obvious that there is a great need for climate change adaptation …".*

The authors see Europe and European startups ideally positioned to become leaders in "AdaptationTech".

## Climate-warming adaptation technologies

(example for urban planning)

Fields of action for technology-based climate resilience in urban planning

| Relevant Fields of action | Early warning indicators | Measures |
|---|---|---|
| Human health | • Heat load | • Climate monitoring systems<br>• Greening and ventilation of heat islands<br>• (Smart) early warning systems |
| Water | • Groundwater pollution,<br>• High and low water,<br>• Heavy rain | • Unsealing ("sponge city")<br>• Adaptive river dams<br>• Intelligent water management systems<br>• Water consumption optimisation |
| Construction | • Heat load and island effects,<br>• Heavy rain & storms,<br>• Extreme cold | • Green infrastructure supported by sensor-based irrigation and/or shading systems<br>• Energy-efficient buildings<br>• Integrated sensor networks for buildings<br>• Building materials with improved resistance |
| Energy industry | • Weather-related interruptions & disruptions to the power supply | • Micro-grids and local solutions for energy supply (i.e. P2P systems, balcony power)<br>• Energy storage solutions |
| Transport | • Weather and weather-related in-frastructural disruptions or fail-ures | • Adaptive traffic control Autono-mous and smart public transport systems |

Source: Whitepaper "Technologies for a climate-resilient future"

# Performance of Impact Investing

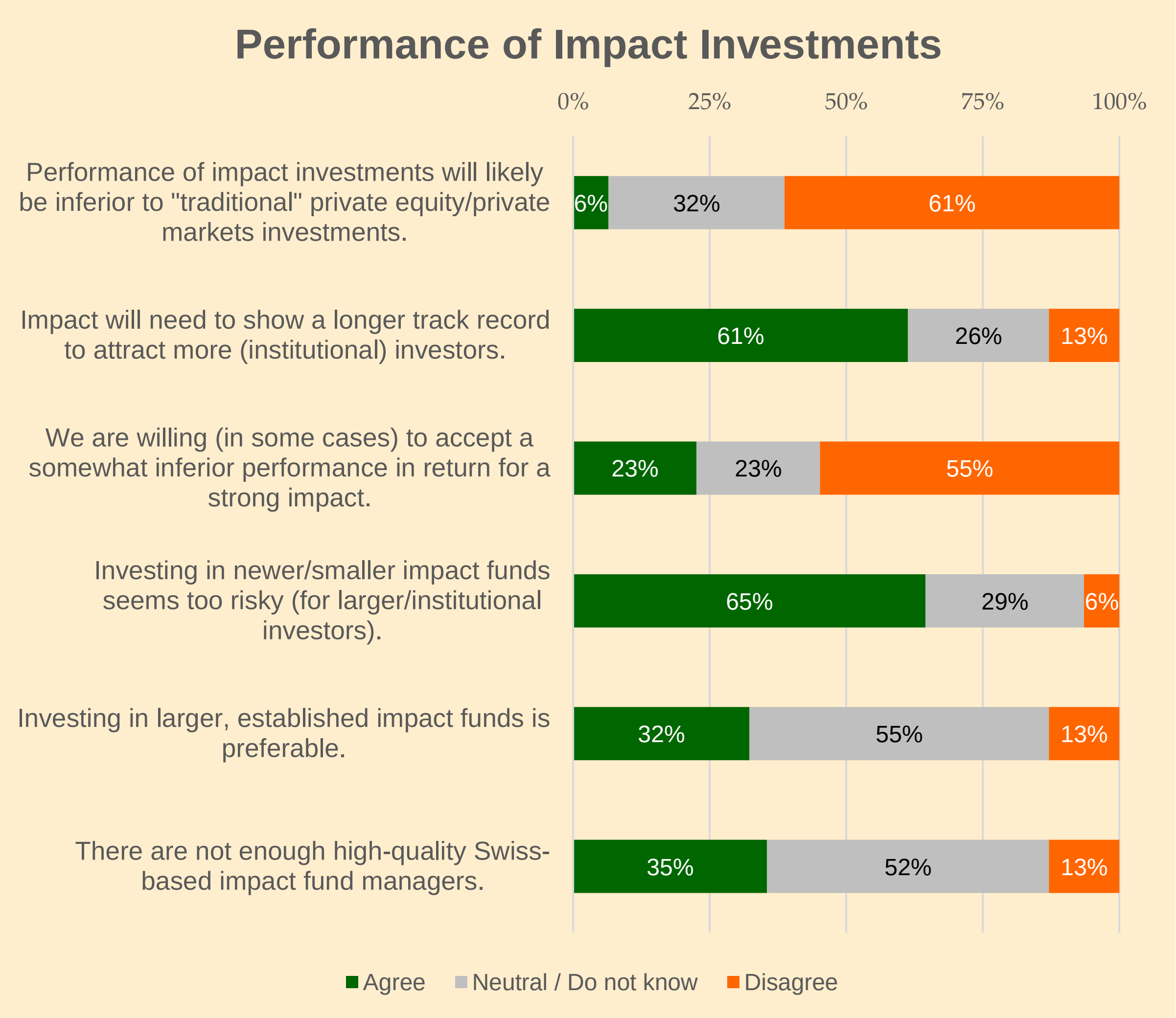
Respondents of the survey believe that the performance from impact investing will match returns of other private markets investments.

However, a longer track record is needed to attract more institutional investors to the impact investment approach.

Newer and smaller impact fund managers seem to have a harder time of attracting capital (with investors currently being mainly family offices).

The further maturing of impact fund managers in Switzerland should make it “easier” for larger investors to engage in impact investing.

- Studies have shown that investor are generally satisfied with the financial performance of their impact investment (Vontobel 2023 Impact Investing Survey and ImpactInvestor).

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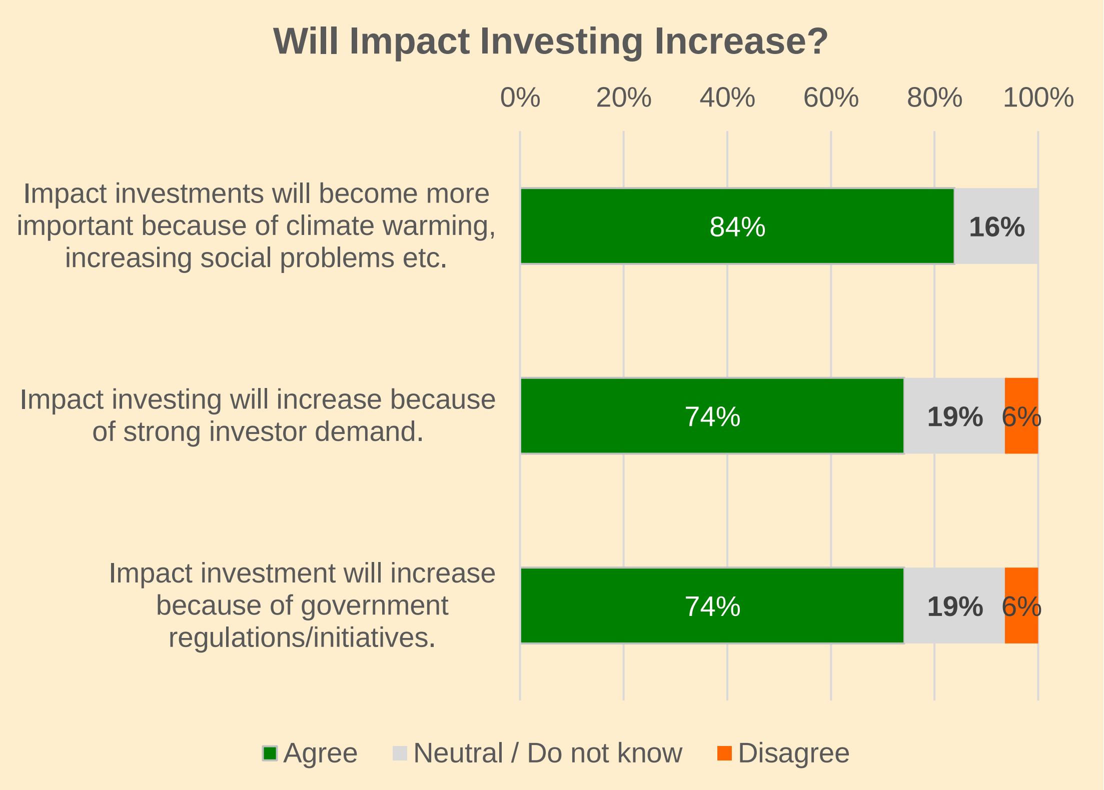
# Growth of Impact Investing Expected

Respondents of the survey believe that impact investing will increase because of investor demand driven by

- the increasing environmental and social problems related to climate warming, and
- government regulations and initiatives (for investors).

Further Reading:

- The Vontobel 2023 Impact Investing Survey found that 70% of investors plan to increase their allocation to private impact investing (and 71% to public impact investing).
- A WEF article highlights several catalysts for growth in impact investing.
- But, Impact Europe's CEO notes a recent drop of VC investments in European impact startups.
- Read what major European pension funds plan in impact investing (article by impactEurope part 1 and part 2). *Quote: "[Dutch] ABP takes a proactive approach to impact investing. We aim to invest €30bn into impact by 2030."*




Responses from impact fund manager and investors. Other investors might have a different view!

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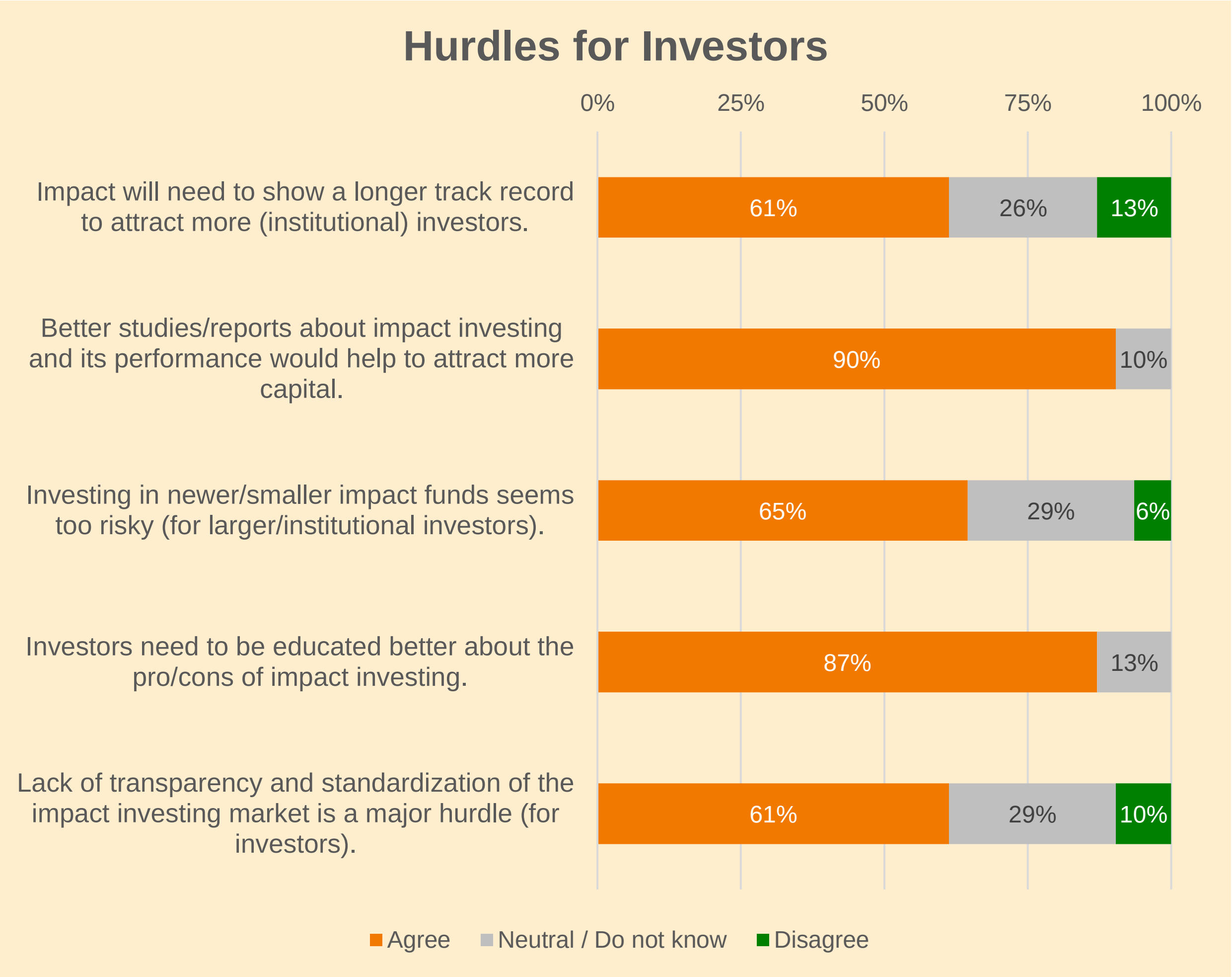
# Hurdles for Investors (in Impact Funds)

While there is a significant and increasing interest to invest with impact or in impact funds from institutional and private investors, the survey highlights several hurdles for investors.

The first two challenges (track record and small funds) were already mentioned on page 12.

Furthermore, there is clearly a need for better studies as well as longer and representative performance data on impact investing.

And investor education has to be continued and transparency has to be improved.




Responses of impact fund manager and investors.
Other investors might have a different view!

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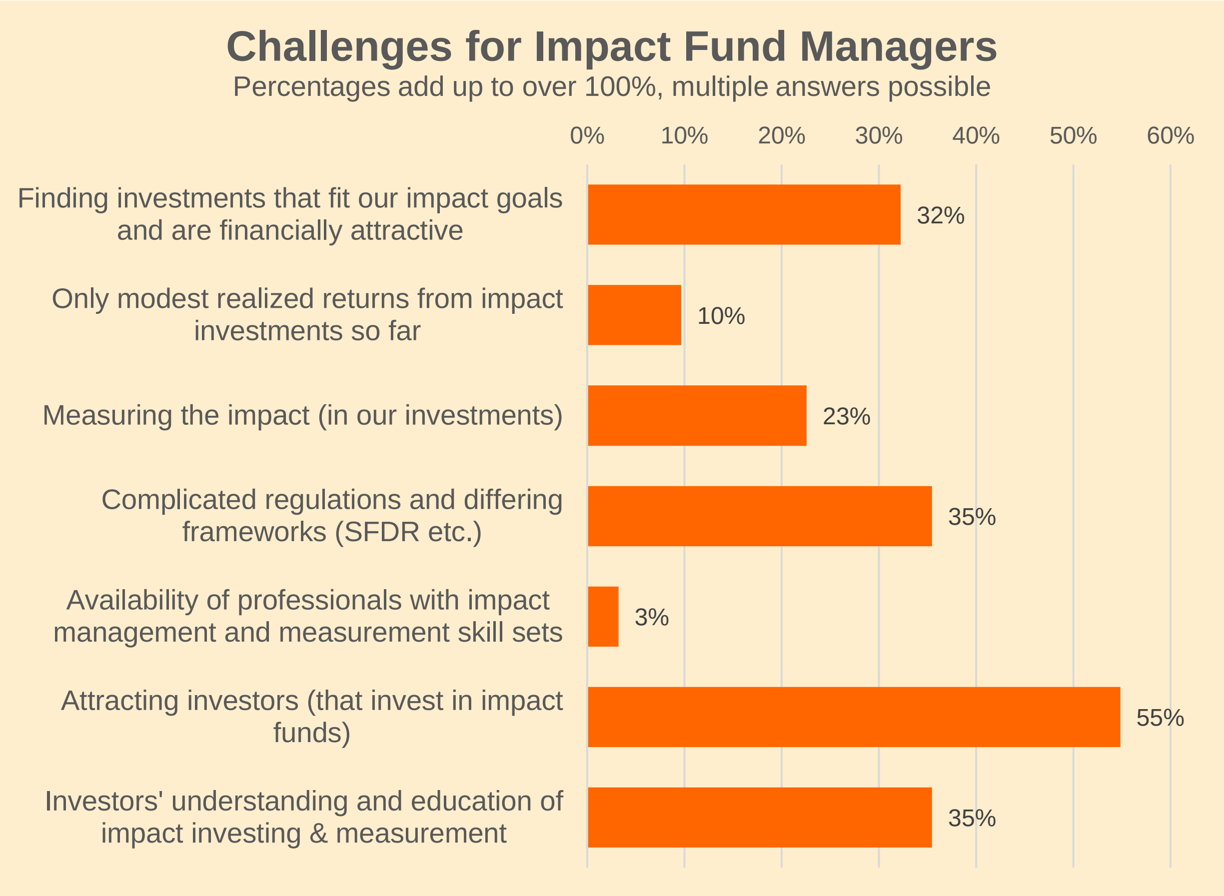
# Main Challenges for Impact Fund Managers

Generating a measurable impact and a financial return from an investments is not easy. And impact fund managers face a number of challenges such as finding suitable investments, attracting investors to impact funds and the complicated regulations.

Other main challenges for fund managers as mentioned in a 2023 GIIN survey are:

- Comparing impact results to peers
- Fragmentation across impact measurement frameworks
- Verifying impact data received by investees
- Lack of clarity on which impact measurement frameworks to use when
- Lack of guidance from regulatory bodies on what is required for an impact investing strategy

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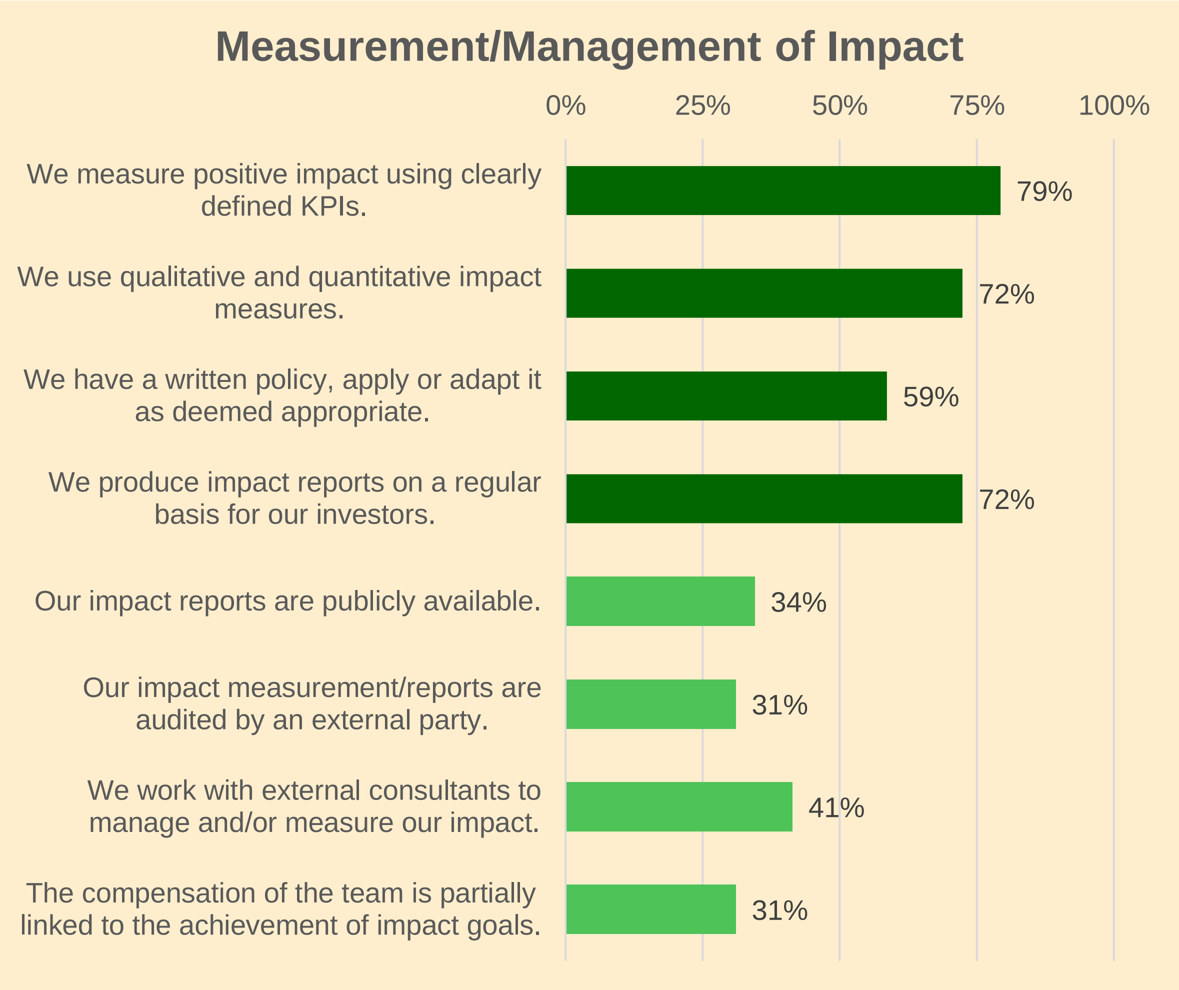
# Impact Measurement

As one can expect, the majority of survey participants measure the impact of its investments with qualitative and quantitative data, usually following a written policy.

A majority of investors also produces respective impact reports, but only a minority make such reports publicly available.

Roughly a third of survey participants have their impact results audited by a third party and/or work with external consultants on the topic of impact measurement.

Finally, there is a trend to link team compensation with the achievement of impact goals (31% of investors have implemented this.)

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# SECA Impact Investing Survey Overview

SECA 40 YEARS

## Survey Participants

31 fund managers and investors with either headquarters in Switzerland (24) or an office in Switzerland (7).

- 9 venture capital firms
- 8 private-equity firms
- 3 diversified private market investors
- 3 fund-of-funds
- 3 infrastructure/property investors
- 4 institutional asset managers
- 1 foundation

The following persons have contributed to this survey:

- Ulrich Geilinger, former Chairman SECA
- Maurice Pedergnana, SECA
- Andrea Villiger, SECA
- Christian Winkler, ASC Impact
- Christin ter Braak-Forstinger, CHI Impact

| Overview 2024 SECA Impact Investment Survey | | | | Up to end of 2023 | | Average last 2-3 years | |
|---|---|---|---|---|---|---|---|
| Type of Fund Manager | Number of Survey Respondents | Thereof VC-type fund managers | Private Markets Assets under Management (CHF billion) | Cumulative Impact Capital Invested (CHF billion) | Number of Investments | Impact Capital Invested p.a. (CHF million) | Number of Investments p.a. |
| Swiss-based impact fund managers + | 12 | 3 | 8.0 | 5.0 | 461 | 907 | 84 |
| Swiss-based impact-oriented fund managers ++ | 12 | 6 | 131 | 0.36 | 312 | 81 | 40 |
| International impact-oriented fund managers and investors +++ | 7 | | 1’191 | 10.1 | 455 | 530 | 181 |
| **Total** | **31** | **9** | **1’330** | **15.5** | **1’228** | **1’517** | **305** |

\+ Headquarter in Switzerland, main focus impact investing

++ Headquarter in Switzerland, some allocation to impact investing or an impact-aligned investment approach. (Impact-aligned see classification of sustainability-related investment types according to Eurosif, page 19)

+++ International investors with an office in, some allocation to impact investing or an impact-aligned investment approach

Please note that the answers from the survey participants (mainly impact fund managers) might differ from the opinion of (less impact oriented) investors and other market participants.

# SECA Organisation

The Swiss Private Equity & Corporate Finance Association (SECA) is the representative body for Switzerland's private equity, venture capital and corporate finance industries. SECA has the objective to promote private equity and corporate finance activities in Switzerland.

Members of the SECA include private equity & venture capital investment companies, banks, corporate finance advisors, auditing companies, management consultants, lawyers and private investors, as well as young private equity professionals (Young SECA).

SECA is organized in several chapters (venture capital, private equity, corporate finance etc.). The Chairman of SECA is Dr. Bernd Pfister and the General Secretary is Prof. Dr. Maurice Pedergana.

SECA organizes various events including the annual SECA Private Equity Conference and training courses for young professionals.

SECA produces various publications and reports including the yearly Swiss Venture Capital Report, as well as templates and guidelines.

The popular SECA Newsletter with news from private equity, corporate finance etc. can be subscribed here.

## SECA's Impact Investing Initiative

In 2023 SECA launched the Impact Investing Initiative with the goal

- to further promote private markets impact investing in Switzerland
- educate private and institutional investors and the media on the potential of impact investing
- foster exchange of ideas/experiences and collaboration among investors, impact funds and
- establish standards and tools for best practice impact investing

For further information on SECA's Impact Investing Initiative or SECA please contact: impact@seca.ch.

# Classification of Sustainability-Related Investment Types (according to Eurosif)

| | | Basic ESG | Advanced ESG | Impact-Aligned | Impact-Generating |
|---|---|---|---|---|---|
| **Investment objective** | | Integration of ESG factors | Systematic analysis & incorporation of ESG factors | Align with positive impacts on environment and/or society | Measurable contribution to positive real-world impacts |
| **Investment process** | **Investment approach** | Binding negative or positive screening | Binding negative & positive screening (≤80% of initial universe investable) | Binding negative & positive screening for assets with positive impact | Exclude non-transformable activities & use stewardship or provide new capital to assets to generate measurable positive impact |
| | **Performance Measurement** | - | Measurement of ESG performance | Measurement of company impact | Measurement of company impact & investor contribution |
| **Ambition level** | | Low | Moderate | Medium | High |
| **Investment focus** | | Double materiality | | | |

Source: Eurosif https://www.eurosif.org/wp-content/uploads/2022/07/FINAL-White-Paper-Eurosif-Classification.pdf