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Impact investing in the Swedish real estate sector

A study of the impact investing landscape and its implications for the Swedish real estate industry

Master's thesis in the Master's programmes Management and Economics of Innovation & Quality and Operations Management

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and Recommendations for the Swedish Real Estate Industry

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SUMMARY

The business world of today is confronted with a need to change in order to cope with the growing global climate and social challenges. One such sector, able to make a real difference is the real estate industry. As the world is entering a new era of sustainable economies, impact investing has become a key part of the solution. However, although the impact movement is gaining momentum, the impact landscape is still in the early stages and thus somewhat fragmented and quite challenging to navigate for the non-familiar. Hence, mapping out how the impact landscape is highly relevant and investigating how the concept of impact investing could be implemented into a Swedish real estate company.

This study aims to assess how a Swedish real estate investor should incorporate impact investing in their business. To answer this question, literature research on the field of impact investing, supported by first-hand interviews from practitioners and experts, was conducted in order to map out the landscape. This paper provides some clarity to the field and finds that many of the efforts made from impact promoting organisations are co-organised and related, which creates a unified field. Furthermore, some countries and sectors, especially the UK and big institutional investors, have come further than others, like Sweden and the real estate sector, with coordinating impact investing efforts. The conclusion of this paper argues that the Swedish real estate companies have good prerequisites for implementing impact investing in their operations. It is proposed that the best practice would be to use a combination of SROI, IRIS+, IMP, and GRESB to get an overall solid practice. Last but not least, the importance of incorporating impact investing at the very core of the business cannot be stressed enough.

Keywords: Impact Investing, Social Return on Investment, IRIS+, IMP, GRESB, Swedish Real Estate Sector, Social Impact

Contents

List of Figures	vii
List of Tables	viii
List of Acronyms	ix
1 Introduction	9
1.1 Background	9
1.2 Impact investing	10
1.3 The issue of measurability and reporting	10
1.4 Purpose and research questions	11
2 Theoretical framework	13
2.1 Investments	13
2.2 Sustainable development and economics	14
2.2.1 Environmental sustainability of the 21 Century	14
2.2.2 Social sustainability of the 21 Century	15
2.2.3 Market failures, Pareto optimums and Coase Theorem	15
2.2.4 Social dilemma and tragedy of the commons	16
2.2.5 Social entrepreneurs	17
2.3 Impact investing explained	18
2.3.1 History of impact investing	18
2.3.2 Definition and terminology	19
2.4 ESG and its relation to impact investing	20
2.4.1 ESG explained	21
2.4.2 ESG compared to impact investing	22
2.5 Swedish real estate sector	23
2.5.1 The industry	23
2.5.2 Real estate company	24
2.5.3 Impact in the real estate sector	24
3 Methodology	26
3.1 Research approach using a funnel approach	26
3.2 Data collection	27
3.2.1 Literature study	28
3.2.2 Interviews	28
3.3 Methods of data analysis	30
3.4 Reflection	31
3.4.1 Validity	31
3.4.2 Reliability	32
3.4.3 Generalisability	32
4 Overview of the impact investing landscape	33

4.1	Impact investing on a high-level	33
4.1.1	Theory of Change	34
4.1.2	An impact management approach by Skopos and Bridges . . .	35
4.1.3	Separating impact from output and outcome	37
4.2	Overview of tools and frameworks	38
4.3	Overview of organisations	40
4.4	Most commonly used tools and frameworks	42
4.5	UK - a leader in the field of impact investing	43
5	Analysis of relevant tools and frameworks	45
5.1	Finance only to Impact only - dimension	45
5.2	Specific to high-level concept - dimension	47
5.3	Ranking of the remaining frameworks	48
5.4	Selecting the four most relevant tools and frameworks	49
6	Most relevant tools and frameworks for a Swedish real estate com- pany	51
6.1	IMP	51
6.2	SROI	55
6.3	IRIS+	58
6.4	GRESB	59
7	Recommendation and implementation	61
7.1	Recommendation	61
7.2	Motivation for the recommendation	62
8	Discussion	64
8.1	Future research	65
8.2	Limitations	65
9	References	66
	List of Appendices	78
	Appendix A: Homepages of Figure 4.4	79
	Appendix B: Additional initiatives	80
	Appendix C: IMP - 15 categories of data with descriptions	81
	Appendix D: Scaled up IMP example	82
	Appendix E: Case examples of tools and frameworks	84

List of Figures

2.1	Impact investing timeline	19
2.2	Spectrum of impact investing	20
2.3	Spectrum of investors	23
3.1	Illustration of the funnel approach	27
4.1	Overall investment process	33
4.2	Theory of Change	34
4.3	Skopos and Bridges impact management process	36
4.4	List of some of the essential tools and frameworks	39
4.5	List of some of the essential organisations	41
4.6	Most commonly used tools and frameworks	42
4.7	Changes in the use of tools and frameworks	43
5.1	Ranking along the investment spectrum	46
5.2	Ranking of the level of concept	47
5.3	Scoreboard of five factors	48
6.1	Five dimensions of impact	52
6.2	15 categories of data to assess impact performance	53
6.3	The classification matrix	54
6.4	The six steps and the seven principles of SROI	56
6.5	Example of SROI score from Bromford	57
B.1	List of additional initiatives	80
C.1	15 categories of data with descriptions	81
D.1	Scaled up IMP example	82

List of Tables

3.1	List of interviewees	29
4.1	Linking frameworks to the ToC model	35
7.1	Summarised recommendation	61
A.1	List of tools and frameworks with homepages	79
E.1	IMP example cases	84
E.2	IRIS+ example cases	84
E.3	SROI example cases	84

E.4	GRESB example cases	85
E.5	Other interesting example cases	85

List of Acronyms

CDSB	Climate Disclosure Standards Board
CISL	Cambridge Institute for Sustainability
CSR	Corporate social responsibility
ESG	Environmental, Social and Governance
GIIN	Global Impact Investing Network
GRESB	Global Real Estate Sustainability Benchmark
GRI	Global Reporting Initiative
GSG	Global Steering Group for Impact Investment or Global Impact Investment Steering Group
ICMA	International Capital Market Association
IFC	International Finance Corporation
IMP	Impact Management Project
IRIS+	Impact Reporting and Investment Standards
ISS	Institutional Shareholder Services
MSCI	(formerly) Morgan Stanley Capital International
PRI	Principles for Responsible Investment
SASB	Sustainability Accounting Standards Board
SDGs	Sustainable Development Goals
SIB	Social Impact Bond
SROI	Social Return on Investment
ToC	Theory of Change
UN	United Nation
WBCSD	World Business Council for Sustainable Development
WCED	World Commission on Environment and Development

1 | Introduction

This introductory chapter will first present the background of this paper, followed by an explanation of *impact investing* and what issues the field of impact investing faces. Finally, the aim and the research question of the paper is presented.

1.1 Background

Rising temperatures, public health issues, natural disasters, social inequalities, loss of biodiversity and world hunger, are only a few examples of the challenges our world is facing today. Some of these challenges are more urgent than others, and many of them are actually getting worse by the day and thereby becoming increasingly important.

The prevalence of the problems we are facing has given rise to increased societal awareness all over the world. Arguably the most obvious indicator of this trend towards increasing concern for environmental and social sustainability is the way countries and international organisations are coming together to join forces in trying to solve these issues. Examples of this are the UN 2030 agenda and the Paris agreement which both strongly support that the world is joining forces towards a more sustainable tomorrow (Bouri, Mudaliar, Schiff, Bass & Dithrich, 2018; Hoffman, 2018).

This movement is not limited to organisations on the government level and other world organisations. It is also present in the private sector industry. One such example is BlackRock, which, according to their CEO Larry Fink, from now on, will place sustainability at the heart of their investment strategy (Adamczyk, 2020). This is just a statement of many that verify the changing focus of the business world, away from just financial goals and towards more sustainable and responsible thinking (Hoffman, 2018). As to this, it is clear that the increasing awareness of the cooperate world and the public sector have put the world economy in the midst of a much needed fundamental shift (Hoffman, 2018). However, in this movement towards change for the better, there is some part of the industry landscape that possess attributes which will let them play a more prominent part than others.

One of the industries with a high potential for imposing real change towards a more sustainable world, regarding environmental as well as social factors, is the real estate sector. In fact, buildings and construction account for roughly 36 percent of global final energy use and about 82 percent of this energy are supplied by fossil fuels (United Nations Environment Programme & International Energy Agency, 2017). Furthermore, the real estate sector has a significant impact on socio-economic segregation, providing accommodation for people on the outskirts of society and bringing people out of poverty (Borg, 2018). Not only does the real estate sector have a

huge impact, but addressing these sustainability issues is also becoming increasingly urgent due to the climate crisis (United Nations Environment Programme & International Energy Agency, 2017).

1.2 Impact investing

The change of the financial and cooperate sector is a necessary step, which needs to take place to ensure the support of the challenges that we all together stand before. In fact, it is estimated that the financial market alone will have to provide between five and seven trillion dollars annually in order to reach the SDGs by the year 2030 (Vorisek & Yu, 2020). As Bugg-Levine and Emerson (2011) argue, a key in achieving this tremendous capital move would be for companies and investors to integrate *impact investing* into their business models. According to *Global Impact Investing Network (GIIN)*, impact investing is defined as "investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return" (GIIN, 2020a, page 1). The moves towards incorporating impact investing as already begun and a new type investor has started to enter the main stage in from of impact investors. These impact investors seem to take a big stand for the movement of SDGs. In a survey conducted by Bass, Dithrich, Sunderji and Nova (2020), 80 percent of impact investors stated that they track the financial performance of their investments with respect to the SDGs.

As the very foundation of impact investing is to achieve financial returns while simultaneously making a positive impact on the planet and society (Höchstädter & Scheck, 2015). The investment decision becomes a two-dimensional subject of *financial returns* and *non-financial impact* usually refereed to as *environmental impact* or *social impact* (Höchstädter & Scheck, 2015). This mindset is in many aspects disputing the traditional investing landscape where the predominant belief has been that profit and sustainability are counterproductive (Bugg-Levine & Emerson, 2011). Although this traditional perspective is still present, impact investing is on the verge of becoming a mainstream perspective within the world of finance (Koh, Karamchandani & Katz, 2012). Many practitioners and researchers are stressing the fact that it is now vital to implement impact investing with urgency in order to overcome the threats that the world is facing, i.e. Cambridge Institute for Sustainability Leadership (2016).

1.3 The issue of measurability and reporting

Although the urge, implementing impact investing on a mainstream level is faced with some challenges. A fundamental notion of the financial sector is that it must be possible to calculate and measure alternatives quantitatively in order to make investment decisions (Reeder & Coloantonio, 2013). The ability to systematically compare and manage assets has been the main driver in the creation of globally accepted measurement- and reporting standards in the world of finance. This strive towards measurability has been prevalent when it comes to impact investing. Newer non-

traditional financial concepts, such as *Environmental, Social and Governance (ESG)*, have come a long way towards standardisation. However, the practice of measuring impact, and especially social impact, is not as straight-forward as measuring financial returns and ESG (Reeder & Coloantonio, 2013). Consequently, many different standards and methods of measurement are available for stakeholders involved in impact investing. Therefore, there is, as of today, no general global accepted standard for measuring, reporting and presenting impact (CISL, 2016).

To illustrate the importance, Grabenwarter and Liechtenstein (2011) mention "a measurable social impact" as one of five key characteristics of true impact investing. Moreover, there are many additional experts, practitioners and organisations stressing the importance of measurability (Reeder & Coloantonio, 2013). Hence, there is a need to harmonise the impact investing field and especially create accepted methods and tools to cope with the measuring of social impact. Nevertheless, measuring constitutes a noticeable gap in the field of impact investing. This causes a bottleneck delay impact investing from being implemented throughout the globe.

Although, as mentioned, there are several standards and framework out there, none has yet to become dominant (Höchstädter & Scheck, 2015). Over the last few years, there has been an increasing number of coalescence efforts in the world of impact investing according to The Implementation Taskforce for Growing a Culture of Social Impact Investing (2018) aimed at creating a more harmonised movement not at least social impact reporting. How the harmonisation of frameworks, methods and reporting standards are coming about is, however, still in its early stages (Höchstädter & Scheck, 2015). A critical question from the corporate world is still how they are going to implement impact investing and what best practises there is out there. The undeniable importance of impact investing, the fragmented state of the landscape and the fact that efforts are being made in order to standardise the practices of impact investing, makes a mapping of the whole landscape highly relevant.

1.4 Purpose and research questions

In the spirit of what mentioned above, the aim of this report is partly to map the existing landscape of impact investing and deliver a much-needed clarity to the field. The purpose of this mapping is to provide clarity regarding how different organisations co-exist and how they contribute with different methods and frameworks in order to come up with the best solution for a Swedish real estate investor. Hopefully, this will contribute to mitigating some of the issues associated with the measurability of impact in the impact investing. Therefore, the following purpose will be answered within the scope of this study:

How should a Swedish real estate investor incorporate impact investing in their business in order to be competitive now as well as in the near future?

At this point, we would like to dissect the purpose in order to define the different concepts that build up the purpose. First of all, the purpose set geographical-

and industry boundaries to the study using the expression *Swedish real estate investor*. This means that the paper will aim to put all findings from the research in the context of the Swedish market for real estate investors. Secondly, the purpose imposes that it will study the incorporation of *impact investing*.

Thirdly, the purpose introduces the dimension of time when addressing the competitiveness *now as well as in a near future*. As to the near future concept, it means that, given that the impact investing landscape continues to develop in the way that it does today, the most competitive ways to use the practices of impact investing will be addressed. It assumes that there will be no major shifts, but that the underlying trends that are prevalent now will continue to exist within the next five years or so as well. This means that in addition to providing the best alternative in today's situation, the study will as well take into consideration the trends in the dynamic field of impact investing.

Hence, to answer the purpose, four more narrow questions have been identified. By investigating the field of impact with these four research questions, which is presented below, our goal is that a clear answer, as well as justified recommendation, can be formulated.

1. What are some current tools and frameworks proposed for impact investing? (answered in Chapter 4)
2. What framework and tools are best suited for the Swedish real estate industry (answered in Chapter 5 and 6)
3. How should a Swedish real estate investor incorporate impact investing? (answered in Chapter 7)

2 | Theoretical framework

This chapter is dedicated to presenting the theoretical foundation of the study. The aim of the presentation of the different selected subjects is to both show transparency in what theoretical foundation the study stands on as well as to provide the reader with context to understand the research paper as a whole.

2.1 Investments

Impact investing is derived from the concept of investment. The word investment or investing is something that almost everyone will encounter in some way during their lifetime, and it is used almost every day in the business world. However, the concept of investment can differ regarding assets and context. Bohlin (1995, page 8) presents a comprehensive definition of investment by conceptualising it as a "time-shifting activity in which a sacrifice of resources (consumption opportunities) on an average precedes the (expected) accrual of benefits by a specified time period, and in which the resource commitments are not necessarily a one-shot event." In other words, the action of investment, i.e., investing, is the activity of allocating resources (often money) with the expectation of beneficial return in the future.

Investments are an integral part of every business. It is a cornerstone in both maintaining and breaking status quos for an organisation as well as the driving force for all financial actors (organisations and private actors). Hence, investment is a fundamental element of a business life cycle (Smart, Gitman & Joehnk, 2016). A general idea about an investment is that there is a relationship between risk and return (Mauldin, 2012). The fundamental theory is that an initiator, i.e., the investor or investors, expect a higher return from riskier investments and lower return from investments associated with lower risks (Burton, Nesiba & Brown, 2015). The position an investor takes against this spectrum on risk and return can be boiled down to the fundamentals of the investor's investment strategy, i.e., the strategy that the investor use to make and maintain its investments.

Investments can be divided into different asset classes, and one of these is real estate. In turn, investing in real estates encompasses many different investment strategies, including the purchases, ownership, rental and resale of properties and land (Wiedemer, Goeters & Graham, 2011). Investing in real estates is characterised as being capital intensive and associated with high cash flow dependence as well as high risk for not thoroughly familiar investors (Mishra, 2018). Another characteristic of real estate investments that can be regarded as downsides is that market place issues can cause illiquidity and problem in converting the asset to cash (Adetiloye & Eke, 2016). However, it is vital to understand that real estate investments differ a lot around the world and that different real estate markets inhabit different pros

and cons regarding subject like flexibility, risk, and return (Rogers & Koh, 2017). Although looking from a historical perspective, real estate investment has shown in many markets to be superior to other assets when it comes to risk, return, and volatility (Kopf, 2018).

2.2 Sustainable development and economics

Sustainable economics is essentially a matter of three dimensions that have to be considered as well as in balance in all business decisions (Adams, 2006). Different names for these three dimensions can be found throughout academia, but this study will use the labelling of Adams (2006): *Social*, *Environment* and *Economic*. The practice of considering all three perspectives was named *Triple Bottom Line* by John Elkington in 1994 (Elkington, 2018). True sustainability can only be accomplished by considering all three dimensions of the *Tripple Bottom line* simultaneously (Adams, 2006). The most common definition of sustainable development was introduced by the Brundtland Commission as: "Development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (WCED, 1987, page 41).

The following section will aim to explain a few essential concepts regarding sustainable economics as well as describe the characteristics of the environmental and social economics of today.

2.2.1 Environmental sustainability of the 21 Century

Rising temperatures, public health issues, natural disasters, social inequalities, loss of biodiversity and world hunger. These are only a few examples of the challenges our world is facing today. NASA (2020) estimates that the global average temperature has risen by almost 1°C over the last century, and the effects that human civilisation has on the climate are impossible to neglect. The acuteness of the ongoing climate change has led to the fact that the global debate regarding environmental economics has increased in size over the last two decades.

A growing environmental awareness trend can be found in all parts of society, the private sector as well as on the government level. One example on the government level is the adoption of the 2030 agenda by the UN General Assembly in September 2015, with its 17 SDGs (Bouri, Mudaliar, Schiff, Bass & Dithrich, 2018). These SDGs constitute a blueprint for which all countries of the world should aim to embrace and work towards (United Nations, 2018). This so-called "urgent call for action" was agreed upon by all 193 UN member states and has now become the most used framework for sustainable investors all over the world (Bass et al., 2020). Several of the SDGs, like 6. Clean Water and sanitation, 12. Responsible consumption and production, 13. Climate action, 14. Life below water and 15. Life on land, have clear links to environmental sustainability (United Nations, 2018). Another example is the Paris Agreement, aiming to limit the temperature increase to 1.5°C, signed in 2016 by the UN Framework Convention on Climate Change (United Nations, 2018).

The trend towards increasing awareness of sustainable development is not limited to the governmental level. It is a phenomenon that can be found in the private sector as well. One such indicator from the financial sector is the recent announcement by Larry Fink (CEO of the worlds largest asset manager - BlackRock) in which he stated that BlackRock will from now on put sustainability at the very centre of their investment strategy (Adamczyk, 2020). This statement is one of many that confirms the undergoing change of the corporate world with players resetting their objectives to support and encourage sustainable investments. The focus of companies all over the world is increasingly shifting towards considering sustainability rather than just financial factors, not only in their decision-making process but as the core of their business models (Hoffman, 2018). As a result of the increasing awareness and the joint forces to create a better world, we are in the midst of a fundamental shift in the world economy (Hoffman, 2018).

2.2.2 Social sustainability of the 21 Century

In addition to the environmentally sustainable economics, there is also the somewhat neglected practice of socially sustainable economics. However, interest in the field of social sustainability has increased recently (de Fine Licht & Folland, 2019). As with environmental sustainability, several of the SDGs, like 1. No poverty, 2. Zero hunger, 3. Good health and well-being, 4. Quality education, 5. Gender equality, 10. Reduced inequalities, 16. Peace justice and strong institutions, have obvious connections to social sustainability (United Nations, 2018). Increased pressure from governments, private capital investors, communities, and more, has given rise to an ever-growing debate on social sustainability (de Fine Licht & Folland, 2019).

De Fine Licht and Folland (2019) stresses that there is no clear consensus regarding how to define social sustainability. One could argue that defining social sustainability is a more challenging endeavour than defining environmental sustainability, which has such a clear connection to the climate and biodiversity. One of many attempts at defining the concept comes from Balaman (2019, page 86), who states that "Social sustainability can be defined as specifying and managing both positive and negative impacts of systems, processes, organisations, and activities on people and social life."

2.2.3 Market failures, Pareto optimums and Coase Theorem

Closely linked to sustainability and environmental problems is the concept of market failures. A *market failure* is when the market prices fail to account for the true cost of a business decision, which subsequently results in a sub-optimal output of a service or a good (Eklund, 2013). This sub-optimum can be either higher (e.g. environmental decay) or lower (collective commodities like the national defence) than the societal optimum (Eklund, 2013).

A market failure is usually caused by so-called *externalities* (Eklund, 2013). There

are two kinds of externalities, namely: negative and positive ones (Eklund, 2013). Businesses operations that cause negative environmental or social effects on the society and plane is usually called a *negative externalities* (Eklund, 2013). In short, a negative externality is when a third party is affected by a cost due to the actions of someone else (Eklund, 2013). When on the other hand, a third party is affected by a benefit from some other actor's operations, this is called a *positive externality* (Eklund, 2013). One key point of importance when it comes to externalities is that they cause a competitive equilibrium that is not *Pareto optimal* (Kolstad, 2011).

A Pareto optimal equilibrium means that no individual can be made better off without affecting at least one individual negative (Kolstad, 2011). This means that the allocation of an economy is optimal and no re-allocations, or *Pareto improvements*, can be made to enhance one individual's well-being without negatively affecting someone else (Kolstad, 2011). Expanding this notion somewhat Kolstad (2011) incorporates the concept of *Hicks Kaldor*, which basically means that as long as something has a positive net benefit, it is considered a Pareto improvement. The reasoning behind this is that if the aggregate benefits of a change are larger than the costs, the "winners" can compensate the "losers" for them being worse off (Kolstad, 2011). Since the benefits are larger than the costs, the winners could pay the losers an equal amount to their costs and still benefit from the change in the end.

One way of achieving Pareto efficiency is by making trading with the externalities possible (Granstrand, 2016) under some assumptions (e.g. no transaction costs). This economic theory is called *Coase theorem*, and it essentially proposes that as long as rights of ownership are distributed amongst the stakeholders, a Pareto optimum will be reached (Granstrand, 2016). The above will, according to Granstrand (2016), be valid regardless of how they are divided.

2.2.4 Social dilemma and tragedy of the commons

A concept somewhat related to the Pareto optimum is the *social dilemma*. A social dilemma occurs when the interest of an individual contradicts the interest of the collective (Allison, Beggan & Midgley, 1996). In short, it can be explained as a situation where everyone would benefit from not being selfish in the long term perspective. However, still every individual chooses the selfish, less beneficial option (Allison et al., 1996). Examples of such social dilemmas are the well-known game theory of *prisoner's dilemma* and the theory *tragedy of the commons*.

The tragedy of the commons is a type of social dilemma that was coined by Lloyd (1883), and it describes a situation where common goods (like grass for cattle) are being exhausted due to overconsumption. This kind of over-exploitation of resources is not beneficial for individuals in the long-run, however, because of everyone acting out of their self-interest, they still choose to consume the good (Lloyd, 1883).

2.2.5 Social entrepreneurs

According to a 2018 McKinsey and Company report, eight different types of stakeholders influence the development of impact investing (Fine, Hickson, Pandit & Tuinenburg, 2018). These groups will change their behaviours depending on what phase the field of impact investing is in (Fine et al., 2018). One group of these stakeholders that play an especially important role in forming the landscape of impact investing is called *social entrepreneurs*. They will grow in both size and numbers as well as change in composition as the practice of impact investing grows in various parts of the society (Fine et al., 2018).

There is no unanimous definition as to what social entrepreneurship is (Dees, 1998). However, there have been several attempts at defining the concept over the years, and one of these attempts were made in the 2012 *Technology Innovation Management Review* article. This attempt reviewed numerous definitions from previous research dating as far back as 1934, and by this, Abu-Saifan (2012) proposes the following definition:

"The social entrepreneur is a mission-driven individual who uses a set of entrepreneurial behaviours to deliver a social value to the less privileged, all through an entrepreneurially oriented entity that is financially independent, self-sufficient, or sustainable" (page 25)

From the quotation above, one can see that it is a fairly broad and all-encompassing concept. (Martin & Osberg, 2007) argues that although there are some benefits to defining social entrepreneurship broadly, there are also downsides to it. Consequently, they state that the aim should be to find a more rigorous definition. Instead, (Martin & Osberg, 2007) proposes to define social entrepreneurship along the lines of three components (page 35):

1. "Identifying a stable but inherently unjust equilibrium that causes the exclusion, marginalisation, or suffering of a segment of humanity that lacks the financial means or political clout to achieve any transformative benefit on its own"
2. "Identifying an opportunity in this unjust equilibrium, developing a social value proposition, and bringing to bear inspiration, creativity, direct action, courage, and fortitude, thereby challenging the stable state's hegemony"
3. "Forging a new, stable equilibrium that releases trapped potential or alleviates the suffering of the targeted group, and through imitation and the creation of a stable ecosystem around the new equilibrium ensuring a better future for the targeted group and even society at large"

Hence, essentially, a social entrepreneur is a person or organisation that create, fund and implement solutions that benefit the society from a social or environmental perspective (Martin & Osberg, 2007). These individuals can be found in organisations that differ in type, sizes and business mission but they have all in common that they contribute with a positive change to society (Dees, 1998).

2.3 Impact investing explained

The very foundation of impact investing is to achieve financial returns while simultaneously making a positive impact on the planet and society (Höchstädter & Scheck, 2015). The investment decision is therefore a two-dimensional subject of *financial returns* on one hand and *non-financial impact*, usually referred to as *environmental impact* or *social impact*, on the other hand (Höchstädter & Scheck, 2015). There are various combinations of these two objectives in the impact investing landscape, and the practices are used for a vast verity of purposes.

Today measuring the impact of investments can be divided into two fractions according to the reasoning above: social impact and environmental impact measuring (CISL, 2016). While measuring environmental impact is fairly uncomplicated, measuring social impact is a considerably more complex issue. As a result, the practice of reporting social impact is approximately ten years behind environmental impact reporting (The Implementation Taskforce for Growing a Culture of Social Impact Investing, 2018). Even though 49 percent of the reporting requirements catalogued by the Reporting Exchange disclose social topics, compared to 60 percent for environmental topics according to a study made by the World Business Council for Sustainable Development, social reporting is still equally essential to climate reporting (WBCSD & CDSB, 2018).

2.3.1 History of impact investing

The term, impact investing was invented back in 2007 during a meeting hosted by the Rockefeller Foundation in Italy (Höchstädter & Scheck, 2015). The reason for its evocation was that the pioneers attending the meeting found the available terminology insufficient in the sense that it was either associated with moral obligation (like "Socially responsible investing" and "ethical investing") or being too narrow (like "Sustainable finance") (Bugg-Levine & Emerson, 2011). However, although the term impact investing is a fairly modern concept, there is nothing new about the underlying practises or mindset to impact investing. The practices of investing for a greater cause than merely financial profits have been around for several centuries.

In the 17th century, for example, Quakers decided they would not invest in slaves due to the apparent interference of slave trade with their belief that all individuals are equal before God (Louche, Arenas & Cranenburgh, 2012). Since then, there have been many examples of similar initiatives, like the US Pioneer Fund (Reeder & Coloantonio, 2013) being the first fund to avoid "unethical investment" in 1928 and the founding of *Social Impact Bond (SIB)* first launched in the UK in 2010 (OECD, 2016).

To get a better overview of how the impact investing field has evolved through history, Figure 2.2 below presents a brief timeline. This timeline describes some of the main events that, according to this paper, have played an important part in how the impact investing landscape looks like today.

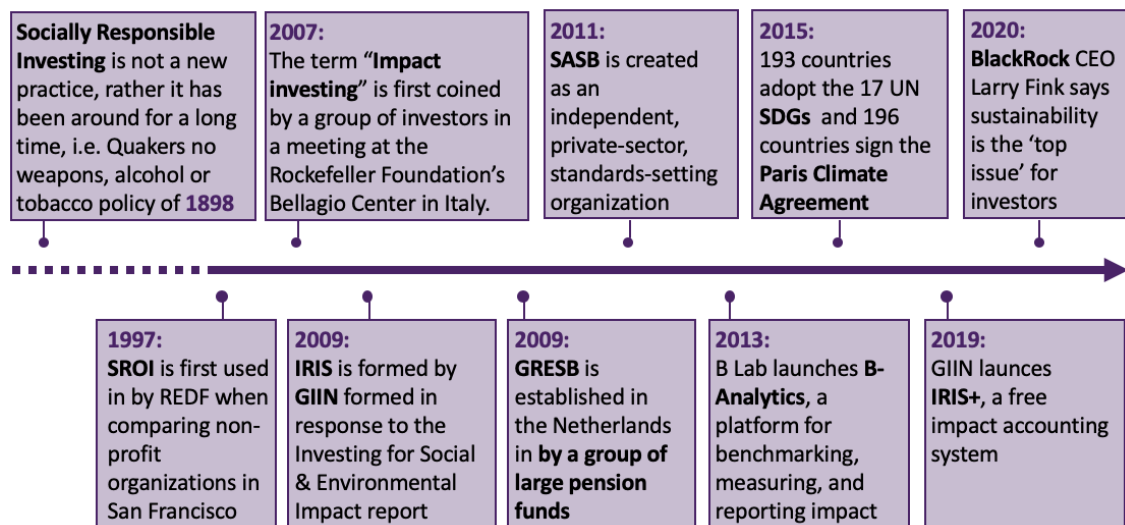


Figure 2.1: Timeline of some major events in the field of impact investing

2.3.2 Definition and terminology

Since the founding of impact investing, there have been many attempts at defining impact. Although the field of impact investing seems to have reached a high-level agreement as to what is meant by the concept on a general level, there are still many discrepancies on the terminological level (Höchstädter & Scheck, 2015). Therefore, in order to proceed with this study, to agree upon a definition that is widely supported in the field as well as making sense to the purpose of this paper. The definition of impact investing, that is used most widely in the industry and that seems to be the most comprehensive one, is stated by the GIIN (GIIN, 2020a):

"Impact investments are investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return"(page 1)

In addition, true impact investments need to be "intentional," "predetermined" and "measurable" (Grabenwarter & Liechtenstein, 2011). Furthermore, impact investing differentiates itself from philanthropy in that it has to be "profit orientated" (Reeder & Coloantonio, 2013). However, Grabenwarter and Liechtenstein (2011) continue to state that there has to be a correlation between impact and financial returns. This study does not agree with this statement because of the fact that so-called impact-first investors can discard more profits for more impact in making business decisions (Höchstädter & Scheck, 2015).

The fragmented landscape of impact investing along with its various definitions and sometimes confusing terminology has given rise to quite a few articles aiming to define and provide clarity to impact investing (e.g. Höchstädter & Scheck, 2015; Reeder & Coloantonio, 2013; Grabenwarter and Liechtenstein, 2011). Höchstädter & Scheck (2015), for example, aimed to shed some light on this matter by examining and summarising the available academia. The remained of this section will explain

some of these important distinctions.

The term *social impact* can confuse even the most informed reader. It can have various meanings depending on who uses it and in what context. For example, social impact is usually used as a synonym for impact investing in the UK, while in other parts of the world social impact is considered a sub-field of impact investing (along with environmental impact) (Höchstädter & Scheck, 2015). This study will use the latter definition when addressing social impact exclusively. However, when referring to UK sources like *Social Value UK*, for instance, there might be room for some confusion.

Impact investors can be divided into two sub-groups: *finance-first investors* and *impact-first investors* (Höchstädter & Scheck, 2015). Moreover, the Rockefeller Philanthropy Advisors (2020) suggests a spectrum from finance only (Traditional investing) to impact only (Traditional philanthropy) where investors can be arranged according to their investing focus. Impact investors, in reality, are usually more prone to lean towards the right of this spectrum when compared to, for example, SRI investors (seen in Figure 2.2 below) (Höchstädter & Scheck, 2015). As a result of this, in 2020, a large portion of practitioners (42 percent) associated with impact investing are non-profit capital funds, and investors in third world countries and governmental projects (Bass et al., 2020).

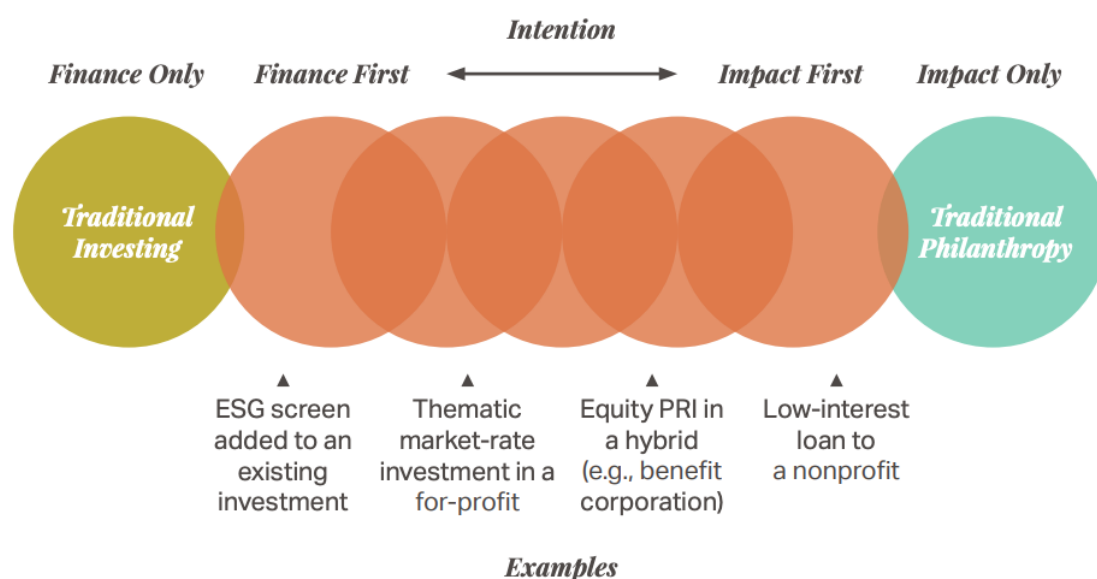


Figure 2.2: Spectrum of impact investing along with examples (Rockefeller Philanthropy Advisors, 2020)

2.4 ESG and its relation to impact investing

The new way of looking at investments have resulted in a jungle of concepts a framework. Consequently, it is easy to get confused by the linguistics and meanings

of basic concepts. One of the predominant misinterpretations that this study has identified through reading and interviews regarding impact investing is that many people confuse ESG investing with impact investing, as well as ESG reporting and impact reporting. There are some crucial differences between these areas, which are important to point out.

2.4.1 ESG explained

ESG investing relates mainly to the internal operations of a company and the nature of their products (UK Investor Magazine, 2020). The incorporation of ESG factors into the investment processes aims to add an additional risk- and opportunity layer to the investment process (Cox & Raczynski, 2019). While there is a general focus on social consciousness, the main focus of ESG valuation remains on financial performance (For Investment Partners, 2020). Investors using ESG investing seeks to invest in companies that are acting responsibly and avoiding companies that are not (UK Investor Magazine, 2020). To aid the ESG investing process for investors and companies who are seeking investments, ESG reporting has become a vital tool (Eltogby, Brown & Corrigan, 2019).

ESG reporting closely links to *Corporate Social Responsibility (CSR)*, which means that it discloses a company's efforts to have a positive impact on its employees, consumers, the environment and the community (Abro, Khurshid & Aamir, 2016). However, in extension to CSR, ESG reporting introduces measurements to the CSR activities of a company (Baron, 2014). ESG aims to deliver a more precise assessment of a company's actions, and hence ESG demands metrics rather than rhetoric discussions around CSR topics (Energy HQ, 2019). To be specific, ESG reporting present metrics on how businesses respond to climate change, treat their workers, build trust, foster innovation, and manage their supply chains (Eccules, Cheng & Saltzman, 2010).

ESG reporting has been around for a while now, and as a consequence, the formation of standards and regulations has come a long way (Jan, 2019). Reporting on ESG issues is already mandatory in many countries, and there is a consensus in which standards and frameworks a company can use (WBCSD & CDSB, 2017). ESG frameworks and standards can be divided into three categories: voluntary disclosure frameworks (e.g. *Global Real Estate Sustainability Benchmark (GRESB)*), guidance frameworks (e.g. *Global Reporting Initiative (GRI)* and *Sustainability Accounting Standards Board (SASB)*), and third-party aggregators (e.g. *Institutional Shareholder Services (ISS)* and *MSCI (formerly Morgan Stanley Capital International)*) (Nareit, 2019). Of the different ESG frameworks out there, GRI is probably the most recognised and the one that comes closest to being generally accepted as a global standard (Nasdaq, 2019).

The desire to find a common global standard on ESG reporting is mainly driven by the fact that investors are increasingly aligned through a desire to understand a company's long-term value creation plan (PwC, 2019). Hence, investors are today

urging for credible, standardised information to support long-term risk assessments (PwC, 2019). However, many corporations, even when they have a good story to tell and robust processes to manage ESG risk, seems to lag in providing investors with the right information in the proper format (PwC, 2019). This problem appears to be one of the significant hurdles that are slowing the integration of ESG reporting as a mainstream global standard (Foster & Tabit, 2019).

2.4.2 ESG compared to impact investing

With impact investing, positive outcomes are of importance, whereas with ESG investing, the main objective is to have internal and external operations in line with good ESG practice. Put simply, impact investing focuses on investing in assets with products and services that can generate beneficial social or environmental impact alongside financial returns (Cruz, 2018). ESG investing, on the other hand, focuses on the operations of the company and uses environmental, social, and governance factors to enhance risk management of the investment process (UK Investor Magazine, 2020).

To qualify as an impact company, it still needs to have good ESG, meaning that the company needs to have good environmental, social and governance practices in its operations (Cruz, 2018). However, in addition to this, the company also needs to sell solutions, products, and services that help the world achieve its sustainability goals (Cruz, 2018). Hence, ESG and impact investing are not mutually exclusive (ADEC, 2020). There is an obvious relationship between ESG and impact investing, and one could argue that impact investing is an extension of ESG (Reynolds, 2019).

Brandstetter and Lehner's (2015) illustrate the relationship by dividing the landscape into a spectrum, as seen in Figure 2.3 below. In the spectrum, investors are divided by their focus between negative and positive selections according to the ESG criteria, as well as their willingness to compromise on financial performance for the benefits of social and environmental returns. From Figure 2.3, it is evident that impact investing locates to the right of the ESG focused investment processes. Still, ESG elements are incorporated into impact investing, and Figure 2.3 is stating this clear connection.

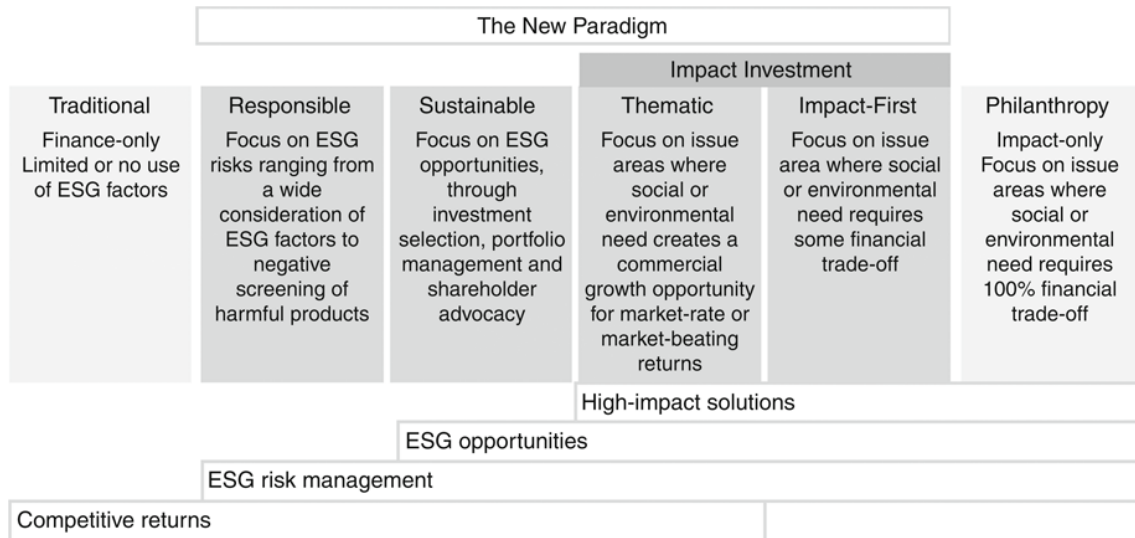


Figure 2.3: Illustration of the spectrum of investors, spanning between philanthropists and traditional commercial investors (Lehner, Harrer & Quast, 2019)

It makes sense to apply the ESG lens to the impact investing process. However, as mentioned, ESG will primarily focus on the process of a company, and not the output or impact of its provided product or service. If only ESG factors are incorporated into the investment process, there is a risk of important impact results getting excluded, e.g. consumer impact (Hermes Investment Management, 2018; Burrett, 2019). A qualified impact investing process is, therefore, in many aspects more extensive than ESG, and requires the collection of more information and an expanded analysis (Pahlson-Moller & Sevrain, 2019).

2.5 Swedish real estate sector

Since this study focuses on impact investing within the real estate sector, this section is dedicated to describing the real estate from a Swedish industry and company perspective. It should be mentioned that, by the "Swedish real estate sector," this study means the real estate utilised as housing for private owners and families. Property for commercial use is, therefore, not addressed within the scope of this study.

2.5.1 The industry

The Swedish real estate market is fairly fragmented, where 86 percent of real estate companies employing four people or less (Fastighetsägarna, 2020a). In fact, only three companies are employing more than 500 people (Fastighetsägarna, 2020a). In Sweden, there are roughly 135 000 apartment buildings with approximately 2 400 000 apartments (Fastighetsägarna, 2020a). Out of these apartments, 40 percent are condominiums, 30 percent are run by privately-owned real estate companies, and almost 30 percent are run by municipal-owned real estate companies (Fastighetsägarna, 2020a). Around one-quarter of the Swedish population lives in rental apart-

ments (which is our subject of focus), and 15 percent lives in condominiums. However, the vast majority of around 50 percent lives in privately owned small houses.

The real estate sector accounts for around a third of the energy consumption and one-sixth of CO₂-emissions in Sweden (Fastighetsägarna, 2020b). Fastighetsägarna (2020b) also states that a lot of materials are used in the real estate life cycle. Anna Denell, Sustainability Director at Vasakronan AB, confirms this notion by stating that this is the single most important ESG subject of the real estate industry (personal communication, 2020-04-14).

2.5.2 Real estate company

The business model of a real estate company is basically to erect buildings or entire housing complexes complete with shops, playgrounds, and other facilities, and then to earn income in various ways from these buildings.

According to Harry McNeil, Head Of Marketing Communication and Sustainability at Sveafastigheter AB, most often a project starts with a municipality requesting the building of a new neighbourhood which mid-size and large real estate companies can apply for (personal communication, 2020-02-06). Harry goes on to mention that the selection process includes several selection criteria, including: price, previous project experience and sustainability focus (personal communication, 2020-02-06). After a real estate company has managed to secure a contract for a project, the process of ensuring that the housing complex lives up to the agreed-upon specifications starts (personal communication, 2020-02-06). Reporting and follow-ups, both during the erection of the buildings as well as after the projects have ended, become vital (personal communication, 2020-02-06).

The income streams of a real estate company depend on the type of accommodation. Sveafastigheter, for example, gets most of their revenues from rental payments from tenants living in their housing complexes (personal communication, 2020-02-06). However, real estate companies can, for example, also have other revenue streams depending on if they build commercial real estates or condominiums.

2.5.3 Impact in the real estate sector

Traditional real estate companies are in general finance first investors meaning that they emphasise turning profits more than creating impact (Rockefeller Philanthropy Advisors, 2020). However, this does not mean that there are no incentives in the sector for making a true impact. As to the SDGs, there are a couple of obvious ones where real estate companies in Sweden can have an impact. Some of these are: 5. Gender equality, 7. Affordable and clean energy, 9. Industry innovation and infrastructure, 10. Reduced inequalities, 11. Sustainable cities and communities, and 12. Responsible consumption and production (United Nations, 2018).

Harry McNeil mentions that they find it much harder to measure and quantify so-

cial impact than environmental impact (personal communication, 2020-02-06). This seems to be the case, not only for real estate companies but for several industries (The Implementation Taskforce for Growing a Culture of Social Impact Investing, 2018). When it comes to the real estate industry, that more companies struggle with social impact measuring and reporting, compared to environmental impact, is quite intuitive. For example, measuring energy consumption is a quite straight-forward practice since it only involves reading the numbers of a meter. However, it might be harder to quantify the effects of reducing inequalities in a certain neighbourhood.

3 | Methodology

This chapter is dedicated to the methodology of the report. The first section describes the research approach on which the study is based. Next, the data collection and after that, the method used for analysing the data. Finally, the last section is dedicated to reflecting on the credibility of the report.

3.1 Research approach using a funnel approach

The research approach of this paper is qualitative. The field of qualitative research uses a broad range of methods, like in-person interviews, observations and journals (Given, 2008). Moreover, qualitative approaches aim to gather information regarding individuals' thoughts and personal opinions (Given, 2008). This is because qualitative research aims to answer questions regarding "what," "how" and "why" (Bricki & Green, 2007). An approach like this suits this paper well since the paper aims ultimately to investigate and assess the best way to incorporate impact investing. Meaning that the study will investigate, based on qualitative data, which tools and frameworks that are most suitable for implementation.

The method conducted in the study is based on a *funnel approach*, much like the one illustrated in Figure 3.1. It started with a broad scope in order to grasp the full picture of the impact investing landscape. Subsequently, it narrowed the focus down as new insights into the landscape developed. Finally, the study is narrowed down far enough to encompass only a few key tools and frameworks. These would then constitute the recommended aids of implementation for a Swedish real estate investor. Moreover, the remainder of this paper is outlined in the same way as this funnel approach is presented. Starting widely and working its way to the conclusions.

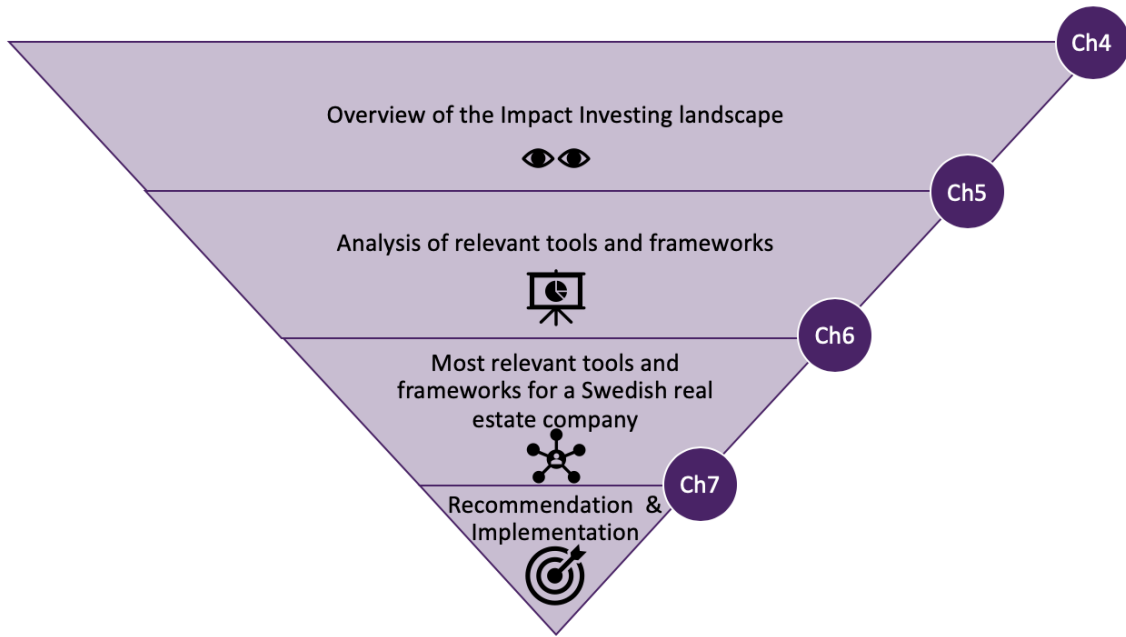


Figure 3.1: Illustration of the funnel approach used in this study along with the chapters where the various stages are addressed

The first stage, namely the broad investigation of the impact investing landscape on a global scale was conducted in order to provide an overview of the practises, organisations, tools, frameworks, initiatives and trends of impact. By doing this, two lists, one of tools and frameworks, and one of organisations, were generated. They are, in one way or another, related to the practice of impact investing, and they are mentioned frequently in the literature.

Stage two ranked the tools and frameworks based on three-dimension extracted from the research on the field of impact investing. The second stage of the funnel approach aimed to select the four most relevant reporting tools and frameworks for a Swedish real estate investor. Upon choosing the most relevant tools and frameworks, the process of deep diving into each of them began as the third stage of the funnel approach. The selection would aid in providing a foundation for the recommendation and implementation of the fourth and final stage of the funnel approach.

3.2 Data collection

The data comes mainly from two sources. The first one is available literature including; user guides, best case practises, impact landscape compilations and theoretical papers. The second source is in the form of interviews with practitioners in the field and Erik Bohlin from Chalmers, supervisor for this paper. As with the approach, the data is mostly of qualitative nature, with a few exceptions of secondary quantitative data (like the presence of different frameworks in the market place).

3.2.1 Literature study

This part of the data collection followed to some extent the methodology of Höchstädter and Scheck (2015) article: *What's in a Name: An Analysis of Impact Investing Understandings by Academics and Practitioners*. Höchstädter and Scheck (2015, page 451) aim at clarifying the concept of impact investing and does so "By analysing a large number of impact investing understandings by academics and practitioners as they stand today [...]." This article's purpose is similar to the aim of the first stage of our study, which is to provide an overview of the impact investing landscape. Therefore, it is considered suitable to mimic Höchstädter and Scheck's methodology.

At the first stage, the study conducted a systematic literature search using three search engines: Google search engine (<https://www.google.com/>), Google Scholar (<https://scholar.google.com/>) and Chalmers Library (<http://www.lib.chalmers.se/en/search/>). These search engines are in turn scouring data from several other databases, and hence by this, a wide variety of data sources could be used for the research. The search is conducted during a period from January to May of 2020. Initially, there were no limitations in terms of the publishing date, but as the research proceeded, it became more focused on finding sources dating no later back than three to four years. This as the impact investing field is developing with high speed and the paper aimed to use relevant sources.

The study further aimed to include mainly articles published by (or supported by) large, well-known organisations like GIIN, various committees of the UN and Social Value International. However, there were no strict limitations to this here either. The search term used at the first stage of the literature research is mainly constructed by a combination of a preliminary term like: "impact investing," or "impact investment", sometimes followed by a second term like: "landscape," "guide," or "definition."

In the subsequent stages of the literature research, the methodology and databases were virtually the same, but the search terms were changed to represent the more narrow scope of research. Some examples were: "GRESB," "Impact Management Project (IMP)," "Social Return on Investment (SROI)," "Social Value," "GIIN," or "impact investing in the real estate sector." These were often used in combination with additional terms as well in order to narrow the results further and focus the study to be more in line with the aim. The results of the search were cleaned up manually, and the most relevant articles were organised into a list. In the end, the list consisted of around 100 articles which all had different connections to the impact investing field.

3.2.2 Interviews

The qualitative data obtained through interviews is to be regarded as primary data when the investigators themselves collect it. Hence, the study controlled and evaluate the entire data collection process. As a preliminary study, semi-

structured interviews were conducted with industry professionals, such as executives of Sveafastigheter AB and Brunswick, to identify the current state of the impact investing and ESG practises as well as learning about the needs of a Swedish real estate investor.

According to Lantz (2013), interviews can be conducted using a so-called "interview schedule." Such an interview schedule is the basis for the interviews conducted in this study. In practice, this means that a number of questions are predetermined, forming the basis of the interviews. This is an example of a so-called *semi-structured interview process* which, according to Davidsson and Patel (2011) means that the interview is based on a number of predetermined questions. Questions like these are merely used as a basis of discussion for the interviewee to elaborate on (Davidsson & Patel, 2011). By utilising the predetermined questions as a foundation instead of a strict script, the interviewees were allowed to elaborate on issues and speak more freely regarding the interview topic. Hence, by this interview form, the study could capture a broader base of information from the interview objects, which would not have been the case with more specific questions.

The interviews procedures consisted of personal meetings as well as virtual interviews, using Telephone, Zoom, Skype or Microsoft Teams. The ambition throughout the study is to have personal meetings as far as possible. However, due to the outbreak of Covid-19, this ambition was hard to fulfil, especially towards the end of the interview phase. During the study, interviews were conducted with eight different individuals. Table 3.1 below present the individuals interviewed, their professional title, as well as the organisation that they are working at.

Name	Title	Company
Anna Denell	Sustainability Director	Vasakronan AB
Christina Johansson	CEO	LysekilsBostäder
Erik Bohlin	Professor	Chalmers ¹
Erik Jannesson	SROI consultant	Serus
Harry McNeil	Head of sustainability	Sveafastigheter AB
Johan Pettersson	Investment manager	Brunswick Real Estate
Johanna Raynal	Director of ESG & Impact	Swedfund
Richard Burrett	Chief Sustainability	Earth Capital

Table 3.1: List of interviewees

The intention of having personal meetings was mainly motivated by the fact that it provides an advantage in the sense that the interviewer is present physically and is thus able to assess the social context and act upon accordingly (Dialsingh, 2011). However, as mentioned due to the Corona-crisis, most of the interview was conducted using various types of virtual media. Nevertheless, Eriksson and Wierdersheim-Paul (2014) suggest, interviews using telephone have some advantages in the form of cost-effectiveness, interactivity and availability. Especially the availability aspect of this

¹Department of Technology Management & Economics

statement motivated the use of non-physical meetings for the study.

3.3 Methods of data analysis

The research part of this paper is mainly focused on data collection. Regardless of this focus, analysing the collected data is equally important in order to provide perception. The method of analysis can be divided into two parts. The first part is closely linked to the data collection and the initial overview of the impact investing landscape. Hence, the first stage of the funnel approach presented in Section 3.1, i.e., block one in Figure 3.1. The second part is more linked to the foundation for the recommendations, and hence it regards the second stage presented in Section 3.1, i.e., block two in Figure 3.1.

The first part of the method could be described as a scanning process where a large amount of data served as a foundation. By analysing the collected data and its content, patterns and cross-references were identified, which resulted in an intuitive understanding of the subject. As more data was analysed, the picture of the landscape became more evident, and eventually, recommendations could be formulated with support from both literature and interviews. Regarding the texts sourced, the analysis was conducted by reading each text and searching for common language as well as patterns from the previously analysed data. In this way, the first part of the analysis can be argued to be of iterative nature. Moreover, it was through a rigid analysis of the data that the two lists of Chapter 4 were generated, which later form the basis of the second part presented in Chapter 5.

The second part of the method of analysis is built upon the outcome from the first part, which, as mentioned, is linked to stage two of the funnel approach presented in Section 3.1. The aim here is to find the most relevant tools and frameworks for a real estate company, and this is done by analysing the gathered list of tools and frameworks through 3 dimensions:

1. Investment spectrum
2. Level of concept
3. Real estate industry appropriateness

The third dimension, Real estate industry appropriateness, was structured as a scoring system based on a ranking of five factors:

1. Frequency of usage by impact investors
2. Relevance to the Swedish real estate industry
3. Probability of becoming standard practice on a global level as well as in Sweden
4. Understandability with regards to different stakeholders
5. Ease of implementation and usage

The result of this method was that four frameworks were chosen as subjects for a more in-dept investigation, and subsequently, a recommendation.

3.4 Reflection

This section will present a reflection on the study method. It will do so in the form of a discussion on the internal validity, reliability and generalisability.

3.4.1 Validity

Validity is a concept that deals with whether the study's results meet the requirements set by the study's method (Shuttleworth, 2008). This means in plain text that it addresses whether or not the system corresponds to reality, i.e. whether the results obtained can be expected to be equal to the results of a real system. The concept of validity can be divided into internal validity and external validity (the latter is also called generalisability). Internal validity depends on how the study is structured, which incorporates all the steps on which the study's method is based (Shuttleworth, 2008). A poorly constructed research design has consequences for the credibility of the study. Hence, it does not matter how good the results of the study are if the design of it is questionable.

The remainder of this section will address the internal validity of this study's approach and method. On a high-level perspective, conducting this study, the aim is always to keep a validity mindset when scouring the internet for data, conducting interviews and analysing the gathered data. One such example is the use of a semi-structured interview schedule as well as always being two interviewers conducting the interview. That way, the probability of misinterpretations are minimised and providing the option to discuss the answers after the interviews. Regarding the data gathered from the internet, the aim was always to use quality data sources as well as to have, whenever possible, two or more sources of the same data point.

However, there are a few shortcomings when it comes to internal validity inherent to this study. Firstly, the data collection conducted from scouring search engines online could have been conducted in a more structured, and easy to follow way. For example, the study could have used *content analysis* in the way that Höchstädter and Scheck (2015) uses for their data collection, coding the texts based on their contributions to the study in order to make a better selection on which texts to include in the study. The somewhat unstructured data collection method, used in this study makes it hard to validate the data correctly.

Furthermore, there are a few validity related downsides of using a semi-structured interview approach. According to (Newcomer, Hatry & Wholey, 2015) there is a greater need for having well-knowledgeable and smart interviewers in order to have high validity than for other interview forms. Lastly, the validity is usually higher when using face-to-face interviews since the interviewer can sense the situation better and act accordingly (Dialsingh, 2011). However, this was not possible due to the Corona outbreak limiting the possibility to meet in person with the interviewees.

3.4.2 Reliability

Reliability can be defined as the ability to reproduce a study's results (Shuttleworth, 2008). The idea of the concept is that other researchers should be able to replicate the study's findings by performing the same examination under the same conditions as the original study (Shuttleworth, 2008). Denscombe (2010) states that the answer to the question "will the study get the same result at execution at a different time, everything else equal" determines the reliability of the study.

As this paper is based on data relevant at the time of this study, and since the impact investing landscape is in its early days, the reliability could be challenged. If the same study would be conducted a couple of years from the release of this paper, it does not have to give the same result. This is plausible since the impact investing landscape probably will continue to develop quite rapidly the next coming years as well as there probably will come intervention from governments and international institutions that affect the industry, e.g., EU directives and national regulations. There could well be the case that the standards and frameworks that this paper points out as relevant is not on the agenda in a few years and replaced by new once. However, the results of this study are still relevant as the organisations presented here will probably be the once that still are at the forefront of the development. In the end, the thought process and foundation of future systems and frameworks will reasonably be built upon the old once.

3.4.3 Generalisability

Denscombe (2010) describes the concept of generalisability as the ability to take the results of a study and further apply it to other similar studies. Thus, according to Denscombe (2010), the concept aims more specifically to whether the results have the ability to describe a more general and universal case than a particular one.

According to Wallén (1996), generalisability can be divided into two classes: empirical and theoretical. Empirical generalisability is about whether there exist conditions in the material examined that limit the scope of the results (Wallén, 1996). Concerning this study, the empirical generalisability is somewhat limited because the study focuses on the Swedish real estate industry. Even though the initial approach is broad, there is still a focus on this small section of the impact investing landscape. As a consequence, it is hard to assess whether the results and recommendations of this study can be used in other industries than the real estate sector. Neither is it certain that the results can be applied in other countries than the Swedish one since the industry differs a lot between countries.

Theoretical generalisability is derived by the assumptions, limitations and simplifications that the study is based on, and it sets certain conditions and circumstances that limit the study (Wallén, 1996). Regarding the theoretical generalisability for this paper, there are not many limitations because there are few assumptions or simplifications made in the study.

4 | Overview of the impact investing landscape

This chapter aims to provide an overview of the impact investing landscape. It is a summary of what is most relevant to highlight within the field of impact investing, on a high-level perspective.

4.1 Impact investing on a high-level

The main stages of the impact investment process that an investor goes through is, in many aspects, similar to the traditional investment process (Allman & Nogales, 2015). However, the steps within each stage is a bit more complex.

A comprehensive way of dividing the impact investing life cycle is presented by Schiff and Dithrich (2018), who splits the process into four different stages, as illustrated in Figure 4.1.



Figure 4.1: Illustration of stages in the overall investment process, inspired by Schiff and Dithrich (2018)

These four stages, shown above, may seem quite straight-forward and trivial. However, it is vital to state a high-level perspective on the overall investment process before moving ahead. Stating this is important since how frameworks, tools, and approaches presented later in this paper will make more sense in how they fit into the bigger picture.

At this point, a distinction between *approaches* and *tools and frameworks* is in its place. In this paper, approaches are regarded as being more high-level than tools and frameworks since approaches cover the different stages of the overall investment process in a more holistic way. The two following subsections are dedicated to two valuable approaches as they provide fundamental takeaways for the tools and frameworks.

4.1.1 Theory of Change

Theory of Change (ToC) is a conceptual model explaining the process of change by drawing the links in an initiative (SoPact, 2020). In impact investing, ToC is utilised to explain the process of intended social change (So & Staskevicius, 2015). The use of ToC is the basis of all impact investments, either explicit or implicit (E.T. Jackson & Associates, 2020).

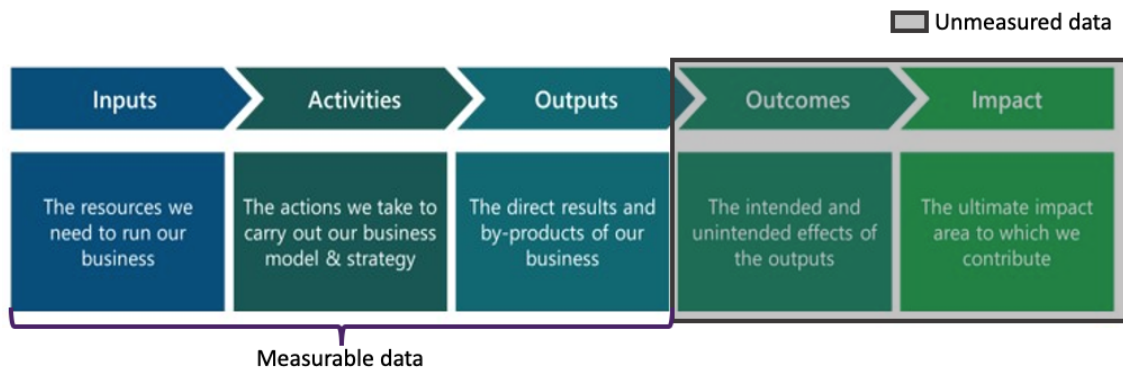


Figure 4.2: Five steps model of ToC (Houweling, 2019)

The specific ToC processes that are used for impact investment practises can differ on a case by case basis (Harries, Hodgson & Noble, 2014). The simplest ToC model and the most commonly used by investors is illustrated in Figure 4.2 and consists of five components: *Input*, *Activity*, *Output*, *Outcome*, and *Impact* (So & Staskevicius, 2015). It is also used as a foundation for, and in conjunction with, virtually all the methodologies and tools that make up the investing landscape (Sheth, 2020).

In an interview with Johanna Raynal (Personal communication, 2020-02-07), director of ESG and impact at Swedfund, she mentioned that Swedfund actively uses the ToC model described in Figure 4.2 in their investment process. She also confirmed the importance of ToC as an underlying approach for impact investing. According to Johanna, they only measure the inputs, activities and outputs. This is because it is too difficult to measure the outcomes and impact of their investments.

Regarding the Swedish real estate sector, this manner of only measuring up to the level of outputs is confirmed from interviews with professionals within the industry. For example, Christina Johansson (Personal communication, 2020-04-16), CEO of Lysekilbostäder - a municipal real estate company, mentioned that they measure outputs, but not outcomes and impact. Moreover, she stated that other municipal

real estate organisations worked according to the same principles. To explicitly use the model and terminology of ToC in the way that Swedfund and Lysekilbostäder does, seems not to be the case for a majority of the real estate sector. However, from the interviews with sector professionals, it suggests that the ToC approach is used unconsciously.

From Figure 4.2, the ToC model may seem trivial. However, from own experience based on the research, this does not have to be the case. The lines between the categories can be quite blurry, especially between output, outcome and impact. With regards to ToC, impact can be explained as the positive or negative long-term effects caused by initial outcomes (Simister, 2017). These outcomes are driven by the outputs of activities or interventions, which, in turn, are products of the activities that have been deployed on resources or inputs (Jannesson, 2012). During the research process for this paper, it has, on several occasions, been exposed that it is essential to understand what impact means, and this is something that Höchstädter and Scheck (2015) confirm. As a response to that practitioners are ambiguous in their explanation of impact, Section 4.1.3 is dedicated to providing some clarity.

Table 4.1 illustrate how ToC can be used and how different frameworks are linked to the concept. This table presents five key areas, according to So and Staskevicius (2015), where ToC can be used, together with the key tools and frameworks, according to our findings, that are in conjunction with these key areas.

ToC Key Area	Aligning Framework
Conducting due diligence and selecting investments	IMP
Goal setting	IRIS+, IMP, and SROI
Tracking and monitoring progress of the investment	IRIS+ and IMP
Aligning incentives	IMP and SROI
Reporting externally	SROI

Table 4.1: Linking frameworks to the ToC model

4.1.2 An impact management approach by Skopos and Bridges

In 2016, Skopos Impact Fund engaged with Bridges Impact+, the advisory arm of Bridges Ventures, to get help with the challenges of measuring impact. This section provides a summary of Clara Barby and Lisa Hall’s 2016 paper, *More than Measurement: A Practitioner’s Journey to Impact Management*, that describes the development of the impact management approach (Barby & Hall, 2016).

Both parties understood early on that measuring impact performance does not in itself allow investors to draw any meaningful conclusions about whether their impact investments are successful or not. To cope with this conclusion, they begun to develop an impact management approach. This *Impact management approach*

consists of six parts, grouped into three steps of an iterative process. Figure 4.3 shows an illustration of the process.



Figure 4.3: The Impact management process of Skopos and Bridges Impact+ (Hall & Barby, 2016)

As Figure 4.3 illustrates, there are three steps which reflect, not only the investors' impact goals but also their financial goals. This implies that impact and financial value coexist and that both factors determine the definition of success. To further understand the approach, each of the three steps is described in more detailed below.

Step 1: Define what success looks like:

In order to know what success looks like, organisations need to understand the type and level of impact that they seek, i.e., what their *Goals* are (part 1), as well as to identify the indicators that will assess whether the goals are met, i.e., identify sufficient *Indicators* (part 2).

Step 2 Choose strategies to achieve the definition of success:

By looking at the expected achievement of different investment opportunities, i.e., the *Targets* (part 3), the organisations can select investments with the highest potential to achieve their goals, i.e., form investment *Strategies* (part 4).

Step 3: Understand whether success is occurring:

By measuring the strategies' performances against targets, i.e., taking *Measurement* (part 5), organisations can determine if they are achieving their goals or if they need to adjust their strategies, indicators, or even their goals, i.e., conducting *Analysis* of the performance.

In conclusion, Barby and Hall (2016) suggest that successful impact management practice requires a shared understanding of impact goals and that the goals are framed in a comprehensive way for end-users. If the whole organisation communicated impact goals in a standardised manner, it would be easier for everyone across the value chain to share expectations. By considering both what success would look like, and the probability of achieving success, everyone can better understand the relationship between the impact return and impact risk. In turn, this would allow investors to make smarter impact investments. Hence, finding a common language regarding impact, both within the organisation as well as externally, is a vital success factor.

4.1.3 Separating impact from output and outcome

As previously mentioned, it is vital to grasp what impact means in relation to outcomes and outputs, as well as to the organisation. Defining what impact means is a major source of ambiguity in the field of impact investing (Höchstädter & Scheck, 2015). This study has, much like Höchstädter and Scheck (2015), found that different sources provide different explanations to what impact investing means. Some sources define impact as the aggregate effect - positive or negative - from a specific investment project (Brest & Born, 2013). This means that other influencing factors, e.g. effects from other projects, should be subtracted from the outcome to get the true effect (Reeder & Coloantonio, 2013). However, according to Reeder and Coloantonio (2013), there is sometimes a "positive bias" when measuring impacts which can result in a flawed measurement of projects.

Other sources define impact using a time dimension (OECD, 2010). According to OECD (2010), for example, impact is an outcome that is still present after a long period of time. There are also various examples of combinations of these two different ways to view impact. The point is that there is ambiguity in the definition of impact. In addition, impact is hard to measure. This difficulty may arise because impact has to be measured at a point in the future, or that it must exclude interfering factors.

Consequently, it is essential, as mentioned in Section 4.1.1, to note that there is a difference between output, outcome, and impact. As an example, for an initiative like an education project with the aim of moving people into employment, one output is the number of people that participates in the project. Project outcomes could be the increased self-confidence that a participant feels, and the increased disposable income that he or she receives as a consequence of the project. Impact, on the other hand, would be the broader changes that occur within the community, organisation, society, or environment as a result of the outcomes of the specific project (Stannard-

Stockton, 2010). This suggests that the impact of the project could be something in the lines of *exactly how much of the long-term self-confidence can be linked to the effects of the project (excluding other influencing factors)*.

4.2 Overview of tools and frameworks

The impact investing landscape is fragmented on a global level (Bass et al., 2020). There are many different standards of reporting impact used by different companies and organisations (So & Staskevicius, 2015). Moreover, there are several tools and frameworks used in various parts of the impact investing process (Bass et al., 2020). Some are industry-specific, like GRESB for the real estate industry, and some are more all-encompassing, like IMP. Figure 4.4 describes the most relevant of these tools and frameworks in a comprehensive long-list.















Frameworks & Tools	Summarized description
 SROI	Sustainable Return on Investment is a concept that accounts for the value of effects that does not have a market price
 GRI standards	Global Reporting Initiative has developed Sustainability Reporting Standards with multi-stakeholder contributions
 IMP	Impact Management Project is a forum for building consensus on how to measure, compare & report ESG risks and positive impacts
 PRI	The Principles of Responsible Investments are 6 principles formed by the UN Global Compact and is used worldwide
 SASB standards	SASB standards enable businesses to identify, manage & communicate financially-material sustainability information to their investors
 Future-Fit	Provides free tools that guide companies and investors to create value for themselves and society
 B-Lab	B Impact assessment tool is a tool a company can use to measure its impact on its workers, community, environment, and customers
 IRIS+	IRIS+ is the generally accepted system for measuring, managing, and optimizing impact developed by GIIN
 GRESB	Global Real Estate Sustainability Benchmark benchmarks ESG performance of real assets , providing standardized and validated data to the capital markets
 Y-Analytics	Helps capital allocators better understand, value, and manage social and environmental impact
 Theory of Change	Is a multi-purpose tool, helping to articulate your mission, refine your strategy, and provide a roadmap for impact measurement
 The Reporting Exchange	Is a platform that connects you to reliable, comparable information on sustainability reporting requirements, resources and indicators
 S&H Capital Protocol	Is an initiative developed by WBCSD which aims to mainstream the measurement of social impacts for business
 IFC principles	These Principles establishes a common discipline around the management of investments for impact

Figure 4.4: List of some of the essential tools and frameworks within the field of impact investing (for links to each framework's/tool's homepage, see Appendix A)

Two key aspects are essential to keep in mind when trying to get an overview of the tools and frameworks in the field of impact investing. The first one is that many frameworks are interconnected and build upon each other (Bass et al., 2020). This means that they are not mutually exclusive and that they have overlapping relationships. As a consequence, most companies and organisations to use several practices, tools and frameworks in their impact investing management (Bass et al., 2020). For example, Johanna Raynal (Personal communication, 2020-02-07) at Swedfund explained that they use the ToC and IMP for structuring impact projects and that

they use IRIS+ to generate metrics to evaluate performance.

The second key aspect to keep in mind is that impact reporting is only part of the impact investing process (CISL, 2016). For example, reporting is illustrated as the last step out of six in *The Guide to Social Return on Investment* (Nicholls, Lawlor, Neitzert & Goodspeed, 2012). Thus, impact reporting should not be mixed up with impact investing, since impact investing encompasses several additional aspects and practises (Volk, 2019). This means that there are occasions when other tools and frameworks than merely impact reporting tools can be used.

4.3 Overview of organisations

In addition to the tools and frameworks of impact investing, several organisations, essential to the impact investing landscape are identified. Figure 4.5 presents a list of these organisations. The organisations have, in one way, or another played a vital role in forming the field of impact investing. This paper will only briefly introduce some of these organisations, as tools and frameworks are most vital in answering the research question and the purpose of this paper.















Organisations	Summarized description
 CISL	The University of Cambridge Institute for Sustainability Leadership (CISL) is developing leadership and solutions for a sustainable economy
 GIIN	Global Impact Investing Network plays a leading role , alongside others committed to growing the marketplace of Impact Investing
 AERIS	Aims to accelerate the flow of capital to good by driving accountability and transparency into impact investing
 Big Social Capital	Improves the lives of people in the UK through investment with a sustainable return. It was the first social investment institute of its kind
 Build Healthy Places Network	Aims to shift the way organisations work to advance equity, reduce poverty & improve health in neighbourhoods across the United States
 Bridges impact+	An advisory function of Bridges foundation , which advises a wide range of practical aspects on impact management and how to combine financial and social returns
 CDSB	The Climate Disclosure Standards Board provides environmental information to markets via mainstream corporate reports
 United Nations	The UN has several initiatives like the Global Compact and the UNEP Finance Initiative promoting impact investing around the world
 EU Commission	As part of their work towards the <i>UN Agenda 2030</i> the EU promotes impact investing through various reports and the EFRAG etc.
 World Benchmark Alliance	Seeks to generate a movement around increasing the private sector's impact towards a sustainable future for all
 WBCSD	The World Business Council for Sustainable Development is a global, CEO-led organisation of over 200 leading businesses working together
 ICMA	International Capital Market Association serves the needs of its wide range of member firms in global capital markets
 GSG	Global Steering Group for Impact Investment is an independent global steering group catalysing impact investment and entrepreneurship
 Impact Investing Institute	The Impact Investing Institute is an organisation aiming to accelerate the growth and improve the effectiveness impact investing

Figure 4.5: List of some of the essential organisations within the field of impact investing

An organisation worth mentioning is the GIIN. This is arguably the most influential and well-known organisation within the field of impact investing. GIIN is, for example, responsible for the IRIS Catalog of Metrics founded in 2009, and more recently, the IRIS+ system founded in 2019 (IRIS, 2016).

Another organisation shaping the landscape of impact investing is Bridges Fund Management. They are amongst the highest rated investment managers in the world, according to the UN's organisation *Principles of Responsible Investment (PRI)*, and

work primarily with impact-related investments (Bridges fund management, 2020). Bridges most significant contribution to the impact investing industry comes from their efforts in the founding and facilitation of IMP (Bridges fund management, 2019). Additionally, Bridges run a practitioner-led advisory function called Bridges Impact+, advising on practitioner aspects related to combining financial and social returns (Bridges fund management, 2017).

In addition to the lists presented in Figure 4.4 and Figure 4.5, a list of additional initiatives worth mentioning can be found in Appendix B.

4.4 Most commonly used tools and frameworks

In early 2020, GIIN published the report *The State of Impact Measurement and Management Practise*, based on the results of a survey sent out to 278 impact investors around the world (Bass et al., 2020). One of the questions in this survey addressed what tools and frameworks were most commonly used by practitioners (see Figure 4.6 for results).

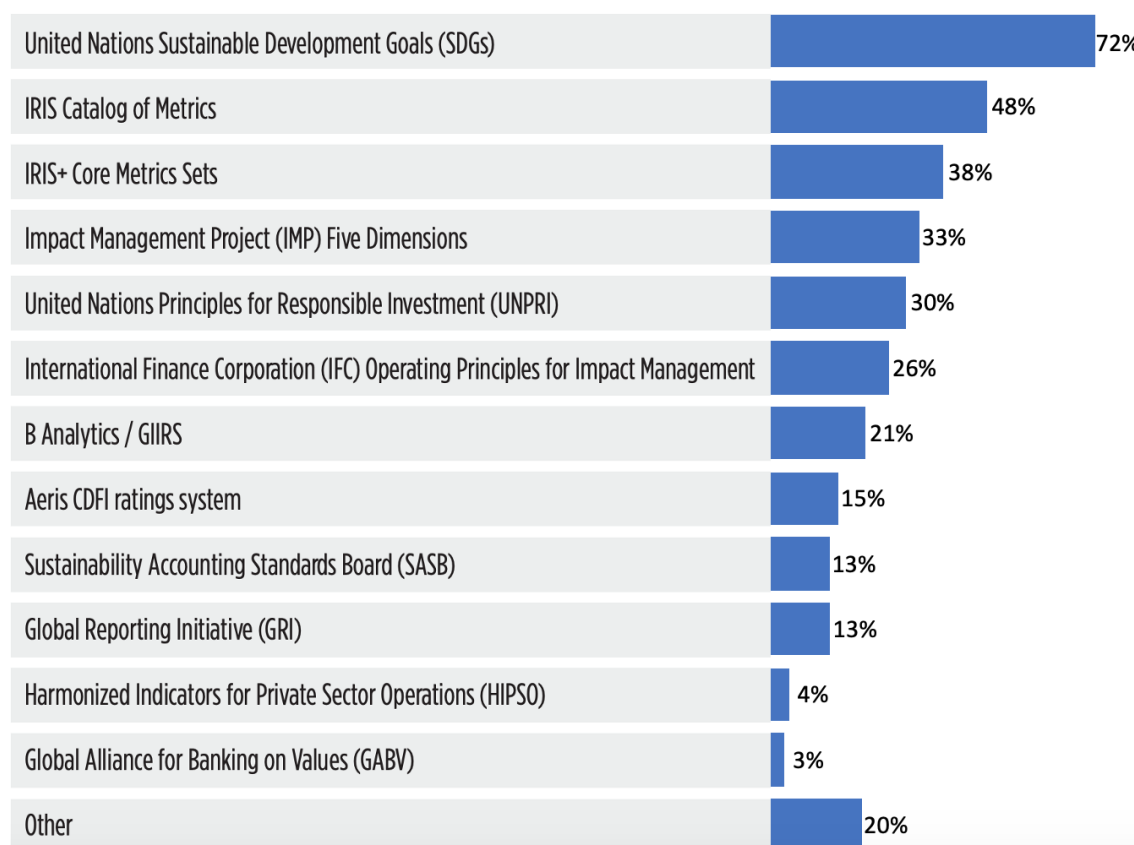


Figure 4.6: Most commonly used tools and frameworks: n = 257; optional question. Respondents could select multiple tools and frameworks. (adapted from Bass et al., (2020))

According to this study, the most common ones were: the SDGs, IRIS, the five

dimensions of IMP and GRI (GIIN, 2020b). Unfortunately, since no similar study on the Swedish impact investing landscape was found, to confirm whether this is the case for Sweden as well was not possible. A reason for this could be that formal impact investing is not very common in Sweden yet. The interviews conducted does nither give any clarity to this subject. For example, Vasakronan does not seem to have an impact investing process in their business even though they are real estate pioneering company in the field of ESG. However, due to the early stage of the Swedish impact landscape, this paper argues that it opens up interesting opportunities for Swedish real Estate companies to place themselves at the very forefront.

GIIN (2020b) also shows that most investors use more than one framework; the average is three. Over the past two years, the SDGs and PRI have become increasingly common. Moreover, there seems to be a trend towards several strategy-specific frameworks becoming more prevalent, such as SASB (see Figure 4.7 below).

Tool or framework	2017	2019
United Nations Sustainable Development Goals (SDGs)	43%	80%
IRIS Catalog of Metrics	65%	65%
United Nations Principles for Responsible Investment (UNPRI)	29%	46%
B Analytics / GIIRS	39%	42%
Sustainability Accounting Standards Board (SASB)	8%	34%
Global Reporting Initiative (GRI)	12%	33%
Aeris CDFI ratings system	10%	29%
Global Alliance for Banking on Values (GABV)	7%	23%
Other	18%	31%

Figure 4.7: Changes in the use of tools and frameworks: n = 83; optional question. (Bass et al., 2020)

4.5 UK - a leader in the field of impact investing

The United Kingdom is one of the pioneering countries when it comes to impact investing (DFID, 2019). There are several reasons why this is the case and why the UK is such an interesting country to investigate.

Firstly, the UK Government has issued many governmental actions to support impact investing, and especially social impact investing. For example, the UK took the initiative in 2012 of launching Big Society Capital, a wholesale social investment institution, to grow the market of impact investing (Phillips & Johnson, 2019). After the launch of Big Society Capital, the UK government established a Social Impact Taskforce and National Advisory Board in 2013 aimed to further catalysing the development of the social impact investment market (The Implementation Taskforce

for Growing a Culture of Social Impact Investing, 2017). In 2015 this led, to the expansion of Social Impact Taskforce into the *Global Impact Investment Steering Group (GSG)* consisting of 13 member states plus the EU (UK National Advisory Board on Impact Investing, 2020).

Another example of the UK being at the forefront of impact investing was when the government in 2016 set up an independent advisory group to answer the question: "How can the providers of savings, pensions and investments engage with individuals to enable them to support more easily the things they care about through their savings and investment choices?" (The Implementation Taskforce for Growing a Culture of Social Impact Investing, 2017, page 3). This led to the founding of the *Implementation Taskforce*, who came out with the influential report *Growing a Culture of Social Impact Investing in the UK* in 2017.

In summary, the UK is a pioneer when it comes to impact investing and has, therefore, been a major inspiration to this study. It is believed that what happens in the UK now has a high probability of becoming global standards in a few years. Additionally, it is suggested that the development of social impact investing in Sweden is a few years after the UK movement. An example of how this has proven to be true in practice is that the first SIB was launched in the UK back in 2010 (Chen, 2019). In 2019, SIBs had been launched in 25 countries, indicating the fact that the UK does things before the rest of the world (Social Finance, 2020). For Swedish real Estate companies, following the development of impact investing in the UK can hence be important as it provides an opportunity to stay ahead of the competition.

5 | Analysis of relevant tools and frameworks

This chapter presents an analysis based on the findings from the overview presented in the previous Chapter 4. Although this chapter represents an analysis based on our aggregate picture of the market place and each framework, it is supported by the theoretical framework presented in Chapter 2. This chapter aims to find the most relevant tools and framework out of a real estate company's perspective. The following three sections display three dimensions of rating, which together forms a basis for selecting the four most relevant tools and frameworks discussed in the remainder of this paper.

5.1 Finance only to Impact only - dimension

Figure 5.1 below ranks ten of the tools and frameworks presented in Section 4.2, based on what is presented in Subsections 2.3.2 and 2.4.2. These ten, selected tools frameworks were generated by combining the list illustrated in Figure 4.4 and 4.6, thereby ensuring that the tools and framework are both relevant and commonly used by practitioners in the field.

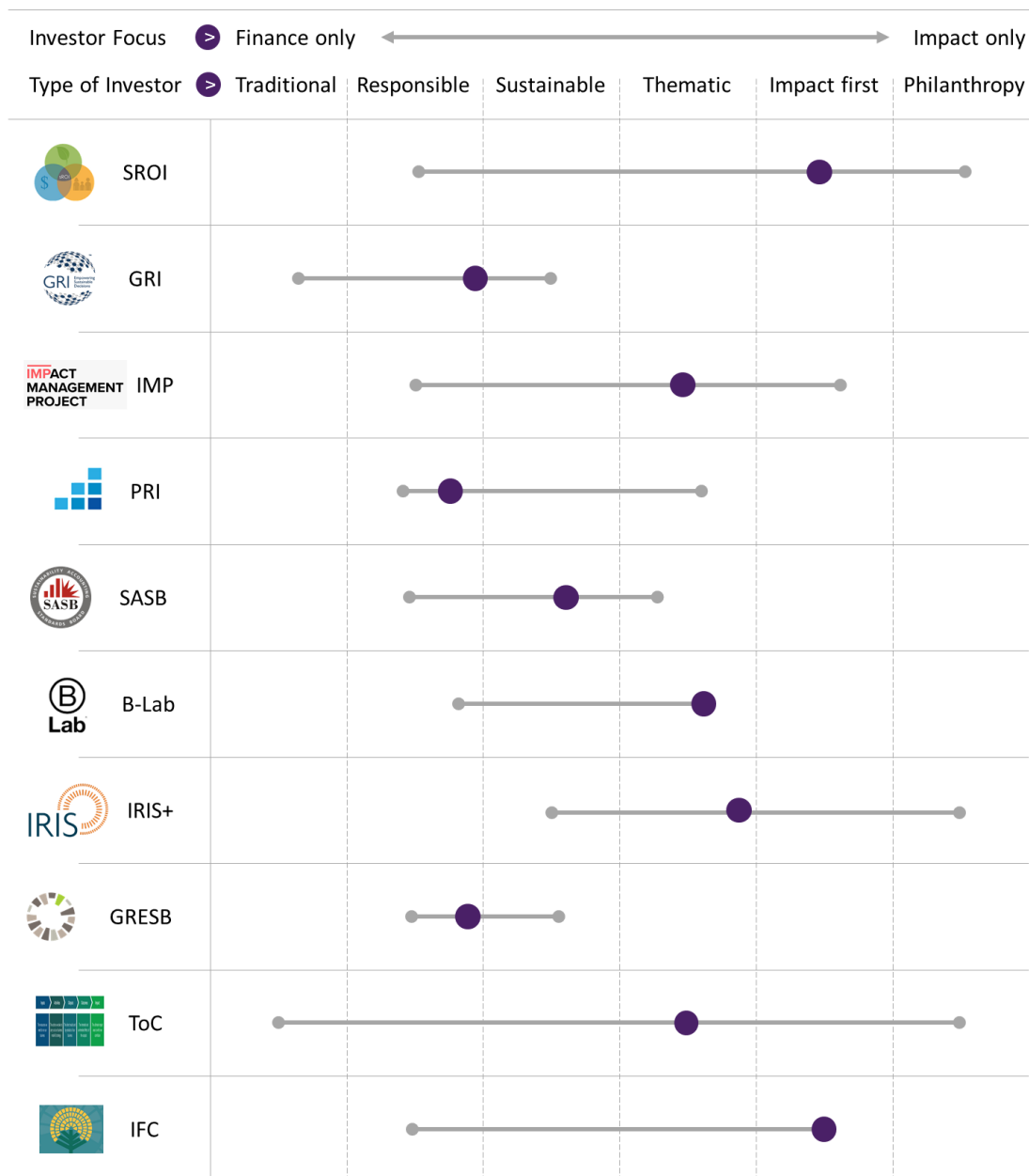


Figure 5.1: Tools and frameworks ranked along the finance only to impact only spectrum. The lines represent how broad the spectrum of each tool or framework is whereas the dots show where, in this spectrum, the framework or tool is most focused

The tools and frameworks differ quite significantly along the spectrum of finance only to impact only investment compatibility. Arguably, it is convenient to implement frameworks with a wide range of uses along this dimension. The reason for this is that the real estate industry in Sweden is currently moving from left to right in this spectrum. Consequently, it is important for companies both to satisfy the traditionally focused needs of today and simultaneously ensure a competitive edge in satisfying the impact needs of the future. Combining tools and frameworks like, PRI and GRESB with SROI and IFC, is according to this way of thinking, desir-

able. In addition to implementing a "portfolio" of different frameworks, it might be advantageous that the specific frameworks that you use, themselves, span a large part of the spectrum (like SROI, IMP, IRIS+ and ToC).

5.2 Specific to high-level concept - dimension

Figure 5.2 illustrates a ranking of the same ten tools and frameworks addressed in the previous Section 5.1 according to their level of concept. Which means that the different frameworks are positioned in a field with regards to their level of coverage within the investment process. Frameworks that locates to the left, has a more specific purpose in the investment environment, e.g., IRIS+, which is a metric system. Frameworks that on the other hand is on the right side has more high-level propose, and can hence cover multiple functions in the investment process, e.g., SROI which basically cover the whole investment process from planning to reporting. Another aspect of the field is that being more specific correlates with delivering quantitative output while being more high-level is linked much more to subjective output.

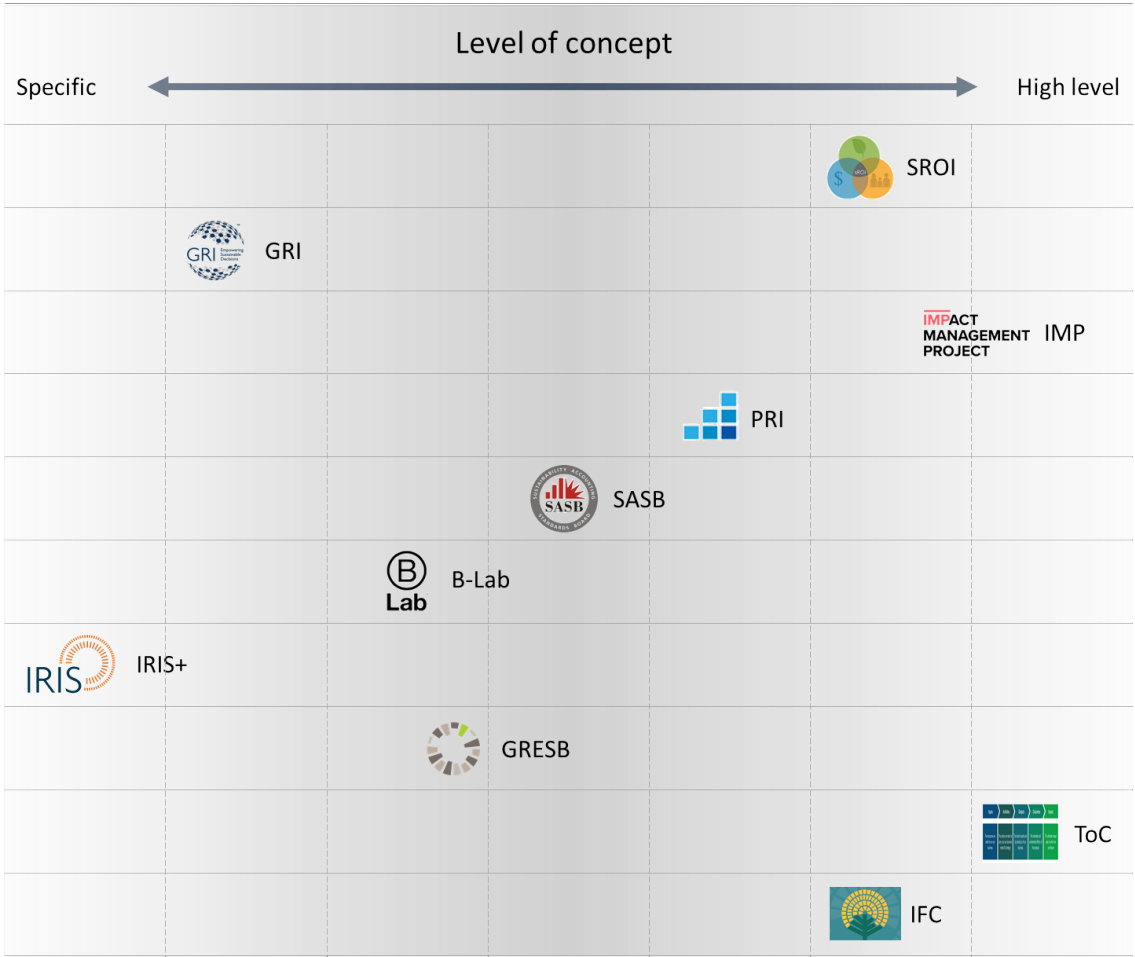


Figure 5.2: Tools and frameworks ranked along the Specific to High-level spectrum

Along the reasoning of the Finance only to Impact only dimension, using a wide

variety of tools and frameworks can stipulate a competitive advantage for the single real estate company. Implementing both specific (i.e. IRIS+ or GRI) and high-level (i.e. ToC, SROI, IMP and IFC) tools and frameworks thus can be considered desirable.

5.3 Ranking of the remaining frameworks

Based on the two sections above, GRI and ToC is excluded for the next analysis. ToC is left out since it works as a foundation for many of the other frameworks, especially high-level frameworks like SROI and IMP, and we believe that its features are matched by the others. Furthermore, ToC alone is, in many aspects, an approach that is too high-level for this subsequent analysis. GRI is, on the other hand, left out since it is too ESG focused.

To further narrow down, we analyse the remaining tools and frameworks with a ranking system based on five factors. These factors were introduced in Section 3.1 and can be seen in short in the Figure. In the ranking system, each framework has appointed a score from 0 to 3 for each different factor. These scores are then summarised into an aggregate score, where a high score indicates that the framework suites the profile identified as desired.









Factors	Frequency of usage by impact investors	Relevance to the Swedish real estate industry	Probability of becoming standard practice	Clarity for different stakeholders	Ease of implementation and usage	
 SROI	1	2	2	3	3	11
 IMP	3	3	3	2	3	14
 PRI	2	2	2	1	2	9
 SASB	1	2	1	1	1	6
 B-Lab	1	2	0	3	2	8
 IRIS+	3	3	3	3	3	15
 GRESB	1	3	2	3	2	11
 IFC	2	1	3	1	2	7

Figure 5.3: Analysis of Tools and frameworks based on the five factors presented in Section 3.1. The numbers in the circles in different shades of blue, are rankings from 0 to 3 on each factor. The numbers to the right of the table are aggregate rankings based on the sum of the individual rankings

From Figure 5.3, it is evident that our ranking results in that IRIS+, IMP, SROI, and GRESB scored the highest. Hence, this gives a foundation for further narrowing the selected list down.

5.4 Selecting the four most relevant tools and frameworks

Based on the analysis above, we have chosen to move forward with the following four tools and frameworks: IMP, SROI, IRIS+ and GRESB. The reason for selecting these tools and frameworks is partly because together they constitute a broad portfolio: both regarding the Finance only to Impact only spectrum (Section 5.1) and on the conceptual level (Section 5.2). Furthermore, each one scores high on the five-factor ranking (Section 5.3).

Selecting IMP as one of the frameworks to move further with is partly motivated because it is useful for many purposes. Firstly, it has a relatively wide span in Figure 5.1, i.e., A broad coverage in the finance only to impact only spectrum. Secondly, it is according to Figure 5.2, a high level of concept, which creates flexibility and usage in different investment aspects. Moreover, it scores 14 out of 15 on the five factors that were presented in Section 3.1 and Figure 5.3, which is the second-highest scorer.

SROI is also selected, as it spans a broader than IMP in the finance only to impact only spectrum, and much like IMP, it is also regarded as a high-level of concept. Hence it gives functions that cover many aspects of the investment process. Furthermore, SROI scores 11 in the five-factor ranking, which is a relatively good result, studying Figure 5.3. Even though IMP and SROI may seem quite comparable, looking at Figure 5.1, it can be noted that they have a slightly different focus. SROI has a more impact first focus, while IMP has a more Thematic focus.

Another selected framework is IRIS+. This is partly since it from Figure 5.1 has a reasonably wide range of uses in the finance- to impact spectrum. It also has the highest possible score with regards to the five dimension (15 out of 15). Furthermore, it balances the high-level SROI and IMP frameworks, since it is more specific in terms of the level of concept.

Lastly, GRESB was selected, partly because it is a relatively finance-focused framework and thus complements the impact-focused tools and frameworks of SROI, IMP and IRIS+. GRESB also scores 11 out of 15 on the five factors aggregate analysis. Moreover, GRESB is a quite specific framework in the manner that it is an industry-focused, specially designed for the real estate sector.

As mentioned in the first paragraph of this section, a major reason for selecting the tools and frameworks is because they span a wide range of uses and levels with regards to different dimensions. This wide span is important for any business and especially a real estate company as it ensures that the impact practise inherent to

the company can span a wide range of projects and purposes. In that sense, the impact investing practice of the company becomes more flexible and robust since it covers a large area of use. Furthermore, since the tools and frameworks some shares common features, and are intertwined and related to each other, the practical utilisation of the tools and frameworks are raised. We believe that the tools and frameworks together will be specific enough to handle specific real estate investment projects as well as being general enough to span a wide range of uses.

The reasoning presented in Section 5.1, stating that the real estate industry is currently moving from being traditional to more impact-oriented supports the notion of implementing a wide range of tools and frameworks. We argue that it is vital that the switch to becoming impact-focused needs to be rooted in the business of today. If the change is too extensive, the risk of it not being accepted within the organisation becomes high. Leveraging the ESG operations of today, like GRI reporting, for example, is an essential factor to take into considerations. Implementing GRESB, along with the impact-oriented frameworks of SROI, IRIS+ and IMP, then bridges the current sustainability work with the radical shift towards impact focus.

A deep dive into each one of the selected entities are presented in the next Chapter 6 in order to provide a more solid foundation for the recommendations on how real estate companies should implement these frameworks.

6 | Most relevant tools and frameworks for a Swedish real estate company

In this chapter, the four most relevant tools and frameworks, previously identified in Chapter 5, will be introduced and explained more thoroughly. They will be addressed in the following order: IMP, SROI, IRIS+, and GRESB. Moreover, this chapter will form the foundation that the recommendation of Chapter 7 builds upon.

6.1 IMP

The Impact Management Project, or shortened IMP, is a forum for establishing global consensus on how to compare, measure, and report ESG risks and positive impacts (IMP, 2020a). The forum consists of a practitioner community of over 2 000 organisations, and IMP's work is today a foundation on which many of the modern impact investing frameworks builds (avpn, 2020). One of IMP's most prominent contribution to the field of impact investing comes from facilitating the *IMP Structured Network*. Through this network, the members are able to collaborate and coordinate joint efforts to provide complete standards for impact measurement, management and reporting (IMP, 2020b). These Structured Network Members include international organisations like the UN, GSG, GRI, GIIN, PRI, IFC, SASB and Social Value (IMP, 2020b). The Structured Network is what ties together the whole impact investing landscape. Hence, the network is one of the reasons why IMP is such a pivotal part of the global impact movement (OECD, 2019a; OECD, 2019b).

Five dimensions of impact

In addition to the network, IMP also provides tools and frameworks that can be used in the impact management process. The most significant of these frameworks is the *Five dimensions of Impact*. This framework illustrated in Figure 6.1, is developed by the IMP's practitioner community and stresses that impact can be measured across the following five dimensions: *What*, *Who*, *How much*, *Enterprise contribution*, and *Risk* (IMP, 2020c).






Impact dimension	Impact questions each dimension seeks to answer
 What	<ul style="list-style-type: none"> •What outcome occurs in the period? •How important is the outcomes to the people (or planet) experiencing them?
 Who	<ul style="list-style-type: none"> •Who experiences the outcome? •How underserved are the affected stakeholders in relation to the outcome?
 How Much	<ul style="list-style-type: none"> •How much of the outcome occurs - across scale, depth and duration?
 Contribution	<ul style="list-style-type: none"> •Would this change likely have happened anyway?
 Risk	<ul style="list-style-type: none"> •What is the risk to people and planet that impact does not occur as expected?

Figure 6.1: Five dimensions of Impact (IMP, 2020c)

The five dimensions of the impact framework is an integral part of many organisations' impact management processes, and it constitutes a building block for many other developed tools and frameworks (IMP, 2020c). An example of this is the *15 data categories*, which is another framework developed by IMP to provide information across the five dimensions (IMP, 2020c). In that sense, it is an extension of the five dimensions of impact framework.

15 data categories

The 15 data categories enable enterprises and investors to set goals and assess performance in their impact management process. Businesses can use the impact data categories as building blocks to customise their impact management frameworks, or as a checklist to ensure that no essential pieces are missing to their existing impact management processes (IMP, 2018). Figure 6.2 below presents the 15 categories and how they are linked to the five impact dimensions.






IMPACT DIMENSION	IMPACT CATEGORY
 WHAT	<ol style="list-style-type: none"> 1. Outcome in period 2. Importance of the outcome to stakeholder 3. Outcome threshold 4. SDGs and SDG targets
 WHO	<ol style="list-style-type: none"> 5. Stakeholder 6. Geographical boundary 7. Baseline 8. Stakeholder characteristics
 HOW MUCH	<ol style="list-style-type: none"> 9. Scale 10. Depth 11. Duration
 CONTRIBUTION	<ol style="list-style-type: none"> 12. Depth 13. Duration <p><i>Accounting for the counterfactual</i></p>
 RISK	<ol style="list-style-type: none"> 14. Type of risk 15. Level of risk

Figure 6.2: 15 categories of data to assess impact performance (a description of each impact category is found in Appendix C) (British Private Equity & Venture Capital Association, 2020)

Impact classes

Another significant contribution of IMP is the *Impact classes* framework/tool. This framework is designed in collaboration with over 2 000 investors and enterprises, and it aims to group investments with similar impact characteristics together based on their impact performance data (IMP, 2020d). The impact classes offer a complementary and immediate solution to differentiating the type of impact that investments have, even when different measurement approaches are used. However, the classes are not a substitute for using granular data to understand the impact performance of a specific investment or portfolio of investments (IMP, 2020d).

The system of the impact classes, illustrated in Figure 6.3 below, is constructed by combining a horizontal x-dimension and a vertical y-dimension into a matrix system, where these two axes are represented by (IMP, 2018):

- (Y) The contribution that the investor makes to enable the enterprise (or intermediary investment manager) to achieve that impact, moreover, one of the four investment strategies: Signal that impact matters; Engage actively; Grow new or undersupplied capital markets; and Provide flexible capital.
- (X) The impact of the underlying asset or enterprise that the investment supports, moreover, one of the three categories: Act to Avoid Harm (A); Benefit Stakeholders (B); and Contribute to Solutions (C).

	Act to avoid harm	Benefit stakeholders	Contribute to solutions
Signal that impact matters + Engage actively + Grow new/undersupplied capital markets + Provide flexible capital	E.g. Ethical bond fund	E.g. Positively-screened / best-in-class ESG fund	E.g. Sovereign-backed bonds (secondary market) funding vaccine delivery to understand people or renewable energy projects
Signal that impact matters + Engage actively + Grow new/undersupplied capital markets + Provide flexible capital	E.g. Shareholder activist fund	E.g. Positively-screened / best-in-class ESG fund using deep shareholder engagement to improve performance	E.g. Public or private equity fund selecting and engaging with businesses that have a significant effect on education and health for underserved people
Signal that impact matters + Engage actively + Grow new/undersupplied capital markets + Provide flexible capital	E.g. Anchor investment in a negatively-screened real estate fund in a frontier market	E.g. Positively-screened infrastructure fund in a frontier market	E.g. Bond fund anchoring primary issuances by businesses that have a significant effect on environmental sustainability, access to clean water and sanitation
Signal that impact matters + Engage actively + Grow new/undersupplied capital markets + Provide flexible capital	<i>Investment archetypes not yet defined</i>	E.g. Positively-screened private equity fund making anchor investments in frontier markets	E.g. Private equity fund making anchor investments in businesses that have a significant effect on income and employment for underserved people
Signal that impact matters + Engage actively + Grow new/undersupplied capital markets + Provide flexible capital	<i>Investment archetypes not yet defined</i>	<i>Investment archetypes not yet defined</i>	E.g. Below-market charity bonds, or an unsecured debt fund focused on businesses that have a significant effect on employment for underserved people
Signal that impact matters + Engage actively + Grow new/undersupplied capital markets + Provide flexible capital	<i>Investment archetypes not yet defined</i>	<i>Investment archetypes not yet defined</i>	E.g. Patient VC fund providing anchor investment and active engagement to businesses that have a significant effect on energy access for underserved people

Figure 6.3: The classification matrix (IMP, 2018)

As Figure 6.3 illustrates, there are 13 impact classes currently found in the market. Again, the three types of enterprises/impact of underlying assets (A, B, C) are illustrated along the x-axis, while the y-axis shows the investor's contribution. Much like financial asset classes these impact classes, represented by boxes on this matrix, are a comparable shorthand for communicating whether the impact characteristics of an investment opportunity matches an investor's impact intentions and constraints (IMP, 2018).

Combining IMP's frameworks to make an assessment

By combining the three IMP frameworks discussed above, investors are able to make a detailed assessment of the impact performance associated with an investment.

To facilitate this kind of assessment, IMP has developed an Excel tool/template available on their website with an extensive guide on how it and other IMP tools should be used (See Appendix D for an example) (IMP, 2018). By using the tool, investors can both classify the investment in a systematic way and understand the impact effects. Finally, it should be mentioned that even if the tools and frameworks make it easier to understand and assess the impact of an investment, the impact management process still infers a lot of subjectivity (IMP, 2018).

6.2 SROI

SROI focuses on value creation, more specifically the social, environmental and financial value creation. Ultimately, SROI presents the impact in one aggregate financial measure, the so-called *SROI ratio score* (Arvidson, Lyon, McKay & Moro, 2013).

SROI was first adopted in 1997 by the Roberts Enterprise Development Fund (REDF) for comparing non-profit organisations in San Francisco (Hamelmann, Turatto, Then & Dyakova, 2017). The reason for this was that they wanted to make different investment options comparable. SROI is nowadays used by organisations throughout the world (Social Value International, 2020a). The leader of the worldwide SROI practise is the Social Value International network. Its UK organisation is, according to Erik Jannesson (Personal communication, 2020-04-08), the forerunner with around 700 of the total 1 300 members. The Social Value Network promotes the use of SROI by providing reports and guidelines accessible for free at their website (Social Value International, 2020b). One of the most significant contributions to the SROI field is the influential report released in 2012 by the name of *A guide to Social Return on Investment* (Nicholls et al., 2012).

SROI is an approach based on outcomes, and hence the approach has its focus on actual impact and not outputs (Jannesson, 2012). The method is based on stakeholder involvement and analysis, as well as ToC to emphasise the value that activities create (Nicholls et al., 2012). It is one of a few methods that assign a financial value to the outcomes that lack market value (monetising impact) (Jannesson, 2012). Expressing outcomes in monetary terms creates a legitimate language of communication (Fischer, 2020). This enhances the possibility that resources get allocated based not only on financial- but also social- and environmental responsibilities (nef, 2008).

Furthermore, there are two types of SROI (Nicholls et al., 2012, page 8):

- **Evaluative:** "Conducted retrospectively and based on actual outcomes"
- **Forecast:** "Predicts how much social value will be created if the activities meet intended outcomes"

An SROI analysis consists of six main steps. When conducting an SROI analysis, these steps include a lot of subjective judgment and deliberation (Nicholls et al., 2012). In order to handle the subjectivity of the approach, there are seven principles

which are meant to guide the SROI analyst to a well-performed, transparent and credible analysis (Nicholls et al., 2012). The six steps and seven principles can be seen in Figure 6.4 below.

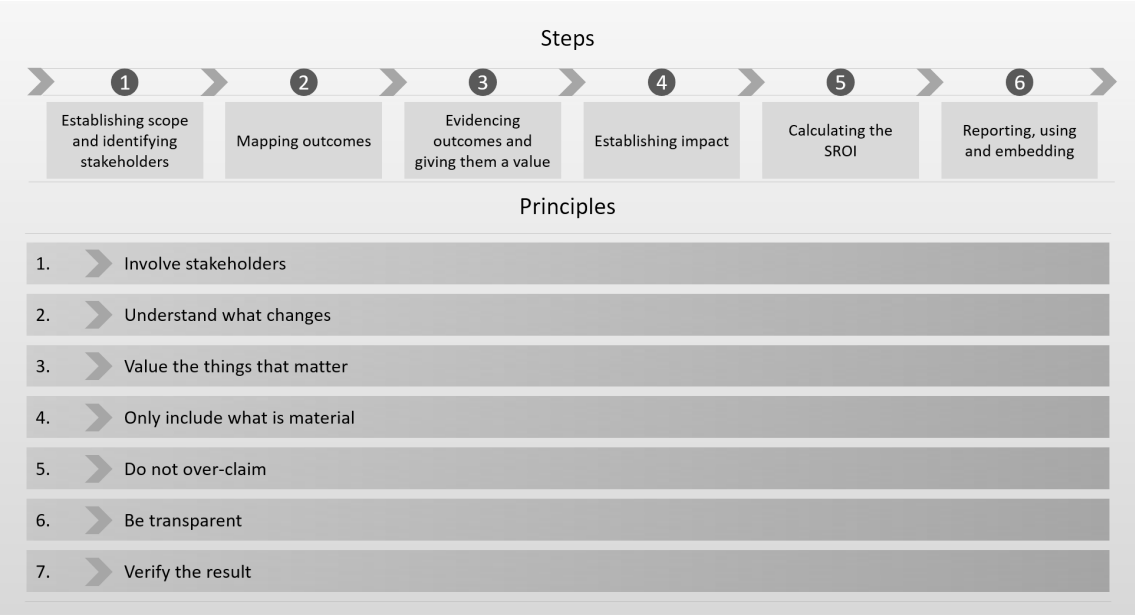


Figure 6.4: The six steps and the seven principles of SROI

It is important to note that there are six stages of SROI, where reporting is one of the stages (Nicholls et al., 2012). This indicates, as previously mentioned in Chapter 6, that reporting is only one part of a greater whole when it comes to impact investing. As part of the research process, Erik Jannesson (Personal communication, 2020-04-08) a consultant at Serus (a Swedish SROI consultancy firm) and PhD from Linköping University was interviewed. Among other things, he stated that when helping organisations to implement SROI, he rarely used, or informed them of the stages anymore (Personal communication, 2020-04-08). However, he found that the principles were very useful in implementing and working with SROI (Personal communication, 2020-04-08).

The reporting part of SROI results in a ratio of benefits to costs (Nicholls et al., 2012). For example, a ratio of 7:1 indicates that an investment of 1 SEK delivers 7 SEK of social value. The numerator of the ratio is the aggregate sum of all impacts (positive and negative) assigned to the project, and the denominator is the monetary investment in the project (Nicholls et al., 2012). Part of the reason for focusing on SROI is that, in the case of real estate companies, it can be easily implemented in the organisation. Figure 6.5 below illustrates the simplicity of an SROI report using the SROI ratio.



Figure 6.5: Example of SROI score from Bromford's 2015 Social Value report (Bromford, 2015)

SROI is an easy-to-use measure that can be calculated on a portfolio- and a project basis (Nicholls et al., 2012). Since it is a well-known measure used across several industries on a global level, it is a suitable measure for external comparison of different companies and projects. This is because monetisation provides a common language that enables conversations across the finance, management and impact communities and sharpens discussions within the impact community itself (Jannesson, 2012).

There are, however, some downsides to using SROI. For example, the monetisation of the impact (calculating the numerator of the ratio) is a subjective process as with all estimation activities (Rauscher, Schober & Millner, 2012). Different stakeholders (and companies) may value outcomes differently, which in turn might affect the validity of the measures negatively (Fischer, 2020). There are also several additional risks to reducing the social impact to a single number (Fischer, 2020). Erik Jannesson (Personal communication, 2020-04-08) confirmed that there are risks associated with limiting impact to a single aggregate number. He also pointed out that it is important to understand the underlying factors behind the measure. He further stressed that not all effects can be measured in monetary terms but are instead a matter of individual perceptions.

On the other hand, Jeremy Nicholls, founder of Social Value UK, makes a valid point when he describes SROI as having "Enough precision for the decision" (Fischer, 2020, page 4). This means that although it is not a perfect measure, it is "good enough" for making decisions. The upsides are associated with the easiness of calculation and the fact that understanding SROI is intuitive to all kinds of stakeholders (Jannesson, 2012). A ratio of social value to invested capital is fairly straight-forward and easy to grasp, even for the non-knowledgeable stakeholders (e.g. municipalities).

Potential implications for a Swedish real estate company

Displaying social impact results with the help of SROI will, according to this paper, enable better external communication of social impact. The research of this study indicated that it could constitute a way of displaying social impact on an understandable level for all stakeholders - especially communication with municipalities. By presenting the social value, in monetary terms, that a specific project can create, a decision basis for winning investors trust could be set. Furthermore, showing what SROI an organisation has managed to get out of previous projects can also add value to the process of winning new projects.

6.3 IRIS+

IRIS+ is a free, publicly available resource that was launched by the GIIN in 2019, with the aim of providing companies with a common understanding of how to measure and manage their impact effectively (IRIS, 2020b). It builds on the IRIS Catalog of Metrics founded in 2009 (IRIS, 2016). The purpose of IRIS is to provide companies and organisations with a set of metrics to measure impact, specific to their business situation (IRIS, 2020a). According to Amit Bouri, chief executive of GIIN "IRIS+ is meant to translate impact investing goals like gender equity, climate change and affordable housing into results" (Sullivan, 2019, page 1). In addition to making the impact investing process more straight-forward, IRIS provides legitimacy to the user in the sense that it is a well-known system, used throughout the world (Harji & Jackson, 2012).

As a system, IRIS builds on the Five IMP dimensions of impact and ToC (GIIN, 2020a). Furthermore, IRIS is connected to other resources like Aeris, GRESB and JPAL through the impact toolkit, which is a collection of Methods, Systems, Data sources and Indicators used in various parts of impact investment (GIIN, 2020b). Using IRIS does not result in a certification or performance rating. Instead, the IRIS metrics provide a foundation for any impact measurement system.

According to the study conducted by the GIIN in 2019 and presented in Section 2.5, out of 257 respondents, 48 percent used IRIS Catalog of Metrics (and 38 percent used IRIS+ although it was launched less than 12 months before the questionnaire was sent out) (GIIN, 2020a). Second, only to the SDG:s (72 percent), IRIS was the most common framework/tool used by impact investors (GIIN, 2020a). The GIIN-study also showed that many respondents seek to gain comparability and standardisation from using these types of impact investing tools and frameworks (GIIN, 2020a).

Even though Amit Bouri hoped that IRIS+ would "...serve as a one-stop-shop for investors seeking to understand how a particular goal can, or cannot, be accomplished through a particular investment", this has not been the case in reality yet (Sullivan, 2019, page 1). Hence there is downsides to it.

Potential implications for Swedish real estate companies

The research of this study suggests that real estate companies could reap benefits from using IRIS+ in two ways. Firstly, they could use it to generate a set of proven metrics and crucial indicators for their projects. These metrics could, for example, be used as inputs in their Sustainable Development Strategy in addition to their existing metrics. The second benefit is that IRIS can provide legitimacy to the impact investing process. The fact that standardisation and comparability is an essential part of the impact investing landscape cannot be stressed enough (Höchstädter & Scheck, 2015).

6.4 GRESB

Global Real Estate Sustainability Benchmark, or GRESB for short, is primarily an ESG reporting initiative rather than an impact investing reporting tool or framework (Nareit, 2019). Furthermore, it is an industry-specific benchmark for Real Assets (Bosteels & Sweatman, 2016). In other words, it is used to compare different organisations within the real estate industry. GRESB was established in 2009 by a group of large pension funds who wanted to have access to comparable and reliable data on the ESG performance of their investments (GRESB, 2020a). Since then, it has increased in size, and now covers \$4.5 trillion in real estate and infrastructure value and is used by more than 100 institutional and financial investors in their decision making (GRESB, 2020a).

GRESB issues a survey in April each year, in which real estate companies have three months to answer questions regarding three components: Performance, Management and Development (Ellis, 2020). The truthfulness of the information validated in a thorough checking process, and the results of the survey are published in September (Ellis, 2020). Any real estate company that signs up to the annual survey receives a *GRESB Benchmark Report*, in which the *GRESB score* (a score from 1 to 100) is disclosed along with detailed data from specific parts of the survey assessment (GRESB, 2020b). Furthermore, the GRESB score is compared to the industry average and the geographical region (Keeris & Langbroek, 2019).

Although GRESB is internationally recognised, in Sweden, it has not yet gained as great of a foothold (Lindbohm, 2019). However, some companies are using GRESB for comparing themselves with others, and some investors are also using GRESB as part of their due diligence (Kriegsman, Garcia & Cui, 2019). The number of Swedish companies participating in GRESB is increasing, and a significant portion of them are among the best in the world, according to the benchmark (Lindbohm, 2019). One example is Vasakronan, which was ranked the number one company in Europe according to their 2018 GRESB report (Denell, 2018). Another example is Hufvudstaden, assessed by GRESB since 2018, who also scored high and was given a GRESB five-star rating in recognition of becoming an industry leader in sustainability performance (Wall, 2019). Moreover, large investors, like Första AP-fonden, uses GRESB data to optimise the risk/return profile of their investments (AP1, 2020).

It should, however, be mentioned that GRESB focuses primarily on the environmental aspects of ESG at the expense of Social and Governance factors (Brounen & Marcato, 2018).

Potential implications for Swedish real estate companies

The GRESB report could be a great way for a company to compare its ESG performance with the rest of the industry. Furthermore, if scoring good, it could create advantages in many aspects against competitors, not the least as potential investors seem to be increasingly familiar with the benchmark.

The advantage of using GRESB was partly confirmed in an interview with Anna Denell (Personal communication, 2020-04-14), Sustainability Director at Vasakronan AB. She argues that although answering the GRESB survey can be time-consuming, it is worth it in the end. There are several reasons for this, according to Anna. One reason is that it enables insight into what the rest of the industry is doing and how competitors are performing. Another reason that she stressed was the possibility to benchmark business performance against the rest of the industry. A third positive aspect mentioned by Anna was that while Vasakronan is working with GRESB, they are also doing business development. Thereby, some expenditures associated with the business development of sustainability, like hiring external consultants, can be excluded. Hence, in summary, Anna points out that Vasakronan considers their work with GRESB as time well spent.

Additionally, even though Anna mentioned that GRESB is time-consuming, she stresses that it is not as bad as many practitioners think. She informs that companies who have a robust way of reporting sustainability in the first place, can leverage this way of reporting and that many questions in the survey than can be answered in a quite straight-forward. Lastly, Anna argues that one can always reconsider whether spending time and money on GRESB is worth the investment on an annual basis in order to decide between continuing or quitting.

7 | Recommendation and implementation

In this chapter, recommendations, as well as following motivations, will be presented on how, according to this paper, Swedish real estate companies should incorporate the impact practice into their businesses.

7.1 Recommendation

Form this study, the optimal way for a real estate company to implement impact investing in their business is believed to be through the use of SROI supported by IRIS+ and IMP. The main argument for this recommendation is that it would allow for both a systematic impact management approach and a comprehensive way to report an aggregated measurement. Table 7.1 below summarises the tools and frameworks as well as presenting their area of use.

Area of use	Framework/Tool
Underlying framework	Impact Management Project (IMP)
Key metrics generation	IRIS+ by the Global Impact Investing Network (GIIN)
Reporting	Social Return on Investment (SROI)
Comparison/business development	Global Real Estate Sustainability Benchmark (GRESB)

Table 7.1: Summarised recommendation

Besides, it is suggested that any real estate company should investigate further how the organisation can define impact on an aggregated corporate level. From the research of this paper, it is strongly believed that having a shared understanding of impact is vital for any organisation aiming to succeed in implementing impact investing. To succeed with this, Bridges Impact+ and Skopos Impact Fund's Impact management approach is argued to be a comprehensive path to follow. Furthermore, it is also believed that a Swedish real estate company have much to gain from participating in GRESB. This is because it enables the company to be comparable with other real estate corporations in the ESG landscape as well as to understand better the organisations own ESG value. To anyone further interested in how these practices can be implemented are encouraged to look into Appendix E, and the case studies presented on each framework.

7.2 Motivation for the recommendation

The research of this study has shown that in order to have a robust impact investing practice, three parts are needed that are somewhat intertwined and build upon each other. To begin with, an underlying framework for the overall impact investing practice is needed. Here the IMP framework, building upon ToC, is suggested since it arguably is the most widely used. By combining IMP with SROI, one can generate a comprehensive overall process. In addition to an underlying framework, a tool or process to generate metrics or key performance indicators is needed. For this purpose, it is recommended to use a framework or system that provides legitimacy and that enable benchmark against other projects and actors. Therefore, IRIS+ is suggested as it is the most recognised metrics generation tool.

Moreover, a reliable reporting tool to disclose the impact in a comprehensive and understandable way is needed. The SROI benchmark delivers an aggregate measure as well as a method to disclose the results regarding impact. In addition to being a reporting tool, SROI provides a framework for calculating the effects of impact investing projects. Hence, SROI is recommended to be used in the regards of reporting.

To further motivate the recommendation above, IMP would be employed as a high-level framework of which the effects of impact would be assessed. The reasoning behind recommending implementation of IMP practises is that much of this paper's research implies that it is one of the frameworks most likely to become standard practice in the industry. Furthermore, a significant advantage is that the dimensions of IMP provide a much-needed structure to the impact investing practice, especially to the impact management process. By applying IMP and their five dimensions of impact to the impact approach, organisations can in a systematic way, both discover and observe the direct and indirect impact performance of an investment.

IRIS+ would be used as a way of generating measurable metrics. Working with SROI implies a lot of subjectivity in monetising the effects of impact, and using IRIS would be a way of mitigating this subjectivity. Furthermore, it provides legitimacy in the choices and quantification of the metrics. The effects of these metrics would then be assessed and summed up (along with possible negative impact). The sum of all impact effects would be the denominator of the SROI ratio. The SROI ratio could then be disclosed as part of a sustainability report, in the way that, for example, Bromford does. However, using the SROI ratio is not a substitute for disclosing performance with regards to specific metrics, as highlighted by Erik Jannesson at Serus (Personal communication, 2020-04-08).

Regarding GRESB, there are three main reasons for why any real estate company should participate in the annual report. Firstly, Swedish real estate companies tend to do well in GRESB compared to international organisations. Secondly, there are several international and Swedish investors, like Första AP-fonden, that uses GRESB values as part of their investment valuation process. Hence, being part of GRESB can constitute a competitive advantage for real estate companies if they

score well. Thirdly, much like Vasakronan, the time put down on working with GRESB will be time well spent, in the sense that it aids sustainable business development in several ways.

8 | Discussion

Overall the study constitutes an addition to the academic field in providing an overview of the impact investing landscape at the time of writing. Furthermore, based on this overview, it suggests an implementable recommendation using various established tools and frameworks. It should, however, be mentioned that since the field of impact investing is very new and above all, very dynamic, the report faces the threat of becoming outdated relatively quickly. Nonetheless, as the research question concerns the present as well as the "near future," it is in line with the purpose. In that sense, it provides a snapshot of what the landscape looks like at the moment of publication.

As of today, there is no standardised framework for impact investing, like GRI is for ESG, although the "GRI of impact investing" might emerge within the next few years. One fact supporting this argument is that several initiatives for standardising impact reporting have appeared recently from international organisations, like IFC and the UN. The dominant notion amongst these organisations, however, seems to be that in order for such a framework to become successful, it has to arise organically in the market place rather than being a consequence of legislation.

This notion that the market itself will solve the market failure is according to the theory of market failures somewhat unlikely because a market rarely solves a market failure by itself. Regardless, the market seems to trust social entrepreneurs to come up with approaches, tools and frameworks aimed at standardising the impact investing practise and reporting. Although this might be reasonable since the approach will be a product of the very market it is aimed for, we think that it is risky to solely trust the implementation of impact investing on a global scale to social entrepreneurs. However, social entrepreneurs will undoubtedly play a vital part in the forming of the future impact investing landscape.

The market failure addressed in this paper is the phenomenon of not providing the world with enough funding for sustainable projects to achieve optimal social value. Although the fact that market failures create immobility in the markets, it could constitute a valid reason for legislation to interfere. The balance between legal supervision and market power is somewhat delicate as there could be a risk of a Catch-22 situation.

As of this moment, a Pareto optimum seems to have appeared in the marketplace. This Pareto optimum implies that all actors would benefit from a shift towards impact investing. However, if everyone does not make a change, single actors might not benefit from changing their ways since they will consequently move away from their finance focus by doing so. The assumption that moving from finance focus to impact focus diminishes financial returns is somewhat arguable. The reason being

that some practitioners and experts state that sustainable development does not contradict financial returns. However, this study has not found any evidence supporting the fact that impact investors yield better financial returns than finance first investors.

Ultimately, impact investing is a way of achieving sustainable development in the real estate industry, as for other industries, using investments as a tool. Thereby, it is the ambition that this paper will act as a means to a higher-end in changing the business field towards fighting climate change and social injustices. As part of being of use to the academia and businesses, this study hopes to mitigate the knowledge gap between the more established ESG investing and impact investing by accounting for their similarities and differences. In doing so, this study hopes to ease the implementation of impact investing for businesses.

8.1 Future research

As it is realised that impact investing is a rapidly changing field, there is a need for frequent future overviews of the landscape (like the one provided in this study) in order to keep the academic- as well as the business field updated. Furthermore, research studies on different industries and geographical regions would be interesting in order to determine the generalisability of this paper across fields and regions. Such studies would also constitute aids in the global debate of impact investing. In summary, possible future research studies could aim to broaden the view of impact investing both in the geographical- and the time dimension.

8.2 Limitations

The limitations of this study mostly come from a lack of first-hand interviews. Due to the recent outbreak of the new Corona-virus, setting up first-hand meetings and especially face-to-face meetings has been a struggle. This is the reason why interviews were only conducted with eight interviewees in the study. Consequently, it limited the study in the sense that less first-hand data from practitioners and experts than desired was incorporated in the research.

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List of Appendices

Appendix A: Homepages of Figure 4.4	79
Appendix B: Additional initiatives	80
Appendix C: IMP - 15 categories of data with descriptions	81
Appendix C: Scaled up IMP example	82
Appendix E: Case examples of tools and frameworks	84

Appendix A: Homepages of Figure 4.4

Framework or Tool	Homepage or Provider
SROI	Click here
IMP	Click here
PRI	Click here
SASB	Click here
B-Lab	Click here
IRIS+	Click here
GRESB	Click here
ToC	Click here
IFC	Click here

Table A.1: List of tools and frameworks, and corresponding homepage for each of them

Appendix B: Additional initiatives

Additional initiatives are presented in the Figure below, along with a brief explanation of each one.










Initiatives	Summarized description
 UNEP FI	UNEP FI is a partnership between UNEP and the global financial sector which supports global finance sector principles to catalyse integration of sustainability into financial market practice
 SDG Impact	SDG Impact is a UNDP flagship which aims to provide investors, businesses and others with unified standards, tools, and services required to authenticate their contributions to achieving the SDGs
 CASE Smart Impact	Online toolkit for professional impact investing training, relevant for investment in non-profit and for-profit enterprises, at any stage, any impact area, in any industry. The platform is run by the Centre for the Advancement of Social Entrepreneurship (CASE) at Duke University
 IWAP at HBS	The Impact-Weighted Accounts Project at Harvard Business School, is to drive the creation of financial accounts that reflect a company's financial, social, and environmental performance
 IMP+ACT Alliance	The IMP+ACT Alliance is a public good technology initiative aiming to provide information about impact performance of investments while supporting with a digital system for reporting impact- management and measurements
 RICS	The Royal Institution of Chartered Surveyors is a professional body with 125 000 members, promoting and enforcing the highest international standards in the valuation, management and development of land, real estate, construction and infrastructure
 Value Balancing Alliance	A new non-profit organisation created by several international companies, the big four, the OECD, leading universities, and other societal stakeholders. The alliance's objective is to create a global impact measurement standard and to provide impact guidance
 Community-Wealth.Org	Brings together information and best practice about a broad range of community building activities, i.e. impact investing for real estate
 CLES	The Centre for Local Economic Strategies (CLES) is UK's national organisation for local economies – developing progressive economics for people, planet and place

Figure B.1: List of additional initiatives

The Value Balancing Alliance is one initiative of particular interest. This because several prominent universities; like Harvard Business School and Oxford University as well as four well-known pro-bono consultants; Deloitte, EY, KPMG and PwC are involved with this organisation.

Appendix C: IMP - 15 categories of data with descriptions

Impact data category	Description
1. Outcome level in period	The level of outcome experienced by the stakeholder when engaging with the enterprise. The outcome can be positive or negative, intended or unintended.
2. Outcome threshold	The level of outcome that the stakeholder considers to be a positive outcome. Anything below this level is considered a negative outcome. The outcome threshold can be a nationally or internationally-agreed standard.
3. Importance of outcome to stakeholder	The stakeholder's view of whether the outcome they experience is important (relevant to other outcomes). Where possible, the people experiencing the outcome provides this data, although third party research may also be considered. For the environment, scientific research provides this view.
4. SDG or other global goal	The Sustainable Development Goal target or other global goal that the outcome relates to. An outcome might relate to more than one goal.
5. Stakeholder	The type of stakeholder experiencing the outcome.
6. Geographical boundary	The geographical location where the stakeholder experiences the social and/or environmental outcome.
7. Outcome level at baseline	The level of outcome being experienced by the stakeholder prior to engaging with, or otherwise being affected by, the enterprise
8. Stakeholder characteristics	Socio-demographic and/or behavioural characteristics and/or ecosystem characteristics of the stakeholder to enable segmentation
9. Scale	The number of individuals experiencing the outcome. When the planet is the stakeholder, this category is not relevant.
10. Depth	The degree of change experienced by the stakeholder. Depth is calculated by analysing the change that has occurred between the "Outcome level at baseline" (Who) and the "Outcome level in period" (What).
11. Duration	The time period for which the stakeholder experiences the outcome
12. Depth counterfactual	The estimated degree of change that would have happened anyway - without engaging with, or being affected by, the enterprise. Performance of peer enterprises, industry or local benchmarks, and/or stakeholder feedback are examples of counterfactuals that can be used to estimate the degree of change likely to occur anyway for the stakeholder.
13. Duration counterfactual	The estimated time period that the outcome would have lasted for anyway - without engaging with, or being affected by, the enterprise. Performance of peer enterprises, industry or local benchmarks, and/or stakeholder feedback are examples of counterfactuals that can be used to estimate the duration likely to occur anyway for the stakeholder.
14. Risk type	The type of risk that may undermine the delivery of the expected impact for people and/or the planet. There are nine types of impact risk.

Figure C.1: IMP - 15 categories of data with descriptions (IMP, 2020c)

Appendix D: Scaled up IMP example

INSTRUCTIONS:						
<p>This optional template assists an asset owner/manager in assessing the impact of each important effect for each enterprise, by organising impact data across the 15 impact categories. By collating these effects into the enterprise, and then product level, investors can classify the enterprise impact of the product as a whole. If the data across the dimensions already clearly organised in management systems and/or third party ratings, and therefore the impact classification of the enterprise (A, B or C) is easily identified, this sheet may not be required.</p> <p>Step 1: Per enterprise, identify the important effects on people and planet. Create one copy of this template per important enterprise effect.</p> <p>Step 2: Complete the data as indicated in the table. A suggested impact classification will be calculated based on answers given. For more information on how the impact classification is assigned, see page 7 of <i>A Guide to Classifying the Impact of an Investment</i>.</p> <p>Step 3: Once the impact of each important effect has been classified, the impact of the enterprise can be determined. For guidance on classifying an enterprise, based on the impact of its effects, see page 7 of <i>A Guide to Classifying the Impact of an Investment</i>.</p> <p>Step 4: Capture the impact of the investment in the Classification Matrix tab.</p>						
Product Name: Example Domiciliary Care Enterprise		Enterprise Name: Example Domiciliary Care Enterprise	Effect # 1	Effect Description: Sub-group of workers earn increased wages	Suggested Classification: Contribute To Solutions	
Dimension	Impact category	Definition	Raw data indicator	Value in period	Assessment	Data source
What	1 Outcome	The outcome experienced by the stakeholder when engaging with the enterprise. The outcome can be positive or negative, intended or unintended.	Income / hour	£9.50	Positive, Intended	Company Data
	2 Outcome threshold	The level of outcome that the stakeholder considers to be positive or good enough. The threshold can be a nationally- or internationally-agreed standard.	Living wage / hour	£8.75		UK LWF
	3 Importance of outcome to stakeholder	Stakeholders' view of whether the outcome they experience is important	Survey results (5 = very important)	Mean = 5	Important	Annual Survey
	4 SDG	The Sustainable Development Goal(s) that the outcome relates to, along with the specific target(s)	n/a	8.5.1		UN
Who	5 Stakeholder	The type of stakeholder experiencing the outcome	n/a	Employees		Company Data
	6 Boundary	The geographical location where the stakeholder experiences the social and/or environmental outcome. Other attributes other than the geographical location can be used to define the boundary.	Country/region	UK, North West		Company Data
	7 Baseline	The level of outcome experienced by the stakeholder prior to engaging with the enterprise	Income / hour in prior period	£8.21	Undeserved	Company Data
	8 Stakeholder characteristics	Socio-demographics and behavioural characteristics of the stakeholder to enable segmentation during the intervention	TBC	TBC		Company Data
How much	9 Scale	The number of individuals experiencing the outcome	Total number of employees	748	Small Scale	Company Data
	10 Depth	The degree of change experienced by the stakeholder, versus the baseline	Income/hour of £9.50 vs £8.21	116%	High Degree of Positive Change	n/a
	11 Duration	The time period for which the stakeholder experiences the outcome	Average tenure of employees (months)	38.00	Long Term	Company Data
Contribution	12 Depth	Depth is the estimated degree of change that would occur anyway for the stakeholder	Domiciliary care industry benchmark: average wage / hour	£8.28	Likely Better	Industry Statistics
	13 Duration	Duration is the estimated time period that the outcome would last for anyway	Domiciliary care industry benchmark: average tenure (months)	14		Industry Statistics
Risk	14 Risk Type	The type of risk that may undermine the delivery of the outcome	n/a	Endurance Risk	Low Risk	
	15 Risk Level	The level of risk, factoring in the severity and likelihood		Low Risk		
Suggested Classification: Contribute To Solutions						

Figure D.1: Scaled up IMP example

Figure C.1 shows an illustrative example of an assessment using the template. It covers the investment effect of a sub-group of workers earning increased wages. From the assessment, investors can see some of the sub-effects that the workers will experience. It is also possible to determine the impact class of the effect, which in this case is that it is *Contribute to Solutions*.

Appendix E: Case examples of tools and frameworks

IMP examples	Source to case
IIG's Impact Report: Illustrates how the IMP norms have helped them to screen investments, and manage and assess its impact performance	Click here
Sopact's guide on five impact dimensions. The site also contains a link to Sopact's impact guide	Click here

Table E.1: IMP example cases

IRIS+ examples	Source to case
The best way to learn about IRIS+, since it is free, is to explore the system hands-on by creating an own account	Click here to start an account
Guide how to use IRIS+ together with IMP	Click here

Table E.2: IRIS+ example cases

SROI examples	Source to case
Bromford Social Value report: Bromford is a housing association – one of the biggest in the UK, with 44,000 homes	Click here
BC Housing works in partnership with the private and non-profit sectors to develop a range of housing options. They have several documents showing SROI in practice on their webpage	Click here for SROI Summary Report Click here for SROI Analysis Click here for more from BC Housing

Table E.3: SROI example cases

GRESB examples	Source to case
Kilroy realty cooperation GRESB re- port	Click here
Vasakronan's statement on their rating for 2019	Click here
EQT Real Estate's statement on their rating for 2019	Click here

Table E.4: GRESB example cases

Other interesting examples	Source to case
UNEP FI Property Working Group: Positive impact real estate investment framework	Click here
Bridges Impact Report 2017	Click here

Table E.5: Other interesting example cases

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