Equality Impact Investing

From Principles to Practice

Authors: Ceri Goddard, Owen Dowsett and Katherine Miles

Social Investment Business

EQUALLY OURS

Connect Fund
Building a better social investment market

Dartington

school for social entrepreneurs dartington

About the Equality Impact Investing Project

The aim of the ***Equality Impact Investing Project*** is to explore and advance ways to increase the positive equality impact of the social impact investing movement. Initiated in 2016, and since then also hosted by the Dartington Hall Trust, it is currently a partnership between the Trust, Equally Ours, Social Investment Business, and Dartington School of Social Entrepreneurs. However, the EIIP also collaborates with, and brings together, a wider range of social impact investment and equality and human rights actors.

Acknowledgements

We are grateful to our grant funder the ***Connect Fund*** and financing partner Social Investment Business, without whom this research and report would not have been possible. Thank you also to the members of the EII steering group for their insight and input: Ali Harris and Katherine Knox, Equally Ours; Kirsten Mulcahy, Social Investment Business; Gemma Rocyn Jones, Big Lottery Fund/Social Investment Diversity Forum; and Dirk Rohwedder, Dartington School for Social Entrepreneurs.

We also extend our gratitude to the many other individuals and organisations who completed surveys, shared material and/or spoke to us as part of the research.

Design by Kath Grimshaw

Index

Introduction

Greater equality could deliver a range of transformative social, economic and cultural benefits and is considered critical to sustainable development.[1] Current levels of inequality are one of the greatest challenges of our time limiting millions of individual lives and our collective potential.[2]

Impact Investing seeks to tackle such challenges by generating a positive social return alongside a financial return. Social impact investment (SII) seeks the same but with a focus on investing in social purpose organisations to help them increase their impact.

The Equality Impact Investing Project (EIIP) was created to explore and maximise the potential of the social impact investing movement to advance equality and tackle inequality. Bringing together partners and collaborators from both social impact investing and equality and human rights, this report is its inaugural publication.

"Inequalities based on income, sex, age, disability, sexual orientation, race, class, ethnicity, religion and opportunity continue to persist across the world, within and among countries. Inequality threatens long term social and economic development, harms poverty reduction and destroys people's sense of fulfilment and self-worth. Most importantly, we cannot achieve sustainable development and make the planet better for all if people are excluded from opportunities, services, and the chance for a better life."

- UN Sustainable Development Goal 10 – 'Reduced Inequalities'

What's this report about?

This report does three things. Firstly, it defines Equality Impact Investing (EII), what it implies and involves, both in theory and in practice, and what conditions help it to flourish.

Secondly, it assesses the extent to which these conditions exist, and that EII approaches are being used in UK social investment. In particular, but not exclusively, assessing if Voluntary, Community or Social Enterprise (VCSE) organisations with an equality focus are, or could be, benefiting.

Thirdly, we make recommendations on how conditions for a flourishing EII market could be advanced generally, and how the VCSE equality sector could be better engaged.

Why did we produce it?

The global impact investing market is estimated at $502 billion.[3] In 2017, the UK social investment market was valued at over £2.3 billion,[4] 74% of which has been invested in asset-locked charities and social enterprises.

Whilst increasingly, social investors are focused and acting on diversity impact[5] - both within investor ranks and via their investments - this is only one aspect of advancing equality.

Previous research found only a few investors are currently working to tackle broader issues or dimensions of inequality, either in their own practices or through their investment strategies. It also indicated a lack of alignment between how equality was understood and measured in social impact investment and the wider equality movement.[6]

1. UN (SDG)
2. UN (SDG)
3. Global Impact Investing Network
4. Benton 2018
5. See for example the work of the Social Investment Diversity Forum
6. Goddard and Miles, 2016, Goddard and Johnson, 2015

In this context, the emergence of a field of, and agenda for, ***Equality Impact Investing (EII)*** could reinforce and magnify the impact of existing investor efforts, as well as better aligning them with the wider equality movement.

Investment work focused on particular groups (e.g. women or BME people) or forms of inequalities (e.g. poverty and other economic, political and cultural inequalities) currently tends to operate in silos. Acknowledging this work as part of a wider EII movement demonstrates this breadth and differences of emphasis but, critically, also the interrelationship of this work. Further, as the issue of inequality gains currency, and with it, investor demand, it can address concerns about "equality impact washing" that apply here as much as in the wider impact investment movement.[7]

Our focus on assessing conditions for delivering equality impact in UK social investment coincides with a key moment of reflection and evaluation for this sector more widely. One that offers the chance to build on success to date but also to address gaps and challenges. A key one of these already identified is the need to better connect investors with each other and with the social purpose organisations at the frontline of social change. This need is certainly present in the equality impact context. There is now an important window of opportunity for UK social investment to not only pioneer equality impact in its own work but also to influence the direction of the wider impact investing movement. However, to exploit this will involve a fundamental shift in how most social investors have been approaching equality - from retrospective evaluation of diversity impact to proactively targeting inequality.

How we produced it

This report was informed by both secondary and primary research. Initially, we issued a call for, and reviewed, existing international and UK evidence and literature. Drawing on this and other dialogue we codified a definition of, and principles for, EII and identified key strategies and conditions that can be used to deliver and enable EII respectively.

We then used this definition and articulation of what this can mean in practice, to assess to what extent EII and the conditions that enable it are present in UK social investment. This assessment took the form of a further literature review but also new primary research including surveys of, and a process of dialogue and consultation with, over 30 UK social investors, including both finance wholesalers and social investment finance intermediaries (SIFIs), and over 80 VCSE equality and human rights organisations. More details of our approach and its challenges and limitations are given, where relevant, within the report and the appendix.

7. Prior, C., 2019; ***'The urgent need for global standards in impact investment'***; Big Society Capital

The report in numbers[8]

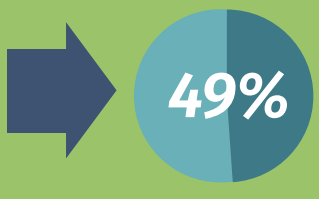
£2.3 BILLION = Value of UK social investment market in 2017 [10]

5000+ Number of UK charities registered with the Charity Commission with equality, human rights, and community relations objectives

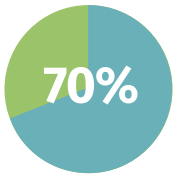
Value of global impact investing market 2018[9] = **$340 billion**

62% *OF SOCIAL INVESTORS WHO THINK ADVANCING EQUALITY IS MISSION CRITICAL*

VCSE EQUALITY ORGANISATIONS WHO DELIVER IMPACT THROUGH INFLUENCING ATTITUDINAL OR POLICY CHANGE



Equality and Human rights registered charities in the UK with an income <£100K



OF SOCIAL INVESTORS WHO PERCEIVE A LARGER PIPELINE OF INVESTABLE EQUALITY VENTURES IS KEY TO INCREASING THEIR IMPACT

72%

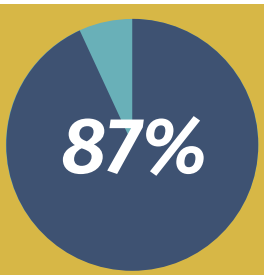
VCSE EQUALITY ORGANISATIONS WHO WANT MORE TARGETED INVESTMENT INFORMATION AND SUPPORT

OF SOCIAL INVESTORS WHO DELIVER EQUALITY IMPACT VIA INVESTING IN SERVICES FOR INDIVIDUALS

OF SOCIAL INVESTORS AIMING FOR EQUALITY IMPACT THAT CURRENTLY ONLY TARGET EQUALITY ORGANISATIONS TO DELIVER THIS

NUMBER OF UK CHARITIES REGISTERED WITH THE CHARITY COMMISSION WITH EQUALITY, HUMAN RIGHTS, AND COMMUNITY RELATIONS OBJECTIVES

5289



VCSE equality organisations who are aware of but never sought social investment

THE AMOUNT OF ALL UK CHARITIES' TOTAL INCOME THAT THE TOP EARNING 1% OF CHARITIES RECEIVE[12]

8. % figures refer to our research samples unless otherwise stated
9. Global Impact Investing Network 2018
10. Benton 2018
11. CAF
12. Charities Aid Foundation

Executive summary

Today in the UK there are deep, and in many cases growing, inequalities in what different people and groups have, and what they can do and be. These inequalities are well-documented, notably in, ***Is Britain Fairer?*** - the state of the nation report from the Equality and Human Rights Commission (EHRC)[13].

Tackling these differences through advancing equality will help us move individually and collectively towards our full human potential, opening up a whole new set of possibilities for the future. Both impact and social investors can contribute to reducing inequality and advancing equality through how they invest, and who and what they invest in. They can become equality impact investors.

What is Equality Impact Investing? Definition and principles

EII is social impact investing that actively advances equality and reduces inequality. That impact needs to be intentional, positive and significant.

Inequality is unfair differences that impact on different people's or groups' ability to realise their human rights and freedoms. It is a multi-dimensional challenge that can be seen and measured in the differences between what resources people have, and what they are actually able to be and do. These differences result from structural and/or individual discrimination, disadvantage or abuse.

Advancing equality is about setting and achieving positive objectives and goals that enable individual or systemic change. Reducing inequality involves, at the least, limiting its negative impact on people but, optimally, also acting on its drivers and root causes.

What does Equality Impact Investing involve and require in practice?

Setting and measuring equality impact goals

In setting and measuring progress on equality impact goals, equality impact investors should draw on measurement frameworks based on the internationally recognised standards and practice of the wider equality and human rights movement.

These measurement frameworks are multi-dimensional and look at inequality between different people and groups, in different areas of their lives e.g. work, education, participation in their life outcomes, their treatment in policy and institutional process, and in their legal and social status.

Progress on equality can be measured both in terms of improvements in people's outcomes, treatment and status, but also the extent to which the drivers or causes of their inequality is being addressed.

13. https://www.equalityhumanrights.com/en/britain-fairer

Key EII strategies

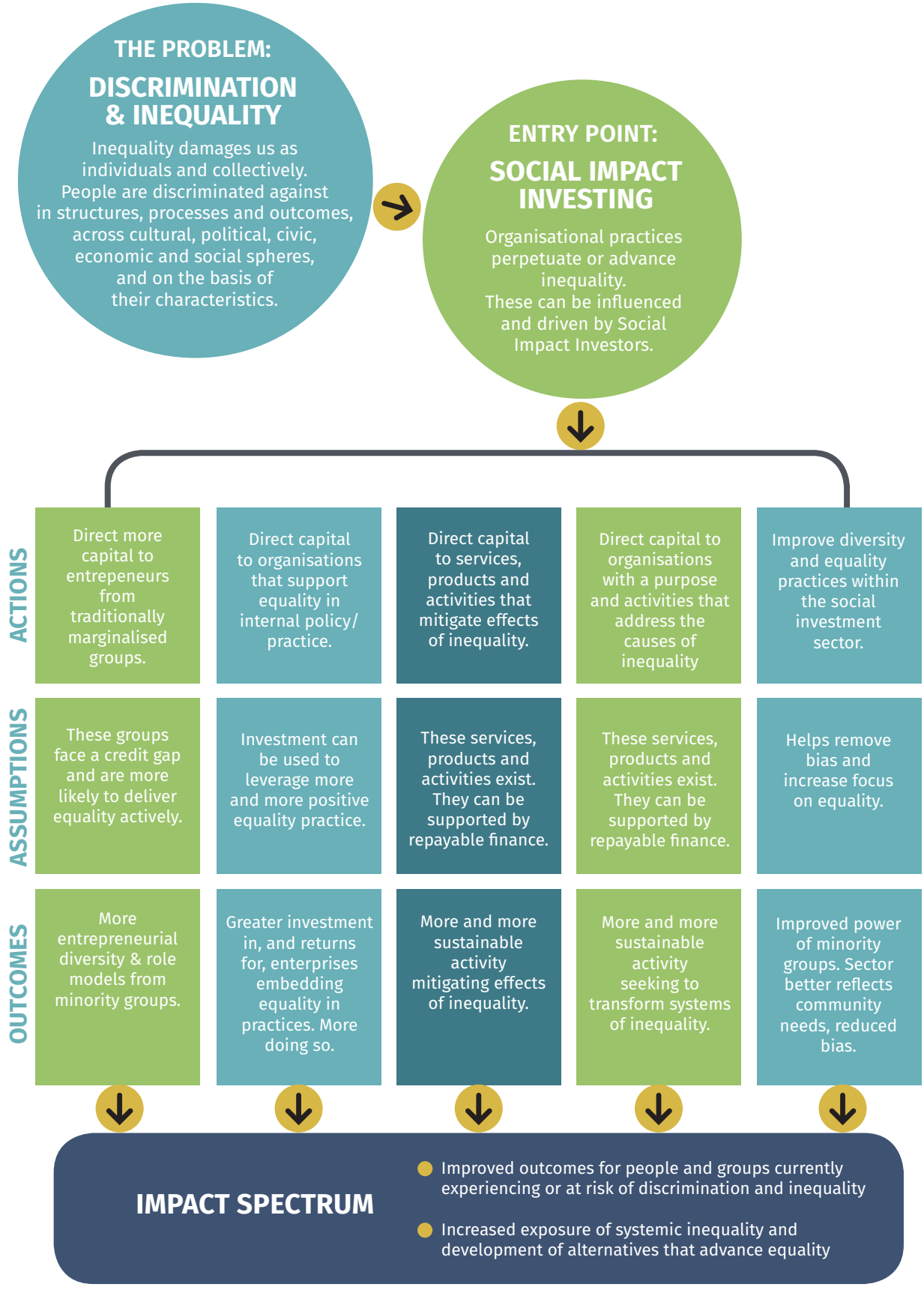
EII can be easily integrated into existing investment processes and so does not require new systems. Investors can draw on one or more of four equality impact strategies, which, while presented separately below for ease of reference, can overlap and are mutually reinforcing:

- Channelling investment capital to entrepreneurs traditionally excluded and marginalised by direct or structural discrimination and inequality.
- Investing in organisations that have diverse leadership and teams, and exhibit wider good equality practice across their business and supply chains.
- Investing in equality organisations whose primary purpose or mission is advancing equality and reducing inequality whether through services, goods, policy change or other activities.
- Investors taking steps to improve their own organisational equality policy and practice, as well as supporting this in the wider ecosystem in which they operate.

Five conditions support EII:

- A clear need for investment demonstrated through evidenced and acknowledged equality challenges.
- Demand from investors.
- A supply and pipeline of investable equality impact ventures.
- The relevant institutional and infrastructure support being in place.
- Legal and policy frameworks that compel, incentivise or support EII.

Figure 1. Equality Impact Investing Theory of Change



What's happening in UK social Investment? Findings and recommendations

We looked at the extent to which the five conditions that support EII are present in UK social investment, and what would increase them. We found that overall these conditions exist, but some only partially and need significantly more cultivation. However, our findings also indicate that the potential and the will is there. Our recommendations speak to realising and harnessing these respectively.

	SOME KEY FINDINGS	SOME KEY RECOMMENDATIONS
NEED	There are proven and significant equality challenges in the UK that also drive and impact many other social challenges. There is a pressing need to strengthen the impact and sustainability of the VCSE equality sector given it's vital and unique in addressing these challenges.	**All UK social financers** from investors to grant makers need to: • Act on challenges and opportunities identified by key state and civil society pan equality and human rights bodies such as the UK's Equality and Human Rights Commission (EHRC), and Equally Ours • Increase and collaborate on efforts to strengthen the impact and sustainability of the VCSE equality sector.
DEMAND	A majority of social investors, 62% of our sample[14], consider advancing equality to be critical to delivering their mission and impact. There is currently a limited level, and range, of investor demand for equality impact and this only partly reflects what equality organisations identify is needed or can deliver. 63% of our social investors sample say they need, and want, to increase the level and range of their equality impact perceiving a larger supply of investable equality impact ventures, EII capacity building and guidance, and more explicit demand and resourcing from their financers and/or government as key to enabling them to do this.	**Government and finance wholesalers and other social investment infrastructure builders** to demand a wider range of equality impact and capitalise funds to support social investment finance intermediaries (SIFIs) to test concepts and provide enterprise development grants and other support needed to build supply. **Support the Equality Impact Investing project (EIIP)** and others to develop further practical guidance and tools derived from this framework and work with **investor learning and professional standard bodies** to build current, and a future pipeline of, investor skills and knowledge in EII. **Investors/SIFI** to better align their equality impact goals and investment criteria with the priorities and activities of the potential supply of equality organisations.
SUPPLY	There is a significant potential supply of equality organisations, whose purpose is advancing equality and tackling inequality, who are delivering equality impact; for a wide range, and combination, of different people and groups; in different areas e.g. education, work, participation; of different types e.g. improving peoples status, treatment and outcomes; in different ways from specialist service provision to influencing policy and attitudinal change. The extent the VCSE equality sector and its organisations have been engaged in enterprise development or social investment is extremely limited. Only 5% of our research sample have sought investment and only 2% successfully, with perceived barriers and concerns related to both the feasibility and ethics of obtaining and utilising repayable finance given their typical smaller size, their remit and the nature of their activities.	**Existing SIFI funds and linked support programs** to deliver more targeted communications and outreach to VCSE equality organisations working with, and making greater use of, national VCSE equality infrastructure bodies, and tailoring the message to clearly speak to the concerns and strengths of equality organisations identified in this and other research. **Wholesalers, SIFIs and other** market builders to test "what works" in supporting for equality organisations of all types, from national campaigners to local service providers and community organisers, from those limiting inequality impact to those acting on its drivers. For each, there needs to be greater understanding of whether investable products can be developed and the support needed for this to happen.

14. From a survey sample of 26 Social Investors including finance wholesalers, Trusts and social investment finance intermediaries (SIFIs)

SUPPLY (CONT)	VCSE equality organisations recognise the need for, and are open to, exploring enterprise development and investment, especially to support greater independence and supplement rather than supplant other income sources. Key needs they perceive to enable this include: more information from social investors, grants to explore and develop enterprise and tailored support on formulating their offer, articulating and evidencing impact value, and securing and managing investment Enterprise models and social investment will simply not be suitable or appropriate for some equalities organisations so can only form one aspect of what needs to be multi-pronged financing strategy to sustain this vital sector.	**State, corporate and trust grant funders and donors** to increase engagement with and support strengthening of the Equality VCSE infrastructure
INFRASTRCTURE	Current investment, equality and VCSE institutional and infrastructure priorities and supports are not widely incentivizing or supporting EII but provide opportunities for doing so. There is a lack of alignment between impact frameworks used across the equality and social investment sectors but there is a good basis for complementary impact goal setting and measurement. Initial work by the EII project and others to bring together social investment and equality actors to develop the field of EII offers a strong basis to do much more if continued, expanded and coordinated.	**Government's Inclusive Economy Unit (IEU) and Office for Civil Society (OCS)** to review strategies and programme plans to identify and action opportunities to build conditions for EII in social and impact investing, in the UK and beyond. **Big Society Capital:** to align its current outcomes matrix with the EHRC's equality and human rights measurement framework and support wider convening and development work on setting and measuring equality impact in investment. **ACCESS Foundation:** To identify and action opportunities where EII can be advanced through its planned activities, in particular the Enterprise Development Programme, and include explicit equality goals in its strategy **Equality Impact Investing Project:** to create an ongoing platform to promote, coordinate and support the recommendations in this report, and build and promote the field of EII in UK social investment, and beyond, more widely.
LEGAL & POLICY	The UK's relevant legal and policy frameworks independently provide strong and, generally, supportive legislative contexts for the different elements of EII, but they are not being used to reinforce each other nor to encourage the convergence of social investment, equality and civil society agendas. There are concerns about: the risk to equalities and human rights standards in the event of Brexit; barriers to VCSE equality impact presented by the Lobbying Act and; the inadequate implementation of both the Social Value Act 2012 and Equality Act 2010 in key areas that could support EII such as public sector commissioning practice. The Government's social investment strategy and industry-led advisory group and taskforce on growing a culture of social impact investing, could be, but currently aren't, being used as frameworks within which to identify where impact investing could contribute to advancing equality and tackling inequality.	**Government: Department of Culture, Media and Sport (DCMS)** to ensure consideration of the Equality Act, and Human Rights legislation in social impact investment related legislation or regulation including the current Social Value Act review, to identify and provide opportunities for leveraging investment into equality outcomes. **Government** to retain and fully implement current Equalities and Human Rights Acts in any EU exit, review the current Lobbying Act with a view to ensuring it does not limit civil society equality organisations' ability to speak into public life, and ensure fuller more effective implementation of Equality and Social Value Acts in commissioning practice. **Government: DCMS and Cabinet** to review and explicitly identify in its Social Investment Strategy, where investment can be harnessed to advance equality and the **Impact Investing Implementation Task Force** to create a process to develop and embed equality and human rights goals and measures across its five action areas in the UK.

1 Defining Equality Impact Investing

In the first part of the chapter we propose a definition and key principles for EII. In the second part we look at what this definition and principles mean for setting and measuring equality impact goals.

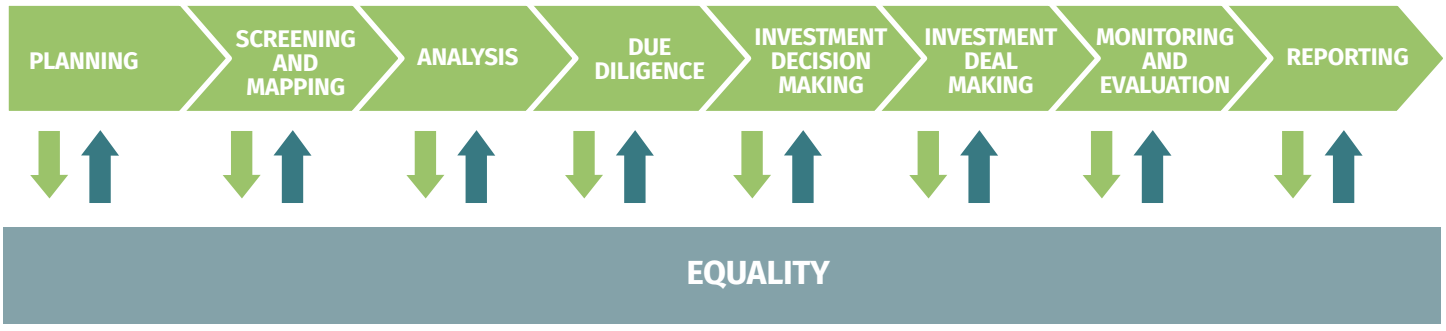
1.1 Definition and principles

Equality Impact Investing is a form of social impact investing which aims to reduce inequality and advance equality

This definition is both broad and inclusive to encompass the wide range of ways that investors are affecting, or could achieve, positive equality impact. However, it is also bounded enough, and sufficiently reflective of internationally-recognised equality and human rights principles, standards and measurement frameworks, to distinguish it from social impact investing (SII). This is important as, while all EII will have a positive social impact, not all social impact investing will have a positive equality impact.

As a form of social impact investing, equality impact can be integrated into existing investment processes:

Figure 2: Equality impacts within the investment process
Source: Adapted from Investing for Good, 2015 and Young Foundation, 2016.



However, for a consistently applied understanding of EII, it is necessary to unpack the meanings of several key terms within the definition, namely **social impact investing** and **inequality**. Moreover, it is essential to clarify **what constitutes a reduction in inequality.**

1.1.1 Social Impact Investing

Social impact investing is generally accepted as making investments that *"intentionally target specific social objectives along with a financial return and measure the achievement of both."* [15] While the emphasis on each of the dual objectives can vary substantively, from high return with low impact to low return with high impact, impact and returns are always present.

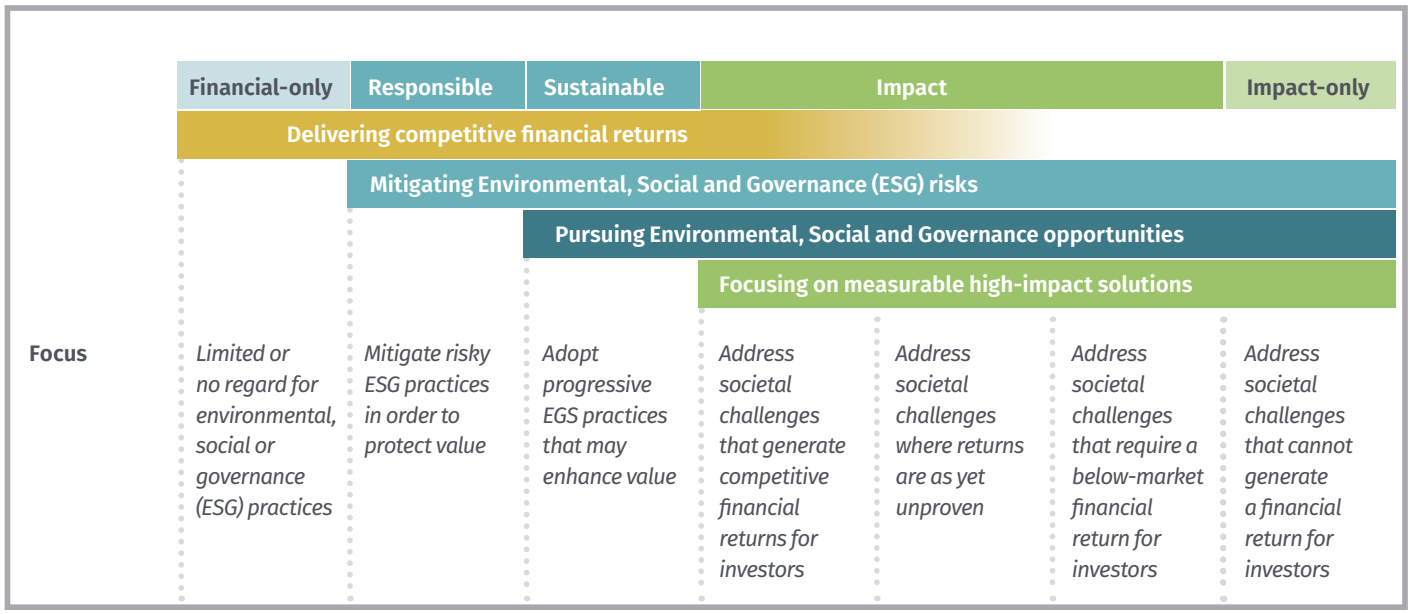


Figure 3. Spectrum of Capital. Source; adapted from Bridges Fund Management

But what constitutes "social impact"? In defining EII, social impact must:

- ***Deliver a positive improvement in conditions.*** This distinguishes it from the application of solely negative screens to inform investment decisions.[16] For example, to avoid investing in, or to divest of, businesses where there are negative equality impact concerns.

- ***Significantly address a social challenge.*** Social impact should markedly reduce the negative effects of a social challenge and optimally get at its cause(s), thus affecting deeper, structural change.

  Some have argued that *significant* should only mean destabilising the structural status quo, and that tackling only the symptoms of problems, or trifling around the edges, is insufficient, especially in a context where the term "social impact" is en vogue and can be wrongfully applied to what amounts to minimal change.[17]

  "Impact washing", particularly in growing social markets, is also a risk.[18] Social impact should, at the least, significantly mitigate or ameliorate the impact of a problem on people.

15. G8 Social Impact Investment Task Force, 2014
16. Whilst acknowledging this is not always the case, e.g. see Zandbergen-Albers and Moret, 2018.
17. Michigan Ross, date unknown.
18. Prior, 2019.

For example, an initiative to ensure there is always enough emergency hostel accommodation to meet typical demand in a given place may not get at the root causes of why people need such housing. But it is a significant improvement if supply was previously falling short of need.

Moreover work to mitigate or limit the impact of the symptoms of structural problems can sometimes, at least in the longer term, contribute to exposing and tackling the causes. For example, the same housing provider may capture data over time and run, or link with, wider public awareness or policy change campaigns that highlight systemic causes of homelessness, and what would reduce them. Recent work by the ***Shelia McKechnie Foundation Social Change*** Project, which looked in depth at the reality of how social change happens, has highlighted how these links and relationships are common.

However, given the structural causes of inequality, impact interventions that, at a minimum, take account of and optimally target these are vital. Moreover work to mitigate a social challenge, including inequality, can in some cases actually perpetuate or worsen the very problem it is trying to tackle, such as when it does not acknowledge or reflect its structural causes.[19]

- ***The impact must be a result of a deliberate set of activities to achieve a specific social impact goal.*** Intention is key to social impact investing as it excludes investment that may incidentally have a positive social impact.

When is equality impact intentional?

A business may have more causal and part time roles available and thus provide more employment opportunities for working single parents. However, this could be because the company has limited and/or fluctuating demand for their product, rather than it having made a conscious choice to be more "family friendly". It would be disingenuous for investors in the said business to claim they are "social impact" investing. Moreover, on closer examination it may even be that the companies' business model actually relies on exploiting a wider structural inequality, e.g. an employment market with a dearth part time or flexible working opportunities forcing parents who need to work into the precarious low pay casual economy.

1.1.2 Inequality

Inequality refers to unfair differences in the extent to which different people and groups are able to realise their human rights and freedoms. These differences can be seen in their status, treatment or outcomes in one or more aspects of their lives (e.g. economic, social, cultural, political and/or environmental).

It is necessary to define and unpack the concept of inequality and key terms within its definition to ensure a consistent understanding of EII, and to define the scope of the inequality that EII seeks to reduce.

19. Corner, J., 2018; Giridharads, A., 2019.
20. The Equality Trust, date unknown; Cribb, Keiller and Water, 2018; Resolution Foundation, 2019.
21. This range of associations, and many others, are matched by a similarly diverse "equality ecosystem" whose laws, policies, institutions and organisations, and even sub-movements, are often segmented via the aspect of inequality they are focused on, e.g. reducing poverty or promoting the equal rights and status of particular people or groups such as women, children, BME communities, disabled people and LGBT people.

EII recognises that inequality is multi-dimensional and, as such, can have many different associations. For example, the differences in:

- *The incomes of the richest and poorest.*[20]
- *The number of men and women, or white and black and brown people, in positions of power.*
- *Freedoms between non-disabled and some disabled people to go where they want, when they want.*
- *Employment and pay gaps, particularly for women, disabled and ethnic minority people.*
- *Who is, or feels, safe or unsafe in public spaces or their own home.*
- *School results for children from lower and higher income families.*
- *Access to and control over cultural or natural resources, such as libraries, theatres and parks.*
- *Levels of exposure to poor air quality or environmental hazards between different places or for different people within these places.*[21]

> "There is no such thing as a single issue struggle, because we do not live single issue lives." **– Audre Lorde**

EII also entails the recognition that inequality has horizontal and vertical dimensions.

Inequality can be vertical[22] and/or horizontal.[23] **Vertical inequalities** refer to how resources such as income, levels of health, education, and political power, are unevenly distributed amongst individuals in a population. For example, the graph below shows income distribution in the UK.[24]

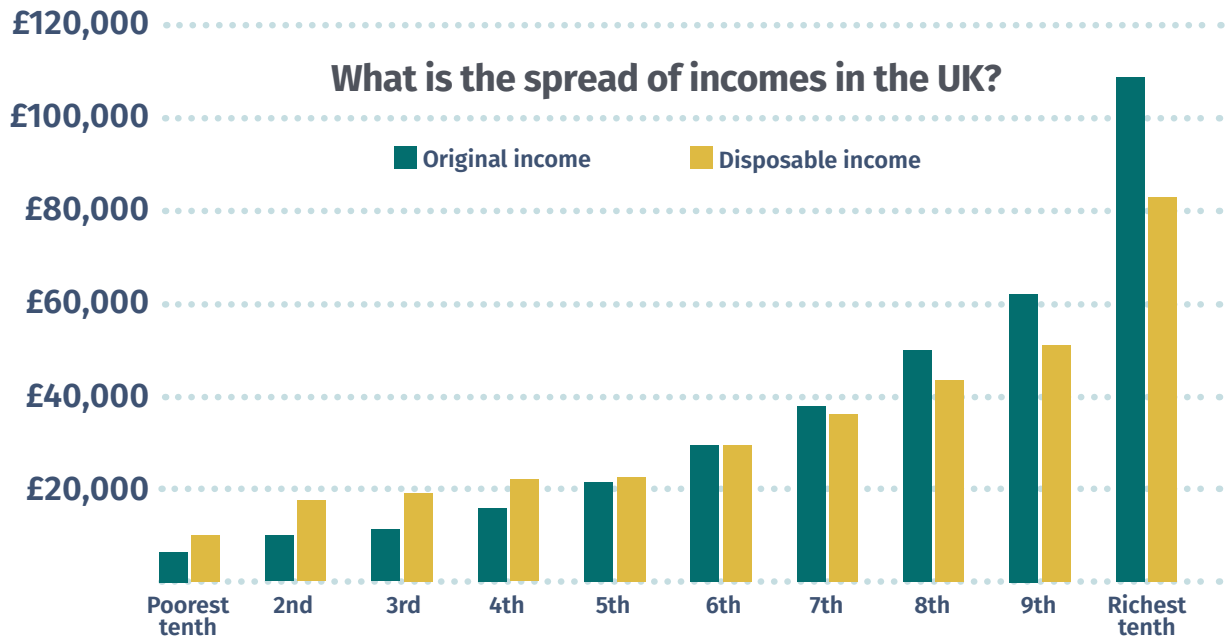


Figure 4. Income distribution in the UK

22. Also referred to as overall inequality.
23. Also referred to as group or categorical inequalities.
24. The Equality Trust

Horizontal inequalities are the differences in these same resources between different categories or groups of people such as women, and LGBT, BME, disabled and older or younger people etc. For example, the graph below shows that a high percentage of low income households are also non-white households - 65% of Bangladeshi households compared to 11% of White British households.

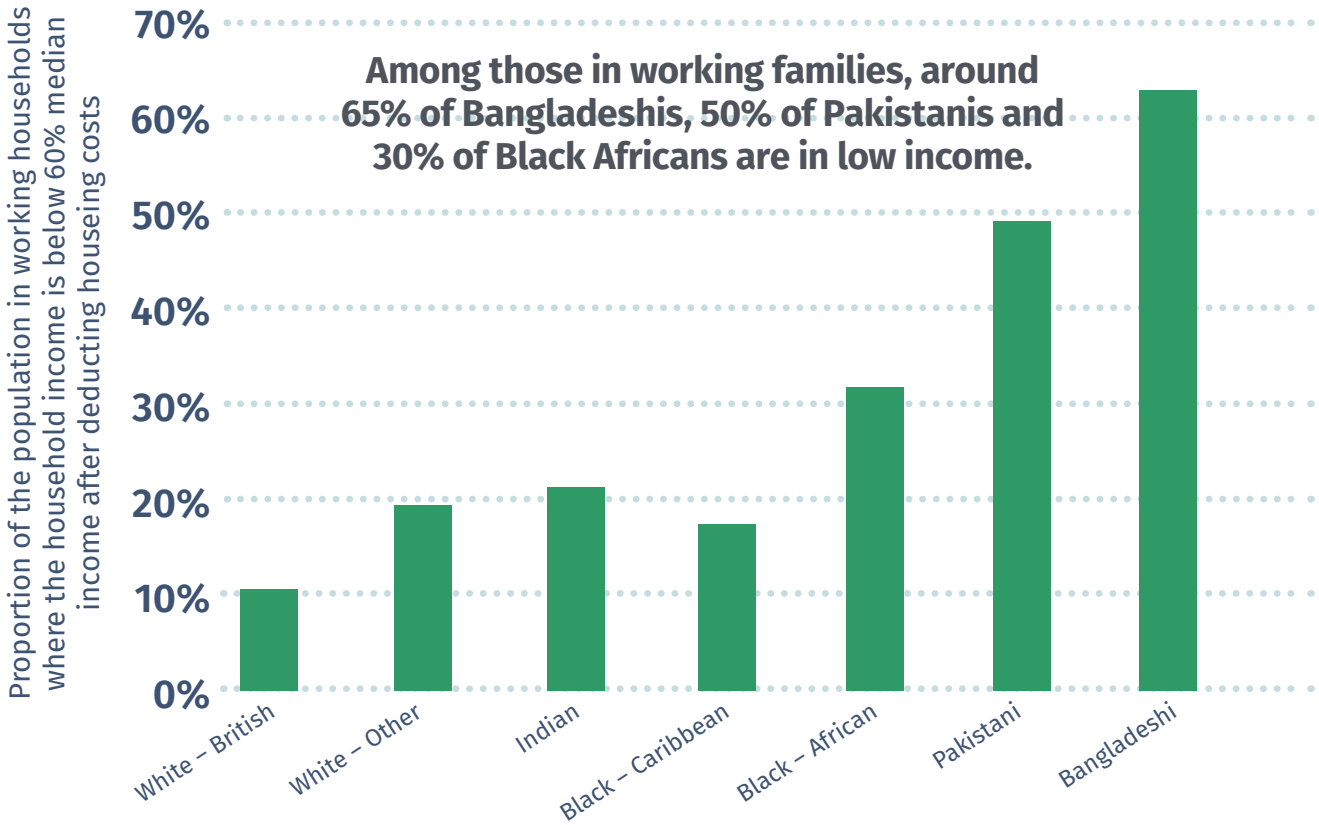


Figure 5. Horizontal inequalities

Source: Households Below Average Income, DWP: the data is the average for the years 2006/07 to 2008/09; UK; updated Aug 2010

What all these inequality associations and dimensions have in common is that they are all examples of differences in the extent to which people and groups are able to realise their human rights and freedoms.

Human rights are universal and inalienable rights and freedoms that belong to everyone. Based on the principles of fairness, equality and respect, they reflect the conditions that all people need to both flourish as human beings *and* participate as members of society.

Human rights were initially set out in the 1948 Universal Declaration of Human Rights (UNDHR). Article 1 of the UNDHR states that *"all human beings are born free and equal in dignity and rights."* This provides a simple basis for an approach to equality that is rooted in international standards and can be translated into our domestic law and practice.

25. UN General Assembly, 1948; 'Universal Declaration of Human Rights'.
26. The case law, which continues to develop, relating to this right has shown that the term 'other status' includes sexual orientation, illegitimacy, marital status, trade union membership, transsexual status, and imprisonment. It can also be used to challenge discrimination on the basis of age or disability.

The UNDHR's second article states that *"Everyone is entitled to all the rights and freedoms set forth in this Declaration, without distinction of any kind, such as race, colour, sex, language, religion, political or other opinion, national or social origin, property, birth or other status."*[25] Without distinction means without discrimination – differential treatment, on the basis of characteristics or status such as socioeconomic position, age, disability, ethnicity, sexual orientation or gender that is simply unfair.[26] Unfair because it is either unjust and/or prejudiced, as opposed to being objectively and reasonably justifiable.

Today, human rights protections include civil, political, economic, social, cultural, and environmental rights such as: the freedoms of expression, to vote and participate in democracy and in other decisions that affect our lives, to be free from inhuman and degrading treatment, to be able to have a private life, family and other loving relationships, to work, social security, health, education, food, water, housing, and a healthy environment. This breadth of rights and freedoms recognises the many different aspects of what it means to be human, and the many different aspects of human wellbeing and development.

> *"A decent standard of living, adequate nutrition, healthcare and other social and economic achievements are not just development goals. They are human rights inherent in human freedom and dignity. But these rights do not mean an entitlement to a handout. They are claims to a set of social arrangements – norms, institutions, laws and enabling economic environment – that can best secure the enjoyment of these rights."* [27]
>
> **– United Nation Development Programme**

Although itself not legally binding, the UNDHR provides the basis of a wide range of legally binding international, regional, and domestic human rights treaties and laws.

These relate to rights in different areas e.g. conventions on civil and political rights, on economic, social and cultural rights respectively, the rights of different groups e.g. women, children, disabled people and refugees, and regarding different forms of discrimination such as racism.[28] In signing up to these conventions, which nearly all the world's governments have, they commit to not only respect human rights but also to protect and fulfill them.[29]

To *respect* rights means not to interfere with the exercising of a right, e.g. not to interfere with free expression; to *protect* rights is to ensure others do not interfere, primarily through effective regulation and remedies; and to *fulfill* rights includes promoting rights, facilitating access to rights, and providing for those unable to provide for themselves, for example by ensuring a decent education, healthcare or social security.

27. UNDP, 2000; UNDP, 2005.
28. Full list ***Here*** - https://www.ohchr.org/EN/ProfessionalInterest/Pages/CoreInstruments.aspx
29. Ibid

States are required to "respect and ensure" civil and political rights. Their obligation to fulfill economic, social and cultural (ESC) rights, however, can be *realized progressively* according to the *maximum of available resources.* However, states do have an immediate duty to "take steps" as expeditiously and effectively as possible, regardless of resources, and the conception of progressive realisation does not justify inaction or regression without justification.

Moreover, other "immediate" ESC rights obligations, of particular interest to those concerned with inequality, discrimination and other disadvantage, are the duty to *prioritise minimum core obligations* (such as healthcare, education, safe housing), to *not discriminate,*[30] and to *prioritise the most vulnerable.*[31] States should regulate, and develop policies for, both their private and social sectors in line with these duties and obligations.[32]

There are also globally accepted standards of business conduct set out in the ***UN Guiding Principles on Business and Human Rights.***[33]

UN Guiding Principles on Business and Human Rights UNGPS

The UNGPs were unanimously endorsed by the UN Human Rights Council in 2011. Since their endorsement, they have been integrated in key international standards and guidance concerning responsible business. The UNGPs consist of 31 principles organized under the three pillars of the UN 'Protect, Respect and Remedy' Framework.

In order to meet their corporate responsibility to respect human rights, the UNGPs set out that companies have a responsibility to "know and show" that they address all their actual and potential impacts, on all international human rights connected to their operations, products, services and business relationships. In doing so, they go beyond considering risks to business to focus on risks to rights holders. As part of their corporate responsibility to respect human rights, businesses are expected to have a policy commitment to meet their responsibility to respect human rights; conduct a human rights due diligence process, to assess actual and potential human rights impacts, integrate and act upon the findings, tracking responses, and communicate how impacts are addressed; and a process of remediation of any adverse human rights impacts they cause or contribute to through their own activities, or which may be directly linked to the company's operations, products or services by its business relationships. As part of the human rights due diligence process, companies can prioritise risks on the basis of severity with reference to the scale, scope and irremediable character of the impact, as well as the likelihood of the impact occurring.

30. The adoption of laws, policies or practices that have a direct or indirect discriminatory impact on the ability of people to realize their ESC rights amounts to human rights violation.
31. The state should actively reach out to marginalised and excluded people who face the greatest barriers to realizing their rights, and they should be given "first call"* when allocating resources. *UN Committee on ESC Rights, General Comments 3, The Nature of State Party Obligations.
32. For an assessment of the extent to which the UK has done this in its social investment policy, see chapter 3
33. UNHR, 2011.

These duties to respect, protect and fulfill rights reflect another key principle of human rights and in turn EII – they are intended to act as an important floor, but not as a ceiling.

This understanding emphasises protecting and realizing the rights and freedoms of all people and involves, at a minimum, ensuring basic standards are met (a floor). This floor might be ending extreme poverty or complete social isolation or political powerlessness but importantly, as a floor, it is not and should not be limited to this.

For example, many people would prefer a society where everyone has a comfortable standard of living, where more people are engaged in and can influence decisions that affect their lives, and where there is cultural and social diversity and tolerance, over a society of polarised wealth and power where certain cultural and social norms limit or prohibit others.

A key principle of EII is that different human rights are - just like the different aspects of what makes us human - indivisible, interdependent and interrelated.[34]

Indivisible because, whether they relate to civil, cultural, economic, political or social issues, human rights are inherent to the dignity of every human person. Consequently, all human rights have equal status and cannot be positioned in a hierarchical order. Denial of one right invariably impedes the enjoyment of other rights.

For example, the right of everyone to an adequate standard of living cannot be compromised at the expense of other rights, such as the right to health or the right to education. Understanding rights as interdependent and interrelated recognises that one right often depends, wholly or in part, upon the fulfillment of others.

For instance the right to education plays into improved access to a host of subsequent rights, such as rights to employment, and to participation in political and cultural life.

Conversely, compromised rights, for example to the highest attainable standard of health, can pass outwards to compromise multiple other rights, such as access to education and employment.

EII is based on the principle that addressing inequality is key to sustainable development.

The 2030 Agenda for Sustainable Development presents 17 Sustainable Development Goals (SDGs) and 169 targets which ultimately *"seek to realize the human rights of all"*.[35]

The SDGs are not only framed in ethical terms but also based on evidence that inequality threatens long-term sustainable socio - economic development.[36] The 2030 Agenda stresses an international commitment to reducing inequalities, leaving no one behind and promoting freedom from fear and want for all, without discrimination. "Equality" is highlighted as one of the critical elements to frame and communicate key SDG goals in its targets and goals.

34. UNHR, 1993.
35. UN, 2015.
36. OHCHR, undated.

There is also a focus on indicators that measure the reduction of inequalities, the elimination of discriminatory laws, policies and practices, and equity in global governance of development, and ensuring the disaggregation of data across all 17 goals, targets and indicators.

The two SDGs that specifically focus on equality are: ***SDG Goal 10*** - "Reduce inequality within and among countries" and ***SDG Goal 5*** - "Achieve gender equality and empower all women and girls."

However, although the SDGs have human rights as both their basis and ultimate goal, they and other key human development and wellbeing frameworks, also use "the capability approach" for identifying inequalities and setting equality goals.

SDG Goal 10 "Reduce inequality within and among countries."

This is based on the acknowledged rising inequality within countries and growing consensus of the need for inclusive economic growth to reduce poverty. Associated targets among others relate to:

- Income growth of the bottom 40 per cent of populations;
- Empowering and promoting the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status;
- Ensuring equal opportunity and reducing inequalities of outcome, including by eliminating discriminatory laws, policies and practices and promoting appropriate legislation, policies and action;
- Adopting policies, especially fiscal, wage and social protection policies, and progressively achieve greater equality

EII is also concerned with inequalities in peoples' "capabilities", the central and valuable things in life that people are actually able *to do* and *to be*.

Pioneered by the economist Amartya Sen, the capabilities approach[37] is a conceptual framework for assessing human wellbeing that looks at what "real" opportunities and substantive freedoms people have - for example, to be healthy and live a normal length life, to form relationships, to have influence over decisions that affect one's life and wider community and society.

It asks what different people and groups can actually do and be, not just what resources are available to them. Taking this approach to inequalities is not alternative to human rights but recognises that human rights can only be enjoyed if people have the capabilities (i.e real opportunities) to make them meaningful.[38]

The capabilities approach to equality thus highlights the importance of a broad information base for human rights evaluation, and supplements information about formal human rights commitments (e.g. government measures adopted to protect, promote and fulfil human rights) with outcome-orientated information about substantive freedoms, and the central and valuable things in life that people can actually do and be.[39]

37. Sen, 1979;1985;1987;1992;1993;1999
38. Nussbaum 2003
39. EHRC 2017

In this way, contemporary equality and human rights monitoring increasingly combines legal evaluation with 'de facto' results and the gathering of outcome-orientated statistics. This is an approach taken by key equality measurement frameworks, which we discuss in section 1.2.

Reducing Inequality

Reduced inequality through EII is defined as lessening unfair differences in the status, treatment and outcomes of different people and groups in one or more aspects of their lives (e.g. economic, social, cultural, political and/or environmental). Unfair because, rather than being natural or inevitable, they are the result of discrimination (differential treatment in their daily lives or by a system that is unjust or prejudicial).

Individual, institutional and structural discrimination

- **Individual discrimination** concerns individual prejudicial or unfair behaviour to others based on their status or characteristics.

- **Institutional discrimination** is concerned with discrimination that has been incorporated into the structures, processes and procedures of particular organisations or institutions, either because of prejudice or because of a failure to take into account the particular needs of different social identities.

  For example, the 1999 Macpherson Report of the Stephen Lawrence Inquiry found that the Metropolitan Police were at that time *institutionally racist* which was defined as: *"The collective failure of an organisation to provide an appropriate and professional service to people because of their colour, culture, or ethnic origin. It can be seen or detected in processes, attitudes and behaviour which amount to discrimination through unwitting prejudice, ignorance, thoughtlessness and racist stereotyping which disadvantage minority ethnic people."*

- **Structural or systemic discrimination** refers to macro-level or overarching rules, norms, routines, patterns of attitudes and behaviour in institutions and other societal structures that represent obstacles to groups or individuals in achieving the same rights and opportunities that are available to the majority of the population.

  This systemic nature of discrimination is acknowledged in the UN SDGs which state *"Reducing inequality requires transformative change… Within countries, it is important to empower and promote inclusive social and economic growth. We can ensure equal opportunity and reduce inequalities of income if we eliminate discriminatory laws, policies and practices."*

  Notably, discrimination occurs, at all these levels, not only when people or groups are treated differently when they should be treated the same. It also occurs when people are disadvantaged by being treated in the same way as other groups when they should, because of their characteristics, status or circumstances, be treated differently.

There is a broad spectrum of what can be considered inequality reduction in EII. Reducing inequality can mean either mitigating the impact/symptoms of an inequality and/or tackling the drivers/causes of that inequality.

For example, providing safe housing for women fleeing gender-based violence, and campaigns and education that make such violence less prevalent in the first place, respectively.

Positive social impact on groups who are at higher risk of or experiencing inequality is not automatically equality impact, unless it is directly engaging with tackling an inequality.

Additionally, it is questionable if an equality impact that relies on perpetuating or even worsening another should be included. While it may not be realistic to avoid sustaining other inequalities, the goal should be, at the very least, avoiding making them worse.

Why benefitting a group that can experience discrimination is not automatically impacting inequality

Maternity services for women, care support for elderly people, education for children or English language training for refugee's all deliver social impact by addressing specific needs for their respective beneficiary groups. However, these needs are not necessarily the result of discrimination. They are expected human needs associated with their stage of life or status e.g. being pregnant, older, and young or in a new country respectively. So social impact may well benefit groups that are at greater risk of or experiencing discrimination (for example people and groups with "protected characteristics" under equality and human rights law) but it does not automatically tackle this discrimination.

On a more macro level it is important to note that practice and initiatives in a range of common "social" impact areas such as education, healthcare, recreation and arts, democracy, and social and community economies can be harnessed to advance equality. However, this is not their default impact and indeed they can also exploit, maintain and even generate further inequality.

A key principle of EII is that reduced inequality should not result in inequality diversion or inequality reordering.

Inequality diversion is defined as "a reduction in one form of inequality that is dependent on sustaining, or worsening, another form of inequality".[40] For example, policies or programmes that focus only on increasing the income of men, to the detriment of women in low income families, in deprived areas that are based on and perpetuate the outdated "male breadwinner" model.

40. Savage and Segal, 2019.

Inequality reordering is defined as a change in categorical or group inequalities (horizontal inequality) that leaves individual inequality (vertical inequality) unchanged, such as when elites become more categorically diverse without reducing their economic or social distance from non-elites.

Considering whether in reducing one inequality there has been a diversion or reordering can help understand potential tradeoffs or complementarities strategies and initiatives in tackling inequality.[41]

There is no such thing as an equality "neutral" investor or investment. The impact of investments on inequality will depend on the extent to which investors make conscious choices and efforts to avoid the negative (the red zone in the equality impact continuum below), or support the positive (the orange or green zone). See figure (6) below.

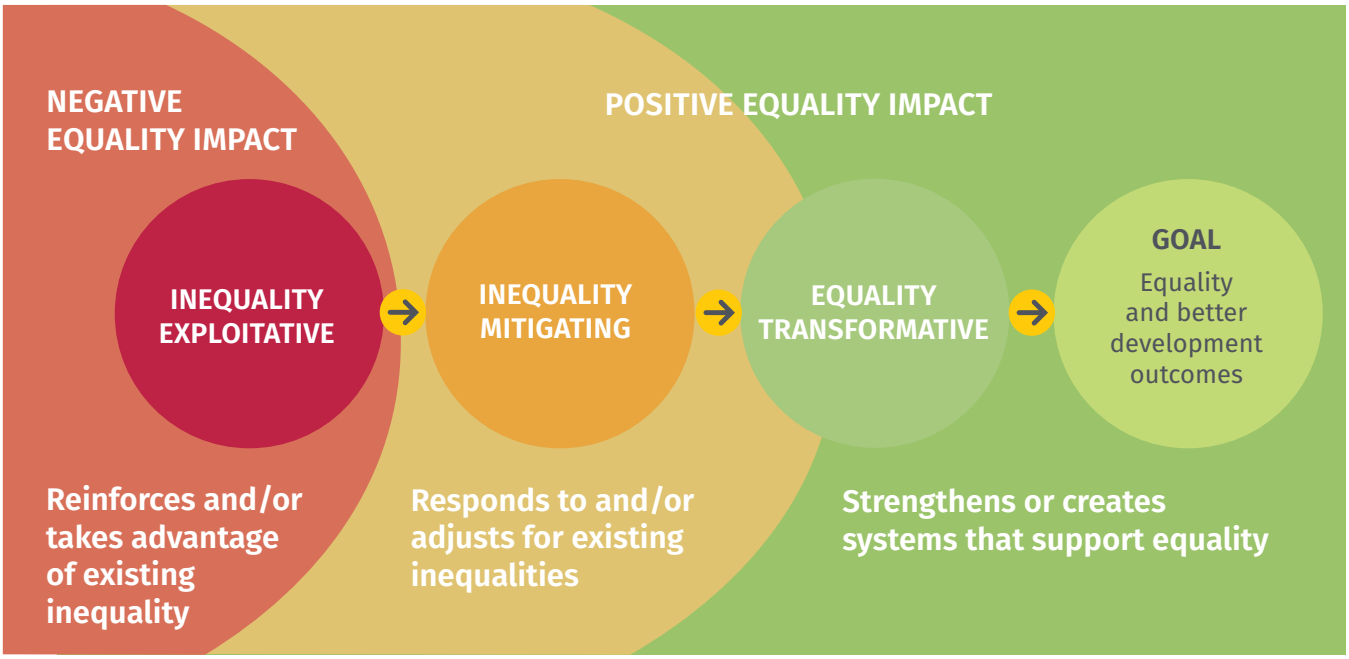


Figure 6. Equality Impact Continuum

41. Ibid

Summary – Equality Impact Investing definitions and principles

Definitions

- **Equality Impact Investing** is social impact investing which aims to reduce inequality and advance equality and human rights. It seeks an intentional and significant reduction in the impact and/or causes of inequality.
- **Equality** is a core human rights principle as well as being a human right.
- **Social impact investing** is making investments that "intentionally target specific social objectives along with a financial return and measure the achievement of both."[42]
- **Inequality** refers to unfair differences in the extent to which different people and groups are able to realise their human rights and freedoms.
- **Reduced inequality** through EII is defined as lessening unfair differences in the status, treatment and outcomes of different people and groups in one or more aspects of their lives (e.g. economic, social, cultural, political and/or environmental).
- **Human rights** are universal and inalienable rights and freedoms that belong to everyone. Based on the principles of fairness, equality and respect, they reflect the conditions that all people need to both flourish as human beings and participate as members of society.

Principles

Equality Impact Investing recognises:

1. Inequality is structural and multidimensional. It shapes and impacts on every aspect of business and social performance and vice versa.
2. Inequality occurs in different areas, from economic to cultural, benefiting people with different characteristics and status in different ways, from changing their status, their treatment, and their outcomes.
3. Advancing equality and addressing inequality is key to sustainable development.
4. Investors have a duty to respect, protect and fulfill human rights.
5. Equality and human rights are a floor not a ceiling. Equality impact is therefore a tool to open up new possibilities for impact and return, not a negative screening box to be ticked.

42. G8 Social Impact Investment Task Force, 2014.

6. There is an indivisible, interdependent and interrelated relationship between rights and inequalities.

7. Reduced inequality should seek to not result in inequality diversion or inequality reordering i.e. whereby reducing one inequality reinforces or worsens another.

8. As a form of social impact investing, equality considerations do not require whole new systems. Rather, they can be easily integrated within existing investment processes (e.g. strategic planning, product development, due diligence, deal making,monitoring and evaluation, and reporting).

9. There is no such thing as an equality “neutral” investor or investment.

1.2 Setting equality impact goals and measuring results

> Human rights as discipline offers, a level of maturity and exposure on a big stage (something impact measurement as a practice lacks). Ideas about human rights have been rigourously tested and applied all over the world under conditions of heavy legal and media scrutiny, and have through this developed in toughness. **– The Good Analyst**

As with all social impact investing, 'success' in equality impact will largely depend on setting well-informed and appropriate impact goals that can be measured. Optimally, investors will also recognise and share the same equality measurement approach with each other, investees and other key stakeholders.[43]

Within both the UK and international equality and human rights movements, using multi-dimensional equality measurement frameworks that both assess human rights-based standards and capabilities inequalities is now well established. Below we summarise two such frameworks that use and thus illustrate this approach.

The first is a UK-specific and produced by the UK's statutory equality and human rights body, which we recommend as a key reference for UK social investors.

The second, a framework developed by the London School of Economics (LSE) and Oxfam, shared many key features but adapted to different country contexts, and that also looks more at the drivers of inequality. This may be of interest to equality impact investors working at that level or with that emphasis respectively.

- **The *Single Equality Measurement Framework* used by the UK's Equality and Human Rights Commission (EHRC).** [44]
  The EHRC is the UK state's equality and human rights body with the responsibility "to encourage equality and diversity, eliminate unlawful discrimination, and protect and promote the human rights of everyone in Britain."

  Its framework is used as a basis for monitoring and reporting on UK adherence to, and progress on, domestic and international equality and international human rights legal standards. As such, it is a key reference for Government and the wider public sector subject to these, but also a range of other private and civil social actors concerned with and working to tackle inequality in the UK.

- **An *international multi-dimensional equality measurement* framework developed by LSE's Centre for the Analysis of Social Exclusion (CASE) and International Inequalities Institute (III), and Oxfam.**[45]
  The LSE/Oxfam framework is designed for a wider range of actors and can be adapted to different country contexts. While it speaks to formal legal commitments, it goes beyond these to reference goals such as the SDGs. Furthermore the LSE/Oxfam framework looks at both "capability deprivation": who has too little/unfair disadvantage, and "capability – inequalities": who has too much/unfair advantage.

43. Prior,C 2019
44. EHRC, 2017. This applies only to Great Britain and is not used in Northern Ireland.
45. Mcknight, 2018.

1.2.1 EHRC Measurement Framework

The EHRC is an independent statutory body with the responsibility to "encourage equality and diversity, eliminate unlawful discrimination, and protect and promote the human rights of everyone in Britain." [46] As well as being the UK's national equality body it is recognised as a National Human Rights Institution (NHRI) by the United Nations. [47] Its role is to, "make the rights and freedoms set out in domestic law, and international equality and human rights standards, a reality for everyone". [48]

As part of this, it has a statutory duty to monitor UK social outcomes from an equality and human rights perspective, by developing indicators and reporting on progress to parliament and others.

The EHRC's *single equality measurement framework* monitors and evaluates progress in a systematic way across England, Scotland and Wales. The framework is the basis of the statutory triennial report, ***How Fair Is Britain?***

As well as letting Parliament know how UK Government and public bodies are fulfilling their legal commitments, the EHRC intends this report to "*set the agenda for policy-makers and influencers working in a range of sectors, and anyone interested in social progress in Britain*".

Their framework has two main bases: the human rights indicator framework developed by the United Nations Office for the High Commissioner for Human Rights (OHCHR), and the capability approach.

The OHCHR sets out three key areas where countries should identify and monitor inequalities:

- Structures: formal commitments to equality and human rights in principle in laws and treaties.[49]
- Process: what steps are being taken or efforts made, or not, to meet obligations that flow from human rights standards, for example, via primary law, policies, targets, guidelines, inspection and regulatory frameworks or resource allocation?
- Outcomes: what are the results achieved in terms of the actual position and lived experiences of individuals and groups?

The EHRC framework follows this but draws on the capabilities approach in terms of the outcomes evidence it measures and monitors. Thus it also looks at:

- **Inequalities in different capabilities "domains" or themes**, such as education, work, living standards or participation, which reflect the things or areas in life that are important to people and enable them to flourish. For each of these they have core indicators that capture and define the underlying concept that they are trying to measure.

46. EHRC, 2019.
47. The EHRC's remit includes England, Scotland and Wales but does not cover Northern Ireland
48. EHRC, 2019.
49. Note this framework could be used as a basis for assessing inequality outside of formal legal structures e.g. one could take structures to include social, cultural, economic structures and norms, such as those discussed on not only formal legal commitments or constitutional provisions.

Domains	Indicators
EDUCATION The capability to be knowledgeable, to understand and reason, and to have the skills and opportunity to participate in parenting, the labour market and in society.	Educational attainment of children and young people. School exclusions, bullying and young people not in education, employment or training. Higher education and lifelong learning.
WORK The capability to work in just and favourable conditions, to have the value of your work recognised, even if unpaid, to not be prevented from working and to be free from slavery, forced labour and other forms of exploitation.	Employment Earnings Occupational segregation Forced labour and trafficking*
LIVING STANDARDS The capability to enjoy an adequate standard of living, with independence and security, and to be cared for and supported when necessary.	Poverty Housing Social care
HEALTH The capability to be healthy, physically and mentally, being free in matters of sexual relationships and reproduction, and having autonomy over care and treatment and being cared for in the final stages of your life.	Health outcomes Access to healthcare Mental health Reproductive and sexual health* Palliative and end of life care*
JUSTICE AND PERSONAL SECURITY The capability to avoid premature mortality, live in security, and know you will be protected and treated fairly by the law.	Conditions of detention Hate crime, homicides and sexual/ domestic abuse Criminal and civil justice Restorative justice* Reintegration, resettlement and rehabilitation*
PARTICIPATION The capability to participate in decision-making and in communities, access services, know your privacy will be respected, and express yourself.	Political and civic participation and representation Access to services Privacy and surveillance Social and community cohesion* Family life*

Evidence relating to particular groups:

- **Protected characteristics under the Equality Act 2010**: age, disability, Gender reassignment, marriage/ civil partnership, pregnancy/maternity, religion or belief, race, sex, sexual orientation.
- **Socio-economic group**.[50]
- **Geographical analysis.**[51]
- **People at higher risk of harm, abuse, discrimination or disadvantage.** They define individuals as being at higher risk of of harm, abuse, discrimination or disadvantage if they face **adverse external conditions** and/or have difficulty coping due to **individual circumstances.**
- **Intersectionality**.
  This refers to how people may experience a combination of multiple forms of discrimination or disadvantage.

  The EHRC see intersectionality as, "an analytical tool that we use for the purpose of equality and human rights monitoring to show distinct forms of harm, abuse, discrimination and disadvantage experienced by people when multiple categories of social identity interact with each other."

  Examples given by the EHRC of distinct forms of harm, abuse, discrimination and disadvantage that may be detected with this approach are:
- low rate of employment for black, Bangladeshi, and mixed ethnicity women
- social exclusion of older lesbians and gay men in care homes
- a high rate of suicide among white, middle-aged men.

The full EHRC framework can be viewed here.

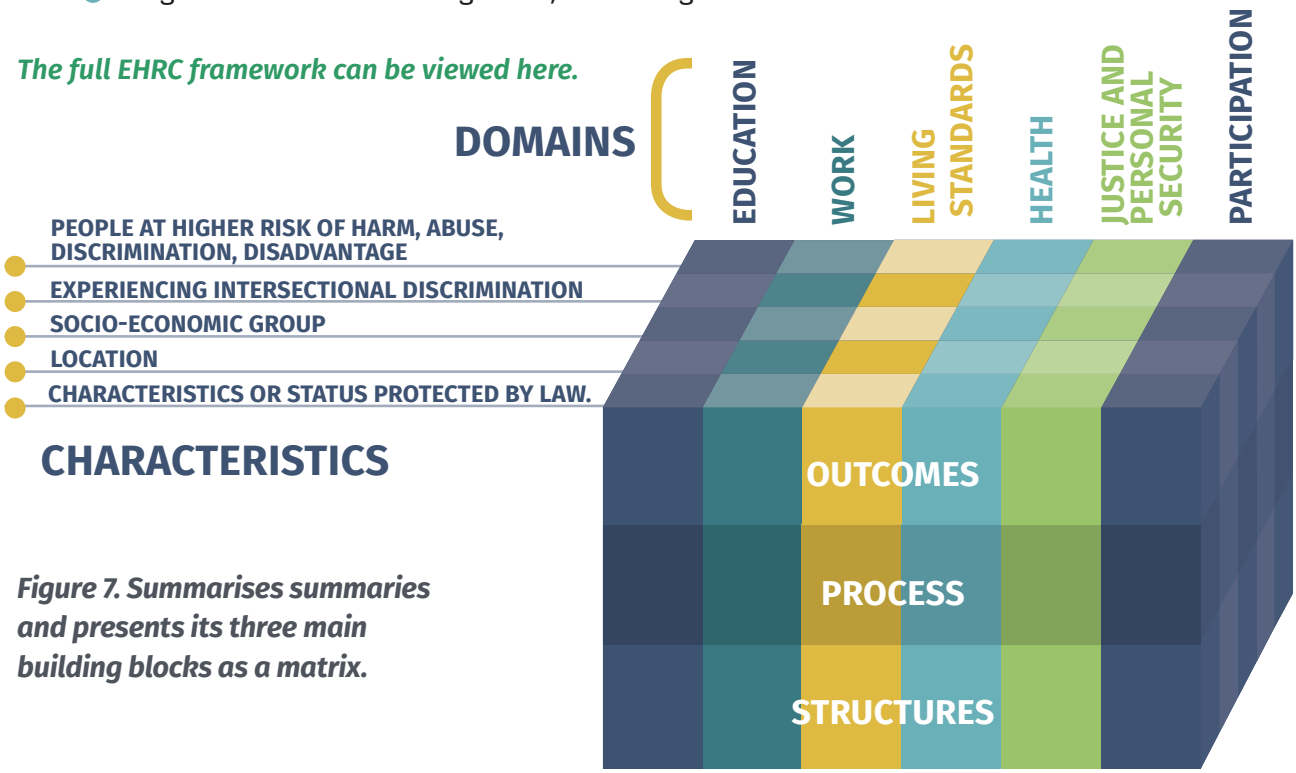


Figure 7. Summarises summaries and presents its three main building blocks as a matrix.

50. For adults, socioeconomic group is based on the National Statistician's Socio-Economic Classification (NS-SEC). This is based on current or former occupation, plus those who have never worked or are long-term unemployed. For children, socioeconomic group can be identified from adults in the family, where such data are available. In an educational context, free school meals may be taken as a proxy to identify those children coming from families with low-paid or no employment.
51. Currently country level: as their remit covers Britain, this will be England, Scotland and Wales, where possible the nine English regions and, by 2011, rural/urban analysis. The EHRC does not consider local authority areas, although notes other users could choose to apply this Measurement Framework to these smaller areas.

For the EHRC, this "matrix approach" to practical monitoring of inequalities allows for evaluating and comparing inequality between individuals and groups.

In the matrix, the rows represent the three aspects of inequality and the columns show the domains of inequality. The layers then represent the different characteristics of the people or groups of particular concern. Combinations of characteristics can also be used to identify intersectional group concerns that cut across different characteristics e.g. BME women.

EII investors can use the same approach to identify and analyse different aspects of equality challenges, and also to then set impact goals and indicators. For example in evaluating the position of young women in employment this framework can be used to look at:

- Their outcomes in terms of, for example, what jobs they get, wage levels or career progression.
- How they are treated in, or their experience of, workplace processes and institutions and relevant ancillary services such as careers advice or education – are they discriminated against?
- Their status – are there adequate legal protections and rights? More broadly, in social norms and public attitudes to women at work, do they enjoy equal respect or expectations with men – other women?
- An intersectional analysis can also be done e.g. are there particular groups of young women fairing worse e.g. young disabled or migrant women?

This analysis can then also help identify both what might either limit impact of a problem and/or what is driving it so investment impact goals can be set at either level.

For example, the above process might find a differential outcome e.g. only one in ten engineering apprenticeships are going to young women and one in ten childcare apprenticeships are going to young men. Of the 10% going to women, only 0.5% are going to BME young women and 0.1 % to disabled young women.

It might also find that, even though Government is legally required to ensure all young people have an equal opportunity to benefit from its apprenticeship schemes (so young women have equal legal status), its recruitment processes maybe discriminating against young women by either treating them differently (encouraging them into more traditionally female, lower-status apprenticeships) or not treating them differently enough (failing to address potentially limiting views about what girls and boys can do at an earlier stage in their development e.g. at school or via recruitment).

So the investor may set impact goals and measures at status, public attitude and beliefs, treatment or outcomes level, For example, tackling social stereotypes and beliefs about what are "women's jobs" and "mens jobs", changing practice in schools and/or more young women getting technical apprenticeships respectively.

1.2.2 LSE/Oxfam Multi-Dimensional Framework

More recently, the LSE International Inequalities Institute (III) has worked with the charity Oxfam to develop a multi-dimensional equality framework[52] that differs from the EHRC version primarily in accounting for vertical as well as horizontal inequality across seven domains.

> "The Framework does something new by seeking to capture vertical inequality and recognising that it is possible to have 'too much' as well as 'too little' — for example, share of income or wealth, power and influence over others."[53]

Although the two frameworks differ in the extent to which they can measure this "vertical" inequality, they share a common conceptual basis in terms of reference to capabilities, and the joining of human rights and equality.

This can be seen in the overview of domains used in the LSE CASE/Oxfam framework: On the left hand side below we see similar domains, on the right, a similar articulation of capabilities but critically not just who is falling short (capability deprivation) but also capability inequalities.

Domains of the Inequality Framework

Domain 1	Life and health	Inequality in the capability to be alive and to live a healthy life
Domain 2	Personal safety and security	Inequality in the capability to live in physical and legal safety and security
Domain 3	Education and learning	Inequality in the capability to be knowledgable, to understand and reason, and to have the skills to participate in society
Domain 4	Financial security and dignified work	Inequality in the capability to achieve financial independence and security, enjoy dignified and fair work, and recognition of unpaid work and care
Domain 5	Comfortable, independent and secure living conditions	Inequality in the capability to enjoy comfortable, independent and secure living conditions
Domain 6	Participation, influence and voice	Inequality in the capability to participate in decision-making, have a voice and influence
Domain 7	Individual, family and social life	Inequality in the capability to enjoy individual, family and social life, to express yourself and have self-respect.

Further information on this framework, including suggested outcomes, goals and indicators can be found ***here***.

52. McKnight and Prats, 2018.
53. https://afsee.atlanticfellows.org/blog/2018/inequality-runs-deeper-than-income

2 Equality Impact Investing in Practice

Once investors have a clear idea of what EII involves in theory, and have identified particular equality impact goals, what practical strategies can be used by investors and what conditions enable them to do so? This chapter looks at these two questions.

2.1 Impact Strategies

Below we set out four broad types of equality impact strategies,[54] which can be applied individually or simultaneously. Indeed, whilst we have set them out separately for ease of reference, the distinction between them is certainly not always clear-cut. They can be used simultaneously and can also be mutually reinforcing. These are:

1. Channelling investment capital to entrepreneurs traditionally excluded and marginalised by direct or structural discrimination and inequality.

2. Investing in organisations that have diverse leadership and teams, and exhibit wider good equality practice across their business and supply chains.

3. Investing in equality organisations whose primary purpose or mission is advancing equality and reducing inequality whether through services, goods, policy change or other activities.

4. Investors taking steps to improving their own organisational equality policy and practice as well as supporting this in the wider ecosystem in which they operate.

The strategies are summarised in figure 8 then outlined in greater detail, drawing on international and UK examples, in the following sections. Critically, any of these strategies can be used to not only mitigate inequality but also support transformative structural change. See Figure 6 Equality Impact Spectrum, Page 23 However, as the most direct of the four is investing in equality impact-focused or mission-driven organisations, we subdivide this strategy into two – investing in inequality mitigating organisations and investing in equality transformative organisations. Notwithstanding that some equality organisations can, and do, both.

The examples highlight EII strategies in practice, and also point to the conditions needed for an EII market to take hold, discussed in the next section.

54. The framing of these strategies has its basis in ***previous work on gender lens (or gender equality impact) investing strategies*** – but builds on these strategies in two ways. Firstly, they have in scope a wider set of beneficiaries – not only those impacted by gender inequality, but inequality and discrimination based on a wider set of characteristic and status.

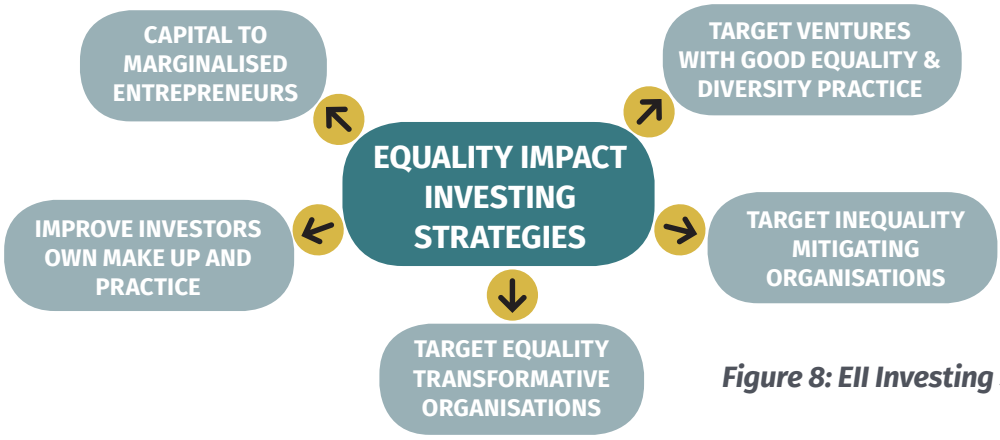


Figure 8: EII Investing Strategies

1 Channelling investment capital to entrepreneurs traditionally excluded and marginalised by direct or structural discrimination and inequality.

Investment capital is channelled to entrepreneurs that face one or more forms of inequality or discrimination based on their individual characteristics and status. This strategy tackles inequalities such as underrepresentation of marginalized groups as entrepreneurs, an important and influential group in society, and also evidence of a "credit gap" for women and BME entrepreneurs attributed in part to discrimination.
For example, the UK gender credit gap is 4%,[55] the same average as in "developing" nations. In the USA, only 1% of start-up founders are black, while they make up 11% of the overall US population.[56]

Only 3% of all US venture capital went to women-led businesses. In the case of channelling capital to women specifically, this strategy is also associated with higher long term and/or more secure returns and a greater percentage of such capital contributing to social impact.[57]

CASE EXAMPLE

As a national delivery partner for the start-up loans scheme, ***Transmitstartups*** is partnering with ***GirlGeeks*** to support female applicants to access start-up loans. Start-up loans is a government backed scheme, providing repayable loans and mentoring to individuals in the UK with a viable business idea but no access to finance. GirlGeeks' mission is to support untapped talent and females in STEM to help address STEM skills shortage by working with employers, partners and educational institutions to attract and retain talent and to build a national network of STEM industry role models and influencers visible to education, media and parents.

CASE EXAMPLE

Astia Angels is an international network of angel investors for female and male investors that provides access to capital, and networks to women-led high growth start-ups.[58] Since its founding in 2013, members have invested nearly $16 million into 47 companies via 70 investments and, along with co-investors, have moved capital worth $175 million into companies with women in positions of equity and influence. To date they have had three exits.[59]

55. Young Foundation, 2016
56. Sherry, 2015
57. Goddard & Miles, 2016
58. Astia, 2014
59. http://astia.org/astia-angels/

2 Investing in organisations that are diverse and exhibit wider good equality practice across their business and supply chains

Here, investors focus on ensuring their investees are both optimising leadership and employee diversity (based on characteristics or statuses such as age, disability, gender, ethnicity, religion or belief, and sexual orientation) in their organisational make-up, and also considering the equality impact of their wider operations, products and services.

This includes addressing the equality impact in their direct operational processes e.g. in recruitment and workforce related practice, marketing and communications, sales and distribution channels, procurement and their wider value chains (e.g. supplier workforce practices).

CASE EXAMPLE

Domini impact investments directs its investments toward companies that promote human dignity while seeking a competitive return. Its standards relating to human dignity focus on three broad areas: respect for human rights, including workplace rights and indigenous peoples' rights; concern for the safety and well-being of customers; and assurance of fair and just conduct in the workplace. Domini engages companies directly on human rights, through shareholder proposals, direct dialogue, and proxy voting.

CASE EXAMPLE

Equileap uses data on over 3,000 companies across 19 data points to support investors to build financial products with a gender lens. This means avoiding investment in companies that perform poorly in relation to gender equality in the workplace (from fair pay and recruitment to supply chain management). The Equileap Gender Equality Scorecard is inspired by the UN's Women's Empowerment Principles.

Use of this EII strategy is consistent with the UN Guiding Principles on Business and Human Rights' other initiatives to rank companies based on their social performance, related to a specific set of rights. These include: Access to Medicine Index,[60] Access to Nutrition Index,[61] Oxfam's Behind the Brands,[62] and Ranking Digital Rights.[63] Each of these indices are used by investors to inform their investment decision analysis related to a specific set of human rights.[64]

This strategy is also associated with better financial performance. For example, a 2016 Catalyst study found companies with the highest percentages of women board directors outperformed those with the least number of women, on average, by 53% on return on equity, 42% for return on sales and 66% for return on invested capital. This study was based on a four-year average of those three ***financial metrics*** for 520 companies, using data from Standard & Poor's.

60. ***https://accesstomedicineindex.org/about-the-index/***
61. ***https://www.accesstonutrition.org/***
62. ***https://www.behindthebrands.org/***
63. ***https://rankingdigitalrights.org/***
64. IHRB, 2016.

3 Investing in organisations or initiatives whose *primary purpose* or mission advancing equality or tackling inequality whether through services, goods, policy change or other activities.

These organisations generally seek to:

- Directly benefit people or groups with **one or more protected characteristics or statuses** e.g. women and girls, minority ethnic groups, LGBT people, lower socioeconomic class or identified as being or a risk of or being impacted by discrimination.
- In the context of **one or more life domains** e.g. work, health, social, cultural, or political participation and power.
- In **one or more ways** e.g. by improving individuals' experiences, outcomes and/or statuses or positions.

Within this category of investment a further important distinction, though not always entirely clear, can be made via two further subdivisions.

This is between organisations seeking to mitigate the effects of inequality, **inequality mitigating,** and those trying to tackle its root causes and generate alternatives, **inequality transformative.**

In the context of tackling inequality, this is an important distinction to make in recognition of its systemic, but socially constructed, and thus non-inevitable nature.

- **Investing in inequality mitigating organisations or initiatives**

  Inequality mitigating organisations or initiatives aim to either ensure minimum basic standards in how these people and groups are treated (the human rights "floor") e.g. tackling extreme poverty and/or seeking to limit the effects of discrimination and inequality still further (raising the ceiling) e.g. building the confidence and resilience of marginalised groups to deal with additional barriers or challenges they may face in employment because of their status or characteristics. In general though, they don't focus on the wider causes or drivers of the discrimination or inequality they are seeking to mitigate.

CASE EXAMPLE

Fair By Design[65] A campaign and fund working to design out the poverty premium and raise awareness amongst the public. The fund, targeting £15m-£20m over 20 years, provides capital to help grow new and scalable ventures to innovate the market. Investing primarily to address the poverty premium (where those on low incomes pay more than others for access to goods/services) across energy, finance, insurance and geo-based poverty premium, the initiative includes an accelerator supporting up to seven start-ups a year.

65. ***https://www.barrowcadbury.org.uk/what-we-do/fair-design-campaign/***

CASE EXAMPLE

Preston Road Women's Centre have been working with Social and Sustainable Capital (SASC) and Big Society Capital to develop new ways of funding housing work for women fleeing violence and abuse. They co-produced a new loan finance product with SASC which helped draw down £2 million to buy 33 properties across the city of Hull which provided new homes for women rebuilding their lives after the trauma of violence and abuse.

Investing in inequality transformative organisations or initiatives

Inequality transformative organisations or initiatives seek to identify and/or address the root causes or structures of inequality, as well as develop alternatives, with a view to supporting long term transformative change towards a more equal future. This strategy leverages investment by targeting capital to these organisations or initiatives.

> "If they are a social investor and they have some kind of interest or care about the unequal state of society, then the best way to have an impact that potentially is longer lasting is through expert organisations whose core business is social change. Our bottom line is transformational change for our constituents."
>
> **– Equality VCSE Roundtable Participant**

Much existing commentary and literature highlights problematics associated with current impact investment and supporting equality transformative or system change organisations.

Some commentators see social enterprise as a less effective alternative to political action for achieving social impact, as it frames social problems as knowledge problems that can be solved by technical innovation driven by competition among individual social entrepreneurs operating through for-profit, nonprofit, or hybrid enterprises. In contrast to seeing them as power problems that require collective political action.[66] Others have pointed to the channelling of funds to individual corporates rather than systems and networks when the latter are needed for tackling complex social problems.[67]

> I think a lot of us have been told a story about how to make change that is essentially a business story. Next time you see a problem, think of a solution that would be public, universal, democratic and institutional. Start thinking about what fixes the problem at the root for everyone. **– Anand Giridharadas**

66. Ganz, Kay and Spicer 2018
67. Johar, 2017

It is the case that we found it hard to identify examples of transformative equality impact investing. On the other hand we have found some examples of venture development programmes, investment and grant funding supporting equality-transformative activity. However, because of this, it is too early to draw conclusions on the extent to which there are fundamental/inherent challenges to transformative impact investing, or issues and gaps that will be resolved as the sector matures.

CASE EXAMPLE

VENTURE DEVELOPMENT PROGRAMME: TECH TO UNITE US

The UK Social Tech Trust is providing development grant-funding of £0.5m for nine projects to support them to deliver transformative social impact at scale with a focus on tackling inequality. Ventures funded include ***Rights DD*** who are building software to help companies identify, address and report on modern slavery in their supply chains.

CASE EXAMPLE

GRANT FUNDER The Oak Foundation, directs funding to end patterns of violence and exploitation that disrupt women's lives by ensuring that rights-based laws and policies guarantee an environment free from violence, and by transforming harmful social norms. The principles underpinning its grant-making include supporting work that is based upon and seeks to uphold, strengthen and implement international human rights law; promoting systemic change – prioritising initiatives that seek to deliver concrete systemic change beyond individual redress; and supporting activism.[68] For example, it has funded Access Now to develop a new business model maximizing alternative revenue streams and reducing reliance on philanthropic sources. Access Now advocates for human rights online and protects human rights defenders and activists by combining innovative policy, global advocacy, and direct technical support through a 24/7 Digital Security Helpline.[69]

CASE EXAMPLE

The Ford Foundation is one of the world's largest philanthropic organisations with a strong history of supporting civil rights and women's movements. It announced in 2015 that it would focus all of its efforts on ***curbing inequality*** and with high priority placed on alleviating key causes of inequality (broken political systems, discrimination, belief in the free market etc.) In 2017, the Foundation committed to spend $1bn of its $12bn+ endowment over the next decade on ***mission-related investments.***

68. Oak Foundation
69. Access Now

4 Investors taking steps to improving their own organisational equality policy and practice as well as supporting this in the wider ecosystem in which they operate.

Investors consider the equality impacts of their own operational practices and diversity. This is in recognition of how these internal practices will inform their overall performance as investors, and to ensure its own practices are consistent with its mission and values, and the expectations it sets for others based on its investment philosophy.

CASE EXAMPLE

Social Investment Diversity Forum

A social investors' collective on a mission to drive inclusive social investment in the UK, through the convening of sector-wide groups, commissioning research and knowledge sharing. The forums' Diversity Working Groups provide leadership for the social investment sector, on the issues of diversity and inclusion, and also host a diversity champions' network open to anyone operating in social investment. They released a ***manifesto*** in 2019.

CASE EXAMPLE

Resonance: A new model of 'yield-sharing' is being used to support Ashley Community Housing in its purchase of freeholds in Birmingham for the resettlement of refugees. The investment, facilitated by Resonance, is designed to be Shari'a-compliant through providing finance that isn't interest-bearing but instead provides investors with a share of the yield from rental income

2.2 Conditions that support Equality Impact Investing?

As with any social investment market, for equality impact investing to grow, it requires both demand (from investors) and supply (of appropriate products/investees). Based on our research and drawing on our theory of change, we set out below five broad and interdependent conditions that support a flourishing EII market.

Figure 9: EII Enabling Conditions

1. **NEED: Identifiable, acknowledged and recognised challenges relating to inequality.** For social impact investors and the wider social sector to engage in and respond to a social issue, it needs to be recognised as a need. Ideally with specific challenges and opportunities articulated and grounded in robust data and evidence. Although this is to inform effective responses, not as a precursor to action. For example, the application of environmental criteria in investment decision-making grew as a field in parallel with greater awareness and understanding of the worsening environment crisis and understanding of what could make a difference.

2. **DEMAND from investors:** For an EII market to grow and be sustained, it needs demand from investment intermediaries (and in turn their finance wholesalers and private investors), coupled with support from them to stimulate and help develop pipelines of ventures.

3 **SUPPLY of equality impact organisations and ventures:** On the supply side there needs to be both investment "appropriate" [70] and investment ready equality impact organisations to both meet and stimulate demand.

4 **LEGAL FRAMEWORKS AND PUBLIC POLICY:** that compel, incentivise and support EII. The extent to which these frameworks act as an imperative or incentive or block or challenge to EII is key. EII needs an enabling regulatory context, supportive or compelling policy goals. Optimally they will also reinforce the other. For example, if equality and human rights law requires government to not only avoid discrimination but advance equality then this should be reflected in social investment policy and related regulations. If advancing equality is a key priority in social impacting investing policy then it helps if civil society sector capacity building policy and provisions reflect that. Critically, a shared approach to equality measurement and monitoring is needed.

5 **INSTITUTIONAL AND INFRASTRUCTURE SUPPORT:** Both *for* the agenda, and *to* its key stakeholders - within and across the social investment and equality and human rights ecosystems.

Even an enabling and incentivising legislative and policy framework will have little impact without the institutional architecture to implement and/or support implementation, promote and monitor progress.

Ideally, the main social investment and equality and human rights institutions ensure that policy goals that support EII are actioned and/or supported into practice in this.

Optimally, they will also reinforce the other. Learning from the impact investing field generally, and specialism within this such as social investment[71] and gender lens investing,[72] makes clear the need for creating the relevant sectoral infrastructure to define and develop new fields.

This includes creating standards and skills, gathering and sharing learning and supporting coordination and collaboration. Infrastructure also often acts as important interface with other sectors and stakeholders, ensuring coordination or collaboration not only within a field or discipline or sector, but across them. In the case of EII, the often very different starting points, skills and perspectives of the fields of investment and tackling inequality make this condition imperative.[73]

In the next chapter we look at the extent to which the above conditions are present in UK social investing.

70. This and previous research has highlighted concerns ranging from the role of social investment in "mission drift" to ethical questions around generating profits for investors from interventions that exist to tackle inequality.
71. ***SII Task Force Report 2014***, Access Learning Report 2016, ***Atlas of Social Innovation; EU SI DRIVE*** 2018
72. Anderson and Miles, 2015. Criterion: GLI Building the Field
73. Johnson Ross, Goddard, 201; Goddard and Miles, 2016.

3 Equality Impact Investing in UK Social Investment

3.1 Introduction

This section presents findings and analysis on EII in UK social investment. These are structured around and assess the extent to which each of the key enabling conditions for EII discussed in the previous section (Need, demand, supply, institutional support and enabling legal/ policy frameworks) are in place. Primary and secondary research was used to gather data for analysis including:

- A survey of both equality-focused VCSE organisations, and Social Investment & Finance Intermediaries (SIFIs) and investors.
- Structured workshops in Bristol, Devon and London with self-selecting equality-focused VCSE organisations, CVS infrastructure bodies, commissioners and social investors, and national VCSE equality infrastructure organisations.
- Dialogue with equality organisations, social investors and commissioners.
- A desk-based review of some of the most relevant UK legal, policy and institutional and infrastructural contexts.

3.2 Key findings

3.2.1 Need?

KEY FINDING: ***Major UK inequality challenges, and the need for more action to address these, are evidenced and acknowledged.***

62% of UK Social Investors consider tackling inequality as essential to delivering their impact.

We looked at two aspects of this question. Firstly, the extent inequality is identified and acknowledged as a social challenge in the UK and what some of the key issues are. Secondly, as a context for considering investment, we assessed the current strength and sustainability of the UK VCSE equality sector, given its critical role in the wider UK equality and human rights ecosystem.

There is a significant body of evidence of inequality in the UK with entrenched inequalities in some areas and rising inequalities in others, according to the EHRC,[74] the recognised national equality and human rights body, and others.

74. *EHRC, 2018.*

There are two overarching challenges.
The first is a range of worsening inequality indicators from food poverty to mental health, across a range of groups particularly vulnerable to discrimination, over the period of austerity. The EHRC highlights ongoing challenges in the experiences and outcomes between certain groups and the population as a whole, for example:

- Inequalities arising from socioeconomic disadvantage.
- Certain groups more likely to experience poverty and knock-on effects, exacerbated by welfare and tax reforms as highlighted in a report by the United Nations Special Rapporteur on extreme poverty and human rights, following his visit to the UK in late 2018.[75]
- Some groups being left behind (e.g. disabled people in terms of education, employment, health, safety etc; women in terms of sexual violence, career progression etc.; Black African, Bangladeshi and Pakistani people most likely to live in poverty and deprivation; and Gypsy, Roma and Traveller communities facing multiple disadvantage).
- Restrictions on legal aid, conditions for those in detention and high proportions of certain groups, decreasing trust in the criminal justice system, increasing identity-based violence.

The second is a concern many of the current legal protections and policy goals that relate to equality standards could regress as the UK exits the EU. For example, the European Charter for Fundamental Rights will not be retained in UK law after its exit from the EU. Concerns have been raised about the impact for various groups including women,[76] BME communities, LGBT communities and disabled people.[78]

In terms of strength and sustainability of the equality VCSE, we found austerity has also seen a contraction of traditionally key sources of income for VCSE equality organisations such as public sector grants and commissioning with remaining commissioning more competitive and advantaging larger non-specialist providers over equality ones.[79] This has weakened the VCSE equality infrastructure and requires it and its constituents to develop new business models and income streams to sustain their work.

> "The project-based model which is the one that most funders follow doesn't actually cover enough of the core costs so what you end up doing is taking on more projects in order to cover the gap so if you follow that through, it's like a piece of elastic, you end up then stretching it, stretching it, until of course it snaps." **– VCSE focus group participant**

75. Alston, 2018.
76. Reis, 2018.
77. Equally Ours, 2018.
78. Liberty et al, 2018.
79. Women's Resource Centre and Women's Gender Budget Group 2018RC

3.2.2 Demand

KEY FINDING: ***There is currently limited demand for, and limited kinds of, equality impact sought by investors. But demand is increasing, including for a greater breadth of equality impact, and could be accelerated.***

A deliberate focus on equality impact by UK-focused social investors and intermediaries has the potential to play an important role in increasing and strengthening work to tackle the major equality challenges that exist. An enabling environment for EII requires both demand from investors and their intermediaries.

BSC suggests there are 120 organisations fulfilling some kind of intermediary role in the UK, whether in the form of investment, support or in advisory roles, most of which formed following the establishment of Big Society Capital in 2011.[116]

These demand side insights assess the extent to which there is existing practice of EII in the UK. They are taken from responses to our survey of investors (based on 24 responses from a survey of 60 organisations, a 40% response rate), a literature review, and insights received from the workshops.

The investor survey sought to find out:

- The extent to which investors saw equality impact as important and relevant to their work.
- The extent to which they were using EII strategies, and what would support them to do this more.

To elaborate on the profile of survey respondents, the majority of them invest across the UK (and sometimes beyond) or on a national level (e.g. England, Scotland). Six have a regional focus somewhere within the UK. As in Figure 10 below, 20 respondents provide unsecured loans (83%), 14 (58%) offer secured loans and the same number provide equity investment. Nine (37%) offer grants as part of a blended finance package and seven (29%) offer standalone grant funding. Two respondents provide wholesale finance (8%).

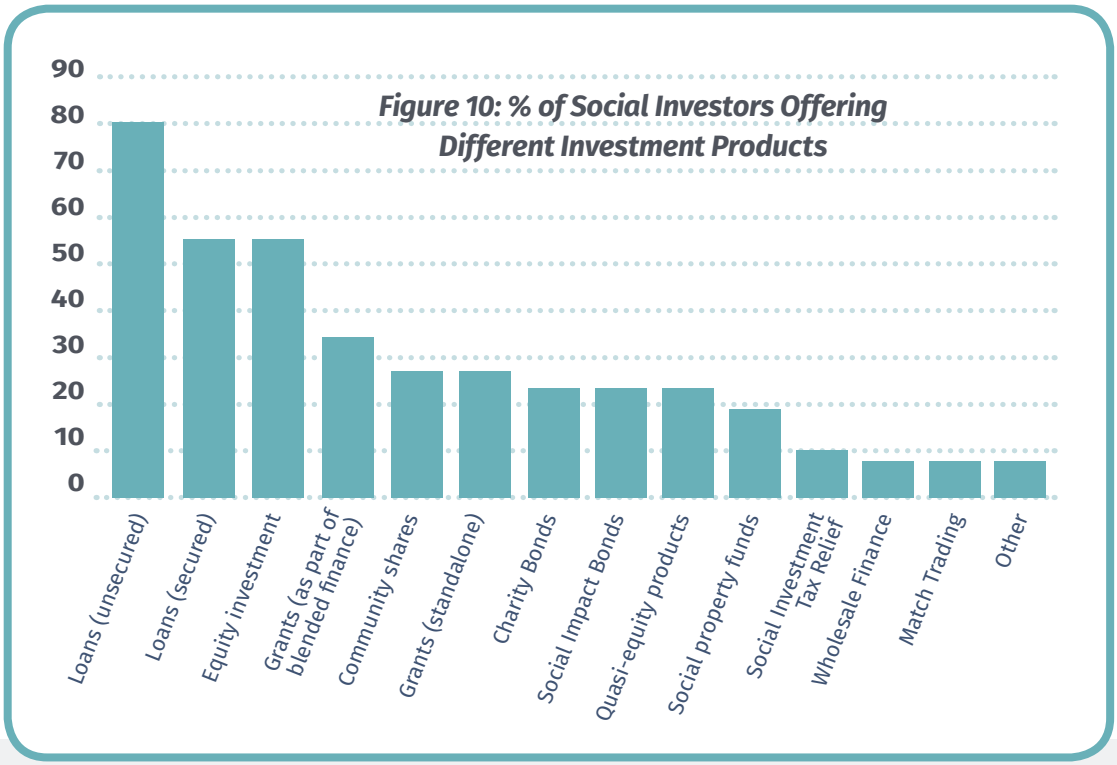
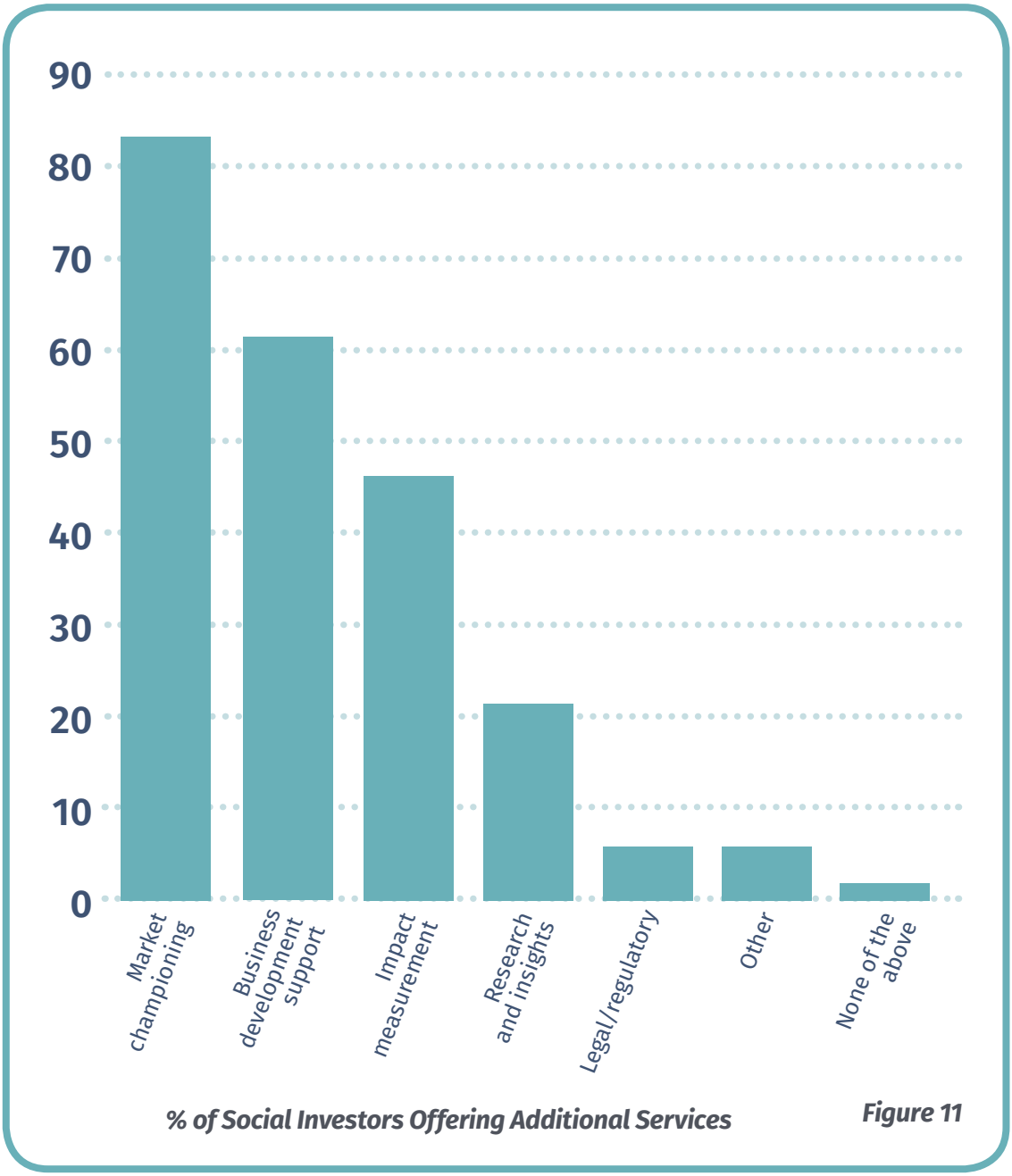


Figure 10: % of Social Investors Offering Different Investment Products

116. The Social Investment Intelligence Network, 2018.

Table B below outlines any additional functions our respondents deliver. A high proportion, 88% consider their role to include market championing, 60% business support and 50% impact measurement.



% of Social Investors Offering Additional Services

Figure 11

Evidence of Equality Impact Investing

There are four broad types of equality impact strategies, which can be applied individually or simultaneously. However, as mentioned in chapter 1, the distinction between them is certainly not always clear-cut and they can also be mutually reinforcing. We analyse the demand status of EII in the UK based on overall investor commitment to equality and then based on these four EII strategies in turn, namely:

1. Channelling capital to entrepreneurs who traditionally face discrimination.
2. Investing in organisations with diverse makeup and wider good equality practice.
3. Investing in organisations or initiatives whose stated primary purpose is to tackle inequality whether through providing services, products, social action or a combination of these. These can be further subdivided between:
    - inequality mitigating: organisations seeking to mitigate the effects of inequality
    - inequality transformative: those trying to tackle its root causes and generate alternatives.
4. Investors ensuring diversity and wider good equality practice in their own organisations.

Commitment to equality

The majority of social investors (62.5%) consider tackling inequality essential to delivering their impact while all respondents considered tackling inequality to have at least some relevance to their mission. Yet, the majority feel they need to increase equality impact (62.5%). This suggests a commitment to EII and recognition that equality is an area of need.

Figure 12

This commitment is reflected in the literature, which highlights the trend for charitable trusts and foundations to increasingly move their money i.e. undertake their investment activity, in line with their charitable aims.[117] This has been supported through the Charities (Protection and Social Investment) Act 2016. There are many trusts and foundations with missions focused on equality and human rights and their greater movement into social investment could both support and be supported by EII infrastructure. However, a 2015 report from the Association of Charitable Foundations (ACF) found that of 286 charities surveyed, nearly 80% depended on investment returns but only 17% of these sought tangible outcomes related to their mission.[118] The proportion making social investments had only increased to 21% by 2018 (based on 80 survey responses) with more recently-established foundations more likely to do so.[119] Key barriers included a lack of demand, concerns about loading struggling organisations with debt, and trustee support.

117. Previously they may have only used negative and positive screening to guide their investments.

"[UK trusts and foundations] are well placed because they have huge resources, are independent and currently free from strict scrutiny; they are more engaged and willing to listen to the charities they support; often know sector issues well and understand the financial make-up of charities. Some of the best things they can offer in this space are patient finance, the ability to take risks, mixtures of grant and loan at different stages, grants for investment readiness and, crucially, an understanding and appreciation of the concept and reality of measuring impact in a charitable context. Yet they are often ill-equipped, the majority under-resourced and there is still a lack of understanding, capacity and enthusiasm around social investment and its place within the investment strategies of trusts and foundations."
– Ciorsdan Brown, 2018; UK Trust and Foundation Engagement with Social Investment.

1 Channelling capital to entrepreneurs who traditionally face discrimination

One third (33.3%) of respondent social investors said they have an existing or previous fund/initiative that targets organisational leaders at greater risk of discrimination. One quarter (25%) of respondents have targeted leaders from BME communities,the group receiving the greatest focus from social investors. In joint second, the groups receiving the most were leaders from a lower socioeconomic position (17%) or facing chronic disadvantage (17%). In third position were female leaders (13%) and younger leaders (13%).

Our research has identified some limited examples of investment funds and incubators targeting underrepresented organisational leaders and entrepreneurs, although not always specifically targeting social enterprises or wider social sector

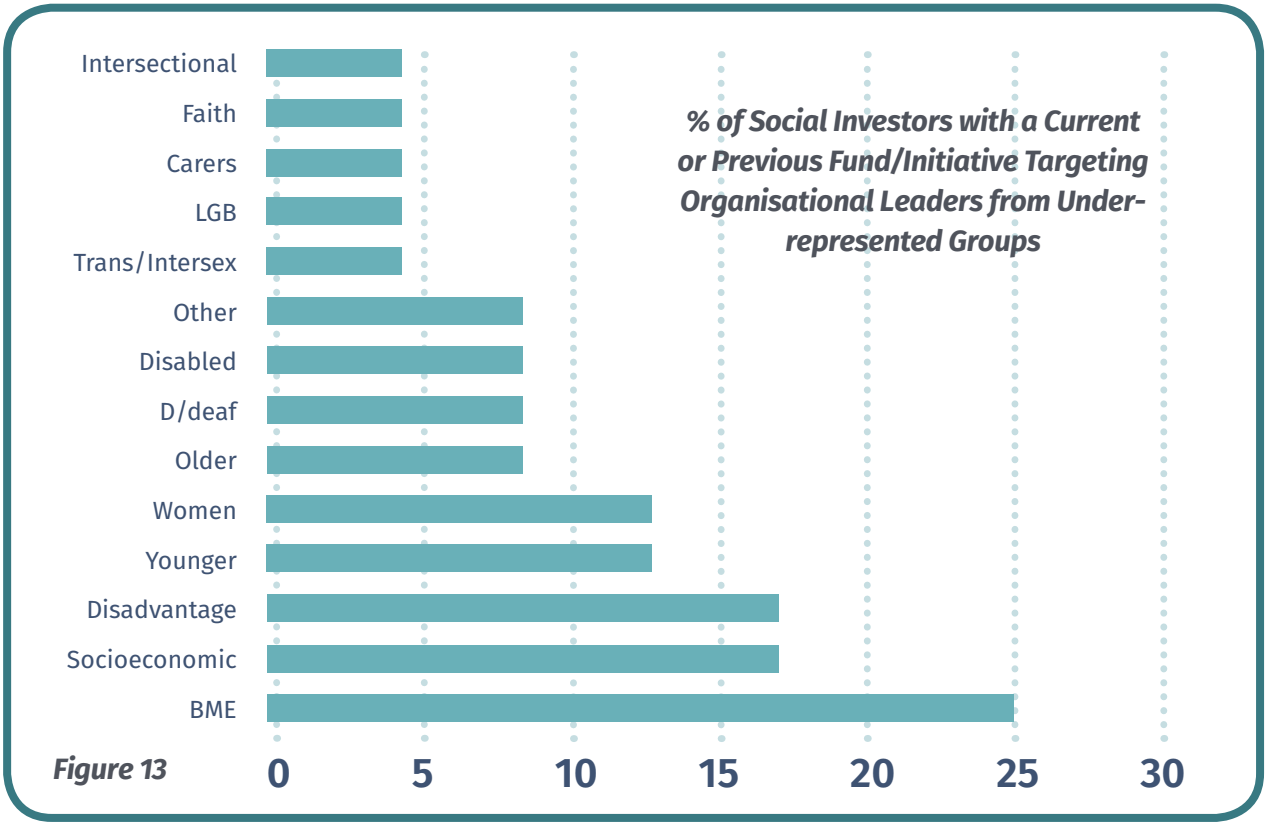


Figure 13

118. 22% were seeking to influence investee behaviour; 34% positively selected companies on basis of good ESG rating; 78% managed investments on basis of negative screening.
119. Brown, 2018.

CASE EXAMPLE

BAME Female Founders Incubator. Funded by eBay and NatWest, this 5-month programme helps BAME female-led businesses build the foundation of their businesses and strategies for growth. While the incubator is not a social investor per se, lessons can be learned from its focus on supporting a group under-represented in organisational leadership.

Leaders with Lived Experience – National Lottery Community Fund is another example. Building on research by UnLtd, The Social Innovation Partnership and others, Leaders with Lived Experience is a pilot programme providing National Lottery grants of between £20,000 and £50,000 to support lived experience leadership. A lived experience leader is someone who uses their first-hand experience of a social issue to create positive change for, and with, communities and people they share those experiences with. The pilot programme involves allocation of 15-20 grants and could provide useful learning for a similar approach in the social investment field targeting leaders with experience of inequality and discrimination.

It is noted that leaders in the sector feel they are treated differently based on who they are and that the social investment sector tends to reflect the traditional finance sector. This is a challenge for the sector according to participants at the Social Investment Intelligence Network, which brings together charity and social enterprise leaders. [120, 121] Who gets to access social investment is seen to at least partly relate to who works in the social investment industry. It is precisely this issue that the Diversity Forum, funded through the Connect Fund, is seeking to address. Their *Inclusive Impact* report, delivered by Inclusive Boards, highlighted 33% female representation at director level, a particular lack of representation amongst BME women (2.8% of directors), and a disproportionate number of directorships held by Oxford or Cambridge University alumni (18%). [122]

CASE EXAMPLE

Forward Enterprise Fund [123] is supported by the SIB and Forward Trust. It provides £2 million total investment and £500k business support across up to 40 businesses led by ex-offenders/ people in recovery and/or working with these communities. It offers unsecured loans between £25k - £150k for revenue or capital projects over 5 years (7.5% interest).

CASE EXAMPLE

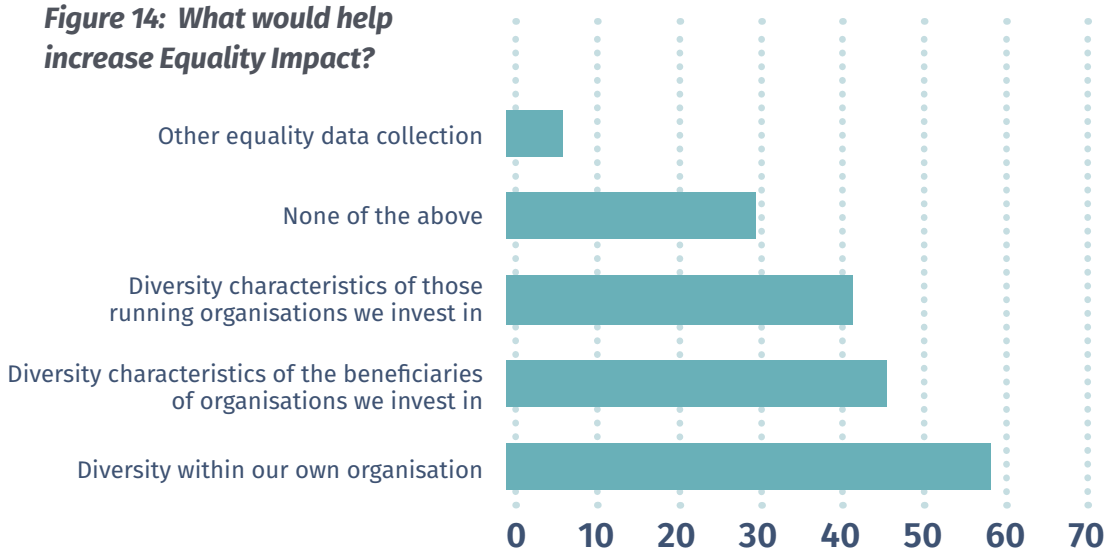
On An Equal Footing receives funding from the Connect fund and is implemented by the Lincolnshire Community Foundation & Sortified to support women and women-led organisations across the East Midlands to support their access to social investment.

120. The Social Investment Intelligence Network, 2018.
121. The Social Investment Intelligence Network, 2018.
122. Diversity Forum, 2018.
123. ***http://www.forwardenterprise.org.uk/; https://www.sibgroup.org.uk/forward-enterprise-fund /***

2 Investing in organisations with diverse makeup and wider good equality practice

Nearly three quarters of respondents (71%) review beneficiary diversity as part of their investment due diligence and evaluation process, and more than half of investors (67%) as part of their investment monitoring processes.

Figure 14: What would help increase Equality Impact?



Notably, the majority of surveyed investors at 58% gather data on diversity within their own organisation, which indicates good organisational practice. Yet this does not translate to their data gathering on investees with less than half (46%) gathering data on the diversity of end beneficiaries and (42%) on diversity of the organisational leaders they invest in. Moreover only just over 30% actually use the diversity data on applicants as a positive screen to inform decision-making on who gets investment.

% of Social Investors Reporting Equality Considerations as part of their general investment process

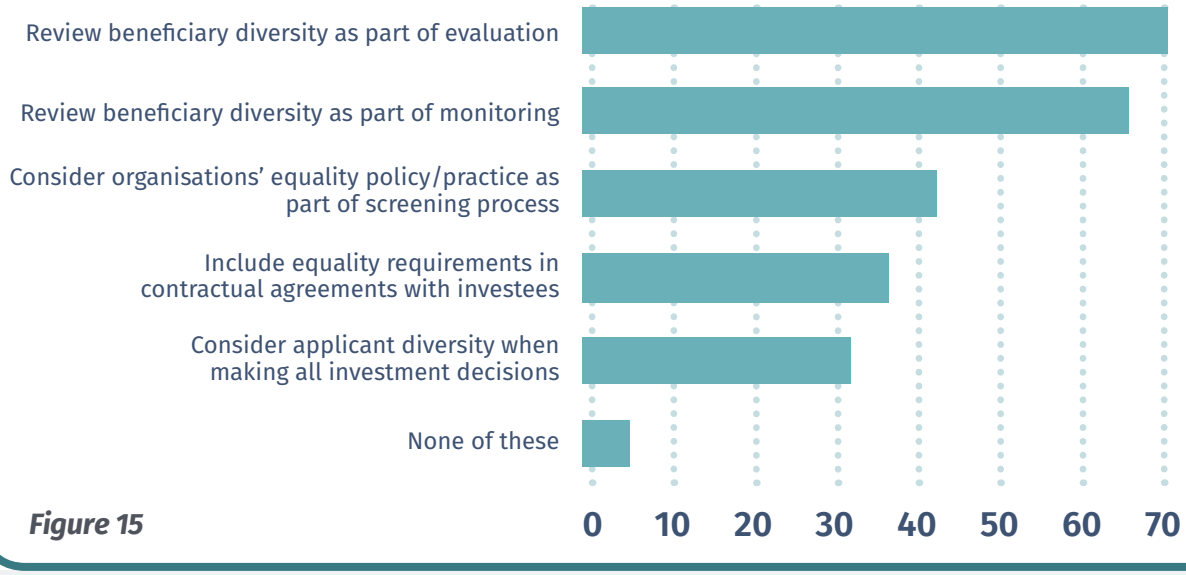


Figure 15

Social investment can be used as leverage for improving the organisational practices of (potential) investees regarding equality without the use of targeted funds. As standard practice, 42% of respondent social investors consider equality policies and practices as part of their screening processes, 38% include equality requirements in their contracts, and 33% consider applicant diversity in their decision making. But, despite these practices, the majority still do not, suggesting a need to build the case for doing so, as well support to those that wish to do so.

There are some investment indexes that do exist and can provide investor insight into workplace equality practices for potential investees. For example, Equileap (see below). While its focus is on private sector companies and is only of relevance to the wider investment market, similar indexes could usefully be developed for charities and social enterprises to inform social investment decisions.

CASE EXAMPLE

Equileap uses data on over 3,000 companies across 19 data points to support investors to build financial products with a gender lens. This means avoiding investment in companies that perform poorly in relation to gender equality in the workplace (from fair pay and recruitment to supply chain management). The Equileap Gender Equality Scorecard is inspired by the UN's Women's Empowerment Principles.

3 Are SIFIs investing in organisations or initiatives whose stated primary purpose is to tackle inequality whether through providing services, products, social action or a combination of these?

Just under half (42%) of survey respondents report having an existing/previous fund/initiative that "explicitly target organisations whose main focus is tackling inequality faced by a particular group or groups who experience and/or are at higher risk of discrimination."

This is a fairly high proportion especially in light of our research with equality VCSEs which found a very low number had engaged with social investment (see Section 3.2.3). This inconsistency may be for a number of reasons. Investors may have a broader sense of what it means to "target organisations whose main focus is tackling inequality faced by a particular group" than our own (as set out in Section 1). It may also be that investment has been concentrated in a few large equality organisations which were not captured by our VCSE research.

Despite investors stating they have implemented this strategy, no examples of dedicated investment funds specifically targeting equality organisations or initiatives were identified. Instead, there seem to be examples of investors that focus on specific equality dimensions with their investment themes such as, Tribe Capital which includes education and equality as an impact theme, or Big Society Capital within their property fund.

CASE EXAMPLE

BSC Property Fund provides social housing for women facing additional challenges (domestic abuse, mental illness, leaving care) in a context where 66% of homeless adults living in temporary accommodation are women. To accelerate the development of the Fund, BSC is looking to provide up to £10m cornerstone investment, alongside a minimum co-investment of £5m

CASE EXAMPLE

Abode Impact is an accessible Housing Fund for London. This project is in development targeting the housing inequalities experienced by wheelchair users in private rental sector (PRS). The fund will purchase wheelchair-accessible homes for rent.

There are various examples of investment support, capacity-building, and other enabling initiatives that are supporting VCSE organisations **to mitigate the effects of inequality.**

CASE EXAMPLE

Diverse Ambitions, supported by Social Investment Business, provides business and investment readiness support for charities and social enterprises working with and/or led by BME people, migrants, refugees, asylum seekers in London. They need to have been operating for 24 months or more and have income under £150k.

CASE EXAMPLE

The Forward Enterprise Fund is a partnership between Social Investment Business (SIB) and The Forward Trust that provides funding and support for charities and social enterprises run by (or creating employment opportunities for) ex-offenders and people in recovery from addiction. The fund provides unsecured loans between £25k - £150k for revenue and/or capital projects with a typical interest rate of 7.5% for up to a 5-year term. The Fund intends to provide a total of £2 million investment plus £500k business support across up to 40 businesses.

In terms of the focus of funds, it has been noted by Social Impact Investing Network (SIIN) 2018 that, "while there are funds and initiatives directed at, for example, poverty and mental health or certain age groups" the social investment sector does not have initiatives relating to other [equality] characteristics and statuses. [124] We also find that many funds, reflecting priorities at the policy and strategy levels of social investment, are also tending taking a place-based approach to support geographical distribution of funding to disadvantaged areas such as the SE-Assist fund run by CAF Venturesome. This has been identified as a key theme for BSC (along with providing homes for those in need and early action to prevent problems).

124. The Social Investment Intelligence Network, 2018.

CASE EXAMPLE

Community Investment Enterprise Facility funded by the BSC and Social Investment Scotland, is a £30m facility that invests in Community Development Finance Initiatives (CDFIs) which support small businesses in disadvantaged communities that are discriminated against by mainstream lenders but also themselves face barriers to achieving long-term sustainability and securing significant capital at scale.

There is some emphasis within some of these funds on supporting particular beneficiary groups, in particular equality domains, but this is not the defining feature.

In terms of the beneficiary groups that social investors have targeted through their investments, this has been people of a lower socioeconomic position for 29% of investors and disabled people for 21%. Younger beneficiaries and those from BME communities have each been the focus for 17% of investors.

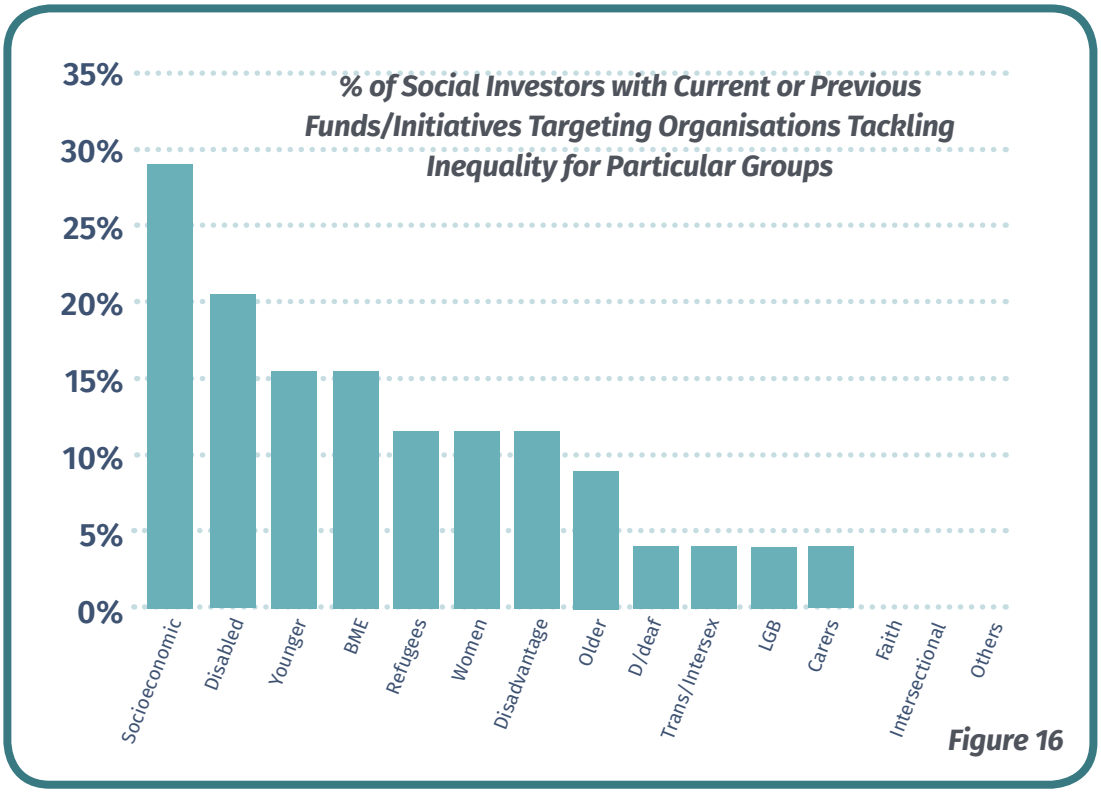


Figure 16

In terms of the impact domains targeted by social investors financial security and dignified work (38%) and education and learning (33%) were the most popular. There may be some conflation here of social investors seeing investment in social ventures (whatever their focus) as supporting 'financial security and dignified work' by enabling them to employ staff.

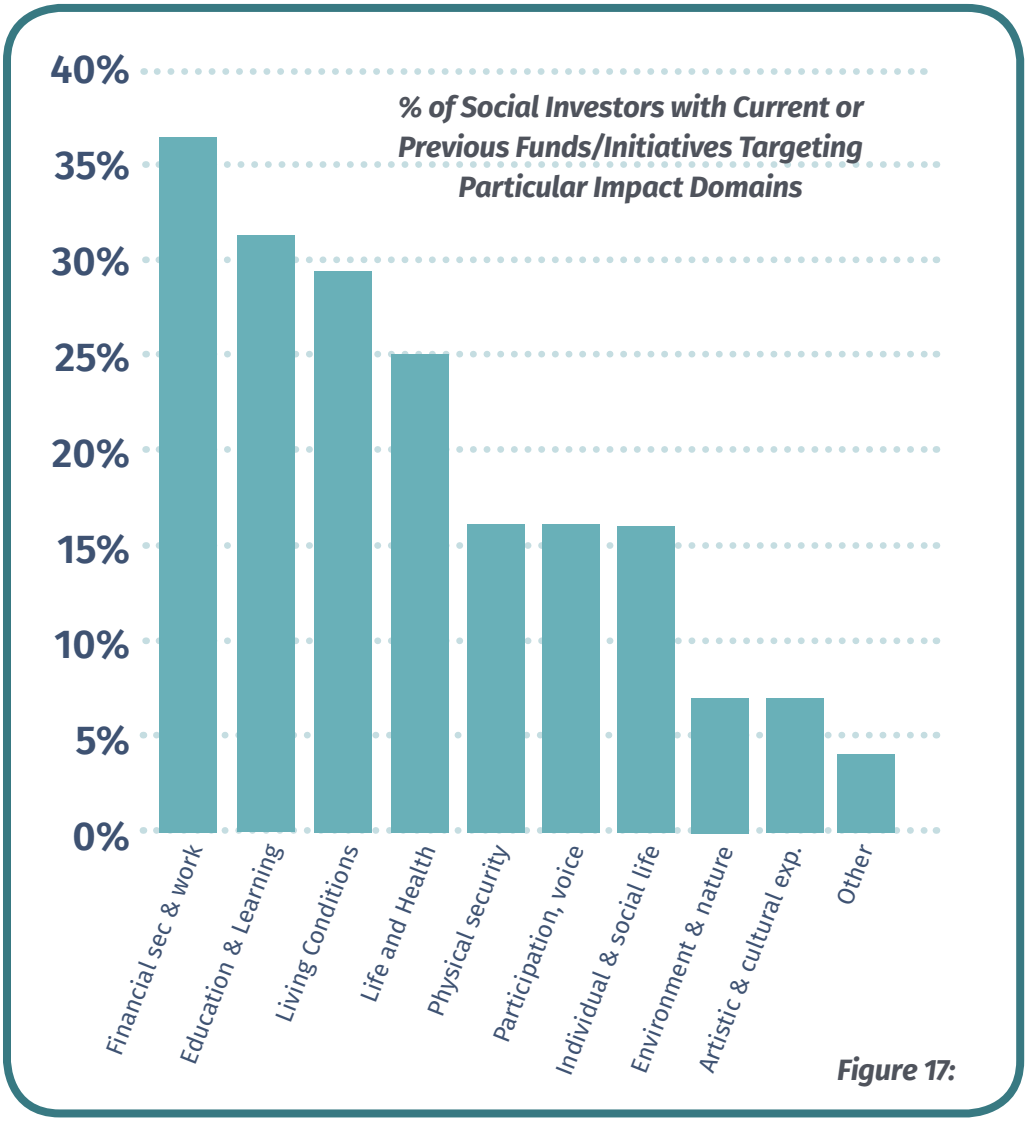


Figure 17:

In general, investors currently place far greater focus on achieving impact on individual outcomes via provision of services (40%) than improving the status of beneficiaries in law (4%) or public attitudes (17%) or their treatment in institutional processes or policy (17%).

Of the investors who said they had an existing or previous fund or initiative that "explicitly target(s) organisations whose main focus is tackling inequality faced by a particular group or groups who experience and/or are at higher risk of discrimination," only 20% target VCSE equality organisations whose mission or focus is addressing inequality. 40% saying they invest in mix of non-specialist and specialist organisations. This finding reflects other research looking at how VCSE women's organisations fare in grant rounds and commissioning. This found even where the stated target group was women or women's service providers, generic providers were much more likely than specialist VCSE women's organisations to get grants or win the contracts. [125]

125. Women's Resource Centre & Women's Gender Budget Group 2018

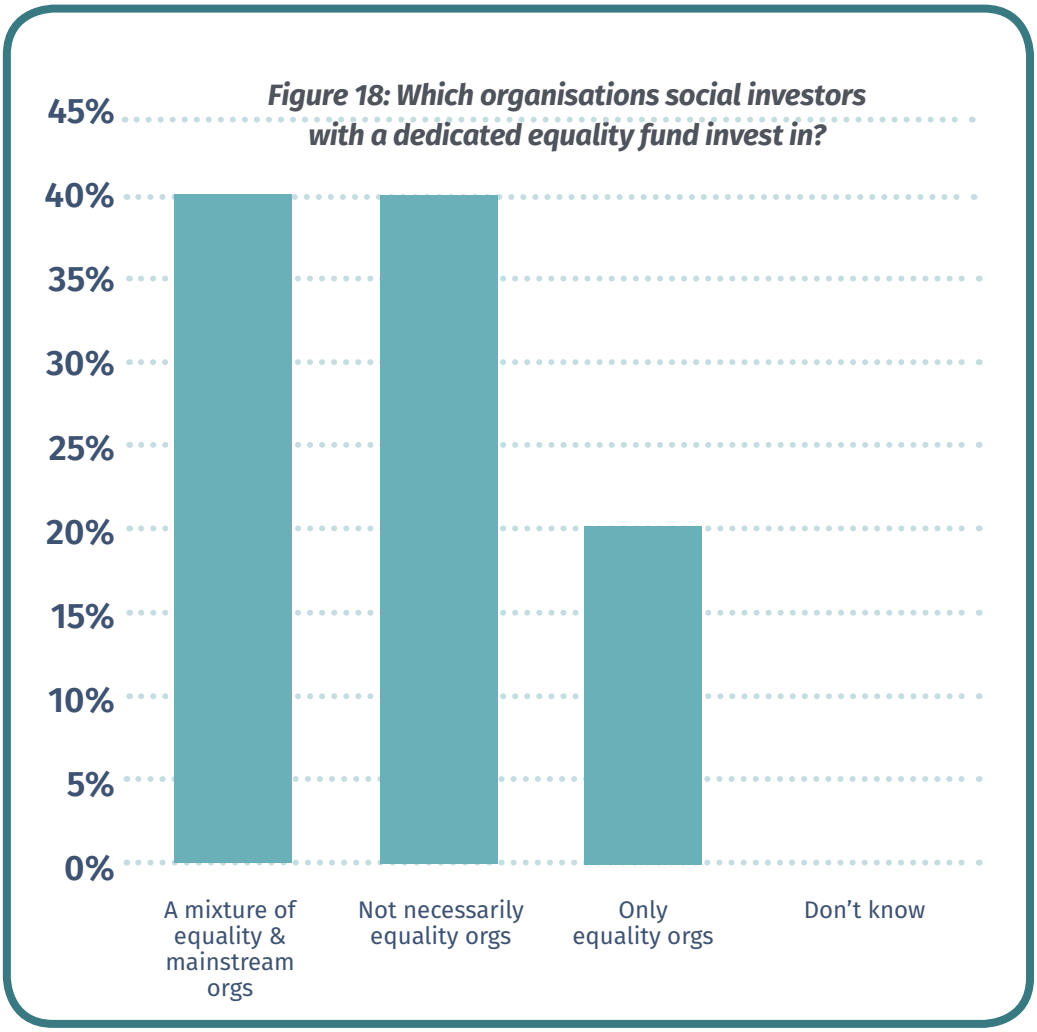


Figure 18: Which organisations social investors with a dedicated equality fund invest in?

Are SIFIs investing in inequality transformative organisations or initiatives: those trying to tackle its root causes and generate alternatives?

Only 17% of social investors have had an equality fund focused on beneficiaries' treatment in organisational policy/practice/processes, 17% on improving public understanding and attitudes, and only 4.2% on improving their status in law. This suggests that there is limited investment by social investors in EII in equality transformative organisations.

CASE EXAMPLE

Timewise Foundation. Joseph Rowntree Foundation is providing a social investment of £250,000 to the Timewise Foundation. This is to help them to grow its Social Consultancy services for employers, to build a fairer flexible jobs market in the UK. The Social Consultancy works in a number of ways with employers: running change programmes to help them design flexible ways to attract, retain and develop talent; building research and innovation pilots to create new insights into how to redesign work, particularly in challenging sectors and roles; and through thought leadership and advocacy for wider change, amongst business leaders, policy makers and opinion formers

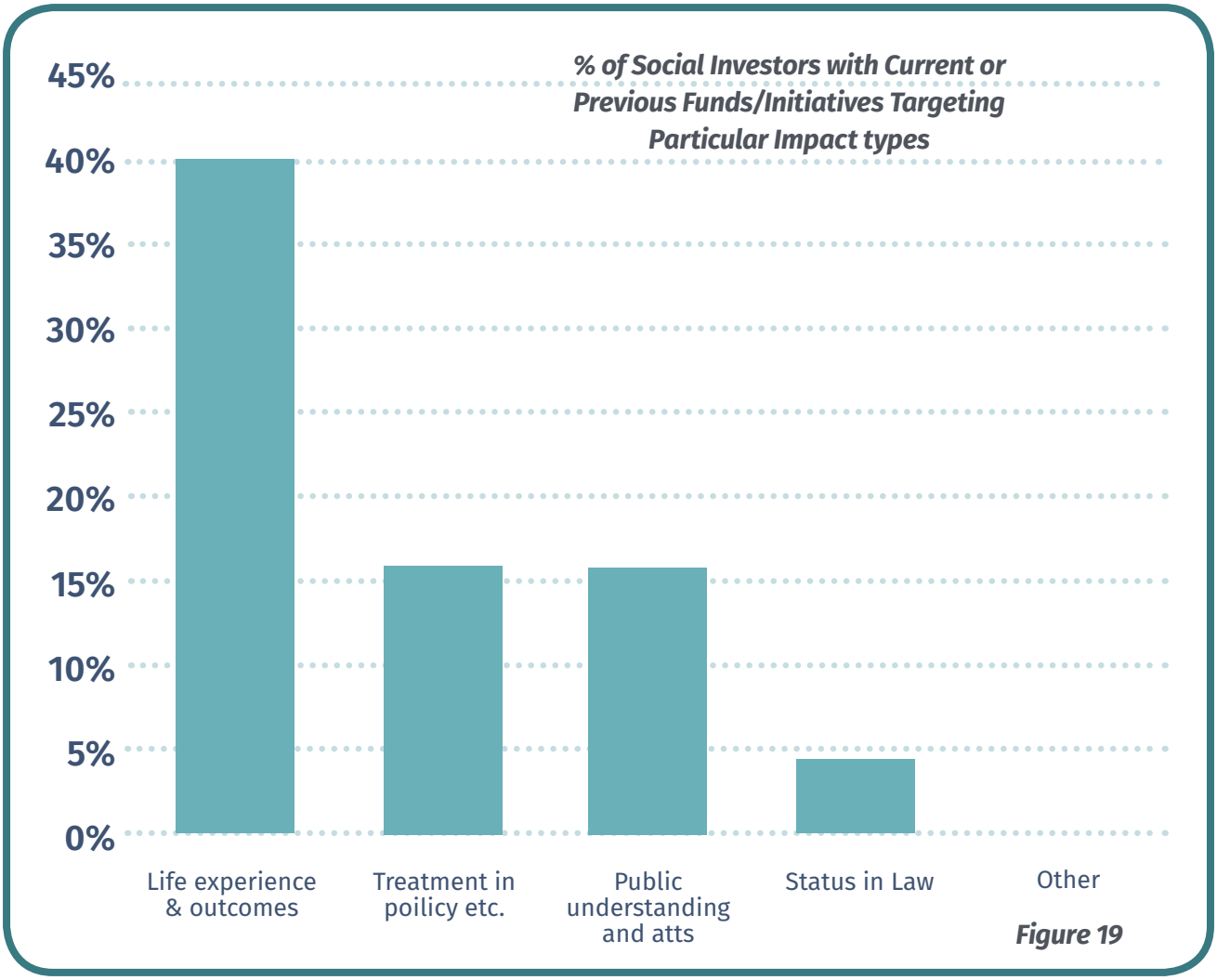


Figure 19

What would help increase investor use of EII?

There is interest in increasing equality impact among social investors but capacity building and other support is needed.

62.5% of our SIFI sample feel they need to increase their equality impact. Only 12.5% feel they do not.

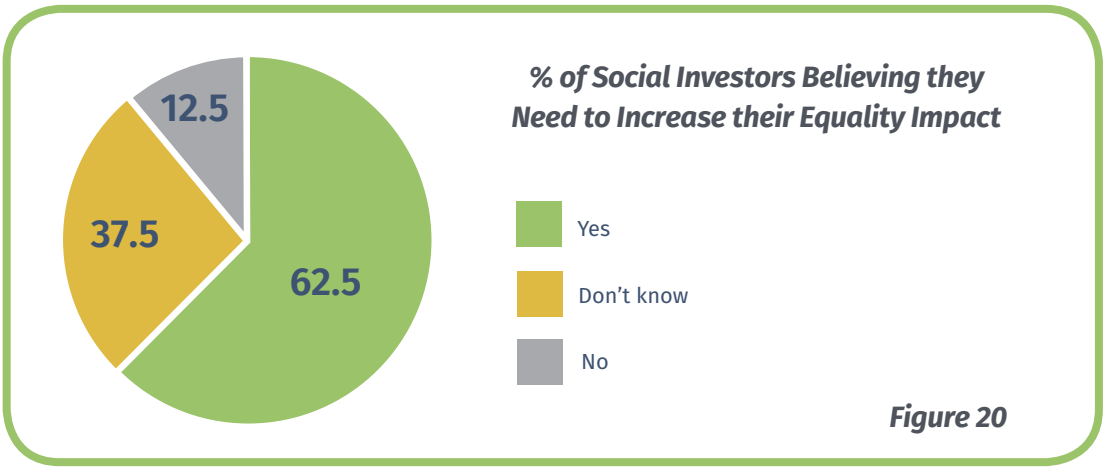


Figure 20

Investors top perceived need is for a stronger pipeline of equality impact investees

The majority of respondents stated that for them to increase their equality impact they need is a pipeline of more investees. In terms of the factors that would enable an increase in their equality impact, 58% pointed to a larger and more investment-read pipeline of potential investees. Also, as discussed above, few investors and market builders have targeted pipeline building support at equality organisations.

Within the UK's social investment sector there remains an issue of completing deals, with implications for all recipients but particularly smaller VCSE organisations which many equality organisations are.

This demand side trend has been linked to the criteria that social investors tend to place on organisations (e.g. interest rates of 6-8%, assets to secure loans against, a certain income level)[126] and a high average loan size unsuited to the needs of many organisations. [127] For example , 70% of the UK's equality-focused charities have an annual income below £100,000, whereas BSC-backed SIFIs generally offer around £200,000.

There is, it seems, a mismatch between the needs of smaller social ventures and social investors, with social investors citing a lack of 'investment ready' organisations and social ventures seeking other forms of funding. Some have argued for turning the 'semantic tables' by asking social investors whether they are 'ready' for the needs of social ventures. [128] This is starting to be reflected in some shifting of investor emphasis from getting investment out of the door to increasing the resilience and sustainability of social ventures.

There is a need and demand for tailored support on EII amongst investors

With regards their own support needs, 46% of survey respondents cited more information about EII methods and strategies and 42% identified opportunities for peer learning.

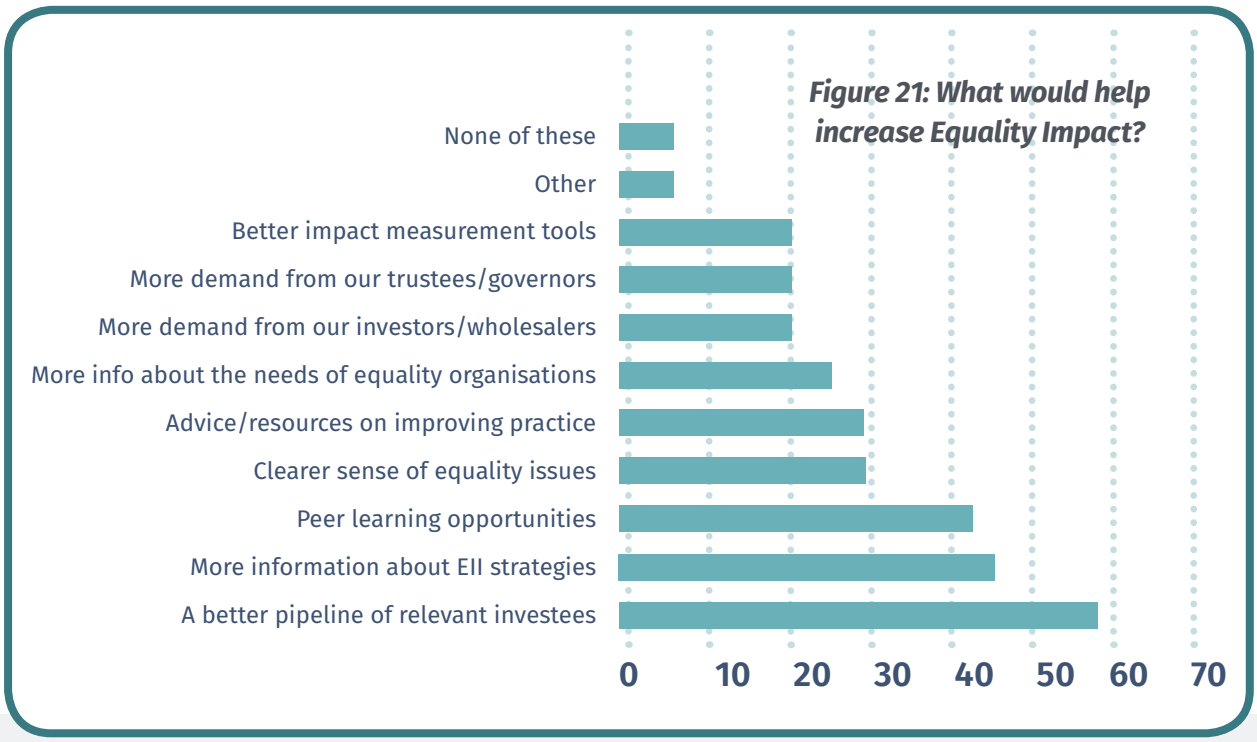


Figure 21: What would help increase Equality Impact?

126. The Social Investment Intelligence Network, 2018.
127. Resonance for example requires at least £75,000 annual income through its most accommodating fund.
128. Barnett, 2018.

There is a lack of aggregated equality data on beneficiaries and impact of investments.

Data on which organisations and beneficiary groups have been impacted by social investments can indicate the extent to which specific dimensions of EII is currently being practiced. Data from the BSC's Impact Report[129] and Deal Level Data[130] reflect a lack of aggregated equality data on how many of the charities and social enterprises work specifically on inequality or with certain beneficiary groups (e.g. women, BME, LGBT). Similarly, there is an absence of data on how much investment is going to such organisations, rather the data reflects the outcome domains and beneficiary groups promoted in the Outcomes Matrix, the limitations of which were highlighted earlier.

Details are provided on how many jobs and training opportunities have been created (26,000) and which organisations have been invested in to deliver this. But it is more difficult, if at all possible, to find a breakdown of how many job opportunities have been for women or have been delivered by ventures with tackling inequality at their heart. The proportion of women or equality organisations intentionally targeted (rather than supported incidentally) is a further step removed. In other words, the inclusivity of new employment opportunities beyond the primary target group (unemployed) is considered only as an afterthought if at all.

Data is presented within impact reports from the individual SIFIs invested in by BSC but these tend to also reflect the Outcomes Matrix. They may sometimes provide data on the diversity of organisational leaders and entrepreneurs they invest in (much like SEUK) but this rarely extends beyond gender, ethnicity and disability. In its Impact Report 2018, Big Issue Invest mentions "race, sex, ethnicity, disability, age, sexuality or socioeconomic position" under its Inclusion pillar. But its investee overview reflect the domains and beneficiary groups presented in the Outcomes Matrix (e.g. 51 organisations focus on employment, education and training; 44 support people living in poverty).

Demand-side Conclusions

For EII to take root within the social investment sector, equality impact needs to be intentionally managed as a primary outcome rather than a by-product or incidental feature. With this in mind, there is not as yet a well-developed EII movement in the UK but there is evidence of certain EII strategies being taken forward for the most part with a focus on ethnicity or gender.[131] But the commitment is there and so with sufficient capacity building support, there is the potential for this demand to translate into investments if adequate supply of investees is there.

129. Big Society Capital
130. Benton, 2018.
131. We received responses from six of the 12 social investors we contacted because they had suggested in their survey responses they had or had previously had a fund targeting organisational leaders from groups facing discrimination and/or a fund targeting organisations whose main purpose is to support beneficiary groups facing discrimination.

3.2.3 Supply

KEY FINDING: ***There is a significant, but untapped, potential pipeline of equality impact ventures which enterprise development and investment support could and should help realise.***

One of the key EII strategies requires a supply and pipeline of investable equality impact ventures with a focus or mission on reducing equality for investors and their intermediaries to invest in. This research has looked specifically at the UK's equality VCSE sector because of their positioning to form such a supply and the importance of their overall sustainability given their vital role in the wider equality architecture.

Such organisations have by definition a mission/purpose focused on reducing inequality and advancing human rights. See box below. Whilst these organisations may also be led by women or people from minority groups and/or operate wider good diversity and equality practice it is their focus or mission that defines them as VCSE equality organisations. For example an organisation may have a woman or BME CEO but that, in itself, does not make it an organisation with a mission to focus on women's or BME equality outcomes.

Equality VCSE Organisations

VCSE Equality Organisations have a primary purpose or mission to tackle discrimination and advance equality, human rights and/or good relations for people and groups:

- On the basis of one or more of their characteristics or status e.g. age, disability, gender identity, marriage or civil partnership, pregnancy and maternity, race, religion or belief, sex sexual orientation, socioeconomic position, caring responsibilities, migrant or displacement status, other characteristics placing people at risk of discrimination, abuse, chronic disadvantage or social exclusion.
- In one or more of the following areas: life expectancy and health, physical and legal security, education and learning, financial security and work, living conditions, participation and influence, social and family life, environment and nature, artistic and cultural expression.
- In one or more ways: status, treatment and outcomes.

The analysis in this section explores:

- Whether there is a distinct equality and human rights sub sector of the wider VCSE, the kinds of impact that they deliver, and how they go about this.
- The extent to which they are, or could be, investable.
- How much they are, or would currently be open to, engaging with social investment.
- What they need from investors to do this.

It draws on data from our survey[132] and workshops, which engaged over 80 VCSE equality organisations in total, 60 through the survey, as well as a literature review and consultation workshops. In terms of the profile of the survey sample, for the purposes of this report we make a distinction where relevant between data for national organisations (12 responses) and organisations with a regional or local focus (48 responses). The percentage of figures in the graphs below relate to our survey sample unless otherwise indicated.

The information we sought can be broadly categorised as:

- About the sector and the impact it delivers, including focus, beneficiaries, activities, experience, etc.
- Organisational characteristics relating to structure, size, longevity, income etc.
- Engagement with/awareness of/openness to social investment.
- Financing and development needs.

About the VCSE equality sector and its impact

VCSE equality and human rights organisations do form a fairly distinct VCSE sub sector but one about which limited data or research exists. Organisations are delivering valuable equality impact for different beneficiaries, across different equality domains (e.g. health, work, participation) and, critically, of different types, from supporting better individual outcomes to changes in public attitudes, policy and legislation. They are likely to have a high degree of beneficiary involvement in leadership and governance but are often small and grant-orientated.

They have some awareness but extremely low engagement in social investment, and have not been engaged by "mainstream" social investor efforts to target smaller VCSE organisations. They are open to exploring investment and generally becoming more enterprising. They identify more targeted information and support as key. In terms of financing, the majority would seek grants to explore and/or build enterprise into their work.

Equality VCSEs as an identifiable and self-identifying sub sector of wider VCSEs

There is clear evidence of a distinct and self-identifying VCSE equality sector. One of the charitable objectives available for selection upon registering with the Charity Commission relates to "Human Rights/Religious or Racial Harmony/Equality or Diversity"[133] and there are 5,289 currently registered charities that have done so.

132. The multiple choice survey (see Appendix) comprised 19 main questions with two supplementary questions if certain answers were given. The question options given in response reflect latest thinking and research from the equality and social investment sectors. For example, the list of beneficiary groups reflect common status or characteristic categories used in the equality and human rights sector and the impact domains reflect the capability domains used as a basis by the current EHRC measurement framework. These were the same beneficiary categories and impact domains used in the social investors survey so we could assess the extent of their respective impact concerns, matched or otherwise. In both cases, the surveys were intended to help us assess the extent to which organisations are supporting equality issues and goals identified by the EHRC which in turn reflect the SDGs. The investment types and support offerings reflect those being commonly used within the social investment sector.

133. This does not include charities that might specify other objectives relevant to equality and human rights such as 'Disability'.

An under-researched/considered sector

In spite of a comprehensive search, there is limited aggregated data on the state of the VCSE equality sector. This may be due to several factors. First, many organisations, even if taking an intersectional approach, are focused on a particular equality" "strand" such as women or disability, or they are more concerned with addressing multiple strands of disadvantage in a particular geographical area. Second, reports on the state of the wider VCSE sector rarely include a breakdown of an equality subsector. This is possibly linked to a wider inequality whereby equality organisations and issues tend to be a low priority and poorly funded in the wider VCSE sector. Third, where there has been interest in equality in the VCSE sector it has often centred on diversity in organisational leadership and employment (as in the case of a recent ACEVO initiative). In any case, we have therefore made some use of data from sub-sector analyses and trends in the VCSE sector more broadly.

Who are their beneficiaries?

Equality organisations have a wide range of primary beneficiary types. Individuals or groups defined by status or characteristic e.g. sex, faith, age, socioeconomic group, those experiencing intersectional discrimination, and those living in disadvantaged places. Many argue their beneficiary group is wider society as their focus is not on one particular group or set of groups, but on structural inequality that limits our collective wellbeing.

Most equality VCSEs focus on a specific or multiple beneficiary groups that experience some form of discrimination and inequality. The survey asked them which beneficiary groups they targeted. The respondents highlighted a mixture of beneficiary focus.

In our survey, the most frequently selected beneficiary groups include:
women (47%), BME People (47%), children and young people (45%), disabled people (45%), and people of lower socioeconomic position (43%). This suggests that for equality impact investors seeking to target these beneficiary groups there is some supply of equality VCSEs that are providing an equality impact on these groups.

However, a number of respondents selected multiple beneficiary groups suggesting they may have included beneficiaries they considered themselves "inclusive of" rather than one they actively targeted, or that they work on intersectionality (e.g. the Runnymede Trust, a race equality organisation that also does work on the specific issues facing BAME women).

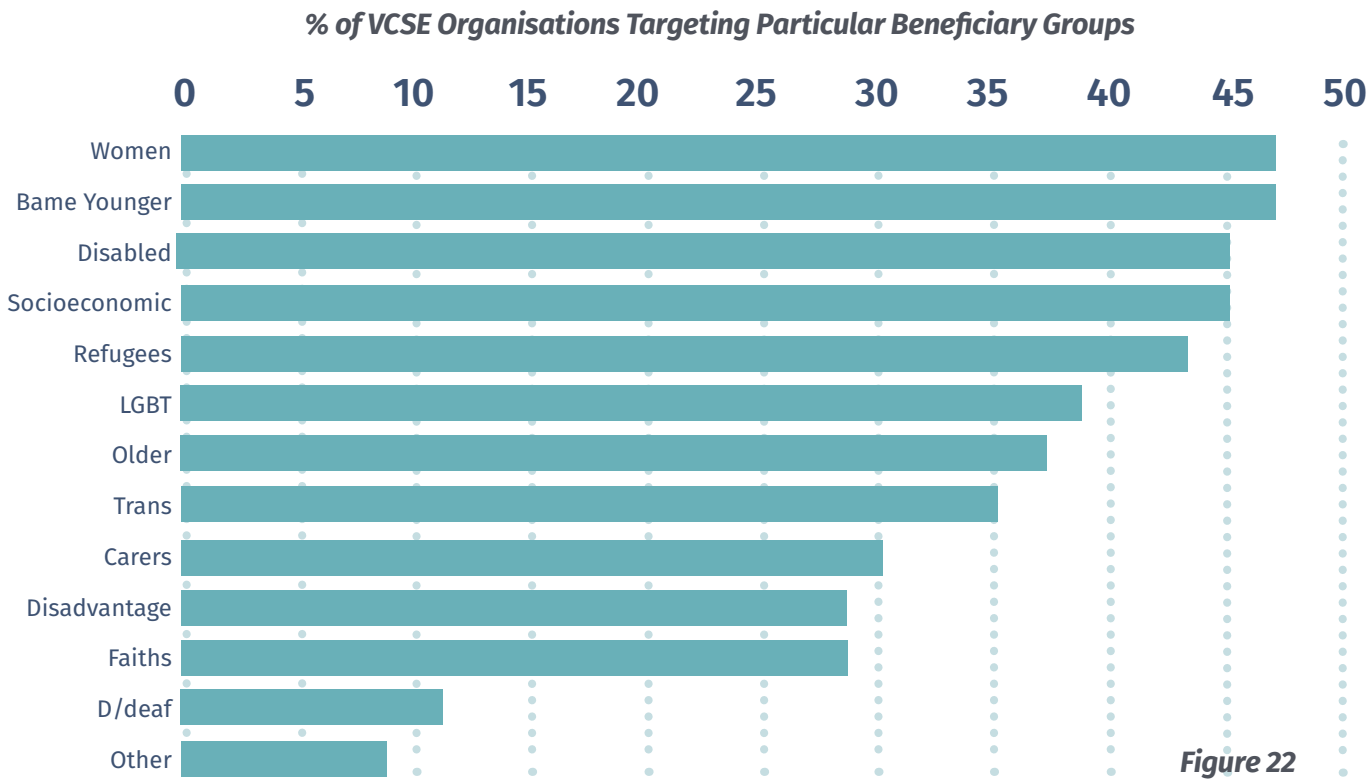


Figure 22

Nothing for us without us

Based on our sample, the leadership and management of equality VCSE organisations are likely to be representative of the beneficiary groups they support. We asked organisations, "Is your organisation led and/or governed by people who are representative of the people or groups you aim to benefit?" 88% responded 'yes' or 'partly'. This indicates that social investors seeking to channel capital to entrepreneurs who traditionally face discrimination can do so through targeting equality VCSEs, potentially contributing to an equality impact at the level of the organisation's leadership as well as in terms of the products and services it provides.

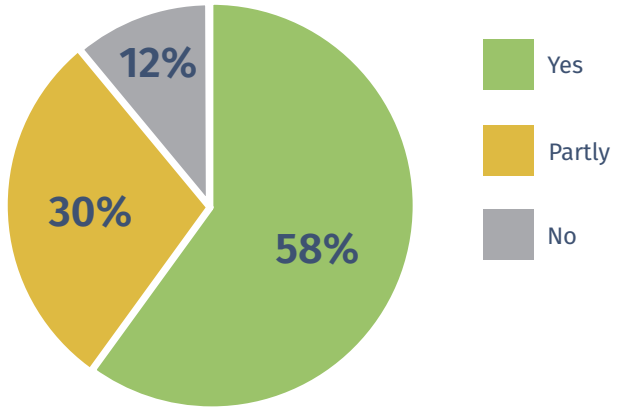


Figure 23: Degree to which Equality VCSE Organisations are led and/or governed by people who are representative of their beneficiaries.

"I would just add to it that a lot of the particularly small voluntary sector BME organisations like ours are very grassroots and experts by experience so you can't beat that. You're hearing directly from the people that a lot of the issues are impacting on."

- VCSE Focus Group participant

What domains are they delivering impact in?

VCSE equality organisations in our survey are working across all impact domains although there are clear differences in priorities between places and between local and national organisations.

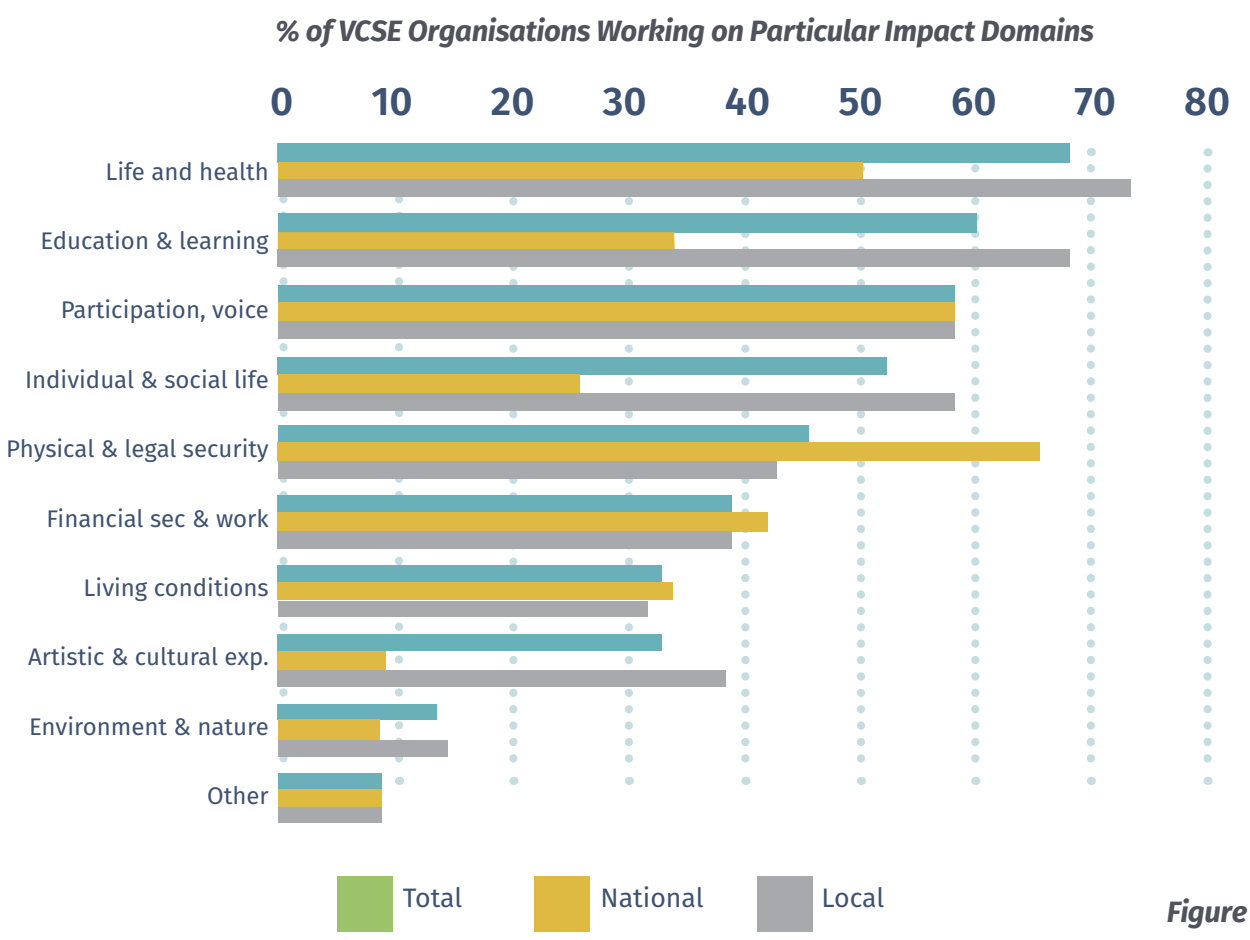


Figure 24

There are notable differences in the impact domains, types and activities between national and local organisations. In terms of domains 'Life and Health' (e.g. living a normal length of life, and having good mental, sexual and general health,) was most frequently selected (68%). This was intended to relate fairly specifically to life expectancy, and mental and physical health issues, but may have been understood more broadly in terms of improving rights that impact on people's lives overall, or quality of life. A high proportion (67%) of national organisations selected 'Physical and Legal Security' (e.g. violence, harassment, discrimination, legal injustices), probably reflecting their increased tendency to work on and through legal change (see below).

What kinds of impact are they delivering and how?

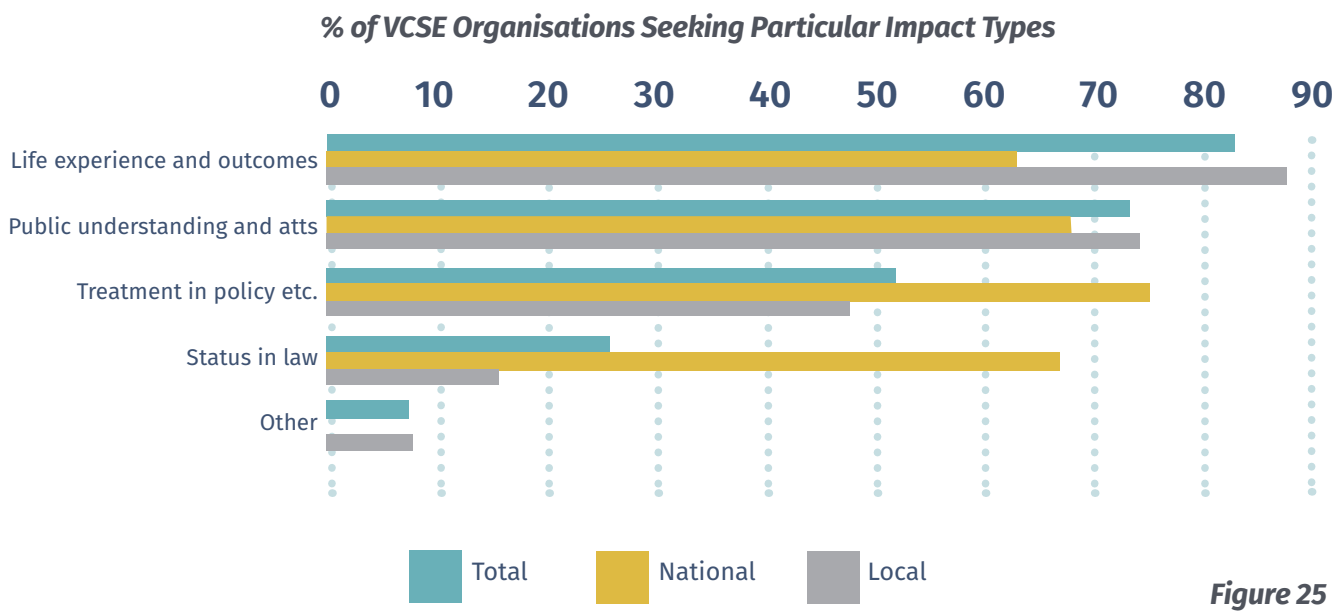


Figure 25

In terms of 'Impact Types' nationally-operating organisations are far more likely to improve their beneficiaries' "treatment in organisational practice/policy/processes" (75%) and/or their "status in law" (67%).

CASE EXAMPLE

Media Cultured is a social enterprise that uses film and social media to challenge racism and radicalisation and convey positive messages about diversity in the UK. It provides bespoke programmes to schools, colleges, universities, private companies and faith groups. Social investment was provided by Key Fund to help them build a website, develop office space and enable development of their client base

In our survey, local equality VCSEs are more likely to be equality mitigating. For example, locally or regionally-operating organisations tend to be working more on directly improving their beneficiaries' "life experience and outcomes" (88%) and also were far more likely to be "Directly providing services to individuals" (73% compared to 33% of national organisations). However, low response rates from Equally Ours' national members means a number of large national organisations that provide services are not taken into account. However, these types of organisations such as Stonewall, MIND, Refuge, Women's AID, Rights of Women, Mencap etc. do also deliver policy and influencing work,often drawing from learning from services.

CASE EXAMPLE

Timewise Foundation

Joseph Rowntree Foundation is providing a social investment of £250,000 to the Timewise Foundation. This is to help them to grow its Social Consultancy services for employers, to build a fairer flexible jobs market in the UK. The Social Consultancy works in a number of ways with employers: running change programmes to help them design flexible ways to attract, retain and develop talent; building research & innovation pilots to create new insights into how to redesign work, particularly in challenging sectors and roles; and through thought leadership and advocacy for wider change, amongst business leaders, policy makers and opinion formers.

Equality VCSEs that are focused on tackling the root causes or drivers of inequality (inequality transformative) do exist but are more likely to have a national remit.

A high proportion of both national (67%) and local/regional organisations (77%) in our sample are working on improving "public understanding of and reducing discriminatory attitudes or prejudice towards or between the people or groups we work for". But when it translates into impact areas, the national organizations are more likely to be undertaking activity types to deliver their impact that are transformative in nature. Thus, all national organisations cited "Influencing and/or supporting legal or legislative change" (only 27% amongst local organisations) and "Influencing and/or supporting organisational (state, private sector or civil society) policy and practice change" (only 46% amongst local organisations). Frequent reference was also made to "Undertaking or sponsoring research, monitoring, evaluation," "Campaigns to raise public awareness or shift opinion (e.g. to gain support on an issue)", and "Providing advice, training, information and other resources to other organisations.

However, lack of infrastructure and networks at local and regional level is likely to have reduced the extent to which these organisations are involved in both local and national advocacy work .

> "Maybe there's something about us saying to social investors, you should be investing in policy and social change work because that is how you're gonna get your social impact return. That's where the real shift occurs. Otherwise it's just a sticking plaster. Actually it's money down the drain isn't it?" **- National VCSE workshop participant**

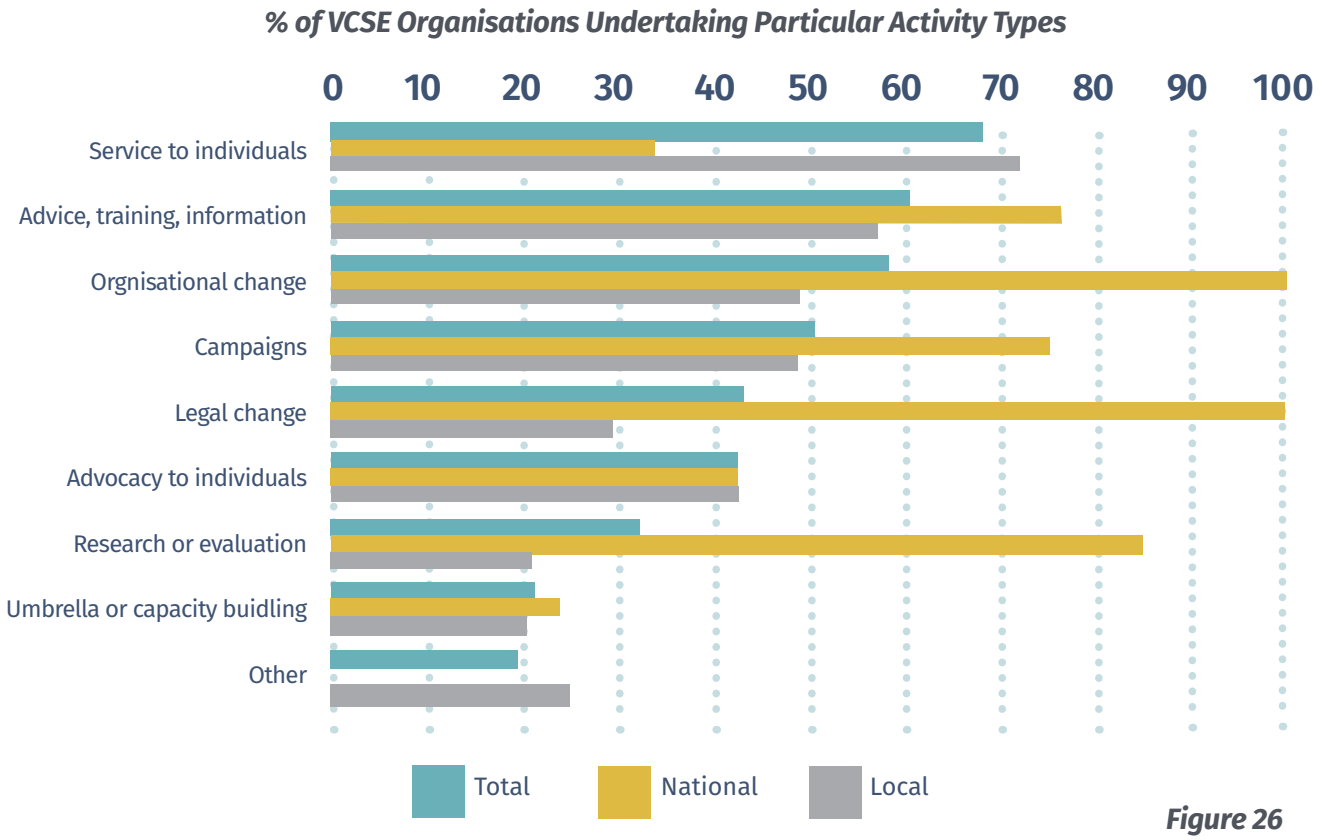


Figure 26

Are typical VCSE equality organisations organisational and financial models investable?

This section considers how likely VCSE equality organisations are to meet social investment criteria from EII.

Registration status

The majority (58%) of organisations who completed the survey identified as charities including all of those operating at the national scale. Lower but significant proportions identified as a Company Limited by Guarantee (30%) and/or Community Interest Company (20%).

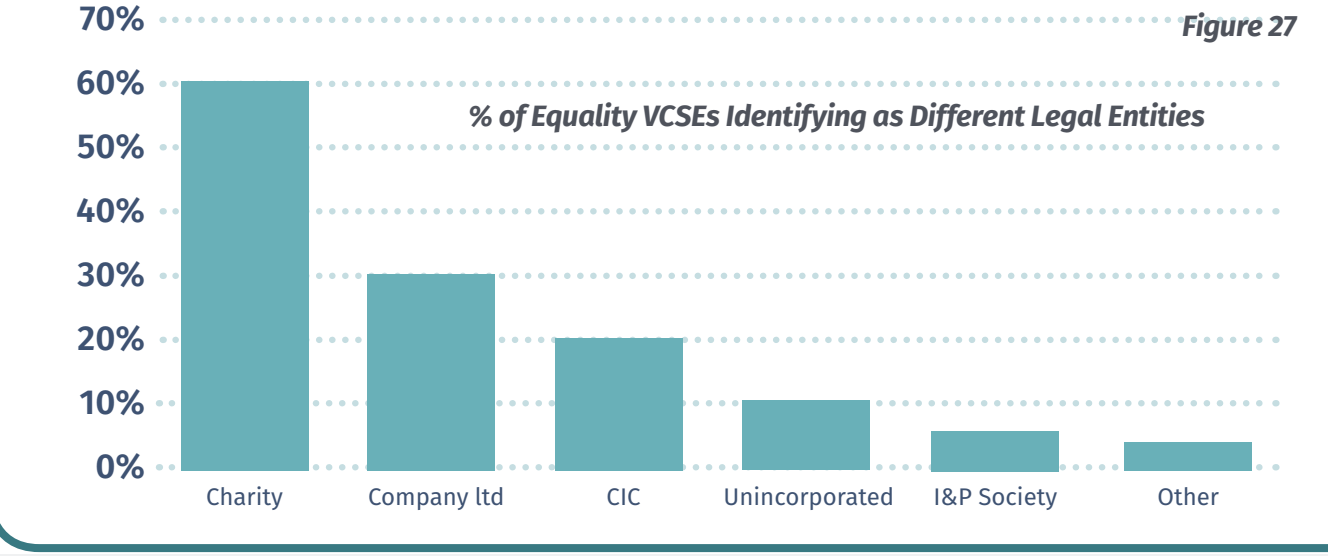
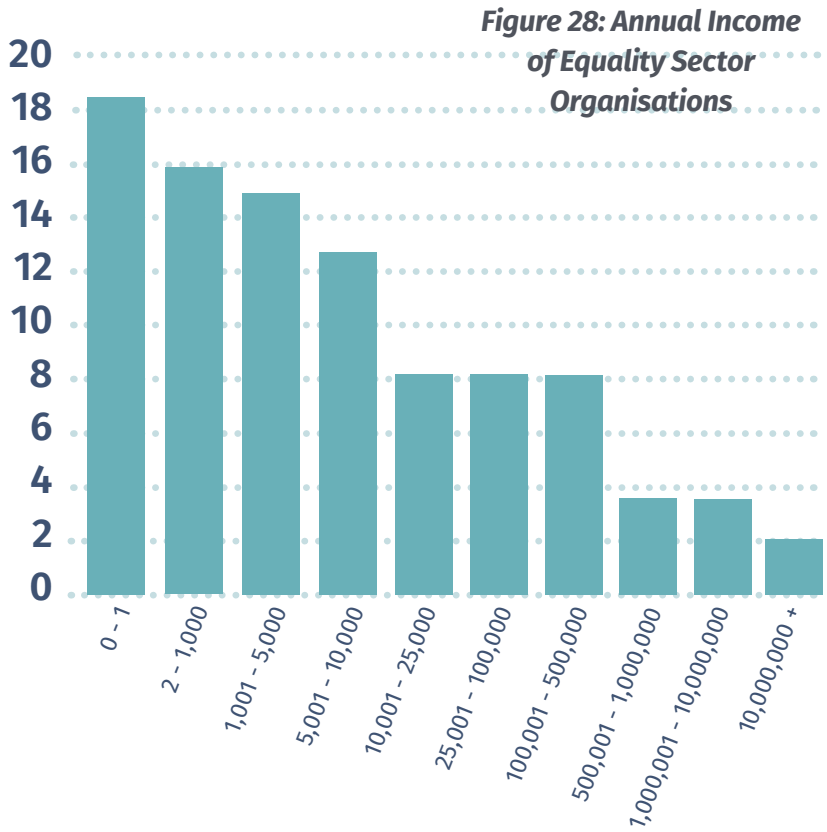


Figure 27

Equality organisations tend to be at the smaller end of the spectrum, in size if not impact. Of the 5,289 human rights/equality charities on the Charity Register that have a specified annual income, 70% have an annual income below £100,000. 48% have an income below £25,000. This points to a wider inequality in the UK's charity sector. A 2010 CAF review of Britain's top 1,000 charities in terms of income found that charities with an income above £10 million make up less than 1% of charities but account for almost half of charities' total income.[134] They also found a dominance of health charities, global development charities and animal charities and it appears this trend holds.[135]



Source: Based on data from the UK's charity register (7/2/2019)

With smallness comes particular challenges. For example, specifically in relation to social investment, 2017 research from IVAR on 25 small charities highlighted multiple challenges including governance issues, a lack of working capital, and payment in arrears from public service contracts.[136] Their findings lead IVAR to suggest that "the social investment sector does not function as a market with charities under £1million."

But there are also opportunities associated with the smallness of charities. The Lloyds Bank Foundation for England and Wales finds there are 64,000 charities in the UK with an income between £10,000 - £1 million. Based on research in four local communities, the Foundation finds such charities distinctive in what they do, for whom (first responders in crises providing safe and secure spaces), how they do it (person-centred, responsive, familiar, trusted), how they're positioned (the glue that holds communities together).

134. Charities Aid Foundation, 2012.
135. Pharoah, 2017.
136. Baker and Goggin, 2017.

Our survey sample followed this pattern in terms of annual income. 58% of all organisations surveyed have an income below £100,000. 91% of national organisations have incomes higher than this but are by no means large with most having an income between 250K and 750K to deliver wide ranging remits.

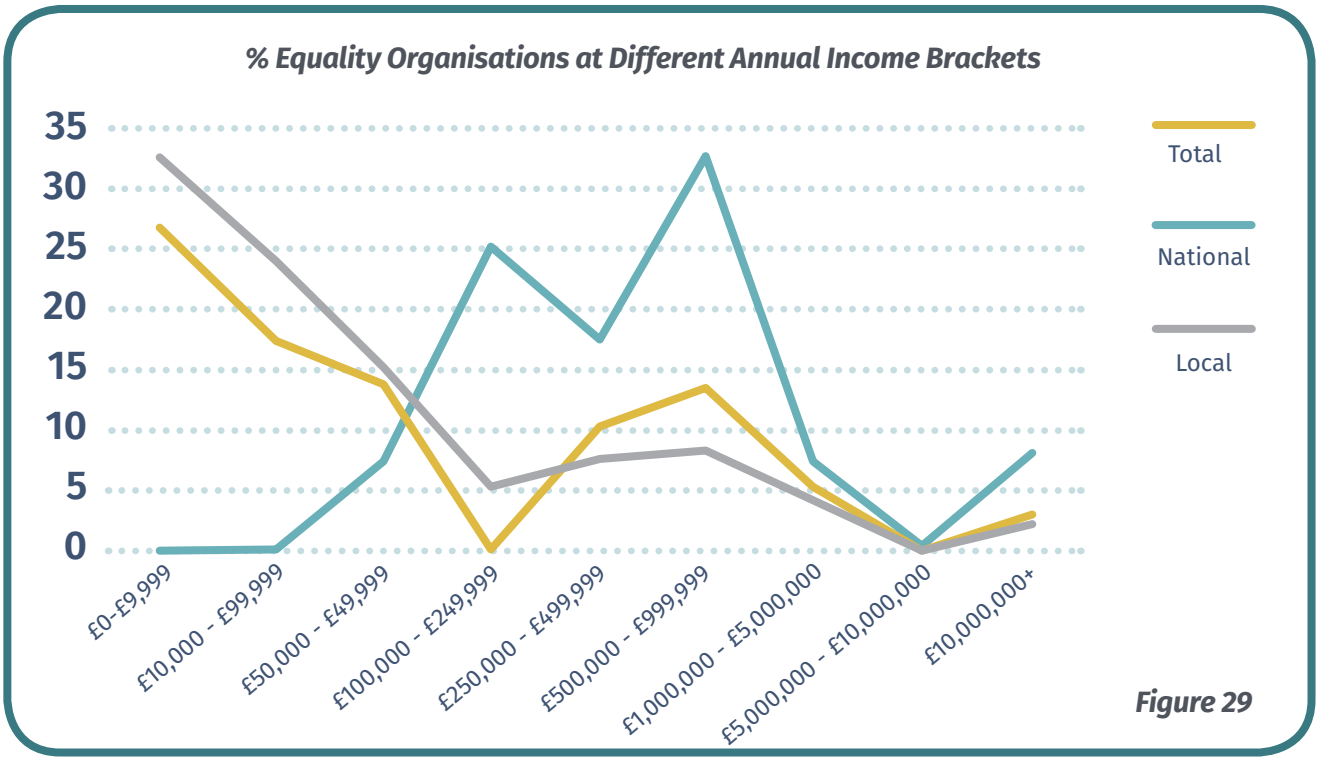


Figure 29

Our survey data highlights that most equality VCSE organisations are operating with a low number of employees. Indeed, over half (56%) of our sample have 5 or fewer employees. Although amongst national organisations approximately three quarters (74%) are slightly larger with more than 5 employees but average under 20.

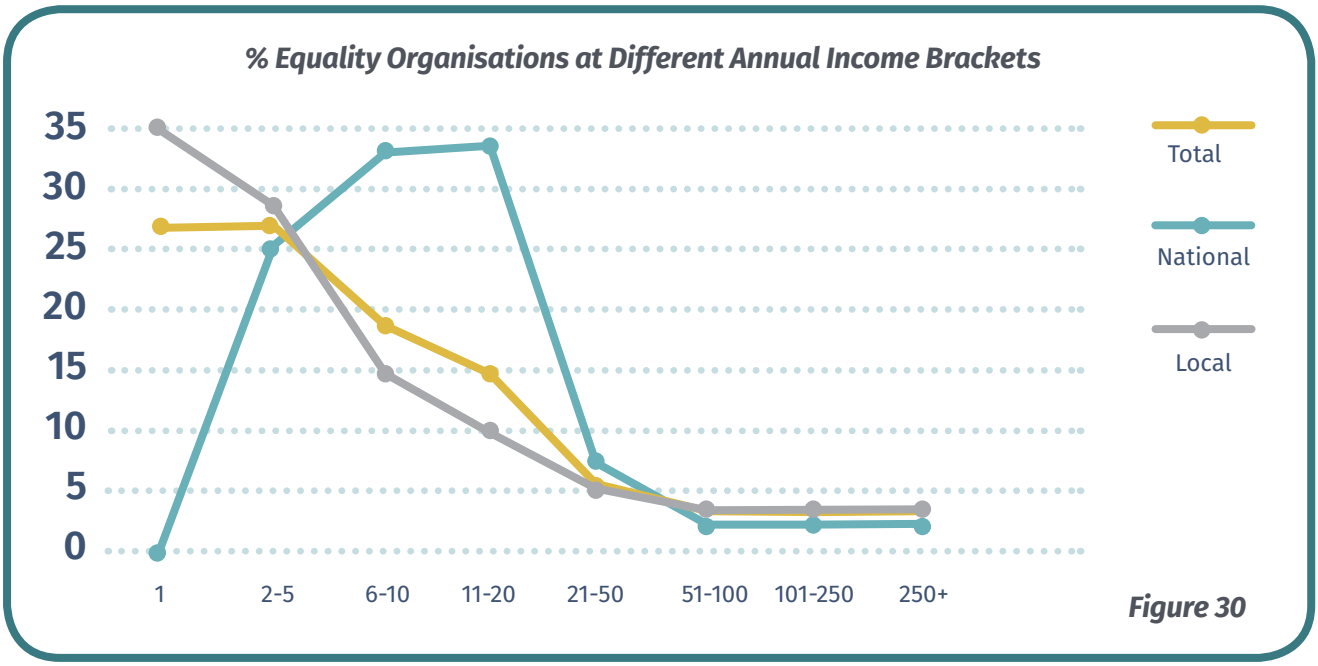


Figure 30

Income sources and business models

Grant funding remains the main source of income for 64% of our surveyed organisations although just under a third trade services or goods.[137]

"It might sound a stupid question, but for those of us who are not-for-profit charities that tend to rely on grant giving, and we don't have trading arms, how on earth would we be expected to pay back loans? I'm very confused. Where does that income come from? I would add to that most of us are struggling to try and build a reserve which we need as charities never mind paying back loans." **– VCSE focus group participant**

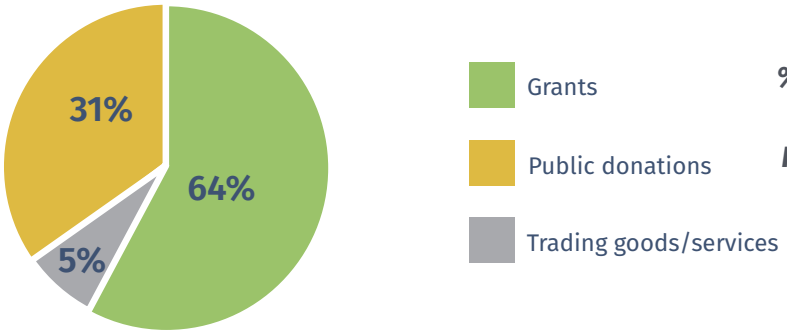


Figure 31
% of VCSE Organisations Reporting Different Income Sources as their Main Source

Of the 18 organisations whose main source of income was trading goods and services:

14 are directly providing services to individuals
5 are influencing and/or supporting legal or legislative change
2 are Community Interest Companies
7 have an annual income less than £10,000.

Of those VCSEs consulted, 62% have been operating for more than five years and only 7% for less than a year.

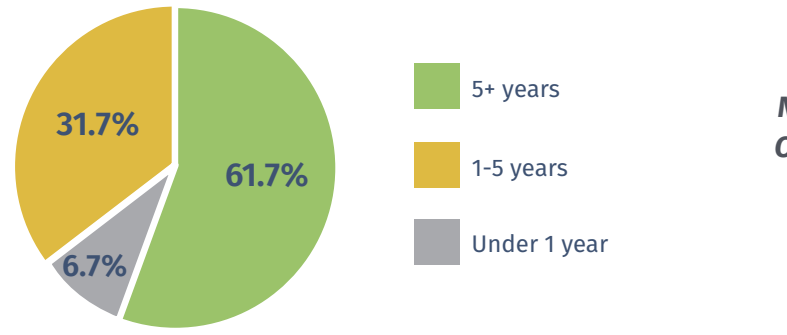


Figure 32
Number of Years of Operation amongst Equality VCSEs

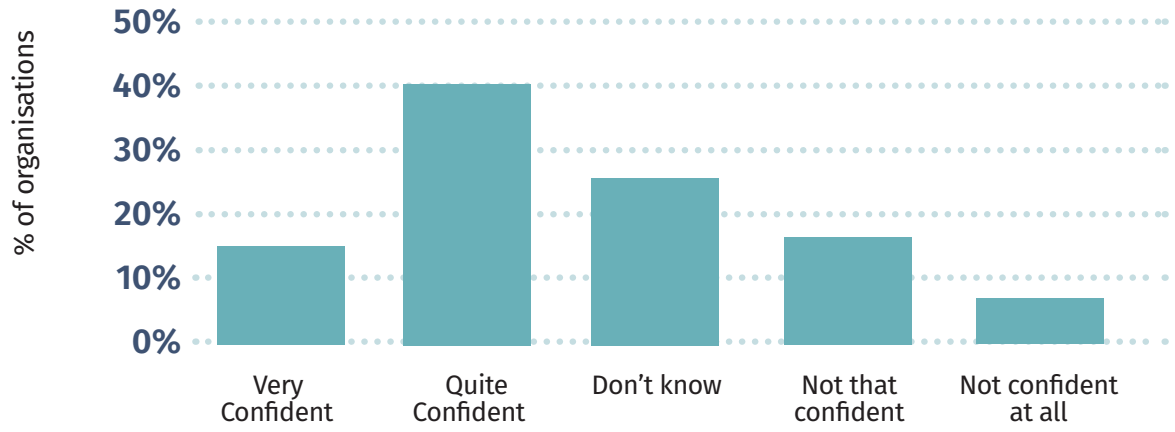
137. Due to an administrative error three organisations were able to leave this blank in their survey response. Percentages have been adjusted accordingly.

"We should respect long-term organisations that have a wealth of volunteers and knowledge and try and build those rather than ineffective competition." **– VCSE focus group participant**

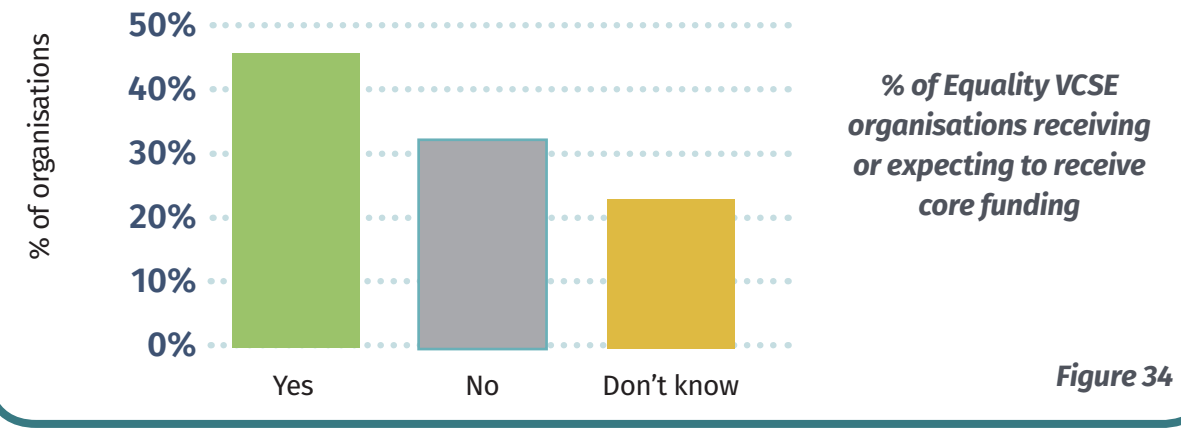
"That user involvement is crucial in shaping policy. Because otherwise we're creating policy in an ivory tower. And it's created in isolation it's not going to impact on the people, it's going to fail because it hasn't been shaped and owned by the grassroots. So that is absolutely vital, that input." **– VCSE focus group participant**

We asked organisations about their confidence in securing the income they need in their financial year. 55% were 'very' or 'quite' confident. 20% were 'not that confident' or 'not confident at all'. [138]

Figure 33: Confidence of Equality VCSE organisations in securing this year's income



We asked organisations if they receive or expect to receive core funding in the near future. 45% answered yes although this dropped to 40% amongst organisations operating locally or regionally and increased to 67% amongst national organisations.



% of Equality VCSE organisations receiving or expecting to receive core funding

Figure 34

138. Note the survey was issued in the third quarter of the financial year 2018

Engagement with social investment

There is very little evidence of equality VCSE organisations having received social investment both from our desk-based and primary research.

In terms of social investment we found that equality VCSE organisations tend to be familiar with social investment (88%) at some level but had only very rarely applied for it (5%). Only two organisations had ever been successful (3%).

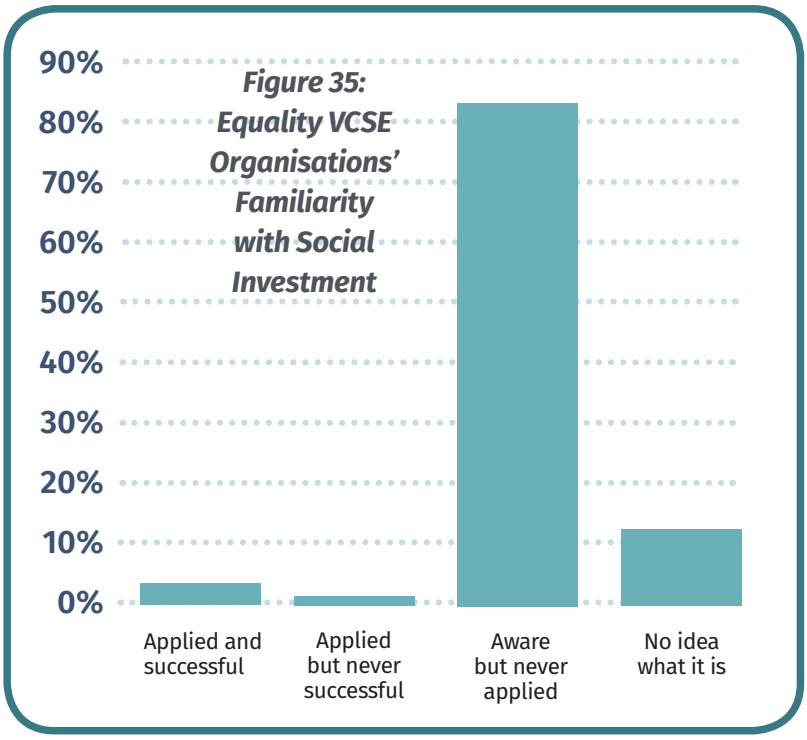


Figure 35: Equality VCSE Organisations' Familiarity with Social Investment

Excluding those two organisations that had received social investment we asked which barriers to social investment were most applicable to their situation. The most frequently cited issues were that organisations were "not sure of the social investment opportunities out there" and/or were "not sure of the process for accessing social investment". This was more pronounced among national organisations (92% and 83% respectively). What this implies is that a key current challenge for equality organisations is the lack of proactive engagement from investors or enabling organisations.

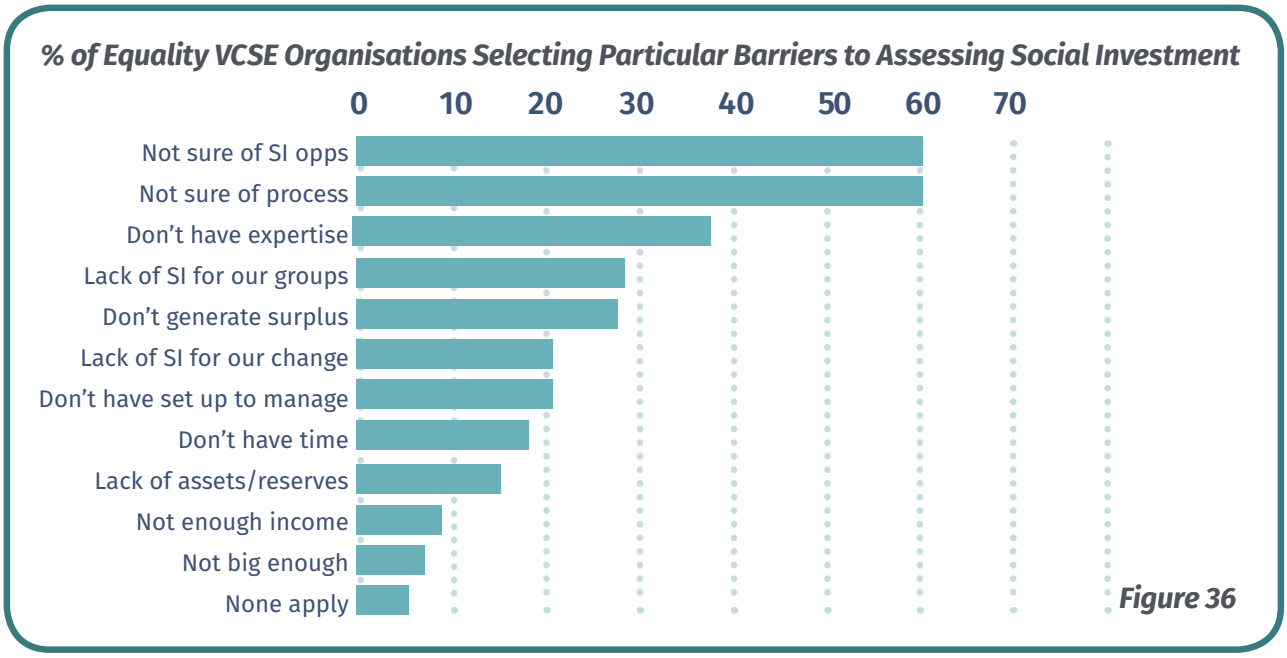


Figure 36

While interested in social investment, it was clear from the focus groups that a major barrier is a lack of clarity about how using repayable finance could be made to work in their particular context. One person summed it up:

> "It might sound a stupid question but for those of us who are not for profit charities that tend to rely on grant giving, and we don't have trading arms, how on earth would we be expected to pay back loans? I'm very confused. Where does that income come from? I would add to that most of us are struggling to try and build a reserve which we need as charities never mind paying back loans." - **VCSE focus group participant**

There were also concerns amongst VCSE organisations that a returnable finance model could have the unintended negative consequence of limiting beneficiaries to those who are financially viable:

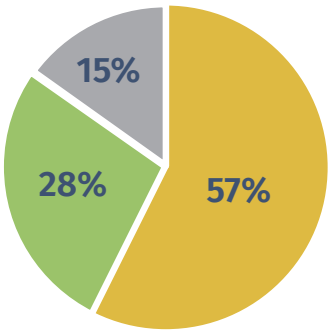
> "If you're saying there's a trend towards trading then there's a lot of problematic questions that are going to arise. So if I take the example of women's refuges, safe accommodation for women escaping domestic violence, women with no recourse to public funds or insecure immigration, those organisations are not taking those women. So if we follow this trajectory about money being the key driver which is what would happen if you're trading, what would happen potentially in that mind-set is that the women at the bottom of the pile are never going to get out of the bottom of the pile. These are the questions we have to bear in mind." **– VCSE Focus Group Participant**

This concern was shared by some investors:

> "My concern was really about we have to make that blended offer around finance because the risk is that potentially charities could decide to go with supporting a particular social cohort because that has the chance of making money and a surplus whereas working with that cohort over there is not going to make any money, and that's a dangerous place for us to go."
>
> **- Social Investor Workshop Participant**

Clearly, future engagement between the social investor and equality sectors will need to recognise and address these challenges.

We also specifically asked whether organisations felt the equality and/or human rights focus of their work has or would make it harder for them to access social investment. The majority (57%) 'don't know'. This maybe somewhat linked to the lack of experience in applying for social investment. It can also indicate a lack of confidence that their remit is valued. 15% felt that their focus does/would specifically present a challenge in accessing social investment.



% of Equality VCSE Organisations that do or do not see their equality focus as a barrier to social investment.

Figure 37

Responses given in our survey as to why their equality focus might present a particular challenge included:

- We may be too niche to attract social investment.
- Tackling discrimination is not a priority, might be in discussion or written paper on the shelves, the reality is different.
- Because our work as an umbrella body does not generate much profit. We need social investment that seeks a social return more than a financial one.
- We struggle with the capacity to grow and develop.
- Because we don't directly support beneficiaries.
- Equality and Human Rights are not flavour of the month.
- Because our organisational focus is on people who seem bottom of the food chain when it comes to support or finance.

Equality VCSE Development Needs

In terms of types of investment or financial support that VCSEs saw as most useful, the majority (77%) identified 'Grant funding to explore the option of or prepare for social investment'. This was supported by discussions in the focus groups.

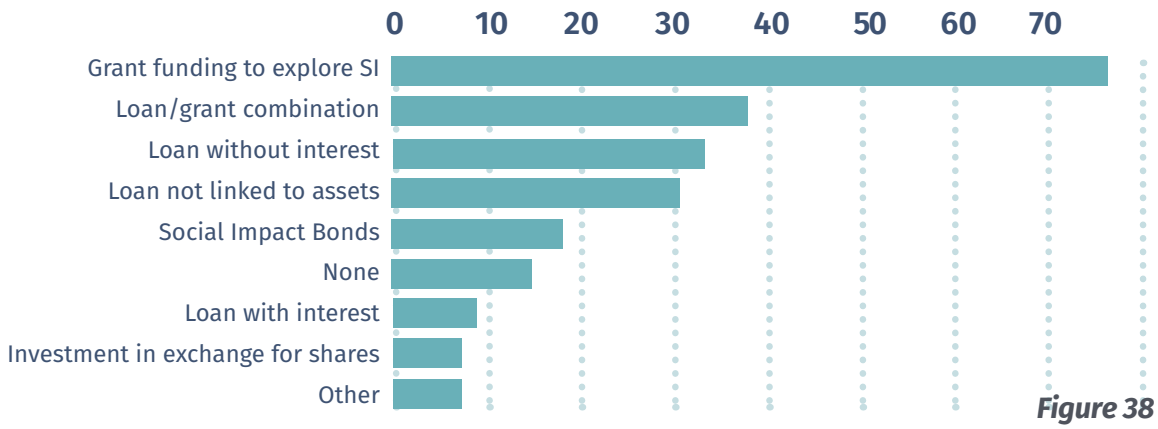


Figure 38

"Around what you would use the money for, I speak to a lot of organisations at a similar stage to me, we're proving we can bring in some money but it's on a small scale and to get to the point of our business plan scale that would give us enough money to pay back the investment there's a chunk of time that we need to develop the market, and where do you get the money for that chunk of time, of people time?"
– VCSE Focus Group Participant

"The difficulty of doing things like income generation is that you could set up that trading arm to do that work and it's that development role and the timing between taking out social investment and the repayment, for a lot of the voluntary organisations that would be the concern, about that development role and how that could be supported and funded, in order to do it, to get to a point where you can raise the income to repay the loan." **– Bristol Focus Group Participant**

Echoing the key challenges identified by organisations, communicating existing social investment opportunities (78%) and providing clear and tailored guidance on what the process involves (73%) were most frequently selected as the most helpful actions the social investment sector could take. Providing support to prepare social investment applications and proposals was also popular (65%), followed by providing "more investment opportunities that clearly targets inequality/the impact we make" (50%) and providing "support for us to manage any social investment we do receive"(47%).

What could social investors do that would be most helpful in enabling you to access/use social investment moving forward?

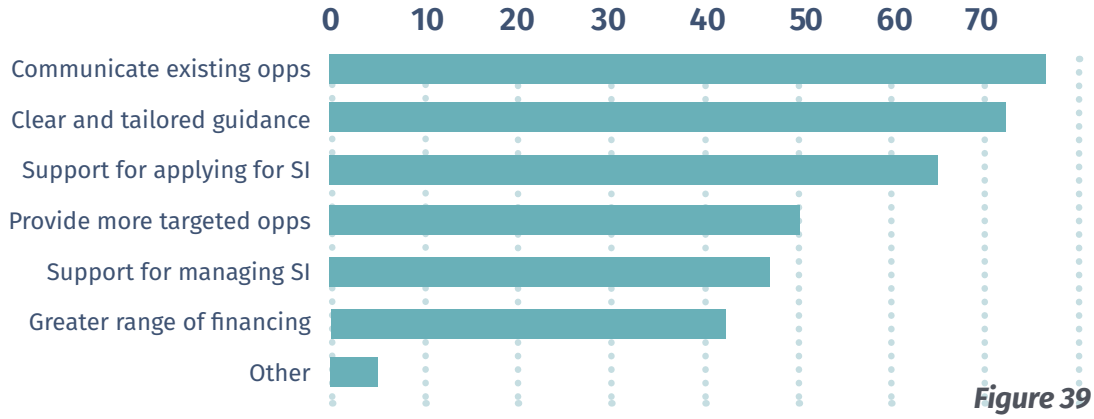


Figure 39

Finally, we asked organisations whether they would find organisational or business development support in particular areas helpful. Answers were fairly spread with "Formulating our core offer/ our social impact theory of change", "Impact measurement and management" and "Financial modelling" each appealing to 53% of respondents.

"Traditionally and typically we are crap at marketing ourselves because we've never got money to spend on that, we think oh we need to provide that service to those people, not waste money on something that seems like a very capitalist kind of endeavour but if we're going to move into this arena we need help with our messaging as well."

- National VCSE focus group participant

% of Equality VCSE Organisations Interested in Different Support Options

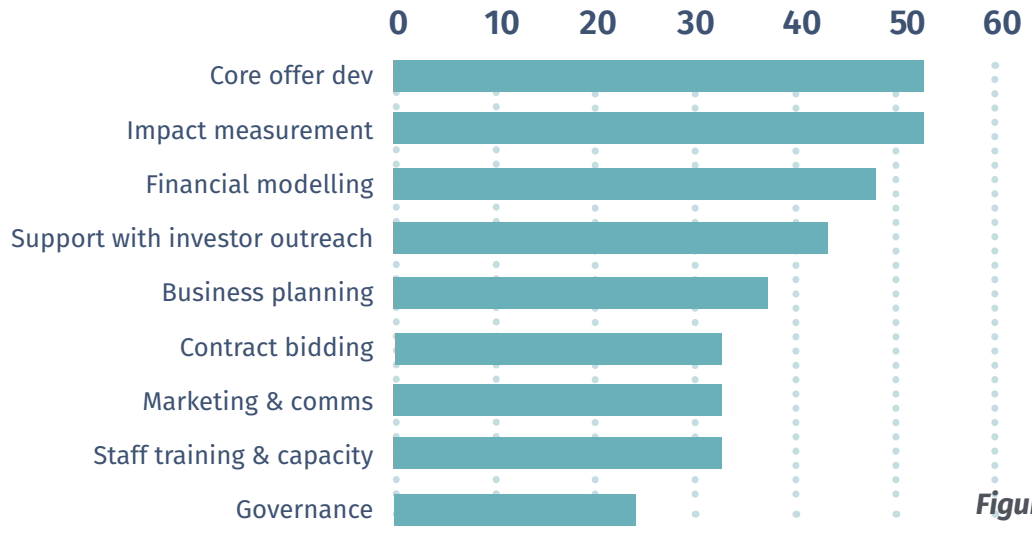


Figure 40

In summary, on the supply side, there is an identifiable and self-identifying equality and human rights VCSE sector in the UK with over 5000 charities registering a human rights, good relations, equality or diversity objectives. These and other non-profit VCSE equality organisations are delivering valuable equality impact for different beneficiaries, across different equality domains (e.g. health, work, participation) and critically of different types, from supporting better individual outcomes to changes in public attitudes, policy and legislation.

To some extent these 'fit' with SIFI impact goals and domains, and activities financing, but currently VCSE equality organisations are delivering to a broader range of groups, using wider types of change e.g. looking not only at services but also attitudinal and policy change.

While many are small with charitable status and grant dependent, they are open to looking at social investment, although need to better understand issues around risk management and financial opportunity, and address ethical concerns. However, despite fitting the target profile for many existing and previous SIFI investment support programmes to help smaller organisations explore enterprise or investment, our sample had not been engaged by social investors.

The top needs identified by consulted VCSEs include greater communication about social investment opportunities (78%), and the process for getting it (73%). This does not chime with the level of targeted work suggested by the SIFI survey. Only 5% of the total sample had applied for investment and only 3% had been successful. None of the national equality VCSE organisations had ever applied for social investment. Thus it is too early to tell how appropriate or how helpful returnable finance could be in their work.

The data we have would suggest that current investment options available are not likely to be a good fit but a new generation of these being developed for smaller VCSE organisations may by default benefit equality organisations, especially those who provide services. Further, concerns also remain about other important activities, from policy development to capacity building other organisations and campaigning, and whether these could or should attract investment. However there is real interest and openness in exploring and developing enterprise to generate income to supplement other forms of finance, such as grants, rather than supplant it.

In terms of financing, by far the most popular option was greater availability of grant funding to explore social investment (77%) with the next most popular option, a loan/grant combination, only appealing to 38% of VCSE survey respondents. More generally regarding organisational development, a majority highlighted core offer development, financial modelling and impact measurement as areas they need support in (all 53%), while support with investor outreach (48%) and business planning were also popular (43%).

As a subsector of the wider VCSE sector, the equality sector is increasingly facing a push towards being more enterprising. Yet, the sector remains grant-dependent and the difference in skills and mindset needed to run enterprises is a key challenge. However, we anticipate a move/need towards more income-generating activities amongst equality sector charities. Our intention is by no means to propose that all equality-focused activity is potentially investable, but to ensure that potentially investable activity is made investable to free up dwindling grant funding for those activities that are truly dependent on it.

3.2.4 Institutional and infrastructure priorities and support

KEY FINDING: ***Current institutional and infrastructure priorities and supports are not widely incentivising or supporting EII, but provide opportunities for doing so that should be pursued.***

Summary
There are a range of institutions within equality, social investment, civil society and private sector ecosystems that have significant influence over EII. Institutions that sit between government policy and practice on the ground are of relevance in two main ways. Firstly, they can directly influence and support social investment to advance equality. Secondly, they can influence commissioning priorities, practices and processes, and thus the market for equality impact.

A thriving EII market will depend on alignment and communication between institutions and impact frameworks across the social investment and equality sectors. Current UK institutional approaches among social investors do not sufficiently reflect the PSED or wider equality and human rights frameworks and goals.

Neither do the institutional approaches of equality sector institutions sufficiently reference social investment as a mechanism for achieving equality goals. As a result, there is a lack of alignment between impact frameworks used across the equality and social investment sectors.

Nevertheless, these existing institutional frameworks do provide a strong basis for building an EII framework that incorporates all equality impact strategies and proves useful to investors, commissioners and frontline organisations alike. The SDGs seem a possible point of convergence.

Equality and human rights institutions

The ***Government Equalities Office (GEO)*** leads on the Equality Act 2010 and is responsible for "improving equality and reducing discrimination and disadvantage for all in the UK; improving people's life chances at work, and in public and political life."

The GEO leads work on policy relating to women, sexual orientation and transgender equality, as well as working across government on other equality issues and legislation.[104] There is no obvious reference to, or explicit role being played in, exploring if or how social impact investment, or other forms of social finance, can be harnessed for equality outcomes generally, or supporting or strengthening the equality efforts of VCSE organisations specifically. Although the GEO does, on occasion, run grant funding programmes for VCSE organisations that support its policy objectives.

Nor, is there any such reference or activity in the draft strategic plan of the ***EHRC***, which is sponsored by the GEO. There is scope for the EHRC to support the use of its measurement framework in social impact investing, plus how EII could be applied in wider work such as regulating and encouraging good practice in the mainstream investment sector.

The Equality and Human Rights Commission

The UK EHRC is an independent statutory body with the responsibility to "encourage equality and diversity, eliminate unlawful discrimination, and protect and promote the human rights of everyone in Britain. The EHRC's Draft Strategic Plan 2019-2022[105] sets out an approach to advance equality and human rights in England, Scotland and Wales. The EHRC has significant influence on those who make decisions, as well as supporting individuals and other oversight bodies. Its three strategic goals are, "To advance the conditions for a more equal and rights-respecting Britain'; To remove the barriers to opportunity so that people's life chances are transformed'; To protect the rights of people in the most vulnerable situations." The final plan is due to be published by in 2019.

The Women and Equalities Select Committee was appointed by the House of Commons in 2015 to hold the GEO to account. Whilst its inquiries have included assessment of the role of public institutions, such as EHRC, in delivering equality they have not to date looked beyond this, for example at the role of VCSE equality organisations and what would strengthen their hand.

There are a number of other relevant government institutions tasked with equality objectives, such as the ***Government Inclusive Economy Unit*** and the ***Inclusive Economy Partnership***. But to date these have not explicitly incentivised or promoted EII. Consequently, there is scope for these organizations to reference EII and support market building insofar as it complements their respective objectives. In doing so they have the opportunity to help build the necessary conditions required for EII.

The Government Inclusive Economy Unit

The Government Inclusive Economy Unit, formerly the Social Investment and Finance Team, is situated within the Office for Civil Society in the DCMS. It is composed of finance and business specialists and works across Government "to help build a country where society's most complex social issues, such as homelessness and youth unemployment, are being addressed by private investment, responsible business, and social enterprises in partnership with innovative public service delivery."

It's increasingly working with the private sector to increase capital invested for social purposes. As well as supporting responsible businesses, it is concerned with "growing social impact investments, developing Social Impact Bonds, implementing the expansion of the Dormant Assets Scheme, and delivering the government's Public Service Mutuals programme." [106, 107]

104. Government Equalities Office, 2019.
105. EHRC, 2018.
106. Lyons, 2018.
107. DCMS, undated.

As well as setting up the Inclusive Economy Partnership the Inclusive Economy Unit is involved with ***the Implementation Task*** for that is following up recommendations from the Advisory Group report on growing a culture of social impact investment in the UK. This includes further consideration of business transparency on social and environmental contributions. Given this, the unit is well placed to identify and support the integration of work to help build the UK EII market.

The Inclusive Economy Partnership

Supported by the Cabinet Office and DCMS, the Inclusive Economy Partnership "is a partnership of businesses, civil society and government departments that are working together to solve some of society's toughest challenges, to help all communities and everyone within them feel they belong to and can participate in the UK economy."

The partnership is currently focused on three flagship challenges: –financial inclusion and capability, mental health at work, and transition to work for young people. From March – September 2018, the IEP supported 18 social innovators with funding workshops and connections to reach a point where they are ready to scale and deliver greater impact.[108]

Social Investment Institutional and Infrastructure Strategies and Provision

Key financing and market building institutions in the UK's social investment sector are Big Society Capital (BSC) and Access – The Foundation for Social Investment, both of which are independent but were set up using public money. The Global Impact Investing Network (GIIN) is also relevant as a social investment market builder, and it has received UK taxpayer money. These institutions have the potential to play an important role in the creation of an enabling environment for EII through embedding equality in their institutional strategies and impact measurement frameworks.

Big Society Capital

BSC aims to "improve the lives of people in the UK by connecting social investment to charities and social enterprises" in two main ways. Firstly "Making it easier for people and organisations to use social investment" including enabling charities and social enterprises to learn more about social investment, engaging institutional investors in social investment and supporting the development of impact measurement. Secondly by making investments themselves into social investment finance intermediaries (SIFI's) who in turn invest in charities and social enterprises to tackle social issues across the UK.

BSC's overarching priority is to use social investment to support vulnerable and disadvantaged people across the UK. Developed as part of BSC's work to support better impact measurement, its Outcome Matrix was intended as a tool to help organisations plan and measure their social impact. The table shows the nine outcome areas and 15 beneficiary groups.

108. HM Government, 2018.

BSC Outcome areas by beneficiary group

Outcome Areas	Beneficiary Groups
Employment, training and education Income and financial inclusion Mental health and wellbeing Citizenship and community Conservation of the natural environment Housing and local facilities Physical health Family, friends and relationship Arts, heritage, sports and faith	People experiencing long term unemployment Homeless people People living in poverty and/or financial inclusion People with addiction issues People with long-term health conditions/life-threatening or terminal illness People with learning disabilities People with mental health needs People with physical disabilities or sensory impairments Voluntary carers Vulnerable parents Vulnerable children Vulnerable young people and NEETs[109] Older people Ex/Offenders People who have experienced crime or abuse

The current BSC Outcomes Matrix does not currently capture a number of inequality dimensions and is only partially aligned with established equality outcomes measurement framework in the UK e.g. the EHRC's equality measurement framework.

The outcome areas do have some overlap with the life domains presented in the EHRC Measurement Framework discussed in chapter one and are each populated with measures at the individual and community/sector/society levels. The beneficiary groups also share some similarity, at least insofar as the EHRC refers to "people at higher risk of harm, abuse, discrimination or disadvantage." But the list of potential beneficiary groups is noteworthy for its lack of reference to women, the LGBT community, ethnic minority groups and other groups recognised as experiencing or being at greater risk of discrimination.

The counter-argument may be that some of these are referenced if you delve into the supporting measures (e.g. for 'Employment, training and education' these include 'Percentage of ethnic groups in education or training'). However, this focuses on whether benefits may or may not be "inclusive" which may encourage equality impact on certain groups to be considered of note but not as a primary goal.

109. Young people who are not in employment or education

However, the structure and general approach of the current BSC Outcomes Matrix does lend itself well to adaptation/ additions to more fully capture other inequality dimensions and better reflect key equality and human measurement frameworks.

Many of the SIFIs reviewed for this research use the BSC Outcome Matrix, or similar categories, for presenting their findings. Therefore, given BSC's role as a SIFI financier (social investment wholesaler) it has great influence in how they, and others, set and measure their impact targets and sector norms in general. Plus, it has the convening power to bring together equality and social investors to further develop and pilot approaches to equality impact investing and measurement.

Notably, previous social investment impact guidance, both reference and align with recognised human rights standards much more explicitly. For example, "The Good Analyst'"[110] Matrix of Human, Social and Environmental Rights, and Benefits and Methodology for Impact Analysis and Assessment (MIAA) draws directly on, and advocate for the use of, a human rights approach to measuring impact.

The ACCESS Foundation

The Access Foundation has the potential to play an important role in the creation of an enabling environment for EII through embedding equality into its market development support.

It has made a commitment of £40m to support enterprise development for charities and social enterprises in England, and pilot support to sector and sub sectors to transition to new enterprise models. They intend to broaden this programme out to sub-sectors, which could potentially include both the overall equality and human rights VCSE sector and important sub sectors, such as the women's sector.

"Equality" is referenced as one of a number "impact values" in the Access Foundation's strategy, which notes that, "sadly the scales are unbalanced. Make adjustments so people of all groups can participate on an equal footing." Cross-cutting is an emphasis on increasing the diversity of charities and social enterprises benefiting from social investment. This is in terms of "where they work, who they work with, what they address, the size of their organisation, the type of finance they need, and the terms on which it is available."[111]

110. Hornsby, 2012

The Access Foundation

The Access Foundation is an independent charity set up in 2015 to meet two specific gaps for charities and social enterprises trying to access social investment:

- Social investment products need to be better suited to what charities and social enterprises are asking for.
- Many charities and social enterprises who could benefit from taking on social investment need support to be able to do so.

Access now works to "make charities and social enterprises in England more financially resilient and self-reliant, so that they can sustain or increase their impact". They do this through both "supporting the development of enterprise activity to grow and diversify income, and improving access to the social investment which can help stimulate that enterprise activity".

From 2018-2023, Access state they will commit £40m to support enterprise development for charities and social enterprises in England. This will provide a broad range of support to help organisations make a transition to new enterprise models, or grow existing ones, with a focus on the models which are best enabled by access to finance, and on enabling organisations to utilise the tool of social investment as part of that transition. Access are starting this work through pilot programmes on two sub-sectors – homelessness and youth services – selected on the basis they believe they have "significant untapped potential for enterprise development and therefore a latent requirement for social investment, and it is where we believe we can be particularly additional". They intend to broaden out this programme out to further sub-sectors.

Its two other main strands of work include developing blended finance through a growth fund, delivered by range of SIFI's in the form of different funds, and drawing out learning.

Access have also committed 10% of their endowment to support the sector's infrastructure including the broader VCSE infrastructure to better meet the needs of charities and social enterprises. This is delivered by Barrow Cadbury Trust via the Connect Fund, which financed this project and numbers of others discussed below in the VCSE infrastructure section under the theme of "diversity".

Access are committed to continuing "to support the Connect Fund with a particular focus on catalysing new networks, products and support from the infrastructure sector which help meet the enterprise development and finance needs of the sector, and which help equip infrastructure organisations to play their role in delivering this vision".

111. Access, 2018.

The Global Impact Investing Network

At a global scale the Global Impact Investing Network (GIIN) works with investors to increase the scale and effectiveness of impact investing around the world. It does this through facilitating knowledge exchange, highlighting innovative investment approaches, building the evidence base for the industry, and producing valuable tools and resources including related to impact measurement.[112]

These tools are widely adopted by UK social investors. It has the potential to galvanise impact investors and intermediaries to adopt EII strategies and integrate equality in general, and relate specific equality challenges to its internationally-applicable tools and impact measurement frameworks.

Currently, several of its impact measurement tools and resources do consider specific dimensions of equality, however it does not currently recognise a more comprehensive set of equality dimensions. For example:

- The 'Navigating Impact' project helps to "align impact goals and expectations to credible, evidence-backed investment strategies". These include a gender lens theme as well as affordable housing, financial inclusion, health and others.
- The IRIS tool provides a catalogue of social and environmental metrics for monitoring both the operational ("doing things well") and the product performance of investments ("doing good things"). These are for impact investors but relate to the organisations they support. One area of focus is the diversity of people, households and enterprises their investees support. Another is the number/treatment of employees from different social groups.

In this context the foundations are there to adapt existing tools to better incorporate equality impacts and support investors to adopt EII strategies.

Others

Beyond the key institutions detailed above, there are a number of network and member bodies which represent and highlight the needs of the UK's social investment sector with respect to specific dimensions of equality including:

- The ***Impact Management Project*** is a forum for building global consensus on how to measure, report, compare and improve impact performance. They explicitly situate this work in the context of the SDGs, which include specific goals and integrated consideration of equality which they note "challenge all enterprises and investors to measure and manage their impact on people and the planet – positive and negative, intended and unintended."[113]
- The ***Social Investment Forum*** (SIF), chaired by Social Enterprise UK (SEUK), which works to share good practice and learning, co-ordinate advocacy and a collective voice for social investment; agree and raise industry standards; disseminate information, research and resources; encourage partnership working. This has no evident dedicated sub group or explicit action strand on equality

112. Global Impact Investing Network
113. Impact Management Project

- The ***Social Impact Investors Group*** (SIIG), chaired by the Association of Charitable Foundations, exists as a paid membership group to "support foundations interested in starting or currently undertaking social impact investing." [114] This has no evident dedicated sub group or explicit action strand on equality.

- ***Women in Social Finance*** is a community that fosters connection, advancement and collaboration between experienced women in the field of social finance in the UK. It is supported by the Connect Fund and given its remit to provide a network for female social investors, it focuses specifically on diversity rather than equality.

- ***Social Investment Diversity Forum.*** A social investors' collective on a mission to drive inclusive social investment in the UK, through the convening of sector-wide groups, commissioning research and knowledge sharing. The forums' Diversity Working Groups provide leadership for the social investment sector, on the issues of diversity and inclusion, and also host a diversity champions' network open to anyone operating in social investment. They released a ***manifesto*** in 2019.

VCSE networks and infrastructure

Here we look first at "mainstream" VCSE infrastructure bodies and then those focused on the equality VCSE and its sub sectors.

General

The National Council of Voluntary Organisations has membership of 14,000 VCSE organisations, and champions the sector by connecting, representing and supporting voluntary organisations. This includes support to members on fundraising and sustainability, diversity within employment practice and wider inclusivity of VCSE organisations.

However, they have less focus on equality purpose VCSEs. For example their annual VCSE alamanac, which breaks down key details on the scope and impact of the sector does not assess equality impact, or present work with particular groups at risk of discrimination.

Similarly both the Association of Charitable Foundations and the Association of Chief Executive Officers (ACEVO) have focused work streams on increasing sector diversity but not currently on the VCSE and wider equality impact.

SEUK works to create a favourable environment in which social enterprises can thrive with a vision of a "more equal society". It's members tend to identify as "social enterprises" although they are organisations with a range of legal forms. SEUK has been a pioneer in promoting greater support to entrepreneurs from minority and marginalised groups so to date has focused on diversity impact. However it, and the ***social economy alliance*** it convenes, could be well-placed to help support mainstream social enterprises to improve their wider equality impact as well as accelerate the growing equality-focused social enterprise movement.

114. ACF, Social Impact Investors Group ***https://www.acf.org.uk/networksandevents/siig***

Equality focused

Equally Ours, an EII project partner, is the only "UK-wide national network of organisations working across all areas of equality and human rights". Equally Ours has 63 members who are VCSEs, 30 associates and 17 observers (most of the latter are statutory bodies, 4 are VCSEs). 23_of the membersare networks or have members.For example, Mind, Age UK, National Association of Women's Organisations, and Law Centres' Network. Some such as HEAR (London) and Fairplay South West have a city or regional focus but most regional pan-equality networks in the English regions have drastically declined or closed in recent years due to austerity.

Their members also include a number who are national equality infrastructure bodies or networks themselves working on different issues such as economic and social inequalities, or representing different parts of the wider VCSE equality sector such as the women's or children's rights organisations. Equally Ours are currently a partner in the EII project that has produced this report and is discussed below.

The following equality-focused national and regional infrastructure also have a Connect Fund projects, funded under their "diversity strand" to explore social investment in their sector/area including:

- LGBT Consortium
- Disability Rights UK
- Black South West Network
- Voice4Change England
- Greater Manchester Council for Voluntary Organisations

The Women Resource Centre delivers some support in building enterprise for women's equality but is exploring how to expand this further.

Joint VCSE equality and social investment initiatives

Equality Impact Investing Project

The aim of the EII Project is to explore and advance ways to increase the positive equality impact of the social impact investing movement. Initiated in 2016, it is currently a partnership between the Trust, Equally Ours, Social Investment Business and Dartington School of Social Entrepreneurs. However EII also collaborates with, and brings together, a wider range of social impact investment and equality and human rights actors. Having undertaken the research and development for this report the EII aims to continue and develop as a platform for a range of EII stakeholders to promote, coordinate and support action on the recommendations set out in chapter 4, and building the field of EII more broadly.[115]

In summary, institutional and infrastructure strategies and provisions within both, and bridging, the social investment and equality sectors do not currently widely incentivise and support EII, but initial work to address this has started. The potential is there to build on and accelerate this but only with greater alignment and communication between institutions and impact frameworks across the social investment and equality sectors, potentially converging with reference to the SDGs.

3.2.5 Legal frameworks

KEY FINDING: ***The UK's relevant equality, social investment and civil society legal frameworks provide a strong and, generally, supportive legislative equality context for EII. But they are not being used to reinforce each other, nor to encourage the convergence of social investment, equality and charitable sectors.***

The equality legal context

The UK is a signatory to all the key international and European treaties noted in Section 1, including the international bill of rights (UDHR, ICCPR, ICESCR), European conventions (ECHR, CFR), and group-specific standards (CEDAW, CRPD).[80]

Within the UK these are reflected in two key domestic provisions which apply to public sector activity at all levels (including central Government and devolved nations, national agencies, county councils, local authorities and health services). These include all public sector commissioning and the development and application of policy, legislation and regulation including social investment policy and legislation.

- *The UK Human Rights Act 1998* places all public authorities under a duty to respect human rights in all they do, including the right not be discriminated against. The Human Rights Act was aimed at producing a "culture of rights",[81] including beyond the courtroom, and its framework can used as a tool for public bodies to think about preventing or reducing discrimination in advance of policy and practice decisions.

> "A culture of human rights is one in which there is a widely shared sense of entitlement to human rights, of personal responsibility and of respect for the rights of others, and in which all our institutional policies and practices are influenced by these ideas." **– Joint Committee on Human Rights** [82]

Additional provisions are made via the Scotland Act 1998, "which makes sure that the people in charge act according to those [human] rights in any action they take," [83] the Government of Wales Act 2006 and the Wales Act 2017 "which stipulate that the Assembly cannot make decisions or laws that do not comply with human rights legislation," [84] and the Northern Ireland Act 1998.

- *The Equality Act 2010* is the key pan-equality legislation in the UK which "legally protects people from discrimination in the workplace and in wider society" on the basis of the nine protected characteristics: age, disability;, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, and sexual orientation.[85]

80. UDHR: Universal Declaration of Human Rights, ICCPR International Convention on Civil & Political Rights, ICESCR International Convention on Economic, Social and Cultural Rights), European conventions (ECHR, CFR), and group-specific standards such as CEDAW, CRPD).
81. https://publications.parliament.uk/pa/jt200506/jtselect/jtrights/278/27810.htm 82. Ibid 83. Scottish Government
84. Johnson, 2017. 85. HM Government, 2010.

The Equality Act places a duty on employers and services to provide reasonable adjustments for disabled people. It allows for positive action to address gaps and inequalities. This is of relevance to all social investors as, at a minimum, they are legally required to follow the Acts, as are their investees.

A key component of the Equality Act, is the Public Sector Equality Duty (PSED), which came into force in Great Britain on 5 April 2011. This requires all organisations carrying out a public function to "have due regard to the need to:

- eliminate discrimination
- advance equality of opportunity
- foster good relations between different people when carrying out their activities."

This is not only a negative duty to avoid discrimination, but also a positive duty to advance equality. This is relevant to public sector commissioners who commission the VCSE, to social investors that are custodians of public money, as well as to EII investees (including VCSEs) that are commissioned to provide a public function.

"It was actually the voluntary sector that drove the redesign of service design to HIV clients. And they were also the first to actually engage people in commissioning as a practical outcome, of actually having the recipients of the service designing what the actual service looked like. Nobody was doing that at that time even though a lot of people talked about it."
VCSE equality sector focus group participant

- In addition to the general duty outlined above, the PSED includes specific duties which are different in England, Scotland and Wales. In England, for example, all public bodies must set at least one equality objective. The Scottish and Welsh specific duties go further. Therefore EII operating in or investing in enterprises in these jurisdictions may be required to follow different legal minimum requirements than in other parts of the Union.

- The PSED is specifically for organisations carrying out a public function to embed consideration for equality (including advancing equality) in their practices. It could be used to stimulate commissioner demand for equality impact, to influence social investors and build capacity amongst equality VCSE organisations. However, there is a lack of evidence of this informing social investment policies and strategies.

- The Equality Act 2010 also proposed a socioeconomic duty to encourage policies that reduce inequalities deriving from socioeconomic disadvantage. Passed in UK Parliament in 2010, this would have required public bodies to seek to reduce socioeconomic inequalities in their policy and decision-making but only the Scottish Government (via the Fairer Scotland Duty) has so far implemented the Duty. This will have implications for EII investors operating in or investing in enterprises within Scotland. However civil society human rights and equality campaigners, including the ***Just Fair*** coalition, have been pressing for politicians in England to sign up to this duty.

Section 75 of the Northern Ireland Act 1998 aimed "to change the practices of government and public authorities so that equality of opportunity and good relations are central to policy making, policy implementation, and policy review and service delivery."[86]

In this context, there is scope for more research and training on the applicability of the PSED and specific duties at a country level, for EII and VCSEs. Furthermore, any new SII legislation could potentially refer to these duties and include incentives for impact investors to identify positive opportunities for leveraging investment into equality outcomes.

Social investment and charitable sector legal context

There is no legal framework dedicated to social investment in the UK. Nevertheless all investors (and not just EII) and their private sector investees have an obligation to implement responsible business policies and practices in line with human rights principles. For example, in line with the Organisation for Economic Co-operation and Development's (OECD) guidance on Responsible Business Conduct for Institutional Investors,[87] which explains the application of the OECD Guidelines for Multinational Enterprises in the context of institutional investors, and UN Guiding Principles on Business and Human Rights (UNGPs).

CASE EXAMPLE

Investor Alliance for Human Rights provides investors with a platform to engage companies, states, and standard-setting bodies with human rights, to ensure they create policies and standards that hold companies to account, and help to prevent corporations from having a negative impact on human rights.

However the social investment sector is subject to, and benefits from, a range of general financial regulations which are relevant to those that are undertaking impact investing strategies or recipients of impact investments. These benefits include:

- Tax breaks such as **Social Investment Tax Relief** (SITR) which deducts 30% of the value of an eligible investment from the investor's income tax liability.
- Regulations such as the **statutory asset lock** that applies to Community Interest Companies (and charities) to ensure that any assets (including profits) are used for community benefit.
- The **Charities (Protection and Social Investment) Act 2016** which provides a new statutory power for charities such as trusts and foundations to make social investments.[88]

There is a need to increase awareness of these existing fiscal benefits to support civil society. But there is also a perceived need for greater coherence on taxing charities, social enterprises, cooperatives, and businesses. Going forward, there is scope for any future social investment legislation to incorporate specific fiscal incentives for impact investors to invest in equality outcomes.

86. Equality Commission for Northern Ireland, 2010.
87. OECD, 2017.
88. ***Charity Commission for England and Wales, 2016.***

One related opportunity is the current review of the Social Value Act 2012, which requires public sector commissioners to consider equality and broader social, economic and environmental benefits to their area when awarding public sector contracts. However, research indicates that it's not being fully implemented as intended due to lack of awareness, guidance and strength in the duties themselves.[89] In the current commissioning culture, bids with lowest cost often fare best. This means smaller, specialized VCSE equality organisations are disadvantaged compared to larger, non-specialist organisations. They have the expertise and social value, but not the economies of scale.[90]

> "Our bottom line is social change, these other peoples and generics coming in and sweeping up any old contract for anything, not specialists, they're not doing it for social change, that's not their mission, their mission is profit."
>
> **– VCSE Focus Group Participant**

Another area of legislation where ***concerns have been raised by civil society equality campaigners***[91] is the current Lobbying Act, and how it potentially limits their ability to speak into public debate. Recent research[92] found that the Lobbying Act has concretely affected charities and voluntary organisations in a variety of ways, including inhibiting their core missions, reducing coalition activities and their ability to support local democratic engagement, altering the tone and assertiveness of campaigning, and diverting significant time and money away from core work and towards compliance and stopping some activity completely.

> "There is near-universal consensus, though, that the status quo (of the current lobbying act) cannot stand. The demands of compliance with this ambiguous and confusing legislation is constraining civil society's ability to hold power to account and amplify people's voices into the political debate – arguably one of its most important roles."
>
> **– Shelia Mckechnie Foundation**

There are calls for a review of the law to ensure that it protects and promotes independence, voice, and the right to campaign for civil society. The freedom to question the root causes of existing inequalities through advocacy efforts is key to VCSE equality organisations' potential to deliver transformative equality impacts.

89. NCVO 2016, WRC & WGB 2018
90. Life Changing and Life Saving, Funding for the Women's Sector, WRC & WGB 2018
91. ***https://www.theguardian.com/politics/2017/jun/06/chilling-lobbying-act-stifles-democracy-write-charities-party-chiefs***
92. The Chilling Effect, Sheila McKechnie Foundation 2017

3.2.6 Policy frameworks

KEY FINDING: ***Equality, social investment, and civil society policies are relevant for EII. These respective policy frameworks currently provide a strong and supportive context for EII, but they do not reinforce each other, nor encourage the convergence of policy, social investment, equality and charitable sectors.***

Summary

For EII to thrive there needs to be a policy context and strategic priorities across relevant sectors that support and/or give direction to it. There are three key policy areas of relevance to EII, namely equality, social investment, and civil society policy.

Across the three 'sectors' there are high-level policies, strategic commitments and action plans in place that could be used to support EII, including through investment in equality-focused VCSE organisations.

However, this potential remains under-developed. The lack of a unifying cross-government equality strategy presents a challenge in embedding social investment across the board as a means to tackle inequality. Even where pan-equality commitments do exist, leveraging capital is not specifically mentioned as a means to achieve equality outcomes.

In terms of social investment and wider SII policy, social impact tends to be considered in broad terms (e.g. with a focus on general disadvantage and/or place-based community development). Some reference is made to diversity within social enterprise leadership and staffing structures, but the link to other dimensions of equality is not explored. There is little, if any, reference to equality and human rights standards which could be used to support social investors in contributing to equality goals. Equality legislation should mean consideration of equality in all key public policies, commissioning and programmes, including social investment.

Civil society policy, such as civil society strategy to some extent, bridges a concern with equality and the potential of social investment - but only by proxy. It highlights an ongoing commitment to support charities and social enterprises and their role in bringing minority voices to bear.

It recognises the need for a greater range of funding and financing models to support sustainable social business models. But without animating equality impact as key goal for social investment, an increase in social investment support for equality VCSE organisations will be incidental.

A common reference point between these sectors is the relevant Sustainable Development Goals (outlined in chapter 1). These may well provide one link through which equality goals (reflected in the SDG's) and social investment policies and practices can become more closely aligned. However, there is also a need for relevant national strategies and associated policies to make connections and reinforce the policy synergies between these sectors.

Equality policies

As a signatory to various international and European instruments, the UK has a number of policy frameworks, goals and commitments for tackling discrimination and inequality. These include the following examples, but there are several more:

- The Government Equalities Office (GEO)[93] priorities.
- The Governments LGBT Action Plan and Race Disparity Audit;
- The EHRC's Draft Strategic Plan 2019-2022.
- The Local Government Association's equality framework.

As such, the UK lacks a unifying or cross government equality strategy, or national goals. In its absence, equality goals and commitments at a policy level cut across tiers of governance and government departments, dispersed across specific equality strands, or issues such as health or education, and across budgetary and economic policy.

This presents a challenge for investors as there is no common reference point to focus their EII strategies and the dispersed policies and commitments across departments can be difficult to track for potential equality impact investors.

The EHRC's Draft Strategic Plan 2019-2022 provides the closest to a cross-cutting national agenda for advancing equality and human rights in England, Scotland and Wales. While specific reference is not made to leveraging investment capital to achieve its aims, there is clear untapped scope for not only the EHRC but also the Cabinet Office and the DCMS to work collaboratively to embed greater concern for equality and human rights outcomes impact into social investment policy.

However, currently the EHRC's equality measurement framework and triennial Is Britain Fairer report provide essential, evidence-based resources that the social investment sector can draw on.

Social Investment Policy

The UK's social investment and impact investing sectors are often presented (by the Government and others)[94,95] as global leaders, with the Government itself playing a vital role. But the Government's current strategy and market-building activity does not explicitly recognise the potential for equality impact through social investment.

Since 2011, Government policies have[96] stimulated demand for social investment, increased its supply, and created an enabling environment for these to be connected. Its strategic initiatives have included:

- Launching in 2012 the world's first independent social investment wholesaler, Big Society Capital, which invests in SIFIs.

93. ***Government Equalities Office, 2019.***
94. The Global Steering Group for Impact Investment (GSG) succeeds the Social Impact Investment Taskforce which was established under the UK's presidency of the G8 and is chaired by Sir Ronald Cohen, a British businessman often described as "the father of social investment."
95. Corley, 2017.
96. HM Government, 2011.

- Launching in 2015 Access – The Foundation for Social Investment, a charitable foundation which is providing capacity-building support and championing market development.
- Setting up the world's first Social Investment Tax Relief in 2014 for eligible investments.
- Setting up funds to combine public and private money (e.g. the Dementia Discovery Fund).
- Increasing demand for social investment via initiatives such as the Investment and Contract Readiness Fund (ICRF), the Social Incubator Fund, and the Impact Readiness Fund (IRF).
- Supporting the development of Social Impact Bonds through the Centre for Social Impact Bonds and the Social Outcomes Fund, as well as other initiatives.

As outlined in the Government's 2016 strategy document, *Social Investment: A Force for Social Change*,[97] the Government supports social investment because it is *"supporting economic growth, driving the innovation needed to deliver public services in the 21st century and, ultimately, tackling some of the most difficult social challenges that we face".*

It is clear that one of *"the most difficult social challenges that we face"* is tackling inequality. However, the terms 'equality', 'human rights', 'social justice', or 'discrimination' do not appear once in the strategy. 'Equity' appears only as an investment type.

The Public Sector Equality Duty is specifically for organisations carrying out a public function to embed consideration for equality (including advancing equality) in their practices. It could be used to stimulate commissioner demand for equality impact, to influence social investors and build capacity amongst equality VCSE organisations. However, there is a lack of evidence of this informing social investment policies and strategies. Diversity and inclusion leadership data from Social Enterprise UK is included (i.e. representation of gender, disability, BME and disadvantage in social enterprise structures) but its relevance to equality and human rights is not explored.

In the context of the Government's existing policy, in 2017 an independent industry-led advisory group provided 51 recommendations to the Government on growing a culture of social impact investing in the UK.[98] The Government has since confirmed its commitment to taking these forward via The Implementation Taskforce.[99, 100]

97. HM Government, 2016
98. Broadly defined as "Investment in the shares or loan capital of companies and enterprises that not only measure and report their wider impact on society - but also hold themselves accountable for delivering and increasing positive impact."
99. Corley, 2017.
100. Implementation Taskforce

The Taskforce's report highlights a lack of investable products and its recommendations thus aim to help:

- Increase the choice of savings, investment and pension products that offer social impact.
- Broaden sources of funding for enterprises targeting social impact as well as financial return.

The recommendations are grouped under five action areas:

- Improve deal flow and the ability to invest at scale.
- Strengthen competence and confidence within the financial services industry.
- Develop better reporting of non-financial outcomes.
- Make it easier for people to invest.
- Maintain momentum and build cohesion across initiatives.

In terms of providing an enabling environment for EII, there is much more scope for the action areas to provide a framework within which equality impact goals could be placed. Consideration of equality and human rights could be embedded across all of these areas and would provide synergies with the Government's various equality-related policy commitments and goals. For example, developing "better reporting of non-financial outcomes" could incorporate equality impact measures. The Government has indicated it wishes to develop reporting methods that better link to the SDGs, which have integrated and standalone equality goals.

Civil Society policy

The potential for delivering any EII strategies is at least partly influenced by wider civil society policy developments because of its relevance to the landscape for equality-focused charities and social enterprises. For instance, how supportive the policy environment is for their work, or the extent to which it incentivises businesses and investors to take greater responsibility for their equality impact.

Policy across the UK is captured within the Government's Civil Society Strategy: Building a Future that Works for Everyone, published in August 2018 by the DCMS.[101]

The strategy considers civil society to refer to "individuals and organisations when they act with the primary purpose of creating social value, independent of state control." Social value is taken to mean "enriched lives and a fairer society for all".

The strategy focuses on five 'foundations of social value': people, places, the social sector, the private sector and the public sector, with 15 'missions' spread across these. Equality and social investment are occasionally mentioned but there are opportunities across all five foundations for the two to be brought closer together.

101. HM Government, 2018.

Foundations and Missions	Example opportunities for EII
People: enabling a lifetime of contribution: 1 A connected, resourceful society 2 People in charge 3 Opportunities for young people	Targeted social investment programmes supporting organisational leaders from minority groups.
Places: empowerment and investment for local communities: 4 Empowerment 5 Investment	Targeted social investment programmes supporting organisations that enable minority voices to be heard and have influence.
The Social Sector: supporting charities and social enterprises: 6 The voice of civil society 7 Funding and financing the social sector 8 Leadership, support and regulation 9 A social sector confident with digital	Tailoring of investment opportunities to the needs of equality sector to ensure sustainability of the functions they provide.
The Private Sector: promoting business, finance and tech for good 10 Responsible business 11 Finance for good 12 The role of technology	Embed equality impact as a core feature of responsible business in terms of internal practices and supply chain management.
The Public Sector: ensuring collaborative commissioning 13 A framework for collaborative commissioning 14 Funding the future of public services 15 Commissioning for social value	Greater use of the Equality Act including duties not to discriminate, to make reasonable adjustments, potential for positive action, and the Public Sector Equality Duty in investment and commissioning processes (only the Social Value Act is mentioned).

Outlined in the strategy's third foundation of social value, it sees charities and social enterprises as "the core of civil society". There is an emphasis on ensuring the social sector plays, "a strong role in shaping policy and speaking up on behalf of those they support" (e.g. via the proposed Innovation in Democracy programme) which speaks to organisations' value in delivering equality impact.

Clearer reference to equality is made via a proposed 'joint action' with civil society stakeholders and the Charity Commission to "open up trusteeship to people from different backgrounds."

It highlights that, "the government will renew its commitment to the principles of the Compact" and that it, "is keen to work alongside the social sector to build a future in which the sector can adapt and thrive, strengthen public trust, as well as find new ways to resource and deliver their work."

The role of social (impact) investing[102] in supporting civil society is clearly recognised, as is the prior need to support the emergence and growth of sustainable social business models.

While direct links between equality outcomes and social investment remain under-developed, certain commitments could help shape the space for EII to take hold, such as improving the range of funding and financing models available to the social sector. Reference to social (impact) investing is often in the context of supporting place-based community development, for example through the £35m funding to be made available from dormant accounts for place-based investment programmes. A place-based approach to social investment can be linked to EII as explored in appendix 1.

Place-based investment is also widely referenced within the social investment sector as a way to support 'left-behind' areas to develop. This is not in itself a problem for EII (indeed it provides a vehicle for place-based equality impact as explored in appendix 1) but it should not deflect attention from the need for investment to also support dispersed communities experiencing discrimination and inequality based on their shared characteristics or statuses.

Various other initiatives and work are influencing civil society policy in the UK and thus the potential for influencing the enabling environment for EII. For example:

- The independent Inquiry into the Future of Civil Society, led by Julia Unwin.[103] Amongst various trends shaping our future it highlighted 'Social fracturing: shifting from we to me'. It has proposed a shared "P.A.C.T" for civil society to commit to "consciously shifting power", "holding ourselves accountable", "broadening and deepening our connections", and devoting time and resources to "building trust". Important findings and recommendations concerning race equality by this inquiry also provide a basis for looking at this but also for addressing other forms of systemic discrimination, and inequalities, present in civil society and beyond.

- The Integrated Communities Action Plan contains a range of cross-government measures to support the government's commitment to build strong, integrated communities where people – whatever their background – live, work, learn and socialise together, based on shared rights, responsibilities and opportunities.

- Work on championing diversity in the VCSE sector by leading organisations such as the National Council for Voluntary Organisations (NCVO) and the Association of Chief Executive Officers (ACEVO).

102. Social Investment and Social Impact Investing are often used interchangeably
103. Unwin, 2018.

For example, ACEVO and the Institute of Fundraising have pulled together eight leadership principles to improve diversity and inclusion in the sector with a particular focus on race.

Principles include acknowledging that there is a problem with racial diversity in the charity sector and commit to working to change that, and learning about racial bias and how it impacts leadership decisions. To date, leaders of 60 organisations have signed up to the principles. There is a clear opportunity to build on this initial work with its focus on diversity to increase the equality impact of the VCSE sector more broadly – both by improving mainstream practice and promoting the unique value and sustainability of the equality sub sector.

4 Summary of findings and recommendations

In this section we summarise our key findings on the extent to which the conditions for EII in general, and a current or potential supply of equality impact social ventures in particular, are present in UK social investment, and our recommendations on how to improve and/or tap into these.

KEY FINDING: ***Major UK inequality challenges, and the need for more action to address these, is evidenced and acknowledged.***

- There is robust and acknowledged evidence of major inequality in the UK. Two key cross cutting equality challenges are evident. The first challenge is the picture of worsening inequality indicators, from food poverty to mental health, across a range of people and groups vulnerable to discrimination, over the period of austerity.[139] This, alongside a growth in the levels of resources and influence held by a small, resource-rich and powerful, elite.[140] The second challenge is a concern that many of the current legal protections and policy goals that relate to equality will regress if the UK exits the EU.

- Whilst there is a need for more data on some specific groups and issues, in general there is a significant body of evidence for investors to draw on in identifying and pursuing equality impact goals. The UK Government's own assessment recognises more progress is needed[141] and UN and NGO/civil society's assessments certainly concur.[142]

- In terms of strength and sustainability of the equality VCSE, we found austerity has also seen a contraction of traditionally key sources of income for VCSE equality organisations, such as public sector grants and commissioning with remaining commissioning more competitive and advantaging larger non-specialist providers over equality ones.[143] This has weakened the VCSE equality infrastructure and requires it, and its constituents, to develop new business models and income streams to sustain their work.

> "The project-based model which is the one that most funders follow doesn't actually cover enough of the core costs so what you end up doing is taking on more projects in order to cover the gap so if you follow that through, it's like a piece of elastic, you end up then - stretching it, stretching it, until of course it snaps."
>
> **– VCSE focus group participant**

139. EHRC 2019 & wide range of other NGO and public sector research and reports listed in full in the bibliography of the full length report
140. Equality Trust 2018,
141. https://www.equalityhumanrights.com/en/socio-economic-rights-uk
142. UN Rapporteur on Extreme Poverty; https://www.equallyours.org.uk/committee-on-economic-social-and-cultural-rights-cescr-uk-examination-and-submissions/
143. Women's Resource Centre and Women's Gender Budget Group 2018

What we recommend:

- There should be increased action on issues identified by recognized pan equality and human rights state and civil society sources, such as the Equality and Human Rights Commission and Equally Ours respectively, by social investors but also by grant funders and commissioners.

- Department Culture, Media and Sport (DCMS and mainstream VCSE infrastructure, such as ACEVO,[144] NCVO and NACVA to do more to support work to better understand and strengthen the distinct role played by equality and human rights organisations within and beyond the VCSE sector.

KEY FINDING: ***There is currently limited demand for, limited kinds of, equality impact by investors. But demand is increasing, including for a greater breadth of equality impact, and could be accelerated.***

- **62% of our investor's survey sample consider tackling inequality as mission critical** and over 90% see it as relevant to their work.

- **33% say they have, or have previously had, a dedicated investment fund or initiative, targeting social entrepreneurs from minority groups** or those at higher risk of discrimination. **42% say they have or have had a dedicated fund for organisations delivering equality impact.** However, the former figure might reflect a belief that being "inclusive" or "open to anyone" is comparable to actively targeting equality outcomes for these groups. Further, the latter figure might reflect an assumption that, because the beneficiaries of organisations that they invest in may belong to groups with "protected characteristics" e.g. BME, women, and older and younger people, then then they are tackling discrimination or inequality, which is not the refined and targeted approach needed. We note these caveats as these findings somewhat conflict with the findings of our research with VCSE equality organisations, suggesting some disconnect between what activity and which organisations, investors and VCSE equality organisations see as having an equality impact.

- **With investors who have a "targeted equality fund or initiative", the most common beneficiary focus is on people with low incomes** in the domain of financial security and work, and on individual outcomes via service provision.

- **In general, investors currently place far greater focus on achieving impact on individual outcomes** via provision of services (40%) than improving the status of beneficiaries in law (4%) or public attitudes (17%) or their treatment in institutional processes or policy (17%).

> "Maybe there's something about us saying to social investors, you should be investing in social change work because that is how you're gonna get your social impact return. That's where the real shift occurs. Otherwise it's just a sticking plaster. Actually it's money down the drain isn't it? **– VCSE focus group participant**

144. Council for Voluntary Organisations, the National Association of Councils for Voluntary Action

- Of the investors who said they had an existing or previous fund or initiative that "explicitly target(s) organisations whose main focus is tackling inequality faced by a particular group or groups who experience and/or are at higher risk of discrimination", **only 20% target VCSE equality organisations whose mission or focus is addressing inequality.** 40% saying they invest in mix of non-specialist and specialist organisations. This finding reflects other research looking at how VCSE women's organisations fare in grant rounds and commissioning which even where the stated target group was women or women's service providers, generic VCSE providers were much more likely than VCSE women's organisations to get grants or win the contracts.[145]

> "They say there is no need for a specialist service" - so all the funding's gone to the mainstream services who then come to us and say "we can't get any BME people to come, how do we do it?" **– VCSE Focus Group Participant**

- **63% of investors in our survey think they need to and want to, increase their equality impact.** Wider dialogue has also identified a commitment to build on but go further than existing investor focus on diversity impact to a broader range of equality impact.

- **The top need investors perceive that will enable them to do this is a larger pipeline of investable equality impact ventures (58%)**. There is real interest in, and acknowledgement of, the need to both build existing equality charities enterprise elements, and to stimulate and support new equality ventures. However, investors recognised the challenges of current investment criteria and raised concerns about mission drift, a general risk with any VCSE organisations seeking investment but in particular who those who exist to work with and for marginalised groups.

> "We have to make that blended offer around finance because the risk is that potentially charities could decide to go with supporting a particular social cohort because that has the chance of making money and a surplus whereas working with that cohort over there is not going to make any money, and that's a dangerous place for us to go." **– Social Investor Workshop Participant**

- **Other perceived needs include more knowledge and skills and sectoral capacity building, including peer learning, on EII strategies** (46%). Other key enablers identified included more information and data on equality issues, advice and practical resources on impact management, fund and support programme design, and more demand and finance from finance wholesalers and from government to build the supply pipeline.

145. Women's Resource Centre and Women's Gender Budget Group 2018

- **This research also affirmed strong concerns within investment organisations that they need to strengthen their own organisational equality policy and practice** in employment but also wider governance, purchasing, commissioning and partnerships etc.

- **There is a lack of aggregated equality data on investment beneficiaries.** Such data can indicate the extent to which specific EII strategies are being practiced. Data from Big Society Capital's (BSC) Impact Report[146] and Deal Level Data[147] does not identify how many of the charities and social enterprises invested in work specifically on inequality or with certain beneficiary groups (e.g. women, BME, LGBT). Similarly, there is an absence of data on how much investment is going to such organisations or beneficiaries, rather the data reflects the outcome domains and beneficiary groups promoted in the BSC Outcomes Matrix discussed below.

- **The BSC Outcomes Matrix is currently somewhat limited in its use for setting and assessing equality impact** because, whilst it does look at range of domains and potential target beneficiary groups including a number of protected characteristic's or status's at risk of discrimination e.g. older people or in poverty, it excludes a number of others including women, BME and LGBT people. It does reference some of these latter groups as relevant for monitoring beneficiary diversity or inclusion but that is not the same as targeting them.

- **Data is presented within impact reports from the individual SIFIs invested in by BSC but these tend to also reflect the BSC Outcomes Matrix.** They may sometimes provide data on the diversity of organisational leaders and entrepreneurs they invest in but this rarely extends beyond gender, ethnicity and disability. In its Impact Report 2018, Big Issue Invest mentions "race, sex, ethnicity, disability, age, sexuality or socioeconomic position" under its inclusion pillar. But its investee overview reflect the domains and beneficiary groups presented in the Outcomes Matrix (e.g. 51 organisations focus on employment, education and training; 44 support people living in poverty).

What we recommend:

- **Government, finance wholesalers and other investment infrastructure builders** to more clearly demand tangible equality impact and capitalise funds to support investors to test concepts and provide enterprise development grants needed (see supply finding below) to build an investable pipeline.

- **Social Investment infrastructure and field building organisations** to work with EII and others to facilitate greater peer learning opportunities and a set of relevant professional and shared standards to help current investors. Also to integrate such standards into third party accreditation of learning and training to build a pipeline of future investors with skills and knowledge in EII and equality more widely.

146. Big Society Capital
147. Benton, 2018.

- **Equality Impact Investing** to support development of more operational guidance on strategies and tools that derive from the EII framework, in particular for setting relevant impact and measurement goals and designing funds and equality venture support.

- Increased and broader data collection by SIFIs, in line with common impact standards and shared with each other and equality and human rights actors to enable more equality-sensitive data collection and action in future.

- **SIFIs** to build on negative equality impact screening or work to ensure "inclusion" in existing programme but also expand into strategies that actively design for and target positive equality impact.

- **SIFIs'** own equality impact values and goals to be built into wider strategic review and planning cycles with all organisational policies and operational plans then assessed as a means for advancing these from employment to procurement.

KEY FINDING: ***There is a significant, but untapped, potential pipeline of equality impact ventures which enterprise development and investment support could help explore and realise.***

- **There is an identifiable and self-identifying equality and human rights VCSE sector in the UK** with over 5,000 charities registering a human rights, good relations, equality or diversity objective. While these organisations may also be led by women or people from minority groups and/or operate wider good diversity and inclusion practice, it is their purpose or mission that defines them as VCSE equality organisations, not who their leader or founder is.

- **VCSE equality organisations are delivering valuable equality impact** for different beneficiaries, across different equality domains (e.g. health, work, participation) and critically of different types, from supporting better individual outcomes through direct service provision, to changes in public attitudes, policy and legislation. They are often user or beneficiary led or at least have mechanisms for actively involving people with lived experience of the issues.

- **VCSE equality organisations remain mostly grant dependent,** 64% of our surveyed organisations were in this position. Just under a third also trade services or goods. This was more common amongst organisations operating nationally where there are more influencing and infrastructure bodies. For the most part they are established charities,over five years old, who want to become more enterprising but have not been reached or engaged by mainstream investment exploration or readiness programmes to date.

- **Regional pan-equality infrastructure has been significantly reduced over the last decade** with only two such networks remaining. The sector's national infrastructure and umbrella bodies also face sustainability challenges despite being key to building capacity amongst members. There is need to both harness investment to help strengthen remaining infrastructure and organisations. There is also a need, as part of wider social enterprise sector development, to stimulate and support a new generation of equality focused social ventures in geographical and issue areas with little or no provision.

- **Equality organisations tend to be at the smaller end of the spectrum, in size if not impact.** Of the human rights/equality charities on the Charity Register that have a specified annual income, 70% have an annual income below £100,000. 48% have an income below £25,000. So they face many of the increasingly recognised challenges and concerns that all small VCSE organisations face in terms of investment. This means they could benefit from emerging SIFI efforts to address these but only if this reaches and engages them. However, many felt they also face some distinct challenges related to their status and focus as equality organisations.

> "Tackling discrimination is not a (funder) priority, it might be in discussion or written in paper on the shelves, but the reality is different." **– VCSE Focus Group Participant**

- **The growing emphasis on place-based enterprise development work could also benefit equality impact if it ensures that equality issues and people facing discrimination and abuse remain visible and at the heart of planning** and if it recognises there are different issues and sector needs in each locational/geographical context. Furthermore, place-based approaches should not deflect from the needs of dispersed communities that share equality challenges (e.g. based on a shared status or characteristic rather than co-location)

> "...there's still very ingrained issues around specific social inequalities related to poverty but it's more than that. A lot of resources may have gone into regeneration programmes in the city... 10 years of funding but the inequalities are still there." **VCSE focus group Participant**

- **While there is some fit with SIFI impact goals in terms of beneficiary groups, domains and types of change, equality organisations are delivering to a broader range of groups and on intersectional challenges.** Both local and national organisations place emphasis on delivering attitudinal change and are seeking to influence policy. These are all impact concerns less common with SIFIs. Many equality organisations feel their unique role is not clearly recognised, not only by social investors but also other types of funders, commissioners and even the wider VCSE sector they work within.

- **Equality VCSE engagement with social investment is extremely low** with 87% saying they are aware of it but have never applied, only 5% have sought investment and only 2% successfully. The most frequently cited issues were that organisations were "not sure of the social investment opportunities out there" and/or were "not sure of the process for accessing social investment".

- **There are concerns raised in the literature and amongst equality organisations in our focus groups about both the feasibility and ethics of repayable finance given their remit and activities.**

Some commentators see social enterprise as a less effective alternative to political action for achieving social impact as it frames social problems as knowledge problems that can be solved by technical innovation driven competition among individual social entrepreneurs operating through for- profit, nonprofit, or hybrid enterprise. In contrast to seeing them as power problems that require collective political action.[148] Others have pointed to the channelling of funds to individual corporates rather than systems and networks when the latter are needed for tackling complex social problems.[149] Equality groups we spoke to shared some of these concerns but also raised more direct organisational ones.

> "It might sound a stupid question but for those of us who are not for profit charities that tend to rely on grant giving, and we don't have trading arms, how on earth would we be expected to pay back loans? I'm very confused. Where does that income come from? I would add to that most of us are struggling to try and build a reserve which we need as charities never mind paying back loans." - **VCSE focus group Participant**

> "An issue for me is how to ensure that there's policy level freedom, absolute policy level freedom in these areas, here we're going to address the root cause of inequality, how do we ensure that these money sources are not going to condition us if we want to say that taxes should be higher, which may mean they have less money to give to us next year. Right? So how to ensure that there is a watertight division at the level of policy." - **VCSE focus group Participant**

- **There is openness from existing equality charities to developing enterprise to help ensure sustainability and independence as well as a need to stimulate new equality focused ventures.** In particular if enterprise or new ventures can help subside other work. There was also a strong view that VCSE equality organisations, not generic providers, should be supported to meet equality demand.

> I think we have got some things [that are potentially tradeable]. I think part of the thing for us is that the way that think about what we're doing is probably not in a way of "how do we make money out of it". We need a way of thinking that can go, "oh, yeah, that's a no-brainer, come on let's do this, this and this. - **VCSE focus group Participant**

148. Ganz, Kay and Spicer 2018
149. Indy Johar 2017

- **The top needs equality organisations to identify and include greater communication and information about social investment opportunities (78%) and the process for getting it (73%).** Half want additionally targeted investment. Focus groups emphasised a need for more general information but in particular that which addresses how returnable finance models could work in practice in their context. There was also demand for practical support in applying for (65%) and managing investment (47%).

> "We've got a brilliant idea that we know will be financially self-sustaining, so it would be great to have some time to dedicate to that so there's a thing of freeing up somebody's time, but there's also access to maybe some specific support," **- VCSE Focus Group Participant**

- **In terms of financing, by far the highest perceived need was greater availability of grant funding to explore social investment** (77%) with the next most popular option, a loan/grant combination, only appealing to 38% of VCSE survey respondents. More generally regarding organisational development support, a majority highlighted core offer development, financial modelling and impact measurement as areas they need support in (all 53%), while support with investor outreach (48%) and business planning were also popular (43%).

> "I think there are huge possibilities with developing social investment, don't get me wrong. I don't think it's a remedy, Nevertheless I do think that what has been said about the assistance and support that organisations need to get that point where they could actually develop their trading arm is really important." **- VCSE Focus Group Participant**

- **Whilst some investment support initiatives are being developed by a number of national VCSE equality bodies, in the areas of BME, LGBT and disability for example, there are a number of other sub sectors where this has yet to happen** including women's, Gypsy and Travellers, refugee and asylum seekers' economic inequality sectors. Moreover, there is a lack of such enterprise or investment development support for such national equality infrastructure bodies themselves.

What we recommend

- **SIFI funds and linked support programs** to deliver more targeted and tailored communications and outreach to VCSE equality organisations, working with and making greater use of, national VCSE equality infrastructure bodies, tailoring the message to clearly address the concerns and strengths of equality organisations identified in this and other research.

- **ACCESS, SIFIs and Grant Makers** provide dedicated sustainability support, potentially in conjunction with grant funders, to bolster both regional and national VCSE equality infrastructure. This would not only support investment into the wider equality sector but also strengthen its resilience and impact more broadly.

- Targeted investment exploration and support programmes by **wholesalers and SIFIs** to test "what works" in focused support for equality organisations of all types, from national campaigners to local service providers and community organisers, from those mitigating equality impact to those delivering transformative equality impact. For each, there needs to greater understanding of whether investable products can be developed and the support needed for this to happen.

- **A wider variety of investment options provided by SIFIs are needed for most equality organisations,** in the short term more grants to explore investment and medium term, more blended finance and patient capital.

> "The concept of investment-readiness itself is hugely problematic because that's been the starting point for the social investment industry to date and it's not worked, because there is a prior need for development which is one stage removed from investment-readiness" **- VCSE Focus Group Participant**

- **Investors/SIFI and enterprise skills bodies such as the School for Social Entrepreneurs (SSE) to target start-up support** for new equality impact enterprises both via geographical area and on issues where current provision is low.

KEY FINDING: ***Current institutional and infrastructure priorities and supports are not widely incentivising or supporting EII but provide opportunities for doing so that should be pursued.***

- Institutional and infrastructure priorities and provisions in social investment, equality and human rights and civil society do not reflect each other's goals and there is little bridging between these structures. Some early work has commenced within the social investment institutions and infrastructure which is engaging equality actors, in particular through the Access-supported Connect Fund. This has supported this EII project which is bringing together both social investment and VCSE equality actors and number of VCSE Equality Infrastructure organisations, working in the areas of race, disability and LGBT equality, to look into the potential for their stakeholders to engage with social investment.

- While reference is often made to the Sustainable Development Goals, current UK institutional and infrastructure approaches amongst social investors do not sufficiently reference or support their stakeholders to explore key equality and human rights frameworks and goals. Neither do the approaches of equality sector institutions as yet reference or support their stakeholders to explore social or impact investment as mechanisms for achieving their goals.

- There is a lack of alignment between key impact frameworks used across the equality and social investment sectors. For example those of the UK EHRC and Big Society Capital respectively. Nevertheless, these existing frameworks have common elements so do provide a strong basis for complementary impact goal setting, convergence of measurement frameworks and joint work to build equality-focused social investment and venturing.

- The current and planned social sector and social investment market building activities and programmers of key independent social investment infrastructure bodies such as The Access Foundation and Big Society Capital and the Government's Inclusive Unit, do not explicitly state equality goals but offer a means of increasing both the supply and demand for equality impact.

Recommendations:

- The Government's **Inclusive Economy Unit and Partnership** to review strategies and programme plans to identify and action opportunities to build conditions for EII in social and impact investing, in the UK and beyond.

- **Big Society Capital:** to align its current outcomes matrix with the EHRC's equality and human rights measurement framework and work with EII and others, such as the Impact Management Project, to support wider convening and development work on setting and measuring equality impact in investment.

- **ACCESS Foundation:** to identify and action opportunities for EII to be advanced through its planned activities, in particular the Enterprise Development Programme and include explicit goals in its strategy.

- **Equality Impact Investing Project:** create an ongoing platform to promote, coordinate and support the recommendations in the report and build and promote the field of EII in UK social investment and beyond, more widely

- **Connect Fund:** retain a dedicated strand of finance to help increase equality impact capacity in the social investment infrastructure and to link equality and diversity VCSE organisations to social investors.

- **The Equality and Human Rights Commission** to promote greater use of its measurement framework by social investors, for example by working with the EII project and others to deriving an impact measurement tool for social impact investors, as well as exploring more deeply how EII could be applied in private sector/mainstream investment context.

- **The UK Social Investment Forum and Social Impact Investors Groups** review their agenda and plans and identify and action both collaborative opportunities with EII and other projects and goals within their respective remits.
  Equally Ours and other VCSE equality infrastructure (e.g. concerned with specific sub-sectors such as children's rights, women, domestic violence, human rights, and refugee's rights) to engage in, influence and advise on, social investment policy debates and infrastructure development and to explore building enterprise and social investment support into services to members.

- **Social Enterprise UK, School for Social Entrepreneurs and the wider Social Economy Alliance** to work with the EII project to explore how "mainstream" social enterprises are currently addressing inequality and could improve their equality impact and to support a new generation of equality impact focused social entrepreneurs.

- **Association of Charitable Foundations** to support work to build EII capacity with its members.

KEY FINDING: ***The UK's relevant legal and policy frameworks independently provide strong and generally, supportive contexts for the different elements of EII, but they are not being used to reinforce each other nor to encourage the convergence of social investment, equality and civil society agendas.***

Legal Frameworks Findings

- Both social investment and equality and human rights and related legal frameworks around social value, are currently relatively strong although there are risks of regression on UK equality and rights standards specifically posed by Brexit.

- Current protections are already undermined by the non-implementation of the 2010 Equality Act socioeconomic duty and approaches to wider equality and human rights legislation that often sees this as boxes to be ticked rather than frameworks to support better planning and decision-making.

- It is not clear that the Equality Act 2010, including the specific duty for due regard to advancing equality and tackling inequality, are being applied in the creation of social investment or related regulations.

150. NCVO 2016, WRC &WGB 2018
151. Ibid.

- In principle both the Equality Act and the Social Value Act (which requires public sector commissioners to consider equality and broader social, economic and environmental benefits to their area when awarding public sector contracts respectively) should be informing public sector commissioning of, and thus demand for, equality impact.

- The current review of the Social Value Act offers an opportunity to strengthen equality provisions. Research indicates that the Act is not being implemented as intended or fully due to lack of awareness and guidance and strength in the duties themselves.[150] In the subsequent commissioning culture, bids with lowest cost often fare best, so smaller specialised VCSE, including equality organisations, are disadvantaged compared to larger non specialist organisations. They have the expertise and social value but not the economies of scale.[151]

> "Our bottom line is social change, these other peoples and generics coming in and sweeping up any old contract for anything, not specialists, they're not doing it for social change, that's not their mission, their mission is profit." **– VCSE Focus Group Participant**

- In general, the legal framework for charities and other non-profit organisations is fairly supportive although significant concerns have been raised about the Lobbying Act and its impact on civil society organizations' campaigning activities. Such activities are key to the impact, especially transformative impact, of the VCSE equality sector.

Recommendations:

- **Government - DCMS and Cabinet Office** to ensure consideration of the Equality and Human Rights Act in the development of further SII related legislation or regulation, not as a negative screen but as a tool for change. This may, for example, identify and provide opportunities for leveraging investment into equality outcomes.

- **Government - DCMS and Cabinet Office** ensure clearer and stronger requirements on equality impact are integrated into the Social Value Act, or related statutory guidance, as part of its current review

- **Public Sector Commissioning Support Bodies** such as The Commissioning Academy[152] to integrate equality, human rights, and social value impact approaches into their capacity building and professional standards as positive tools for effective commissioning.

- **Government / DCMS** to review the current Lobbying Act with a view to ensuring it does not limit civil society organizations and networks' ability to access social investment funding (or other types of funding) because of their legitimate role of speaking into public life in order to advance equality and reduce inequality.

- **UK Government** to implement current UK equality and human rights legal frameworks and standards in full, including the Socio economic duty, and retain these in any exit from the European Union.

152. https://www.gov.uk/guidance/the-commissioning-academy-information

Policy Frameworks

KEY FINDING: ***Equality, social investment and civil society policies are relevant for EII. These frameworks provide a fairly supportive context for different aspects of EII, but they do not reinforce each other, nor are they being used to encourage the convergence of social investment, equality, and civil society agendas.***

- The UK government has a well-developed social investment policy agenda, reflecting its role to date as one of the global leaders in the field. It has a social investment strategy and supports an industry-led advisory group and taskforce on growing a culture of social impact investing. Both could be, but currently aren't, being used as frameworks within which to identify where impact investing could contribute to tackling inequality, although the latter is seeking to better link impact reporting to the UN SDGs, which include specific equality and gender goals.
- In terms of equality policy, a key challenge not limited to EII, is the current lack of an overarching government equality strategy. Commitments exist but in series of dispersed equality goals and policies in different departments, none of which appear to have engaged with or been informed by social investment strategy and policy.
- The Government's civil society strategy recognises the role of social (impact) investing in supporting civil society and the need to support sustainable social business models. It sees social value as supporting "a fairer society for all" and references inequality though no specific goals. However, it provides a good framework within which to identify and action specific equality goals as it is implemented.

Recommendations:

- Government Social Investment Strategy to explicitly identify where investment can be harnessed to advance equality and highlight both principles and goals for equality impact.
- Impact Investing Implementation Taskforce to create a process to develop and embed equality and human rights goals across its five action areas in the UK.
- Government Civil Society Strategy to identify and support explicit equality impact goals within its social value foundations and missions, including but also beyond supporting greater equality impact investing.
- Minister for Women and Equalities GEO, government departments with equality goals to work with DCMS and IEU to identify VCSE/civil society equality sector play a key role in delivering on goals and to support their efforts to increase enterprise capacity social investment as well as other forms of social financing.
- Women and Equalities Select Committee to hold an inquiry into the extent to which Government is harnessing its commissioning, investing and grant-making to ensure and advance its equality and human rights legal duties and policy goals respectively.

Appendix 1 - Considerations for EII in a Place Based Context

Introduction and summary

There is a trend in social investment (and grant funding) towards place-based investment, as evidenced in the priorities of Big Society Capital and other organisations. EII can be tailored for such an approach, although should not deflect from the needs of dispersed communities that share equality challenges and should be addressed accordingly.

Adopting EII strategies in a place-based context should take account of the particular conditions specific to the area of interest, namely the equality challenges it presents, the existence or otherwise of a supportive policy context and wider institutional commitment to address these, and the state of the local equality sector including its capacity to deliver equality impact and its needs moving forward.

This section highlights the importance of tailoring EII by comparing conditions in the city of Bristol and the part rural, part urban county of Devon. We gathered evidence through a focused literature review, a survey of equality VCSE organisations (22 responses in Bristol, 23 in Devon)[153] and delivery of structured workshops (15 participants in Bristol, 17 in Devon).[154] We found they indeed face different equality challenges, have different priorities and infrastructure in place and are thus suited to different EII approaches.

Differing Equality Challenges

- Bristol has built a popular image attracting inward migration and investment. For many, however, the image does not equate to reality. Some communities are thriving but others, often in close proximity, are at risk of being left behind. Many inequalities relate to ethnicity and race – there are 53 different ethnic communities in the city – made more complex by the fact that much of Bristol's historical development was tied to the slave trade.

> "...There's still very engrained issues around specific social inequalities related to poverty but it's more than that. It's like a lot of resources have gone in to regeneration programmes in the city. Somewhere like New Deal for Communities in Lawrence Hill. 10 years of funding but the inequalities are still there." **– Bristol Workshop Participant**

- Devon is the third largest county in England with the urban centres of Exeter and Plymouth either side of a rural hinterland. There are pockets of extreme wealth but also entrenched poverty. Torbay, the most deprived local authority area in the South West, has one in four children living below the poverty line. Many issues relate to low wages and high living costs, and to rural mobility and access to services, especially given a high proportion of disabled and older people. Poor relations were highlighted both within and between communities. 52% of Plymouth residents think people from different backgrounds get on well.[155]

153. There is some overlap with eight of the organisations operating in both regions.
154. The Devon workshop included representation from two commissioner bodies and a SIFI.
155. Plymouth City Council, 2017. This compares to a national average of 89%.

There are some equality challenges common to both Bristol and Devon, most notably the compounding of difficulties for people experiencing multiple forms of discrimination and disadvantage. Participants in both areas also expressed concerns about hidden communities and low participation in public life amongst certain groups (for a variety of reasons). But they also present specific challenges that would need to inform the impact goals for EII.

Differing Policy Contexts

- There is high-level commitment to addressing equality challenges in Bristol, as reflected in the Council's Corporate Strategy[156] and the multi-partner One City Plan which presents a vision for Bristol in 2050 as a "fair, healthy and sustainable city."[157] The City Funds have been set up to support this vision, targeting £10m in grants and investment including via 10% of local businesses' CSR.[158] Its initial priorities are:

  - ***No child goes hungry.*** From school breakfast clubs to addressing root causes of poverty.
  - ***Inclusive employment.*** Access to education/employment/skills development.
  - ***Community initiatives.*** Empowering community anchor organisations.
  - ***Environmental transformation.*** Systemic improvements in green infrastructure.[159]

- Government in Devon is divided between three local authorities,Devon County Council, Plymouth City Council and Torbay Council. While there is not a coherent equality policy across the county, each authority has a number of equality objectives ranging from fairly specific commitments, such as undertaking impact assessments to ensure Devon County Council meets the PSED,[160] to more visionary goals such as reducing inequalities in Torbay.[161] However, the extent to which these aspire for systemic change beyond legal obligation, are sufficiently resourced, and translate into new ways of doing things remains open to debate.

> "There are people making decisions who don't see the value of the social sector... It's like a corporatisation and professionalization which is not helpful, because what happens then is there are lots of people who are invisible... lots of people are invisible because they can't take part in things because of power and representation issues."
>
> **– Devon Workshop Participant**

- There is high-level commitment to addressing equality challenges in both Bristol and Devon, at least on paper. What differs is the extent to which there is a depth of understanding, suitable frameworks and mechanisms, and sufficient resourcing in place to fulfil such commitments. The role expected of, and support available to, the VCSE sector and specifically the equality sub-sector are somewhat unclear in both areas. An EII initiative in either area would need to take account of the opportunities and challenges presented.

156. Bristol City Council, 2018.
157. Bristol One City, 2018.
158. Clayton et al, 2017.
159. Bristol City Funds, 2019.
160. Devon County Council, 2019.
161. Torbay Council, 2019.

Differing VCSE Infrastructure

- Bristol has many well-established equality VCSE organisations working with a wide range of beneficiaries and in various life domains. 50% of the Bristol organisations we surveyed had been operating for more than five years but 68% have an income below £100,000.[162] 41% reported their main income source as trading goods/services (notably more than the 17% in Devon) but only two respondents had ever secured social investment, and none of our focus group participants. Participants spoke of pressure to compete for funding and resources, devaluing of local knowledge and existing activity by incoming organisations, and a lack of pan-equality organisation.

- In Devon we found a high proportion of organisations targeting disabled people as their beneficiary group (57% compared to 41% in Bristol). We also found that 74% are dependent on grants as their main source of income (compared to 50% in Bristol) and 26% are not very or not at all confident about their future finances (compared to 14% in Bristol).

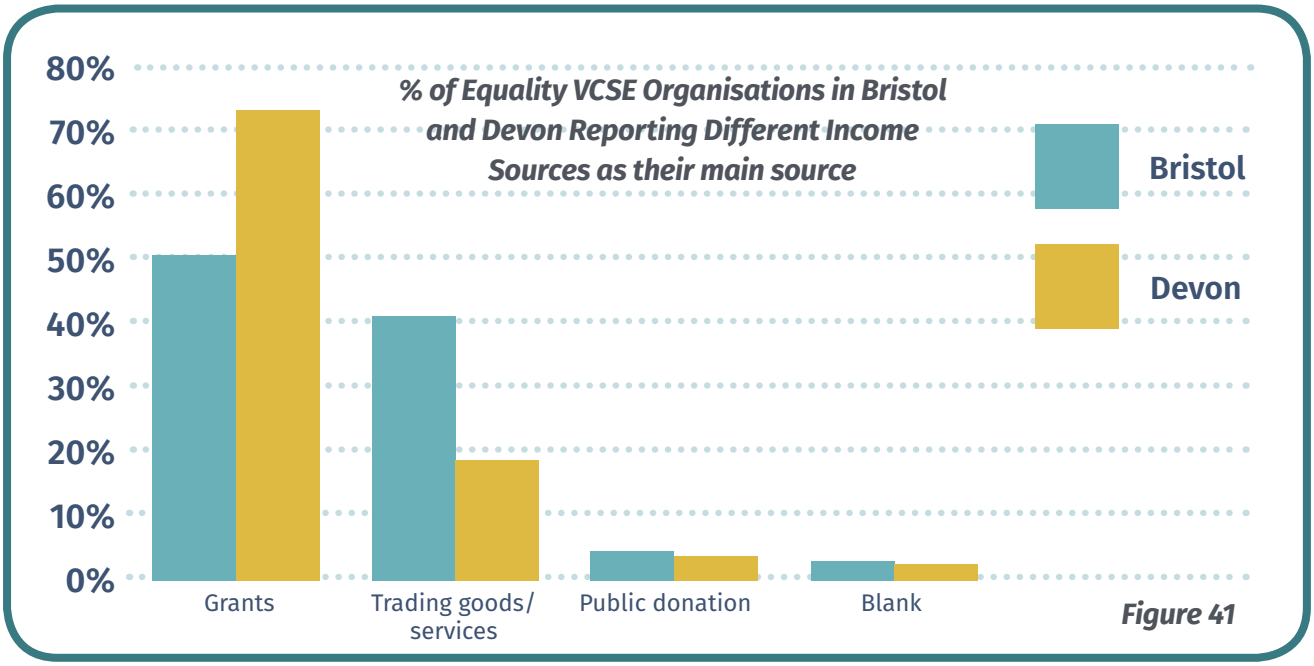


Figure 41

- There are common features between the equality VCSE infrastructure in Bristol and Devon. The majority of organisations in both areas deliver services to individuals (82% in Bristol, 74% in Devon) and have incomes below £100,000 (68% and 74% respectively). They share concerns about organisations from outside the area winning contracts and they highlight many of the same issues when discussing social investment (limited capacity and resources to explore and develop, a lack of Trustee support, ethical concerns about monetising human misery, a lack of infrastructure to support capacity-building and collaboration).

162. This is slightly higher than data provided by the Charity Register which lists 64 Bristol charities with equality and/or diversity as their main objective, 39 (61%) of which have an income below £100,000.

- But they also differ in ways that would have a bearing on effective EII. In Devon there are only a limited number of organisations with focused equality impact and most remain highly dependent on grant funding. They were, overall, less enthusiastic about loan financing options than in Bristol but similarly supportive of grant funding to explore social investment (82% in Bristol, 78% in Devon).[163] New equality ventures and projects need stimulating before EII, through investing in equality VCSE organisations, becomes a viable option in Devon.

- In Bristol there are a greater number of equality organisations and a higher proportion are trading goods and services but they remain small and under-resourced. They lack the capacity and resources to pursue social investment alone but they are also disconnected, competing for resources and in some cases duplicative. Initiatives to support pan-equality collaboration, such as an extension of the valuable work carried out by BSWN,[164] would enable the sharing of resources and greater collective capacity to make use of social investment.

> "There's a real need for a proper diversity and equality hub isn't there? That's visible and active... so we all know better what we're doing. We can see who to talk to about funding applications. All funding now is desired as collaborative work and partnership work."
>
> **– Bristol Equality VCSE Organisation**

Conclusion

- There are some similarities but also clear differences between conditions for equality impact investing in Bristol and Devon. These demonstrate the importance of exploring the specific context of a place when devising EII strategies that support VCSE equality sector impact. Differences might relate to the equality challenges faced by an area, policy commitments and mechanisms for addressing these, existing infrastructure and gaps in delivery, and/or the developmental and financing needs of equality VCSE organisations.

- For example, there is a need for stimulating the emergence and growth of more equality VCSE organisations in Devon. In Bristol these already exist, but to make use of social investment there is a need for greater pan-equality collaboration. There are also clear opportunities to link EII into the priorities of Bristol's City Funds but there is a lack of equivalent policy mechanisms in Devon.

- Certain differences may also relate more broadly to the urban and semi-rural nature of each and therefore carry important learning for EII in such contexts. Further research would be needed to explore this. For example, Connect-funded research has shown that social enterprises in rural areas are not that different to those in urban areas but do need more of a supporting ecosystem.[165] It would be useful to explore in greater depth whether this stays true for equality VCSE organisations and what the features of such an ecosystem should be.

163. As potentially useful social investment options, 39% of Devon organisations selected loan/grant combination (59% in Bristol), 17% selected loan without interest (36%), and 26% selected loan not linked to assets (45%).
164. The Bristol Urban, Enterprise and Innovation Network; BSWN, 2019.
165. Key Fund, 2018.

APPENDIX 2 - Overview of approach and limitations

Approach

Our approach has consisted of four main elements, delivered between January 2018 and March 2019.

First, we undertook a review of UK and international literature and issued a call for evidence which requested pre-existing material relevant to EII (published or otherwise). This, along with stakeholder dialogue, informed a working EII definition, principles and enabling conditions , which, when combined, form a theoretical framework for EII. See Figure 1. Page 7.

Second, we used this framework to assess conditions for and levels of EII in UK social investment. We undertook a further desk based review of relevant social investment, equality and VCSE institutions and their published materials (e.g. strategies, policies, reports, websites) and unpublished materials where made available (e.g. internal reviews), and wider UK VCSE, social investment and civil society sector literature.
We also issued two surveys, one to equality VCSE organisations and one to social investors and their intermediaries.

Equally Ours issued a survey to its membership, which includes 62 VCSE self-identified equality organisations, the majority national, and to its wider networks via its newsletter which reaches over 5,000 people and organisations working for equality and human rights across the UK. We issued the same survey to a equality organisations in Devon and Bristol via direct mail to them and via a general call through regional VCSE networks. In total we received 60 responses from VCSE equality organisations, 12 National and 48 operating in the city of Bristol or the county of Devon. The sample includes a wide range of organisation working with diverse beneficiaries and undertaking a variety of activities and roles.

We also issued a survey to a cross section of 60 social investors and their intermediaries, receiving 24 responses, including from finance wholesalers, banks, foundations and regional and issue specialists.

Third, we held structured workshops with equality-focused VCSE organisations, one with 15 organisations in Bristol, one with 17 organisations in Devon (of which 11 were equality-focused VCSE organisations and the remainder local VCSE infrastructure bodies, commissioners and social investors), and two in London with ten national equality infrastructure organisations. One of these brought together all the other diversity and equality themed first round Connect Fund projects. The Bristol and Devon workshops sought to identify particular challenges and opportunities in these places as well as any general differences to consider for EII in an urban and semi rural context respectively. The national sessions, sought to gauge views of these organisations on both their own needs

and those of their members and the VCSE equality sector as a whole.. Both sets of workshops further explored the equality impact that organisations were delivering and the potential of social investment to support this. An introduction to social investment was given to inform the discussion. Extracts from the workshops are provided where relevant.

Finally, we have sought and remained open to other dialogue and input from key project stakeholders on an ongoing basis. This has included a focus group with social investors, a project session as part of Connect Fund learning events, regional partner discussions, and presentations and dialogue at events such as the Equally Ours national policy forum (for Equality and Human Rights VCSE), the Social Investment Forum and The Gathering (a biannual UK social investors conference).

Challenges and limitations

The literature contains some aggregate data on VCSE equality and human rights organisations working within particular equality strands (e.g. the LGBT or women's sub-sector) but there is a stark lack of such data or previous research on the pan equality and human rights sector as a whole. There is also a lack of equality data in social investor datasets and impact reports. Furthermore, relevant datasets were not always open source with one national social enterprise organisation seeking £5,000 for sharing such information.

In assessing EII in UK social investment we focused, though not exclusively, on the use of the EII strategy of investing in equality-focused organisations. This was mainly due to previous research suggesting the potential of this strategy has not been properly explored at a time of great pressure on the sustainability of the VCSE equality sector. But also partly in light of other projects, such as the Social Investment Diversity Forum which has carried out valuable work on assessing the use of the strategy of improving diversity within social investment organisations, which we sought not to duplicate. We have indicated in the recommendations where we think further exploration is needed.

Responses from VCSE organisations, outside of Devon and Bristol to the survey were lower than hoped, despite repeated issues through Equally Ours' newsletter, so we also utilised supplementary outreach and funder networks. Some of the other VCSE umbrella networks (regional and equality focused) that we hoped to use to disseminate the survey declined to do so for various reasons, ranging from plans to issue their own surveys on similar topics to not seeing social investment as "relevant" to their members. However, combined with material from the literature review and the well-attended workshops, the breadth and depth of the data is sufficiently rich to give a strong indication of the challenges and opportunities for equality VCSE organisations.

APPENDIX 3: References

Access Now. https://www.accessnow.org/

Access – the Foundation for Social Investment, 2018; 'Strategic Plan 2018-2023'. https://access-socialinvestment.org.uk/wp-content/uploads/2018/03/Strategic-Plan-2018-23-final.pdf

Access Learning Report, Margret Bolton 2016 https://access-socialinvestment.org.uk/wp-content/uploads/2017/03/Learning-report-final-version.pdf

Anderson and Miles, 2015. Criterion: GLI Building the Field https://www.gov.uk/government/groups/social-impact-investment-taskforce

Association of Charitable Foundations. Social Impact Investors Group https://www.acf.org.uk/networksandevents/siig

Ariadne Forecast 2018, For European Social Change and Human Rights Funders - http://www.ariadne-network.eu/wp-content/uploads/2015/03/Ariadne2018Forecast.pdf

Alston, P., 2018; 'Statement on Visit to the United Kingdom, by Professor Philip Alston, United Nations Special Rapporteur on extreme poverty and human rights'. https://www.ohchr.org/Documents/Issues/Poverty/EOM_GB_16Nov2018.pdf

'Borrowing in the Wild: An Initial Literature Review Into Social Investment From a Rural Perspective.' Key Fund, 2018, Produced by Adrian Ashton. http://www.connectfund.org.uk/wp-content/uploads/2018/03/Borrowing_in_the_wild.pdf

Baker, L. and Goggin, N., 2017; 'Small charities and social investment'. For the Institute for Voluntary Action Research. https://www.ivar.org.uk/wp-content/uploads/2016/11/IVAR_Small-charities-and-social-investment-29.11.2016.pdf

Barnett, S., 2018; 'Let's turn the semantic tables on social finance'. https://www.pioneerspost.com/news-views/20180517/let-s-turn-the-semantic-tables-on-social-finance

Benton, N., 2018; 'Update estimate on the current size of the Social Invesment Market'. For Big Society Capital. https://www.bigsocietycapital.com/latest/type/blog/updated-estimate-current-size-social-investment-market

Benton, N., 2018; 'Deal Level Data'. For Big Society Capital. https://www.bigsocietycapital.com/home/about-us/deal-level-data

Big Society Capital, 2019; 'Social Impact Report'. https://www.bigsocietycapital.com/impact-report/impact-people Black South West Network, 2019. Accessed on 22/03/2019. https://www.blacksouthwestnetwork.org/bristol-urban-enterprise-innovation-network

Big Society Capital; Outcomes Matrix: https://www.goodfinance.org.uk/impact-matrix

Black South West Network, 2019. https://www.blacksouthwestnetwork.org/bristol-urban-enterprise-innovation-network

Bristol City Council, 2018, 'Corporate Strategy: 2018-2023. https://www.bristol.gov.uk/documents/20182/239309/Bristol+City+Council+Corporate+Strategy+2018+to+2023/3e7d7377-ed1f-5d67-c6ab-af49b7159a5e

Bristol City Funds, 2019.. http://www.bristolcityfunds.co.uk/

Bristol One City, 2018, 'One City Plan: A Plan for Bristol to 2050.

Brown, C., 2018; 'UK Trust and Foundation Engagement with Social Investment: Tool in the toolbox, blunt instrument, or lever for change?' https://www.acf.org.uk/downloads/member-briefings/ACF_Social_investment_LMpass_2018.pdf

Capabilities as fundamental entitlements: Sen and social justice: Nussbaum, M. 2003. https://philpapers.org/archive/NUSCAF.pdf

Charities Aid Foundation, 2012; 'Top 1,000 UK Charities'. Spreadsheet of 2010 data from the Charity Register. https://docs.google.com/spreadsheets/d/1nQ1Oykkpbu4MtVvwLGCj1hYs8uAZCWPKup_c7g1KvLg/edit#gid=1

Charity Commission for England and Wales, 2016; 'Social Investment by charities - the new power introduced by the Charities (Protection and Social Investment) Act 2016: interim guidance'. https://www.gov.uk/government/publications/charities-and-investment-matters-a-guide-for-trustees-cc14/charities-and-investment-matters-interim-guidance

Clayton, N., Jeffery, S., and Breach, A., 2017, 'Funding and financing inclusive growth in cities'. For Centre for Cities. https://www.centreforcities.org/reader/funding-financing-inclusive-growth-cities/reviewing-funding-finance-options-available-city-combined-authorities/7-bristols-city-funds/

Corley, E., 2017; 'Growing a Culture of Social Impact Investing in the UK'. Chair of independent Advisory Group. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/664321/Full_Report_Growing_a_Culture_of_Social_Impact_Investing_in_the_UK.pdf

Corner, J., 2018; 'Lankelly Chase's approach to working with complexity'; Lankelly Chase. https://lankellychase.org.uk/lankelly-chases-approach-to-working-with-complexity/

Corporate Human Rights Benchmark, 2019. Website accessed on 21/03/2019. https://www.corporatebenchmark.org/why-benchmark

Cribb, J., Keiller, A., N., and Waters, T., 2018; 'Living standards, poverty and inequality in the UK: 2018'. Institute for Fiscal Studies. https://www.ifs.org.uk/publications/13075

Department for Digital, Culture, Media and Sport, undated. 'Government Inclusive Economy Unit (GIEU): Northern Cultural Regeneration Fund'. https://www.bigsocietycapital.com/sites/default/files/WNSI4-NCRSI-Fund.pdf

Devon County Council, 2019, 'Equality Objectives 2019-2022'. https://devoncc.sharepoint.com/sites/PublicDocs/Corporate/Equality/Forms/AllItems.aspx?id=%2Fsites%2FPublicDocs%2FCorporate%2FEquality%2FEquality%20Objectives%202019%20to%202022%2Epdf&parent=%2Fsites%2FPublicDocs%2FCorporate%2FEquality&p=true&CID=75b1e0af-9981-40d5-ac39-65e5ea767ca8

Diversity Forum, 2018; 'Inclusive Impact: A comprehensive review of diversity in the social investment sector'. Produced by Inclusive Boards. https://static1.squarespace.com/static/5aa271fa365f02ff28172333/t/5c2ce985758d46566d1fef59/1546447257262/Inclusive+Impact+-+Comprehensive+Review+of+the+Social+Investment+Sector+Report.pdf

Equality and Human Rights Commission, 2017; ‘Measurement Framework for Equality and Human Rights’. https://www.equalityhumanrights.com/sites/default/files/measurement-framework-interactive_pdf.pdf

Equality and Human Rights Commission, 2018; ‘Is Britain Fairer? The state of equality and human rights 2018.’ https://www.equalityhumanrights.com/sites/default/files/is-britain-fairer-2018-pre-lay.pdf

Equality and Human Rights Commission, 2018; ‘Draft Strategic Plan 2019-2022: Consultation Document’. https://www.equalityhumanrights.com/sites/default/files/draft-strategic-plan-consultation-document.pdf

Equality and Human Rights Commission, 2019; https://www.equalityhumanrights.com/en

Equality Commission for Northern Ireland, 2010; ‘Section 75 of the Northern Ireland Act 1998: A Guide for Public Authorities’. https://www.equalityni.org/ECNI/media/ECNI/Publications/Employers%20and%20Service%20Providers/S75GuideforPublicAuthoritiesApril2010.pdf

Equally Ours, 2018; ‘Race on the Agenda briefing: Brexit for BAME Britain – investigating the impact’. https://www.equallyours.org.uk/race-on-the-agenda-briefing-brexit-for-bame-britain-investigating-the-impact/

Executive Office Northern Ireland, 2015; ‘Racial Equality Strategy 2015-2025’. https://www.executiveoffice-ni.gov.uk/publications/racial-equality-strategy-2015-2025

G8 Social Impact Investment Task Force, 2014; ‘Impact Investment: the invisible heart of markets’. http://www.socialimpactagenda.it/wp-content/uploads/2016/05/Impact-Investment-Report.pdf

Ganz, M.,Kay, T. and Spicer, J., 2018; ‘Social Enterprise Is Not Social Change’. https://ssir.org/articles/entry/social_enterprise_is_not_social_change

Global Impact Investing Network. Impact Measurement and Management. https://thegiin.org/imm

Goddard, C. and Miles, K. 2016; The Sky’s The Limit: Increasing Social Investment with a Gender Lens, Young Foundation https://youngfoundation.org/wp-content/uploads/2016/05/2016.05.05-YF_The-Skys-the-Limit_report_AW_web.pdf

Goddard, C. and Johnson-Ross, F. 2015: Unequal Nation; the case for social innovation to work for a gender equal future. https://www.barrowcadbury.org.uk/wp-content/uploads/2015/07/gender-future-unequal-nation-full-report.pdf

Government Equalities Office, 2018; ‘National LGBT Survey: Research Report’. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/721704/LGBT-survey-research-report.pdf

Government Equalities Office, 2018; ‘LGBT Action Plan: Improving the Lives of Lesbian, Gay, Bisexual and Transgender People’. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/721367/GEO-LGBT-Action-Plan.pdf

Government Equalities Office, 2019; https://www.gov.uk/government/organisations/government-equalities-office/about

Giridharadas, A., 2019; 'The new elite's phoney crusade to save the world – without changing anything'; The Guardian. https://www.theguardian.com/news/2019/jan/22/the-new-elites-phoney-crusade-to-save-the-world-without-changing-anything

HM Government, 1998; 'Human Rights Act, 1998'. https://www.legislation.gov.uk/ukpga/1998/42/pdfs/ukpga_19980042_en.pdf

HM Government, 2010; 'Equality Act 2010'. https://www.legislation.gov.uk/ukpga/2010/15/contents

HM Government, 2011; 'The Equality Act 2010 (Statutory Duties) (Wales) Regulations 2011'. http://www.legislation.gov.uk/wsi/2011/1064/contents/made

HM Government, 2011; 'Growing the Social Investment Market: A vision and strategy'. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/61185/404970_SocialInvestmentMarket_acc.pdf

HM Government, 2016; 'Social investment: a force for social change: 2016 strategy' https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/507215/6.1804_SIFT_Strategy_260216_FINAL_web.pdf

HM Government; Social Impact Taskforce https://www.gov.uk/government/groups/social-impact-investment-taskforce

HM Government, 2018; 'Government announces major programme to tackle inequalities in youth unemployment'. https://www.gov.uk/government/news/government-announces-major-programme-to-tackle-inequalities-in-youth-unemployment

HM Government, 2018; 'Inclusive Economy Partnership: From one idea to improving 50,000 lives'. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/757540/InclusiveEconomyPartnership_Story.pdf

HM Government, 2018; 'Government Response to Advisory Group Report on 'Growing a Culture of Social Impact Investing in the UK'. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/717511/Government_Response_to_Advisory_Group.pdf

HM Government, 2018; 'Civil Society Strategy: Building a future that works for everyone'. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/732765/Civil_Society_Strategy_-_building_a_future_that_works_for_everyone.pdf

Hornby, A., 2012; 'The Good Analyst: Impact Measurement & Analysis in the Social-Purpose Universe'. Investing for Good. https://static1.squarespace.com/static/581726a4725e25ba06320e8c/t/58402d202994cae6abce8fcc/1480600874534/thegoodanalyst.pdf

Impact Management Project. https://impactmanagementproject.com/

Implementation Taskforce. 'Growing a Culture of Social Impact Investing in the UK.' https://www.grow-impact-investing.org/

International Covenant on Economic, Social and Cultural Rights https://www.ohchr.org/en/professionalinterest/pages/cescr.aspx

Investing for Social and Environment Impact, 2009 ; GIIN: https://thegiin.org/research/publication/investing-for-social-and-environmental-impact

LGBT Consortium, 2016. ‘A Snap Shot of the LGBT Sector’. http://www.lgbtconsortium.org.uk/news/snapshot

Liberty and other signatories, 2018; Letter to Rt Hon Dr Liam Fox MP. https://www.libertyhumanrights.org.uk/sites/default/files/Trade%20Bill%20joint%20letter%20FINAL.pdf

Life Changing and Life Saving, Funding for the Women’s Sector, Women’s Resource Centre & Women’s Gender Budget Group 2018 https://www.wrc.org.uk/wp-content/uploads/2018/12/WBG-WRC-Funding-Report.pdf

Local Government Association, 2018; ‘Equality Framework for Local Government: 2018 Version’. https://www.local.gov.uk/sites/default/files/documents/guidance%20-%20equality%20frameworks%20-%20Equality%20Framework%20For%20Local%20Government%20%28EFLG%29.pdf

Lyons, G., 2018; ‘Bridging the gap: how the Inclusive Economy Unit is helping to better connect departments and the private sector’. https://www.civilserviceworld.com/articles/interview/bridging-gap-how-inclusive-economy-unit-helping-better-connect-departments-and

The Stephen Lawrence Inquiry Report, McPherson, W. 1999, HM Government Home Office: https://www.gov.uk/government/publications/the-stephen-lawrence-inquiry

McKnight, A., 2018; ‘An Inequality Framework designed to measure multidimensional inequality’. For LSE CASE. https://medium.com/@CASE_LSE/an-inequality-framework-designed-to-measure-multidimensional-inequality-4d0ae2c48bd9

McKnight, A., and Prats, A.; 2018, ‘Inequality Runs Deeper than Income’; The Afsee Blog. https://afsee.atlanticfellows.org/blog/2018/inequality-runs-deeper-than-income

Michigan Ross, undated; ‘What is Social Impact?’; Business + Impact. https://socialimpact.umich.edu/about/what-is-social-impact/

Oak Foundation. http://www.oakfnd.org/international-human-rights.html

OECD, 2017; ‘Responsible business conduct for institutional investors: Key considerations for due diligence under the OECD Guidelines for Multinational Enterprises’. http://mneguidelines.oecd.org/RBC-for-Institutional-Investors.pdf

Office for Civil Society, 2019; https://www.gov.uk/government/organisations/office-for-civil-society/about

United Nations Human Rights Office of the High Commissioner https://www.ohchr.org/EN/pages/home.aspx ;

Pharoah, C., 2017; ‘The Top 100 Fundraising Charities Spotlight’. Produced for Charity Financials. https://secure.charityfinancials.com/PDF/Top%20100%20Fundraising%20Charities%20rNEW.pdf

Plymouth City Council, 2017, ‘Plymouth Report: October 2017’. https://www.plymouth.gov.uk/sites/default/files/Plymouth%20Report%20October%202017.pdf

Prior, C., 2019; ‘The urgent need for global standards in impact investment’; Big Society Capital. https://www.bigsocietycapital.com/latest/type/blog/urgent-need-global-standards-impact-investment

Pybus, J., *Julie Pybus, 2018, Pioneers Post Quarterly, Issue #9* *https://www.pioneerspost.com/news-views/20180419/the-barriers-getting-good-deals-done*

Reis, S., 2018; ‘EDF Gendering Brexit Blog series: Deal or no Deal, Brexit is Bad News for Women’; Equally Ours. https://www.equallyours.org.uk/edf-gendering-brexit-blog-series-deal-or-no-deal-brexit-is-bad-news-for-women/

Resolution Foundation, 2019; ‘Incomes and Inequality’; https://www.resolutionfoundation.org/theme/incomes-and-inequality/

Scottish Government, undated; ‘Human Rights’. One Scotland. https://onescotland.org/equality-themes/human-rights/

Johnson, H., 2017; ‘A quick guide to human rights in Wales’. Sened Research, National Assembly for Wales Research Service. https://seneddresearch.blog/2017/04/04/a-quick-guide-to-human-rights-in-wales/

Scottish Government, 2016; ‘Fairer Scotland Action Plan’. https://www2.gov.scot/Resource/0050/00506841.pdf

Scottish Government, 2017; ‘A fairer Scotland for all: race equality action plan and highlight report 2017-2021’. https://www.gov.scot/publications/fairer-scotland-race-equality-action-plan-2017-2021-highlight-report/

Scottish Government, 2018; ‘Every child, every chance: tackling child poverty delivery plan 2018-2022’. https://www.gov.scot/publications/child-chance-tackling-child-poverty-delivery-plan-2018-22/

Segal, P. and Savage, M., 2019; ‘Inequality Interactions: Working paper 27’. For LSE International Inequalities Institute. http://www.lse.ac.uk/International-Inequalities/Assets/Documents/Working-Papers/III-Working-Paper-27-Segal-and-Savage-Inequality-Interactions.pdf

Sen, A. Development as Freedom, Oxford University Press 1993

Sheila McKechnie Foundation, 2018; Social Power: How civil society can ‘Play Big’ and truly create change’. The Social Change Project. http://smk.org.uk/wp-content/files/SMK_SocialChangeProject_Digital-Pages.pdf

Sherry, J., 2015; ‘A Data-Driven Look at Diversity in Venture Capital and Startups’. For CB Insights. https://www.cbinsights.com/research/team-blog/venture-capital-diversity-data/

Social Investment Scotland, 2019; ‘Social Impact Report 2018’. http://www.socialinvestmentscotland.com/social-impact-report-2018/

The Equality Trust, date unknown; ‘The Scale of Economic Inequality in the UK’. https://www.equalitytrust.org.uk/scale-economic-inequality-uk

The Good Investor, Hornsby & Blumberg, Investing for Good, 2012 https://www.bigsocietycapital.com/sites/default/files/attachments/The%20Good%20Investor.pdf

The Social Investment Intelligence Network, 2018; 'Q1 – 2018'. http://socialspider.com/wp-content/uploads/2018/04/SIIN1_Final-.pdf

The Social Investment Intelligence Network, 2018; 'Q3 – 2018'. http://socialspider.com/wp-content/uploads/2018/10/SIIN_QuartarlyReport_Q2_3.0.pdf

The Social Investment Intelligence Network, 2018; 'Q3 – 2018'. http://socialspider.com/wp-content/uploads/2018/10/SIIN_QuartarlyReport_Q2_3.0.pdf

UN, 2015; 'Transforming our world: the 2030 Agenda for Sustainable Development'. https://sustainabledevelopment.un.org/post2015/transformingourworld

UNDP, 2000; 'Human Development Report 2000'. http://hdr.undp.org/sites/default/files/reports/261/hdr_2000_en.pdf

UNDP, 2005; 'Human Rights in UNDP: Practice Note'. https://www.un.org/ruleoflaw/files/HRPN_English.pdf

UNFPA, 2005; 'Human Rights Principles'. https://www.unfpa.org/resources/human-rights-principles

UN General Assembly, 1948; 'Universal Declaration of Human Rights'. http://www.un.org/en/universal-declaration-human-rights/

UNHR, 1993; 'Vienna Declaration and Programme of Action'. https://www.ohchr.org/en/professionalinterest/pages/vienna.aspx

UNHR, 2011; 'Guiding Principles on Business and Human Rights: Implementing the United Nations "Protect, Respect and Remedy" Framework'; https://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf

UN Sustainable Development Goal 10, 2018 – Reduced Inequalities - https://www.un.org/sustainabledevelopment/wp-content/uploads/2018/09/Goal-10.pdf

Unwin, J., 2018. 'Civil Society Futures: The independent inquiry'. Chair of an independent panel. https://cdn.baringfoundation.org.uk/wp-content/uploads/Civil-Society-Futures__The-Story-of-Our-Future__small.pdf

Venture Capital Human Capital Report by CB insights https://www.cbinsights.com/research/venture-capital-human-capital-report/

Viscount Younger of Leckie, 2019; 'Race Disparity Audit: Written statement - HLWS1264'. Parliamentary business. https://www.parliament.uk/business/publications/written-questions-answers-statements/written-statement/Lords/2019-02-04/HLWS1264/

Wallace Global Fund. http://wgf.org/about-us-2/#mission

Young Foundation, 2016, 'The Sky's the Limit: Increasing social investment impact with a gender lens'. https://youngfoundation.org/wp-content/uploads/2016/05/2016.05.05-YF_The-Skys-the-Limit_report_AW_web.pdf

Zandbergen-Albers, M., and Moret, G.; 2018. 'Fact or fiction: SI is only about negative screening.' Robeco. https://www.robeco.com/uk/insights/2018/02/fact-or-fiction-si-is-only-about-negative-screening.html