



WELCOME TO

Impact investment in clean tech and sustainable startups

WEBINAR – PART 1

2021-1-PL01-KA220-HED-000023017



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IDEAS AND OPPORTUNITIES

Business as usual is not an option anymore

For decades businesses have been flourishing without systematically compensating their negative externalities. It's time for mainstream business to onboard the sustainability path.

Moreover, the current climate crisis and social inequalities need to be addressed urgently. Governments and philanthropy alone cannot solve the world's problems.

We need businesses to step in.

We need social enterprises and social innovation.



IDEAS AND OPPORTUNITIES

What is impact and how does it happen?

- Impact refers to a planned change for better social and/or environmental outcome(s) that can be traced back to a certain measure (intervention) taken.
- Causality refers to the relationship between cause and impact, and therefore also applies to a series of interrelated events and conditions.
- Impact can be positive or negative, intended or unintended, direct or indirect.
- An activity can have immediate and direct impact on certain people (beneficiary) but it can also have a more far-reaching effect on people, organizations, institutions and entities which are not directly engaged. They might not even know they are being affected at all, but the 'impact' of the action might be very significant to them (cf stakeholder analysis).
- Usually, social entrepreneurs use what we call 'A Theory of Change' to explain and demonstrate their pathway to impact'.



The essence of entrepreneurship: seeing problems as opportunities:

We know the world is facing many ecological and social challenges. Business is one of the solution to address them.

If you are looking for an opportunity to start a social enterprise, you can start looking what are the problems in your community, region, country. Is there one that is particularly painful or unbearable for you based on your values or history?

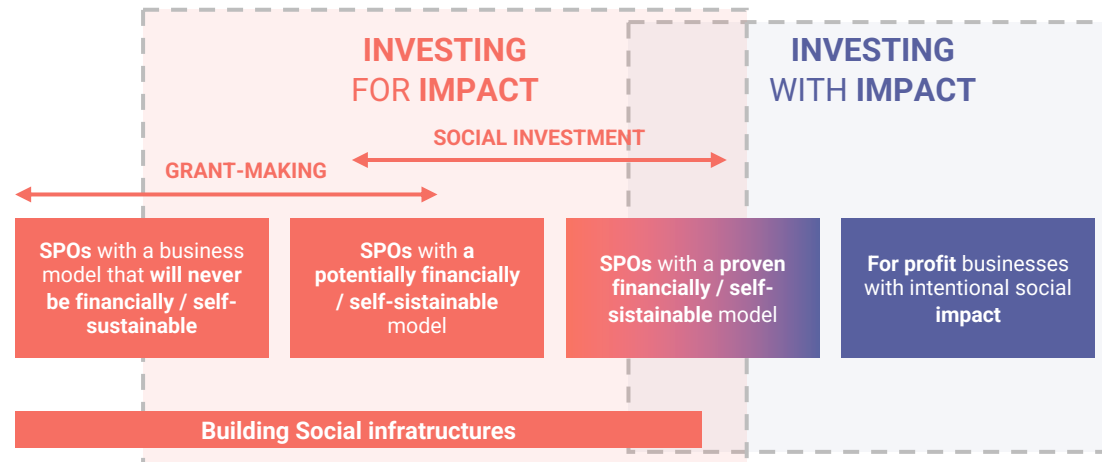
For aspiring social entrepreneurs, it is recommended to look at the SDGs and understand in your current context which one(s) could be tackled.

Topics that can be addressed include notably access to education, food waste, climate change mitigation, inclusion of minorities/refugees, women empowerment.

IDEAS AND OPPORTUNITIES

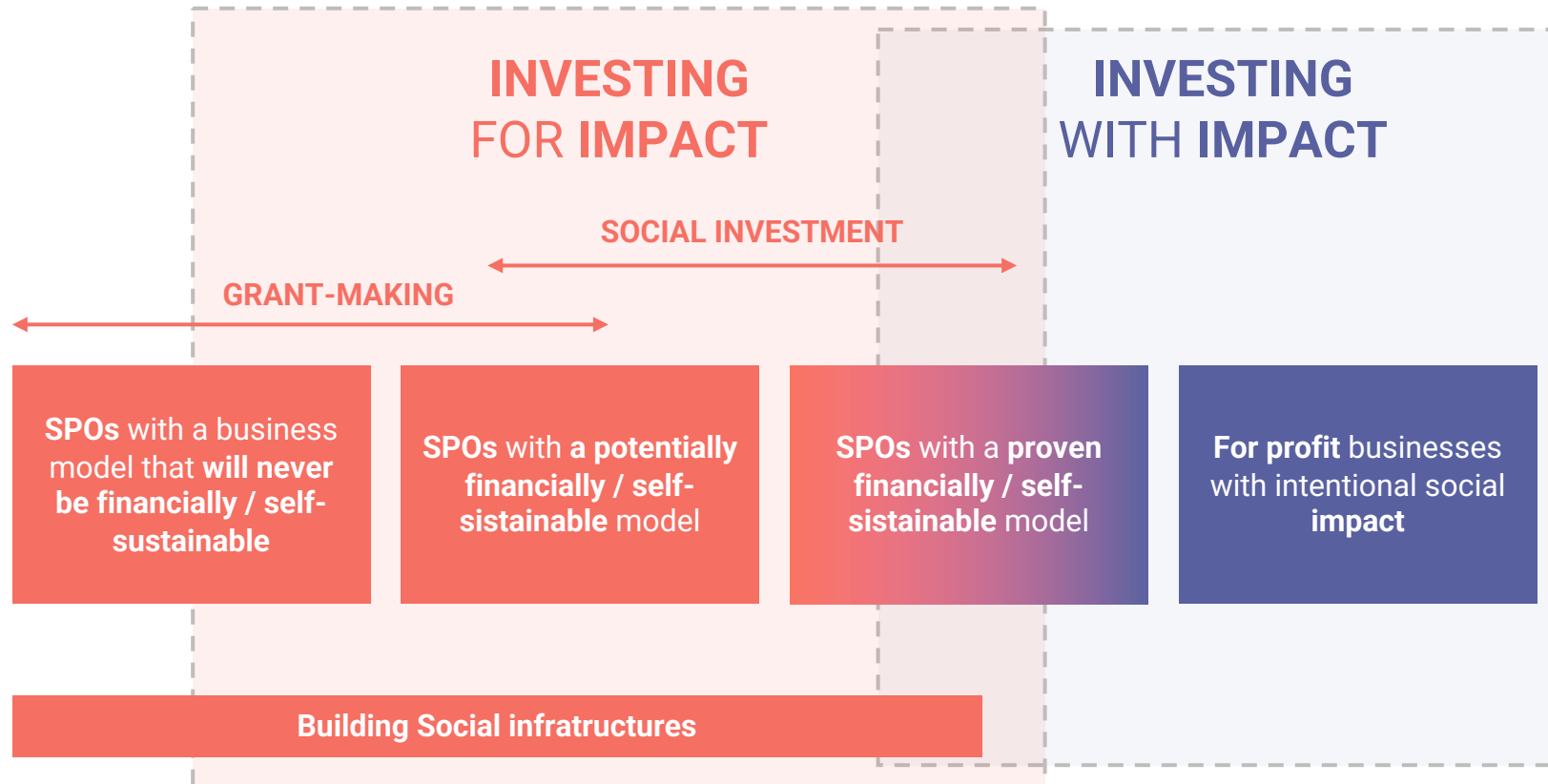
Creativity in attracting impact investors

Understanding impact investors



As there is a spectrum of social enterprise, there is a spectrum of impact investors.

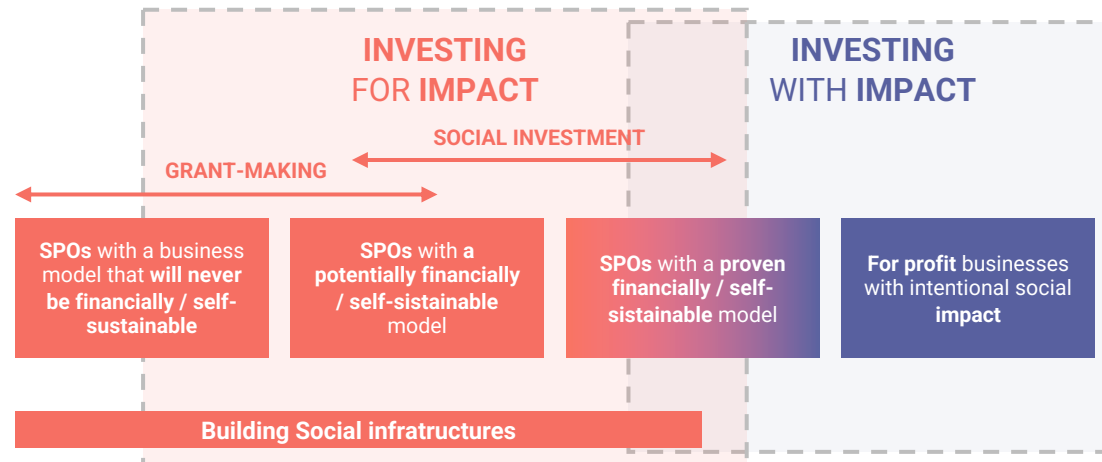
The European Venture Philanthropy Association (EVPA) distinguishes a) investing **FOR** impact which means investing with a primary focus on the impact of the underlying asset from b) investing **WITH** impact where the investor is also looking at the financial returns (not only the impact).



IDEAS AND OPPORTUNITIES

Creativity in attracting impact investors

Understanding impact investors



Venture philanthropy (VP) is a high-engagement and long-term approach whereby an investor for impact supports a social purpose organisation (SPO) to help it maximise its social impact. VP not only invest in social entrepreneurs but also in charities and NGOs. They are not motivated by financial returns.

IDEAS AND OPPORTUNITIES

Valuing ideas that can bring impact investment

The genesis of the impact investment concept

- Economic crisis
- Loss of confidence in the markets
- Deteriorating condition of the natural environment
- Growing social disproportions
- Uneven development of selected areas in the world

In return for specific positive social or environmental changes, investors are willing to accept lower than market rates of return on invested capital and decide to bear a higher risk.



IDEAS AND OPPORTUNITIES

Valuing ideas that can bring impact investment

In order to measure the effects of socially engaged investments, the classification of areas of interest of socially engaged investors adopted by the ImpactBase internet platform may prove helpful.	
Detailed objective of the investment	ESG area
Coal and environmental goods Financing of nature conservation Green houses, green building Sustainable use of earth's resources The quality of the water	Environmental
Electricity and other fuels Energetic efficiency Commodity science Transport / infrastructure Waste management, water-related technologies	Environmental
Green products and services, food	Environmental
Access to: housing, energy, water, education, health, media and digital services Agriculture and food Social amenities	Social
Social loans, microcredit, small businesses, fair finance	Social
Creation of jobs	Social

RESOURCES



RESOURCES

Public-private partnerships

Investor(s) - provides the capital to service providers to achieve agreed social outcomes for the term of the contract (eg. individuals, foundations, commercial banks, community development financial institutions)

Funder - ultimately pays for achieving an agreed outcome (usually a government or international donor institution)

Service provider - delivers the program (eg. NGO)

Intermediary - structures and coordinates the relationship between the parties including the investors

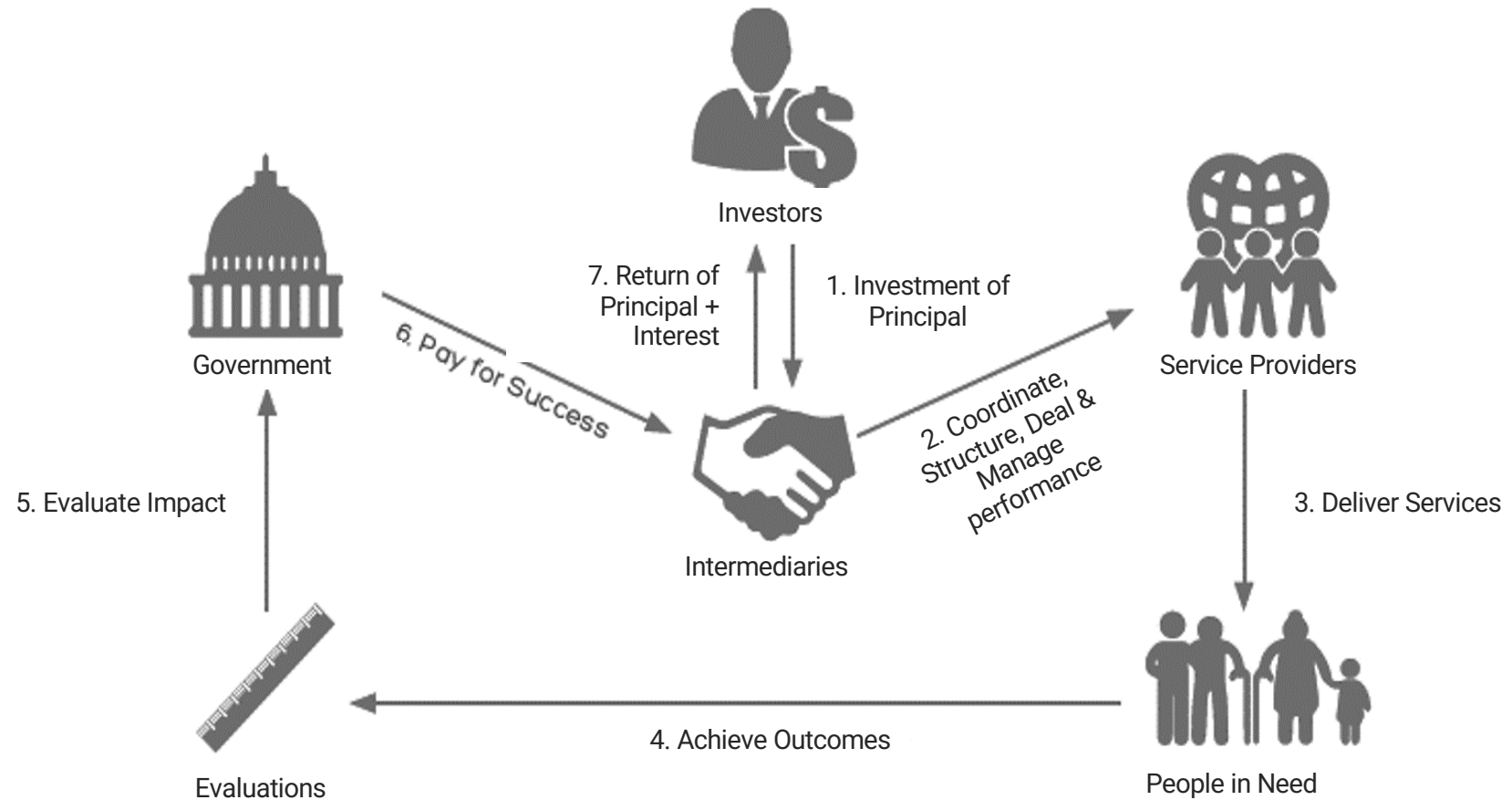
Evaluator - an independent third party who measures and/or validates the outcomes



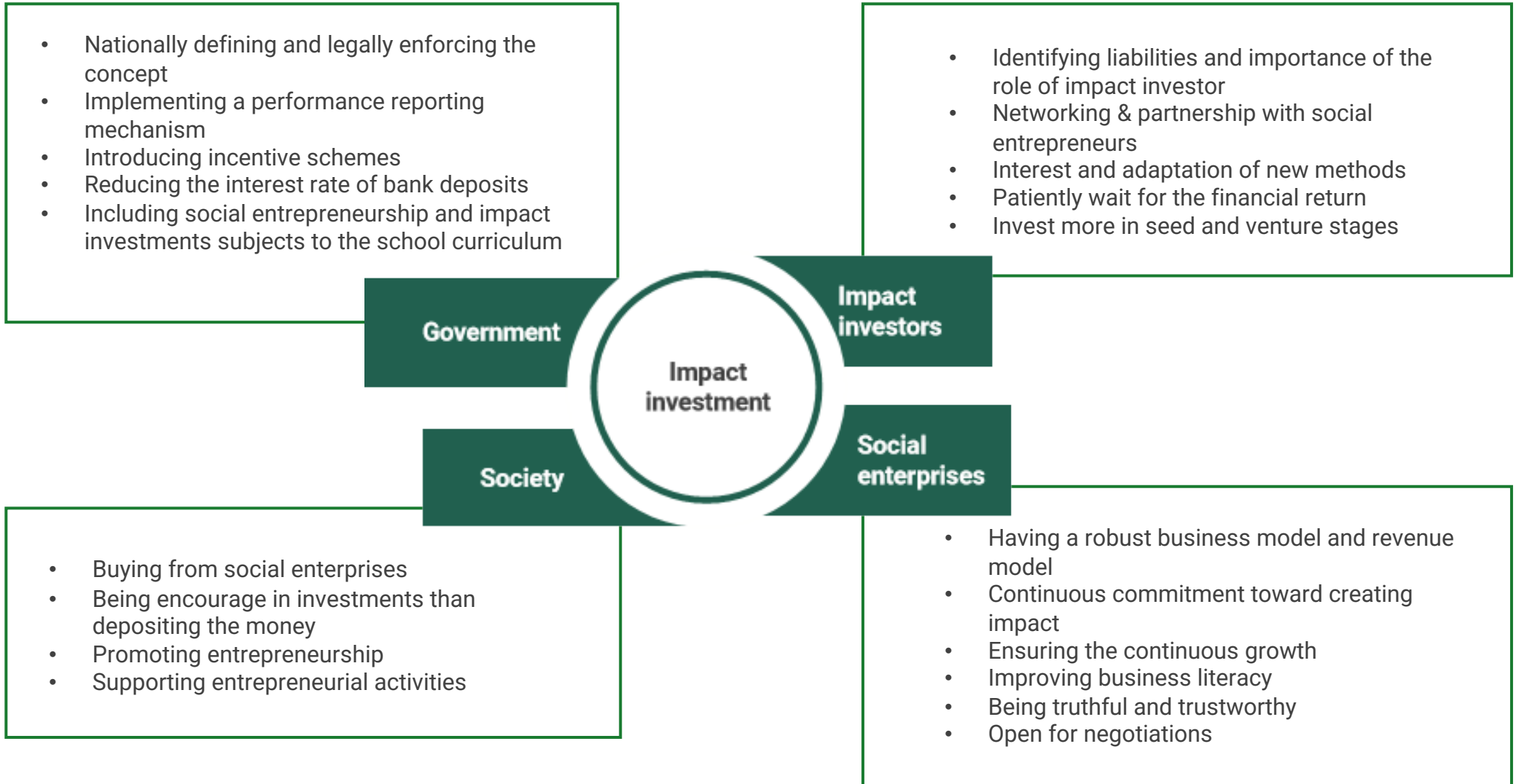
Source: based on J. Troan, <https://www.areadevelopment.com/advanced-manufacturing/Q2-2016/Public-Private-Partnerships-Entrepreneurs-Ideas-Marketplace-.shtml>

RESOURCES

Mobilising resources



RESOURCES



RESOURCES

Self-awareness and self-efficacy

Prioritizing of Return vs Impact						
Profit only Investing	Responsible Investing	Sustainable Investing	Socially Responsible Investing (SRI)	Impact Investing		Impact Only Investing
Returns Paramount No regard for ethics or impact	Impact Risk Adopt ESG to mitigate risk and retain value	Impact Opportunity Adopt ESG to enhance value	Passive Impact Adjusting investments based on certain ethical guidelines – regardless of effect on returns	Equal Priorities Seeking Specific positive impact & competitive return	Lower and/or Uncertain Return Seeking Specific impact that requires lower return	No Return Seeking specific impact, expectation of on return
EG, “Business as usual”	EG, screening for coal stock, given risk in long-term	EG, investing in renewables, b/c of market opportunity	EG, eliminating stock in firearms because of moral beliefs	EG, investing in market-rate entrepreneurs of color fund	EG, patient and/or low-cost capital for affordable housing	EG, 0% interest loan, recoverable grant, grant

Source: missioninvestors.org.

RESOURCES

Self-awareness and self-efficacy

Impact Investing Measurement

Impact investors look for financially viable businesses that have clear, defined and above all measurable social and/or environmental outcome targets. To succeed with impact investors, impact metrics need to be prominent in your business plan and your pitch.

Investors' approaches to impact measurement vary based on their objectives and capacities, and the choice of what to measure usually reflects investor goals and, consequently, investor intention. In general, components of impact measurement best practices for impact investing include:

- Establishing and stating social and environmental objectives to relevant stakeholders
- Setting performance metrics/targets related to these objectives using standardized metrics wherever possible
- Monitoring and managing the performance of investees against these targets
- Reporting on social and environmental performance to relevant stakeholders



RESOURCES

Self-awareness and self-efficacy



Advantages of being impacted

Impact investing challenges the long-held view that market investments should focus exclusively on achieving financial returns.

Impact investment can catalyze additional capital flows into developing economies and stimulate private sector development where this is otherwise absent.

The impact investment market offers diverse and viable opportunities for investors to advance social and environmental agendas through investments that also produce financial returns.

Impact investments can compete with, and at times even outperform, traditional asset class strategies.

By combining various forms of capital with different return requirements, social challenges can be addressed.

INTO ACTION

Taking the initiative to go for impact investment and re-innovate the business models

Motives for impact investment

Non-financial

- Investor preferences– pro-environmental and pro-social
- Ethic premises– e.g. investors who are guided by the values of 'Value-driven investors' (VDI)
- Investor's image
- Psychological/emotional premises - e.g. personal satisfaction
- Striving for changes in the socio-economic system,
- Values determined by religion

Financial

- Searching for financial benefits
 - Risk mitigation
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INTO ACTION

Taking the initiative to go for impact investment and re-innovate the business models

Impact investment goals

- Markets related to environmental protection and trading in sustainable development assets
- Green/clean energy and technology, e.g. energy efficiency, waste management, transport
- Climate action
- Responsible consumption and production Job creation - reducing poverty and social exclusion
- Access to basic services, e.g. education, health care



INTO ACTION

Taking the initiative to go for impact investment and re-innovate the business models

Designing a business model

1. The initiation phase - analysis of the current state of the enterprise and its environment
2. The ideation phase - creating ideas for a new business model
3. The integration phase - refining the concept (customers, value proposition, resources, processes, income generation)
4. The implementation phase - model implementation



INTO ACTION

Taking the initiative to go for impact investment and re-innovate the business models

Important issues while defining the impact investment business model:

- Simultaneous generation of social and/or environmental and economic results by the project
- Treating profit as a necessary element of the company's operation, thanks to which it is possible to solve social and environmental problems
- Creating significant positive social and/or ecological effects while reducing the negative impact on the natural environment and society
- A sustainable and integrated way of creating and delivering value
- The attractiveness of the value proposition to both the company's customers and other stakeholders



INTO ACTION

Taking the initiative to go for impact investment and re-innovate the business models

Components of the impact investment business model

- **An innovative idea**
- **A goal** - solution or contributing to some social and/or environmental solution
- **A product/service** - it is in the nature of the product/service to solve a selected social problem - pro-social and pro-environmental involvement is the main goal of the company, not an additional activity
- **Features of a classic business** - the enterprise takes benefits from the sale of products/services, employs employees, and is the subject to all market laws





WELCOME TO

***Impact investment
in clean tech and sustainable startups***
WEBINAR – PART 2

WEBINAR STRUCTURE Part 2

1. Responsible startups and investors
2. Finding impact investors
3. Clean tech and sustainable startups and investors



Responsible startups and investors



RESOURCES

RESPONSIBLE STARTUPS

Came with:

- Fresh product ideas
- Technologies

Need:

Money for development of the company and products
Sectoral and business develop. expertise



INVESTORS

Came with:

- Money
- Sectoral expertise/management knowledge

Need:

Fresh business ideas
Business proposal with development potential

RESOURCES

What is an investor looking for?

PROJECT PARAMETERS SOUGHT

- Return rate exceeding 20-25% per annum, and for new projects 60-90% per annum (different investor preferences)
- A combination of equity and debt instruments is welcome:
 - Equity instruments - a chance for an above-average return on investment
 - Debt instruments - risk protection
- Financing in tranches
- Possible control over the implementation of the project
- Optimal investment
 - Investors set the minimum and maximum amount of their capital involvement
- The project sector corresponding to the investor preferences



Project evaluation criteria

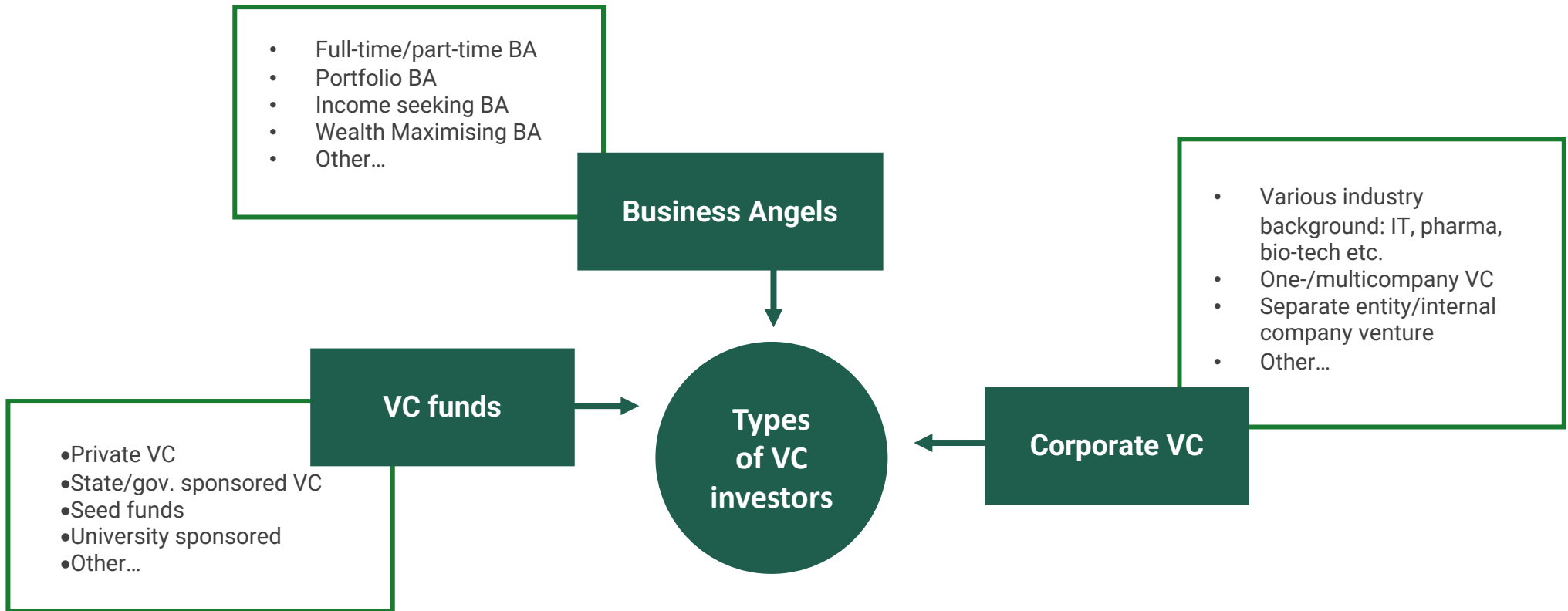
VC INVESTOR PERSPECTIVE

- Commercialisation potential of the market offer
 - Growth potential and project development level
 - Project team quality and experience
 - IP protection
 - Market orientation
-
- Impact factors and indicators



RESOURCES

Venture capital – a diversified sector



RESOURCES

Venture capital funds

GENERAL DESCRIPTION

- Venture capital funds are private equity investment vehicles that seek to invest in firms that have high-risk/high-return profiles, based on a company's size, assets, and stage of product development.
- Venture capital funds differ other investment funds in that they focus on a very specific type of early-stage investment. All firms that receive venture capital investments have high-growth potential, are risky, and have a long investment horizon. Venture capital funds take a more active role in their investments by providing guidance and often holding a board seat.
- Venture capital funds have portfolio returns that resemble a barbell approach to investing. Many of VC funds make small investments on a wide variety of young companies, assuming that at least part of them will achieve high growth and reward the fund with a comparatively large payout at the end.

Based on <https://www.investopedia.com/terms/v/vcfund.asp>

RESOURCES

FINANCIAL INVESTORS AS POSSIBLE PARTNERS

VC funds - investment focus

- Focus on early stage investments
 - Seed, start-ups, early growth
 - Seed vc funds
- Focus on expansion investments
- Focus on acquisition/buyout financing

VC funds – ownership

- Private VC firms
- Industry sponsored VC firms
 - Financial investors or industry companies
 - Corporate venture capital companies
- State/government sponsored VC firms
- University sponsored VC firms

RESOURCES

Corporate Venture Capital (CVC)

- The capital is invested by large enterprises
- Investments are focused on projects introducing new technical solutions and new market solutions
- Quite often, after a successful investment, the investor is ready to take over the control of the company
- VC may have joint venture features - the investor / enterprise due to its operations is able to:
 - Support a portfolio of the company in the field of marketing, production management, financial management and
 - Cooperate in distribution or promotion

CVC funds examples:

- Google Ventures
- Yamaha Motor Ventures
- Intel Capital
- DELL Technologies Capital
- Orange Digital Ventures

Source: Guide to Cost-Benefit Analysis of Investment Projects, European Commission.

Business angels vs. Venture capital funds

	Business angels	Venture capital funds
Investment Period	2 - 3 years (2 - 5 years)	2 - 10 years
Typical investment value	~ 100 – 500 thousands €	~ 250 thousands – 10 million €
Investing stage	Seed/start-up	Start-up and further
Type of investor	Individual person	Institution
The nature of support	Industrial knowledge / personal contacts	General management, legal issues

Investor search:

- Business angels – European Business Angels Network, national networks of business angels.
- Venture capital funds – Index, Accel, HV Holtzbrinck Ventures, Northzone, etc.

RESOURCES

Business angels

BASIC CHARACTERISTICS

- Private, informal investors who invest part of their financial resources in new, promising, innovative small and medium enterprises
- They invest private funds
 - Usually the amount of 50,000 € to approx. of 500,000 €
- Investments usually targeted at the early stages of business life
- They often do not intend to publicly disclose their investment activities
- People with professional experience related to business
 - Entrepreneurs (various industries), managers, lawyers...
 - They have the potential to advise on building a business
 - Oriented to the success of the venture



RESOURCES

Business angels

CASE STUDIES

- Case studies of supported businesses
 - East Midlands Business Angels Ltd
 - The British Private Equity & Venture Capital Association (BVCA)
- Compendium of European Co-Investment Funds with Business Angels by European Business Angel Network

Source: Guide to Cost-Benefit Analysis of Investment Projects, European Commission.



RESOURCES

Business angels

Criteria that should be considered:

- Industry expertise - it's typically a good idea to find investment partners who understand the ins and outs of your industry, ideally through hands-on experience
- Functional expertise - investors with functional expertise have mastery in some or all of the foundational skills associated with entrepreneurship and fundraising
- Network - it is good idea to find investors with portfolios for other companies that you might be able to network with to find partners, talent, advisors, and even other potential investors
- Track record - it can be helpful to do some research into investing track record of the investor. Have they worked with companies that look like yours?
- Services and advice as platform to help you grow - the most helpful VC firms tend to provide not only capital, but also a suite of services to help investee

Red flag

- Onerous term sheet – keep it simple
-

RESOURCES

Public-private partnerships

An alternative for startups to mobilise resources with the support of private capital investment is to use various forms of public-private partnerships. For the small to medium company trying to reach IPO status, economic development assistance can be found in three forms:

1. **Technology and scientific grants.** Technology and science grants are monetary or in-kind compensation offered by a public or private source to advance a specific field of science and/or engineering deemed important to the grantor. If a small business's technology goals align well with those of the grant, then the funds can be used to grow the venture.
2. **Government performance contracts.** Government performance contracts take public/private partnership a step further, by creating a buyer/seller performance contracting relationship between a small business and a public player.
3. **Economic development support.** Economic development support is the process of utilizing public-sector programs aimed at generating job growth, to “optimize your company’s underlying business climate.” On the front end of a business’s growth, national and EU economic development programs bring discount financing, loan guarantees, infrastructure support, workforce development, and labor subsidies.

Source: based on J. Troan, <https://www.areadevelopment.com/advanced-manufacturing/Q2-2016/Public-Private-Partnerships-Entrepreneurs-Ideas-Marketplace-.shtml>

Understanding impact investors

- Once you have found your contacts and you have done your preliminary due diligence on the impact investor, it's time to send an introductory deck or pitch deck of around 15 slides.
We suggest the below key components to be included in the deck:
- **What are the key facts?**
 - Sector, geography, performance, timeline and beneficiary.
- **What makes you special?**
 - Team, story, impact thesis (ToC and SDGs included), edge.
- **Why will this work?**
 - Opportunity size & momentum, competition, indications that you are able to execute the strategy.



Understanding impact investors

- It is recommended to include a Theory of Change and the SDG(s) targeted by the start-up so that the investor can quickly understand what is the intended impact you are looking at. Similarly, including proposed **impact metrics** is a key element of the pitch deck – remember impact investing implies measure and manage impact.
- It's not because you are talking to impact investor that you can neglect the financial analysis of the project. Make sure you have a sound business proposal.



Zoom in: TILIA Impact Ventures

- Tilia is the first impact-driven fund in the Czech Republic investing in social enterprise. Tilia invest in companies that are able to demonstrate their impact through clear impact metrics and KPIs.
- Tilia invest in the following themes:
 - Innovation and Governance.
 - Quality Education.
 - Environment and sustainability.
 - Health and wellbeing.
- Tilia provide financial as well as nonfinancial support to help their portfolio companies thrive.
- So far they have invested in 5 companies: [DatLab](#), [MIWA technologies](#), [DOT Glasses](#), [Cyrkl](#) and [Deafcom](#).



Finding impact investors

- Several networks exist where you can look for impact investors. First you need to understand where you sit in the investment readiness spectrum.
 - As an early stage start-up you might want to look at impact business angels or incubation/acceleration programs with an investing arm or early-stage impact funds.
 - If you have an hybrid business model with for profit activities and not for profit you can also look at foundations and venture philanthropists.
- You can start by asking your local/national business angel network and look for impact business angels.



Finding impact investors

- **Toniic** is the global community of impact investors: find out if there is one or several in your region. You can also refer to the **EVPA directory**.
- If you are a woman entrepreneur, you can look at gender-smart investors (investors embedding gender factor in their investment process for better economic, environmental and social outcomes). **Project SAGE 4.0** which tracks Venture Capital, Private Equity and Private Debt with a gender-lens.
- Database of **dealroom.co** shows more than 70 European VC funds – identified as impact investors



Clean tech and sustainable startups and investors

Cases of impact investments



Sympower (Amsterdam, The Netherlands)

Sympower received two rounds of funding in 2022:

1. 22 mln € in July 2022
VC impact investors: Activate Capital, Rubio Impact Ventures, PDENH, Expon Capital and Rockstart
2. 3 mln € in November 2022
VC impact investors: Activate Capital, Rubio Impact Ventures and PDENH

Sympower currently provide services for more than 200 industrial and commercial customers

They help to reduce their energy costs and decrease their CO2 emission using the flexibility of their energy consuming assets, a process known as demand response or demand-side flexibility.

This creates more robust electricity systems that over time, will be able to phase out reliance on fossil fuels.

Measuring impact

The company measured, monitored and reported on its impact internally and to its shareholders but was hesitant to share any numbers externally, as Sympower's own developed calculation method had not been certified by a third party.

"This is something that we plan to do in future, so that we can also communicate our impact externally" said CEO

Market platforms focuses on resources re-use

1. **BikeFair (The Netherlands)** - offers a marketplace for verified, second-hand bikes.
Investor: Ragnarson
 2. **pool.berlin (Berlin, Germany)** - offers fashion as a service, where users rent and swap menswear garments for a monthly subscription fee
Investor: Ragnarson
 3. **Vanilla Steel (Berlin, Germany)** - an independent digital platform for metals in Europe, with focus on non-prime steel. The company points out that the sale of non-prime steel generates CO2 savings of between 96% to 70% when compared the same tonnage of prime steel
Investor: MSM
-

Systemiq Capital

Cleantech oriented VC fund

Systemiq Fund I, was launched in 2018 and has since deployed \$32m of capital into 19 climate tech companies like:

- NatureMetrics - environmental DNA database company and
- ZeroAvia, a pioneer in short-haul hydrogen aviation.

Summer 2022 - Systemiq Capital has announced the first close of its latest climate tech fund, which will invest in early-stage climate Innovation companies after raising \$70m of a total fundraising target of \$200m.

Systemiq Fund II target is to invest in around 25 companies across Europe and North America. It will focus on businesses with the potential to drive systemic change in the four areas of sustainable food and materials, clean transportation, climate intelligence and finance, and climate restoration.

The Systemiq Capital logo, consisting of the words "systemiq capital" in a white, lowercase, sans-serif font, enclosed within a dark green rounded rectangle with a white border.

systemiq capital

END OF COURSE

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