Triodos Bank

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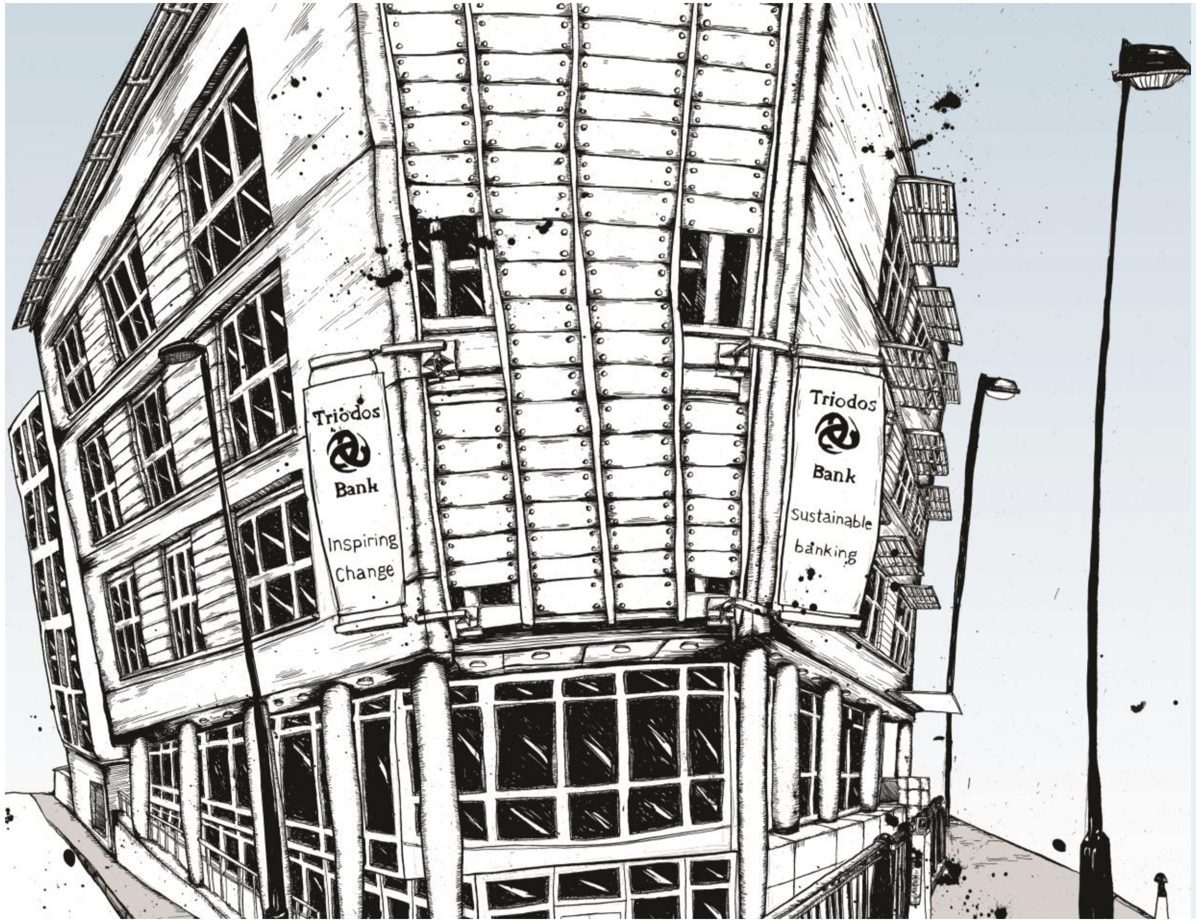
Who we are



- Europe’s leading sustainable bank, with 40 years’ experience
- We use money to tackle environmental and social issues – from climate change to inequality
- We’re 100% transparent, and publish every loan and investment that we make

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Triodos Corporate Finance

WE HAVE COMPLETED

63

TRANSACTIONS

RAISING

£153m

OF RISK CAPITAL

FOR

40

DIFFERENT ORGANISATIONS

£91m

FROM INDIVIDUALS

£62m

FROM INSTITUTIONAL INVESTORS

£73 MILLION

FOR RENEWABLE ENERGY PROJECTS

£51 MILLION

FOR SOCIAL IMPACT AND CHARITIES

£29 MILLION

FOR FOOD, FARMING AND OTHER ENVIRONMENTAL BUSINESSES

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Social investment
What is it?

Repayable finance: borrowing money now and repaying it later with interest

Risk finance motivated by a requirement for a financial and a social return

Social investment
What is it?

Social investment comes in many forms and is described in many ways – important to focus on substance over form

Two key elements to consider:

1) **the terms of the instrument**

2) **the expectations of investors**

Bond, debt, loans, loan notes, social investment bonds, repayable finance, repayable grant, quasi-equity, revenue participation.

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Social investment
Some questions to ask

- What is the money for?
  - Does it generate more income or save costs?
- What impact do we create by doing this?
- How much debt can we afford?
  - Annual interest and capital repayment
- How will we repay it?
  - Annual payments out of cashflow
  - The sale of an asset
  - Refinancing
- How much risk are we willing to take?
- How risky is what we are doing?
  - Is repayment based on the success of the new enterprise?

Try to create an understanding of what the ideal facility would be

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Social investment
The terms - Characteristics of the investment:

	Equity	**Quasi-equity**	**Debt**
Performance related returns	Yes		No
Risk sharing	High		Low
Patient	Depends on investors		Generally short term, usually fixed period
Cost of capital	Uncertain returns but likely higher expected IRR		Fixed and lower expected return than equity
Availability of capital	Low		High

Social investment
The terms - Where should the risk sit?

Charity

- Wants to start a new high impact activity
- Requires £500k to set up and generate surplus
- Charity plus new service can repay debt in 5 years

The terms - Where should the risk sit?

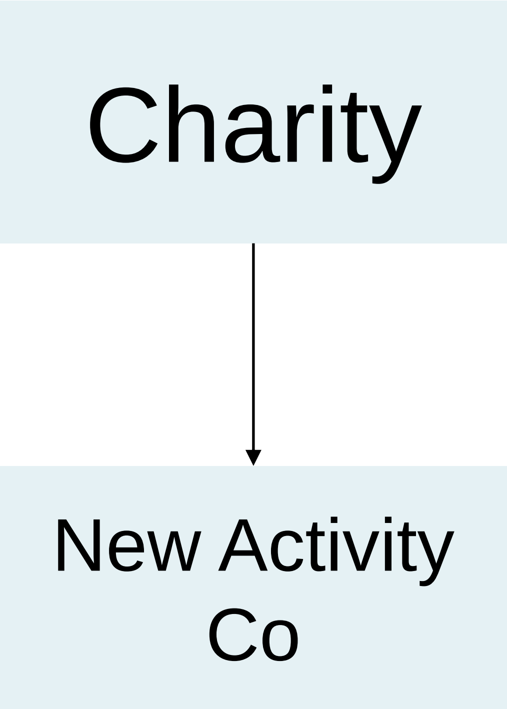
Charity

Option 1:

Charity starts the new activity in the main charity.
Charity raises debt in the charity

- The charity as a whole has responsibility to repay that debt.
- If the new activity fails the charity will need to service the debt and repay the capital

Where should the risk sit?



Option 2:

Charity sets up a subsidiary and provides a portion of the capital in equity .

The subsidiary raises debt for the remaining money

- The subsidiary alone has responsibility to repay that debt.
- If the new activity fails the charity does not have a responsibility to repay the debt beyond what the subsidiary can

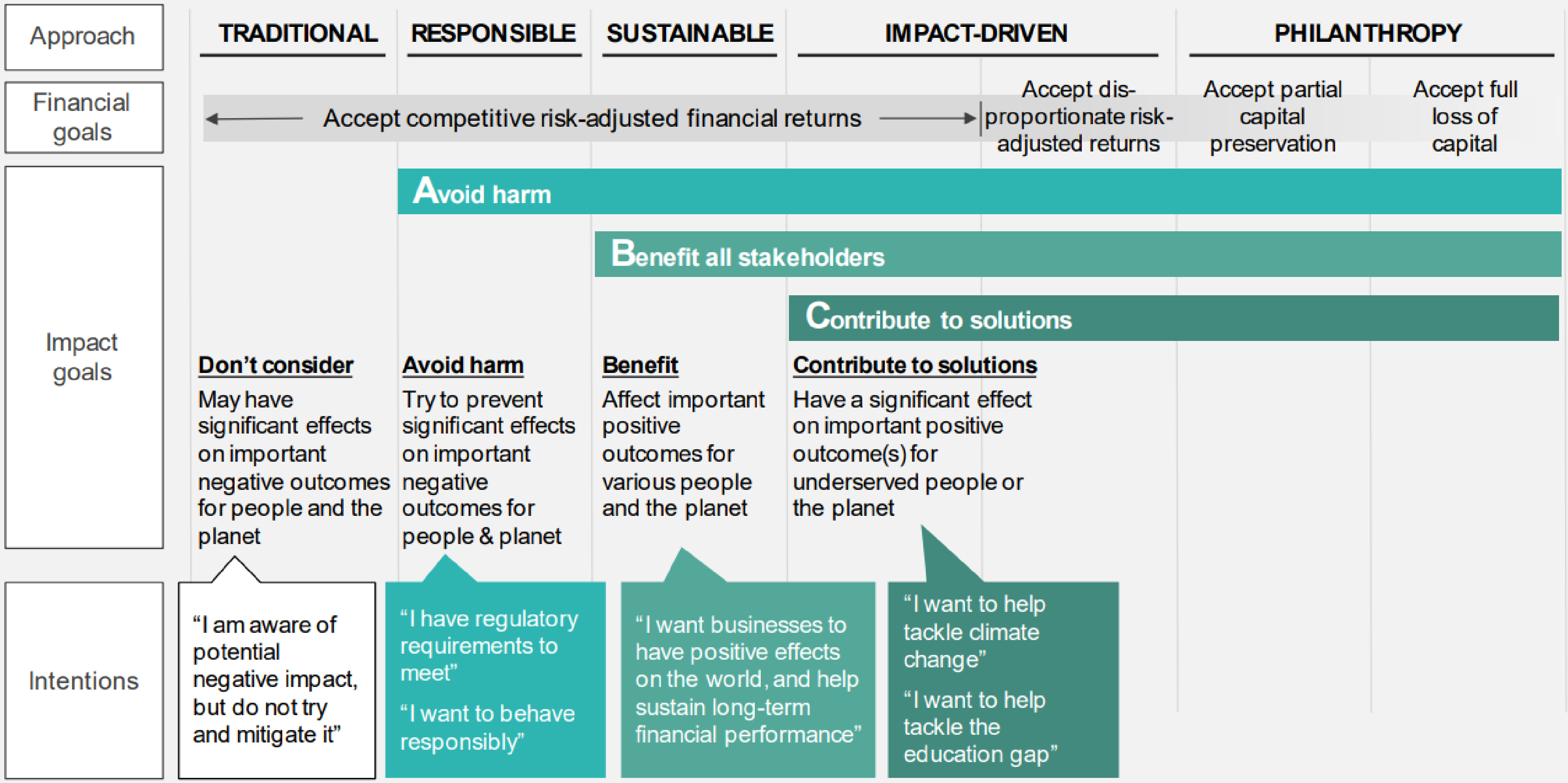
Social investment
Where should the risk sit?

	Recourse	Risk ringfenced	Investors risk	Charity risk	Cost of capital
Option 1	Whole charity	No	Lower	Higher	Lower
Option 2	Subsidiary only	Yes	Higher	Lower	Higher

Social investment
Expectations of investors

Figure 2: The spectrum of impact

Intentions and goals of organisations in the impact economy



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Social investment
Key takeaways

- Try to understand the risk you are taking

- Try to understand the risk you are asking inventors to take

- Think about the characteristics of the facility you need to match with your plans

- Consider what happens if things go wrong:
    - how flexible is the facility
    - How flexible is the lender

- How much is impact being considered?

- Articulate a clear plan which explains **what** you are doing, **why** you are doing it, **how risky** you think it is and what you **want**.

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Case study
Bristol Wood Recycling Project

- Bristol-based social enterprise
- £430k raised to enable purchase of freehold property out of which they operate
- 6 year term; 4% per annum

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Case study
Thera Trust

- National learning disability charity
- £5m raised in an unsecured bond to buy freehold properties and invest in systems and acquisitions
- 6 year term; 5.5% per annum
- 35% retail; 65% institutional investors

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Case study
BS3 Community

- Bristol-based charity
- Blended funding model (grant, charitable reserves, secured debt and unsecured bond, BSC match funding)
- £280k raised in an unsecured bund to fund a nursery development
- 7 year term; 4% per annum plus SITR
- 100% retail investors

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Contact us
How to get in touch

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