



Building an Impact Economy

Social Investment Scotland's Strategy to 2030

SIS Mission:

Social Investment Scotland's mission is to connect capital with communities, to make a real, measurable and sustainable impact upon people's lives.

Our values: the SIS Way

Purpose: We are purpose driven; we are committed, innovative and impactful;

Integrity: We do what we say; we are reliable, honest and consistent;

Unique: We embrace the power of difference; we are inclusive, open and ethical;

Partnership: We grow strong partnerships; we are collaborative, confident and respectful.

Social Investment Scotland (SIS) celebrates its 19th anniversary in 2020. From finding its feet in its early days, to a period of growth and scale during its adolescence, the organisation enters adulthood in a position of strength, with confidence and renewed ambition for the future.

SIS excels at connecting capital with communities. We join the dots between investors seeking both a financial and a social return; and supporting social enterprises access the funding required to make an impact in their communities. With a relentless focus on innovative approaches, SIS has proven its credibility as an investment partner of choice for an increasingly diverse group of investors and stakeholders. This financial capital, combined with a deepening understanding of the requirements of social enterprises, has resulted in investments of over £80m in 350 organisations to date. A key source of pride is our relationships with these customers and partners - one third consistently award us full marks for service.

Our success to date is not just about the provision of financial capital; increasingly we focus on human, social, and intellectual capital via market building activities which enhance and deepen our social impact across the communities we seek to serve. An early focus of this work has been to help organisations understand what social investment is and the options available to them, coupled with our continued ability to make small loans. More recently this work has expanded to focus on growth and scale- either by creating opportunities through initiatives like our innovative Retail Academy, but also via programmes and business support that aim to inspire, motivate and build confidence, often supported by investment.

This refreshed strategic framework for the organisation reflects both the evolution of SIS but also the scale of the opportunity, and sets a bold, longer-term vision for the future of the organisation, its contribution to society, and its place in the world. Growing complexity is recognised via a new focus on defined strategic segments, bringing clarity and resources to activity that will make the greatest impact. By focussing on our strengths, we will continue to play a growing role in our society.

Our success will be defined by the creation of sustainable impact in line with our vision; and measured in line with impact strategies for each of the segments that underpin our mission - to make a real, measurable and sustainable impact upon people's lives.

SIS Vision: our 'North Star'

SIS believes that Scotland should be the most enabling place to deliver impact in the world, aligned with the objectives of inclusive economic growth.

Our vision is for **an impact economy**, where:

- Enterprises will be provided with the tools, support and inspiration to plan, create and scale their social impact;
- Governments and their agencies can partner with social enterprises in a range of different ways, but particularly to enhance the delivery of social impact;
- Social entrepreneurs can readily access mission-aligned investment and support;
- Consumers and businesses can purchase products and services from social enterprises;
- Investors of all kinds can make purposeful investments for a financial and a social return; and
- Businesses of all kinds implement responsible business approaches as standard.

This vision will guide our progress, informing the decisions that we make on a day to day basis and the new opportunities that we pursue in line with our chosen market below. It will bring the strategy to life and inform a compelling vision of the future for our investors, partners and other stakeholders.



The strategy in practice

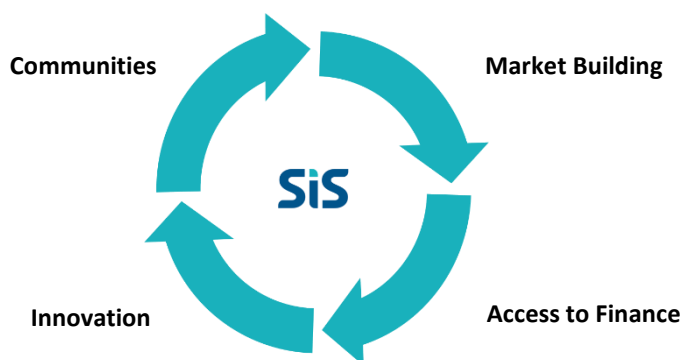
The principles set out in this strategy align with this vision and are intended to remain relevant over the longer-term. Supporting progress towards this vision will be a series of shorter-term action plans over 2-3-year horizons, or perhaps shorter if required. These action plans, informed by the environment, opportunities and risks relevant at that time will also need to be dynamic, flexible and reactive to new opportunities as they arise. What they will always do is take account of the overall mission statement of the organisation, with a relentless focus on the north star - everything that we do must link to our vision.

Strategic Segments

Recognising the vision of SIS and the scale of the opportunity, the overall strategy of the organisation rests on four segments, each in line with a set of belief statements agreed by the organisation:

- SIS will help make Scotland the most enabling place to deliver impact in the world;
- SIS will both lead and inform future policy initiatives, particularly in relation to inclusive economic growth;
- SIS will support the development of its markets, carrying out capacity building activity to increase the scale and sustainability of social enterprise (in its broadest sense);
- SIS will develop products and propositions that are customer centric and demand led.

Each segment will in turn have its own set of actions; a defined capital/funding strategy and will align with operational plans and budgets. Each segment should support the other, creating a value chain:



Segment One: Market building

SIS's market building activity covers projects, programmes and activities to help communities build capacity, confidence and resilience.

Investment readiness activity, closely aligned with our charitable purpose, assists social enterprises (encompassing business models across the spectrum, including mission driven businesses) understand social investment concepts and how they might be used to further their own missions. In addition, it includes SIS's growing role as a provider of business support, not only to stimulate social enterprise but also creating opportunities and providing the inspiration for scale.

Correspondingly, aligned with the mission, SIS will build the market for an increasingly diverse community of investors to participate in the social investment marketplace.

Elements of this activity, based on the opportunity at the point of assessment, may require investment from SIS based on future development potential; however, the preference would always be to deliver funded activity alongside partners with shared objectives. That said, in addition to financial objectives, it will be increasingly important to effectively capture the impact of this activity, particularly where it does not result in an organisation taking on investment.

SIS will:

- Help organisations understand social investment concepts and how they might be used to support their organisations increase their sustainability and social impact.
- Support organisations that have raised investment to scale, grow and collaborate to improve resilience and sustainability.
- Lead and influence to raise the profile of social enterprise in the mainstream economy in support of inclusive economic growth.
- Build markets for social enterprises, in particular via procurement (public and private sector), and directly with consumers.
- Work in partnership with and influence other market builders and providers of business support where this adds value; yet, not avoid designing and developing its own programmes where the need exists.
- Articulate the impact and ripple effect of market building activity, particularly where it might not lead to an investment.
- Create opportunities for investors of all kinds to support the development of the social investment marketplace.

Segment Two: Communities

The Communities segment encompasses SIS's investee relationships with social enterprises (i.e. where an investment has been made). Using investment raised, funds are deployed, monitored and recycled - first and foremost to Scottish social enterprises. This is our core activity and what we are renowned for - and how we have built and will continue to build success and impact.

Activity under this segment will be expected to be operationally and financially sustainable, with impact monitored on a longitudinal, long-term basis.

SIS will:

- Provide tailored investment solutions to social enterprises to support their own plans and impact aspirations, using investment from a range of partners.
- Raise capital, from a range of sources on aligned terms, to support the investment requirements of these organisations in line with their lifecycle. This shall include smaller loans to early stage organisations, through to larger investments to support growth and scale.
- Focus more on improving regional coverage - to increase activity in cold spots but deepen impact in hot spots - as well as exploring a thematic focus where appropriate.
- Capture, report and tell the story of the impact of these organisations, but also deepen the impact of this activity.

Segment Three: Access to Finance

SIS is now widely recognised as a leader in the small and fragile network of UK Responsible Finance Providers (or Community Development Finance Institutions, 'CDFIs'). As an organisation that has successfully grown its activity and expertise, there is an emerging opportunity to support other communities receive access to finance via other CDFIs; particularly micro and small enterprises as well as financially excluded individuals. This access to dignified finance has a ripple effect across communities, creating sustainable jobs and lifting people out of poverty with the intention of making a real, measurable and sustainable impact upon people's lives.

This segment is a relatively new area of SIS operations. The key difference between this segment and other areas of activity is that our investee is not the end beneficiary - investment is made into other fund structures. This segment has allowed SIS to scale its activity elsewhere in the UK and should be expected to be net contributor to operations.

SIS will:

- Use its knowledge, skills and expertise to raise and allocate funds that provide wholesale capital to create impactful investment funds in areas of market failure.
- Continue to evolve its role as an investor in other CDFIs & Responsible Finance Providers to grow the sector.
- Demonstrate how purpose driven capital can be raised and deployed at scale to support the delivery of impact, including with institutional investors.
- Work with partners to capture the impact of these funds.

Segment Four: Innovation

SIS is often recognised as an innovative organisation; however, this innovation often happens organically or is inspired by other organisations. Although an innovative approach will continue to be a feature across all segments of the strategy and embedded in the culture of SIS, this more focussed approach to innovation via research and development will support approaches where social investment can be used to further the SIS mission. All activity will be guided by the 'north star' with the objective that actions and recommendations will then support the delivery of actions under other strategic segments.

SIS will:

- Work proactively with partners to explore ways in which social enterprise models using investment can provide innovative solutions to societal challenges.
- Explore ways in which public policy objectives might be supported using social investment, however, with a preference for those objectives where there is a direct link to a tangible fund opportunity.
- Learn and share with other organisations around the world to develop and replicate innovative delivery models.
- Undertake and commission research to support innovative approaches.