

## Future Funding for the not for profit care sector

### Environmental, Social, Governance (ESG) Standards

Socially responsible and ethical investing is not a new idea. Some funds and fund managers have incorporated an analysis into decision making of the good or damage investments do, and have a long history of deploying resources into businesses delivering positive impact.

However, ESG is different. It is a global movement that aims, through requiring businesses to comply with Environmental, Social and/or Governance benchmarks, to change behaviour and deliver better ESG outcomes. At present there is a reward for doing this in terms of lower interest rates, and access to more investors.

This should be an easy win for charities whose very object is to deliver positive outcomes. But it takes some effort as investors are looking for standardised ESG reporting so they can compare charities with the commercial sector.

To obtain improved terms when borrowing money, the charity may need to follow a recognized template (“Framework”). These generally require specification of the use of proceeds (“Sustainable Use of Proceeds”) or compliance with KPIs in order to earn a discount on the interest rate (“Sustainability-linked”).

Allia C&C’s responsible finance vehicle, RCB plc, which enables charities to borrow cost effectively in the bond market, provides a shortcut to this process. It has set up its own Framework following principles published by the International Capital Markets Association so all RCB borrowers benefit from ESG credentials.

Banks and private placement investors also now offer bespoke sustainability-linked transactions where the interest rate is reduced if certain KPIs are met. These range from EPC targets to eliminating gender pay gap differentials to apprenticeship and job creation schemes. Generally, they are aimed at changing behaviour or speeding up the delivery of some social or environmental good.

Most charities are already reporting their impact to different stakeholder groups. Codifying this information into lender-friendly format is an opportunity to bank a financial benefit too

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