STEP 4:

Reinforce

CORE ACTIONS

In this step, investors reinforce their commitment to social equity by sharing progress towards outcomes and deepening accountability to marginalized communities. Core actions include:

4.1 Deepening accountability for commitments to equitable impact through inclusive governance; and

4.2 Equitable framing and distribution of information about progress on advancing social equity

4.1 Deepen accountability in governance

To deepen their commitment to social equity, investors **can prioritize diversity within their own governance structures,** including the Board, management, and Investment Committee. This helps align decision-making with equity-focused goals. For example, a study on Black-led venture capital firms showed Black investors are more likely to identify and fund Black founders, as shared networks and backgrounds help assess founders' potential for success.[101]

EMERGING PRACTICE

Recruit Board, management, and Investee Committee members who **share demographic characteristics with the communities where investors aim to advance equity**. For example, since the early 1990's, the Chicago Teacher's Pension Fund has increased its percentage of total fund assets in Minority, Women, and Disability-Owned Business Enterprise firms (MWDBE) from 6% to 48%. Chief Investment Officer Angela Miller-May credited this increase in part to diversifying the Board and senior leadership: today, both these governing bodies are majority women and people of color.[102]

Investors can also critically evaluate the power dynamics in decision-making processes through an equity lens, exploring ways to gradually shift decision-making authority to marginalized communities.

101 "Funding Black-Founded Startups: How VC Funds Are Missing Black Talent | Columbia Business School," July 10, 2024. https://business.columbia.edu/research-brief/funding-black-founded-startups.

102 November 2020, 30. "Q&A: Angela Miller-May, Chief Investment Officer, Chicago Teachers" Pension Fund." PRI. September 18, 2024. https://www.unpri.org/social-issues/qanda-angela-miller-may-chiefinvestment-officer-chicago-teachers-pension-fund/6828.article.

Inclusive governance models are one way to challenge traditional power dynamics in investment. These models center the needs of affected communities by giving them a role in making investment decisions, reviewing progress, and providing feedback on strategies. Such approaches deepen commitments to equity in governance, build power within marginalized groups, and increase the likelihood that decisions will align with community needs.

Investors can either directly involve marginalized community members in governing bodies or collaborate with intermediary organizations (e.g., investee enterprises, community-based nonprofits, or foundations) with expertise for meaningful and equitable community involvement.

TABLE 8

Direct and indirect forms of participatory governance

TYPE OF PARTICIPATION	EXAMPLES AND RESOURCES
Direct - lived experience	**Investment Committees of the Future** is a program designed to increase the number of individuals bringing greater diversity and lived experience of working in social enterprises to investment decision making. The free e-learning program helps develop knowledge of Investment Committees and how they work, and individuals have access to a peer network of existing and future IC members.[103]
Direct – community representation	The Olamina Fund, an impact fund focused on racial, gender, and economic justice, set up a Community Advisory Board to address the lack of community representation in traditional investment decision-making. Comprised of individuals representative of the communities Olamina aims to serve, the Board advises on strategy, reviews opportunities from a community wealth building perspective, and participates in credit decisions.
Indirect – democratic governance	The Boston Impact Initiative bylaws ensure that community non-profits appoint the majority of Board seats, and the Investment Committee must include grassroots leaders. As a result, Boston Impact Initiative has made investments in innovative solutions for racial and economic justice that grassroots leaders have championed, such as worker co-ops and community land trusts.[104]
Indirect – ownership by representatives	Kampani, a social impact investment fund working to unlock the potential of entrepreneurial farming in the Global South, integrates knowledge of the social issues they seek to address into governance and ownership structures. By raising capital from private investors as well as farmer associations and NGOs, Kampani offers social purpose organizations a direct stake in the fund. NGO shareholders and mission-aligned partners help **generate deal flow and often remain involved in the investment** by providing technical assistance, helping to align incentives in the investment opportunity and, consequently, in the funded producer organizations themselves.

103 The course is developed with support from Big Society Capital and a range of social investors and hosted by Good Finance. The curricula was created in collaboration with the Diversity Forum and Women in Social Finance.

104 Brooks, Ariel, Libbie Cohn, and Aaron Tanaka. "Social Movement Investing: A Guide to Capital Strategies for Community Power," March 2024. https://economicdemocracy.us/wp-content/uploads/2024/03/Social-Movement-Investing.pdf.

The journey to embed the voices of currently and / or historically marginalized populations in governance will likely take time, resources, and several learning cycles. Three key lessons can help equity-focused investors accelerate the effective participation of affected communities in governance structures:[105]

1. **Continuous Engagement:** Different channels to harness community voice can be integrated across the investment process and framed as a continuous exercise – rather than siloed in a particular form (e.g., Advisory Panel) or function (e.g., diligence). For example, the Black Farmer Fund was created to increase access to capital for Black-owned food systems in the Northeast U.S. In addition to embedding lived experience in its management team, The Black Farmer Fund's "Pilot Cohort" established a community-led Investment Committee of Black farmers and community food advocates to drive decision-making. For their "2.0" Fund Investment Committee the Black Farmer Fund has added previous investees that were financed through the Pilot cohort and developed additional engagement channels for current investees.[106]
2. **Equal Partnership:** The approach should emphasize joint value creation, recognizing that every actor plays an important role. Community advisory bodies can provide valuable expertise based on lived experience and hold investors accountable to community needs. The Olamina Fund Community Advisory Board does not simply invite community members to provide input, but also provides them with veto power on investment decisions as well as decisions to accept financial contributions.
3. **Accessible Design:** To avoid reinforcing marginalization, inclusive governance models can be designed with equitable and accessible formats (e.g., holding community advisory board meetings near public transit or virtually to accommodate members without cars and individuals with varied ability and access needs). Training and capacity building can also increase pathways to participation for community members with no investment experience or expertise. For example, Barking and Dagenham (BD) Giving, which focuses on expanding opportunity in the East London borough of Barking and Dagenham, supported a Community Steering Group of all women residents with a desire to make a difference in their borough through a 9-month process to learn about impact investment, agree on their impact ambitions, and build the skills and confidence to make investment decisions for their Community Endowment Fund.[107]

Finally, investors can support portfolio companies to pursue similar actions for diverse and inclusive governance, such as:

- Engaging with investees on an ongoing basis to assess and advance diversity, equity, and inclusion in the workforce and within management and supply chain; and
- Exploring models to shift towards more equitable governance, for instance by recognizing unions, improving Board diversity, or appointing worker representatives. Alternative ownership models such as cooperatives and employee stock ownership can be considered when making decisions related to preserving social equity at exit.

105 Casasnovas, Guillermo, and Jessica Jones. "Who Has a Seat at the Table in Impact Investing? Addressing Inequality by Giving Voice." Journal of Business Ethics 179, no. 4 (September 1, 2022): 951–69. https://doi.org/10.1007/s10551-022-05154-6.

106 Black Farmer Fund. "Fund 2.0: Investment Committee." https://blackfarmerfund.org/investment-committee.

107 "Barking and Dagenham Giving (U.K.) | Impact Investing Institute." Impact Investing Institute, 9 Jan. 2024, www.impactinvest.org.uk/case-study/community-engagement-2/.

4.2 Equitably frame and distribute information on performance

Investors can strengthen their commitment to equity by **sharing impact performance data with affected communities** as well as with their capital allocators. This increases accountability to marginalized groups and enhances transparency, helping to build trust.

Given that impact reporting often relies on communities to provide impact data, distributing reports back to those communities provides them with information they can use for their own purposes.[108]

The We All Count Data Equity Framework outlines three **Equitable Distribution Pillars** for communicating and distributing data. Table 9 shows how these pillars can guide decisions on tailoring communication for specific audiences to increase clarity and utility.[109]

TABLE 9

Equitable Distribution Pillars

EQUITABLE DISTRIBUTION PILLAR	QUESTIONS	GUIDANCE
Content: what you include in your communication and how you say it	What kind of information do affected communities need? What will they use it for? How can information be communicated to increase the relevance and utility for affected communities?	For example, will community members use information to advocate, influence, and participate in decisions that directly affect their communities? Dialogue with community organizations and residents can help clarify local information needs. For instance, The Healthy Neighborhoods Equity Fund conducted The Healthy Neighborhoods Study to examine the impacts of their transit-oriented real estate developments on community change and health in nine Massachusetts communities and defined "action projects" with grassroots partners to use the study results for community purposes. For Boston neighborhoods that wanted to use study results to advocate for affordable housing development, the study team created the Affordability Report Card with score sheets for proposed or existing housing developments in Boston based on community standards for affordability and resilience.[110]

Continued on next page...

108 Engineers Without Borders. "A Transformative Evaluation Toolkit for the Impact Investing Sector How Entrepreneurs and Impact Investors Can Deepen Their Data Collection," September 2019. https://www.ewb.ca/wp-content/uploads/2019/10/Tool-Kit-document-Interactive_FINAL_Oct31.pdf.

109 Krause, Heather, and Lashawn Richburg-Hayes. 2023. "The Data Equity Framework: A Concrete and Systematic Equity-oriented Approach to Quantitative Data Projects." SocArXiv. March 31. doi:10.31235/osf.io/sqt4u. http://www.supersonicplayground.com. "The Cycle of Good Impact Practice: Share Your Findings - NPC." Think NPC. https://www.thinknpc.org/resource-hub/the-cycle-of-good-impact-practice-share-your-findings/.

110 Conservation Law Foundation, and MIT Department of Urban Studies and Planning. "A Participatory Action Research Field Guide from the Healthy Neighborhoods Study," July 2020. https://www.clf.org/wpcontent/uploads/2021/01/PAR-Field-Guide.pdf.

TABLE 9 – CONTINUED

EQUITABLE DISTRIBUTION PILLAR	QUESTIONS	GUIDANCE
Medium: what form your communication takes	How should you format the information? How can information be presented to increase the relevance and utility for affected communities?	For example, would a written report, an infographic, or a face-to-face presentation be most engaging? Shorter briefs, online data dashboards, narrated presentations, and interactive reports may be better suited to community needs than the report format investors use to report to their capital providers.
Access: how easily and completely your audience can engage with and understand your information	How can the information be made accessible to marginalized groups? Can they provide feedback?	For example, digital reports may increase accessibility across geographies, but limit access for those who do not have internet. Publishing reports publicly and providing contact information for community members to respond to reported information can give community members the opportunity to provide feedback and suggestions for improving reports.

EMERGING PRACTICE

Use non-traditional reporting mediums to engage and interest affected communities in impact performance disclosures. The London Pensions Fund Authority (LPFA), for example, serves almost 100,000 members and manages over $10 billion in assets. The LPFA is committed to reporting to its members on how the fund is being invested in local communities across the U.K., with a focus on contributing to fair and inclusive growth to address place-based inequities.[111]

In 2024, the LPFA released its first summary report, "**Investing in the U.K.**," which was shared with members and made publicly available. The report highlights the impact of the fund's investments in infrastructure and real estate on communities and places across the U.K.

Additionally, LPFA launched an **interactive map** on its website that shows the locations of their investments in clean energy, housing, infrastructure, and commercial real estate across the U.K. This allows the public to see where over 70% of the Fund's holdings are invested.

When preparing impact reports and disclosures, three issues are core to social equity:[112]

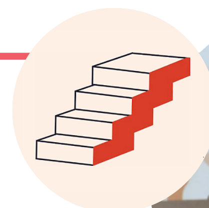
1. **Structural Lens:** Narrative framing can contextualize impact performance with root causes of inequity. Investors can avoid reinforcing stigma by focusing on historical and structural factors, which explain inequities as the result of systemic forces rather than individual failings.

111 Forster, Sarah. "Release of 'Investing in the U.K.' Report from the London Pensions Fund Authority." The Good Economy (blog), April 15, 2024. https://thegoodeconomy.co.uk/pbii-report-lpfa/.

112 Adapted from "Framework - Racial Equity Asset Lab." https://racialequityassetlab.org/framework/.

2. **Asset-Framing:** Develop narratives that center the people and aspirations of marginalized communities. Focus discussion of impact performance and case studies on community strengths and opportunities, rather than deficits. For example, neighborhood redevelopment can be framed as "restoring historic community landmarks" rather than "remediating blighted buildings". The "Succeeding in the City" report on the New York City Black and Latino Male High School Achievement Study presents positive portraits of Black and Latine students fostering productive relationships, graduating, and attending college to combat negative stereotypes of Black and Latine teens.[113]

3. **Lived Experience:** Investors can reinforce their commitments to equity by integrating the perspectives of marginalized people in their reporting, e.g., through qualitative data. This ensures the narrative reflects the lived experiences of the people most affected, helping to align investments with community goals and providing capital allocators with context about the challenges that communities face. Incorporating perspectives from multiple individuals, reporting all material information collected, and explaining how individuals were selected to engage with as well as how information was analyzed and selected to present can guard against bias in the presentation and interpretation of qualitative data.[114]



CASE STUDY 2

The Growth Impact Fund

The Growth Impact Fund (GIF) invests in early-stage, diverse-led social purpose organizations in the U.K.[115] Launched by Big Issue Invest and UnLtd in response to systemic barriers identified by the Adebowale Commission, the fund aims to tackle the lack of inclusivity in social investment. It primarily invests in organizations led by individuals from marginalized backgrounds, including racialized minorities, women, people with disabilities, and people who identify as LGBTQIA+.

The GIF believes founders with direct lived experience are best placed to create impact for those facing inequities. This commitment is reflected in the Fund's ongoing impact reporting, which provides commentary on structural challenges facing diverse-led organizations, and a dedicated section on "The power of lived experience."

Each case study integrates a founder perspective on the lived experience of the inequities each company is addressing. Inclusion Labs, for instance, is an educational platform whose mission is to embed diversity, equity, and inclusion into every young person's educational, cultural, and personal development.

Continued on next page...

113 Harper, S. R., & Associates. "Succeeding in the City: A Report from the New York City Black and Latino Male High School Achievement Study." https://www.opensocietyfoundations.org/uploads/656e16cf-726a-4228-b05e-31bb296caa4b/succeeding-city-20130930.pdf.

114 For more on equitable data presentation, see: Schwabish, Jonathan, Alice Feng, and Wesley Jenkins. "Do No Harm Guide: Crafting Equitable Data Narratives." Urban Institute, February 14, 2024. https://www.urban.org/research/publication/do-no-harm-guide-crafting-equitable-data-narratives.

115 Big Issue Invest. "Growth Impact Fund 2023/ 2024 Impact Report," https://growthimpactfund.org.uk/files/Growth_Impact_Fund-Impact_Report-2023-2024.pdf.

INCLUSION LABS

In October 2023, GIF made a £200,000 Equity investment into Inclusion Labs, an EDI focused technology company established in 2021 by Temi Akindele Barker.

Inclusion Labs uses a digital platform to help schools conduct equity audits, identify priority areas for improvement, and then plan follow-on activities to improve inclusion for all stakeholders.

Inclusion Labs was born out of Temi's own experience. As a mother of two mixed race children, she found their school had no policies in place to deal with the issues her family faced.

Furthermore, the Equity, Diversity and Inclusion (EDI) initiatives that were adopted often didn't feel sufficiently tailored: "I have found that there are lots of initiatives that are supposedly for people like me, but they don't actually align with my experience or my child's experience."

Temi built Inclusion Labs as a remedy to the generic and outdated EDI schemes she saw.

Investment size: £200,000

Investment type: Equity

Investment made: October 2023

Impact matrix (community/sector): Young people / Education & Learning

UN SDG: 10: Reduced inequalities

Geographic reach: National

Diverse led: Yes

About: Helps schools improve their inclusion efforts through a digital platform that aids in identifying and prioritising EDI activities.

Impact of Inclusion Labs

One of the key steps in Inclusion Labs' service is an equity audit where all stakeholders, including students, administrative staff, teachers, governors, and parents have their say. Inclusion Labs then identify which groups are underrepresented in the demographic areas of ethnicity, religion and beliefs, gender, sexual orientation, disability, and socio-economic background. "We can see that one person - whether it's one black parent or those two Trans students - and in the usual way of doing this work, that would get swallowed up by the data. We try to make sure that voice doesn't get lost."

By working in this way, Inclusion Labs ensure they not only give everyone the chance to describe issues they may otherwise be too uncomfortable to raise, but that their experience influences change.

One of the most important outcomes for Temi is when the organisations or schools report that their work with Inclusion Labs has made a difference. Feedback from the schools so far shows the level of insight that Inclusion Labs provides, and the clear and actionable recommendations for areas to prioritise are the most valued outcomes of their service. Over 30% of schools reported that they had created a EDI strategy as a result of Inclusion Labs' support, and 12% said that behaviour at the school had improved.

IMPACT RISKS

Guidance on Identifying and Mitigating Impact Risks

Impact risks in governance and communication processes include:

BIAS OF GOVERNING BODIES:

Risks: Members of governing bodies and management who make investment decisions often rely on pattern matching or "gut instincts" to assess performance, creating opportunities for unexamined biases against marginalized identities to influence decisions.[116]

Mitigating measures:

- Since bias may be implicit and / or unconscious, tools such as self-assessments, trainings, and facilitated discussions can help members of governing bodies become aware of factors that may be influencing their decision-making.[117]
- Conducting a review of assessment processes can help investors identify areas where bias may influence decision-making. Investors may conduct an internal assessment or engage a third party to conduct an audit of governance practices and identify areas to improve equity.[118]

Example: Illumen Capital, a fund-of-funds focused on achieving racial and gender equity, requires fund managers to complete an implicit bias assessment upon investment and provides ongoing coaching and bias reduction tools in partnership with Stanford University to help fund managers address bias in hiring processes, board member selection, and investment decision-making.[119]

REPORTING NEGATIVE IMPACTS:

Risks: Selectively disclosing impact performance information or omitting negative impacts can erode trust and hinder accountability. For example, if an investor reports on all intended impacts but fails to disclose any unintended impacts, community members who have experienced unintended impacts will discount the report as an incomplete view of investment impacts.

Mitigating measures:

- Follow **established Norms for impact reporting**.
- Set up accountability offices or grievance mechanisms to provide a forum for affected individuals and communities to raise concerns when they experience harm or negative impacts as a result of investment activities.[120]

Example: Aqua Capital invests in the agribusiness and food value chains, primarily in Latin America. Their website has a dedicated integrity channel and hotline for safe and anonymous communication about behaviors considered unethical or that violate its published ethics principles.[121]

116 Baird, Ross. The Innovation Blind Spot: Why We Back the Wrong Ideas—and What to Do About It. New York: Columbia University Press, 2018.

117 "About the IAT." https://implicit.harvard.edu/implicit/iatdetails.html.

118 "Five Practices for Developing and Staying Accountable to Racial Equity Goals (SSIR)." https://ssir.org/articles/entry/five_practices_for_developing_and_staying_accountable_to_racial_equity_goals.

119 Invest with Values. "Reducing Racial & Gender Bias Unlocks Financial Returns and Scales Impact, with Daryn Dodson," July 8, 2019. https://investwithvalues.com/news/reducing-racial-gender-bias-unlocks-financialreturns-and-scales-impact-with-daryn-dodson/.

120 Accountability Counsel. "Good Policy Paper: Guiding Practice from the Policies of Independent Accountability Mechanisms." https://www.accountabilitycounsel.org/wp-content/uploads/good-policy-paper-2024.pdf/.

121 Aqua Capital. "Home." https://aqua.capital/.

IMPACT FRONTIERS

Impact Frontiers is a learning and market-building collaboration for investors seeking to manage their social and environmental impacts and incorporate impact into investment decision-making. We provide resources, space for community discussions, and a cohort model that supports learning by doing.

We create practical tools and peer-learning communities that support investors in building their capabilities for managing impact and integrating impact with financial data, analyses, and processes. We lead with questions and facilitate interactions that help investors come up with their own answers, based on their own strategy, context, and data.

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LEARN MORE AT:

impactfrontiers.org