USAID
FROM THE AMERICAN PEOPLE

CORPORATE INVESTMENT PARTNERSHIPS FOR GROWTH AND SUSTAINABILITY

How Companies, International Development Agencies, and Investors Align Around Purpose and Profit

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Photo Credit: David Rochkind, USAID

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Foreword

Companies are increasingly seeing sustainability as a business necessity rather than just an area of competitive advantage. They have moved beyond traditional Corporate Social Responsibility (CSR) to embedding sustainability in their businesses, supply chains, and broader industries. In doing so, they are not only achieving strategic and financial returns but also addressing the social and environmental challenges that affect their businesses and long-term growth.

The growing complexity and interconnectedness of the challenges that companies face is driving this new way of corporate investment. Today, companies encounter supply chains that extend around the world, the growing and immediate impacts of climate change and natural disasters, and the need to expand to new markets that can offer better growth and higher return opportunities. Evolving investor demand for environmentally and socially-conscious companies and consumer demand for responsible products and services are also driving these investments.

Simultaneously, donors—particularly international development agencies—are increasingly recognizing the value of partnering with the private sector to achieve social and environmental goals. The United States Agency for International Development (USAID)—the U.S. Government's lead Agency for foreign aid and humanitarian relief efforts—recently released its **Private Sector Engagement Policy.** In it, USAID commits to expanding engagement with the private sector through market-based approaches and catalytic investment. This approach intends to align private capital flows into emerging markets with development goals for better, more sustainable results.

There is a recognition embedded within this policy that the ways in which USAID works with companies and investors need to evolve. To fully embrace enterprise-driven development requires a better understanding of what companies and investors are already doing to address sustainability challenges, what motivates them, the risks they face, and the appropriate role for development agencies to support their efforts.

This report looks at how companies, particularly multinational companies, derive value from investing in sustainability, why they choose to partner with development agencies and investors, and how development agencies can support these efforts most effectively.

We hope this report will deepen the mutual understanding between companies, development agencies, and investors. Our aim is to lay the groundwork for the next generation of partnerships that effectively align the diverse resources and skills of companies, development agencies, and investors and yield more robust solutions to complex, interconnected social, environmental, and business challenges.

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Executive Summary

Today's social and environmental challenges are putting new pressures on companies, international development agencies, and investors.

More than ever, **companies** see it as their responsibility to assume leadership on pressing global issues. This is not just good public relations; it is critical to companies' long-term viability. Investing in sustainability helps companies access new growth opportunities, remain competitive, and mitigate the costs and risks of a rapidly changing and interconnected world.

International development agencies recognize that they cannot solve large, complex development challenges on their own. They understand that they can expand their reach by working with the private sector and leveraging corporate resources, expertise, technologies, and distribution networks.

Lastly, **investors** realize that future opportunities lie in exploring new markets and disrupted sectors and in addressing social and environmental threats. However, they need trusted partners to take full advantage of these opportunities.

The growing alignment between companies, development agencies, and investors is driving an emerging category of partnership: **corporate investment partnerships.** Corporate investment partnerships bring together the resources of these three key stakeholders, efficiently coordinating investments of capital and capabilities, such as talent, expertise, and local knowledge, to address business, social, and environmental challenges.

The U.S. Agency for International Development (USAID) leads the United States' foreign aid and humanitarian relief efforts and is a catalytic actor driving development results. Recognizing the opportunity for better results, USAID sought deeper insight into corporate investment trends and opportunities for partnership. It commissioned five leading corporate and investment advisory firms to answer these key questions:[1]

1. What motivates companies to invest in sustainability? Companies no longer see investments in sustainability as peripheral. Instead, these investments are core to business strategies that create long-term stakeholder value by addressing social, economic, and environmental opportunities and mitigating material risks. Companies increasingly recognize the growth opportunities these investments bring (e.g., through expanding to new markets and sectors), the improved resilience that comes with integrating sustainability into their operations, and the ability to meet consumer and employee demand for companies to address social and environmental issues rather than focus only on profit.

2. What value can be derived for companies, development agencies, and investors from corporate investment in sustainability? Corporate investments in sustainability drive value in key areas:[2]

Growth by accessing and creating new markets, customers, and products;

Returns on Capital by reducing operational costs, optimizing supply chains, and increasing revenue;

Risk Management by reducing threats to growth, returns, or reputation; and

Brand Equity by enhancing public perceptions of the company and thereby attracting and retaining customers and employees.

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[1] This project was conducted by USAID INVEST, which is managed by DAI. DAI partnered with five firms to conduct this research and collaborate on this report: Heliotropy, Hystra, ISF Advisors, KOIS, and Lion's Head Global Partners

[2] Growth, returns on capital, and risk mitigation were first articulated by Sheila Bonini and Stephan Gorner as the three ways in which sustainability can create value for companies and employees. For the purposes of this report, we have added brand as it relates to the ability to attract and retain customers. For more information, see: Bonini, Sheila and Gorner, Stephan. "The Business of Sustainability: Putting it into Practice." McKinsey & Co. 2011.

For development agencies and investors, corporate investment in sustainability has the potential to create substantial value in the same four areas:

TABLE 1. HOW DEVELOPMENT AGENCIES AND INVESTORS BENEFIT FROM CORPORATE INVESTMENT IN SUSTAINABILITY

	GROWTH	RETURNS ON CAPITAL	RISK MANAGEMENT	BRAND EQUITY
Corporate Investment in Sustainability Helps Development Agencies:	Expand reach (e.g., increase the number of beneficiaries) by leveraging corporate resources, expertise, technologies, and distribution networks	Expand the breadth of impact with fewer resources; improve efforts' sustainability and longevity, delivering better development results	Lower implementation risks, (e.g., by validating new technologies or approaches); reduce market distortion risk	Validate impact, approaches, and expertise, bolstering the development agency as a partner
Corporate Investment in Sustainability Helps Investors:	Access previously uncaptured opportunities and markets (deal flow); diversify portfolios	Improve shareholder returns as companies improve their long-term performance	Reduce portfolio risk by investing in or alongside companies that proactively manage their business risks; mitigate the real or perceived risks of entering unfamiliar markets or sectors by working with companies with global footprints	Attract capital, including from more varied sources; acquire better talent

3. What models do companies use to invest in sustainability? While the models that companies use are as varied as the companies themselves, they fall into three main categories:

- **Innovation development** enables companies to develop new, viable products and services that will increase revenue and market share. Innovation development may take place through closed innovation models, such as internal research and development. It may also leverage open innovation models that leverage resources from outside the company, such as hackathons, challenges, incubators, and accelerators.

- **Investment** enables companies to increase their financial returns, achieve their strategic objectives, and increase their impact. Investment includes direct investments of capital and other resources as well as investments made through funds and fund-like vehicles. Direct investment examples include a direct investment team and a service delivery unit. Fund models include internal or external single-stakeholder funds or multi-stakeholder funds.

- **Collaboration** enables companies to expand into new markets, share distribution channels, and fine-tune business models by leveraging the assets of other organizations to access innovation. Examples include pre-competitive collaboration partnerships, innovation partnerships, joint ventures, and other strategic alliances.

This report explores the models under each of the three categories, including how each model is typically structured and how it can be used to achieve corporate objectives.

4. Why are companies pursuing corporate investment partnerships rather than investing alone? Not all corporate investment initiatives require partnership.The most effective partnerships form when a company recognizes a clear business need that it cannot solve on its own. This situation may arise when a company faces resource or expertise constraints or when a business problem falls outside of the company's influence, control, or core business area. A company may also pursue a corporate partnership when the risks of tackling a challenge alone are too high or if it wants to increase its brand equity.

5. How can development agencies support corporate investment in sustainability?

Development agencies possess financial and non-financial tools that align well with corporate investment models. For example, by using concessionary or grant capital, development agencies can help test new business models or adapt a successful model to a new market. By leveraging their deep experience supporting supply chains in developing markets, they can build and reinforce local partner capacity and strengthen their supply and value chains. Development agencies' relationships with local governments and familiarity with local regulations can facilitate improved standards and policies, which can accelerate new market entry. Finally, development agencies have the expertise to help companies validate their social and environmental impact, strengthening both their social license to operate and the public perception of their brands.

Corporate investment partnerships have immense potential for enabling new markets, ensuring long-term sustainability, and reducing investor risk. However, advancing these partnerships is not without challenges. This report makes the case for leaders to work collaboratively across corporate, development, and investor organizations to address challenges that affect them all.

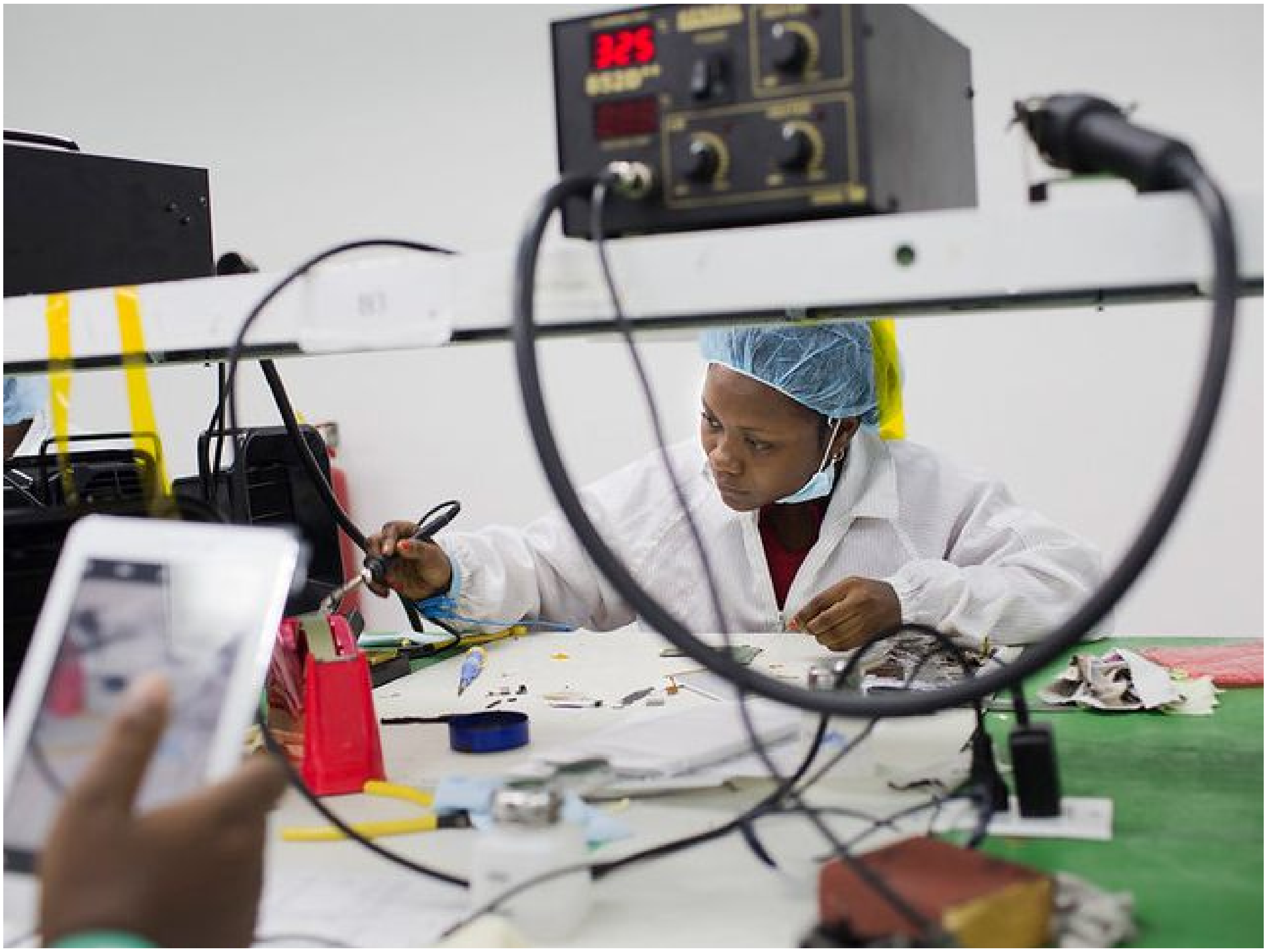


Photo Credit: David Rochkind, USAID. Employees assemble electronic tablets at the Surtab factory in Port-au-Prince, Haiti, Surtab. The tablets are produced for commercial sale, but they are also used in education, healthcare and agriculture, increasing efficiency in programs that seek to create a brighter future for Haiti.

Aim of this Report

USAID commissioned this study to learn how companies are investing in their sustainability and growth, and the impact that these investments have on critical social and environmental issues. This report intends to share lessons from companies that have made successful investments and to help development agencies determine how to support these efforts effectively.

Working with five leading corporate and investment advisory firms, USAID heard from more than 50 multinational companies across various sectors and geographies.[3] This research focused on multinational companies because they wield tremendous power to drive positive change and are the most affected by global forces because of their footprints, supply chains, and distribution channels.

Through this report, USAID seeks to start to answer and facilitate a broader conversation around **five key questions:**

1	What motivates companies to invest in sustainability?
2	What value can be derived for companies, development agencies and investors from corporate investment in sustainability?
3	How do companies invest in sustainability?
4	Why do companies pursue corporate investment partnerships rather than investing alone?
5	How can development agencies support corporate investment in sustainability?

While the structures and types of investments that companies pursue vary tremendously, all companies face similar decisions when designing, developing, resourcing, and partnering on corporate investment partnerships. For development agencies and investors, understanding how companies make these decisions is critical to structuring effective corporate investment partnerships. For companies, understanding the tools and resources available from development agencies to support this work can inform and advance new corporate investment initiatives. In this spirit of greater understanding, this report endeavors to equip companies, development agencies, and investors with insights learned through our research. It also provides useful examples that enable each of these actors to build upon previous work to develop new partnerships that yield better returns and impact.

[3] This project was conducted by USAID INVEST, which is managed by DAI. DAI partnered with five firms to conduct this research and collaborate on this report: Heliotropy, Hystra, ISF Advisors, KOIS, and Lion's Head Global Partners.

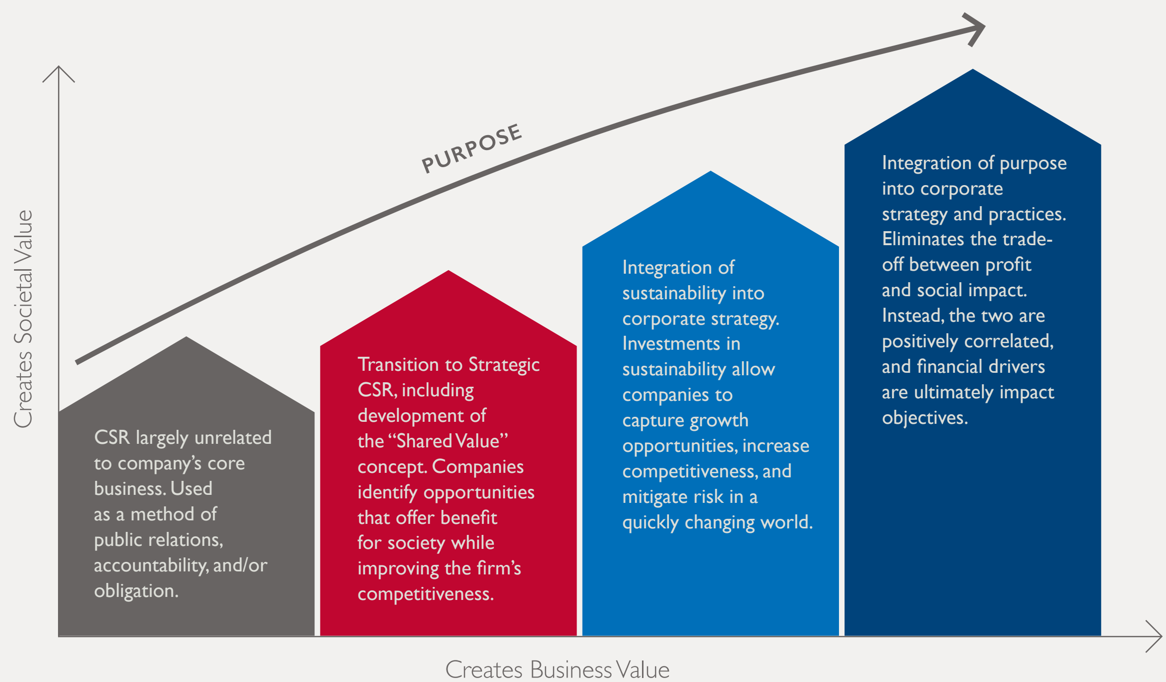
WHAT MOTIVATES COMPANIES TO INVEST IN SUSTAINABILITY?

From Corporate Social Responsibility to Purpose-Driven Companies

Today's social and environmental challenges are forcing companies to change the way they do business. As these challenges grow in size and complexity, their impact on business operations increases. The rapid pace of technological advancements creates new opportunities, yet it can also exacerbate divisions between winners and losers. At the same time, consumers and employees are demanding that companies address broader social and environmental challenges rather than focus only on profit.[4, a] These changes are shifting the way companies invest in sustainability. Legacy Corporate Social Responsibility (CSR) initiatives, which are often peripheral to a company's core operations, are giving way to integrated, purpose-driven approaches through which corporate leaders embed and invest in sustainability across their organizations.

In **Figure 1**, CSR shifts from philanthropic giving that is often disconnected from a company's core business to strategic management practices that identify areas of overlapping benefit for society and the business.

FIGURE 1. THE EVOLUTION FROM CORPORATE SOCIAL RESPONSIBILITY TO THE PURPOSE-DRIVEN COMPANY



Source: Adapted from The UN Global Compact-Accenture Strategy CEO Study 2016, "Sustainable Business Maturity Curve," 2016, https://www.accenture.com/us-en/insight-un-global-compact-ceo-study.

With the launch of the United Nations' Sustainable Development Goals (SDGs) in 2015, companies received a clear roadmap of 17 goals and 169 target indicators necessary for embedding sustainability factors into business practices.[b] This blueprint allowed companies to better identify the correlation between business benefits and positive societal impact. The Business & Sustainable Development Commission estimates that meeting the UN's SDGs could generate $12 trillion in business savings and revenue and create 380 million jobs by 2030.[c]

Today, sustainability is incorporated into two-thirds of companies' core missions. Of 297 global companies surveyed by Bain & Company, 81 percent said sustainability is more important to their business today than it was five years ago, and 85 percent believe that it will be even more important in five years.[d]

[4] Accenture Strategy's survey of nearly 30,000 consumers in 35 countries—including more than 2,000 consumers in the United States—found that 62 percent of consumers want companies to take a stand on current and broadly relevant issues, such as sustainability, transparency, and fair employment practices.

> Sustainability is a business strategy that creates long-term stakeholder value by addressing social, economic, and environmental opportunities and risks material to a company.

As corporate strategies continue to evolve, more and more companies are becoming purpose-driven, fully embedding sustainability into their strategies and practices. (For example, see Nestlé's corporate strategy in **Box 2.**) They no longer assume there must be a trade-off between profit and social and environmental impact. Purpose—in the words of Larry Fink, CEO of BlackRock, the world's largest asset manager—is "what a company does every day to create value for its stakeholders."[e] Specifically, it is an organization's meaningful and enduring reason to exist that aligns with long-term financial performance, provides a clear context for daily decision-making, and unifies and motivates relevant stakeholders.[f]

When articulated and integrated well, purpose is a driver of business decisions and company growth. Purpose leads companies to embed sustainability across all business units and all levels of leadership because sustainability is the forward-looking strategy that ensures a company will continue to exist and create value for all its stakeholders.[g]

BOX 1

INVESTMENTS IN SUSTAINABILITY DRIVE VALUE FOR COMPANIES ACROSS FOUR AREAS:

Growth: Access and create new markets, customers, and products

Returns on Capital: Reduce operational costs, optimize supply chains, and increase product revenue

Risk Management: Reduce threats to growth, returns, or reputation

Brand Equity: Enhance public perception and attract and retain customers and employees

While the conversation around purpose is not new, companies are reevaluating its importance. In August 2019, the Business Roundtable, a group of approximately 200 CEOs of top American companies, issued a statement redefining the purpose of a corporation. These CEOs declared that, rather than focusing solely on customer and shareholder value, the key components of a company's purpose are providing value for customers, investing in employees, dealing fairly and ethically with suppliers, and supporting the communities in which they work.[h]

BOX 2

NESTLÉ: ALIGNING PURPOSE AND PROFITS

Nestlé's corporate strategy is grounded in the belief that both its long- and short-term success are tied to creating value for society. In practical terms, this means that its products must provide value to customers, its operations must contribute to the communities in which they operate, and it must protect the environment through efficient use of resources and stewardship. In strategic terms, this translates to a balanced pursuit of growth, profitability, and capital efficiency. Nestlé pursues efficiency and profitable growth because it recognizes that its competitiveness is what ensures sustainability. Specifically, Nestlé:

- Achieves its **growth** through innovation, differentiation, and staying relevant to its consumers. Nestlé emphasizes cutting-edge technology and direct-to-consumer business models to further develop sustainable products and reach new customers.
- Improves its operational efficiency through the Nestlé Business Excellence program, which works to simplify and standardize processes, and in turn, helps to reduce administrative costs. This then leads to **increasing shareholder returns** and more capital to invest in further R&D.

These efforts not only enhance brand equity with customers, but also generate more engaged and dedicated employees around the world. Integrating purpose into the core of corporate strategy propels Nestlé's company growth, returns on capital, risk management, and brand equity.

Source: About Us. "Strategy." Nestle. July 2019.

WHAT VALUE IS DERIVED FROM CORPORATE INVESTMENT IN SUSTAINABILITY?

Growth, Returns on Capital, Risk Management, and Brand Equity

CORPORATE PERSPECTIVE

With a better understanding of why companies are integrating purpose and embedding sustainability into their strategy and operations, we turn to the second key question: What value can companies, development agencies, and investors derive from corporate investment in sustainability?

According to a framework developed by McKinsey & Company in 2011, systematically pursuing sustainability can drive value for companies in the following three areas: growth, returns on capital, and risk management.[5,i] Through interviews conducted for this report, we validated this framework and adapted it to include a fourth area—brand equity—as strong brands and reputations are increasingly critical to companies' ability to attract and retain customers and employees and impact their license to operate.

We also learned that value across these four areas continues to evolve as companies move from more limited investments in sustainability to integrated, purpose-driven corporate strategies, where sustainability is fully embedded within the organization. As the purpose-driven company takes shape, companies shift focus from growth to sustainable growth, from returns on capital to an integrated bottom line, from risk management to greater resilience, and from brand equity to stewardship. **(See Figure 2.)** These shifts yield sustained profit and impact: the two correlate and reinforce each other.

FIGURE 2. INTEGRATING PURPOSE INTO CORE BUSINESS YIELDS SUSTAINED PROFIT AND IMPACT

Adapted from original diagram by Sheila Bonini and Stephan Görner, "The business of sustainability: McKinsey Global Survey results," October 2011, mckinsey.com.

[5] Growth, returns on capital, and risk mitigation were first articulated by Sheila Bonini and Stephan Görner as the three ways in which sustainability can create value for companies and employees. For the purposes of this report, we have added brand as it relates to the ability to attract and retain customers.

GROWTH

As companies invest in and create sustainable products and services, they are able to reach new customers and new market segments. Unilever, for example, announced in 2018 that its most sustainable brands grew 46 percent faster than the rest of its businesses and delivered 70 percent of its revenue growth.[j]

Purpose-driven companies shift their focus from growth to **sustainable growth.** Sustainable growth is growth that is repeatable, ethical, and responsible in its impacts on current and future communities.[k] By seeking sustainable growth, companies can meet current needs and ensure they are poised to thrive in the future.

RETURNS ON CAPITAL

Investing in more sustainable, resilient value chains and in the ecosystems around those value chains increases a company's competitive advantage and leads to longer-term financial returns. Improving product quality and sustainability can improve company revenue. Companies can also reduce operational costs through improved internal resource management along their value chains (e.g., water, waste, energy) and thereby drive better returns on capital.

Purpose-driven companies shift their focus from returns on capital to an **integrated bottom line**—the integration of financial, environmental, and social costs and benefits into a unified measure of business activity.[6] Integrated financial, environmental, and social performance measurement provides a more holistic look into a company's performance and assists corporate leaders in understanding opportunities for long-term value creation.

RISK MANAGEMENT

Companies are also looking at investments in sustainability as a shield from operational disruptions caused by resource scarcity, climate change consequences, community pressure, and more. As such, firms invest in sustainability to strengthen supply chain resilience and mitigate risks.

Purpose-driven companies shift their focus from risk management to greater **resilience**. Resilience speaks to the ability of a company to anticipate, accommodate, and recover from risks, shocks, and stresses. Through greater resilience, companies can manage change in the context of dynamic (and sometimes volatile) systems. Similar to risk management, resilient companies are looking to reduce, transfer, and share risk. The difference, however, is that resilient companies build more flexible systems, which allow them to respond to and recover efficiently from disruptions and negative events.[l]

BRAND EQUITY

As sustainability and profit begin to intertwine, society is responding. For example, today's talent aspires to find a career aligned with purpose. According to the Deloitte Millennial Survey, 83 percent of millennials and 80 percent of Gen Z respondents believe that business success should be measured by more than just financial performance.[m] Companies that recognize and react to this trend are able to attract and retain talent and customers. Brand and reputation are also directly linked to a company's valuation. In 1975, tangible assets accounted for about 85 percent of the S&P 500 index, and intangible assets accounted for the rest. Now the equation has flipped: 85 percent of the market's capitalization is made up of intangible assets, including brand equity.[n]

Finally, purpose-driven companies shift their focus from brand equity to **stewardship.** Stewardship refers to taking responsibility for the positive and negative impacts of a business. The opinions of both customers and the general public are critical to a company's survival, and both increasingly demand that companies act as proactive stewards of change. Focusing on these stakeholder needs and value creation alongside profit not only grows a company's brand equity, but it also helps a company earn and maintain the license to operate in new markets over the long term.[o]

[6] An integrated bottom line differs from a triple bottom line in that all measures are combined into one balance sheet and income statement instead of being separated in three different ones.

Purpose-driven companies gain outsize benefits in all four of these areas, making a purpose-driven corporate strategy a powerful predictor of success. According to a Harvard Business School study, which surveyed 500,000 employees in 429 firms over five years, companies that communicate purpose with clarity experience better accounting and stock market performance.[p] In addition, 80 percent of CEOs say that demonstrating a purpose-driven commitment to sustainability is a differentiator in their industry.[q]

By integrating purpose and commitment to sustainability into their practices, companies can achieve step changes in their business models, such as restructuring their core business strategies, empowering widespread action, and enabling collaboration for progress.[r] This integration of purpose and commitment to sustainability is also a driving factor behind the increased alignment between companies, development agencies, and investors.[s, 7, t]

BOX 3

SUSTAINABLE AND RESILIENT SUPPLY CHAINS: MANAGING RISK OR INCREASING COMPETITIVENESS?

A 2013 study by Accenture found that 80 percent of companies surveyed expressed concerns about supply chain resilience, but only 10 percent are actively managing supply chain risk. Companies that address sustainability and resilience in their supply and value chains not only address the downside risk, they can increase their competitiveness through more efficient production and cost reductions. The emergence of new products and solutions that improve resilience—from drought-resistant seeds to farmer training and insurance schemes—also generates new opportunities for local businesses.

For example, in Cote d'Ivoire, Mars Inc. is investing in research that helps increase the quality and performance of cocoa plants. Mars is also helping smallholder cocoa farmers increase their productivity by providing access to improved planting materials, fertilizers, and training. Along the same lines, the Barry Callebaut Group is working with Advans, a local financial institution in Côte d'Ivoire and Ghana to promote smallholder cocoa farmer access to finance for farming improvements.

Sources: Bhatia, Gurpriya; Lane, Charles; and Wain, Adrian. "Building Resilience in Supply Chains." World Economic Forum. 2013. http://www3.weforum.org/docs/WEF_RRN_MO_BuildingResilienceSupplyChains_Report_2013.pdf; Additional research and analysis conducted by ISF and Hystra.

Photo Credit: Barry Callebaut. In the biggest cocoa producing region in the world, West Africa, the majority of cocoa farmers live in extreme poverty. Barry Callebaut is working to improve livelihoods, which starts with investing in a sustainable supply.

[7] According to research conducted by Harvard Business School professors John Kotter and James Heskett, over a decade-long period, purposeful, value-driven companies outperform their counterparts in stock price by a factor of 12.

DEVELOPMENT AGENCY & INVESTOR PERSPECTIVE

Development agencies do not have the resources to solve the world's toughest challenges on their own. Investors realize that future opportunities lie in exploring new markets, disrupting sectors, and addressing social and environmental threats. Both development agencies and investors are interested in partnering with, investing with, and working alongside companies as they invest in sustainability.

Corporate investment in sustainability has the potential to create value for development agencies and investors in the same four areas that it does for companies (growth, returns on capital, risk mitigation, and brand equity); however, these areas take on slightly different meanings for development agencies and investors. **(See Table 1.)**

TABLE 1. HOW DEVELOPMENT AGENCIES AND INVESTORS BENEFIT FROM CORPORATE INVESTMENT IN SUSTAINABILITY

	GROWTH	RETURNS ON CAPITAL	RISK MANAGEMENT	BRAND EQUITY
Corporate Investment in Sustainability Helps Development Agencies:	Expand reach (e.g., increase the number of beneficiaries) by leveraging corporate resources, expertise, technologies, and distribution networks	Expand the breadth of impact with fewer resources; improve efforts' sustainability and longevity, delivering better development results	Lower implementation risks, (e.g., by validating new technologies or approaches); reduce market distortion risk	Validate impact, approaches, and expertise, bolstering the development agency as a partner
Corporate Investment in Sustainability Helps Investors:	Access previously uncaptured opportunities and markets (deal flow); diversify portfolios	Improve shareholder returns as companies improve their long-term performance	Reduce portfolio risk by investing in or alongside companies that proactively manage their business risks; mitigate the real or perceived risks of entering unfamiliar markets or sectors by working with companies with global footprints	Attract capital, including from more varied sources; acquire better talent

For a development agency, growth refers to growth in beneficiaries—their equivalent of "customers." Companies can expand a donor's reach to target beneficiaries through their customer base, supply chains, and distribution networks. In the case of Schneider Electric **(Box 4)**, development agencies not only have the opportunity to expand energy access to underserved households and businesses through partnership and investment, but they also improve livelihoods through Schneider Electric's robust electrician training program.

Increased returns on capital refers to improving the development impact achieved with donor resources. Not only can development agencies leverage their resources by partnering and co-investing, but they can also extend the timeline of their impact. For a multinational company, market entry generally requires significant investment and a long-term commitment. By partnering with "invested" companies, development agencies can catalyze impact well beyond the traditional five-year program cycle.

Risk management often refers to mitigating reputational risk or the implementation risk of a project or an activity. For example, rather than funding technologies and innovation in isolation, companies can help development agencies validate important technologies and bring them to market through their tested distribution networks. This type of validation can also lead to improved reputation with beneficiaries and partners; in other words, it can build the development agency's brand equity.

For an investor, growth refers not to new customers but to new investment opportunities and increased deal flow. The Sustainable Development Goals offer tremendous opportunities on both fronts. To capture these opportunities for growth and returns, financial institutions and investors can partner with corporates to gain know-how and networks that improve access to deal flow and help grow and diversify an investment portfolio.

BOX 4

VALUE CREATION FOR COMPANIES, DEVELOPMENT INSTITUTIONS, AND INVESTORS: SCHNEIDER ELECTRIC

Schneider Electric specializes in energy management and automation solutions for homes, buildings, data centers, infrastructure, and industries. Aligning profit and purpose, Schneider fosters solutions to provide reliable, clean, and inexpensive energy to the 840 million people that lack access and to address the hundreds of millions of people in energy poverty in mature economies.

Energy Access Ventures Fund (EAVF) is a Paris-based private equity and venture capital firm focused on smart infrastructure investments in sub-Saharan Africa, specializing in early and growth capital for projects or initiatives reaching underserved households and businesses. Schneider Electric Industries sponsors the fund, providing 30 percent of its funding as well as technical support. Other investors include CDC Group, the European Investment Bank (EIB), Proparco, The French Facility for Global Environment and the French Development Agency (FFEM-AFD), the OPEC Fund for International Development (OFID), and the Dutch Entrepreneurial Development Bank (FMO).

Sub-Saharan Africa is an important market for the company. Schneider's strategy for the region is based on supporting innovation, which allows the company to position itself in an expanding market. By supporting local entrepreneurs and taking part in the development of innovative projects, Schneider is seeking to be at the forefront of social and technological innovation, while contributing to building new economic models. EAVF's first fund of €75 million provided financing for local entrepreneurs in the distributed energy sector. Schneider believes that access to energy is a fundamental human right. Schneider's Access to Energy program combines technology solutions, investment funds, training and entrepreneurship support. Over the last 10 years, Schneider has provided energy access solutions to more than 24 million people, invested in 20 ventures, trained more than 200,000 people, and supported more than 600 entrepreneurs. This initiative led to increased growth and return on capital for Schneider as a company, given that the firm supplied the equipment and extended into new markets, but also led to benefits for development institutions and investors as well.

Investors and international development institutions benefited from investing alongside Schneider Electric. Investors in EAVF achieved sustainable growth through new market opportunities and diversified their investment portfolios by adding micro-grid technologies and equipment. Partnering with Schneider reduced the investors' real and perceived risks of entering new markets and created a strong partner network. International development institutions extended their reach by aligning with Schneider's efforts to increase energy access, in part by improving the efficiency and effectiveness of mini-grid technologies and training initiatives.

Sources: Heliotropy research and interviews; Schneider Electric. "About Us." 2019.; Energy Access Ventures. "About Us." 2019. Schneider Electric Sustainability Report, 2018-2019.

Photo Credit: Schneider Electric. Last year, Schneider Electric joined a coalition to drastically expand training in the energy sector and to support informal entrepreneurs in energy in emerging countries.

Companies that manage sustainability risks and opportunities well tend to have stronger cash flows, lower borrowing costs, and higher valuations, which speaks to investors' improved return on capital and risk management.[u] Risk management can also refer to mitigating the liquidity and market risk investors face working in emerging and frontier markets. Partnering or investing alongside entrenched companies that understand the markets, technologies, and opportunities can mitigate potential downside risks.

Better brand equity includes not only attracting talent but also capital. Investors who integrate environmental, social, and governance (ESG) principles into their portfolios represent about $17.5 trillion in investment capital as of 2018, up 69 percent from 2016. Assets that focus on corporate engagement and shareholder activism around environmental and social issues rose to $9.8 trillion from $8.4 trillion during the same time period.[v]

THE EMERGENCE OF CORPORATE INVESTMENT PARTNERSHIPS

The alignment between companies, development agencies, and investors is the foundation for a wave of new partnerships. *Corporate investment partnerships* bring together the resources of companies, development agencies, and investors to address business, social, and environmental challenges by efficiently coordinating investments of capital and capabilities, such as talent, expertise, and local knowledge.

Corporate investment partnerships are a subset of the broader category of corporate investment initiatives focused on sustainability. **(See Figure 3.)** Both corporate investment initiatives and corporate investment partnerships create strategic and financial benefits for their businesses as well as positive social and environmental impact in the communities, industries, and markets in which they work.

Like broader corporate investment initiatives, *corporate investment partnerships* can grow out of a sustainability strategy, a corporate venturing arm, a business unit, or a Corporate Social Responsibility (CSR) effort. Yet *corporate investment partnerships* differ from corporate investment initiatives in that they are creative, enterprise-driven collaborations between the private sector and the development community. They leverage the unique resources, competencies, and networks of companies, investors, and development agencies to address a challenge that no single organization can tackle as effectively on its own.

In the next sections, we will examine the models used by leading global companies to invest in sustainability whether on their own or through partnership, and, through a series of case studies, we illustrate the value that these models provide to development agencies as well as investors.

FIGURE 3. CORPORATE INVESTMENT PARTNERSHIPS ARE A SUBSET OF CORPORATE INVESTMENT INITIATIVES IN SUSTAINABILITY

HOW DO COMPANIES INVEST IN SUSTAINABILITY?

Innovation Development, Investment, and Collaboration Models

There is no one-size-fits-all model for corporate investment initiatives focused on sustainability. Corporate investment initiatives vary widely by corporation, industry, sector, strategy, and geography. Many large companies employ more than one model to respond to the rapid pace of change and the variety of risks they face. Furthermore, one company's best practice does not necessarily translate well to another organization even if the challenges appear the same on the surface. In interviewing the more than 50 companies involved in corporate investment initiatives, we learned that there are as many approaches to this work as there are companies.

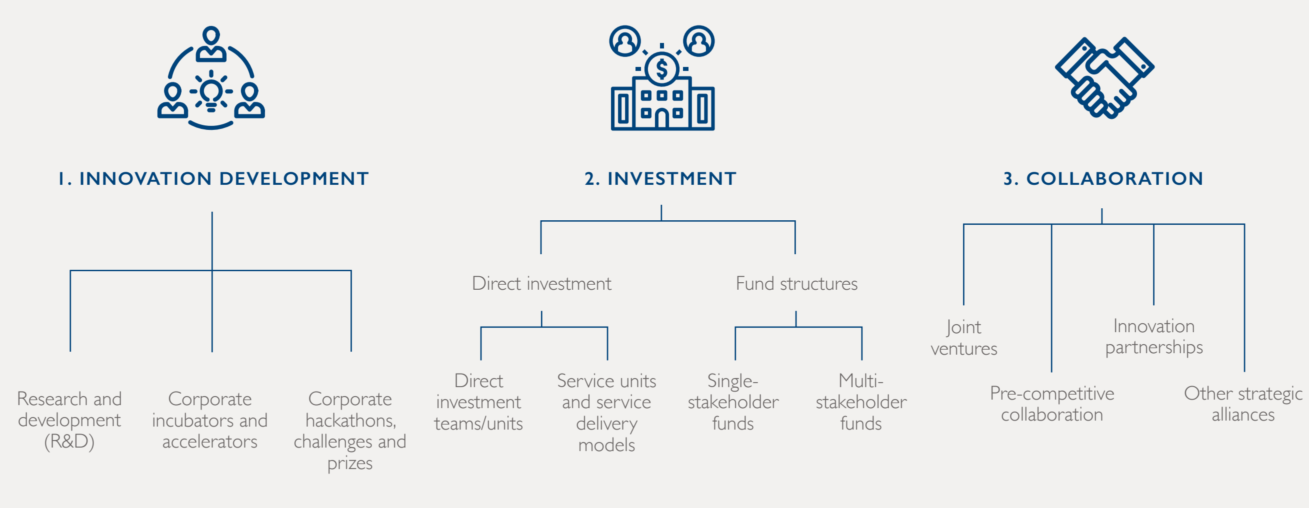
The structures companies set up are custom-fit to their context, objectives, corporate culture, resources, and timelines. Often, they evolve from one model to another. For example, in 2008, Danone, the Ramsar Convention on Wetlands, and the International Union for the Conservation of Nature (IUCN) set up the Danone Fund for Nature to restore degraded ecosystems, redevelop local economies, and combat climate change. In 2011, the fund evolved into an independent entity, rebranded as the Livelihoods Carbon Fund, to open the fund to new investors.[8,w] Evolving the model from an internal fund to an external fund enabled Danone to leverage its own contribution with other partners and retain a specialized team to manage investments.[x]

At the same time, we learned that companies face similar decisions when designing, developing, and resourcing corporate investment initiatives. The model a company chooses depends on the specific business challenge that the company needs to address, along with their business needs and investment thesis. In choosing a model, companies consider three main factors:

1. The availability of **resources** (e.g., capital, expertise, technology),
2. The degree of desired **control** of the resources and the outcomes, and
3. The **proximity** to their core business.

The types of models companies ultimately deploy can be divided into the following three categories: innovation development, investment, and collaboration **(See Figure 4.)** As we outline the models, we reference how the models impact resources, control, and proximity. We will revisit these same factors in Part IV, which explores when it makes sense for companies to enter into a partnership.

FIGURE 4. CORPORATE INVESTMENT INITIATIVES FRAMEWORK



[8] Nine other companies have since joined the Livelihoods Fund: Schneider Electric, Crédit Agricole S.A., Michelin, Hermès, SAP, CDC Climat, La Poste, Firmenich, and Voyageurs du Monde.

INNOVATION DEVELOPMENT

Innovation has always been critical for long-term business success. Throughout history, organizations that innovate successfully experience growth, profits, and access to new markets. Today's rapid pace of change means that it is even more critical for companies to innovate to survive and grow. In 1964, the average tenure of companies on the S&P 500 was 33 years. By 1990, it was 20 years, and it is forecasted to narrow to 12 years by 2027. While many factors influence this trend, disruptive change across industries greatly contributes to this shortened lifespan and highlights the need for continual innovation.[y, 9]

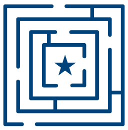
This category of corporate initiatives is focused on *developing* innovations. Companies may seek to develop innovations internally through closed innovation models like R&D, which rely on fully-controlled, internal resources to discover new viable products and services. Alternatively, they may choose to develop innovations through open innovation models, which leverage resources from outside the company. For example, companies may invite external parties to explore new ideas or innovate on core products through a hackathons or challenge, set up a corporate incubator, or sponsor a third-party accelerator.

Companies also invest in start-ups and technologies to drive their innovation (e.g., venture capital, acquisition of a company), but these initiatives tend to focus on accessing or "buying" innovation rather than *developing* innovation. Below, under the investment category, we consider a range of investment models, including investment structures used to access innovation and technology.

Innovation development models include:

Research and development (R&D) continues to be an essential mechanism for innovation within companies. It typically starts as research inside the business and stays inside the company. It tends to be costly, considering the time it may take innovations to get to market coupled with the unpredictable outcome of the investment. However, it gives the company complete control over the innovation process, safeguards intellectual property, and is often positioned closer to the company's core business.

Corporate incubators and accelerators can be either internal or external. Internal incubators and accelerators invite start-ups into the company, providing them with funding, co-working space, and corporate support or linkages. Companies may offer investment in exchange for equity ownership, and they frequently maintain full control until a new company is spun out. External incubators and accelerators are often affiliated with one or more companies and are managed by third parties. Entrepreneurs and innovators apply to limited-time, third-party programs with company sponsorship. In turn, companies provide investment in exchange for equity ownership and support. Internal models tend to focus on start-ups and technologies that are more closely linked with a company's core business. External models tend to focus on sectors that interest their corporate sponsors.[10]



Corporate hackathons, challenges, and prizes are structured yet relatively brief and cost-effective ways to foster innovation and rapid problem solving. They attract diverse talent from outside the company to solve a relevant challenge and can quickly source innovations from around the world. They build community, help recruit new talent, and strengthen brand equity.

[9] The $7.6 trillion global travel and tourism sector is a case in point: it has seen a pronounced shift in its business model, partly as a result of disruptors, such as Airbnb and Uber. Airbnb and Uber both have "asset-light" business models, i.e., they do not own their own real estate or vehicles. This model differentiates them from traditional companies in their sectors. Starwood Hotels & Resorts, for example, owned a higher percentage of its properties than most other hotel companies, which was deemed a drag on its market value and helped to force its $13.6 billion merger with Marriott in 2016. Since then, the combined company has been divesting real estate and moving toward a more asset-light approach while also investing heavily in digital technology to improve its customer experience in the face of competition with new rivals.

[10] Incubators operate over a longer cycle than accelerators. The start-ups participating in these programs tend to work on more experimental ideas and require more time to develop their product and business model.

BOX 5

THE GROWTH OF CORPORATE VENTURE CAPITAL AND EMERGENCE OF CORPORATE IMPACT VENTURING

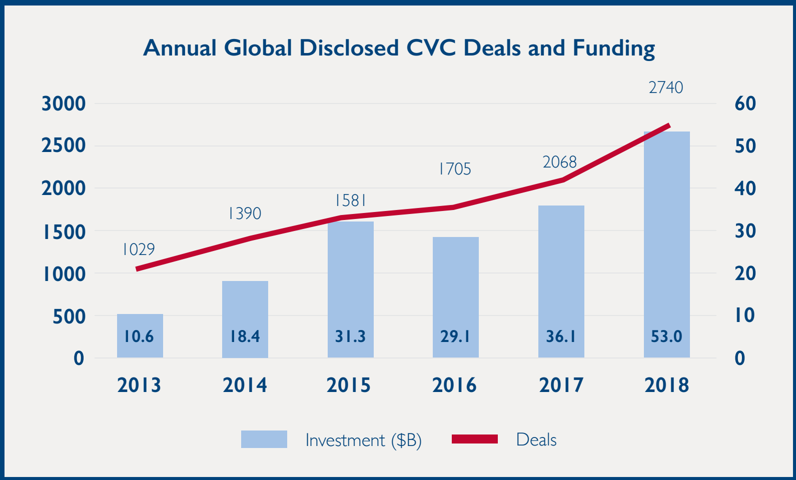
Corporate venture capital (CVC) is one of the fastest-growing areas of corporate investment. CVC investment increased from $10.6 billion in 2013 to $53 billion in 2018. Large technology companies, like Intel, Google, and Salesforce, are among the most active CVC investors. However, CVC goes far beyond the technology sector and includes financial services and insurance companies, health and pharmaceuticals, media, and agriculture.

Whether structured as a direct investment unit or a fund, CVC investments target high-growth or high-potential technologies and ventures that could provide value for the parent company. The investments are usually strategically aligned to the parent company's mission and values. CVC is most often focused on external investments but could also include investments in internal ventures.

CVC investments provide start-ups with capital, industry knowledge, and access to known markets. In return, start-ups provide the parent company market insights, access to potentially disruptive technologies, promising platforms, new markets, and financial returns. CVC investments complement other corporate innovation initiatives by deepening meaningful relationships with the entrepreneurial, start-up, and venture capital (VC) communities. CVC differs from acquisitions. Whereas acquisitions often fill a gap in capabilities, CVC expands innovation and long-term research and development efforts.

CVC has been largely focused in the U.S., Europe, Israel, and high-growth markets in Asia. However, CVC investment models are increasingly designed for new markets, including frontier markets and developing countries. The purpose and objectives remain much the same: creating linkages to local startup ecosystems, accessing or developing innovations to address local market demands, and providing market insight.

A subset of traditional venture capital, Corporate Impact Venturing (CIV) is focused on investing in impact ventures with the prospect of generating financial, strategic, social and/or environmental returns. While some investments are fully integrated into the core business, others remain at a distance, often to strengthen the ecosystem of the corporate parent. Corporate Impact Venturing is still in its infancy, but as companies are increasing CVC investments and capacity, their ability to engage in CIV is also increasing.



Sources: CB Insights 2018 Global CVC Report; "Buying Innovation: The Rise of Corporate Venture Capital." Financial Management Magazine. 1 December 2016. Tewes-Gradl, Christina; Schmidt, Alice; Leahy-Wright, Megan; Sinha, Lara. "Inclusive Business Make or Buy? Corporate Impact Venturing at the Base of the Pyramid." Endeva, 2019.

INVESTMENT

Corporate investment has been a cornerstone of economic growth and development around the world. Corporate investment falls under two broad categories: direct investment and fund (or fund-like) investment. Across these models, investments are made with the aim of achieving financial returns, strategic objectives, social and environmental impact, or a combination of the former. Corporate venture capital, for example, is motivated more by strategic returns but often incorporates financial objectives. **(See Box 5.)**

Investment models include:

Direct investment enables companies to invest capital and resources directly into companies or assets aligned with the strategy of the company to complement existing operations or R&D activities.

- **Direct investment teams/units** are seated within the company and invest from the balance sheet into enterprises or projects that relate to core business needs or future business opportunities. These teams liaise with business units and management to ensure strategic alignment.

- **Service units and service delivery models** are mainly used to invest in a company's supply chain, providing services such as training, indirect financing (*e.g.,* partnering with a lender to provide financing), and access to inputs to increase performance and sustainability. In developing markets, where service delivery structures do not exist or function poorly, companies are increasingly developing services for their supply chains. Some of these models are not yet financially sustainable and require concessional support.[z]

Note that direct financing can be combined with service provision. While many service units and service delivery models incorporate financing in their offerings, the financing is done in partnership with a third party, such as a commercial bank. In the case of these blended models, the company is providing financing directly, typically to suppliers.

Fund structures allow for one or more companies and/or other stakeholders to finance a portfolio of companies. Models that involve only one company (captive or single-stakeholder) allow the company to maintain more control over resources, investment decisions, and outcomes. A company's decision to invest alongside other companies or stakeholders— multi-stakeholder funds—may reflect the relatively high risk of an investment or the company's need to tackle a challenge of large scope and scale that requires more resources than it can individually contribute. Because this is a collective approach, companies must be willing to cede some control.

Single-stakeholder or captive funds are funded entirely or majority by a single company.

- **Internal funds** are wholly-owned subsidiaries that typically invest from the balance sheet directly into strategically or operationally relevant ventures close to a company's core business. These funds seek to close immediate gaps as a response to changes in technologies and business models and typically have an arms-length relationship with the company, which allows the fund to respond more quickly to change than the parent company. Broadly speaking, internal funds are faster, more flexible, and lower in cost than traditional R&D.

- **External funds** operate outside of the company structure and typically make investments further removed from the company's core business than an internal fund. In addition to generating potential financial returns, an external fund may provide a company with new market insights, deal flow, and access to industry experts (*i.e.*, strategic benefits). The company is the sole or dominant limited partner (LP) in the fund, which is managed by an asset manager.[11] Their exact structure is dependent on the fund objective, among other things, but it is typically similar to structures of venture capital, private equity, and impact investment funds.

Multi-stakeholder funds involve multiple companies or stakeholders that are working in a particular sector or have similar investment objectives. They enable investments in innovations that prove too risky or too expensive for one company to invest in alone. Multiple companies or other stakeholders can be LPs (or function similarly to LPs) and collectively influence decisions, diminishing one's company control over investments. By combining their capital with that of other partners or investors, a company can magnify its investment impact, which proves particularly beneficial when making very high-risk investments.

[11] A typical fund consists of a fund manager, called the general partner (GP), and its investors that commit capital, called limited partners (LPs). Limited partners mostly consist of pension funds, institutional accounts, companies, and family offices or high net worth individuals. The general partner invests the fund's committed capital, manages the portfolio of investments, and seeks to exit the investments in the future for returns. Limited partners are passive investors.

COLLABORATION

Collaboration models enable companies to leverage the assets of other organizations to access innovation, drive value creation, expand markets, share distribution or sales channels, and fine-tune business models. Working in partnership to streamline diverse efforts enables companies and other stakeholders to reduce costs and mitigate risks.

Collaboration models include:

Joint ventures are contractual partnerships that two companies or entities form to accomplish a specific project or task. Joint ventures allow companies to share costs and risks and gain mutual benefits, such as new skill sets, increased capital, or entry into new markets.

Innovation partnerships encourage innovation by partnering with external parties to explore new ideas, new sectors, or new ways to innovate on core products. To innovate rapidly, multiple or single companies or independent organizations may host or sponsor conferences, start-up competitions, or hackathons to facilitate meetups and share ideas.

Pre-competitive collaboration enables companies that are normally competitors to come together to develop a solution for a shared problem, without impacting their competitive advantage. This model of collaboration allows companies to collectively mitigate risks that jointly affect them, in addition to pooling knowledge, resources, and capabilities to problem solve complex challenges and pressing sustainability issues.

Other strategic alliances are structured collaborations between businesses, organizations, or start-ups that have a common mission and complementary capabilities to achieve the same goal. Partners contribute resources such as products, distribution channels, project funding, and knowledge to achieve a shared goal. Firms enter alliances for reasons such as building economies of scale, entering new markets, and sharing risk.

More detail on corporate investment initiative models can be found in Appendix A.

Photo Credit: Thomas Cristofoletti, USAID. Workers at the quality control line organizes bars of chocolate at Casa Luker, an international chocolate company, based in Bogota, Colombia, that sources about 10% of its raw cacao from Chocolate Colombia: a USAID-supported growers' collective that helps around 1,500 families grow better cacao and get a fair price for their crop.

Case Studies

Service Delivery Model

CASE STUDY

NKG BLOOM

Sector Focus: Coffee

Geographic Focus: Uganda, Kenya, Colombia, Honduras, and Mexico

CORPORATE DESCRIPTION

Neumann Kaffee Gruppe (NKG) is a German-based leading green coffee service group, offering a range of services along the global green coffee value chain. NKG is composed of 50 companies, working in 27 countries.

MODEL ATTRIBUTES

Number of Corporates

- ☑ Single Parent *(with multiple sub-companies)*
- ☐ Multiple

Funding Source

- ☑ On-Balance Sheet
- ☐ Off-Balance Sheet

Pre/Post Competition

- ☐ Pre
- ☑ Post

PROBLEM

Despite favorable conditions and global demand for coffee, smallholder coffee farmers operate at low productivity due to a lack of reliable access to agronomic skills, inputs, finance, and markets.

SOLUTION

NKG Bloom is NKG's global sustainable sourcing initiative. This **service delivery model** directly invests into farmers by providing critical inputs (fertilizer) and financing (cash advances).

In late 2019, NKG Bloom will launch in six countries, after piloting successfully in Uganda. While operations are funded by NKG, farmer lending is supported by external blended capital. A $25 million facility will support lending to farmers, which was capitalized by three European commercial banks and two complementary credit guarantees from USAID and IDH.

BENEFITS

Returns on Capital: increased revenue for farmers and NKG from value chain visibility

Risk Management: improved long-term business sustainability

CHALLENGES

- Global strategies require local solutions. NKG Bloom provides overarching principles, but interventions need to be localized
- Sustainable value chains require a long-term commitment, and need ongoing support and investment from both NKG and donors

Source(s): ISF interviews and analysis; "NKG Bloom Uganda," 2019, https://uganda.nkgbloom.coffee/ NKG Bloom website; "NKG Bloom Latest News," 2019, https://uganda.nkgbloom.coffee/news/.

Photo Credit: Ben Edwards, USAID

PARTNER ROLES

Current Corporate Role

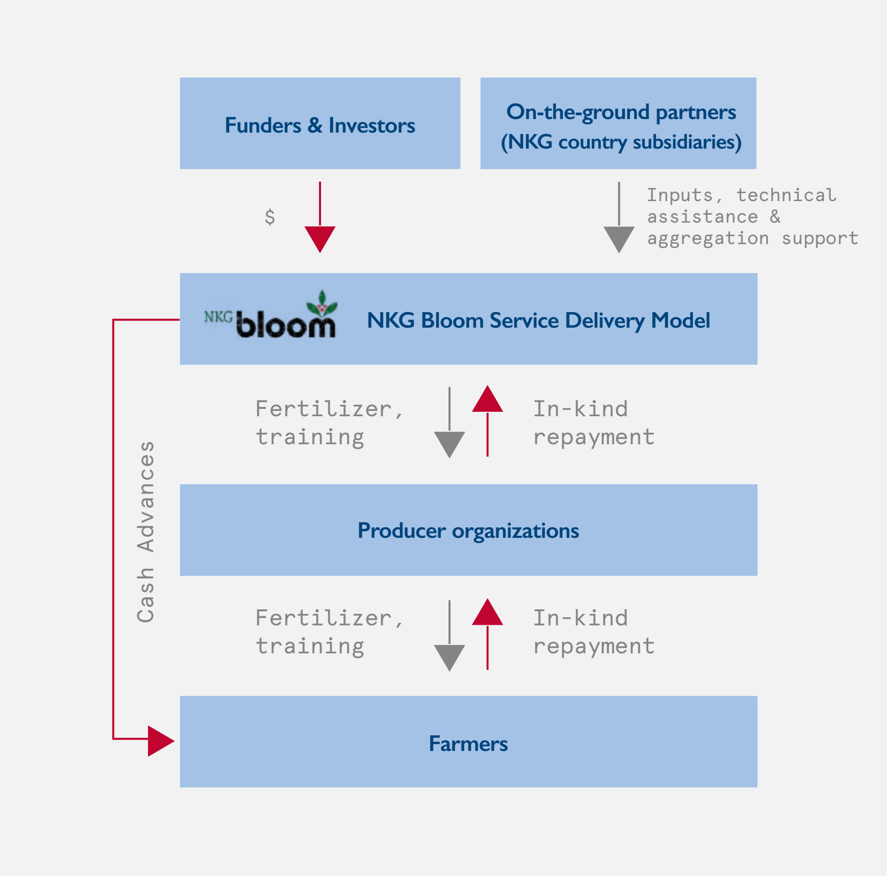
NKG established NKG Bloom and funds operational expenses.

Current Development Agency

USAID and IDH, the Sustainable Trade Initiative, providing guarantees to support expansion of NKG Bloom.

Current Investor

Capitalization of blended finance facility for farmer lending.



IMPACT

Pilot reached ~2,500 Ugandan farmers with fertilizer and cash advances

Expansion targets 300k coffee families in at least 10 coffee producing countries by 2030

Increased farmer yields by +150% in Uganda

Hybrid Model

FOUNDERS FACTORY AFRICA | **Sector Focus:** None | **Geographic Focus:** Africa

FOUNDERS FACTORY. AFRICA

CORPORATE DESCRIPTION

Part of the wider Founders Factory family, Founders Factor Africa (FFA) is a venture development company, building and scaling 140 businesses in the next 5 years across Africa.

MODEL ATTRIBUTES

Number of Corporates

- [ ] Single
- [x] Multiple

Funding Source

- [x] On-Balance Sheet
- [ ] Off-Balance Sheet

Pre/Post Competition

- [x] Pre
- [ ] Post

PROBLEM

Despite the large captive market in Africa, there is a lack of pipeline of scaled businesses due to logistical, geographic, and political challenges. Startups do not have access to or cannot afford talent that can build (engineering, technology, data science, design, etc.) the businesses to massive scale.

SOLUTION

FFA is a hybrid model encompassing aspects of the multi-stakeholder fund, accelerator, and innovation partnership models. FFA provides equity and expertise to start-ups across Africa through its: (1) tech and design lab; (2) team of specialists in start-up development and capital raising; (3) exclusive partnerships with corporate investors; and, (4) connections to a global network of entrepreneurs, corporates and investors.

Founders Factory Africa **scales existing businesses and builds new ventures.** Through its Makers Lab and a team of 45+ experts across all areas required for startup growth (UX/UI, data science, finance & investment, etc.), FFA's approach is to be hands-on and tailored to each specific business. FFA also offers access to its corporate investors, committed to using their resources and assets to enable startups to scale faster.

BENEFITS

Growth: Corporate/investor access to local market innovation and new markets; Corporate expansion of customers and product/service offering

Returns on Capital: increased long-term viability for portfolio companies

Risk Management: Mitigates investment in high risk innovations

CHALLENGES

Difficult to attract corporate investors with no previous corporate venturing experience.

Source(s): Lion's Head Global Partners interviews and analysis; "Founders Factory Africa," 2019, https://foundersfactory.com/africa/

Photo Credit: Founders Factory Africa

PARTNER ROLES

Current Corporate

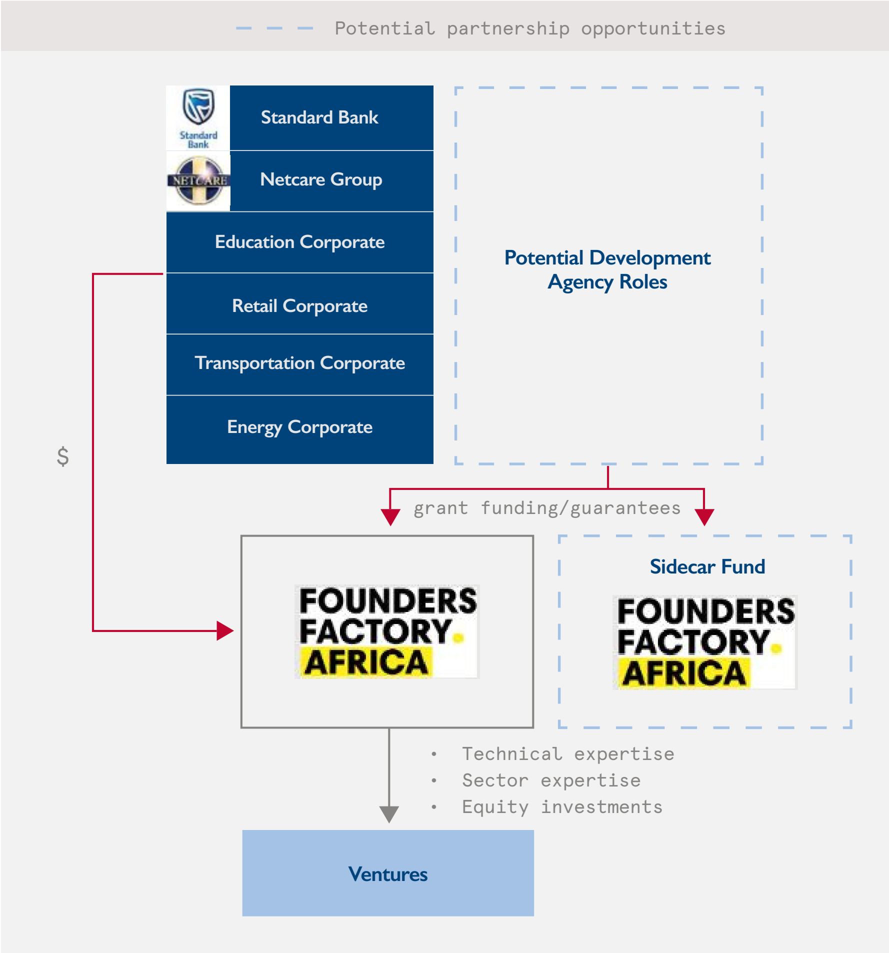
Standard Bank and Netcare provide investment; a third investor is being closed in Fall 2019.

Development Agency Opportunity

Funding: Can provide grant funding or guarantees to the FFA funding pool or funding for technical assistance.

FFA Sidecar Fund: Can use guarantee product to help establish a fund to invest into a portfolio Accelerator/ Incubator companies.

Market Insights and Convening Power: Can use market insights in terms of sectors, development focus, and regulatory questions. Can lever development agency network for additional support.



IMPACT

Supports high risk innovations in sectors beneficial to the economy and society

Intends to scale 140 start-ups in 5 years across Africa

£10m raised already with Standard Bank and Netcare

Strategic Partnership

CASE STUDY

FARM TO MARKET ALLIANCE

Sector Focus: Agriculture **Geographic Focus:** Africa

FARM TO MARKET ALLIANCE
Making markets work better for farmers

CORPORATE DESCRIPTION

Farm to Market Alliance (FtMA) is a multi-stakeholder public-private consortium of agri-focused organizations formed to empower farmers in Sub-Saharan Africa, create strong markets, and improve food security. Members include: AGRA, Bayer, Rabobank, Syngenta, World Food Programme and Yara.

MODEL ATTRIBUTES

Number of Corporates

- [ ] Single
- [x] Multiple

Funding Source

- [ ] On-Balance Sheet
- [x] Off-Balance Sheet

Pre/Post Competition

- [x] Pre
- [ ] Post

PROBLEM

Smallholder farmers are subject to a range of systemic barriers — including disconnect between farmers and markets, financing gaps, lack of technology and quality inputs, and post-harvest loss—that limit market development and value chain efficiency.

SOLUTION

FtMA is a **strategic partnership** between agricultural companies, financial institutions, donors and NGOs. Four interventions include: (1) access to predictable markets by designing forward delivery contracts with commercial off-takers, (2) affordable finance by providing farmers and aggregators access to credit and/or crop loss insurance, (3) technology and quality inputs by offering financing options to access quality inputs. Transactions are traced electronically to help establish a credit history for farmers, (4) handling and storage solutions by promoting access to equipment and trainings to improve handling.

BENEFITS

Growth: New markets and product development

Returns on Capital: increased farmer productivity and produce quality

Risk Management: Establishes credit history for farmers; access to insurance products

CHALLENGES

- A global program requires formal knowledge sharing processes across country operations.
- The model needs to be developed and scaled before expanding to new markets.

Source(s): ISF interviews and analysis; "Farm to Market Alliance," 2019, https://ftma.org/

Photo Credit ACDI VOCA / David Osorio

PARTNER ROLES

Current Corporate Role

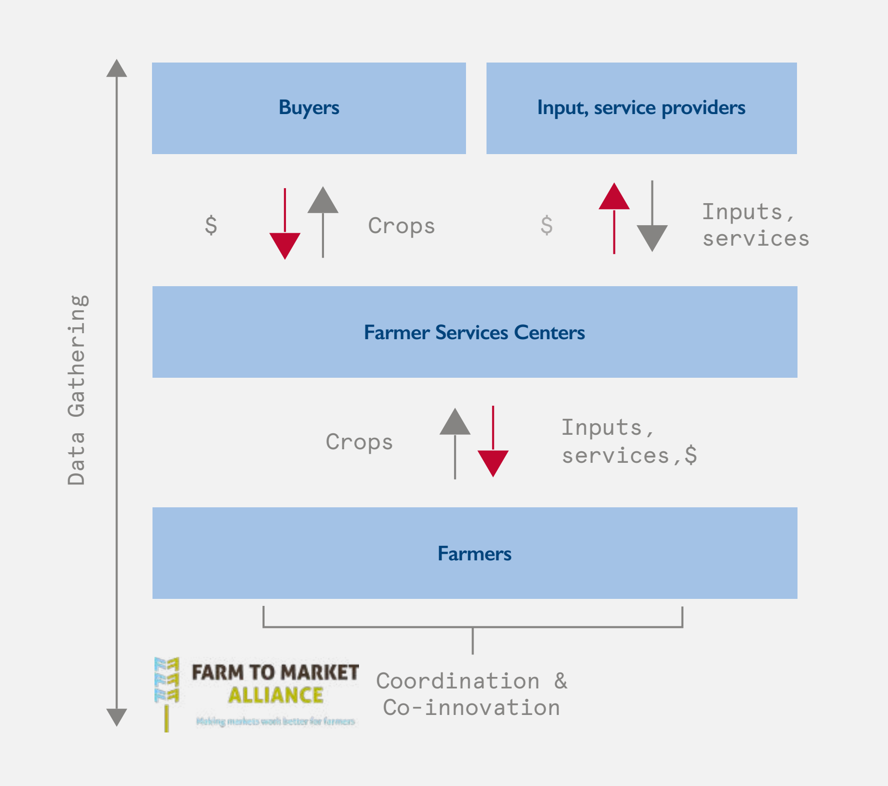
Bayer Crop Science AG, Syngenta Crop Protection AG, and Yara International ASA provide inputs.

Current Development Agency

UKAID (UK Aid Direct), GAFSP (Global Agriculture and Food Security Program), and USAID provide core support.

Current Investor

International Finance Corporation (IFC), Rabobank, and local institutions provide financing options and insurance.



IMPACT

Achieved a 60% increase in farmer's income and reduced post-harvest losses for 92% of farmers

Planted 32,000 hectares

Engaged 146,000 farmers, 45% of which are women

Intermediated about $25 million in crop purchases from over 150,000 hectares, representing 65,000 metric tons of production volume

Multi-Stakeholder Fund

GOOD FASHION FUND

Sector Focus: Apparel/footwear

Geographic Focus: S/SE Asia, mainly India, Bangladesh, Vietnam

GOOD FASHION FUND

CORPORATE DESCRIPTION

Fashion for Good is a platform for sustainable fashion innovation, founded by the C&A Foundation. Its Good Fashion Fund invests in circular innovations to reduce waste in apparel manufacturing. Partners include Adidas, Kering, PVH, Groupe Galeries Lafayette, Bestseller, Stella McCartney, Zalando, Otto Group, and Target.

MODEL ATTRIBUTES

Number of Corporates

- [ ] Single
- [x] Multiple

Funding Source

- [x] On-Balance Sheet
- [ ] Off-Balance Sheet

Pre/Post Competition

- [x] Pre
- [ ] Post

PROBLEM

Fashion is caught up in a pattern of 'take-make-waste', which causes devastating environmental impacts and economic losses. On average, 60 percent more clothing items are purchased than compared to 15 years ago, 3,000 liters of water are needed to produce a kilogram of cotton and over 70 percent of all textiles produced end up being burned or in landfills within 1 year of being made. Circular innovations are currently not being adopted at scale by manufacturers due to a lack of financial vehicles to mitigate the risk of investing in innovations in the sector and lack of expertise to assess these innovations.

SOLUTION

The Good Fashion Fund is the third initiative of Fashion for Good, in the wake of its accelerator and scaling programs. GFF aims to support the development of disruptive technologies and circular innovations and help manufacturers and operators in the apparel and footwear industry build a restorative and regenerative supply chain.

This **multi-stakeholder fund** makes debt into innovative companies, serving as a first loss tranche, allowing the investees to unlock more funding from local banks.

BENEFITS

Growth: Access to new value chain companies and cutting edge innovations

Returns on Capital: Optimize supply chains, including through less energy and water-intensive processes; Product premium through new, more sustainable product

Brand Equity: Visible effort to transform industry and develop new products that retain and attract customers

CHALLENGES

Lack of historical data on similar investments: Perception of high (or unknown) risk by investors, requiring a blended capital structure with concessional investors willing to take higher risk / lower returns.

Source(s): KOIS interviews and analysis; "Good Fashion Fund," 2019, https://fashionforgood.com/good-fashion-fund/

Photo Credit: IESC / Steve Dorst

PARTNER ROLES

Current Corporate Role

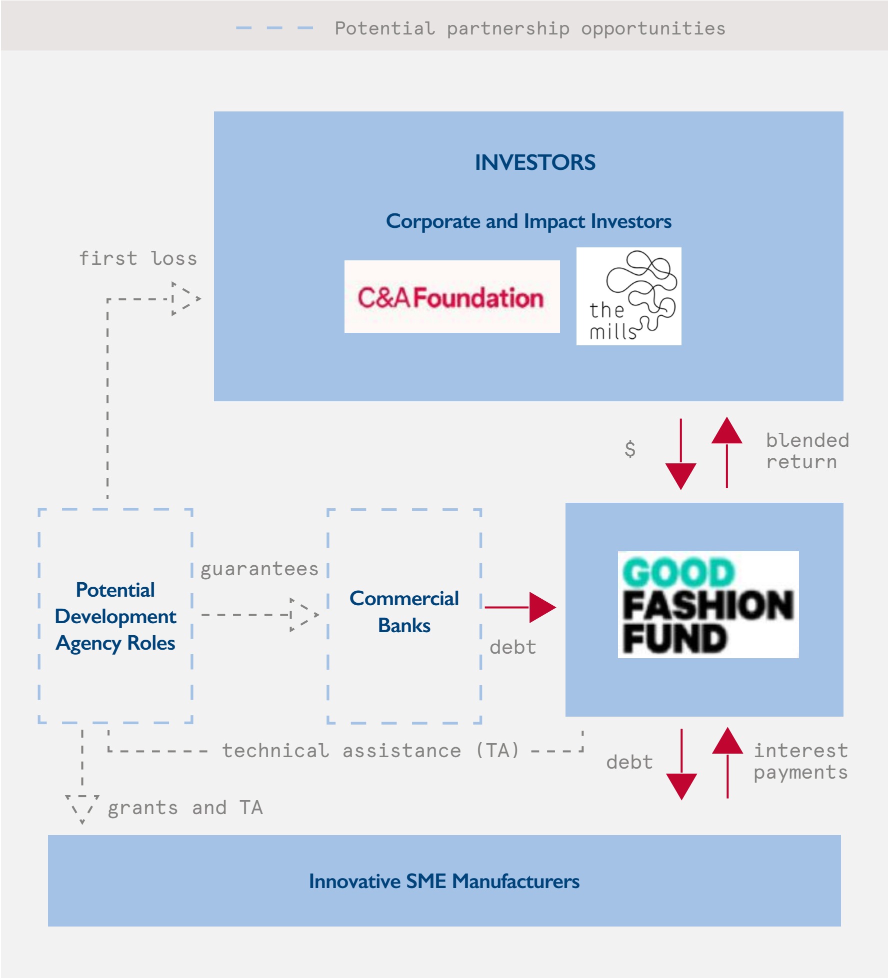
Initiated by Fashion for Good, the Fund is a collaboration between C&A Foundation, The Mills Fabrica and Fount (impact investment firm). C&A Foundation and The Mills Fabrica are anchor investors, serving as a first loss tranche allowing investees to unlock more funding from banks and other impact investors.

Current Development Agency

Development agencies can provide: 1) grants and technical assistance to investees; 2) loan guarantee to facilitate investees' access to affordable credit provided by local banks; 3) technical assistance at fund level; and/or 4) loan guarantee to help secure senior debt by de-risking loans from commercial banks.

Current Investor

The impact investment fund is actively raising additional investment (equity and senior debt) from impact and corporate investors. Commercial banks can provide debt directly to the fund or to SMEs.



IMPACT

Promotes the use of recyclable and safe materials, clean energy, closed-loop manufacturing

Creates fair jobs with local manufacturers and operators

$60 million to be invested in S/SE Asia in a layered capital structure

WHY DO COMPANIES PURSUE CORPORATE INVESTMENT PARTNERSHIPS RATHER THAN INVESTING ALONE?

A Clear Business Need that a Company Cannot Solve on its Own

In this section, we explore why companies pursue corporate investment partnerships rather than investing alone. Not all corporate investment models offer the same opportunities for partnering. In some models, development agencies and/or investors have a clear, additive role to play. In other models, the need for their support is less clear.

There is also tremendous variability between companies, development agencies, and investors. Every organization has different operational capabilities and limitations, varying risk-return expectations, and even different reasons to be concerned about sustainability. The reality is that developing partnerships across institutions is not always easy or efficient. So, when does it make sense to pursue a corporate investment partnership?

Companies generally choose to develop investment models on their own when there is a high level of proximity to their core business, they have sufficient resources available to tackle the challenge, and they want a high degree of control over resources and outcomes. As discussed in the previous section, these factors are the same three that companies consider in assessing different models for investment in sustainability. Companies also choose to develop their own initiatives to avoid common challenges that arise with partnerships, such as more complicated or prolonged decision-making, mismatched funding cycles and project development timelines, shifting partner priorities, and the need for long-term resource commitments.

> Based on our research, the most effective partnerships are motivated by a clear business need that a company cannot solve effectively or efficiently on its own.

This situation may arise when a company faces resource or expertise constraints or when a business problem falls outside of the company's influence, control, or core business area. A company may also pursue partnerships when the risks of tackling a challenge alone are too high or when it wants to improve its reputation or raise awareness of the challenges in a particular sector or industry.

Generally, companies that seek development agency support or investor capital are exploring an external model rather than an internal one. A company uses its resources (*e.g.,* personnel, management, balance sheet) to make and manage investments when developing an internal investment model. Conversely, when developing an external model, investment is done off-balance sheet through third-party providers or with an external or independent team and governance structure. An internal investment model that is aligned to the company's core business and under tight company control likely offers fewer opportunities to partner than an external one. That said, internal initiatives can offer opportunities for development agencies and investors to partner, but these opportunities are more constrained; thus, the value is imbalanced towards companies.

HOW CAN DEVELOPMENT AGENCIES SUPPORT CORPORATE INVESTMENT IN SUSTAINABILITY?

Tools to Sustain Growth, Improve Returns on Capital, Deepen Risk Management, and Enhance Brand Equity

FIGURE 5. TOOLS THAT DEVELOPMENT AGENCIES CAN USE TO SUPPORT CORPORATE INVESTMENT

SUSTAIN/ACCELERATE GROWTH

Support new market expansion

- Networks and relationships to facilitate market entry
- Market information to address information gaps or asymmetries
- Convening of stakeholders with market knowledge and expertise

Support innovation and product development

- Grant support for early-stage ideation and R&D, especially for a consortium
- Grant support for challenges and prizes to identify innovators and new technologies, increasing access to innovation and pipeline development

Test new business models

- Technical assistance for concept development and/or monitoring and evaluation of impact objectives
- Concessionary capital to establish proof of concept and crowd-in additional partners or investors

IMPROVE RETURNS ON CAPITAL

Optimize supply and value chains

- Training and technical assistance to partners/ providers to bolster on-the-ground capacity
- Loan guarantees to facilitate working capital to value chain farmers/SMEs
- Technical assistance to lenders to expand banking to an underfinanced sector

DEEPEN RISK MANAGEMENT

Mitigate real and perceived risks

- Guarantees and hedging tools to increase local currency lending
- Concessional capital to reduce risks and lower the capital costs Guarantees to spur co-investment and reduce corporate exposure

Improve the business-enabling environment

- Advocacy on policy and regulatory changes with host country governments, enabling a company to capture opportunities and avoid risks resulting from regulatory shifts
- Improve capacity of host-country government to create strong business-enabling environment

ENHANCE BRAND EQUITY

Validate impact

- Technical sector expertise to validate social and environmental impact
- Financial and non-financial support can signal endorsement of impact

Source(s): ISF, Hystra, and KOIS analysis; USAID Private-Sector Engagement Policy

In this section, we explore tools development agencies have that can help companies drive sustainable growth and meet shared social and environmental impact goals. Much of the original intention of this report was to determine how development agencies, specifically USAID, could more effectively work with corporates under their new models of investment. Yet, as we interviewed and spoke with companies, we recognized a gap in companies' understanding of what resources are available from development agencies and how they benefit corporate investment in sustainability. Below, using the earlier framework of growth, returns on capital, brand equity, and risk management, we articulate ways that development agencies can support corporate investment in sustainability.

Development agencies tools and approaches include both financial support (e.g., concessionary capital and grants, technical assistance and training, and guarantees) and non-financial support (e.g., information sharing to address information gaps, convening stakeholders and potential partners to facilitate market entry, and advocacy for a better business-enabling environment).

Applying these tools and approaches, development agencies can support companies' growth as they expand to new markets, innovate on their products, and transform their business models in ways that deliver critical products and services. Development agencies can help companies optimize their supply and value chains by working with suppliers to improve product quality and supply chain resiliency, which in turn improves livelihoods over the long term. They also have the tools to help companies manage risks—either directly through risk mitigation tools (e.g., guarantees, insurance products, and concessional capital) or indirectly through mobilizing new partners and investors. Finally, development agencies can validate impact by utilizing sector and local expertise to understand the broader implications of corporate investment initiatives.

WHERE DO WE GO FROM HERE?

Recommendations for More Effective Corporate Investment Partnerships

Corporate investment partnerships have immense potential. They can help companies shore up their supply chains, enhance their reputations, and ensure long-term sustainability. They can help investors reduce their risk and meet their goals for impact. And they can help development agencies move the needle on tough social and environmental challenges. The stakes are high for everyone involved.

BOX 7

DONOR SUPPORT ENHANCES NESPRESSO'S INVESTMENT IN COFFEE REVIVAL

Recognizing that excellent coffee stems from ecosystems where production is underdeveloped, under threat, or decimated, Nespresso works to support coffee farmers in countries such as Puerto Rico, South Sudan, and Ethiopia and Kenya. Different donors partnered with Nespresso and other investors to offer debt financing and cooperatives (e.g., the Rockefeller Foundation for support in Puerto Rico; USAID for support in South Sudan; and the World Bank's BioCarbon Fund in Ethiopia and Kenya). These initiatives are structured to cover capital expenditures and working capital associated with coffee revival and Nespresso's AAA Sustainable Quality certification program. Through financial and technical support, Nespresso's AAA certification works to foster long term relationships with farmers, embed sustainable practices on farms, and improve the quality and yield of harvests. This process not only leads to improved **returns on capital** and better **supply-chain optimization,** but it also validates Nespresso's **brand equity** as an inclusive and sustainable company.

Sources: KOIS research and interviews; "World Bank Group and Nespresso partner to help coffee farmers in East Africa." Nespresso. 2016.

Yet, advancing these models through corporate, investor, and development agency collaboration is difficult. The challenges being tackled are large and complex with threats that lie outside any one organization's control. Orchestrating collective effort is possible, but it requires a new scale of leadership as well as a new range of leaders.[aa]

Across different types of organizations (company, development agency, and investor), there is a need to build on and strengthen platforms and venues to connect and share knowledge. As it stands, the networks are fragmented, but interesting ones are emerging. Platforms like Business Fights Poverty, the United Kingdom's Department for International Development's Business Innovation Facility, and MIT's Practical Impact Alliance not only share knowledge but also empower entrepreneurs and new leaders with the toolkits to develop successful initiatives.[12] They are urging informal yet effective accountability for progress and impact.

Corporate investment partnerships will require more unconventional alliances than traditional CSR-centric partnerships. Development agencies are often more comfortable working with companies' foundations or dedicated sustainability units rather than the commercial business. Likewise, the commercial side of a business is often unaware of how development agencies can support their efforts. Networks can work to spur development of these unconventional alliances by deliberating bringing together leaders and drivers of change that do not traditionally engage with each other.

However, beyond networks, companies and development agencies must also be willing to build their internal capacity. To understand each other more deeply, both must bring in new talent and cultivate internal skills so that staff can communicate effectively with their counterparts and better identify, evaluate, and develop partnership initiatives. They must also be willing to break down their silos. For development agencies, this may mean bringing together skillsets dispersed throughout the organization. For example, evaluating a water-related corporate fund structure may require a combination of water sector, local market, and investment expertise. For a multinational, it may mean coordinating between its corporate venture capital arm that invests in more efficient energy technologies and its sustainability unit that applies these innovations in new markets.

[12] ISF Advisors researched and catalogued 11 different initiatives and knowledge platforms on corporate engagement and inclusive business in May 2019. This list includes: UNDP Business Call to Action (BctA), Business Fights Poverty (BFP), Inclusive Business Action Network (IBAN), Business for Social Responsibility (BSR), DFID Business Innovation Facility, League of Intraprenuers, Aspen Network of Development Entrepreneurs, MIT Practical Impact Alliance, The Unreasonable Group, Innovation Forum UK, and Convergence.

Finally, companies, development agencies, and investors operate at different speeds and have different planning and funding cycles. Corporate investment partnerships address issues that require sustained attention, but that does not mean that every partner needs to stay engaged over the entire lifespan of an initiative. Instead, as development agencies embrace market-driven development approaches, it is increasingly important for them to identify and evaluate appropriate entry and exit points for their participation in a partnership. Development agencies must ensure that company and market needs determine how they can add the most value, given the type of the capital they deploy, the speed at which their capital can be deployed, and the length of time the capital can be deployed.

The best way to learn is through practice. Rather than looking for the one perfect partnership opportunity, development agencies must also consider creating a portfolio of corporate investment partnerships. Testing many models and partnership structures will be needed to build capabilities across stakeholders and develop a body of evidence on the best methods of collaboration and partnership. Flexible funding will be required to test these new partnership models. It will also be necessary to acknowledge and accept that partnership opportunities may not always work out. The more experience we have in creating corporate investment partnerships, the better we will get at creating robust solutions to complex, inter-connected social, environmental, and business challenges.

Photo Credit: ACDI VOCA / David Osorio. The cocoa farmer is a member of the Pacifico Productivo cooperative, which is benefiting from USAID technical assistance in planting, grafting, harvesting and post harvesting techniques as well as assistance to improve commercial relationships with potential buyers.

Glossary of Terms

Brand Equity: The commercial value that derives from public perception of the brand name of a company, product, or service, rather than from the product or service itself. Positive impact from brand equity may include customers' willingness to pay a higher price for products; improved license to operate; and, the ability to attract and retain employees.[bb]

Captive or Single Stakeholder Fund: A fund that is financed entirely or majority by a single company. This structure may be internal to the corporate as a wholly-owned subsidiary that invests from the balance sheet, or external to the corporate and operates outside of the corporate structure.

Challenges and Prizes: Competitions among individuals or businesses to address a specific issue or source new innovations and business models. Companies use cash prizes and other incentives to reach beyond the "usual suspects" and increase the number of problem-solvers addressing a critical issue.

Closed Innovation: Innovation generated within a company, using internal knowledge, resources, and expertise. Closed innovation makes little-to-no use of external resources.

Collaboration Models: Partnership models which enable companies to leverage the assets of other organizations to access innovation, drive value creation, expand markets, share distribution or sales channels, and fine-tune business models. Examples include pre-competitive collaboration, innovation partnerships, joint ventures, and other strategic alliances.

Corporate Accelerator: A specific form of start-up (or seed) accelerators that are sponsored by an established for-profit corporation. Like traditional start-up accelerators, corporate accelerators support early-stage start-up companies through mentorship, office space, and, often, capital. In contrast to traditional programs, corporate accelerators derive their objectives from the sponsoring company. These objectives may include capturing opportunities related to emerging trends or establishing a funnel for corporate venture capital investments. [cc]

Corporate Hackathons: A fast-paced gathering where individuals and startup businesses together to build new products or solve an existing problem in a fixed period of time (usually one to three days). The brief event engages local design, development, and marketing talent to hear their ideas, prioritize solutions, and prototype/experiment to discover if the solutions work. Hackathons can also be structured internally, bringing together employees from across the organization, breaking down silos that may exist in a corporate bureaucracy. Internal hackathons can address internal issues (e.g. workflow issue) or focus on the creation of new products.[dd]

Corporate Incubators: Similar to accelerators, incubators engage start-ups, often provide physical space, and offer mentorship and networks. Unlike accelerators, incubators operate over a longer cycle than accelerators. The start-ups participating in these programs tend to work on more experimental ideas and require more time to develop their product and business model. In addition to what the innovation themselves offer, corporate incubators can also strengthen the innovation ecosystem inside the company. [ee]

Corporate Investment Initiatives (in Sustainability): Investments made by a company to create long-term stakeholder value by addressing social, economic, and environmental opportunities and risks to a company.

Corporate Investment Partnerships: Emerging category of partnerships that brings companies, development agencies, and investors to efficiently coordinate investments of capital and capabilities, such as talent, expertise, and local knowledge, to focus on growth and sustainability.

Corporate Impact Venturing: The practice of a company taking equity in impact ventures with the prospect of generating financial, strategic, social, and/or environmental returns. Instead of creating their own inclusive business models, the company invests externally via direct investment, self-managed funds, or third-party funds, depending on their level of desired involvement[ff]

Corporate Social Responsibility (CSR): A corporate's voluntary commitment to further some aspect of social good. Traditional CSR is often not related to the core business strategy and focuses instead on philanthropic giving, improving employee morale, giving back to the community, or helping the environment.[gg]

Corporate Venture Capital (CVC): Investment of corporate funds directly into high-growth or high-potential technologies and ventures that could provide value for the parent. CVC is most often focused on external investments, but it could also include investments in internal ventures. CVC investments provide start-ups with capital, industry knowledge, and access to known markets and complements other corporate innovation initiatives by deepening meaningful relationships with the entrepreneurial, start-up, and venture capital (VC) communities.[hh]

Direct Investment Team/Unit: An entity seated within a company that invests from the balance sheet into enterprises or projects that are related to core business needs or future business opportunities. The team or unit liaises with business units and management to ensure strategic alignment.

External Fund: A fund that operates outside of the corporate structure and is typically able to make investments further removed from the core business than an internal fund. The fund may have a similar structure to a venture capital, private equity, or impact investment, depending on the fund objective.

General Partner (GP): Entity is responsible for the management of a fund. The general partner invests the fund's committed capital, manages the portfolio of investments, and seeks to exit the investments in the future for returns.

Growth: For the purposes of the report, the term growth focuses on top-line growth from increased revenues as a result of increased product or services sales/income. This may be achieved through entry into new markets, acquisition of new customers, and development of new products or services.

Limited Partner (LP): External investors to a fund are generally limited partners. Limited partners are passive investors and generally consist of pension funds, institutional accounts, companies, family offices, and high net worth individuals.

Innovation Development: Production of new products, technologies and services. Innovation development may take place through closed innovation models, i.e. innovation generated within the company like R&D. It can also take place through open innovation models, which leverage resources from outside the company (e.g., hackathons, challenges, incubators, and accelerators).

Innovation Partnerships: Collaboration models that encourage innovation by partnering with external parties to explore new ideas, new sectors, or new ways to innovate on core products. For example, multiple or single corporates or independent organizations host or sponsor conferences, start-up competitions, or hackathons.

Integrated Bottom Line: A process for integrating financial, environmental, and social costs and benefits into a unified measure of business activity. An Integrated Bottom Line differs from a Triple Bottom Line in that all measures are combined into one balance sheet and income statement (instead of separated into three, different ones).[ii]

Internal Fund: A fund that functions as a wholly-owned subsidiary of a company and invests from the balance sheet close to the core business. The corporate acts as the sole or dominant limited partner (LP) in the fund managed by an asset manager without the influence of external stakeholders or limited partners.

International Development Agencies: Organizations, like USAID, that provide development assistance and humanitarian aid in developing countries. Most developed countries manage their Overseas Development Assistance (ODA) contributions through an international development agency.

Joint Venture: A collaboration model structure that works as a contractual partnership that two corporates form to accomplish a specific project or task. These ventures allow the companies to share costs and risk and gain mutual benefits, such as new skill sets, increased capital, or entry into new markets.[jj]

Multi-Stakeholder Fund: A fund structure that involves multiple corporates and/or stakeholders that are working in a particular sector or have similar investment objectives. These structures often enable investments in innovations that prove too risky or too expensive for one company. Multiple corporates and/or stakeholders can be LPs and collectively influence decisions. By combining their own capital with that of other partners, a corporate can magnify its investment impact, which proves particularly beneficial when making very high-risk investments.

Off-Balance Sheet Investment: Investment that does not appear on a company's balance sheet as an asset or liability. Although not recorded on the balance sheet, they are still assets and liabilities of the company.[kk] For example, a joint venture or investment in an externally-managed fund are made off-balance sheet.

On-Balance Sheet Investment: Investment using a company's cash reserves. These investments are report as an asset on the company's balance sheet. The company manages on-balance sheet investments directly.

Open Innovation: Open innovation invites external parties to explore new ideas, new sectors, or new ways to innovate on core products. Examples of open innovation include: hackathons, challenges and prizes, and accelerators.[ll]

Pre-Competitive Collaboration: A collaboration model that enables companies who are normally competitors to come together to develop a solution for a shared problem, without impacting their competitive advantage. This model of collaboration allows companies to collectively mitigate risks that jointly affect them, in addition to pooling knowledge, resources, and capabilities to problem solve complex challenges and pressing sustainability issues.

Purpose: Articulation of why a company exists. Articulated and integrated well, purpose is a driver of business decisions and company growth. It attracts and motivates employees and consumers.

Research and Development (R&D): Activities companies undertake to innovate and introduce new products and services. It is often the first stage in the development process. The goal is typically to take new products and services to market and add to the company's bottom line.[mm]

Resilience: The ability of a company to anticipate, accommodate, and recover from risks, shocks, and stresses. It is about managing change in the context of dynamic (and sometimes volatile) systems, and eventually thriving. [nn]

Returns on Capital: Calculation used to assess how well a company is allocating capital to generate returns. For the purposes of this report, we look at how companies can improve their returns through reduced operational costs as well as increased product revenues.

Risk Management: A company's management of threats to growth, returns, or reputation to capture opportunities stemming from resource scarcity, climate change, community risks, or new regulations and standards. [oo]

Service Delivery Model: An investment model that is used to invest in a company's supply chain. This structure provides direct services, such as training, access to inputs, and indirect financing to farmers or other firms in a companies' supply chain to increase their performance and sustainability. [pp]

Stewardship: The responsibility that businesses must understand and manage their impacts—both positive and negative—on the environment. Stewardship creates positive financial value for companies as being socially responsible can help a company earn license to operate in new markets as well as attract and retain talent. [qq]

Strategic Alliances: Structured collaboration between businesses, organizations, and/or start-ups that have a common mission and bring both different and complementary capabilities to achieve the same goal. Partners contribute resources such as products, distribution channels, project funding, and knowledge toward their mutual goals.

Sustainable Growth: Growth that is repeatable, ethical, and responsible in its impacts on current and future communities.

Sustainability: A business strategy that creates long-term stakeholder value by addressing social, economic, and environmental opportunities and risks material to a company. [rr]

Appendix: Corporate Investment Models and Examples

Model Category	Model Type	Purpose of the Model	Structure of the Model	Examples
INNOVATION DEVELOPMENT	**Research and Development (R&D)**	R&D allows a company to stay ahead of its competition by innovating and introducing new products and services. It may lead to patents, copyrights, and trademarks as discoveries are made and products created.	R&D is usually separate from a company's operational activities. The company usually maintains full control of its R&D assets at all times. It is typically not performed with the expectation of immediate profit. Instead, it is expected to contribute to the long-term profitability of a company.	**Unilever R&D**
	Corporate Incubators and Accelerators	Corporate incubators and accelerators boost a company's innovation capabilities by channeling new ideas and technologies from the outside into the traditional organization. Innovation may be for the purposes of capturing growth opportunities related to emerging trends, establishing a funnel for corporate venture capital, or integrating elements of a start-up to drive a shift in the business model. Internal incubators and accelerators can also be used to improve the innovation culture within the agency.	For internal incubators and accelerators, companies invite start-ups into the company and provides funding, co-working space, corporate support, and/or linkages. Internal incubators and accelerators tend to focus on start-ups and technologies that are more closely linked with the core business For external incubators and accelerators, start-ups apply to limited-time, third-party programs with corporate sponsorship; and companies provide investment in exchange for equity ownership and support. External models usually remain closely bound to the sectors that interest their corporate sponsors.	**MundiLab** (MunichRe) **TRANSFORM** (Unilever & DFID)
	Corporate Hackathons/ Challenges/ Prizes	Hackathons, challenges, and prizes foster innovation and quick problem solving by inviting external parties to explore new ideas, new sectors, or new ways to innovate on core products. These models also work to recruit talent and strengthen corporate public relations.	A company may act as a host, sponsor, or participate in a conference, start-up competition, challenge, prize, or hackathon. Companies typically retain the rights/IP of products developed.	**Springboard** (Shell)

[1] Note, incubators usually operate over a longer cycle than accelerators. The start-ups participating in these programs tend to work on more experimental ideas and require more time to develop their product and business model.

Model Category	Model Type	Purpose of the Model	Structure of the Model	Examples
INVESTMENT	**Direct Investment** • Direct investment team/unit • Service unit/service delivery model • Blended model	Direct investment structures provide capital and/or services into companies or assets aligned with the strategy of the corporate and with the aim of complementing existing operations or R&D activities.	**Direct investment** teams/units sit inside the firm and invest from the balance sheet. These teams or units liaise with business units and/or management to ensure alignment with business needs. **Services unit** and service delivery models are most often used to invest in a company's supply chain, by providing services and access to financing and inputs. Financing offerings are done in partnership with a third party, such as a commercial bank . **Blended models** combine direct financing with service provision. In the case of blended models, the company is providing financing directly, typically to suppliers.	**NKG Bloom** (NKG) **ECOM SMS** (ECOM) **Total Energy Access** (Total) **Eye Mitra** (Essilor)
	Single-Stakeholder Fund or Captive Fund • Internal • External	Companies use single-stakeholder funds to make direct equity investments into strategically or operationally relevant ventures close to their core business or close to immediate gaps. These funds provide the corporate with increased access to market insights and portfolio companies for deal flow.	Single-stakeholder funds are funded entirely or majority by a single company and can be internal or external to the corporate. An internal single-stakeholder fund functions as a wholly-owned subsidiary that invests from the balance sheet close to the core business. The company acts as the sole or dominant limited partner (LP) in a fund managed by an asset manager without the influence of external stakeholders or LPs. An external single-stakeholder fund operates outside of the corporate structures and makes investment with the corporate functioning as the sole or dominant LP in a fund managed by an asset manager without the influence of external stakeholders. External single-stakeholder funds function as separate legal entities and often have similar structures to a venture capital, private equity, or impact investment fund, depending on the fund objective.	**Internal:** **Ventures** (Unilever) **Ignite Fund** (Centrica) **Global Community Impact** (Johnson & Johnson) **External:** **Energy Access Venture Fund** (Schneider Electric) **Danone Communities** (Danone)
	Multi-Stakeholder Fund	A multi-stakeholder fund can magnify a company's investment impact by combining its own capital with that of other companies or investors. Multi-stakeholder funds may enable companies to make investments in innovations that are risky or too expensive for one company to make on their own. This model may also enable companies to make investments that have longer term impact on their core business.	Multi-stakeholder funds involve corporates and/or other stakeholders that are working in a particular sector or have similar investment objectives. Corporates are LPs and collectively influence decisions. Equity is provided by partner corporates or investors while debt is usually provided by international lenders.	**Good Fashion Fund** **Cintrifuse** **Livelihoods Fund for Family Farming**

Model Category	Model Type	Purpose of the Model	Structure of the Model	Examples
COLLABORATION	**Joint Venture**	Joint venture allows companies to partner together in a short-term, contractual agreement to accomplish a specific task (often a new project or company).	Two companies form a contractual partnership to share risks and rewards. However, the venture is its own entity and often separate from the corporate's core business initiative (*i.e.*, off-balance sheet).	**Africa Improved Foods** (Royal DSM)
	Innovation Partnerships	Innovation partnerships are often broader arrangements that allow various stakeholders (companies, development institutions, non-profits, and/or governments) to explore new ideas, new sectors, or new ways to innovate on core products.	Multiple companies or organizations fund research, events, and/or startups to facilitate idea sharing, technology development and application, in an effort to rapidly transform and innovate against a changing landscape.	**Farmers Income Lab** (Mars)
	Pre-Competitive Collaboration	Pre-competitive collaborations enable companies that are normally competitors to come together to develop a solution for a problem that they all share, and from which none of them gain a competitive advantage.	Pre-competitive initiatives can take a variety of forms, such as allocating funding to an external group. Other collaborations may be alliances between established corporations and start-ups, which take the form as product co-development, services, and the venture client.	**Better Cotton Initiative**
	Other Strategic Alliances	Strategic alliances are a broad category capturing collaboration between businesses, organizations, and/or start-ups with common missions to bring different and complementary capabilities towards a unifying goal. These alliances enable a company to leverage the assets of other organizations to drive value creation, expand markets, share distribution or sales channels, and fine-tune business models.	This collaboration allows for numerous potential partnership structures including but not limited to: horizontal, vertical, joint venture, and equity partnerships.	**Farm-to-Market Alliance**

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36. Novartis
37. Olam International
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