



Investing for Better

How to Attract Financial Support for
Your Transformational Initiative

Rick Watson
Phone 1-510-301-6021
richardsilverheart@gmail.com

CGT Conference Message

- Your Word, Your Integrity, Your Life
- Your Time, Your Energy, Your Money
- Your Choices, Your Actions
- All combine to generate **Your Outcomes**

Your Word, Your Integrity, Your Life

- **Quick Recap: You can have everything you want . . .**
- **Word creates World**
- **Spoken into the Listening of Others**
- **Who Are You, and How Can I Re-Create You?**

Your Time, Your Energy, Your Money

- **This information is for people who are up to something. I know who you are, and I know you are up to something!**
- **Let me show you a few options to get a solid financial foundation underneath whatever it is you are engaged with. I know, whatever it is, it will probably be bigger and better if it has proper funding at the right time.**
- **Let's assume that time is now.**
- **Whatever it is you are creating, it may be best served if you created it as its own thing. It's not you per se, because once you create it as a happening in the world, it will exist separately from you.**
- **We are fortunate to live in a time when we can create "entities", separate from ourselves, that can set goals, gather resources, make plans, execute on them, and produce results.**
- **Corporations!**
- **Whatever you are up to may be served by creating a Corporation to do it.**
- **Once your corporate body has been created and brought to life with a mission and purpose, it will need the lifeblood of capitalism – funding!**

Corporations

- Your project may live as a personal endeavor, in the form of a hobby, volunteer work, as part of your “day job”, or any number of other efforts
- Through training in transformational work, we quickly learn that our projects, passions, and creative impulses can and do grow bigger than ourselves. Indeed, that is part of the training and somewhat the point of having enrolling conversations with others! So that the ideas we put forth land and take root in others, in ways that they contribute to and further the work we have initiated
- Often times, as these initiatives grow, they reach a point where we want them to be bigger than us, and separate from us, and extend far beyond what we are individually capable of. Probably EVERY person presenting a poster at this conference has an initiative at or near that point
- That is when it may be a good idea to birth the initiative as a corporation
 - For-Profit – pays income taxes, can return wealth to owners
 - Legally required to treat owner’s assets with fiduciary care (of the owners only)
 - Non-Profit – does not pay income taxes as a 501c(3) filer, cannot return wealth to owners
 - Legally required to treat assets as resources dedicated to serving a stated mission.

Corporate Legal Entities and Tax Status

- **Pure Profit - C Corps**

- All the legal rights of a natural person, except the right to vote
- Allowed to live forever and accumulate unlimited wealth
- Subject to all the restrictions and obligations of a natural person, including paying taxes

- **Pure Non-Profit**

- 501c(3) is not a form of incorporation. It is a section of IRS code that allows a taxpayer to owe no income taxes, as long as they
- A natural person may never file under 501c(3). Only non-person taxpayers ie. corporations
- A non-profit still has to have a form of taxpayer incorporation, such as C Corp

Hybrids

- S Corp – the corporation files but does not owe income taxes; it passes through to the owners
- B Corp – created by state statute in 35 states. Treated as a C Corp or S Corp by the IRS.

***** Seek professional legal and tax advice before creating any type of corporation! *****

B Corps (California example)

- B Corps must include language in their Articles of Incorporation stating that they are formed for the purpose of creating a general public benefit, defined as material positive impact on society and the environment
- It is not required, but B Corps may also list one or more “Specific public benefit”, including any of the following:
 - (1) Providing low-income or underserved individuals or communities with beneficial products or services.
 - (2) Promoting economic opportunity for individuals or communities beyond the creation of jobs in the ordinary course of business.
 - (3) Preserving the environment.
 - (4) Improving human health.
 - (5) Promoting the arts, sciences, or advancement of knowledge.
 - (6) Increasing the flow of capital to entities with a public benefit purpose.
 - (7) The accomplishment of any other particular benefit for society or the environment
- Required to file annual reports detailing the extent and ways in which the corporation delivered public benefit
- In addition to specific legal, tax and governance statutes, B Corps can get “certified” by B Lab

The Corporate Social Contract

- We are at a time in history where the social contract by which communities allow corporations to be formed and operate among them is being reviewed and called into question
- This is not new. Revisions and extensions of this social contract have percolated through society “forever”
- innovations and improvements in the way corporations have been formed and allowed to operate have been implemented. For example, the B Corp
- The Rule of Against Perpetuity was first established into English Law over 500 years ago, as a means to prevent wealth from being kept out of beneficial use to society. We still have this in many ways, including a time limit on the duration many types of Personal Trusts
- If we are to innovate with the legal, tax and governance structure of corporations in order to encourage and allow them to produce public benefit without getting sued by their shareholders, how would we
- Standards for financial reporting and performance measurement have evolved over 100's of years
- Modern standards for non-financial reporting and performance measurement have been in development for about 15 years
- These metrics and methods are referred to by different names- SRI, ESG and Impact Investing
 - SRI – Socially Responsible Investing
 - ESG – Environmental, Social and Governance

“Investing for Better” Statement of Intent

- **“Investing for Better” gives participants insight into the dynamics by which private capital is being allocated to fund initiatives designed to build a better future.**
- **Intended Outcome: Participants gain access to tools and language that can be used to identify and secure funding for worthwhile projects.**
 - **Through our work in the art and science of transformation, at personal and societal levels, we have learned to power to impact our world by getting into action around the issues and causes we feel are truly worthwhile**
 - **Impact Investing is not about what YOU think is worthwhile. It is about accessing the framework and toolset that the community around us has created to identify and assess what is worthwhile at the level of society**
 - **This is not meant to be contradictory. By all means follow your heart, follow your passion! And express it in unique ways**
 - **But also, as you present your vision and the outcomes made possible through it, you can get more traction by aligning it with the levels of understanding and language already in place to allocate capital to similar initiatives**

The Language of Investing

- **Before we address how to position your project as an investment opportunity***
- **Modern portfolio construction is an exercise in risk management**
- **The days of the hot stock picker and “insightful” trader are long gone. Markets reprice information extremely quickly, leaving little to no room to find a consistent “edge”**
- **To the extent that it is possible to generate predictably superior investment returns over time, investment professionals have long relied heavily on quantitative analysis.**
- **Over time, the terminology of professional investing have evolved from terms that relate to the core financial statements of a corporation, to terms that relate more closely to the price of stock behavior**
- **The analysis itself has evolved from the macroeconomic and fundamental business prospects for a firm, to include the technical and quantitative**
- **There was a long transition period during which “fundamental” and “technical” investors argued which approach was better. That debate is largely over. Everyone agrees quantitative analysis is very helpful. It’s just a question of which numbers matter more than others**
- **And even THAT is not a debate anymore. Every metric has been run through rigorous statistical analysis with every other, and especially with stock price over time. This is one of the reasons it has become very hard to come up with “an edge”**

The Language of Impact Investing

- **Access the Language of Impact Investing in order to attract capital to your project**
- **Impact Investing introduces an entirely new set of metrics to include in the investment process, and with them, a new vocabulary and language for describing corporate behavior and performance**
- **First the bad news – the new metrics of Impact Investing do not seem to offer significant “investment edge” over the financial and market-based metrics used for decade**
- **But that is not the point!**
- **The point is to create a framework for measuring return on capital in non-financial ways**
- **Why do this? Because some wealth owners care very much what outcomes they are generating with their investments**
- **And because the implied social contract is being reviewed and improved, so that a corporation can demonstrate the benefits they produce other than profits for owners**
 - **Under 20th century corporate law, it is illegal for corporations to place anyone’s interests on equal footing with shareholders right to profits**
 - **Even “creating jobs”, which corporations advertise loudly as one of the social benefits they provide, it not codified in law**









Impact Investing Frameworks

- **UN Sustainable Development Goals**
 - 17 goals with 233 metrics to track
- **Principles for Responsible Investing**
- **Global Reporting Initiative**
- **Sustainable Accounting Standards Board**
 - Analagous to the FASB Financial Accounting Standards used by all corporations
 - 77 industry-specific non-financial reporting standards
- **Carbon Disclosure Project**
- **Task-Force in Climate-related Financial Disclosures**
- **Corporate Social Responsibility reports**
 - Voluntary self-reporting by corporations, without without 3rd party audits

UN Sustainable Development Goals



Impact Investing Framework (MSCI)

							
Climate Change	Natural Capital	Pollution & Waste	Environmental Opportunities	Human Capital	Product Liability	Stakeholder Opposition	Corporate Behavior
<p>Risk Exposure</p> <ul style="list-style-type: none"> • Geographic Exposure to Carbon Regulation (-1,0) • Business Exposure to Carbon-Intensive Operations (-1,0) • Geographic Exposure to Climate Vulnerable Regions (-1,0) • Reliance on Carbon-Intensive Supply Chain (-1, 0) <p>Controversies</p> <ul style="list-style-type: none"> • Climate Change Controversies (-1, 0) <p>Performance</p> <ul style="list-style-type: none"> • Three-year trend of average carbon emissions intensity (-1, 0, 1) • Three-year average carbon emissions intensity (tCO2e / USD million sales) relative to GICS Industry peer median (-1,0,1) 	<p>Risk Exposure</p> <ul style="list-style-type: none"> • Business Exposure to Operations with Land or Ecosystem Disturbance (-1,0) • Geographic Exposure to Fragile Ecosystems (-1,0) • Geographic Exposure to Water Stressed Regions (-1,0) • Business Exposure to Water-Intensive Operations (-1,0) <p>Controversies</p> <ul style="list-style-type: none"> • Environmental Impacts on Communities Controversies (-1, 0) • Operational Impacts on Ecosystems Controversies (-1, 0) • Environmentally Controversial Investments Controversies (-1, 0) • Raw Material Impact Controversies (-1, 0) • Water Stress Controversies (-1, 0) 	<p>Risk Exposure</p> <ul style="list-style-type: none"> • Business Exposure to Operations Producing High Levels of Packaging Waste (-1,0) • Business Exposure to Operations Producing High Levels of Toxic Emissions and Waste (-1,0) <p>Controversies</p> <ul style="list-style-type: none"> • Toxic Emissions & Waste Controversies (-1, 0) 	<p>Practices</p> <ul style="list-style-type: none"> • Alternative Energy Products and Services (1, 0) • Energy Efficiency Products and Services (1, 0) • Green Building Products and Services (1, 0) • Pollution Prevention and Control Products and Services (1, 0) • Sustainable Water Products and Services (1, 0) 	<p>Risk Exposure</p> <ul style="list-style-type: none"> • Business Exposure to Injury-Prone Operations (-1,0) • Geographic Exposure to Poor Workplace Safety Standards (-1,0) • Reliance on Highly-Skilled Workforce (-1, 0) • Business Exposure to Labor-Intensive Operations (-1,0) • Geographic Exposure to Frequent Work Stoppages (-1,0) <p>Controversies</p> <ul style="list-style-type: none"> • Controversial Workplace Accidents Controversies (-1, 0) • Discrimination and Diversity Controversies (-1, 0) • Controversial Working Conditions Controversies (-1, 0) • Collective Bargaining and Union Labor Controversies (-1, 0) • Supply Chain Labor Controversies (-1, 0) 	<p>Risk Exposure</p> <ul style="list-style-type: none"> • Geographic Exposure to Chemical Safety Regulations (-1,0) • Involvement in Business Commonly Reliant on High Concern Chemicals (-1, 0) • Exposure to Business Prone to Data breaches or Handles High Volumes of Customer Data (-1,0) • Geographic Exposure to Privacy Regulations (-1,0) • Exposure to Business with Product Safety Risks (-1, 0) <p>Controversies</p> <ul style="list-style-type: none"> • Chemical Safety Controversies (-1, 0) • Data Security Breaches Controversies (-1, 0) • Customer Fraud Controversies (-1, 0) • Discriminatory Access to Basic Services Controversies (-1, 0) • Marketing Controversies (-1, 0) • Product Safety & Quality Controversies (-1, 0) 	<p>Controversies</p> <ul style="list-style-type: none"> • Social Impacts on Communities Controversies (-1, 0) • Social Impacts of Raw Materials Controversies (-1, 0) • Human Rights Concerns Controversies (-1, 0) 	<p>Risk Exposure</p> <ul style="list-style-type: none"> • Geographic Exposure to Corruption & Instability (-1,0) • Business Exposure to Operations Commonly Associated with Corrupt Practices (-1,0) <p>Performance</p> <ul style="list-style-type: none"> • Tax Gap Greater Than 20% (-1, 0) • Foreign Market Revenue Greater Than 20% (-1, 0) <p>Controversies</p> <ul style="list-style-type: none"> • Anti-Competitive Behavior Controversies (-1, 0) • Bribery and Corruption Controversies (-1, 0) • Business Ethics Controversies (-1, 0) • Taxes and Subsidies Controversies (-1, 0)

Impact Investing Tools

- <https://sustainabledevelopment.un.org/>
- <https://www.unpri.org/>
- <https://www.globalreporting.org/Pages/default.aspx>
- <https://www.sasb.org/>
- <https://www.cdp.net>
- <https://www.fsb-tcfd.org/>
- <https://www.asyousow.org/>
- <https://hipinvestor.com/>
- <https://impactlabs.com/index.html>
- <https://www.investwithcoin.com/>
- <https://www.zyen.com/>
- <https://yoursri.com/>
- <https://www.acorns.com/>
- <https://slowmoney.org/>
- <https://www.svcimpact.org/>
- <https://toniic.com/>
- <https://thegiin.org/>
- <https://pymwymic.com/>
- <https://www.clearlyso.com/>
- <http://transformfinance.org/>
- <https://missioninvestors.org/>
- <https://rsfsocialfinance.org/>
- <https://www.swellinvesting.com/>
- <https://www.motif.com/>
- <https://www.openinvest.co/>
- <https://www.earthfolio.net/>
- <https://www.hedgeable.com/>
- <https://www.ellevest.com/>
- <https://www.wundercapital.com/financing>