Commissioned by the Macquarie Group Foundation

Driving impact

2026

Unlocking the opportunity for corporate social impact investment in the United Kingdom

Contents

Background to this report	03
What is corporate social impact investment?	04
Executive summary	05
Defining terms	07
The current state of play	08
Barriers to social impact investment	14
Recommendations to unlock corporate social impact investment	26
Conclusion	29

Background to this report

About this report

With traditional sources of funding for social purpose organisations under increasing pressure, corporates – including those in the Financial and Related Professional Services (FRPS) sector in the UK – can help address complex social challenges by adopting innovative social impact investment strategies. As the boundaries between philanthropy and investment continue to blur, there is growing momentum for hybrid models that prioritise impact-first outcomes and unlock new opportunities for positive social change. However, many corporates face internal and systemic barriers to engaging effectively in this space, underscoring the urgent need for greater education, collaboration, and enabling environments.

The opportunity posed by social impact investing is bigger than any single company. Leveraging philanthropic grants and investment to provide concessionary and catalytic capital, we can help build a stronger, more resilient and innovative social sector. By coming together to share what we learn, co invest in bold ideas and build systems that enable change we can unlock corporate social impact investment in the UK. As an organisation with early interest and experience in the initial stages of social impact investing, the **Macquarie Group Foundation** commissioned this report and helped to establish an Advisory Group (listed on page 31) to support financial firms and other corporates exploring opportunities in this field.

This report identifies opportunities and practical recommendations for FRPS corporates to advance social impact investment strategies, overcome barriers, and drive positive change in the sector. The findings and recommendations reflect the contributions and perspectives of a broad range of sector stakeholders involved in the research process.

To learn how to get involved or for more information, contact **foundation@macquarie.com**.

Methodology

This research employed a mixed-methods approach, combining extensive secondary research with qualitative interviews to generate a comprehensive understanding of social impact investment practices.

The secondary research component, detailed in Appendix 2, involved a systematic review of relevant literature, policy documents, and market reports to establish a foundational knowledge base and identify key trends within the sector.

To complement this, more than 25 semi-structured interviews were conducted with practitioners actively engaged in social impact investment. These interviews provided nuanced, real-world insights into current practices, challenges, and opportunities from a practitioner perspective. Participants were selected to ensure representation across both FRPS sectors and the wider social sector.

Data from both sources was analysed thematically, enabling triangulation and validation of findings. This methodology ensured a robust, well-rounded evidence base for the report's conclusions and recommendations.

What is corporate social impact investment?

Many corporates are looking for ways, beyond traditional philanthropy, to create social impact. One approach is social impact investing, using repayable capital, expertise, and influence to help solve complex social challenges while generating measurable outcomes. The term investment is used here in its true financial sense – capital deployed with an expectation of some financial return.

Impact investing exists on a spectrum, from market-rate investments with social benefits to impact-first investments where social impact takes priority over financial return. For the purposes of this report, "social impact investment" refers to these impact-first investments.

In practice, impact-first investments provide concessionary or catalytic capital.

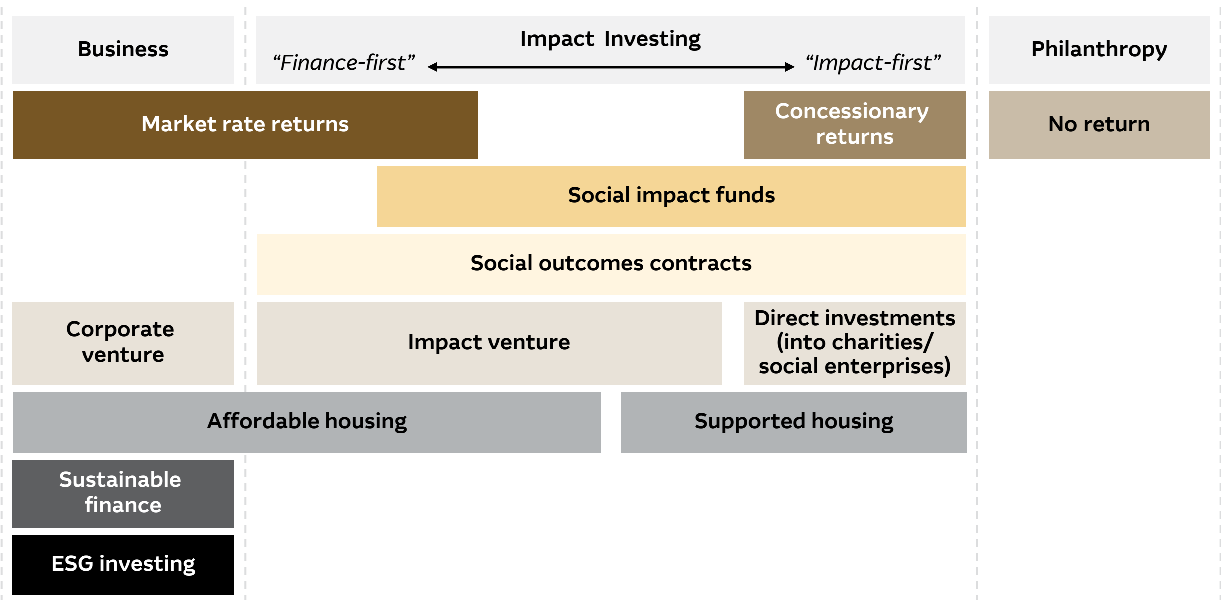
Concessionary capital accepts below-market financial returns, higher risk or greater flexibility to enable outcomes that would otherwise not attract investment.

Catalytic capital uses that concessionary capital to draw in additional commercial or mainstream investment. This report focuses on corporates within the Financial and Related Professional Services (FRPS) sector – including finance and insurance, legal, accounting and management consultancy. Capital is typically deployed from their Corporate Social Responsibility (CSR), corporate citizenship or philanthropic functions. These funds may be managed directly within the business, held in a corporate foundation or administered through a Donor Advised Fund (DAF). Throughout this report, we use the term philanthropic capital to refer to funds deployed through any of these structures.

Corporate social impact investing supports social purpose organisations, including charities, social enterprises and mission-driven businesses. Corporate support often extends beyond financial investment and may include pro bono expertise as well as grants. Grants might be used by intermediaries which make investments, in blended-finance or first-loss models, to provide structural and capacity-building support for investees, or to fund ecosystem development initiatives such as incubators, accelerators, and networks that help strengthen the market as a whole.

Key terms including concessionary capital, catalytic capital and social purpose organisations are defined on page 8.

Figure 1: Spectrum of capital examples



Executive summary

This report looks at opportunities to support Financial and Related Professional Services (FRPS) corporates looking to move further towards social impact investment strategies, build their philanthropic toolkit and provide ideas and recommendations around how to address common barriers.

It has never been more vital that we adopt new approaches to tackling social issues and providing support to social enterprises, charities and social purpose businesses. With government and private funding stretched, social purpose organisations are exploring alternative financing methods. The traditional boundaries of corporate philanthropy must be critically re-examined and expanded, creating space for new models.

There is growing momentum for hybrid approaches that straddle the divide between pure philanthropy and market-rate investment. Social impact investment strategies that prioritise impact-first outcomes and use grants or investment to provide concessionary, catalytic capital can help unlock innovation and deliver broader, longer-term support. Such models help organisations scale solutions without compromising mission integrity.

However, meaningful progress also depends on collaboration - enabling corporates to explore social impact investments that reflect their identity and mission while working collectively to address systemic challenges.

Research focused on corporates in the FRPS sector in the UK – combining secondary research and targeted interviews with corporates and social sector organisations - provided a panoramic view of the current landscape, as well as the barriers FRPS corporates face and potential solutions. Many of the recommendations will be transferable to other regional markets.

Key drivers for social impact investment included both business motivations (particularly engaging employees in new ways) and social drivers aligned to the corporate's philanthropy or CSR goals. Examples of impact-first approaches by FRPS corporates can be seen across a range of asset classes and resourcing models, including:

- loans, equity and funds targeting underserved groups and communities
- the use of grants as first-loss, catalytic capital to test and scale new models
- blended finance models combining investment and grant support, and
- effective pro bono support.

However, overall involvement by FRPS corporates in social impact investment remains low. Internally, many organisations lack a clear understanding of the social impact opportunity. They are also confused by the use of investment language within traditional philanthropy, as well as the jargon specific to social impact investment.

The research highlighted a need for internal-buy-in from senior leaders, cross-function collaboration and a process for making social impact investments. Systemic barriers also persist, including uncertainty about legal and regulatory permissions, and limited frameworks for effectively deploying both capital and pro bono skills to facilitate making investments. To unlock the opportunity for corporate social impact investment in the UK, these internal and systemic barriers need to be addressed.

Internally, education, learning by doing and confidential peer exchange across the FRPS sector and beyond were identified as key ways to build understanding and confidence. Convening opportunities and targeted external support can also help corporates develop the skills and structures needed to invest effectively.

Systemically, progress will depend on capacity building, ecosystem support, co-investment and more effective pro bono systems. Clarifying the legal and regulatory framework for corporate social impact investment would also help grow the number of investors.

This report advocates for a more ambitious, collaborative and impact-first approach – one matched by a commitment to continuous learning. By reimagining the tools at their disposal, companies can unlock new potential for positive social impact.

A roadmap to address identified challenges and opportunities for corporate social impact investment in the UK Financial and Related Professional Services (FRPS) sector

Challenges

- knowledge gaps
- capacity constraints
- unclear terminology
- regulatory uncertainty and
- the need for stronger frameworks for deploying capital and pro bono skills.

Opportunities

- corporates have a unique opportunity to reimagine their approach, using
  - concessionary and catalytic capital, innovative grant making, and
  - their expertise to drive sustainable social change.

Success will depend on

- building knowledge
- securing senior leadership buy-in
- robust governance
- engaging in peer learning and confidential exchange
- collaborating with intermediaries
- advocating for supportive policy and clearer regulatory guidance.

To move forward, the sector should

- invest in collective learning and capacity building
- strengthen and expand peer networks
- advocate for enabling environments
- embrace experimentation and continuous improvement

Defining terms

Market rate returns. The level of financial return normally expected for a particular type of investment in the market. A risk-adjusted market-rate return measures returns relative to the level of risk taken. For example, earning 5 per cent on a secure bond versus 5 per cent on a risky stock would imply a higher risk-adjusted return for the bond.

Below market-rate investment returns. Returns that are intentionally lower than market rate in exchange for achieving positive social or environmental impact.

Social impact investing. The practice of making investments with the intention of generating measurable positive social or environmental outcomes alongside a financial return. Social impact investing spans a range of return expectations from impact-first, concessionary approaches to fully commercial models with strong impact objectives. For the purposes of this report, "social impact investing" refers to impact-first investing.

Impact-first investments. Investments that prioritise social or environmental impact over financial return. They typically offer concessionary or catalytic capital to unlock opportunities that might not attract purely commercial investors. Impact-first investing sits within the broader field of impact investing, which encompasses a spectrum of approaches: from market-rate investments with positive impact to social impact investments where achieving measurable outcomes is the primary goal.

Concessionary capital. Capital that seeks below market-rate returns to achieve social or environmental goals. It is typically patient, risk-tolerant and flexible.

Catalytic capital. Investment capital designed to unlock or "catalyse" additional monies from mainstream or commercial investors by offering concessionary terms.

Patient capital. Long-term investment over years or even decades, that prioritises sustainable growth and impact over immediate financial returns.

Risk-tolerant capital. Investment that accepts a higher level of financial risk, typically to support early stage, unproven or innovative organisations that may find it difficult to attract investment.

Flexible capital. An investment tailored to the context of the social-purpose organisation. It allows for adjustment of terms such as repayment timing, interest rate or structure to support impact goals.

First-loss capital. Funds contributed by an investor (or grantmaker) who agrees to absorb initial losses if the investment underperforms. This approach de-risks investments for other funders and can help attract additional capital.

Blended finance. An approach that combines concessionary capital (in the form of grants or investment) with capital seeking market-rate returns. This structure helps make social impact investment more accessible to a wider range of investees.

Pro-bono support. Professional services provided free of charge. In the context of social impact investment, this might include law firms providing free legal advice to social purpose organisations to enable them to take on or structure investment, or employees within a corporate voluntarily undertaking due diligence on a potential investment.

Social purpose organisations. Organisations that exist primarily to achieve a positive social or environmental outcome, such as charities, social enterprises and mission-driven businesses. These entities are common recipients of social impact investment.

Corporate philanthropy. A company's voluntary contribution of money, resources or employee time to charitable causes and community initiatives. Social impact investing is often funded through corporate philanthropic budgets or corporate charitable foundations.

Corporate Social Responsibility (CSR) team. The function within a company responsible for planning, implementing and monitoring a company's social, environmental and ethical initiatives to ensure responsible business practices and positive community impact. Corporate citizenship teams play a similar role.

FRPS (Financial and related professional services sector). Broadly defined as businesses that deliver services in: Finance and Insurance; Legal; Accounting; Management Consultancy.[1]

Defining terms have been deliberately listed in this order to group related concepts together for clarity.

1. Corporate Community Investment - four routes to impact report (City of London, 2017).

The current state of play

Although the UK's social impact investment market is diverse, only a small number of FRPS corporates currently participate in the ecosystem.

Nevertheless, those FRPS corporates that are involved have contributed flexible capital, grants, and strategic partnerships to support social purpose initiatives that foster inclusion and improve outcomes for marginalised communities. These collaborative efforts demonstrate how FRPS corporates can leverage financial resources and expertise to deliver measurable social impact and promote inclusive growth.

How are FRPS companies making and supporting social impact investments?

Research found that FRPS companies that made social impact investments were typically in the banking, financial services or insurance sectors. These organisations also provided more funding via grants for social impact investments than other FRPS companies. The grants were used to support pilot investment programmes and act as first-loss or blended-finance capital and strengthen the broader ecosystem.

Funds for investment were most often drawn from a company's philanthropic foundation, charitable giving arm, CSR or corporate citizenship function.

All companies involved in social impact investing also provided pro bono support, which played an important role in enabling deals and strengthening social purpose organisations:

- Banking and financial services firms engaged employees from financial management, legal, and private equity/advisory teams to contribute financial analysis, legal advice, due diligence and deal structuring expertise. This complemented the impact expertise of internal philanthropy or CSR teams.
- Law firms and management consultancies offered pro bono services to social purpose organisations, helping them take on or structure investment opportunities.

Snapshot of corporate social impact investments

Type	Name	Corporate investors	FRPS sector	Source of monies	Detail
Fund - investment	Growth Impact Fund	Macquarie Group Foundation	Institutional banking	Corporate philanthropy monies	The Growth Impact Fund provides patient and flexible capital to social purpose organisations (SPOs) founded by individuals from marginalised communities. GIF is aiming to provide wraparound support to a cohort of SPOs, leading to investment for approximately two-thirds. The goal is to provide greater access to capital to businesses which support people in communities experiencing acute poverty, inequality and marginalisation. Macquarie Group Foundation and A&O Shearman provided capital into the investment layer, helping signal investment-readiness to encourage the 'crowding in' of other similar investors. A&O Shearman and Dechert also provided substantial pro bono legal support.
		Allen and Overy Foundation (now A&O Shearman)	Legal	Corporate charitable foundation	
		Bank of America	Institutional banking	Corporate philanthropy monies	

Snapshot of corporate social impact investments (cont.)

Type	Name	Corporate investors	FRPS sector	Source of monies	Detail
Fund - grants as first-loss capital	Growth Impact Fund	Bank of America	Institutional banking	Corporate philanthropy monies	Bank of America provided a grant to Growth Impact Fund to act as a first loss layer. This means that any losses incurred by the fund will first be covered by these grant monies before other investors are affected. This is an example of blended finance and catalytic capital – with this concessionary capital making the fund more attractive to other investors, and allowing the Fund to take additional risk and invest over a longer period of time. Bank of America also funded a feasibility study for the Fund and pre-investment support work.
Loans	bemix	NatWest	Retail banking	NatWest Social & Community Capital (charity funded by NatWest)	bemix supports people with autism and learning difficulties across Kent. Its 'Supported Employment' programme prepares young people for work, partnering with local employers to offer skill-building and confidence-boosting opportunities. To expand and reach more young people, bemix invested in new premises. However, traditional education funding arrives too late for rapid growth. NatWest Social and Community Capital provided flexible growth funding, allowing bemix to pay back the loan in a way that fitted its income. This meant bemix's finances could remain stable during its expansion.
Equity	Redemption Roasters	**R&Co4Generations** Fund managed by the King Baudouin Foundation Macquarie Group Foundation	Institutional banking Institutional banking	Corporate philanthropy monies Corporate philanthropy monies	Redemption Roasters is the UK's leading impact-led specialty coffee business with a unique social mission. The social enterprise specialises in coffee roasting and operates as both a wholesaler and coffee chain, training and employing prison residents and leavers to break the stigma associated with hiring individuals with criminal records. R&Co4Generations Fund and Macquarie Group Foundation participated in the Series A equity round. Businesses typically seek seed capital to get started, then a Series A round when a viable business model and growth potential has been demonstrated.

Snapshot of corporate social impact investments (cont.)

Type	Name	Corporate investors	FRPS sector	Source of monies	Detail
Grants - for pilot lending programmes	Moneyline	Aviva	Insurance and pensions	Charitable foundation funded by unclaimed shareholder assets	Moneyline is a not-for-profit offering loans and savings to low-income households. With over £100m in loans issued since 2002, Moneyline will run a three-year trial of Variable Recurring Payments, funded by Aviva Foundation among others, allowing flexible, small loan repayments. This could benefit customers unable to manage fixed Direct Debits, helping them avoid failed payments and charges.
	Fair4All Finance	JP Morgan Chase	Institutional/ retail banking	Corporate charitable foundation	Fair4All Finance's UK-wide No Interest Loan Scheme pilot received £1.2m grant support from JPMorgan Chase. The scheme helps people unable to access affordable credit through credit unions, CDFIs and other non-profit lenders by offering interest-free loans for essential or emergency costs. This funding expands the pilot, supporting 3,000 more people and has since reached £10m in lending volume with healthy signs of repayment. Fair4All Finance views this funding as a step in a journey for retail banks to serve the customer group directly.
Grants - scaling impact	Workertech Partnership	Accenture	Management consultancy	Corporate charitable foundation	The Workertech Partnership was a £1.3m, three-year programme that supported start-ups using technology to improve conditions for low-paid and insecure workers. Backed by a range of charitable foundations and Accenture, the programme funded seed and pre-seed ventures, supported participation in the Bethnal Green Ventures Tech for Good accelerator and built a broader Workertech ecosystem. By tackling issues including pay, power and progression, the partnership aimed to drive innovation in the UK labour market and improve working lives. Accenture provided funding, expertise and connections to help the ventures develop and scale their impact.

Snapshot of corporate social impact investments (cont.)

Type	Name	Corporate investors	FRPS sector	Source of monies	Detail
Pro bono		Hogan Lovells	Legal		HL BaSE Catalyst is a programme of pro bono support for social enterprises. The programme includes a series of workshops during which social entrepreneurs can receive bespoke and confidential advice from a small team of senior lawyers on a particular issue. HL BaSE Legal offers low bono or pro bono support to help social enterprises become investment ready, restructure or protect their intellectual property rights.
		PwC	Professional services		Work with social enterprises focuses on two key areas using employee skills to help social enterprise leaders grow successful ventures and increase their impact, and supporting fast growing, ambitious social enterprises scale and find routes to market.

Key takeaways:
How are FRPS companies making and supporting social impact investments

Utilising philanthropic or CSR finance sources:
The majority of investment funds originate from corporate philanthropic foundations, charitable arms, CSR, or corporate citizenship functions, reßecting a strong commitment to social responsibility within these organisations. Corporates often also provide grants, a crucial form of capital for piloting new programmes, offering Þrst-loss capital, and strengthening the overall impact investment ecosystem.

Unlocking firm-wide pro bono support:
Companies are able to complement financial investments with in-house pro bono expertise. Banking and financial services firms leverage their employees' skills in financial analysis, legal advice, and deal structuring, while law firms and consultancies provide tailored support to help social purpose organisations access and structure investment opportunities, thereby amplifying social impact.

Why do corporates in the FRPS sector make social impact investments?

As per the methodology overview, information gained from comprehensive secondary research and interviews identified FRPS businesses have both **business and social drivers** for making social impact investments.

Business drivers

1. Unlocking future investible opportunities, product innovation and new customers

The energy and health sectors have a strong track record of making impact-first social investments that create new investible opportunities and product innovation and help reach new customers.

This activity is less evident in the FRPS sector, although there are some examples in retail banking – particularly initiatives providing seed funding of new products and services focused on financial inclusion and tackling social challenges. These are typically grant funded via a corporate philanthropy or CSR budget.

In private equity, there is a small but growing interest in impact investing. Better Society Capital runs the Impact VC network and the City of London Corporation and BSC ran a year-long engagement programme during 2024. Key emerging themes from this work included a lack of awareness among mainstream private equity firms on the impact investment opportunity and a lack of growth stage capital.

However, interviewees noted there may be limited opportunity to increase impact-first investment from private equity investors given many impact-first ventures are unlikely to ever scale sufficiently to become commercially investible.

2. Enhancing client offerings

For FRPS companies who have a wealth management division, social impact investing provides an opportunity to deliver an additional client service. Wealth managers and private banks reported a willingness to help clients think through social impact investing and understand their options. There are also examples of products that meet the growing client interest in social impact investing, such as the Schroders BSC Impact Trust.

3. Engaging people: Skills development, talent acquisition and employee retention

For many FRPS corporates, engaging and developing junior employees was a key driver for undertaking social impact investing, grant making and pro bono activities.

"It's a good way to involve more junior staff, expose them to real early-stage start-up businesses. A senior partner is in charge of the pro bono work but junior staff can be more autonomous, flexible and expand their skills. Associates are thrilled to have direct access to the founder of a company, this isn't the case in their regular work."[2]

These programmes allow junior employees to take ownership and apply their professional expertise in a new setting, while building collaboration across business functions, such as legal, finance, advisory, private equity, and philanthropy or CSR teams.

Employees also gained valuable experience participating on Investment Committees – both internally and with external impact funds. The latter offers opportunities to learn about equitable investment approaches.

4. Building relationships with government

One corporate interviewee commented that social investing could be a way to make contacts within government who had similar thematic interests, for example employability.

2. Corporate – Financial services.

5. External reputation: Business development and marketing

Social impact investing can be part of a brand's story in the same way as philanthropy. While social impact investing could be a harder story to tell than grant making, it was often perceived by clients as innovative.

Social impact investing and related pro bono activities could also help strengthen relationships with existing clients, particularly for law firms and management consultancies, and could provide networking opportunities with co-investors.

Our pro bono programme [at the law firm] is part of our business development activities. We get our clients involved, instead of taking clients out for dinner we can do pro bono work together. Pro bono work is a way of strengthening relationships."[3]

6. Driving economic prosperity

Many interviewees, particularly those from the retail banking, insurance and pensions sectors, said their organisation focused on financial inclusion and resilience. These interviewees tended to view social impact investments as a means for improving overall economic health, For example, they could expand access to financial services for underserved communities and help build long-term financial stability.

Social drivers

1. CSR or philanthropy goals, innovation and scaling solutions

Many corporates viewed social impact investing as an additional tool to advance their existing social goals – complementing their grant making and volunteering programmes. It offers:

- the potential for larger and longer-term commitments, as funds can be recycled when repaid
- patient capital that allows more time for experimentation and scaling
- the ability to use grants strategically as structural support or first loss capital to unlock larger pools of capital seeking higher returns.

Key takeaways:
Why do corporates in the FRPS sector make social impact investments?

As an additional tool to advance their existing social goals - complementing their grant-making and volunteering programmes.

To engage, develop and retain talent, by providing valuable opportunities for junior employees to gain hands-on experience, build cross-functional skills and participate in investment decision-making.

To enhance business development efforts, strengthening external reputation and relationships.

3. Corporate – Legal.

Barriers to social impact investment

Despite growing interest and momentum in social impact investment, corporate social investors continue to face a range of challenges that can impede their ability to create meaningful change.

These barriers fall broadly into two categories: **internal barriers**, which stem from organisational culture, capacity, and processes; and **systemic barriers**, which arise from the wider market, regulatory environment, and ecosystem in which these investments are made. Understanding these challenges is critical for corporates seeking to unlock the full potential of impact-first investment strategies.

Internal barriers

Corporate social investors face a range of internal barriers that can hinder their ability to deliver meaningful social impact through investment. These challenges span from limited understanding of social investment opportunities and difficulties securing internal buy-in, to issues around language, skill gaps, and capacity constraints. Additionally, navigating the complexities of allocating funds and establishing effective investment processes can pose significant obstacles.

1. Understanding the social impact opportunity

Social impact investment can offer additionality over traditional grant making.

Because repayments allow capital to be recycled, impact investment can provide longer-term and potentially larger-scale financial support. This gives social purpose organisations more time to develop and demonstrate their impact.

Grants also play an important role, especially in providing foundational support or unlocking capital pools that seek higher returns. However, both the literature and interviews revealed a low level of awareness of social investment models[4] and a lack of understanding over which social investment models, tools or strategies to deploy[5]. Interviewees identified several critical education gaps.

- **Business and social drivers**. Philanthropy or CSR teams – along with business decision-makers – needed to better understand both the commercial and social motivations behind impact-first investing.
- **Spectrum of capital**. There was often confusion about different types of capital, as well as how different business models and asset classes generated revenue. To source deals, corporate social impact investors needed to work with appropriate intermediaries or leverage expertise within their philanthropy teams.
- **Additionality to other strategies.** Investments should be seen as a complementary tool to grants. Understanding how repayable finance could extend or amplify the impact of grantmaking was critical.
- **Impact-first vs finance-first investments**. Impact-first investments often accepted concessionary financial returns, which could make them less attractive to investors compared with finance-first models that promised market-rate returns.

There are a lot of people peddling 'have your cake and eat it'. For impact-first investments it is going to be a concessionary financial return. To promote that you can do impact-first and get the same market rate financial return makes it more challenging for impact-first approaches to raise investment."[6]

- **Credibility and scale of investment**. Understanding how impact-first social investment could help unlock larger pools of capital without diluting mission integrity remained a challenge. Interviewees noted:

The concessionary capital element is always the problem...Mobilising more and more commercial capital just means flooding the market with capital that struggles to find a home or finds a home by compromising on impact. There is a rush for scalable impact models, I would question the difference that is making to underserved communities."[7]

"A corporate [making an investment in a social purpose business] has a massive effect in terms of giving credibility."[8]

4. Corporates Deploying Impact Investing Strategies: Early Observations on Emerging Practice (GIIN, 2023).
5. Corporate Social investment: Gaining Traction (Oliver Wyman/Better Society Capital, 2015).
6. Corporate – Finance services.
7. Social sector.
8. Social sector.

- **Failure and experimentation**. As with corporate innovation, innovation in social impact required a tolerance for failure. However, failure in the social sector involved risks to individuals and communities. Careful structuring and the use of concessional capital could help mitigate these.
- **Innovative use of grants**. There was potential to use grants creatively to support social investment structures and outcomes in several ways:

   a. **Blended finance and first-loss capital** - Grants could be combined with repayable capital to absorb initial losses (known as first-loss capital) or used within blended finance models to make social impact investment more attractive to investors.

   b. **Seed funding, structural support and capacity building** - Grants were often needed to provide seed funding, operational capacity support or ecosystem building, such as paying for incubators, accelerators or research programmes.

The vast majority of impact first investments have at some point needed grants. There is a need for building the ecosystem, backing social enterprises before they become commercially feasible.”[9]

Interviewees also observed a gap in the level of early-stage and research funding available to social purpose organisations compared with private sector start-ups.

“Commercial venture capital gives organisations millions in equity to spend on scaling. For a social purpose organisation, grants play a similar catalytic role in building models which are sustainable and scalable...To be investment ready we need more on the capacity building side.”[10]

Key takeaways:
Understanding the social impact opportunity

Encourage understanding around the need for impact-first concessionary capital.

Embrace the use of grants to offer blended finance and seed funding to unlock larger pools of capital.

Allocate resources for capacity building to strengthen the social enterprise ecosystem and increase investment readiness.

Foster a culture of calculated risk-taking to enable experimentation and long-term social impact.

9. Social sector.
10. Social sector.

2. Internal buy-in and cross-function collaboration

Corporate social impact investing needs internal buy-in and involvement at a number of levels and within a range of business functions. These include[11]:

- **Senior leadership**

  a. **Senior decision-makers**

  Interviewees agreed on the importance of senior leadership buy-in. Responses included:

  People can feel that they're making progress, but they haven't got the ability to make decisions. In sizeable institutions a lone voice won't have much clout without senior buy-in."[12]

  "It's harder if it's driven bottom up. We had the Chairman of the partners [pushing social impact investing]. Having someone that senior advocating can get it up and running."[13]

  "Change management is needed internally. Signals from the top, having the mandate especially if there are staffing changes."[14]

  Interviews said that partnership structures often created added complications, as they required all partners to agree.

  b. **Board or committee members**

  Several interviewees reported that oversight of social impact investment and related CSR activities was provided through a board or committee – usually linked to the company's philanthropic or CSR function. Some interviewees believed that having independent members on these boards or committees helped move activity forward.

- **Siloed CSR, philanthropy and foundation teams**

In many organisations, corporate philanthropy was separate from business functions, even where there was strong employee involvement via volunteering, matched giving and decision-making committees. This division can lead to a lack of suitable skills to undertake social impact investing and a need for a mindset shift.[15]

Several interviewees noted that progress was often tied to having a champion who could push forward the company's social impact investing work and pull on different levers across the organisation.

- **Firm-wide business functions**

Interviewees reported a variety of internal business functions involved in making social impact investments. This included Advisory or Private Equity functions that assisted with due diligence and financial analysis, legal and compliance teams, and financial management teams that set up a process for making the investments and receiving any returns.

- **Reputational risk teams**

Several interviews raised the potential reputational risks that came from making social impact investments. This included the risk of investment failure, as well as the longer time frame and more complex structure required when compared with grantmaking.

Many interviewees also commented that explaining social impact investments to employees was more complex than explaining a traditional corporate grantmaking programme.

- **Bringing together business functions with philanthropy or CSR**

Interviewees noted that effective social impact investing required collaboration across the organisation, as it required skills from traditional business functions as well as philanthropy or CSR.

Key takeaways:
Internal buy-in and cross function collaboration

Institutionalise leadership support and create structures to ensure continuity.

Create a roadmap for aligning philanthropy and business functions to close the gap between the two.

Leverage brand and communications teams to manage risks and build internal and external buy-in.

11. Impact Europe – How to do Corporate Impact Investing.
12. Social sector.
13. Corporate – Financial services.
14. Social sector.
15. Oliver Wyman report.

3. Language/terminology barriers

Interviewees noted that language barriers were often a significant obstacle to corporate engagement in social impact investing. These challenges took several forms:

- **Confusing use of the words grants and investments**

Many corporate foundations or CSR teams used investment language (e.g. referring to grants as "investments") in an effort to sound more strategic or credible. However, this tended to create greater confusion rather than providing clarity.

"Spectrum of capital language[16] has not penetrated corporates as it has other investors such as endowed foundations…it's not helpful to call grants investments…corporate foundations use language like investments to sound more authoritative, but it has the opposite effect of confusing people."[17]

- **Framing business and social drivers**

CSR or philanthropy teams sometimes struggled to express the business case for social impact investing in language that resonated with commercial leaders.

Better Society Capital's 2015 Business Impact Challenge highlighted this issue, emphasising the need to frame social impact investing in language relevant to business priorities. For example, focusing on how social impact investing could support employee engagement.

- **Use of technical jargon**

Technical investment terms were often unfamiliar to philanthropy or CSR teams, creating a disconnect between social and financial stakeholders. This jargon gap could make collaboration difficult, presenting another barrier for experimentation with impact-first investment models.

Key takeaways:
Language/terminology barriers

Simplify and standardise language to avoid confusion.

Invest in education and training to bridge knowledge gaps in philanthropic or CSR and business teams.

4. Availability of skills and employee capacity

Most interviewees reported drawing on internal business skills, including legal, due diligence, and financial analysis. Philanthropy or CSR teams also played key roles in sourcing opportunities and assessing impact.

However, capacity constraints emerged as a common challenge.

Successful models involved junior employees participating under the supervision of more experienced colleagues, with dedicated time or internal secondments for impact-related work. By contrast, when social impact investing was a "side-of-desk" project, competing workloads caused delays and placed pressure on social purpose organisations.

Some corporates reported a move from a pro bono model to one in which employees are paid to work on social impact investing.

There was an opportunity for corporates and other investors, such as endowed foundations, to share due diligence and analysis. This more collaborative approach could lead to cost savings, reduce duplication, and lighten the burden on investees.

- **Required oversight for investments**

Interviewees noted that social impact investing often required different and potentially more comprehensive oversight than grant making. Many interviewees reported that they would assign a staff member to serve on the investee's board or as a board observer as a condition of the investment. While this provides enhanced oversight, it requires staff with the appropriate skills and sufficient capacity.

Key takeaways:
Availability of skills and employee capacity

Explore transitioning from pro bono to paid roles for social impact investment.

Invest in training programmes to enhance internal capacity.

Identify opportunities for shared due diligence to improve efficiency.

Allocate resources for oversight roles.

16. See spectrum of capital example on page 3.
17. Social sector.

5. Monies available and investment process

Interviewees identified several practical issues related to how corporates finance and manage social impact investments and also noted some developing solutions.

- **Positioning between philanthropy and business**

Impact-first social investments often sit awkwardly between existing finance streams:

- Balance sheet investments seek liquidity
- Business investments for market rate returns
- Philanthropic arms are set up to distribute grants

FRPS corporates making impact-first investments or associated grants draw funding from a philanthropy or CSR budget, not from commercial capital.

- **Lack of available monies**

Interviewees commented that philanthropy resources were already stretched. Institutional banks were most likely to have funds available, while firms with partnership structures typically had more limited resources available for social impact investment.

- **Investment structures**

Successful models tended to be those offering concessionary capital and flexible terms to maximise the investee's chances of success.

- **Investment-making processes**

Both the literature and interviewees emphasised the importance of building standardised internal processes.[18]

Corporates with a UK-registered charitable foundation found social impact investing relatively straight-forward, as the existing legal and regulatory framework could be applied.

We already had a corporate foundation registered in the UK. We didn't need new governance or documentation to get going with social impact investing."[19]

Corporates without a registered charitable foundation developed processes to govern making social impact investments from a philanthropic arm, used a Donor Advised Fund or – most commonly – focusing on making grants in the social impact investment space.

Corporates with a partnership structure found making social impact investments more difficult, given the need to secure agreement across the partnership. In such cases, using a charitable foundation or existing philanthropy funding stream with devolved decision-making powers was often the easiest approach.

- **Donor Advised Funds (DAFs)**

Some corporates provided clients with access to social impact investment opportunities through DAFs, as seen in the examples of the UBS Optimus Foundation and Hoare & Co's Master Charitable Trust. However, others noted that their wealth management teams lacked a DAF offering or that social impact investments were not yet integrated into the DAF stream.

- **Role of intermediaries**

Several corporates used intermediaries[20] to hold charitable monies and make social impact investments on their behalf. This provided many benefits, including risk mitigation, a simplified process and benchmarking.

Key takeaways:
Monies available and investment process

Learn from peers to develop the necessary internal systems and infrastructure.

Allocate specific budgets within CSR or philanthropic streams to avoid resource constraints.

Explore innovative finance mechanisms like patient and first-loss capital to maximise impact.

Develop internal governance frameworks, due diligence procedures and impact measurement tools to streamline investment processes.

For firms with partnership structures consider establishing a charitable foundation, Donor Advised Fund or leverage an intermediary to simplify decision-making.

Expand client access to social impact investments through Donor Advised Funds.

Explore partnering with intermediaries to reduce complexity and mitigate risks.

18. Corporates Deploying Impact Investing Strategies: Early Observations on Emerging Practice (GIIN, 2023).
19. Corporate – Financial services.
20. For example Charities Trust, CAF.

Systemic barriers

Key challenges include limited proof of concept and subsequent recycling of capital, with more investors needed to demonstrate returns. A limited pool of catalytic capital remains a constraint, compounded by insufficient advocacy for such monies. Additionally, there is a need for greater research into effective scaling strategies and innovation in financial product design, such as blended finance and recoverable grants.

1. Scaling impact and catalytic capital

Scaling is a core concept in finance-first impact investing, where growth in outputs is a measure of success.

For impact-first investments, scaling looks different. It is most often seen in the context of international development – where low-cost solutions can reach large numbers. In the UK, grants and concessional capital are used to prove new models or enable investment requiring market rate returns.

Social sector interviewees noted that many impact-first models remained relatively small-scale and never 'graduated' to receiving commercial capital.

Barriers to scaling and catalytic growth

Interviews identified several barriers that prevent corporates from helping to scale the impact-first investing space.

1. **Limited proof and capital recycling**
More investors are needed to demonstrate the viability of impact-first investing through achieving and recycling returns.

2. **Insufficient catalytic capital**
A key constraint is the lack of capital willing to absorb higher risk or accept concessionary returns, with interviewees making the following comments:

“

A lot of organisations need to cross the catalytic capital gap in order to grow, it's a market development constraint.”[21]

“With concessionary and catalytic capital, we see the emergence of a sector that recognises investment is a tool to get impact. Investment gives a lasting sustainable impact rather than a short-term grant impact.”[22]

Some corporates have recognised this need and offer both seed and follow-on investment:

“

We aim to deploy 50 per cent [of the social investment allocation] in new investments and use 50 per cent on next rounds...we want to be there until investees can access more traditional capital.”[23]

3. **Limited research and evidence**
More funding is needed for research into what works when it comes to helping social impact organisations scale sustainably and appropriately.

4. **A lack of advocacy for catalytic capital**
Interviewees noted the absence of visible advocates to promote the need for catalytic and concessionary capital.

“No one owns the catalytic capital space [in the UK] and can advocate for that space. Other countries have champions for catalytic capital [such as the US Catalytic Capital Consortium].”[24]

5. **Need for innovation in financial design**
There is growing interesting in rethinking capital and designing more equitable products.

The Innovative Finance Initiative, for example, is exploring innovative models such as recoverable grants, forgivable loans, blended finance and catalytic capital.

Key takeaways:
Scaling impact and catalytic capital

Allocate specific budgets for catalytic and concessionary capital, as well as follow-on investments.

Ensure impact-first investments are repayable to build market credibility.

Collaborate with other corporates to create a unified voice advocating for market development.

Fund research on scaling impact-first investments to identify best practices.

21. Social sector.
22. Social sector.
23. Corporate – Financial Services.
24. Social sector.

2. Funds vs direct investments

How corporates choose to channel their social impact investment - whether through funds and intermediaries or via direct investments - has significant implications for risk, engagement, and impact.

Interviewees highlighted that both approaches have distinct advantages and challenges, depending on the corporate's objectives, internal capacity, and appetite for involvement.

Option	Overview	Advantages	Disadvantages
Investing in funds and through intermediaries	Funds or intermediaries allow corporates to pool capital with other investors and leverage specialist expertise to deploy investments efficiently.	• **Streamlined due diligence process.** An intermediary or fund is typically equipped to support the corporate's due diligence process in a fast and efficient manner. • **Deploys capital at scale.** The fund or intermediary has the expertise to deploy investment to underlying investees, enabling for larger amounts of capital to be invested. • **Builds ecosystem capacity.** By backing intermediaries, corporates can make it easier for them to raise capital from other investors, helping build a sustainable financing ecosystem.	• **Limited employee engagement.** Fewer opportunities for employees to engage and learn through direct experience with social enterprises. • **Potential reputational risk.** The intermediary may later invest in projects misaligned with the corporate's values or priorities. • **Less alignment with specific goals.** Corporates may have less influence over where and how funds are deployed.
Investing directly	Direct investment involves the corporate identifying and assessing individual social purpose organisations itself.	• **Deeper engagement.** Offers more opportunities for employee learning and engagement. • **More knowledge and detail of the investment.** Corporates can conduct more thorough due diligence. • **Greater buy-in.** Corporates can create a more compelling narrative for employees, stakeholders and clients.	• **More resources required.** Investing directly can be time consuming and could place pressure on the investee. • **Limited scale.** Investments tend to be smaller and don't have a significant effect on increasing the overall social impact investment pool of capital.

Key takeaways: Funds vs direct investments

For large-scale capital deployment, prioritise funds/intermediaries. For employee learning and engagement, consider direct investments.

Develop frameworks and conduct robust due diligence on funds/intermediaries to ensure alignment with impact-first principles.

Design due diligence and reporting processes that minimise the burden on investees.

3. Appetite for co-investment

Co-investment is common among endowed charitable foundations but is less frequent for corporates making social impact investments or catalytic grants. However, there are some positive examples of collaboration, such as Bank of America, A&O Shearman and Macquarie Group Foundation's support for the Growth Impact Fund.

Interviewees identified several barriers to broader co-investment activity.

- **Branding and competitive dynamics**

Many corporate interviewees expressed hope that their participation in social impact investing might inspire other corporates to follow but also acknowledged that this could lead to a 'crowding out' effect.

There are competitive dynamics in the corporate sector, if one bank invests in a fund another might not...It's important to think through the dynamics, it makes collective vehicles quite difficult"[26]

At the same time, many corporate interviewees recognised the power of co-investing or collaborating, as well as the tension it created. As one observed:

Collaboration is interesting: everyone loves to be part of something where they're not going out on their own but in that lies a challenge. You want all the branding benefits for your business, and you want the security of co-investing and collaboration."[27]

- **Maintaining governance control or influence over an investee**

Some interviewees reported that a desire to maintain control or influence over an investee could be a barrier to that organisation attracting other co-investors in the early stages.

- **Co-investment with other impact-first investors**

Despite these challenges, there was a growing interest among corporate interviewees in collaboration – particularly co-investing with other impact-first investors, such as corporates in other sectors, endowed foundations and family offices.

Key takeaways: Appetite for co-investment

Focus on co-investing with complementary players or neutral organisations to reduce competitive tensions.

Create frameworks for co-investment that allow for shared branding opportunities while maintaining individual corporate visibility.

Partner with intermediaries to facilitate co-investment, reduce competitive dynamics and manage shared governance and influence over investees.

Demonstrate the value of co-investment to internal stakeholders by showcasing examples where collaboration has amplified impact and minimised risks.

26. Social sector interviewee.
27. Corporate – Financial Services.

4. Government backing and legislation

The UK is widely regarded as having a very enabling environment for social impact investing. This includes:

- A clear legal and regulatory framework for clarifying charities' ability to make social investments, including corporate foundations registered as charities.
- The establishment in 2012 of Better Society Capital to utilise money from dormant accounts as a wholesale investor and develop the social impact investment market in the UK.
- A range of specialist organisations promoting the role of catalytic and concessionary capital, including Access – The Foundation for Social Investment, UnLtd and the Resolution Foundation.
- Government commitment and funding, including the recently-announced £500m Better Futures Fund 'social outcomes partnership'.

Gaps and under-utilised incentives

Despite this strong foundation, many schemes designed to encourage corporate social impact investing are under-utilised. This includes the Community Investment Tax Relief scheme,[28] which encourages investment in Community Development Finance Institutions (CDFIs).

By contrast, the United States has a federal law – the Community Reinvestment Act – which is designed to encourage banks and other financial institutions to meet the credit needs of all communities, particularly in low and moderate-income areas.

In the US, CDFIs create another universe of investment. It doesn't require as much effort [for a corporate] as setting up their own impact arm. We haven't seen this in Europe."[29]

Fragmented government engagement

Some interviewees believed it was difficult to understand how social impact investment fit within the UK government's priorities, with several departments all playing a role in the current landscape.

These have included:

- the Department for Science, Innovation and Technology,
- the Department for Culture, Media and Sport
- HM Treasury
- the Foreign, Commonwealth & Development Office, and
- the Department for Energy, Security and Net Zero.

The recent launch of the Office for the Impact Economy is a positive development in providing a single focus point for impact investors, philanthropy and purpose-driven businesses.

Limited corporate coordination

While some corporates are represented on the government's Social Impact Investment Advisory Group – such as Legal & General and Lloyds Banking Group – overall coordination among UK corporates on social impact investing remains limited.

A lack of awareness, particularly around impact-first investing, meant that many corporate actors were not aware of, or represented in, government activities.

Key takeaways: Government backing and legislation

Work with the government to simplify and promote schemes like the Community Investment Tax Relief (CITR) to make them more accessible for large businesses.

Share success stories and co-ordinate to promote the value of corporate involvement in social impact investing, particularly on impact-first investing.

28. **The Community Investment Tax Relief scheme** encourages investment in disadvantaged communities by giving tax relief to investors who back businesses (and other enterprises) in less advantaged areas via investments in accredited community development finance institutions (CDFIs). The tax relief is available to individuals and companies and is worth up to 25 per cent of the value of the investment in the community development finance institution. The relief is spread over 5 years, starting with the year in which the investment is made.
29. Social sector.

5. Legal and conflicts of interest barriers

There were clear regulatory requirements for corporates with a UK registered charitable foundation. However, for corporates that did not have one, the rules were less explicit.

This lack of clear regulatory guidance meant that, although some barriers had been confirmed by internal or external legal counsel, many corporates took an overly cautious approach - one that may underestimate the full range of permissible activity.

Interviewees highlighted a range of regulatory and compliance issues that can limit corporate participation in social impact investing.

- **Regulators' stance**

Corporates expressed uncertainty about how their industry regulators – such as the Financial Conduct Authority or Solicitors Regulation Authority – viewed social impact investing.

Retail bank interviewees commented that strict regulations around commercial lending affected their ability to support social purpose businesses with citizenship funds.

For law firms, concerns centred on potential conflicts of interest. Several interviewees noted that investing in profit-making organisations Could be perceived as inconsistent with Solicitors Regulation Authority conflict policies.

There were also examples of corporates making social impact investments in one jurisdiction (e.g. the US), but not in the UK due to concerns about their legal ability to make investments in the UK. Some corporates were exploring how to make social impact investments in the UK while others had opted to restricts activity to grants - providing first-loss capital or support of the broader social impact investing ecosystem.

Interviewees also noted a lack of structured opportunities for corporates to share their understanding of the regulatory requirements with peers.

- **Competition law**

Both corporate and social sector interviewees expressed concerns that, although there was enthusiasm for collaborating with corporate peers on social impact investing, this was tempered by uncertainty around whether the use of repayable finance could be subject to competition law, and whether it was permissible to share information about their investment approaches.

- **Confidentiality and data sharing**

Confidentiality was also cited as a practical constraint, [particularly in regulated sectors such as legal and financial services].

“

[As a social sector organisation] we couldn't accept funding from other firms in the same field. It's a confidentiality problem more than a competition problem, an audit risk and client risk problem. In some instances, we can't have conversations with any direct competitors."[30]

These issues make it difficult for corporates in the same sector to co-invest, collaborate, or even exchange learning, limiting the overall pace of market development.

Key takeaways: Legal and conflicts of interest barriers

Reduce over-cautious decision-making by working with internal and external legal counsel to interpret and navigate competition law and regulator requirements.

Advocate for clearer regulatory frameworks for corporate social impact investments outside of charitable foundations.

Engage intermediaries to facilitate peer collaboration while maintaining compliance with competition law and confidentiality requirements.

Create robust policies for managing conflicts of interest, particularly in highly regulated industries like law and finance.

Develop contractual frameworks and confidentiality clauses to enable secure data sharing and collaboration with competitors or partners.

Educate internal teams on managing risks related to confidentiality and audit requirements.

30. Social sector.

6. Internal and external systems for deploying pro bono skills

- **Established models in the legal and consulting sectors**

The legal sector has systems for distributing pro bono work, such as Trust Law or Prime Advocates' Social Finance Hot Desk, which connect lawyers with social enterprises and impact-focused organisations.

Many law firms and management consultancies also have built-in internal structures to ensure successful pro bono relationships, including training programmes and processes.

"We run programmes designed to leverage more pro bono legal support for social enterprise and impact economy clients. Deals, investment rounds, funding arrangements, corporate structuring, intellectual property, data privacy. Any non-contentious issue that could come up for a company."[31]

Law firms and management consultancies also often apply the same robust risk management systems to charitable work as they do to chargeable matters, including onboarding processes and engagement terms to mitigate risk.

- **Rising practices in financial services**

In the financial sector, pro bono and low bono support was less systematised but highly valued. Interviews cited numerous examples of employees using their expertise to:

1. Develop pitch decks and pricing strategies
2. Interpret and communicate impact data
3. Design market expansion plans
4. Perform due e or provide support such as financial modelling to investees.

However, many interviewees noted that a system for distributing pro bono financial work would be helpful. One observed:

"We are always asked by charities and social enterprises for pro bono support around investment readiness and financial modelling. Accounting and finance professionals don't have the same established pro bono system as lawyers. This is a missed opportunity."[32]

31. Corporate - Legal.
32. Social sector.

- **Challenges and considerations**

Despite strong participation across sectors, interviews identified several issues that could limit the effectiveness of pro bono engagement.

1. Experience and oversight

Junior employees were often assigned pro bono tasks without sufficient expertise or oversight.

> **On a large pro bono project, in a big firm it might be headed up by someone who understands the sector, but it's farmed out to junior staff who don't have an understanding of social investment legal structures, the governance framework."[33]**

2. Proportionality of work

Some firms were overly rigorous in their pro bono work and risked swamping the investee.

> **Documentation might be suitable for corporate finance but is missing the mark in the social investment sphere. There can be less reporting obligations and controls to achieve the same purpose."[34]**

3. Transition to paid models

As social purpose organisations mature, or where work demands specialist expertise, ensuring sustainability means pro bono models may need to transition to paid arrangements.

4. Sector understanding and education

Many interviewees observed that there remained a strong need for education and long-term involvement if financial services corporates were to properly understand the impact and value of pro bono work.

> **What's really helpful on pro bono is education and learning about the sector. Otherwise, it's a bull in a china shop. Pro bono needs to be managed carefully for it to add value. It's helpful if a team or company has invested the time to understand and wants a long-term partnership."[35]**

Key takeaways:
Internal and external systems for deploying pro bono skills

Establish structured pro bono programmes in the financial sector, similar to those in the legal sector, to distribute skilled support systematically.

Create training to educate employees on the needs of social purpose organisations.

Value pro bono work internally, for example by including in employee reviews.

Ensure pro bono work is scoped appropriately to match the capacity and needs of social purpose organisations.

Focus on long-term partnerships rather than short-term engagements to maximise value.

Develop pathways for transitioning pro bono relationships to paid models as social purpose organisations grow and require more complex services.

Match volunteers with tasks aligned to their expertise and provide oversight to ensure quality and relevance.

Consider secondments or extended engagements where employees can learn from intermediaries and social sector organisations.

33. Corporate.
34. Corporate - Legal.
35. Social sector.

Recommendations to unlock corporate social impact investment

As interest in corporate social impact investment continues to grow, many organisations are motivated by the opportunity to drive positive change while creating long-term value.

Yet, despite this momentum, significant barriers – both internal and systemic – still limit the scale and effectiveness of FRPS corporate engagement. This research aims to bridge the gap between aspiration and action, offering practical recommendations to help corporates unlock their potential for social impact investment. Recognising that progress depends on collaboration, this report advocates for collective learning, shared solutions, and ongoing dialogue across the sector – encouraging all organisations to work together in unlocking the full potential of corporate social impact investment.

Addressing internal barriers

To overcome internal barriers and unlock greater corporate social impact investment, organisations must focus on building knowledge, fostering leadership, and encouraging collaboration across teams. The following sections outline practical strategies and recommendations to address these challenges and support effective engagement in social impact investing.

Education and learning

To increase corporate social impact investment, it is essential that teams from philanthropy or CSR, as well as business teams have sufficient knowledge:

- to understand social impact investment opportunities
- on the various ways to get involved including investment, grants and pro bono work, and
- on how to create effective internal processes and frameworks.

Several providers - including the Social Impact Investors Group, Impact Europe and the Impact Investing Institute - offer learning opportunities and training courses. However, learning tailored specifically to corporates in the FRPS sector should be developed.

Recommendations included:

1. Simplify and standardising language

This would help avoid confusion, both internally within corporates and externally. Peer sharing could help corporates develop a standardised language of corporate involvement. This could include, for example, avoiding the use of 'investment' when referring to purely philanthropic grant making

2. Leverage existing learning resources

Use established materials such as glossaries, playbooks and online courses, e.g. Good Finance's **Social Investment Unpicked**, to help employees understand key concepts, such as the importance of concessionary and catalytic capital.

3. Develop tailored training programmes

Invest in creating targeted training for employees, either within a single corporate or collaboratively across multiple organisations. This should cover the fundamentals of social impact investing, including terminology, the spectrum of capital, investment processes, risk management and impact measurement. The training should be designed to address knowledge gaps in philanthropy or CSR teams, as well as among employees from the business.

4. Foster organisation-wide learning and engagement

Organise broad learning sessions to engage employees across departments and foster internal buy-in for social impact investing initiatives.

Leadership, governance and cross-function collaboration

Interviewees emphasised that successful social impact investing required buy-in from senior decision-makers, effective governance frameworks and cross-function collaboration.

Institutionalising leadership support helps ensure continuity during changes in staffing or to the business. Meanwhile, allocating sufficient resources to oversight roles strengthened accountability.

Peer learning and confidential exchange between corporates were seen as valuable ways to share methods for:

- securing senior buy-in
- developing governance frameworks appropriate to the corporate's structure and context, and
- receiving advice on effective cross-function collaboration.

Learning by doing

Interviewees consistently highlighted learning by doing as the most effective way to build capability. Many corporates began with small initial allocations or investments which grew as the corporate developed expertise and processes.

Internal and external secondments - for example from the business into a philanthropy or CSR function, or into an external social impact investment intermediary - provided employees with opportunities to learn about screening investments, structuring support and exits.

Employees serving as board members or board observers of investees also gained valuable insights into monitoring and reporting.

Further recommendations included:

- developing internal systems and infrastructure to support making social impact investments, including due diligence procedures and impact measurement tools
- allocating a specific budget within the philanthropy or CSR stream for social impact investments
- creating structured mentoring programmes to support learning
- capturing and sharing insights from hands-on experiences – both internally and externally
- leveraging brand and communications teams to manage risks and build internal and external buy-in
- balancing fund and direct investments to deploy more capital and facilitate employee learning and engagement.

Peer learning and confidential sharing

All interviewees expressed strong interest in learning from other corporates, noting the need for confidential sharing forums to share knowledge and resources safely.

Recommendations included:

- sharing playbooks[36] and case studies with active learning to help with implementation
- creating peer forums across multiple corporate levels - including senior decision-makers, pro bono volunteers, legal and compliance teams, communications teams and philanthropy or CSR teams
- establishing thematic sharing groups around specific issues (e.g. direct investing, employability or calculated risk-taking for innovation)
- learning from those outside the FRPS sector in the UK, such as healthcare or tech, as well as from international examples (with a caveat around different legislative and regulatory environments) and non-corporate investors such as endowed foundations or family offices
- developing contractual frameworks and confidentiality clauses to enable secure data sharing. This could include templated legal documentation from existing corporate programmes.

Convening and collective action

Interviewees saw value in both formal and informal convening to accelerate progress.

Corporates could also organise informal sharing and learning sessions, although some level of centralised administration would be seen as essential.

Macquarie Group Foundation and fellow Advisory Group members for this project indicated a commitment to helping convene corporates to collectively address barriers to corporate social impact investing.

External support and ecosystem development

While corporates often relied on internal skills, social sector interviewees noted the benefits of using external intermediaries and advisers.

Although external support represented a cost, it could streamline processes for investees and draw on specialist expertise to source opportunities, undertake due diligence and structure investments.

Paying for external expertise could also help build and strengthen a social impact investment ecosystem. A hybrid model – which combined internal skills and paid-for external support – could also offer efficiency alongside valuable employee learning opportunities.

36. Playbook: a manual or guide that outlines established procedures, best practices, and strategies for a specific activity or process within an organization.

Addressing systemic barriers

Many of the most persistent challenges are systemic and require coordinated action. Opportunities for collective improvement, stronger infrastructure and a more enabling policy environment include

Social impact ecosystem capacity building

To help impact-first organisations navigate growth, capacity building is needed at the organisational level and across the broader ecosystem.

Key priorities include:

- supporting incubators and accelerators
- partnering with intermediaries and social impact fund managers
- designing due diligence and reporting processes that minimise the burden on investees
- allocating budgets to unlock blended finance and seed funding
- funding research to identify best practice in scaling impact-first investments
- planning for follow-on investments
- collaborating with other corporates to create a unified voice advocating for market development.

Opportunities for co-investment and collaboration

Greater collaboration between corporates and with other investors can expand available capital and reduce duplication of effort.

Practical steps include:

- building trust through peer learning and confidential sharing
- developing mechanisms for sharing due diligence with clear guidance on the regulatory framework for co-investment
- sharing pipeline opportunities through market showcases
- co-investing with non-competitive investors, such as endowed foundations, family offices and corporates in other sectors to address concerns around branding or conflicts of interest
- creating frameworks for co-investing
- partnering with intermediaries to facilitate co-investment

Government backing and legislation

Corporates can play an important role in informing government and other organisations about ways to improve the regulatory environment for those facing barriers to social impact investing. This might include working with organisations such as Better Society Capital or Social Enterprise UK.

Legal barriers and conflicts of interest

Many corporates remain uncertain about what activities are permissible, and whether internal legal and compliance departments may be adopting an overly cautious stance.

Recommendations included:

- commissioning legal guidance to clarify regulatory expectations, competition law and conflicts of interest management
- sharing findings openly to encourage an enabling environment
- using intermediaries to help maintain compliance with competition law and confidentiality requirements
- simplifying decision making for complex structures (e.g. firms operating as a partnership), by establishing a charitable foundation or Donor-Advised Fund or leveraging intermediaries

Frameworks to effectively deploy financial skills in the social impact space

A structured system for distributing pro bono work within the financial sector modelled on those in the legal sector.

Corporates should:

- develop internal frameworks for matching pro bono skills with social purpose needs
- provide employee training that builds an understanding of the needs and capacity of social purpose organisations
- focus on long-term partnerships
- scope work appropriately to the size and maturity of the investee

Conclusion

Corporate social impact investment in the UK FRPS sector is at a pivotal moment.

Hybrid models that blend philanthropy and investment are gaining momentum, but significant barriers remain – such as knowledge gaps, capacity constraints, unclear terminology, regulatory uncertainty, and the need for stronger frameworks for deploying capital and pro bono skills.

Despite these challenges, the evidence points to a clear path forward. Corporates have a unique opportunity to reimagine their approach, using concessionary and catalytic capital, innovative grant making, and their expertise to drive sustainable social change. Success will depend on:

- building knowledge through targeted education and hands-on experience
- securing senior leadership buy-in and cross-functional collaboration
- developing robust governance
- engaging in peer learning and confidential exchange, both within and beyond the FRPS sector
- collaborating with intermediaries and partners to streamline processes
- advocating for supportive policy and clearer regulatory guidance.

A recurring theme from research and interviews is the importance of networks and collective action. Connecting with the wider ecosystem – through formal and informal networks, peer forums, and cross-sector partnerships – enables corporates to learn from early adopters and accelerate progress. As highlighted in a 2015 report for Better Society Capital:

“Connecting to the wider network of organisations involved in social investment is important. Social investment is still a relatively new, maturing field; lessons can be learnt from early adopters and can help frame how a corporation wants to engage with social investment opportunities.”[37]

Interviews for this report echoed this sentiment, emphasising the need for ongoing dialogue, openness, and collaboration. Corporates benefit from sharing experiences, connecting across roles and functions, and engaging on key themes like employability and financial inclusion.

Where to from here?

Unlocking the potential of social impact investing requires collective action. By sharing learnings, co-investing in bold ideas, and building enabling systems, corporates can drive positive social impact and long-term value.

To move forward, the sector should:

- invest in collective learning and capacity building
- strengthen and expand peer networks
- advocate for enabling environments
- embrace experimentation and continuous improvement

Macquarie Group Foundation and its Advisory Group partners are committed to convening corporates, sharing insights, and addressing systemic barriers. We invite all organisations interested in advancing corporate social impact investment in the UK to join us on this journey.

37. Corporate Social investment: Gaining Traction (Oliver Wyman/Better Society Capital, 2015).

APPENDIX 1
Networks and sources of support

Interviewees identified a range of networks and organisations involved in supporting FRPS corporates interested in and undertaking social impact investment.

Key existing networks on social impact investment included:

- Social Impact Investors Group
- Impact Europe
- Impact VC

Organisations providing support and learning on social impact investment included:

- Access – The Foundation for Social Investment
- Better Society Capital
- Blended Finance Collective
- Global Impact Investing Network
- Good Finance
- Impact Investing Institute
- New Philanthropy Capital
- Social Enterprise UK

Organisations supporting networking of FRPS corporates with wider peers included:

- City of London Corporation
- London Funders

Interviewees were keen for sharing to take place openly within existing networks and in more informal confidential settings among peers.

APPENDIX 2
Secondary research

The secondary research involved a systematic review of relevant literature, policy documents, and market reports to establish a foundational knowledge base and identify key trends within the sector.

- BSC Market Mapping (Better Society Capital, 2021; 2023)
- Business for Societal Impact Annual review and frameworks (B4SI, 2024)
- Business Impact Challenge (Better Society Capital, 2015)
- CAF Corporate Giving Report (CAF, 2025)
- Catalytic Capital in Impact Investing: Forms, Features and Functions (Convergence Blended Finance, 2023)
- Catalytic Capital: Unlocking more investment and impact (Tideline, 2019)
- Corporate Community Investment (City of London, 2017)
- Corporate Impact Investing – Bridging Impact and Business (Impact Europe, 2024)
- Corporate Social investment: Gaining Traction (Oliver Wyman/Better Society Capital, 2015)
- Corporates Deploying Impact Investing Strategies: Early Observations on Emerging Practice (GIIN, 2024)
- Finance for the future – Practical solutions for the UK Government to mobilise private investment for economic, environmental and social priorities (Economy 2030 Inquiry, 2023)
- Growing a Culture of Social Impact Investing in the UK (HM Government, 2018)
- Investing for Social and Environmental Impact (Monitor Institute, 2009)
- New Pathways to Achieve Social and Environmental Goals: How Leading Corporations Use Impact Investing to Align Capital and Purpose (GIIN, 2023)
- Practitioner's Guide: Steps to Corporate Investment, Innovation and Collaboration (Corporate Impact X, 2016)
- Staying Brave - UK Philanthropy - Towards a transformational total asset approach (Tudor Trust, 2024)
- UK Grantmaking (2023-24 data)

APPENDIX 3
Finance-first impact investing

Finance-first impact investment—also known as market-rate return impact investment—focuses on delivering a full commercial return while achieving positive social and environmental outcomes. Unlike concessionary capital, this end of the market is attractive to large institutional investors such as pension funds and insurers, which require competitive, risk-adjusted returns. Corporates making finance-first impact investments are using monies from the business, rather than philanthropic or CSR funding.

An example of this approach in housing is the Affordable Housing Fund, managed by Legal & General. Backed by £510 million from Local Government Pension Schemes and Better Society Capital, the fund aims to deliver between 3,500 and 4,000 affordable homes across England. With assets developed and managed by Legal & General Affordable Homes, the initiative demonstrates how inflation-linked, asset-backed investments appeal to insurance and pension fund investors.

Other models highlight the diversity of market-rate impact investing. The Community Investment Enterprise Fund (CIEF), led by Lloyds Bank with £62 million in returnable investment, channels commercial capital into Community Development Finance Institutions (CDFIs) to support small businesses and local jobs—marking the first commercial commitment from a UK high street bank to enterprise-lending CDFIs. Meanwhile, a range of private equity impact funds, including those from Palatine, KKR and Apax Partners demonstrate how private equity can drive impact at scale, investing in growth-stage companies that deliver measurable social or environmental outcomes.

1. Credits

Advisory Group: Macquarie Group Foundation, Better Society Capital, UnLtd, Bank of America, A&O Shearman and others.

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