Public Consultation

Staff working paper

The Social Business Initiative:

Promoting Social Investment Funds

Important notice: this document is a staff working paper of D. G. Internal Market and Services, for discussion and consultation purposes. It does not purport to represent or pre-judge any formal proposal of the Commission.

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1. SOCIAL BUSINESS – AN OVERVIEW

1.1. Introduction

The Single Market Act of 13th April 2011 outlined the importance of what can be termed 'social businesses'. Stakeholder responses to the Single Market Act confirmed priority work to better identify such businesses and their needs, so as to more effectively support them throughout the EU. For this reason a 'social business initiative' was announced.

A Social Business Communication on this initiative is planned for the autumn, setting out the Commission's general conclusions, next steps and launching further debate.

The present consultation supports the Communication, but is more narrowly focused. One of the priority initiatives identified in the Single Market Act of April was the "setting up of a European framework facilitating the development of social investment funds" so as to contribute to a favourable financing framework for social businesses. The present consultation seeks further input on this cluster of issues to assist the Commission services in determining the best way forward. It does not prejudge the autumn Communication, which will cover a wider range of issues and actions.

1.2. What is social business?

Social businesses can be defined as targeting social, ethical or environmental goals as their primary corporate objective.

They place the achievement of social impacts above the delivery of financial returns. For this reason they can be seen as hybrid businesses, which lie between traditional for-profit firms and purely philanthropic endeavours with no economic element. In comparison with traditional firms they might be considered by investors solely interested in financial returns as insufficiently profitable. However, at the same time they are distinct from purely philanthropic work because their activity is about doing business. Social businesses are typically characterised by a high degree of (social) innovation: they can tackle challenges and fill gaps not sufficiently addressed through mainstream business or philanthropic work. They also typically focus on areas that fall beyond the traditional boundaries of State responsibilities, complementing public policy rather than replacing it. (See section 2.1 below for further discussion of a possible way of defining social business).

Three examples of Social Businesses

DE: *Social Business 1* organizes exhibitions and business workshops in total darkness. Blind guides lead attendees through a completely dark environment, where they learn to interact by relying on other senses than sight. They provide an innovative and proven tool for human resource development, reinforcing a collaborative mindset and emotional intelligence, and challenging prejudices attendees may hold on the capabilities of differently-abled people.

Over 6 million clients have experienced the social business worldwide, and over 6,000 blind persons have found employment through the social business.

DK: *Social Business 2* exclusively hires employees with autism spectrum disorder (ASD). Autistic people often have extraordinary skills that make them excellent software specialists. This business potential can be realized with special understanding and management. The social business' objective is to tailor a working environment for specialist people such as people with ASD in order to let them solve valuable tasks for the business sector at market terms.

Since its start in 2004, the social business has supported more than 170 individuals with ASD in Denmark, by creating job profiles and providing assessment. Today, the company has 40 consultants involved in software testing, data registration, quality control and information packaging for a number of the leading IT and telecommunications companies in the world. In 2009 the social business started a three-year education program for young people aged 16 to 23 which today has 11 students. It is the vision of the enterprise to create one million jobs for specialist people around the world.

FR: *Social Business 3* is a French social enterprise catering to the needs of around 500,000 deaf people in France. Its mission is to help deaf and hearing impaired individuals to live an independent life and overcome barriers preventing them to attend school, work, access public services etc., or making these daily activities very complex, if not impossible (e.g. activities requiring the use of a telephone). The company develops and provides innovative products and services (largely ICT-based) tailored to the needs of these customers.

1.3. A role for private investment funds?

This consultation is not seeking to explore the creation of a new European body or organisation providing public money for social businesses. The focus instead is on whether there is a need to facilitate private investors in supporting social businesses and, if necessary, on possible steps for improving the effectiveness of private investment vehicles that collect private money for this purpose.

It builds on input gathered during a workshop on the creation of an EU ecosystem for social entrepreneurs developing socially-driven ventures based on viable business models, organised by the Commission in May this year. Discussions there and more widely in response to the Single Market Act demonstrated that in the view of participants, investors are increasingly seeking to achieve social goals through their investments, yet can find identifying the right investments difficult. On the other hand the EU asset management industry (which provides products (funds) to channel investor's savings to entrepreneurs and firms) has experience in developed products designed to effectively channel investments towards social businesses, but discussions with certain fund managers has identified some potential barriers in existing frameworks.

This consultation explores ways of bringing these two dimensions together -- facilitating EU investment funds targeting social businesses, while also working to ensure EU investors seeking such funds are better able to do so.

Please note, in addition, that this consultation addresses issues that are linked to but separate from those being addressed in the work the Commission is doing on socially responsible investments (which will be addressed in the forthcoming communication on Corporate Social Responsibility). This other strand of work potentially targets all companies, whatever their business model. While social business very often implies a high degree of CSR, not all CSR compliant businesses will be social businesses.[1]

1.4. How to respond

This consultation paper seeks feedback on some general questions about the way forwards and on detailed aspects too.

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[1] "Corporate social responsibility (CSR) is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis" CSR Communication COM(2006) 136 final of 22 March 2006, "IMPLEMENTING THE PARTNERSHIP FOR GROWTH AND JOBS: MAKING EUROPE A POLE OF EXCELLENCE ON CORPORATE SOCIAL RESPONSIBILITY"

It is aimed at all stakeholders, including consumers: it is of relevance to social businesses, producers and distributors of investment funds and other financial products, institutional and retail investors, (social) rating agencies or social accreditation institutions, and other stakeholders interested in the evolution of social business and social investments. Views and feedback will be used by the Commission services to develop proposals within this initiative.

You do not need to answer all questions, though if you have a view, please express it. Please try and provide evidence or supporting material to support your responses.

If you have any remarks or comments you would like to make that do not correspond directly with a question, please feel free to include them.

In responding, please provide information about yourself to aid in our analysis. This should include your identity (individual or organisation) and the capacity in which you are responding (e.g. national authorities, industry trade bodies, individual firm or private respondent), and where relevant the member state of establishment and field of activity of your organisation (e.g. type of national authority, industry sector and type of firm). If you are an association of stakeholders, how many members do you represent?

If you are in the Commission's Register of Interest Representatives, please provide your registration number

https://webgate.ec.europa.eu/transparency/regrin/welcome.do?locale=en#en.

This consultation is open until …

Responses should be addressed to

The Commission services will publish all responses received on the Commission website unless confidentiality is specifically required.

2. WHAT IS THE PROBLEM?

2.1. Defining social business

The broad common features of social businesses (otherwise sometimes referred to as 'social ventures' – here no distinction is implied) can be quickly sketched out – as already touched on in the introduction above. Initial discussions with stakeholders suggest that social businesses will typically:

- focus as a **primary** corporate objective on the achievement of social, ethical or environmental outcomes;
- reinvest profits so as to maximise their ability to deliver on their primary objective, and therefore have no or limited profit redistribution for investors or stakeholders – this can limit their ability to raise funds, attract investors, and therefore expand and grow; and
- follow specific governance arrangements, e.g. addressing social goals in their internal organisation.

While the definition of social businesses needs to be further explored, this consultation offers a first opportunity for input from stakeholders, in particular with respect to developing a social investment fund framework that targets these businesses or ventures. This consultation does not prejudge the Communication or any formal proposal by the Commission. The Commission services recognise the heterogeneity of social businesses across Europe. Developing a definition of social business for the purposes of this initiative on investment funds does not mean that there could not be other elements or features of social businesses which have to be taken into account for the purposes of other policy measures.

Box 1

Do you agree that the main features of social businesses are as outlined above?

Please consider this from the perspective of ensuring effective private investment flows to these businesses, and include any further detail on how to determine the features. If you disagree, please outline the features that you think are important.

To what extent do you think this initiative should focus solely on those social businesses that do not distribute profits to their investors? (Note that, in contrast with pure philanthropic investments, investors would still be able to redeem their investment, or might be offered small returns through portfolio diversification).

Or shall it also focus on those which distribute profits to their investors (e.g. at least to a limited extent)? If so, how might social businesses be distinguished from other businesses?

Please consider the impact this may have in respect of attracting investors to such businesses.

2.2. The funding challenge

Stakeholders – notably those involved in running existing social businesses and those with experience of funding them, both through philanthropic and conventional financing – have suggested that social businesses face funding challenges different to those faced by other kinds of business.

The structure and purpose of social businesses can raise specific problems in accessing either conventional or philanthropic capital, because these businesses might not always fit neatly into traditional profit or non-profit models, or because of the way in which they combine producing financial returns with producing positive outcomes for society.

Stakeholders also suggest that confusion in the investment markets, with many competing labels or products that claim 'social' credentials of different types, may undermine the emergence of vehicles specifically targeting social businesses, as confusion has negative repercussions on investors' confidence. A lack of a shared vision of social businesses and their missions undermines their capacity to access investments or the development of EU-wide markets for such investments.

The challenges sit also with social businesses themselves – they can face difficulties in becoming 'investment ready', compounded by the lack of funding options available or visible to them.

In exploring funding issues, it is important to recognise that different kinds of social businesses might face different funding challenges, but also that a particular social business might face different challenges at various stages of its development.

Box 2

What are the main difficulties social businesses face, in your experience, in getting access to finance? (Please provide any data or evidence you have to show the scale and relative importance of the difficulties you identify).

Do different kinds of social businesses face different barriers? (Please include details about how these differences might impact on the access of these social businesses to finance, including over their lifecycle where appropriate.)

To what extent do you think barriers to access to finance are limiting the growth of social businesses across the EU? (Please provide any data or evidence you have to illustrate the scale and nature of these limitations).

Do you agree that there is a need to tackle any such barriers at the EU level?

2.3. The role of investment funds

Possible funding gaps relate not only to the specificity of social business, but also to the availability and nature of existing funding vehicles. There are a variety of such vehicles – and other strands of the social business initiative work will explore options in relation to the full range -- such as the possibility of social stock exchanges that might facilitate raising capital by issuing equity or bonds, social investment banks, or the use of micro-credits to provide direct funding, indeed by improving the access of social businesses to conventional financing. The autumn Communication on the Social Business Initiative will set out some preliminary conclusions.

As mentioned above, this consultation focuses instead on one particularly promising vehicle – investment funds.

There are two sets of rules currently governing EU-wide investment funds. Undertakings for Collective Investment in Transferable Securities Directives (UCITS) provides a harmonised framework for retail funds while the new Alternative Investment Fund Managers Directive (AIFMD) rules apply to investment funds for professional investors.

Existing UCITS-like funds already target social businesses in one form or another. Some funds are designed to specifically promote social businesses, amongst other targets. UCITS also in principle allows up to 10% investments in non-listed shares, a provision which could allow investments into social businesses. This implies that the UCITS framework is capable of acting as a conduit for funding to social businesses.

On the other hand, stakeholders considered that certain features of that current framework might still not be optimal for channelling funds toward social business. Notably, the UCITS requirements on diversification, rules on liquidity and rules on eligible assets may limit the effectiveness of UCITS for the promotion of targeted investments in social businesses.

This consultation therefore aims to explore whether a new bespoke social investment fund framework might be more effective at channelling funds to social businesses, and if so, what measures it might need to contain.

Box 3

If you operate a social investment fund, or are aware of the (national) legislative requirements that apply currently in practice, could you please provide broad detail on these requirements.

How do you think funding through investment funds might effectively compliment other sources of funding, e.g. philanthropic funding? Are there any challenges here?

Do you think that the UCITS framework is sufficient for funding social business without change?

Do you think a bespoke fund framework tailored to the needs of social business might be better suited to channel funds toward social businesses?

(If you think the UCITS framework is not suited, please outline the features of the UCITS framework that you think are mostly responsible for this).

2.4. The role of investors

Responding to the needs and interests of private investors is central to ensuring that a framework for investment funds aimed at social businesses will be effective. It is therefore necessary to examine what investors might be looking for in such funds.

Some stakeholders have noted that investments in social businesses might raise liquidity issues or might concern a portfolio of investments that is perceived as riskier than more conventional alternatives. In these circumstances, the argument is raised that, in order to promote investments in social business, investment vehicles exclusively targeted at professional investors might be most appropriate.

In this context, the AIFMD provides a framework establishing an EU-wide passport for the marketing of such vehicles to professional investors. Also, possible new European rules for venture capital[2] -- as being explored by a parallel consultation -- might themselves constitute an avenue for channelling professional investments towards social businesses.

On the other hand, experience in some Member States seems to suggest that there is strong retail interest in social businesses. Increasingly, there are retail investors who are actively seeking to achieve social objectives with their investments. Therefore, investment vehicles for social business are likely to have appeal for all kinds of investors, not only those who are professionals. A retail vehicle would also create a link between social businesses and citizen investors. It can also be argued that social investment funds might be a useful addition to the investment portfolios of some retail investors, as they may diversify those portfolios in new ways.

Providing for retail access to social investment funds would entail including additional safeguards. Up to a point, it may be necessary to reconcile the effectiveness of investment into social business (e.g. long term investment horizon) with the needs of retail investors (e.g. need for short term liquidity).

However, retail protections raise costs. In this regard, some stakeholders argue that investors might willingly exchange levels of exposure to different risks and rewards for greater potential 'social returns'. This can take the form of taking on higher levels of risk (e.g. lower levels of liquidity, or greater uncertainty over valuations and returns) in exchange for greater levels of achievement of social goals, or it might take the form of foregoing greater returns for the same purpose. Some investors may also be willing to take on a longer term commitment so the fund manager can offer fuller support to the businesses they invest in.

Of course, a key element of any retail framework would be the provision of clear, effective and balanced information. This would need to address the specific risks and features or commitments that the investments might entail – depending on the content and calibration of the framework.

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[2] http://ec.europa.eu/internal_market/investment/venture_capital_en.htm

Box 4

Do you believe that social investment funds should be open to retail investors? Please give reasons for your answer.

What features of a social investment fund do you think are most important for retail/professional investors?

What specific pre-contractual information do you think would need to be provided to retail investors?

Should the framework encompass funds that explicitly forego greater financial returns for the benefit of the social impact of their investment, or that expose investors to greater risks, or both?

3. POSSIBLE CONTOURS OF A NEW FRAMEWORK FOR FUNDS THAT INVEST IN SOCIAL BUSINESS

This section seeks more detailed feedback on the possible shape of an effective fund framework, using the core features of the UCITS framework (passporting, supervision, authorisation) as an inspiration.

3.1. Liquidity

Traditional investment funds typically are structured so that investors are able to redeem fund units daily, weekly or monthly. In order to maintain the requisite level of liquidity, investments are (in large part) limited to transferable securities.

Yet such an approach might not be optimal for funds specialising in social business. On account of the less liquid nature of their investments and given the long-term commitment of their investments, assets of these funds may not be transferable securities. Offering daily, weekly or even monthly redemptions may therefore not be a feasible investment strategy for a social investment fund.

Box 5

What do you think would be the appropriate time frame for redemption of units in a social investment fund, e.g. monthly? Please give reasons for your answer.

Do you think there are other options for balancing the liquidity that small retail clients might be seeking with a focus on a long-term time horizon? (For instance, requirements on holding certain levels of liquid assets, lock in periods, etc.)

3.2. Risk diversification

Risk diversification across different classes of investments and issuers represent an important tool for investment protection, reducing overall risk exposures. Therefore, a social investment fund might be required to invest a certain amount of its investors' money in asset classes other than social business. Other elements of diversification in a social investment fund might include diversification in the range or types of social businesses targeted.

Box 6

Do you think that social investment funds should be subject to diversification rules?

To what extent do you think investors might expect a fund focused on social businesses to only invest in social businesses?

Should social investment funds be required to invest into different types or numbers of social business? (How many separate businesses might be required?).

Should there also be diversification across asset classes different from social business? (What limits might be appropriate? For instance, 40% social businesses, 60% highly-liquid transferable securities).

3.3. Types of assets and strategies

Social investment funds might need to be able to invest into assets beyond traditional transferable securities, for instance it might be necessary to enable such funds also to invest into non-securitised forms of participation in companies or certain forms of unsecuritised loans (e.g. micro-loans). This is linked to the issue of risk diversification, as discussed above. In these circumstances, the aim of channelling investments toward social businesses needs to be carefully balanced with the aim of allowing the fund to diversify its investment portfolio.

Many fund strategies can be envisaged – depending on the risk/reward profile that might be optimal for the success of social investment funds and for the needs of investors. For instance, structures might provide a guarantee of return of investors' capital – providing some certainty, but allowing investors at the same to put their money to work for the achievement of social benefit.

Box 7

What types of assets should a social investment fund be able to invest in? Please give examples.

Should the funds be limited to certain kinds of strategies (for instance, aimed at maximising their attractiveness for retail investors)? If so, which?

What rules or limits might be necessary to prevent firms using a new framework to circumvent restrictions in other frameworks (e.g. UCITS)?

3.4. Asset valuation

3.4.1. Financial assessment

It may not be practical for social investment funds to provide a daily valuation of assets under management. It may not be possible or might be very difficult or expensive for fund managers to assess the financial value of investments into social businesses at short intervals. This is especially true if shares of the business are not be listed. Also, when setting up a social project its notional value may be very low or zero and then rise steadily in the course of its development over a number of years.

Box 8

Do you agree that it would be impractical for social investment funds to have frequent valuations of assets? Please give reasons for your answer.

If so, for the purposes of investor protection what frequency might be appropriate? Please give examples.

Do you think that any non-social business assets that might be permitted should be subject to different valuation requirements? Might different kinds of assets require different approaches?

3.4.2. Social assessment and reporting

Generating positive social impacts or social returns on investments is of central importance for investors in social investment funds, and indeed would typically take precedence over financial returns. The return or success of social investments is indeed linked to their social benefit, which can often not be described in financial terms alone.

For this reason, the provision of reliable information about the social or environmental impacts of such investments can be of paramount importance for investors, whether on an ongoing basis or pre-contractually (i.e. seeing how this is going to be done). Existing methods for measuring and comparing such impacts exist, but compete or are patchy. Given this, common methods for evaluating social impacts might become necessary in order to provide investors in social investment funds with the requisite level of transparency as to what their investments achieve.

Possible tools for evaluation include methods for measuring wider impacts, such as:

- savings for society,
- positive social and/or environmental impacts, and
- benefits for individuals directly helped by social businesses.

Box 9

How do you think 'social returns' might be best addressed and measured?

How might this build on other existing work, for instance on non-financial company reporting, social accounting, socially responsible investing, etc.?

What information do you think needs to be disclosed to investors, and how might this best be presented?

If you have experience in this area please provide examples, data, and as much detail as possible. Please consider that prospective investors might need different information compared with already existing investors.

3.5. Investor participation

Investors interested in social investment funds typically show a strong interest in the choice of investments made by a fund. Given their interest in determining the fund's investment strategy, mechanisms might be developed so these investors can be more involved in deciding which social businesses are to be the beneficiaries of investments. Their ability to influence the decision-making processes may provide investors with a higher level of engagement and a closer affinity to 'their' social projects. Such involvement may stimulate a long term dedication to invest into social investment funds.

Box 10

Do you agree that investor participation will contribute to the success of these funds? Please give reasons for your answer.

If so, please outline how this might work in practice, and whether this can or should be required as part of the social investment fund framework itself.

3.6. Risk management

All investment funds need risk management processes so they can identify, measure and manage all relevant risks, for both investor protection and systemic risk reasons. For social investment funds the question of risks might be cast wider, to encompass non-financial risks related to the investment objectives. For instance, changes in the social performance of target companies might need specific monitoring and handling policies.

Box 11

Which particular features of social investments might require specific risk management requirements?

When considering this question, please also consider issues of non-financial outcomes and risks.

3.7. Depositary

The role of a depositary – designed to protect investor's interests – might technically vary according to the kinds of assets a social investment fund can invest in, since it might be difficult for depositaries to 'hold' the assets such funds target. Depositaries also typically exert control functions, but assessing or examining social investment funds' underlying assets might be particularly difficult.

Box 12

What should be the duties of a depositary (e.g. tracking the funds' assets, reconciling units or shares issued with subscription proceeds received)? Please give reasons for your answer.

Please take into account the specific kinds of assets that might be held by a social investment fund.

3.8. Remuneration and cost structures

Depending on the approach taken, social investment funds are likely to offer a return profile that differs from conventional collective investment vehicles. Also, short-term financial returns may be deliberately exchanged for long-term financial and social returns. This raises questions as to the most sustainable fee structures that might be appropriate for such funds, a question also linked to the issue as to whether the asset management industry is likely to perceive and wish to take up opportunities in support of social businesses.

Since social investment funds often would only offer lower returns than will be common in other parts of the asset management sector, remuneration structures for the managers of these social investment funds may need to be different. Also the activities associated with managing such funds might require the provision of other services than portfolio management (such as a consultancy role), incurring additional costs. Indeed, a key role for the fund manager will be to act as an 'incubator' for social businesses.

Linked to the general question of remuneration and cost structures, is the attractiveness of the funds for asset managers themselves.

Box 13

How might the sustainability and profitability of a social investment fund regime be ensured?

Are there any particular factors in your experience that might determine the commercial success of the fund?

In your view, what kinds of incentive structures might be appropriate or inappropriate for the managers of the funds (e.g. performance fees versus flat management fees)?

4. OTHER MEASURES PROMOTING SOCIAL INVESTMENT FUNDS

This section examines possible measures in addition to those related to a possible new fund structure, as outlined in Section 3. The measures in this section can support such a new fund structure, or may be considered as independent measures.

4.1. Improving transparency and clarity

Dialogue with stakeholders on the Single Market Act has suggested that a lack of clarity in the terminology used when marketing social investments undermines confidence of investors in these investments.

An initial step could be to oblige all investment funds to disclose information about their investments into social businesses in a standardised and accessible way. At present, all funds must already disclose their investment targets or methods to investors. But they do not need to provide information on their approach to social businesses as such and, in the case of funds that target social investments or investments in social businesses, on the percentage of their assets actually invested in social businesses.

Additional steps could include the systematic disclosure of how funds determine, select and monitor their investments into social businesses, and the provision of additional information such as what other activities are deployed to support the social businesses they target. Information could also cover areas such as on social impacts or returns. (Initiatives on transparency for social investments more widely are already afoot, e.g. under the Eurosif umbrella.[3])

Transparency issues also arise in regard to information flows between fund managers and the social businesses in which they seek to invest. For instance, reporting and accounting by social businesses may not consistently or easily provide the information fund managers need to assess those businesses and their social performance. Separate work on reporting of non-financial aspects by businesses may be able to help in this area taking into account the needs and capabilities of social businesses.

Box 14

What steps do you think should be taken to improve transparency for investors in relation to funds targeting social businesses?

What steps do you think should be taken to improve transparency for fund managers about the social businesses which they target?

Please consider how to balance burdens on social businesses against effectiveness in ensuring their 'investment readiness'.

4.2. Improving transparency through common criteria

Additional steps might be taken to establish common approaches to defining, rating and labelling funds specifically targeting social businesses so as to more strongly foster confidence amongst investors – which might also lead to a stronger 'brand' identity for

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3 One example for this kind of labelling is Eurosif. Eurosif set up a European Transparency Code on retail SRI funds in order to increase accountability to consumers. This code includes guideline categories about what SRI funds stating to adhere to Eurosif's principles should disclose to investors: http://www.eurosif.org/images/stories/pdf/european_sri_transparency_code.pdf

social investment funds. This could also strengthen cross-border distribution, laying a basis for common expectations and reliably meeting them across the EU. Such steps also could relate to rating and labelling of the social businesses themselves.

Yet this raises the question as to what organisation or body might be in charge of developing and defining common criteria at the necessary level of detail and how to ensure appropriate relevance, independence, objectivity, and compliance with the criteria. Options can be seen ranging from a largely industry-led approach (brokered perhaps by the EU), through the use of independent standard setting or assessing bodies, up to the setting of standards through EU law, suitably supervised and enforced. Independent bodies might be private associations or authorities. A class of social assessment agencies might be certified to undertake 'ratings' of social businesses (or of criteria used by funds to this end); these agencies could also take a role regards improving information flows between social businesses and funds, acting as key intermediaries in supporting social businesses and building confidence and trust in the strength of standards in the sector.

In all cases, however, the approach should be sensitive to the proportionality of the costs for social businesses – the more elaborate or weighty the process, the more ill-suited it may be to addressing relevant funding gaps; innovative mechanisms for the funding of ratings processes, for instance, might need to be explored. Having said this, the importance of objective and trustworthy information for prospective investors must also in all cases be upheld.

Box 15

How do you think common criteria for defining, labelling and rating social funds and social businesses might be most effectively established?

Who should establish them and develop them over time?

How might they be verified, to ensure they are appropriately used in practice?

Please set out views on the pros and cons of different approaches.

4.3. A common EU label?

All of the measures and steps outlined in this consultation paper contribute towards the effective development of an EU brand or label for social investment funds. Strong steps might be taken to communicate this brand – a common EU logo and associated language that can only be used where a fund fulfils all the relevant criteria. Such a brand would likely need to be clearly defended, for instance by ensuring effective supervision and by ensuring other marketing material does not dilute or undermine it.

Box 16

Do you think a strong new EU label (e.g. supported by a common logo) would help social investment funds succeed? Please give reasons for your answer.

How might the appropriate use of such a brand be ensured in practice, and potential for confusion with other brands or labels diminished?

4.4. Ensuring effective integration with social businesses and distributors

The effectiveness of investment funds targeting social businesses depends on two separate kinds of intermediation. The first is the intermediation between the fund and its target investments, social businesses. The second is the intermediation involved in the distribution of the fund to end investors.

These two areas raise rather distinct challenges. Regarding the first area, stakeholders have indicated that communication on the ground and in local communities is vital to enable social businesses to be aware of the funding opportunities available to them and to help them prepare for drawing on such funding opportunities. This is a two-way street, and one can image specific challenges and responsibilities for the fund managers too, who may often taken on an 'angel investor' or advice brokering role in regards the social businesses. (The fund managers may perhaps work with other intermediaries too to ensure such support is available, as part of normal due diligence).

Regarding the second area, ensuring social investment funds are offered to or made available to retail investors could be key to ensuring the success of a retail approach. Some Member States have taken strong steps to provide incentives for such distribution, as is the case, for instance, in France with measures to ensure employees are always offered the opportunity to put their money under employment savings schemes into *fonds solidaires.*

Box 17

What steps do you think might be taken at the European level to facilitate better intermediation between funds and social businesses? Are there particular responsibilities that you think fund managers should take on?

Do you think there are any possible actions at the European level that might ensure effective distribution of social investment funds?

4.5. Use of other incentives, including tax

Other measures might be envisaged to further incentivise investors focus on funds targeting social businesses, such as steps by Member States in relation to tax policies.

Box 18

How might tax incentives be made useful? Please provide data on any existing such incentives you are aware of.

Are there any other measures you think might be possible to maximise investor's access to social investment funds, or the attractiveness of these for investors?

Thank you for taking the time to respond to this consultation.