

SARAH OLSEN

Good morning everyone and I am happy I made it here, I am sorry for my tardiness because of my flight delay. So I haven't had the benefit of hearing your remarks from this morning but I have obviously read your paper and seen your presentation so just a few brief things and then I think it will be interesting to get into conversation. I thought that you really did nail it. I really think that the willingness to pay issue is critical and I think that uncovering that is kind of where we are right now in this market, in the sense that it is possible to assess environmental impact. It is possible to assess the jobs and even health impacts and other kinds of developmental benefits of investment and that is not well understood but it is possible and there have been a lot of investors actually doing this as you guys are evidence of and all the research that you have done shows. But this is not visible to the market in general. And so I think that if there were some basically some public relations effort to showcase what has actually been done and to make that information more visible it would be compelling to other investors who are thinking, you know, we like to do this and we probably need to know this stuff but we don't quite yet know how useful it would be if we had it. And we don't know how to go about getting it, and we don't want to really be the first in doing this. So if it were more evident what CalPERS has done, what New York commons have done and some of the other investors who have done ground breaking extremely high quality of work, in my opinion. If that were made obvious that

would be, I think, an extremely useful step in the direction of showing what the utility of this information actually is and therefore to enable people to begin pricing it. This is something that SVT group has been working on for you know about as long as PCV and we have been wrestling with how do you actually jigger this problem that there is no price right now for this information and therefore investors don't know what they should pay for it and frankly they would rather not pay for it because why them and not someone else? So how to overcome that without falling into a trap which is someone else subsidizes it unless its value is essentially zero to the market place. I think that one of the really exciting things that has happened in the an analogist area is the World Bank did away with CGAP, the consultative group to assist the poor in helping establish essentially the price of credit ratings for micro finance institutions. Where that had not been done before, there had been no credit rating of a micro finance institution unless Wall Street was unable to think about how to integrate microfinance into its strategy. But when CGAP began hiring, not getting them to do it at no visible price but actually paying a market price to have credit under riders to develop microfinance institutions, they said we are going to do this for 7 years. They did it for 7 years. They had a bid process where I think a dozen credit scoring entities established how they go ahead and can make those credit ratings and that essentially created this information into the market place that allowed investors to get and to see how they could invest and to understand the value of credit information on microfinance institutions

so that when CGAP and World Bank exited after 7 years, the market has essentially taken up that role. The same kind of thing could have happened in the impact assessment space. If someone would be willing to step up and pay for an assessment of a certain amount of impact analyst on a number of funds. And if that information were made very visible; instead what we have had so far is a few leading foundations. Rockefeller was in the far, way out in the forefront of that. Helping to present some of that information and working to enable organizations to get a foothold and be able to transition to something that people would be willing to pay to do notably Gears and the B-Core operating systems. But arguably, that hasn't been quite enough I would say. I think that there needs to be a larger scale of dollars that actually have their impact assessed and that needs to be more visible so we can see the contrast between what you can do when you have this information and what happens when you do not have it. And I would suggest that perhaps there was a 7 year cycle where it was very clear that this would stop being done or subsidize after time but where your market price could actually be established because you can pay them to do it. Those groups would also then be strengthened in their capacity to cover a larger amount of the market place; whether that is KPMG or Pacific Community Ventures or us or someone else. I think also that it is not actually so much of a problem in my opinion that there is this desperate and ambiguous set of investor preferences, I think that that is actually a potential strength and something particular to the United States. In Europe and even in

other countries which have more social democratic styles of government, we are beginning to see a large interest in social return on investment type analyst and trying to standardize the principals that go with how your account for social or environmental impact in any industry of any kind. So it is kind of an accounting discipline that is kind of in the making and this has led to such innovations that I am sure you have all been hearing about such as the social impact bond, which I think are quite exciting. In the United States however, the government has not up until this point played a catalytic role in this development of the technique or process which one can determine what impact is significant in any given company or fund. And instead what we have seen is that the United States has had a ton of private sector innovation and the problem with that is we don't know what has happened because the private sector hasn't had the money to actually talk about it. So we know a couple of things that have happened, that will, you know, we will come and talk to you about when we are on panels like this. But there is a lot more that just isn't known and there are important things that we can learn about how entrepreneurs and investors together can find the value in this information if somebody will step up and fund some inquiry about that and fund some of the showcase of it like what is happening right now. And just a couple of examples of that are our neighbor works and has funded some research that safe participated into affordable housing and what it would potentially look like if we analyzed the social returns associated with actually meeting the entire

demand for affordable housing in the United States, which is about 10 or 20 million units depending on who you ask. As a result of putting that paper out, I have been contacted through Venture Capitalists who invest for Impact by about 4 different entrepreneurs who have different parts of this solution and they are thinking extremely bold about it but the reason they are contacting me is because they are interested in, you know, they know we have a social or an environmental value proposition. We are planning on measuring that and we would like help to do that. But they see that they can potentially sell that information in some way and that, I think, is where having an agreement about what is a good way to measure a social impact is going to start to take off if you have an entrepreneur who has actually figured out a place where there is already a price for it, already a value that they can see that they will be able to capture if they can measure it in a way that the community sees as a valid way. So I look forward to discussing further with you what that can look like, not only in affordable housing but in other sectors. And with that, I hope we have some time for questions. Thank you.