



THE IMPORTANCE OF CREATING SOCIAL VALUE



**fondazione
cariplo**

Responsible Impact Series
THE FOUNDATION'S SHIFT TO SRI



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...THE RESPONSIBLE IMPACT SERIES

Managing assets wisely and giving in line with one's mission is paramount when you are responsible for assets as sizeable as those of our Foundation. Being transparent and sharing with stakeholders information about goals and results attained are other aspects of growing importance in the social model our Foundation promotes. Essentially, these are the reasons behind our Responsible Impact e-book series. A way for our Foundation to share with stakeholders the stories that show our commitment to having social impact, today and tomorrow. A way to catalyze positive forces and forge the communities that will lead the way tomorrow.



THE REASONS BEHIND THIS PROJECT

...THE IMPORTANCE OF CREATING VALUE

Our Responsible Impact series couldn't but start with an e-book centered around the importance of creating social value. Like all other philanthropic organizations, banking foundations are going through profound transformation where the whole concept of giving is being thoroughly reviewed in favor of investing in measureable impact initiatives. This first e-book in the series is about the evolution our Foundation is going through, a transformation which is making our Foundation lead the way in Socially Responsible Investing (SRI) in Italy. Morphing from a grantmaking organization to a social investor while embracing venture philanthropy as a way to create social value.



THE REASONS BEHIND THIS E-BOOK





INVESTING TO BRING ABOUT NOVEL PHILANTHROPY

Having €7 billion to invest and translate into philanthropy is a huge responsibility. You must prove alignment with your mission.

Fondazione Cariplo has embarked on socially responsible investing (SRI) some time ago. And now, the Italian financial community has proclaimed it 'a benchmark' in this realm. What does being a benchmark mean? The international term 'benchmark' is most appropriate, in this instance. In Italy, socially responsible investing is, in fact, still more an idea than a fact. The Italian banking system, Italy's large asset managers and networks of financial planners are significantly lagging behind their international peers in terms of SRI offering and strategies, while Fondazione Cariplo has already reached some key milestones in this area. Our Foundation has been transforming its DNA. Only at the beginning of this decade, Milan-based Fondazione Cariplo was essentially an entity making grants with income earned, mostly from its stake in Intesa Sanpaolo. Today, at the headquarters of our Foundation in via Manin, Milan, you can hear people talking confidently about innovative finance and the several thousand securities our Foundation now holds in its portfolio as a result of the progressive diversification of its investments to secure steady cash flows to support projects for the public good of the communities it serves. At the same time, its giving has taken on a new connotation.



They talk about venture philanthropy, i.e. philanthropy seeking measurable social impact and financial viability of funded initiatives, not just mere grantmaking.

Under this approach, giving and investing have become increasingly closer, intertwined and integrated. This has occurred both through investing in social impact entrepreneurial ventures that are similar to or complement initiatives supported through traditional philanthropy, and by making grants to innovative social enterprises in Italy and abroad. Both for its liquid and illiquid investments, in the early days of this new approach, Fondazione Cariplo had to search for criteria that could ensure alignment with its social mission. That search resulted in the adoption of the fundamental principles of SRI finance and led to exploring the frontiers that SRI finance can open up for philanthropic entities.

A number of aspects can be connected to such SRI-oriented

Pier Mario Vello



DNA. There are private, human aspects, those of leaders advocating a humanistic economy and finance.

Starting from our late Secretary General, Pier Mario Vello (in the picture, left), who passed away last summer. Quoted several times in the next pages, he spoke of the ‘beauty in finance’ and motivated Fondazione Cariplo’s people to search for a new way.

There are strategic aspects, such as the broadly communicated progressive separation from Intesa Sanpaolo, the bank. In years of great turbulence for banking foundations that several times came under attack for the governance issues connected with their stakes in banks, the line adopted by Fondazione Cariplo’s President Giuseppe Guzzetti has brought about increasing transparency in the relationship with the

Table 1 - UN GLOBAL COMPACT PRINCIPLES

HUMAN RIGHTS	
PRINCIPLE 1	Businesses should support and respect the protection of internationally proclaimed human rights in the context of their own activities; and
PRINCIPLE 2	Make sure they are not complicit, even indirectly, in human rights abuses.
LABOR	
PRINCIPLE 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
PRINCIPLE 4	The elimination of all forms of forced and compulsory labor;
PRINCIPLE 5	The effective abolition of child labor;
PRINCIPLE 6	The elimination of discrimination in respect of employment and occupation.
ENVIRONMENT	
PRINCIPLE 7	Businesses should support a precautionary approach to environmental challenges;
PRINCIPLE 8	Undertake initiatives to promote greater environmental responsibility;
PRINCIPLE 9	Encourage the development and diffusion of environmentally friendly technologies.
ANTI-CORRUPTION	
PRINCIPLE 10	Businesses should work against all forms of corruption, including extortion and bribery.

Source: Fondazione Cariplo

Table 2 - MISSION CONNECTED INVESTMENTS

Fund/Initiative	Committed
Other initiatives connected with action plans	
Banca Prossima SPA*	13,500,000
Bonifiche Ferraresi*	50,000,000
Extrabanca SPA*	1,060,000
FdF MicroFinanza I	70,000,000
SUBTOTAL Other initiatives connected with action plans	134,560,000
Private Equity - Italian infrastructure	
Cassa Depositi e Prestiti SPA*	169,338,810
Clessidra Capital Partners I	25,000,000
Clessidra Capital Partners II	19,462,137
Equinox II	5,000,000
Euromed	2,475,000
F2i - I (Class A)	110,619,599
F2i - I (Class C)	647,460
F2i - II (Class A)	10,000,000
F2i SGR*	1,016,821
Fondamenta II	70,000,000
Futura SPA (former Fondamenta I)*	48,155,239
Mandarin Capital Partners (Class A)	18,036
Mandarin Capital Partners (Class B)	4,977,936
PPP	10,000,000
Sinloc SRL*	4,905,600
SUBTOTAL Private Equity - Italian Infrastructure	481,616,638
Social housing - Urban Regeneration	
Armillia	2,000,000
Cloe	20,000,000
Lombardy Federal Real Estate Fund (category I)	30,000,000
Lombardy Federal Real Estate Fund (category II)	6,000,000
Cà Granda Real Estate Fund	17,500,000
Abit@Giovani Project (FIL - I)	16,500,000
Social & Human Purpose - (Class C) IULM	10,000,000
SUBTOTAL Social housing - Urban Regeneration	102,000,000
Venture capital	
Innogest CP II	1,000,000
Next	15,000,000
TTV	10,000,000
SUBTOTAL Venture capital	26,000,000
TOTAL	744,176,638

Source: Fondazione Cariplo



bank, but especially greater separation and independence from it. Notably, last April, our Foundation entrusted management of its stake in Intesa Sanpaolo (4.948% of the Bank's capital) to Quaestio Capital Management SGR, transferring financial risk while retaining ownership thereof (dividend and voting rights). A move which sounded like a further hymn to the emancipation of our foundation in its evolutionary journey. Last, but not least, there are operational aspects. Those connected to the redesign of our Milan-based foundation around SRI. As said earlier, Fondazione Cariplo needs to put its assets to work to live up to its commitment to annually giving funds aggregating to no less than 2% of the value of its net assets. At December 31, 2013, the marked to market value of the Foundation's assets (after tax) was €7.19 billion, of which €5.2 billion (marked to market value) in liquid investments managed by Quaestio, €1.3 billion (marked to market value) in its stake in Intesa Sanpaolo; and about €0.5 billion in illiquid investments, so-called Mission Connected Investments (MCI). So, how do we embed SRI in liquid investments?

To avoid any misalignment with the Foundation's mission and contain long-term financial risk on investments in financial instruments, our Foundation has adopted an approach inspired by social responsibility criteria. This means our Foundation does not invest in securities issued by governments or companies engaged in activities that adversely impact the environment or are disrespectful of human dignity, that are engaged in the production of nuclear weapons or weapons of mass destruction (WMDs).

Specifically, the asset manager (Quaestio) is required to follow a negative screening strategy, i.e. avoid investing in or divest from ethically controversial issuers on black lists compiled on a quarterly basis for companies and annually for sovereigns by FTSE ESG. These black lists include soverei-

gns on the A list of the London-based SRI specialist EIRIS, companies engaged in the production of controversial weapons (anti-personnel mines, cluster bombs, chemical/biological/nuclear weapons) or that contravene the UN Global Compact principles (Table 1).

As to illiquid investments, our Foundation invests in so-called 'Mission Connected Investments' (MCIs) (Table 2), investments that are consistent with the Foundation's mission and target a financial return of 2% above inflation. So, investments that protect capital and generate modest financial returns. This approach was adopted in the first years of this new Millennium, and the share of these investments has been growing since then. What makes these investments consistent with the philanthropic goals pursued by our Foundation is their scope. These are investments in (1) the four philanthropic program areas of our Foundations (Environment, Social & Human services, Arts & Culture, Scientific Research) or under related Action Plans, or that fulfill (2) the Foundation's purpose of supporting the local economy (through private equity and venture capital investments), or meet (3) the goals set forth in the statute establishing foundations in Italy, e.g. support to local infrastructure.

Social impact goals are crystal clear.

Take as an example, the stakes our Foundation holds in two banks, Banca Prossima, specialized in financing to Third Sector players, and Extrabanca, providing banking services to immigrants. Another example is the Microfinanza Fund of Funds that invests in microfinance in developing countries and in the near future may expand to Italy as well.

Another area that is worth mentioning is Social Housing where MCIs are a true companion piece of grantmaking. Our Foundation started its first pilot projects in socially sustainable housing as early as 1999 and now it supports so-

cial housing also via direct investments (€80 million). This is an example of how the combination of grantmaking and investing can expand the breadth and depth of our Foundation's actions. Bear in mind that grants cannot be given to for-profit organizations, while investments cannot be made in projects that do not have a business plan. So, this turns the spotlight on tomorrow's challenge: fully integrating all activities under the social investing umbrella. And Fondazione Cariplo has clearly stated it.

«To provide solutions that are more apt to meet relevant, complex needs, our Foundation has sets itself the goal of attaining greater integration of philanthropic activities and investing.»

Now, more specific standards, research on social impact, studies on 'hidden' social returns are needed to ensure the balance of investing and grantmaking, going forward.

This is what being a benchmark is all about.



NO HELP FOR PHILANTHROPY IN ITALY, TODAY



Investing in philanthropy, in a way, doesn't pay off. "In Italy there's lack of attention to philanthropy, at least on the taxation front. Italy is the only country in Europe that does not provide any relief to foundations like ours for income earned on investments. Indeed, judging from facts, it is quite the opposite. Cer-

tainly, this is not helping nonprofits and the Third Sector which our Government has rightly indicated as one of the important areas of focus for the good of our country" said Giuseppe Guzzetti, President of Fondazione Cariplo.

Fondazione Cariplo is to all effects a NONPROFIT organization. And yet, over these past years we have seen a steep rise in taxation on income from interest, dividends and capital gains, from which - mind you - we take the funds for doing philanthropy. A foundation essentially works by investing its assets to get income that, after taxation and operating expenses, it uses to fund philanthropic initiatives in arts & culture, scientific research, the environmental and social spheres. Although details are still unknown, Italy's Budget proposal presented last October contained provisions that indicate foundations may face a further increase in taxation.



The equation is simple: increased taxation equals fewer grants.

People need to be informed: taxation of income from interest, dividends and capital gains increased from 12.50% - the tax rate in force until 2011 - to 20% starting from 2012 and now, effective from July 1, 2014, to 26%. After having already increased in 2012, the Foundation's tax burden surpassed €42 million in 2013, and now, assuming the same income, the tax burden for 2014 and the following years may be expected to top €60 million annually, with a year-on-year increase of nearly €20 million. Assuming the same level of income, in three years the tax burden for the Foundation has essentially doubled.

These are funds we could and would have given to projects for the common good, for the economic and social development of the communities we serve, resources that are being taken away from all this.

I am not saying we should not pay taxes, God forbid. We have always paid them - including the municipal property tax - and will continue to do so. However, abroad, the value of what we do is clear and philanthropists receive tangible support because people understand they do something the State will never be able to do. The saddest thing in all this is that the price is going to be paid directly by nonprofit organizations to which we will be unable to ensure the same support as in past years. And what's even sadder is that ultimately the price will be paid by the people who benefit from the work of voluntary organizations, people who risk falling through the cracks.





Rocco Corigliano





DIVERSIFYING RISK FOR THE PUBLIC GOOD

The goal is creating value.

«Saying that Fondazione Cariplo is efficient if it annually gives funds aggregating to 2% of the value of its net assets while preserving the total value of its assets, is no longer enough» says Professor Rocco Corigliano member of the Board of Directors of the Foundation headquartered in via Manin, Milan, with delegated authority for asset management. Professor Corigliano says clearly that «things are much different from the way they were 10 years back, when the discourse was limited to factors such as operating expenses and grants allocated by the Foundations.»

Today, «the world has changed».

The change has been profound on the Foundation's funding front as «dividends on the Foundation's stake in the bank are no longer enough and the Foundation had to put in place a sophisticated asset management platform and broadly diversify its investments».

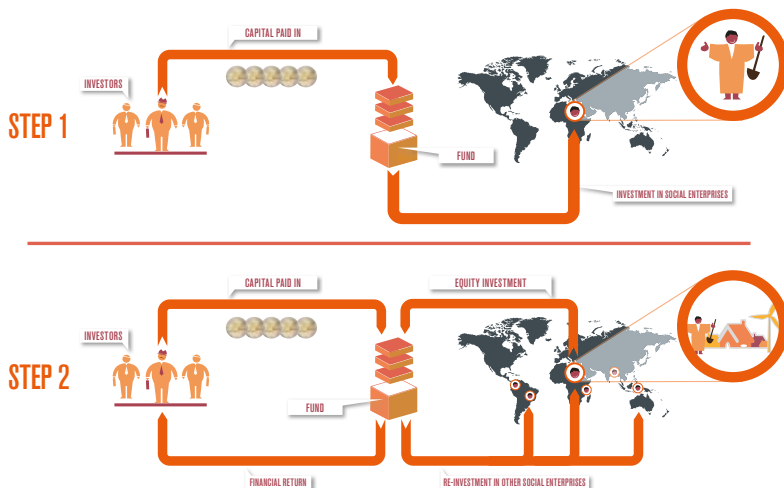
The change has been profound also on the Foundation's giving front, where concepts like venture philanthropy and impact investing took hold. Both venture philanthropy and impact investing satisfy the principle that «resources be employed in initiatives that are capable of standing on their own feet. That they be used to create value». Of this world that is changing «and making the Foundation a place where innovative finance is no taboo, but a shared theme», Corigliano illustrates the details that «make Fondazione Cariplo

one of the main players driving socially responsible investing in Italy.»

Indeed, SRI principles guide the Foundation's choices both in its allocation of funds and in asset management.

And even in the most complex choices, like those relating to management of liquid assets that since 2003 has been fully entrusted to the Quaestio Group where the Foundation has a stake of about 40 percent. "Quaestio is based in Luxembourg, but its investment management company is Italian" – emphasizes Professor Corigliano – "Fondazione Cariplo pays taxes in Italy and doesn't get any tax relief. Quite the opposite. Although our Foundation is a philanthropic entity, in Italy we are penalized tax-wise compared to our peers in other developed nations.»

Managing assets worth more than €7 billion is a delicate task. How do you ensure the right balance between the Foundation's values and financial return targets? Sure, assets are sizeable, and the asset management platform is particularly sophisticated and complex. You need to hire



professional managers to ensure the right capabilities, compliance, adequate monitoring and control systems. What we expect is, on the one hand, financial returns in line with benchmarks, and, on the other hand, adherence to socially responsible investing principles.

What SRI criteria do you adopt for your liquid investments, i.e. investments in equities and bonds? We refer to international standards. Our asset manager is required to apply negative screening, so avoid investing in securities on the black lists compiled by FTSE ERG, black lists of stocks and bonds issued by ethically controversial sovereigns and companies. It's true that ethical principles have always guided our action, but today, we've gone deeper and refined ethical standards, especially since the establishment of the new investment management platform in 2013. We have gone a long way beyond the old tenet of "not investing in companies that damage the environment." And yet, we strive to continuously improve and refine our social responsibility framework.

THE FOUNDATION'S ASSETS

TIPOLOGIA ATTIVO	VALORE NETTO	PESO
Investimenti liquidi diversificati affidati al Gruppo Quaestio	5.231.670.682	72,67%
Partecipazione Intesa Sanpaolo	1.376.050.505	19,11%
Mission Connected Investments	459.219.971	6,38%
Altri asset	131.948.901	1,83%
STIMA PATRIMONIO COMPLESSIVO A PREZZI DI MERCATO	7.198.890.058	100%

data as of December 31, 2013

Some time ago it would have been unthinkable to speak about investment platforms, investment management, benchmarks, securities, derivatives, hedges, within a Foundation, don't you think? I do. But the world has changed. You must bear in mind that it is our mission that drives us, a mission that requires us to give funds, preserving the total value of our assets and using investment returns to satisfy the expectations of grantees and other beneficiaries, who expect that funding flows remain stable over time. Certainly, the Foundation's stabilization reserve contributes to stabilizing funding flows. And yet we need that our assets yield returns. Up until a decade ago just the dividends from our stake in Intesa Sanpaolo, our main investment at the time, were enough. But today it is no longer so. Banks are not distributing and will not distribute the dividends they used to pay in the past. Hence, the need for our Foundation to efficiently diversify its investments and have a framework consistent with the Foundation's social responsibility values.

The world has changed on the funds giving front and on the investment front as well. There is a fundamental principle which is bringing funds giving and investing closer one to the other, i.e. the search for initiatives that generate value. On the grant-making or funds giving front we have embarked on a journey towards impact investing: we would like to increase the portion of funds given to initiatives that deliver measurable social impact. In this area, efforts are focused on finding ways to measure their impact.

What value are you looking for in your investments? Let's talk about Mission Connected Investment (MCIs), investments that are not liquid, they are not stocks or bonds, but long-term investments in tangible, concrete projects. With MCIs, finance joins up with the Foundation's mission. MCIs are investments in socially relevant ventures that generate returns. Especially



in social housing, this dual identity brings MCIs close to 'impact investments'. On both fronts, our Foundation intends to consolidate its innovator role. Fondazione Cariplo becomes a partner in initiatives connected to the Foundation's mission, such as infrastructure projects or projects supporting local economic growth (through private equity investments), or to the Foundation's program areas (editor's note: Environment, Social & Human Services, Arts & Culture, Scientific Research) and related action plans. The stakes in Banca Prossima and Extrabanca, as well as the Microfinanza fund fall within this investment approach. As does the recent acquisition from the Bank of Italy of the stake in Bonifiche Ferraresi, that we made jointly with other investors. Bonifiche Ferraresi is the only company listed in Italy engaging in agriculture, a sector that has been neglected until recently, and yet is so important for our communities and our country. The goal is to market Italian produce that meets responsible production standards, including respect for the environment and human beings.

Human beings... the Foundation is looking for a new road towards a humanistic economy and finance. The search for a humanistic economy is typical of philanthropic foundations.

The fact is we need to expand the concept of 'philanthropy', from giving to creating social value.

Incidentally, this concept will have to cross the boundaries of nonprofits and of the third sector and expand into other social realms: finance and business leaders will come face to face with this, in their assessments. This is why Fondazione Cariplo today leads the frontier of social innovation.







THE DREAM OF A NEW SHARED HUMANISM

This dream can be fulfilled also by investing, via Mission Connected Investments or microfinance. It is a journey that needs a new vision.

There are connections that open up unthinkable horizons, that overthrow conventions that seemed unchangeable. There are words like those spoken by Pier Mario Vello, former Secretary General of Fondazione Cariplo, that unleash new energy and push boundaries even in sectors traditionally seen as pragmatic, like finance. And thus investments turn into value, and social and environmental responsibility becomes inextricably linked to business goals.

Last June, Pier Mario Vello prematurely passed away, after eight years as Secretary General of Fondazione Cariplo, but his commitment to reaching full potential and fulfilling expectations continues to translate into a constant search for a meaning and concrete solutions at Fondazione Cariplo.

Only those who are capable of great dreams and are passionate in what they do can find new ways to solve problems.

Environmental protection, respect for human rights and workers' rights, fight against poverty: these are the new Millennium challenges that need to be most urgently addressed. Fondazione Cariplo is not shying away from the task. The increasingly pressing need to tackle social problems has driven our Foundation to develop targeted programs, build synergies and joint efforts at both the domestic and international levels. It has also pushed Italy's largest grant-

maker to embrace a dreamer's vision, a revolutionary approach.

Acting as an investor, as a financial market participant, looking for a way to take the good that finance has to offer and leave out the bad that finance has produced.

«He who cherishes hope has a true sense of reality, is a 'leveler' who can find a way out even in adversity» said Vello.

Our Foundation has taken upon itself this central role of 'leveler': we are capable of great dreams and yet we don't lose sight of the need to find tangible solutions and attain measurable results.

That goal, which some still see as utopian, is engendering a "humanistic economy" and humanistic finance capable of going out of the Stock Exchange and finding new meaning on the streets, in the cities, in the contact with other peo-





ple. These are ambitions that do not remain just mere words but transform themselves into tangible commitments and projects - from social housing to microfinance and impact investing - that have a strong impact on society. Initiatives that yield measurable results, that improve conditions in the communities where they are implemented and shape philanthropy anew. Because, returning to Pier Mario Vello's vision «the experience of beauty should always be nurtured. Even in finance».

FIRST TURNING POINT: TOWARDS INDEPENDENCE

The journey of our Foundation as a 'social leveler' started on June 12, 1823, the day *Cassa di Risparmio delle Provincie Lombarde* was founded in Milan. In 1816, the Austrian Empire had gained back vast territories in Northern Italy after long-drawn Napoleonic Wars which had left the local population in great distress and extreme poverty. The philanthropic institution *Cassa di Risparmio delle Provincie Lombarde* was established out of the strong will of the then Austrian rulers who entrusted its management to a group of Milanese aristocrats of recognized integrity and ability, with the dual mandate of supporting local economic growth and helping the most vulnerable and disadvantaged population groups.

And with two key tenets at its core: self-organization and subsidiarity. A philanthropic entity receiving donations to help the economic, social and cultural development of Lombard communities.

That mission has remained unchanged over the centuries and through two structural transformations, which confirmed Fondazione Cariplo's key role at the national level. The first transformation, the official change into Fondazione Cariplo, occurred in December 1991. The Amato-Carli Act provided for the reorganization of the Italian banking system:



the philanthropic action hitherto carried out by Casse, i.e. savings banks, would be continued by banking foundations. Initially, banking foundations kept their original controlling stake in the banking institutions from which they had been spun off. Later, also in compliance with the Ciampi-Amato reform made in the late 1990s (subordinate legislation Act No. 461 of 1998 and Legislative Decree N.153 of 1999), banking foundations began to reduce their stakes in the banks. Over those years, Fondazione Cariplo completed the process of reducing its shareholding in the bank and launched a major business development plan that led to the merger of Cariplo Spa (the bank) with Banco Ambrosiano Veneto and ultimately to the formation of the Intesa Sanpaolo Group. The Foundation headquartered in via Manin, Milan, remained a shareholder of one of Italy's major banks, but it progressively separated its identity from that of the bank. To the point that, in the spring of 2014, the Foundation entrusted management of its stake in the bank to an external asset manager. That step is a clear statement about the willingness of banking foundations to be separate from and independent of banks.

THE SECOND TURNING POINT: IMPACT PHILANTHROPY.

The second transformation was yet another revolution. Maybe more gradual, but constant and still ongoing: the shift from 'pure' philanthropy to social impact, economically sustainable investing. A look to the future that interprets the concept of giving in a novel way, under the belief that "teaching a hungry man to fish" is much more effective than "simply giving him enough fish for his next meal".

Funds given by the Foundation headquartered in via Manin, Milan, continue to provide unique support to local communities: From 1998 to 2013.

Including provisions for grantmaking, stabilization reserve and volunteer work (some €180 million/year, on average), the Foundation earmarked some €2.88 billion for worthwhile initiatives. Over the same timeframe (1998 to 2013), the market value of the Foundation's net assets increased 4.81 percent.

Wise management of assets is fundamental for 'balanced' operations, i.e. is the only way to create a breeding ground for new projects, the capacity to support them until they can stand on their own feet, and attain social impact. Wise management means preserving the value of assets without ignoring the importance of earning financial returns on investments.

The time when giving and investing for financial returns were two separate worlds is over. The path taken is one featuring the long-term view typical of foundations, and a patient, steady pace in seeking tangible, sustainable results: an investment must create value, it must do so because this is what it takes to respond to the needs of local communities.

This is why, at Fondazione Cariplo, grantmaking and liquid investments that meet social responsibility criteria are increasingly combined with a growing share of social impact investments.

These are its Mission Connected Investments (MCIs), i.e. targeted socially responsible investments that yield social and environmental returns. In this realm, Fondazione Cariplo's mandate is to preserve wisely ("tute servare") the value of assets by earning a modest financial return (2% above inflation) on investment. After dividends and repayments, today the value of Mission Connected Investments is around €538 million.





Thanks to this formula, the Foundation joins up philanthropy and finance in its actions, thus multiplying the potential of both. This is how the Foundation has become a 'philanthropic innovator' as it defines itself «promoting entrepreneurial approaches not only in its philanthropic funding but also in its own projects built through participatory planning as well as in its investments». The integration is visible especially in social housing, where the journey started as early as 1999 and led to the formation, in 2005, of an ad hoc entity, the Social Housing Foundation, which includes the Lombardy Regional Administration and the Association of Lombard Municipalities among its sponsors and members. A model that has become a case study at international level. Today Fondazione Cariplo's investments in urban regeneration and social housing has reached €80 million, of which €16.5 million in Abit@Giovani, a project that helps people under 35 years of age become home-owners through a 'rent to buy' scheme.

MCIs have permitted to push boundaries and innovate also on another front which is a bridge between philanthropy and lending: microfinance.

Launched in March 2010, the Microfinanza 1 fund of funds invests in financial institutions providing microfinance services in developing countries: €84 million is the amount raised during the subscription period, and the fund's expected life is until 2024. The beneficiaries of microfinance services are individuals and micro-enterprises. The best-known microfinance service is the extension of small loans to individuals (often women) who would like to start up a business, but do not have access to traditional bank loans due to their deprived financial conditions. By enabling people in a Bolivian village to buy a loom or the installation of systems that make water drinkable in India, microfinance allows people to fulfill their dreams and change their lives. So far, microfinance has mostly helped pe-

ople in poor regions of the world, but going forward, Microfinanza 1 will be able to invest also in Italian initiatives. Through MCIs, Fondazione Cariplo has also been able to dip its toes in the venture capital waters. Although often characterized as speculative and risky, venture capital initiatives can be the lever that makes dreams come true when social responsibility principles are applied. In that space, our Foundation has invested €26 million, of which €10 million in the TTVenture Fund, an Italian fund supporting high-tech projects developed by joint ventures of universities and businesses that our Foundation promoted together with other banking foundations. The MCI adventure shows how innovative is the path taken by our Foundation. Its initiatives push the frontiers of knowledge to the point that the lack of standards against which they can measure may, at times, be a limit in their operation.



And yet, Fondazione Cariplo is steadily increasing the pace of its march towards a humanistic economy and novel finance. Pushed by its passion, its desire to renew itself and be a driving force in the cross-pollination of the best social responsibility experiences in Italy and internationally. A Foundation strongly rooted in Italy and at the same time equally strong internationally.

LOOKING FROM MILAN TO THE WORLD

Lombardy is at the heart of the Foundation's action, but the world is the theater of the future.

In 2013, our Foundation supported 1,047 initiatives awarding in aggregate €138.83 million (a figure that rises to €144.41 million including provisions for regional funds and volunteer work). Of these funds, the portion that goes to initiatives outside Lombardy (113 initiatives for a total amount of €9.63 million) or abroad (7 initiatives for a total amount of €0.15 million) is still small.

Within Lombardy, Fondazione Cariplo has set in motion innovative actions and structural change always driven by the goal of shaping and 'leveling' things in the social sphere. Like in 1998, when it promoted the formation of community foundations for the purpose – set forth in their bylaws – of fostering philanthropy, the culture of giving and growth of civil society, in the capital cities of the provinces of Lombardy and Verbano-Cusio-Ossola. That was not just a formal action, but the launch of truly novel institutions with a mandate that hitherto had been implied and, at times, even misunderstood. As you can read in the 19th Annual Report of ACRI: “not through rapid progression, but with a steady pace, the model of community foundations has been taking hold, at first, by initiative of Fondazione Cariplo, in all provinces of Lombardy (and, in Piedmont, the provinces of Novara and Verbania), to later expand into Veneto, where Fondazione di Venezia has established two such foundations and, in Pied-

mont, where Compagnia di San Paolo has formed five more of these institutions.”

Another example is Rete Biodiversità (Biodiversity Network), a conservation project designed to protect the natural environment and wildlife through the creation of ecological corridors (natural routes) connecting local natural parks. The brainchild of Fondazione Cariplo, this project has been developed by partnering up with the Varese Provincial Administration, Lombardy Regional Administration, and LIPU, the Italian Society for the Protection of Birds. A further example in conservation efforts is Open Space a database of open space areas, i.e. areas in undeveloped state (largely natural areas or agricultural land) that are at risk of degradation or of being irresponsibly developed as a result of sprawling urbanization. Although still geographically limited (to Lombardy and the provinces of Novara and Verbania) this initiative is a best practice model of outstanding value.

Although it operates primarily in Lombardy and the provinces of Novara and Verbano Cusio Ossola, Fondazione Cariplo is well aware that many of the problems it addresses in the social, environmental, cultural and research spheres are of a global scale, and as such analyzed and tackled at the international level.

With that view, the Foundation has joined international initiatives. One of these is Low Carbon, a EU-funded project promoted by the nonprofit organization Carbon Disclosure Program (CDP) together with South Pole Climate Neutral Investments. Under this project, in October 2013, Fondazione Cariplo was selected as one of five organizations leading the way in SRI and setting an example for other institutional investors. Fondazione Cariplo, along with the other selected organizations, had the carbon footprint of its equity investment portfolio screened. This exercise was intended as a way to go beyond existing requirements of climate change legislation and prove that exceeding the Kyoto Protocol tar-



gets and aiming higher is indeed possible.

Fondazione Cariplo's goals go hand in hand with the UN Millennium Development Goals. The Millennium Declaration signed in 2000 by 191 United Nations member states set forth eight Millennium Development Goals to be attained by 2015. These are common goals to optimize international development and fight against poverty. As 2015 is drawing near, those goals are being pushed further as part of a more ambitious post-2015 agenda that Fondazione Cariplo, too, will contribute to fulfill.

THOSE WHO HAVE DREAMS CANNOT HAVE FEAR

The recent global financial crisis has smashed many beliefs firmly held over these past decades to smithereens, compelling not only banks and foundations, but society as a whole to review its values. A shift to a new equilibrium which may also entail a positive rebirth. A journey towards more virtuous practices, in the name of innovation, in the wake of that 'creative destruction' theorized by the economist Joseph Schumpeter after the Great Depression of 1929. Quoting again Pier Mario Vello, the fear of making mistakes creates a climate of fear in which «only those who camouflage and stay put, survive». But for change to happen, people must dare to take bold steps, and through common efforts explore and charter new territories.

And then, fear will be no more.



RESPONSIBLE
IMPACT





Fondazione Cariplo's motto written on its coat of arms "tute servare munifice donare": preserve wisely to donate munificently.



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