

# Financing the Future Through Impact Investing<sup>1</sup>

Giles Gunsekera, Chief Executive Officer, Global Impact Initiative

I formed Global Impact Initiative (GII) in 2015 after spending more than 25 years working for fund managers and helping set up businesses for fund managers in Australia. Simultaneously I have served on many boards of nonprofit organisations like Amnesty International and World Vision as well as theatre, dance, cricket and baseball companies. I also helped set up a couple of charities myself, which fund communities in Sri Lanka which is my cultural heritage.

For a long time, I have been living in two worlds and have had the great opportunity and privilege in the last five years to put my two worlds together. Those have evolved into my business called Global Impact Initiative. Impact investing is all about investing for a financial return and social impact. Social impact needs to be measurable, achievable and intentional.

## The Evolved World

The concept of impact investing has been talked about for a long time (**page 3<sup>2</sup>**). Bill Gates describes the concept of “Creative Capitalism.” Al Gore has been talking about “The Sustainable Corporation.” Mohammed Yunus, who won the Nobel Peace Prize in 2006, has been talking about “Social Business” and the need for business to have more of a social conscience.

What all these leaders and others have established for a long time is that we need to be more purposeful about our money. There is no shortage of money in the world. We are just not using it in the right way. By being more creative, more sustainable, and having a greater social conscience, we will enable the world to really prosper.

There are organisations like Alibaba which is the world's biggest and most valuable retailer that has no inventory and Facebook which is one of the biggest media companies in the world that creates no content themselves (**page 4**).

We are used to traveling and staying at Airbnb's and catching Ubers. Airbnb is the largest accommodation provider in the world that owns no real estate. Uber has the largest taxi fleet in the world but owns no vehicles. We could see how the world continues to evolve and boundaries continue to break down. We are living in a very global world.

Because of the global world that we live in, we also need to fix many problems. This is the UN Sustainable Development Goals (SDGs) that many of you will be familiar with (**page 5**). The SDGs are often referred to as the world's to-do list. These are 17 irrefutable

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<sup>1</sup> This is the proceedings of special presentation by Mr. Giles Gunsekera at the ASIF Annual General Meeting held on 12 November 2020.

<sup>2</sup> The number represents the page number of the attached material.

things that we have to get done. We need to eradicate poverty. We need to make sure that there is no hunger. Good health and well-being, quality education, gender equality, reduced inequalities, better infrastructure and the important list continues. However, some would argue that 17 is probably a number that is too many but it is nonetheless needed.

Regardless of those facts, each of these 17 goals has targets and metrics attached to it. These 17 goals are underpinned by 169 targets and 164 metrics. It is a very quantifiable way of enforcing change. As an example, under gender equality, there are targets and metrics that help you as an individual, as an organization, and as a person to follow the SDGs.

As an investor, particularly a global investor, and also as a company, you are embracing the SDGs which make the change that you are making quantifiable. As a company, you have been able to measure your carbon footprint and look at your renewable energy that you have been generating. But wouldn't it be fantastic to show the impact that your business has had on gender equality, indigenous communities, creation of better jobs, work environments and a reduction in inequalities? These are all the things that can be achieved with the SDGs. We are measuring our business, the funds that we create and the work that we are doing with corporates to the SDGs.

GII is one of only 41 Global Compact LEAD companies in the world recognised by the UN. It is the only company in Australia that has been a UN LEAD and have held this since 2019.

As I mentioned before, there is no shortage of money in the world. This is a chart going back to 2019 (**page 6**). Some of the numbers have changed but the magnitude certainly has not. If we look from right to left, you have got Bitcoin, Jeff Bezos, crypto value, Amazon, Apple, etc. When you look at the far left, you can see that there is about USD 83 trillion invested in the world. There is no shortage of money. There is a shortage of how we are making sure that capital has a purpose.

This is a really interesting chart that was put together by Michael Porter, a professor at Harvard Business School and a world-renowned expert on strategy (**page 7**). One of the biggest issues in the past that continues to this day is that very often the not-for-profit sector has been called upon to solve social problems.

The challenge (just considering the US) is that 82% of the revenue of the US economy comes from the corporate sector. Only 5% comes from the not-for-profit sector. As a society, we have often called upon and demanded the not-for-profit sector to solve problems around inequality, environments and climate.

But in actual fact, it is the corporate sector that has money. We are working globally with corporates looking for more sustainable growth through investing their money. The commonality is that corporates are being increasingly demanded by their customers and staff to be more sustainable and more ethical.

Graduates joining companies are asking more questions at job interviews like “How many holidays do I get for volunteering?”, “What sort of charities do we support?”, “Do we have recycling bins in the kitchen?” Previously, they would ask “How does my bonus get calculated and when is it paid?”

We are seeing much greater social consciousness not only from employees but also driven largely by customers who are also working in the corporate sector as employees. One of the biggest ways to change behavior of any corporate is through customers demand. We have seen lots of examples of that happening, right throughout the world.

Looking specifically from a demographic perspective and looking at the population projection 2050 for Eurozone and ASEAN (**page 8**), you can see that the fundamentals of the ASEAN population chart are set up for growth. There is a much bigger and younger population supporting a much smaller population in retirement. If you compare that to the Eurozone chart, it is almost the opposite. The fundamentals are set up for the ASEAN region. We will see continued interest in and need for sustainability and impact investing.

The World Economic Forum did a study recently, which showed that there was approximately USD 40 trillion transitioning from baby boomer investors to their children, millennial investors, over the next four decades. Let me just highlight again that USD 40 trillion over the next 40 years, which will move predominantly not only to millennial investors but also to women. The driving force behind women investors and millennial investors, is that they have a much higher social conscience, and that they will be looking for sustainability in their portfolios.

We are not seeing a flash in the pan. Interest in sustainability is driven by demographics and fundamentals. The fundamentals are that money needs to be put to work in a much more sustainable environment focusing on creating impact.

## **How Has Impact Investing Evolved**

This is a study done by the Global Impact Investing Network, which is the industry body for impact investing (**page 10**). What I found in surveying a whole range of investors investing in more traditional ways is that impact investing has been growing and will continue to grow steadily. That is the big 69% bar in the middle of the chart.

This is global research on impact investing looking at progress over the past decade on indicators of market growth (**page 11**). The dark blue lines show significant progress over that period. The most growing part is “Research on market activity, trends, performance and practice.” Also, another growing part is “Sophistication of impact measurement management practice.” As I mentioned before, the SDGs are increasing to grow and grow. You will continue to see more and more sophistication around measuring social impact than ever before.

Within our business, we can measure, for example, our gender equality. We can measure how many girls are being educated. We know their families, communities and countries

they are in. We know their test scores and whether they are in primary school, secondary school, or university. We know how many babies have been vaccinated, what the proportion is between male and female of those babies and what would happen if those babies are not vaccinated. We can get very granular in measuring that social impact.

You, as an investor, can get a statement. This is your return. This is how many lives you have saved. This is how you have improved climate as a result of your investment. This is not brand new. It has been around for quite some time. But what we are starting to see is that this concept is being mainstreamed.

One of the biggest and fastest growing parts of our business is engagement with fund managers who are being asked by their clients to be more sustainable and to think more about the ESGs and their impact. We work with these fund managers to write investment policies for them, and to help them hire the staff that they need to hire. But ultimately, they are only doing it because they see a business opportunity in being more sustainable, because a more sustainable business lasts longer and creates less impact on the environment.

The research shows the greatest challenges facing the market over the next five years when it comes to impact investing (**page 12**). The top is “Impact washing”. This concept around impact washing is that companies declare to create impact but they do not. I am less concerned about that because I know that the beauty of impact investing is that you do have to be intentional around how you are creating that impact. You also have to report on that impact as well. While there are no accounting standards how to report on that impact, there are certainly standards on how to measure it. I think that more and more people moving into this space will put a bigger spotlight on what investing will eventually be. In the future, it is my hope that we will no longer need this new term called impact investing.

We will get to a point where impact investing will just be called investing because everything will be done with impact, everyone will know that they need to generate returns and also need to create social impact at the same time.

In terms of highlighting some of the risks and opportunities, these are broken down into different categories that would be quite relevant to your markets and the constituents in your market (**page 13**).

There is a USD 25 trillion funding gap. We need USD 25 trillion to be invested to achieve the SDGs by 2030. It is only 10 years away, but we have seen economies on our doorstep like Bangladesh that has been one of the fastest growing economies and has been able to capture more SDGs than most of their neighboring economies. Bangladesh has one of the fastest growing middle classes in the world. Their rate of achievement of the SDGs is far outpacing any of our neighboring countries. This is not just something that rich countries can do. This is something that everyone can engage with. There is the potential to unlock roughly USD 12 trillion in global growth in new markets. We have 193 countries that have signed up to the SDGs. It is not something that is just supported by

a handful of countries. It is big, and nearly 600,000 listed companies need to report on their sustainability initiatives now.

From a financial services perspective, global assets under management are set to increase by USD 145 trillion by 2030. Impact investing will grow at roughly 18% per annum during that period. In 2021, investors will need to fully disclose their holdings and exposures. This has forced a lot of changes, not only in Australia but also around the Asia Pacific region. When people see what is in their portfolios, this can really help to drive change.

A good example is a lady in Australia called Dr. Bronwyn King. She founded an organisation called the Tobacco Free Portfolios. She is now responsible for over USD 12 billion of tobacco companies being sold out of portfolios. She is an oncologist who has money in her retirement savings plan. One day, she was looking at a statement and noticed that out of the top 10 companies in her portfolio, six of them were tobacco companies. She quizzed her retirement savings provider and said, “Why are you doing this?”, “Why are you investing in tobacco companies?”, and was given some pretty weak responses, and basically went on a crusade to try to eradicate investment portfolios of tobacco.

Today she has helped to eradicate USD 12 billion. She is very pragmatic and very clear in her communication. There are studies that tobacco causes death, and therefore, it needs to come out of portfolios. It was only through disclosure that Dr. King was aware and she and her team have taken the issue on board and worked with organisations, and particularly investors to help change behavior. 90% of consumers are already switching to purpose driven brands and will continue to do so.

Companies that can show their progress towards the SDGs will have better boards, better employees, and better relationships with regulators and investors as well as consumers. You can see that there are a number of risks, but also see more and more opportunities in impact investing.

## **Opportunities for Asia and Beyond**

What are some of the specific opportunities for Asia and beyond in our backyard? Firstly, renewable energy (**page 15**). Anything related to climate has been not only a great investment but also an investment that is projected to grow and be positively impacted by technology. You can see from left to right, wind in gray, solar in yellow, hydro power in blue, and others in black. You can see there is what the percentage growth is by various technologies over time, and that will only continue to grow.

Electric cars have been spoken about in our various markets (**page 16**). The chart on the left side shows the increase in electric vehicles over the last few years. On the right side it shows the price of batteries. The battery price has been falling. You thus see not only an increase in demand and sales of electric vehicles but also the price of batteries coming down, which will continue to catalyse that market as the unit price of these cars

continues to come down.

In terms of the different categories, this chart shows the exposure of all the various renewable energy sources (**page 18**). White is net additions and black is retirements. Coal and gas are being retired at a reasonably rapid rate while solar, wind and other renewables continue to grow. You also have assets like carbon capture, vertical farming, hydro power and hydrogen power.

Corporates will often move quickly if they can make money out of it (**page 19**). Apple is one of those organisations that are now globally powered by 100% renewable energy. They have put solar panels on all their buildings. Similarly, Amazon has 18 wind and solar projects in operation and another 35 in development. That number continues to increase for Amazon in line with their profits increasing at a rapid rate. Those profits have been invested in more technology and real estate in order to continue to grow and to increase their usage of renewable energy.

In this chart, you can see Google's exposure to the various renewable energy sources (**page 20**). A very large part is through wind, and a smaller part through solar. You can also see Amazon, Microsoft, Apple, the US Department of Defense, Facebook - quite a mixture of companies that are on this list across different sectors. There is a dominance of technology companies. Government departments also feature on this list such as the US Department of Defense and the US General Services Administration. Pharmaceutical organisations, which are more service orientated, are still focused on ensuring that they continue their usage of renewable energy because their customers are demanding it and also because it makes economic sense.

One of the questions that was raised recently was "How does investing in women and girls create shareholder value?" or "What is the relationship between the ratio of female directors and the return on equity?" Quite simply, the more women that you have on board and the more women that you have in decision making processes, the greater the return on equity and the greater return on investment. There are about 400 studies that have been done on this. One of the most notable ones is this research done by Credit Suisse (**page 21**). Those two lines, the white line of "Women" and the blue line of "No women", is a pictorial representation of what happens to a company's share price when you add one or more female directors to those organisations. You see an increase in share price and return on equity of companies with female directors. You see more and more opportunities created for women which brings greater and better engagement of company workforces because now they are hiring from a much bigger pool than before.

One of the companies that we work with, Robeco Asset Management, which runs our women and girls fund, also looks at the next level down. It is really easy to put women on a board and into senior management teams. What becomes more difficult is the next level down to make sure that there is a pipeline of talent. There is lots of data and research showing that it adds value, creates less inequalities in the workplace and much more sustainable workplaces.

## Success Factors for Impact

To conclude, impact investing is not new (**page 23**). It has been in a private equity and a venture capital for a long time. The long-term track record returns on impact investing are in excess of 15% per annum, particularly in private equity and venture capital.

It makes financial sense but also it makes and accelerates social impact by investing in impact investing. As organisations and investors, we need to constantly look to ensure that impact funds and strategies align with your mission and value. This is where we spend time with investors and corporates. We also spend a lot of time ensuring that the financial model is sustainable.

One of the oldest impact investments is microfinance, which is the lending of small amounts to predominantly women for businesses to help them grow. The research has shown that microfinance lending has a much higher repayment rate than any other lending that traditional banks do. It has a 99% repayment rate. When women make money from their business, the money goes back into their family and communities. What has also been happening is that more and more of these microfinance organizations have cropped up. You need to look at who these organizations are and make sure that they are doing the right things.

Impact investing is intentional and additional. It can't be a byproduct and accidental. Just be bold around the sort of strategies that you are going into and that you are looking at.

As a business, we, GII, have created the world's first impact investing strategy that has focused on women and girls. We have created the world's first cash fund that is mapped to the SDGs (**page 27**). We have done this because we want to be bold and the world needs to change.

As Ban Ki Moon said, "There's no plan B as there is no planet B" (**page 22**). As I have highlighted, millennials will be the beneficiaries of one of the largest transitions of wealth the world has ever seen. There is an increasing need and desire for financial and human capital to do good. Impact investing is an Ecosystem solution that has and will continue to create lasting and positive change. This is not new and we hope will become mainstream.





# ASIF

## *Financing the Future Through Impact Investing*

November 2020



[globalimpactinitiative.com.au](http://globalimpactinitiative.com.au)



# The Evolved World



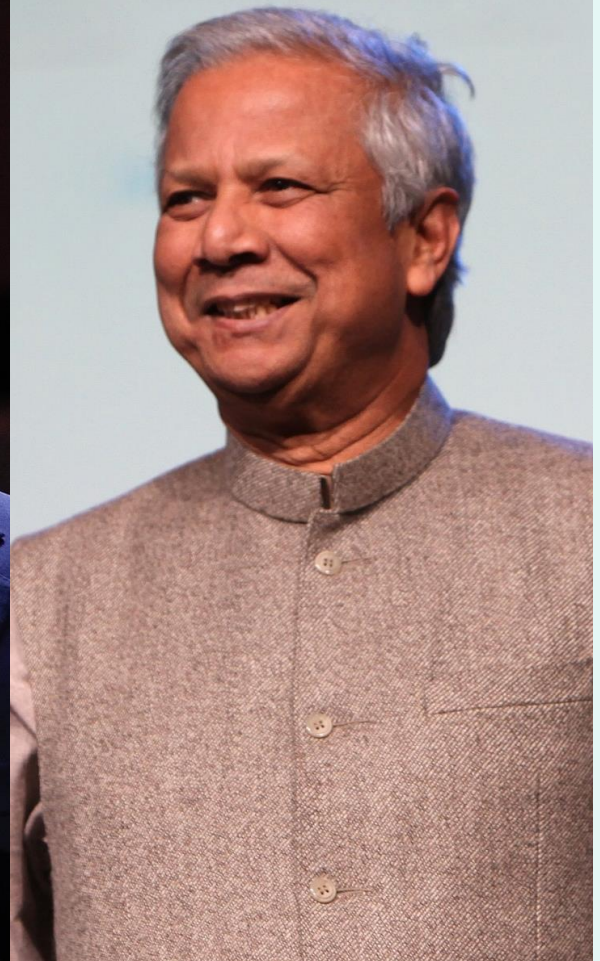
# Creative Capitalism



# The Sustainable Corporation



# Social Business

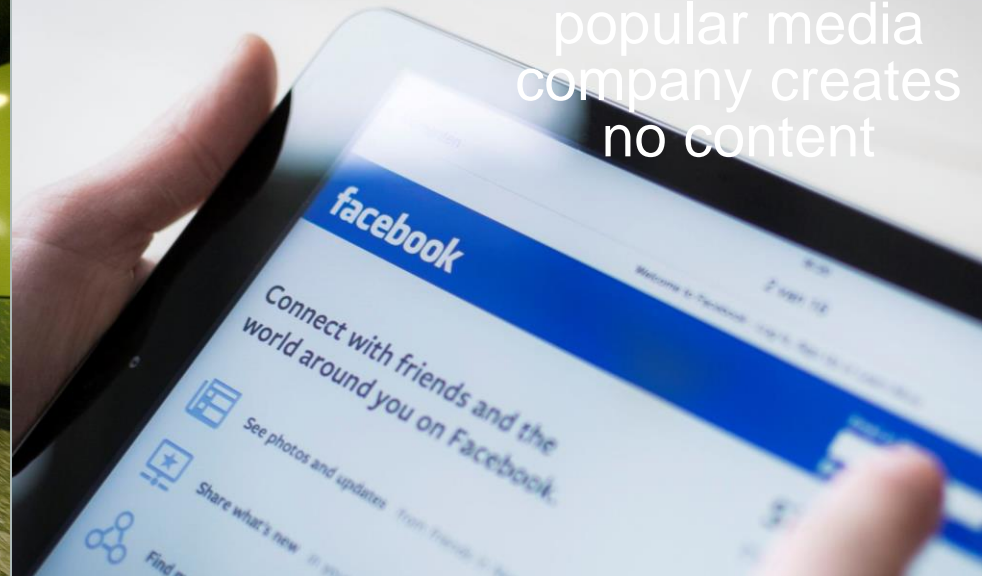




The world's most  
valuable retailer has  
no inventory



The world's most  
popular media  
company creates  
no content



The world's largest  
accommodation provider  
owns no real estate



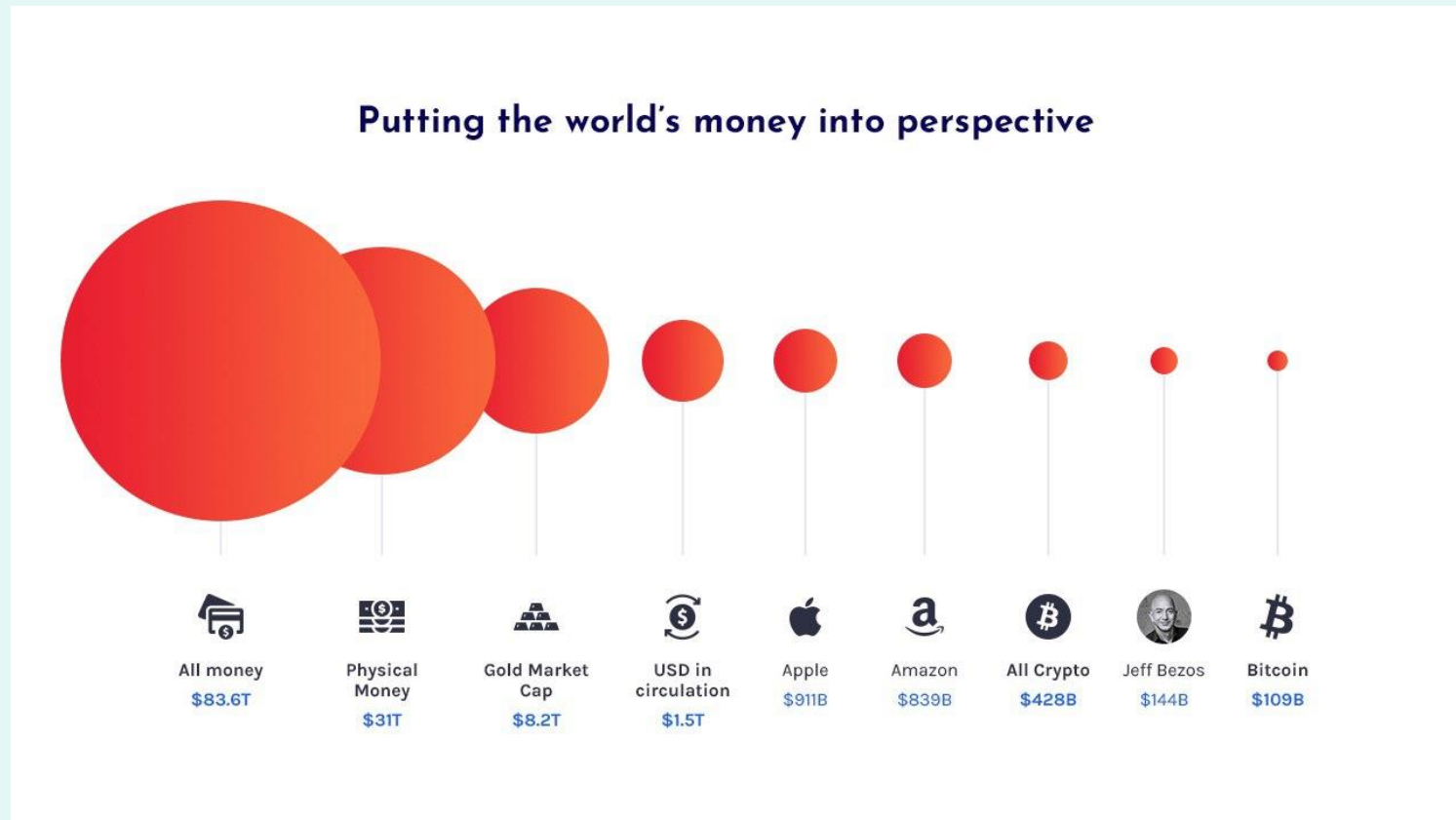
The world's  
largest taxi  
company owns  
no vehicles



# Why Do We Need Impact Investing?

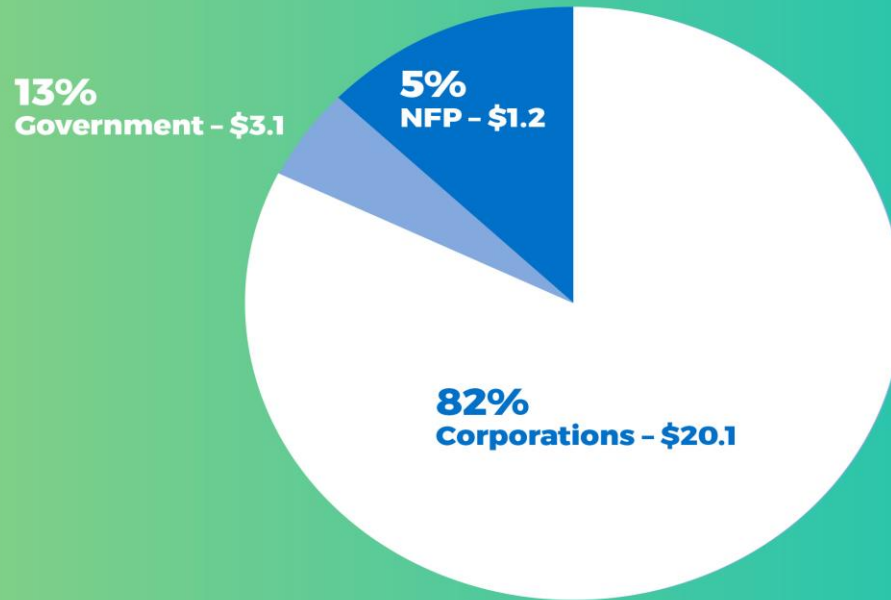


# The World's Money in Perspective



# Corporates Have The Money

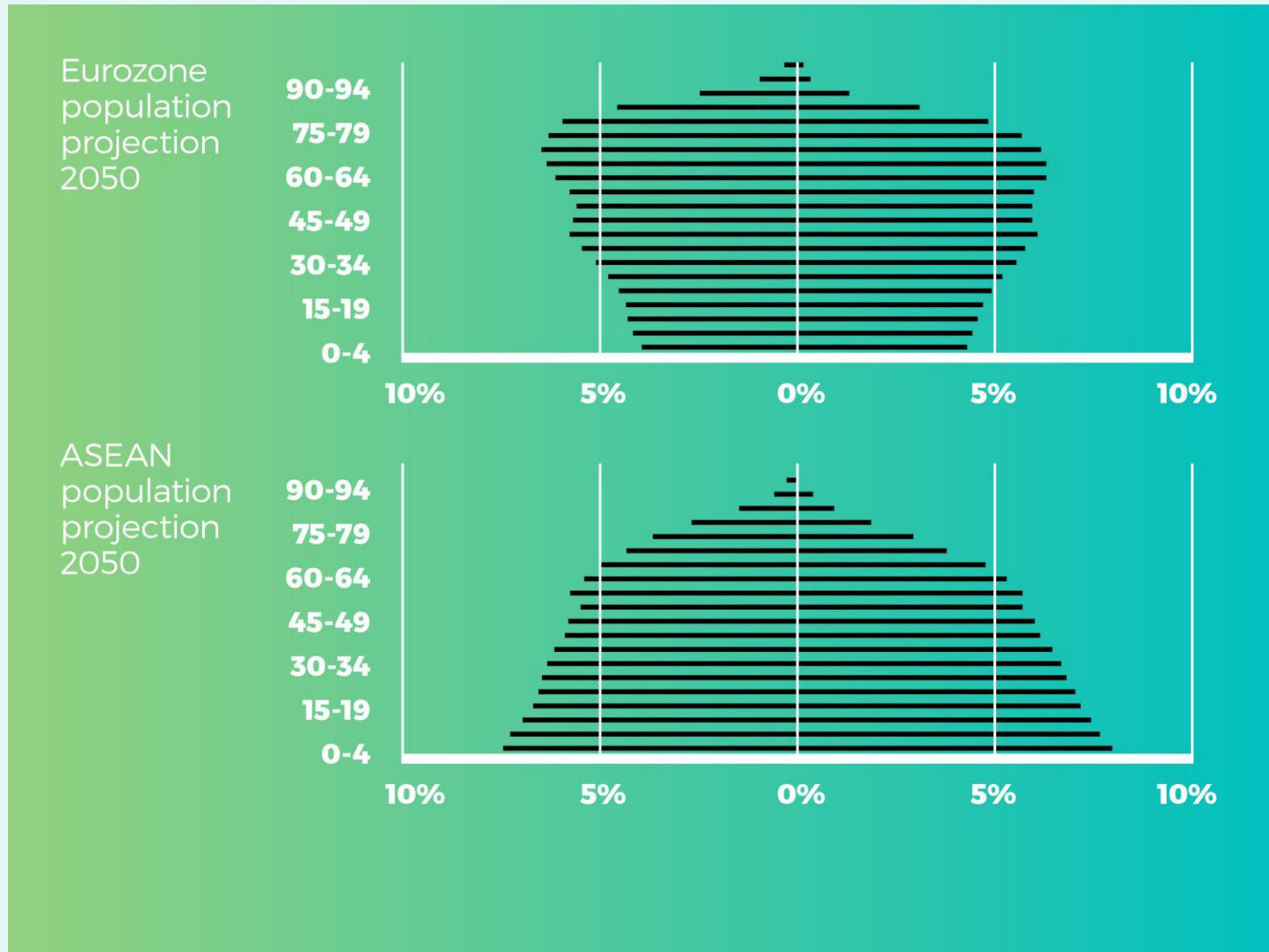
## Total revenue by sector United States / \$USD trillion



Source: Professor Michael Porter, Harvard Business School



# Demographics Fueling Growth In Asia





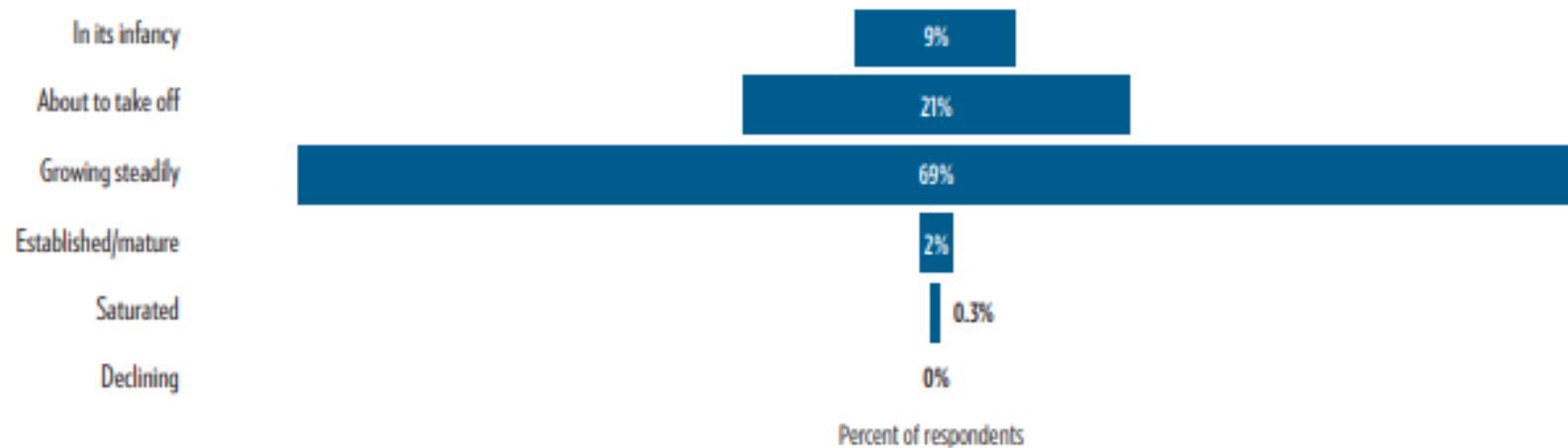
# How Has Impact Investing Evolved



# Progression of Industry in the Last 10 Years

Figure 9: Stages of industry evolution

n = 290; optional question.

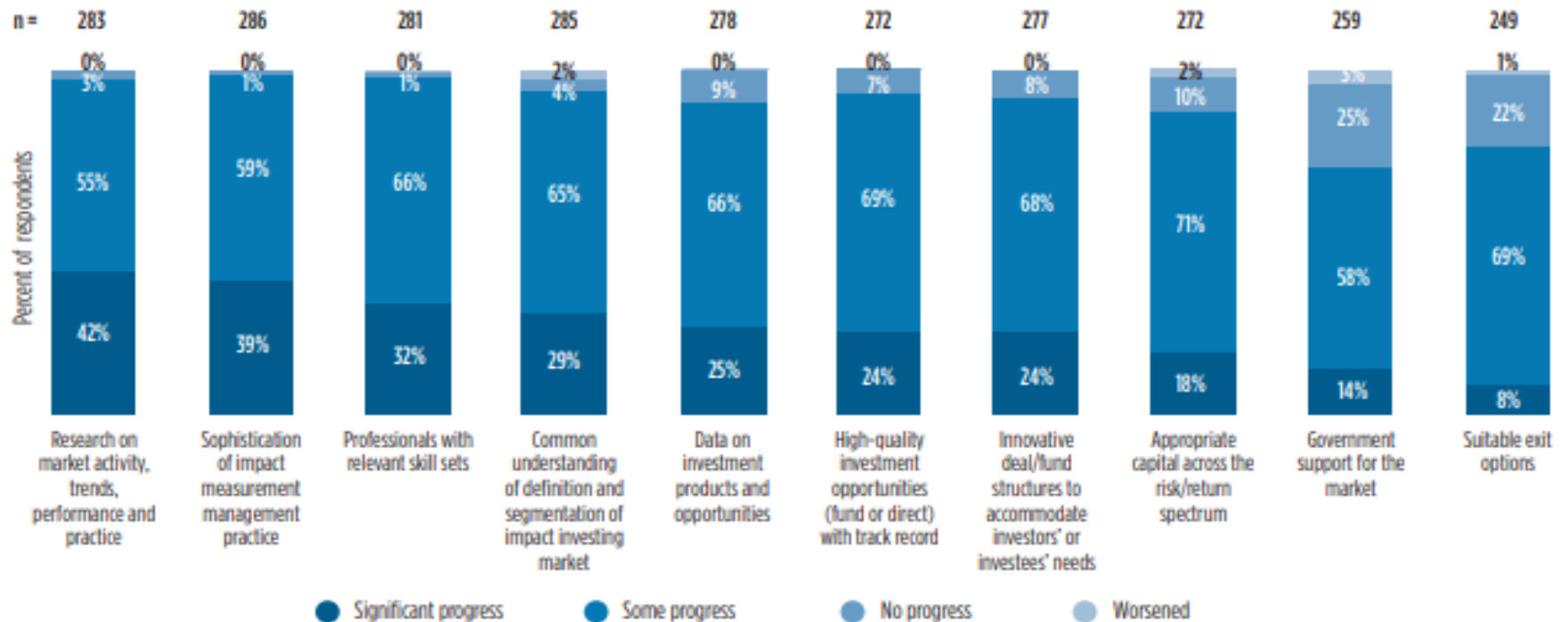


Source: GII, 2020 Annual Impact Investor Survey

# Progress over the Last Decade

Figure 10: Progress over the past decade on indicators of market growth

Number of respondents shown above each indicator; some respondents chose 'not sure / not applicable' and are not included. Ranked by percent selecting 'significant progress.'

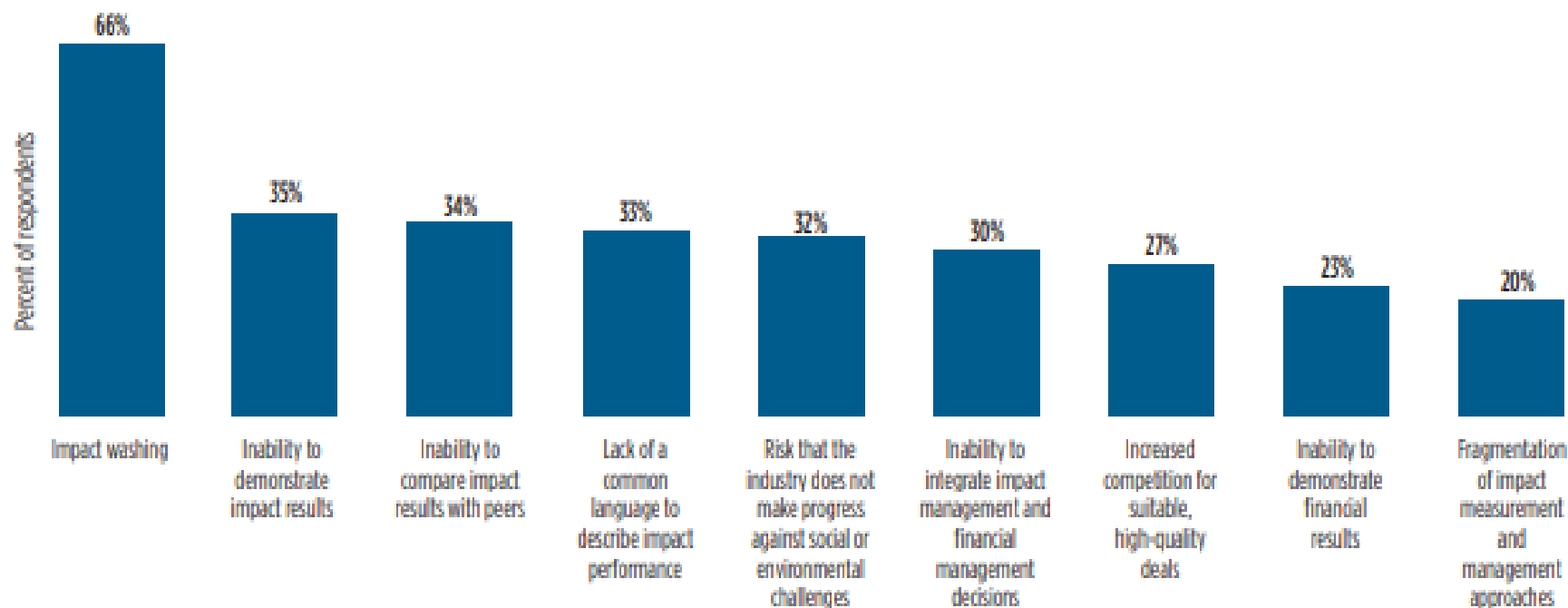


Source: GIIN, 2020 Annual Impact Investor Survey

# Challenges/Failures to Avoid

Figure 12: Greatest challenges facing the market over the next five years

n = 294



Note: Each respondent selected three challenges. Indicators are ranked in order of the number of respondents that selected each as a challenge.

Source: GII, 2020 Annual Impact Investor Survey



# Risks and Opportunities

- Funding gap of USD\$25Tr to achieve SDG's by 2030
- Potential to unlock USD\$12Tr pa global growth in new markets

SDG Markets



- 193 countries signed up to SDGs
- Over 600,000 listed companies need to report on their sustainability initiatives

Government and business



- Global AUM set to grow to USD\$145Tr by 2030
- Impact Investing to grow at 18% CAGR
- As at 2021 investors will need to fully disclose their holdings and exposures

Financial Services



- Companies committed to sustainability perform 11x better on the stock market, 14x more revenue,
- More resilient to market downturns as have better visibility over risk metrics and their supply chain

Corporates



- 90% of consumers will switch to purpose driven brands
- SDG Aligned companies will win favour with talent, board, regulators, investors and consumers

Consumers/Investors

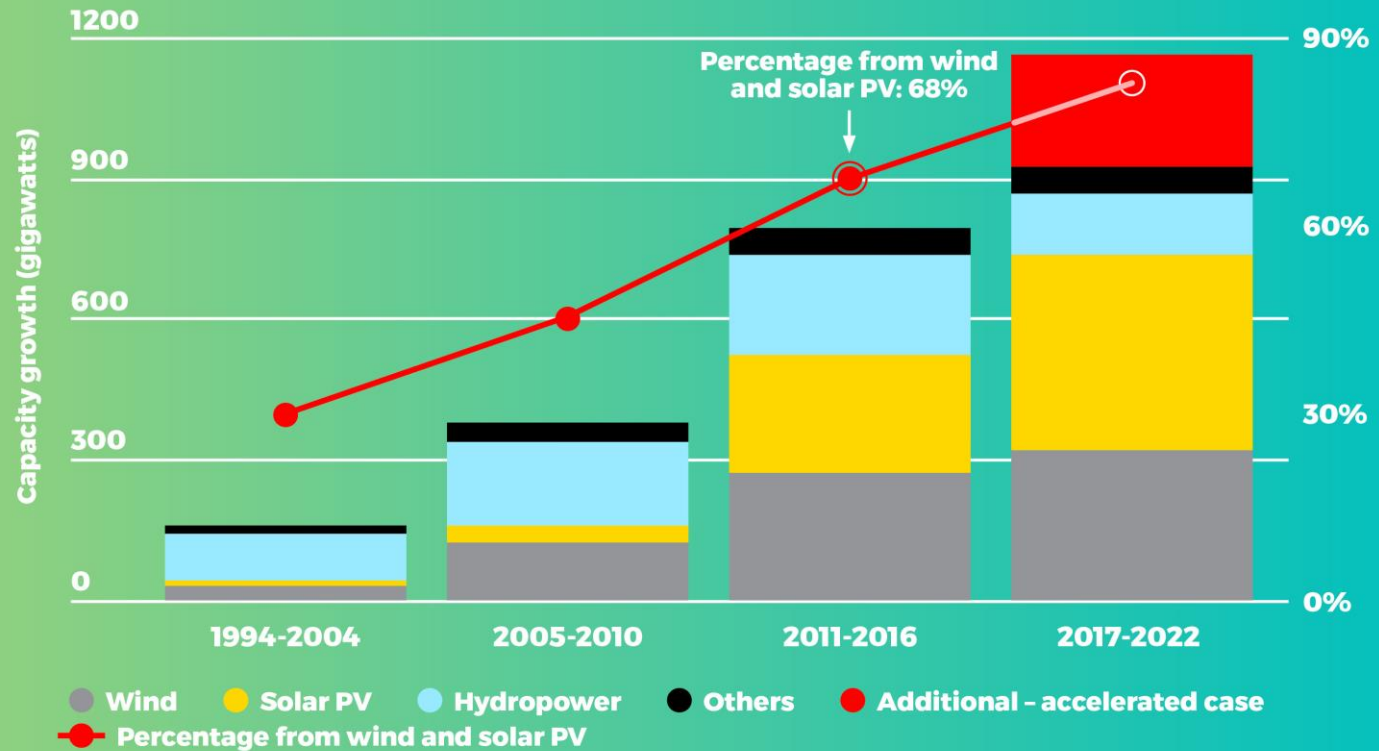


# Opportunities for Asia and Beyond...



# A Bright Future for Renewables to 2022

## Renewable electricity capacity growth by technology

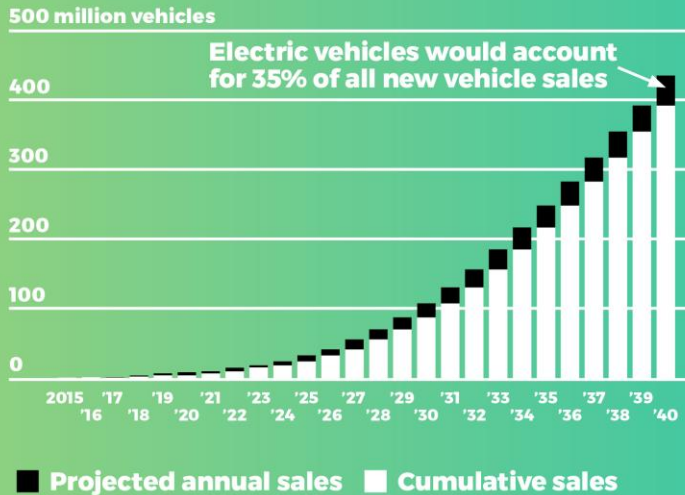




# The Effect of Rapidly Falling Battery Prices

## The rise of electric cars

By 2022 electric vehicles will cost the same as their internal-combustion counterparts. That's the point of lift-off for sales.



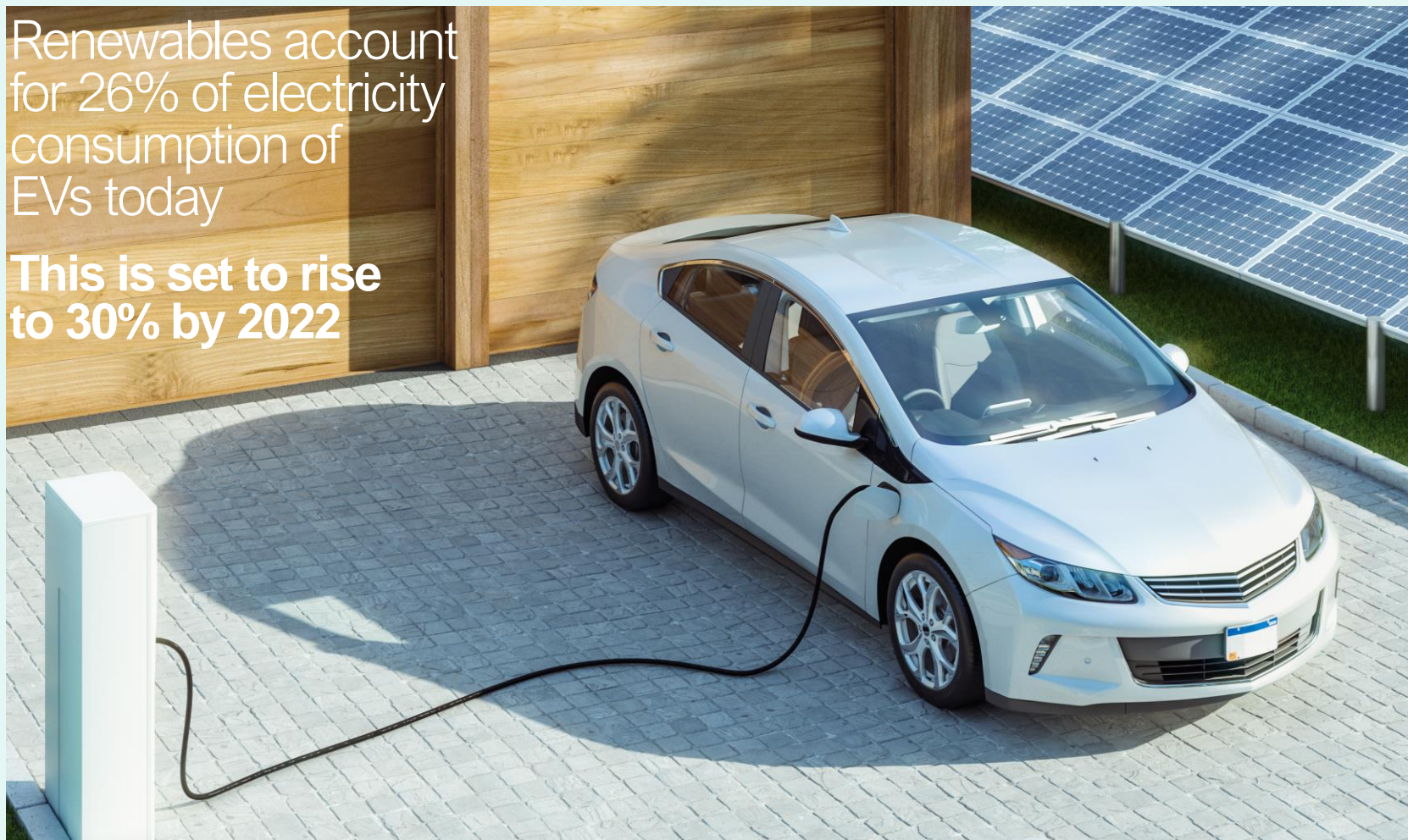
BNEF lithium-ion battery price survey 2010-16 (\$/kWh)



# Renewable Electricity Consumption

Renewables account for 26% of electricity consumption of EVs today

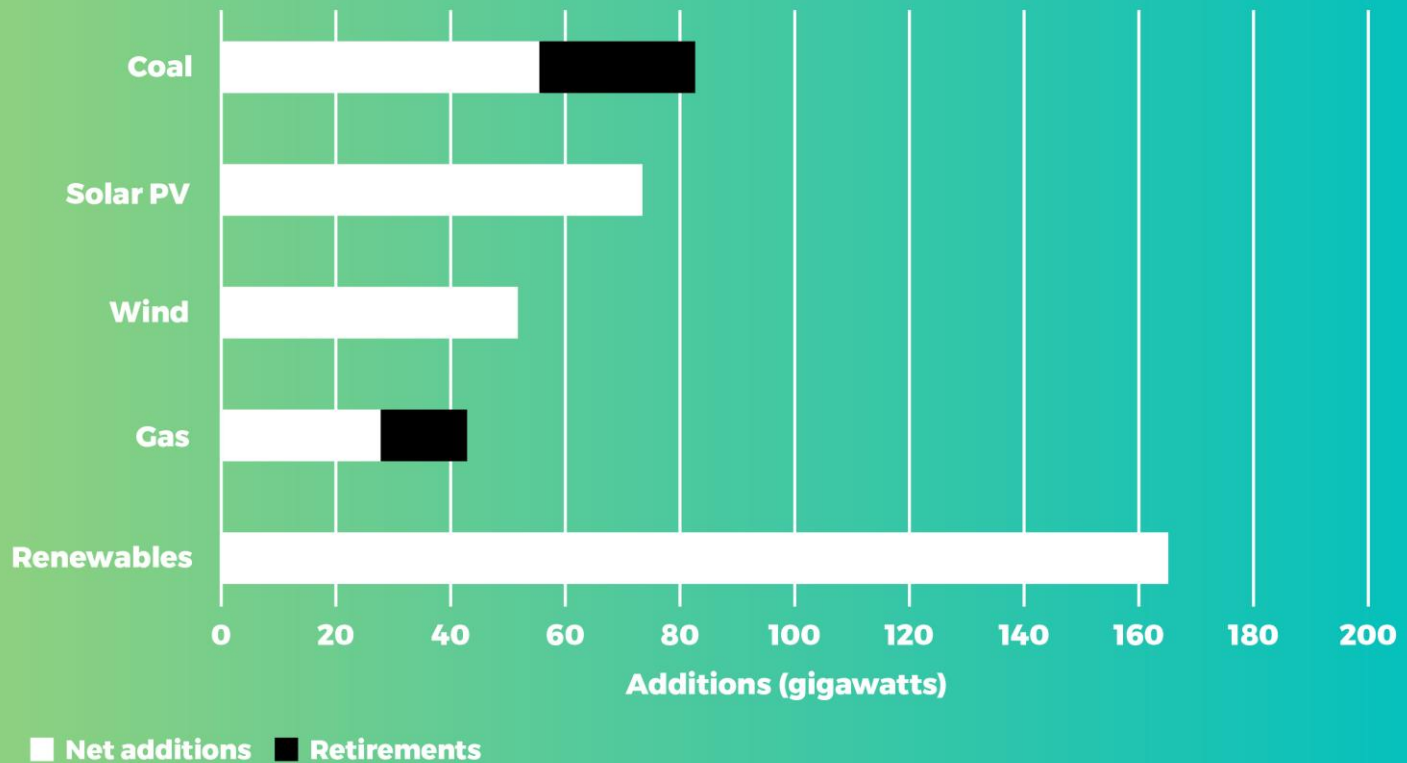
**This is set to rise to 30% by 2022**



[iea.org/renewables](https://www.iea.org/renewables)

# Solar Leads the Charge for Renewables

## Electricity capacity additions by fuel – 2016





# Silicon Valley Tycoons Switching to Renewables

Apple is now globally powered by 100% renewable energy



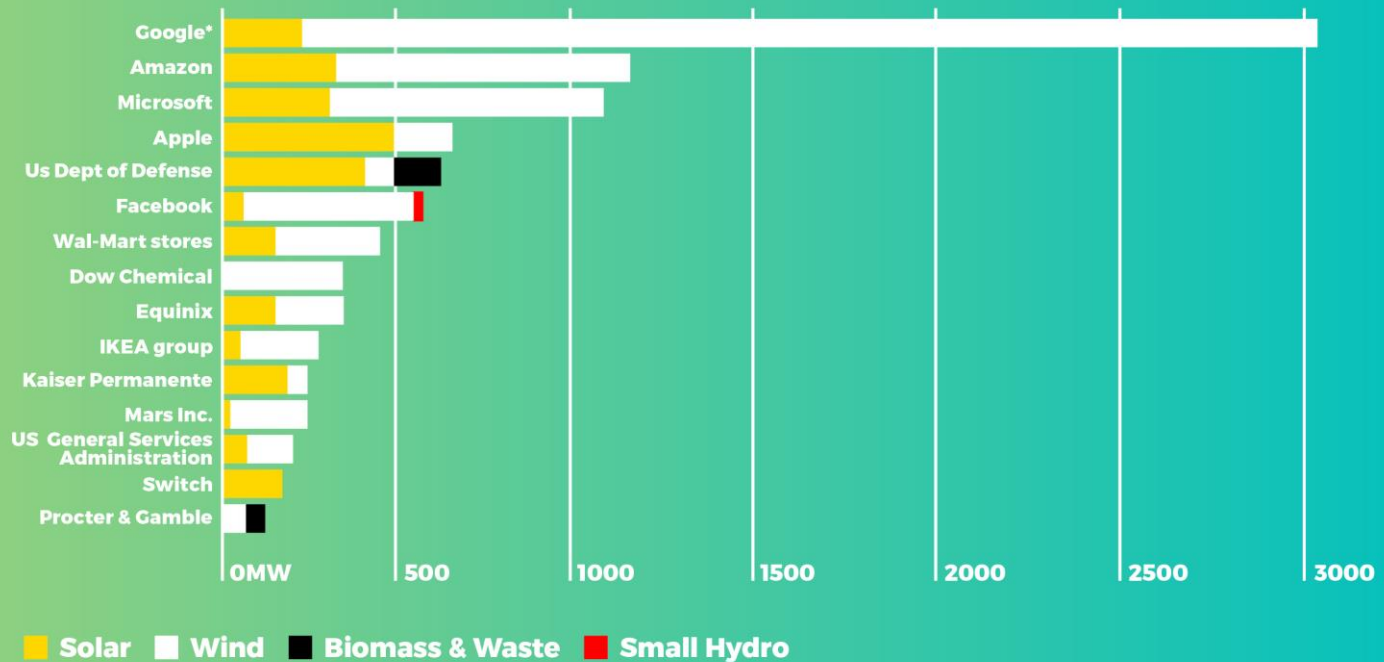
Amazon has 18 wind and solar projects in operation and 35 in development

The Amazon logo, featuring the word "amazon" in black lowercase letters with a curved orange arrow underneath, is centered over a background of wind turbines and solar panels. The wind turbines are white with three blades each, and the solar panels are dark blue. The sky is blue with some clouds, and the overall lighting suggests a bright, sunny day.

**amazon**

# Google Officially Hits Its 100% Renewable Energy Target

Cumulative corporate renewable energy purchased in the United States, Europe and Mexico – March 2018



# How Investing in Women and Girls Creates Shareholder Value <sup>1</sup>

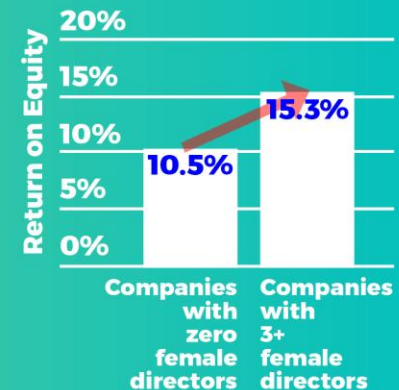
Global performance:  
companies market cap  
>USD \$10 billion



■ No women on board ■ 1 or more women on board

Source: CSG 3000 <sup>1</sup> Source: 2015 Credit Suisse

Return on equity:  
In 4 of 5 years,  
Fortune 500 companies with  
3 or more female directors  
outperformed companies  
with zero female directors by  
46%





*There's no plan B as there is no planet B.<sup>1</sup>*

<sup>1</sup>2015, Ban Ki Moon, UN Secretary General (now retired)



Millennials will be beneficiaries of one of the largest transitions of wealth the world has ever seen.<sup>2</sup>

<sup>2</sup> 2013, World Economic Forum



The need and desire for financial and human capital to do good.



Impact Investing is an Ecosystem solution that has and will continue to create lasting, positive change.





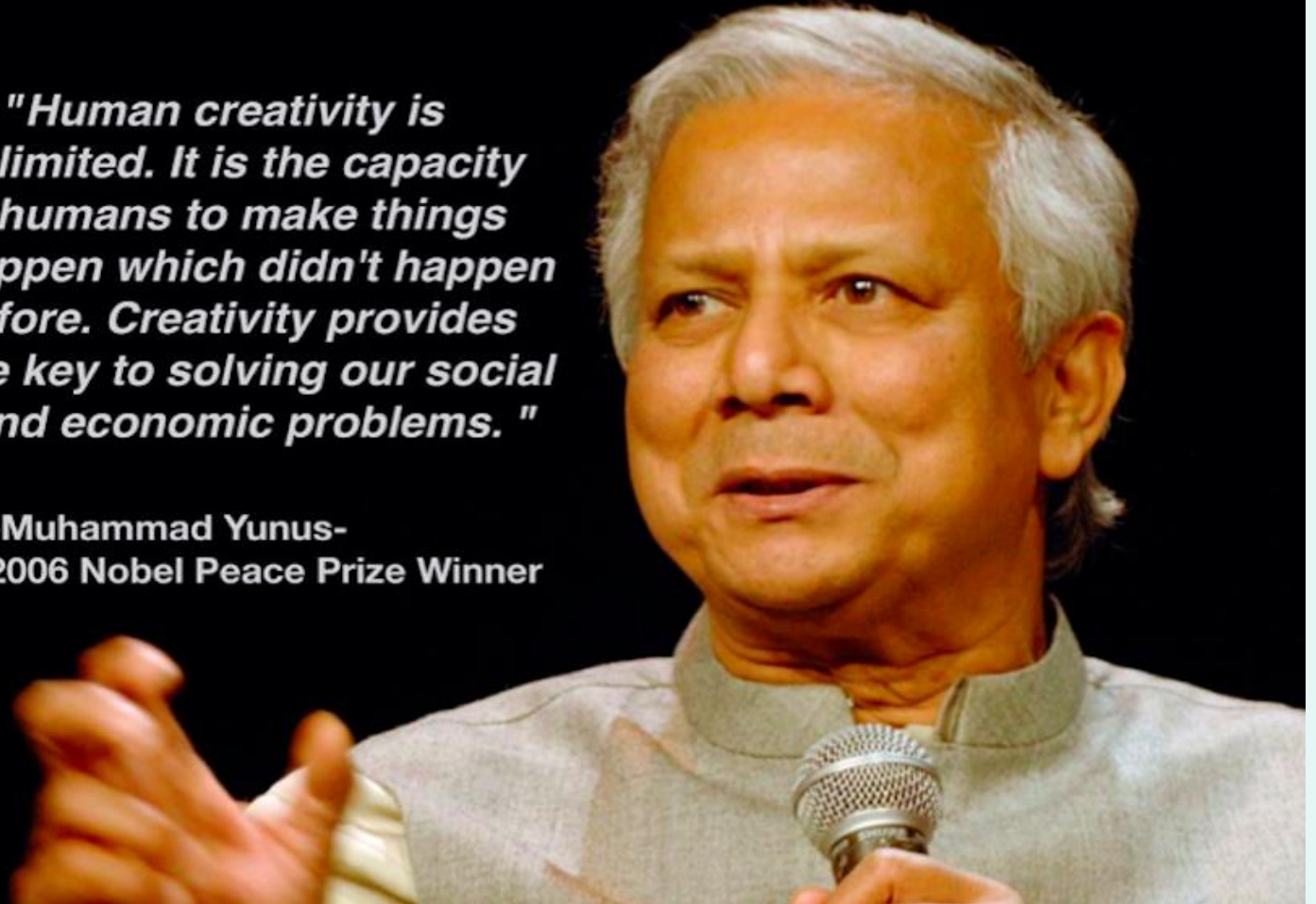
# Success Factors for Impact

- This is not new!
- Choose Impact funds/strategies that align with your mission and vision
- Ensure the Financial Model is sustainable
- Intentionality and additionality
- Be **BOLD**

# Grameen Bank – Banker to the poor

***"Human creativity is unlimited. It is the capacity of humans to make things happen which didn't happen before. Creativity provides the key to solving our social and economic problems. "***

**-Muhammad Yunus-  
2006 Nobel Peace Prize Winner**





# Global Impact Initiative



[globalimpactinitiative.com.au](http://globalimpactinitiative.com.au)

# Global Impact Initiative...

## World Class Impact Investing Business



GII Formed in 2015 with a vision to mainstream impact investing at scale

20+ years of funds management experience



30+ years of volunteering and NGO Directorships across Human Rights, Arts, Sport and Education

GII partners with a wide variety of skilled partners to solve large scale social problems by using investment capital



# Business Model



# About Global Impact Initiative

In September 2020, GII was again honored (for the second year in a row) to be named by the United Nations Global Compact as a LEAD Company - **One of only 41 in the world** leading the charge for the UN Sustainable Development Goals.

GII is the **ONLY AUSTRALIAN Company** that is a United Nations LEAD and the **ONLY Impact Investment Business Globally** recognised by the UN.



# Our Five(5) Pillars of Focus



## Gender Equality

- Women and Girls Fund



## Indigenous Communities

- Cash Social Impact Fund
- Indigenous Impact Fund



## Health

- Dhaka (Bangladesh) Hospital
- Health/Biotech Impact Fund
- Cancer Impact Fund



## Affordable Housing

- Sydney
- Melbourne
- Regional NSW
- Mumbai
- Dhaka



## Climate

- GII Climate Fund



# The Team- Advisory Board



**Ms. Claire Mallinson**

Experience : 32 years  
Corporate, NGO, Social Enterprises  
Rights-based work, International  
partnerships, Leadership, Coaching,  
Not-for-profit  
Leeds, United Kingdom/Sydney,  
Australia



**Professor Amin Rajan**

Experience : 44 years  
Academia, Corporate, Government, NGO  
Coaching, Implementation, Leadership,  
Strategy  
Arusha, Tanzania / England



**Dr. Archana Hingorani**

Experience : 32 years  
Academia, Corporate  
Financial analysis, Leadership,  
Strategy  
Pune, India / India



**Mr. Damien Frawley**

Experience : 30 years  
Corporate, NGO Leadership,  
Strategy, asset management,  
alternative investments  
Rockhampton, Australia /  
Australia



**Dr. Valerie Haugen**

Experience : 30 years  
Academia, Corporate, Government, NGO, Social Enterprises  
Applied research, Gender and social inclusion, Policy  
development  
Faribault, Minnesota / United States of America

# The Team- Advisory Members

## Giles Gunsekera (CEO and Founder)

- 24 years
- Business Strategy, Distribution, Financial Analysis, Leadership
- Christchurch, New Zealand

## Suzanne Pereira (COO)

- 21 years
- Strategy, Communications, Marketing, Coaching
- Sydney, Australia

## Tony Hockey

- 29 years
- Business and Market Strategy, Business turnaround and transformation, Investor relations, Directorships
- Sydney, Australia

## Radia Funna

- 21 years
- Strategy
- New York, New York

## Simon LeCouteur

- 25 years
- Communications, Marketing Strategy, Market analysis,
- Sydney, Australia

## Eda Utku

- 21 years
- Communications, Digital strategy, Leadership, Market analysis, Marketing, Sales
- Istanbul, Turkey

## Rhys Morris

- 21 years
- Website, Social Media, Graphic design
- Sydney, Australia

## Lina Haines (EA)

- 17 years
- Operations, Project management, Strategic Planning
- Port Moresby, PNG

## Mihiri Udabage

- 16 years
- Communications, Marketing, Leadership
- Colombo, Sri Lanka

## Sara Allen

- 11 years
- Marketing and communications, Project management, Stakeholder management, Market research
- Sydney, Australia

## Marisa Hughes

- 11 years
- Market entry, financial analytics, consumer research
- Sydney, Australia

## Harshita Sharma

- 1 year
- Financial analysis, Technical analysis,
- New Delhi, India



# Our partners\*



\*Direct/Indirect partners, non-exhaustive list

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