



# INVESTING FOR GLOBAL IMPACT

2015



FAMILY OFFICE AND FAMILY FOUNDATION RESEARCH

IN PARTNERSHIP WITH



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# CONTENTS

	Page		Page
<b>Foreword</b>	<b>2</b>	<b>Section 4: In their own words</b>	
<b>Comment from Method Impact and Banca Prossima</b>	<b>3</b>	<b>– perspectives across Continents</b>	<b>23</b>
<b>Executive Summary</b>	<b>4</b>	<b>A</b> Stefan-Eric von Euw, Alden Impact Capital, Swiss-based SFO	23
<b>Section 1: Respondent profiles</b>	<b>6</b>	<b>B</b> Tanja Jegger & Hamish Sinclair, Stonehage, International MFO	26
Overview ~ organisation type ~ head office location ~ family wealth origins ~ generation of family wealth ~ assets under management (Family offices) ~ Annual budgets (Foundations)		<b>C</b> Sir Ronald Cohen, Co-Founder of Big Society Capital, UK social investment bank	28
Levels of activity in philanthropy and / or impact investing ~ working between MFOs and Foundations ~ resources dedicated to philanthropy and/or impact investing ~ year when engagement began		<b>D</b> Letizia Moratti, co-founder of the Foundation San Patrignano, a community centred in Italy	31
<b>Section 2: Investment decision making</b>	<b>11</b>	<b>E</b> Janine Haendel, CEO of the Roger Federer Foundation, based in Switzerland	34
Overview ~ Top priority in impact investing ~ influences over investment choices ~ sources of philanthropic and impact investing opportunities ~ financial parameters (risk, return, implementation cost) applied to impact investing compared to “traditional” investing ~ differences in due diligence ~ development stages at which investments are made ~ geographic distribution of investments ~ number of impact investments held and exited ~ financial instruments used ~ responsibility for taking the lead in driving positive social impact		<b>F</b> Jane Griffiths, Chairman & Frank Welvaert, MD, Johnson & Johnson Corporate Citizenship Trust, headquartered in Belgium & Aly Nazerali, Senior Adviser, Aga Khan Development Network	37
<b>Section 3: Barriers and motivations</b>	<b>17</b>	<b>G</b> Rockefeller & Co., US-based MFO	39
Overview ~ major barriers to increasing impact investing including by organisation type ~ major barriers to increasing engagement in philanthropy ~ major motivations for impact investments including by organisation type		– Interviewees list: previous report	42
Reactions to statements about impact investing ~ barriers to considering philanthropy and impact investing and associated views from those not currently active in either		<b>Section 5: Performance and Outlook</b>	<b>43</b>
Comparison with last year’s findings on barriers and motivations		Overview ~ financial returns on impact investments to date and expected over next 12 months ~ performance against financial and social objectives ~ allocation changes over next 12 months ~ societal focus for investments	
		Future intentions of those not active in impact investing: returns on their investments over last 3 years and expected over next 12 months ~ social objectives that might be prioritised	
		Conclusion ~ performance encouraging, last year’s momentum maintained, significant further potential	
		<b>List of Charts</b>	<b>47</b>
		<b>Methodology</b>	<b>48</b>
		<b>Banca Prossima profile</b>	<b>48</b>
		<b>Further information and acknowledgements</b>	<b>49</b>

**Navigation tips:** (a) click on page numbers throughout the document to navigate to that page

(b) If using Adobe Acrobat reader on desktop, double page spread is accessible via the menu bar: “View -> Page Display -> Two-up /two page view”. Also select “Show cover page during two-up”.

# FOREWORD

## Welcome to Investing for Global Impact 2015

We are delighted to publish our second **Investing for Global Impact** report, which investigates the philanthropic and impact investment activities of Family Offices and Family Foundations around the world. Focus on this, we believe vital, subject matter continues to grow, as evidenced by a number of initiatives last year across the private to public spectrum. One of which, referenced in this report in an interview with its leader, Sir Ronald Cohen, was the report from the Social Impact Taskforce established under the UK's presidency of the G8, published last September.

Our 2015 report provides a fresh look at how influential families are attempting to achieve their identified social objectives, while continuing to meet their financial imperatives. And the challenges, but also the practical and inspirational examples, they encounter in doing so.

The research which forms the backbone of this report was conducted amongst both Single and Multi Family Offices. And, as many families employ a foundation in this arena, Family-backed Foundations were also invited to participate. In total, 180 respondents participated in our survey, over 40% up on the inaugural report, which was itself substantial. Their head offices are located in 34 countries, and wealth ownership is more widely distributed still, across 46 countries.

Respondents encompass the entire spectrum, from those already engaged in impact investing and / or philanthropy, to those who are not. All segments are equally important to the purpose of this study. The 22% who are not currently active in either philanthropy or impact investing, but who are sufficiently interested to participate, help to ensure that all readers, no matter their own level of involvement, will be able to identify with the report's findings.

We again include several in-depth interviews with key protagonists in this field, and have extended this section in response to feedback from readers of last year's report. Just some of the subjects covered are climate change, health, education, and drug addiction. And the geographic scope includes Europe, the Americas and a particular focus on sub-Saharan Africa.

Integrating the survey and interview case studies permits a geographic and cultural spread that reflects the global nature of the subject matter. To our knowledge there is no report of this nature, addressing this wealthy family audience, with higher participation levels.

We hope that you find it thought-provoking, and at some level a support for decisions you are contemplating in this arena.

**Ben Bonney-James**  
**Financial Times**  
**January 2015**

# COMMENT

**Method Impact** is proud to be a partner in the second edition of, Investing for Global Impact. Our closely watched report is a reference point and catalyst in a growing, “impact economy.” This report connects families, foundations and institutional investors, who actively direct their investment activities towards a positive and holistic impact for communities without compromising their personal objectives; a growing and enabling investment community. Also this second edition features our popular interviews with several pioneers, leaders and champions. They are personally involved and committed in developing this, “Next Big Thing.”

The environment for Impact Investors is favorable. Impact Investments and Philanthropy were key themes in 2014 and will become a specific and dominant asset class with an explicit allocation for years to come. Impact Investments and Philanthropy generate a paradigm shift. They are the most innovative and exciting activities in the investment community and unquestionably indispensable for a truly sustainable life on our amazing planet. Impact Investments are about real people, real opportunity, real growth and real business.

Every investment should be beneficial for the community and investors. A sense of urgency is critical, however, a long-term perspective and patience are paramount to create profound, positive change. In an environment with mounting political risks and concerns for a sustainable and peaceful world, philanthropic engagements and investments with intentional positive impact may grow into the biggest hope for many people and investors around the globe.

Method Impact looks forward to continue this dialogue and help establish profound positive impact as, “The New Normal,” for all investments. We are delighted to collaborate in this endeavour with our partners at Banca Prossima.

**Giuseppe Dessi    Gamil de Chadarevian**  
**Method Impact Ltd.**

**Banca Prossima** and I are proud to be partners with Method Impact and the Financial Times. Banca Prossima is a unique financial institution, since 2007 fully dedicated to the social sector, serving over fifty thousand nonprofits including cooperatives, faith-based institutions, civil society bodies and many others operating in sectors such as health, social care, education, culture and the environment. In Italy the social sector is well developed and diverse; its stewardship extends in part over realms which – while rooted in Italy – are of global relevance, such as culture, food or nature.

Banca Prossima is dedicated to supporting the development of social sector organizations, offering its unique and extensive experience whilst applying innovative tools and fostering alliances with for-profits, government institutions, foundations, philanthropists and other remarkable individuals.

We are convinced this landmark report will help us broaden our scope and outreach. We look forward to supporting many more social sector organizations to evolve into attractive investment opportunities and entice more capital to invest in it.

**Marco Morganti**  
**Banca Prossima, CEO**

# EXECUTIVE SUMMARY

In its second year, this report examines wealthy family trends in philanthropy and impact investing, primarily as evidenced through Family Offices and Foundations. Our intent is to assess current status, identify barriers and enablers to growth, and open a dialogue with families, impact investors and other stakeholders in this arena.

The research base is 180 (up 44%) detailed online survey responses from Single Family Offices, Multi Family Offices and Family Foundations, provided in Q3-Q4 2014. With headquarters in 34 countries, wealth owner origin is more broadly spread still, across 46 countries. The US leads, then 5 from Europe: UK, Italy, Switzerland, Germany and France. All the BRIC countries have significant wealth-owner representation.

The study benefits, and draws its findings, from:

- 1,200+ years of **philanthropy experience** through 99 active participants (55%)
- 700+ years of **impact investing** experience through 92 active participants (51%)
- 40 (22% of all respondents) **active in neither philanthropy nor impact investing**

Seven in-depth interviews, with very actively engaged participants across the social impact spectrum, enrich the study. As last year, this interview section (4) is again expected to be the most thought provoking and, we hope, inspiring.

In this summary it is only possible to focus on some of the more prominent results, emphasising impact investment. More detailed breakdowns and commentary are provided within the five sections of the main report, as itemised within **Contents** (Page 2) and **List of charts** (Page 47).

## Respondents already active in philanthropy

**Barriers:** For Family Offices, **Hard to measure social impact** (44%) leads. **Additional Funds not available** (85%) dominates for Foundations.

**Future intentions, next 12 months:** a net 19% of impact investing Family Offices and Foundations expect to increase their philanthropy allocations;

29% of Family Offices and Foundations currently active in philanthropy but not impact investing, are considering becoming active in impact investing.

## Respondents already active in impact investing

**Priorities:** 48% of family offices attach equal importance to both social impact and financial return. 40% prioritise social impact, 12% financial return. 75% of Foundations attach equal importance to both, the remaining 25% prioritising social return.

**Investment parameters:** Over half the time the same financial risk (61%), financial return (62%), implementation cost (60%) and due diligence (62%) are applied as for “traditional” investing. 29% make no differentiation across any category.

**Financial instruments used:** Direct equity investment leads (51%), ahead of funds (46%). Both direct debt (37%) and debt equity hybrids (36%) are significantly used. 42% have exited one or more investments in the last 3 years.

**Geographic mix of investment:** 69% of Impact investors are active in 1 or 2 regions, and another 16% in 3. There is a lower bias towards Western Europe and North America overall, the destination for 41% of impact investment, versus 47% of philanthropy and 49% for those not active in either philanthropy or impact investing. Sub-Saharan Africa attracts 17% of impact investment (similar to philanthropy at 18%).

**Barriers: Risk concerns** (36%) are the major barrier to increasing impact investing this year.

**Motivations: Contribution to sustainable development** is the dominant result across all organisation types (71%).

**Importance of Role models:** 91% agree **impact investing needs more role models to raise awareness** – net 29% above the second-ranked of ten statements relating to impact investing. This extends the lead from last year’s survey.

**Investment performance:** Positive to date for all but 8%, with 34% above 10% returns. 73% of impact investments meet or exceed financial objectives; 76% meet or exceed social objectives.

**Top investment themes:** Offered nineteen categories for current and planned investment, **clean energy / green tech** (60%) and **education and skills** (45%) reverse last year's top 2.

**Future intentions, next 12 months:** A net 48% (direct investment) and 21% (via funds) of current impact investors expect to increase their allocations.

### Respondents not currently active in either philanthropy or impact investing

**Investment influences:** 58%/35% are influenced by industry leading CSR/ESG credentials, respectively. 42% by industries such as tobacco and gambling. Were they to actively consider philanthropy and / or impact investing, the most likely priorities would be **Education & skills** (45%), ahead of **Health / Quality of life** (33%).

**Barriers to considering impact investing and/or philanthropy:** Most often, it is being outside scope – **Families don't request impact investing (47%)** and/or **manage their own social investments (38%)**. A net 75% agree that **impact investing suffers from a lack of clear definition and measurement criteria** – the top score across 10 statements.

**Future intentions, next 12 months:** 28% of Family Offices active in neither philanthropy nor impact investing are considering philanthropy; 19% are considering impact investing.

### Who should lead in driving social impact?

The concluding question in this year's survey, also explored in detail in several interviews [B](#) [C](#) [D](#) [E](#) [F](#). 55% of respondents believe that leadership should be shared. 27% chose individual and family responsibility, operating through a variety of structures. Smaller proportions believe that Governments/the State (9%) or public exchange-listed corporations (8%) should lead.

## Conclusions

The survey responses show continuing growth for philanthropy and, particularly, impact investing, maintaining last year's momentum. Impact investment performance against financial and social objectives is still encouraging, with many existing investors increasing exposure and a healthy pipeline of potential new impact investors.

Our interviews provide rich examples across the social impact spectrum. It would be wonderful to be able to bring our interviewees together in discussion, and we hope that Section 4 of this report offers the next best thing. They would not agree on everything, any more than would the audience for this report!

But there is considerable common societal cause, and they collectively embody a theme of **extended responsibility for driving social impact**. In which every constituency - individual, government, for profit and social sector organisations – is interconnected and very often, interdependent.

There is a very strong shared emphasis on **achieving impact**, irrespective of whether the interviewee is focused on philanthropy or seeking some financial return. This consequent focus on **ensuring appropriate measurement**, at a project level, is a major theme across the interviews. The discussion ranges from Government-sponsored initiatives that can enable social impact bonds (See [C](#) and [D](#)), to local community initiatives (See [A](#), [E](#) and [F](#)).

A need for **impact investment role models**, is an even more pronounced survey finding this year than last. That said, some social imperatives will always require impact-focused philanthropy, with the goal of creating independent sustainability.

Finally, both years' findings reinforce **the contribution that wealthy families can make towards systemic change**, unachievable through quick fixes. As expressed by one of our interviewees ([E](#)): "We think what is especially pertinent from last year's report is the point about the time horizons families are able to deploy on these projects and being able to give projects time to develop and achieve social transformation."

# SECTION 1: RESPONDENT PROFILES

## Overview

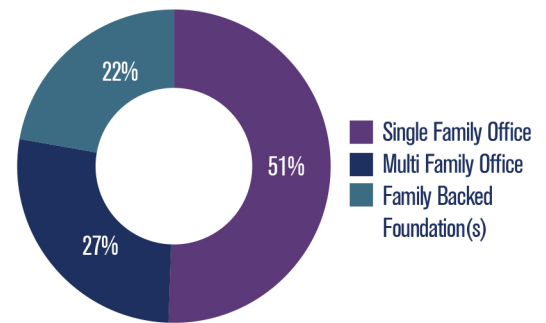
This section is in two parts. The first covers the participating organisations in terms of type, size, geography and family wealth origin and generation. The second part focuses on levels of activity in philanthropy and impact investing, the resources dedicated by those that are active, and when they began their engagement.

## Participating organisations

78% of the 180 survey respondents are Family Offices, with SFOs outnumbering MFOs by a ratio of approaching 2:1. The balance, 22%, are Family-backed Foundations (Chart 1).

CHART 1

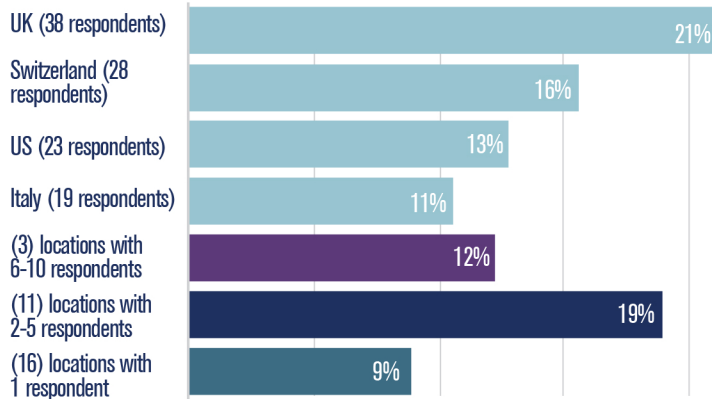
### Organisation type



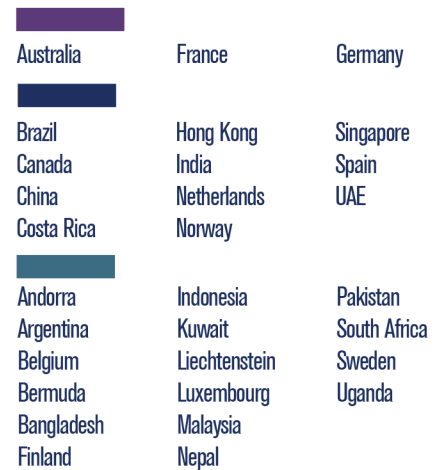
Base: All

CHART 2

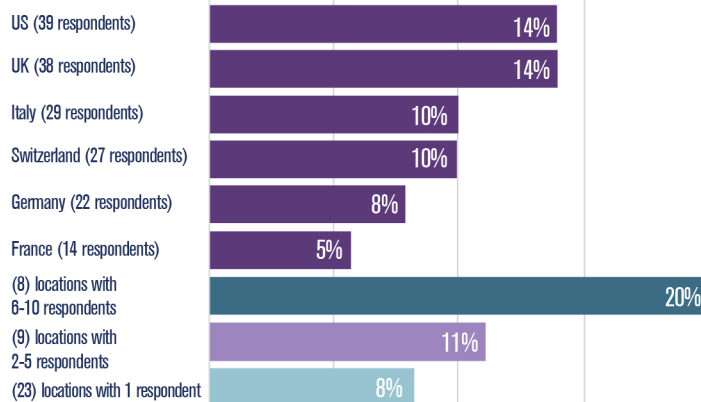
### Head office location



Base: All



### Family wealth – countries of origin



Base: All who specified individual countries Note: Multiple responses allowed

CHART 3



Their **head offices** are in 34 countries, with the UK, US and Switzerland comprising 50% of the total. 11% of head offices are in Italy, with Australia, France and Germany 12% in aggregate. 11 countries are represented by between 2 and 5 respondents, with a further 16 each with a single representative (Chart 2).

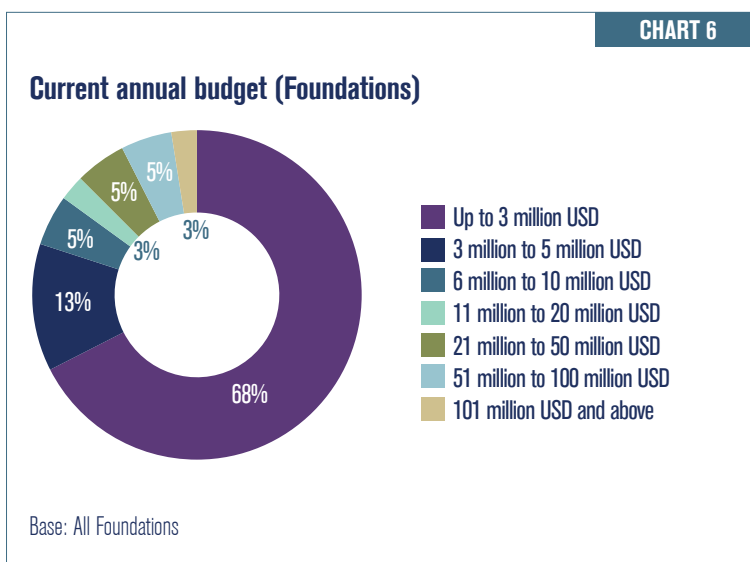
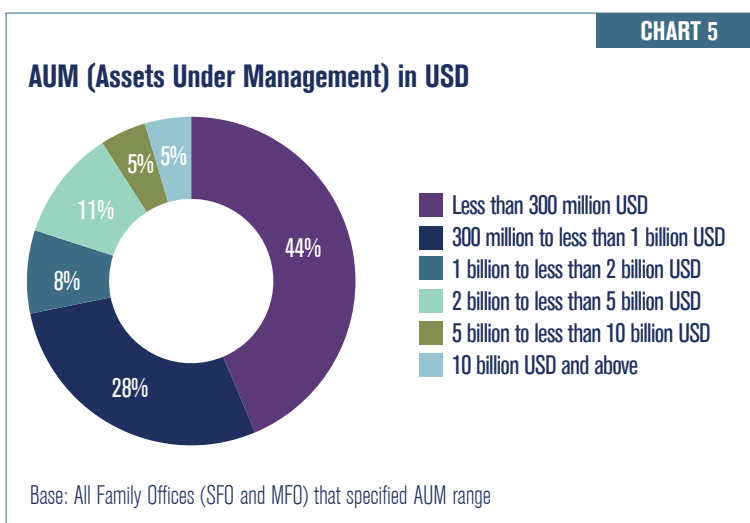
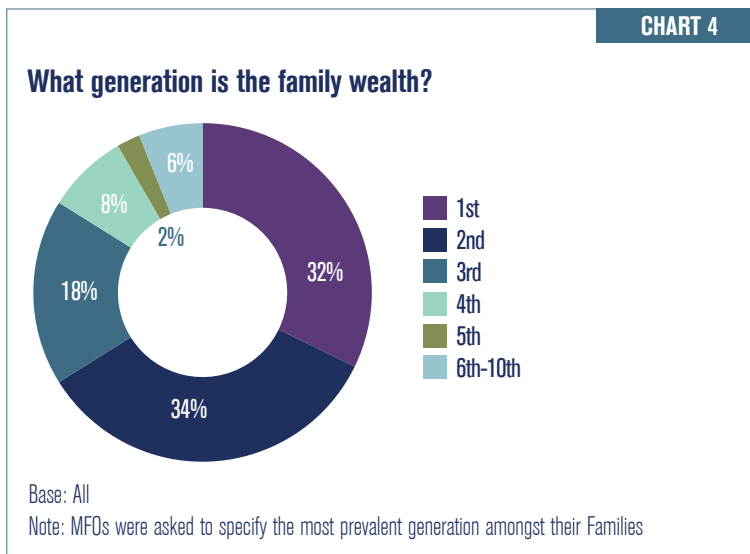
As would be expected, **owners' wealth origin** is more broadly spread, across 46 countries and every continent bar Antarctica. The US and UK lead, with Italy, Switzerland, Germany and France particularly strongly-represented. All the BRIC countries are in the 6-10 respondent range, along with Australia, Singapore and Spain. (Chart 3).

**Family generation.** Second generation families are the most prevalent (34%), followed by first (32%) and third generation (18%). 6% are very long established families, between 6th-10th generation. (Chart 4).

**Assets Under Management (AUM).** 79% of Family Offices specified their AUM, within a range. 72% are under \$1bn AUM, 24% between \$1bn - \$10bn and the remaining 5% above \$10bn. (Chart 5).

**Budgets.** 81% of Foundations have a current annual budget of up to \$5m, with 8% holding the largest budgets from \$51m-upwards (Chart 6). Focusing on budget alone would substantially understate the financial scale of participating foundations, 50% of whom are able to allocate their endowments as well as budgets.

**Foundation structure/objectives.** The vast majority (73%) of Foundations are structured as not-for-profit. Of the others, 15% are for-profit, and 12% a combination of both. 60% seek financial returns and the split here is between the 25% for whom financial returns are a subsidiary objective behind social returns and the 35% for whom social and financial returns rank as equally important. For 40% of Foundations, only social returns are an objective, with no financial returns allowed.



## Establishing activity in philanthropy and/or impact investing.

To understand the results, it is necessary to appreciate how the question is framed in the survey. This is the guidance provided to respondents:

Social benefit is common and fundamental to the purpose of both philanthropy and impact investing.

- Where there is also an objective of financial return to you as the provider of funds, at whatever the level of return you set: Please select impact investing.
- Where there is no objective of financial return to you as the provider of funds: Please select philanthropy.

**Segmentation by activity (Chart 7).** Responses are very evenly-spread between the four categories, ranging from those active in neither philanthropy nor impact investing (23%) to those active in both (28%). This spread of representation is important as responses to this question primarily determined the routing for respondents through the balance of the survey.

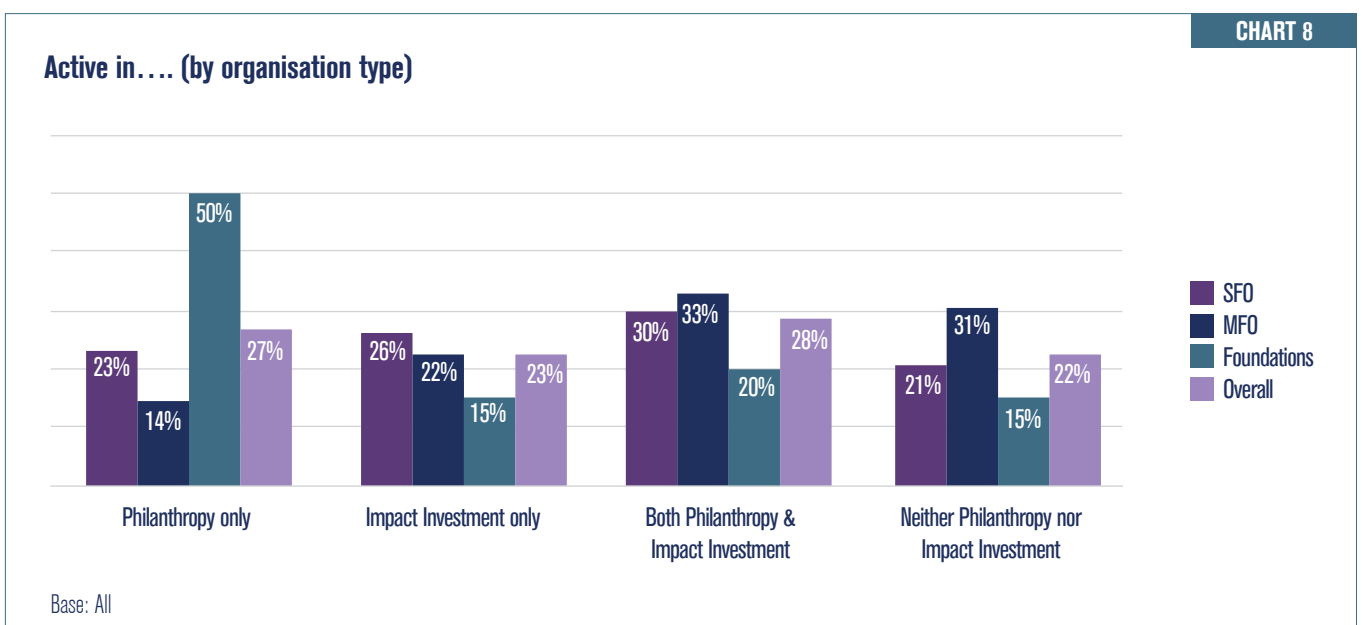
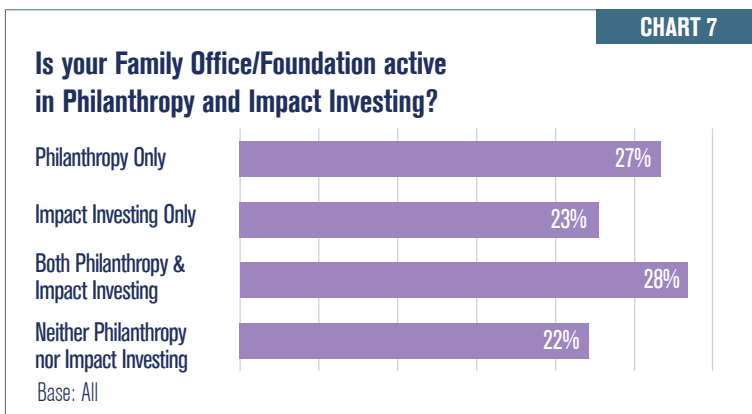
**Compared to last year:** Some change in mix. We have 5% more respondents who are solely impact investors, with 3% more who are active in philanthropy only. 7% fewer are active in both.

### Composition by organisation type (Chart 8).

SFOs, the largest respondent group, are also very evenly spread, ranging between 21%-30%.

The MFO spread is wider (14%-33%), the smallest group being those active in philanthropy only. 94% of MFOs work with Foundations with respect to philanthropy and / or impact investing for either a majority (32%) or minority (62%) of their families (Chart 9).

50% of all Foundation respondents are active in philanthropy only, followed by 20% active in both areas and 15% each for impact investment only, and those currently active in neither category.



The following established definitions of philanthropy and impact investing were also available to respondents:

### Philanthropy

The most conventional modern definition is “private initiatives, for public good, focusing on quality of life”. Etymologically, philanthropy means “love of humanity” in the sense of caring for, nourishing, developing, and enhancing “what it is to be human” on both the benefactors’ (by identifying and exercising their values in giving and volunteering) and beneficiaries’ (by benefitting) parts. Source: Wikipedia

### Impact Investing

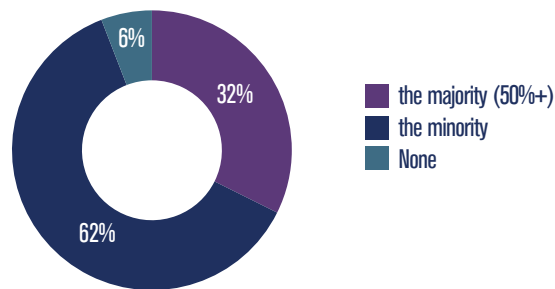
Impact investments are investments made into companies, organizations, and funds with the intention to generate social and environmental impact alongside a financial return. Impact investments can be made in both emerging and developed markets, and target a range of returns from below market to market rate, depending upon the circumstances. The growing impact investment market provides capital to support solutions to the world’s most pressing challenges in sectors such as sustainable agriculture, affordable housing, affordable and accessible healthcare, clean technology, and financial services. Source: Global Impact Investing Network (GIIN)

**Dedicated human resource.** There is only a small gap between people dedicated to the two activities - 52% for philanthropy, impact investing a short way behind, at 47%. (Chart 10). Underlying this, Foundations are much more likely to have people dedicated to philanthropy (56%), than impact investing (32%). For Family offices overall, the proportions are virtually identical. (51%-52%).

**Financial allocations.** 65% of Family Offices consider impact investing part of their asset allocation. SFO allocate 30% and MFO 19% of their AUM to impact investing. The spread is considerable: For a substantial number it constitutes no more than 1% of AUM, but

CHART 9

With respect to Philanthropy and / or Impact Investments what proportion of your families have Foundations that you work with?



Base: All MFO active in philanthropy and/or impact investing

there are significant exceptions where much higher proportions are allocated, exceptionally up to 100%.

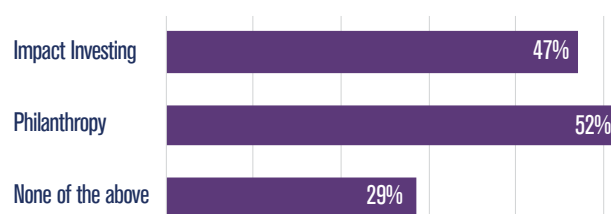
73% of Single Family Offices active in philanthropy agree a budget allocation towards it. This is broadly consistent with Multi Family Offices where only a 21% minority **never** discuss such an allocation with their family clients. 63% have philanthropy budget conversations with a majority of their clients, 16% with a minority of them.

55% of respondents are active in philanthropy.  
51% are active in impact investing


Foundations active in both impact investing and philanthropy presently allocate an average of 58% of their budget towards philanthropy, and 36% to impact investing. As noted earlier, 50% of

CHART 10

Do you have dedicated external or internal people for the following?



Base: All active in philanthropy and/or impact investing

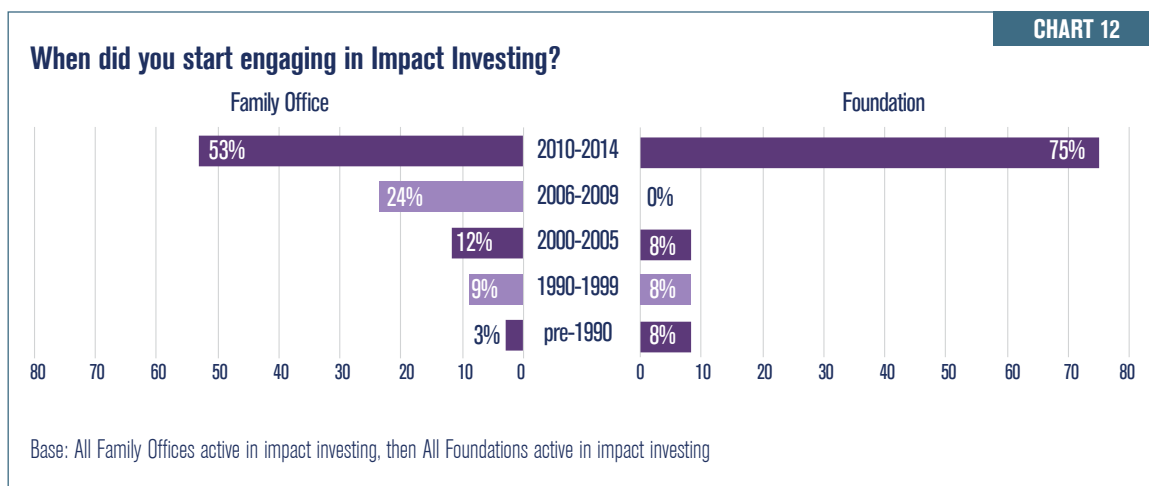
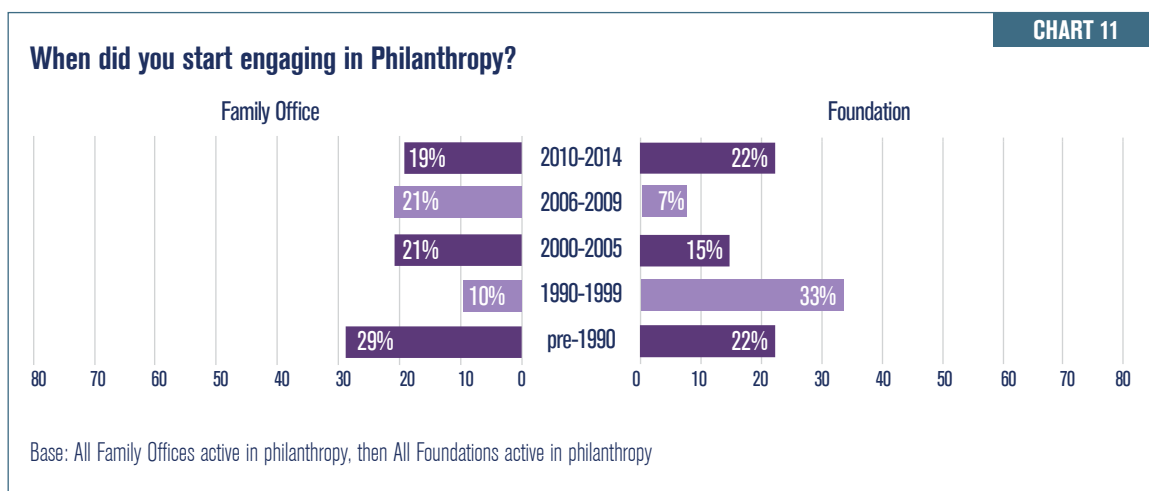
“This is where the whole strategic giving started, where the Foundation changed to become an impact-driven philanthropy organisation instead of a simple charity.” See  P.35

Foundations are able to allocate from an endowment as well as an annual budget. Of those that can, and who are active in impact investment, 50% do so.

**Philanthropy: When did your engagement begin?** Rather more Foundations (55%) than Family Offices (39%) became active pre-2000. A very similar proportion of both Foundations (22%) and Family Offices (19%) became involved less than 5 years ago (Chart 11).

**Impact investing: When did your engagement begin?** The critical point is that this activity is in no way dependent upon, and substantially pre-dates, the introduction of impact investment as a defined term. The guidance respondents were asked to follow, as reproduced on page 9 above, relates entirely to the motivation and objectives for investing and not as to whether or not the investment vehicle or product is “badged” as an impact and/ or social investment.

The stand-out statistic is not particularly surprising - that 75% of Foundations active in impact investing have become so in the last 5 years. The equivalent figure for Family Offices is 53%, with another 24% who started impact investing in the 2006-9 period. There is no marked variation between Single and Multi Family Offices.



# SECTION 2: INVESTMENT DECISION MAKING

## Overview

This section of the report considers key influences on decision making in relation to impact investments. Respondents are asked to identify differences between their “traditional” and impact investment processes, as well as in terms of sourcing, between impact investment and philanthropic opportunities. It includes analysis of current investment practice and holdings in terms of investment lifecycle stage, geographic distribution and financial instruments used.

**For impact investments, which comes first – social impact or financial return?** For 52% of the overall respondent base, they are of equal importance. This rises to 75% of Foundations, and applies to 50% of SFOs and 44% of MFOs (Chart 13).

Social impact is the priority for 38% (SFOs), 44% (MFOs), and 25% (Foundations).

Financial return is only the priority for 13% (SFOs), 12% (MFOs) and not at all for Foundations. It is

“Our “impact philosophy” is that profit comes first. The project needs to be profitable to then leverage these profits into environmental and social benefits.” See [A P.25](#)

interesting to consider these results in conjunction with Chart 34 in Section 5 of this report, where respondents compare performance against social and financial objectives.

To gain some insight into the extent to which non-financial criteria influence primary investment selection for those not currently active in either philanthropy or impact investing, respondents in this category were asked three questions (Chart 14). In a substantial minority of cases, industry-leading CSR credentials (42%), ESG credentials (35%) and industry sectors such as tobacco and gambling (42%) influence investment choices.

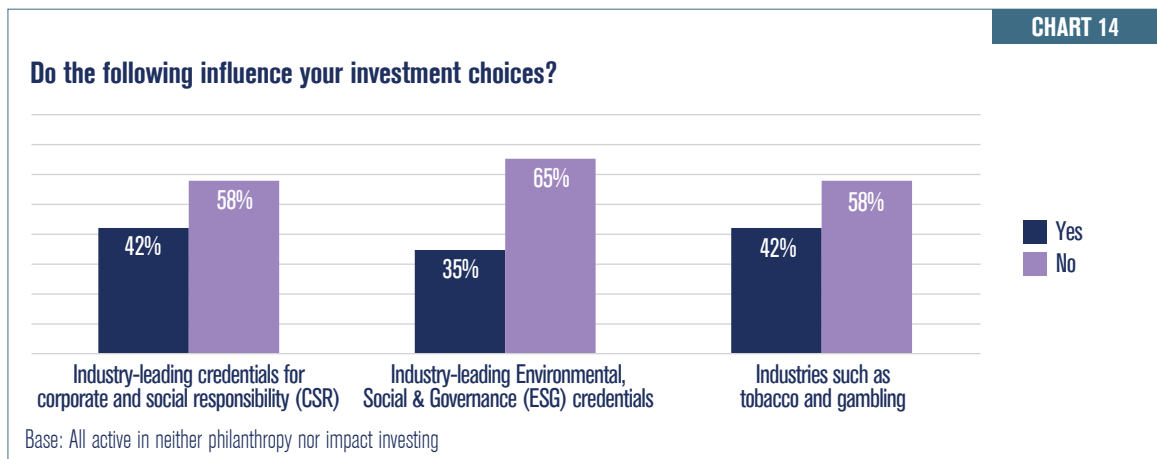
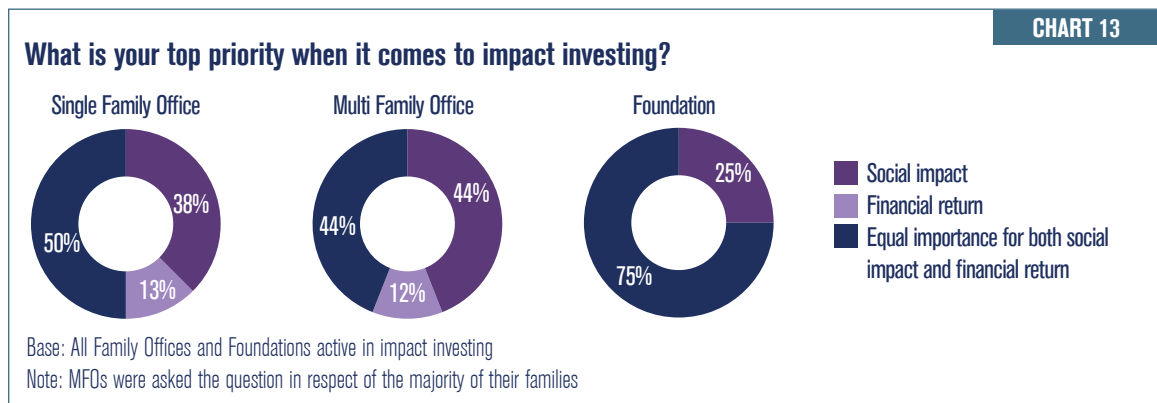
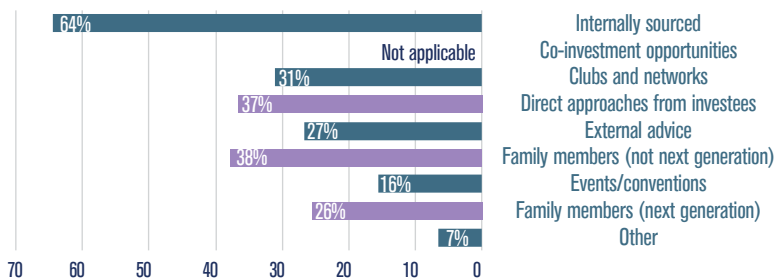


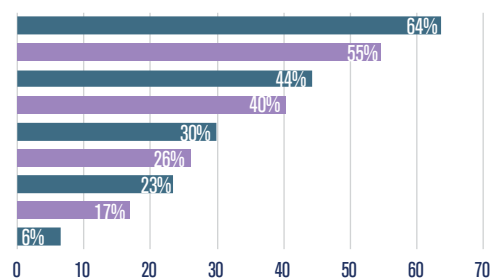
CHART 15

Where do you source your Philanthropic opportunities?



Base: All active in philanthropy then All active in impact investing Note: Multiple responses allowed

Where do you source your Impact Investment opportunities?



How does Impact Investment due diligence differ?

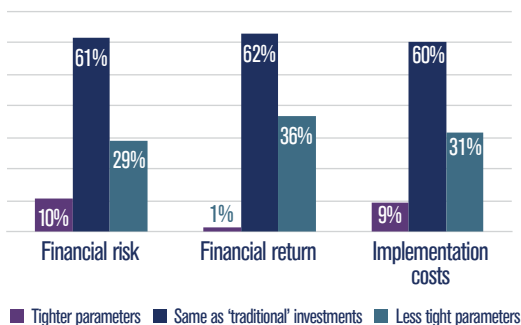
“Additional work on social impact”	“Need to understand the social/ environmental impacts by working with management”
“Also driven by passion and specific community needs”	“No problem”
“Also impact oriented”	“Not as rigorous”
“Because we look to help more than expect returns”	“Rigorous social impact analysis”
“Consider impact.”	“Sector restriction, leverage potential, direct involvement, ‘additionality’”
“Consideration of impact objectives and context”	“Somewhat less financial rigor.”
“Due diligence includes to a certain extent some advisory work as well on business plan, financials”	“Specific kpi due diligence”
“In addition to general DD, we emphasize focus on company and founder’s mission, values, drive, success metrics, all of which much reflect the impact centricity of the business.”	“The addition of impact-specific metrics. This is a much longer conversation.”
“Includes impact also”	“The social analysis”
“Includes social and environmental metrics, requires much more rigorous due diligence with onsite interviews and fewer legal protections in the shareholder agreements”	“We evaluate the social impact a lot more.”
“Less DD”	“We include impact measurement criteria”
“Less diligent”	“We try to quantify the impacts and use specific metrics based different indicators social/ environment such as CO2 reduction,”
“Less stringent”	“We use a dedicated Service Provider called MomosFunds who is involved in Relationship Management and Impact Creation/Measurement Program. We set goals and track these goals. We are open to discuss with all relevant stakeholders.”
“More stringent, typically collateralized debt”	

CHART 17

**Sourcing opportunities.** Comparative analysis of philanthropic and impact investment opportunity sourcing shows many similarities (Chart 15). **Internal sourcing** leads in both cases, cited by broadly two-thirds of respondents. **Co-investment opportunities** are the second largest source for impact investors, with 55% of respondents mentioning them. **Family members, including Next Generation**, are significant sources for both types of opportunity. The value of networks is a recurring theme in interviews for this report, and **clubs and networks** (44% for impact investment, 31% for philanthropy) feature as part of what overall seems a broad mix of well-used sources.

CHART 16

Do you apply different financial parameters for impact investing when compared to “traditional” investing?



Base: All active in impact investing



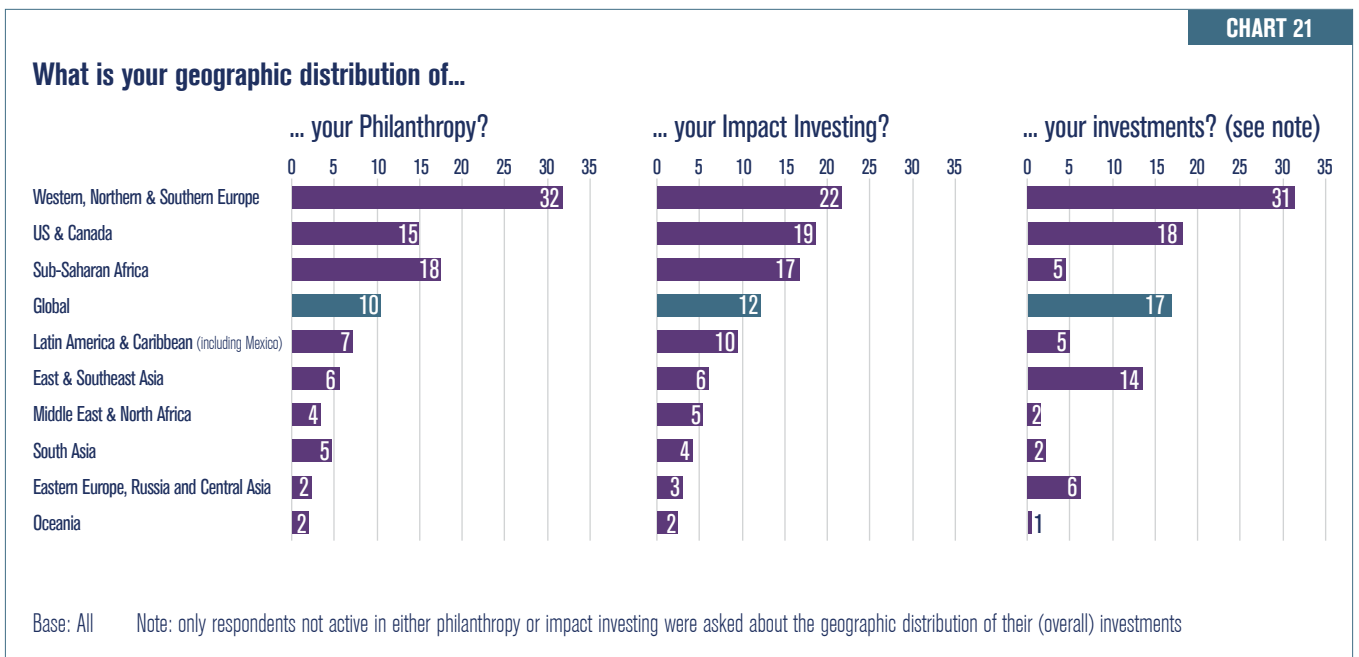
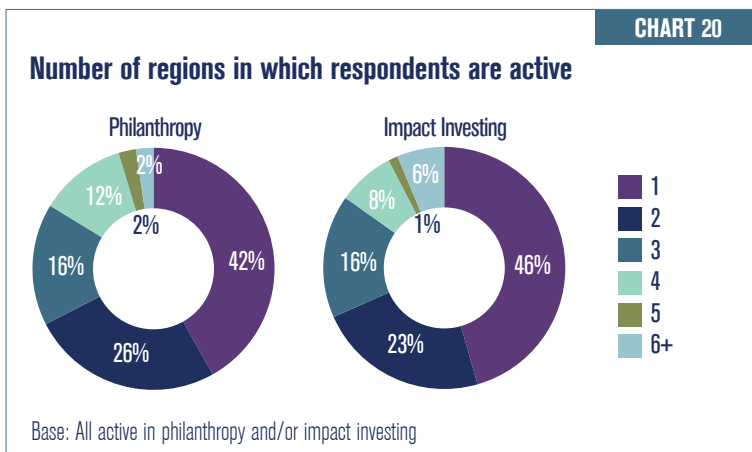
“We saw these changes in Brazil as an opportunity to become involved in a collaborative effort to delve deeper into the water risk...” See P.41

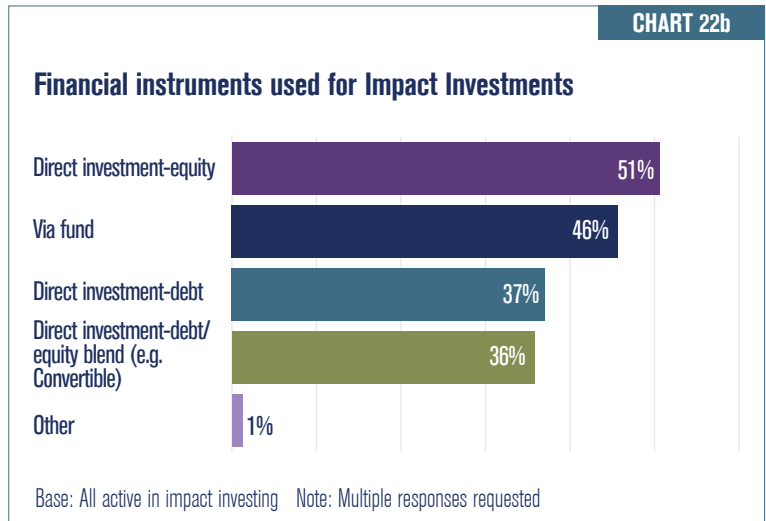
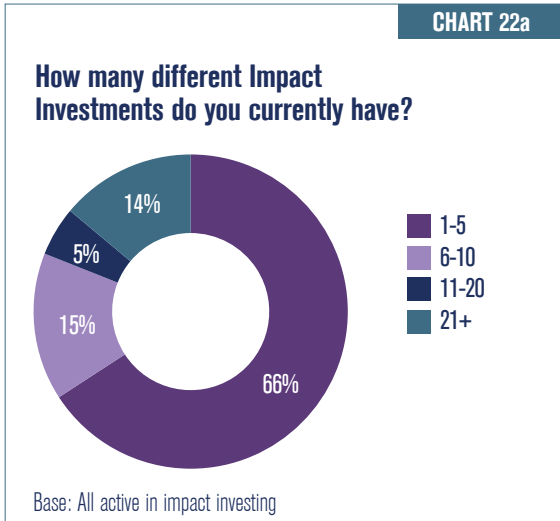
risk as well as greatest impact potential; second, that established businesses attract the lowest priority from all four segments, ranging between 21% - 33% activity levels; finally, that philanthropic and impact investing approaches appear to be highly complementary in their coverage of the critical birth and early growth phases.

**Number of active investment stages (Chart 19).** Apart from a lower average for impact investing Foundations, there is little difference between Family Offices and Foundations. Both philanthropy and impact investing increase the average, by between 10%-20%, compared with “traditional” investing.

**Geographic distribution of investments.** Respondents were asked which of 10 regions (including global) they invested in. **Chart 20** breaks down the total number of regions in which those active in philanthropy and impact investing are invested. Results are similar, with 66%/69% invested in either 1 or 2 regions, and a further 16% in 3 regions. At respondent level, the averages for those active in philanthropy only, impact investing only and both show considerably more variation at 1.8; 2.5; 2.9 respectively. These figures do not include regions where respondents make only “traditional” investments and so will understate total investment activity.

Looking at the regional breakdown for all respondents (**Chart 21**), sharp distinctions are apparent between these philanthropic/impact investment destinations and “traditional” investments by those not active in either philanthropy or impact investing. The former invest






more often in sub-Saharan Africa (+12%,+13%) and Latin American and Caribbean (+2%,+5%). The latter lead in the fast growth markets of East and South East Asia (+8%). Europe (excluding Eastern Europe) highlights a different distinction - the venue for fewer impact investors than either philanthropists (-10%) or those currently not active in either impact investing or philanthropy (-9%).

The average number of financial investments held (Chart 23) is 1.7 overall, fewer for Foundations at 1.2.

**Direct debt impact investments – what's the mix?** Many who are active in this category hold social investment bonds (30% Convertibles), as well as non-SIB mezzanine and conventional bonds, private company and trade finance loans.

**What about exited investments?** Whilst 58% of investors have not exited any impact investments in the last 3 years, 34% have made between 1 and 3 exits, and 8% have exited 4 or more investments.

“A social bond may enable your organisation to access extra resources that work as an accelerator to deliver on your mission and strategy.”  
See  P.39

**Current impact investments – how many, and what financial instruments?** 66% of those active in impact investing hold between 1-5 individual investments, with the second highest category the 15% holding 6-10 investments (Chart 22a). Direct equity investment is the most frequently used route (51%), ahead of indirect investment via funds (46%). Closely followed by the remaining routes (Chart 22b). A higher proportion of Family Offices use funds than do Foundations, for whom blended debt/equity direct investment is the most frequent route.

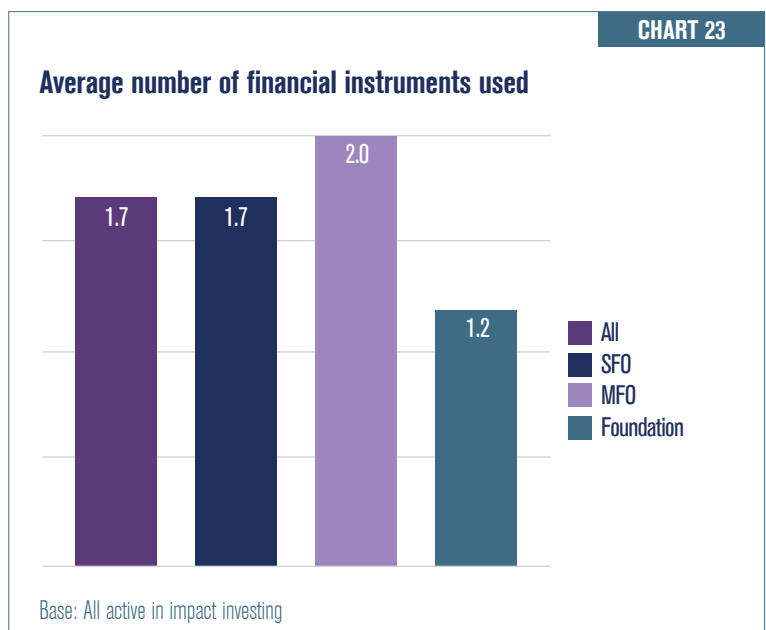
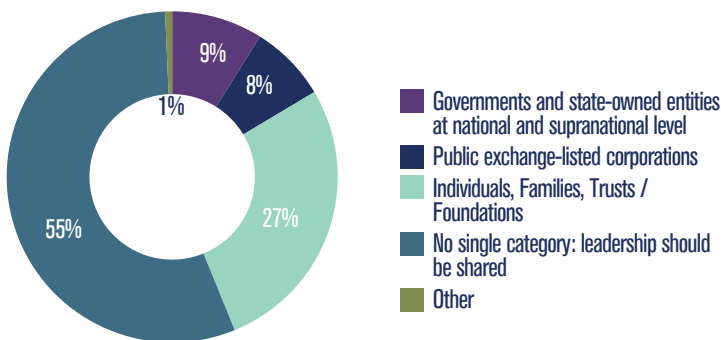


CHART 24

**Who should take the lead in driving positive social impact?**



Base: All

In terms of financial instruments, the exits are in similar proportion to the overall holdings of impact investments, with a slightly higher proportion of fund exits, offset by slightly lower direct investment exits overall, and substantially lower exits for debt/equity blended routes.

“We do see, in the next generation, a focus on how can we make the business itself more sustainable.”

See [B P.27](#)

**Driving Positive Social Impact. Who should take the lead?** This was the final question in this year’s survey, and the results are summarised in Chart 24. Over half, 55%, believe that leadership should be shared; the underlying principle in the extract below from three people interviewed in Section 4 of this report. At 27%, the second most frequent answer (particularly from Swiss-based respondents) emphasised personal accountability, operating as individuals and families, and including trust and foundation structures. One respondent qualified their vote for individuals “but only if the state is dramatically reduced in size”. Entrepreneurs were referenced, as in one case, intriguingly as

they are generally agent rather than principal, were consultants and advisors. There was little distinction between organisation types, other than Foundations selecting governments and state-owned entities more frequently.

**Sir Ronald Cohen (Interview [G](#))** “If you asked me to look ahead 10 years and assess the most important drivers of impact investment, I would say it is government, investors, social organisations and profit-with-purpose businesses.”

**Letizia Moratti (Interview [D](#))** “In Europe, we don’t have time on our side, we are not growing, we are facing big and difficult challenges. So I advocate a similar approach to an entrepreneur and a manager and would look for crash programmes. Not just try one thing and then another but do everything together. Start with universities and teach in a different way, we cannot teach finance as we were teaching it before the financial crisis. We should try to give a sense of responsibility in schools, so starting with children, try to give local community commitment, to overcome the barriers between public and private, profit and non-profit so try to have everybody committed to this need to change the model. So it is not just one thing first - the state and then individuals. We should do it all together.”

**Johnson & Johnson Corporate Citizenship Trust (Interview [E](#))**

**Jane Griffiths:** “In the Trust we strongly believe in the power of unlikely alliances. And I look at the way some of our alliances have developed, particularly with Aga Khan Development Network; this has grown beyond our mutual expectations.”

**Frank Welvaert:** “If you want to tackle certain challenges, delivering healthcare in Africa for instance, you encounter multiple issues around the delivery of care. You probably need solar energy for storage, so solutions of the future will almost look like joint ventures between partners who in the past would not have worked together.”

# SECTION 3: BARRIERS AND MOTIVATIONS

## Overview

Respondents were asked to give their top three choices, ranked from first to third in order of significance. Many made fewer than three choices.

The bulk of these responses are informed by practical experience, with both barriers and motivators provided by Family Offices and Foundations already active in impact investing and/or philanthropy. So, well positioned to prioritise issues across the spectrum of design, execution and monitoring. Some responses are broken-down between SFOs, MFOs and Foundations.

Later in this section, respondents who are **not** active in either area also provide their views on major barriers to their considering impact investing or philanthropy.

Further perspectives on impact investing are obtained from a series of ten short positioning statements with which respondents can agree, disagree or leave blank.

“Given the importance and emphasis on measurement, evaluation and data evidence... crucial that we recognise project-specific measurable social impact.” See P.39

## Active in philanthropy and/or impact investing

**Major barriers to increasing impact investing** (Chart 25 and 26). **Risk concerns** are significantly the most-selected barrier, at 36%. **Chart 26**, shows the organisation-level ranking of the top 5 barriers. Risk concerns lead for both SFO - a particularly high rating at 40% - and MFO (33%). A less elevated concern for Foundations, ranked fourth.

The second-highest barrier is **Lack of track record of successful investment** (26%), which also ranks second at an organisational level for

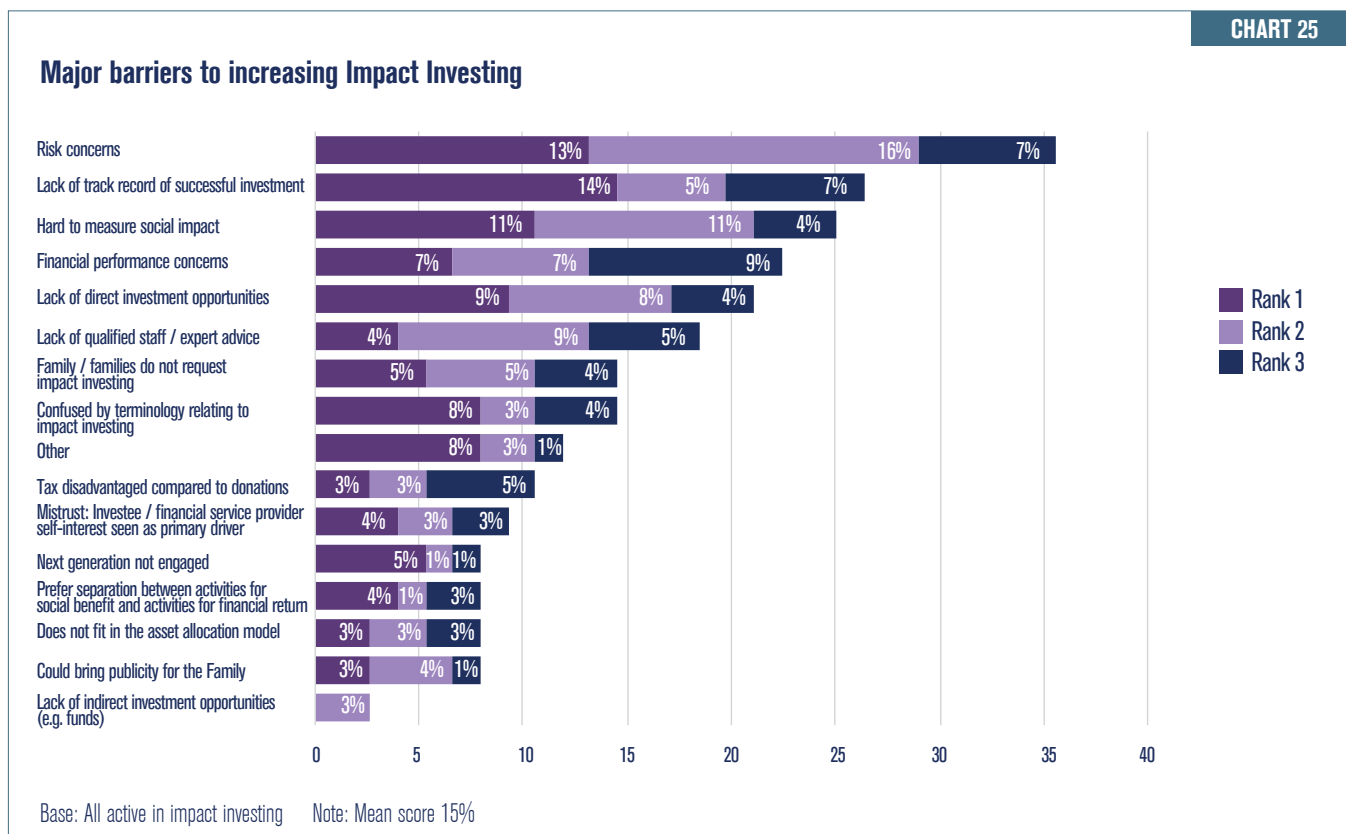


CHART 26

**Major barriers to increasing your Impact Investments:  
Top 5 by organisation type**

	SFO	MFO	Foundation
1	Risk concerns (40%)	Risk concerns (33%)	Lack of direct investment opportunities (50%)
2	Final performance concerns (28%)	Lack of track record of successful investment (29%)	Lack of track record of successful investment (42%)
3	Hard to measure social impact (25%)	Family/families do not request impact investing (29%)	Hard to measure social impact (25%)
4	Lack of qualified staff / expert advice (20%)	Hard to measure social impact (25%)	Risk concerns (25%)
5	Lack of track record of successful investment (20%)	Tax disadvantaged compared to donations (21%)	Confused by terminology relating to impact investing (25%)

Base: All active in impact investing

Note where % are equal, scores are weighted by #1, #2, #3 rankings to determine order

Note SFO mean 15%, MFO mean 16%, Foundation mean 14%

both MFO and Foundations (5th for SFOs). It is interesting to cross-reference the top 4 overall barriers - the others being **Hard to measure social impact** (25%, top five for all organisation types) and **Financial Performance concerns** (22%, a particular focus for SFOs) with the reported performance against both social and financial objectives, in Section 5 of the report.

In the open category, other barriers cited include limited potential for absorption in terms of local partners on the ground, funding constraints, and lack of sponsors.

**Lack of direct investment opportunities**, cited as the top concern for Foundations (50%), is less of an issue for Family Offices. Other top five mentions substantially above the respective mean scores are for SFOs **Lack of qualified staff / expert advice** (20%), for MFOs **Family/families do not request impact investing** (29%) and **Tax disadvantaged compared to donations** (21%), and for Foundations, **Confused by terminology relating to impact investing** (25%).

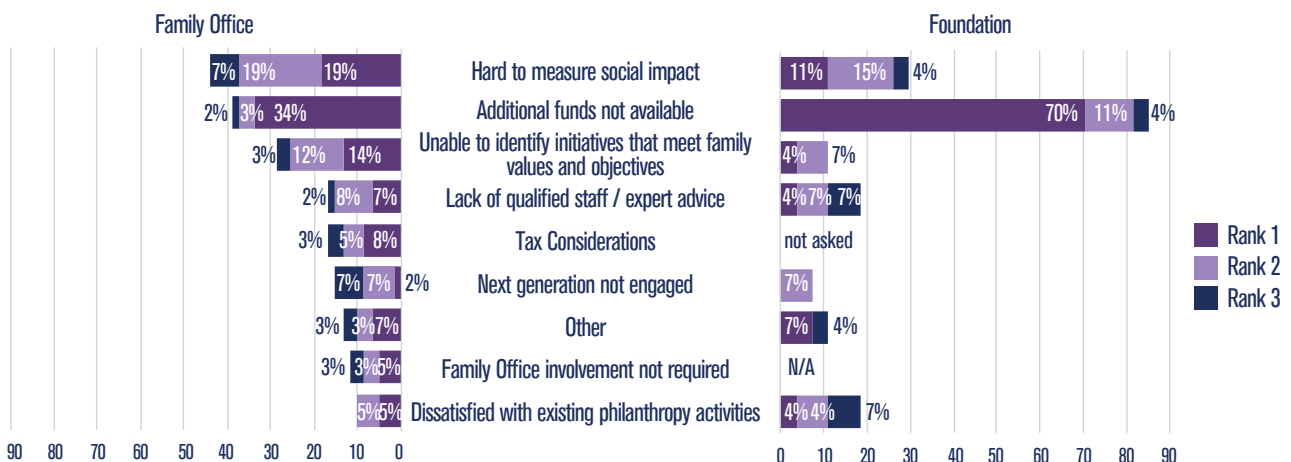
**Major barriers to increasing engagement in philanthropy** (Chart 27). Family Office and Foundation perspectives are sufficiently different for these results to be more meaningful on an organisational basis.

For Family Offices, the three scores substantially above the mean (25%) are **Hard to measure social impact** (44%), **Additional funds not available** (39%) and **Unable to identify initiatives that meet family values and objectives** (29%).

Two of the same barriers are also top 3 ranked for Foundations. **Additional funds not available**

CHART 27

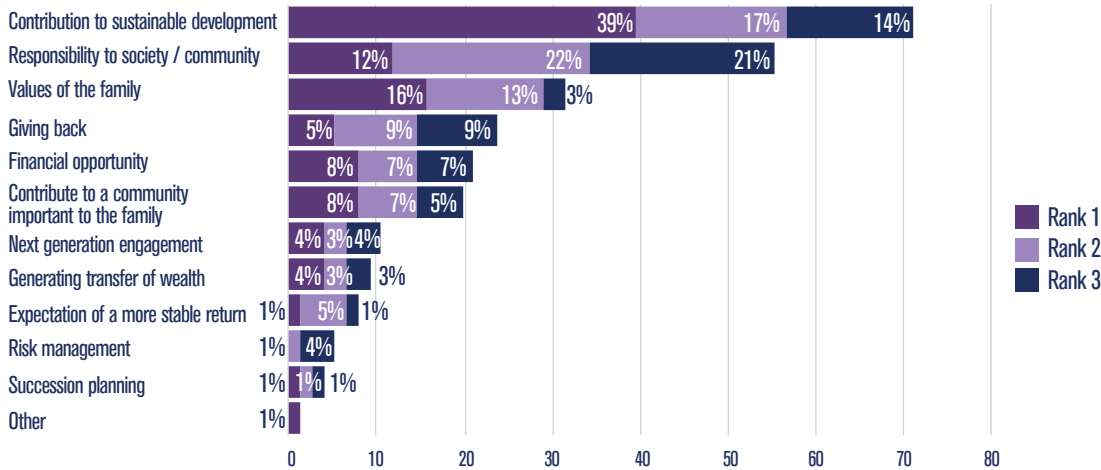
**Major barriers to increasing engagement in Philanthropy**



Base: All active in philanthropy Note: Mean score for Family Offices is 22%. Mean score for Foundations is 26%

CHART 28

### Major motivations for your Impact Investments



Base: All active in impact investing Note: Mean score is 22%

dominating the category at 85%. **Hard to measure social impact** (30%) is the only other result above the 26% mean score.

Chart 28 switches the focus, **to motivations for impact investments, for those already active.** **Contribution to sustainable development** (71%, and ranked first by 39%) is by far the strongest driver. It also leads across all organisation types (Chart 29). **Responsibility to society / community** (55%) also scores heavily, and ranks second across SFOs, MFOs and Foundations. **Values of the family** (32%) and the closely-related **Giving back** (24%) are the only other scores above the overall mean (22%). The highest rated non-societally focused driver is **Financial opportunity** (21%), which does make the top five of all the organisation types.

#### Views on impact investing (Chart 30).

Respondents were asked if they agree or disagree with ten statements, and could answer as few or many as they wished. The results have been split to distinguish the perspectives of current impact investors from those who are not active in impact investment (whether or not they are active in philanthropy).

“Characteristics of social sector organisations have traditionally been (1) nobody has any money (2) very few have achieved scale. [Why?] ... the funding constraint placed by philanthropy.” See P.29

CHART 29

### Major motivations for your Impact Investments: Top 5 by organisation type

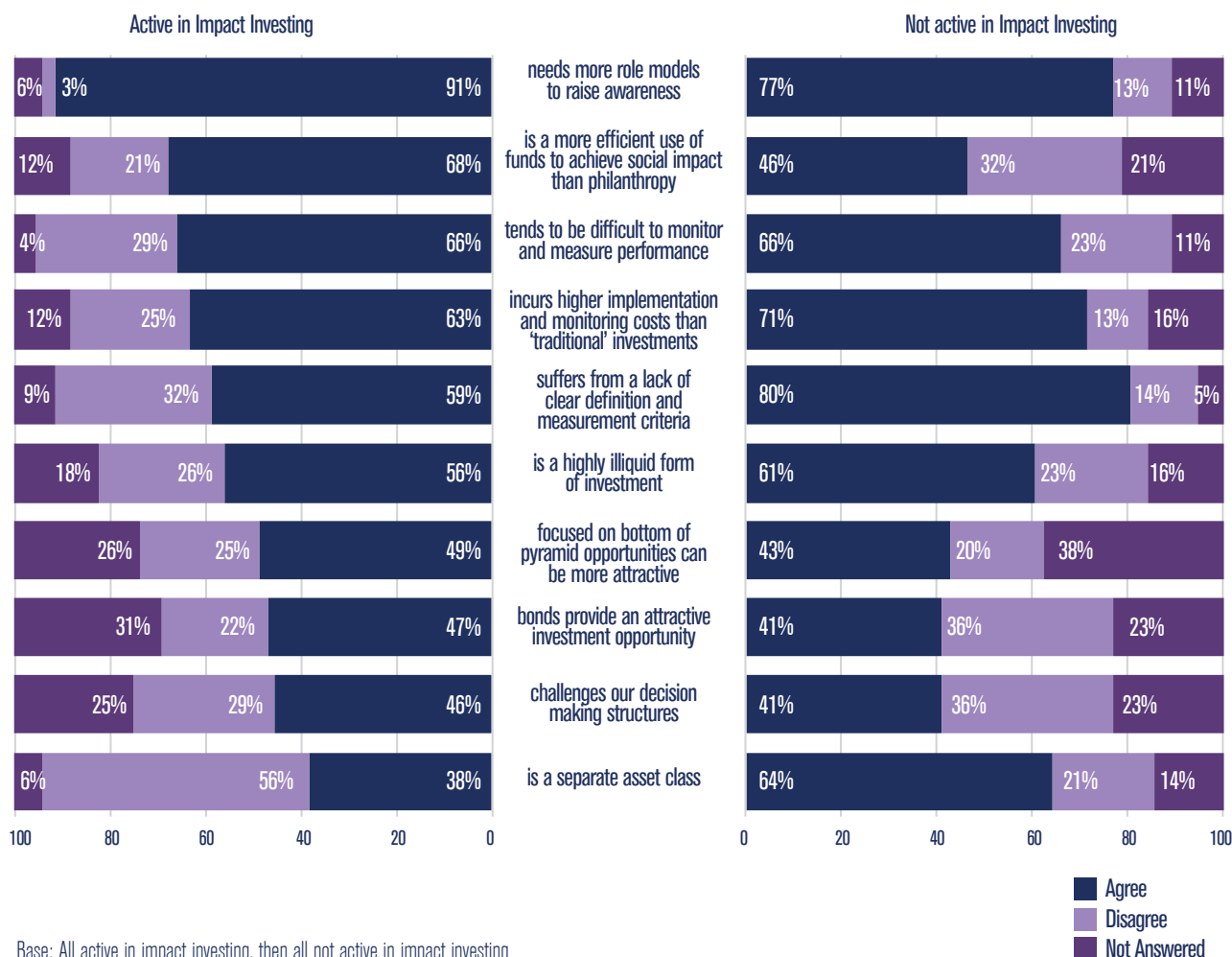
	SFO	MFO	Foundation
1	Contribution to sustainable development (68%)	Contribution to sustainable development (71%)	Contribution to sustainable development (75%)
2	Responsibility to society / community (63%)	Responsibility to society / community (50%)	Responsibility to society / community (42%)
3	Values of the family (45%)	Financial opportunity (25%)	Contribute to a community important to the family (33%)
4	Giving back (28%)	Giving back (25%)	Financial opportunity (25%)
5	Financial opportunity (18%)	Values of the family (21%)	Expectation of a more stable return (8%)

Base: All active in impact investing

Note: Where % are equal, scores are weighted by #1, #2, #3 rankings to determine order

Note: SFO mean 23%, MFO mean 22%, Foundation mean 19%

Do you agree or disagree that Impact Investing....



Base: All active in impact investing, then all not active in impact investing

Note: Those active in impact investing on average give 8.5 responses. Those not active in impact investing on average give 8.2 responses

Among impact investors the top result by far is **Impact investing needs more role models to raise awareness** (91% agree, 3% disagree). Then **Impact investing is a more efficient use of funds to achieve social impact than philanthropy** (68% agree, 21% disagree) with the top 3 completed by **Impact investing tends to be difficult to monitor and measure performance** (66% agree, 29% disagree). The two responses with the highest levels of disagreement are **Impact investing is a separate asset class** (38% agree, but 56% disagree) and

**Impact investing suffers from a lack of clear definition and measurement criteria** (while 59% agree, 32% disagree).

For those **not active in impact investing**, **Impact investing suffers from a lack of clear definition and measurement criteria** has the highest level of agreement, at 80% (14% disagree). **Needs more role models to raise awareness** (77% agree, 13% disagree) is the second highest result, emphatic enough though a little behind the result for active impact investors.

Third-ranked is **Impact investing incurs higher implementation and monitoring costs than 'traditional' investments** (71% agree, 13% disagree).

There are three statements where high levels of disagreement result in low net scores: **Impact investment is a more efficient use of funds to achieve social impact than philanthropy** (net 13%); **Impact investment bonds provide an attractive investment opportunity** (net 5%), and **Impact investing challenges our decision-making structures** (net 5%).

### Not active in either philanthropy or impact investing

This respondent category is dominated by Family Offices, although this year it includes a small number of Foundations.

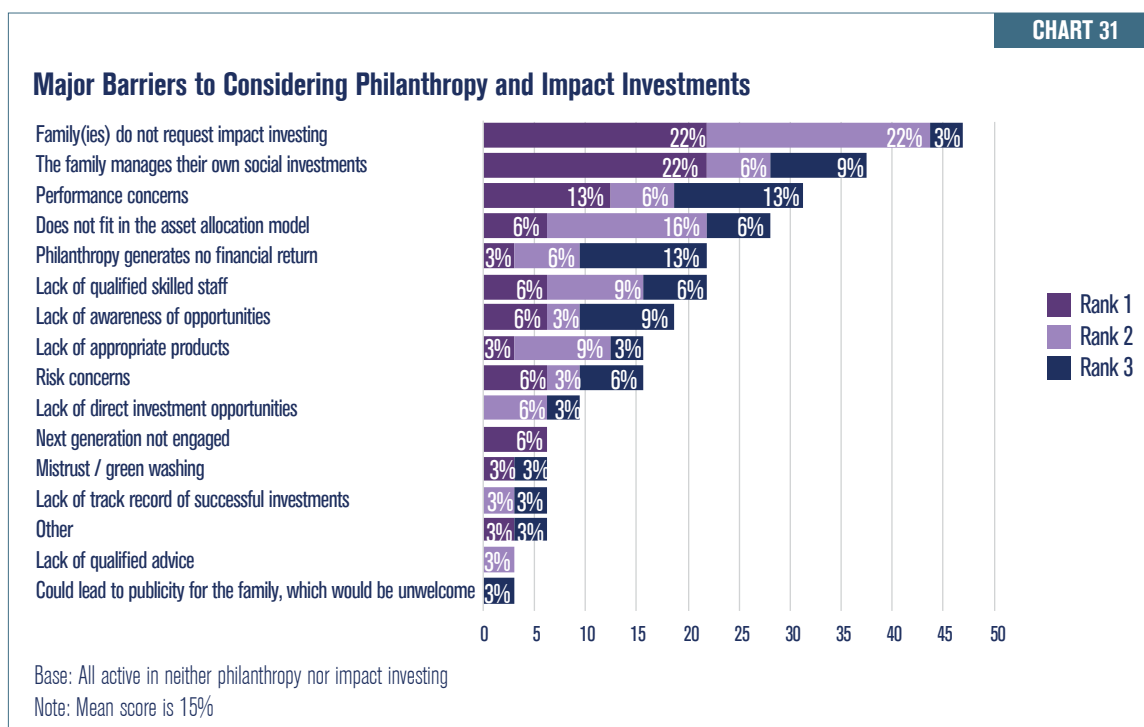
For those not active in either area, what are the major barriers to considering philanthropy and impact investments? **Family/ies do not request impact investing** (47%) and **The Family manages their own social investments** (38%) are the two leading, and closely-connected, results. Simply, it is often outside the Family Office role-

Top again! 91% (currently active) & 77% (not active) agree impact investing needs more role models to raise awareness.

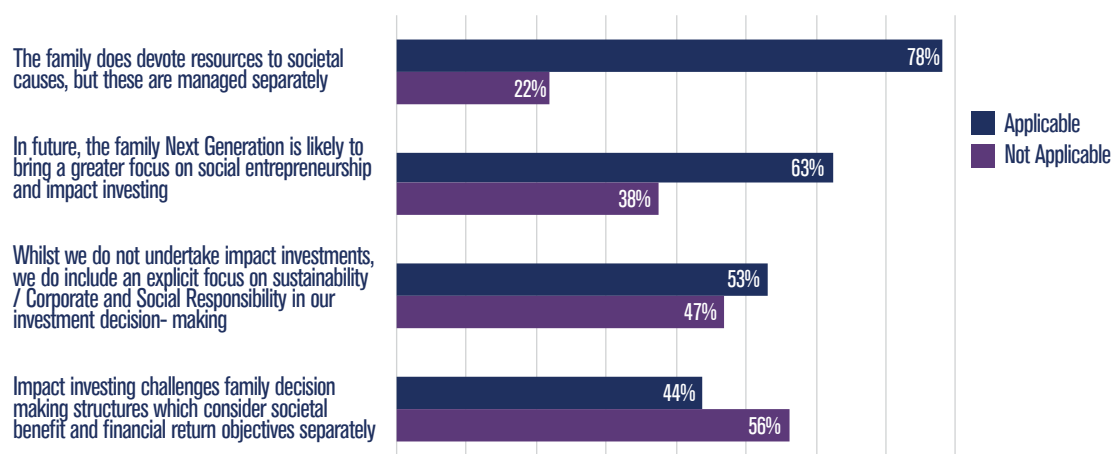
See P.31 (Sir Ronald Cohen on social entrepreneurs) & P.35 (Roger Federer Foundation) on role models

scope established by the family. (Chart 31). Noting the mean score of 15%, the other significant scores are **Performance concerns** (31%), **Does not fit in the asset allocation model** (28%), **Philanthropy generates no financial return** (22%) and **Lack of qualified skilled staff** (22%)

For a Family Office or Foundation who is not currently active in either philanthropy or impact investment to participate in our survey is clearly an indication of their engagement with the subject-matter. We again took the opportunity to ask for their views on four additional questions, the results to which are shown in Chart 32.



### Views from respondents not active in either Philanthropy or Impact Investing



Base: All active in neither philanthropy nor impact investing

The most clear-cut result is for **The family does devote resources to societal causes, but these are managed separately** (Applicable 78%, Not applicable 22%, net 56% Applicable).

The other results were much closer. On a net basis, 25% agree that the **Next Generation will bring greater focus on social entrepreneurship and impact investing in future**. A net 12% disagree that **impact investing challenges family decision-making structures, which consider societal benefit and financial return objectives separately**.

A small majority (6% net) do include **explicit focus on sustainability / CSR in their investment decision-making**.

#### Comparison with last year's findings

Quantitative comparison between years for the overall respondent base would be of very limited value, given the heterogenous nature of wealthy families and the evolving mix of organisation type and geographic focus. But particularly for this section, it is reasonable to highlight two points of contrast and one pronounced similarity between the two years.

“Try not just to give money but to fill the gap in terms of the skills that are needed for the so-called perfect social enterprise.” See [D P.32](#)

Last year's leading barrier to increasing impact investing **Confused by jargon relating to impact investing**, no longer stands out. Instead, **Risk concerns** are uppermost.

All four of the statements in [Chart 32](#) are considered applicable by many more respondents not active in either philanthropy or impact investing.

That **impact investing needs more role models to raise awareness** stands out consistently across both years. That is also a fitting introduction to the next section (4) of the report, where interviewees share some of their experiences across the philanthropic/ impact investing spectrum.

# SECTION 4: IN THEIR OWN WORDS – PERSPECTIVES ACROSS CONTINENTS

## Overview

All 7 forthright interviews this year feature very actively engaged individuals and organisations across the social impact spectrum, from philanthropy to “profit first” impact investment. They include recognised thought leaders, MFO and Foundation representatives, and Family Office and Foundation principals. And range from direct focus on individual communities, to those engaging with the largest public corporations.

Collectively they embody a theme of extended responsibility for driving social impact, in which every constituency – individual, government, for profit and social sector organisations – is interconnected.

A rich, diverse and we believe, inspirational, resource for families and their representatives. It builds substantially on the 8 interviews in the inaugural 2014 report (listed on page 42 at the end of this section). Below, several themes from this year are cross-referenced against the interviews, coded by letter:

• Alliances, partnerships, networks	Interview BCDEF
• Barriers to effectiveness	ACDEF
• Benchmarks and measurement	CDEFG
• Benefit corporations	C
• Children and young adults	BDEFG
• Climate change and the environment	CG
• Co-investment	A
• Corporations (major, exchange listed)	CFG
• Drug addiction among young people	D
• Employee/human capital management	G
• Entrepreneurialism	BCD
• European challenges	DFG
• Family involvement, legacy, “Next Gen”	ABDE
• Governments’ role	ACDG
• Health	BCF
• Homelessness	C
• Internat’l Integrated Reporting Council	G
• Millennial Generation	BCD
• Music & the Arts	B
• Philanthropy	BEF
• Poverty alleviation, education	EFG
• Portfolio design and composition	ACG
• Responsibilities for driving social impact	BCDEF

• Role models and reputation	BCEFG
• Scaling-up, sustainability	ACDE
• Social Bonds, Social Impact Bonds	CDF
• Social Impact Taskforce (G8)	CD
• Sub-Saharan Africa	ABEF
• United Nations Principles of Responsible Investment (UNPRI)	AC

## **A** STEFAN-ERIK VON EUW, PRINCIPAL OF ALDEN CAPITAL, A ZURICH-BASED SINGLE FAMILY OFFICE

Alden Impact Capital is a UNPRI signatory focused on impact investing. It serves as a dedicated unit of Alden Capital for direct, active investments.

### Investment approach and asset mix

From the beginning of Alden Capital in 2006 we selected an “extreme” investment approach. A strong focus on passive investment, principally earnings per share-based, using index funds with regular rebalancing and requiring little brain power. On the other side, a very active component which initially was based on some hedge funds and private equity funds but soon replaced by direct investment based on our belief that added value would have to come from a more entrepreneurial approach and that money would be made again on tangible real assets. Our experience was that the alpha was not really there in our hedge fund investments, and that to have an alpha one has to sacrifice some liquidity. So no stock-picking, very passive on one side, very active on the other and nothing in between. I am the sole Principal, working now with 2 colleagues.

I personally became interested in investing in tangible assets and started looking for potential opportunities, countries and asset classes, and focused very early on farm land. I started looking at Argentina, South Africa, and considered the pros and cons of green field versus brown field or an existing operation. We saw we couldn’t really buy anything that had a strong cash flow generation, also that South African prices were a bit inflated and with macro-economic disadvantages – rather high labour costs, property prices, electricity costs etc.

We made an investment decision after 2 years' due diligence to focus on Mozambique.

It then took us over a further year to select the crop (bananas), identify the key requirements including water access, climate suitability, soil quality, proximity to ports, to South Africa for sales. Plus site selection, where top-down you talk to the local governor, bottom-up you negotiate with the community and in exchange they articulate what kind of social benefits you could offer them (e.g. to have a clinic built, roads, boreholes and other). The land is leased for 50 + 50 years. Whilst nominal prices are low, you have to include other costs relating to getting the buy-in of the local community, and give them benefits which are totally aligned with our strategy anyway but clearly do not come for free. Plus infrastructure spending – roads, 10 kilometres of water pipeline to the river Limpopo, 10 kilometres of power cabling so that the two villages as well as our farm now have electricity. Nothing was there and basically we are building the whole infrastructure ourselves. Aggregating all these costs, this is more expensive than buying either an existing farm in Mozambique or an up and running farm in South Africa. We had to bring in our own ecosystem with soil scientists, water specialists, irrigation specialists, banana specialists.

We are in the Gaza province which is just North of Maputo and it's a big province and one of the poorest provinces but in Portuguese times it used to be the bread basket of Mozambique. So there are quite a few old commercial farms around, plus there were quite a few projects when we arrived, including Lonrho, and Lord Sainsbury's Mozfoods.

Expectation management is critical, and we have certainly "paid our school fees"! Being more proactive in our communication and dampening early expectations would have probably been better. Expectations are very high and if you don't meet them all, the frustration can bring problems. In our European business culture we expect the local community to understand all the issues: For example that we first need to make money before we can start distributing things. Very often with these local communities the expectation is that "you told us that you would do this by then, so why

haven't you done it yet"? I would also say that past unfulfilled projects, by those who underestimated the scale of investment required and retreated, have left a negative legacy for newcomers.

Based on these rather negative experiences and understandably, the attitude has now changed to "first you deliver and then we give you what you want". That makes of course the project planning and relationship management with the community and the government somewhat of a challenge so it is not that everybody is extremely supportive and believes in what you do.

#### **Financial and societal performance to date**

Against my initial target of breakeven after 3 years, we are in our 5th year and will achieve breakeven next year.

I would say doubling both the time horizon and the budget we set initially, would have been a good idea.

You have to be very committed, with planning skills, execution knowhow and a substantial financial buffer, particularly in the near absence of bank and fund availability. Many commercial agribusinesses in Mozambique are probably in distress based on the absence of the above-mentioned skill-set.

So far we have invested about US \$8m, spread between our investments, bank loans and a Dutch government grant for US \$0.8m.

That grant came with quite stringent ESG conditions and was primarily influenced by our certified organic status. We are probably the biggest organic agribusiness in Mozambique and certainly the only one in bananas.

The grant sets criteria, such as training people and paying a 25% premium over the national minimum wage. Some of the ESG targets are basically in line with the expectation of the community in exchange for land rights, such as we had to build two waterholes and an electric borehole with a water tank for the cattle. But on top of that we are now starting to construct a town centre, basically a small shop where we will sell our bananas, a doctor's room, a small pharmacy, a small police station. We are also working on bringing the first ATM to the area, as well as a community office plus our own reception office. This is all towards

being part of the community, but also reduces the flow of visitors to our farm. You may well imagine how many ministers and officials want to come and understandably have an involvement with this, in their eyes, prestigious project in their neighbourhood.

*We are looking to grow, following a build and then add-on strategy. We directly employ around 500 people currently.*

Apart from our actual farm we also have an office in Maputo, the capital which serves as the actual management company with around 7 staff from financial manager to logistics manager, HR to export-import people. In addition we have a small company unit in South Africa which takes care of marketing into South Africa (retailers and the fresh produce markets) as well as procurement of material, machinery and spare parts from South Africa. So we have quite a few experienced managers now and based on this management platform we are considering expanding through either a green field project (we are just starting to prepare a 1,000 hectare farm close-by), or an acquisition that is either closely aligned or a diversification. We have undertaken around 20 due diligence exercises in the last two years. Other reasons for not materializing these potential transactions are based on unrealistic valuations and unclear property rights.

#### **UNPRI, co-investment intent**

We signed up under UNPRI to build profile and gain some experience with the principles, specifically in order to be ready in the future to leverage on our investments and expertise to potentially attract co-investors. In addition to the activities and due diligences in South Africa and Zimbabwe and Mozambique and Ethiopia, **we are also broadly 50% shareholder in a €2m horticultural business in Ethiopia, employing about 170 people.** We want to build our own expertise, particularly in the case of Mozambique where we see there are not really that many companies or investors with specific expertise. The UNPRI provide a reporting discipline relevant for asset owners so pension funds, family offices. The guidelines are high level and not really a match to the actual needs of a project like ours.

We are really hands-on so far, almost like a CEO for these companies, there on average for one week each month. So we are now looking at relieving ourselves from day to day management of these companies, although it has been critical to learn how to pragmatically do the business on site, understand the issues and challenges, in order to be able to leverage on this in the future.

*Our "impact philosophy" is that profit comes first. The project needs to be profitable to then leverage these profits into environmental and social benefits. Profit is the common currency, in enabling broader benefits, measurement and accountability.*

Once profitable, the owners can determine the balance and weight they want to strike thereby also making the project more sustainable.

*When I am gone my kids can still continue with this company, this great project and make up their minds whether they want a big focus on the profits, or not. This family dimension is very important – giving them a sense of responsibility in this world.*

Obviously they can make their own choices whether they would like to accept that legacy, or not. I would certainly not want to squeeze them into a framework that I have chosen. But it is a natural way of growing up with responsibility. My children are 16, 15 and 13 and as an example I sent my oldest son with a friend of his for two weeks last April to do physical work on the farm. They did not stay in a hotel, but with one of the managers' families, rose at 5 in the morning to work all day long and they were totally exhausted. Things like that are part of the responsibility also.

I would say at the end of the day the main motivation is this combination of making money and doing good. I have to say if you are investing in these countries with our view based here in London or Switzerland, you can achieve so much with relatively little money. For instance, we are giving loans to some of the managers for a side business or entrepreneurial activity – almost a small microfinance activity. Before we arrived there were no brick houses in the villages. And now there are at least 30.

But it is difficult to quantify our impact. But the main impact I would dare to say comes really from just getting a job. I am driven by the fact that with relatively little money, one can have a huge impact on the lives of our employees and the local community.

**B TANJA JEGGER, HEAD OF PHILANTHROPY, AND HAMISH SINCLAIR, GROUP HEAD OF BUSINESS DEVELOPMENT, STONEHAGE, INTERNATIONAL MULTI FAMILY OFFICE**

Stonehage was established in the mid-1970s and advises international families on the preservation and protection of their family wealth across generations. Core areas include investment advice, fiduciary, cross border tax and legal advice, and Stonehage works in partnership with families' trusted advisers. Family clients are served from offices in the US, UK, Switzerland, Jersey, South Africa, Israel and Australia (through a joint venture partner). Before considering the combination with Fleming Family and Partners announced in November 2014, assets under advisement exceeded US \$35 billion, and assets under management exceeded US \$3bn. Second or third generation families predominate, though many families are fourth or sometimes fifth generation. Stonehage has advised over 1000 families within the last 3 decades.

**Approach: strategic philanthropy**

What really differentiates our approach to working with philanthropy is that we integrate it into the family constitution and succession planning. The discussion starts on a strategic level - does the family see the value of bringing philanthropy into their governance framework? Often they are already involved in some way, which may be fairly ad hoc or lacking structure, frequently with different levels of engagement among family members. So the discussion is around how can we work with philanthropy to develop this family both as a whole as well as the individual family members.

As each family is unique, it is quite an art to find the right time and manner to have this discussion. In that process one should consider the involvement of the Next Generation of members.

Then, on a practical level we would either develop or review a grant-making programme to optimise impact and/or undertake due diligence on potential new or existing projects to advise if this would be a good social investment. We don't call it charity, although charity is an aspect of the grant-making, which is usually very impact focused. So when we talk about philanthropy, it is really a very broad concept. Initially we explore what philanthropy really means for the family, expressing this in the mission statement and considering how we implement this mission through the grant making programme of the family foundation. We then implement the family philanthropy and then move to the practical level. The families we are working with at the moment prefer to practise what I call strategic philanthropy, rather than ad hoc giving.

We first identify the areas the family cares about – is it healthcare? Is it homelessness? Does the family want to act more locally or more internationally, or a mix? How much time are family members individually and collectively prepared to commit to the process? **And with the available budget, how can the grant making have the most impact? And how can that impact be measured?**

So the family moves away from essentially ad hoc giving, often a result of a request from a friend, or a tradition of supporting a particular family charity, towards **a grant making strategy reflecting family values.**

One of the most successful outcomes we see for families relates to behaviour. One example was an entrepreneur who had very rapidly established his wealth and become high profile, and was faced with a dilemma. He had children between the ages of 16 and 19 and a substantial inheritance which would devolve upon them at 25.

He used philanthropy as a tool to encourage the right behaviour at that age.

They each were required to report back to him and the family council at the end of the year on an allocated philanthropic budget and on the time

commitment to their projects, developing a sense of accountability. It was so powerful because it was front of mind for him that he wanted his children to have the right behaviour and give back, but also to understand the constraints within which one has to work. The family value system must be clearly understood and committed to by all members.

*We always say that in the founder's lifetime these principles need to be defined.*

So establishing that behaviour system from an early age and encouraging the next generation or family members to come to that value system through their own process is essential. It is also very interesting that the value system has a diaspora effect: It moves not only within the family but also in the advisers around the family.

### **Collaboration**

In terms of constraints, families may want ownership of the project in both a financial and a family sense. But sometimes they can't do everything, and we have found it powerful at Stonehage to be able to bring families confidentially together around a theme, resulting in a level of financial collaboration.

*We focus on strategic philanthropy, which normally has pure social returns, as opposed to impact investment which we define in very simple terms as an investment which has both social and financial returns.*

There certainly are families that are engaged in impact investing, we are just not working closely on that currently. It tends to be something they are doing in an informal and embryonic way. It may be more visible within the actual corporate that sits in front of the family, in that the impact investment is going through there to the portfolio.

*We do see, in the next generation, a focus on how can we make the business itself more sustainable, opposed to just making a lot of money for the business, of which a portion is then transferred to a charitable structure.*

Our personal hope is that the market will increasingly recognise that a responsible business that is not focused solely on financial returns

is surely going to be in the best interests of everyone in the longer term. Practical evidence of the increasing number of post graduate degrees in social entrepreneurship and a much broader focus on societal benefits at premier business schools is encouraging.

For the great majority of our clients, the major portion of their wealth is in the business or in the portfolio of their businesses, so one often sees that entrepreneurial profile expressed philanthropically. For example, wanting to be a catalyst for change as opposed to just supporting an existing project. There is also an awareness that philanthropy often becomes what the family are known for alongside what they are known for in terms of the family business.

*Starting the discussion of philanthropy, recognition that time is limited, what are we going to do, what is our family legacy, is actually a very subtle way to address mortality.*

This can be extremely difficult to broach, and not only in a Chinese culture where talking about one's death is considered unlucky. From our perspective, our goal is that the families are happy, united and have the values, tools and advisers to preserve the wealth they have worked so hard for.

Families' perspectives differ as they will have different priorities in terms of financial and philanthropic legacy. We feel it's our responsibility to give the options but ultimately it is up to the family to make the choice best reflecting their values and preferences.

We not only listen and bring collaborative insight to families, our key advisers are generally involved either in supporting projects through the Stonehage Charitable Trust or their own charitable initiatives are also supported.

When projects do not go ahead, it tends to be when a donor realises through our due diligence that more time will be required than they feel able to commit. So it's more to do with expectation and time rather than money. Also implementation risk – for example donors may think let's build a school, what can be hard about that? They look at

the risk factors and timescales of such a project, and may decide to support an existing school instead.

One of the biggest value adds of our approach is to save time, time being the family's most valuable resource. There is no time to waste!

### **Project examples**

Turning to projects that do go ahead, we have a number that we have been able to facilitate for clients. On the one hand we have a lot of approved projects, for donors who don't have a lot of time, who can feel comfortable, that we have done the necessary due diligence. On the other hand, we act for other donors who would like to take more time and be more creatively involved in terms of setting up a new project. We have undertaken a number of initiatives in the Arts - usually a very underfunded area.

Just one example is a university-based music development initiative in sub-Saharan Africa, which includes a scholarship for excellence, ambassador scholarships to encourage cultural exchange and enables promising students to get tuition and exposure outside of the country. Development scholarships provide access for disadvantaged learners to study as well as participate in a national music festival.

Other focus areas relate to new approaches to therapy and youth development. We have been involved in establishing a programme for a foundation focused on substance abuse and using equine assisted learning to work with youth at risk, and their caregivers. In terms of global themes, two we particularly focus on are autism and cancer.

*We think what is especially pertinent from last year's report is the point about the time horizons families are able to deploy on these projects and being able to give projects time to develop and achieve social transformation.*

That context is so important, particularly when it goes back to how we as a firm see the world and advising families – it's about the family doing well and doing good in the long term.

### **SIR RONALD COHEN, CO-FOUNDER AND FORMER CHAIR OF BIG SOCIETY CAPITAL, THE WORLD'S FIRST SOCIAL INVESTMENT BANK.**

Sir Ronald led the Social Impact Investment Taskforce announced by UK Prime Minister David Cameron at the G8 Social Impact Investment Forum in June 2013. It aims to catalyse the development of the social impact investment market. The taskforce published its report, alongside subject papers from its four working groups, on 15 September 2014. Sir Ronald was a co-founder and former Chairman of Apax Partners, one of the world's leading private equity investment groups.

### **Benchmarking and measurement**

One of the great powers of impact investing is that it brings measurement into the social picture. As we have spoken about this to ministers across different countries, which I have been privileged to do, we have come to realise that, almost everywhere, governments provide social services, without measuring the outcomes achieved. As a result, they have relied on fee-for-service contracts, not necessarily setting out the most appropriate objectives, and leaving no room for experimentation and innovation. Any measurement that has taken place has usually been formal in kind rather than managerial.

*When you begin to talk about impact, you begin to talk of outcomes. When you talk of pay-for-success, you focus minds on innovation and on the best way of achieving outcomes and on how to measure them.*

You begin to talk of control groups, of measuring the difference between a group of people that has been helped by impact-driven organisations and a group that hasn't. The measured performance achieved leads to setting new performance benchmarks for government. And it helps during the course of negotiation with government on payment levels to define the real contribution to government that outcomes bring. So governments can pay-out according to savings they achieve, or according to increased tax revenues that result from, say, the unemployed getting into work. So benchmarking begins to happen at the level of the effectiveness of an

action, such as reducing the rate of recidivism relative to historic rates. Focus shifts to the cost of an intervention relative to the benefit to government, and action shifts to the lessons learnt through experimentation.

Experience gained through a social impact bond on recidivism helped to redefine the role of the probation office in the UK, for example.

So measurement and benchmarking go together, and benchmarks and pay-for-success go together, and they begin to change the mind-set of government, philanthropists and social sector organisations (a description I prefer to “Third Sector”) and of impact-driven businesses and this transforms their ability to scale-up.

#### **Perception of risk and scaling-up**

Creating a culture of measurement distinguishes those able to deliver results from those who are not.

The organizations attracted to these new forms of funding, are the innovative self-confident risk-taking members of the social sector.

It is not for everyone, any more than venture capital turned out to be the solution for every small business. It didn't, it turned out to be the solution for those who needed capital in order to achieve ambitious objectives. Risk-taking goes with self-confidence. What is advantageous in this area of impact entrepreneurship and investment is that - unlike venture capital investment - you don't tear the hair out of your head in the event of failure! In most cases you have already been giving money away to try to achieve these objectives, and if you fail you have essentially made an additional philanthropic donation.

For a social entrepreneur, perceptions of risk are going to matter hugely. An entrepreneur seeking to help a population to whom he or she has devoted a lifetime's efforts, will consider the risks very worthwhile. I had a social entrepreneur in my office a few months ago who was talking about the homeless and saying that through their existing efforts in running a not-for-profit, they were able to help about 700 homeless people

a year. I asked “How many homeless people are there in the UK?” She said about 30,000.

I asked “How many of those would you like to help?” And all of a sudden, her eyes lit up and she said, “It isn't a question that I have been asked in the past, because there was no way we could raise the funding to address it.

But I will come back to you with a business plan because I would like to deal with many more homeless people and I need to think through whether I do it in specific regions or whether I focus on one region, as I scale up.” That sort of thinking hasn't really taken place in the social sector until now.

The two characteristics of social sector organisations have traditionally been (1) nobody has any money (2) very few have achieved scale.

The reason has been the funding constraint placed by philanthropy.

In the absence of measurement what we've all done as philanthropists is to give money to social sector organisations, for a couple of years or so, after which we have forced them, as a sanity check, to go raise money from someone else. And we have admonished them not to spend any money on overheads.

If we begin to view these organisations as a means of serving a set of needy beneficiaries at scale, we start a change of mind-set.

Impact investment will take time to develop because it involves a change of mind-set across several constituencies.

These include social sector organisations, investors who need to think in terms of risk-taking to achieve measurable social impact as well as financial ones, Government which needs to get its head around pay-for-success rather than fee-for-service commissioning, and also corporates.

For corporates, there are three possible dimensions for development. There is a simpler dimension to develop, which is the one that Unilever, for example, is implementing. This involves setting

some social objectives and measuring their achievement, such as helping farmers in the supply chain to move into independent employment. Or taking released prisoners into employment, as Centrica is doing, training the under qualified. **This dimension I would call investment with impact.**

Corporations have the further option of creating joint ventures and alliances with social sector or private sector partners. Such structures historically have been philanthropic, but they can also be constituted as impact investments. Danone's joint venture with Grameen in Bangladesh, founded in 2006 to fight malnutrition, was one of the first. Their yoghurt improves nutrition, and provides revenues to impoverished herdsmen. By way of a current example, Danone and Mars, a private corporation, are planning to launch a new impact investment fund: Livelihoods 3F will invest 120 million euros in the coming years in large-scale reforestation and sustainable farming projects that will simultaneously restore the environment while improving the productivity, incomes, and living conditions of rural farmers in developing countries.

**The ultimate dimension is to engage in impact investment proper**, by setting objectives in areas that are core to the activity of the company, by shifting from measuring financial results only to measuring social results as well, by sustaining and measuring social and financial objectives over the long term. I believe we will find that measuring impact catches on quite quickly across a wide range of businesses, while a subset of those that measure impact will define themselves as "profit-with-purpose businesses" and adapt their governance accordingly.

Already in the United States businesses are shifting to becoming Benefit Corps under new legislation.

They incorporate governance processes into their Articles of Association relating to maintaining their mission through the sale of the company or the recruitment of people and so on.

If you asked me to look ahead 10 years and assess the most important drivers of impact investment, I would say

it is government, investors, social organisations and profit-with-purpose businesses.

Big corporates will be influenced by these drivers, in the same way they were influenced by technology. You will remember the days when having a computer in a business was an unusual thing, yet today there are no large businesses running without computers. I think the same will become true of large businesses measuring their impact. But it seems unlikely that a majority will redefine themselves as profit-with-purpose businesses within the next decade.

#### **Risk, return and impact**

Will our mind-set in the 21st Century evolve to thinking in terms of risk, return and impact, as the G8 report suggests? Is it true that in the 20th Century we thought of risk and return while in prior centuries they thought solely in terms of financial return?

The G8 report points out that US \$46 trillion have signed up to the UN Principles of Responsible Investment, representing roughly a quarter of the money in capital markets. There is a millennial generation, as well as a "Grey Wave" generation, that want to do more meaningful things than just build-up businesses that are there solely to make money. They want to improve other peoples' lives.

And there is a generation of governments, if we can put it that way, that is staring at a yawning gap between the planned provision of social services and expected social needs. In order to plug the gap, they need two things: innovation in delivering social services more effectively, and risk capital to fund that innovation. All these forces are driving us to measure impact. And it is a fact that government is beginning to react to them and to play a new role. For example, the UK government has published on the internet the costs of almost every social issue. You can see over 600 listed here [http://neweconomymanchester.com/stories/832-unit\\_cost\\_database](http://neweconomymanchester.com/stories/832-unit_cost_database). You can discover that a youth recidivist costs the government £22,000 per year. That enables you to calculate a social return, because if you rehabilitate a thousand young people who would otherwise have gone back to prison it is worth £22m and on a

£10m social impact bond, without taking into account the employment prospects of this population, over a period of 5 years it is equivalent to a 15% social return. So a calculation based on costs, savings, and increased revenues enables us to bring impact as a third dimension alongside risk and return in making investment decisions. And increasingly, investment committees around the world will be saying things like “we can deliver a 15% social return on this investment opportunity on top of a 7% uncorrelated financial return. How does it stack up against other available opportunities”?

### **Entrepreneurs and social impact investment**

I sense change in the millennial generation.

*I see the best and brightest entrepreneurs asking how do I establish an organisation to tackle an important social challenge?*

Some want to do it through a not-for-profit business model, because tackling the challenges that interest them requires the support of the community and it is easier to obtain it if you are a not-for-profit. Or because they do not want the tension between making money and helping others. But others prefer a profit with purpose model that can generate high levels of cash flow, and help a much greater number of people. Common to both groups is a desire to do something meaningful.

### **Role models: entrepreneurial mind-set**

My experience of venture capital and private equity has shaped my expectations about this field.

*There is not much of a difference between a social entrepreneur and a business entrepreneur in psychological make-up, risk taking, energy, or ambition.*

They come in all shapes and sizes, including reluctant entrepreneurs who find themselves driven to entrepreneurship for reasons they hadn't anticipated, and they take to it. Others make a choice not to be employed by anybody, are ambitious, sometimes brash, and achieve success. Social entrepreneurship is just another evolution in entrepreneurship. Venture capital was the response to the need for risk capital to

finance tech entrepreneurs and impact investment is the response to the needs of social entrepreneurs for risk capital to innovate and scale.

There is one interesting difference though. In technology, the United States has pretty much had a monopoly of expertise. When you get to tackling social issues, and we use social in the G8 report to include environmental, that expertise is widespread. You can find it within the 11 million people who are working in social sector organizations across Europe; you can find it in Asia, and you can find it in Africa.

*We can therefore expect a much broader set of countries to compete for leadership in impact entrepreneurship and investment.*

We may find, for all we know that the best social entrepreneurs are in Latin America, in Brazil and Mexico, or in Asia, in India and China.

If I were starting out today, I would get into impact entrepreneurship or investing. It is the next Big Thing.

### **LETIZIA MORATTI, CO-FOUNDER OF THE FOUNDATION SAN PATRIGNANO**

From its foundation in the late Seventies, Letizia has supported the community of San Patrignano, which welcomes those suffering from drug addiction and marginalization - over 25,000 young people since its foundation, and it is currently home to around 1,300. Letizia has held a variety of private and governmental leadership roles, including President of the Italian state TV company RAI, Minister of Education, Universities and Research, and Mayor of Milan. She is a member of the Italian Advisory Board for the Social Investment Taskforce established by the G8, and led by Sir Ronald Cohen (see the preceding interview).

### **Your motivation for becoming involved?**

My husband and I, with whom I share all my decisions, were looking for something in terms of giving back to society, being a wealthy and loving family with varied business experience.

We were not looking for something specific, so I cannot tell you why we decided on this particular cause. It is probably simply because we met the founder of San Patrignano and he was a fantastic person, a normal person, married with children, a normal life. He was not a priest or a missionary.

So we thought that he was a good testimonial, an exemplar for the fact that everybody could commit to a social mission. We became friends then and it became normal for us to be engaged in and committed to support the Foundation as co-founder and with our time, basically. Apart from our financial support, for me the most important part is to be personally committed to a cause. And just part of what we experienced were the hundred or so volunteers that have dedicated all their assets and have left their homes to live in the community: Fully committed 24 hours a day with generally no vacation, no free weekends. So this is the reason we decided to get involved. It was something natural, we started to go there for the weekend then after one weekend there were two a month and then three and then all the weekends and then all the vacations. Even then of course we were not resident in the Community so spending our normal life, and we try to help by all possible means. So opening doors and creating opportunity, friendships and involving other people and giving our expertise in terms of energy or entrepreneurial skills, so that kind of commitment. We try to live it; it is very important. If I have one thing I would share with someone who wants to get involved in one cause of philanthropy or whatever, it would be to be committed, to love the cause, the person that is managing the project, the programme.

Try not just to give money but to fill the gap in terms of the skills that are needed for the so-called perfect social enterprise.

### **The tragedy of youth drug addiction**

When it comes to drug addiction, there is no difference between rich and poor, between countries, no difference between educated and uneducated. In terms of gender, probably 75% are boys. Unfortunately the age at which young people are starting to take drugs is reducing, to 11, 12, and 13. There are more and more new drugs coming into the market and unfortunately

there is this insane idea of dividing the drugs into light drugs and heavy drugs. Whereas, all the scientific work is proving that the so-called light drugs have negative effects upon the brain and not only the brain but behaviour and other negative physical consequences.

So the fact is that millions are affected, so this is a cause that should really attract much more of a focus, and yet it does not.

I don't know why, but there is a sort of stigma when it comes to drugs, like there was when HIV started. The distinction being, that while HIV also struggled initially, very prominent stars took up the cause and it became a positive thing to look at. This hasn't happened in respect of youthful drug addiction.

In my personal view this is very bad because it can affect any family, anybody and the consequences are normally severe in terms of the personal lives of the whole family, not only the boys and girls that take drugs, so I really hope that we will see more interest in this cause.

### **Inappropriate measurement systems**

I think unfortunately the decision that Eurostat has made and is imposing on the Member States' to include calculation of receipts from illegal activities within GDP is insane. Because of course GDP is so linked with the action plan of the Member States. We measure the banks in terms of debt and GDP, we measure the deficit in terms of deficit and GDP. So the idea of putting into the calculation of GDP the receipts of illegal activities including drug receipts is something that I don't understand.

We should try to build a society that is based on what I would call an economic and social model, so a positive economy, a model of sustainability in terms of future generations. And yet we do the opposite and calculate an illegally pursued activity within GDP!

I don't understand why governments are allowing it, with the exception perhaps of France that has decided not to take into account receipts from activities carried out under constraint.

We should rather do the opposite and include good causes within the calculation of GDP, such as receipts from work from volunteers. We should review our economic and social model to be more sustainable, more inclusive.

This would enable us to begin to bridge the dramatic gap between the welfare demand and the offer of welfare by the State that the G8 task force has calculated in terms of hundreds of billions of euros for all the European countries.

### **The G8 Social Investment Taskforce and individual country initiatives**

I was part of the Italian team, but we are all in the same boat, Germany, the UK, some more than others. In some countries they probably understood the challenge earlier, in the UK for instance with the launch of the Big Society and the tools that came after that. **I am talking about Social Finance, Impact Investing, the Social Stock Exchange, these sorts of tools.**

France is another good example; they recently strengthened existing law requiring allocation on a voluntary basis of a portion of pension fund assets under management to the "Third" (social) Sector, alongside the requirement for asset managers to illustrate this opportunity to their clients. The growth of the allocation to the so-called Third Sector has been substantial. There are many other things we could do, for example, regarding bank loans we could push the EU States in order to reduce the capital absorption coefficients, granting social enterprises a lower risk level (something like a Social Supporting Factor, such as the SMEs Supporting Factor, introduced by the European Commission).

### **Funding San Patrignano**

At present, San Patrignano is funded on broadly 50/50 split between that which the community creates and is able to sell, with the other 50% principally donation based. We are working with new tools in terms of the ones that are allowed in Italy, which are not so far the most innovative ones. So we have social bond revenue on specific projects, we have worked on a crowd-funding project, and we are helping our residents when they leave the community with micro finance support. We would be ready to experience even the most advanced tools, for instance social impact

bonds similar to the Peterborough bond, because we have something like 200 people leaving San Patrignano each year so we could be ready to work with government. We have 25 years of experience of having people join the community from prison. Unfortunately for the moment we do not have the opportunity because our ecosystem is not yet ready. The gap is not in terms of rules or regulation but rather in terms of the getting the commitment of national or local government.

We know precisely the cost of a prisoner in jail and could easily measure the difference between the cost of a prisoner in a centre or a facility where he or she can be assisted to learn a job.

We are already working with banks and other organisations active in this area and we know precisely what the savings could be for the Italian state for issuing a social impact bond relating to the recidivism of ex-offenders.

What could be a little more difficult, because you have to calculate not only the direct costs but the indirect costs, is school drop-outs. We are working with the Ministry of Education on that. The skills are there, it is just a matter of setting up a working group including experts in these statistics and then run the simulation, work out the numbers.

The obstacle is political will at a local and national level.

I am optimistic because I see in this last 18 months a lot of interest in this field and new tools and I believe there is more international and national awareness in terms of the necessity of finding new models and solutions that are not available under the model we have now. I have personally been asked by universities to address them on the new tools and models. In the last 3 months I have been approached by 3-4 major international and Italian banks who want to test some of the new tools with San Patrignano. I think it is a matter of time and you need as Sir Ronald Cohen rightly pointed out in the final G8 report, awareness, stimulation of a new culture, and we will reach the goal.

### **Forces for change: Where does accountability lie?**

The Millennial generation are probably more conscious of these issues, including in terms of

products they buy, and want to see companies that are sustainable, socially committed and not just CSR window-dressing, but something real. I am a little more sceptical on what Europe is doing. I think we lack political leadership and vision on that. We have been too much led by bureaucrats, and the Eurostat example is the worst example. So we are not going to be able to build a Europe of solidarity, and growth, of inclusiveness if we are driven by the wrong numbers.

Policy makers should take responsibility and indicate to the technicians that we want GDP calculated in a way that helps us to solve our social problems that could become worse and worse.

In Europe, we don't have time on our side, we are not growing, we are facing big and difficult challenges.

So I advocate a similar approach to an entrepreneur and a manager and would look for crash programmes. Not just try one thing and then another but do everything together.

Start with universities and teach in a different way, we cannot teach finance as we were teaching it before the financial crisis. We should try to give a sense of responsibility in schools, so starting with children, try to give local community commitment, to overcome the barriers between public and private, profit and non-profit so try to have everybody committed to this need to change the model. So it is not just one thing first - the state and then individuals. We should do it all together.

#### **Focus on results, reducing fragmentation, creating networks**

We should always try to look at results. And social outcomes, so positive and impact outcomes.

In all countries and with all types of aid there are too many examples of aid that is not working, simply because there is no demand for commitment and results.

So this I think is something we should really be very firm on and stick to this.

And if I may add another thing in terms of the work of philanthropy, what worries me is that there is a lot of fragmentation. It is very

understandable that we choose the cause that we are closest to and feel we can be most committed to.

But we also could network more and if I am good at something why not sustain what I am doing. And I can be supportive to philanthropists that are good in other areas. This is not yet there; networking could be much more efficient and enable better results.

### **JANINE HAENDEL, CHIEF EXECUTIVE, ROGER FEDERER FOUNDATION**

#### **Motivation**

Roger had the wish to give back from an early stage, based on the values his family instilled in him and his personality. He spent many vacations in his childhood in Southern Africa visiting the family of his mother, who is South African. This perhaps made him more sensitised to the fact that not all children in this world have the same privileges as the vast majority of children in Switzerland. Roger was only 22 years old when he created his Foundation, after winning his first major pay award. He was still not number 1, had just won his first Grand Slam, and was really at the beginning of his career but he wanted to start early with his philanthropic engagement.

#### **Development of the Foundation**

The cause of the Foundation was defined as being **to promote children in poverty**. So neither education nor a geographical focus on Africa is actually specified in the Foundation statutes. The first donation went to an organisation in South Africa that Roger's parents were connected to, and started to provide some scholarships in a school in a township.

So the first moves of the Foundation were very small and charity-driven. Strategic reflections and the definition of the cause came much later.

It has been a long journey of learning. For the first phase, lasting almost six years, the moment of giving was the most important moment; which is why the Foundation was a typical charity. It took the family a while to realise that the transfer of money is actually less decisive than what the Foundation was

capable of achieving with its given resources, what changes became possible.

*This is where the whole strategic giving started, where the Foundation changed to become an impact-driven philanthropy organisation instead of a simple charity.*

The Trustees had to sit down and define their goals and values, decide on their theory of change, outline their approach and guidelines, and determine time horizon and instruments.

### **Focus for impact**

Many founders have a highly personalised motivation or specific experience which led them to their philanthropic engagement. With Roger it was not that one life-changing moment. But when it came to the definition of the theory of change for the Foundation it became immediately clear that the focus needs to be education. Roger understands truly that education can change lives; it is something he is personally touched by.

A geographical focus is necessary in order to gain cost efficiency and effectiveness. Based on the family related connections the Foundation started to focus on Southern Africa, including all Anglophone countries in the region which share the same educational system and are easily accessible. Nowadays the Roger Federer Foundation is among the biggest stakeholders in the educational sector in the area.

### **Role model**

For millions of people Roger is a role model. But this is not something he was looking for. And it does not influence his actions.

*He is just living his life as he wants to live it. He is just doing what he feels he needs to do for himself, for his family.*

But he always tries to give his best to it. Furthermore Roger does not want to change other peoples' minds and tell them what to do. That is not his mentality.

These values also drive our Foundation. Our communication strategy is modesty. Advocacy

doesn't feature in our strategy. We believe we should first do and achieve results and then talk about it. We hope to convince people by delivering proof of evidence.

*I truly believe that you cannot sell philanthropy; it is a matter of information sharing, personal understanding and an emotional connection.*

Therefore information and transparency about our work is important to us. But we keep our communication modest and our costs minimal.

For sure Roger will become much more active in the Foundation when he steps back from his tennis career. And maybe he will become a change-maker. We are well aware of the potential he has. But Roger is someone that if he does something, wants to do it right, no half-measures. And to become a change-maker you need a lot of time, which is not feasible in this period of his life.

### **Empowerment for the realisation of potential**

It is really the approach that defines us most as a Foundation. We believe in the potential of the people.

*We believe in the potential of Africans and therefore we want to do everything to empower them. Our ambition is to achieve the highest impact possible, with the lowest footprint.*

All initiatives need to be community-driven, so called bottom-up, in order to be sustainable. There should be no delivery, or almost no delivery, from an external donor but rather empowerment and utilisation of existing and potential resources. We do everything to inspire them, mentor them, and coach them, in order that they can change their situation. And we are not opposing anything, we are not delivering them into weakness.

This approach is based directly on the values and experience of the founder's family but reflects also my professional understanding of what is needed to reach sustainability.

*External support can do a great deal of harm if you are not empowering but rather weakening people by doing the job for them, by just handing out gifts.*

I can give the example from the South of Zimbabwe where we are active: For a time, an NGO was supplying meal packages to a primary school in the district. The project stopped after two years and the children again went hungry for months. Our local partner organisation arranged for a community meeting where the problems and needs of the local population were analysed. Everybody agreed that feeding the children was the biggest challenge at the time; however, there was no chance of a new NGO supplying aid. Our partner organisation posed the simple, but justified question as to why the village itself did not establish a feeding programme for the school. As an initial reaction, this was deemed impossible. However, after a relatively short while, a decision was reached to indeed take responsibility for the feeding programme themselves. Groups of mothers formed the driving force behind the initiative. They planted crops, started tiny businesses, collected food and pooled donations to provide around 600 children, aged between 4 and 9 years, with a daily meal. With us contributing the necessary kitchen utensils, crockery and cutlery, the feeding programme has now been running successfully for the past three years.

*I asked an old woman of the village, why didn't you start the meal program before? And she said, sometimes it needs someone from outside who tells us we can do it.*

And this fundamental belief in the potential of these people is something that every time I am in Africa, is reinforced. Of course they are very poor, but they have a huge potential still to care about their children, to care about their education. But they need our help for a certain time to find their strength, find their potential.

### **Local strengths**

We believe fundamentally in the bottom-up approach as it is really the communities who need to change their situation for the better themselves. But we believe as well in the need for local capabilities for the community support in this endeavour.

*It is in Africa's interests to have strong good organisations. This is why we only work directly with local organisations. This is quite rare in the Foundation world.*

Many foundations only provide grants to international organisations and international NGOs. This is a pity, as there is nothing to be afraid of in dealing directly with local NGOs. Of course you need to invest perhaps a little more time and capacity building in these organisations, but in the long-run the countries need local strength and local know-how. In return, we get a much better connection to the reality and challenges on the ground and more money goes directly to the countries in need.

### **From projects to processes**

We don't think in project terms but in ongoing and long-term processes with different phases. **This is also why we work with long-term partners.** At the beginning of a project comes the definition of what you plan to do within the next period of time. This project proposal for the first phase is no more than a hypothesis of your current understanding as to what package of measures you need to implement in order to have the highest impact possible. But you need to interrogate this hypothesis on every level. Circumstances change, communities face problems, unexpected opportunities appear. So you have to adapt on an ongoing basis. The second phase starts at the moment where we think, maybe we now have the right mixture. That is always very different from where we started. And even when we have one package defined it is still very context-sensitive. It can be that in one community this package is perfect, but in another one, we struggle and we have to adapt again just for that one particular community. There is never a single solution, always a range of solutions. There is never, and will never be, one recipe for all the initiatives.

### **Sustainable change**

For me, **philanthropy means "private funds to create sustainable and positive change"**. So it is completely impact-driven, because that is what it is all about. If you invest money, you will always provoke a change, but this change can be good or bad, systemic or one-off. It can be bigger or smaller, cost efficient or not value for money. **So it is our responsibility as donors to guarantee somehow that the change will be good, as high as possible, and sustainable.**

My impression is that people and media are putting too much energy into fund-raising and not enough attention into fund-spending.

*We don't need more money in philanthropy; we need better-invested money.*

Our ambition should be, with a \$1m investment, to achieve an impact of \$100m and more. But very often this is not the case. Take the example of the feeding programme in Zimbabwe. I could spend \$5,000 for meal packages in one school of 500 children to feed them for a single year. Or, I could invest \$1,000 in the coaching and mentoring of the community, as we do, and have a feeding programme for the school forever.

To undertake impact oriented philanthropy and achieve sustainable change is complex. It takes time, know-how, care and empathy with the context.

**JANE GRIFFITHS, CHAIRMAN AND FRANK WELVAERT, MANAGING DIRECTOR, JOHNSON & JOHNSON CORPORATE CITIZENSHIP TRUST. WITH ALY NAZERALI, SENIOR ADVISER, AGA KHAN DEVELOPMENT NETWORK (AKDN)**

The Johnson & Johnson Corporate Citizenship Trust is responsible for managing Johnson & Johnson Corporate Social Responsibility programs across Europe, the Middle East and Africa. As a separate legal entity, Jane (who is also Company Group Chairman, Janssen EMEA) and Frank speak on behalf of the Trust and not the Johnson & Johnson Corporation.

The AKDN is made up of 11 private, international, non-denominational development agencies. They work to improve the quality of life and prospects of people in the developing world, particularly in Asia and Africa. The AKDN works in 30 countries globally and employs approximately 80,000 people, the majority of whom are based in developing countries.

**Motivation for the Trust**

**Welvaert:** I believe where we are at present is **moving beyond CSR, towards a different way**

**of looking at the role of business, a focus on business as a partner in the development of society.** It is interesting to reconnect to the origins of Johnson & Johnson, and what drives it as a global health company, which is the Credo. The first documents that ultimately led to the Credo, were written in the Thirties, the time of the Great Depression in the United States. Robert Wood Johnson, former chairman from 1932 to 1963 and a member of the Company's founding family, crafted the Credo himself in 1943. In it he said that as a company you do not operate in a vacuum, you're not isolated, you are part of society and therefore you have a responsibility and a role to play.

**Griffiths:** As such the Credo is probably the first stakeholder statement. We very much adhere to this exceptional values statement and the sequence of the paragraphs: Our first responsibility goes to the doctors, nurses and patients, the mothers and the fathers and all those who use our products and services. Second come our employees. Thirdly, the communities in which we live and work. Finally we are responsible to our stockholders. If you do all these well, and you meet your responsibilities, the outcome is a fair return to the shareholder. That is probably the best compass you can dream of for growing, for exploring the world of business and society. And it certainly has guided the Corporation. It is also very much in line with being a health company where you touch peoples' lives constantly. You could argue that many of the solutions and products on the market are there to make people better and improve peoples' quality of life.

**Welvaert:** When I hear the emphasis on impact versus output quite often that gets interpreted as numbers of people reached. But impact goes much further and is reflected through three types of intervention. In the Trust we pursue impact through grant-making, which is what we have traditionally been doing as part of our longstanding philanthropic legacy and current global corporate mission and strategy. Secondly through people, I think our most valuable contribution is probably the skills, creativity and experience of our people, applying and making them available to our partners in order to explore

complex challenges and come up with new solutions. The third component is to invest in new and sustainable solutions that impact people and communities in the long term. I look at the many relationships that we have as a Trust, and in particular the strategic partnerships with INSEAD Business School and with the Aga Khan Development Network; both of these partnerships have been in existence for almost 15 years. You begin to consider the true impact through our INSEAD European Health Leadership and Innovation for Health Tomorrow programmes, with more than 800 health leaders in our EMEA region learning about health leadership, management and innovation in systems and processes, enabling and empowering people to make change happen.

*All this however starts with values, a commitment for the long term and a belief in collaborative work, contributing to new impactful solutions.*

#### **Focus**

**Welvaert:** You will see in our 2014 Trust Annual Report that we have reduced our partnerships from over 80, to 22. This is a significant shift in order to bring more strategic focus, resulting from the Board approval of our new roadmap in 2013, transitioning from a rather splintered and broad approach. It drives you towards more accountability, it brings more clarity and our stakeholders find it relatively simple when explained.

**Griffiths:** Our Trust's future is built on the complementarity between grant-making, the skills transfer of our employees; and social investment. In that context our exploration of a social bond option is part of that strategy to become a catalyst for change.

#### **Partnership with Aga Khan Development Network (AKDN)**

**Nazerali:** We currently cover five countries together. We were previously active in Syria, and continue in Egypt, Kenya, Tanzania and Uganda in East Africa as well as Portugal.

*Our focus has been built around three themes: early childhood development; community health; and nursing education.*

Looking at how to strengthen human resources in order to deliver improved care and services. Equally essential is effective process and linkages between human resources and services and their quality – **not enough attention is given to taking a holistic or “system” approach.** We work with Johnson & Johnson to achieve very high quality programmes; it is fundamental to both of us to set high standards which we hope others might emulate.

As an example, in Portugal, building from evidence and knowledge that the early years of childhood are the most rapid period of development and the most critical for lifelong achievement, we have focused our joint efforts on creating a “whole system” ranging from capacity of teachers, parent-teacher interface, diversity of content, activity-based methodologies, and embedding these aspects into a robust institutional setting (Early Childhood Centres). Our objective is to provide the essential components of a suitable environment for future physical and mental health; emotional security; and cultural and personal identity.

The AKDN is non-denominational and one of the largest private development networks. Deep understanding of cultures, history and context underpins its approach. Pluralism in all of its dimensions is a sine qua non for sustainable success. Fostering meaningful dialogue and partnership, developing strong alliances, is essential. As just one example, in Portugal, AKDN has a concordat with The Patriarchate of Lisbon to improve the quality of life of marginalized groups in Greater Lisbon. Such shared values are why our partnership with Johnson and Johnson is a meaningful one and why it has lasted so long and is planned to grow further.

#### **Who should take the lead in driving positive social impact?**

**Griffiths:** I believe that the challenges we face today, particularly in health, are so complex that they can no longer be solved by one entity.

*In the Trust we strongly believe in the power of unlikely alliances. And I look at the way some of our alliances have developed, particularly with AKDN; this has grown beyond our mutual expectations.*

**Welvaert:** This understanding of unlikely alliances also comes from the long-running work we have done with INSEAD. If you want to tackle certain challenges, delivering healthcare in Africa for instance, you encounter multiple issues around the delivery of care. You probably need solar energy for storage, **so solutions of the future will almost look like joint ventures between partners who in the past would not have worked together.** But collectively, if we join forces on a common goal to bring about positive change, to deeply impact quality of life, achieve a measurable long-lasting social impact, you need to bring unlikely partners around the table. That also makes it very interesting – it is a 360 degree approach in order to create, develop, test solutions and measure their outcomes.

*It is important for all parties in an unlikely alliance to stick to their experience and expertise, in order to achieve impact.*

We come from a background that is business-driven. In the first six months when we started working with the AKDN we talked about our values and organisational structure, not projects. We started by exploring and learning about each other. Finally on the subject of unlikely alliances, connecting with and learning from many companies convinced me that we must look at the best ways of applying private sector expertise and knowledge to tackle the major societal issues. The same applies for foundations who may, to some extent, possess different resources. **Whilst the public sector may have constraints and fewer resources available, they remain a crucial partner in making change happen.** For me the challenge around these unlikely alliances is more in the rules of engagement. You need to make sure that you have clarity on roles and responsibilities, know your strengths and weaknesses when you embark on building a coalition, and agree what each partner is bringing in order to make the solution work and achieve the impact.

### Social Bonds

**Welvaert:** We are currently exploring the field of traditional social bonds, rather than social impact

bonds. A social bond may enable your organisation to access extra resources that work as an accelerator to deliver on your mission and strategy and allow you to invest in solutions that create more sustainability and accountability.

*Given the importance and emphasis on measurement, evaluation and data evidence in general, it is crucial that we recognise project-specific measurable social impact.*

This may be different according to the sector, the geographic setting or even a particular aspect of healthcare. You need the data in order to assess whether what we are trying to do is scalable, and if so, how can it be scaled-up and applied or replicated in other contexts.

**There is complementarity between grant-making and social investment.** You create capacity initially through grant-making but you make it very clear from the beginning of the long term partnership that ultimately you will transition into something sustainable that is based more on an investment approach, which may come through a bond. I do hope that social bond opportunities will emerge, be tested and developed based on learning from the data and outcomes.

*And I look forward to public, not for profit, and corporate leaders who stand up and demonstrate the potential of these new instruments.*

They could have tremendous impact on the way we work with other partners to address the complex challenges individuals and communities face.

### **ROCKEFELLER & CO., INC., US-BASED MULTI FAMILY OFFICE**

#### **Developments in the last 12 months**

Last year we discussed our belief in the transformative potential of large companies. We also highlighted the importance of investing with “intention” and “attention.” By this we mean that impact investors should not only be deliberate about their social or environmental goals and select investments with that in mind, but they should also monitor those investments to assess whether they are conducting business in a way that would help to achieve those goals. Additionally, we discussed the importance of engagement, a

dialogue between the investor and the company to help facilitate the changes needed to achieve social and environmental goals. While engagement remains an important aspect of our approach, we also seek to enhance our methodology both with respect to process and through opportunities to become further involved. On this basis, worsening news about climate change that came from the Intergovernmental Panel on Climate Change (“IPCC”) reports in 2014, as well as the news about droughts in parts of the U.S., prompted us to review our portfolio’s climate change strategy.

*This review reinforced our confidence in our approach and our belief that large companies have an important role to play in seeking to reduce greenhouse gas (“GHG”) emissions and increasing the use of renewables.*

We believe that climate change is one of the most critical issues facing us both as a society and as investors. **Ignoring this issue in the construction of investment portfolios is no longer an option,** especially for investors with intergenerational beneficiaries such as pension funds, endowments, and family offices and investors who take their stewardship responsibility seriously. We believe a potential first step toward promoting the transition to a low carbon economy would be to avoid investments in the most CO<sub>2</sub> emission intensive fossil fuel sectors and companies.

To summarize, our climate change focus in our sustainability and impact portfolios is three-pronged:

**1. Exclusion.** We begin by seeking to exclude companies with high intensity carbon emissions and/or deficient carbon management practices.

**2. Management.** We seek to carefully assess the carbon management practices of our investments and we seek to invest in companies that demonstrate leadership in reducing their current carbon footprints and have adopted practices that support our expectation that this footprint can be reduced even further over time.

We believe that when companies take steps to manage their carbon footprint effectively and aggressively they not only improve the probability of

avoiding the worst climate change consequences, but they also educate their workforce, customers, suppliers and communities. They thereby support a vital culture of sustainable energy and resource efficiency.

**3. Solutions.** We seek to invest in companies with products and services that facilitate and contribute to solutions for climate change.

Industrial companies that seek to create energy efficient solutions and provide tools for resource optimization and the production of renewables are the third leg of our climate-focused portfolio. These include companies that develop highly innovative eco-efficient products and services by integrating smart meters, sensors and green building technologies. While energy efficiency and resource optimization are their primary offering, many are also focused on waste water treatment and carbon emissions reduction.

Sometimes solutions are undertaken by the very sector that contributes to the problem. Transportation, for example, is responsible for the largest portion of GHG emissions and therefore has the greatest opportunity to contribute to emissions reduction.

*Our investment in the transportation sector has focused on companies that understand the need to improve the energy efficiency of their products.*

One of our portfolio companies has developed a business vision and strategy that aspires to connect new technologies and solutions for cleaner, greener and smarter transportation. It is exploring a diversified set of components and products that will seek to reduce fuel usage and it is setting aggressive fuel economy targets.

One of the first negative consequences of climate change to manifest itself is water scarcity. Water has become increasingly scarce in various regions globally, which puts pressure on the stakeholders accessing this resource. Many U.S. states, especially in the West, face potential rationing in the absence of an increase in supply. Additionally, droughts around the world are affecting global commodity prices as was seen in Brazil in

2014 when the dry conditions affected coffee production and prices.

We saw these changes in Brazil as an opportunity to become involved in a collaborative effort to delve deeper into the water risk that is presented through the agricultural supply chains that serve food, beverage, and apparel companies through a combination of water risk mapping tools and company supply chain modelling.

Over the years, we have found certain synergies that seem to arise from our approach. **Seeking leaders in carbon management has led us to companies that we believe are well managed and that take a longer term approach to their business.** They tend to understand the interaction of their business with the wider society and are therefore more likely to develop products and services that will respond to the needs of customers and to embrace practices that align with the well-being of their employees and their communities.

#### **Priorities for our clients**

The values that are currently in the forefront for our sustainability and impact investing clients are environmental and climate change risk, transparency, and human empowerment as expressed in employee and human capital management by companies. We have touched above on how the environmental and climate change values get expressed in investments.

**With respect to transparency, we have generally taken a broader, more systemic approach.** In recent years, we have expressed our support for various disclosure and reporting initiatives. We believe markets function best when they are anchored in transparency and information. When it comes to financial and accounting data, transparency and reporting is highly regulated. Many of us are aware, however, that, as important as financial information is, the success of a company does not depend on it exclusively. Although the reports have changed names over the past 20 years, the information requested by investors has stayed within a few broad categories relating to the environment, employees, communities, human rights and governance. While the first reports published in

the U.S. by chemical companies were focused on the environment, we soon began to see so called “Corporate Responsibility Reports” that incorporated more social issues, especially issues related to community and charitable giving.

**In the past year we have been particularly pleased with the efforts of the International Integrated Reporting Council** because, since the beginning, we have seen its work as a potential opportunity to link sustainability issues and financial performance.

The number of companies, including many large multinationals, willing to pilot integrated reporting is encouraging.

Our sustainability and impact investing clients’ interest in human empowerment received a boost this past year with the rise of an emphasis on the management of human capital. **We have long contended that treating employees well is essential to a company’s business success;** it is closely related to strategic goals, such as improving customer relationships and increasing revenues, as well as to promoting innovation. There is little overt opposition to these ideas, however, when we encourage companies to adopt best practices, we often receive the stock response that people are the company’s most valuable asset and they are already doing as well as can be expected.

Some companies are able to reinforce the stock response with data documenting leading-edge practices beyond pretty stories and pretty pictures.

As an example, we have a specific **area of focus on youth unemployment in Europe**, particularly parts of Southern Europe where the level of unemployment for those aged 18-25, can exceed 50%. In April 2014, the then President of the European Commission José Manuel Barroso declared this a “waste of human resources and talent that Europe simply cannot afford.” In our engagement with major corporations active in the region, we note several best practices embracing explicit commitments to creating apprenticeship and trainee roles, and training.

We believe that support for education and benefits that are truly innovative can contribute to improved employee morale and productivity. Fortunately, a number of academic studies have recently come out to support this view and we now have concrete material with which to engage companies who are not yet believers.

These studies reflect a context of the changing nature of work itself, as implied by the shift from manufacturing to knowledge-based industries.

Employees are increasingly critical of their employers and increasingly dissatisfied by the dislocations encountered in the work environment. Of course, companies too are experiencing dislocations as the economic environment becomes ever more complex. Still, the fact remains that some companies are doing a much better job of addressing the complexities compared to their peers.

As with other topics covered in this update, we are starting to see some progress as more companies begin to report more robustly on these issues. We expect and hope that as these issues continue to gain traction, we will see companies begin to compete to improve their ranking and their reputation in this area.

#### **Reputational risk**

We find that our North American-based clients are not particularly concerned with potential reputational risk that could arise from their philanthropic or impact investment activities, but are more focused on implementing and developing strategies that are aligned with their values. Whilst we do not discern any significant divergence in attitudes with clients based in other regions, we do recognise that media ambivalence towards the wealthy in parts of Europe in particular, can give rise to greater risk aversion.

#### **Momentum towards impact investing**

We believe that impact investing has garnered a lot of good momentum in the past year and we

are pleased with some of the developments. The involvement of larger institutional investors who previously had stayed on the side-lines has led to more robust approaches to financial and structural metrics.

The field is still young and needs time and space to mature, but the increased interest from “mainstream investors” holds the potential for increased flows of capital and further robust metrics.

We expect new developments in sustainability reporting metrics, such as the most recent iteration of the Global Reporting Initiative and the launch of the Sustainability Accounting Standards Board, as well as the development of integrated reporting, which explicitly ties sustainability issues to the business strategies and long term goals. This in turn could improve investor’s decision making and therefore cause a greater uptake of impact investing by institutional investors. We believe this to be good news and leads us to be optimistic.

#### **Last year’s 2014 inaugural report included interviews with**

- Rockefeller & Co., US MFO (interviewed again in 2015 – Interview )
- European Foundation Family Principal
- Singapore-based Family Principal
- UK MFO with EMEA and North American clients
- Hong Kong SFO
- Stephen Brenninkmeijer, European impact investor, Willows Investments
- Annie Chen, RS Group, Hong Kong SFO
- Charly Kleissner, US-based impact investor

# SECTION 5: PERFORMANCE AND OUTLOOK

## Overview

This section addresses impact investment performance and expectations. It also looks forward in terms of potential for changing allocations to both impact investment and philanthropy on the part of all respondents to the survey – existing impact investors, those currently active in philanthropy and those currently not active in either.

This year's findings maintain the positive momentum identified in last year's survey. Impact investments have for the most part performed well financially, as well as against their social objectives. Existing impact investors are much more likely to increase than reduce their involvement, many of those involved currently in philanthropy are considering beginning impact investing, as are a minority of respondents active in neither philanthropy nor impact investing. We are given a sense of the types of project – both the areas in which Family Offices and Foundations expect to focus and, at a generic level, the financial instruments they are inclined towards using.

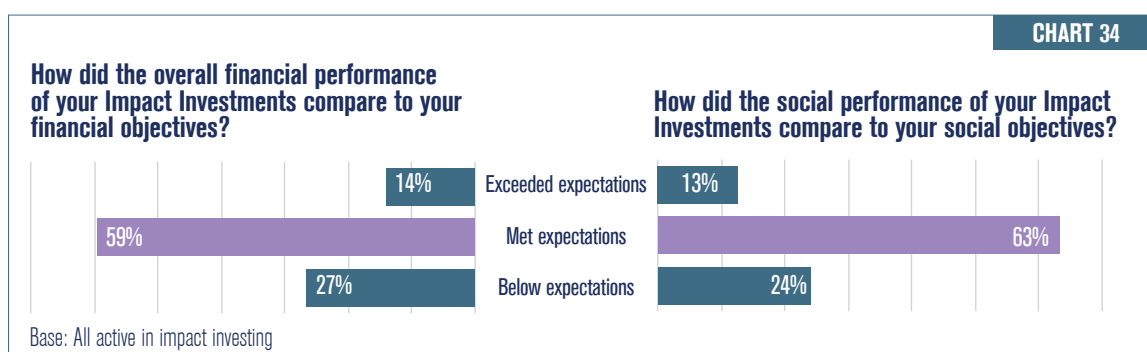
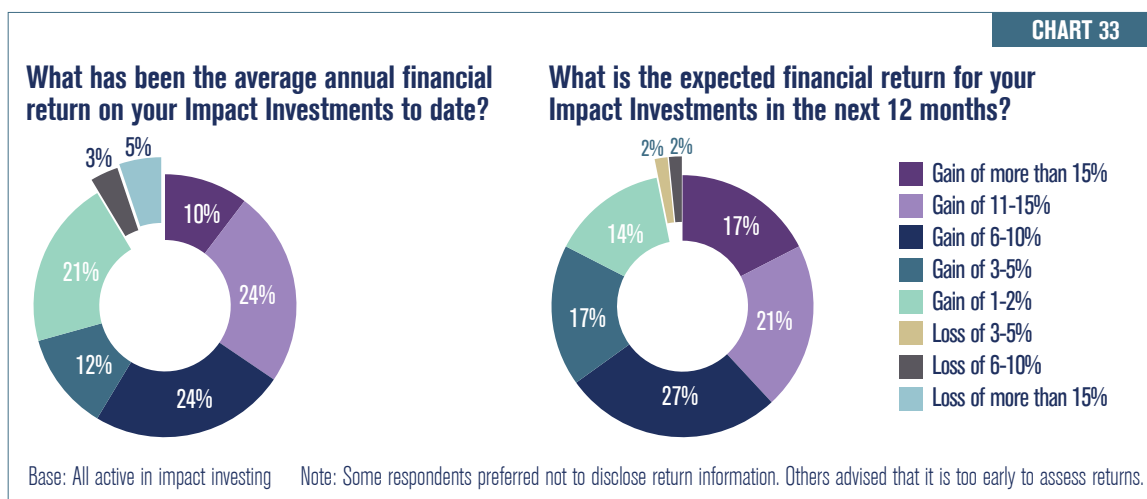
## For those active in impact investing Financial returns on impact investments.

How well have they performed to date, and what are expectations for the next 12 months?  
(Chart 33)

To date, 92% are in positive territory, with ranges of 6%-10% and 11%-15% the most frequent results, each accounting for almost a quarter of all respondents. Overall, 34% report gains of over 10%. Of the loss-making 8%, 3% is in the 6-10% range, with losses above 15% for the other 5%.

Next 12 months' expectations are that loss-making will halve, to 4%. And that the 94% who make gains will again be most often in the 6%-10% range. 38% are particularly optimistic, anticipating gains of over 10%.

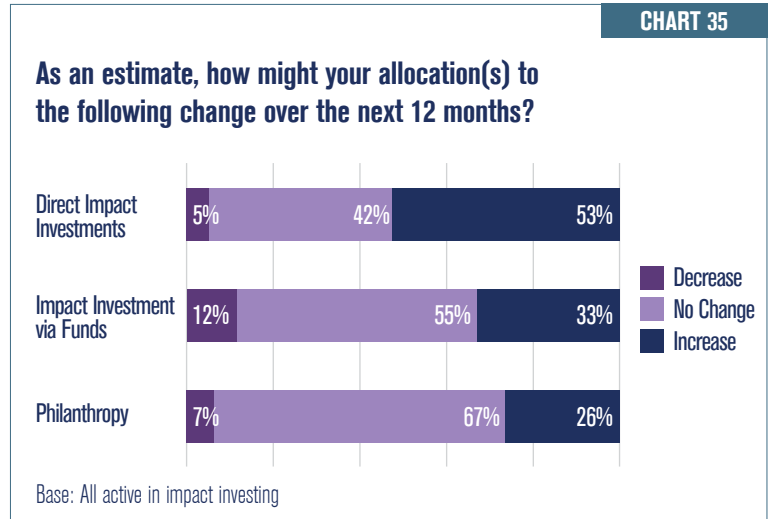
It should be noted that a 19% minority of respondents opted not to disclose return information, and that a small number also advised that it is too early for them to assess returns.



**Impact investment performance against objectives** (Chart 34). For a majority of respondents, objectives have been met or exceeded - financial 73%, social 76%. Leaving a slightly larger minority of impact investments that did not meet financial objectives (27%) than social objectives (24%).

**How might impact investors' allocations change over the next 12 months?** Chart 35 shows that there is considerable positive momentum, with net 48% and 21% likely to increase impact investment levels via direct and fund routes respectively. Overall, this group, which is a mix of those active and not active in philanthropy currently, are also likely to increase (net 19%) their philanthropy involvement in the next 12 months, although 67% do not anticipate any change.

**Where are impact investors currently invested, or planning to invest over the next 12 months?** (Chart 36) The question listed 19 different thematic /focus areas, so plenty of choice. Respondents made 5 selections on average, so the mean score



“We are looking to grow, following a build and then add-on strategy. We directly employ around 500 people currently.” (organic banana farm, Mozambique).

See P.25

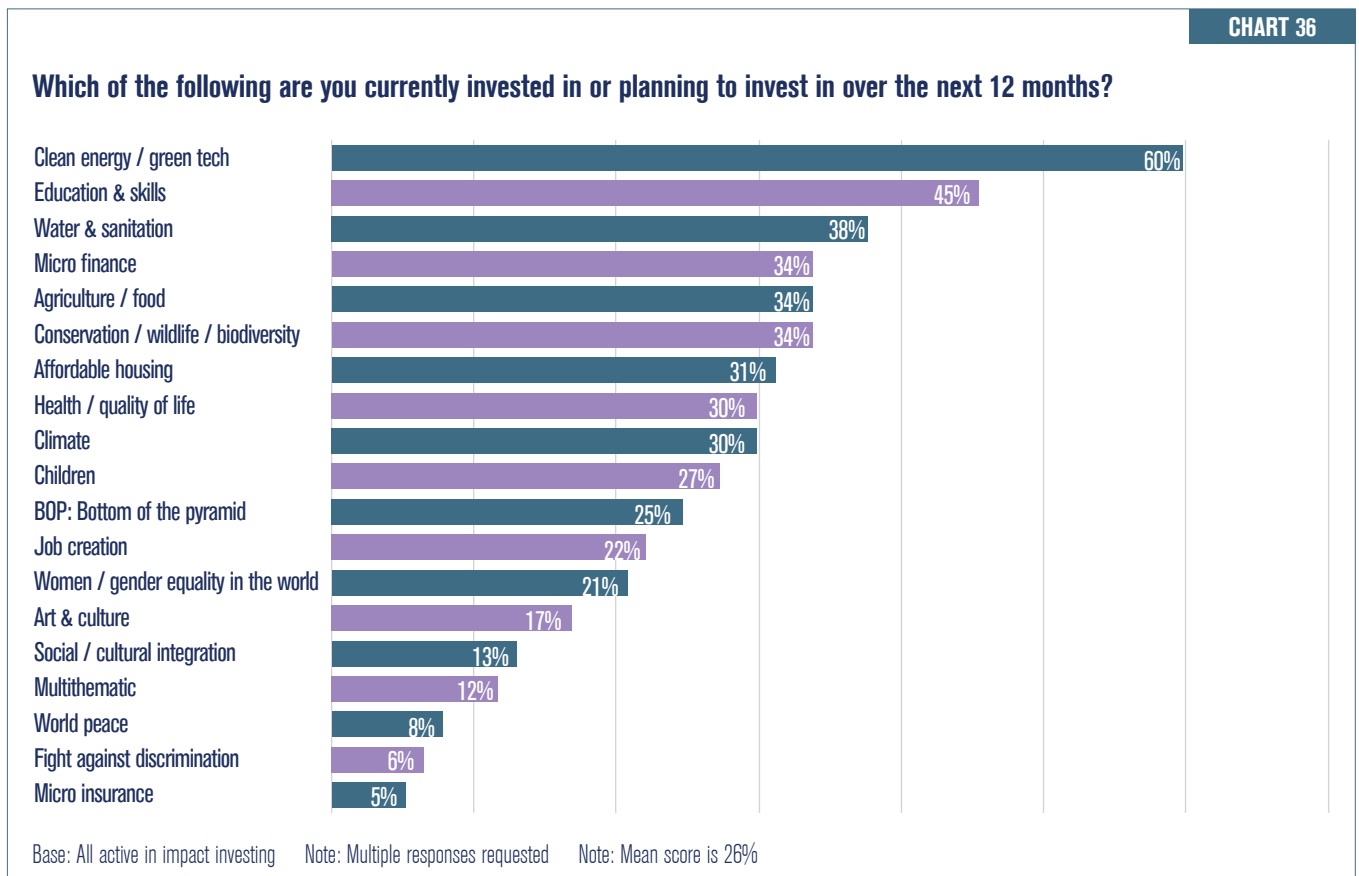
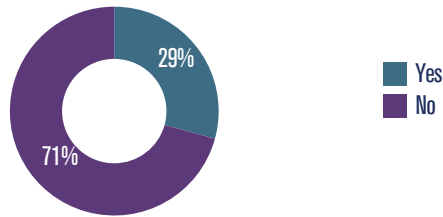
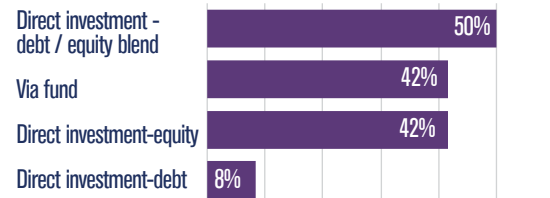


CHART 37

**Are you considering Impact Investing in the next 12 months?**



**If yes, what form(s) of Impact Investment would you prefer? (multiple responses)**



Base: All currently active in philanthropy but not active in impact investing. Then all who are considering impact investing in the next 12 months

“impact investing... tends to be something they are doing in an informal and embryonic way...more visible within the corporate that sits in front of the family”  
See **B** P.27

generic financing routes are you likely to prefer? (Chart 37) A substantial minority of those active in philanthropy – 29% - comprising a much larger proportion of Family Offices than of Foundations, are considering beginning impact investing within a year. Direct debt/ equity blend is narrowly the most popular form, but almost as many would consider direct equity and/ or through a fund.

is around 26%. **Clean energy/green tech (60%)**, followed by **Education & skills (45%)** and **Water & sanitation (38%)** obtain the highest ratings. Three other scores are well above the mean, all mentioned by 34% of respondents: **Micro finance, Agriculture / food** and **Conservation/ wildlife / biodiversity** obtain the highest ratings. Later in this section, these results are compared with the same choices made by respondents **not** currently active in either philanthropy or impact investing.

Among Foundations who would consider impact investing, three out of four would do so in respect of income but not capital. The minority will consider it in respect of both capital and income.

**For those active in philanthropy but not impact investing**

**Are you considering impact investing in the next 12 months?** And if so, what

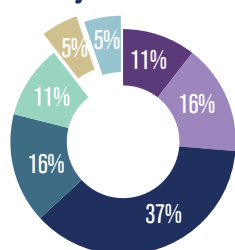
**For those not active in philanthropy or impact investing**

Financial portfolio returns have been positive for 90% of respondents over the last 3 years, with 53% in the 6-15% range. Projections for the next 12 months include loss-making halved (Chart 38).

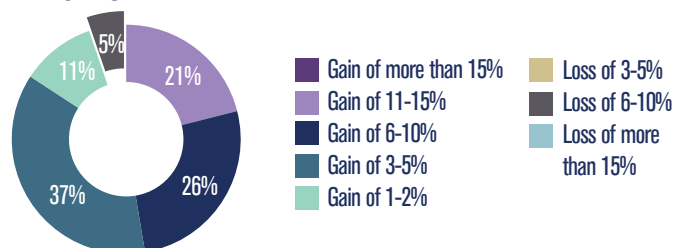
**Are you considering investing in the next 12 months?** (Chart 39) 19% are considering impact investment, 28% are considering philanthropy.

CHART 38

**What has been the annual average return on your investments over the last 3 years?**



**What is the expected return on your investments over the next 12 months?**

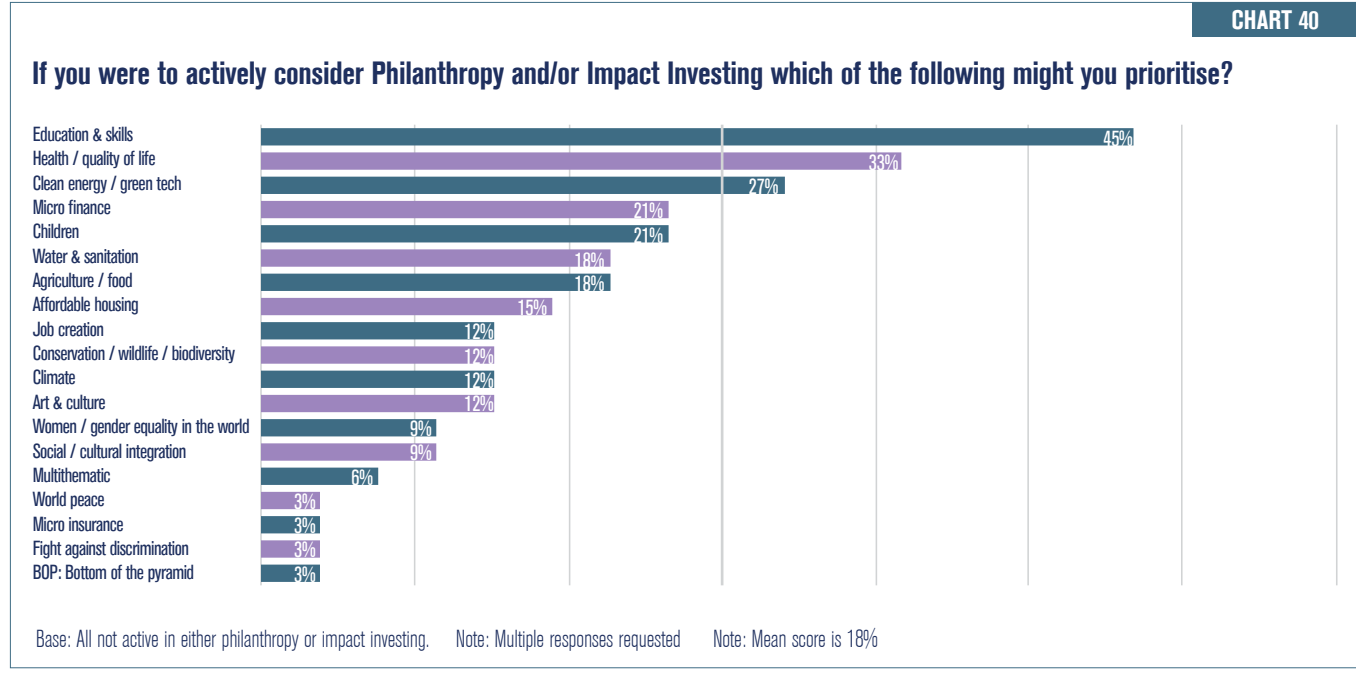
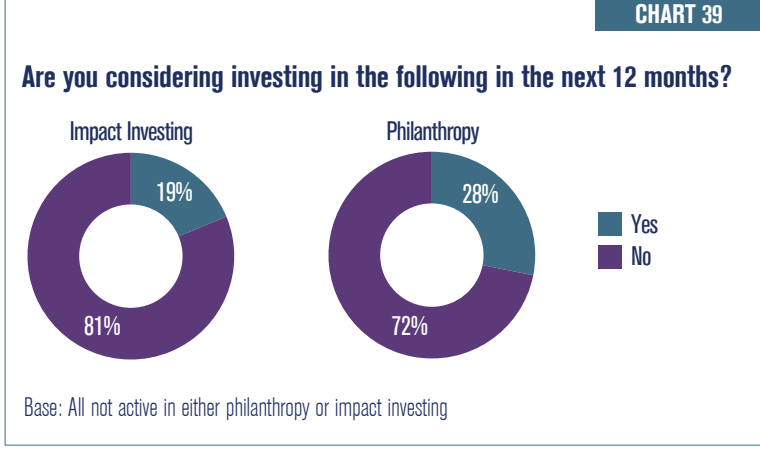


Base: All not active in either philanthropy or impact investing

Note: 27% of respondents preferred not to disclose return information

**If you were to actively consider philanthropy and/or impact investing which of the following might you prioritise?** (Chart 40) Respondents gave 3.4 choices on average, and against a mean of 18%, there are 5 stand-out results. **Education & skills** (45%) has a very clear lead, followed by **Health/quality of life** (33%) and **Clean energy/green tech** (27%). Both **Micro finance** and **Children** are at 21%.

Three of these also scored well above the mean for impact investors (Chart 36, page 37). The most striking difference is that only 3% of those **not** currently



active in either philanthropy or impact investing selected **Bottom of the Pyramid**, versus 25% of existing impact investors.

**Summarising Section 5. This year's findings in terms of both performance and outlook are positive, and show that the momentum identified in last year's report is being maintained. To distill the current outlook:**

**Philanthropy:**

- One in five (19%) impact investing Family Offices and Foundations expect to increase their allocations to philanthropy

- Better than one in four (28%) respondents active in neither philanthropy nor impact investing are considering philanthropy

**Impact investing:**

- A net 48% and net 21% of current impact investors expect to increase their allocations for direct and fund investment respectively
- 29% of Family Offices and Foundations currently active in philanthropy but not impact investing, are considering becoming active in impact investing
- One in five (19%) respondents active in neither philanthropy nor impact investing are considering impact investing

# LIST OF CHARTS

1. Organisation type (P.6) \*
2. Head office location (P.6) \*
3. Family wealth -countries of origin (P.6) \*
4. What generation is the family wealth? (P.7) \*
5. Assets under management (P.7) \*
6. Current annual budget (Foundations) (P.7) \*
7. Active in...philanthropy and/or impact investing (P.8) \*
8. As 7 above, by organisation type (P.8) \*
9. With respect to philanthropy and/ or impact investments what proportion of your families have Foundations that you work with? (P.9) \*
10. Do you have dedicated external or internal people for impact investing and/or philanthropy? (P.9) \*
11. When did you start engaging in philanthropy? (P.10) \*
12. When did you start engaging in impact investing? (P.10) \*
13. Top priority when it comes to impact investing (P.11) \*
14. Do the following influence your investment choices? (P.11) \*
15. Where do you source your philanthropic and impact investment opportunities? (P.12) \*
16. Do you apply different financial parameters for impact investing compared to "traditional" investing? (P.12) \*
17. How does impact investment due diligence differ? (P.12) \*
18. At which stage(s) do you invest? (P.13) \*
19. Average number of active investment stages (P.13)
20. Number of regions in which respondents are active (P.14)
21. Geographic distribution of philanthropy and impact investments (P.14) \*
22. (a) Current number of impact investments.  
(b) Financial instruments used for impact investments (P.15) \*
23. Average number of financial instruments used for impact investing, by organisation type (P.15)
24. Who should take the lead in driving positive social impact? (P.16)
25. Major barriers to increasing impact investing (P.17) \*
26. Major barriers to increasing impact investing: Top 5 by organisation type (P.18) \*
27. Major barriers to increasing engagement in philanthropy (P.18)
28. Major motivations for your impact investments (P.19) \*
29. Major motivations for your impact investments: Top 5 by organisation type (P.19) \*
30. Responses to 10 statements: Impact investors and non impact investors (P.20) \*
31. Major barriers to considering philanthropy and impact investments for those not active in either (P.21) \*
32. Views from respondents not active in either philanthropy or impact investing (P.22) \*
33. Annual average financial return on impact investments to date. Expected financial return for impact investments in the next 12 months (P.43) \*
34. Impact investment performance against financial and social objectives (P.43) \*
35. How might your allocation change over the next 12 months (P.44) \*
36. Which are you currently invested in or planning to invest in over the next 12 months (P.44) \*
37. Are you considering impact investing in the next 12 months? if so, preferred forms (respondents active in philanthropy only) (P.45) \*
38. Annual average return on investments over the last 3 years. Expected return on your investments over the next 12 months (respondents not active in either impact investing or philanthropy) (P.45) \*
39. Are you considering investing in the next 12 months? (respondents not active in philanthropy or impact investing) (P.46) \*
40. What might you consider? (P.46)

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Note: \* denotes a chart that is directly comparable with the chart with the same number in last year's (2014) report.

# METHODOLOGY

This report is relevant to those who are active in one or both of impact investment and philanthropy, as well as to readers who have some interest but are not currently active in either category. One of the principal strengths of the survey is the ability to compare and contrast responses across very different levels of involvement and through a variety of organisational structures, as each of these perspectives is well-represented.

The core of the report is an in-depth online Financial Times global survey conducted between September and November 2014. It attracted 180 responses, from 91 Single Family Offices, 49 Multi Family Offices, and 40 Foundations. This represents a 44% increase on last year's substantial respondent base.

Respondents have head offices in 34 countries, with wealth owners more widely spread across 46 countries and every continent bar Antarctica. The five countries with substantially the highest representation are The US, UK, Italy, Switzerland and Germany.

Survey participant anonymity is strictly enforced, with nothing attributed to specific organisations. Responses were gathered and processed independently by Coredata Research.

The survey findings are significantly enriched through seven individual interviews, conducted either by phone or face-to-face, reproduced in Section 4 of the report. The length of this section has been expanded this year in response to feedback. Also, the interviews are extensively cross-referenced within the other sections of the report.

This methodology is entirely consistent with that of last year's inaugural report. There is no direct numeric comparison of findings between the two years: The combination of an evolving mix of organisation type and geographic focus, would largely invalidate it. Particularly recognising the highly individualistic nature of family office and foundation structures. Some thematic comparisons are made, and readers who would like to compare data between years should note that all the charts which are common to both periods are identified (See Charts, Page 47).

All percentages in the report are shown to the nearest whole number. Due to roundings, they will not always aggregate to 100%. Charts are based on the underlying data. Consequently, the sum of individual section (rounded) percentages within stack bar charts may differ slightly from the actual total for the bar.

## BANCA PROSSIMA PROFILE

Italy has a large social sector and one bank fully committed to servicing it.

That one bank is Banca Prossima. A subsidiary of Intesa Sanpaolo, Prossima began operations in 2007. Currently, it enjoys relationships with more than 50,000 nonprofit organizations, taking advantage of the parent's 4,500 branches all over Italy, where Prossima customers can do their business, as well as of its own network. Prossima's advantage in servicing the social sector is based on four pillars: its people (all know the social sector first hand, e.g. by acting as volunteers), tools (e.g. own credit rating), products (e.g. crowd funding platform) and governance (e.g. own fund taking first losses on difficult loans, replenished by 50% of profits, overseen by a body representing nonprofit interests). The bank's articles of association make it a low-profit entity and in fact it turns a moderate profit since 2011.

Today, the Italian social sector includes approximately 300,000 nonprofits, plus a further 90,000 for-profit entities operating in the same sectors. The former employ almost 1 million people and 4.8 million volunteers; they also reach more than half of Italy's population. It is a healthy core for the social economy, generating a sizeable surplus of revenues over outlays. Its sources of cash flow are two-thirds private, one-third government; six-tenths market, four-tenths gifts. So the Italian nonprofit sector is not just a creature of public outsourcing or private charity: instead it is remarkably entrepreneurial, with the "social cooperatives" movement spearheading this interpretation of a social mission since the 1980s.

# FURTHER INFORMATION AND ACKNOWLEDGEMENTS



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