Philanthropy Impact

Magazine

Issue 12: Special Edition June 2016

Learning to give: lessons for advisers and would-be philanthropists
Catherine Tillotson

Making the business case for philanthropy: an Australian perspective
Mandy Lamkin

Leading from the front: Alexander S Hoare and philanthropy advice at C Hoare and Co.
Alexander Hoare interviewed by Mary Rose Gunn

THE CHANGING ROLE OF PROFESSIONAL ADVISERS

Private client, wealth management, IFA's, tax, and legal advisers taking advantage of a business opportunity by supporting individuals and families of wealth on their donor journey

Grant Gordon interviewed by Tanya Pepin The role advisers played in my donor journey

Lisa Vizia TEP and Philip Radford TEP The role of advisers guiding investors who want to make the world a better place

Changing times: the adviser-client relationship is shifting

"...we are on the brink of a period of fundamental and irreversible change in the way that (adviser) expertise is made available in society. Technology will be the main driver of this change."

"...we anticipate that a range of new opportunities will emerge."

(*The Future of the Professions* by Richard Susskind and Daniel Susskind)

One approach is to make adviser expertise available on a value-added basis, beyond basics, by delivering additional services such as supporting individuals and families of wealth through their donor journey to make it relationship reinforcing and personal. This does not mean generating a significant cost without being able to monetise the added service.

For example: *"The bank (C Hoare and Co) is in the business of building a trusted relationship with its customers,"* Alexander explains, *"and we believe that trying to make a business out of philanthropy might put that at risk."* Instead he argues that because the Hoare's service is truly bespoke: partners and relationship advisers must understand all of their customers' interests so it is impossible not to be aware of their philanthropic as well as their finance needs. Relationships are so well developed that providing the right contacts to someone interested in funding in Kenya, or convening customers with a similar interest in the migrant crisis comes entirely naturally and is one of the ways the bank retains an edge over competitors. *(See article entitled Leading from the Front: Alexander S Hoare and philanthropy advice at C Hoare and Co. by Mary Rose Gunn and Alexander Hoare.)*

This is what advisers' clients want according to Philanthropy Impact research.

Philanthropy Impact recently commissioned research mapping the level of philanthropy advice among professional advisers (sample size 383 firms) and a survey of high-net-worth individuals (HNWI) (503 respondents).

- The mapping of philanthropy advice described the components related to three stages of philanthropy advice to individuals and families of wealth – planning, implementation and monitoring/ review.
- Less than 20% of the UK's advisory firms offer philanthropy advice and the depth and breadth of the advice varies significantly.

So, while 1 in 5 professional advisory firms may offer philanthropy advice, unless there is a strategic commitment within the firm to deliver holistic philanthropy advice, the reality is that the advice will be limited.

This leaves the client in the situation of the blind man touching the proverbial elephant: they may think they are receiving philanthropy advice, but their experience is only one small part of a far more interesting whole. *(See article entitled Learning to give: lessons for advisers and would-be philanthropists by Catherine Tillotson.)*

Indeed, the fact that on average the UK's wealthy population gives a score of just 5.9 out of 10 to the philanthropy advice experience they receive from their professional advisers would suggest that these advisers, at the very least, should consider learning how better to describe the whole elephant to their clients. Better still, if they can join up with other experts to deliver a more holistic experience of the philanthropy advice elephant then everyone will, quite literally, be a winner.

Overall, the results of the Philanthropy Impact research among HNW clients and professional advisory firms in the UK suggest strongly that one of the reasons that the UK's wealthy population hasn't fully learned how to give is because many advisers have not yet learned how to guide, coach and support with the joined-up expertise needed to help would-be donors more effectively.

The Philanthropy Impact survey of HNWI indicated that they receive some advice, were not generally happy with the advice and that they wanted more advice and support on their donor journey. This is supported by a recent study by the Charities Aid Foundation entitled *Why talking philanthropy transforms the adviser-client relationship The Art of Adaptation* where two-thirds of the UK's wealthiest people want philanthropy advice as part of the services provided by professional advisers; while only 39% had taken advice on their philanthropy.

"Philanthropic services are definitely something that have featured on my radar since I originally sat down to formulate a business plan for the firm last year," said Ria Bedford, director of North Star Wealth Management.

"I absolutely intend to make philanthropic planning a key subject in a large proportion of the financial review. Many advisers would be surprised at the response they get from clients if they were to open up a conversation on the subject with them."

(*Hugo Greenhalgh Advice Gap on 'impact investing'* Financial Times 29 April 2016)

There is definitely a business opportunity for professional advisers. The role of Philanthropy Impact is to support advisers as they help their clients achieve their wealth and philanthropic goals.

The Editor

Philanthropy Impact
Magazine
Issue 12: Special Edition June 2016

Philanthropy Impact: Vision and Mission

Our vision is to increase philanthropy and social investment across borders, sectors and causes.

Our mission is to achieve greater sector knowledge and expertise by working with professional advisers. Through our links with key sector stakeholders we develop thought-leadership on philanthropy and social investment.

We do this by delivering activities that include:

- Events: a comprehensive programme of events that support professional training and development
- Publications and Research: our 'body of knowledge' guides, case studies, and other resources, and the acclaimed Philanthropy Impact Magazine
- Lobbying: we advocate for policies and regulations that encourage philanthropic giving and social investment

Chief Executive and Editor: John Pepin

Co-Editor and Administration, Communication & Events Officer: Cecilia Hersler

Philanthropy Impact
CAN Mezzanine, 7-14 Great Dover Street
London SE1 4YR

T +44 (0)20 7407 7879

Editor@philanthropy-impact.org

www.philanthropy-impact.org

The purpose of the magazine is to share information about philanthropy in a domestic and international context. We welcome articles, letters and other forms of contribution in Philanthropy Impact Magazine, and we reserve the right to amend them.

Please contact the Editor at editor@philanthropy-impact.org

Philanthropy Impact is supported by its members and sponsors.

Magazine Design and Artwork by www.studiojohanson.com.

We invite letters to the Editor at:
editor@philanthropy-impact.org

Contents

Learning to give: lessons for advisers and would-be philanthropists

Catherine Tillotson *(www.scorpiopartnership.com)*

In 2015, the private wealth of high-net-worth individuals in the UK reached a total of £1.5 trillion, yes, that's trillion. Yet, in the same year our best estimate for how much wealthy people in the UK gave to good causes is £1.3 billion: that's just 0.1%.

It is not that the British are ungenerous. The Charities Aid Foundation (CAF)'s World Giving Index ranks the UK in sixth place globally for charitable giving, volunteering and helping others.

Moreover, research conducted among 500 of the UK's wealthy population for Philanthropy Impact last year shows that 95% give regularly, occasionally or in response to an appeal and the other 5% volunteer for good causes.

This empirical evidence seems strongly to suggest that the UK is a philanthropic nation. So why is it that the UK's wealthiest individuals seem to give so little in the context of their total wealth?

There are many complex answers to this question that consider the social, cultural, political, fiscal and economic context for wealth in the UK.

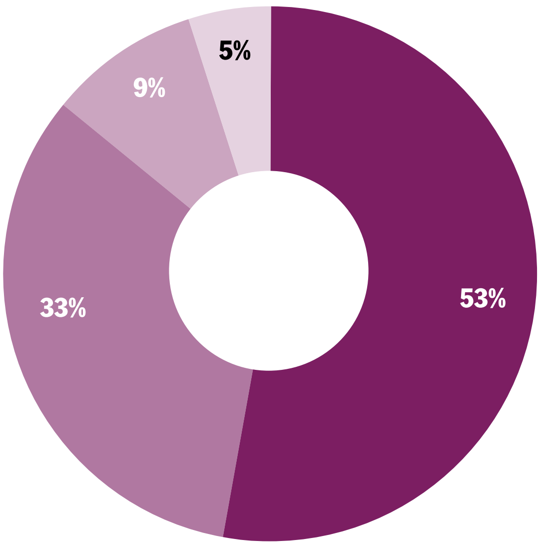
Or there is perhaps a simpler answer, which is this: as a nation, we have yet learned how to give effectively.

It is a controversial idea, but if we look at the different approaches to giving among the UK's wealthy, one-third describe themselves as occasional givers. A further 9% say that they only give in response to appeals. Taken together, that is a sizeable chunk of the UK's wealthy population who are re-actively philanthropic *(Figure 1)*.

A more telling data point shows that while only 12% of the UK's wealthy population currently take any philanthropy advice, their giving accounts for £770 million of the total £1.3 billion: that's 58%.

Catherine Tillotson

Figure 1: HNW giving styles in the UK



Which of the following statements best describes your charitable activity? (N=502), 2015

- **I regularly give to causes of my choosing**
- **I occasionally give to causes of my choosing**
- **I give when asked or in response to appeals**
- **I generally support good causes in ways other than giving**

These results show that almost all wealthy UK individuals want to give and like to give, but only a minority considers how to give most effectively. These individuals, who plan their giving, tend to give more and get more personal satisfaction out of their giving as a result.

These results show that almost all wealthy UK individuals want to give and like to give, but only a minority considers how to give most effectively. These individuals, who plan their giving, tend to give more and get more personal satisfaction out of their giving as a result.

Not knowing how to give is not entirely the fault of the UK's wealthy, however. In the same research we mapped 380 of the UK's 16,000 professional advisory firms and found that only 1 in 5 currently offers any kind of philanthropy advice and the advice that is available is patchy, to say the least *(Figure 2)*.

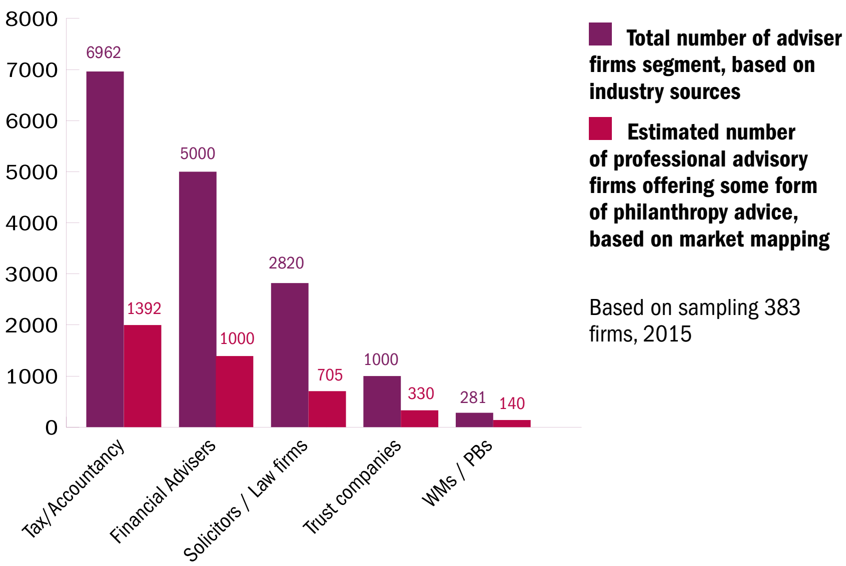
Let's say your average wealthy individual walks into your average UK accounting firm and asks for philanthropy advice. The accounting firm may have an individual accountant who works with charities and donors. That accountant will almost certainly have good knowledge when it comes to tax planning for onshore giving. They may know something about cross-border giving. They will also probably be able to help the donor with tax reporting and financial monitoring over time.

However, it is highly unlikely that this accountant will want to get too involved with selecting causes, or discussing social impact investment. It is equally unlikely that they will get involved in monitoring the social impact of the donor's giving, or consider how to adjust donors' giving strategy tactically to make sure they are achieving their philanthropic goals.

A similar pattern is repeated among law firms, trust companies and IFA firms. Across the board, professional advisory firms may or may not have an adviser who understands philanthropic giving, and if they do, that individual will almost certainly approach the subject from the perspective of his or her own professional discipline *(Figure 3)*.

Delivering holistic philanthropy advice is a complex business precisely because it requires interdisciplinary skills. Even the most sophisticated professional firms tackle only parts of the advisory process which stretches right across philanthropic planning, implementing,

Figure 2: Number of UK professional services firms offering philanthropy advice (estimate)



Based on sampling 383 firms, 2015

monitoring and review. Where these firms don't have in-house expertise, they have a process to identify and work with other advisers and experts to meet their clients' advice needs fully.

So, while 1 in 5 professional advisory firms may offer philanthropy advice, unless there is a strategic commitment within the firm to deliver holistic philanthropy advice, the reality is that the advice will be limited.

This leaves the client in the situation of the blind man touching the proverbial elephant: they may think they are receiving philanthropy advice, but their experience is only one small part of a far more interesting whole.

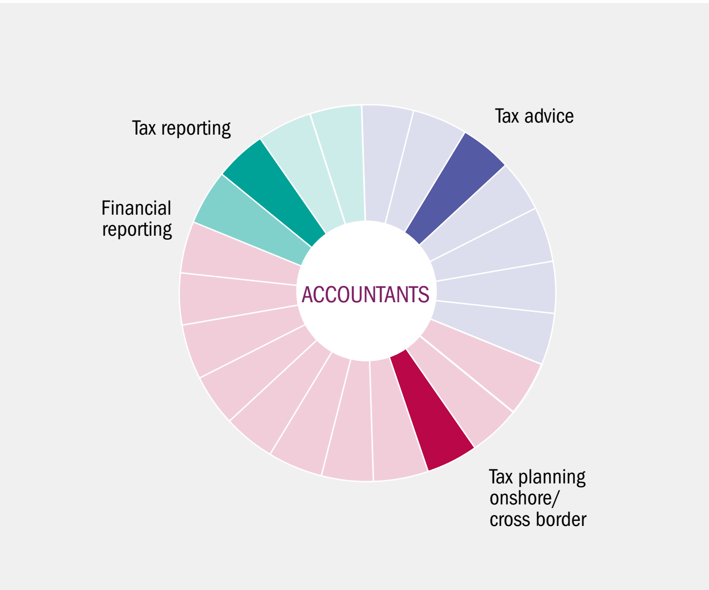
Indeed, the results of the Philanthropy Impact research among high-net-worth clients and professional advisory firms in the UK suggest strongly that one of the reasons that the UK's wealthy population hasn't fully learned how to give is because advisers are not yet joining up the expertise needed to help would-be donors give more effectively.

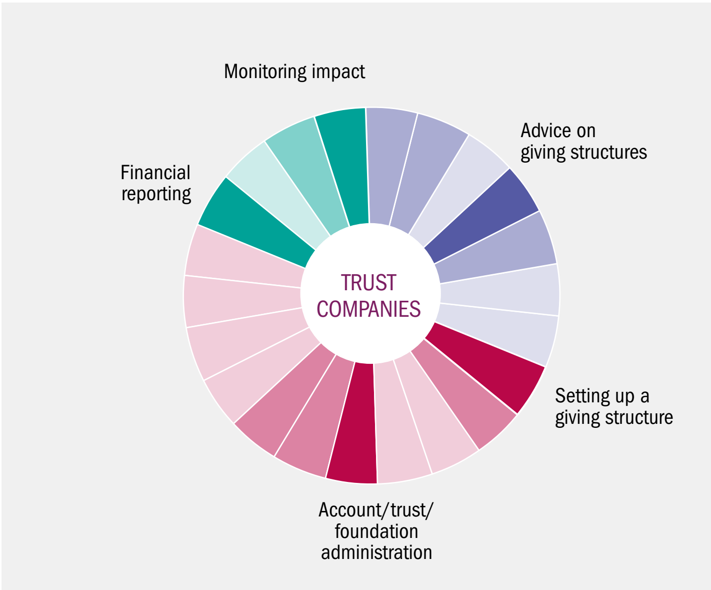
On average the UK's wealthy population gives a score of just 5.9 out of 10 for the philanthropy advice experience they receive from their professional advisers. Yet, it is relatively straightforward – in theory at least – for professional advisers to develop the knowledge and networks to support their clients across the whole philanthropy advice process. After all, giving

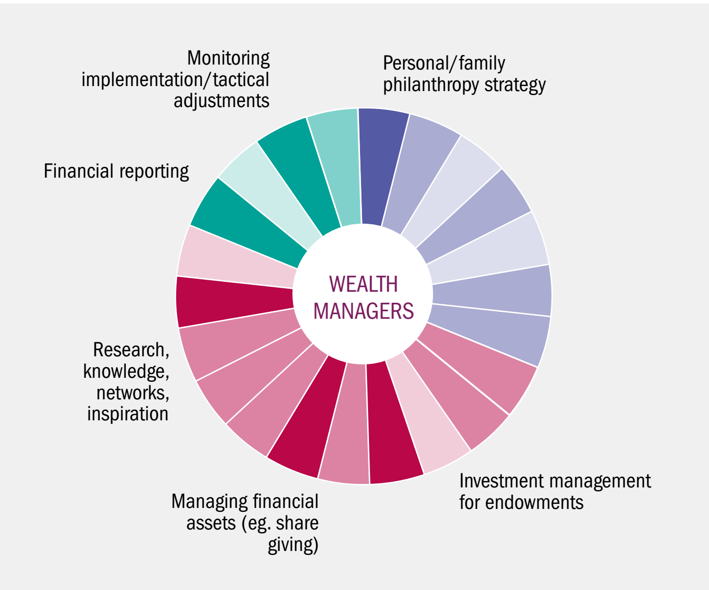
Figure 3: Range of philanthropy advice typically provided by different professional services firms

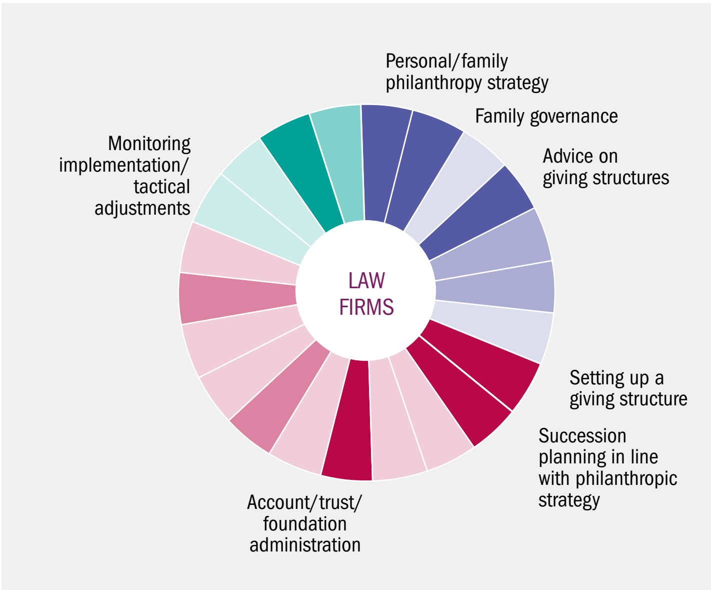
Provision of philanthropy advice mapped across 22 advice areas. Assessment is qualitative. Areas of particular strength or focus have been called out.

- **Planning advice**
- **Implementation advice**
- **Monitoring advice**









philanthropy advice is no different from any other area of financial or estate planning. It starts with planning, moves through implementation and on to monitoring and review, bringing in the experts in each phase as required *(Figure 4)*.

It goes without saying that Philanthropy Impact's efforts to share knowledge and make the connections among advisers and charities to support this process are making a difference. We estimate that the 3,000 advisers who had contact with Philanthropy Impact last year have an influence on around 37% of all the advised high-net-worth donations in the UK. However, there are many more advisers across the UK and Europe still to reach.

So, what are the lessons from the research for would-be philanthropists and advisers?

Well, for philanthropists the most important lesson is that philanthropy advice can be holistic, helping you to get the most out of your giving.

For example, a philanthropy adviser can help you to work out what social issues matter most to you and your family. They can guide you to learn more and meet like-minded individuals and organisations to deepen your knowledge and understanding of how your resources can make a difference. A philanthropy adviser can also help you to keep track of your giving to make sure you are achieving the goals you originally set out.

For professional advisers, the critical lesson from the research is that fully serving the needs and goals of wealthy clients may well include approaching their philanthropy interests as holistically as you would any other area of their wealth management. True, you may not be able to advise directly on the wide range of issues raised, but there are resources available and other experts who can help you to set your clients on their journey: learning how to give.

Catherine Tillotson *is Managing Partner of The Scorpio Partnership. Cath oversees the high-net-worth (HNW) and strategic research capabilities of Scorpio Partnership and has overseen many of the firm's global research assignments on: client engagement and client experience; brand identity and the value proposition; asset allocation and the investment process; regulatory change in the onshore and offshore environment; and the role of technology to support client needs. In the field of philanthropy, Cath heads up the global research work Scorpio has undertaken among major donors, family givers and family foundations. She has worked with a number of international private foundations on their future operational strategies as well with private banks, umbrella foundations and fundraising organisations to develop their private client and major donor propositions. Cath also sits on the advisory board of the family office association.*

Figure 4: Philanthropy advice services and process

Step 1 Planning

- Personal/family philanthropic strategy
- Advice on giving structures
- Family governance
- Selecting organisations/projects
- Tax advice
- Landscaping and context
- Identifying social/impact investing opportunities

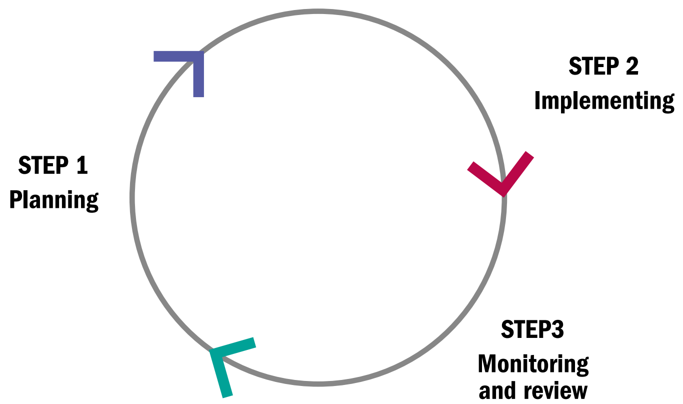
Step 2 Implementation

- Setting up a giving structure
- Aligning investments with philanthropic strategy
- Succession planning in line with philanthropic strategy
- Investment management for endowments
- Tax planning onshore/cross-border
- Account/trust/foundation admin and management
- Aligning business with philanthropic strategy
- Values-based investments (eg. social investment)
- Managing non-financial assets (eg. art or property-giving
- Research knowledge, networks and inspiration
- Managing financial assets (eg. share giving)
- Public communications strategy

Step 3 Monitoring and review

- Financial reporting
- Tax reporting
- Monitoring impact
- Monitoring implementation and tactical adjustment of strategy

Figure 5: Philanthropy Advice Process



Source: Philanthropy Impact

Making the business case for philanthropy: an Australian perspective

Mandy Lamkin *(www.enrichaustralia.com)*

"Financial planning is... about helping people achieve what they want, and fitting their money around that. Once clients have achieved financial security, they start thinking about how their success can make a significant difference to others." *Stacey Martin, Senior Adviser, NAB Private Wealth*

Mandy Lamkin

No professional is better positioned than a financial adviser to discuss, define and responsibly implement a client's philanthropic plan. However, there is still some reluctance in the profession to consider this area as having great potential for business development. But the good news is that the thinking around client philanthropy is changing in all sorts of positive ways, not least because of the expanding options for social investment and because of the desire for a meaningful legacy in high-net-worth (HNW) clients.

Advisers who have uncovered the rich experience of working with clients on their charitable journey know that discussing the subject with a client can significantly deepen their relationship. While this may be among the most logical motivations for introducing the subject, it's not always something advisers feel comfortable with doing: "It's too early for this level of personal discussion;" "My client might think I'm judging them about what they do with their money;" "I don't have the knowledge I need for this area"; "Should I even charge the client for this advice?"

There may also be barriers from the belief that giving is not a priority overall, or because advisers are concerned they will lose funds under management and that pursuing the conversation would not constitute sound advice. It's certainly true that philanthropy is not for everyone, regardless of whether they have the capacity for major giving or not. But we could argue it's the role of the professional adviser to provide a client with all the options that may resolve the issues at hand, or indeed find out if it's something the client wants. By not exploring the subject, an adviser may miss the bigger picture of what's important to the client, who may already be giving (it's been shown that HNW people generally do) and perhaps even getting assistance from another source for doing so. The motivation for the conversation might simply be a case of advisers satisfying themselves that they know their client well.

The arguments against considering philanthropy are, we would suggest, also mitigated by the fact that long-term or strategic giving, such as that created by a major gift or foundation, needs to fit a financial plan if it is going to be sustainable around the client's security. Further, from a technical view, a strategic giving vehicle is like any other form of trust. Investment advice is still needed, so it remains the job of the adviser to ensure a client's philanthropic financial strategy also produces the returns desired, whether financial or social. HNW customers are usually savvy financial investors and the principles of sound social investment will not be lost on them.

The arguments against considering philanthropy are, we would suggest, also mitigated by the fact that long-term or strategic giving, such as that created by a major gift or foundation, needs to fit a financial plan if it is going to be sustainable around the client's security.

In terms of operating in the client's best interest, like any financial decision, advisers will be a sounding board to help clients judge if their social investment is efficient and effective. In another case, if the client wants to be an active donor for a chosen cause (rather than just impersonally allocating funds), the adviser can potentially offer to play a hands-on role here, too. Clients have the opportunity for more enjoyment from their philanthropy, while the advisers come out looking pretty good as well.

In terms of operating in the client's best interest, like any financial decision, advisers will be a sounding board to help clients judge if their social investment is efficient and effective.

A common and excellent example of where there's a natural fit for client philanthropy is estate planning. There are numerous triggers for the discussion which make it a logical and fitting topic to suggest to the client. As with most things, learning how to provide philanthropic advice also eliminates much of any reticence in raising the subject. We can discuss a client's interest in philanthropy while still respecting privacy, values, personal boundaries and relationships. In close relationships with clients, advisers will already have discussed subjects that are as private, if not more so, than their potential interest in, and possible reasons for, giving.

Providing advice in client philanthropy may also:

- Increase new referrals and develop networks with clients' families and friends
- Attract new business from other service providers (e.g. estate planners or lawyers)
- Highlight additional parts of clients' portfolios not currently managed
- Allow advisers to meaningfully engage with their community and enhance their reputation
- Connect advisers with other professionals in a growing network in this fee-for-service arena
- Be a natural service environment to underline advisers' professionalism and integrity.

The relevance of exploring a philanthropic solution will be of universal interest to advisers who deal with a range of family dilemmas and estate issues, or the often-conflicted area of intergenerational wealth transfer. This relational area is just one of many triggers that come up regularly for advisers which can potentially be resolved through a philanthropic strategy. Others include inheritance, a client's desire for a memorial for a loved one, tax management issues, business disposal, retirement or a large termination payout. More than a usual legacy, a client's success in life moves to significance with his or her philanthropy.

The fact an adviser may help to realise a client's charitable aims does not mean the client has to give money or that the adviser's usual fee should be waived for philanthropic advice. These are, of course, up to the adviser, but it should be agreed that if advice is considered of value to the client, then a fee is appropriate. If the adviser wants to contribute by reducing or waiving the fee, then we suggest the boundaries for this should be articulated in some form. Professionalism wins the day every time.

It's often hard in business to create differentiation in a crowded marketplace. And loyalty and trust are decisions clients put into action when they can place a firm metaphoric finger on the basis for them. As professionals, we need to provide and maintain the reasons wherever and however we can for this. Wise positioning through a strong marketing plan around philanthropy is a winner for reputation – just think of the additional benefit when advisers help clients fulfil their aspirations to make the world a better place.

While these ideas around philanthropy as a business development strategy are increasing in Western business cultures, there is an increasing interest in broader philanthropic activity in Asia than previously, too, where the changes in economic capacity for this type of engagement have notably burgeoned over the past decade and more. Financial services have been quick to keep up with the trend.

Wise positioning through a strong marketing plan around philanthropy is a winner for reputation – just think of the additional benefit when advisers help clients fulfil their aspirations to make the world a better place.

Charitable sectors across South-East Asia also look to Australia for expertise in developing their social engagement programs. They examine the growth of community foundations across Australia, for instance, and see an ideal model for their own society. Apart from learning from Australia's structuring and governance of the charitable sector, advocates of Asian philanthropy also see the opportunity to build an Australia-Asia philanthropy network that captures the experience of Australian financial services as well.

While there is significant diversity across countries that make up Asia, we see an overall increased interest in strategic philanthropy through structures like trusts and foundations. The main focus for giving through these tends to be on educational institutions and health care/research, though this will expand, as will not-for-profit organisations supporting various causes.

Private banks operating in the Asian region are also seeing a strong level of philanthropic activity among their clients. Asian advisers are creating client bases interested in the area of investment for social impact and introducing more ways their clients can engage with giving. While donations are mostly cash-based and things such as property and donation of shares are still a relatively novel idea, wealthy Asians are giving substantial amounts.

Unlike the US, Australia doesn't have strong fiscal incentives for people to donate their wealth. In Asia the tax rates are relatively low, so fiscal measures may also lack influence on encouraging people's giving. Hence, advisers there are watching how established philanthropy advisers everywhere value-add for their clients.

In mainland China, the picture varies somewhat to the rest of Asia. While the amount given to philanthropic causes has been on the rise, it is still a fraction of levels in other countries. The Chinese Government has begun considering the country's first charity law. This could help reverse its people's reluctance to give, as the new law, if passed, will also clarify charities' legal status and address tax deductions for donations. This is possibly good news for creating confidence and incentives for increasing philanthropy in China and beyond.

Summing up

It's natural to assume that most advisers' client relationships will aim to have a financially productive outcome. But for some clients, satisfaction from the professional relationship they enjoy with their adviser is not always measured entirely in this way.

Philanthropy may not find a home in every affluent client's portfolio. When introducing the subject of strategic giving – whatever the motivation or trigger – it's wise to keep in mind that philanthropy will only be the right solution for a client who truly wants to give. It is not a reliable solution without this vital element.

Finally, while it's probably easier said than done for financial planners to move sideways from increasing the client's security to one that potentially enables them to 'give money away', it is part of the professionalism we can come to expect from new-era advisers that they can be flexible in how they view and fulfil their clients' aims. If we think of investment as having much broader potential, such as philanthropy brilliantly demonstrates, then the value of financial advisers to clients becomes even clearer and more relevant in their lives.

There is certainly a clear and relevant business case for advisers to investigate if client philanthropy is for them.

Mandy Lamkin, *has a broad background in the world of philanthropy. She has designed and delivered education programmes on the subject of financial services over the past 12 years though her training/consultancy business Enrich Australia. The latest is a comprehensive online programme entitled* Providing Advice in Client Philanthropy. *Her training expertise also lies in the fields of practical ethics and emotional intelligence for professional advisers. Mandy has held various positions in the charity sector, including chair of a humanitarian organisation. As philanthropy consultant to advisers and their clients, she has worked on both sides of the grant-making/seeking equation in individual and organisational philanthropy.*

The role advisers played in my donor journey

Interview with **Grant Gordon.** Interviewed by **Tanya Pepin** *(www.wsale.co.uk)*

Tanya Pepin

Grant Gordon

TP ***Can you describe your philanthropic journey so far?***

GG My personal journey into philanthropy has been gradual. I come from a business family background. As a family, we are aware that we have wealth and are therefore privileged. Consequently, we have the opportunity to give something back to the community from which our business was founded and operates. This is part of our DNA.

My personal giving has become increasingly more structured over the last 30 years but this has been an evolution rather than a plan. I see this as a learning journey and this will continue for me and, I am sure, my children and wider family.

Initially, while working within William Grant, our family business, I became involved with our local community foundation. Through the company partnering with the community foundation, we established some local grant programmes and I ultimately became Chair of the SW London Community Foundation, which merged with other similar charities to become the London Community Foundation.

With the help of the community foundation, we set up a charitable fund and this got my family involved in agreeing its remit and focus. This proved to be an ideal vehicle for involving the next generation – my daughters – in discussions about society and how we as a family could help. Today, my daughters are responsible for the grant-making decisions and are engaged with tackling existing issues such as the lack of social capital and barriers to social mobility.

My work as a trustee with our community foundation also led to the belief that we should create a fund to focus on supporting issues around youth opportunity. Through this development, I felt that I could make a difference by focussing on alleviating the impact of poverty on children and young people. I established the Childhood Trust, a fundraising charity that provides support to grassroots charities that offer practical, emotional and inspirational support to children affected by poverty, with the aim of improving their life experience.

Coming full circle and returning to my roots, I was recently elected chair of the William Grant Foundation. We set up the foundation, which is funded by our family company, partly to apply a more planned and structured mechanism for giving but also to ensure that family members can play an active role in shaping our giving. I am also focussing time on establishing an organisation – the Cabrach Trust – to promote rural regeneration in a small community in the north east of Scotland. Once more, this interest stems from my family's connections with this part of the country.

And last but not least, Philanthropy Impact. I became aware of Philanthropy Impact through my contacts at the community foundation. Its mission really resonated with me. Philanthropy Impact encourages and promotes the role that advisers play with existing or potential philanthropists. I was fortunate to get great support and advice as I embarked on my philanthropic journey and my experience has been very positive. Therefore I felt strongly that I wanted to be involved with an organisation that was established to help others to have the same experience.

I was fortunate to get great support and advice as I embarked on my philanthropic journey and my experience has been very positive. Therefore I felt strongly that I wanted to be involved with an organisation that was established to help others to have the same experience.

TP ***What is your experience with advisers?***

GG As I have mentioned, I have had a very positive experience securing advice regarding my own and our family's philanthropy. I have always felt that advice is close to hand as and when we have needed it.

My family and I have been able to call on a range of advisers including our accountants, wealth managers, trustees and specialist consultants. All of them have raised useful questions about our approach to philanthropy offering their assistance and support in this area. Each of our advisers has been pro-active with regard to philanthropy and ensured that, as a topic, it is on the agenda.

At each step change in my philanthropic journey I have generally sought external, expert advice. That has included attending education events, networking with other philanthropists as well as using consultants. This continual process has helped to frame and shape our thinking. Also, in my experience, philanthropy is emotional and it can be really worthwhile to have an independent mind to challenge your thinking. This might be in the form of facilitation, for example when agreeing on your mission and area of focus, or it might be practical advice, such as choosing the most appropriate vehicle for giving or setting up a fund that is fit for purpose and built on best practice.

Although we have incurred a cost for some of the advice we have received, as a family we have rarely questioned the value of that advice. In fact we have found that the advice has more than re-paid itself. Being secure in the knowledge that we have put the most appropriate structures in place has been worthwhile and helps to give us comfort that our giving is hopefully delivering some real impact.

Although we have incurred a cost for some of the advice we have received, as a family we have rarely questioned the value of that advice.

I have the utmost admiration for Philanthropy Impact's corporate members, and I have observed that, as a group of organisations, they have a hunger to learn and are dedicated to promoting knowledge-sharing and best practice. I believe that for any families or individuals who are wanting to start on their own giving journey, the best place to start is to talk with their advisers and, of course, with their peers.

TP ***What do you think the future will look like for philanthropy?***

GG I am excited about what lies ahead within the world of philanthropy. I observe that there is a new generation emerging with a greater consciousness of society and social justice than our own 'baby boomer' generation.

For example, younger people are questioning corporations about their approach to environmental, employment and other issues. They recognise the wider impacts of migration on society and the longer-term issues communities face with regard to health and social care. Furthermore, this generation is not only identifying issues and holding people accountable, they are being more vocal, more demanding and have the real potential to create a positive change in society.

Evidence suggests that the emerging group of younger philanthropists will perhaps challenge the status quo and may be more innovative in their approach to philanthropy. We are already seeing this with the growth in social enterprise as well as the emergence of socially responsible investing, both of which are being driven and demanded by the next generation.

The next generation are moving towards a new type of philanthropy, which is about more than just giving – it is about enabling positive change. The new generation understands that profit and purpose can go together, and this will lead to exciting models and potentially stronger outcomes. Whilst it is my role as a philanthropist to support this evolution, I believe, as does Philanthropy Impact, that there is a huge role for professional advisers in facilitating this positive evolution.

Grant Gordon *is a philanthropist and social entrepreneur. His charitable roles include chairing Philanthropy Impact, campaigning to grow modern philanthropy. His other principal charitable activities include the Childhood Trust, which he founded and which is helping to alleviate the impact of child poverty in London. In Scotland, he chairs the Cabrach Trust promoting rural regeneration in a remote community in Moray, and the William Grant Foundation, which focuses on creating opportunities for people to thrive.*

Grant is married to Brigitte and they have three daughters and two grandchildren.

Tanya Pepin *is a serial entrepreneur, and Founder and Director of the Whole Sale Company. It operates within the UK grocery wholesale channel enabling suppliers and wholesalers to achieve data-led sales by mining their EPOS data. Prior to this, Tanya was a Partner in JPA (Europe) Limited, a management consultancy that worked with for-profit and not-for-profit organisations. JPA also provided outsourced data management services. While at JPA, Tanya gained extensive experience working with charities, specialising in strategic and business planning and major donor fundraising.*

When impact has an equal bearing

Kelly McCarthy *(www.thegiin.org)*

Governments have been tackling social and environmental issues for generations. Philanthropists have been bettering the world with their gifts for a century or more. Impact investing is, to many, a new kid on the block, but one which is undeniably gaining traction and sophistication with every passing year, bolstered by the experiences of these purpose-driven forbearers.

Kelly McCarthy

Impact investing is based on the belief that one can profit while also addressing pressing social and environmental issues. But, in order to do so effectively and responsibly, there must be a common understanding of how capital is creating tangible, positive change in the lives of people and in the environment in which we live. This is where measuring and managing towards impact comes in.

The Global Impact Investing Network (GIIN) was formed in 2009, and today our members include more than 220 investors, fund managers, wealth advisers and other industry actors in 33 countries. Impact measurement has been at the heart of our work from the beginning, stemming from a fundamental question: what would it take to enable investors to consider impact – the social and environmental performance of their investments – alongside financial performance? Or more ambitiously, what would need to happen for investors to give impact performance an equal bearing to financial performance in investment decisions?

Collectively accelerating progress

For donor agencies, non-profits, development finance institutions and other development-orientated organisations, the fundamental concepts and principles of impact measurement have been established for decades[1]. Most investors have comparatively had far less exposure to impact measurement lingo, concepts, practices or resourcing considerations. But investors are an extremely data-driven crowd, so to enable the impact-investing industry to continue to grow and mature, I believe this community will need to work together to strengthen industry resources in three areas: a common language to understand impact data alongside financial information; increased guidance on meaningful impact measurement and management practices; and an evidence base for impact investing as a strategy to address social and environmental issues.

1. Use a common language

In order for more capital to flow to impactful businesses, investors need credible, standardised impact information based on a common metrics language. Impact Reporting and Investment Standards (IRIS) is the catalogue of generally accepted performance metrics that leading impact investors use to measure the social, environmental and financial results of their investments. Managed by the GIIN, it addresses the market need for a common metrics language and provides investors with a comparable means of analysing data on performance.

Impact investing is based on the belief that one can profit while also addressing pressing social and environmental issues.

With the recent launch of its fourth upgrade, the development of IRIS is part of an ongoing process to establish metrics that are important for impact investment decision making. IRIS is built in collaboration with, and to complement, the leading methodologies, rating systems and reporting frameworks designed for investors. It provides investors with clear instructions and examples that enable consistency in data collection, management and

reporting across the industry. According to the GIIN's annual survey of impact investors, most report using IRIS-aligned metrics. But 'most' doesn't mean the work is done. Standards setters and impact investors need to continue to work together to streamline the utility of the language across the industry. Wealth advisers can play a particularly useful role in this industry-building work by adopting strong impact measurement practices and metrics, educating the brokers with whom they work about impact, and sharing insights from their work with mission-driven investors. This is one way of helping investors match their investment motivations with the metrics that matter most for investment analysis and decision making.

2. Contribute to a community of leading practice

The GIIN believes that impact investing's potential will only be achieved through collaboration and partnerships among the many stakeholders involved. The industry requires a strong community of practice to help investors collectively learn and raise the bar together. Although there is a great deal of testing and experimenting with impact measurement practice in the industry today, investors can feel on their own as they try to figure out the practical implications, such as what depth of measurement rigour is appropriate, and which metrics and type and amount of impact information is sufficient to inform decisions. Because of their role in the investment process, advisers often find themselves sitting at the frontlines of these deliberations. Increasingly, we at the GIIN are being approached by wealth advisers who are motivated to find more reliable ways to assess impact deals on social and environmental parameters to help bolster their client's decision-making process. Although nascent in its deployment as a common practice, I see this as a promising development towards greater consideration of social and environmental information in portfolio allocation discussions. But, the lessons learned from these exchanges will do little to move the industry forwards if they remain behind boardroom doors. We need to continue to connect and exchange views about important developments in impact measurement and management. This will enable us to figure out what works, develop best practices and overcome any challenges to realising the full value of the industry's work so we can help streamline the flow of capital towards impact.

3. Build an evidence base

Impact measurement and management should provide intrinsic value for the investor, their investees and the beneficiaries of an investment, beyond the financial bottom line. However, lack of robust evidence that impact measurement and management can also deliver fundamental business value limits the practice and reinforces the perception that it is a costly add-on, rather than an integral and value-adding component of the investment process. The desire to create impact does not always drive sufficient commitment to impact measurement. Combining desire with a strong business case and evidence base of performance will be more effective at getting investors to attach appropriate financial and human resources to impact measurement and seriously consider impact information for decisions. Some are naturally hesitant about openly sharing performance data. But the only way to progress in truly understanding how interventions deliver impact is for each impact investment stakeholder to share data on actual performance, supporting research, what assumptions were used and the qualitative reflections of our experiences.

The way forwards

An increasing number of investors are experimenting with innovative and inspiring ways to understand how their capital is generating positive change, but the industry still has a way to go to agree upon a coherent – and realistic – perspective on what constitutes effective impact measurement practice. What level of proof or depth of measurement should be expected of all impact investors? Is there a need to differentiate expectations for investors depending on their impact objectives and the type of capital they are deploying?

Each of us has a role to play in helping answer these questions and moving the industry forward. As an industry-building organisation, the GIIN is working closely with a variety of partners to help advance the industry discourse and sophistication on the three opportunities noted above, as well as a number of other industry topics. We work in collaboration with wealth advisers, leading practitioners, standards setters and sector experts to ensure impact investors have the information they need to understand whether their strategies are delivering intended impact. For those who, like us, believe in the immense potential of impact investing and the critical significance of good impact measurement, I encourage you to reach out and collaborate with us to accelerate progress collectively towards a common understanding for how capital can create tangible, positive change in our communities and for the environment.

Kelly McCarthy *is a Senior Manager in IRIS and Impact Measurement at the The Global Impact Investing Network focusing on Impact Reporting and Investment Standards (IRIS) and impact measurement. She manages strategic partnerships and adoption among investors and other standards-setting bodies, and supports the GIIN's work to bring practical impact measurement guidance and infrastructure to the impact investment industry. Kelly is also a member of the Emerging Markets Standards Advisory Council of the Global Impact Investing Rating System (GIIRS) and served as secretariat to the co-chairs of the Impact Measurement Working Group of the Social Impact Investment Taskforce, established by the G8, which produced the industry reports Measuring Impact and the Guidelines for Good Impact Practice.*

The GIIN is a non-profit organisation dedicated to increasing the scale and effectiveness of impact investing. Impact investments are investments made into companies, organisations and funds with the intention to generate social and environmental impact alongside a financial return. They can be made in both emerging and developed markets, and target a range of returns from below-market-to-market rate, depending on investors' specific objectives. The GIIN builds critical infrastructure like IRIS and ImpactBase, and supports activities, education and research that help accelerate the development of a coherent impact-investing industry.

[1] Vogel, Isabel. Review of the Use of 'Theory of Change' in International Development. Report. April 2012. http://r4d.dfid.gov.uk/pdf/outputs/mis_spc/DFID_ToC_Review_VogelV7.pdf.

Leading from the front:
Alexander S Hoare and philanthropy advice at C Hoare and Co.

Interview with Alexander Hoare *(www.hoaresbank.co.uk)* | **Interviewed by Mary Rose Gunn** *(www.bulldogtrust.org)*

As a partner and former chief executive of the UK's last truly private bank, C Hoare and Co, Alexander Hoare probably had philanthropic values sprinkled on his cornflakes from a young age. Hoare's is not only famous for the calibre of its customers – Samuel Pepys and Jane Austen to name two – but for its values. Philanthropy and a sense of community go hand-in-hand with the banks' insistence on keeping an eye on the long-term. Although when the average length of customer tenure is three generations, you can understand why such values make so much sense for its client base and for the eight direct descendants of the founder that serve as partners.

Make no mistake, however, all this tradition has not produced a traditional thinker. During his time running the bank from 2001 to 2009, Alexander instigated a major modernisation of the bank's services, a two-fold increase in capitalisation and welcomed the first non-family members as chairman and CEO after he stood down. Alexander was an early advocate of the social investment movement and has built a portfolio which he hopes to use as a tool to encourage others into joining him in impact investing. He is involved with various charities and since 2011 has collaborated with the Bulldog Trust on some of our most innovative grant-making projects. It therefore came as something of a surprise that Alexander believes C Hoare and Co is absolutely right in offering no formal philanthropy advisory services to its customers.

Alexander Hoare

Mary Rose Gunn

"The bank is in the business of building a trusted relationship with its customers," Alexander explains, "and we believe that trying to make a business out of philanthropy might put that at risk." Instead he argues that because the Hoare's service is truly bespoke, partners and relationship advisers must understand all of their customers' interests so it is impossible not to be aware of their philanthropic as well as their finance needs. Relationships are so well developed that providing the right contacts to someone interested in funding in Kenya, or convening customers with a similar interest in the migrant crisis comes entirely naturally and is one of the ways the bank retains an edge over competitors.

"Our principled approach is well-known in our segment of the market and it attracts like-minded customers," Alexander notes, although when you've purposefully kept the number steady at 10,000 for the last 50 years, some might say the rarity value of being able to access Hoare's services plays an equally important marketing role. Refusing to expand is all part of the famous approach – the bank can only know so many if they want deeper relationships – but does this model actually promote philanthropy? Alexander believes that it does for their customers, and anyway the vast majority are already doing more than most people understand. He told the story of asking one customer if he knew anything about philanthropy – the response was negative "although he said he had once raised £20m for a charity".

C Hoare and Co does offer one philanthropy service – a donor-advised fund that has proved extremely popular. But Alexander is quick to point out that even this is not profit-making. It is also the only Hoare's service that is available to non-customers. The motivation for its establishment was to encourage customers to give more by saving them time and money and it seems to be working. The partners expected that it would be used by individuals looking to establish funds under £2–3m as a more efficient option to setting up a foundation, but in fact has some holders of over £10m. "It seems that people see that if it works small, there is no reason for it not to work big," says Alexander with a shrug.

For his listed competitors who are forced to turn philanthropy into a business proposition, he is sympathetic as he believes that it is so difficult to run such services under the continuous pressure of quarterly reporting. He notes there may be a possibility for social investment to square this circle in future, but that, as it is such an immature market, this is a long way from being the case.

…he (Alexander Hoare) argues that because the Hoare's service is truly bespoke, partners and relationship advisers must understand all of their customers' interests so it is impossible not to be aware of their philanthropic as well as their finance needs.

Alexander is also less positive on whether he is noticing growing interest amongst his customers in social investment, something that he has been an early supporter of. He notes that he wrote to all 10,000 to invite them to focus groups on ESG, social investment and the investment policies of the bank but got only five replies. "They all said that they trusted us to do the right thing," he says without managing to keep the disappointment from showing.

So can his customers be influenced? "It will come," he says firmly. "Mainstream markets are not serving the interests of investors or the public any more and there is an increasing desire to go local which community and social investment can answer. Instinctively our customers understand that orientating towards money leads to bad relationships whereas orientating towards outcomes is much more positive in the long term and that there will always be enough money to go around."

Social investment is such a nascent market that helping to build the buzz is key. He notes with approval the rise of intermediary organisations such as New Philanthropy Capital and Philanthropy Impact that are providing education to investors, philanthropists and advisers, and drawing new blood into the sector.

Alexander is positive about the future as long as certain obstacles are addressed: "There is a wall of money looking for good investments that can create impact and a gaping need for funds in the civic sector. But we need more trusted intermediaries to make things happen and the threat to progress posed by the current levels of regulation must be addressed."

He is also concerned that more support is made available to innovative smaller organisations to help them break through to the mainstream. He cites Golden Bottle/Bulldog-funded projects such as Street Doctors, Hackney Pirates and the Archway Project as evidence of how little can be needed to lift an organisation onto a path of greater sustainability or scaling. And even some of the negatives may be opportunities, he notes – bad charities will be more likely to fail due to the increased emphasis on impact reporting, and the government retreat from funding services will force civil society to be more enterprising.

"Millennials have a different relationship with money and it will change things," he predicts. "Social investment will be redundant within a generation as all investments will have impact built in."

And with his clients, well, it sounds like his most powerful weapon is to continue to lead by example.

CASE STUDY

The Archway Project in Thamesmead, South East London has been working since 1982 to enrich the lives of young people disengaged from formal education, through delivering a range of accredited courses and activities, including motorcycle and car mechanics, off-road motorbike riding, horticulture, cookery and healthy eating, and life-skills such as accounting. Since it began it has worked with over 5,000 young people, with a track record of cutting negative involvement with the police from 58% to 13%, pre- and post-membership of the organisation.

In 2014 the Golden Bottle/Bulldog Funding Initiative awarded Archway a grant of £9,938 to pilot a BTEC Diploma course in 'Information and Creative Technology'. Success of the pilot has had major impact for Archway in three ways: they are now able to make much better use of their IT resources, the pilot provided its eight non-fee paying participants with a high-level qualification and it provided a model that is now generating a longer-term income stream for the organisation as a whole.

Alexander Hoare *graduated from the University of Edinburgh with a B.Comm with honours in marketing and is the first of the eleventh generation of C. Hoare & Co. Partners. Prior to joining the bank he worked as a Marketing Consultant for PA Consulting Group until joining the bank in 1987. He was Chief Executive of the bank from 2001 until 2009.*

Formerly he was a trustee of Training for Life, a Non-Executive Director of Jupiter Green Investment Trust, President of the Groupement Européen de Banques, and a member of the Westminster Abbey Finance and Advisory Council. He is now active in the field of social and impact investing and a Patron of Trinity Hospice.

Alexander's recreations involve many sports, notably cricket, tennis, real tennis and sailing. He also likes to travel off the beaten track.

Mary Rose Gunn *is Chief Executive of the Bulldog Trust. The Bulldog Trust have been working with C Hoare and Co's foundation, the Golden Bottle Trust, since 2012 to help the most innovative, early-stage charities and social enterprises achieve their potential to lead social change by providing unrestricted development funding and strategic support. The project has achieved exceptional results and will be relaunched later this year as the Temple Place Partnership, providing selected boutique high-finance organisations with tailored opportunities to support and mentor the highest-quality social impact projects in the UK.*

The Bulldog Trust, a charitable trust established in 1983 offers financial and advisory assistance to charities. The Bulldog Trust works to encourage resourceful giving through initiatives to promote professional involvement in charity and donor support services. This includes a funding programme supporting the strategic development of early-stage charitable projects and the Engaging Experience network which has connected over 900 business people with charities in need of pro bono expertise since 2009. The trust is based at, and owns, Two Temple Place which supports and inspires many of its activities including the Winter Exhibition Programme – promoting museums and galleries around the UK through showcase exhibitions.

From 2004 to 2006, Mary Rose worked in Parliament, concentrating most of her time on research into international development issues. Prior to that she worked in the media as a news producer for an entertainment channel and graduated with a degree in Modern History from Oxford University. She is a trustee of the Margaret Pyke Trust and a Fellow of the Royal Society of Arts.

The investment case for social investing and the role IFAs must play

Martina Macpherson *(www.si-partners.co.uk)*

In a world of growing social issues and falling public spending, the need for social investment has never been greater. In this article, we explore the different approaches that can be taken, the UK retail market context and the role advisers can play – now and in the future.

Martina Macpherson

Social investing is at the core of a broad investment spectrum that runs from philanthropy to responsible and sustainable investment. It is designed to provide finance to generate social and financial returns to address some of society's most important issues supporting the mission of the 'Sustainable Development Goals'[1].

Social investing can bring benefits to enterprises, charities and investors alike. For enterprises and charities, it can help finance innovation and growth, improve commercial skills and strengthen governance and accountability; for investors, it provides another route to reflect personal values, reputational or political risks in their portfolios and to engage with environmental or social change [2].

The UK context for social investing

According to Big Society Capital, the value of social investment in the UK was around £1.5m at the end of 2015. Over two-thirds (70%) of this investment is channelled to charities and social enterprises. And social investment activity is growing: in 2015, £427m of investments were committed – up from £165m in 2011 [3].

Social investing has also featured high on the UK's public policy agenda for a couple of years. In 2011, the UK Government set out its ambition for a bigger social investment market[4] focusing on three clear areas:

1. Increasing the supply of social investment
2. Increasing the demand for social investment
3. Creating an environment that allows the market to thrive.

This commitment towards social and impact investing has led to multiple initiatives in the UK so far:

- The creation of the world's first independent wholesale social investment institution –Big Society Capital – which had committed over half a billion of investment with its partners to the social sector by the end of 2015.
- The development of the world's first 'Social Investment Tax Relief' which is set to unlock £480m worth of investment over the next five years.
- The launch of the US$100m 'Dementia Discovery Fund' and the £7m 'Arts Impact Fund' – two structured funds that combine public and private money to create positive social impact.
- The development of the 'Investment Readiness Programme' which aims to stimulate further demand for social investment through the world's first 'Investment and Contract Readiness Fund' (ICRF), 'Social Incubator Fund' and 'Impact Readiness Fund'.
- The creation of Access, a new £100m charitable foundation, in partnership with the Big Lottery Fund and Big Society Capital which acts as a champion for charities and social enterprises at the early stages of development, providing finance and support for growth.
- The launch of the 'Centre for Social Impact Bonds' (SIB) to support new SIB development, alongside a 'Social Outcomes Fund' to assist local commissioners to develop new SIB

	Traditional	Responsible	Sustainable	Thematic	Impact First	Philanthropy
				Impact Investment		
	Competitive returns	Competitive returns	Competitive returns	Competitive returns		
		ESG risk management	ESG risk management	ESG risk management	ESG risk management	
			ESG opportunities	ESG opportunities	ESG opportunities	ESG opportunities
				High-impact solution	High-impact solution	High-impact solution
	Finance only	The New Paradigm	The New Paradigm	The New Paradigm	The New Paradigm	Impact only
Focus	Limited or no focus on £50 factors of underlying investments	Focus on ESG risks ranging from a wide consideration of ESG factors to negative screening of harmful products	Focus on ESG opportunities, through investment selection, portfolio management and shareholder advocacy	Focus on one or a cluster of issue areas where social or environmental need creates a commercial growth opportunity for market-rate or market-beating returns	Focus on one or a cluster of issue areas where social or environmental need requires some financial trade-off	Focus on one or a cluster of issue areas where social or environmental need requires 100% financial trade-off
Examples		▪ Private Equity firm integrating ESG risks into investment analysis ▪ Ethically screened investment fund	▪ 'Best-in-class' SRI fund ▪ Long-only public equity fund using deep integration of ESG to create additional value	▪ Clean energy mutual fund ▪ Emerging markets healthcare fund ▪ Microfinance structured debt fund	▪ Fund providing debt or equity to social enterprises and/or trading charities	

Source: Bridges Ventures, 2012

Figure 1: The social investment continuum

propositions. These SIBs are addressing a range of social issues, from youth unemployment and children in care to long-term health conditions and social isolation.

- Last, but not least, social investment was incorporated into the UK Government's international 'GREAT Britain' campaign, to promote the UK as the global hub for social economy and increase social investment into the UK market.

As part of the UK's social and impact investment programme, the UK also placed social investment on the G8 agenda in 2013 – through a dedicated 'G8 Social Impact Investment Taskforce'[5].

What role can independent financial advisers play?

While social investment approaches have led to multiple government-backed initiatives and have become common practice among institutional investors – with total AUMs in sustainable investing reaching US$21.4 trillion in 2014, globally[6] – the retail market in the UK (and elsewhere) initially struggled to adopt the concept more widely.

Generally speaking, assets under management were holding up, as was relative performance. Research, information and education services for advisers, e.g. as developed by SRI Services[7] and Worthstone[8], were available – yet, clients were typically expected to request socially responsible (SRI) or ethical investments if they wanted advice on this market. This was partially due to the fact that independent financial advisers (IFA) in the UK were cautious and uncertain about advising clients on social and impact investing.

The situation started to change in 2012, when Nesta and the advisers firm Worthstone issued a joint-report on *Financial Planners as Catalysts for Social Investment*[9]. Their report demanded that social (impact) investing had to be brought into the mainstream. It stated that IFAs were overwhelmingly convinced there was client demand for the asset class but were unsure how to advise on it. It also concluded that IFAs had a pivotal role to play in encouraging social investment, but needed better guidance and more clarity from the FSA on how to use it in client portfolios.

In response, the FSA kickstarted an educational initiative for IFAs on social impact investing in 2013, outlining that sustainable and social investments were essential for the future of the UK's infrastructure and for 'dealing with environmental and human wellbeing'[10].

A dedicated research report entitled Marketing Social Investments - An Outline of the UK Financial Promotion Regime from the Social Investment Research Council[11], commissioned by the City of London Corporation, finally followed in 2014.

It found that regulatory rules around investment suitability in the context of the Financial Promotion Regime were deterring advisers from recommending social investments, which had an impact on growth in the sector. The report also revealed that the majority of advisers still regarded social investments as riskier than mainstream commercial products and concluded that financial advisers were ultimately acting as a barrier between social investment opportunities and clients.

Following this analysis, and the new focus on the role advisers need to play, the tide is finally turning. In

March 2016, Rob Wilson MP, Minister for Civil Society announced the UK Government would support advisers seeking to enter the social investment market as part of its 'vision of a bigger, stronger society here in the UK'[12].

The next steps now need to be taken jointly by advisers, who will need to ensure that social investment is right for their clients, and by retail investors, who will need to ask themselves whether positive social impact is an investment objective, alongside financial return. Social investment is still in its infancy but it is likely to be a growth area over the next decade with financial planning positioned to play an important role.

Social investment outlook

New opportunities in social investing are emerging – for investors, policy makers, IFAs and service providers. Here are a few key developments:

- More demand for social investment – there is both an appetite for social investment among retail investors, and a sufficient number of retail investors to be of interest to social enterprises seeking investment capital.
- Education and capacity building – accredited education, training and assessment are key strategies for bringing social investment to the mainstream. In this context, Worthstone will launch FCA-accredited social investment training this year to ensure the competency of those advisers interested in social investment.
- Data consistency and transparency – there is a clear need for more data consistency and transparency. Advances in technology and open/big data are helping to push social metrics forwards, and fund ratings, as provided by Morningstar[13], will enable investors and advisers to evaluate how well the companies held in their funds are managing their environmental, social and corporate governance (ESG) risks and opportunities.
- Multi-stakeholder efforts and cooperation – there is a strong momentum building for social investment across all stakeholder groups. Increased cooperation will enable the market to expand more rapidly and to overcome areas of uncertainty. And as government funding for social initiatives is redefined due to the tightening of public spending, there is an opportunity for private investors to step into the breach.

__Martina Macpherson__ is the Founder and Managing Partner of SI Partners Ltd., an independent consulting firm specialising in Economic, Environmental Social and Governance (E-ESG) research, products, thought leadership content and engagement services. SI Partners represent oekom research in the UK. Martina is a board member of the Network for Sustainable Financial Markets and an independent NED board member & chair at the Global Thinkers Forum. She also sits on the UK Sustainable Investment and Finance Assocation (UKSIF)'s analyst committee board, and on the board of Thomas Arneway Trust. Martina is a member of the Institute of Directors and an affiliate member of the Institute of Chartered Secretaries and Administrators (ICSA). Previously, she worked at Hermes EOS and held various business, research and product development roles at MSCI, Lloyds, RBS, F&C and Deutsche Bank.

[1] Source: Sustainable Development Goals, Link: https://sustainabledevelopment.un.org/index.php?menu=1300

[2] Source: CSSP AG / SI Partners, MyImpact - Fundamentals of Modern Philanthropy, 2014, Link: http://www.myimpact.li

[3] Source: Big Society Capital, The Size and Composition of Social Investment in the UK, 22nd March 2016, Link: http://www.bigsocietycapital.com/latest/type/research/size-and-composition-social-investment-uk

[4] Source: HM Government, Social investment: a Force for Social Change - 2016 Strategy, Link: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/507215/6.1804_SIFT_Strategy_260216_FINAL_web.pdf

[5] Source: Global Social Impact Investment Steering Group, Link: http://www.socialimpactinvestment.org/

[6] Source: GSIA Report 2014, Link: http://www.gsi-alliance.org/members-resources/global-sustainable-investment-review-2014

[7] Source: SRI Services, Growing retail sustainable, responsible and ethical investment, Link: http://www.sriservices.co.uk/

[8] Source: Worthstone, The Social Investment Academy, Link: http://www.worthstone.co.uk/the-social-investment-academy/

[9] Source: Nesta, Worthstone, Financial Planners as Catalysts for Social Investment, June 2012, Link: http://www.worthstone.co.uk/adviserarea/assets/pdfs/Financialplanners14.pdf

[10] Source: Citywire, FSA to guide IFAs on social impact investing, 7th February 2013, Link: http://citywire.co.uk/new-model-adviser/news/fsa-to-guide-ifas-on-social-impact-investing/a656055

[11] Source: City of London Corporation, Marketing Social Investments - An Outline of the UK Financial Promotion Regime, June 2014, Link: https://www.cityoflondon.gov.uk/business/economic-research-and-information/research-publications/Documents/Research-2014/marketing-social-investments-financial-promotion-regime.pdf

[12] Source: UK Government / Rob Wilson, The Future of the UK Social Investment Market, 22 March 2016, Link: https://www.gov.uk/government/speeches/the-future-of-the-uk-social-investment-market-rob-wilson-speech

[13] Morningstar, Morningstar Introduces Industry's First Sustainability Rating for 20,000 Funds Globally, 3rd January 2016. www.morningstar.com

Germany: an emerging market for philanthropy social investment advice – how legal and tax advisers may contribute to raising the quality of giving

Dr. Julia Runte, LL.M. and **Iring Christopeit, LL.M.** *(www.esche.de)*

Charities and donors benefit from a variety of tax exemptions in German tax law. That is why German lawyers and tax advisers play an important role for charities as well as for donors when it comes to setting up a social project. But by doing this, legal and tax advisers also get the opportunity to contribute to raising the quality and quantity of giving. This is especially true when they manage to combine different aspects and interests – such as corporate successions or social entrepreneurship – with the thought of philanthropy. Understanding the client's needs is crucial, but only precise knowledge of the ever-changing legal and tax framework can increase the quality of giving.

Most social investments or social projects in Germany start with legal and tax advice in order to ensure that the legal requirements for being accepted as a charity – which are controlled by German fiscal authorities – are met. Lawyers and tax advisers that are specialised in the law of tax-exempt organisations thus get the opportunity to increase the quality and quantity of giving by expanding their legal and tax advice. Consequently, the outcome for donors, for the charity and for any other economic interest may be improved.

Julia Runte

Iring Christopeit

Choosing the most appropriate legal framework

A good example for this is the choice of the charity's legal framework. According to German law, a variety of legal frameworks are open to non-profit organisations. The right choice depends on the different interests of those setting-up the social project and, especially, the way the non-profit organisation intends to earn money. The gemeinnützige GmbH (gGmbH) is increasingly getting more popular because it combines the advantages of a limited liability company with granted tax exemptions. As the German version of Ltd. (Unternehmergesellschaft haftungsbeschränkt), which may be founded by a small amount of money, is just a variation of a regular limited liability company, even a 'non-profit limited' (gemeinnützige Unternehmergesellschaft haftungsbeschränkt) may be taken into account if the financial resources for the set-up are limited.

If, on the other hand, the intention to raise money by donations is more important, social investors may prefer the legal framework of a charitable foundation (Stiftung). Already the expression Stiftung is almost automatically combined with the impression of a long-lasting, merely non-profit-orientated institution. The Stiftung is, despite this reputation, not apt for every project because it is not as flexible as the gGmbH. Amendments to its statutes are difficult and the Stiftung is subject to a specific form of control executed by an administrative body (Stiftungsaufsicht). Perhaps the most difficult aspect of a Stiftung in relation to a possible improvement of the quality of giving is that it has actually the legal obligation to preserve its assets and is only allowed to spend its earnings for the charitable purposes pursued. While it is, as an exception, also possible under specific circumstances to use all or parts of these assets directly for the charitable purposes, on occasions the adviser may advise against the Stiftung for a specific project. Also, it should be kept in mind that a separate new legal entity is not always needed, but it may be worth considering a simple donation to a pre-existing Stiftung which pursues the charitable purposes that the 'founder' would like to promote. It may even be possible to attribute the name of the founder to this donation if the donor so wishes. In this case, it is possible to join forces for good and avoid additional administrative expenses related to a separate legal entity by choosing a donation. If it is possible for the tax and legal adviser to show that this solution for a charitable project may be in the best interests of all, he or she may make a substantial contribution to the quality of giving.

According to German law, a variety of legal frameworks are open to non-profit organisations. The right choice depends on the different interests of those setting-up the social project and, especially, the way the non-profit organisation intends to earn money.

Another aspect that specialised lawyers and tax advisers may consider is the combination of charitable interests with other, not primarily commercial, interests. An example of such a combination is the use of a non-profit organisation as a means of structuring a corporate succession. For various reasons, the owner of a well-running business may not find an appropriate successor if, for example, he or she does not have any children, the children are not interested in running the business or are not qualified to do so. Also, he or she may not want to sell the business to third parties. In cases like these, implementing a non-profit organisation as a legal framework to perpetuate the corporate business is advisable.

Many options are available. Family members that are not interested in running the business may be interested in taking part of a non-profit organisation; profits from the well-running commercial business may be at least partially turned into profits for a charitable purpose. Also, a family tradition or at least a family influence in the firm may be granted by certain positions that are reserved for family members of the last company holder.

In these fields the owner of the business will need legal and tax advice because there are different ways to implement such a perpetuation of a business by using a non-profit organisation. One way could be the donation of the business to a non-profit organisation that already exists or that is to be set up by the company owner. Another way could be the integration of a charitable organisation into the existing commercial business, leading to a Stiftung & Co. KG, which is a combination of a foundation as the partner with unlimited liability and a partnership.

Fundraising

Unlike what many people believe, it is not always necessary to set up a social project alone. Legal and tax advisers can assist social investors or project initiatives to define the fundraising tools that fit best and through these structures improve the quality of giving.

One way could be to explain the way external donations work. They provide an opportunity for social investors to participate in an already existing charitable organisation. External donations are legally different from ordinary donations: while ordinary donations have to be re-invested quickly by the charitable organisation, external donations can be used to raise the capital stock of the foundation. By this means a social investment is more directly bound to the aims of its social project. Sometimes even special rights or special merits are combined with an external donation.

In our experience it is a common misunderstanding that non-profit organisations in German tax law are not allowed to make profits. Thus, it can be important to clarify that while it is indeed not possible to distribute profits for non-charitable purposes, it is permitted to use commercial activities to raise more funds for the charitable purposes pursued. This leads to more flexibility and in the long run awakens a higher interest in social projects in general.

Finally, even if the status as a charitable organisation seems very attractive at first sight, it is not mandatory for social entrepreneurship activities. While relief from corporate tax is granted for the actual charitable activities, unrelated commercial business activities are allowed but proceedings are not tax-exempt. Even for social business activities it may be therefore advisable not to apply for tax-exempt status, particularly because restrictions applicable for charitable organisations may in the long run have a negative impact on business development.

In order to contribute to improve the quality of giving, tax as well as legal advisers will therefore need a good understanding of the client's business case, of the legal and tax framework to be considered but also of the current trends and tendencies in the non-profit sector. If an adviser meets these criteria, he or she may, while advising the client, also contribute to raising the quality of giving in general.

Dr Julia Runte *is a lawyer and tax adviser as well as partner at Esche Schümann Commichau in Hamburg. She has studied in Cologne, Paris and Munich and is a specialist in legal and tax advice to foundations, non-profit organisations and private clients. Dr Runte has been scientific assistant at the Institute for Foundation Law and the Law of Non-Profit-Organizations at Bucerius Law School, Hamburg. She is author of numerous articles and a speaker on foundation and non-profit-organisation topics. Among her clients are museums, large fundraising organisations and private collectors in northern Germany and beyond.*

Iring Christopeit *is a lawyer and tax adviser at Esche Schümann Commichau in Hamburg. Iring Christopeit has studied at the University of Mannheim and at the John Marshall Law School in Chicago/USA. He specialises in legal and tax advice to private clients, family businesses and foundations.*

B Corps: the legal requirements and Bates Wells Braithwaite's journey

Louise Harman and **Natalie Ali** *(www.bwbllp.com)*

For philanthropists, choosing an adviser whose values align with your own can be an important consideration on your donor journey. In an increasingly competitive professional services market, many firms will court socially conscious clients by showcasing their corporate responsibility credentials. When choosing your suppliers, how can you be sure that they are 'walking the walk' when it comes to social responsibility? The B Corp certification aims to provide just that guarantee.

What is a B Corp?

B Corps are organisations which have an approach to business that values positive social outcomes alongside making a profit. This is aptly summarised by B Corps' strapline, 'B Corp is to business what Fair Trade certification is to coffee'. B Corps are part of a global movement to redefine the role of business in society – one where businesses benefit members, while also solving social and environmental problems. The movement started in the US and was launched in the UK in September 2015. Well known B Corps include Ben & Jerrys and outdoor clothing brand Patagonia.

Louise Harman

Natalie Ali

How to become a B Corp

To become a B Corp, a business must meet the following rigorous standards of social and environmental performance, accountability and transparency:

1. The performance test – the business must meet a rigorous set of standards known as the B Impact Assessment, which measure the overall impact of a company on its stakeholders.
2. The legal requirements – this is a requirement for all B Corps to amend their constitutional documents to enshrine a commitment to have a material positive impact on society and the environment.
3. The B Corp declaration of interdependence – all B Corps need to sign the B Corp Declaration of Interdependence which sets out a commitment to all stakeholders.

Our B Corp journey

Bates Wells Braithwaite (BWB) became a founding B Corp member in August 2015, and is the first UK law firm to certify as a B Corp. This was a natural fit for our firm – our founding principles have always reflected our commitment to run a successful commercial business, as well as a socially responsible one.

BWB's final score on the B Impact Assessment – 108 out of 200 (above average) – was based on factors such as our strong client base in the charity and social enterprise sector, the thousands of charities and social enterprises we have assisted, the high proportion of pro bono work we undertake, our status as a Living Wage employer, our environmental management system and our good employment practices.

BWB's clients above all seek excellent commercial advice, but they also want that advice from people who understand and share their motivations. BWB is the natural choice for entrepreneurs who, like ourselves, are running successful businesses and want to create social value. B Corp certification is an external validation of who we think we are, and immediately identifies us to our clients as having a particular set of values. This enables us to establish good relationships with clients, at an earlier stage than might usually occur, on the basis of the values that we share.

B Corps are part of a global movement to redefine the role of business in society – one where businesses benefit members, while also solving social and environmental problems.

We can offer an additional depth of understanding to the advice we give – for example, knowing that a mission-led business relationship with employees requires tailored employment advice, informed by our own experience. Our B Corp status also gives our clients a sense of how we approach other aspects of our business, such as how we weigh our environmental impact. We think that it is almost like going on a blind date with a friend of a friend, as our credentials have already been pre-vetted by an external body (B Lab UK)! Being a certified B Corp also means that we can partner with our B Corp peers – more than 1,700 companies across 50 countries.

We have always attracted highly talented and motivated people who want to work in a business with a sense of purpose beyond profit that sees its employees as key stakeholders. The results from the B Impact Assessment are a great tool for identifying ways in which can improve and all employees will be asked to come up with ideas for improvement at our Summer Away Day.

B Corp status provides a meaningful way of engaging our employees in feeling that they are part of something bigger and in attracting talent in a world where more and more millennials are strongly driven by values and ethics.

B Corp status provides a meaningful way of engaging our employees in feeling that they are part of something bigger and in attracting talent in a world where more and more millennials are strongly driven by values and ethics.

For more information on B Corps, visit the website at *http://bcorporation.uk/b-corps-in-the-uk*.

Louise Harman *is a Senior Associate at city law firm, Bates Wells Braithwaite and has experience of advising charities, not-for-profit organisations and social enterprises on a broad range of legal and commercial issues, ranging from corporate structure, establishment, governance and regulatory matters, with a focus on social investment, social finance and responsible business. Louise advised B Lab (UK) on the establishment of the B Corp movement in the UK and currently sits as Secretary on the Policy Council of B Lab (UK) which has developed the legal requirements for B Corps in the UK. Louise joined the Charity and Social Enterprise Team having trained and worked for five years in the general finance team of a magic circle law firm where she advised on high-value, cross-border emerging market financial transactions, investment-grade and leveraged finance transactions and restructurings. Louise is currently on secondment to the Cabinet Office to assist with the Mission-led Business Review.*

Natalie Ali *is a Paralegal at city law firm Bates Wells Braithwaite and supports the firm's social finance team on a range of matters, including the establishment of entities and registration with regulatory bodies, mergers, financing transactions and regulatory investigations. Natalie has assisted senior colleagues with the development of the legal requirements for B Corps in the UK, and supports the team at B Lab (UK) and B Corp Policy Council board meetings. Natalie joined BWB having completed a law degree at Durham University in 2014.*

Philanthropic advice:
a charity lawyer's perspective

Neasa Coen *(www.blplaw.com)*

Outlined in this article are some overarching thoughts on the philanthropic process and some of the issues with which I deal regularly as a legal adviser to individuals who engage in, and are interested in engaging in, philanthropic activities.

The clients I see span the philanthropic spectrum and include high-net-worth and ultra-high-net-worth business people looking to engage in charitable work, private clients considering charitable living in the context of legacy planning and corporates considering the scope and possibility of corporate social responsibility programmes. My work always involves structuring the charitable operations, often with an international aspect and, in the case of individual philanthropy, alongside personal tax advice. It often includes assisting with the operation of the charity, to include help with ways of finding trustees (particularly independent trustees), or preliminary advice in relation to the making of grants or ways of selecting grant administration staff.

Neasa Coen

Lawyers tend to be the first port of call for philanthropists – individuals will usually approach a private client solicitor in the context of the management of their own personal affairs and corporates tend to discuss the matter with commercial lawyers. It is rare to find commercial lawyers who initiate discussions with their corporate clients around corporate social responsibility and the establishment of corporate foundations. It is less rare for private client lawyers to field a discussion around philanthropy with their clients, although my understanding is that, regrettably, this is not something which is routinely done.

It is certainly the case that philanthropy advice has become much more specialised in recent years. Formerly, clients usually made donations (with a request that they be used for a particular purpose) to an existing charity and allowed that charity to carry out and monitor the grant making. In recent years, there has been a growing tendency for individual philanthropists to establish their own charitable entity and operate it themselves. This allows individuals to carry out a more bespoke form of grant-making and also allows (particularly from a tax perspective) the making of grants overseas whereas donations from individual donors need to be gifted to an English charity so as to be able to benefit from Gift Aid. Overseas giving has become more common, particularly in a global economy.

It is certainly the case that philanthropy advice has become much more specialised in recent years. Formerly, clients usually made donations (with a request that they be used for a particular purpose) to an existing charity and allowed that charity to carry out and monitor the grant making. In recent years, there has been a growing tendency for individual philanthropists to establish their own charitable entity and operate it themselves.

Family charities give rise to specific governance issues. While the appetite for setting up bespoke charities has increased, the individuals I see often lose appetite for managing the charity after it has been established and, at times, governance can decline rapidly following registration of the charity. Clients often fail to take into account the level of funds required to ensure proper governance of the charity, including accounting work and dealing with the raft of policies and procedures required by the Charity Commission.

There can also be surprise at the fact that the placing of funds into a separate charity is exactly that. Once funds have been donated to a charity, they are held on a public trust for charitable purposes and are no longer the *property* of the individual donor in question. To that extent, there is often a tension in entities set up as a result of philanthropy, particularly in relation to this issue and, without proper advice, there can be misunderstanding (and, therefore, risk) around permitted dealings between the charity and the individual.

All charities, once constituted, must be *independent* of their founders and must be operated as such. Philanthropy is often a family activity and trustees are rarely heartened to hear that it is not possible for all the trustees of the charity to be family members. The need to have an independent trustee is even more acute in circumstances where the charity's money and the individual's personal affairs overlap (for instance, where the charity's funds are invested in family companies or where the charity contracts with related parties).

In most cases, individuals have a good idea of what they want to do (and often have a particular project in mind which is frequently connected with

personal experience, for example, a health concern or an area of need in the individual's local area or home country). However, people often lack the ability to implement their ideas and are not aware of the best routes to achieve what they need – this comes from (an understandable) lack of experience of the sector and the way in which charitable organisations work.

I have observed increased interest in the science of grant making, and grant makers are now much more concerned than in the past to apply business management tools to their grant making. Philanthropists have, in short, become more 'hands on' than they used to be. Impact has become a big word and social investment is increasingly of interest to philanthropists who want to see their money move further and differently. A number of consultancies have joined the philanthropy bandwagon and provide bespoke grant making and advice to charities to ensure that they achieve their aims in the most effective way possible.

I have also observed that while many philanthropists are experienced business people and are adept at commercial dealings in their professional business lives, they sometimes fail to apply the same commercial rationale to the handling of their charitable dealings. To that extent, their charitable decisions can be based on emotion and not on commercial rationale and, paradoxically, they often need guidance to steer them in the right direction in relation to the management of the charity and the spending of its funds.

I have, in the last ten years, seen a large increase in instructions in relation to corporate philanthropy and the establishment of corporate foundations has become considerably more common. These organisations have to deal, in my experience, with the same issues as those arising in private philanthropy, namely the fact that the charity is necessarily independent of the corporate entity and it must have at least one trustee who is independent of the corporate entity.

While culture and behaviour have changed considerably in recent years, the tax environment has not moved in the same swift way to facilitate philanthropy. In particular, the Gift Aid regime works to the disadvantage of lower rate tax-payers. Higher rate tax-payers receive tax relief on the difference between the higher rate and the basic rate on the grossed-up value of their donation, whereas basic rate tax-payers receive no such relief. Although there is tax relief on gifts of land and shares to a charity, there is limited ability to gift other assets to a charity. Further, the available reliefs contain limitations, so that, for example, share relief is limited to quoted shares and land must be located in the UK. Ideas that have taken off in the US – for example, the use of life insurance as a tool for planned giving – have received a hostile reception here, particularly in relation to their tax treatment.

Neasa Coen, *Associate Director, Private Client & Charities Berwin Leighton Paisner LLP, specialises in charity law and advises charity clients (whether trustees of charitable companies, charitable trusts or unincorporated associations) on all issues relating to charity law, including formation, registration, governance, taxation, fundraising, investments and mergers. She has considerable experience of dealing with the Charity Commission, in particular in relation to orders and schemes. Neasa recently advised on:*

- *The negotiation and settlement of a claim for breach of trust against a former charity trustee*
- *Charity trading and fundraising arrangements for both charities and corporates to include the regulatory requirements for commercial participators and professional fundraisers*
- *Governance arrangements and conflicts of interest for charities established by commercial bodies*
- *Complex disposals of charity land as part of wider property transactions requiring Charity Commission involvement.*

She is a member of the tax committee of the Charity Law Association, Charity Tax Group and Philanthropy Impact. She speaks frequently at charity conferences and publishes regularly.

How philanthropists can maximise the services of professional advisers

Michele Todd *(www.hlwkeeblehawson.co.uk)*

It is vital that potential philanthropists have a clear idea of how their money will deliver the results they seek before investing what are often substantial sums.

Michele Todd

Deriving maximum value from professional advisers can be achieved by focusing practitioners' efforts on practical matters and essential, relevant guidance.

With the highest wealth rates in history, many affluent individuals and families are becoming more philanthropically minded, following the proliferation of threats such as global warming, diseases, deprivation and social need.

At the same time, rising numbers of families are deciding to leave 10% of a parent's estate to charity by deed of variation to qualify for the reduced 36% rate of inheritance tax – essentially sacrificing part of their share for good causes.

In the same way as devising a business plan, philanthropists would be advised to begin with the end in mind and establish what a successful outcome would look and feel like before seeking advice from professional services. Planning and focus prevent a fragmented and loose approach – which accumulates unnecessary legal costs that could have made a difference to a worthy cause.

Professional advisers add most value by guiding on how to set the project up properly, and whether it should be an incorporated charity, trust or scholarship.

These choices are important, since an incorporated organisation is regarded by law as a person who is allowed to employ paid staff, enter into contracts in its own name and own freehold or leasehold land or property. Crucially, the trustees of a corporate body generally aren't personally liable for what it does – whereas those of an unincorporated one are.

Practitioners can also ensure the right infrastructure is in place – sorting out reporting and compliance; outlining tax and legal implications; clarifying obligations to employees, volunteers and landlords; and signposting cost-savings and best delivery.

This focus is important because every philanthropic project's aims and methods of delivery will be different.

For example, one person or family might want to set up a specific project that directly resolves a problem at source – such as addressing the lack of public transport in a rural area by establishing a bus service.

Professional advisers add most value by guiding on how to set the project up properly, and whether it should be an incorporated charity, trust or scholarship.

Others may seek to tackle a disease that has affected loved ones – if so, it is important to decide whether they simply want to donate to an existing charity or research foundation, or invest their money in awareness raising and/or fundraising efforts.

A third could be committed to directly helping bright young people achieve their academic potential.

Efficient, focused sessions spent with practitioners enable more time and money to be channelled into the cause, while also avoiding claims, fines and censure from regulatory authorities.

The specific needs of each philanthropic exercise are too different to draw on a 'standard model' for handling them as all call for bespoke advice.

A good example is a small charitable nursing home where I am a trustee. As with many care homes, the new living wage is proving to be a challenge – particularly where the majority of staff are part time – so we asked an employment law colleague very specific questions about what we can and cannot do to vary contracts.

This is not to say that a good charities lawyer cannot add value by having some involvement with decision making. While the aforementioned bus service calls for structured advice, a professional with experience in the field could help crystallise a broad ambition to tackle a disease.

However, as small and medium-sized charities have become ever more cost-conscious, the challenge for practitioners is how to provide a good service at a realistic price – so avoid consulting them if you have only the vaguest notion of what you want to do.

After first discussing the desired end point with family and friends, the next step is for philanthropists to seek out third sector professionals with experience in their particular area of interest.

Doing so will reveal whether their plans are realistic – and if not, what the best routes to success are by establishing which partner agencies can help.

It is interesting to note that a recent event at the South Yorkshire Community Foundation, which supports local community groups facing hardship and disadvantage, revealed that the Charity Commission is currently being swamped by applications to set up new charities. The commission's strategy is to suggest that potential donors are recommended to existing charities, which can carry out their aims without incurring the expense of set-up costs.

Ultimately, whatever route philanthropists embark on, up-front investment in research, discussion and planning will undoubtedly reap long-term dividends for the benefactor and the beneficiary.

Michele Todd *was born in Newcastle upon Tyne, but grew up in Worksop and has been a solicitor for 15 years.*

After studying for a law degree at Sheffield University she took her law finals at Nottingham Trent University.

Michele and the private client team are true specialists in the field of private client work, offering a good, fast and efficient service that gets the job done, with the bespoke personal touch.

Michele's work is in the field of wills and probate – including specifically tax and estate planning – an area she has significant experience and expertise in.

She also offers advice on the making and operation of lasting powers of attorney and all aspects of Court of Protection work and asset preservation.

Michele is a member of the Probate Section and Society of Trust and Estate Practitioners and is also on the deputies panel of the Office of Public Guardian.

The role of advisers guiding investors who want to make the world a better place

Lisa Vizia TEP and **Philip Radford TEP** *(www.saffery.com)*

For most investors, the best possible return on investment is a high priority when agreeing an investment strategy, but a growing number of wealthy individuals and families are taking a more philanthropic approach to investment matters.

Social, ethical and sustainable investing is becoming increasingly important for those investors whose conscience, integrity and values may lead to sacrificing some short-term gain in order to create a more sustainable world for generations to come.

This emerging trend is requiring those who advise and work with the very wealthy, including fiduciaries and single family offices, to become *au fait* with the credible options available in what is, thus far, a largely unstructured new sector of the wealth management industry.

Some years hence this will certainly be an established investment class with its own terminology and metrics but, for now, there is much work to be done to identify the genuine opportunities and avoid the superficial and opportunistic products that have been developed to cash in on the new approach.

An 'impact first' methodology might mean that return on investment is not the most important part of the investment decision; rather the capital might be lent at virtually no cost in the short term to deliver a more long-term, sustainable result. Achieving a balance can be difficult and subjective, and even agreeing a metric to measure social benefit is difficult.

It is important to spend time evaluating each opportunity in advance, considering the objectives of the client and ensuring the balance of return and benefit is appropriate. The biggest issue is currently the inconsistency within this area of investment, in particular there being little commonality in the metrics and measurement used for each opportunity.

Measuring impact is difficult for private investors and possibly even more so for charities, where there is a need to demonstrate what difference is being made.

For example, one client trust structure has invested in a company that is renovating property in run-down locations, then renting it out at below-market rate to achieve urban regeneration through creating centres of commerce. This type of investment sacrifices financial

Lisa Vizia

Philip Radford

return and can be volatile and highly illiquid. While it undoubtedly provides a significant social impact, determining whether this is at an appropriate level for the loss of return is hard to quantify.

What is clear is that for most impact investments, making a significant social impact does mean that the investor accepts as a key factor that greater volatility, less liquidity and ultimately a higher degree of risk to capital are almost certain.

With no established process in place, some charities and fiduciaries will be creating substance around social, ethical and sustainable investment from an almost blank sheet of paper. As with all investments there is a requirement to blend risk, return on investment, volatility and social or environmental impact to achieve a commonly-agreed balanced position. It is necessary to create a new investment vocabulary, by stating and agreeing common descriptions that everybody understands, to reduce the chance of disappointment and dispute later on. The approach must match the investor's objectives and governance and arrive at an appropriate investment strategy.

With no established process in place, some charities and fiduciaries will be creating substance around social, ethical and sustainable investment from an almost blank sheet of paper. As with all investments there is a requirement to blend risk, return on investment, volatility and social or environmental impact to achieve a commonly-agreed balanced position.

Of some help here is the benchmarking work done by The United Nations in developing some entry level principles for responsible investment. Their optional governance framework recognises that environmental, social and corporate governance issues can affect the performance of investment portfolios. The principles seek to ensure that these issues are incorporated into investment analysis and decision-making, and ownership policies and practices. Also, these issues should be disclosed by entities seeking investment, and accepted and implemented within the investment industry.

Among other developments, the Charity Commission recognises the concept of 'mixed motive investment', allowing for mission- and programme-related strategies from foundations.

Traditionally, an investment is doing well when return on investment is at a maximum and risk is at a minimum. But by including the variable 'impact', we introduce a third measure of investment – reporting performance. In practical terms, impact is a measure of a host of variables such as sustainable living, education, skills, health, the low-carbon environment and responsible corporate governance, to name a few. Most traditional managers pay little attention to the impact their investments make because their objective is to maximise risk-adjusted returns – as directed by their clients. When the investment objective also includes impact then a whole new set of revised performance measures and standards are required. This can only be achieved by a careful due diligence process leading to the selection of investment managers with a proven track record for measuring the positive social impact of their investments.

Measurement of the performance of social, ethical and sustainable investments, including the monitoring of non-tangible returns needs to be developed. This is, in essence, monitoring the amount of good that has been achieved – for which standard metrics don't yet exist, although systems are now appearing. Good impact measurement must provide clear and concise data in an appropriate range of tangible areas, for example, the reduction of a negative event, as a direct and demonstrable outcome of the investment.

At Saffery Champness we have developed a benchmarking process where potential investment advisers have to pass various hurdles towards being a good corporate citizen. This has involved creating plain English criteria and avoiding the use of jargon or acronyms normally associated with the investment community.

At the broad end of the ethical spectrum there are many investments in the responsible category that one would see in traditional portfolios; however, there may be some exclusions, such as tobacco. A holistic approach allows the ethical element to permeate the wider investment environment. At the narrow end, as more social, ethical and sustainable principles are applied, one can expect to forfeit return on investment.

Measurement of impact can be helpful for investors, but it can also help the investment itself to succeed. A vague set of lofty goals can mean that there is a lack of focus and that the investment can fail to provide targeted and meaningful impact. Agreed measurement criteria and a set of metrics can therefore benefit all concerned. It can also drive creativity and innovation, leading to a more successful long-term outcome.

Over-complicating measurement can, however, be counterproductive and, like all statistics, it is important that the measurement is helpful and meaningful. Proper reporting of impact can influence investors and funders to provide further investment, as they evaluate the benefits of each investment and allocate their capital accordingly. Ultimately this should lead to deployment of capital in a more beneficial manner.

Measurement of impact can be helpful for investors, but it can also help the investment itself to succeed. A vague set of lofty goals can mean that there is a lack of focus and that the investment can fail to provide targeted and meaningful impact.

In the case of a family trust structure managed and advised by Saffery Champness, the following mission and objectives have been devised to accommodate the family's social and ethical investment aspirations:

- To work sustainably and ethically for a better world and to provide support where needed for the family through the generations.
- To apply monies to work with organisations that are operating sustainably and ethically and those that operate with social, health and environmental goals.
- To operate as a dynastic vehicle to provide support for family members where needed through the generations in a sustainable way so that each generation can meet the needs of the present without compromising the ability of future generations to meet their own needs.
- To make charitable donations that do not diminish the ability of future generations to meet their own needs in areas where it is felt that a positive contribution can be better made through a donation rather than, for example, through investment or loans.

This provides a clear framework around which investment portfolios can be constructed. The family are interested in return on investment and also measurement of impact. Regular reporting can be provided on both issues and the family can ensure that financial stability is achieved for both current and future generations, at the same time as utilising the family wealth to leave a better footprint behind.

__Philip Radford__ is responsible for a team that establishes, administers and manages a variety of offshore structures, working with clients from a wide range of jurisdictions at Saffery Champness Registered Fiduciaries, Guernsey. He also heads the firm's Investment Review Committee, which reviews the appointment and performance of managers of quoted investment portfolios within the various fiduciary teams.

Philip sits on the board of several companies, involved in the acquisition, investment and development of both commercial and residential property interests. Most recently, Philip was included on the Trustees Prominent Figures list in the CityWealth Leaders List 2015 for another consecutive year.

Born and educated in Guernsey, Philip has worked in the trust industry since 1994. He joined Saffery Champness in 2010, having previously worked in leading bank-owned trust companies. Philip was joint author of an article published in Wealth Briefing in October 2013 – 'Mid wealthy feel the squeeze on luxury assets' – with fellow director Lisa Vizia.

__Lisa Vizia__ heads up the dedicated Family Office Team in Guernsey, which manages offshore structures for ultra-high-net-worth families, with a particular focus on the Middle East. She is involved in:

- *Family office and private trust arrangements*
- *Complex trust structures for ultra-high-net-worth individuals and family trusts for UK resident non-domiciled individuals*
- *Executive remuneration schemes for listed and private companies.*

Lisa is responsible for business development for the firm's fiduciary business and leads the Guernsey office's Corporate Social Responsibility.

She is also a member of the Society of Trust and Estate Practitioners (STEP), the Institute of Directors (IoD) and the International Wealth Structuring Committee (IWSC) of the Family Office Advisers Forum.

Born in Guernsey, Lisa has worked in the trust industry for more than 25 years, having begun her fiduciary career in 1986. She joined Saffery Champness in 2010, having previously worked for a leading bank-owned international trust company.

Lisa is listed as one of The IFC Power Women Top 200, an A-Z list of influencers and professionals working around the financial services industry, in International Financial Centres. She has also previously been recognised on the honours list of the CityWealth Leaders List – Guernsey Trustee category –and is on the Top 20 Trustee list for 2015.

Do good, do well; the art of being a leader and a change-maker

Leesa Muirhead *(www.adessyassociates.com)*

When we think of 'leaders' or 'change-makers' what comes to mind? All too often, we associate leaders with a grasping for celebrity or power, using divisive language, or preying on fear or insecurities, rather than encouraging our better selves or a better society.

Leesa Muirhead

At the same time, we cannot wait for leaders to save us. So is it time we admit that we ourselves are the leaders? That we ourselves are the change-makers we are waiting for? Stepping into our own potential to create positive change is an opportunity to learn, an opportunity to commit to increasing understanding and awareness, an opportunity to change the narrative, and an opportunity to participate in a collective effort to tackle interests of our shared humanity.

When we step into the belief that changing the way the world tackles challenging issues is a choice not based on charity, but underpinned by purpose and providing dignity and independence, then we are effectively propelling new models of positive change.

Opening up a world of opportunity

Endeavours that enable those less fortunate to see and feel themselves as vital participants in solving problems are critical to developing solutions. Indeed, when we listen and respect all stakeholders, collaboration can be an incubator for promising ideas, a bridge between generations and a mechanism for fully understanding corporate, community and individual needs.

Fundamentally, to embark on or refine philanthropic or social investment, a discovery phase is required. This can be viewed as a kind of Research & Development (R&D) phase, which is essential for learning, success and impact in any endeavour.

Currently, the way social and philanthropic investment is often practised leads to outcomes that are unfocused, diffused and fall short of demonstrating real and meaningful value.

Measuring the impact

In our connected world, there is much pressure to do good, and do well. Doing well can be measured in myriad ways, although measures need to extend to including all stakeholders, as well as tangible, intangible and unexpected outcomes.

Activity that is tied to well-thought-out social or business objectives and contributions that reflect the personal beliefs and values of individuals, organisations and their employees, demonstrate immense value on a multitude of levels and make a strong case for continued and expanded investment, leverage and consideration.

An example of greater social value

As a simple illustrative example, let's explore a corporate programme of employee-matched giving, where the explicit choice of charity support is left with the employee. Although aimed at enhancing morale, the same effect may be gained from an equal increase in salary, with encouragement to donate.

If, on the other hand, business resources could be leveraged to deliver social value to local communities, in the location or locations where they operate, shared value could be derived from:

- Employees being engaged
- Alignment of skills-based professional development
- Quality improvement of the economic environment in operating locations
- Empowered stakeholders, new ideas or products, shared values and understanding
- Better performance in the marketplace as

competitiveness is enhanced from bringing social and economic goals into alignment

- Improved long-term business prospects.

A programme of employee-matched giving is clearly a fast and easy corporate social responsibility (CSR) activity to introduce, although the superficial tie to business goals makes the attributes difficult to measure or leverage. When combined with an inability to show, feel or see direct and indirect impacts, the merit of this activity can lack meaning.

The point is, by not only giving money, and alternatively leveraging capabilities and relationships in support of charitable causes, the approach produces social and investment benefits, which far exceeds those that could be provided by an individual, foundation, or even government.

Fundamentally, to enhance the shared value to business, the community and stakeholders, activities that are driven by committed leadership and cemented in performance measures, offer the greatest benefits and impacts. In the same way as the best leaders learn they can't simply lead and succeed on their own, philanthropic and social investment provides immense opportunity to seek and engage with other aligned potential.

This approach may not be the quick and easy path, though undoubtedly the outcome will be meaningful and enduring. Additionally, the innumerable gains from participating in an aligned community – be it, of organisations, government or community – creates a powerful coalition focused and collectively engaged on enhancing the economy, the environment and each other as a result of the desire and willingness to change, grow and push.

…the innumerable gains from participating in an aligned community – be it, of organisations, government or community – creates a powerful coalition focused and collectively engaged on enhancing the economy, the environment and each other as a result of the desire and willingness to change, grow and push.

The scene is changing

Philanthropic and social investment approaches are changing, and changing rapidly. They need to, as our world is changing rapidly. Individuals and organisations do not function in isolation to the society around them, and in fact, a business' ability to compete, often depends heavily on the circumstances of the location(s) where it operates.

Economic and social objectives have long been seen as distinct and frequently competing. Today, this is

a contradictory view and represents an increasingly obsolete perspective in a more open world of knowledge-based competition.

The evidence is quickly stacking up that when social, environmental and economic objectives are considered as part of the whole, it does not come at the expense of economic results. In fact, the opposite is true. A purpose-driven business model is compelling as it demonstrates longer-term value and greater profit potential.

A new direction

Tapping into the unrealised potential of philanthropic and social investment requires a new direction, and fundamental changes to the way individuals and business think, plan and action their activities.

The thinking lies with where they focus their activities and how they go about their activities.

Strategic social and philanthropic investment is beneficial to social objectives when approached collaboratively. Specialist support – to guide, challenge, connect the dots and inspire thinking around design and systems – significantly enhances the benefits and increases positive impact.

An independent adviser will ensure opportunities can be leveraged for a shared value; a greater profit potential; a greater impact on the issue; and with emotional intelligence (EQ) to enhance awareness and understanding of our shared humanity.

Akin to professional skills provided by a multitude of traditional services, we at Adessy operate on the premise that positive change, transformation and business outcomes are mutually reinforcing.

Our Catalyst programme offers tailored support to evolve the way philanthropic and social investment is made by world-class businesses and individuals. A way that is not only fit for the future, but also generates positive and sustainable outcomes that drive longer-term value, greater (profit/EQ/return) potential and facilitate positive change in society.

All around us, we are confronted by our beliefs on how to tackle need, facilitate opportunity and address the world's challenges. Whether directly 'touched' by experience, ultimately, many of these issues will eventually affect us all as we participate in life on planet Earth.

We (and many) believe a better world is possible and we want to help make that happen. In this spirit, Adessy provides a series of stepping stones to empower individuals and organisations to learn, connect and actively contribute to a movement of more people, doing the right things, for the right reasons:

1. What are the business/individual goals or interests?
2. What are the business/individual values?
3. Where is the business/individual giving and why?
4. How can the business/individual position itself to help meet business/individual need or opportunity?
5. How does the business/individual want the public/customers to perceive it?

The beginning of a new journey

We are really all just getting started. This global, interconnected kind of social experiment is propelling new designs and new models. It's an exciting time with a suite of contemporary options including leveraging 'patient capital' through impact investing, venture philanthropy, social bonds to strategic partnerships, ethical investing, collaborative philanthropy, sharing skills … to name a few. Wise navigation, R&D and guidance are an evident consequence of engaging an independent adviser.

As a self-confessed idealist, it could be argued that contributing to positive change is a moral responsibility for everyone. Using philanthropic and social investment as a strategy to connect with yourself, business and society – so you can incentivise stakeholders, benefit from wonderful collaborations and enjoy thinking and learning beyond expectations – transforms our narrative of what constitutes a leader and a change-maker.

And often, most strikingly, somewhere along the journey we realise our own virtuous circle of potential – a realisation of our capacity to have a greater impact, and engage and inspire others.

Leesa Muirhead *is a collaborator, visionary, gentle disruptor and entrepreneur. Motivated by a deep belief of empowering people as a path to social and economic equity, Leesa founded B Corp-certified Adessy Associates in 2011.*

Adessy inspires, equips and enables organisations and individuals to be a force for good and build a better world. Incorporating social, environmental, economic and human ethical principles, our mission is to help our clients make distinctive, enduring and significant positive change.

Adessy incubated Pioneers for Change, a UK-based social enterprise, which provides a Fellowship for those willing to harness their talents, energy and resources as a force for good. Pioneers for Change is a seed-bed for innovative thought, and a platform to harness collective energy, which is showcased on the Pioneers for Change Huffington Post blog. Published regularly, and inviting a variety of guest contributors, the blog is a celebration of champions and change-makers with themes including entrepreneurship, philanthropy, social impact investing and social enterprise.

Philanthropy Impact

Join us in our vision to *increase philanthropy and social investment across borders, sectors and causes*

Why *join us*

'I believe Philanthropy Impact has a key contribution to make as a forum to encourage more – and more effective – philanthropy and social investment through the exchange of ideas, spreading knowledge and improving the professional advice available. This is more important than ever.'

LORD JANVRIN Deputy Chairman
HSBC Private Bank (UK) Ltd

Since 1998 Philanthropy Impact has been delivering services to professional advisers and other key stakeholders including philanthropists, trusts, foundations, and charities. Our vision, as a charity, is to increase philanthropy and social investment across borders, sectors and causes.

We provide resources and learning opportunities to professional advisers and other sector stakeholders in order to enhance their expertise, awareness and influence in increasing the level of philanthropy and social investment. Philanthropy Impact's 2014 – 2017 strategy as a centre of competence and impact encompasses growth by:

- Supporting advisers, ensuring they are equipped with best-practice philanthropic and social investment knowledge for discussion with their clients
- Organising learning events seminars for members and interested parties
- Creating networking opportunities to enhance understanding amongst advisers, philanthropists, social investors, trusts, foundations and charities
- Providing know-how, reports and analysis on philanthropy and social investment
- Disseminating information that raises awareness about best-practice amongst advisers
- Collaborating with third parties to support the development of philanthropic and social investment practices relevant to advisers and their clients
- Advocating for philanthropy and social investment internationally

Participants find events 'essential', 'highly educational' and 'inspiring'

FOR PROFESSIONAL ADVISERS

We produce a range of resources to support advisers, donors and their families:

- Opportunities to meet and network with professional advisers, philanthropists, trusts, foundations and charities
- News and updates on philanthropy, social investment and corporate giving
- Support to help fulfil CSR mandates and improve employee engagement in philanthropy
- Bespoke initiatives and advocacy activities to promote philanthropy and social investment
- Tailored professional development programmes

FOR NON-PROFIT ORGANISATIONS AND PHILANTHROPISTS

We offer a range of resources to help non-profits improve their social impact:

- Free access to our network through roundtable discussions with expert speaker panels and topical subjects.
- Opportunities to engage with members and increase influence through publications, events and advocacy initiatives
- News and resources on charity governance, giving trends and social investment.

Philanthropy Impact exists for the benefit of its members. We welcome any suggestions or contributions at **editor@philanthropy-impact.org**

To find out more about member benefits including free event registration, partnership opportunities and free resources please visit our website

www.philanthropy-impact.org
or call our team on **0207 430 0601**

@PhilanImpact

Philanthropy Impact

+44 (0)20 7407 7879
info@philanthropy-impact.org
www.philanthropy-impact.org