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Philanthropy Impact

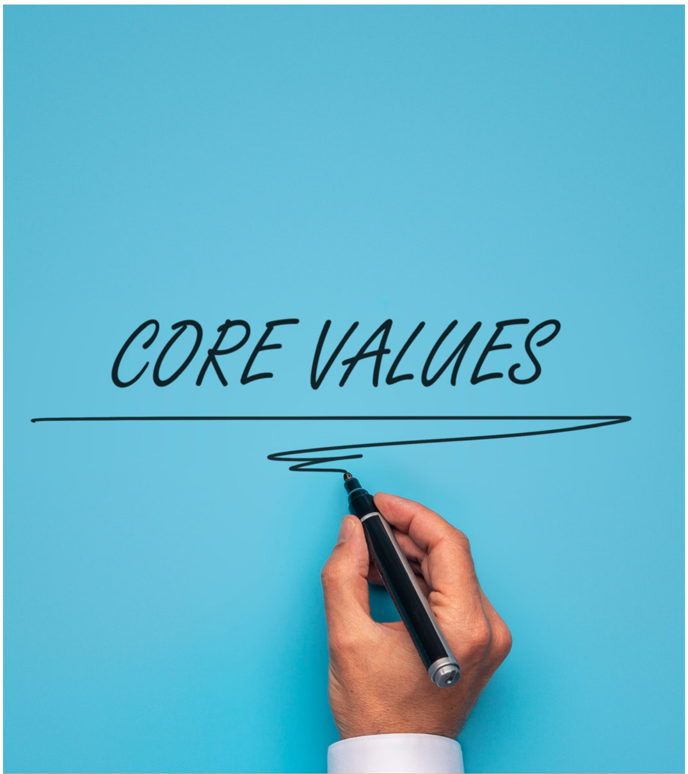
Inspiring Philanthropy and Investing for Impact

MAGAZINE

TRANSITION TO NET-ZERO AND CONCOMITANT ISSUES

HOW ENVIRONMENTAL AND SOCIAL ISSUES CONNECT WITH SUSTAINABLE INVESTING

THE FIRST ISSUE OF A TWO-PART SERIES



THE FUTURE FOR PURPOSEFUL INVESTING

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PHILANTHROPY IMPACT

Vision A world where individuals and families engage in philanthropy and social impact investment, supported by professional advisors.

Mission To increase the flow of capital for good by enabling private clients and their families to match their purpose driven wealth strategies with their values, capturing their sustainable, social and impact investment and philanthropy preferences across the spectrum of capital.

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- Policy position submissions and papers
- Engagement with government and key policy stakeholders

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

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

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Philanthropy Impact

Inspiring Philanthropy and Investing for Impact

INSPIRING TRANSFORMATIVE PHILANTHROPIC AND SOCIAL ESG/IMPACT INVESTING FOR A BETTER FUTURE


WE ARE A UNIQUE ORGANISATION AT THE INTERSECTION BETWEEN PHILANTHROPY, SOCIAL AND ESG/IMPACT INVESTMENT

Alongside our membership community, and our wider network of speakers, magazine recipients and strategic partners, we operate a space for true collaboration, discussion and learning. We are the leading Centre of Excellence for philanthropy and social impact investment in UK and Europe.

WHY JOIN OUR COMMUNITY?

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Philanthropy Impact offers certified CPD training and a programme of educational events to enhance the professional development of the whole of your team in this rapidly evolving space.

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Our publications, bi-weekly newsletter, webinars and events reach a network of over 11,000 active individuals across the globe, mainly in Europe but including Asia, Middle East, North and South America.

REPUTATION

Our membership directory is a way for clients to see whether your firm is dedicated to ensuring the best advice in philanthropy and social impact investing to support your clients to achieve their long term objectives and goals.

OUR COMMUNITY:

- **46%** Private Client Advisors
- **17%** Charities
- **13%** Trade Associations and networks
- **13%** Philanthropy and Impact Consultants
- **6%** Social Investment Funds
- **5%** Philanthropists and Impact investors

Our network is **several thousand organisations and individuals**, including professional advisory firms, professional advisors (investment professionals and financial planners, private client advisors, wealth management, private banking, independent financial advice, tax and legal sectors), not for profit organisations and social impact investors.

WE SEE OUR MEMBERS AS PARTNERS IN OUR MISSION

> *Philanthropy Impact is a catalyst for collaboration, knowledge sharing and innovation. We work with many strategic partners to shape the philanthropy, social investment and ESG/impact space, and to ensure that together we can be as impactful as possible.*
>
> **John Pepin** – CEO, Philanthropy Impact

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EDITORIAL

SUSTAINABLE INVESTING IS A PRIORITY FOR HNWI

ZOFIA SOCHANIK – WWW.PHILANTHROPY-IMPACT.ORG

Philanthropy Impact was recently involved with The Wealth Mosaic's third edition of their UK WealthTech Landscape Report, which focused on futureproofing for wealth firms. With new regulations, client demand and the effects of the pandemic, the wealth industry has been in continuous flux as it works to meet the interests of clients in this rapidly changing world.

There is a new generation of clients, driven by Millennials and women of wealth (but not exclusive to them), that tend to focus on impact investment and environmental, social and governance (ESG) investment, and we are observing that the professional advice industry is finding this a challenge. Philanthropy Impact wrote the foreword to this report, as it aims to share the best methods to meet these new expectations, an area in which we are bringing huge value to the private client wealth industry. You can download the report here

On 12 July 2022, the report was launched with an in-person event, where the findings were presented and discussed. We first heard from Capgemini, who presented the global findings from their World Wealth Report 2022, which had a focus on the need for customer first strategies – putting the client at the heart of wealth management. One of the four key highlights was that HNWIs demonstrated measurable interest in emerging asset classes, especially ESG and digital, and vocalised their desire for better digital and personalised offerings.

Other interesting findings from Capgemini were that sustainable investing is a priority for HNWI. 66 per cent of HNWIs across Europe say investing in causes with ESG impact is a key objective when it comes to managing their wealth, and sustainable investing is a priority for them. This is positive news, with 64 per cent saying they ask for an ESG score to learn about a fund's societal impact and performance. However, 50 per cent of wealth managers lack clarity regarding sustainable investing returns, and it is clear from these findings that, whilst clients are demanding more clarity when discussing ESG and impact investing, the wealth industry is still unable to offer this, and there is a need and desire for upskilling the workforce in this area.

There was consistent theme of HNWI demanding complex and holistic services, and I found myself reflecting that this is similar to the challenge we face with the adoption of bespoke philanthropy, social investment and impact investing by traditional firms. Even though clients are increasingly demanding this, why is it only a few early-adopter firms are taking on this challenge and finding solutions?

This was an important concept for me as I sat listening to the debate because, as our network knows, the key to long-term, strong and personalised relationships is discussing values with your clients. First, understanding what they want their wealth for – the impact they want it to have (on their family, their life and perhaps on society as a whole) – and then developing and applying their wealth strategy. The mechanics of which could easily be automated and digital. For example, asking questions about clients' motivations, goals and ambitions for their wealth, before assuming they wish to grow and accumulate wealth, would allow for the digital markers needed to create bespoke digital accounts.

For me, alongside the insight around the need for the tech industry to support wealth firms in adopting digital services, this was an enlightening session which highlighted that having values-based conversations with clients on a regular basis, regarding the impact of their wealth strategies, will be the differentiator for firms as inevitably we move towards a more digital service offering.

The early adopters of both digital services and values-based, purpose-driven wealth strategies will be ready to meet the rapidly emerging client expectation. Firms with professional advisors who are empowered to discuss wealth, values and impact in more depth with their clients will be able to delicately, and proactively, find the balance between a client's expectation of an instant digital offering and their expectation of a bespoke and personal-touch relationship. This will help to create long-term, strong client relationships.

ZOFIA SOCHANIK

Zofia joined Philanthropy Impact as Director, Membership and Development in Oct 2019 and is responsible for ensuring members have access to the most relevant and up to date intelligence in the philanthropy, social investment, impact and sustainable investment space. Zofia has over 18 years' experience within the sector, working with UK organisations such as University of Liverpool, The Prince's Trust, National Deaf Children's Society and several international projects in Sub-Saharan Africa. Zofia began her consultancy in 2014 after recognising that there was a need for professional philanthropy advisors with extensive knowledge of giving strategies, impact and the charity sector, to enable (U) HNWI and their advisors, foundations, businesses and charitable organisations to work together to create the most effective change that they seek. Zofia worked with individuals and their professional advisors on personalised strategic giving, also advising on charity governance and reporting, facilitating training sessions and creating thoughtful learning space around impact for both funders and projects.

TRAINING COURSE

Philanthropy Impact

Inspiring Philanthropy and Investing for Impact

Maximising ESG/Impact investment client satisfaction - addressing suitability issues

Wealth advisors preparing for changing times Adding value to existing regulated suitability approaches to ESG/Impact investing

The trend towards ESG/Impact investment is placing suitability issues at the heart of advisor/client conversations. This means moving beyond current discussions with clients about their investment objectives, their financial circumstances and ability to bear risk.

Are you equipped to talk to your clients about their values, motivations, ambitions and goals - capturing their ESG/impact investing preferences? This training course will allow you to develop your skills and competencies, putting you in a better position to fulfil your clients' needs. The course can be developed in-house to support firms preparing to implement FCA Consumer Duty rules which will require firms to put their customers' needs at the heart of what they do; as well as EU MiFID II suitability regulation.

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- Open the door to new *commercial opportunities*
- Receive *exclusive insights* from guest speakers about current industry dynamics and best practice
- Further develop your *skills and competencies* and enhance your business's responsible investment proposition
- Meet your clients' evolving preferences for *investing with positive impact*
- Improve *client engagement* levels and enhance your reputation
- Receive essential *knowledge* and be apart of an *ecosystem* which bridges the professional advisory space.
- Receive *3 certified CPD points* and a free copy of the Philanthropy Impact *online handbook*–your go-to resource for delivering an effective philanthropy advice service

KEY LEARNING OUTCOMES

By attending this workshop, you will:

- Learn more about the nature and purpose of impact investing
- Develop impactful approaches to addressing a client's values, motivations, ambitions and goals
- Discover the benefits of incorporating suitability discussions into practice

There is a need for highly specialised training...

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To learn about our online self-certified CPD training and bespoke in-house offerings contact:
zofia.sochanik@philanthropy-impact.org

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Our mission: To increase the flow of capital for good by enabling private clients and their families to match their purpose driven wealth strategies with their values, capturing their sustainable, social and impact investment and philanthropy preferences across the spectrum of capital.

This course is intended for wealth advisors as well as lawyers and other professional advisors with an interest in suitability issues and ESG investing

THE FUTURE FOR PURPOSEFUL INVESTING

REBECCA CRETNEY – WWW.NEDBANKPRIVATEWEALTH.COM

When you align your values with your investments you're making a decision about what sort of a world you want to live in and what you want to leave behind

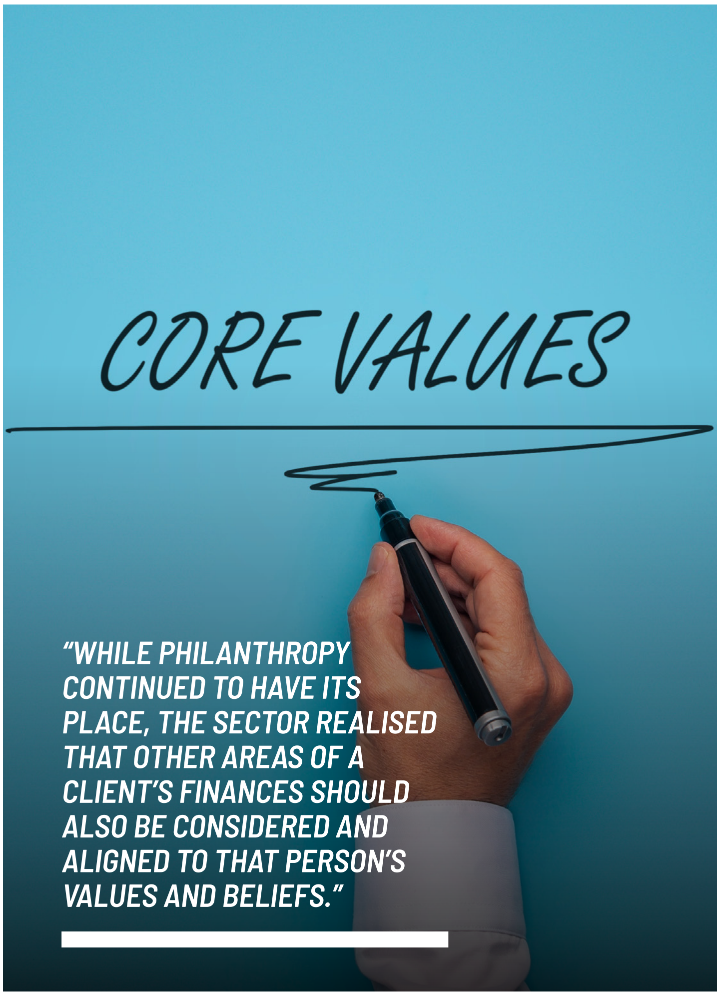
The essence of philanthropy is typically the pursuit of what is good, noble or beautiful. In this way, philanthropists have sought to 'do good' with their wealth. Previously, this was limited to the gifting of created wealth: generously giving away what was previously mine. But are there other ways in which societal change can be encouraged? Can investing be one of those mechanisms and, at the same time, generate competitive returns?

Set the scene: imagine a stockbroker's office in the 1950s. A suited man sits behind a solid mahogany desk, reading the financial press and puffing at a cigar, a mountain of paperwork precariously perched before him.

First surprise: the door to his office opens and the man's secretary ushers in a lady. The man's bushy eyebrows shoot up, but sensing money (a well-honed instinct of his) he politely offers a seat.

Next surprise: instead of listening to his counsel on return maximisation, the woman starts talking about her personal hopes and ambitions for the future. Should she not seek to learn from his immense experience, expert knowledge and, dare he say, wisdom? The stockbroker is offended. Does this woman think I should listen to her? Does she not know who I am and the millions I have made for far better men than her?

The final straw: the woman then proceeds to tell the stockbroker she would like her portfolio to be invested for more than just return. She wants to invest in companies who might help eradicate poverty, contribute to cleaner air and, worst of all, support female empowerment. She is clearly mad. Must have gone to one of those liberal schools. Madam, he exclaims, you clearly have never sought the employ of a stockbroker and I bid you good day. I cannot assist you.



SOCIAL AND IMPACT INVESTING

It is now decades since the investment management sector recognised it could help its clients do more than philanthropy. While philanthropy continued to have its place, the sector realised that other areas of a client's finances should also be considered and aligned to that person's values and beliefs. Starting with religious groups, a whole array of options to drive change developed: from refusing to invest in products and services investors disapproved of, to changing the direction of those firms seen to harm society, and to actively supporting companies which aligned with a better future. The world of socially responsible investing was born.

REBECCA CRETNEY

The development of the term impact investing, first coined in 2007 by the Rockefeller Foundation, sought to persuade investors that you could have your cake of well-risen investment returns and eat it, due to the good an investment generated.

It pointed clients to a burgeoning set of investments delivering the all-important financial reward for taking risk, but which had environmental and social impact too.

But while on paper the ring-fencing of capital was simple, the reality was more difficult. How could you prevent a consumer electronics manufacturer using funds raised in financial markets to invest in its arms division? By choosing not to invest in certain firms you could create a blacklist but excluding multinational conglomerates because of one small division might preclude a great investment opportunity and compromise your returns.

The recent downturn in the tech sector has only served to exacerbate the discussion. Nasdaq-listed firms which could easily point to the sustainable practices they could implement, for example in terms of their use of sustainable energy and the limited carbon footprint their operations offered over traditional industry, arguably allowed investors to become lazy.

Why did we need to harangue the oil and gas sector for change when there were easier options that sold quick ways to benefit the world? Why would you sit down with Volkswagen – particularly following its emissions irregularities – when Tesla and its absence of legacy operations is right there?

Like our stockbroker's reactions, many assume they have to discount the possibility of investing in line with their values as a result of stories such as this, which might lead them to believe it is "too difficult", that they would have to "significantly forgo financial returns", or that "this line of investing is just for tree huggers". But is this not just fear of change? And is there opportunity out there?

We argue there is ample opportunity. Arguably the biggest opportunity since the industrial revolution awaits us, but only if we are brave enough to collectively embrace it. You see, the level of investment needed to meet goals such as combatting \climate change is so great that if we are serious about our commitment to this, we will effect a transformation of a magnitude not seen since the 18th century.

The reality investors are starting to comprehend is that whatever moniker your investment fund uses, it is likely to have an impact and provide a return. And this is the inescapable truth of investing. Every single investment decision we make, or we allow others to make for us, has an impact. In the same way that a trickle of water causes some form of erosion, or has the capacity to bring life, our money has either an impact for good or bad.

USING SUSTAINABLE DEVELOPMENT GOALS TO HELP

Given the United Nations' (UN) part in the development of the sustainable investment industry – including its part in developing the term ESG in 2004 and the delivery of the Principles for Responsible Investment in 2006 – it is perhaps unsurprising that we would have turned to the same multilateral organisation for the chance to achieve a sustainable future.

REBECCA CRETNEY – INVESTMENT COUNSELLOR, NEDBANK PRIVATE WEALTH INTERNATIONAL

Rebecca joined Nedbank Private Wealth in May 2004 having moved to the Isle of Man from Barcelona to pursue a course in Business Studies with the Isle of Man Business School. Rebecca was appointed to the role of investment counsellor in March 2019 to focus exclusively on the company's discretionary investment management services.

She works closely with the private banking team= to provide support in advising clients with integrity, and to give additional technical investment expertise where more complex portfolio requirements exist.

Rebecca is a Chartered Fellow of the Chartered institute for Securities & Investment and a Chartered Wealth Manager.

Launched on 1 January 2016, the sustainable development goals (SDGs) listed 17 global ambitions the UN deemed critical and encouraged a greater partnership between governments, corporates and the charitable (third) sector.

The UN succeeded in creating a list most could agree contained desirable and critical outcomes. As a result, the investment industry increasingly acknowledged these principles as a usable reference point. The goals offered a focus for development capital, allowed a chance to differentiate between investor interests and personal values, and offered a framework to report on the level of change achieved. In addition, they offered a chance to widen the scope impact investors could hope to achieve. For example, highlighting that the societal factor in ESG encompasses far more than the protection of human rights, and extends to aspects such as the economic value that better diversity and inclusion within companies delivers.

"WHEN YOU CONSIDER THE UK GOVERNMENT'S PLANS TO END THE SALE OF NON-ELECTRIC CARS BY 2035, THE INVESTMENT OPPORTUNITY MAKES MORE SENSE."

Leading on from that, a wide range of SDG-focused funds have now been introduced, enabling investors to gain exposure to companies that are best positioned to capture the upside the implementation of these goals might bring across the world and provide a yardstick for the future comparison of how much good has been achieved.

WHAT DOES THIS MEAN FOR INVESTORS?

With a clear framework for alignment, investors can now better understand what might deliver good outcomes for the environment or society, but increasingly it's a lens being used to judge which companies' activities deliver more and how. In acknowledging that every investment has an impact, clients are choosing to direct their funds for both return and to effect change.

It also offers a shift in the discussion on return. Investing in the quick wins may only deliver short-term returns. Getting involved in a broad range of investments linked to the long-term changes we need to adopt in order to flourish as a society may not yield the immediate returns other sectors might, but the longer-term returns might yield multiples by comparison. Imagine the electric vehicle industry. When you consider the UK Government's plans to end the sale of non-electric cars by 2035, the investment opportunity makes more sense. Once you widen your lens (and the timeline), you have an insight into the burgeoning investment opportunities that will become available.

An investment which is aligned with a set of values is like the gentle drip, drip, drip of water. Over time, it not only yields solid returns, it forms beautiful stalactites hanging from cave ceilings. Water that also pools to form the beginning of a stream. And as multiple streams converge to form a river, we begin to see how the build-up of collective actions creates impetus and a movement that will force changes in direction and, again overtime, result in wonders such as the thundering of the Niagara Falls.

"IT HAS LONG BEEN KNOWN THAT ENVIRONMENTAL AND CLIMATE ISSUES RECEIVE A MUCH LOWER FRACTION OF PHILANTHROPIC GIVING THAN THEY TRULY MERIT..."

WHAT DOES IT TAKE TO WIN ON ENVIRONMENTAL ISSUES AND HOW CAN FUNDERS HELP?

HARRIET WILLIAMS AND HUGH MEHTA – WWW.GREENFUNDERS.ORG

Insights from a new sector survey show that there is a vital role for philanthropic funding in recognising the importance of environmental action and giving it the stability needed to really make a difference

As trustees of the UK Environmental Funders Network, we have watched the climate and ecological emergency unfold with a mixture of fear, fascination and hope. Fear, because unless we act decisively and act fast, there is a likelihood of further, rapid, and extreme climate breakdown. Fascination with the tools being developed in response, including the concepts of just transition, net zero and what these mean to different constituencies. Hope, because around the world, countries, companies and communities are acknowledging the urgency of the planetary health crisis we face.

Anyone reading EFN's latest survey of the UK environmental sector, What The Green Groups Said (WTGGS), will feel these same three emotions in bucketloads. The 116 groups who completed the survey range from large international NGOs to grass-roots campaigns. The full results offer a fascinating insight into the world views and daily operations of very different organisations, who vary in their priorities, tactics and even their understandings of what 'winning' means.

Whatever their niche in the ecosystem of environmental groups, survey respondents have common hopes and fears, relating to the effectiveness and sustainability of their own organisations and the movement more broadly, and to the shifting external context affecting their work. Put simply, the hope is that broader and bolder environmental movements can sweep away inertia and incrementalism; the fear is that the energy will dissipate and the best intentions run aground in the face of business-as-usual (whose well-resourced defenders are honing their own versions of net-zero reality via the 'discourses of delay').

Here, we unpack two core themes at the heart of the survey – income and impact – and ask ourselves, what does it take for funders to help build a movement powerful and nimble enough to outrun the fear?

ENOUGH TO GO ROUND?

It has long been known that environmental and climate issues receive a much lower fraction of philanthropic giving than they truly merit, given their relevance to other topics, from geopolitical security to public health. In the reasons to be hopeful category, two thirds of survey respondents managed to increase their incomes over the last two years, despite the pandemic, and most describe their current financial health as good.

However, though targeted at a relatively representative sample of 450+ UK environmental groups, the 116 organisations that chose to respond to the survey are not necessarily representative of the sector; it stands to reason that those struggling for resources might not have felt able to spare the time to respond. In fact, the 43 organisations that

HARRIET WILLIAMS

HUGH MEHTA

answered this survey and a previous one in 2017 actually saw their income drop 7 per cent in real terms.

In total, respondents reported a combined environment-related income of £730 million in their previous financial year. When we consider that half of this was received by just the six largest respondents to the survey, it begs the question of whether there is enough money to go around in a sector that we believe requires a diverse ecosystem of organisations to be effective.

How does trust and foundation giving fit into the picture? At 13 per cent of all income reported in the survey, foundation grants are spread widely and thinly, being proportionately more important to those organisations less able to access individual giving in the form of donations, membership fees and legacies. Indeed, an uptick in individual giving was cited by some groups for helping them through the pandemic, although the rise in living costs may be testing the generosity of these donors now.

This points to a more structural problem with the funding of environmental groups – it tends to be short term, never enough and never very certain. Foundations have heard repeated calls to supply more unrestricted, long-term grants, but our respondents do not feel the situation is improving.

Of course, the sector's impact is inseparable from its income. Change takes time, and it is difficult for organisations to become effective and stay effective for long enough, without access to the right quantity or quality of resources.

We see this play out when survey respondents voice their hopes and fears about the sector's recent successes. Youth climate strikers and other movements have switched more of the public on and stretched the political space available for climate action. More traditional campaigners and advocates have seized this space for net-zero legislation and done heroic work on a raft of post-Brexit legislation at the same time.

However, pride in these successes is tempered by doubt that these measures are not in themselves ambitious enough and that they will not stick due to weak implementation. Environmental groups urge their peers to 'be bolder' in their asks and in holding decision-makers to account.

To build its power, respondents want to see the sector form stronger collaborations, to communicate better with non-traditional audiences ("we are talking to ourselves", as former Greenpeace director John Sauven writes in the report foreword), and to improve its diversity, equity and inclusion more broadly.

COMMITMENT AND STABILITY

How can funders help? Most obviously, by providing more money, more flexibly, over longer time periods. This survey highlights how low, unstable income bases deter strategic planning, suppress recruitment of skilled staff, and hollow organisations out. Moreover, the constant scrabble for funds feeds a tendency for groups to compete rather than collaborate.

Survey respondents also want funders to finesse the way they fund too; for instance, urging donors to be more proactive in supporting collaboration, by carving out more dedicated resource and creating the conditions in which joint planning and action can flourish.

EFN has a role to play, too, and actively dedicates time and resources to help both funders and environmental groups increase the amount and quality of funding that is flowing into the sector. At a time when multiple, interlocking environmental crises are unfolding, from biodiversity collapse to climate change to plastic pollution, we think this work is incredibly important.

In all, the survey speaks volumes about a sector that is trying to change itself from within, as well as surf the waves of hope and fear for the future. With climate change already manifesting in natural and human disasters, in turn affecting socio-political dynamics, the stakes are high and the challenge to funders is clear – if we look to environmental movements to help make change happen, our responsibility is to ensure they are adequately resourced.

HARRIET WILLIAMS

Harriet has more than 15 years' experience of managing philanthropic investments on behalf of Goldsmith Family Philanthropy, other foundations and HNW individuals. Harriet has delivered successful grant programmes on topics including climate, forests, agriculture, chemical pollution, violence against women and community rights. Harriet is continually learning what it takes to 'shift the dial' on complex socio-political challenges and is honoured to work with such a talented and passionate community of grant-makers as exists in the EFN. She is a regular contributor to EFN research products, co-convenes the EFN Forests Group and loves to see the woods as well as the trees.

HUGH MEHTA

For more than 15 years Hugh has raised funds and guided partnerships for international conservation, health, and child rights organisations. Currently he is with the Children's Investment Fund Foundation, where he focuses on scaling up philanthropy for climate change solutions. Hugh started at UNICEF-UK, before progressing to WWF-UK where he led corporate partnerships to raise vital funds, reach new audiences and reduce company impact on the environment. More recently he managed a secretariat team, which brought together donors, countries, pharmaceuticals and NGOs to tackle neglected tropical diseases. Hugh is a school governor in Brighton, where he is often found at the beach or on a boat.

BEYOND NET ZERO: LEADING THE WAY TO A REGENERATIVE FUTURE

JESS HACKETT – WWW.INTACONNECTED.ORG

As the climate crisis gathers, we know that we can't go on as we are - and that includes the way we lead our enterprises and finance. Regenerative leadership is the way ahead

Let's start by clarifying what we mean by net zero and why it is so important. Net zero is when the amount of greenhouse gases put into the atmosphere is the same as the amount taken out. The net zero targets exist because science dictates that to preserve a habitable planet, global temperature increases since pre-industrial times cannot exceed 1.5 degrees by 2100. If emissions continue at their current rate, warming could exceed 4 degrees this century. If we do not achieve critical Net Zero goals, we will not have a world in which we can safely live.

How have we created this problem? The economic system we have created today has been built upon principles of short termism, exploitation and extraction (both of people and natural resources), valuing profit as the only measure of success, and assuming infinite resources on a finite planet. Not to mention the consequential inequalities and systemic injustice. As businesses we drive consumption to maximise our profits and as asset holders we demand maximum returns. At the same time, we have become increasingly disconnected from Nature. We fail to acknowledge, or even take time to understand, the impact of our actions on the planet we call Home. Yet every decision we take has an impact on the world. As stewards of wealth, can we, philanthropists and advisors, better connect the decisions we make and the advice we give, with their impacts on Nature and humanity?

A RADICALLY DIFFERENT APPROACH

So, how can we reduce our greenhouse gas emissions? Albert Einstein said: "We cannot solve our problems with the same thinking we used when we created them". To transition towards net zero we need a radically different approach. We must redefine economic models, integrate and fully account for all we depend upon to exist and transform human mindsets and behaviours. We need to move away from valuing profit above all else and understand this is not a sustainable model. We must recognise our interdependence with living systems and recentre these relationships into our financial decisions and wealth distribution models. The most profitable, sustainable and resilient businesses will be those that serve a higher purpose and which are designed to create mutual benefit for all stakeholders. We need brave leaders who can envision a different way and guide us in this new direction.

As I look at ways of leading, the approach that gives me the most hope to achieve the change we need is Regenerative leadership. Regeneration means to bring new and more vigorous life. Regenerative leadership provides a compass to create future-proof organisations that generate profit whilst solving the problems faced in our increasingly complex world.

The starting point to leading regeneratively is to look inside and self-reflect. How well do you understand yourself, your values and what motivates you? What is your approach to leadership? Do you think anyone can be a leader? How do you define success as a leader? Do you acknowledge that being a leader requires continuous learning and adaptation as the world around us changes? And look outwards, reflect on the strength and health of your relationships. How connected are you with Nature? What are your observations?

JESS HACKETT

A core principle of regenerative leadership is to understand the ecosystem in which an organisation exists and build meaningful relationships to enable all stakeholders within the ecosystem to thrive. This embraces a holistic approach and the belief that the emergent value of the whole is greater than the sum of its parts. Let's consider a philanthropist who wants to provide support to survivors of modern-day slavery. She can align her ecosystem, which includes her investments, business interests, skills and network, around this cause. This could include educating herself on the topic, donating funds to organisations making systemic change, aligning her investments to ensure they don't fuel the problem, buying products that address modern day slavery risks in their supply chain and raising awareness in her network. Once all of the relationships are aligned, this holistic approach is more vibrant and impactful than making a donation to one organisation and prevents one relationship undoing the positive impact of another.

COLLABORATIVE NETWORKS

Regenerative leaders create organisations consisting of collaborative networks celebrating diversity and innovation instead of operating in distinct silos, working competitively and in isolation. In advisory firms we often see advisors with the same expertise sitting together, having team meetings and working together to meet the needs of their clients. However, when you mix disciplines, lived experiences and perspectives, perhaps including someone whose experiences appear irrelevant, and reconsider solutions, what results might you get? A particular concept I like is the edge effect which is where creativity and innovation flourish on the "edge" of different systems, creating opportunity for cross-fertilisation and new ideas. This can be seen in blended finance models which bring together philanthropy and traditional investment methods to mobilise capital that delivers both financial and social returns. How do you encourage cross-fertilisation in your organisation? Does your organisation reflect a meaningful commitment to diversity?

As mentioned, Regenerative leadership encourages our reconnection with Nature. This can range from identifying the material impacts and dependencies your organisation has on Nature, to incorporating Nature into your working space to support employee wellbeing, from exploring Nature's patterns to inspire sustainable products and solutions (biomimicry) to holding a regular meeting outside to notice Nature. As we reconnect, we will appreciate the importance of Nature and our need to protect Her.

In this article, I have briefly touched on some of the principles behind Regenerative leadership. The key question to ask is, would you prefer to belong to a diverse, vibrant, innovative, resilient organisation that authentically stewards people and planet, or one that persists in our current economic system and prioritises shareholder capital as its core purpose? I know what I would prefer, but I also know how challenging it is to lead an organisation. To reach our Net Zero goals, and indeed a Net Positive future, we need to do things differently and we can start by being curious, courageous and maybe dare to be vulnerable. What is the first step you will take towards leading regeneratively?

"TO REACH OUR NET ZERO GOALS, AND INDEED A NET POSITIVE FUTURE, WE NEED TO DO THINGS DIFFERENTLY AND WE CAN START BY BEING CURIOUS, COURAGEOUS AND MAYBE DARE TO BE VULNERABLE."

JESS HACKETT

Jess is a lawyer with C-suite, trusted advisor and board advisory experience in wealth management and philanthropic organisations. Her career has developed in the UK and Switzerland working with international families. Jess is passionate about creating positive change in the wealth management industry by supporting successful organisations whilst empowering wealth holders and advisors to understand their purpose and work towards having a net positive impact on society.

CATALYSING INNOVATIVE FINANCE TO TACKLE HUMANITARIAN CHALLENGES

ATHINA FOKIDOU AND ELLEN BROOKS SHEHATA – WWW.RESCUE-UK.ORG

How professional wealth advisors can learn and scale from expertise with international development and private sector investors

Across the world, more than 500 million people live in a setting of fragility, conflict or violence. By 2030, almost 350 million people will live in extreme poverty in these settings, constituting two-thirds of the most severely impoverished people worldwide. In the last few years, private investors have increasingly considered social impact alongside financial returns. Private sector reporting on environment, social impact and governance (ESG) has set the scene for a real opportunity for investors to also consider the humanitarian impact of their investments. Interest in humanitarian and resilience investing (HRI) has increased, yet the HRI theme remains nascent with relatively little investment. However, as humanitarian crises have grown in scale, duration and impact, so has the need to find innovative approaches to financing that are more efficient, more effective, more equitable and more sustainable. Humanitarian crises such as climate change, food insecurity, inequality, the threat of pandemics all require significant investments that go far beyond what global humanitarian budgets can provide. Using innovative finance to drive private and development investment to humanitarian contexts can deliver impact at scale and play a critical role in addressing global development challenges.

REAL WORLD IMPACT

The International Rescue Committee (IRC) is piloting ways to make traditional humanitarian grant finance more catalytic, increasing the impact of every pound by better linking the priorities of the humanitarian sector to those of the development and private sector. Airbel Impact Lab, the IRC's research and innovation unit, is dedicated to rigorous research, data-driven interventions and applying a cost-effectiveness lens to every innovation it develops. The use of Airbel's evidence-based, cost-benefit analysis approach to humanitarian programming has enabled the innovative finance practice to design new partnerships and financing approaches to drive new sources of capital. Above all, our solutions strive to be practical and replicable in target local contexts and support long-term sustainability.

We are proud to be able to share highlights of the progress the IRC has made so far, demonstrating the potential breakthrough impact innovative finance can have on the humanitarian landscape.

ATHINA FOKIDOU

ELLEN BROOKS SHEHATA

> “BY CAPITALISING ON INNOVATIVE FINANCE OPPORTUNITIES, GRANT FUNDING CAN ENABLE THE CREATION OF FINANCIAL VEHICLES AND MECHANISMS TAILORED TO LOCAL REALITIES IN EMERGING AND FRONTIER MARKETS.”

WHAT IS INNOVATIVE FINANCE?

Innovative finance uses new approaches and instruments to help individuals, communities and organisations prevent, prepare for, respond to, and recover from crises. It does this by shrinking need, maximising impact, attracting new sources of capital, and enhancing the equitable use of resources. Innovative finance aims to use grant funding as a catalyst to persuade new sources of capital to invest in solutions for communities affected by conflict and crisis. The goal of innovative finance is to help funnel more investment into fragile and conflict-affected areas where humanitarian NGOs, such as the International Rescue Committee already work to drive sustainable impact and resilient outcomes for those communities.

A TAILORED APPROACH

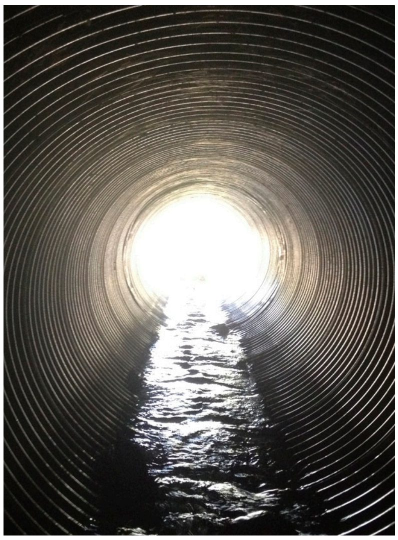
By capitalising on innovative finance opportunities, grant funding can enable the creation of financial vehicles and mechanisms tailored to local realities in emerging and frontier markets. By acting as a catalyst for more private sector capital and blended finance to fund humanitarian projects, and by sharing capacity and harnessing the strengths of expert global partners, private donors can deliver measurable solutions for their environmental and social goals.

ATHINA FOKIDOU, PHILANTHROPY LEAD UK, IRC

Athina Fokidou is the UK Philanthropy Lead at the International Rescue Committee. She connects private banks and wealth advisors with the IRC to build short-term impact and long-term development goals for their clients. Athina is a School of Oriental and African Studies, University of London post-grad with a MSc in Globalisation and Development. Over the past 13 years, she has served as a consultant in both the not-for-profit and private sectors, focusing on sustainability accounting, human rights, policing and judicial reform, counter-disinformation, tax justice and financial inclusion, and leading on developing strategies for securing private and public funding.

CASE STUDY: SUPPORTING HUMANITARIAN IMPACT IN INFRASTRUCTURE FINANCING

In many countries, local governments lack the resources or capacity to build, operate, and maintain centralised water and sewer systems, especially in rural areas. It’s also often cost-prohibitive for the private sector to go it alone. With the IRC’s extensive on-the-ground experience and local knowledge in Jordan, Airbel is delivering enhanced technical assistance on wastewater infrastructure for the West Irbid Wastewater Network project. In partnership with the European Bank for Reconstruction and Development (EBRD), the Royal Scientific Society of Jordan, and the Jordanian Ministry of Water and Irrigation, this investment will improve water services for over 120,000 people. This ground-breaking partnership will address the urgent socio-economic and health needs of the local population and the refugee community in Jordan, as well as further developing a model for increased engagement between the development and humanitarian sectors. As the IRC is demonstrating in Jordan, the use of innovative finance can pave the path toward lasting solutions at scale.



ADVISORS AND THEIR CLIENTS LEADING THE WAY

Private capital investments play a vital role in tackling the world's greatest humanitarian challenges. As Government aid budgets come under increasing pressure, over the coming years, the need to increase the use of blended finance in humanitarian settings will be ever more vital as a means to mitigate risks from displacement and loss of human and natural resources due to climate change and socio-political instability. By using philanthropic donations to break down the divisions between sectors, private capital can have a transformational impact, helping to produce a more sustainable humanitarian response and build more resilient communities. As the world reels from the triple threat of conflict, climate change, and COVID-19, there is a critical window of opportunity to use innovative finance principles to create more sustainable global financial and philanthropic systems. Forward-thinking donors and partners can help lead the way, shaping a better future for their work, the communities they serve, and the planet.

"AS THE WORLD REELS FROM THE TRIPLE THREAT OF CONFLICT, CLIMATE CHANGE, AND COVID-19, THERE IS A CRITICAL WINDOW OF OPPORTUNITY…"

ELLEN BROOKS SHEHATA, INVESTMENT LEAD, AIRBEL IMPACT LAB RESEARCH AND INNOVATION, IRC

Ellen Brooks Shehata is the Investment Lead for the Innovative Finance Practice at IRC's Airbel Impact Lab, building a portfolio of projects to realign capital behind humanitarian objectives. She has over a decade of expertise working in the Middle East in finance, investment advisory, fundraising, and policy and served as a Vice President in JPMorgan's Private Banking division from 2014-2019. Prior to that, she was living and working in Cairo, Egypt, at the American Chamber of Commerce in Egypt on economic and investment policy. Ellen holds a B.A. in Art History from the University of California, Los Angeles; and a master's degree from Columbia University's School of International and Public Affairs: International Finance, Middle Eastern Studies. She is on the Boards of ArteEast and Funtasia Impact, and holds Series 7, 63 securities licenses.

CATALYTIC PHILANTHROPY - THE GAP NATURE NEEDS FILLING

HELEN AVERY - WWW.GFI.GREEN

If we hope to meet our national and global conservation and nature restoration targets, simultaneously preventing a climate disaster, we need philanthropic funding to mobilise private capital at scale

Last year, the Green Finance Institute commissioned environmental economics consultancy, eftec, to calculate the funding gap for the UK's nature goals - that is, the gap between public funding allocated to meet the stated targets, versus estimates of the amount needed for to reach those goals. These were nature restoration goals and natural climate solutions imperative to the resilience of the UK economy at a macro level and to communities at a local level. The goals include: improving biodiversity abundance both on land and in our seas; improving water quality in our rivers; reducing carbon emissions on our farms or from our peatlands; restoring our carbon sequestering woodlands and wetlands; developing natural flood management solutions; and providing greater access to green and blue spaces for everyone.

The results were a wake-up call. According to the report, the funding gap is, at best, £44 billion over the decade ahead, and, at worst, £97 billion. We need on average an extra £5.6 billion a year but, given that costs can be expected to increase as the climate changes and we reach biodiversity tipping points, not to mention factoring in inflationary pressures, we need most of the decade's money as soon as possible.

Of course, it is not just the UK that is grappling with a funding gap for nature as we race to prevent further biodiversity loss and the interconnected climate emergency.

The UN estimates a global spending gap of $4.1 trillion from 2020 to 2050 for Nature-based Solutions alone.

PRIVATE CAPITAL MUST STEP UP


HELEN AVERY

So, where will the money come from? Given the state of government budgets, there is only one answer – the lion's share will have to come from the private sector.

Positively, businesses, banks and investors - for the most part - recognise both the risk of biodiversity loss and the opportunity for new income streams. At the Institute we meet regularly with asset owners, asset managers, bankers and corporate CFOs who agree that the private sector must be leaned on to fill this gap, who understand that, with last year's launch of the Taskforce on Nature-related Financial Disclosures (TNFD), greater scrutiny on nature-related impacts and dependencies is already here, and, what is more, they are actively seeking opportunities to put their money to work.

But, between government grants and philanthropic donations for nature

“ACCORDING TO GIVING USA’S LATEST REPORT, ONLY 3 PER CENT OF ALL CHARITABLE GIVING IN THE UNITED STATES IN 2020 WENT TO THE ‘ENVIRONMENT OR ANIMALS’.”

restoration on one side, and the so-called wall of private sector finance on the other, we collectively face another incredibly large gap – the lack of suitable investment opportunities.

Notwithstanding the success of some projects in meeting the risk/return profiles of investors – chiefly large scale carbon credit reforestation projects - we have a long way to go to demonstrate that nature can deliver revenue streams or demonstrable cost savings that, in turn, allow for repayable finance or investment returns to be created at the scale and standard the global private sector requires.

What is more, to move from nature as a free resource, to one that now generates revenues from the sale of its services, be that carbon sequestration or avoidance, pollination, health improvements, water quality, flood mitigation or nutrient reduction, requires not only a mindset shift, but a system change. At present, there are literally hundreds of barriers preventing the flow of private investment we need.

UNLOCKING REVENUE STREAMS FROM NATURE

A year and a half ago, we co-launched the Financing UK Nature Recovery Coalition with the Broadway Initiative and Finance Earth to identify the barriers preventing investable opportunities from arising across the UK. Engaging with over 300 cross-sector stakeholders, collectively we uncovered more than one hundred barriers and developed a set of recommendations for solutions that published in June.

At the core of every solution lies the need to unlock, and then demonstrate, revenue streams from nature. We need robust and accessible data for baselining and measuring impact. We need standards and taxonomies that give comfort to buyers and investors. We need project developers trained in business development and investors trained in ecology. We need regulatory changes and policy tweaks to create private sector demand.

All of this development, testing and proving – coupled with knowledge sharing, engagement and communication - is essential. Not every idea will bear fruit, but failures, as well as successes, play an important role in moving the ball further down the field, and closer to that £5.6 billion a year target.

This early stage of market development, however, is resource intensive, largely exploratory, and therefore doesn’t always align with the outcomes that grant makers are looking for. Yet, if we hope to unlock these barriers and see billions and not millions flow into nature restoration, then we need more creative, entrepreneurial philanthropic funding – funding that will pay for research, business case development, pilots, standards creation and community engagement to help restoration projects become long-term sustainable businesses that match investor requirements as well as community needs. We need venture philanthropy that can act in a first loss capacity to de-risk deals and crowd investors in. We need no or low-interest rate loans to help land managers manage their own risk as they venture into entirely new territory. And we need this diverse and nimble catalytic funding and finance at a scale we have never seen before.

ENTREPRENEURIAL PHILANTHROPY

Charitable giving to the environment is a tough sell - even before convincing individuals, charitable trusts, foundations and endowments to undergo a mindset shift of their own by looking beyond restoration grants to market development funding.

According to Giving USA’s latest report, only 3 per cent of all charitable giving in the United States in 2020 went to the ‘environment or animals’. The majority went to religion, education and health.

In the UK it is a similar story. In 2020, individuals and charities in the UK gave £250m to environmental causes, less than 4 per cent of total charitable funding by UK philanthropists, most of which is given to health, arts and culture.

And the generous funding that does find its way into the environment risks failing to meet the needs of project developers who, themselves have made the mindset shift. They understand that to meet their own restoration missions, they will need many more multiples than grant funding can provide.

The success of the Natural Environment Investment Readiness Fund is a case in point. The £10 million Fund was launched by the UK Government Department for Environment Food & Rural Affairs (Defra) and the Environment Agency in 2021 to help projects develop a business case for investment. More than 75 project developers in England alone have now been awarded grants from a much larger pool of applicants.

"FARMERS ARE GOING THROUGH A SYSTEM CHANGE AND, OF COURSE, EXPLORING INNOVATION WHEN YOU'RE TRYING TO MAKE A LIVING IS EXTREMELY CHALLENGING."

Appetite has shifted. As one UK peatland restoration project developer shared with us recently: "The short-term nature of grant-funding for capital works means that we hire experts only to lose them again months later. What would be helpful, and which requires no more money, but a longer-term relationship and commitment from funders, is to provide core funding for two to three years that can help us - not only keep our experts - but hire in consultants and develop a business case to get to a place where we can attract large sums of private investment, or upfront repayable finance."

Essentially, such funding would enable this conservation charity to find buyers for peatland carbon credits, or to explore investable models to sell natural flood management benefits or biodiversity benefits – creating potentially millions of pounds of future investment - and arguably a much larger environmental impact than one restoration project alone.

We hear similar challenges made by farmers here in the UK, many of whom are keen to transition to sustainable or regenerative practices, but who lack the funding to help them develop business plans. Says Jenny Phelps, Senior Farm Environment Adviser at the Farming and Wildlife Advisory Group (FWAG): "Farmers are going through a system change and, of course, exploring innovation when you're trying to make a living is extremely challenging. They are under pressure to transition to less carbon-intensive and more nature-friendly practices, but the risk is high, and the resources to support them are complicated and un-joined up."

Phelps says there is need for funders that are less 'single issue' and more creative in thinking about how they can support the farming community through the system change. "We see farmers who are keen to explore whether they can make up for the loss in revenues that they fear will occur by transitioning from conventional farming – for example, exploring alternative businesses such as re-localising food supplies, producing sustainable energy, setting up malting plants, or selling ecosystem services. But the funding to help them develop feasibility studies, or establish pilots is missed due to the challenges in its complexity. They lack entrepreneurial funding partners."

In the Netherlands, Aardpeer offers a model where a foundation – Stichting BD Grondbeheer – buys land on behalf of farmers and rents it out on a long-term basis and at an affordable rate based on the farmers' revenues.

QUICK-FIX VERSUS LONGER TERM

Why aren't many funders recognising this need to fund with future large-scale investment in mind, however? Tom Hall, Head of Social Impact & Philanthropy Services at UBS believes the sense of urgency is driving more 'quick fix' approaches. "Funders want to see tangible and immediate outcomes, such as planting a woodland or restoring peatland. Yet, instead, they could spend that money building something that in two years becomes part of a larger market with the same outcomes, but 100 per cent more impact."

HELEN AVERY - DIRECTOR OF NATURE PROGRAMMES, THE GREEN FINANCE INSTITUTE

Helen Avery is a Director of Nature programmes and GFI Hive within the Green Finance Institute. She leads the Institute's work on mobilising private finance into nature restoration and nature-based solutions. The Institute also hosts the Secretariat for the Taskforce on Nature-related Financial Disclosure (TNFD) and its UK National Consultation Group. Previously, Helen was Sustainable Finance Editor and Global Wealth Management Editor at Euromoney Magazine.

He suggests there is a fear that, if funding the development of a business case doesn't work, then two years will have been lost. "It is a risk trade-off – and one that those in the investment world face all the time – but unless we take some of these risks, we are not going to solve our issues. We need to expedite using philanthropic money that is impact-seeking to ideate and test models that can ultimately be scaled by impact investment," he says.

He makes the additional point that in education or health (both of which receive greater philanthropic funding than the environment), much of the R&D has already happened, whereas for the climate emergency we need to research, develop ideas and financial models, and scale simultaneously.

One of the longest running examples of using philanthropic and government funding to catalyse private finance for conservation is offered by The Nature Conservancy (TNC). In 2014, it developed NatureVest with founding support from JP Morgan and others, aimed at driving large scale return and impact-seeking capital into conservation. Says Melissa Weigel, Managing Director, Capital Raising at TNC: "We believe in the power of the private capital markets to achieve good, and we need to help drive their participation in conservation."

That means using philanthropic capital early with the view to attracting the private sector later. Weigel says that takes different guises for TNC. "There are many natural ecosystems like peatlands and wetlands where the carbon sequestration is less understood than in forests. We need the philanthropic dollars for that research to be able to develop revenue streams that will later lead to private investment," she explains.

Based on the success of its Africa Forest Carbon Catalyst, which included philanthropic support from the UBS Optimus Foundation, TNC is setting up a Carbon Markets Hub that will raise money for and coordinate such research across TNC.

TNC also runs several accelerators using philanthropic funding to provide feasibility studies, technical assistance, training for business owners, recoverable grants and forgivable loans into projects that could develop carbon credits to attract private investment.

The importance of accelerators, Weigel points out, is scale. "Many are looking to these market-oriented solutions as a way to achieve impact at scale, and the accelerators can help prove out new business models to meet that," she says. Any money recovered from the grants or loans is recycled.

COLLABORATIVE PHILANTHROPY

Hall says that pooling philanthropic can be an effective means of getting capital together for the purpose of developing investment-ready nature restoration or -positive projects.

By way of example, UBS Wealth Management set up a collective of 10 billionaire families from around the world to invest $8 million in NbS involving coastal ecosystems with a view to rapidly scaling investable pathways. "There is huge capacity for CO_2 reduction from NbS but those investable pathways aren't clear right now, so we're ideating on the ground solutions. Such as, can you create less intensive shrimp farming within mangroves using the carbon markets to reward preservation?" he says.

Hall adds that this requires another mindset shift for philanthropists who typically take a more individual and personalised view of donating.

This idea of pooling philanthropic funds to provide more catalytic funding is also happening in the UK. The Esmée Fairbairn Foundation has been working with the Environmental Funders Network to set up an Environmental Investment Learning Fund which provides grants and low-interest repayable loans to nature-positive projects across the UK, including those that will help develop business models selling ecosystem services.

Says Liam McAleese, Natural World Programme Lead at the Esmée Fairbairn Foundation: "We're seeing funders who want to dip a toe into this catalytic type of funding and learn more about the role of private investment for nature. Ultimately, we want to grow higher-risk, long-term and patient investment in the environmental sector which is missing at present." The Fund is matched by the Foundation and is £2 million in size. Esmée Fairbairn Foundation's board will select the projects. McAleese says there was so much interest that the Fund was oversubscribed, which is a positive sign that philanthropists are moving in the right direction. "If we want to fill that $44 billion to £97 billion funding gap, grant funding in its current form is not going to cut it," says McAleese.

The Esmée Fairbairn Foundation has taken larger steps still to ensure its money is used to crowd in private sector capital. While grant funding is still a critical part of the Foundation's work, it also uses its capital for repayable loans for eNGOs seeking to make land purchases for restoration, as well as using the power of its endowment to make investments. "Our grant funding was £17 million last year, but we have endowment of £1.5 billion, so it's - how can we think creatively about putting all of our resources to work?" McAleese adds.

Esmée Fairbairn's endowment, for example, invested in the recent Wyre Natural Flood Management Project - in addition to providing grant funding for the initiative to develop the business model of selling reduced natural flood risk to buyers such as water company, United Utilities, and Flood Re.

It's a model the Foundation has tested out in the social sector, having made its first investment in social impact back in 1997. Indeed, some commentators say the venture philanthropy that significantly helped to drive the growth of social impact in the UK to create a £10 billion market within a decade is what is needed for the environment.

"In the social investment sector, the bottom-up stimulus, capacity building, venture philanthropy and risk buffers were provided by charitable trusts and endowments. They understood the need for some of their grantee enterprises to become less reliant on grants and transition into a full, or partial repayable finance model," says Richard Speak, co-founder and managing director at Finance Earth.

In part, that risk-taking was due to the experience of trusts and foundations in providing grants to social enterprises and gaining comfort in their business models. He says that these interventions from the philanthropic sector helped catalyse the early wave of social impact investment – helping to develop the sources of finance along the growth curve from grant funding to institutional investment that allowed the market to grow from millions to billions.

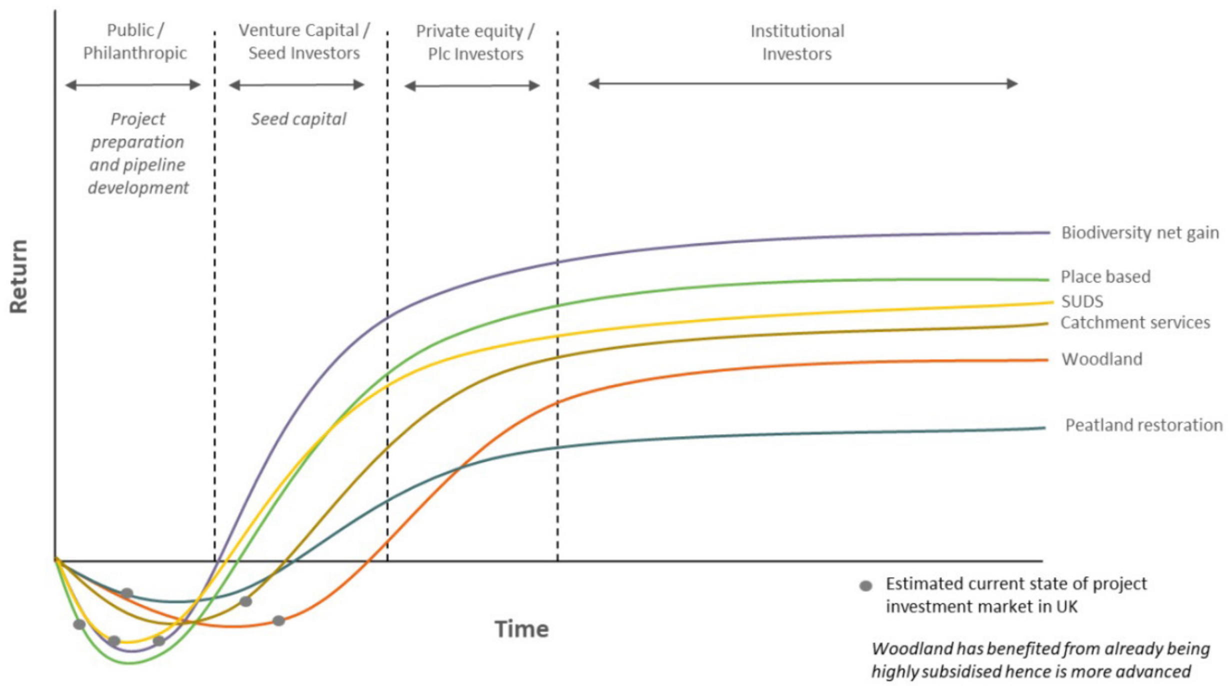
Speak's firm is both an advisor to nature-based projects looking to develop revenue streams and investable models, as well as being an impact investor. He points out that venture philanthropy – funding that looks for a blended impact and financial return and bridges the gap between grants and venture capital, or that acts as concessionary capital – also has the ability to drive behaviours and outcomes by ensuring the entire financial model delivers the highest social and environmental impact.

LOANS TO BRIDGE THE GAP

Like the Esmée Fairbairn Foundation, some individual philanthropists have recognised this need to act as a bridge for environmental organisations. After selling her stake in outdoor company, Osprey Europe, Julia Davies looked to fund projects through environmental charities, with a focus on reducing single use waste. Frustrated by the lack of progress and impact being made, Davies began to invest in early-stage companies like the Good Club and Revolution-ZERO that were providing practical and immediate reusable solutions.

At the same time, Davies says she had been inspired to look to rewilding after reading the State of Nature UK report. The 2019 report showed that species across the UK had, for the most part, declined dramatically in abundance since 1970, and that 15 per cent were now threatened with extinction.

GROWTH CURVE



Public financing cycle and investor type for selected natural capital project types in the UK

Source: Vivid Economics, Environmental Finance

"THERE IS AN INCREDIBLE OPPORTUNITY HERE FOR PHILANTHROPY TO PLAY A LEADING ROLE IN THE QUEST TO FILL THE NATURE FINANCE GAP AND MEET OUR COLLECTIVE NATURE (AND CLIMATE) GOALS."

Davies says her first inclination was to acquire land to rewild herself, but after hearing about Esmée Fairbairn Foundation's success in helping conservation groups to act quickly to acquire land Davies was inspired instead to offer something similar. Davies explained "It was a light bulb moment. Instead of restoring land on one piece of land purchased by me, by making an interest-free loan to a conservation group to help them buy land I could potentially help restore nature on multiple parcels of land – achieving much greater impact."

The first acquisition was Wild Woodbury in Dorset – a 170 hectare parcel of land, which Davies acquired with the aim of transferring to the Dorset Wildlife Trust – effectively providing a bridge loan. There are plans to rewild 150 hectares of the site, including 30 hectares of wetland restoration, working with the local community.

Davies also funded the recruitment of project officer Rob Farrington. "As it happened, that loan was only required for a matter for weeks, because Rob was able to acquire nitrate mitigation money from our local Councils to pay back the loan in full," says Davies.

The experience led Davies to gather other high net worth individuals together, to provide philanthropic loans – chiefly to Wildlife Trusts that will be able to provide the level of conservation needed, as well as offering permanence to the sites. To date, six sites have been acquired with the loans, and several more are in the process of completing.

The loans provided are interest free for several years before becoming low interest rates.

Davies says she has tried to keep the model as simple as possible to demonstrate that it works, with the potential of developing more complex models like bonds in the future. She is hoping to attract charitable endowments to adopt the model, in addition to exploring whether the bridging loan model can be used to assist in filling short-term cashflow needs for Community Interest Companies and catalysing urban sustainable regeneration.

"It's a moral responsibility when you have money to put it to work," says Davies. "Providing innovative financing isn't a substitute for donations, but it enables you to put more of your wealth out there and I would urge charitable trusts to consider this kind of model for their endowments."

REVOLUTIONARY PHILANTHROPY

It is this more innovative position in the capital stack that we need philanthropic (and arguably government funding) to start moving into if we want to see the billions from the private sector shift into halting and reversing biodiversity loss.

Weigel, for example, shares that TNC collaborated with a fund manager on one structure to create two tranches of capital – "one from philanthropic and impact capital that took a first loss position, and the second being a senior tranche." If it were not for the first tranche, Weigel says the second would not have been raised.

Similarly, Hall at UBS points to one climate adaptation project the wealth manager was working on where the cost of capital offered by investors was simply too high for the business models. "With $20 million of first loss capital, the investor could have dropped the cost of capital, that would have ultimately allowed $1 billion of investment to flow in," he says. "It's the classic blended finance model that we're still not seeing enough of, but that will be so important in the coming years."

Examples such as Hall's that show the multiples that philanthropic/impact tranches can leverage if only philanthropists expand their focus beyond pure restoration grants.

There is an incredible opportunity here for philanthropy to play a leading role in the quest to fill the nature finance gap and meet our collective nature (and climate) goals. Furthermore, there is a responsibility. While our time is running out to meet our net-zero and nature-positive targets to avoid global catastrophe, philanthropic pools of funding are growing. Hall estimates that the global $2 trillion in current philanthropy could grow to a staggering $5 to $7 trillion in the next ten years.

Its catalytic impact could be revolutionary.

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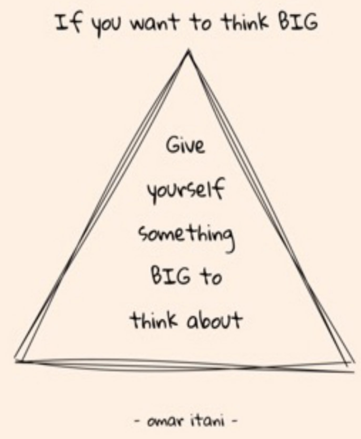
"I START WITH THE BIGGEST SOCIAL AND ENVIRONMENTAL PROBLEMS THAT WE NEED TO FIX. AFTER ALL, THAT SHOULD BE THE OBJECTIVE OF EVERY IMPACT ACTION."



MUCH ADO ABOUT SOMETHING – A BIG PICTURE VIEW OF IMPACT FOR BUSINESS, INVESTMENT AND PHILANTHROPY

DAVID STEAD – MAANCH.COM

Impact investment and philanthropy is about seeing the world's problems as something you can help tackle and seeing the positive changes you want to happen, happen

You may have seen the Mission Impossible films. My mission is to pull together the many evolving strands relating to impact, environmental, social and governance (ESG) and social finance, in order to create a well-rounded view of how these changes are transforming business, investment and philanthropy. In the drive towards Net Zero, we see these forces clearly at play. And with the myriad connections between our biggest social and environmental issues, whether this be climate change and inequality, or mental health and poverty, we need to find a lens, so we can see the actions needed more clearly.

I hope this will be of interest to those new to the subject, to wealth and other advisers keen to know more, or those looking for a broader, strategic and inter-connected perspective on this rapidly evolving topic. Rather than pursuing one area in depth, I will whizz through models, ideas and approaches, and would like to thank anyone who may have contributed to the development of these over the years.

Having spent many years in investment banking, professional services, charity and impact management, I see many pieces to the puzzle, so I am keen to find a "picture on the box".

Impact can be very confusing. It's a high-profile subject but still emergent and changing. But my view is that, whether we are talking about impact in investment, business or charity terms, there are a core set of strategies and principles which are valid throughout. My hope is that the genuine quest for positive impact spreads into the mainstream markets, into ESG investment and sustainable business, taking with it the robust disciplines developed over the last decade or so.

WHAT DO I COVER?

I start with the biggest social and environmental problems that we need to fix. After all, that should be the objective of every impact action.

Then I will give you my view of what Impact means, and why impact must be the starting point for discussion, not just the end point, as some kind of tag-on to the main feature.

I'll say a few words on philanthropy, as it shouldn't be forgotten, given it is a critical source of funding and expertise.

Then I'll briefly look at the need for collaboration, and scaling up, to make a bigger and more sustained difference to people, and to our planet.

Finally, I would like to leave you with a few questions to consider.

DAVID STEAD

DAVID STEAD - MAANCH

David advises on impact-driven investment, corporate responsibility and philanthropy, to drive the allocation of resources to positive social and environmental outcomes. He has worked across the social finance spectrum, utilising grants, loans, impact investing and ESG funds to create impact strategies, portfolios and programmes. As a former CEO and executive director, he draws on a wealth of senior leadership, commercial and consulting experience from the not-for-profit, professional services and investment banking sectors (including CAF, Eversheds, KPMG, Accenture, RBS and UBS).

GETTING OUR HEADS AROUND THE WORLD'S BIGGEST PROBLEMS

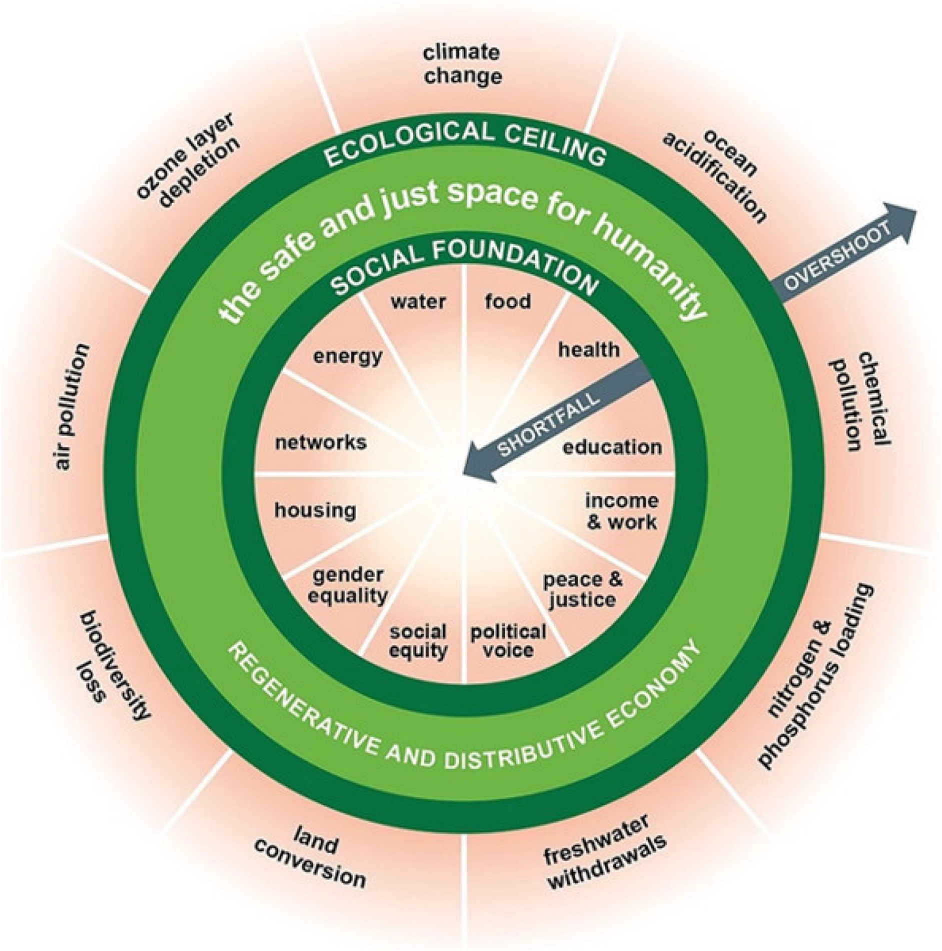
We all know there are big social and environmental issues in the world - but how do we make sense of them?

How do we frame the challenge so we can do something about it? There are two big, interconnected models we can use to help.

For me, Doughnut Economics, created by Kate Raworth, is the best visual framework to consider sustainable development. https://doughnuteconomics.org/about-doughnut-economics

The centre hole of the doughnut represents the lack of access to life's essentials like health, peace, education and so on, whilst the outer layer represents the planetary boundaries which we have already overshot in terms of climate change, emissions, pollution, biodiversity loss etc.

From this we get an immediate picture of the scale and diversity of our challenge - that is how to bridge the shortfall in the basic needs of people, and how to prevent or reverse the damage we are doing to our planet. The combination would put us in the green layer – a safe and just space for humanity, and a regenerative, sustainable economy, which is the ultimate goal.



The Doughnut. A picture of the world's biggest problems for people and our planet.

"PRE-COVID THIS GAP WAS ESTIMATED AT $2.5TRN, ALREADY VERY BIG, BUT WITH THE PANDEMIC ISSUES ON TOP, IT'S LIKELY TO HAVE INCREASED BY 70 PER CENT TO OVER $4TRN."

The second framework, the SDGs adopted by the UN Member states in 2015 – https://sdgs.un.org/ will be familiar. These 17 goals and 169 underlying targets for 2030, represent the world's most important "to-do list". An urgent call for action, and funding, to support vulnerable people and a planet at risk.

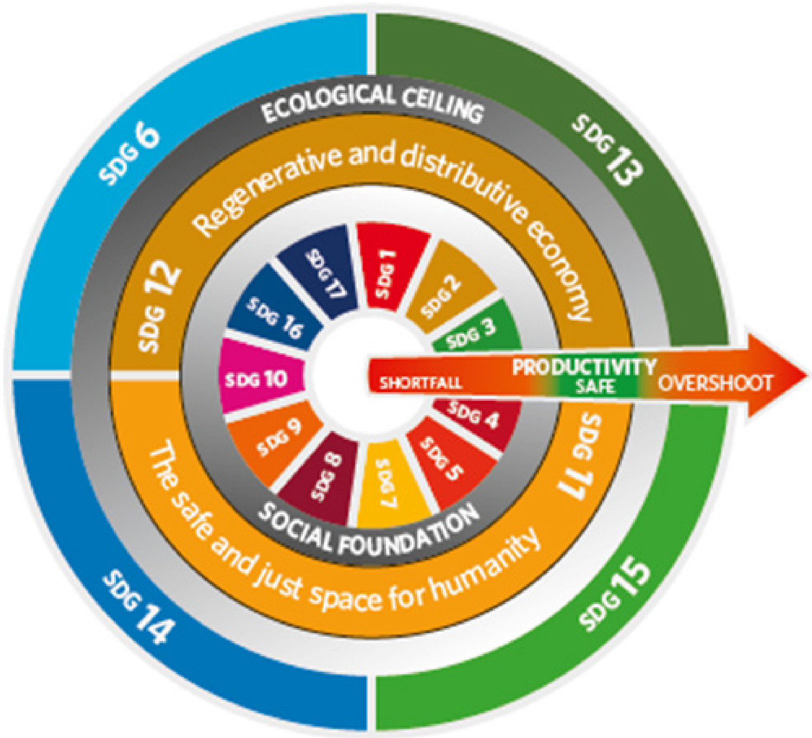
There are many interdependencies across the goals which need to be considered in any deeper analysis; for example, education and gender are linked if we want to get more girls educated in schools in say India or Afghanistan, but as a starting point, the SDGs separate out our key challenges very clearly.

Goal 17 targets collaboration between all the organisations needed for funding and expertise; for example, the Government, investors, business, NGOs and major donors. This is critical given the scale of the challenge and the funding gap to achieve the goals.

Pre-Covid this gap was estimated at $2.5trn, already very big, but with the pandemic issues on top, it's likely to have increased by 70 per cent to over $4trn. This is due to the additional needs arising from covid, as well as a fall in available resources, including private funding. The food and energy shocks arising from the invasion of Ukraine will exacerbate this further.

It is clear that collaboration, with a shared agenda and focus, is now even more critical.

These two frameworks can be put together to encapsulate the scale and breakdown of our global challenge. The SDGs fit into the Doughnut, and organisations have started to adapt this framework to approach challenges by city (sustainable cities), sector, or country. I find this a useful lens through which to view any net zero, sustainability or impact strategies.

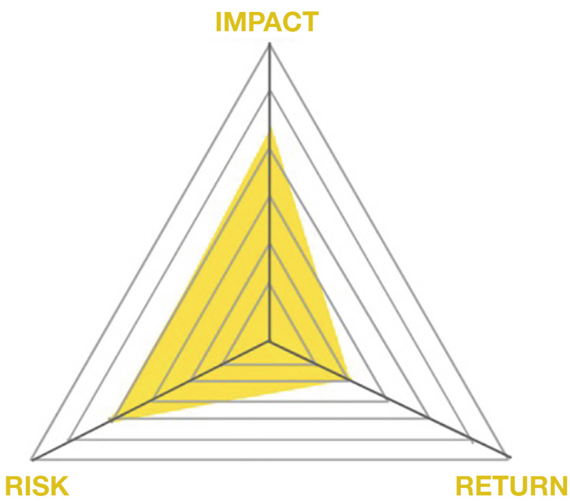


Goals 1 to 10 along with 16 map out the Social Foundation, with poverty elimination being a priority and linking up to peace as a key element in that journey. Goals 6, 13, 15 and 14 map out the Ecological Ceiling with climate change fast becoming a global priority. The sweet spot between both these ceilings contain the remaining 2 goals concerning consumption, production and sustainable habitats and communities - the safe operating space for humanity to maintain planetary health.

WHAT IS IMPACT?

If we have a good framework through which to see the problems, how can we make a positive impact on those problems? And what does impact mean anyway?

The three key dimensions to consider look like this:



In simple terms, with impact investing, we add impact as a third key dimension alongside the traditional risk-return trade-off.

It is important to think through the right combination of these three dimensions depending on your values and objectives; either personally, or for your clients or organisation.

How important is making a social and environmental impact compared to the financial reward and associated risks?

In traditional impact investing, or when using philanthropic or blended capital, like development or social impact bonds, one would expect to sacrifice some financial return in order to achieve the desired impact, eg. a fund or bond aimed at widening access to education for girls in India, or innovations to provide better water supplies or sanitation in parts of Africa. Now, specialist funds target market rates of return alongside impact, often through early stage investment in emerging technologies - for example, to produce greener energy. It's no longer the case that financial return must be sacrificed to do good.

In the global public markets too, recent studies show that there is no longer a negative correlation in ESG type funds between impact and returns.

In other words, over the last few years, funds labelled as ESG, have outperformed others in terms of financial returns. And this has held up strongly despite the covid crisis and stock market falls.

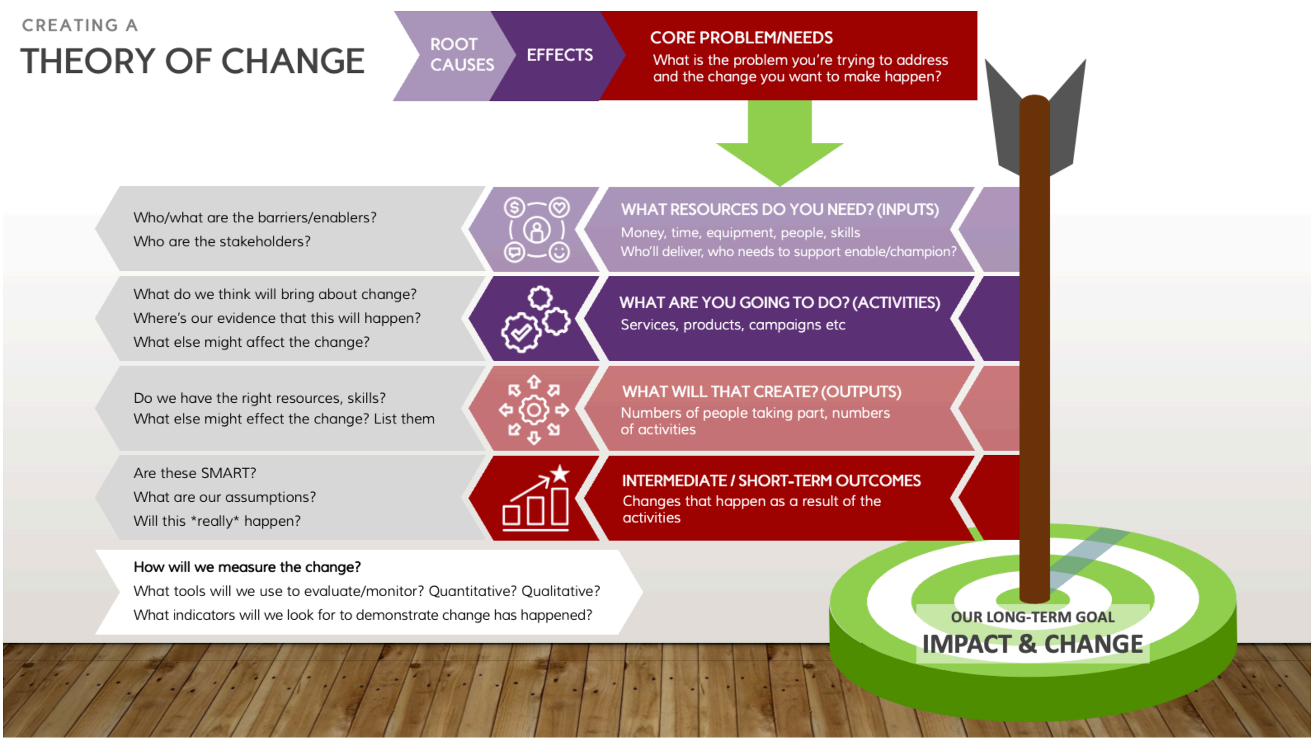
IS IT REALLY MAKING A DIFFERENCE?

But that leads to other big questions about how genuine those ESG funds are in terms of their impact, if they are claiming to make a difference. Is there evidence of the change arising, or is it labelling to exploit the popularity of ESG? There is a whole debate about ESG and impact. There are overlaps but also key differences between a traditional ESG risk management approach and intentional, opportunity-driven, impact investing.

More broadly, I would also suggest that these three dimensions don't just apply to finance but also to business and charity-related decisions; for example, a new product line aligned to one of the SDGs (as with Unilever or Danone, for example), or Foundation aligning its investment portfolio, not just its grants, to the charitable mission.

CHANGING OUTCOMES

However, those three dimensions don't really tell us what impact is. For this, let's turn to the Theory of Change.



Although this is mainly used with a charity focus in the NGO sector, I believe that its value can be applied to private sector investment and responsible business. It's especially good when considering the social factors, the S of ESG, an area where many organisations struggle.

In brief, we identify the core problem to be addressed, and the actual change you want to see happen. That's your aim. This is where the doughnut and the SDGs are a useful starting point; for example, look in more detail at the targets behind each SDG to see which are most meaningful to you. It's then a process of thinking through the inputs, activities and outputs needed to make this change happen, and then, most importantly, the outcomes you want to achieve, and how you will measure the change in outcomes arising.

Impact for me, simply defined, is the change in outcomes arising from intentional investment, business or charitable activities.

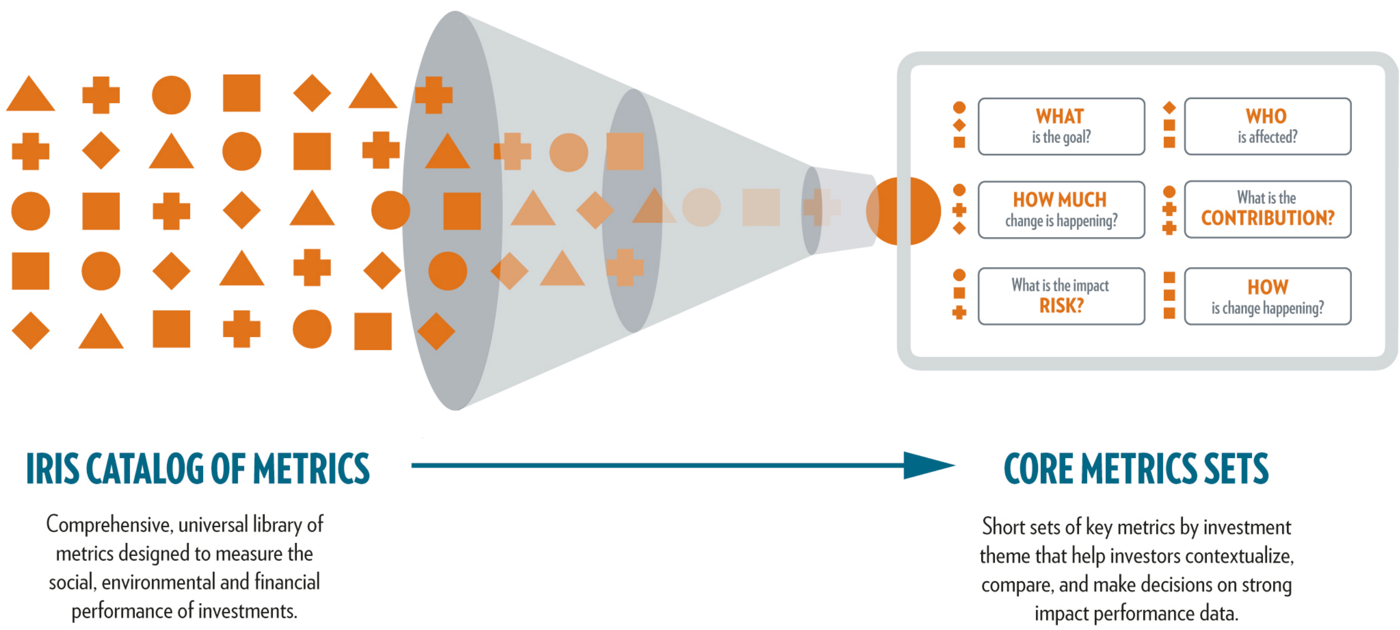
There's more but it's outwith the scope of this article. In short, it's important to understand the difference between outputs and outcomes, to find reliable data sources to track the changes, and to build in community learning loops to improve impact over time.

Other ways of defining and assessing impact have evolved over the last few years. Without these, impact can seem very intangible.

For example, the Global Impact Investing Network (GIIN), in collaboration with many other organisations, has produced "IRIS +" which frames impact nicely.

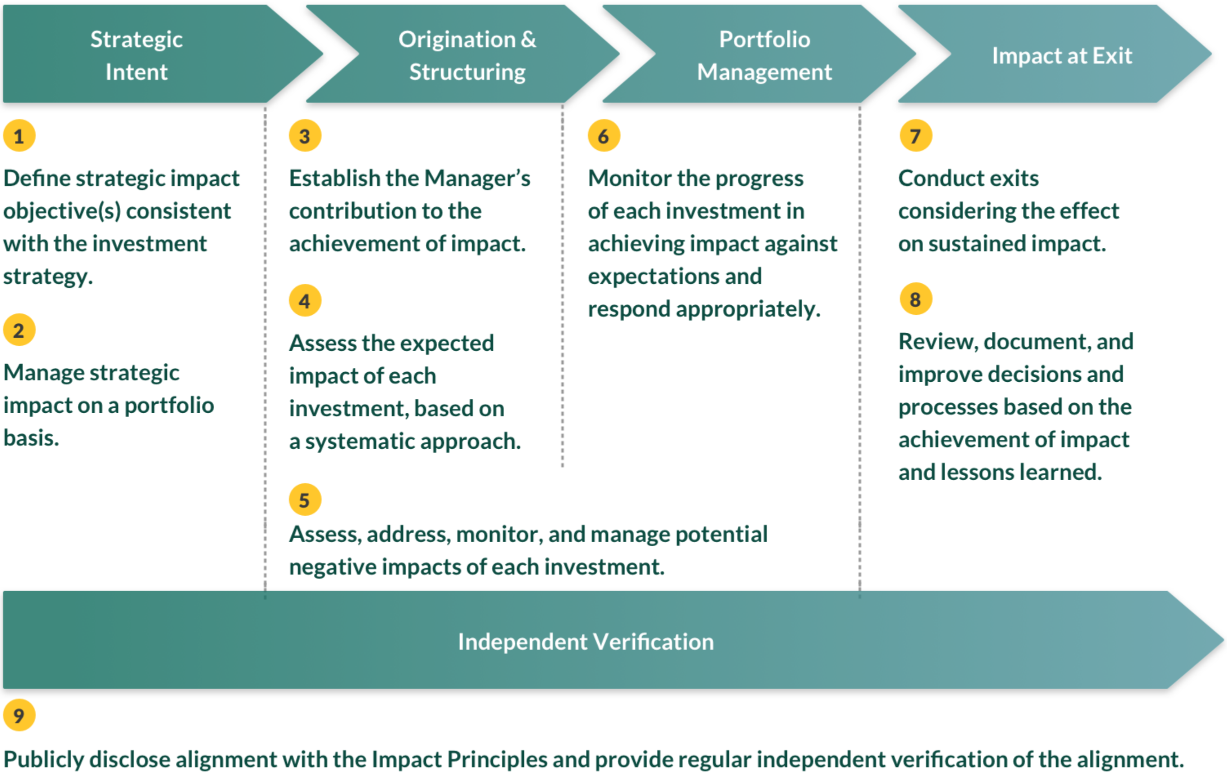
The idea is to follow the six main questions about goals and the evidence of change, and draw upon the vast catalogue of data-driven metrics to specify, compare and make better impact decisions. Have a look on the GIIN/Iris + website for more. https://iris.thegiin.org/.

"IMPACT FOR ME, SIMPLY DEFINED, IS THE CHANGE IN OUTCOMES ARISING FROM INTENTIONAL INVESTMENT, BUSINESS OR CHARITABLE ACTIVITIES."

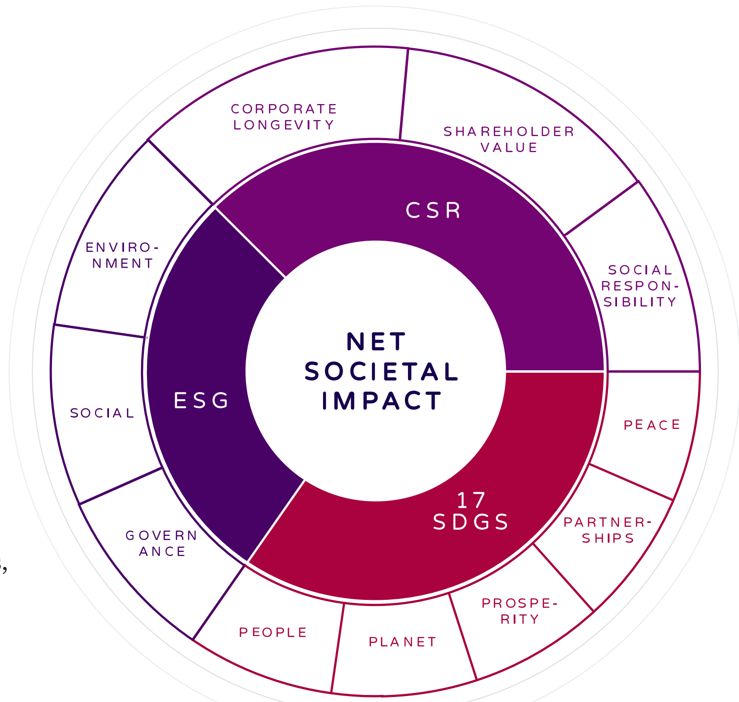


THE 9 PRINCIPLES OF IMPACT INVESTING

The framework below is from Operating Principles for Impact Management, https://www.impactprinciples.org/9-principles, another collaborative effort, which has been a driving force behind our understanding of impact for several years.



The framework helps us to ask challenging questions to test the validity of impact claims from asset managers and others in their portfolios or funds. For this I'm inspired by The Impact Management Project (IMP), a groundbreaking collective which began in 2016: https://impactmanagementproject.com/.



For example:

- Is the impact intentional? (was it part of your outcome-driven plan?)
- Is it material, in terms of the importance of the impact delivered for that company's sector? e.g. emissions reduction in law firms is less material than in industrial production.
- What is the additional impact arising from your contribution, compared to what would have happened anyway?
- And is the impact measurable?

As Sir Ronnie Cohen, the so-called father of social investment says, there is an "impact revolution" out there, and I hope he is right.

THINKING "IMPACT FIRST"

I have covered a lot of ground, so I want to simplify this by drawing on our work at Maanch, which is a tech/advisory B-Corp focused on effective impact management. https://maanch.com/about.

Our aim is to help clients put impact at the centre of their thinking, culture and performance, as the starting point for purpose, strategy, planning, operations, investment, KPIs, and reporting, not just as the end datapoints.

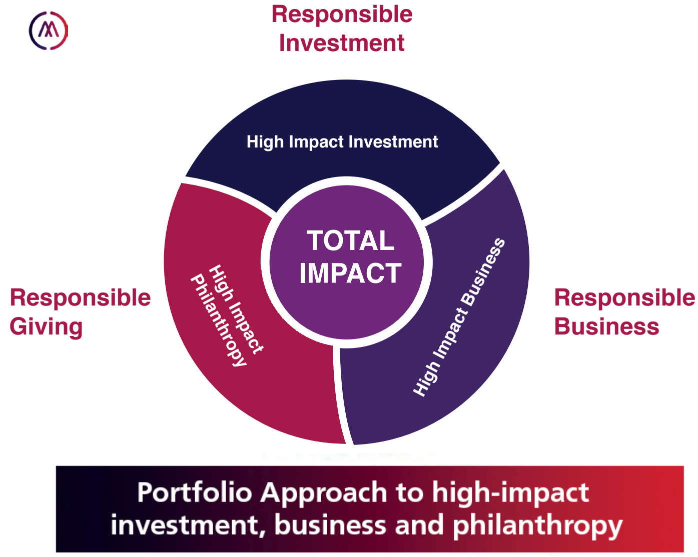
BRINGING TOGETHER CSR, THE SDGS AND ESG

At Maanch, we bring together the many concepts arising over the years from ESG, CSR and SDGs, and integrate them in a methodology, and an overall aim, we call Net Societal Impact. A purpose-led, strategic drive for the organisation to minimise harm and optimise its positive impact on society and the world.

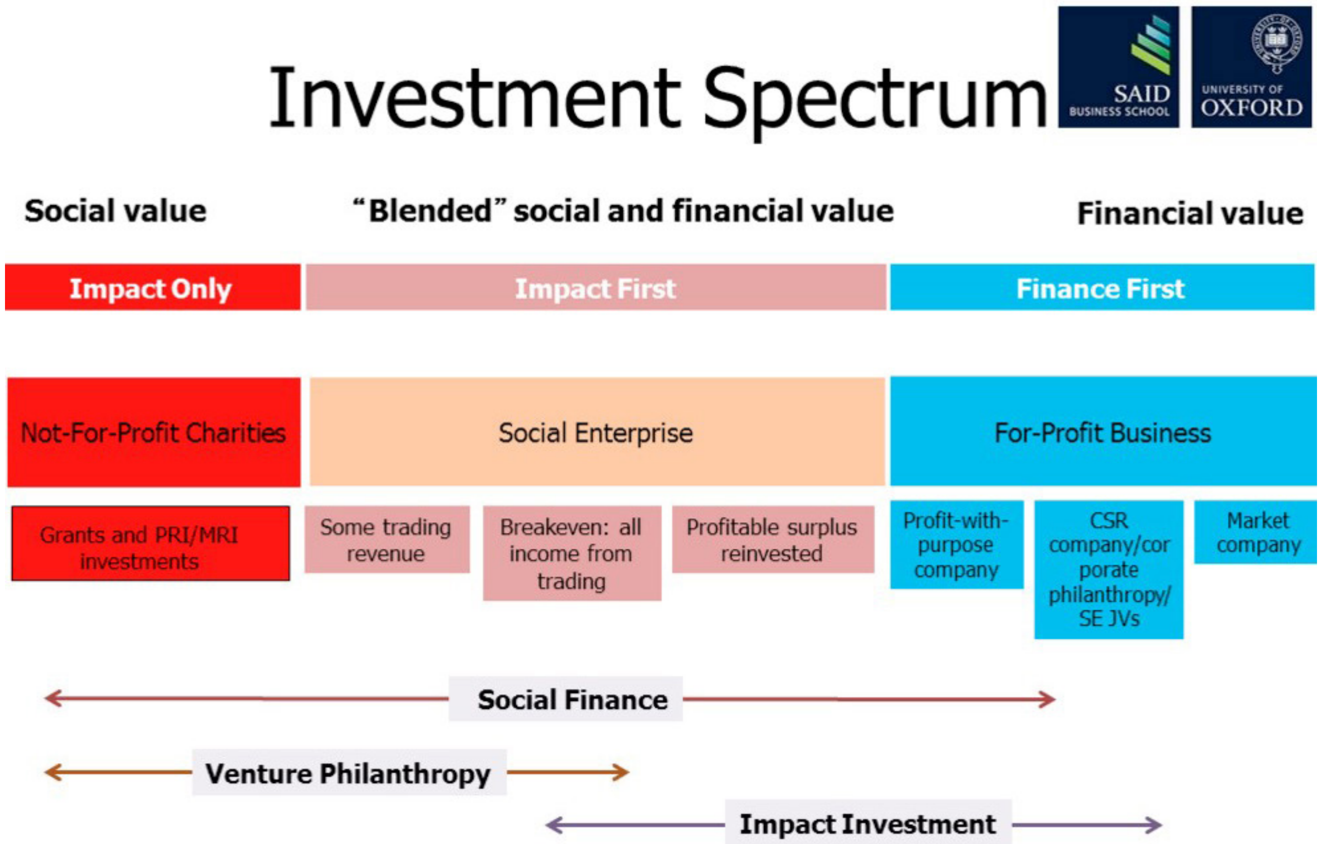
In my view, an impact approach is relevant across all sectors, to business, investment and philanthropy. It creates a big opportunity and I like to frame it as a portfolio approach, so that if you take any organisation, the question becomes "How do we create positive impact from all our assets?"

For a business, this means across their operations (like the drive to a more diverse board, quality jobs, an ethical supply chain, or to products and packaging with lower emissions and waste), across their investment decisions, including in their pension fund, and in their charitable activities.

The same is true for a Family Foundation or other types of donors, by doing good with endowment funds as well as with grants), and most other types of organisations.



And thinking Impact First, also means the blend of instruments used to achieve this total portfolio impact. In simple terms, there are different risk:return:impact combinations depending on the type of funding instrument used. The investment spectrum below from Oxford University's Said Business School, captures the main social finance choices:



Working from left to right across the spectrum, we have the social impact focus of donations, with no financial returns but with social returns, and then the blended value of the social enterprise world, with its mix of financial and social returns, and then further to the right, we move into impact investing, and then into the more traditional business and investment world, where financial returns still dominate.

THE INVESTMENT SPECTRUM IN ACTION

Let me give you a real client example to show this spectrum in action:
I worked with a philanthropist who donated regularly to charities in the education area, to provide greater opportunity and support for the vulnerable or excluded. This was charitable, therefore no financial return was expected, only better educational outcomes for the target group of children.

However, wanting to do more, she invested in a fund which lends money to educational charities and social enterprises (SE) at a low interest rate (in fact she subsidised that, so no interest was due). She liked the accountability the SE had to pay back the funds in this social investment. In fact, as said in confidence, she would be happy to convert the loans to donations if the recipients couldn't repay the loan, as long as they had good reasons and their social impact remained strong.

Moving further to the right of the spectrum, the client invested in an educational impact fund, which supported a number of innovative ventures, with a mix of promised financial and social returns. Her main motivation was still social, but she also wanted to support more commercial ventures, aiming to bring technology-driven solutions to education for a more sustained impact over time.

Finally, after discussions, the client also wanted to review all the investments in her portfolio of equities, bonds and commercial funds; first to exclude those companies which were against her values (tobacco, fossil fuels, connections to corrupt regimes etc) and then, more proactively, to seek out genuine ESG-driven funds, where for example, the asset manager was influencing its investee companies to improve their social and environmental outcomes (like board diversity and ethical supply chains).

The person above now has an impact-driven portfolio, with a percentage of funds allocated across different parts of the spectrum, with different risk, return and impact profiles. And the same logic applies to most organisations, aiming all their assets at their purpose, values, stakeholder strategies and investment themes.

PHILANTHROPY, COLLABORATION AND SCALE

Philanthropy has a key role to play in addressing the world's problems. We need better collaboration across sectors, in order to achieve the scale of change required, to bridge the SDG funding gap, and address those big problems in the doughnut.

Philanthropy is not small fry. At least $500bn is given each year in the US alone, mainly from individuals. And because this is private money, with fewer restrictions, the philanthropist can take on more risk, compared to say the Government, asset manager or company, who all have stakeholders with different expectations.

Major donations can therefore act as catalytic capital, investing early in an impact venture, and making it less risky for mainstream investors to join later on. Scaling up impact has always been a challenge though. This is why the different funders need to work together with shared goals. Generally, the aim should be to scale up the impact achieved, rather than the size of the organisation. Social or development impact bonds (DIBs) are good examples. In these the donor takes on most of the risk, paying a return to the investor if the agreed outcomes are delivered.

"PHILANTHROPY IS NOT SMALL FRY. AT LEAST $500BN IS GIVEN EACH YEAR IN THE US ALONE..."

The Educate Girls DIB was the first one https://www.educategirls.ngo/dib.aspx. CIFF, the charitable fund, was the outcomes payer, paying out to UBS Optimus Foundation as the investor, with additional return depending on performance delivered by the service provider Educate Girls. The outcomes were then validated by a third party.

In all, 7,300 children were reached, and 166 schools in India made learning gains and increased enrolment for girls. In the retail market, we are seeing evolution too, with more impact funds made available to all investor types; for example the Big Exchange, a platform with 16 impact funds, or Snowball in the UK. https://www.bigexchange.com/ https://www.snowball.im/

ENDING WITH YOUR OWN REFLECTIONS

I hope this article has helped to clarify impact a little more, or encouraged you to look at impact more holistically. The drive to net zero, or to better health, or to eradicate poverty, or protect our planet, all require an inter-connected, systemic approach, involving all stakeholders, and using public and private assets in a collaborative way.

To finish, here are a few questions for you to consider in order to approach your own activities through an impact lens.

1. What issues do you feel most passionate about? What do you want to change?
2. How could you build your knowledge of the problems and solutions in these areas?
3. What assets (finance, skills, networks, influence etc) do you have in order to help fix them? What is in your personal or organisational "portfolio"?
4. Who could you collaborate with to increase your collective impact?
5. How will you learn, improve and track the intended impact over time?
6. How will you make this enjoyable and sustainable, as well as worthwhile?

They sound like simple questions but behind them lies an important journey towards positive social and environmental impact, as well as one of self-discovery.

"The world has changed with the Covid-19 crisis and there is an absolute need to change the financial system to help build a better world for us all. A new financial system that is fair, that is accessible, where money counts for more and can benefit people and the planet as well as ourselves."

Nigel Kershaw – Chair of The Big Issue Group, The Big Exchange Impact Committee

WE'LL MAKE THE BIGGEST IMPACT WHERE SOCIAL AND ENVIRONMENTAL ISSUES MEET

LIZ GADD – WWW.THINKNPC.ORG

Philanthropic funding doesn't have to be a choice between social or environmental. The intersection between them is where help is needed most

"OLDER ADULTS ARE PARTICULARLY AT RISK OF DEHYDRATION, DUE TO THE BODY'S FLUID RESERVE BECOMING SMALLER WITH AGE..."

As we speed ever closer to environmental tipping points, philanthropy is failing to keep pace with the climate and nature crises which are affecting people in Britain more with each year. Unless philanthropy changes, the least privileged communities could be hardest hit by the environmental crises and related policy. But a different way is possible. The path to net zero can bring positive outcomes for both people and planet, and philanthropists have a key role in harnessing these opportunities.

The social groups most vulnerable to the direct or indirect impacts of the climate and nature crises are young people, elderly people, minoritised people, people living with disabilities, people living with health conditions, people living in low-income households and, in particular, people experiencing multiple disadvantages. For example, low-income families are disproportionately exposed to air pollution, which is partly why respiratory disease mortality is highest in the most deprived areas. Half of all people in poverty live in a family that includes a disabled person and nearly half of families with a head of household from an ethnic minority background live in poverty, compared to one in five of families where the head of household is white.

Similarly, older people are especially vulnerable to extreme weather such as heatwaves, with people aged 60 and older experiencing significantly worse heat-related health outcomes from heatwaves than any other age group. Older adults are particularly at risk of dehydration, due to the body's fluid reserve becoming smaller with age, and the sense of thirst becoming less acute, which compounds issues such as diabetes and dementia, whilst mobility problems can make it harder to obtain water for themselves. Dehydration is one of the risk factors for falls in older people and is associated with pressure ulcers, faecal impaction, and cognitive impairment. Over 75s also have an increased likelihood of one or more underlying health issues.

LIZ GADD

CHILDREN ON CLIMATE FRONT LINE

Children and young people are also greatly affected, from the womb onward, with heatwaves shown to increase the likelihood of mothers going into early labour in the week following a heatwave. Floods and drought are reducing food security, and rising CO_2 levels are already driving down the nutritional value of many staple crops including rice and wheat, which could hinder children's development. Higher temperatures are also linked to increases in aggression and violence across all ages, an additional risk factor for children, young people, and vulnerable adults. With these and more environmental challenges facing current and future generations, it is no wonder that 6 in 10 young people are 'very or extremely worried about climate change' and 4 in 10 young people are hesitant to have children as a result.

But while the risks may be massive and growing, our response could also bring plenty of social benefits. For example, poorly insulated housing and fuel poverty have health and education impacts, as families are forced to choose between 'heating or eating'. Insulating homes and investing in low carbon and affordable heating would therefore produce social benefits as well as environmental ones. Similarly, as a society we can choose to incentivise more low carbon public transport and active travel such as cycling and walking to reduce emissions and encourage more active lifestyles, with better health outcomes; whilst simultaneously ensuring that those with mobility issues or jobs that make them more reliant on private transport are not unjustly penalised. From asylum to zoonoses, every social issue that funders support is affected by the environmental crises.

WORKING TOGETHER

To achieve the co-benefits we need to work together. Social and environmental charities and funders need to understand their common policy ground, amplifying each other's messages and reducing the risk of undermining each other's efforts to support both people and the planet. The sector is looking to philanthropists to increase environmental giving, but we also need to increase resources at the intersection of social and environmental issues. Both social and environmental charities need resources, capacity, and shared learning to take intersectional action and to engage with the communities most affected here in the UK. This is how we can mitigate the risk of the least privileged being hit hardest by the environmental crises and net-zero transition.

FUNDING THE INTERSECTION

The intersection of social and environmental issues is woefully underfunded. This has to change. In our own fundraising, NPC and those with whom we partner too often hear that proposed projects at the intersection of social and environmental issues are 'a great idea but not a good fit for (the funder's) strategy'. Too many strategies focus on either environmental or social issues, but not the critical space in between. Funders should reflect on how their funding strategy supports the intersection of social and environmental issues and talk to existing grantees about the challenges they face. Systemic change requires more systems thinking. The big wins on impact are to be found at the intersection of social and environmental issues.

"FROM ASYLUM TO ZOONOSES, EVERY SOCIAL ISSUE THAT FUNDERS SUPPORT IS AFFECTED BY THE ENVIRONMENTAL CRISES."

LIZ GADD – SENIOR CONSULTANT, NEW PHILANTHROPY CAPITAL

Liz specialises in effective philanthropy, strategy, impact and change readiness. She provides advice on effective philanthropy to a range of clients, including individuals and families, and grant-making trusts. She has a special interest in supporting environmental organisations and bridging the divide between social and environmental charities. She leads NPC's growing environmental work, encouraging debate on what the net zero transition means for the social sector and supporting the strategy development and impact practice of eNGOs. Liz is a trustee of the Environmental Funders Network, as well as the charity Pesticide Action Network UK, and is an advisor to the community interest company Just One Tree.

"MOST NOTABLY, YOUNGER DONORS ARE BEHIND A SHIFT IN THE PHILANTHROPIC SPACE TOWARDS FOCUSING MORE ON RESULTS AND IMPACT."

HOW ARE YOUNGER DONORS PRIORITISING IMPACT TO LEAD THE TRANSITION TO NET-ZERO?

MARK GREER – WWW.CAFONLINE.ORG

As wealth moves into the hands of a younger, socially and environmentally aware generation, donors are more hands-on and looking for visible change

Younger philanthropists are already driving major change in the philanthropy sector. Next generation donors, broadly defined as those aged between 18-40 years old, are coming into wealth as part of "The Great Wealth Transfer", where an estimated £5.5trn wealth is being moved from baby-boomers to millennials.

Perhaps one of the areas where we are seeing the force of these younger donors most clearly is in climate conservation. Although it has been estimated in previous years that global philanthropic spending to mitigate against climate change is around 2 per cent of the total, this figure is rising quickly, driven by the next generation, which has been noted by Climate Works and shown in this year's Sunday Times Giving List which Charities Aid Foundation (CAF) helps to produce.

IMPACT

Most notably, younger donors are behind a shift in the philanthropic space towards focusing more on results and impact. Younger philanthropists might embrace giving while living and have a long-term outlook on their giving. They want to see the impact that their philanthropy is having in their lifetime and leave a legacy for future generations. The Environmental Funders Network found that 'eco-givers' are concerned that the climate emergency is now reaching the point of no return and believe that funding causes that alleviate environmental disasters and help slow or reverse the effects of climate change are the most important way for them to help.

They are more hands on, and want to understand an organisation's theory of change, go on site visits to see the impact and evaluate and learn from a programme's success. According to KPMG's Global Philanthropy Report, almost three-quarters (71 per cent) of donors surveyed place measurable impact as key when selecting causes to support. This focus on results also goes hand-in-hand with a desire not just to donate money, but to invest their own time and talent in causes that are important to them.

INSPIRATION

Even during a global pandemic, the climate crisis has captured global attention and prompted many leading philanthropists to adjust their giving strategies. The arrival of major donors committing billions to climate change mitigation, such as the Bezos Earth Fund and the IKEA Foundation, has helped create new momentum in philanthropic giving to climate solutions. There is also recognition

MARK GREER

of the knock-on effects of climate change on communities, including issues such as food security or migration flows because of rising temperatures. As the UN have noted, climate change is a top driver of humanitarian need and human suffering.

Not only are younger donors more socially conscious and inspired to be a force for good, but they also hope to inspire others to do the same. Next generation givers view charitable giving through this lens and want to ensure the way that they give factors in environmental, social equity, and diversity considerations. In fact, the Environmental Funders Network found that HNWs would be motivated to donate even more if they had a better understanding of the positive impact of their giving and if they could see how their contributions effected social change.

"INNOVATION IS AT THE CORE OF MANY PHILANTHROPIC PROJECTS TO COMBAT CLIMATE CHANGE AROUND THE WORLD."

INFLUENCE

As global institutions including the World Bank have noted, the effects of climate change and mitigation against its impacts are deeply intertwined with social equity and justice. As shown, too, by the Sunday Times Giving List, the new generation of younger philanthropists are using their platforms to exert influence and amplify the impact of significant sums of money. A growing emphasis on equity is highlighted by younger donors of colour leveraging their positions and success to promote change, including rapper Stormzy and sporting stars Lewis Hamilton and Mo Salah, who lead the Giving List. Their philanthropic giving is targeted towards empowering future generations, whether through scholarships to the University of Cambridge or building schools in Egypt.

INNOVATION

Innovation is at the core of many philanthropic projects to combat climate change around the world. For instance, clients working with CAF's specialist advisory teams are looking to achieve lasting impact with their philanthropic capital. This includes funding an independent research centre for the development of organic food production and land management solutions to global issues such as climate change, soil and biodiversity conservation, and food security. Our clients are also funding a new research centre that provides open-source climate transition analysis, helping both the economy and society move to a low-carbon sustainable economic model.

Collaboration will be key to achieving the transition to net-zero and forging the path to a sustainable world. This is at the heart of Deutsche Bank's Ocean Resilience Philanthropy Fund, which CAF is administering and which is open to donations from philanthropists around the world. The fund was launched at COP26 in Glasgow in November 2021 to provide donors with a path to support ocean conservation, and it encourages work with scientific experts on innovative projects by focusing on advancing nature-based solutions.

MARK GREER – MANAGING DIRECTOR, PHILANTHROPY SERVICES, THE CHARITIES AID FOUNDATION

Mark Greer is managing director of philanthropy services at the Charities Aid Foundation, where he works with wealth managers, family offices and professional advisors to provide world class philanthropy services clients and their families. He oversees CAF's philanthropy services including private clients, legacy services, corporate advisory and giving services and CAF's grantmaking and charity advisory work.

INVESTMENT

Perhaps most significantly, however, there has been an expansion of the very concept of philanthropy, with younger donors being far more likely to be involved in impact investing or mechanisms which allow them to choose both social or environmental and financial returns.

They are showing a growing interest in putting together a portfolio of philanthropic investments – just as they would a portfolio of for-profit investments – marrying a balance of risks with a balance of potential social returns. We know of several family offices who have given their younger representatives control over pots of charity funds to invest in innovative ways, in order to learn about what it means to be responsible for significant amounts of wealth.

PHILANTHROPY		SOCIAL IMPACT INVESTING		SUSTAINABLE AND RESPONSIBLE INVESTING	CONVENTIONAL FINANCIAL INVESTING
Traditional Philanthropy	Venture Philanthropy	Social Investment	Impact Investment	ESG Investing	Fully Commercial Investment
		Use of ESG metrics and methodologies			
Addresses societal challenges through a provision of grants	Addresses societal challenges with venture investment principles	Investment with a focus on social and/or environmental outcome and some expected financial return	Investment with an intent to have a measurable environmental and/or social return	Enhance long-term value by using ESG factors to mitigate risks and identify growth opportunities	Limited or no regard for ESG practices
Social return only	Social return focussed	Social return and sub-market financial return	Social return and adequate financial market rate	Financial market return focussed on long-term value	Financial market return only
Charitable Trust *Donor Advised Gift*	*Social investment with CAF Venturesome*		*Charitable Trust*		

CASE STUDY: THE SPECTRUM OF IMPACT

There are some fascinating examples of social investments – which also have an environmental impact – realised through CAF Venturesome, which blends traditional charity with supporting social enterprises through a combination of grants and 0% loans to provide wrap-around support. A recent example of this involving social enterprise Energise Barnsley is particularly notable in the context of the current energy crisis. Through CAF Venturesome, Energise Barnsley have paid for solar panels in low-income households in Barnsley. This has not only led to lower energy bills for residents, but also entailed CO_2 emissions across Barnsley, saving 2,992 tonnes. Since these investments are loaned, this money is then 'recycled' to benefit further causes.

The next generation are expected to be the most significant donors in history. But it is how they approach their giving that makes them different from previous generations. Understanding the motivations, values and attitudes of the next generation can help foster better client relationships as well as help place us all on the path to net-zero.

FUNDING HOMELESSNESS SERVICES SHOULD BE NEXT ON THE CLIMATE AGENDA

REBECCA SYCAMORE – WWW.MUNGOS.ORG

Freezing cold, scorching heat… homeless people are disproportionately affected by climate change. Philanthropic capital can help them find safe, sustainable homes and a way back into work

It may not seem obvious to many, but homelessness has always been a climate issue. Cold weather during winter poses serious health hazards for people sleeping rough, and tragically it can be fatal.

The sector is well-versed in trying to mitigate this risk – a Severe Weather Emergency Protocol (SWEP) makes more accommodation available when temperatures plummet, aiming to ensure that people can shelter safely.

But as climate change escalates and our weather becomes more volatile, people sleeping on the streets are facing a new challenge – extreme heat. A recent study found that the heatwaves like those of 2003 and 2018 could come to characterise normal summers by the 2040s. Dangerous to anyone, scorching heat makes people sleeping rough, who may be without cool places to rest or access to drinking water and shade, even more vulnerable to health risks.

And for those on the streets or in temporary shelters, there is the growing risk of flooding and the potential for health conditions to be exacerbated by being unable to stay dry and warm. St Mungo's emergency response to storm Eunice earlier this year undoubtedly saved lives, with people being helped to shelter from a sleep site that was then destroyed by a falling tree.

We know that people experiencing homelessness have poorer health than the general population – the average lifespan is a shocking 45 for men and 41 for women. Respiratory conditions are a common problem, and as air pollution rises in our cities, people living on the streets are disproportionately exposed to its dangers.

REBECCA SYCAMORE

ENDING HOMELESSNESS, SUSTAINABLY

The single best thing we can do to protect people experiencing homelessness from the effects of climate change is to achieve our aim of ending rough sleeping.

To best serve the people we support, many homelessness organisations are reviewing how they operates from a sustainability point of view. But just as homelessness does not happen in a vacuum, neither does climate action. We must speak to a broader agenda focusing on social needs, including education, health, social protection, job opportunities and environmental responsibility.

Like every other sector today, homelessness services cannot work in silo to curb the climate crisis. Taking up this cross-department, cross-sector approach is the legacy of our late Chief Executive, Steve Douglas CBE. Passionate about

"DESPITE BEING DISPROPORTIONATELY AFFECTED BY CLIMATE CHANGE, PEOPLE EXPERIENCING HOMELESSNESS ARE OFTEN LEFT OUT OF THE SUSTAINABILITY CONVERSATION."

carving out a more inclusive future, Steve was known for his collaborative spirit and inspiring action, and we continue this commitment to activating change in his name.

ACCELERATING CHANGE

I have worked in homelessness my entire career and, as with many sectors, we are only at the beginning of our sustainability journey. Making wide-scale changes to be more sustainable is fundamental; but it is also costly.

Much of our work is made possible thanks to philanthropic support, which enables us to put in place the solutions to end rough sleeping in the most sustainable way possible. Philanthropists can take an active and innovative role working together with homelessness services to identify these solutions, and co-create the models needed to effect change.

A SEAT AT THE TABLE

Despite being disproportionately affected by climate change, people experiencing homelessness are often left out of the sustainability conversation. For people sleeping on the streets, or those in supported accommodation who are on low-incomes or the recipient of benefits, it's difficult to expect them to think about the environment when the immediate need is to find somewhere to sleep or knowing where their next meal will come from.

Yet our clients still tell us of feelings of shame in society around whether people are practising sustainability or not. But as the most impacted by this crisis, people with experience of homelessness want – and deserve – a voice in the conversation. That's why the interventions we seek to make are informed and guided by people with lived experience of homelessness.

AT THE HEART, PEOPLE

Philanthropic capital can be used in multiple ways, but let's start with the heart of our sector – people. Our clients tell us that despite often being unable to easily make changes to their daily lives, they are still invested in the sustainability conversation. Making sustainability accessible for those on low incomes is a big priority, such as free cycle lessons to encourage more sustainable travel, improved access to recycling in our services, and empowering involvement in local sustainability initiatives.

St Mungo's has a Recovery College that offers free learning and vocational courses to our clients, empowering them take that first step into employment, which is fundamental to stopping homelessness from reoccurring. Building sustainability education into this scheme, as well as broader move-on package, will empower our clients to make more sustainable choices as they progress on their recovery journey.

REBECCA SYCAMORE – INTERIM CEO ST MUNGO'S

Rebecca has worked in homelessness throughout her career. She has previously worked for organisations including Crisis, Homeless Link and Broadway, and is now Interim Chief Executive at St Mungo's following the tragic and unexpected death of the organisation's Chief Executive Steve Douglas, CBE. Her previous role was Executive Director of Strategy Development, which oversaw fundraising, policy and communications, support service development and property growth and development.

PLACES TO LIVE

Housing accounts for 23 per cent of the UK's carbon emissions, so property is another impactful place to reduce our climate impact. The challenges lie in the age of our stock, as retrofitting old properties to be energy efficient is lengthy and costly. And where we don't own our properties, where landlords hold the power to make substantial changes, an opportunity exists to work in partnership with housing associations towards achieving shared sustainability aims.

As the cost of living soars, the homelessness and housing sectors have a duty to mitigate issues such as fuel poverty by making our properties as energy-efficient as possible.

Philanthropists can play a powerful role in supporting the sector to decarbonise its accommodation and identifying new properties that have the potentially to be environmentally friendly.

Just as we already have a set of standards to ensure that our properties are psychologically-informed environments – sensitive to trauma and mental health – there is the potential to create a sustainability threshold for the properties we accept into our portfolio.

THE ROAD AHEAD

To really make an impact, our sustainability action plan must be transformational at every level. The homelessness sector therefore needs flexible support that empowers it to work with agility, and able to respond effectively to the ever-shifting climate conversation.

There is no route to ending rough sleeping that does not tackle questions of sustainability, and likewise sustainability cannot be achieved if people are experiencing or at risk of homelessness. The challenge lies in ensuring that environmental changes made to the homelessness sector are impactful, without compromising the needs of our clients.

Let's start those open, honest conversations and find these solutions together.

"HOUSING ACCOUNTS FOR 23 PER CENT OF THE UK'S CARBON EMISSIONS, SO PROPERTY IS ANOTHER IMPACTFUL PLACE TO REDUCE OUR CLIMATE IMPACT."

ELEVATING THE 'G' IN ESG

VICTORIA AVARA – WWW.BROWNADVISORY.COM

As ESG issues become core to the function of many companies and as climate change and the pandemic makes the future less stable, companies that build in expertise in governance will reap rewards in resilience

ESG research – the rapidly evolving field that seeks to add environmental, social and governance (ESG) factors to the investment equation – has been the subject of intense focus in recent years, from every corner of the investment industry.

Yet the lion's share of the attention, passion and discussion has revolved around environmental topics like climate change and social topics like racial injustice. Governance, the 'G' in ESG, gets very little attention in comparison.

Governance is the key that unlocks the ESG equation, and a critical driver of corporate performance and corporate responsibility. Governance is a powerful motivating force for a company. It is the collection of rules and procedures, incentives and penalties that turn strategy into reality. Simply put, companies must get governance right if they want to successfully implement their sustainability strategies over the long term.

Corporate governance has tended to evolve in waves in recent history, with each wave a response to major disruptions in market or economic conditions. We are currently in the midst of another of these waves. The next era of corporate governance, in our view, will be shaped by two powerful and interconnected economic forces.

The first is intensifying global challenges and instability, most recently exemplified by the Covid-19 pandemic, an ongoing reckoning with racial injustice and Russia's invasion of Ukraine). The second force is the call for effective governance of corporate sustainability strategy, as not just a way of doing good, but as a powerful driver of long-term financial results.

We treat governance as an opportunity, not a chore. In particular, we are attracted to companies that are expanding their governance approach to try and embrace a broader array of stakeholders. We believe that such companies may find themselves far better positioned to compete in the future than companies who choose to "go it alone" and forgo more modern approaches to collaborative business planning.

BACKGROUND

VICTORIA AVARA

Effective governance is the bedrock of corporate resiliency. It is the totality of systems that govern how a corporation is controlled and managed, and how the interests of employees, management, ownership and other stakeholders are protected and reconciled.

Good corporate governance can mitigate the risk of misconduct, accelerate business opportunities, and build trust amongst stakeholders. Conversely, failures can have a devastating effect on a company, our economy, and society more broadly. There is no easy governance solution that will work in every situation, but experts and regulators around the world consistently seek to uplift key aspects of responsible corporate governance, such as independence, accountability, responsibility, integrity and transparency.

INCREASING GLOBAL CRISES AND RISKS

Our interdependent globalised society is under increasing threats on multiple fronts. The Covid-19 pandemic disrupted the social and economic fabric of the world, and the more recent invasion of Ukraine by Russia upended energy markets and created a global food and refugee crisis.

These recent events can be viewed as indicators of larger issues, such as the rise of authoritarianism around the world, and the dangerous degree of vulnerability that has been exposed across global supply chains. At least for some companies and sectors, the chaos of recent years will almost certainly lead to governance changes that seek to address the changing risk equation.

"MANY COMPANIES FACE THE CHALLENGE OF REINFORCING THEIR BOARDS WITH APPROPRIATE EXPERTISE, ESPECIALLY FOR TOPICS SUCH AS CLIMATE CHANGE THAT ARE OUTSIDE OF MOST BOARDS' TRADITIONAL PURVIEW."

THE NEED FOR GOVERNANCE OF CORPORATE SUSTAINABILITY

On top of these acute crises, companies are also grappling with chronic sustainability issues stemming from climate change, racial inclusion and a host of other challenges. The emergence of sustainability as a core element of corporate strategy will likely require broad changes in how corporate governance is practiced and regulated.

Increasingly, sustainable business strategies – whether they drive the company's revenue, help it cut costs, or gain market share from competitors – are viewed as positive drivers of company performance. Consumer attitudes are changing, the renewable energy cost curve continues to decline, and customers increasingly want and need solutions to reduce energy, water and natural resource consumption. These factors and many others have been tailwinds for many companies that are seeking to drive shareholder value through sustainable initiatives.

However, we share the concerns of many observers that most boards and executive teams are not fully armed yet when it comes to monitoring or evaluating the success or failure of their sustainability strategies.

In its annual survey of corporate directors, PriceWaterhouseCoopers found that while 64 per cent of directors said that ESG was linked to their company's overall strategy, only 25 per cent of them said they understood those risks well.

Many companies face the challenge of reinforcing their boards with appropriate expertise, especially for topics such as climate change that are outside of most boards' traditional purview. At one time, these ESG issues were not core responsibilities for companies. But they are now, and fiduciary oversight needs to adapt accordingly. Moreover, the evolving regulatory landscape calls for new oversight requirements – and by association, a minimum expertise requirement – for all public company boards.

WHAT CAN ASSET MANAGERS DO?

With regard to governance – and in our investing work in general – we tend to be more interested in things that a company can control, and less so in things they cannot. For our strategies that lean heavily on ESG research, we are most interested in companies that are creating fully fleshed-out sustainable businesses – not just reacting to legal requirements, but truly learning from sustainability challenges and proactively building governance structures that we believe will foster long-term resiliency.

Despite the uncertainty that lies ahead, we are incredibly encouraged by our portfolio companies that are tackling this governance challenge proactively, but there are plenty of companies that are not taking these important steps. The opportunity as investors is to use governance research to separate the wheat from the chaff when selecting investments, and the companies who are doing this governance work now will be far better positioned to compete in the future.

Investors who can look past the mundane reputation of corporate governance and see it for what it is –the roadmap for running a successful company over the long term ¬– will be better prepared to choose wise investments that are built to last.

VICTORIA AVARA - ESG EQUITY RESEARCH ANALYST, BROWN ADVISORY

Victoria is a member of Brown Advisory's Equity Research Team serving as an ESG Analyst. She provides subject matter expertise to support the firm's sustainable investing priorities. In this role, Victoria's responsibilities span from conducting robust ESG research to leading ESG engagement efforts to serving as a thought leader. Victoria joined Brown Advisory in 2016. Prior to her role as an ESG Equity Research Analyst she worked as the firm's Senior Equity Compensation Specialist. Prior to Brown Advisory, Victoria gained experience as a Senior Audit Accountant at SC&H Group with knowledge of financial statement audit and review processes across a variety of industries, non-profit organizations, and government agencies.

Victoria is a licensed Certified Public Accountant. She focuses on embedding this expertise into Sustainable Investing, for example, as a member of the AICPA's Sustainability Assurance and Advisory Task Force which focuses on advancing reporting and assurance of sustainability-related information. Victoria also provides leadership for various firm initiatives, such as assisting Brown Advisory's Sustainability Accounting Standards Board (SASB) relationship and as a member of Brown Advisory's Proxy Voting Committee.

> “THE REPORT EXPLORED THE EXTENT TO WHICH WOMEN ARE REPRESENTED WITHIN FAMILY OFFICES, AND OTHER PRIVATE WEALTH STRUCTURES.”

EXPLORING THE ROLE OF GLOBAL FINANCE CENTRES IN DELIVERING EFFECTIVE PHILANTHROPY

STEPHANIE GLOVER – WWW.WEAREGUERNSEY.COM

Global finance centres like Guernsey and HNW philanthropy can be partners in helping to solve global problems

The latest research paper produced by Guernsey’s public/private financial sector agency We Are Guernsey, outlines themes and trends in global philanthropy and examines structures and vehicles available to assist HNWs and their families to solve the issues that they care about.

Effective Philanthropy: Trends and Structures in Global Giving includes research by Philanthropy Impact, Guernsey Finance and Family Capital. The report was launched in April to a select group, including expert practitioners and key members of the UK Philanthropy community. John Pepin, Chief Executive at Philanthropy Impact, was joined on a discussion panel alongside UK-based Ceris Gardner, Partner at Maurice Turnor Gardner LLP, and Guernsey-based speakers, Catherine Moore, Partner at Ogier, and Justin Sykes, Founder of Innovest Advisory.

IMPACT-DRIVEN PHILANTHROPY

The paper draws on research from Philanthropy Impact, which has reported that modern philanthropists are more eager than ever to be involved inherently within the process of conducting philanthropy, including the third-party charities that they deal with.

Impact and involvement amongst the philanthropists of today has become paramount. The research found that in many cases, the traditional ‘brass-plate’ form of ‘cheque-book-philanthropy’ is being replaced by a more modern type of philanthropist who looks to address specific issues, or remedy an identified societal ill, that often holds a degree of personal meaning to them. These causes could be sustainability related, looking at investment in climate change mitigation, or any number of personal causes such as medical research or establishment of a community centre.

STEPHANIE GLOVER

THE NEED FOR GOOD GOVERNANCE

The research also highlights the importance of being transparent in achieving and maintaining good governance. Findings suggest that the need for good governance is not contained to charitable or philanthropic endeavours – improving good governance within a family’s personal private wealth vehicle is just as important as for any third-party charitable organisation that the family might partner with.

We previously conducted research on how diversity and gender representation can positively impact governance principles. This research was conducted in collaboration with Family Capital, titled Women in Family Office, published in 2021.

The report explored the extent to which women are represented within family offices, and other private wealth structures. Good governance and transparency were understood to be key to stakeholders, with an awareness amongst those interviewed that the private client sector must also adapt in step with other sub-sectors of modern

> "THE PIF PROVIDES A FAMILY WITH DIRECT CONTROL OVER WHAT THEY INVEST IN, ENABLING THEM TO TAILOR THEIR INVESTMENTS TO THE ISSUES THEY CARE ABOUT."

financial services. Looking particularly at Middle Eastern family offices, only 14 per cent of senior finance roles are held by women, and only 20 per cent of family offices employ a woman as chief investment officer or senior investment specialist. This is despite global research that more diversity within leadership positions has better outcomes for governance businesses, and that women are typically likely to be involved with governance and philanthropic elements of a business. According to research, 82 per cent of Guernsey Trust Company Service Providers have one or more female directors – above the global average.

AN ECOSYSTEM FOR PHILANTHROPY

Global finance centres are important for global philanthropy as they will typically have an existing eco-system of trustees, advisors, lawyers and tax specialists on hand to draw on, which is vital to ensuring the proper governance needed to conduct philanthropy effectively.

Global finances centres also utilise a range of structures and vehicles that can help facilitate philanthropy.

Research by law firm Mourant found that since the Guernsey Foundation was passed into law in 2012, roughly one third of those established in the past decade have been used to facilitate and structure philanthropic endeavours. It has proved highly popular among Middle Eastern families, likely due to being a civil law concept and so much more familiar with their jurisdictional norms. This structure is just one example that is suitable for HNWs and their families to solve the issues that they care about.

The paper details case studies for each structure operated by Guernsey practitioners, providing instances as to how they might be used in practice. Law firm Ogier provided an example of how the Foundation (as above) was used by a client to conduct general philanthropy with particular emphasis on funding medical research. The foundation was established with a modern constitution, with a great deal of input by the philanthropist. It stipulated that donations must be provided to medical research and treatment studies, although with flexibility to choose the charities and organisations that can benefit.

With regard to the more innovative, impact-driven interests of the modern philanthropist, the Guernsey Private Investment Fund (PIF) regime has been popular among families with an express interest in generating a social as well as economic ROI. This appeals to the textbook modern philanthropist who may wish to be directly involved in setting investment policies, making investment decisions and receiving profits or income from those investments. The PIF provides a family with direct control over what they invest in, enabling them to tailor their investments to the issues they care about. A recent revision to this regime means that investors with a familial relationship can pool their wealth to achieve maximum impact. Effective Philanthropy includes a case study of the way in which the PIF regime may be used – a $100 million impact investment fund focusing on supporting the energy transition via private equity. This investment was also supported by a Guernsey-based Family Office.

STEPHANIE GLOVER – HEAD OF SUSTAINABLE FINANCE, WE ARE GUERNSEY

Stephanie Glover is the lead for all green and sustainable finance initiatives at We Are Guernsey, including the development of the strategy and positioning for green and sustainable finance within the jurisdiction. She is the interim Chair for the Guernsey Green Finance Strategy Group where she liaises with key stakeholders, including Guernsey's Government, the financial services Regulator and various industry associations.

Stephanie is Guernsey's representative at the United Nations Financial Centres for Sustainability (UN FC4S) and sits on their working groups for biodiversity and the FC4S Annual Assessment Programme.

WIDER ESG AND SUSTAINABILITY CONSIDERATIONS

The launch of Effective Philanthropy at the event and panel session in April sparked much discussion regarding the role of global finance centres in delivering solutions to the issues that families and investors care about. The post-launch networking drinks was filled with discussion regarding the role global finance centres in combatting wider Environmental, Social and Governance (ESG) issues. Much attention was given to solving the climate crisis, and the spectrum of sustainable investing – from ESG risk management to impact investing and philanthropy.

There is also a role for global finance centres to play in solving the climate crisis. Back in 2018, Guernsey launched the world's first regulated Green Fund kitemark – the Guernsey Green Fund. Since then, the kitemark has grown significantly. As of the end of Q2 2022, it has NAV of more than £4.9 billion. This includes the Bluefield Solar Income Fund of Bluefield Partners, which holds enough in solar farm assets to power more than 150,000 home across the UK each year. This is the equivalent of powering a city the size of Oxford or York.

A more recent, but equally exciting development announced by Guernsey's financial services regulator, the GFSC, is the development of the Natural Capital Fund kitemark. A consultation process is currently underway. While the Guernsey Green Fund kitemark contains funds that are committed to carbon mitigation, the Natural Capital Fund kitemark will look to preserve biodiversity and reduce harm to nature. The need for good governance continues here as the regulated nature of the fund regimes means that investors can be more confident that their investments are going into projects with a positive impact on the environment.

Overall, while there remains much to be done to mitigate against the effects of climate change and the many broader social ills that affect much of the world, there is an opportunity for global finance centres and HNWs to partner and work together to channel capital into solving these borderless, global issues.

"BACK IN 2018, GUERNSEY LAUNCHED THE WORLD'S FIRST REGULATED GREEN FUND KITEMARK – THE GUERNSEY GREEN FUND."

"100 MILLION PEOPLE ARE NOW FORCIBLY DISPLACED WORLDWIDE, A GRIM RECORD HIGH. RUSSIA'S WAR IN UKRAINE HAS ALSO INTENSIFIED THE SPIKE IN ENERGY PRICES AND CAUSED MASSIVE DISRUPTION TO FOOD SUPPLIES."

OUR ECONOMY NEEDS TO CHANGE TO MEET CRISES BEYOND CLIMATE

JO SWINSON – WWW.P4NE.ORG

Why are we beset by so many crises at the same time? It's because they all share a root cause, which is the way we have been exploiting resources and people for profit with no thought for the future. Change, however, is possible

JO SWINSON

Climate change is only one symptom of an economy that is, by design, extractive and exploitative of people and nature. A group of foundations is nurturing a growing field of academics, innovators and campaigners who are challenging the economic system that is the root cause of environmental destruction and unjustifiable social inequality.

Yes, we must take urgent action to reach net zero and beyond - but if we do that within a business-as-usual frame, just slightly tweaked for decarbonisation, we will continue to fail future generations.

Professor Johan Rockström published his ground-breaking work on planetary boundaries in 2009, setting out nine environmental limits of what the planet can sustain without triggering dangerous, existential consequences.

You might be surprised to learn that on this planetary dashboard, climate change isn't even in the top three areas where safe levels have been breached. Warning lights are flashing – often silently and unreported – on deforestation, nitrogen and phosphorous flows, and the fastest species extinction rate in human history.

SO MANY COMPETING EMERGENCIES

One reason it is hard to get attention for looming environmental catastrophe is the current crop of emergencies. A nuclear power invading a neighbouring country creates a threat to global security not seen since the end of the Cold War. 100 million people are now forcibly displaced worldwide, a grim record high. Russia's war in Ukraine has also intensified the spike in energy prices and caused massive disruption to food supplies. The UN has warned tens of millions could be tipped into food insecurity with the potential for the problems to last for years and cause famine. Two years into the covid pandemic, only 16 per cent of people in low income countries have received even a single vaccine dose. The cold-blooded murder of 10 people in Buffalo by a white supremacist targeting black lives was the latest bleak reminder of persistent and grinding racial injustices faced by black, indigenous and people of colour. The US Supreme Court threatens to roll back women's rights to the 1960s. The pandemic has deepened existing inequalities on gender, race and income. Power is concentrated, and those with the least suffer the most.

GLOBAL POLYCRISIS

These crises are interlinked, not standalone - some people refer to the 'global polycrisis'. At the root of the problem is an economy built on false premises: that GDP growth alone equals success, that markets will solve all our problems, that we are separate from the natural world and its constraints. This economic vision demands more, faster, forever.

Deep down many of us know that the system we have cannot be right. When we think how many resources are used to produce one takeaway cup to hold coffee for 20 minutes, or the fast fashion bought, worn and discarded within a year. When we open our eyes to the gruesome reality of 'modern' large-scale farming methods, where precious forests are chopped down to grow soy to feed cows who themselves never see the sky, housed in their thousands in mega barns. When we think about the lives of the people who clean gleaming office buildings in city financial districts, working multiple jobs and struggling to make ends meet. When we look at the children working on rubbish heaps sorting materials for recycling instead of learning in school. When scientists raced to create covid vaccines, and we failed to find ways to share them to protect those most at risk in other countries.

"AFTER THE FINANCIAL CRASH, ON A VISIT TO THE LONDON SCHOOL OF ECONOMICS, THE QUEEN FAMOUSLY ASKED WHY NO ONE SAW IT COMING."

CHANGE IS POSSIBLE

There is good news. The way our economy works is not determined by some iron law of physics: it is designed by people and can be changed by people. There is a rich and diverse history of strains of economic thought with different assumptions and analysis: complexity economics, welfare economics, ecological economics, feminist economics, behavioural economics and many more alongside the neoclassical economics which became dominant in the last few decades.

Partners for a New Economy (P4NE) was founded in 2015 by four foundations (Oak, MAVA, Marisla and KR Foundations). Laudes and Ford Foundations joined in 2020, and Omidyar Network in 2022. We fund the ideas, people and power to translate alternative economic perspectives into the kind of real-life changes that will prevent us reaching tipping points to runaway climate change and destruction of our home - and instead create a regenerative economy where nature and all people flourish. Ensuring that the transition makes people's lives better is essential if we are to build a broad base of support for a new economy.

WHAT DOES THIS MEAN IN PRACTICE?

Let me share some stories. Back in 2016 P4NE started funding organisations working to get sustainability onto the agenda of central banks. The Swiss think tank Council on Economic Policies (CEP), Professor Mariana Mazzucato's Institute for Innovation and Public Purpose (IIPP) and the New Economics Foundation (NEF) all worked on research and influencing, with Positive Money running public campaigning. There has been huge progress on this issue – a green central bankers club (NGFS) was set up and now includes more than 100 countries engaging in a race to the top. The Bank of England updated its mandate to include support for a net-zero transition. Similarly, the monetary policy strategy of the European Central Bank now has an action plan to incorporate climate change considerations.

After the financial crash, on a visit to the London School of Economics, the Queen famously asked why no one saw it coming. Indeed anyone who has ever sat in an Economics 101 class might have wondered how it related to the real world, and what answers it offers to tackle the big issues of our time, from climate change to the cost of living crisis. Shaking up the economic dogma in our universities is an important part of seeding a new economic paradigm. Led by Hewlett, some foundations are joining together to fund new academic centres. Others including P4NE are funding Rethinking Economics and other networks of students who are mobilising to change the outdated economics curriculum - and developing a pipeline of engaged young leaders with broad economic perspectives who will drive change in governments and business.

THE DOUGHNUT PRINCIPLE

Imagine a doughnut. The inner circle is the floor of basic standards needed for human dignity – health, food, education, housing and so on. The outer ring is the ecological ceiling, represented by the 9 planetary boundaries. The goal of our economy – according to Kate Raworth's massively successful book Doughnut Economics - should be to land our society in the doughnut, meeting human needs within the limits of our planet. Raworth's Doughnut Economics Action Lab is putting the theory into practice, working at all levels from local neighbourhoods to cities and governments around the world – including Amsterdam, Barcelona and Mexico City.

Doughnut principles are being embedded in EU policymaking, with a broad range of indicators beyond GDP being embraced. The German think and do tank ZOE Institute is working closely with the EU Commission, hosting co-creative workshops for senior policymakers and publishing proposals setting out how they can implement the Doughnut Economics vision.

The decision to create Partners for a New Economy seven years ago was a step into the unknown. The goal is audacious – transforming our economic system to value nature and people so that all life can thrive. It is also essential when we face existential threats on many fronts. If philanthropy doesn't take a big picture, long-term view and resource new economic thinking and practice, who will?

JO SWINSON – DIRECTOR, PARTNERS FOR A NEW ECONOMY

Jo Swinson leads a grant-making collaborative of 7 foundations seeking to catalyse transformational change in our economy so that nature and all people can flourish. She is also a Visiting Professor at Cranfield University. Previously Jo served as a Member of Parliament, Business Minister and Leader of the Liberal Democrat party in the UK.

TRAINING COURSE

Philanthropy Impact
Inspiring Philanthropy and Investing for Impact

This course has been developed specifically for high value major donor fundraisers and senior leaders who manage fundraising functions

TRANSFORM YOUR FUNDRAISING: Bridging the gap between the fundraising and professional advice communities

Our research reveals that ultra high net worth individuals give 17 times more when supported by their professional advisors on their donor journey.

And yet a gap exists between the fundraising and professional advice communities, with both parties suffering from a lack of information and knowledge about how the other operates.

Our highly interactive training session is designed to give you the knowledge and skills to strengthen your relationships with professional advisors, such as wealth managers, financial advisors, tax advisors and lawyers. In turn, this will help them take their clients on rewarding donor journeys.

KEY LEARNING OUTCOMES

By attending this workshop, you will:

- *Learn* how professional advisors work – understand their values, goals and motivations
- *Discover* how to make the fundraising sector more innovative and collaborative
- *Understand* the types of advice and services needed on a philanthropic journey

WHY ATTEND THIS COURSE?

- Open the door to new *commercial opportunities*
- Improve your *fundraising* results, we add value to existing processes
- Learn how working with professional advisors can *transform* fundraising by changing the traditional view of donors and how you can *collaborate* to support them
- Find out what philanthropists are looking for when working with advisors
- *Enhance your communications* by understanding the language of business cases
- Receive *exclusive insights* from guest speakers about current industry dynamics and best practice
- Receive self-certified *CPD points*
- Receive an *extensive* handbook

Example of donations from UHNWI without professional advice: **£19,000**

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Philanthropy Impact is a UK charity, focused on inspiring philanthropy and impact investing.

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Philanthropy Impact
Inspiring Philanthropy and Investing for Impact

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