# INVESTING FOR GLOBAL IMPACT

## A POWER FOR GOOD

## 2021

INDIVIDUALS, FAMILIES, FAMILY OFFICES & FOUNDATIONS

GIST GLOBAL IMPACT SOLUTIONS TODAY

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# FOREWORD

Dear Reader,

Whilst we have faced numerous challenges this past year stemming from the global pandemic, lockdown, and the subsequent economic fallout which shook many individuals, businesses and countries alike, there have also been inspiring signs of progress.

The vulnerability we faced over this period has awakened many to the importance of a healthy, functioning, and sustainable population and planet. The trend toward sustainable investing had begun to accelerate long before Covid-19, particularly given the pressures of the climate. However, the pandemic served as a catalyst for many investors. Eyes opened to the risks that we all face and this led investors to shift their strategy towards, not only recovery, but a long-term vision for growth and prosperity.

It has been remarkable to see. To illustrate, in our research from last year, impact investing reportedly accounted for an average of 20% of our respondents' portfolios. Despite expectations that this would grow steadily to 22% by 2020, it instead leapt forward when the pandemic hit, to 36% in 2020 and 41% in 2021. Now respondents expect that it will rise to 54% in the next five years.

Analogously, 63% of investors this year attested that Covid-19 has made sustainable investing more appealing. This is not just among the previously converted. Even traditional investors are now entering the space en masse. This is exemplified by the fact that over half of the traditional investors we surveyed, who claim not to be engaged in impact investing, report that they have changed how they make investment decisions. Now, 48% say that environmental, social, and governance (ESG) considerations are being factored into their investments.

We hope that you find this report useful. Hallmarking the progress of this sustainable movement, we survey hundreds of sustainable and impact investors, philanthropists, and traditional investors year-on-year to create a rich and unique knowledge bank that we can access.

To address the widespread challenges we face, we need a holistic approach that includes everyone from governments to businesses, investors, philanthropists, and consumers to work towards common goals using a diverse set of approaches that can address the complexity of the challenges we face – and knowledge is power.

With that said, a warm thanks to everyone who participated in this research. We hope you enjoy the read.

Best wishes,

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# EXECUTIVE SUMMARY

*Investing for Global Impact: A Power for Good 2021* uses a complex and unique mixed-methods research design that analyses data from quantitative survey responses, qualitative interviews, and in-depth case studies to generate an integrated body of knowledge about the different facets of sustainable and impact investing. It includes the views of 303 individuals, families, family offices, and foundations on their attitudes towards and activity within sustainable / impact investing and philanthropy. It also provides six in-depth case studies about key topics in the field.

## Impact investing adoption is growing at a phenomenal pace

Amidst the global pandemic, respondents have significantly accelerated their portfolio allocations to sustainable investing. Compared with 20% in 2019, respondents' proportions notably jumped to 36% of their average portfolio in 2020. This is predicted to rise significantly to 47% in 2022 and to 54% by 2027 **(figure 2.5, pg. 20)**. The case studies included in this report showcase some of the new business models and strategies that prioritise the UN Sustainable Goals and balance purpose and profit. See the case study with Dr. Andrea Illy for a discussion on B Corporations and regenerative farming **(pg. 41)**. The case study on Kathaka and Peace Parks discusses the hybrid use of philanthropy and impact investing in conservation finance. It also illustrates the advanced, detailed and personalised approach Peace Parks and Kathaka have developed to measure the impact they generate **(pg. 21)**.

## Impact investing is gaining prominence in the industry and with investors

The proportion of respondents who view impact investing as their primary investment strategy grew from 13% in 2019 to 18% in 2021 **(figure 2.1, pg. 17)**. A further 45% have multiple impact investments across different asset classes / causes. These figures help explain why over 4-in-10 (42%) believe the impact investing market is growing steadily and 3-in-10 (29%) assert that it is about to take off **(figure 5.1, pg. 45)**. The roundtable discussion on impact investing in Ireland emphasises the ways in which governments, financial institutions and activists are coming together to establish sustainable investing as a mainstream form of investing **(pg. 66)**. It also discusses the challenges associated with developing an inclusive ecosystem to support impact investing.

## Covid-19 has propelled impact investing adoption forward

63% of investors assert that Covid-19 has made sustainable investing more appealing **(figure 7.1, pg. 73)**. In terms of how, 63% remark that it has made them consider more systematic risks, such as climate change, in their investment portfolio and, for 43%, it has led them to widen their risk assessment to include more non-financial ESG factors into their investments **(figures 7.2 and 7.3, pg. 73)**.

## Even 'traditional' investors are rapidly adopting ESG considerations

ESG-related considerations are becoming a mainstream part of traditional investment decision-making. A majority (52%) of traditional investors, who indicated they are not involved in impact investing, have changed how they make decisions about their traditional investments **(figure 5.11, pg. 51)**. Amongst them, 12% note that ESG is a central factor in all their investment decisions, while 36% say it represents one aspect of their investment process **(figure 2.4, pg. 19)**. The dialogue with the Wendel Group highlights the historic link between good business and social engagement **(pg. 53)**. It shows the ways in which value driven businesses have always prioritised greater social impacts that extend beyond the legal requirements of the time.

## Impact investments deliver solid financial returns in a period of economic uncertainty

Despite market volatility stemming from the pandemic, impact investments proved resilient by delivering solid financial returns in 2020. For a majority of respondents, their returns met (60%) or exceeded (19%) expectations **(figure 4.2, pg. 36)**. Echoing this finding, 80% argue there is no trade-off / you do not have to give up financial returns for impact. Additionally, 36% reportedly engage in impact because they believe incorporating sustainability considerations into investments will lead to better investment returns / risk projections (up considerably from 24% in 2020) **(figure 2.2, pg. 18)**. Our case study with Dr. Andrea Illy focuses on the multiple ways in which sustainability creates value for businesses **(pg. 41)**.

This combination of both the mixed-method research design and the recognition that the same respondent may use multiple approaches to generate impact makes this research unique. Unlike most studies which focus only on sustainable investing or philanthropy or traditional investing, this report appreciates that the same individuals or entities increasingly consider and use their wealth holistically across a multiple of these dimensions, at the same time. Additionally, we survey respondents who are not yet involved in sustainable investing or philanthropy, to understand their perspectives and the hurdles to overcome to engage them in these activities. As always, our intent is to map out the current status of the ecosystem and to identify the barriers / enablers for growth from the perspective of those involved in these activities, as well as those only undertaking traditional investing. Some of the key findings include:

## The impact investing industry has made notable strides, but familiar obstacles remain

While most respondents believe progress has been made in relation to the sophistication of impact measurement / management practices (98%), the availability of professionals with relevant skills (93%), and data on investment products / opportunities (92%), respondents still perceive numerous challenges ahead **(figure 5.3, pg. 47)**. The top three challenges sustainable investing is perceived to face in the coming five years include: an ability to demonstrate social / environmental impact (45%), greenwashing (42%), and not having a common language to describe impact performance (38%) **(figure 5.5, pg. 48)**. While measurement remains a challenge for businesses, the case study with the Wendel Group **(pg. 53)** highlights the innovative approaches to measuring impact, that businesses are developing at a fast pace.

## Environmental consciousness is on the rise, as is awareness of one's carbon footprint

A remarkable 80% of respondents assert that climate change is relevant to their investment portfolios **(figure 6.1, pg. 59)**. To facilitate this move, awareness of one's carbon footprint is on the rise, with 25% of respondents now knowing their carbon footprint, up from 19% last year **(figure 6.10, pg. 64)**. Of these informed investors, 50% consider their carbon footprint when making investment decisions, while 40% use it to actively manage their footprint downwards **(figure 6.11, pg. 65)**.

## Investors are concerned about environmental progress and are ready to play a role, particularly given the commercial opportunity

While merely half (50%) of respondents believe it's still possible to keep the rise in global average temperature below 2 degrees Celsius as denoted by the Paris Agreement **(figure 6.8)**, 67% would like their investment portfolios to be aligned with this scenario **(figure 6.9)**. Furthermore, 70% see transitioning to net-zero emissions as the greatest commercial opportunity of our age **(figures 6.6, pg. 61)**. Notably the case study interview with Andrea Illy moves well beyond carbon neutrality and discusses the multilateral networks that have publicly committed to developing regenerative agricultural practices and a regenerative economy **(pg. 41)**.

## Blockchain technology could be a gamechanger for sustainability

Over half (51%) of respondents believe that impact investing and philanthropy would benefit from the use of blockchain technology, pointing to potential benefits for inclusivity, transparency, traceability, and credentialism **(figure 7.11, pg. 73)**. Additionally, 43% agree that blockchain and crypto assets should be used to accelerate financial inclusion. The roundtable discussion: *Blockchain, a New Frontier for Sustainable Investment* discusses the potential uses of blockchain for sustainable investing as well as the challenges related to this **(pg. 79)**.

## Next Gens' passion for impact investing is bridging the gap between generations

While a majority of respondents (63%) agree that impact investing is being driven by the next generation, most (61%) also believe that it is now being embraced by the current generation **(figures 7.6 and 7.7, pg. 75-76)**. This is creating, what 57% note to be, a bridge between older and younger generations **(figure 7.8, pg. 76)**.

1.

# The impact investing space

## 1.1 Introduction

A year and a half after the onset of the Covid-19 pandemic, the world appears to be in a steady state of economic recovery. Vaccines are becoming widely administered, particularly in developed countries, and the OECD Economic Outlook predicts that global growth will accelerate to 5.8% in 2021[1].

With that said, for many, this period has represented a time of reflection and a commitment to do better. Faced with significant economic and health challenges, the world was awakened to its vulnerabilities. To overcome them, people have pulled together to restore economies, keep businesses in operation, and save lives.

In the process, the investing world has experienced a remarkable evolution. There has been a broad and rapid adoption of sustainable investing and ESG principles since the pandemic hit in early 2020. To illustrate, in 2019 impact investing accounted for 20% of the average portfolio of those surveyed. Today, it accounts for 41%, which is more than double. And, this is projected to rise to 54% within the next five years.

This change is not only coming from those previously engaged in impact. It is also coming from traditional investors, with a considerable 48% reporting that they are now incorporating ESG considerations into their traditional investments, and 12% of these doing so for every investment they make. For many, incorporating ESG principles into their investments is simply 'good business practice'.

The rapid adoption of impact investing is also coming from a flurry of smaller investors as the industry goes mainstream and investment opportunities open up to the masses. Reflecting this, while the average wealth per respondent this year stands at over USD $1 billion, just 5% of those who participated in this research last year had wealth of less than USD $1 million. This year, that proportion has risen to 21%, reflecting the widening of the market.

Moreover, rewarding these investors, impact investing has proven to be resilient in times of economic uncertainty. In fact, more than half (58%) of impact investments in 2020 reportedly performed the same (37%) or better (21%) than their traditional counterparts.[2] Furthermore, 59% of respondents report that their impact investments have performed the same (43%) or better (16%) than their traditional counterparts over the lifetime of these investments.

Within this context, the 2021 edition of *Investing for Global Impact: A Power for Good* takes the pulse on how investors and philanthropists are using their capital for social and environmental good. Providing the most in-depth research to date on sustainable investing within the high / ultra-high net worth community and their family offices / foundations, this report provides insights, analysis, and examples of best practice. It looks at the strategies, motivations, and attitudes of different types of investors – philanthropic, impact, and traditional – and explores their thoughts on important issues such as climate change and the effects of Covid-19 on investing.

The research design integrates the findings from the surveys and interviews with six in-depth case studies with experts and innovators to explore some of the key technological changes and advances in measurement, frameworks, and business models that are taking place to make sustainability a critical part of investment decision-making. Our survey results provide a broad overview of a range of impact investors across the globe. The in-depth qualitative interviews with a select sample of survey respondents delve deeper into the findings of the survey, and offer respondents'

[1] OECD Economic Outlook, Volume 2021 Issue 1, https://www.oecd.org/economic-outlook/
[2] Morningstar 2020 Sustainable Funds Weather the First Quarter Better Than Conventional Funds

first-hand accounts of their experiences, impact activities, and the challenges they face as well as the progress they have made. The case studies with front runners in sustainable investing offer an exposition of cutting-edge developments and transformations taking place within businesses. This rich data set is analysed in an integrated way to provide meaningful insights and comprehensive data analysis to facilitate knowledge exchange and more informed decision-making.

The case studies include:

- **One family office's approach to conservation finance in Africa,** an interview with **Caroline Rupert,** CEO of Kathaka family office.
- **A holistic approach to promoting well-being,** an interview with philanthropist and bestselling author **Satish Kumar Modi**.
- **Andrea Illy,** chairman of illycaffè, a certified B-corporation, outlines his views on the **inextricable link between sustainability and business value.**
- **Corporate stewardship, CSR and ESG, a long-term view of incorporating sustainability in business decisions.** A discussion with: **Priscilla de Moustier,** chairman & chief executive officer of Wendel-Participations; **Christine Anglade Pirzadeh,** director of communication and sustainable development, Wendel Group; and Professor **Morten Bennedsen,** academic director, Wendel International Centre for Family Enterprise and co-director of the Hoffmann Research Fund at INSEAD Business School.
- **Impact investing Ireland – Hype or substance?** A panel with: **Anne Finucane,** vice chairman of Bank of America and chairman of Bank of America - Europe; **The Edge,** guitarist with U2, advisory board member for the Environmental Solutions Initiative at MIT and chairman of Endeavor Ireland; **Gillian Tett,** Moral Money co-founder and the editor-at-large of the Financial Times, US; **Enda Kenny,** Former Taoiseach of Ireland and chairman of the Global Advisory Council for VentureWave Capital; and **Kieran McLoughlin,** managing partner of VentureWave Capital.
- **Roundtable discussion: Blockchain, a new frontier for sustainable investment** joined by **Elisa Giudici**, general partner at Rethink Capital and trustee of the Impact in Tech Foundation; **David Brierley**, the founder and CEO of Hyprr; **David Mullane**, partner of Falls Bridge; and **Riccardo Milesi**, co-founder of Digital Eyes Capital.

**Methodology:** The *Investing for Global Impact* report uses a mixed-method, qualitative and quantitative approach. Between March and May 2021, 303 individual investors, family offices, and foundations were surveyed and / or interviewed. This includes 277 survey participants, of which 238 were selected for statistical analysis, and 26 interviews, which were used for the case studies and accompanying narrative.

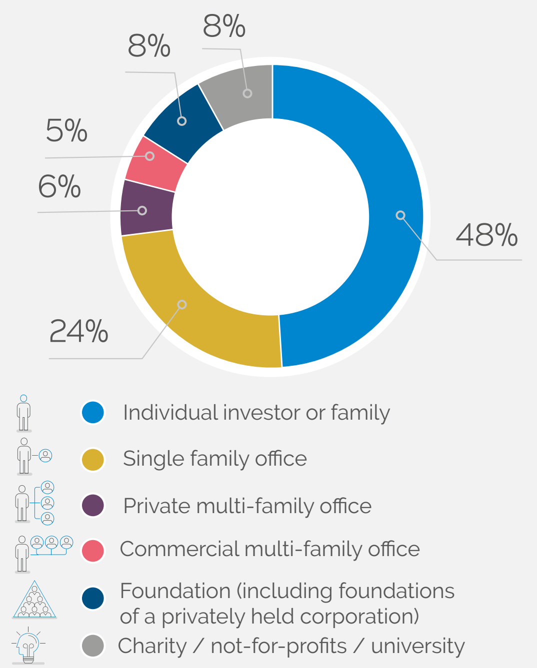
## 1.2 Global overview of participants

The following outlines a profile of those who participated in the research –

### Most respondents are individual investors or single family offices

Similar to previous years, the majority of respondents are either individual investors (48%) or are from single family offices (24%). Additionally, respondents include foundations (8%), charities / not-for-profits / universities (8%), private multi-family offices (6%), and commercial multi-family offices (5%) **(figure 1.1)**.

Figure 1.1
**The type of organisation participants represent**



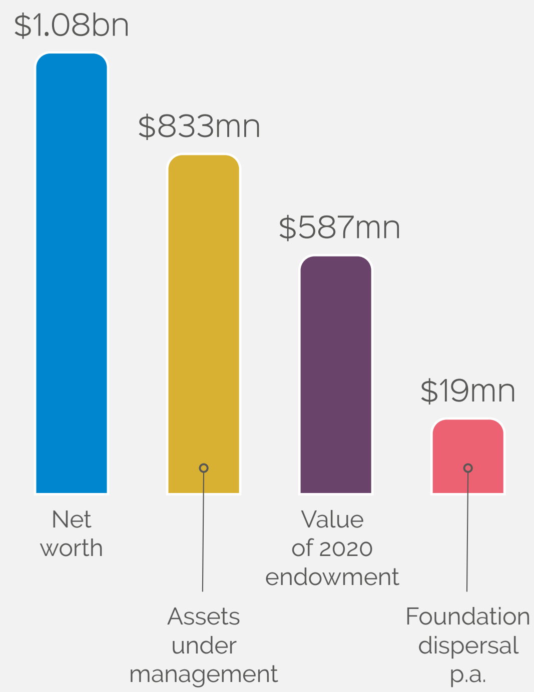

Base: All respondents.
Source: Campden Wealth/GIST Initiatives/Barclays Private Bank, Investing for Global Impact 2021.
Figures may not add up to 100% due to rounding.

## Participants' estimated total net worth stands at USD $328 billion or USD $1.08 billion per person

Across the respondents who participated in this report, their estimated cumulative net worth stands at USD $328 billion and averages USD $1.08 billion per participant **(figures 1.2 and 1.3)**. These figures are higher than those from last year's report, where the estimated cumulative net worth stood at USD $264 billion and average net worth, per participant, was USD $876 million.

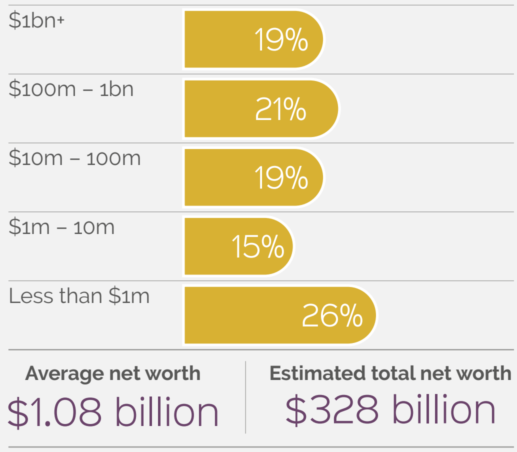
While the largest proportion of this wealth has been created by first generation wealth creators (46%), sizeable proportions reflect second (31%) or third or older generations (23%) **(figure 1.4)**.

Figure 1.2
**Average wealth, AUM, endowment, and endowment dispersal level across the participant sample**



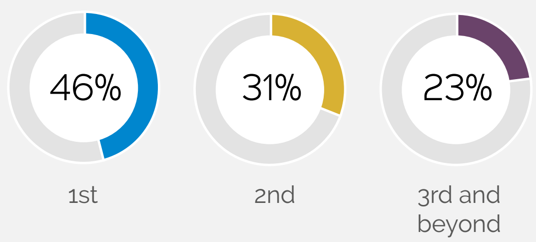

Base: All respondents.
Source: Campden Wealth/GIST Initiatives/Barclays Private Bank, Investing for Global Impact 2021.
Note: These averages are based solely on those surveyed, not those interviewed.

Figure 1.3
**Including their holding in the core operating business, the total net worth of the family**




Base: All respondents excluding foundations.
Source: Campden Wealth/GIST Initiatives/Barclays Private Bank, Investing for Global Impact 2021.
Note: Estimated cumulative wealth is based on those surveyed plus those interviewed. Last year, those interviewed were excluded from the total. Average net worth is based solely on those surveyed.

Figure 1.4
**The generation of the family wealth**

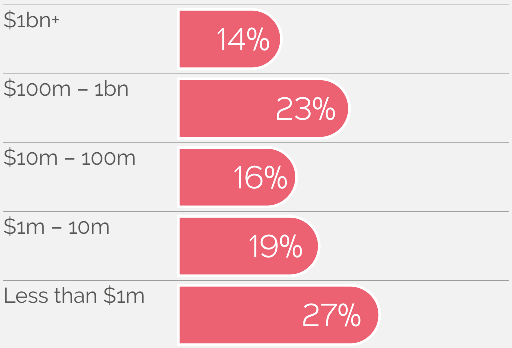



Base: All respondents.
Source: Campden Wealth/GIST Initiatives/Barclays Private Bank, Investing for Global Impact 2021.
Figures may not add up to 100% due to rounding.

## Total estimated AUM is USD $253 billion cumulatively or USD $833 million per respondent

Participants' estimated cumulative assets under management (AUM) this year is USD $253 billion, or an average of USD $833 million per participant, up from USD $211 billion and USD $833 million last year, respectively **(figure 1.5)**.

Figure 1.5
**What is the value of your 2021 investible assets or assets under management (AUM in USD)?**



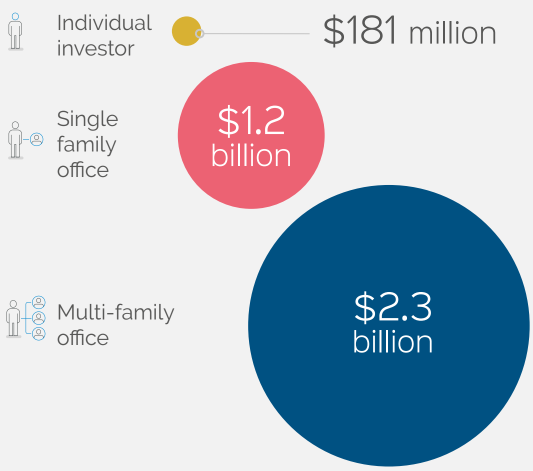

**Average AUM**
$833 million

**Estimated total AUM**
$253 billion

Base: All respondents excluding foundations.
Source: Campden Wealth/GIST Initiatives/Barclays Private Bank, Investing for Global Impact 2021.
Note: Estimated cumulative AUM is based on those surveyed plus those interviewed. Last year, those interviewed were excluded from the cumulative total. The average AUM is based solely on those surveyed.

Broken down by type of participant, single family offices' AUM averages USD $1.2 billion, multi-family offices USD $2.3 billion, and individual investors USD $181 million **(figure 1.6)**.

Figure 1.6
**Average AUM by type of investor**



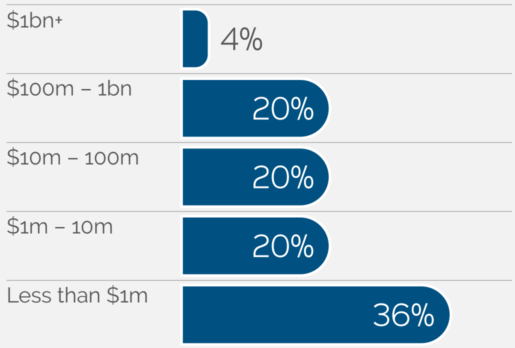

**Average AUM**
$833 million

Source: Campden Wealth/GIST Initiatives/Barclays Private Bank, Investing for Global Impact 2021.
Note: Average AUMs are based solely on those surveyed, not interviewed.

## Foundations' total estimated endowments is USD $15 billion; each averages USD $587 million

Foundations' estimated endowment value totals USD $15 billion, with an average endowment of USD $587 million and annual dispersal of USD $19 million **(figures 1.7 and 1.8).**

Figure 1.7
**The value of foundations' 2020 endowments**

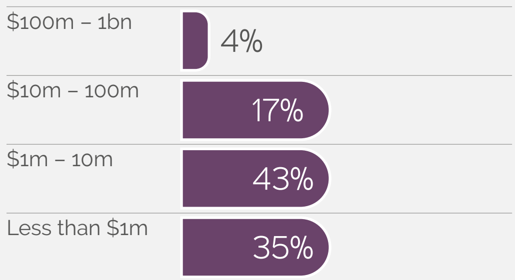



**Average endowment**
$587 million

**Estimated total endowment**
$15 billion

Base: All foundations.
Source: Campden Wealth/GIST Initiatives/Barclays Private Bank, Investing for Global Impact 2021.
Figures may not add up to 100% due to rounding.

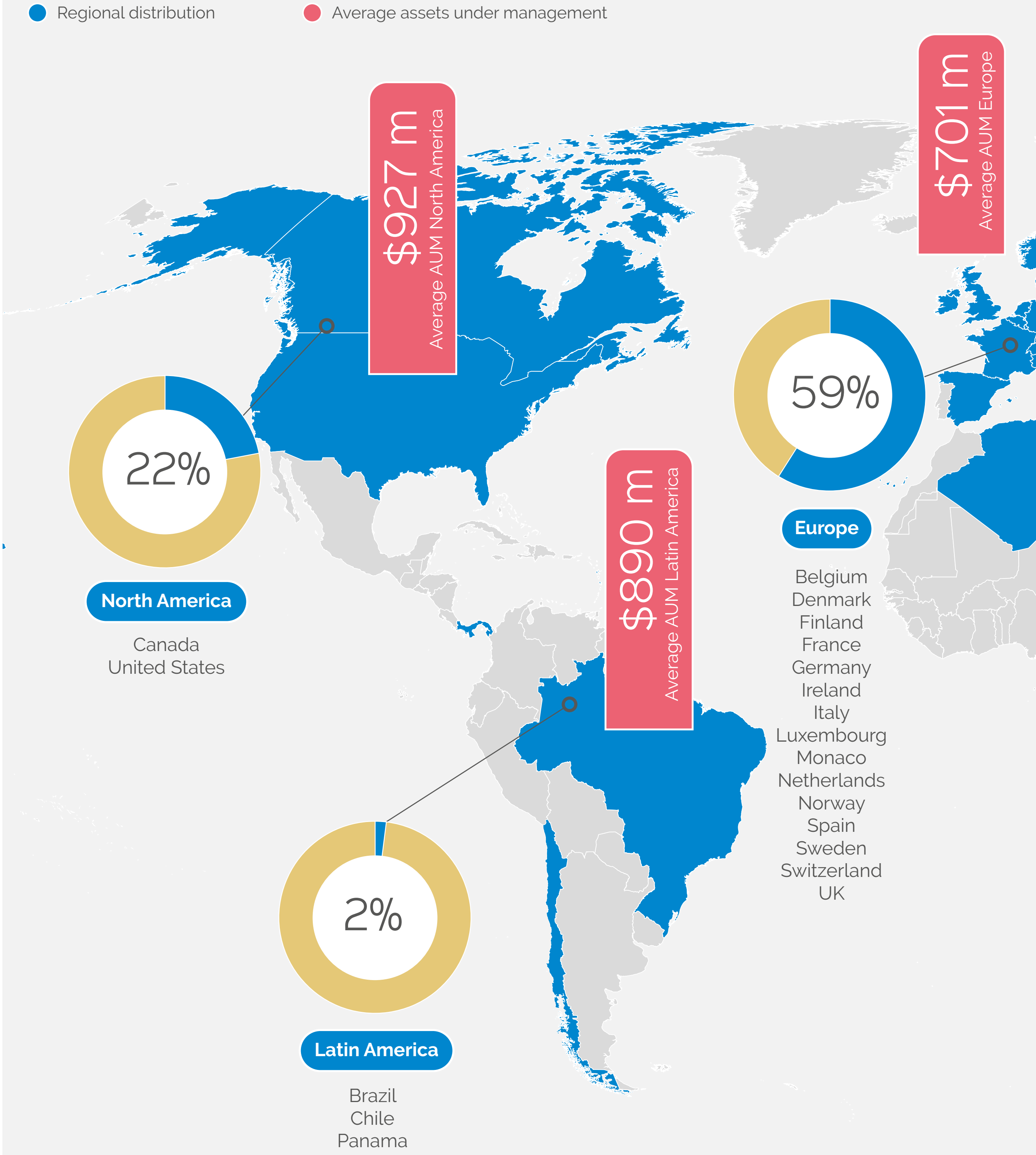
Figure 1.8
**The amount the foundation / charity / not-for-profit disperses per annum**



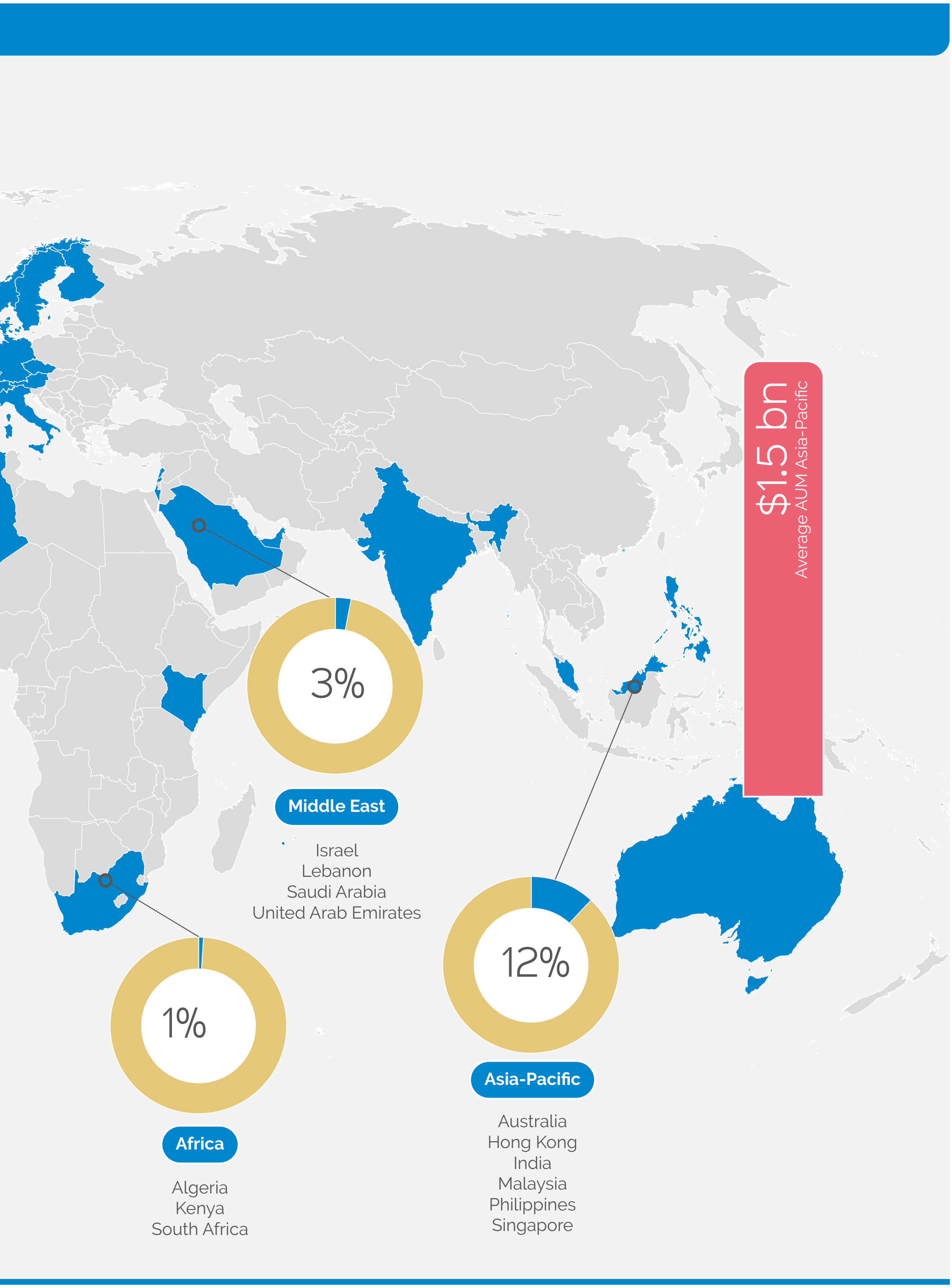

**Average annual dispersal**
$19 million

Base: All foundations.
Source: Campden Wealth/GIST Initiatives/Barclays Private Bank, Investing for Global Impact 2021.
Figures may not add up to 100% due to rounding.

Figure 1.9
**Respondents' regional distribution and value of their 2020 assets under management**




Base: All respondents, excluding foundations.
Source: Campden Wealth/GIST Initiatives/Barclays Private Bank, Investing for Global Impact 2021.
Note: The average AUM for Africa and the Middle East were excluded due to small sample size. The relatively high level of AUM for APAC reflects the fact that more family offices, with larger AUMs, participated in the research from APAC and this skewed the average upwards. Figures may not add up to 100% due to rounding.


$1.5 bn
Average AUM Asia-Pacific
3%
Middle East
Israel
Lebanon
Saudi Arabia
United Arab Emirates
1%
Africa
Algeria
Kenya
South Africa
12%
Asia-Pacific
Australia
Hong Kong
India
Malaysia
Philippines
Singapore

## Notes on terminology

Eight years ago when the Investing for Global Impact report was launched, terminology in the field was not established. In fact, it still remains a challenge for the industry. At the time, 'impact investing' was chosen for the report given the clear intention of respondents to use their wealth either through their investments or philanthropy to make an impact on the world. Since then multiple terms have become widespread. Arguably, sustainable investing has become foremost amongst them, though it is not universally used, and can be a substitute for the same idea. At present, the report has maintained "impact investing" as its umbrella term, while also recognising and differentiating between specific investment approaches in the report.

**Impact investing:** Investments made with the intention of generating positive and measurable social and environmental impact, alongside a financial return.

**Sustainable investing:** An umbrella term for a variety of investment strategies including ethical, responsible, and impact investing (as defined by Global Impact Investing Network).

**Ethical investing:** Applies a predetermined set of values or beliefs to investment selection. Driven by personal religious, moral or normative beliefs and distinct to each individual and organisation.

**Responsible investing:** Incorporating non-financial ESG data into investment decision-making through screening or integration. It also involves active ownership through voting and engagement.

**Philanthropy:** Charitable giving to human / environmental causes on a large scale. More than a charitable donation, it is an effort undertaken by an individual or organisation to improve social and environmental welfare. Wealthy individuals or families sometimes establish foundations to facilitate their philanthropic efforts.

## Respondents were commonly involved in traditional / impact investing and philanthropy

Nearly two-thirds (61%) of respondents are involved in traditional investing, while roughly half are involved in impact investing (54%) and philanthropy (51%) **(figure 1.10)**.

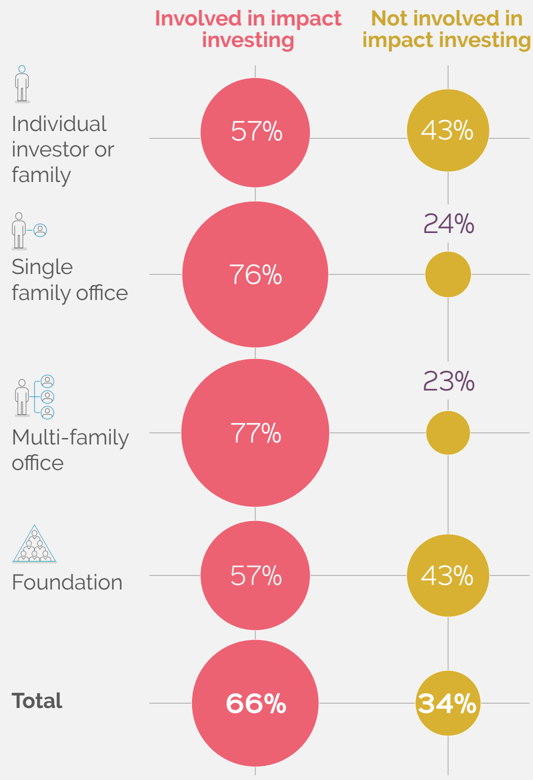
Figure 1.10
**Whether participants are active in philanthropy, impact investing and / or traditional investing**


Source: Campden Wealth/GIST Initiatives/Barclays Private Bank, Investing for Global Impact 2021.
Figures may not add up to 100% as multiple answers were permitted.

## Family offices are the group most likely to invest in impact...

Family offices continue to be the group most likely involved in impact investing, with three-quarters (76%) investing here. However, more than half of foundations and private investors also invest in impact (each 57%) **(figure 1.11)**.

Figure 1.11
**Proportion of respondents involved in impact investing by type of organisation**




Source: Campden Wealth/GIST Initiatives/Barclays Private Bank, Investing for Global Impact 2021.
Figures may not add up to 100% as multiple answers were permitted.

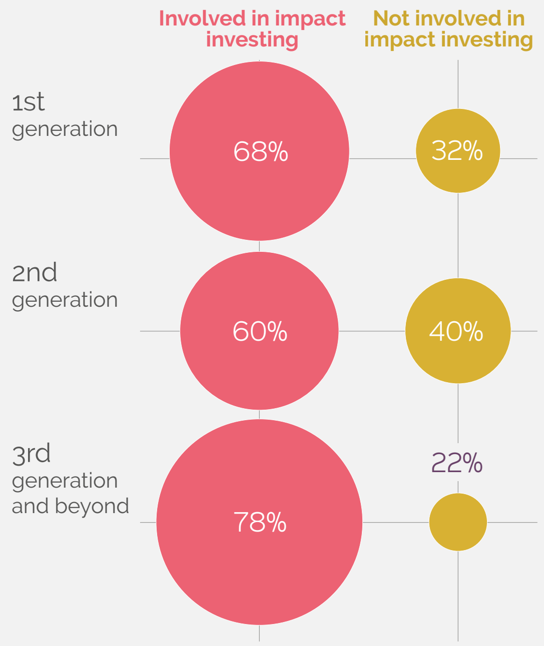
## ...as are families with three or more generations of wealth

78% of third generation wealth holders (or older) are engaged in impact investing, compared to 60% of second generation wealth holders and 68% of first generation wealth holders **(figure 1.12)**. The relatively high proportion across respondents, however, shows the popularity of impact investing across different ages of generational wealth.

**Figure 1.13** shows the diverse ways in which organisations combine impact and traditional investing as well as philanthropy in their portfolio of activities.

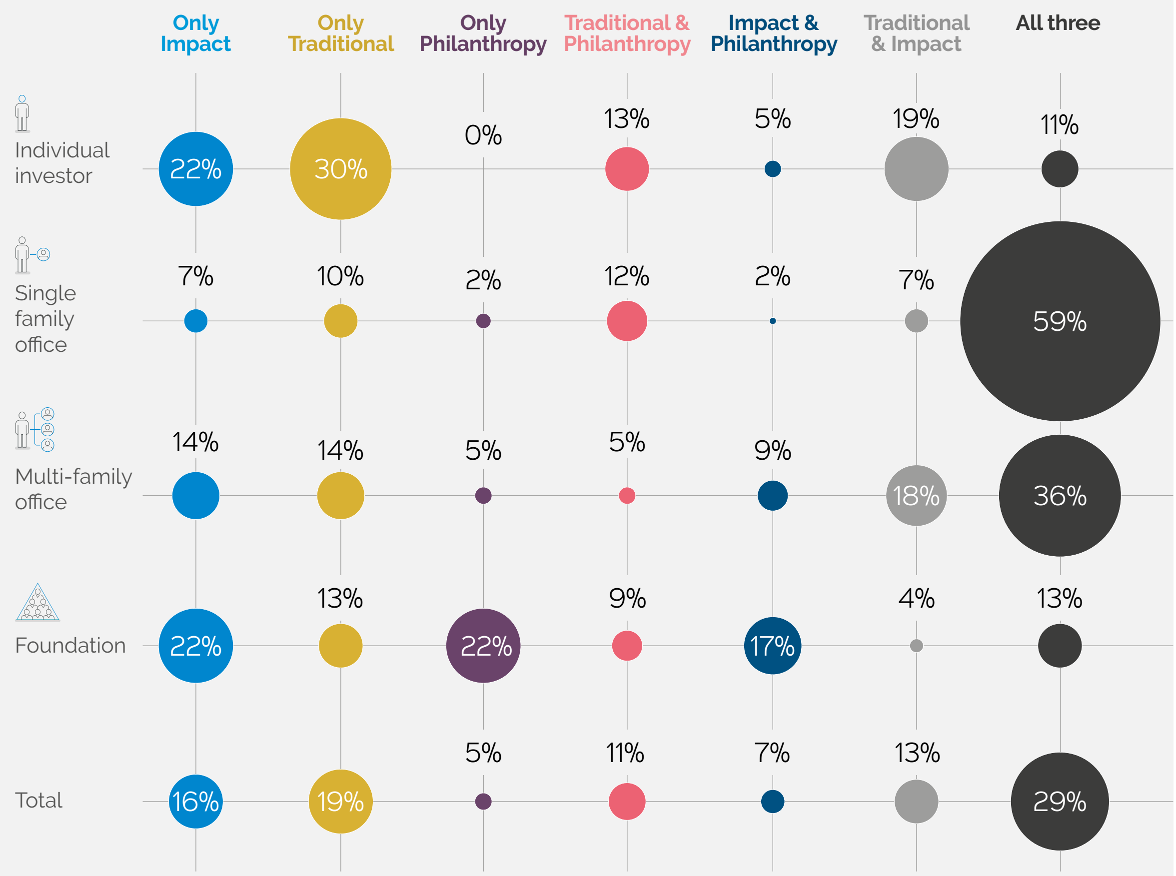
It is interesting to note that single family offices are most often involved in all three areas – traditional and impact investing, as well as philanthropy (59%) **(figure 1.13)**. And, as noted earlier, 76% of single family offices are involved in impact investing **(figure 1.10)**. Just 19% are only involved in traditional investing (not philanthropy or impact investing). While individual investors were more likely to be either only traditional investors (30%) or only impact investors (22%).

Figure 1.12
**Proportion of respondents involved in impact investing by generation of family wealth**




Source: Campden Wealth/GIST Initiatives/Barclays Private Bank, Investing for Global Impact 2021.
Figures may not add up to 100% due to rounding.

Figure 1.13
**Type of investing by type of investor**




Source: Campden Wealth/GIST Initiatives/Barclays Private Bank, Investing for Global Impact 2021.
Figures may not add up to 100% as multiple answers were permitted.

2.

# Investment strategy and philosophy

## Key findings

- Amongst those active in impact investing, 87% have made investments, while 12% report researching or exploring the field without having yet made an investment. 18% are pursuing impact investing as their primary portfolio strategy and 45% currently have multiple impact investments across different asset classes / causes **(figure 2.1, pg. 17)**.

- Echoing last year, the number one ranked reason motivating investors to engage in impact is to make the world a better place (64%), followed by a belief that it is 'the right thing to do' (45%). Interestingly, now more than a third (36%) also engage in impact investing because they believe incorporating sustainability considerations into their investments will lead to better returns / risk projections – a notable increase from 24% in 2020 **(figure 2.2, pg. 18)**. For a discussion on how one family office uses its experience in venture capital, conservation finance, sustainable investing and philanthropy to support the Peace Parks Foundation in Africa, please see the interview with Caroline Rupert, a third-generation wealth holder and CEO of Kathaka family office, on **page 21**. This case study highlights the hybrid use of impact investing and philanthropy for environmental conservation. It also discusses the detailed and personalised impact measurements and reporting tools developed to report the impacts achieved to donors and sponsors.

- Amongst traditional investors who are not involved in impact investing, 48% reportedly still take ESG factors into consideration when making investment decisions. Within these, for 12%, it is a central factor in their decision-making; for 36% it is just one of the factors they consider. The remainder consider ESG factors, but do not make it part of their formal decision-making process (12%) or they do not factor them in at all (40%) **(figure 2.4, pg. 19)**.

- In 2020, over one-third (36%) of respondents' average investment portfolio was dedicated to impact. This is higher than expected, as those from last year's report predicted that their allocations to impact would increase to just 22% by 2020. Similarly, respondents last year predicted that impact investing's average share of their portfolio would increase to 26% by 2021 when, in fact, it has grown to 41% this year - a notably higher proportion. Moving forward, this year's respondents predict that impact will account for 47% of their average portfolio in 2022 and 54% by 2027. Interestingly, 52% of respondents also expect that more than 50% of their portfolio will be invested in impact within the next five years **(figure 2.5, pg. 20)**.

## 2.1 Impact investing activity

Sustainable investing has, in part, been driven by critical events, such as the end of the stock market bubble in 2000, the financial crash in 2008, the Paris Climate Change Agreement in 2015 and, most recently the Covid-19 pandemic. These events have made businesses aware that environmental, social, and governance (ESG) factors are significant, if not decisive, for financial performance. Marked out to be a rapidly developing area over the next decade, at present, sustainable investing has grown to account for USD $35.3 trillion globally[3].

In terms of recent events, impact investing was viewed as a fast-growing area prior to the pandemic. However, the disruption caused by Covid-19 highlighted the importance of building sustainable and resilient business models based on multi-stakeholder considerations. This made more investors consider how to promote sustainable practices and products, and

[3] Global Sustainable Investment Review 2020 http://www.gsi-alliance.org/

future-proof their portfolios against climate risk. In fact, Morningstar reported that sustainable funds saw record levels of investment in 2020[4].

There have been some concerns that the record flows to impact investing in 2020 represented a Covid-19 green bubble, which may disappear with an end to the pandemic, when normal trading resumes, presuming that it does. However, a Morningstar report[5] revealed that the sustainable investing universe attracted USD $185.3 billion in net inflows in the first quarter of 2021, up 17% from USD $158.3 billion in the prior quarter, while global assets neared the USD $2 trillion mark, up 17.8% from the prior quarter.

Investor surveys across the financial industry also show that impact investing is becoming mainstream, attracting record levels of flows and attention. The Global Impact Investing Network[6] (GIIN) estimated that the market size of impact investing was a significant USD $715 billion in 2020.

## A growing number view impact as their primary investment strategy

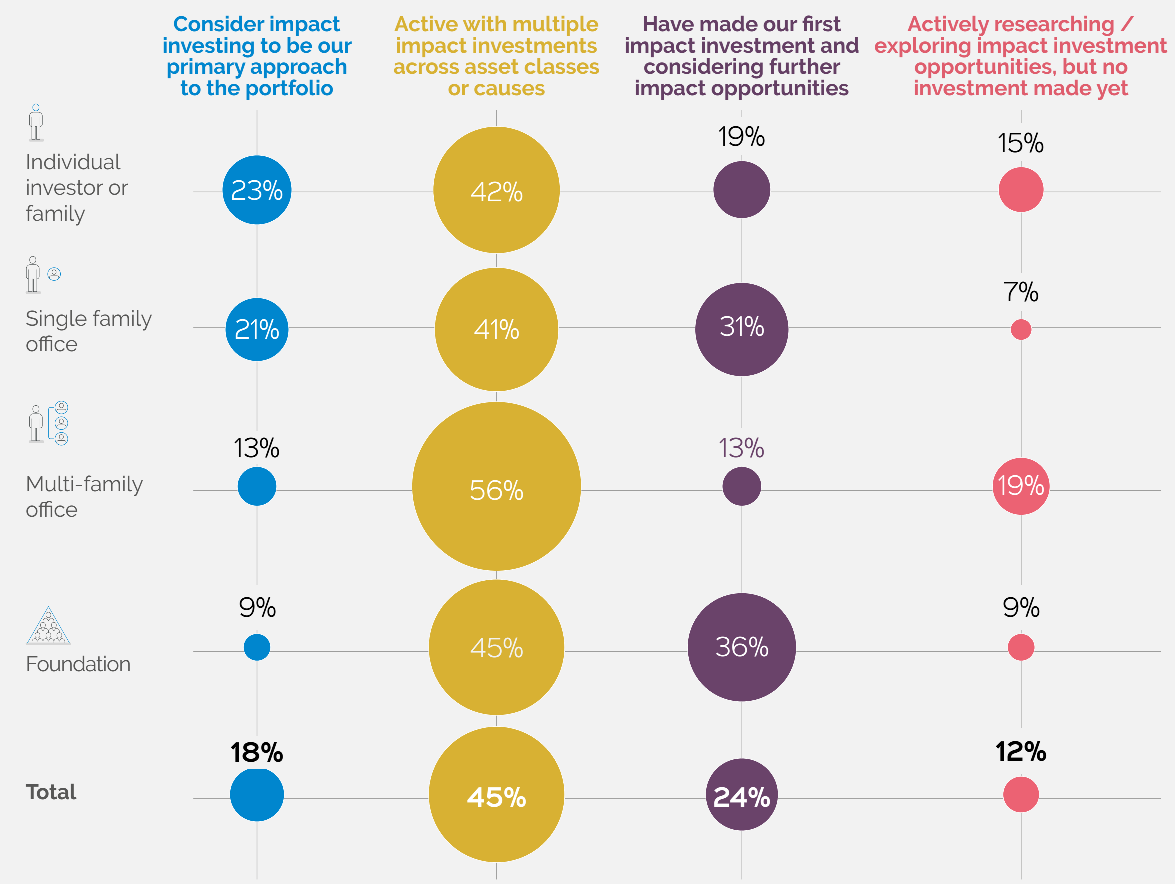
In 2021, 18% of those surveyed for this report viewed impact investing as their primary investment strategy, up from 16% in 2020 and 13% in 2019.

For individual investors and single family offices, the portions were even higher at 23% and 21%, respectively **(figure 2.1)**.

Nearly half (45%) of all respondents currently have multiple impact investments across different asset classes / causes, a notable increase from 34% in 2019, but a little less than the 50% in 2020.

The percentage of respondents who have made their first impact investment and are considering further opportunities has remained steady since last year at 24%. The number who have yet to make an investment, but are actively researching / exploring the field, has also stayed the same over the last two years at 12%.

Figure 2.1
**How best respondents describe their impact investing experience**




Base: All respondents involved in impact investing. Source: Campden Wealth/GIST Initiatives/Barclays Private Bank, Investing for Global Impact 2021. Figures may not add up to 100% due to rounding.

[4] Morningstar February 8, 2021 Sustainable Funds' Record-Breaking Year. https://www.morningstar.co.uk/uk/news/209411/sustainable-funds-record-breaking-year.aspx
[5] Morningstar May 5, 2021 Sustainable Fund Flows Hit New Record. https://www.morningstar.co.uk/uk/news/211923/sustainable-fund-flows-hit-new-record.aspx
[6] GIIN June 11, 2020 Annual Impact Investor Survey. https://thegiin.org/research/publication/impinv-survey-2020.

## 2.2 Objectives and aims

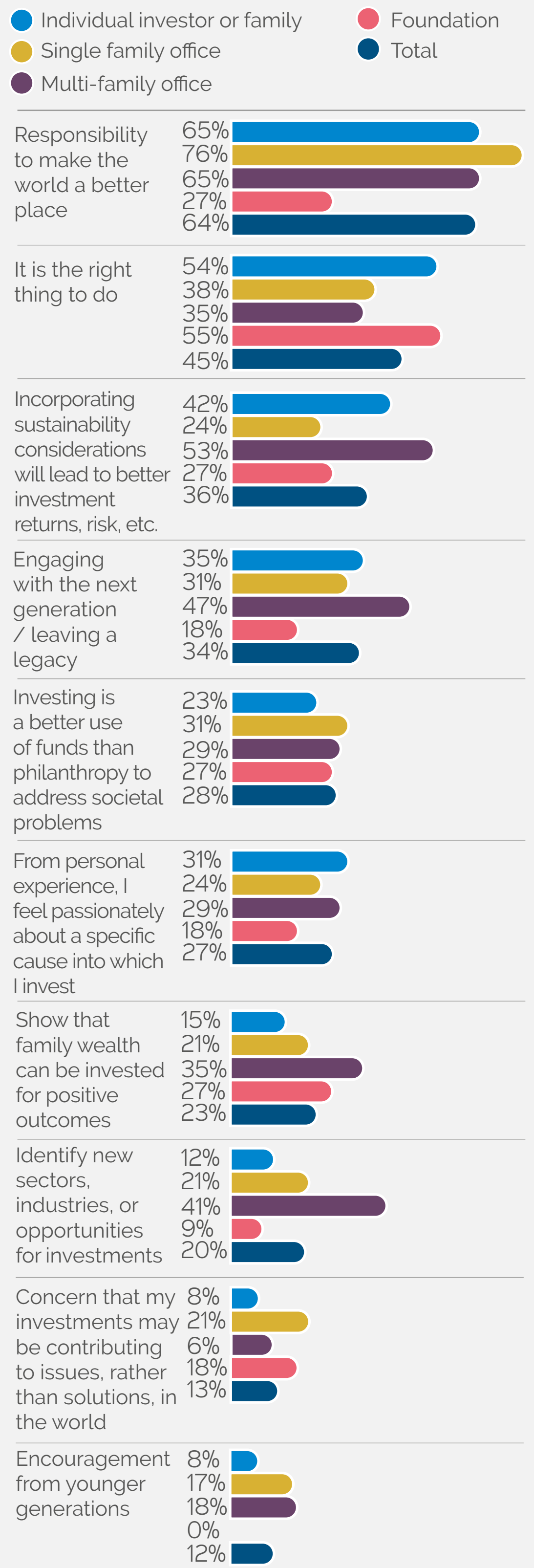
### 36% invest in impact because they believe factoring environmental and social issues into their strategies improves portfolio returns / lowers investment risk

Up from 24% in 2020, more than a third (36%) of respondents currently report to invest in impact because they believe incorporating sustainability considerations into their investments will lead to better returns / risk projections **(figure 2.2)**. Amongst multi-family offices, more than half (53%) believe this. One respondent articulated the ways in which impact is an integral part of his investment decision-making.

> We have our own system which helps record the effect of our impact. We don't do that for altruistic reasons. We do that because the more sustainable our business is, the more likely it is to be profitable, have better cash flow, last longer, be more resilient, and ultimately be worth more money.
>
> **Co-founder and chief investment officer, global private equity company, United Kingdom, Europe**

However, like last year, the number one ranked reason to engage in impact investing is to make the world a better place (64%), followed by a belief that it is 'the right thing to do' (45%).

Figure 2.2
**Respondents' top three motivations for engaging in impact investing**



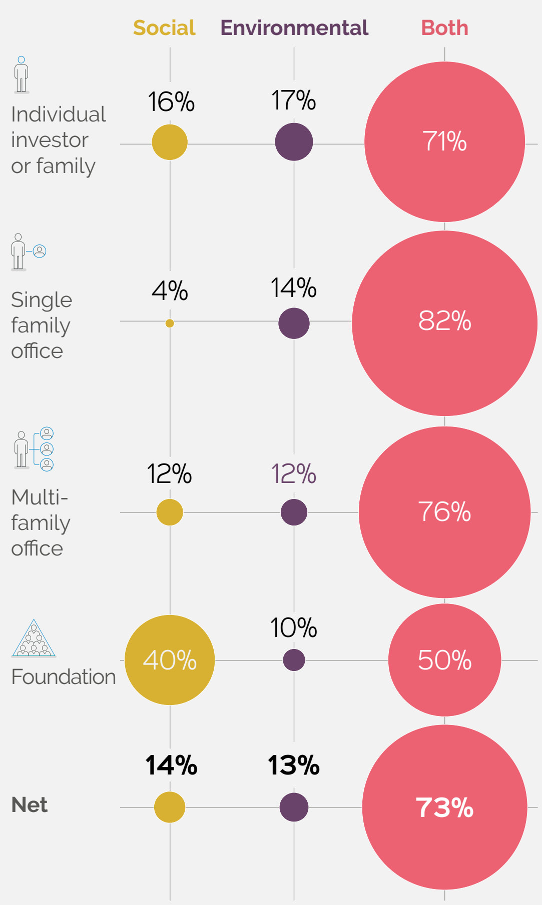

Base: All respondents who are involved in impact investing
Source: Campden Wealth/GIST Initiatives/Barclays Private Bank, Investing for Global Impact 2021.
Figures may not add up to 100% as multiple answers were permitted.

## Investors are defining a clearer role for ESG in addressing environmental / social goals, along with key portfolio objectives

Our research indicates that 73% of those surveyed target both social and environmental performance goals **(figure 2.3)**. Broken down by type of organisation, close to 80% of family offices target both. Similarly, individual investors also predominantly focus on both (82%). The performance objectives of foundations are more mixed, however, with 40% focusing solely on social objectives and 50% focused on both social and environmental objectives **(figure 2.3)**.

Interestingly, in GIIN's 2020 annual survey of their members, who are primarily institutional investors, 60% of respondents target both social and environmental performance goals, thus a smaller portion[7].

Figure 2.3
**Within your investments, is your primary impact objective social, environmental, or both?**




Base: All respondents who are involved in impact investing.
Source: Campden Wealth/GIST Initiatives/Barclays Private Bank, Investing for Global Impact 2021.

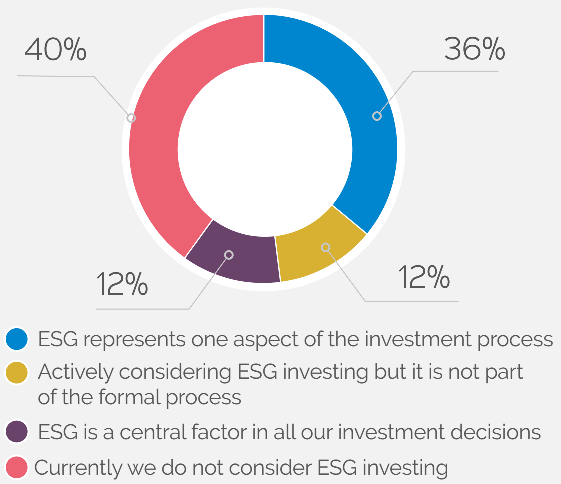
## A majority take ESG into consideration in their traditional investing decisions

Amongst traditional investors, who indicate they are not involved in impact investing or philanthropy, a majority still take ESG factors into consideration when making investment decisions **(figure 2.4)**. For 12%, it is central to their investment decisions and for 36% it is simply one of the factors they consider. Another 12% consider it, but do not make it part of the formal process. Apart from this, 40% of traditional investors still do not consider ESG in their decision-making.

One respondent described the ways in which businesses-at-large are beginning to integrate ESG criteria into operating practices to keep up with regulatory and consumer expectations:

> I think ESG factors will be woven into all analyses because they are so material; they simply matter. I think CEOs, especially public company CEOs, are going to be held to different standards regarding taking a multi-stakeholder approach and being able to measure their climate impact, as well as how they're treating their staff from a social impact perspective.
>
> **Impact investment adviser, private multi-family office, North America**

Figure 2.4
**The extent to which traditional investors consider non-financial (ESG) factors in their decision-making**




Base: All respondents who are not involved in impact investing.
Source: Campden Wealth/GIST Initiatives/Barclays Private Bank, Investing for Global Impact 2021.

[7] Global Impact Investing Network (GIIN) June 11, 2020 Annual Impact Investor Survey. https://thegiin.org/research/publication/impinv-survey-2020.

## 2.3 Portfolio strategy

### Impact investing is being adopted much faster than expected

The average proportion of respondents' portfolios that included impact consideration was higher in 2020 than originally suggested from the prior year's survey results. This year's findings show that in 2020 over one-third (36%) of respondents' average investment portfolio was dedicated to impact **(figure 2.5)**. This is much higher than the estimates of last year's respondents who expected it to account for 22% of their average portfolio.

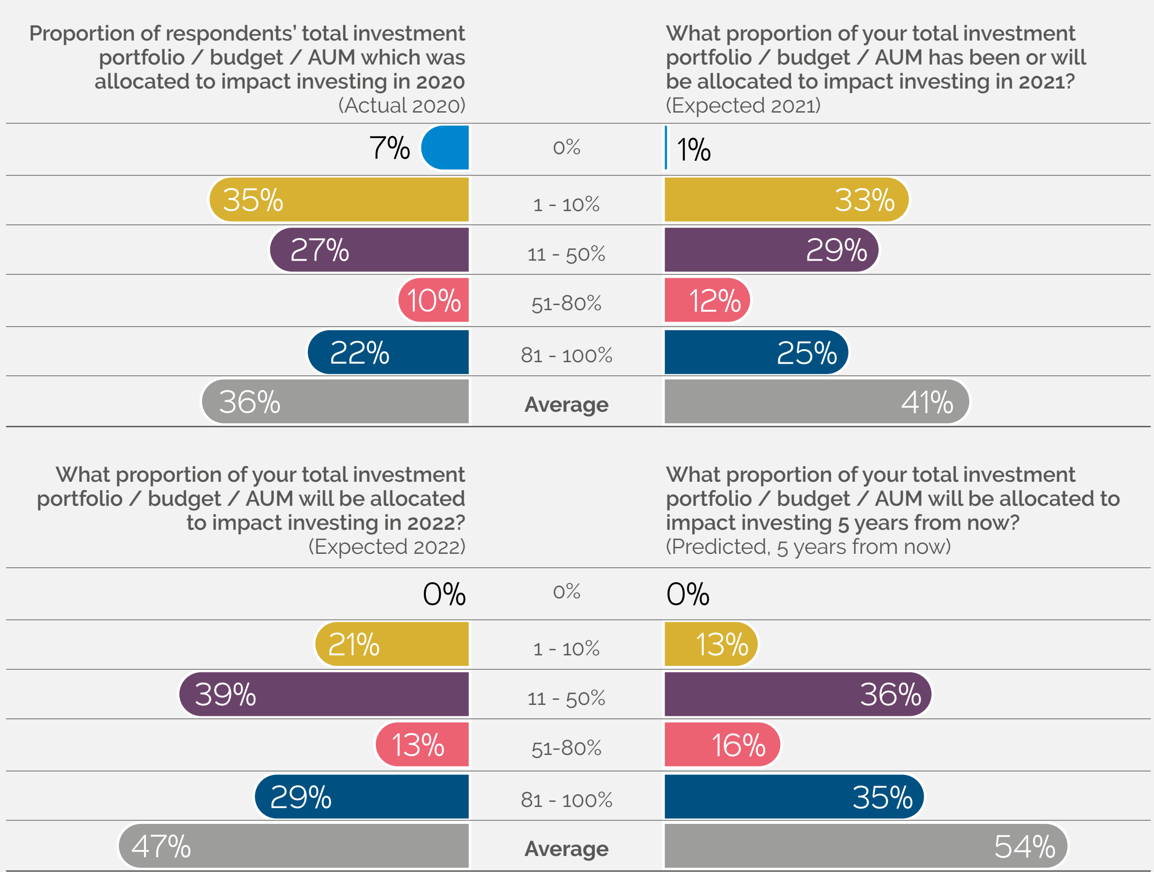
These results are corroborated by reports of flows into sustainable and impact investing in 2020. As highlighted earlier, a Morningstar Report[8] on investment flows shows that the global sustainable universe attracted USD $185.3 billion in net inflows in the first quarter of 2021, up 17% from USD $158.3 billion in the prior quarter, while global assets neared the USD $2 trillion mark, up nearly 18% from the prior quarter.

In a similar vein, in the *Investing for Global Impact 2020* report respondents estimated that impact investing's average share of their portfolios would increase to 26% by 2021. In fact, however, 2021 respondents report it currently accounts for, on average, 41% of their portfolios, a notably higher proportion **(figure 2.5).**

### Predictions for 2022 and beyond show exponential potential growth

Bloomberg has estimated that ESG assets may hit USD $53 trillion by 2025, representing a third of the global AUM.[9] This study suggests, based on leading investors, that even a higher portfolio allocation is possible. To illustrate, in 2020 impact investing accounted for 36% of respondents' average portfolio and investors now predict that this will rise to 47% by 2022 and to 54% by 2027 **(figure 2.5)**.

Figure 2.5
**Proportion of respondents' total investment portfolio / budget / AUM which was allocated to impact investing**




Base: All respondents involved in impact investing.
Source: Campden Wealth/GIST Initiatives/Barclays Private Bank, Investing for Global Impact 2021.
Figures may not add up to 100% due to rounding.

[8] Morningstar May 5, 2021 Sustainable Fund Flows Hit New Record. https://www.morningstar.co.uk/uk/news/211923/sustainable-fund-flows-hit-new-record.aspx

[9] Bloomberg, February 23, 2021 ESG assets may hit $53 trillion by 2025, a third of global AUM. https://www.bloomberg.com/professional/blog/esg-assets-may-hit-53-trillion-by-2025-a-third-of-global-aum/

## Case study: Caroline Rupert

# One family office's approach to conservation finance in Africa

This case study looks at Caroline Rupert's goals in founding her family office and at the activities of that office both in the investment and philanthropic sides of its work.

Caroline Rupert

This case study looks at Caroline Rupert's goals in founding her family office and at the activities of that office both in the investment and philanthropic sides of its work.

The name of Caroline Rupert's family office, Kathaka, is intriguing and has a deeper meaning, which she explains.

*"Kathaka in Sanskrit means "one who tells a story". Looking at the venture community (founders in our portfolio businesses for example) or at the work we do with Peace Parks, in both worlds storytelling and narrative is critical to properly engage and invest your stakeholders in what you are doing and in the goals you are seeking to achieve and to keeping people engaged for the duration.*

*I have always believed in the power of telling stories; storytelling speaks to a world of possibility and imagination; it allows us to experience the world from the perspective of others. Being able to relate to and believe in a founder's vision is at the essence of what we do."*

Caroline Rupert's family office has enabled her to expand the reach of her work in venture investing and to expand her capacity for philanthropic endeavours.

*"I set up the family office to institutionalise [my investment due diligence and reporting structures] and to build capacity in a more holistic way, so that I could take on more endeavours and be more ambitious. Initially, I limited myself in what I would do because I didn't have the bandwidth but setting up the family office and bringing in really brilliant people has allowed me to do so much more."*

Kathaka's philanthropic work focuses on supporting Peace Parks Foundation in Africa. Peace Parks Foundation was founded in 1997 by Caroline Rupert's grandfather, Dr. Anton Rupert, President Nelson Mandela and Prince Bernhard of the Netherlands. Peace Parks mission statement is *"to re-establish, renew, and preserve large functional ecosystems that transcend man-made boundaries – thereby protecting and regenerating natural and cultural heritage vital to enabling and sustaining a harmonious future for man and the natural world.*[10]*"*

*"My grandfather founded WWF (World Wildlife Fund) South Africa. From the 1950s, the core principle of his philosophy was co-existence between man and man, extended a decade later to include the co-existence between man and nature. This belief in the golden thread of co-existence and partnership led him to facilitate the creation of transboundary conservation areas between Sub-Saharan African countries."*

Covering 100 million hectares – roughly the size of France and Germany – the sheer scale of Peace Parks makes it a truly outstanding endeavour. For Caroline Rupert, this huge undertaking is a way of honouring her grandfather and the close bond she shared with him.

*"When my grandfather was reaching the end of his life, he recognised that his greatest contribution would be in the form of Peace Parks and he wanted it to be a mantle that was taken*

[10] https://www.peaceparks.org/

*on by future generations. He asked me, when I was about 20, if I would take on the Peace Parks mantle in the future. This was a wonderful responsibility to be given."*

Caroline Rupert's grandfather took a personal interest in imparting his values and wisdom on to her to prepare her for the role of being his successor.

> There are inter-generational learnings that one gains. I started going to his office and he would instil upon me his principles and life learnings that he hoped I would take on.
>
> **Caroline Rupert**

*"There are inter-generational learnings that one gains. I started going to his office and he would instil upon me his principles and life learnings that he hoped I would take on."*

As a result, Caroline Rupert took up the responsibility of carrying on his mission.

*"Our mission has always been based on four tenets, the four C's. It is 'Commitment', which is engaging with governments and communities to secure protected land. 'Conservation' at scale, which is the habitat restoration of entire ecosystems. 'Commercialisation' development to make the parks sustainable and 'Communities', to unlock the benefits of the park."*

Caroline Rupert and her family office are able to help bring a wider range of stakeholders into the Peace Parks ecosystem and additional skillsets to complement the goals of the organisation.

*"It's wonderful to have the opportunity to bring our wider office network to help Peace Parks – exposing a wider array of partners to the work Peace Parks is doing helps to open a new ambit of financing opportunities. Having the expertise to harness these contacts and join the dots between the private sector and NGO worlds is a very important bridge the office is able to build."*

While donations play an important role in running Peace Parks, there are additional revenue streams that can be mobilised through other projects in and around the parks.

*"I think grants and donations will always be our core means of funding. Many of these grants are from government organisations and institutions which reflect trust built up over decades, alongside the trust and partnerships established with local communities and government."*

While donations play an important role in running Peace Parks, there are also independent revenue streams that are generated through the work done on the ground.

*"We are always looking at ways to enable the parks to become sustainable and to translate benefits back to the local communities. This can be through tourism, carbon credits and other innovative financing structures we are trying to initiate."*

Peace Parks has projects that include re-wilding initiatives, a wildlife crime unit, a zoonotic veterinary research centre, colleges for tourism and wildlife, as well as training programmes to preserve traditional skills, such as animal tracking and herding.

Just measuring and recording Peace Parks' strategic aims is a considerable mission.

*"Peace Parks is very good at measuring impact. A key component of impact measurement is our Geographical Information Systems (GIS). This helps us to create maps and databases, which we use for predictive modelling. We look at a whole range of things from increasing species to carbon sequestration. It's very detailed. For example, we go into areas and measure the size of every single tree in multiple sampling blocks and extrapolate the data so that we know exactly how much sequestration is happening over vast stands of indigenous forests."*

The monitoring and measurement work done is also used to address donors' measurements requirements.

*"We're constantly doing evaluation work for our partners, who have different sets of goals they want to see achieved. We are able to tailor the reporting of our impact to ensure every partner is properly updated on those elements of our work that matters most to them."*

Peace Parks has achieved outstanding success in helping support adjacent communities and preserve ecosystems.

Kathaka deploys capital and strategic resources into philanthropic endeavours focused on Sub-Saharan Africa, especially through the Peace Parks Foundation

*"It's been wonderful to see the evolution of certain parks over the years and the transition from being paper parks to becoming really viable landscapes with teeming wildlife, which are now visibly biodiverse and have been restored. For example, in Maputo Special Reserve (MSR) in Mozambique we have successfully introduced 4,964 game animals and 11 new species – all of which used to occur in MSR but became locally extinct during the civil war. When Peace Parks started supporting the development of MSR in 2008, there were only three species left, namely elephant, red duiker, and reedbuck. We now estimate that MSR currently has somewhere between 15,000 and 17,000 game animals, including about 480 elephants."*

Peace Parks is seeking to build even stronger bonds with private sector partners – including impact investors, large corporates, and banks focused on improving their sustainability credentials as well as other like-minded family offices. Kathaka is seeking to use its expertise and networks to help Peace Parks develop and expand its range of partnerships.

*"David Blood [of Generation Investment Management] made the point to us that family offices have both the opportunity and responsibility to pioneer change. They can do this by taking risks and exploring ventures that larger institutional capital is less able to pursue with the same flexibility and speed. I found that very inspirational advice: to be able to be innovative and be a first-mover in laying down groundwork for other capital to hopefully follow."*

Caroline Rupert also feels that her and her family's longstanding relationships with other like-minded families and family offices creates a strong network to support Kathaka and Peace Parks.

*"The privilege I've had is that a lot of the family offices with an established and longstanding track record in conservation are a generation or two before mine. So, I have the benefit of being able to talk to real thought leaders who have given support and guidance."*

Through her work, Caroline Rupert hopes to inspire others in the conservation finance space. Kathaka's strategic support for Peace Parks has helped enable the creation of a dedicated Innovative Financing Division within the organisation.

*"If we help create a new and innovative financing model that benefits conservation, we're not proprietary about it. We hope it's imitated. The idea is that if something we try is successful, other organisations should be able to replicate it. This is about inclusively solving a problem and bringing as many people as possible into that solution."*

For Caroline Rupert, the two aspects of her business, venture capital and strategic philanthropy, work seamlessly together.

*"We try to look at problems holistically and see the interconnectivity between things. We spend a lot of time working through potential investment opportunities on the venture side. We also spend time talking with institutions, agencies, and other principals of family offices about the work we do in conservation. These two things don't need to be binary, often there is interconnectivity to draw on each to help the other."*

Caroline Rupert's family office has created a strong set of values and ESG considerations which form part of all decision-making, particularly for investments.

*"We want the office to be reflective of our values. There are certain things we have deliberately excluded from our investment mandate, even if they might be financially very interesting. Interestingly, where capital is fungible, the fact that we have strong ESG and ethical values is an important consideration for a lot of the founders we back too."*

Crafting meaningful partnerships is key to Caroline Rupert and something that has been instilled in her by her family. She brought the same ethos to her own family office and hopes to pass this value onto her own family.

*"There is a trust and loyalty intrinsic to what we do as a family business. Whether it is the companies we invest in or the investors in the larger company. There has always been an understanding that we work for them and we want them to do well out of it. That translates into what we do as a family office as well. I would like that trust, loyalty, and respect to continue."* ■

# 3.

# Investment portfolios

## Key findings

- Integrating ESG considerations in investment decisions, targeting investments that address specific social or environmental aims, and negative screening are the most widely adopted approaches to sustainable investing and are used by between 80% and 96% of respondents. With that said, in order of adoption rates, the most commonly used across all or most investments relate to ESG integration (68%), negative screening (58%), and socially / environmentally targeted investing (54%) **(figure 3.1, pg. 25)**.

- Showing a preference for private market deals, proportionally more respondents allocate to growth stage (24%), seed/start-up (22%), venture stage (18%), and mature private company (18%) deals than to mature publicly-traded companies (17%). Also showing a preference for direct investment, those active in impact investing, on average, allocated 59% of their investments directly to companies, projects, and real assets, and 41% to an indirect investment strategy through asset managers and other intermediaries **(figure 3.3, pg. 27)**.

- 40% of respondents reportedly conduct the same due diligence for impact and traditional investing. However, 33% conduct different due diligence for each type of investment (up from 22% last year), and 27% add an additional impact screening **(figure 3.4, pg. 27)**.

- The most popular SDG theme this year, likely reflecting the effects of Covid-19, is good health and well-being (72%). This is followed by clean water and sanitation (53%), affordable and clean energy (53%), and climate action (53%) **(figure 3.5, pg. 28)**. In a related vein, this chapter concludes with an interview with Satish Kumar Modi, chairman of Modi Global Enterprises, for a case study entitled, 'A holistic approach to promoting well-being.' Satish Kumar Modi outlines how he places spiritual and mental well-being at the centre of his philanthropic endeavours **(pg. 31)**.

- The most popular framework respondents use for impact measuring and reporting is the United Nations Sustainable Development Goals (SDGs) (used by 78%), followed by the United Nations Principle for Responsible Investment (UNPRI) (adopted by 43%). Still, 54% indicate a preference for developing their own frameworks and metrics **(figure 3.7, pg. 30)**.

## 3.1. Investment selection

### Integrating ESG considerations into investments is the most common approach to sustainable investing

Amongst the different approaches respondents use to incorporate sustainability into their investments, the most common is to integrate ESG considerations into their decision-making, a process used by nearly all respondents (96%), with most (68%) applying it to all or a majority of their investments **(figure 3.1)**.

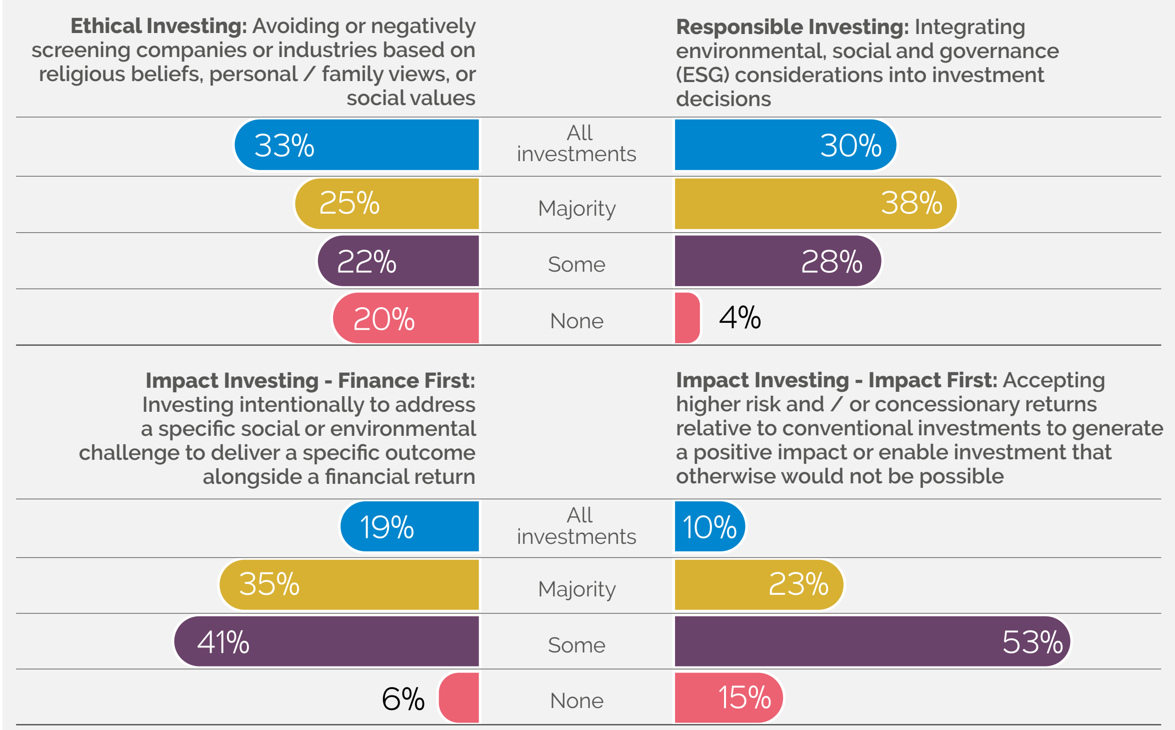
The second most common approach is to invest with the intention of addressing a specific social or environmental challenge, something 95% of respondents do, with over half (54%) doing so for all or most of their investments.

This is followed by negative screening. Here, 80% of respondents report that they screen the companies / industries they invest in to ensure they align with their personal / family values. Over half (58%) do this for all or most of their investments.

Finally, it is important to note that while the large majority (86%) are willing to accept higher risks or concessionary returns (relative to traditional investments) to generate a positive impact, about half (53%) will only do this for some of their investments. Another third (33%) will do it for all or most. One private investor commented:

> When I was working with biofuels in the early 2000s, I did research on the choices people made with regard to fuel – conventional gasoline or ethanol, bioethanol, and biodiesel. People understood the benefits of biofuels but were unwilling to pay the substantial premium between bio versus conventional gasoline. Now the situation is very different. People are ready to pay a premium. This is a very important change as now they are ready to invest in renewables even if they have to sacrifice profits. They take a long-term view and want to be involved.
>
> **Private investor, Netherlands, Europe**

Figure 3.1
**The approaches respondents use across their investments**




Base: All respondents involved in impact investing.
Source: Campden Wealth/GIST Initiatives/Barclays Private Bank, Investing for Global Impact 2021.
Figures may not add up to 100% due to rounding.

What investors allocate funds to, and the stage at which they allocate these funds, depends on various factors, such as their capabilities, return expectations, appetite for risk, and the fit of the deal.

## Investors prefer private to public markets, and growth stage and seed / start-up deals

Analysing respondents' investments this year across both private and public markets reveals that there is a preference towards private markets deals. This is likely influenced by smaller, private companies driving innovation to address global challenges, as well as the fact that family offices increasingly target private market deals.[11]

For instance, proportionally more respondents allocate to growth stage (24%), seed / start-up (22%), venture stage (18%), and mature private company (18%) deals

[11] UBS / Campden Wealth, Global Family Office Report 2019

than to mature publicly-traded companies (17%) **(figure 3.2)**.

What is also interesting is that there has been an increase this year in those who invest in companies at the seed / start-up stage from 18% in 2020 to 22% in 2021. One respondent commented:

> We're closing in on USD $2 billion of capital moves for people who may not have moved capital before, and we're having them use all different vehicles and types of capital. So, I feel like we're getting a spectrum of capital deployed, not just on the later stage or public markets side, but more importantly in early stage businesses.
>
> **Impact investment adviser, private multi-family office, North America**

## Mature private companies and venture deals receive the largest AUM shares

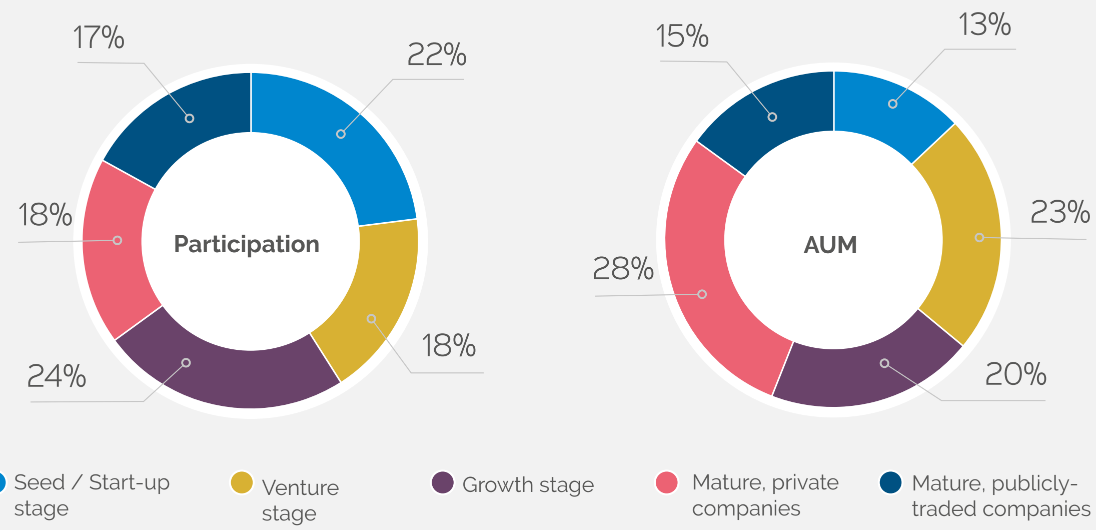
When respondents were asked how they allocate their AUM across the different investments, mature private companies received the largest proportion (28%), followed by venture stage (23%), growth stage (20%), mature publicly-traded (15%), and seed / start-up stage (13%) deals **(figure 3.2)**.

These numbers differ somewhat to GIIN's 2020 Annual Impact Investor Survey[12], which focuses on institutional rather than private wealth. In their report, a larger proportion (38%) of respondents' AUM is allocated to mature private companies, while smaller proportions are allocated to venture (6%) and seed / start-up (1%) deals.

## Respondents prefer to invest directly rather than through managers

While respondents' average portfolios tend to have a mix of direct and indirect deals, there is somewhat of a preference for investing directly into companies, projects or real assets than investing via an asset manager or other intermediary. In fact, 59% of the average impact

Figure 3.2
**The stages respondents participate in impact / traditional investing and AUM allocated to each stage**




Base: All respondents involved in impact investing.
Source: Campden Wealth/GIST Initiatives/Barclays Private Bank, Investing for Global Impact 2021.
Figures may not add up to 100% due to rounding. Multiple options permitted.

[12] GIIN June 11, 2020 Annual Impact Investor Survey. https://thegiin.org/research/publication/impinv-survey-2020.

investing portfolio is currently dedicated to direct deals versus 41% to indirect ones **(figure 3.3)**.

Direct deals can bring various benefits. Cutting out fund managers can reduce fees. Investors can have better exposure to the companies they invest in, and more influence over the investment. However, some have faced challenges investing directly because, for instance, they lacked the capability to select the right deals, conduct adequate due diligence, maintain sufficient deal flow, or to add sufficient value to aid companies' growth.

Alternatively, for some, investing via a fund is an attractive option that can lower risk through diversification, is less resource exhaustive, and can provide capital to highly knowledgeable and motivated managers. One respondent highlighted the number one quality she looks for in a fund manager:

> The key for us is the mission of the manager. That is, whether the people behind the fund are really mission driven. Sometimes it's not obvious on paper, but when we start talking to them, really understanding their genuine motivation, it becomes clear. That drive is non-negotiable for us, especially on the private equity side.
>
> **Chief investment officer, single family office, Asia-Pacific**

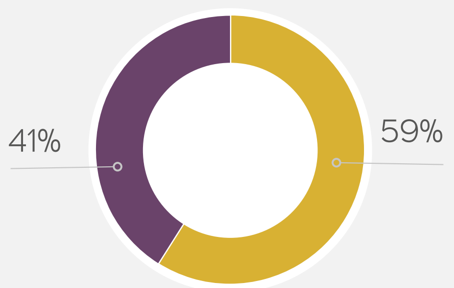
## More this year are approaching impact investing due diligence differently to traditional investing

While the largest portion of respondents (40%) use the same approach to due diligence for their traditional investments as they do their impact investments, a notable number this year are applying other approaches – unsurprising since impact investing targets both financial and social / environmental returns, unlike traditional investing.

At present, one-third of respondents (33%) use a different approach for each type of investment. This is up considerably from last year at 22% **(figure 3.4)**. Another popular option is to simply apply an additional impact screen; something 27% of respondents currently do. One respondent commented:

> How we select our projects or funds is really based on our due diligence process, which has three layers to it. It includes financial analysis, operational / legal analysis, and impact analysis. Each deal goes through this rigorous three stage process to make sure they are best-in-class, aligned with our values, and solution-based in terms of their environmental or social impact.
>
> **Impact investment adviser, private multi-family office, North America**

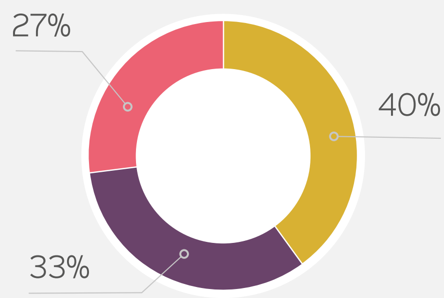
Figure 3.3
**Impact investments' split between direct and indirect deals**




- Directly into companies, projects, or real assets
- Indirectly through asset managers or other intermediaries

Base: All respondents involved in impact investing.
Source: Campden Wealth/GIST Initiatives/Barclays Private Bank, Investing for Global Impact 2021.
Figures may not add up to 100% due to rounding.

Figure 3.4
**How respondents' due diligence compares between impact investments and traditional investments**




- Same due diligence
- Different due diligence
- Additional impact screen only

Base: All respondents involved in impact investing.
Source: Campden Wealth/GIST Initiatives/Barclays Private Bank, Investing for Global Impact 2021.
Figures may not add up to 100% due to rounding.

## 3.2 Themes

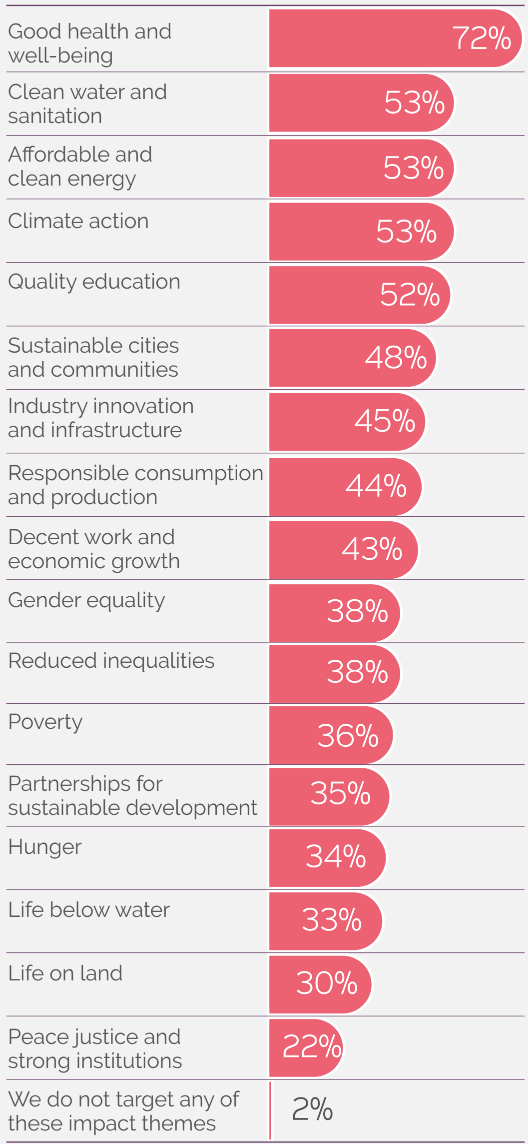
### Good health and well-being, an SDG most respondents target

The United Nations Sustainable Development Goals (SDGs) provide a universally recognised framework through which to define, communicate, and demonstrate impact goals and results. Established in 2015 by the United Nations General Assembly, this collection of 17 goals is a blueprint for a better, more sustainable future by 2030. The SDGs provide a roadmap towards greater prosperity, inclusivity, and sustainability for all.

Respondents were asked which, if any, SDG their impact investments target. The most popular SDG was good health and well-being, a theme 72% targeted. This was followed by clean water and sanitation, affordable and clean energy, and climate action (each 53%) **(figure 3.5)**. Interestingly, just 2% of respondents do not target any of the SDG themes. In an interview, one wealth holder explained how his investments target all the SDGs:

> The SDGs are a great framework for impact. We target all of them. For each company we identify the key SDG contributions, the positive and negative impacts, and what we're doing to improve the progress on the benchmark score for each.
>
> **Co-founder and chief investment officer, global private equity company, United Kingdom, Europe**

Figure 3.5
**The impact themes, which are aligned with the United Nation's SDGs, that respondents target**



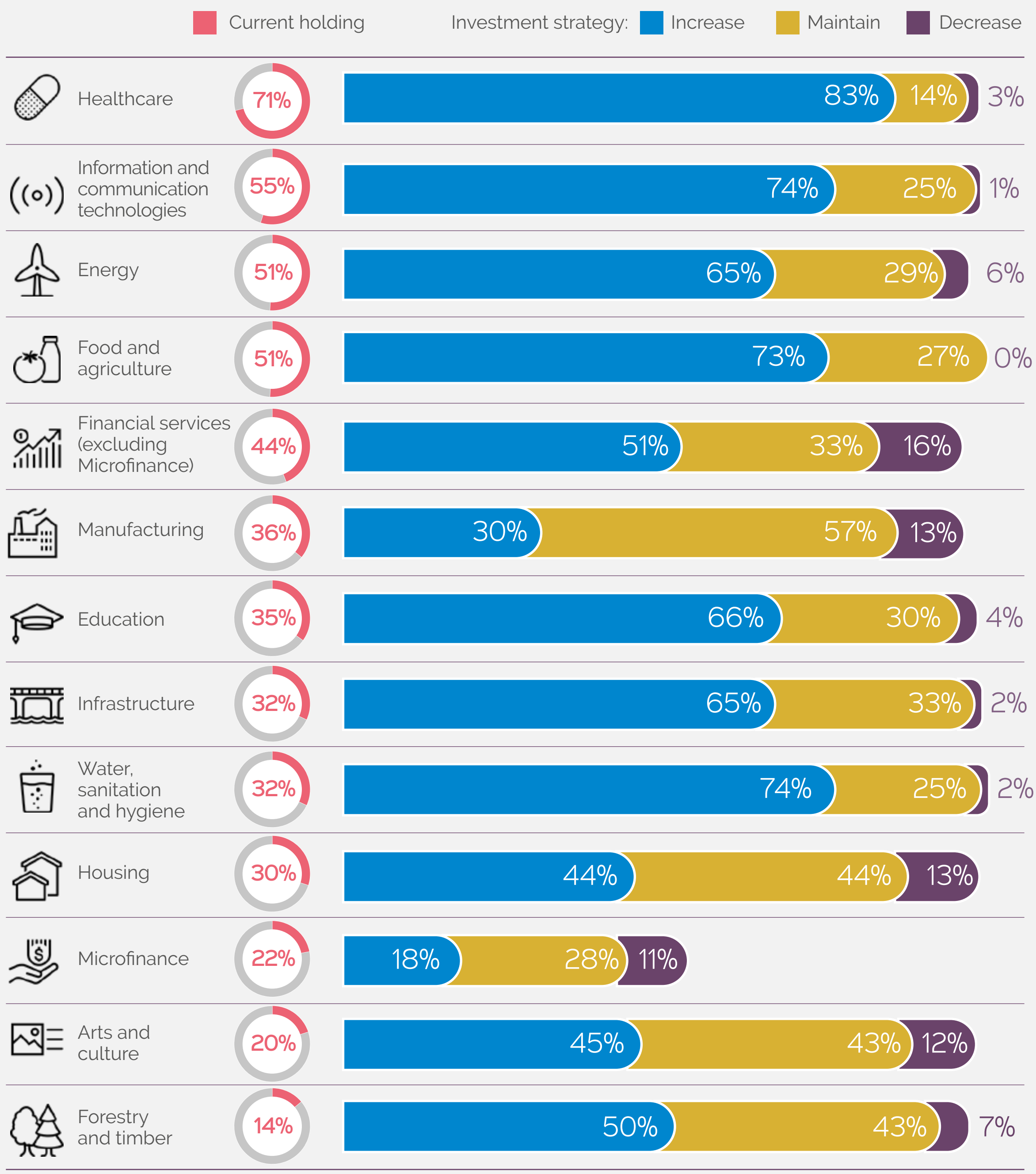

Base: Those engaged in impact investing.
Source: Campden Wealth/GIST Initiatives/Barclays Private Bank, Investing for Global Impact 2021.
Figures may not add up to 100% as multiple answers were permitted.

### Healthcare is the most popular sector to invest in

Echoing the findings above, and surpassing food / agriculture this year, the most popular sector respondents invest in is healthcare with 7-in-10 respondents allocating here (71%). The second sector, which a majority (55%) of respondents invest in, is information and communication technology **(figure 3.6)**.

These investment trends are likely influenced by the global pandemic, as Covid-19, on the one hand, has highlighted the critical role of healthcare provision for economic prosperity and growth. On the other hand, social distancing measures, contact tracing, and lockdown rules, have forced the world to move online and made us even more reliant on information and communication technology. Thus, it is perhaps not surprising that healthcare and information / communication technology are the two impact sectors in which a majority of respondents have made investments. These are also sectors in which a majority of respondents want to increase their investments in the near future **(figure 3.6)**.

Figure 3.6
**The sectors respondents currently have investments and plans for the future**




Base: All respondents.
Source: Campden Wealth/GIST Initiatives/Barclays Private Bank, Investing for Global Impact 2021.
Figures may not add up to 100% due to rounding.

## 3.3 Measurement of Impact

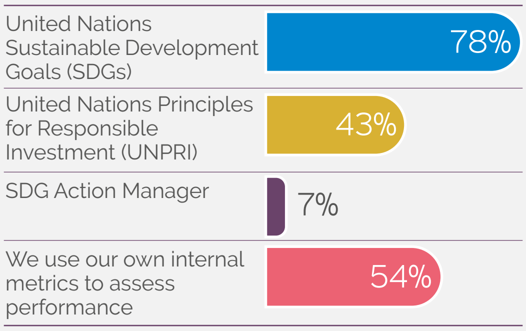
Being able to effectively measure and report the social and environmental impact of sustainable investments is key to the success of the impact investing field. Initially, companies and investors had to develop their own ways to measure social and environmental impact. Today, more standardised tools and frameworks are available and are becoming widely adopted. The tools and frameworks investors use most commonly are discussed below, along with the role they play in the impact measurement and management process.

### The UN SDGs are the most used tool for measuring impact

Since 2015 (when they were first introduced), the United Nations Sustainable Development Goals (SDGs) have become the most widely used framework for impact measurement and reporting **(figure 3.7)**. This is not only the case among private investors, as denoted by 78% of the respondents here, but also among institutional investors, as reported by GIIN in 2020.[13]

The United Nations Principles for Responsible Investment (UNPRI) is another commonly used framework, as indicated by 43% of respondents. However, a larger portion, 54%, continue to use their own metrics to assess performance, at least for some of their measurements.

Figure 3.7
**The tools / frameworks respondents, or the funds they invest in, use to measure their impact performance**




Base: All respondents.
Source: Campden Wealth/GIST Initiatives/Barclays Private Bank, Investing for Global Impact 2021.
Figures may not add up to 100% as multiple answers were permitted.

[13] GIIN June 11, 2020 Annual Impact Investor Survey. https://thegiin.org/research/publication/impinv-survey-2020.

Case study: Satish Kumar Modi

# A holistic approach to promoting well-being

> Happiness doesn't come from materialism; it comes from within. If you value what you have and express gratitude, this creates happiness.
>
> **Satish Kumar Modi, author of In Love with Death and chairman of Modi Global Enterprise in India**

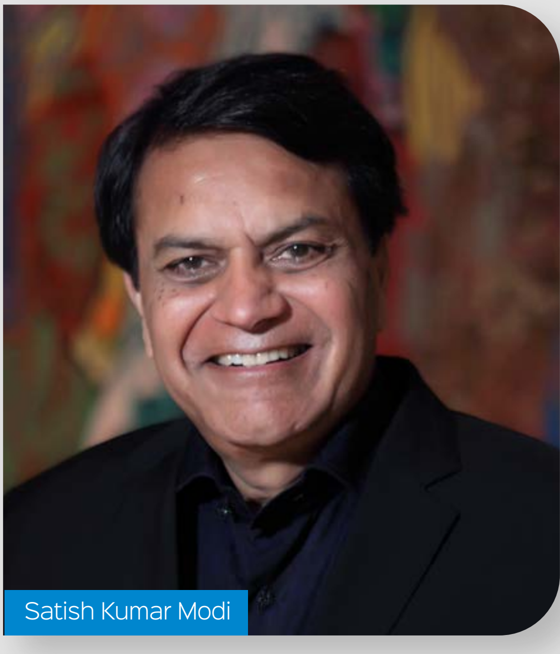
Satish Kumar Modi is the chairman of Modi Global Enterprise in India. Along with being a successful businessman and second-generation wealth holder, Satish Kumar Modi is a generous philanthropist, patron of the arts, and bestselling author. This case study looks at his efforts to promote well-being and personal happiness.

Satish Kumar Modi's father, Rai Bahadur Gujarmal Modi, established the Modi Group and the industrial township of Modinagar in 1933. After completing his education Satish Kumar Modi joined the family business and set a trailblazing path of successful business ventures.

*"I was fortunate to start the first private airline of India called ModiLuft which I relaunched as SpiceJet. This is doing very well. I also started the first offshore fund of India with J.P. Morgan; it was called the J.P. Morgan India Fund. Currently our business is investing in real estate. So, I've achieved many business successes in my life."*

Satish Kumar Modi's parents were both dedicated philanthropists. His mother was also an educator. He has followed in their footsteps by establishing several charities to support education, culture, and art both globally as well as in India.

*"My father was a philanthropist. He always believed in people and taking care of the community. However, he was more philanthropic towards the workers and their families. He made houses, hospitals, and schools for them. My philanthropy is unrelated to our business and workers."*



Satish Kumar Modi

In 2000, Satish Kumar Modi and his wife, Abha Modi, established the International Institute of Fine Arts (IIFA). The Institute offers degree courses in fine art, including fashion design, textile design, painting, and applied art. It also awards scholarships to top students to pursue further education at any of the top international art universities.

The institute has also set up a programme of knowledge exchange with the Royal Drawing School. This is an educational organisation based in England, which was founded by HRH Prince of Wales. The Royal Drawing School and IIFA have entered into an agreement whereby postgraduate alumni of the Royal Drawing School spend six weeks as tutors at IIFA in India.

*"We have an art institute where we have introduced scholarships for deserving students. We also have an agreement with the Royal Drawing School. Every year they send four teachers from their art school to India to teach at our art college. This programme has been running for 10 years. In the past we also had an MoU with the University of the Arts London. This prestigious university would send British teachers to teach at IIFA every year."*

Satish Kumar Modi also supports a chain of charity schools and training centres. These institutions offer free education and vocational training to underprivileged children and women.

*"There are eight schools in which 4,000 children study free of charge. We also run a centre for female empowerment called Stitching Time. We teach women stitching and writing, so that they can be independent."*

Satish Kumar Modi has established an annual award in the field of art, culture, and education in the memory of his mother. The Dayawati Modi Award has been awarded to Mother Teresa and HH the Dalai Lama, along with other imminent peace activists, religious leaders, and artists. He has also set up international charities to support artists in showcasing their work.

*"We have set up two charities; one is Arts for India in London and the other is Indixia in New York. These foundations have a committee that selects artists. We then promote their art through art shows and exhibitions. Initially, our aim was to promote Indian art, but now we support art and artists from around the world. We have had art shows at Tate Britain, Bonhams, the House of Lords, and various other places. We also held an event at Kensington Palace."*

Satish Kumar Modi finds art to be an important medium to convey messages of peace and harmony. Therefore, it is an important part of his philanthropic projects.

*"I curated an art show for the UNESCO Power of Peace exhibition. I find that art evokes strong emotions and is a very powerful medium for conveying important messages of peace and harmony. These messages are enduring as art and the message is eternal. If you remember the photograph of the young Syrian refugee that died crossing into Europe. This photograph had such a profound effect, it changed immigration policy in Europe."*

At the age of 59, Satish Kumar Modi's life took an unexpected spiritual turn. A chance meeting with Her Holiness Setsuko Nakanishi, a Buddhist monk from Japan, completely changed his personal spiritual outlook. Satish Kumar Modi met Her Holiness on her visit to India as part of a business delegation. Her Holiness was moved by the meeting as she felt she knew Satish Kumar Modi from a previous life. They met one more time when Satish Kumar Modi visited her home in Japan. These meetings had a profound effect on Satish Kumar Modi, however, he was not able to communicate with Her Holiness due to their language barrier. Through a translator, Her Holiness conveyed to Satish Kumar Modi that she would communicate with him through his dreams.

On his return to India, Satish Kumar Modi started having vivid dreams. He kept a dream journal to keep a record of these dreams. Through these writings he started to grapple with the meaning of life and, more significantly, death. These dreams became the basis of a book that he wrote over a period of five years. Titled, 'In Love with Death', the book outlines his spiritual journey and outlook.

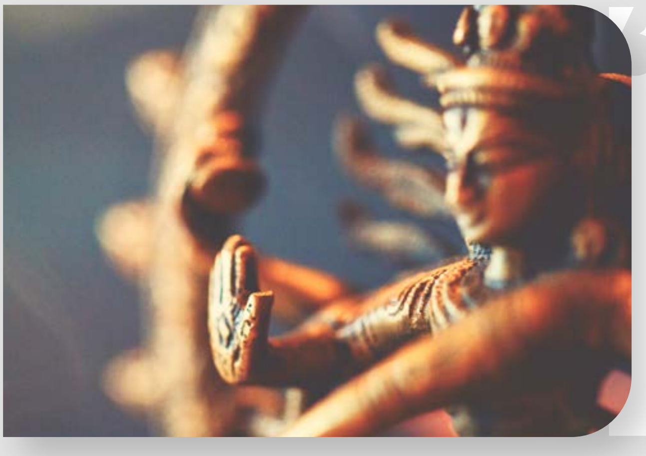
*"I'm very grateful to her, it was like a liberation of the mind. It's an amazing experience when somebody comes into your life and opens your mind."*

The provocative title and content of the book focus on a usually taboo and rarely discussed subject – death. The book invites the reader to set a date for their death and to live life realising that their time in this world is finite. Satish Kumar Modi believes that this focus on the finite nature of life can lead to a more meaningful life.

*"It is through the awareness of death's inevitability that we are jolted into lives full of compassion and love. When we realise that we are only given a short time on this earth, we appreciate the world and can make the most of our lives."*

It is through the awareness of death's inevitability that we are jolted into lives full of compassion and love.

**Satish Kumar Modi**



> Death teaches us that although we are born unequal in various countries and religions with some born healthy, unhealthy, rich, or poor, at the end, we all become three and a half kilogrammes of dust. So, in the end, we are all equal.
>
> **Satish Kumar Modi**

For Satish Kumar Modi, focusing on death has led to important lessons which he has made the basis of his own personal happiness. One of the important lessons for him is the equality of humanity.

*"Based on my book I've formed the Inner Happiness Foundation. Death teaches us that although we are born unequal in various countries and religions with some born healthy, unhealthy, rich, or poor, at the end, we all become three and a half kilogrammes of dust. So, in the end, we are all equal. We can't take anything from here."*

Satish Kumar Modi also developed a multi-faith outlook.

*"I am a practising Hindu. At the same time, I am a multi-faith person because all religions have the same God. People create a lot of hate around religion. Whether you are praying to Jesus, or Lord Rama, or Shiva, or Krishna, it doesn't matter."*

Satish Kumar Modi finds the life of Jesus Christ to be inspirational and an illustration of the core messages of his book. He wants to create a film talking about the lost years of Jesus Christ's life, which he believes were spent in India.

*"Jesus embraced death and received a lot of glory after his death. Every church has a symbol of a cross signifying his death. So, I feel that Jesus is the right person to exemplify 'In love with death'. I found in the bible that there are 16 missing years of Jesus's life. He went missing at 14 and is found at 29 on the bank of the River Jordan . So, in my storyline I say that he comes to India where he receives a premonition of his death. He sees himself on the cross, but he is not deterred or afraid to die. He becomes liberated because he understands that unless he dies, he cannot be resurrected."*

This message of death as a gateway to a new beginning is a core lesson for Satish Kumar Modi. He also feels that experiences of loss and grief are important in teaching us to detach from the world and recognise the finite nature of life.

*"Grief is a gateway to enlightenment. It brings detachment - a prerequisite to the evolution of the soul."*

In his philanthropic efforts Satish Kumar Modi is inspired by the desire to give back to society. For him, this is also an important way of achieving inner peace.

*"The motivation behind my philanthropic endeavours is to give back to society as much as I can. Because I know that whatever happens to us after we die, one thing is certain, we cannot take our wealth with us."*

Forgiveness is another important principle.

*"If you continue to live in the past, you suffer. In my life, people have cheated me, but I immediately had to forgive them. I know that if I don't forgive them, I'll suffer. This can be a difficult thing to do, however, it helps to remember that at death you'll have to forgive that person. So, with that in mind it becomes easier."*

For Satish Kumar Modi, peace and happiness lie in simple things. He believes that this appreciation of simple pleasures takes away the stresses of modern living and becomes a liberating force.

*"The aim of the Inner Happiness Foundation is to promote happiness and well-being. I believe that you've got to take enjoyment in the simple things. I personally think that in all of us, deep down, there is inner peace and a rewarding life – one that is at peace with itself."* ■

4.

# Performance

## Key findings

- Nearly half (48%) of respondents agree that one can target lower financial returns or take on greater risk, but they do not have to give up returns in impact investing. Roughly a quarter (24%) agree that there is no trade-off between financial returns and impact. These figures reflect the changing view that one must give up financial returns if they want to invest in impact – something only 20% of respondents reportedly believe today **(figure 4.1, pg. 35)**.

- Most respondents (85%) attest that their impact investments either satisfied (72%) or exceeded (13%) their expectations in relation to achieving their social / environmental objectives **(figure 4.3, pg. 36)**. In terms of financial returns, over half (58%) of respondents said that their impact investments either outperformed (21%) or performed the same as (37%) their traditional investments. Just 42% reportedly underperformed their traditional investments **(figure 4.5, pg. 37)**.

- 72% of respondents feel that their philanthropic giving met their expectations in relation to achieving their social / environmental objectives **(figure 4.8, pg. 40)**.

- This chapter concludes with an interview with Dr. Andrea Illy, chairman of illycaffè. Dr. Illy explains how B Corp certification and his sustainable business approach is a fundamental part of his brand recognition. The case study also provides insight into the multilateral partnerships that are forming to publicly support regenerative agriculture and a regenerative economy **(pg. 41).**

## 4.1. Performance expectations

Morningstar[14] reported that 51 out of 57 of their sustainable indices outperformed their broad market counterparts in the first quarter of 2020, and MSCI[15] reported that four of their global ESG indices outperformed their parent index not only in 2020, but also consistently dating back over a five year period. Furthermore, Refinitiv Lipper's[16] reporting shows that sustainable strategies do not require a return trade-off and have important resilient properties in times of economic turbulence. This was affirmed in the interviews as one respondent, entirely focused on impact investing, explained:

> There is still this myth that you have to sacrifice performance when you invest in impact. Our portfolios are doing very well. We've had lots of great exits and lots of wins, both in public and private markets.
>
> **Impact investment adviser, private multi-family office, North America**

### Most believe you do not have to give up financial returns for impact...

Asked about the relationship between impact investing and financial returns, the bulk of respondents (48%) believe that investors can choose to target lower financial returns, or take on greater risk, but they do not have to give up returns in order to invest sustainably (in 2020 this proportion was 45%)[17] **(figure 4.1)**. Another

[14] Morningstar April 3, 2020, Sustainable Funds Weather the First Quarter Better Than Conventional Funds https://www.morningstar.com/articles/976361/sustainable-funds-weather-the-first-quarter-better-than-conventional-funds
[15] MSCI April 22, 2020, MSCI ESG Indexes during the coronavirus crisis https://www.msci.com/www/blog-posts/msci-esg-indexes-during-the/01781235361
[16] Refinitiv Lipper February 1, 2021 Monday Morning Memo: Were ESG-Related Funds More Resilient in 2020? https://lipperalpha.refinitiv.com/2021/02/monday-morning-memo-were-esg-related-funds-more-resilient-in-2020/#
Refinitiv Lipper April, 2020 Monday Morning Memo: Are ESG Funds Outperformers During the Corona Crisis? https://lipperalpha.refinitiv.com/2020/04/monday-morning-memo-are-esg-funds-outperformers-during-the-corona-crisis/

24% assert that there is simply no trade-off between impact investing and financial returns. Just 20% believe that you always must give up financial returns if you want to invest sustainably.

### ...however, somewhat more have doubts this year

Perhaps reflecting a different sample, these figures differ slightly from last year, as fewer investors (11%) in 2020 believed that returns had to be sacrificed in order to invest sustainably, while more believed that there is no trade-off between impact investing and financial returns (32%).

Figure 4.1
**Respondents' views on the relationship between financial returns and impact investing**


Base: All respondents.
Source: Campden Wealth/GIST Initiatives/Barclays Private Bank, Investing for Global Impact 2021.
Figures may not sum to 100% due to rounding. Single option permitted.

## 4.2 Performance experience

> If you invest your money in impactful ways, you're getting a double benefit. You're providing long-term sustainability to businesses and people, without having to give anything away for free.
>
> **Co-founder and chief investment officer, global private equity firm, United Kingdom, Europe**

### Despite market volatility brought on by Covid-19, impact investment returns broadly met or exceeded expectations in 2020...

For most respondents (79%), their impact investment returns either met (60%) or exceeded (19%) their expectations **(figure 4.2)**. This high level of satisfaction is similar to last year's results when 87% noted their impact investments met or exceeded their expectations.[18] It is also consistent with GIIN's finding in which 88% of respondents in 2020 reported that their impact investments met or exceeded their financial expectations.[19]

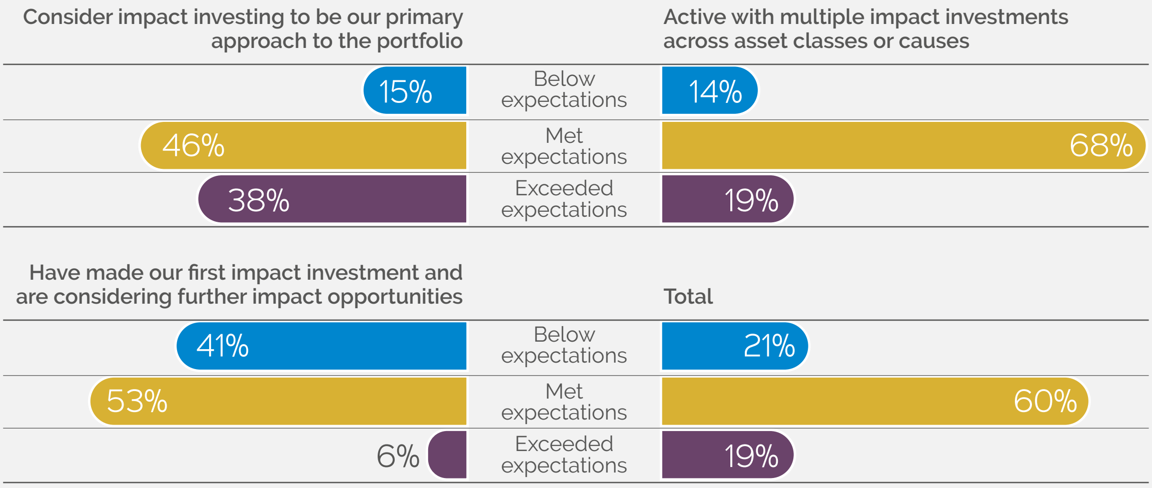
This was particularly the case for respondents who considered impact to be their primary investment approach. Here, 38% reported that their 2020 investments exceeded their expectations while, for 46%, their expectations were met (totalling 84%). This may indicate that as one's experience improves so does their ability to select better investments. This was reinforced from the interviews, where investors were enthusiastic about the financial benefits of impact investing:

> If I just compare my returns from my investment into electric city buses, which I made three years ago in 2018, the value has already increased four times. You can't expect that in traditional capital markets. That's why I say my impact investments are providing huge returns.
>
> **Private investor, Lithuania, Europe**

> During lockdown I had much more time to read and do calculations. I wanted to know if and how the profitability of windmills worked. In doing so, I began to realise that these guys are indeed profitable and why. Of course, you read reports that they are profitable, but you don't understand why. For me, Covid-19 gave me time to think through things like this.
>
> **Private investor, Netherlands, Europe**

[17] Campden Wealth/GIST Initiatives/Barclays Private Bank, Investing for Global Impact 2020.
[18] Campden Wealth/GIST Initiatives/Barclays Private Bank, Investing for Global Impact 2020 and 2021.
[19] GIIN June 11, 2020 Annual Impact Investor Survey. https://thegiin.org/research/publication/impinv-survey-2020.

Figure 4.2
**Whether respondents' 2020 impact investment returns met their expectations, by level of involvement in impact investing**




Base: All respondents involved in impact investing.
Source: Campden Wealth/GIST Initiatives/Barclays Private Bank, Investing for Global Impact 2021.
Figures may not add up to 100% due to rounding.

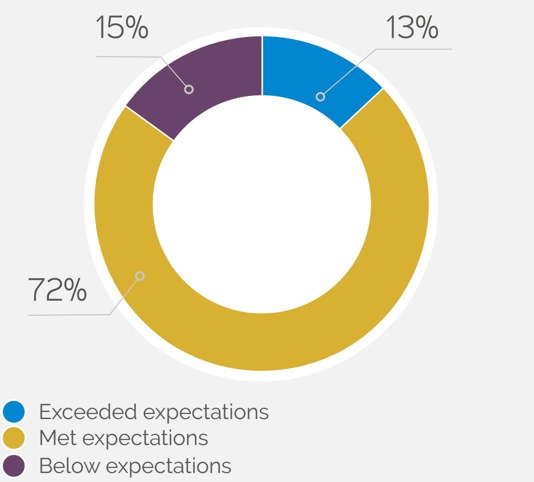
## ...impact investments also broadly met social / environmental objectives

Respondents are similarly satisfied with the social and environmental objectives their impact investments have achieved, with 72% confirming that their return expectations were met and 13% confirming they were exceeded (totalling 85%) **(figure 4.3)**. Just 15% of respondents reported that they failed to meet expectations.

## Traditional investments' performance also largely met or exceeded expectations

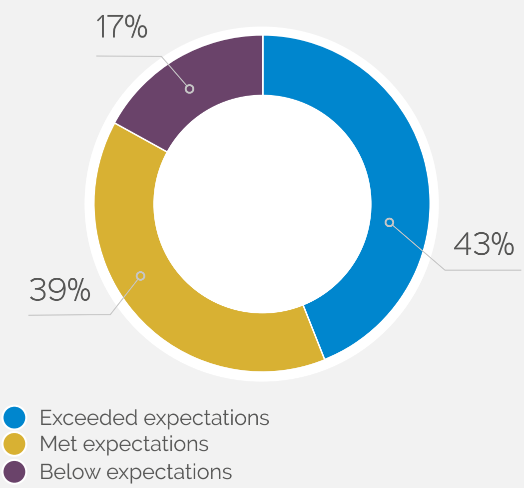
Performance results of traditional investments were also positive, as most respondents (82%) were satisfied by their performance, with 39% meeting expectations and 43% exceeding them **(figure 4.4)**. Just 17% failed to meet expectations; a figure that is slightly higher than for impact investments at 15%.

Figure 4.3
**How respondents' 2020 impact investments performed compared to their social / environmental objectives**




Base: All respondents involved in impact investing.
Source: Campden Wealth/GIST Initiatives/Barclays Private Bank, Investing for Global Impact 2021.
Figures may not sum to 100% due to rounding.

Figure 4.4
**Whether respondents' 2020 traditional investment returns met their expectations**




Base: All respondents active in traditional investing.
Source: Campden Wealth/GIST Initiatives/Barclays Private Bank, Investing for Global Impact 2021.
Figures may not sum to 100% due to rounding.

## For most respondents, their impact investments performed the same as or outperformed their traditional investments

For most respondents (59%), for as long as they have had impact investments, they have either outperformed (16%) or performed the same as (43%) their traditional investments **(figure 4.5)**.

Looking solely at 2020 performance, a similar proportion, 58%, outperformed (21%) or performed the same as (37%) their traditional investments. Just 42% fell behind their traditional counterparts.

It is also interesting to note that in 2020 a higher proportion of impact investments outperformed traditional investments when compared to those held throughout one's portfolios, suggesting that it was a comparatively favourable year for impact returns (21% versus 16%). One respondent explained:

> I made 28% IRR over my lifetime of investing, but in sustainability I made 1.6 times more. These returns will only increase. As dirty assets become stranded their value will drop. Look at what's happened to values during the pandemic. In general, you know the markets have gone up, but if you look at where they've gone up, you'll see they've risen in low carbon businesses and have gone massively down in high carbon businesses.
>
> **Co-founder and chief investment officer, global private equity firm, United Kingdom, Europe**

The view that sustainability leads to profitability was also endorsed by Andrea Illy, the chairman of illycaffè.

> I think sustainability is being increasingly appreciated by the market. It's now clear that sustainable businesses are better performers compared to less sustainable ones. So, being recognised as a sustainable business has value as an IPO (trademark).
>
> **Andrea Illy, chairman of illycaffè, Italy, Europe**

Figure 4.5
**How financial returns compare between impact investments and traditional investments**


Base: All respondents involved in traditional and impact investing.
Source: Campden Wealth/GIST Initiatives/Barclays Private Bank, Investing for Global Impact 2021.
Figures may not add up to 100% due to rounding.

## 4.3. Foundations' and philanthropists' experience

Philanthropic organisations are well-positioned strategic actors with significant financial resources, technical knowledge and expertise, and excellent networks that can contribute to and scale-up sustainable development efforts. They can, therefore, play a significant role in meeting the SDGs and, so far, USD $217 billion in philanthropic giving has already been allocated to the SDGs (between 2016 and 2020). This is estimated to increase to USD $651 billion by 2030.[20]

Most experts recognise though, that it is only via coordinated action between governments, private investors, philanthropic organisations, and local communities that the SDGs can be achieved.

As this report highlights, impact investing plays a critical role in addressing global challenges, and is growing exponentially. However, there is a strong understanding among those interviewed that certain social problems cannot be solved through models that generate financial returns. Therefore, the role of philanthropy remains crucial, as denoted by one respondent:

> We deploy a lot of our grant capital to advocacy. We have a sister foundation that is helping other family offices and asset holders in Asia. They are trying to influence policymakers. We hope they can be financially sustainable in the long-term, but the type of capital they need right now is definitely grants.
>
> **Chief investment officer, single family office, Asia-Pacific**

This was also highlighted by Dr. Illy, who explained that as a B Corp, his company had an inclusive approach in which revenues were shared with all stakeholders, including coffee growers. However, the company had also established a foundation. This was set up to provide philanthropic support to coffee growers as there were situations in which the business model was inadequate in meeting the complex needs of the coffee grower community.

> The Ernesto Illy Foundation was created by the Illy company, to support the coffee growers' community. Although our strategy is to pursue sustainability, not philanthropy, sometimes philanthropy is necessary. This is because it takes time and resources to make initiatives sustainable. In Colombia, for example, we helped a former FARC fighters' community transition into a community of coffee growers. At the beginning they needed donations to get set up. Once they were established, they became self-sufficient and the donations were no longer necessary.
>
> **Andrea Illy, chairman of illycaffè, Italy, Europe**

Similarly, investors also recognise that philanthropy has its own limitations, particularly when it comes to tackling important issues such as the climate emergency, which require levels of investment that are beyond the scope of philanthropy. In turn, the investors surveyed recognise that there is a need for multiple sources of capital:

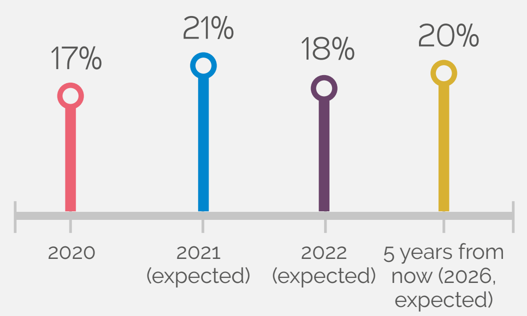
> We need both philanthropy and impact investing. In fact, we need all forms of capital. Grant capital is important, but it is an expenditure that you don't get back and can't repurpose. Investment capital is important because of the compounding effect. We face significant problems, like access to clean water, climate change, and access to sanitation, which cannot be solved through philanthropic capital alone. The problems we face require billions, if not trillions, of dollars in investment. We don't have that much capital on the philanthropic side, so we need to take a multi-faceted approach.
>
> **Impact investment adviser, private multi-family office, North America**

[20] SDG Philanthropy Platform (SDGPP), Marcos Neto and Benjamin Bellegy, 14 July, 2021 Unlocking the Potential of Philanthropy for the SDGs. https://www.sdgphilanthropy.org/Unlocking-the-Potential-of-Philanthropy-for-the-SDGs

## Philanthropic donations are expected to stay relatively consistent over the next five years

In 2020, respondents reportedly dedicated an average of 17% of their investment portfolios / budgets / AUM to philanthropy. While they projected that this proportion would rise slightly, to 21% in 2021, the overall level of giving is likely to stay relatively consistent over the next five years, hovering around the 20% mark **(figure 4.6)**. With these projected levels being insufficient to tackle the world's outstanding problems, this puts more pressure on those working within impact investing to further convert dollars into impactful ones.

Figure 4.6
**Average proportion of respondents' total investment portfolio / budget / AUM that was allocated to philanthropy in 2020, and is expected to be allocated for 2021, 2022 and five years from now**




Base: All respondents involved in philanthropy
Source: Campden Wealth/GIST Initiatives/Barclays Private Bank, Investing for Global Impact 2021.
Figures may not add up to 100% due to rounding.

## A desire to make the world a better place is a key motivation to engage in philanthropy

The Rockefeller Philanthropy Advisors and Campden Wealth report, *Global Trends and Strategic Time Horizons in Family Philanthropy 2020*, surveyed families of significant wealth and revealed that the most common reasons for giving include a desire to give back to society and an interest in creating social change[21]. These results echo the findings of our survey, as 73% of respondents feel a responsibility to make the world a better place and 47% want to change the world through giving **(figure 4.7)**. One interviewee explained:

> Getting into philanthropy was a strategic shift in our family. We had some personal family events that led us to give back as a kind of thank you. Then we saw that our little steps were making a huge impact on the people we were targeting, so we decided to focus 100% of our efforts there.
>
> **Private investor, Europe**

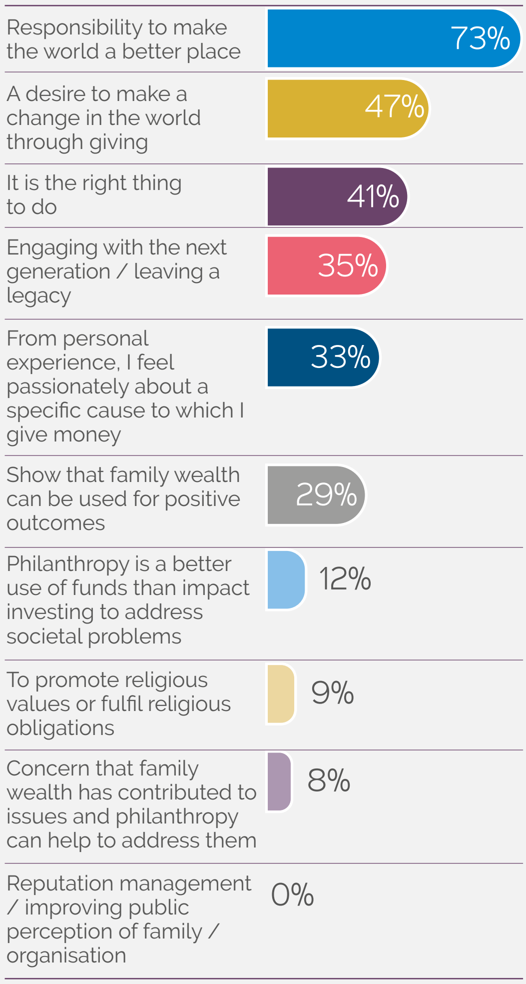
Priscilla de Moustier, CEO of Wendel Group, described how apart from her social and environmental work with the Wendel Group, as a personal passion, she had joined the board of the Agency for Technical Cooperation and Development (ACTED). This is an NGO providing humanitarian aid around the world.

> In my own capacity I'm on the board and steering committee of the second largest French NGO, which is called ACTED. This is a personal and completely different part of my life. Our motto is 'Triple Zero', which is zero poverty, zero exclusion, zero carbon.
>
> **Priscilla de Moustier, chairman and chief executive officer at Wendel-Participations, France, Europe**

Although Priscilla de Moustier is actively involved in supporting philanthropic projects in a personal capacity, she emphasised that a company's main responsibility lies in ensuring its business model is maintaining robust ethical environmental and social standards. In the case study interview presented in chapter five, she is critical of companies who try to offset the negative impacts of their business though philanthropic giving (see **pg. 53** for the full discussion).

[21] Campden Wealth and Rockefeller Philanthropy Advisors. 2020 'Global Trends and Strategic Time Horizons in Family Philanthropy 2020,' https://www.rockpa.org/future-trends-for-strategic-philanthropy-survey-reveals-more-wealthy-families-want-to-donate-during-their-lifetimes-education-remains-most-popular-cause/

Figure 4.7
**Respondents' major motivations for engaging in philanthropy**

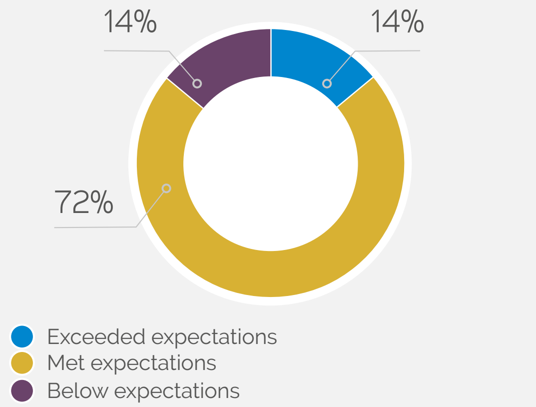



Base: All respondents involved in philanthropy.
Source: Campden Wealth/GIST Initiatives/Barclays Private Bank, Investing for Global Impact 2021.
This is a multiple response question so the total responses exceed 100%.

## Philanthropic activities performed well in meeting social and environmental objectives

Similar to last year's figures, philanthropists remain broadly satisfied that their donations are delivering on their social and environmental objectives. The majority (86%) say their philanthropic activities either met (72%) or exceeded (14%) expectations **(figure 4.8)**.

Figure 4.8
**How philanthropists' overall 2020 philanthropic activities performed compared to their social / environmental objectives**

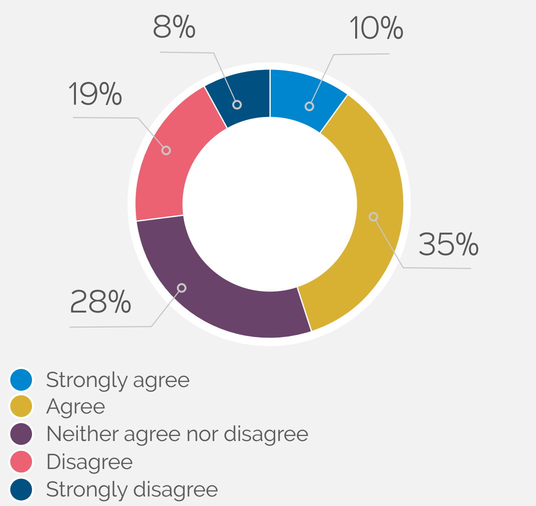



Base: All respondents active in philanthropy.
Source: Campden Wealth/GIST Initiatives/Barclays Private Bank, Investing for Global Impact 2021.
Figures may not sum to 100% due to rounding.

## Nearly half believe impact investing is replacing philanthropy as the primary driver of change

Given the rising role of impact investing in creating social / environmental change, respondents were asked if they believe it is replacing philanthropy as the key driver of change and, interestingly, 45% agreed that it was **(figure 4.9)**. A smaller portion, 27%, disagreed with this statement and 28% were ambivalent.

Figure 4.9
**Respondents' opinion on whether impact investing is replacing philanthropy as the primary means of creating social / environmental change**




Base: All respondents.
Source: Campden Wealth/GIST Initiatives/Barclays Private Bank, Investing for Global Impact 2021.
Figures may not sum to 100% due to rounding.

## Case study: Dr. Andrea Illy, illycaffè

# At illycaffè quality and sustainability are inextricably linked

> Quality and sustainability are two faces of the same coin. Therefore, we speak of sustainable quality.
>
> **Dr. Andrea Illy, chairman, illycaffè SpA**

Dr. Andrea Illy is the chairman of illycaffè SpA, a family-owned business and the first B Corporation coffee company in Italy. Dr. Andrea Illy, who is a trained chemist, environmental expert, and innovator, has made illycaffè synonymous with sustainability and quality.

illycaffè was founded by Dr. Andrea Illy's grandfather in 1933 in the city of Trieste. Over the years illycaffè has won numerous awards for its ethical business standards. Most notably it has been recognised by Ethisphere as one of the World's Most Ethical Companies for nine consecutive years. Closer to home, illycaffè also won Campden Wealth's Top Sustainable Family Business Award in 2015.

Dr. Andrea Illy outlines how, from its inception, illycaffè has been a value driven company.

*"When my grandfather, Francesco Illy, formed the company his dream was to offer the greatest coffee to the world. Offering is something that involves generosity, inclusiveness, and most importantly virtue. His dream was to provide the highest quality coffee and develop an excellent business model."*


Dr. Andrea Illy

Along with its ethical approach to business, illycaffè is also known for its innovations with regards to coffee growing and production. This is part of the longer legacy of the company. Dr. Andrea Illy's father, Ernesto Illy, started a research laboratory that made illycaffè a leader in coffee innovation and technology. Dr. Andrea Illy has taken inspiration from both the values of his grandfather and the innovations brought about by his father to develop illycaffè's current business approach. Recently the company has been certified as a B Corp. This is a significant achievement for the company.

B Corp. certification involves a lengthy process of scrutiny in which the company is evaluated across its governance, environmental, and social impacts. It also means that in its charter, the company must include benefits to a wider range of stakeholders that extends beyond generating profit for its shareholders. B Corporations are regarded as front runners in creating new ethical forms of business models and strategies.

For illycaffè this certification was a natural culmination of its longer value driven approach. Dr. Andrea Illy regards an ethical business model as a way of creating long-term value.

*"The most important indicator [for the success of a company] is not profit, it's value. Profit is the past, companies must be forward thinking. It is possible to be extremely profitable today but create very little value in the future. This is because profit is something that can be maximised through unethical means, such as reducing quality requirements, squeezing suppliers or underpaying workers. This would reduce the cost, and the company could*

*maintain the price by cheating the consumer. This is a way to maximise profit but at the detriment of stakeholders. This is not an approach I want to take because, sooner or later, there is a price to pay for this short-term profit maximisation."*

The illy business model is based on pursuing the 'triple bottom line' which focuses on achieving economic, social, and environmental sustainability for all its stakeholders.

*"For our stakeholders, we pursue the triple bottom line. This includes* ***economic sustainability*** *through the principle of shared value. We see profit as a means, not an end, and it is equally shared amongst all the stakeholders to build long-term relationships and value over time. We also pursue* ***social sustainability*** *through the principle of personal development, which is basically knowledge transmission. For this, we created the University of Coffee. Moreover, we also prioritise* ***environmental sustainability****, which means no pollution or waste. We achieve this through using recyclable materials."*

At illy, pursuing sustainability is a priority at every stage of the production process. This includes a certification protocol for coffee procurement named Sustainable Procurement Process. This certification allows illycaffè to monitor coffee supply chains to ensure the quality of their product, as well as environmental and worker safety standards across the supply chain. Dr. Andrea Illy explains how this is achieved in the company.

*"Buying directly allows us to transfer the margin directly to the grower, with no intermediaries. It also provides traceability; we can record what we pay every single grower. We also know all the relevant information about how this grower works in terms of social and environmental standards. Furthermore, we have traceability for every single bean that we buy."*

A key priority for the company is the well-being and training of the coffee grower community.

*"Our intention is for our growers to do the best in their lives and to be challenged to produce the best possible sustainable quality. We challenge our growers with awards. We have a global award, which is called the Ernesto Illy International Coffee Award. This is an annual award which is given to the best growers of each origin part of our blend every year.*

*Once they are engaged, the first step is knowledge transfer. We help them understand how to elevate quality and sustainability standards. This is done through the University of Coffee, which was created to transfer knowledge to stakeholders, up and down the value chain. If the grower practice this knowledge and they are successful in producing coffee which corresponds to our quality standard, we buy the coffee directly from them. We pay a premium price which is 30% on top of the market average. So, it's highly profitable to sell coffee to Illy."*

The high quality of illy's coffee allows for it to charge a premium price for its products. Consumers are also willing to pay a premium to support illy's ethical and sustainable business approach.

*"Consumers are willing a pay for the value they get; this also includes the cost of sustainability. In our case, if we offer the best quality in the market, of course we charge more for it. But to get the best quality to the market we must pay more to our growers, otherwise they wouldn't produce the coffee to the standard we require. So, the consumer understands this and is ready to pay the premium price because they know they are getting higher quality."*

**Achieving carbon neutrality by 2033**

In 2020, illycaffè launched ambitious plans to make illycaffè carbon neutral by 2033. This date aligns with the centenary celebrations for the company. So far, the family business has switched to purely renewable energy and reduced its CO2 emissions by more than 3,000 tonnes since 2012. The company intends to continue to eliminate 175 tons of plastic per year and has launched a range of sustainable recyclable takeaway cups.

*"We are still a society which is extractive, we keep extracting resources from the environment and our planet, and we don't renew them. This is simply impossible to maintain because we are passing most of the important planetary boundaries. We need to transition to a regenerative society. This would mean consuming only resources which can be either recycled or regenerated. Consuming what can be regenerated is the only way to be sustainable."*

**Moving beyond net-zero emissions**

Dr. Illy also has ambitions beyond meeting the net-zero commitment by 2033. He supports regenerative initiatives that are aimed at restoring environmental damage and rebuilding ecosystems.

*"Energy transition to net-zero is a prerequisite. Once zero emissions have been achieved there is still the task of cleaning past emissions and restoring the ecosystems which have been depleted."*

Dr. Andrea Illy calls this regenerative approach 'virtuous agriculture'. It involves farming methods that combine sustainable farming with a focus on regenerating the environment by enriching soil with organic carbon. For Dr. Andrea Illy, these farming techniques have a dual benefit, they protect the environment and enrich the quality of coffee.

*"Regenerative agriculture is good for the environment because it stops emissions and recreates biodiversity. It is based on enriching the soil with organic carbon. This has a double benefit as sequestrated carbon is extracted from the air and put into the soil. The benefit of enriching the soil with carbon is that it nourishes the soil's micro-biotics and biodiversity. This influences the fertility, resilience, hydration, and even structural resistance to the erosion of soils. It creates a domino effect and makes production more sustainable. The product is also healthier, as it does not contain contaminants, such as oxidants or carcinogens and is enriched due to having antioxidants and anti-inflammatory substances."*

**The Regenerative Society Foundation: developing a regenerative economy**

Dr. Andrea Illy, along with Jeffrey Sachs (President of the UN Sustainable Developments Solution Network), also co-chairs the 'Regenerative Society Foundation[22]'. This is a non-profit organisation formed to promote the transformation of society towards a regenerative socio-economic model. The foundation is a multilateral partnership of global leaders, with a diverse set of expertise. Being part of this initiative allows Dr. Andrea Illy to promote regenerative agricultural techniques amongst a broader community of farmers.

*"We are working with farmers that are already active with regenerative projects. We want to scale up these regenerative projects by creating knowledge transfer initiatives so others will learn these techniques. We are also linking these initiatives with investors who will invest in scaling up these projects."*

Dr. Andrea Illy firmly believes that changes to agricultural production will only be sustainable if the initiatives are successful in generating sustainable revenue flows. There is a strong emphasis on financial sustainability in all his endeavours.

*"Our main goal is to promote a regenerative economy. If you don't generate a cashflow, which allows the initiatives to be self-financed and scaled, it is a wasted opportunity. Our pledge is to create a regenerative economy for the planet and people."*

For Dr. Andrea Illy, the imperative to bring about social and environmental change rests with private businesses. He is certainly charting a bold path in this regard.

*"Corporations all around the world have the capacity to act together to change the course of things. The enormous effort required for energy transition to a carbon net-zero society cannot happen without the proactive effort of corporations. The private sector has the responsibility to transform society. If we don't take this responsibility, then we compromise the livelihood of our own company."* ■

Our pledge is to create a regenerative economy for the planet and people.

**Dr. Andrea Illy**

[22] https://www.regeneration2030.eco/new/foundation

5.

# Industry challenges and opportunities

## Key findings

- In terms of the stage of the impact investing market, 43% believe it is growing steadily, while 29% believe it is about to take off. Only 22% assert that the market is still in its infancy **(figure 5.1, pg. 45)**. Taking a long-term view, the case study on **page 53** looks at the 300-year history of the Wendel family in France to outline the ways in which good business and social engagement are fundamentally linked.

- When respondents were asked about the progress impact investing has made over the last 10 years, 98% said impact measurement and management practices have made significant (49%) or moderate (49%) progress. Other areas of significant progress were – the availability of professionals with desired skillsets and data on products / opportunities, along with the creation of a common understanding of impact-related definitions and segmentation. The two areas most criticised for a lack of progress were greenwashing (36%) and the availability of suitable exit options (24%) **(figure 5.3, pg. 47)**.

- The greatest perceived challenges for impact investing over the next five years include the inability to demonstrate impact results (45%), greenwashing (42%), and the lack of a common language to describe impact performance (38%) **(figure 5.5, pg. 48)**.

- The most significant barriers to starting / increasing impact investing were concerns about its relative financial underperformance (45%), as well as confusion about impact investing terminology / processes and a perceived low sophistication of social / environmental impact measurements (each 35%) **(figure 5.8, pg. 50)**. While measurement and reporting of impact remains a challenge, the case study at the end of the chapter charts the rigorous impact measurement and reporting standards that the Wendel Group requires of all the companies it invests in **(pg. 53)**. The case study shows that forerunners in this area are setting a high bar for others to follow.

## 5.1 Market Perspective

### Impact investing is becoming mainstream

2021 started on an optimistic note, with hope for a way out of the global lockdown with the prospect of a Covid-19 vaccine. This optimism is reflected in the investing landscape and continuation of the trend in 2020 of increased activity in impact investing with major financial institutions such GIIN[23], BlackRock[24], and HSBC[25], suggesting it was becoming mainstream.

Our respondents also express strong confidence in the market, as 43% consider it to be growing steadily, while 29% believe it is about to take off **(figure 5.1)**. (In comparison, 21% of those in GIIN's 2020[26] study of institutional investors reported to believe the market is about to take off and 69% believe it is growing steadily.)

Interestingly, those who are not currently engaged in impact investing are more likely to believe the market is about to take off than those who are engaged (38% versus 25%). Conversely, those engaged in impact are more

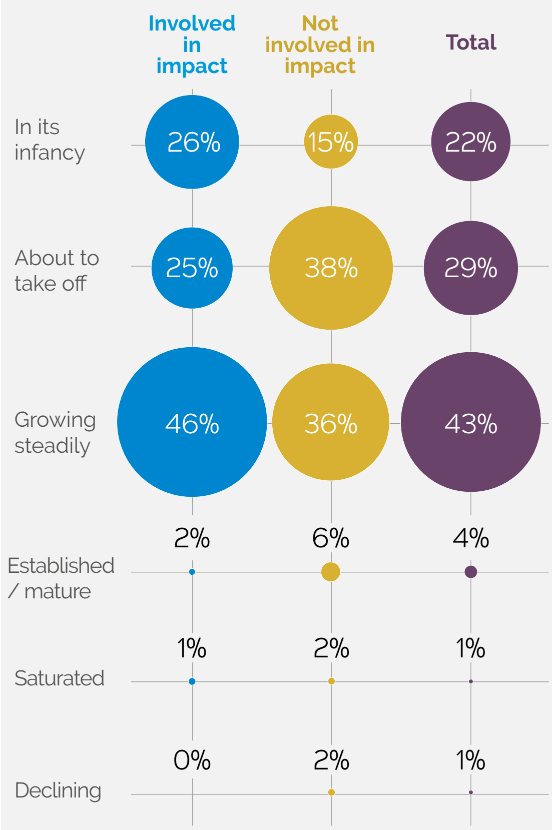
[23] GIIN June 11, 2020 Annual Impact Investor Survey. https://thegiin.org/research/publication/impinv-survey-2020.
[24] BlackRock 2020 'Global Sustainable Investing Survey 2020' accessible at https://www.blackrock.com/corporate/about-us/blackrock-sustainability-survey
[25] HSBC 2020 'Sustainable financing and investing survey 2020' https://www.sustainablefinance.hsbc.com/mobilising-finance/sustainable-financing-and-investment-survey-2020
[26] GIIN June 11, 2020 Annual Impact Investor Survey. https://thegiin.org/research/publication/impinv-survey-2020.

likely to believe the market is growing steadily (46% versus 36% of non-impact investors) **(figure 5.1)**.

These figures highlight the continued maturating of the sector, particularly as only 22% of respondents still feel that impact investing is in its infancy. One interviewee commented:

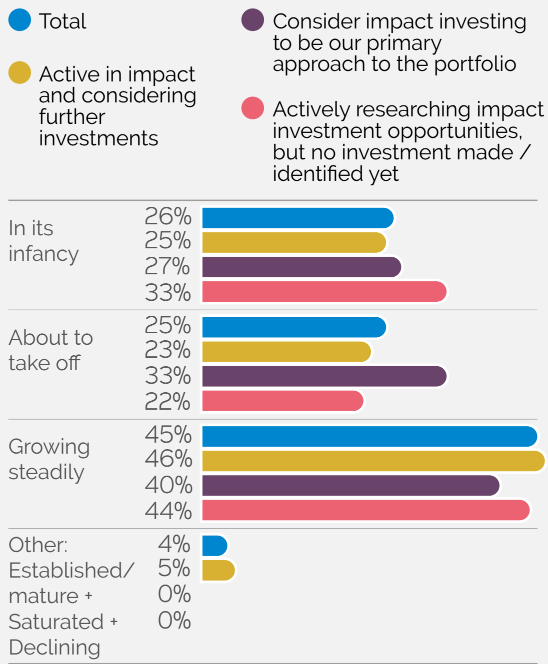
> Impact investing is seeing exponential growth. It's like the new economic boom. It is growing faster than the internet.
>
> **Andrea Illy, chairman of illycaffè, Italy, Europe**

Figure 5.1
**How respondents describe the current impact investing market**




Base: All respondents who are involved in impact investing.
Source: Campden Wealth/GIST Initiatives/Barclays Private Bank, Investing for Global Impact 2021.

Figure 5.2
**How respondents describe the current impact investing market, by level of involvement in impact investing**




Base: All respondents.
Source: Campden Wealth/GIST Initiatives/Barclays Private Bank, Investing for Global Impact 2021.
Figures may not add up to 100% due to rounding.

## 5.2 Industry challenges and opportunities

> There's no uniform measurement or metrics. There are lots of people working on this, but then they'll have to get everybody to accept their work. These are the kind of challenges facing the impact investing industry.
>
> **Private investor, United Kingdom, Europe**

**As the sector has matured, it has made notable progress, but important challenges remain, such as the measurement / reporting of impact and greenwashing**

As the impact investing field has been growing rapidly, we asked respondents about their perceptions of the progress made over the last 10 years.

The area where respondents feel that most progress has been made relates to impact investing's management and measurement practices; here 98% feel that significant (49%) or moderate (49%) progress has been made. Other areas highlighted for the strides made include the prevalence of professionals with relevant skills, a common understanding of impact-related definitions and segmentation, and the prevalence of data on investment products and opportunities (each between 89% and 93% of significant / moderate progress) **(figure 5.3)**.

With that said, two areas continue to face notable criticism for a perceived lack of progress; they include greenwashing (36%) and suitable exit options (24%).

Moving forward, respondents were asked how significant they perceive these challenges to be in the face of efforts to grow the sector **(figure 5.3)**. Here, the challenges deemed most significant include the sophistication (or lack thereof) of impact measurement and management practices (68%), a common understanding of impact-related definitions and segmentation (61%)[27], and sufficient data on investment products and opportunities (60%). In sum, the areas which respondents believe most progress has been made are also those they feel stand most in the way of the industry's growth. One respondent commented:

> I think impact measurement is the biggest challenge. Obviously a lot of progress has been made, but compared to what we measure for financial success, it's really behind in terms of the quality of the metrics.
>
> **Chief investment officer, single family office, Asia-Pacific**

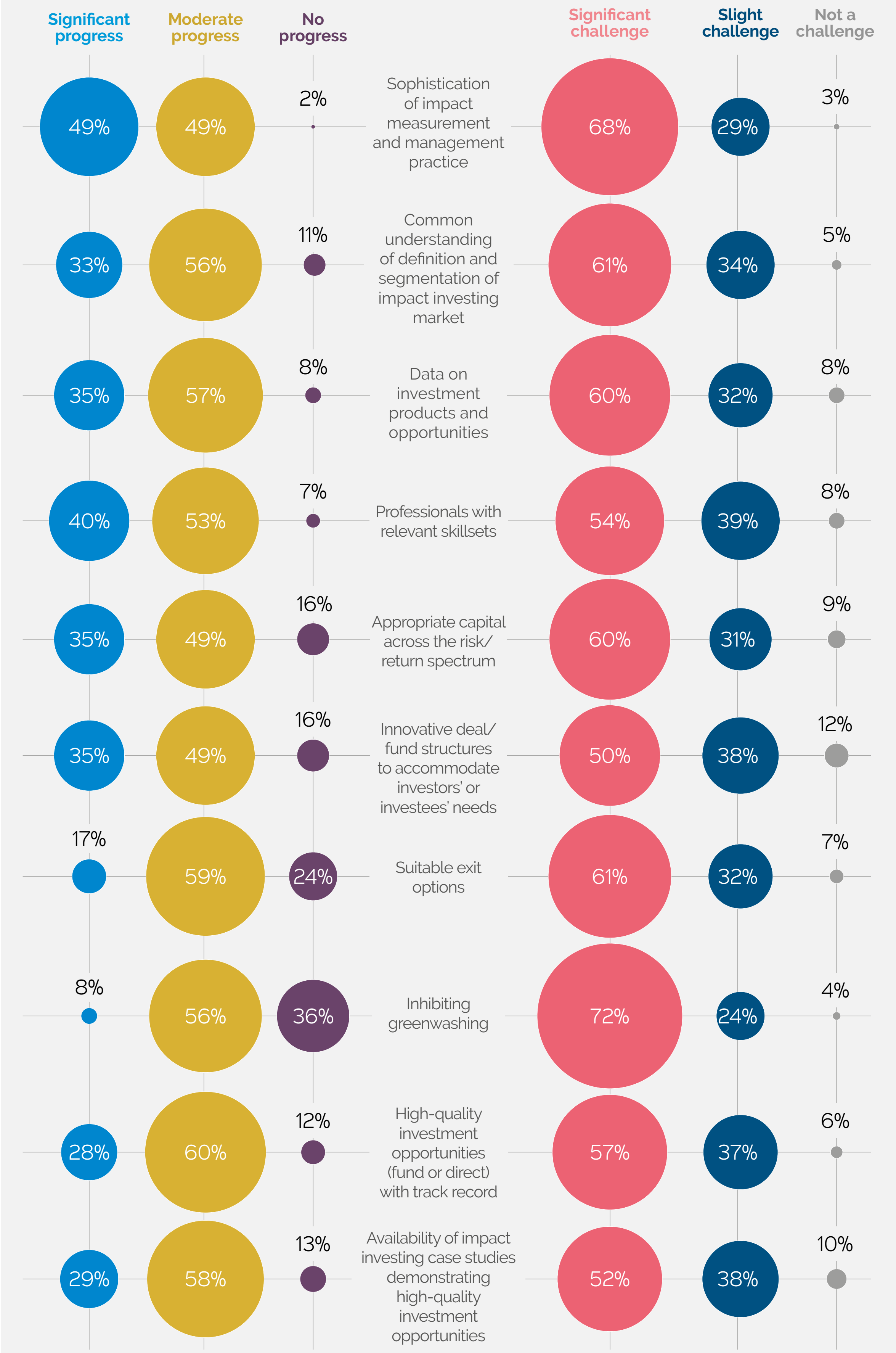
The case study at the end of the chapter provides insight into the ways in which forerunners in the field of impact investing, such as the Wendel Group, are developing rigorous standards for sustainability which go beyond current ESG standards **(pg. 53)**. They require the companies they invest in to show continued improvement and development on the basis of these standards. This suggests that new investors will face the challenge to meet much higher levels of sustainability standards in a short period of time or they will face the risk of being pushed out of the market with limited access to funding.

Interestingly, further analysis of sub-groups of respondents, by involvement in impact investing, revealed that traditional investors (not active in impact), perceived measurement issues to be the most significant challenge. Meanwhile, impact investors believe that developing a common understanding of impact-related definitions and segmentation (58%) and greenwashing (58%) are the most significant challenges. (A lack of common language is also highlighted as a significant challenge in the Natixis 2020 ESG survey[28].)

Further analysis of those engaged in impact reveals that one's perception of challenges differs based on their level of experience. For those with one or more impact investments, the most significant challenge is to have 'appropriate capital across the risk-return spectrum' (63%). For those who use impact as their primary investment strategy, a 'common understanding of definitions and segmentation' (79%) is the most significant challenge. And, for those exploring impact investing without having made their first investment, the most significant challenge is the availability of 'high-quality investment opportunities with a track record' (75%). This segmented analysis also indicates the varied needs of investors based upon their stage of engagement with impact investing.

[27] This finding echoes that of GIIN's 2020 report, which found that institutional investors perceived this to be the second greatest challenge. GIIN June 11, 2020 Annual Impact Investor Survey. https://thegiin.org/research/publication/impinv-survey-2020.
[28] Natixis Investment Managers, 'Global ESG Investor Insights Report' by CoreData Research in 2018-2021 accessible at https://www.im.natixis.com/uk/research/esg-investing-survey-insight-report

Figure 5.3
**Respondents' perception of the progress impact investing has made over the past 10 years and how significant the following challenges are in relation to impact investing's market development**

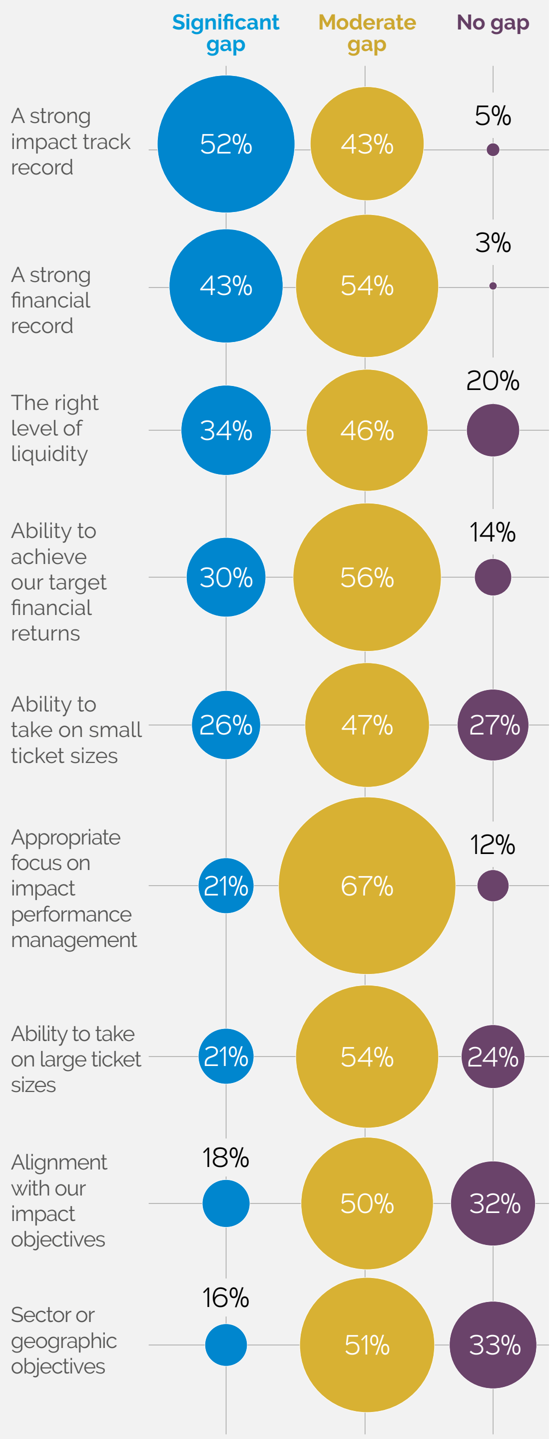



Source: Campden Wealth/GIST Initiatives/Barclays Private Bank, Investing for Global Impact 2021. Figures may not add up to 100% due to rounding.

## The greatest gaps in available impact investing funds and products: Strong financial / track records

Mirroring GIIN's 2020[29] findings, when respondents' were asked about the gaps in the availability of impact investing funds / products, the two gaps most often highlighted were a strong financial record and a strong impact track record (noted by over 90% of respondents) **(figure 5.4)**.

Figure 5.4
**Where respondents see the greatest gaps in available impact investing funds and products**

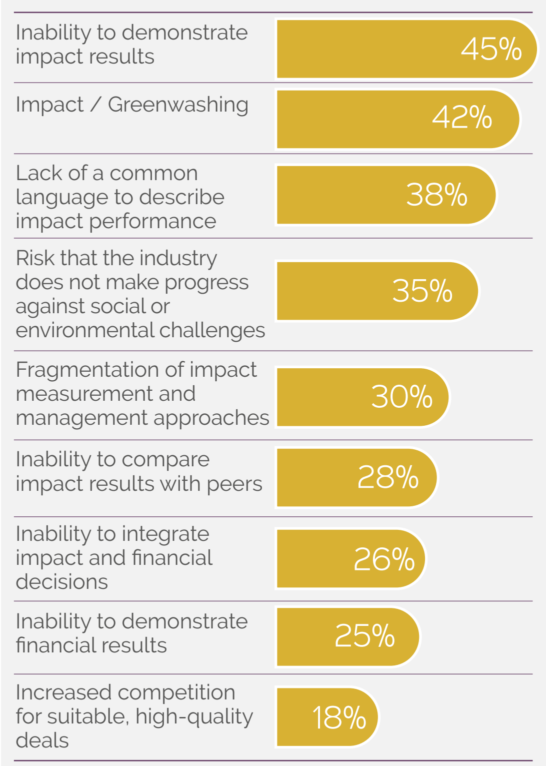



Source: Campden Wealth/GIST Initiatives/Barclays Private Bank, Investing for Global Impact 2021.
Figures may not add up to 100% due to rounding.

## Demonstrating impact results, greenwashing, and a lack of consistency in defining impact are deemed the main impediments for impact investing in the next five years

An inability to demonstrate the social / environmental impact of investments is deemed to be the main challenge facing impact investing over the next five years **(figure 5.5)**. This is similar to BlackRock's[30] report on sustainable investing in which 53% of respondents cited the poor quality / availability of ESG data and analytics as the biggest barrier to the implementation of sustainable investing. The second and third greatest challenges facing impact investing in the next five years include greenwashing and the lack of a common language to describe impact investing's performance.

Figure 5.5
**What respondents perceive as the greatest challenge facing impact investing in the next five years** (Three options permitted)




Base: All respondents.
Source: Campden Wealth/GIST Initiatives/Barclays Private Bank, Investing for Global Impact 2021.
Figures may not add up to 100% as multiple answers were permitted.

[29] GIIN June 11, 2020 Annual Impact Investor Survey. https://thegiin.org/research/publication/impinv-survey-2020.
[30] BlackRock 2020 'Global Sustainable Investing Survey 2020' accessible at https://www.blackrock.com/corporate/about-us/blackrock-sustainability-survey

## Greenwashing is a strong concern for many (76%)

**Greenwashing:** The process of conveying a false impression or providing misleading information about how a company's products are more environmentally sound. Greenwashing is considered an unsubstantiated claim to deceive consumers into believing that a company's products are environmentally friendly.[31]

Greenwashing has been a longstanding risk and issue for companies and consumers. With the growth of the sustainable investing market, it has become a visible risk for investors and the market. This was also frequently noted in interviews:

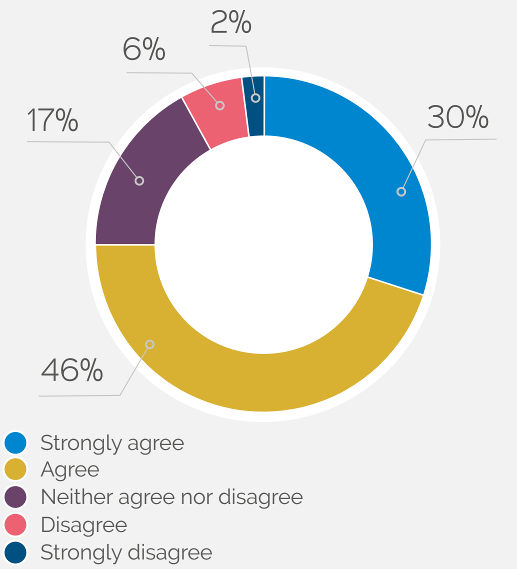
> Not all impact products are created equally. There is a lot of greenwashing and pink and blue and impact washing. People are just slapping labels on it, so I think that is a challenge.
>
> **Impact investment adviser, private multi-family office, North America**

With the increased demand for environmentally friendly products, as well as new regulations around climate protection, companies are under increased pressure to communicate environmental performance. This has led some to greenwash their activities and products. This issue is now extending to investing with 76% of respondents seeing greenwashing as an area of concern **(figure 5.6)**.

## Tools promoted to fight greenwashing: better measurement / reporting, a trusted provider, a proven track record

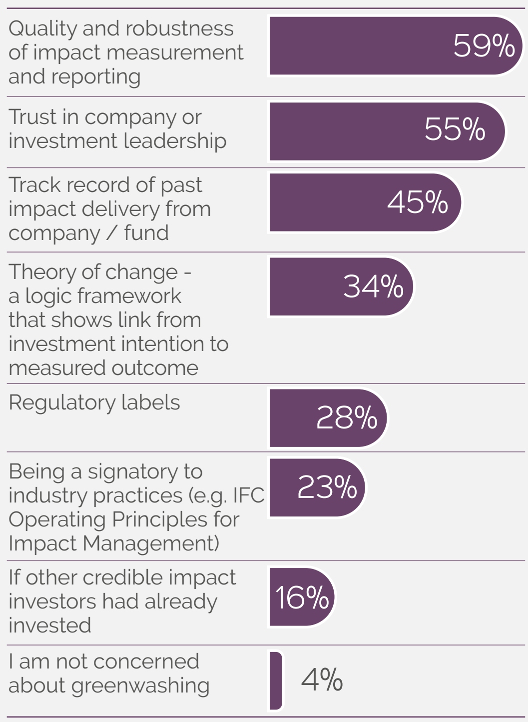
According to respondents, to mitigate against greenwashing and provide investors with confidence to invest one could: 1) improve the quality and robustness of impact measurement and reporting (59%); 2) work with trusted companies / investment leadership (55%); and 3) verify the track record of companies' / funds' previous social and environmental impact delivery (45%) **(figure 5.7)**.

Figure 5.6
**Proportion of respondents who agree / disagree that they are concerned about making an investment that has been greenwashed**




Base: All respondents.
Source: Campden Wealth/GIST Initiatives/Barclays Private Bank, Investing for Global Impact 2021.
Figures may not sum to 100% due to rounding.

Figure 5.7
**Elements that would give investors confidence that an investment is not greenwashed**




Base: All respondents.
Source: Campden Wealth/GIST Initiatives/Barclays Private Bank, Investing for Global Impact 2021.
Figures may not add up to 100% as multiple answers were permitted.

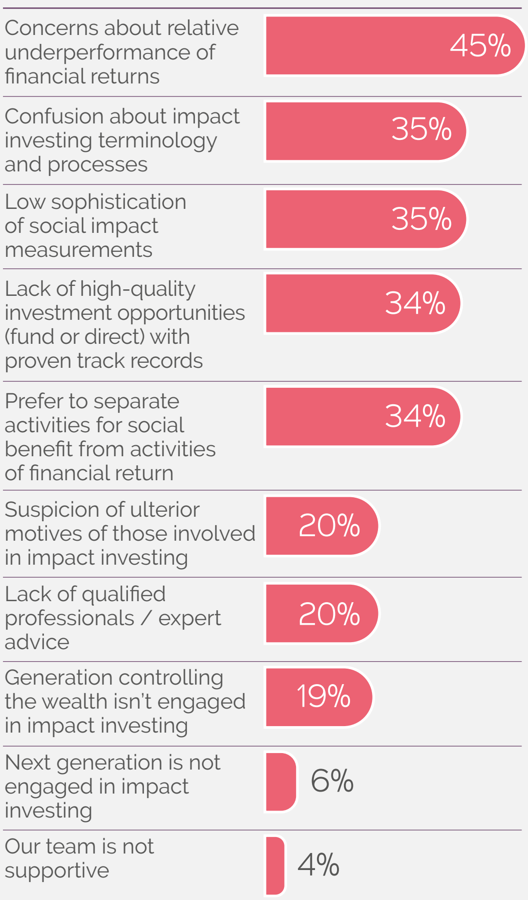
[31] https://www.investopedia.com/terms/g/greenwashing.asp

## Concerns about relative underperformance of financial returns remains a key barrier

As described earlier, both this report's respondents and those invested across the wider industry have had a period of positive performance results with their impact investments. Despite this evidence, concerns about the relative underperformance of impact investing's financial returns still haunt the industry. In fact, 45% of respondents regard this as a major barrier to their own activity in terms of either starting out in, or increasing investment to, impact **(figure 5.8)**.

Other barriers denoted include confusion about impact investing's terminology and processes (35%), inadequate sophistication of social impact measurements (35%), and a lack of high-quality investment opportunities with proven track records (34%).

Figure 5.8
**Within respondents' own families / organisations, the top barriers to increasing / starting in impact investing**
(Three options permitted)




Base: All respondents.
Source: Campden Wealth/GIST Initiatives/Barclays Private Bank, Investing for Global Impact 2021.
Figures may not add up to 100% as multiple answers were permitted.

## Measuring impact remains the greatest challenge for philanthropy

Like impact investing, 56% of respondents indicated the most difficult challenge for philanthropy is measuring the social and environmental impact of activities. After this, scaling-up successful initiatives (39%) and too many regulations and bureaucratic procedures (25%) were further challenges pointed to within this sector **(figure 5.9)**.

Figure 5.9
**Which of the following do you consider the most difficult challenges for philanthropy?**


Base: All respondents involved in philanthropy.
Source: Campden Wealth/GIST Initiatives/Barclays Private Bank, Investing for Global Impact 2021.
Figures may not add up to 100% as multiple answers were permitted.

## 5.3 Bringing in new players

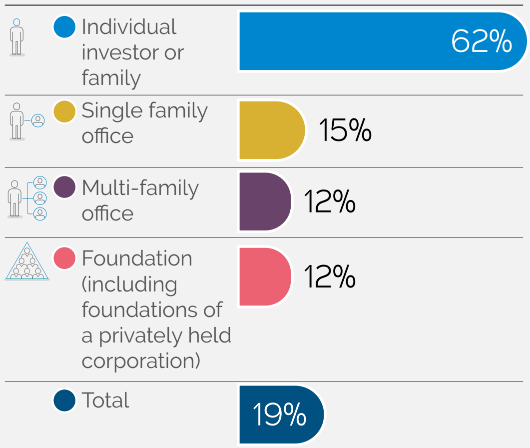
The United Nations estimates that there is an annual USD $2.5 trillion funding gap in developing countries alone required to achieve the SDGs[32]. One of the key areas of concern is a significant lack of sustainable investment particularly with low levels of private sector participation. Government aid flows and other sources of public capital on their own are not enough to close the SDG funding gap.

Impact investing plays a critical role in driving new capital towards important social and environmental challenges. However, the scale and effectiveness of impact investing needs to improve to help achieve sustainable development. In turn, this requires more investors to readily incorporate impact considerations in their decision-making process and to channel capital to the most effective solutions.

Understanding the needs and concerns of traditional investors who are not involved in philanthropy or impact investing is of strategic importance. With the right tools and information, new players may be encouraged to invest sustainably.

Of those not involved in either impact investing or philanthropy, 62% were individual investors / families and 35% had AUM of less than USD $1 million **(figure 5.10)**. Historically, the sector has been led by high net worth individuals and single family offices. Investors with smaller portfolios, but who are greater in number, represent a new set of actors who can help to expand the impact investing arena and supply needed capital to tackle imminent large-scale challenges, such as climate change.

Figure 5.10
**Proportion of traditional investors who do not participate in impact investing or philanthropy, by type of organisation**

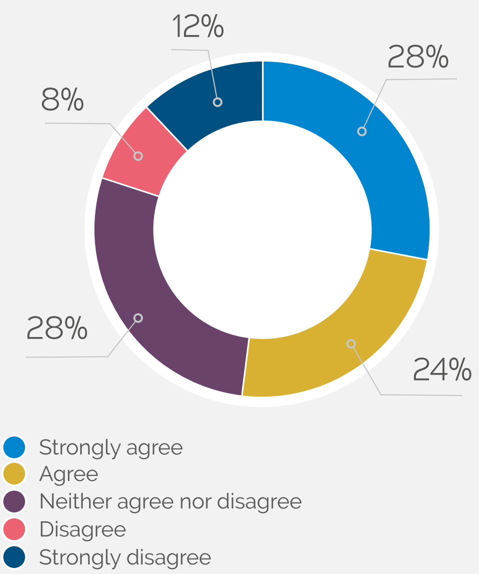



Base: All respondents.
Source: Campden Wealth/GIST Initiatives/Barclays Private Bank, Investing for Global Impact 2021.
Figures may not add up to 100% due to rounding.

### The rising popularity of impact investing has led traditional investors to change their investment behaviour

52% of traditional investors agree that the rising popularity of impact investing has changed how they make decisions about traditional investing **(figure 5.11)**.

Figure 5.11
**Whether respondents agree / disagree with the statement: The rising popularity of impact investing has changed how I make decisions about traditional investing**



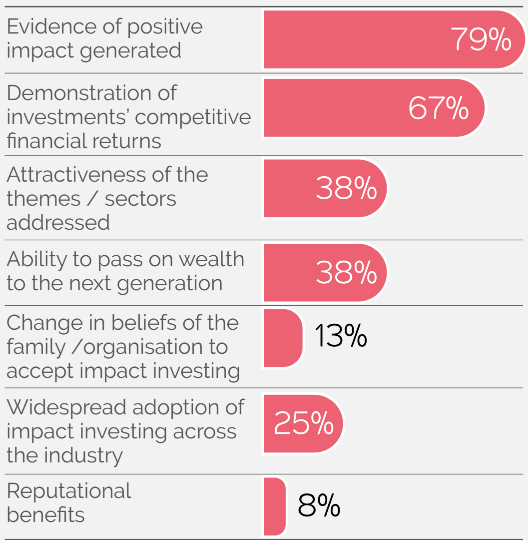

Base: Respondents who are only involved in traditional investing..
Source: Campden Wealth/GIST Initiatives/Barclays Private Bank, Investing for Global Impact 2021.
Figures may not sum to 100% due to rounding.

[32] UNDP 2019 Citing $2.5 Trillion Annual Financing Gap during SDG Business Forum Event, Deputy Secretary-General Says Poverty Falling Too Slowly. https://www.un.org/press/en/2019/dsgsm1340.doc.htm

## How to onboard new impact investors: Show proof of the impact generated and competitive financial returns

The process of getting more investors involved was explored further by asking these participants what would motivate them to invest in impact. The two leading aspects were clear evidence of investments' social / environmental impact (79%) and competitive financial returns (67%) **(figure 5.12)**. Thus, again, we return to the importance of impact measurement and reporting.

Figure 5.12
**The top three factors that matter most to those starting out in impact investing**




Base: Respondents who are only involved in traditional investing.
Source: Campden Wealth/GIST Initiatives/Barclays Private Bank, Investing for Global Impact 2021.
Figures may not add up to 100% as multiple answers were permitted.

Case study

# A long-term view of sustainability in business decisions

The Wendel family started its entrepreneurial journey in 1704, through the purchase of metal forges, in Lorraine a region of North Eastern France close to the French-German border. The family's business concerns saw many turns of fortune, surviving the French revolution, the 1st and 2nd World Wars and the nationalisation of steel production in France in the late 1970s. Currently, the Wendel family controls the Wendel Group which is an investment group that has an estimated net value of USD $8 billion. Over its 300-year history, the Wendel family have maintained a strong focus on entrepreneurship and social responsibility.

Taking a long-term view, this case study discusses the role of family businesses in addressing social and environmental challenges with Priscilla de Moustier, chairman and chief executive officer of Wendel-Participations, the 1,200 members family holding controlling the Wendel Group. She is joined by Christine Anglade Pirzadeh, director of communication and sustainable development, Wendel Group and Professor Morten Bennedsen, academic director, Wendel International Centre for Family Enterprise and co-director of the Hoffmann Research Fund at INSEAD Business School. All three interviewees provide their expertise on the role of family businesses in supporting sustainability and addressing social and environmental challenges.

Priscilla de Moustier led the discussion by talking about the history of the Wendel family in supporting social causes in Lorraine in the 18th century.

*"When Wendel was invested in iron and steel production in the East of France, we felt completely responsible for the population of the area. So, we built schools, churches, stores, houses with gardens, and hospitals. We did everything so that the people in the area could live well. This is something which is still very ingrained in the family. It was one of the reasons it was so difficult for us when our steel factories in Lorraine were nationalised, because we felt we were deprived of our mission."*


Priscilla de Moustier

Professor Morten Bennedsen agreed, he pointed to the important role of family businesses as stewards in supporting local communities in the areas in which their businesses are located. For Professor Morten Bennedsen, in family businesses, sustainability concerns are driven by legacy, loyalty, and values.

*"When you become a second or third generation family business, you start planning for the forthcoming generations. This concern about legacy is one of the driving factors for*

*supporting sustainability. Furthermore, there are many examples of family firms, like Wendel, which have been supportive of their local region. This comes from being in a small town for generations. You take responsibility and if nothing else you're one of the big taxpayers. So, this loyalty is a good driver. There are also many families who are very value driven. These values penetrate everything from investments to management."*

Professor Morten Bennedsen also pointed to the unique characteristics of family businesses that make them more effective in tackling the challenges and changes needed to adopt a sustainable business model.

*"Family businesses can play a unique role in supporting sustainability. If you have a major shareholder who is a family, you can be stewards. Families can set expectations, stay on track, and internalise the cost of what is needed. I don't see many other owners doing that. A hedge fund for example can never do that because they are out in a few months or years. I was at a conference with the Bolton Group in Italy. Now as an industry, they have major ESG issues. The chairman of the board said, 'I want to reduce production waste to half within 10 years. You must come up with an implementable plan, regardless of the cost.' She was just so inspiring. You could see how her values and impact changed this company. Some of the chocolate companies are doing the same thing. Cadbury did that a 100 years ago when they basically changed the slave laws in the UK."*

A sense of responsibility and strong values still defines the Wendel Group's investment approach. Priscilla de Moustier explained how ESG considerations play an important role in their investment decisions.

*"When you have a very strong ESG strategy, it's very important that the people you partner with also share these values. We want to partner with entrepreneurs who share our values so that we can build sustainable leaders for the future. Christine Anglade Pirzadeh will tell you that not only do we do financial due diligences, we also do ESG due diligences before every investment. That's extremely important for us."*

Christine Anglade Pirzadeh agreed with this and further explained that the firm retained its strong belief in the core values of engagement, excellence, and entrepreneurship. All investment opportunities are systematically assessed through an exclusion list and a business model resilience test. Along with this, the ESG maturity of the companies invested in is also assessed as part of an in-depth sustainability due diligence. They are also expected to address the key priorities that are important for Wendel. These include: gender parity and diversity; climate change; health and safety at work; and sustainably-designed products and services.

*"In CSR and ESG you must measure your impact. So, we have a very extensive list of KPIs to measure our ESG performance. We have a roadmap for the three coming years. We ask*


Professor Morten Bennedsen

Family businesses can play a unique role in supporting sustainability. If you have a major shareholder who is a family, you can be stewards. Families can set expectations, stay on track, and internalise the cost of what is needed. I don't see many other owners do that.

**Professor Morten Bennedsen**


Christine Anglade Pirzadeh

> The younger generation will not work for a company that does not correspond to their values. So, if companies want to recruit the right people, they will have to adapt.
>
> Christine Anglade Pirzadeh

*all the companies we control to have an ESG roadmap with their own priorities regarding their sector specific issues. On top of this, we have also set four Wendel priorities which we ask them to consider. These priorities are, firstly, climate change because we think this is an issue for all businesses. Secondly, we focus on gender and diversity. We want them to improve gender diversity and to have women in management positions. The third priority is health and safety, as this is the legacy of our industrial history. We think that when safety is not insured in a company, it's a matter of management. This is something that we don't tolerate. You must be good at safety. Finally, the last one is innovation. We want companies to innovate regarding ESG matters. Along with this, we also ask our companies to choose some SDGs they could be aligned to. This is a very important reporting for us."*

While Wendel has always had a strong legacy in supporting social issues, Priscilla de Moustier accepted that historically the environmental consequences of their business were not really understood. Environmental consciousness in business decisions is a significant change that has occurred over the last few decades. This change has been led by the next generation, for whom environmental issues are critical.

*"The societal aspect has always been very present for our business, helping people and so on. Of course, we were not as aware of the environmental effects of our business. I must own that our iron and steel production, especially in the nineteenth century, wasn't environmentally friendly. We were polluting rivers and everything, but nobody was aware of that at that time. This is different for the younger generation. We did a seminar with the Next Gen a year and a half ago. We had about 85 young people ranging from 20 to 40 and they all had a very strong environmental conscience."*

Professor Morten Bennedsen also agreed that sustainability had become a more central concern over the last decade.

*"At the Wendel Centre at INSEAD we research and teach about the family business space. The courses are developed according to what is current and topical for family businesses. The key issue right now is how do we save the world, and issues like diversity and inequality. I was giving a session for the World Economic Forum's Family Business Community. The two main concerns were climate change and inequality. Obviously, that's also driven by the younger generation in families."*

Christine Anglade Pirzadeh agreed that the next generation are playing a critical role in driving change. She further emphasised that rules around environmental protection are still developing and their company is prepared for the changes they know lie ahead.

*"The younger generation will not work for a company that does not correspond to their values. So, if companies want to recruit the right people, they will have to adapt. Things are also changing from the point of view of governments, which are now developing stricter rules. So, for some, it's going to be by choice and for others it's going to be compulsory."*

**Challenges in pursuing sustainability for family businesses**

Professor Morten Bennedsen highlighted the fact that not all family businesses are value driven or ethical.

*"Not all family firms are good. There are family firms who have no values. Think about the opioid crisis in the US which was generated by a very successful family. Or in Indonesia, the biggest environmental catastrophe was caused by a family firm. The challenge is that when family firms don't have a good set of values, there are not many checks and balances."*

Priscilla de Moustier agreed, she drew importance to the distinction between family firms which prioritise sustainability in their business model and those that are not concerned about the impact of their

> I think you've got to be consistent in the way you make your money and the way you give your money.
>
> **Priscilla de Moustier**

investments, but are involved in philanthropy as a way of offsetting the negative environmental and social impact of their businesses.

*"The most important thing is the way you make your money. This has got to be clean, transparent, and environmentally compliant. Then you can also do philanthropy on the side. There are a lot of firms which compensate for the fact that their businesses are non-compliant, or have a strong carbon impact, by doing philanthropy on the side. I disagree with that. I think you've got to be consistent in the way you make your money and the way you give your money."*

Christine Anglade Pirzadeh further emphasised that for her the primary responsibility for businesses was to ensure their impact was positive.

*"I really think that it is important to keep philanthropy separate from ESG, the two are completely different. The key issue is to minimise your impact in the way you run your business, manufacture your products, and provide services. This is what businesses have to do, this is their responsibility. The way you manage production and earn money must be done properly, by respecting all your stakeholders."*

Professor Morten Bennedsen also pointed to regional differences in the priority attached to sustainability.

*"In many Asian countries it's more of a lottery. If you are an Indian family firm in a regional town, you are very loyal and responsible for your community. But it's more of the, what I can see outside my window style ESG. It's also harder as a lot of the Asian entrepreneurs are not as established. I mean, in China all entrepreneurs are still only 50 years old. You can find good examples, but I don't think it's as established as it is in the older, more established European and American families."*

**Sharing best practices and establishing networks**

Priscilla de Moustier is also the vice president of the French chapter of the Family Business Network (FBN). For her, having a strong network of like-minded, values-based businesses is a vital avenue through which she can learn and maintain her passion.

*"I think being part of Polaris at FBN is very important because we can share best practices and get new ideas from each other. It's also very important to feel that there are lots of like-minded people who have the same intentions and goals. It's very comforting if some days you feel discouraged, you have a meeting with other people and say, 'Oh great, we're going to do fantastic work together.' And the energy comes back."*

This need to establish strong networks of support and best practices for family businesses was also the impetus behind the establishment of the Wendel International Centre for Family Enterprise at INSEAD.

*"When we set up the centre nobody was talking about family business. I remember there was a meeting with INSEAD and my father said, 'Of course you will talk about family businesses.' The INSEAD representative said, 'But there's no such topic.' And my father said, 'Well, if you want to have the money, you're going to have to create the topic.' That's how it began. So, the first purpose was just that family business is an important topic. They are the most prevalent form of business in the world. So, you really need to talk about it in a business school."*

This has grown into a strong global network that Next Gen family businesses are drawing from. As Professor Morten Bennedsen explained:

*"The fantastic thing about INSEAD is really the global outreach. We have students from 120 countries. The next generation members that we teach not only have a family network, but they also get a Next Gen family business school network. I have taught the Next Gens from most of the chocolate companies in the world, from Peru, Argentina, Belgium, France, to one in Asia. So, it is a unique experience."* ■

6.

# The environment and tackling climate breakdown

## Key findings

- Climate breakdown influences the investment decisions of most impact investors and philanthropists. In fact, 80% of respondents report that it factors into their investment decisions (with 41% noting that it is highly relevant and 39% partially relevant) **(figure 6.1, pg. 59)**, while 72% report that it is relevant to their philanthropic activities (30% highly relevant, 42% partially relevant) **(figure 6.2, pg. 59)**. In terms of how climate change factors into investment decisions, 30% assert that they target investments that support the transition to a low-carbon economy, while 24% avoid companies they feel are major contributors to climate change **(figure 6.3, pg. 60)**.
- Investors are becoming increasingly aware of their carbon footprint and are using this knowledge to reduce their $CO_2$ emissions. In 2021, one-quarter (25%) of respondents claimed they know the carbon footprint of their investment portfolios **(figure 6.10, pg. 64)**, up from 19% in 2020. Amongst these investors, 50% are using this information when determining which investments to make, while 40% are doing so to actively manage their carbon footprint downwards **(figure 6.10, pg. 64)**.
- Contributing to the fossil fuel debate, 53% of respondents are against investing in the fossil fuel industry, while 47% support it **(figure 6.11, pg.65)**. The core argument amongst supporters is that the fossil fuel industry has the potential to contribute to renewables / clean energy, as reflected by 33% of respondents. The core argument against it relates to the damage fossil fuels cause to the planet (as reflected by 33% of respondents).
- A clear majority (86%) agree / strongly agree that private capital is essential to address climate change because governments 'aren't doing enough'. 70% agree that transitioning to net-zero emissions is the greatest commercial opportunity of our age **(figure 6.6, pg. 61)**, while 72% are willing to sacrifice some financial returns to prevent climate breakdown **(figure 6.7, pg. 62)**. For a deeper discussion on changes within the field of impact investing and the role of governments and businesses to work towards a sustainable future, please see the case study on **page 66** entitled *Impact Investing Ireland – Hype or Substance?*

## 6.1 Climate emergency in focus – A 'code red for humanity'

> Climate change mitigation is the overarching theme driving all our investment and philanthropic activity.
>
> **Chief investment officer, single family office, Asia-Pacific**

### Impact investing is becoming mainstream

In August 2021, the United Nations Intergovernmental Panel on Climate Change (IPCC) published its Sixth Assessment Report on climate change.[33] The report sounds a 'code red alert for humanity' as it asserts that nations' failure to curb their carbon emissions means that we can no longer stop global warming from intensifying over the next 30 years. With humans having already heated the

[33] Intergovernmental Panel on Climate Change, August 2021: https://www.ipcc.ch/report/ar6/wg1/

planet by roughly 1.1 degrees Celsius since the 19th century, this rise in temperature is now likely to hit 1.5 degrees Celsius within the next two decades.

"We can expect a significant jump in extreme weather over the next 20 or 30 years," said Piers Forster, a climate scientist at the University of Leeds and one of the experts who contributed to the report. "Things are unfortunately likely to get worse than they are today."[34]

This sentiment comes alongside the NY Times reporting that, "This summer alone, blistering heatwaves have killed hundreds of people in the United States and Canada, floods have devastated Germany and China, and wildfires have raged out of control in Siberia, Turkey, and Greece."[35]

With that said, the report furthers, there is an opportunity to keep conditions from getting even worse, so that global warming does not surpass 1.5 degrees Celsius – a circumstance that would lead to even greater perils.

However, doing so will require a coordinated global effort. To lead the charge, the 26th annual *United Nations Climate Change Conference*, also known as COP26, will be held in Glasgow, Scotland from 31 October to 12 November 2021. The goal is for countries to collectively strategise on how to achieve net-zero carbon emissions globally by 2050, something most of the 137 countries taking part in emissions reductions plans have agreed to do. Developed countries are also being asked to mobilise at least USD $100 billion in finance each year to tackle the problem.

With that said, the issue of climate breakdown is so far-reaching, now "affecting every inhabited region across the globe,"[36] that governments, nor industries, investors, philanthropists or consumers alone can effectively meet the challenge. We must all work together. As this report focuses on investors and philanthropists within the private wealth space, this chapter discusses the part this group is playing.

## The role of private wealth in tackling climate change

In 2019, Campden Wealth estimated that the ultra-high net worth community held collective wealth of roughly USD $9.4 trillion, with USD $5.9 trillion of it being held by merely 7,300 single family offices globally in investable assets under management (AUM).

Furthermore, last year this report found that 52% of investors / philanthropists believed climate change is the single greatest threat to the planet; a sentiment that 53% of family offices worldwide share according to the *2019 Global Family Office Report*.[37]

As knowledge plus economic sway can be a powerful force, climate breakdown is, once again this year, a central topic within this report, as wealth holders increasingly want to use their monetary influence to make a positive difference. In the words of one European wealth holder:

> It's about human life. If we don't act and temperatures continue to rise beyond 2 degrees Celsius places will start to become unliveable. You won't be able to grow food, you won't have enough water, and droughts will occur. In other areas you'll get floods because of the changing ice caps and weather patterns. It will also lead to mass migration which will be a huge problem for economies. People will die if we don't make change. We can't carry on the way we are.
>
> **Co-founder and chief investment officer, global private equity company, United Kingdom, Europe**

## Climate change is relevant to 80% of private investors and 72% of philanthropists

A notable 80% of those surveyed assert that climate change is currently relevant to their investment portfolios, with 41% noting that it

[34] NY Times, A Hotter Future Is Certain, Climate Panel Warns. But How Hot Is Up to Us, 9 August 2021: https://www.nytimes.com/2021/08/09/climate/climate-change-report-ipcc-un.html
[35] NY Times, A Hotter Future Is Certain, Climate Panel Warns. But How Hot Is Up to Us, 9 August 2021: https://www.nytimes.com/2021/08/09/climate/climate-change-report-ipcc-un.html
[36] Intergovernmental Panel on Climate Change, August 2021: https://www.ipcc.ch/report/ar6/wg1/
[37] Campden Wealth and UBS 'Global Family Office Report 2019'. http://www.campdenwealth.com/article/global-family-office-report-2019

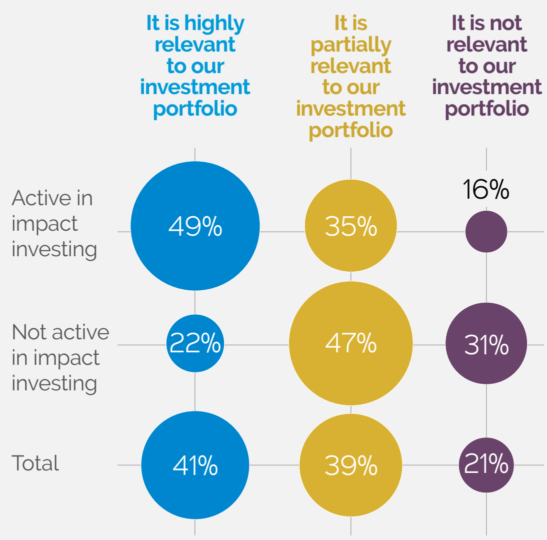
is highly relevant and 39% partially relevant **(figure 6.1)**. Just one-in-five (21%) claim that it is not relevant to their investment decisions.

When analysing these figures by type of investor, unsurprisingly, climate change is more often relevant to those who are engaged in impact investing than those who are not (84% versus 71%).

For those engaged in philanthropy, another 72% note that it is relevant to their philanthropic endeavours (30% highly relevant/42% partially relevant) **(figure 6.2)**. In turn, climate change is a topic that has become central to the discourse and actions of both investors and philanthropists. In the words of one respondent:

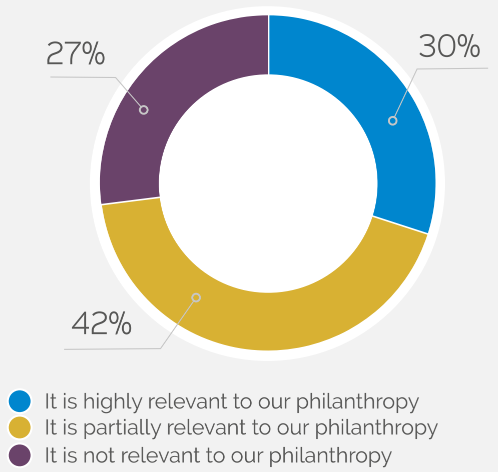
> Climate change is key to us. We are focusing heavily on nature-based solutions right now. We are deploying all different types of capital investment.
>
> **Chief investment officer, single family office, Asia-Pacific**

Figure 6.1
**To what extent the issue of climate change currently influences respondents' investment decisions**




Source: Campden Wealth/GIST Initiatives/Barclays Private Bank, Investing for Global Impact 2021.
Figures may not add up to 100% due to rounding.

Figure 6.2
**To what extent the issue of climate change is currently influencing respondents' philanthropic activities**




Source: Campden Wealth/GIST Initiatives/Barclays Private Bank, Investing for Global Impact 2021.
Figures may not sum to 100% due to rounding.

## A third of investors target investments to support the transition to a low carbon economy

When it comes to the decisions investors are making about climate change, there has been a notable shift this year. When asked how climate change is factored into respondents' investment decisions, 30% report that they target investments which support the transition to a low-carbon economy. In 2020, merely 24% of respondents were motivated by this factor. In the words of one respondent:

> Carbon neutrality is about human life. People will die if we don't change. We can't carry on the way we are and have things work out.
>
> **Co-founder and chief investment officer, global private equity group, United Kingdom, Europe**

However, 24% of respondents currently avoid companies they feel are major contributors to climate change, slightly down from 27% in 2020. Assessing risks arising from climate change in one's investments is also down from 24% in 2020 to 18% in 2021 **(figure 6.3)**.

Figure 6.3
**How climate change is factored into respondents' investments**


Source: Campden Wealth/GIST Initiatives/Barclays Private Bank, Investing for Global Impact 2021.
Figures may not sum to 100% due to rounding.

## Investors' core motivation to invest in climate change: To address a significant global challenge

The primary reasons respondents gave for addressing climate change through their impact investments include a desire to address an urgent, significant global challenge (26%), to mitigate against the physical risks (21%), and the transition risks (20%) caused by climate change **(figure 6.4)**.

Figure 6.4
**The primary reason respondents gave for addressing climate change through their impact investments**

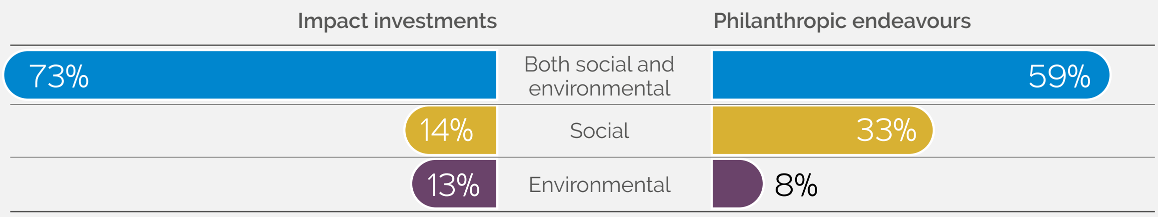

Source: Campden Wealth/GIST Initiatives/Barclays Private Bank, Investing for Global Impact 2021.
Figures may not add up to 100% due to rounding.

## Investors and philanthropists are increasingly gravitating towards environmental issues

Amongst those engaged in impact investing, 13% report that their primary objective is environmentally driven, while 73% note that it is both socially and environmentally driven **(figure 6.5)**. This mix differs somewhat amongst philanthropists who tend to be more socially driven than impact investors (33% versus 14%) **(figure 6.5)**.

These figures also reflect a shift from last year, as more family offices have gravitated towards environmental investment initiatives. For example, in 2020 over one-in-five (22%) respondents' primary objective was solely social. This shifted down to 14% in 2021, as more family offices added environmental interests to their target list, raising the category of shared social and environmental targets to 73% from 52% the previous year.

Figure 6.5
**Whether impact investments' and philanthropic endeavours' primary objective is social, environmental, or both**




Source: Campden Wealth/GIST Initiatives/Barclays Private Bank, Investing for Global Impact 2021. Figures may not sum to 100% due to rounding.

## While 70% look at climate protection as the greatest commercial opportunity of our age...

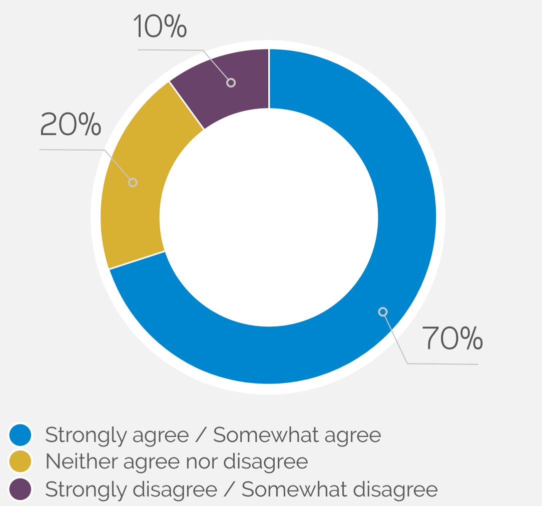
As more governments, companies, and individuals demand that we address climate change as an urgent global matter, this is changing investors' perceptions of its commerciality. At present, 70% of those surveyed assert that the transition to a global net-zero emissions economy is the greatest commercial opportunity of our age **(figure 6.6)**.

At the same time, investors also see the risks associated with both climate breakdown and how governments and society are starting to respond. For example, given the shift to renewables, the fossil fuel industry and its investors face the risk of stranded assets, where the value reserves may be worth less than expected or are potentially worthless, as a result of changes associated with the transition to a low-carbon economy.

As one respondent explained, if companies / investors do not keep up with new transition risks, this will impede their success in the coming years:

> We need to look at the environmental, regulatory transition that is required because stranded assets are no good for anybody. Believe me, being in ordinary traditional investments will become very scary over the next 5-to-10 years, so people need to change and adopt environmentally-friendly policies or get left behind.
>
> **Co-founder and chief investment officer, global private equity group, United Kingdom, Europe**

Figure 6.6
**The transition to a global net-zero emissions economy is the greatest commercial opportunity of our age**

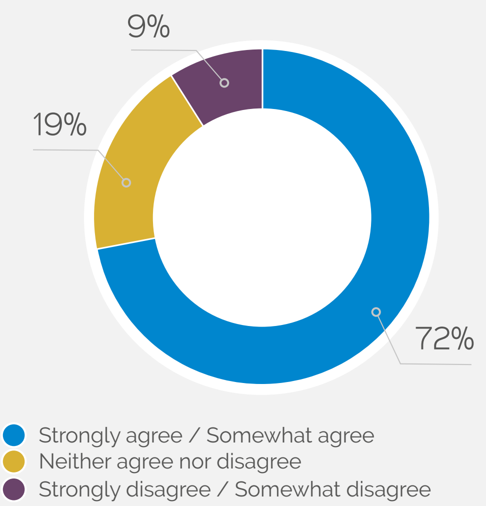



Source: Campden Wealth/GIST Initiatives/Barclays Private Bank, Investing for Global Impact 2021.
Figures may not sum to 100% due to rounding.

## …another 72% believe climate protection is so important they would sacrifice financial returns if needed

Despite a belief in the commerciality of climate change solutions, the majority of respondents (72%) believe that tackling climate change is so important that they would be willing to sacrifice some financial returns to prevent climate breakdown if needed. This compares to only 9% who would be unwilling to do so **(figure 6.7)**.

Figure 6.7
**I would be willing to sacrifice some financial returns if my investments were preventing climate breakdown**

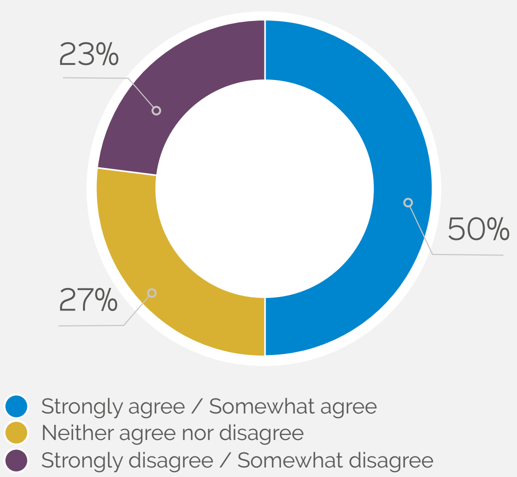



Source: Campden Wealth/GIST Initiatives/Barclays Private Bank, Investing for Global Impact 2021.
Figures may not sum to 100% due to rounding.

## Just 50% believe it's still possible to keep the rise in global average temperature below 2 degrees Celsius

Lending to the urgency many feel about the issue of climate change, juxtaposed against our failure to adequately tackle the issue to date, many investors are becoming pessimistic. Just 50% believe it is still possible to keep the rise in global average temperature below 2 degrees Celsius. 27% believe it is no longer possible, while 23% are uncertain **(figure 6.8)**.

Figure 6.8
**It is still possible to keep the increase in global average temperature below 2 degrees Celsius**




Source: Campden Wealth/GIST Initiatives/Barclays Private Bank, Investing for Global Impact 2021.
Figures may not sum to 100% due to rounding.

## While respondents feel governments aren't doing enough to address climate change, they also recognise that the issue must be tackled jointly by governments, companies, and consumers

Reflecting such pessimism, respondents are frustrated by their perception that governments are not doing enough to combat climate change. 9-in-10 respondents (89%) agree that governments should do more to meet the Paris Agreement, while nearly three-fifths (61%) expressed a concern that this year's United Nations Climate Change Conference (COP26) will fail to make sufficient progress to address the climate breakdown **(figure 6.9)**. The majority (71%) also believe that developed countries, who have benefitted from their ability to pollute while they economically grew, should pay more to address the problem **(figure 6.9)**.

In-part resulting from such perceived deficiencies, the vast majority of respondents (86%) urge those with private capital to step-up and play their part in tackling climate change **(figure 6.9)**. As one interviewee commented, a combined effort is the only way we can successfully combat the issue:

We need a combined effort between governments, companies, and people. Governments must make legislation work so that things can be done properly, with incentives if necessary. But businesses must change their ways too, as must consumers in terms of what they purchase. There are a number of different driving forces here, but we can't do it without everyone working towards the same goal.

Co-founder and chief investment officer, global private equity group, United Kingdom, Europe

Another respondent highlighted the need for governments to set rules and a timeframe industries can follow so as to avoid confusion and to ensure that everyone is rowing in the same direction:

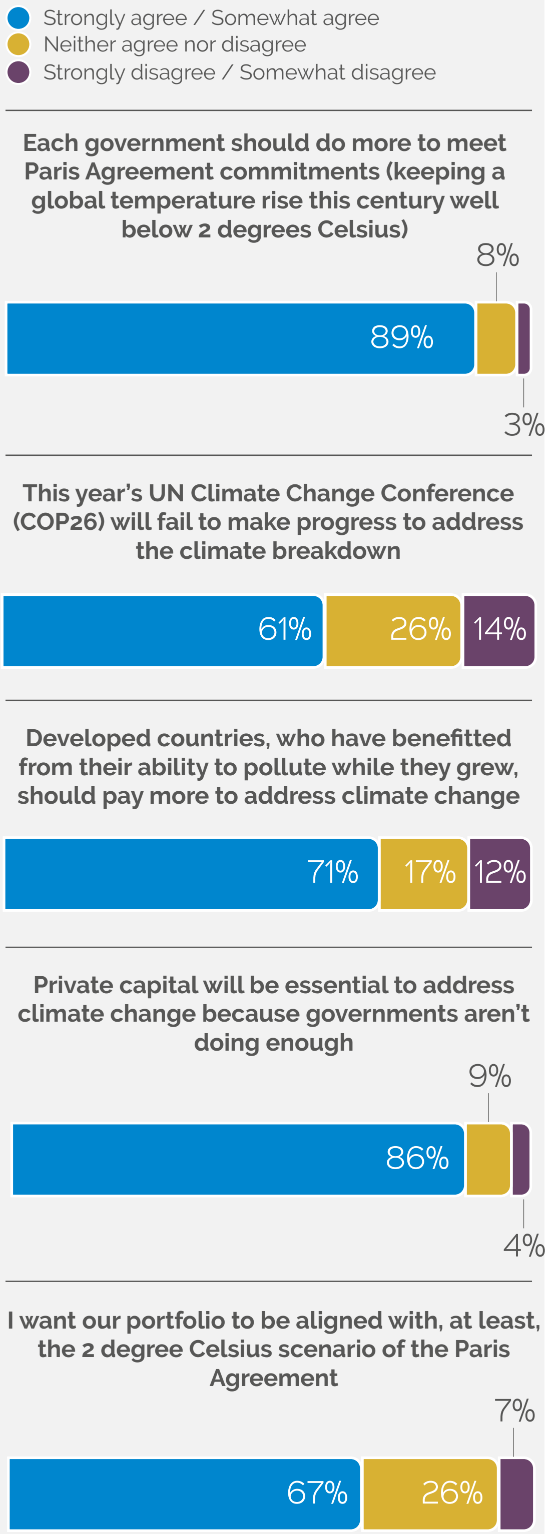
For battling climate change, there has to be a message that everyone will understand, because currently there is a conflict of interest between the banking sector and governments. It's like, everyone is waiting to see who will say what first – it's confusion. That's why we need a message from strong government institutions saying, 'Yes we are going to do this and it is going to be done within a fixed timeline.'

Private investor, Netherlands, Europe

## 67% want their portfolios to be aligned with, at least, a 2 degree Celsius scenario

In terms of how investors want their own private capital to be invested, a sizeable 67% said that they want their portfolio/s to be aligned with, at least, the 2 degree Celsius scenario of the Paris Agreement **(figure 6.9)**.

Figures 6.9
**Attitudes towards key issues around climate breakdown**




Source: Campden Wealth/GIST Initiatives/Barclays Private Bank, Investing for Global Impact 2021.
Figures may not sum to 100% due to rounding.

## 6.2 Carbon footprint

**Carbon footprint:** The amount of carbon dioxide, or greenhouse gas emissions, released into the atmosphere as a result of the activities of a particular individual, organisation, or community.

A key driver causing climate change is the level of carbon dioxide (CO2) and other greenhouse gases in the planet's atmosphere. It is therefore critical that these levels are monitored and controlled. At present, the level of greenhouse gases in the planet's atmosphere is the highest recorded in human history. According to NOAA's Global Monitoring Laboratory, CO2 is the most abundant human-caused greenhouse gas and, once emitted, it stays in the atmosphere and oceans for thousands of years.The knock-on effect is global warming, which leads to environmental damage, risk to human health, wildlife extinction, and economic loss. Pieter Tans, a senior scientist with NOAA's Global Monitoring Laboratory, remarked[38]:

> We are adding roughly 40 billion metric tonnes of CO2 pollution to the atmosphere per year. That is a mountain of carbon that we dig up out of the Earth, burn, and release into the atmosphere as CO2 year after year. If we want to avoid catastrophic climate change, the highest priority must be to reduce CO2 pollution to zero at the earliest possible date.

### Awareness of one's carbon footprint is up this year, as investors use this knowledge to guide their investment decisions

To help reduce emission levels, individuals and companies are increasingly making themselves aware of their own carbon footprint. When investors were asked last year if they knew the carbon footprint of their portfolios, 19% reported that they did. Today, this figure is up to 25% **(figure 6.10)**.

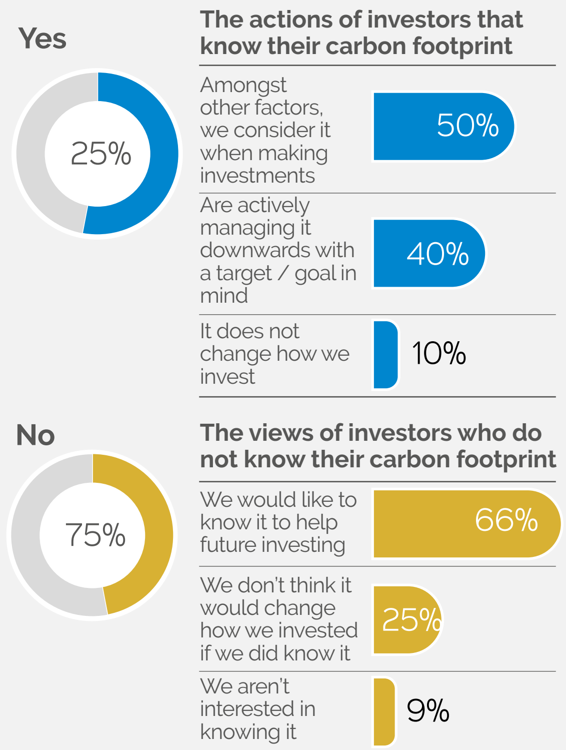
This knowledge is helping investors in a variety of ways. Half (50%) are considering it when determining which new investments to make, while 40% are using this knowledge to actively manage their carbon footprint downwards, with a target in mind **(figure 6.10)**. But few respondents become aware of their carbon footprint and subsequently stay inactive. Merely 10% of those aware of their carbon footprint reported that this knowledge has not changed how they invest.

> We've set targets based on our own carbon footprint. We're practically paperless and we encourage people to walk and cycle to work. But more than that, when we're tendering for work, we show our carbon footprint credentials, and when we are working with other people, we ask them for theirs.
>
> **Private investor, United Kingdom, Europe**

### There is a strong appetite for additional awareness

Of the three-quarters of respondents who are currently unaware of their carbon footprint, two-thirds (66%) report that they would like to know it to help with their future investing. Just one-quarter (25%) claim that they do not think knowing it would change how they invest **(figure 6.10)**. This suggests that there is a strong appetite among investors to understand the environmental implications of their portfolios.

Figure 6.10
**Investors' knowledge, views and actions related to carbon footprint**




Source: Campden Wealth/GIST Initiatives/Barclays Private Bank, Investing for Global Impact 2021. Figures may not add up to 100% due to rounding.

[38] NOAA Research News, June 7, 2021, Carbon dioxide peaks near 420 parts per million at Mauna Loa observatory: https://research.noaa.gov/article/ArtMID/587/ArticleID/2764/Coronavirus-response-barely-slows-rising-carbon-dioxide

## 6.3 Fossil fuels

### The fossil fuel investment debate: A divided response, however, more this year are against investing in the industry

While energy from fossil fuels is relatively inexpensive to produce, they are abundant, and largely reliable, they also emit large quantities of greenhouse gases when they are burned, which contributes to pollution and global warning.

When respondents were asked whether they believe people should invest in the fossil fuel industry, the results were divided. Just over half (53%) said no (up from 46% last year), while the remaining 47% said yes (down from 54% last year) **(figure 6.11)**.

### Reasons against investing in fossil fuels: planetary damage and financial risk

Among those who are against investing in fossil fuels, the core rationale of respondents is that they damage the planet (33%). Smaller portions of respondents highlighted the financial risk of legal and regulatory challenges (9%), and risks of stranded assets and valuations (7%) **(figure 6.11)**.

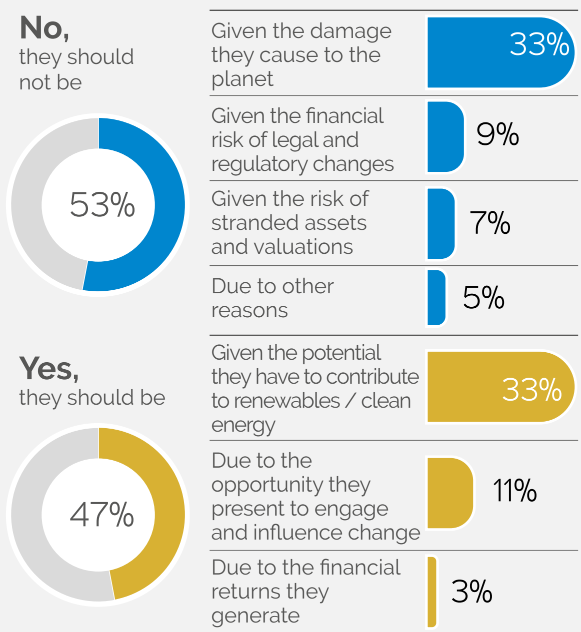
### Reasons for investing in fossil fuels: potential contribution to renewables and an opportunity to influence change

A third of respondents are proponents of investing in fossil fuel-based companies, as they argue that they have the potential to contribute to renewables / clean energy. Another 11% believe that they present an opportunity to engage and influence change. Merely 3% chose to highlight the financial returns the fossil fuel industry makes **(figure 6.11)**.

In a related vein, in last year's report, 40% of respondents agreed with the statement, 'the leading companies producing fossil fuels will be leaders in renewable energy in the future.' To this end, some headway has been made by major players in the fossil fuel industry. For example, BP is reportedly one of the largest donors to renewable energy in the world and has invested in solar, wind, hydrogen, and other biofuel technologies, while Royal Dutch Shell aims to spend up to USD $3 billion[39] on its 'Renewables and Energy Solutions' division (formerly New Energies), which invests in low-carbon technologies, such as wind and solar solutions[40]. With that said, one respondent commented that these industry-side changes are not coming without pressure from governmental / legal institutions and environmental activists:

> There is the court case of Shell in Europe. By law they have been pushed to speed up their energy transition. We haven't had that happen before. And, environmental activist investors have taken three places on the board of directors of ExxonMobil. This will bring changes in that industry – there is no doubt about that.
>
> **Private investor, Netherlands, Europe**

Figure 6.11
**Should companies who invest in fossil fuel be considered for investment**




Source: Campden Wealth/GIST Initiatives/Barclays Private Bank, Investing for Global Impact 2021. Note: When comparing these figures to last year, please note that a 'don't know' option accounted for 14% of the responses in 2020. These don't knows were excluded and the statistics recalibrated to create a like-for-like comparison.

[39] Note: Shell's total revenue in 2020 was $180.54 billion, while BP's was USD $180.4 billion. Source: Shell Annual Report 2020: https://reports.shell.com/annual-report/2020/consolidated-financial-statements/statement-of-income.php / Statista: https://www.statista.com/statistics/264185/bp-group-revenue-since-2003/
[40] Investopedia: Top 4 Oil Companies that Protect the Environment, February 18, 2020: https://www.investopedia.com/articles/markets/030816/top-4-oil-companies-protect-environment-xom-sun.asp

Case study

# Impact investing Ireland – Hype or substance?

The Republic of Ireland represents an emerging leader in the field of sustainable investing. It has established a strong political commitment to the United Nations Sustainable Investing Goals and to achieving net-zero emissions by 2050. A thought-provoking roundtable about the rapid developments taking place in Ireland was organised by VentureWave Capital, a venture capital firm committed to promoting impact investing in Ireland.

The roundtable focused on three key themes that included the philosophy, practicality, and promotion of impact investing both locally in Ireland, but also globally through intergovernmental cooperation. The roundtable garnered an audience of over 1,000 guests from more than 33 countries. This diverse audience was a testament to the role Ireland, as an emerging leader in the area of sustainable investing, can play to solve contemporary global challenges. A condensed version of the roundtable is summarised here.

The esteemed members who contributed to the roundtable included:

- **Anne Finucane,** vice chairman of Bank of America, chairman of Bank of America - Europe, and co-chair of the sustainable finance committee within the Bank of America

- **The Edge,** guitarist with U2, advisory board member for the Environmental Solutions Initiative at MIT, and chairman of Endeavor Ireland

- **Gillian Tett,** Moral Money co-founder and editor-at-large of the Financial Times, US

- **Enda Kenny,** Former taoiseach of Ireland and chairman of the global advisory council for VentureWave Capital

- **Kieran McLoughlin,** Chair of the roundtable, managing partner of VentureWave Capital, and former CEO of the global philanthropic network, the Ireland Funds

The roundtable was launched by an address from the Taoiseach (prime minister) of Ireland, Micheál Martin, who set out a bold vision for Ireland as a leader in the impact investing field.

*"Impact investing has a key role to play in supporting and driving a responsible and socially aware enterprise base, both here in Ireland and throughout the world. Ireland is primed to play a leading role as a location for this new type of investment, with our open and global economy, our strong innovative talent base, and our commitment to equality and sustainability."*

He outlined the enthusiasm for sustainable development in Ireland across different sectors of the economy. He also set forth a vision for a modern Ireland, as a global centre for innovation and technology which can tackle the pressing global challenges presently facing contemporary society.

*"The government is firmly committed to the achievement of the [UN's] 17 Sustainable Development Goals. The adoption of the goals sets a new global standard for all to meet, in order to remain competitive in a world where sustainability and environmental consciousness have become the norm. Already, organisations across the country are responding directly to the SDGs and many more are active in related areas, such as poverty eradication, environmental protection, and access to health and education services, to mention but a few areas."*

The Taoiseach discussed the importance of developing an ecosystem of bespoke


The Dáil Government Building in Dublin, Ireland

> Impact investing has a key role to play in supporting and driving a responsible and socially aware enterprise base, both here in Ireland and throughout the world. Ireland is primed to play a leading role as a location for this new type of investment, with our open and global economy, our strong innovative talent base, and our commitment to equality and sustainability.
>
> **Micheál Martin, Taoiseach (prime minister) of Ireland**

institutions which build connections between the state and private sector in achieving sustainable goals. This commitment to impact investing was also strongly emphasised by Julie Simmons, then CEO of Enterprise Ireland, the government organisation responsible for the development and growth of Irish enterprises in world markets, who commented: *"Impact investing, in my view, provides a unique opportunity for Ireland to marry our entrepreneurial skills, innovation, influential diaspora, and talent with the burning need to progress sustainable development goals. This provides a double bottom line: a return for both the investor and society."*

Against the backdrop of an Irish government strongly committed to supporting sustainability, the roundtable discussion brought together experts based in Ireland, who are closely involved in developing a strong sustainable investment field. The objective of the discussion was to build a better understanding of what the role and likely scale of impact investing will be post-2021. It also involved taking stock of the most recent developments and the intentions of governments as well as investors, as indicated in their pursuit of the SDGs. It also provided an opportunity to discuss the role of international cooperation in further developing an impact investment ecosystem.

**Philosophy of impact investing**

The roundtable kicked off by diving straight into a controversial but important theme within the impact investing field by looking at whether it represented hype or substantive change to the ways of doing business. There was unanimous agreement across the panel that impact investing represented a zeitgeist shift in which the fundamental concept of capitalist investing was being extended to look at achieving significant social and environmental impact along with financial returns. Anne Finucane, chairman of Bank of America-Europe, commented: *"I think that sometimes something that begins as an idea or desire only becomes a movement and a reality if it makes sense to people on a large scale, and that is what sustainability, impact investing, and ESG [are doing]. It's the right thing and it's working out to be good business. And that can sound trite and kind of predictable, but it's turned out to be something new. It's turned out to be a movement that is based on a need. It's a need to help all of those in the world to be less poor. [It inspires] wealth creation and an environment we can all live in, so that our children and grandchildren can flourish. And now we have found a way to put some metrics and economics behind it so that we have that possibility in the future."*

> Sometimes something that begins as an idea or desire only becomes a movement and a reality if it makes sense to people on a large scale, and that is what sustainability, impact investing, and ESG [are doing].
>
> **Anne Finucane, chairman of Bank of America-Europe**

The panel agreed that the shift has been driven by consumer and millennial concerns that have forced businesses to extend their focus beyond profitability to incorporate the social and environmental effects of business. Enda Kenny, former Taoiseach of Ireland, shared his excitement for the possibilities presented by sustainable investing: *"I regard social impact investing as a real opportunity and one we should embrace with enthusiasm, with energy and indeed with excitement. Let's see what we can do by 2030 and beyond to leave this planet – which is in some distress at the moment – in better shape for the generations that are going to come behind us. The answer to the question is yes, social investing can have direct beneficial impact for social groups and for environmental change."*

Thus, the panel agreed that impact investing was not mere hype but in fact represented an important shift towards incorporating a wider range of factors in investment decisions. The seriousness of the commitment was captured, in particular, by the strong emphasis on measuring and reporting impact through greater transparency. The Edge, guitarist with U2 and ESG investor, described the way in which transparency in measuring impact was leading to greater democratisation of decision-making within the business sector. *"Think about how transparency has opened things up. People have the ability to really see what's going on. They have the ability to vote with their dollars, with their feet, and I think it's a much healthier place that we're in."*


I regard social impact investing as a real opportunity and one we should embrace with enthusiasm, with energy and indeed with excitement.

**Enda Kenny, former Taoiseach of Ireland**

The panel agreed that impact investing no longer represented a niche sector but had become a pervasive consideration across the business sector. Anne Finucane illustrated this by drawing attention to the way in which environmental concerns were becoming mainstream in the automotive industry. *"I think we're actually in the nascent stages of the evolution and revolution of green... Just a few years ago you had Tesla, that was the Electric Vehicle [EV], and that was it. Now you see everyone from General Motors to Volkswagen restructuring their manufacturing floors to prepare for the massive manufacturing of EV. That makes a big difference."*

**Financial returns and impact**

The roundtable delved into another contentious issue around impact investing – the often quoted 'double bottom line,' by which impact investing is considered to provide financial returns as well as social and environmental impact. Anne Finucane emphasised that the business was driven by profitability and no longer necessarily saw this sector as 'concessionary'. *"We are now projecting that over the next 10 years we'll do at least USD $1 trillion of climate financed activity. This is business and if we're thinking that, if our CEO's thinking that, then other companies are thinking that. We're not the United Nations, we are a capitalist company. We are focused on good shareholder returns and being a good stakeholder, and we actually need to do all of those things at once now."*

She also spoke about how, in a dynamic field, to attract investment, proving and showing impact was as important as demonstrating financial returns. *"There's probably USD $110 trillion of investable assets in the world, at least in the western world. Right now, already they think 40% of those have ESG qualities.*

*Why? They don't do that for concessionary capital. They do it because the client asks for it. The operating companies where you're investing know they have to do it. And, again, because of transparency – you have to prove it. Transparency is really key, because if you keep proving it, you're going to improve and you're going to see more activity."*

**The role of governments in supporting impact**

The roundtable highlighted the need for stronger support for sustainable investing from governments, through providing leadership. The discussion focused on three areas where governments could play a leading role. This included modelling and measuring the impact of the government sector, providing incentives through tax cuts for sustainable businesses, as well as promoting sustainability as a public need.

The discussion focused on the relationship between government and business working in tandem to maximise the opportunities available to contribute to the social good. In this, Enda Kenny provided a clear understanding of the different roles that governments could play in creating the right sort of environment for sustainable investing. He focused on the role of government in modelling good practices and setting the standard of transparency by measuring and tracking their own impact.

*"From my experiences over the years, here's an opportunity for government – any government, if they're really interested – to say, 'We're starting from the top here and this is part of our programme'. Every department of state, every NGO, every agency of government, every local authority, every educational institution will now have to track their progress against the SDGs."*

Another important role of democratic governments is to create an environment which has stability and is conducive and attractive to businesses, while still creating an ecosystem in which sustainability is a core concern. He suggested a 'hands off' approach in which key questions around sustainability were part of the conversation around investing, but businesses also had the freedom to set their own plans in place. *"The relationship is one where you have stability, where business can plan against a horizon for what it wants to do."*

Reflecting the perspective of businesses, Anne Finucane agreed with a hands-off approach, suggesting that businesses are structured to quickly respond to the demands of consumers. *"I would suggest that capitalism is like a heat-seeking missile. It recognises, as a movement, that you have to be a company that is transparent, has diversity, and is forward thinking. And forward thinking means that you're thinking about climate, etc."*

She saw businesses and governments as playing a 'complementary role' in promoting societal and environmental impact and greater transparency. *"I'd say we're at the early stages of some really complementary behaviour."*

She suggested that the next stage in accelerating the deployment of sustainable

> I think what we need to really get the job done of zero carbon emissions by 2050 is to have everybody involved. That means we've got to encourage existing industries, that might have a bad reputation, to change, and enlarge the tent and make sure that we don't make good the enemy of perfect. We've got to have our eyes on the prize for 2050, zero emissions, and that means a change of narrative towards solutions.
>
> **The Edge, guitarist with U2**

capital required more intergovernmental cooperation in establishing transnational standards of transparency and measuring sustainability. *"We need standards that work across governments. The EU has an EU framework on climate for instance. The US will soon probably have one that's similar but not the same. China is less transparent and so I don't think we have a really good view of what they're willing to do. Yet, all these governments have said they will commit to net-zero. Capitalism knows that is real and so because it's real, it is an opportunity."*

This needs to be supported with greater incentives for sustainable investing as well as regulations around transparency. *"What we really need from government is what we get in the US, which is transparency, but [also] some tax incentives. I hope that they do more of that in Europe."*

Enda Kenny affirmed the European Union's commitment to promoting sustainability through providing incentives to businesses. *"There is a willingness [within the European Commission] to recognise that there should be further incentives for what companies do, and are prepared do to, to meet the SGDs and implement them, and that trust [and] transparency [are] very important. So, it's significant resources from Europe – I think you will see a change there."*

**Future of impact investing**

Looking ahead, Anne Finucane suggested that there was a great deal of optimism, along with an acknowledgement that the global challenges we face require innovative solutions, driven by diverse thinking, as well as immediate and focused action. *"I'm very optimistic. I'm realistic, but I'm optimistic. I take the point that The Edge made earlier about politicians and I'd apply it to business too – we need to be long-term thinkers on the one hand, on the other hand we need to be present. I think that we need more diversity in a room so that we can hear more good ideas."*

The Edge proposed that a way forward was to encourage as many businesses as possible to get involved in creating and measuring impact. *"I think what we need to really get the job done of zero carbon emissions by 2050 is to have everybody involved. That means we've got to encourage existing industries, that might have a bad reputation, to change, and enlarge the tent and make sure that we don't make good the enemy of perfect. We've got to have our eyes on the prize for 2050, zero emissions, and that means a change of narrative towards solutions."*

The roundtable concluded by emphasising the importance of having a strong collective vision of global success. Anne Finucane described it as follows, *"We need to see that there is no success unless we all have success."* ■

## A special message from Enda Kenny followed –

'The world of business continues to evolve and change. A new approach has to be one that can harness the power and innovation of entrepreneurs to create wealth in a more equitable and more sustainable way. I believe that impact investing will dominate global financial thinking in the next decade.

Impact investing provides the structure, the goals, and the disciplines necessary to implement this new approach. Far from being a blockage or a cost that limits business it is both liberating and energising. Impact investing demonstrates to business owners that their companies can not only be highly successful but can also contribute enormously to society at the same time. It says to investors that private resources can make a huge difference to the public good. It says to both businesses and investors that a social return does not lead to lower profits. On the contrary, mission-led companies outperform many of their peers. This is a concept that the next generation of young leaders will support strongly.

We in Impact Ireland believe that Ireland can and will become a global centre for impact investing. As the only English-speaking, common law jurisdiction in the EU with a young, diverse, and highly educated workforce, Ireland is a magnet for international investment. For decades Ireland has proven to be a trusted and productive location for businesses of all sizes and in all sectors. Irrespective of global corporate changes this will continue to be the case.

> Impact investing demonstrates to business owners that their companies can not only be highly successful but can also contribute enormously to society at the same time.
>
> **Enda Kenny, Former Taoiseach of Ireland**

However, Ireland marries this belief in free trade with a concern for environmental and social progress. This combination of factors, a commitment to enterprise as well as to a greener and more inclusive society, makes Ireland an outstanding location for driving and developing impact investing.

I congratulate Campden Wealth, GIST Initiatives, and Barclays for including a report on Ireland in this year's Global Impact report. I would welcome anyone with a commitment to impact investing to look to Ireland as a place where capital can achieve a great commercial, environmental, and social return. If you do so your faith in us as global winners will be justified.' ■

7.

# 2021 in focus

## Key findings

- The majority of respondents (63%) assert that Covid-19 has made impact investing more appealing **(figure 7.1, pg. 73)**. As a consequence, roughly two-thirds (63%) report that the pandemic has led them to consider more systemic risks, such as climate change **(figure 7.3, pg. 73)**, in their investment portfolios, while 43% have widened their risk assessment to include more non-financial ESG factors **(figure 7.2, pg. 73)**.

- Suggesting that the future of sustainability, as a mainstream form of investment, is promising, another 43% of traditional-only investors claim that sustainable investing's rising popularity has changed how they make decisions about their traditional investments **(figure 7.5, pg. 75)**.

- While a majority of respondents (63%) agree that impact investing is being driven by the next generation, most (61%) also believe that it is now being embraced by the current generation. This is creating, what 57% note to be, a bridge between older and younger generations **(figures 7.6-7.8, pg. 75-76)**.

- Half (51%) of respondents indicated that impact investing and philanthropy would benefit from blockchain technology, while 43% responded that blockchain should be used to increase financial inclusivity **(figures 7.11-7.12., pg. 78).** A roundtable discussion entitled, *Blockchain, a New Frontier for Sustainable Investment* on **page 79** with technology experts David Brierley, David Mullane, Riccardo Milesi, and Elisa Giudici provides an enticing exchange on this divisive issue.

## 7.1 The 'impact' of Covid-19 on investing

When the World Health Organization declared Covid-19 a global pandemic on 30 January 2020, it created a tidal wave. Lockdown measures were quickly put in place and bustling city centres were hollowed out, businesses, restaurants and shops were shuttered, and people had to quickly adapt to a 'new normal' of restricted living. The stock market took a swift and significant downturn, and a global recession ensued. Meanwhile, the creeping death toll took more than four million lives globally by July 2021[41].

This experience brought the issue of risk to individuals, companies, and countries at large to the forefront of discussion, as people and systems were put to the test. Heads of businesses, medical professionals, government employees, keyworkers and others pulled together and, as a product of their considerable efforts, a year on, much has changed. Vaccines have been rolling out, in most cases at record speed, and while life, for many, has begun to return to some semblance of normalcy, it has led to profound and irreversible changes to the global economy.

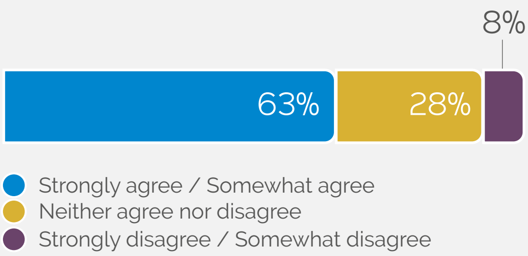
### Two-thirds assert Covid-19 has made sustainable investing more appealing...

As people around the world contributed, each in their own way, to fight the pandemic and maintain a healthy, functioning society, most of those we surveyed (63%) assert that Covid-19 has made sustainable investing more appealing to them **(figure7.1)**. (Merely 8% note that it has not.) As one investor noted:

[41] Worldometer, July 16 2021: https://www.worldometers.info/coronavirus/coronavirus-death-toll/

> Our foundation provides emotional support to elderly people and we were well known before Covid-19 hit. However, because we provide services that made isolation a bit easier for one of the main vulnerable groups, the awareness of the impact achieved by our foundation just skyrocketed in the media and from public bodies.
>
> **Private investor, Lithuania, Europe**

Figure 7.1
**Covid-19 has made sustainable investing more appealing**



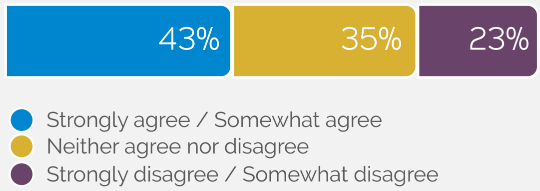

Source: Campden Wealth/GIST Initiatives/Barclays Private Bank, Investing for Global Impact 2021.
Figures may not sum to 100% due to rounding.

### ...and that they are now integrating more ESG factors into their investments...

Another near two-fifths of respondents (43%) remark that the pandemic has led them to widen their risk assessment to include more non-financial ESG factors into their investments.

For many, this was an aspiration delivered from last year. In the 2020 Investing for Global Impact report, 69% of respondents stated that Covid-19 has affected their views of investing and the economy, and 66% subsequently asserted that they planned to widen their risk assessment to include more non-financial ESG factors into their investing – a commitment 43% have already undertaken **(figure 7.2)**.

Figure 7.2
**In the last year due to the pandemic, we have widened our risk assessment to include more non-financial (ESG factors) into our investments**

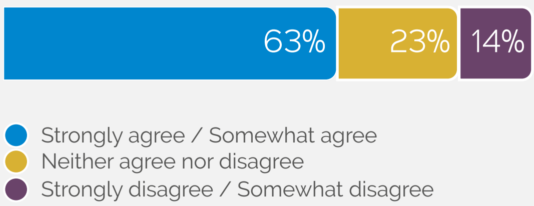



Source: Campden Wealth/GIST Initiatives/Barclays Private Bank, Investing for Global Impact 2021.
Figures may not sum to 100% due to rounding.

### ...and considering more systemic risks, such as climate change, in their portfolios

Nearly two-thirds (63%) have also begun to consider more systematic risks, such as climate breakdown, in their investment portfolios; something merely 14% felt they would not do **(figure 7.3)**.

Figure 7.3
**The pandemic has made me consider more systemic risks, such as climate change, in my investment portfolio**




Source: Campden Wealth/GIST Initiatives/Barclays Private Bank, Investing for Global Impact 2021.
Figures may not sum to 100% due to rounding.

In an interview, one respondent talked about society's shift toward sustainable investing. However, she also explained how some countries have been hit worse by the pandemic than others and how this is influencing their priorities, with immediate survival coming before wider environmental concerns:

> Due to Covid-19 there has been a change in mindset. People understand that the world is in deep trouble. They have had time to understand and listen to what's going on. Every person and every company should be aware of what's happening and do what they can. Hopefully then, the next generation will find it easier to propel their impact forward.
>
> With that said, not all countries are on an even kilter. In India, for instance, given the deep impact of Covid-19, conversations revolve around how businesses are going to get out of dire straits after the pandemic. I drove around Bangalore recently and there are so many shuttered stores and businesses going bankrupt. So, people are thinking more about imminent survival rather than the environment.
>
> **Wealth holder, single family office, India, Asia-Pacific**

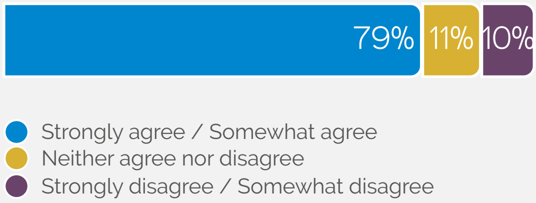
## Most want pandemic recovery packages to prioritise green investment and carbon reduction

Highlighting priorities for wider government investment, four-in-five respondents (79%) would like pandemic recovery stimulus packages to prioritise green investment and the transition to a low-carbon economy **(figure 7.4)**.

In her interview Caroline Rupert spoke about how Covid-19 had made global cooperation on climate change a necessity.

> Covid-19 has made people more aware of global interconnectivity and how vulnerable we are as part of a shared system. It has highlighted the importance of global cooperation and the necessity to take care of our biodiversity.
>
> **Caroline Rupert, wealth holder, single family office, United Kingdom, Europe**

Figure 7.4
**Pandemic recovery stimulus packages should prioritise green investment and transition to a low-carbon economy**




Source: Campden Wealth/GIST Initiatives/Barclays Private Bank, Investing for Global Impact 2021.
Figures may not sum to 100% due to rounding.

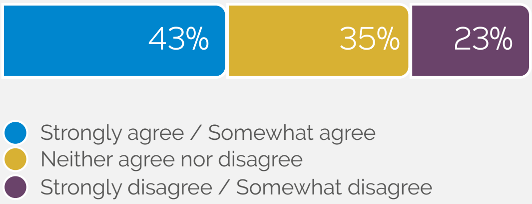
Satish Kumar Modi agreed with the need for global cooperation to deal with the critical issues facing the planet. He pointed to the importance of multilateral cooperation in controlling the Covid-19 pandemic:

> The primary focus of every government should be on protecting human life and nations need to pool their resources towards this end. Since this virus is here to stay, efforts should be made to develop a single dose vaccine that will be effective for life. This should be available to every citizen of the world free of cost. Governments across the world need to develop universal travel regulations, common travel restrictions, and quarantine rules. This will enable people to reconnect with their family and friends since most people have been isolated for over 18 months of their lives.
>
> **Satish Kumar Modi, chairman of Modi Global Enterprise, India**

### The rise in impact investing is shaping investors' outlook on their traditional investments

As impact investing continues to rapidly grow, it is beginning to create a change in the wider investment community's mentality. Two-fifths (43%) report that the rising popularity of impact investing has changed how they make decisions about their traditional investments **(figure 7.5)**. As illustrated by this research series, the average proportion of investors' portfolios dedicated to impact investing continues to grow year-on-year, as impact investing is seen to generate strong financial returns. Furthermore, social and environmental consciousness have become more central themes in investors' minds. This suggests that the future outlook for sustainability, as a mainstream form of investment, is promising.

Figure 7.5
**The rising popularity of impact investing has changed how I make decisions about traditional investing**




Source: Campden Wealth/GIST Initiatives/Barclays Private Bank, Investing for Global Impact 2021.
Figures may not sum to 100% due to rounding.

## 7.2. The long-term view

Family offices have a crucial role to play in impact investing. This is due to the amount of wealth available for investing by this cohort, which is at an all-time high. 2020 has seen a 6.3% increase in the global population of high net worth individuals (HNWIs) and a 7.6% jump in their wealth[42]. Along with this, the demand for sustainable investment within this group is growing. This is largely due to a generational shift in thinking, with younger generation wealth holders being more inclined to invest sustainably.

### Amidst the greatest wealth transfer in human history, Next Gens are a driving impact

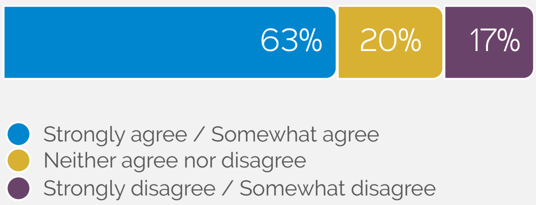
Within the next 25 years we will see the largest wealth transfer in history as the baby boomer generation passes on an estimated USD $68 trillion to the next generation.[43] With this in mind, it helps to look at inter-generational differences in attitudes towards impact investing.

Here, most respondents (63%) agree that impact investing is being driven by the next generation **(figure 7.6)**. As two respondents described:

> There is pressure from the younger generation who say, 'We want to take over the family business. We want to go to the bank with you to capitalise the business, so that we can grow it in a sustainable way'. It's not that one day this will happen, it's already happening – it's a generational shift.
>
> **Private investor, United Kingdom, Europe**

> What's driving impact is the younger generation. In the past you might have earned your money from a dirty industry, but then you would give philanthropic donations from your profit. This just doesn't seem like the right thing to do for the younger generation.
>
> **Co-founder and chief investment officer, global private equity firm, United Kingdom, Europe**

Figure 7.6
**Impact investing is being driven by the younger generations**




Source: Campden Wealth/GIST Initiatives/Barclays Private Bank, Investing for Global Impact 2021.
Figures may not sum to 100% due to rounding.

[42] Capgemini 2021 World wealth report. https://worldwealthreport.com/wp-content/uploads/sites/7/2021/07/World-Wealth-Report-2021.pdf
[43] Cerulli Associates November 29, 2018 $68 Trillion Assets in Motion. https://info.cerulli.com/HNW-Transfer-of-Wealth-Cerulli.html. Barclays May 27, 2021 Are you ready for 'The Great Wealth Transfer'? accessible at https://www.barclays.co.uk/smart-investor/news-and-research/market-analysis/are-you-ready-for-the-great-wealth-transfer/

## Impact investing is bringing generations together

Whilst impact investing might have originally been driven by the next generation, most participants (61%) agree that it is now being embraced by the generation currently in charge of the family's wealth **(figure 7.7)**. Furthermore, 57% highlight that a positive consequence has been that a bridge is being built between generations **(figure 7.8)**. In the words of one baby boomer:

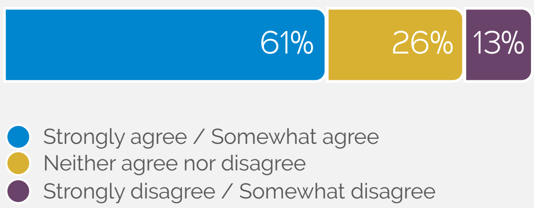
> I would say my generation, 50 plus, are starting to take real responsibility. I think this is connected to the new generation. Kids are really putting pressure on parents and I think this is becoming a hot topic in family discussions.
>
> **Private investor, Netherlands, Europe**

Priscilla de Moustier described the ways Wendel Group is incorporating more social and environmental considerations into the business to accommodate the needs of the next generation:

> In a family business you're not working for your generation, you're working for the next generation. It's one of the reasons why I fully support Christine Anglade Pirzadeh, our sustainability director and the wonderful job she does. Her work is completely in line with the needs of the next generation.
>
> **Priscilla de Moustier, chairman and chief executive officer of Wendel-Participations, France, Europe**

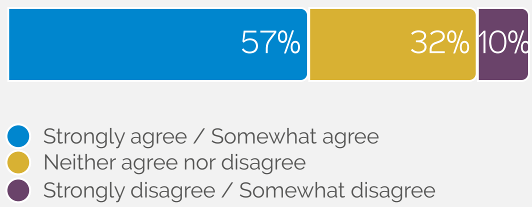
For a more detailed discussion of the effects of Next Gens on sustainability considerations in business decisions read the full case study on **pg. 53**.

Figure 7.7
**Impact investing is being embraced by the generation in charge of the family's wealth**




Source: Campden Wealth/GIST Initiatives/Barclays Private Bank, Investing for Global Impact 2021.
Figures may not sum to 100% due to rounding.

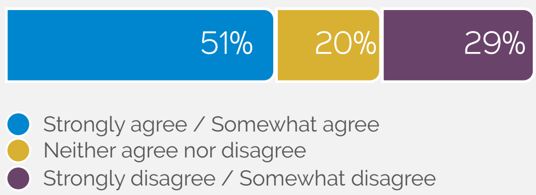
Figure 7.8
**Impact investing is creating a bridge between older and younger generations**




Source: Campden Wealth/GIST Initiatives/Barclays Private Bank, Investing for Global Impact 2021.
Figures may not sum to 100% due to rounding.

Alongside this merging of minds, **figure 7.9** denotes that most respondents (51%) believe the different generations are now broadly in agreement about which approach to take when investing the family wealth (traditional investing versus impact investing). Just 29% report that they broadly disagree.

Figure 7.9
**The different generations are broadly in agreement about which approach to take when investing the family wealth (e.g. traditional investing versus impact investing)**




Source: Campden Wealth/GIST Initiatives/Barclays Private Bank, Investing for Global Impact 2021.
Figures may not sum to 100% due to rounding.

## 7.3. Blockchain technology and impact investing

> Blockchain has promise as a tool for social impact, and it's just the tip of the iceberg as we know it… It's been developing over the past several years as we're all creating the future we wish to have together.
>
> **Monique Morrow, chief technology strategist**

Blockchain is best understood as the underlying technology behind digital currencies, such as bitcoin. However, independent of its use in digital currencies, blockchain technology has applications well beyond digital currencies. It is currently being adopted by governments, entrepreneurs, and industries with a diverse set of uses.

The power of blockchain lies in its ability to record information in a manner which is very hard or near impossible to alter or hack. Within a blockchain, the record of every new transaction gets added to different ledgers (hundreds or even thousands) before the transaction is verified and recorded. This form of decentralised technology enables the participants within a peer-to-peer network to make transactions without the need of a trusted central authority. At the same time, it relies on cryptography which ensures the integrity of transactions. Furthermore, the concept of tokenisation using blockchain refers to the issuing of a blockchain security token that digitally represents real assets, qualifications, or participation in an investment fund.

These uses make blockchain a technology which could be invaluable in developing transparency, traceability, and credentialisation within impact investing, a sector which has struggled to establish records for the social and environmental impacts achieved.

However, promising uses of blockchain have been somewhat dampened by concerns around the energy consumption required to sustain this technology. It has led to questions about whether blockchain represents an energy-intensive technology which undermines climate change mitigation or a revolutionary development that can be used for the promotion of sustainability.

This year's report looks at respondents' attitudes towards blockchain and presents the views of technology experts on this divisive issue.

### While most don't currently invest in cryptocurrency, there is budding appetite

While the large majority (78%) of respondents do not currently invest in cryptocurrency, nearly one-quarter (22%) trade cryptocurrencies and another 11% use them for payments. Additionally, of those not currently involved, 16% are actively researching cryptocurrency and 24% are open to it in the future **(figure 7.10)**, suggesting that there is a growing appetite for this new form of currency.

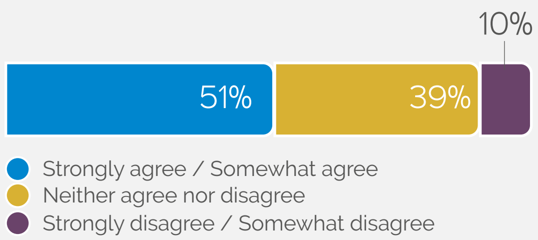
Figure 7.10
**How respondents best describe their experience with crypto assets**


Source: Campden Wealth/GIST Initiatives/Barclays Private Bank, Investing for Global Impact 2021.
Figures may not add up to 100% as multiple answers were permitted.

## Half believe blockchain technology can benefit impact investing and philanthropy

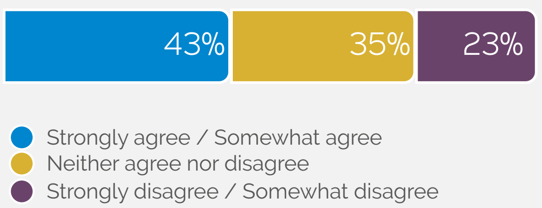
While blockchain technology is well-known for its role in the cryptocurrency market, the technology has uses far beyond this single asset class, as noted above. With these benefits in mind, half of respondents (51%) believe that impact investing and philanthropy can benefit from blockchain technology, while 43% assert that blockchain technology should be used to accelerate financial inclusivity (**figures 7.11** and **7.12**).

Figure 7.11
**Impact investing and philanthropy would benefit from blockchain technology**




Source: Campden Wealth/GIST Initiatives/Barclays Private Bank, Investing for Global Impact 2021.
Figures may not sum to 100% due to rounding.

Figure 7.12
**Blockchain and crypto assets should be used to accelerate financial inclusion**




Source: Campden Wealth/GIST Initiatives/Barclays Private Bank, Investing for Global Impact 2021.
Figures may not sum to 100% due to rounding.

The following case study brings together experts in blockchain technology to outline how and why it can be used to both benefit and accelerate sustainable investing.

Case study

# Roundtable discussion: Blockchain, a new frontier for sustainable investment

Organised at the behest of the *Investing for Global Impact* report, in June 2021, Monique Morrow, who has over 25 years' experience as a global technology leader, chaired an online discussion entitled, *Blockchain and the New Frontier for Sustainable Impact Investment*. It brought together experts and innovators who develop sustainable solutions using innovative technologies. These panellists provided insight into the various ways that blockchain technology can be utilised to further sustainability efforts. They also discussed ways to mitigate some of the concerns / challenges around the mainstreaming of blockchain technology in the impact investing field. The panel included:

- **Elisa Giudici,** general partner at Rethink Capital and trustee of the Impact in Tech Foundation;
- **David Brierley,** founder and CEO of Hyprr, which is a blockchain-powered decentralised social media social application;
- **David Mullane,** partner at Falls Bridge with 25 years' experience in alternative investing; and
- **Riccardo Milesi,** co-founder of Digital Eyes Capital, an investment firm focused exclusively on crypto assets.

## Uses of blockchain for sustainable investing

The roundtable leapt straight into a discussion about the myriad of ways in which blockchain technology can be highly useful in the sustainable investing space.

### The benefits of transparency and traceability

The decentralised networks that underpin blockchain provide a strong level of


transparency and traceability. This can play an important role in building trust in institutions working in the impact investing space. As David Brierley highlighted:

*"Blockchain can bring transparency and trust. [Impact investing projects are] not typically projects that have been launched by mega corporates where they've got the balance sheets to protect the investors. They are small projects trying to do things which are very innovative and could change the world – but there are no guarantees. So, in order to get a real sustainable flow of capital, blockchain can provide a level of transparency that enables people to see exactly where they are and to plan where their money is going. That, in my mind, is a revolution."*

According to Elisa Giudici, blockchain can carry multiple other benefits for sustainable investing. For instance, the immutability of blockchain records can play a crucial role in establishing the integrity of the record of impact investment funds. She commented, *"It can be a guarantee of the impact the company is having."*

"We need to give everyone access to impact investing, and blockchain can help do that. For example, a global tokenised impact investing fund can allow everybody to invest and offer the possibility of financial inclusion.

**Elisa Giudici, general partner at Rethink Capital**

## Creating digital identities

Blockchain can also be used to store identity-related information about individuals, which can be accessed globally. *"Blockchain itself can really make the difference,"* Elisa Giudici commented. *"We've already seen it in many projects; it can give identity to people."*

However, Elisa Giudici also drew attention to the need to ensure that access to blockchain was inclusive and could encompass as many people as possible.

*"I think the main problem that blockchain will face is finding the best way to have an entry point that is safe and inclusive."*

Monique Morrow agreed that the use of blockchain to store identity information was receiving attention from governments and international organisations. She had been part of such discussions within both the European Union and the United Nations High Commissioner for Refugees (UNHCR) agency. In these discussions ethical issues, such as protecting personal information stored on blockchains and ensuring equitable access, were a priority.

## The utilisation of tokenised impact investing funds and NFTs

Elisa Giudici was also energised by the possibility that blockchain can make impact investing widely accessible through the creation of global tokenised impact investing funds:

*"We need to give everyone access to impact investing, and blockchain can help do that. For example, a global tokenised impact investing fund can allow everybody to invest and offer the possibility of financial inclusion. For instance, you might want to invest in impact investing, but you may not have a lot of money. Tokenised funds can be the answer. You can invest, even small amounts and if you need the money back at a certain point, you can exchange the token and someone else can take your place to make the impact. The beauty of blockchain is that it's opening these amazing doors."*

Furthermore, the sale of non-fungible tokens (NFTs) can be used to raise impact-related funding. For example, Elisa Giudici highlighted, *"Catherine Foster did a three-day NFT auction and raised USD $6.66 million for the Open Heart Foundation with NFTs; it was amazing."*

Riccardo Milesi also suggested that digital tokens could provide a credentialisation of donations, which could become important markers of status.

It would be beneficial *"if we could obtain NFTs as proof of impact or proof of donation of our contributions. I see a new trend developing where people want to show off these incredibly rare impact NFTs rather than other luxury items. At the end of the day, they both show the wealth behind the contribution."*

Monique Morrow

## Decentralised finance and infrastructure which is independent of big institutions

Another key advantage of blockchain technology is that it allows the 'middleman' to be removed from a wide array of transactions. This can lead to efficiency gains and can improve accessibility – something Riccardo Milesi felt was the most revolutionary aspect of blockchain:

*"The best way to achieve the UN Sustainable Development Goals is to boost financial inclusion. This is really a game changer and the biggest use for blockchain technology. Historically, the problems we have encountered up until now to achieve financial inclusion are: geographical access to financial institutions, insufficient funds to operate a bank account, and the lack of necessary documentation. Blockchain can and will disrupt this."*

Additionally, the use of smart contracts allows the automation of many processes (e.g. payment execution), thus cutting down the cost and time of doing transactions, and improving services by reducing bureaucracy. For Riccardo Milesi, the reduction of transaction costs, both financial and administrative, can be particularly important for small businesses and start-ups, which often lack substantial financial capital and operate efficiently:

> I think that raising funds, receiving donations, and transferring money will be easier, cheaper, and faster on blockchain…The use of smart contracts will play a huge role in increased capital efficiency.
>
> **Riccardo Milesi, co-founder of Digital Eyes Capital**

*"I think that raising funds, receiving donations, and transferring money will be easier, cheaper, and faster on blockchain…The use of smart contracts will play a huge role in increased capital efficiency."*

> I think it's going to create a revolution…If we just take the world of decentralised finance, there's a new financial services system that's being built that doesn't involve the banks…It is by a completely different group of people; it's phenomenal to watch.
>
> **David Mullane, partner at Falls Bridge**

David Mullane outlined how blockchain-enabled transactions, which are decentralised and autonomous of traditional financial organisations, can bring about new forms of governance arrangements that would be independent of existing economic and power dynamics. Such organisations could play a crucial role in reducing global income inequalities:

*"I think it's going to create a revolution…If we just take the world of decentralised finance, there's a new financial services system that's being built that doesn't involve the banks…It is by a completely different group of people; it's phenomenal to watch. I think we've seen a massive migration of talent away from traditional companies into this world. One of the most important aspects is that the talent is hugely aligned. People are only going to get rewarded if they deliver – most of them are self-employed…*

*One of the things the government has struggled most with is income equality. I'd argue* *that without any government involvement, blockchain is going to do more to resolve this issue than any government around the world has been able to do."*

Furthermore, David Mullane suggested that the blockchain community, unlike the traditional finance community, is aligned around common values:

> The culture and community that's built around blockchain will hopefully lead to more genuine impact investing.
>
> **David Mullane, partner at Falls Bridge**

*"When I observe the blockchain community as compared to the traditional finance community, there is a sense of 'community'. The transparency [within blockchain] means that people can see the real impact. It's not a kind of badge saying, 'we're doing this because we have to'. The culture and community that's built around blockchain will hopefully lead to more genuine impact investing."*

David Brierley agreed and pointed to the balanced business model adopted at Hyprr. He suggested that, if this model was adopted by more traditional institutions and companies, it would lead to significant positive social impact.

*"[At] Hyprr we have a balanced business model. In our model, 30% of our net profits go to impact funds. That to me is the real change. If Twitter, Facebook, Google, Apple, just those companies [were] to basically revamp their business models to a balanced business model, the amount of change they could bring would be far in excess of what any government or organisation could bring."*

He emphasised that real change would only occur if businesses and governments were in alignment around common values.

*"In order to really realise the value that blockchain can bring, it will require a relationship between governments and business."*

## Concerns around blockchain

Aside from its benefits, blockchain technology has also spurred concerns around environmental unsustainability and the facilitation of corruption. The panel provided information to mitigate some of these concerns and also discussed rapid developments in the field that could further address such matters in the future.

### The environmental impact of blockchain

The way in which transactions are secured and verified on blockchain are regarded as highly energy intensive. This has led to questions around balancing the long-term benefits of blockchain against the urgent need to reduce fossil fuel consumption.

With that said, David Brierley pointed out that apart from cryptocurrencies, such as bitcoin, most blockchain networks are moving to 'proof of stake'. This is a consensus mechanism which moves away from the energy-intensive mining process required by 'proof of work' and instead relies on network actors who stake financial assets on their own future trustworthiness. David Brierly commented, *"We've seen the migration over Ethereum with EIP 1559. It bases the transition from proof of work to proof of stake, which cuts emissions by about 95%."*

> I believe in regulation, and I'm astonished that governments haven't moved faster to regulate the exchanges. But, even though they haven't regulated the exchanges, I think the industry is starting to regulate itself.
>
> **David Brierley, founder and CEO of Hyprr**

### Corruption: Money laundering and tax evasion

Critics of blockchain have also looked at how the anonymity of users, particularly within cryptocurrency, and the possibility for blockchain-enabled networks to operate across borders, can increase opportunities for illegal transactions and criminal activities, including money laundering and tax evasion.

David Brierley explained that regulations are developing within the blockchain network to counter these concerns:

*"In any system, there is going to be, unfortunately, bad actors. If you look at the landscape, it's very difficult now for hackers who ransom bitcoin or whatever cryptocurrency, to actually turn it into fiat (legal tender). This is because most of the, let's call them dodgy exchanges, have been wiped out. I believe in regulation, and I'm astonished that governments haven't moved faster to regulate the exchanges. But, even though they haven't regulated the exchanges, I think the industry is starting to regulate itself."*

Riccardo Milesi agreed that the level of transparency provided by blockchain made it easy for the industry to regulate itself:

*"The transparency of blockchain is, ultimately, why it is a superior infrastructure. For example, for liquidity providers that invest in one of my funds, their digital address has to go through a know-your-customer (KYC) and anti-money laundering process, which are a lot more accurate and faster than in traditional finance, resulting as basically immediate."*

## Next steps

The roundtable concluded by outlining concrete next steps necessary to further support the use of blockchain for sustainable investing.

### Promoting education and government / industry integration

David Mullane emphasised that the way forward is to provide independent, accessible research and advice on blockchain so that individuals, governments, and businesses can make informed decisions:

*"Real change will be affected when governments and large corporations start harnessing this new technology. The way we can accelerate that and benefit from what we know is the network effect. So, it's about trying to educate people as to the huge benefits of this industry."*

Riccardo Milesi further suggested that having real world businesses use blockchain will be crucial to its future success:

*"We need to start looking at how to integrate blockchain into real world use cases. Because of the huge talent the industry has attracted lately, I believe this turning point is around the corner."*


Riccardo Milesi

David Brierley echoed this and drew attention to Hyprr as a business which could lead the way in showcasing the significance of blockchain in bringing about changes to traditional business models:

*"My focus is on bringing Hyprr to market because that's where I can effectively create change. If everyone focuses on something to make change, then collectively that means great change."*

The opportunities of blockchain technology for impact investing are significant, not least when it comes to increasing trust through public transparency and reducing costs through access to decentralised finance. However, new technologies rarely follow a straight path from concept to adoption. It is therefore important that discussions such as these are had to discuss the variety of ways that blockchain can benefit our everyday lives and how the risks these new technologies present can be effectively tackled.

# 8.

# Roundtable discussion: The partners' view

### How would you describe the impact investing market today?

**GIST Initiatives:**
The impact investing market is still relatively new and, in its infancy, however, experts are enthusiastic overall about its development and anticipate an ecosystem with increased scale, solidarity, sustainability and a vibrant outcome… A Power for Good. We need sustainable impact at scale.

**Barclays Private Bank:**
For private investors, it's still at the early-adopter stage. Many investors are more aware of the opportunities available to them with their portfolios. This could be due to climate risks emerging in their portfolio, or an interest to catalyse commercial solutions to social or environmental problems, or having seen the recent momentum into sustainable investments. We've certainly seen an increase in clients proactively asking us how we can help them, either individually or as a family.
But interest does not immediately translate into portfolio action. This is why data from the report's respondents is so valuable – to help investors shift interest into action.

**Campden Wealth:**
Investors' drive is certainly one of sustainability. However, we are witnessing an evolution here, which echoes the rapid maturing of the industry. In this report, a remarkable 70% of respondents assert that the transition to net-zero emissions is 'the greatest commercial opportunity of our age'. With nearly 60% reporting that their impact investments either performed the same as or outperformed their traditional investments in 2020, we are seeing a coupling between passion and profitably – a force that can only propel this industry further forward.

### How has Covid-19 affected investment into sustainability?

**GIST Initiatives:**
Covid-19 has multiplied global uncertainties and challenges. The economic and financial shocks associated with Covid-19 have generated new opportunities for sustainable investments and regeneration, however these also make finance for sustainability endeavours more difficult. Critical

**Gamil de Chadarevian,**
Founder, GIST Initiatives Ltd.

**Damian Payiatakis,**
Head of Sustainable and Impact Investing, Barclays Private Bank

**Dr. Rebecca Gooch,**
Senior Director of Research, Campden Wealth

aspects of the global pandemic and current trends may even compromise the commitment to the SDGs.

**Barclays Private Bank:**
While some initially questioned whether Covid-19 would dampen the momentum of sustainable investing, instead it's provided yet another accelerant to its growth.
First, previously sceptical clients are now having to acknowledge the performance and inward investment flows we've all seen during this volatile and uncertain period. They're asking for guidance and opportunities to invest more sustainably.
Additionally, as investors have been challenged to safely pilot their family's lives and their portfolios through the disruptions, we've been supporting them through more and different discussions about the future - how their family's wealth can reflect more of their values and the role they want to play in society.

> Sustainable investing has not gone mainstream – mainstream is becoming more sustainable.
>
> **Damian Payiatakis, Head of Impact Investing, Barclays Private Bank**

### Has impact investing gone mainstream and, if so, to what effect?

**Barclays Private Bank:**
Sustainable investing has not gone mainstream – mainstream is becoming more sustainable. This means within investment practice we're starting to assess both the impact the world has on our clients' investments, and also the impact their portfolios are having on the world. Sustainable investing can no longer be questioned as a fad or fashion; but rather it will be fundamental to how we invest in the future.

**GIST Initiatives:**
Genuine impact investing has expanded, however, it is still quite a niche market; it will reach mainstream once investors have access to high-grade impact pipelines as well as adequate skills and experience. In the current economic climate, smart impact investing is essential.

**Campden Wealth:**
Year-on-year we are seeing growth in the inclusion of sustainability considerations in investing decisions. Ultra-high net worth investors and family offices have always been front runners in sustainable investing, and they continue to set a challenging path for other investors who will follow in their footsteps. With that said, what is new is the blurring of boundaries between investing for a financial return and putting money towards urgent social needs. Both larger institutions and individual investors are increasingly recognising that these two activities are not mutually exclusive. In fact, they are increasingly investing in companies which deliver solid financial returns and, at the same time, have a positive social or environmental impact. This is an exciting and much needed development.

### What do you see as a key challenge to the industry and how can it be overcome?

**Campden Wealth:**
Some investors, who are not involved in sustainable investing, still believe it breeds greater costs than benefits. This is because they believe sustainable investing cannot produce financial returns which align with traditional investments, and they question the effectiveness of investments' social/environmental impact. To overcome these challenges, ongoing research is needed to track the positive performance of sustainable investments, which debunks misconceptions surrounding returns. Furthermore, whilst progress has been made with regard to non-financial measurement and reporting frameworks, more needs to be done to improve existing frameworks and to share the progress made across the industry, so that new investors can feel confident that their funds will be used effectively.

**Barclays Private Bank:**
At the moment, the primarily hindrance to the industry is the notion that all sustainable investing is identical. This is incorrect, and given the various approaches they use **(figure 3.1)**, the report's respondents recognise this nuance.
The issue is this potentially drives misunderstanding and misrepresentations about what sustainable investing is, and isn't; this in turn leads to risks of unwarranted hype and greenwashing.
It is important for investors to look for help to

articulate their preferences and understand the various options. It's also down to the media and industry practitioners to be more clear and precise with our language so we are clear, fair, and not misleading, either positively or negatively around the industry.

## What do you believe will be the impact of COP26?

### GIST Initiatives:

Mitigating climate disaster is not only a good idea, but a necessity to avert catastrophe and save our planet and civilisation. To achieve this, we need global agreement and solidarity amongst world leaders. However, this will require fundamental changes. The critical question is whether world leaders can unite to make these changes. For me, the key questions facing world leaders are:
Can they agree on a pioneering and effective paradigm shift and measurable call to action; a global, holistic action plan for climate change?
Can they sustainably fuse power and purpose to commit to global cooperation and a sustainable transformation?
Can they transition from a static risk review to a holistic and dynamic risk assessment?

### Barclays Private Bank:

COP26 needs to serve as a step-change in the level of global commitment and, moreover, action around climate change. We must heed the Intergovernmental Panel on Climate Change report and recognise that the longer we wait, the more damage and more difficult it will be to address climate breakdown.
Like the pandemic, climate breakdown is global in nature, respects no borders, and requires a united response. Reading chapter 6, it's notable to see how these leading investors are ready and willing to play their part. So, while we've seen from prior COP how challenging achieving agreement and action can be, COP26 needs to catalyse real change at a global scale.

## How can blockchain technology support impacting investing and philanthropy?

### GIST Initiatives:

Blockchain can be a potent technology source and platform to test and trace and to add rigorous transparency and data.
It represents a digital revolution and a compelling opportunity for impact investing and philanthropy.

### Barclays Private Bank:

Blockchain provides a new tool that can enable greater trust, transparency, lower transaction costs, and decentralisation. It has already been applied across a range of fields and issues, for example, for refugees, agriculture, supply chain, and financial inclusion.
For impact investing and philanthropy, blockchain can be particularly valuable for both impact measurement and reporting as well as for widening accessibility of financial products. However, like any new instrument, the value is not in the quality of the tool but the skill of its use.

## If you had one word of advice for new players entering the field, what would it be?

### Barclays Private Bank:

Inside-out. From the experience of introducing and helping clients make their portfolios more sustainable, a critical aspect is establishing clarity on where the individual and family wants to go. This comes from an internal consideration and discussion about their ambitions and plans, rather than simply picking interesting investments that may not even be able to meet either impact or financial objectives.
Once setting this lodestar, it's much easier to help navigate through the industry's complexity, or set a portfolio strategy, or find suitable investments for their aims. If you don't know where you want to go, you're unlikely to get there.

### GIST Initiatives:

Wisely select your partners and chart a smart approach and holistic vision to rapidly implement your strategy and deliver transformational, profound change. GIST Initiatives is willing, ready and able to provide help, connect the dots and capture the full value of social impact.

### GIST Initiatives Ltd. – Global Impact Solutions Today

GIST Initiatives (GIST) is a thought-leader; we bridge the gap between social & business, ideas & practice, and donors & grantees. We work with organisations to adapt business models and philanthropic approaches, to introduce and integrate new perspectives of social impact and to deliver advisory services. We define sustainability and impact as a transformational, innovative, and holistic business model, presently the most sophisticated, that provides a competitive edge, delivers healthy financial returns and mitigates future risks - a force for good.

Philanthropy and impact investing suggest and imply different things to different people. As a think tank on this subject, we explore how family offices, foundations and organisations approach impact investing and philanthropy trends. GIST is the Founding Partner & Lead Sponsor of the annual report "Investing for Global Impact – A Power for Good", a leading knowledge platform to broaden understanding, identify trends, and provide a unique peer-to-peer benchmark for individuals, families, family offices, and foundations.

GIST and its network support endeavours and charitable initiatives that have potential for long-term, holistic, sustainable impact.

At GIST we strictly follow ethical principles. We do not compromise our values, strong purpose, integrity, and credibility.

Discover more at: gistltd.com

### Barclays Private Bank

Barclays Private Bank is part of the Barclays Group, which was founded in 1690 in the UK. Headquartered in London, the Private Bank sits alongside Barclays' Corporate and Investment Banks. Barclays Group has a presence in over 40 countries and areas worldwide, including the UK, India, Middle East, US and APAC regions.

privatebank.barclays.com

### Campden Wealth

Campden Wealth is a family-owned, global membership organisation providing education, research and networking opportunities to families of significant wealth, supporting their critical decisions, helping to achieve enduring success for their enterprises, family offices and safeguarding their family legacy.

The Campden Club is a private, qualified, invitation only Members club. Representing 1,400 multi-generational business owning families, family offices and private investors across 39 countries. The Club delivers peer networking, bespoke connections, shared knowledge and best practices. Campden Club members also enjoy privileged access to generational education programmes held in collaboration with leading global universities.

Campden Research supplies market insight on key sector issues for its client community and their advisers and suppliers. Through in-depth studies and comprehensive methodologies, Campden Research provides unique proprietary data and analysis based on primary sources.

Campden Education delivers a virtual training platform empowering families with practical knowledge and the tools to make informed decisions. Drawing on deep expertise and real-world experiences, our programmes are designed to guide the whole family through all stages of ownership and growth.

Campden Wealth owns the Institute for Private Investors (IPI), the pre-eminent membership network for private investors in the United States founded in 1991. In 2015 Campden Wealth further enhanced its international reach with the establishment of Campden Family Connect PVT. Ltd., a joint venture with the Patni family in Mumbai.

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9.

# Conclusion

As a global community we face enormous challenges, such as climate change and the Covid-19 pandemic. In turn, we must recognise that a holistic approach to tackling these challenges is required, with governments, businesses, investors, philanthropists, and consumers all rowing in the same direction to achieve our goals.

In the same vein and within the sphere of this report, philanthropists, impact investors, and traditional investors alike need to be collectively engaged; whether they are separate entities considering the same issue or the same person / organisation thinking about using their capital in various ways. As this report recognises, sustainable investing is being adopted widely across mainstream investment, targeting an increasingly wide pool of funding sources. This growth is positive, as collective action is needed.

Reflecting this evolution, the rapid expansion of the sustainable investment space is evidenced throughout this report. Such change, however, breeds both challenges and opportunities for the years ahead.

## Challenges

### Advancements needed in the measurement and reporting of social and environmental impact

Impact investing remains a sector that is values-driven, with investors who are strongly committed to contributing to social and environmental progress. However, the sector has struggled to establish consistent and universal guidelines for measuring and demonstrating social and environmental impact. For impact investing to grow, there is a need to improve measurement and reporting standards. This development is necessary to strengthen the integrity of the field. It is also an important way to combat greenwashing, another persistent concern within the industry.

Our case studies with Caroline Rupert, Dr. Andrea Illy, and the Wendel Group show the great advances in developing measures of impact that are taking place within individual businesses. Furthermore, the case studies, interviews and surveys show that progressively more businesses are adopting UN based measurements and metrics in measuring and reporting their impact. The roundtable discussion on the potential use of blockchain technology to provide more transparency, and standardisation in measuring impact also suggests that technological advances can be a critical tool in improving the standard and uniformity of impact measurement. These trends represent positive moves towards resolving this challenge.

### Challenging the myth of underperformance

Though impact investors within our survey report consistently strong financial returns, the myth of underperformance remains persistent in those less involved or informed. It is important for the industry to highlight the financial value of aligning investments with sustainability concerns. Showcasing the financial potential of impact investing is critical to challenge these inaccuracies and draw in new players to this sector. Furthermore, investors are recognising that traditional business models do not adequately factor in the risks and costs associated with generating a negative social and environmental impact. Traditional business models are also not accurately estimating the growing tax burden for businesses that are not aligned to carbon neutrality or are fossil fuel intensive. Moreover, these models are not taking advantage of the tax subsidies and incentives available to help businesses transition towards a greener economy. The case study with Dr. Andrea Illy is an example of a regenerative business model which also generates high financial returns and drives the growth of the company's valuation.

### Stronger alignment needed between all key stakeholders

This research highlights the need for an integrated approach to tackle social and environmental challenges. For impact investing to achieve its potential, stakeholders across the board need to work more effectively together to create an optimal market in which investors can safely deploy their capital. This report points to a powerful potential synergy between governments, philanthropists, and private investors in creating this market, however, more work needs to be done to get there. Examples of multilateral cooperation between governments, investors, NGOs, and philanthropists are presented in the case studies on impact investing in Ireland and the case study with Dr. Andrea Illy and Caroline Rupert. These examples show the potential impact that can be generated when engaged individuals with diverse expertise come together to work towards a common goal.

## Opportunities

### As sustainable investing goes mainstream, opportunities arise for a wide pool of new investors

With 137 countries having committed to becoming carbon neutral, sustainable investing is becoming mainstream. This is opening up investment opportunities to a wider population. Whilst previously, institutions and ultra-high net worth individuals and their family offices have been pioneers in sustainable investment, now those across the economic spectrum are starting to gain access to sustainable investment opportunities. This additional, potentially mass, funding can be a game changer. In last year's report, 5% of our total sample had wealth of less than USD $1 million. This year, that proportion has risen to 21%, reflecting the increasing interest in sustainable investment products. In turn, it is both important, and an opportunity, for investors of all sizes to become engaged.

### Traditional investors are being influenced by impact investing

This year's report highlights positive changes in the mindset of traditional investors, with a notable proportion suggesting that Covid-19 has made sustainable investing more appealing to them. However, a large proportion of these investors continue to be deterred from investing in impact due to concerns about financial returns and lack of data on the social and environmental impact investments achieve. If these challenges are adequately addressed, it may open up the industry to a much larger pool of influential investors.

### Next Gens are taking charge

*Investing for Global Impact* highlights the strong commitment to impact investing amongst the next generation. With the largest wealth transfer in generations taking place over the next 10 years, this is another potential pool of investors that will be entering the impact market, and creating opportunities for a new generation.

An exciting and challenging path lies ahead for sustainable investing. To guide future efforts, we return to the roadmap outlined by Dr. Andrea Illy:

"We need to transition to a regenerative society. This would mean consuming only resources which can be either recycled or regenerated. Consuming what can be regenerated is the only way to be sustainable."

# 10.

# Appendix

## 10.1 Definitions

**Assets under management:** Assets under management (AUM) is the total market value of the investments that a person or entity manages on behalf of clients.

**Carbon footprint:** The amount of carbon dioxide, or greenhouse gas emissions, released into the atmosphere as a result of the activities of a particular individual, organisation, or community.

**Climate change:** The shift in global, regional or local climate patterns. The rise in global temperatures from the mid-20th century to the present is often referred to as the most relevant cause of climate change. For the purpose of this report we define climate change as the result of global warming and a broader range of changes which are predominantly driven by human activity - also referred to as The Anthropocene.

**Covid-19 pandemic:** Ongoing pandemic of an infectious disease caused by a newly discovered coronavirus. The World Health Organization declared the outbreak a Public Health Emergency of International Concern on 30 January 2020 and a pandemic on 11 March 2020.

**Fossil fuels:** A natural fuel such as coal, petroleum or gas, formed in the geological past from the remains of living organisms. Fossil fuels can release large quantities of carbon dioxide when they are burned and lead to the emission of toxins and global warming, thereby being hazardous to public health and the environment.

**Growth:** Company has positive EBITDA and is growing.

**Impact investing:** Investments made with the intention to generate positive, measurable, social, and environmental impact alongside a financial return. Impact investments can be made with different investment approaches, across asset classes, and target a range of returns from below market to market rate, depending on investors' strategic goals.

**Investable assets:** Investable assets include cash, funds in your bank accounts, money held in retirement accounts, mutual funds, stocks, bonds, certificates of deposit, and insurance contracts with cash value. Excluded from investable assets are those not easily converted to cash, also known as physical or tangible assets.

**Mature:** Company has stabilised at scale and is operating profitably.

**Net worth:** Net worth is the value the assets a person or corporation owns, minus the liabilities they owe.

**Philanthropy:** Charitable giving to human/environmental causes on a large scale. More than a charitable donation, it is an effort undertaken by an individual or organisation to improve social and environmental welfare. Wealthy individuals or families sometimes establish foundations to facilitate their philanthropic efforts.

**Physical risk:** Risks from increasing temperatures, rising sea levels, and changing weather patterns (e.g., drought, flood, storms).

**Seed/start-up:** A business idea exists, but little has been established operationally; pre-revenues.

**Traditional investment:** Investing focused mainly on maximising financial returns with no/ minimal consideration of the environmental, social, governance factors or the impact of the investments.

**Transition risk:** Post-transaction risks from unplanned or abrupt changes to businesses or assets, such as changes in policies, shifts to low-carbon technologies, or other liabilities.

**UN SDGs:** The Sustainable Development Goals are a collection of 17 interconnected goals and the blueprint to achieve a better and more sustainable future for all by 2030. They address global challenges, including those related to poverty, inequality, climate change, environmental degradation, peace, and justice. https://www.undp.org/sustainable-development-goals

**Venture:** Operations are established, and a company may or may not be generating revenues, but does not yet have positive EBITDA.

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**SEREIN** co-creates global well-being with families driven by a legacy to leave the world a better place. Our vision is a thriving and sustainable ecosystem. Our mission addresses the root causes that harm our planet, biodiversity and human health. The greatest impact on our planet is determined by the habitual choices we make every day. How we treat our bodies affects our planet. How we treat our planet affects our health. Our strategy is facilitating human behaviour change and exponential ROI impact focused on decarbonisation and biodiversity. With the backdrop of addressing myriad challenges inherent in the responsibility of custodianship, SEREIN empowers individuals to connect with what makes them truly thrive and lead a life of significance. It takes courage to do things differently. SEREIN and GIST Initiatives support visionary leaders with compelling missions. **www.sereinprivate.com**

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### Previous Editions

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# A special thank you for their support

**Kurt Alexander & Victoria Engelhorn,**
**KUSANA, A FAMILY EQUITY FIRM**

Myself and my immediate family are a small part of a wider, diverse family, whose activities started in 1865 with the foundation of BASF through Friedrich August Engelhorn. Friedrich Engelhorn also acquired Boehringer Mannheim (BM), which later become Corange Ltd (BM) and was bought by Hoffmann La Roche in 1997.

We are a 'financial family', a state of mind which must be abandoned as soon as possible, for becoming again an entrepreneurial family. Today our focus is on investing into businesses which concentrate on growth companies with software applications. Frog Capital, 'The operational expert in European software growth equity', is our partner in this. It invests in high-growth software companies across Europe using their unique 'scale-up methodology', which is a framework for appraising and carefully selecting investments. It uses a selective 'growth equity' strategy that invests in scaling companies with profitable business models and product market fit, and enhances value through its in-house operating partners.

We also invest in automobile heritage conservation and the renovation/conservation of historical and natural heritage sites in Switzerland, Spain, the United Kingdom, and South Africa. Here, we are involved in land management, agriculture, winemaking, and hospitality.

Our philanthropic efforts are guided by the belief that giving opportunities is key for creating better communities. In South Africa, where my daughter Victoria resides, we are an integral part of the Zip Zap Social Circus School, which gives kids from less privileged backgrounds the opportunity to explore their skills and realise their full potential. Victoria was also an early adopter of impact investing, and has been smartly allocating her resources here for a number of years to generate opportunities and positive futures for others.

**Dr. Malini Saba,**
**Saba Group**

The Saba Group has been in business for over 30 years, privately held with its focus on gold mining and rice distribution. Their mines are located in parts of Africa, Asia, and Australia.

With over 25 years of experience in the commodities industry, their focus on environmental sound mining helps provide clean air and water by using new technologies to enable better output for a sustainable environment.

Their agricultural operations are in Southeast Asia and South Asia where they own and operate mills and farms. The Group specializes in jasmine, white, and basmati rice. They invest in technologies and work with small and rural farmers enabling them to increase yield and produce overall better products.

Saba Group is very aggressive with impact investments around the world and leads the way in philanthropy by making sure that fifty percent of their profits go to charity, donating through their foundations: Saba Charitable Foundation and Anannke Foundation, formerly known as the Saba Family Foundation.

**David Brierley**
**Hyprr Inc.**

At Hyprr we believe that through the creation of an innovative online culture, we can generate positive impact on individuals, communities, and the world.

Our goal is to give creators everywhere the ability to build a life and business that is sustainable and robust.

We will be putting our money where our ethos is by donating 30% of net profits to our Hyprr Foundation. Several specific advisory boards made up of domain experts will govern the initiatives in order to drive the greatest impact. Our aim is to set a precedent and prove that if big tech puts purpose over profit, we can all make a positive difference.

David Brierley is the Founder & CEO of Hyprr Inc., redefining the way we consume content and make sustainable change. Prior to founding Hyprr, David spent over 20 years within the technology field where he held senior leadership positions, with leading companies such as IBM/Cognos, SAP and Qlik.

David has a passion for redefining the status quo, and Hyprr is the platform to make such ambitions a reality.

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