University of Zurich[UZH]

CSP Center for Sustainable Finance & Private Wealth

Ten Ingredients for Impact Investing

Eight Families Share Their Recipes

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Skagen Conscience Capital – Mark Preston, CEO

Foreword

We at CSP, the Center for Sustainable Finance and Private Wealth, have been training next generation investors on sustainable and impact investing for half a decade. Despite the turbulence experienced across societies and financial markets in the past years, the demand for sustainable and impact investing has not waned. This trend is directly felt in family offices where significant amounts of capital with the potential of enabling impact and sustainable growth are steered and managed every day across the globe. Since the initiation of CSP, we have worked to equip high-net worth individuals with the tools they need to remove the barriers that hinder them and their families from investing in accordance with their sustainability values and impact goals. We do this through fundamental research, trainings, and community outreach.

Even though expertise has grown, bridges to practice have not always followed. No family is the same and one-size-fits-all solutions are scarce. For this reason, case studies and stories from the field are sometimes best fit to communicate the ideas needed to see complex strategies and processes in new light. In order to gather insights from real-life cases, we partnered with The ImPact and worked with eight family offices to harvest best practices on how to walk the talk of investing for impact.

We hope that these stories, tools, and tips support you, your family, and your team in bringing your ambitions for impact to the next level.

Prof. Dr. Falko Paetzold
Assistant Professor in Social Finance at
EBS University (Oestrich-Winkel)
Initiator and Managing Director of CSP

Families play a unique role in burgeoning impact investing market as collaborators, investors, and ecosystem builders. They are committed to building for the long-term, and are also nimble and experimental. The ImPact enables families to realize their full potential as impact investors and ecosystem builders, working collaboratively to make positive impact the standard, not the exception.

The saying goes that, “If you’ve met one family office... you’ve met one family office.” Family impact investment strategies and the processes families go through to create those strategies are as varied as the families behind them. Yet, through our engagement with hundreds of families over the past eight years, we have observed patterns emerging from those varied processes families around the world are pursuing to envision, develop, implement, and refine their impact investment strategies over time. We have distilled from those patterns 10 Key Actions that we have seen families typically go through in their impact journey. We are thrilled to share the Key Actions here and, in collaboration with our partners at CSP, to bring the actions to life through real family examples.

Our hope is that the presentation of these actions – and the sharing of family stories – can help many other families orient themselves within their own journeys and chart a clearer path forward towards the realization of their highest aspirations for impact creation. There is no time to waste.

Sam Bonsey
Co-Founder and Executive Director
of The ImPact

Introduction

Throughout the years, CSP and The ImPact have worked with hundreds of ultra-high net worth (UHNW) families who seek to introduce and integrate impact investing into their investment strategies. Their approaches vary: some hope to become active investors and conduct their own due diligence, while others would rather hire service providers equipped with the skills to meet set impact goals. Despite the differences, both families as well as the professionals supporting the families face similar challenges as working to evolve their operations to reach investment and sustainability goals.

This report provides examples from families that have taken up impact investing and provides reference points to those who would like to do the same. While resources on the technicalities of impact investing are ample, few case studies on the actual implementation of impact investing in the context of UHNW families and individuals exist.

This report includes:

- The ImPact's framework of 10 Key Actions families take as they envision, develop, and implement impact investment strategies.
- A collection of cases from families and their family office representatives corresponding to each Key Action.

Through this paper, we aim to motivate UHNW individuals and families, and the professionals serving them, to transition from traditional investing to investing for impact. Given the scale of wealth steered by these families and the relative agility families have in shifting their investments, UHNW families can play an outsized role in clearing the path for mainstreaming impact investing and enabling systemic change in the investing landscape.

At the same time, UHNW families and their investment teams represent a unique set of investors with particular challenges, including rigid family hierarchies and sometimes conflicting family dynamics.

Through this paper, we address these challenges by:

- Underscoring that impact investing is not a linear process. Several paths lead to the same goal.
- Providing multiple insight into how families and investment teams have worked together to set and achieve their impact goals.

We hope that the 10 Key Actions and stories from implementation provide the much needed guidance on how to move from theory to practice.

About the Center for Sustainable Finance and Private Wealth (CSP)

The Center for Sustainable Finance and Private Wealth is an academic research and teaching institution at the University of Zurich. CSP works at the intersection of research, wealth owners, and investment professionals to generate knowledge and mobilize capital toward impact.

About The ImPact

The ImPact is a global membership community of families striving to create measurable positive impact through their family offices, operating businesses, or foundations. The ImPact's membership experience provides families with relationships, knowledge, and opportunities needed to continue their impact journeys.

10 Key Actions for Impact Investing

The ImPact's 10 Key Actions for Impact Investing

To support its mission to help families make more impact investments more effectively, The ImPact has mapped 10 key actions that many families take as they envision, develop, implement, and refine their impact investment strategies over time. Families rarely, if ever, work through these actions in a linear order. Some families may work on actions that are easier to complete first and use the experience gained from the process to build momentum for subsequent actions. The outlined actions are interconnected, creating a dynamic cycle increasing a family's capacity to create impact through investing.

1 Define your "Guiding Lights"

A family's impact investment strategy tends to bring together a family's motivation(s) and the entities out of which they are making investments. Families are increasingly interested in establishing holistic frameworks of purpose, mission, and values that can apply across their enterprises-family businesses, investment assets, and philanthropic activities. Defining "Guiding Lights" enables a family to build or iterate on an impact investment strategy and to use assets in the most creative and effective way to create their desired impact. Though we refer to families throughout, the critical path of identifying "Guiding Lights" is equally applicable to individuals within a family. wealth owners, and investment professionals to generate knowledge and mobilize capital toward impact.

2 Achieve family buy-in to a shared impact investment vision

Moving family capital towards impact investing often requires that family members align around a shared vision for their impact investing activity. Many families encounter clear generational differences in how family members view the purpose of business and investment, and even the purpose of wealth. Finding the highest common denominator of values, issues, or objectives within and across generations in a family provides a firm foundation upon which to build an investment strategy.

3 Build an investment team for your impact investment strategy

Most families or individuals do not manage their impact investments directly – many employ professionals and there is no one size fits all approach to combining the capabilities of in-house investment staff, established financial services firms, and independent advisors or consultants.

4 Map your assets to know what you own

For families to understand the impact of all their assets, they must first map their assets to know what they own. There are several layers to knowing what you own, beginning with the legal entities through which families own assets down to the activities of each individual company in which a family invests. Once a family knows all that they own, they can move assertively to assess the impact of their assets and align all their investments with their values.

5 Build impact into your Investment Policy Statement (IPS)

An IPS enshrines a family's investment objectives and constraints and provides guidelines for how, why, and by whom investment decisions are made. An effective IPS directly addresses the relationship between a family's impact objectives and their financial goals and constraints, providing a comprehensive framework for impact investment decision-making within the family's broader wealth management aims.

6 Weave impact into your due diligence for all investments

To incorporate impact into investment decisions, impact investors add a layer of analysis of the social and environmental value a company can create, as well as the social and environmental risks inherent to the company's products, services, and operations to their due diligence processes. Families may also include an assessment of experiential return and risk to their due diligence, assessing the value they may derive from the learning experience and the potential reputational risk of a given investment.

7 Build an impact portfolio in accordance with your IPS

Building an impact investment portfolio involves several separate activities: sourcing investment opportunities, performing due diligence, making investment decisions, structuring investments, monitoring a portfolio, and providing ongoing assistance in the form of technical and governance support to the investee.

8 Establish an impact measurement methodology for your portfolio

To evaluate progress and success, families clarify how they measure and assess impact alongside financial performance. A variety of impact measurement and management frameworks exist, designed to help companies understand the consequences of their products and operations, and to help investors understand the outcomes created by the deployment of their capital.

9 Engage the institutions that support the deployment of your assets

For many families, fully implementing an impact investment strategy requires the support of an institutional wealth manager or asset management firm. By proactively engaging their wealth managers in their journey towards impact and sustainable investments, families can increase the likelihood that their impact goals will be achieved, whilst contributing to wider systemic change. Some families go one step further by working collectively to raise the standards of the financial institutions responsible for providing impact investing products and services.

10 Support the flourishing of an impact ecosystem

Like any other growing field, the impact investing market requires more than capital allocation – it requires an ecosystem. This ecosystem can be supported by families through funding, expertise, and networks. Ultimately, this work increases the likelihood that a family can make increasingly higher-quality impact investments in the future.

Family Profiles

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families

Goal of creating positive impact

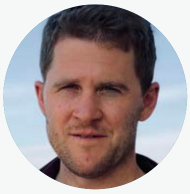
The Ten Ingredients for Impact Investing report is based on interviews conducted with eight families during 2021. The families selected represent four continents and several family offices at various stages of their impact journey. Even though strategies differ, all families share the goal of creating positive impact through their wealth and leaving a sustainable legacy for the generations to come.

Represented by:
Paolo Fresia
Principal

100% Sustainability

Paolo Fresia is a fourth-generation member of a family, whose wealth stems from operating food and beverage businesses in Italy. For Paolo, assuming responsibilities for managing his family's wealth was initially an unwelcome development because it was a reminder of the loss of his mother and grandmother.
When Paolo realized that he could use his assets to enable positive changes in society, he set up 100% Sustainability, a small family office that manages Paolo's share of the family's wealth. The assets under management were carved out from the family office, and their management involves Paolo's part-time support as principal, three outsourced Chief Investment Officers, and ad hoc independent advisors.

www.100percentsustainability.com



Represented by:
Mark Preston
CEO

Skagen Conscience Capital

Skagen Conscience Capital is a values-driven single-family office based in the UK, with Danish heritage. It has about 15 employees and invests in liquid strategies, private equity, and real assets, in addition to which it has an allocation to impact first investments. As defined by Catalytic Capital Consortium, these investments target companies or funds with a high-impact potential but are either high-risk for traditional investors, have returns that are at or below market rate, or have a relatively long investment time horizon.

The current generation of the family oversees two legacies: that of their father who created the first fortune and their own legacy generated through the creation, growth, and sale of a multinational sustainable cleaning products business. The third generation has recently started taking up governance roles in the family office.

Represented by:
Johannes Knorz
CEO

Represented by:
Peter Brock
Investment Director

4L Vision GmbH

4L Vision GmbH was founded as a single-family office in Germany in 2016. Since then, 4L Vision acquired an independent asset manager enabling it to set-up an additional multi-family office offering investments across all major asset classes, including public equity, public fixed income, private equity or venture capital and debt, and real estate.

The name 4L Vision is a reference to the family office's values and the four basic human needs described by author and lecturer Stephen Covey: Live, Love, Learn and Leave a Legacy.

www.4l.vision

Represented by:
Melissa Sesana Grajales
Family member

Inversiones Brembo

Inversiones Brembo is the principal holding company of the assets of Melissa Sesana Grajales's family. The company was founded by Melissa's grandfather, Arturo Sesana, in 1965 in Colombia following his departure from Italy in 1952. Arturo Sesana is most notably known for founding Pastas Doria, the largest pasta producing factory in Colombia, as well as the Industria Molinera de Caldas wheat mills, Promasa flower processing company, and other complementary businesses.

As part of a long-term succession and wealth planning process, the family decided to gradually divest from all its industrial assets. Since the early 2000s, Inversiones Brembo has assembled a team of in-house professionals supported by joint ventures and strategic alliances to develop an investment portfolio aligned with the family's long-term investment strategy.

Represented by:
Moritz Kortekangas
CEO and CIO

Imladris

Imladris, named after an Elven town in Middle Earth in the Lord of the Rings, is the central holding company of the Immo Stroeher family office, a single-family office located in Frankfurt, Germany, founded in 2001. The office manages the combined wealth of the family and provides additional services to about 25 family members. The office was founded by the senior principal of the family when the family company Wella AG was sold to Procter & Gamble.

Already before the founding of the family office, Immo Stroeher had started investing his private assets in cleantech start-ups in Germany. Immo acted as the main decision-maker of the office for more than a decade, handing over responsibilities to two of his children in 2012. Now, the team of the family office consists of two next gen family members engaged through an advisory board role and five non-family team members.

Represented by:
Valerie Rockefeller
Family member

The Rockefeller Family

The Rockefeller family built its wealth in the petroleum industry in the late 19th century in the US. Seven generations strong, the family is now known for its global philanthropy implemented through affiliated nonprofits and as individuals. Many members of the family work in the environmental sector as well as in arts, health care, public services, entrepreneurship, and investing. The almost 300 living descendants of Abby and John D. Rockefeller Jr. do their charitable giving and sustainable investing individually and collectively.

The Rockefeller family has a century-long history with the multinational investment bank JPMorgan Chase, in which several family members and their organizations bank. In the past years, the family have become increasingly vocal in pushing for the bank to adopt more responsible climate policies. These approaches have entailed individual and collective strategies and have all stemmed from the family's sense of responsibility to steer JPMorgan Chase towards more environmentally, morally, and financially sustainable investments away from its short-sighted fossil fuel financing, lending, and underwriting.

www.bankfwd.org

Represented by:
Temple Fennell
Family member

Keller Enterprises

Keller Enterprises is a single-family office founded in 1998 in the US. After defining family values under the leadership of its matriarch in 2007, the family began divesting from its legacy family assets and building a values-aligned investment portfolio. The family office is active in venture capital and venture philanthropy, especially in sectors such as renewable energy and sustainable agriculture. Temple Fennell is a member of the family and played a critical role in building the family's venture investment portfolio.

Represented by:
Caglar Bilgin
Sustainability Lead

Cape Capital

Cape Capital was founded in 2002 as a single-family office serving one large European family with a long-standing commitment to nature conservation. Since then, the firm has grown into a multi-family office, with a diversified client base and a holistic service offering. The boutique firm employs around 40 wealth management and investment professionals with diverse, international backgrounds, who provide tailored, entrepreneurial solutions and advice to their clients.

www.capecapital.com

Overview of the Key Actions Featured in the Report by the Families and Family Offices

The table features the Key Actions the families/family offices share insights on in this report. Some families have completed additional actions and many have made significant progress toward impact since the interviews.	1 Define your guiding lights	2 Gain family buy-in	3 Build an invest-ment team	4 Map your assets	5 Create an IPS	6 Weave impact into due diligence	7 Build a portfolio of impact invest-ments	8 Mea-sure & manage impact	9 Engage insti-tutions to raise standards	10 Give back to the impact eco-system
Skagen Conscience Capital	√			√	√	√			√	
Keller Enterprises	√	√			√		√			√
Rockefeller									√	
4L Vision GmbH			√			√				
Cape Capital			√				√		√	
Inversiones Brembo								√		√
100% Sustainability	√	√	√					√		
Imladris		√	√				√	√		

Action 1

Define Your "Guiding Lights"

A variety of factors motivate families to make impact investments and each of these manifests in different kinds of impact investments. Identifying clear, unifying motivations or guiding lights enables a family to build and iterate an impact investment strategy with purpose.

In practice, clarifying motivations might take the shape of a mission statement or a statement of values that captures the reasoning behind specific strategies. In other cases, a shared passion to address an injustice or a set of underlying beliefs can act as the force guiding decision-making within a family. When a family knows what they seek to accomplish and why, identifying or creating the most effective strategy to reach those shared impact goals becomes clear.

Keller Enterprises

In 2007, the entire Keller family came together for a three-day retreat to define family values and and to discuss how these values reflect in the management of the family's wealth. The retreat was facilitated by an external professional and the main question discussed was whether the family wanted to continue conducting investments together or distribute the remainder of their shared assets.

The retreat resulted in a decision to transform Keller Enterprises into a common family investment vehicle focusing on early-stage, mission-driven investments. The vehicle would thus not serve as the primary wealth management vehicle for the family but had a clearly defined purpose and role in the activities engaging the whole family.

To identify the guiding lights for Keller Enterprises, the family started by sharing stories that defined them as a family. For instance, the matriarch's husband was an Episcopalian minister in a church in Mississippi during the height of the civil rights movement in the 1950s and 1960s. At the time, racial segregation was the norm, including in churches. Despite the norms, the minister granted African American citizens the right to join his sermons, opening the doors of the church for all. This was seen as a significant statement in a wealthy, white congregation. The example, other similar stories, and the discussions that followed acted as guiding principles paving the way for a values statement. The values statement remains the basis for Keller's investment and philanthropic decision-making to this day.

Skagen Conscience Capital

When embarking on the task of defining their guiding lights, the team of Skagen Conscience Capital realized that working with an external professional was critical in achieving the needed clarity. "Family offices can be very insular places," CEO Mark Preston explains referring to the importance of hearing outside perspectives on the internal workings of a family office. "It is not about getting someone to do it for you, it is about having someone guide you through the process and enabling you to put the purpose on paper explicitly."

The team worked with a facilitator to help them redefine their investment policies and goals and to align the values guiding their decision-making. The results of the exercise were critical for the implementation of the strategy of the family office. However, it was the actual process that made the biggest difference. "The process enabled us to align everyone around a single set of policies and strategies," Mark explains. "This is important when in a family environment. There are differences in points of view between generations and there are differences in points of view within generations." The structured process and documented outcome unified the family under and set of values acting as guidelines for decision-making.

"I realized that I needed to first gain clarity on the kind of impact I wanted to have and then deploy accordingly."

Paolo Fresia

100% Sustainability

After founding 100% Sustainability, the principal, Paolo Fresia, wanted to move quickly, yet soon noticed that without a clear framework for prioritizing investments, he risked spending time on low-impact, high-cost investments instead of focusing on achieving his impact goals efficiently. "I realized that I needed to first gain clarity on the kind of impact I wanted to have and then deploy accordingly," Paolo elaborates today, five years later.

To identify his impact goals and fitting strategies, Paolo started with a list of impact themes using Toniic's Impact Theme Framework, which maps the UN Sustainable Development Goals (SDGs) against investable sectors and themes. Based on the list, Paolo, his family, and his advisors created a ranking of impact themes according to weighted, measurable criteria (see box 1).

Criteria	Source	Weight
Is action on this theme a priority in terms of evidence-based need?	Need defined in terms of importance, urgency, tractability, and neglectedness, according to the Effective Altruism framework of prioritizing cause areas	70%
Are we passionate and/or do we have good knowledge of a theme, so that we can put all our energies behind it?	Family discussions	15%
Is a theme realistically investable via best-in-class fund managers across asset classes?	Mapping provided by Paolo's advisors	15%

Box 1: 100% Sustainability's criteria for prioritizing cause areas and investment themes.

The ranking system and the exercise of reflecting the framework against existing and potential investments helped Paolo identify what was needed in the world, combined with what he was passionate about. The framework was then broken down into three further categories: the basics of life, our planet, and empathetic growth. Within each category, Paolo outlined the relevant SDGs as well as priority and secondary themes. The resulting table serves as a guiding light for his investment activities. The framework can be found in the Appendix.

Key takeaways on how to define your guiding lights:

- Aligning relevant individuals with different perspectives around joint guiding lights can be easier with the help of a (external) professional.
- The guiding lights of a family consist of an assessment of the needs of the beneficiaries and the family's interests. There is no one-size-fits-all solution to adjusting weights to the two variables. Approaches vary from a strict focus on what is most needed, to what is most important to the family, and everything in-between.
- For resources to help define guiding lights, see:
  - UN Sustainable Development Goals: www.sdgs.un.org/goals
  - Toniic's Impact Theme Framework: https://toniic.com/sdg-framework/
  - Effective Altruism: www.effectivealtruism.org

Action 2

Achieve Family Buy-in to a Shared Impact Investment Vision

Moving family capital towards impact investing is made easier when family members align around a shared vision for their impact investing activity. This can be tricky for any family, no less so for complex, multi-generational ones. Due to underlying complexities, families often encounter stark generational differences regarding the purpose of business or investment and the purpose of wealth. These different viewpoints can become proxies for deeper family dynamics, especially inter- and intra-generational anxieties around roles, credibility, and authority within the family system. However, opportunities and methods to align impact visions are plenty – even within complex families.

Keller Enterprises

The origin of the Keller family's wealth was oil, gas, and timber companies, and at the beginning of the millennia, the family was still heavily invested in legacy companies. At that time, a member of the family, Temple Fennell and his brother-in-law, who managed Keller's investments, identified a compelling opportunity to build a portfolio of direct investments in renewable energy and cleantech companies. The pull towards the opportunities was supported by the moral push from family members who felt an obligation to divest from fossil fuels due to climate change. Despite these push and pull factors, some members of the family believed in the importance of maintaining connections to the family's legacy businesses.

To convince reluctant family members and gain the buy-in of the broader family, Temple made compelling financial arguments about the risk of the concentrated exposure to the fossil fuel industry and the need to hedge. The financial arguments were further supported by the possibility of continuing the legacy of entrepreneurship in the energy sector – a factor satisfying the desire of some family members to honor the family's past. By presenting a positive environmental, financial, and familial basis for the new investment vision, Temple and aligned family members were able to build consensus around the new vision.

"I have more than what I need for my family. What I care about is having control over my own assets, so I can invest and donate in a way that's impactful and meaningful to me now, not in 10, 20, or 30 years' time."

Paolo Fresia

100% Sustainability

For Paolo Fresia, the transition to impact investing happened relatively quickly, because he decided to cash out his share of assets from the larger family office. "It became very clear early on that it was not going to be possible for me to stay together with my family, let alone convince them about our responsibility to recognize our privilege, and be good stewards of our inherited wealth," Paolo recalls.

From 2014 to 2017, Paolo underwent a painful process of carving out the assets that could be split, namely liquid financial assets. Looking back, Paolo recognizes that had he continued investing with his family and remained invested in, for example, illiquid legacy assets, he could currently be in the possession of more wealth on paper. Nevertheless, Paolo is confident that he made the right decision at the time. "I have more than what I need for my family. What I care about is having control over my own assets, so I can invest and donate in a way that's impactful and meaningful to me now, not in 10, 20, or 30 years' time."

Imladris

Back in 1990 when the initial principal of Imladris, Immo Stroeher, began investing, he was equipped with a background in psychology and the experiences he had accumulated as an advisory board member of the family business. Over time, Immo gained investment experiences and acted as the sole decision-maker regarding the family portfolio, while the rest of the family was largely disengaged from investing.

In 2009, two family members began taking an increasingly active role in the family office. Like their father, they had no significant experience in the investment sector, despite a lack of formal trainings, they initiated a transition of the family office and investment decisions were gradually opened to the rest of the family. It took the duo a few years to set up the necessary structures and processes to enable the needed improvements in the governance of the family office. Both the process as well as the sought goals meant that family buy-in mattered more than before. In addition, Immo Stroeher's moral investment approach was made the guiding light for the family's investment mission.

The idea of impact investing was not met with resistance, however the family office had to devise a convincing strategy to gain the larger family's buy-in for the new approach. The insecurities the family felt were largely due to the hit the family had taken during the global financial crisis in 2008, not due to an unwillingness to move toward impact.

Investing in the family's learning journey paid off. Not only do the two family members engage as advisory board members of the family office today, but they also act as a liaison between the family office and the rest of the family. The communication channel the two represent has made the restructuring of the family office and the investment portfolio more efficient and helped in defining the long-term mission and vision of the office – not to mention the time and unnecessary stress it has saved the broader family from.

Key takeaways on how to achieve family buy-in

- Explore whether a potential for the family to align around an impact approach exists by having conversations with engaged and disengaged family members.
- Having professional assistance to facilitate and follow-up on the process of defining family values can make the exercise easier.
- If achieving family buy-in is not possible, one option is to carve out dedicated assets to invest for impact.
- Bring willing family members into the family office team and provide them with an opportunity to gain investment skills.
- Utilize the engaged family members as a liaison between the family office and disengaged family members.

Action 3

Build an Investment Team for Your Impact Investment Strategy

According to Omidyar Network, a social change venture that makes grants and impact investments, there is no one-size-fits-all approach to building a team for a family's impact investment strategy. Finding the right professionals will depend on the context of the family as well as their financial and impact goals and constraints. Some families may work entirely with institutional service providers such as wealth management firms, while for others building a dedicated in-house team within their single-family office will be a better fit. Many families create hybrid models, where certain impact investment functions, such as public markets ESG portfolios, are managed by large institutions, while others, such as private markets investments, are handled in-house or by specialist advisors. The structure of the teams also evolves over time as the impact investing approaches of the family mature.

In-House Team	Blended Team	Outsourced Team
Dedicated internal team responsible for nearly all impact investing efforts	Lean internal team supported by select external parties who bring specific expertise	Minimal or nonexistent internal team is heavily supplemented by external consultants and advisors

Source: Omidyar Network's Building an Impact Investing Team report.

Cape Capital

"It was interesting to observe the differences in understanding that people in the firm had regarding the topics of sustainable finance and impact investing. Engaging with an institution helped us to align our views, step up our knowledge, and stay ahead of developments in the topic."

Caglar Bilgin
Sustainability Lead

When the firm started investing for impact, both the families and the family office had to learn and familiarise themselves with a new approach to investing. In some cases, the families' next gens had limited knowledge in impact investing and despite having completed trainings in the field, the territory remained largely uncharted. Despite the challenge, Cape Capital benefited from their prior experience in working with family foundations, although not directly in impact investing. Shifting the investing approach touched not only the philosophical underpinnings of the office, but also all of its operations and processes.

The family office thus began training their in-house staff with the help of an external consultant, whilst developing new processes and products for their more impact-minded clients. "It was interesting to observe the differences in understanding that people in the firm had regarding the topics of sustainable finance and impact investing. Engaging with an institution helped us to align our views, step up our knowledge, and stay ahead of developments in the topic," Caglar Bilgin, the sustainability lead of Cape Capital recalls. Even if the office does not regard itself as an impact specialist, the team has made significant progress and continues to engage the external consultant to further develop the skills and knowledge of their employees.

As a result of the trainings, the office is now able to support their clients in defining and executing their impact investing strategies. In order to develop impact investing policy statements, Cape Capital holds workshops and engages families in discussions that enable them to define their values. Once the family office gains an understanding of what the family wants, the team can then apply the identified objectives to existing models of impact investing and align investing and impact preferences with products and deals.

4L Vision GmbH

"We have fun together. We learn together."

Johannes Knorz

When the family office 4L Vision started investing for impact, they were struck by the lack of asset managers able to meet the family's impact goals. Being a small family office still at the beginning of its impact investing journey, it made sense for the office to manage the majority of investments in-house. Eventually, 4L partnered with two other asset managers that, while new to impact investing, were more experienced in active listed equity management. "They didn't know anything about impact investing in the beginning," Johannes Knorz, the CEO of 4L, explains. "But the asset managers were curious, and they still are. It has been a fantastic learning journey with them." In fact, in 2021 the team of 4L decided to acquire the family office in 2021 and thus transformed into 4L Capital. 4L Capital is now in charge of the liquid asset management in listed global public equities and fixed income, while direct illiquid investments and impact venture funds are still dealt with internally within 4L Vision.

Currently, 4L's team has tripled in size since its founding in 2016. Scaling up has demanded a skilling up too, especially regarding the technical aspects of how to do impact investing. This has called for enhanced partnerships with external stakeholders for knowledge exchanges. "We try to surround ourselves with good people and the over 20 companies that we are invested in are really committed to impact," Johannes explains as elaborating on the knowledge exchanges that take place under the umbrella of the so-called 4L Impact Family. "We have fun together. We learn together."

The support given to peers includes participating in initiatives such as those provided by Toniic or the German Federal Initiative for Impact Investing, for which 4L chairs the family office roundtables. By perceiving partners and peers as an extension of the team, 4L has been able to leverage the knowledge and experience that exists beyond its in-house staff.

100% Sustainability

Nearly five years after starting on his impact journey, Paolo Fresia, the principal of 100% Sustainability, feels he has now found the right advisors who have enabled him to decrease the time he spends on managing his assets down to a couple of days per week. This has allowed Paolo to dedicate time for work on catalyzing impact beyond his portfolio. This includes serving on the boards of charities and foundations, advising others on their transition to impact investing, supporting grassroots activism and advocacy – and starting a family.

"I've become more willing to pay for advisors and managers that take care of certain parts of the portfolio such as public equities and bonds, so that I can prioritize other asset classes that I see as generating more impact in the world, such as private equity, real assets, and strategic philanthropy," Paolo says. When building his team, Paolo decided to work with small B-Corporation firms, as opposed to individuals, since this offered the best economies of scale. Paolo's team now consists of three outsourced Chief Investment Officers; two to cover his public asset classes representing less than half of the portfolio and one to cover his private asset classes.

"They are independent advisors," Paolo explains. "This means that they don't manage any money themselves. This ensures that their and my interests remain aligned on maximizing impact. Moreover, the team does not make decisions on a discretionary basis. I still want to be involved so that I approve most investments based on their impact potential and financial fit with my portfolio."

Imladris

“The second major challenge was, and still is, finding the right talent, keeping them happy, and helping them grow.”

Moritz Kortekangas

Building the family office team at Imladris was a challenge. “The first challenge was, what to do in-house and what to outsource. The question was, what capabilities do we really have and could have and what capabilities do we not have and will most likely never have? Providing an answer demanded honesty from ourselves as individuals and as a company,” Moritz Kortekangas, CEO and CIO of the family office, explains. “The second major challenge was, and still is, finding the right talent, keeping them happy, and helping them grow.”

With their core and satellite portfolio set up, the family office knew they needed to spend time on investments where they could add value. They decided they could best do this in illiquid investments and outsourced a major part of liquid investments to external asset managers, who today manage 100% equity portfolios. The family office guides the asset managers by telling them what the family wants and what the asset managers can and cannot do, thus pushing the portfolios towards deep impact instead of simple ESG-integration. Although creating the setup took time, the family is now able to monitor the progress of the family office team efficiently and effectively.

As highlighted by Moritz, building and maintaining a good team remains a challenge. Competing globally in mainly illiquid investments and offering a variety of services to a large family is tough when working with a small group of people, even with the support of a network of highly skilled advisors. For Moritz, a single-family office is similar to a start-up; everyone has their specialization, but team members must be flexible to pick up work that may not be in their job description in order to maintain progress and keep up with competition.

Attracting exceptional talent is also not a given as Imladris is a small office with a unique culture that keeps a low profile intentionally. Finally, the team, family, and investees come from different educational and professional backgrounds, have different hobbies and interests, and have different levels of experience. Bringing everyone together to align on decisions demands time and patience. However, the creation of a culture of empathy for varying perspectives and backgrounds, combined with clear annual growth targets for the team and the CEO has helped to mitigate turnover and created a stable foundation for growth.

Key takeaways for building your impact investing team

- Define what can be done in-house and what should be outsourced. In many cases, liquid investments are outsourced, while investment capabilities for direct deals are built and maintained in-house.
- Find the right talent. Sometimes your dream team can be found within the family but building a team with family members requires the full commitment of the members and clear mandates defining roles and responsibilities.
- When working with external asset managers, set up processes that enable impact and the monitoring of the goals you identify for your investments.
- For small family offices, find people who have a focus area but can be flexible in their tasks when needed.

Action 4

Map Your Assets to Know What You Own

Multi-generational families' investment portfolios tend to grow extraordinarily complex over decades. Several layers of intermediaries may exist between the family members and their underlying securities. To start a transition to impact, a family must first map their assets and know what they own. The exercise cuts across multiple levels and linkages, beginning with the legal entities through which families own assets to the activities of the individual company in which a family is invested in. For families with operating businesses, knowing what you own can also mean understanding the operations of the still existing business.

Skagen Conscience Capital

"The process of classifying helps us focus. This has been immensely helpful in conversations with our investment partners."

Mark Preston

“Seven years ago, when the family went through the process of mapping their assets, they realized that their largest public equity holding was in ExxonMobil. This was just exposure through passive strategies,” Mark Preston, CEO of Skagen Conscience Capital starts. As a family office committed to aligning its portfolio with a low-carbon future, a position in one of the world's largest publicly traded oil and gas companies was both inconsistent with the family’s commitment and a clear investment risk.

Mapping the portfolio is now a regular exercise for Skagen Conscience Capital. External managers are asked to report on the extent to which each underlying security is aligned with the family’s investment framework called the Transition to a Better Future. The framework and the reports submitted on a quarterly basis group investments as either inconsistent, neutral, contributing, or accelerating the transition to a better future. “The process of classifying enables us to focus. This has been immensely helpful in conversations with our investment partners,” Mark elaborates.

The framework also features risk management implications, both when assessing traditional investment and as identifying sustainability risks. The risk register helps spot issues including IT fraud and key-person risks as well as inconsistent asset risks. The clear reporting framework has enabled the family to maintain an overview of the investment’s contribution to the overall impact framework as well as the underlying risks of the chosen approaches. The framework has thus given the family the insights they need to decide which holdings to keep and which to sell.

Key takeaways for knowing what you own

- Investigate what majority holdings are included in your portfolio when working with public equity funds.
- Develop a framework to assess the consistency of your impact framework in light of your investment policy statement. Include risk management metrics into your assessment.
- Assess the consistency and potential risks of your holdings with your impact investing framework.
- Issue a mandate for external managers to consistently report against your framework.
- Use the outcomes of the mapping exercise to keep your team and external partners accountable for the common goal.
- Use outcomes of the mapping exercise to mitigate financial and impact risk.

Action 5

Build Impact into Your Investment Policy Statement

An Investment Policy Statement (IPS) enshrines a family's investment objectives and constraints and provides guidelines for how, why, and by whom investment decisions are made. By incorporating impact considerations within an IPS, a family elevates the discussion of impact investing from the level of mere investment products to the level of investment policies and approaches. The IPS allows a family to make explicit their beliefs and goals about impact investing and creates clear expectations and requirements for the professionals responsible for investing their wealth.

Keller Enterprises

The Keller Enterprises family office had no formal IPS for the first 10 years of its operations. The family had clearly defined values, but investment decisions were based on the judgment of a few individuals, instead of an explicit guide that could be used to communicate the strategy and logic behind investment decisions. The lack of such a document made investment decisions difficult to make and inconsistent. Investment proposals would simply be accepted or rejected by the board based on personal opinions with no frameworks to guide decision-making.

While the introduction of the impact-focused IPS was first met with hesitation out of fear that it might constrain investment activities, it has now come to serve as a foundational guideline for investment processes and a tool to communicate about the investments made.

The CIO of the family office has since become one of the biggest advocates for the IPS as a decision-making framework, and when family members are interested in their investments, the IPS allows them to understand their portfolio and hold the board accountable. For Keller Enterprises, writing an IPS was a critical step that enabled the creation of an explicit statement aligning tacit values.

Skagen Conscience Capital

"All investments have an impact, either good or bad."

Mark Preston

Skagen Conscience Capital chose to draft a new IPS with the help of an external facilitator. One of the outcomes of the process was the decision to rename the policy the Responsible Investment Policy. “It is important to signal that it is not just an ordinary, old fashioned investment policy. We start with our values and then go on to our investment beliefs. These range from the obvious, like ‘there is no such thing as returns without risk’, to the more impact-specific, like ‘all investments have an impact, either good or bad,’” CEO of Skagen Conscience Capital, Mark Preston, explains.

Importantly, Skagen Conscience Capital’s Responsible Investment Policy Statement distinguishes between the goal of creating a portfolio aligned with positive global transitions and the goal of having a positive impact on the world. “For us, these are two very different things,” Mark explains. An aligned portfolio would typically include investments in companies whose activities are consistent with or contributing to sustainable development.

However, simply owning these investments does not necessarily have a positive impact on the world. The act of buying and selling equity or credit in a listed and private equity space does not directly translate into impact in the real economy. For this reason the family decided to solidify the normative approach into their investment policy statement.

As part of the efforts to lay out the policy statement further, the family chose to develop an approach to align with specific global transitions, for which they developed their Transition to a Better Future investing framework. “We have written down what we think is going to be a global transition in the next ten or twenty years. This is partly based on what the family would like to see and partly based on existing frameworks, such as the Paris Agreement and the UN Sustainable Development Goals,” Mark notes. Including existing institutional frameworks in the policy statement helps in aligning investment activities with established international goals.

Key takeaways for building your investment policy statement

- Ensure that the wording of the IPS wording is aligned with your purpose and values. For example, do you want to talk about an Impact Investment Policy Statement or a Responsible Investment Policy?
- Define the values and normative investment frameworks against which you seek to align your activities and measure your success.
- Include values and normative frameworks in the policy statement to create practice-oriented strategies and measurable targets.
- Create your own normative framework from existing models to refine your IPS further.

Action 6

Weave Impact into Your Due Diligence for All Investments

As incorporating impact into investment decisions, investors tend to add a layer of analysis that looks at the social and environmental value a company can create and the social and environmental risks inherent to the company's products, services, and operations into their assessments. For many investors, this could mean using service providers such as consultants, wealth managers, or asset managers to report on their due diligence, rather than collecting and analyzing information themselves.

Families may also include an assessment of experiential return and risk to their due diligence processes. This enables families to assess the value of the learning experience provided by the investment and the potential reputational risks posed by the given investment.

Skagen Conscience Capital

With the impact and sustainable investing market developing as rapidly as it currently is, a good portion of the market has been claiming a positive impact on the real economy, even though proof of mere sustainability is difficult to find. To avoid so-called impact-washing, Skagen Conscience Capital differentiates between impact and alignment in their investment due diligence:

5% of the family's portfolio has been carved out for highly additional, impact-first investments. These assets apply an impact-driven approach.

95% of the portfolio, the endowment portion, seeks to invest in a more sustainable future, while targeting market-rate returns. These assets are steered by an alignment-focused approach guided by the family's Transition to a Better Future framework.

Jack Goldstein, Investment Director at Skagen Conscience Capital, explains that in the impact-first carveout, due diligence is conducted with more rigorous impact criteria.

This means that investments are selected based on their measurable contribution to positive social and environmental outcomes thus going beyond alignment. More concretely, the carveout targets investments in the following manner:

- High impact enterprises in the UK, where Skagen Conscience Capital is based.
- Seed financing for new impact managers, enabling faster scaling and mainstreaming of impact-first approaches.
- Impact-first investments in which the risk-return profile is different to that of a traditional venture or growth business, and which might therefore struggle to attract finance-first capital.

As the family office has defined it, spending time sourcing, diligencing, and supporting investment opportunities in these categories is how the family hopes to have an impact on the real economy.

"All families active in the impact space are being contacted by the same set of companies and are going over the same deals over and over again. It's extremely inefficient."

Peter Brock

4L Vision GmbH

4L's growth coincided with the rapid growth of the impact investing market across Germany, Europe and the globe. When he began his work in impact investing, Johannes Knorz, the CEO of 4L Vision, struggled to find quality deals with proven impact on social and environmental challenges. Today 4L Vision risks being inundated with investment proposals, albeit not always with reliable impact. "Especially with Covid-19, no one wants to invest in businesses that are negatively impacting society and the environment," Johannes explains. "That means every business is now claiming to be an impact business. Having a system in place to filter deals and differentiate impact claims from real impact is becoming more and more important."

To help screen for quality impact proposals, 4L Vision has developed two separate screening frameworks; one to assess the quality of the business from an investment point of view and the other to understand a company's potential impact against the United Nations Sustainable Development Goals (SDGs). The screening frameworks are then combined with standard best practices and procedures for any due diligence in liquid assets, as well as illiquid funds or direct investments.

As experience accumulated, Johannes and Investment Director, Peter Brock, set up a separate company for organizing private deal flows for private equity and venture investments, both directly and via funds. "All families active in the impact space are being contacted by the same set of companies and are going over the same deals over and over again. It's extremely inefficient," Peter explains. "Thus, we decided to set up a small company that would do a preliminary screening of deals and sort the deal funnel by sector and other criteria, in order to provide an overview of the deal flow."

Today Johannes and Peter work on deal flow together with another single-family office. The team has a good overview of relevant impact investing opportunities – and can even share investment recommendations with external parties.

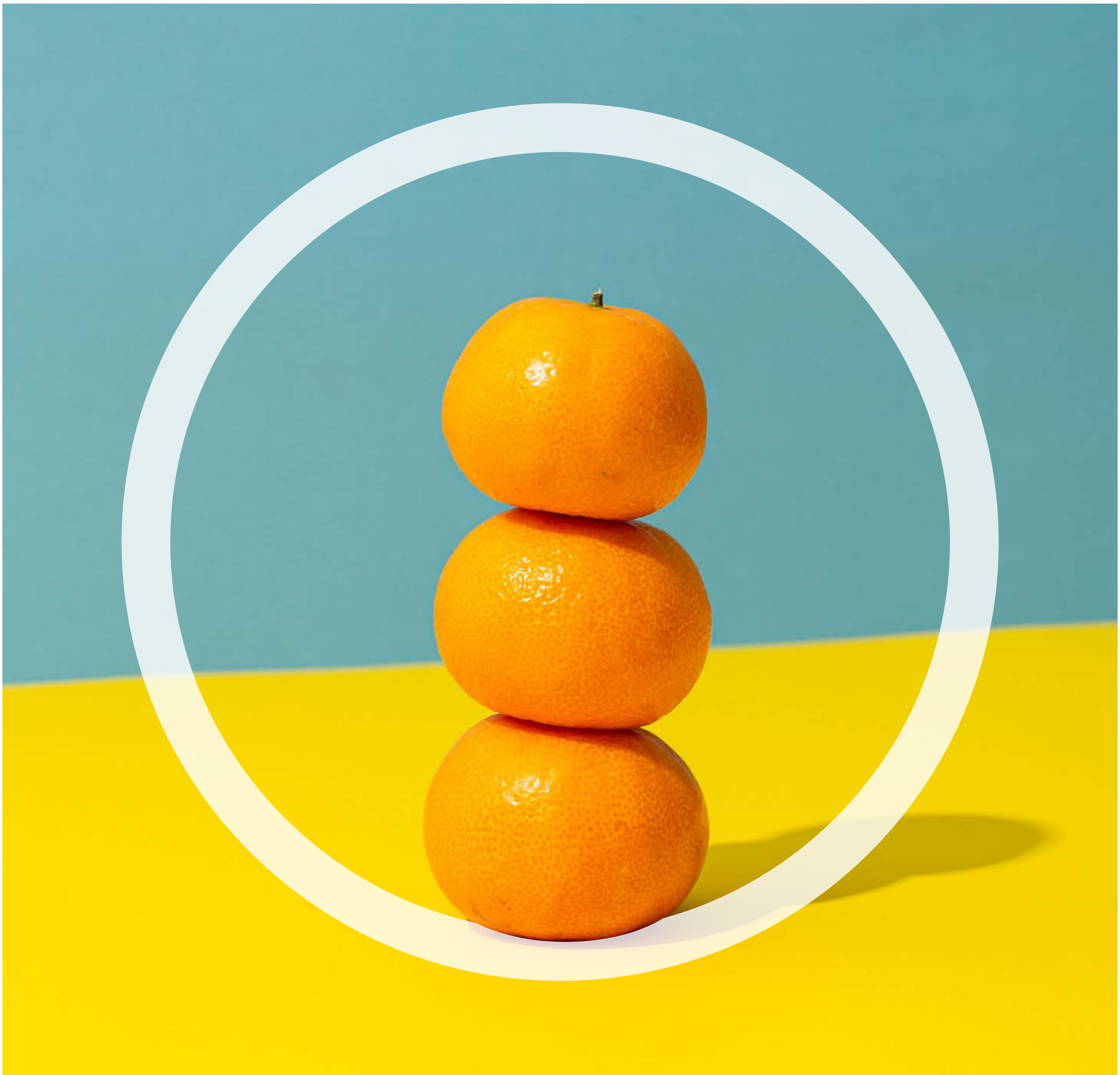
Key takeaways for weaving impact into your due diligence

- Have a framework in place for assessing investments according to their social and environmental impact. The integration of this framework can differ depending on the asset class, especially between liquid and illiquid investments.
- Due diligencing impact investments in the private market can be challenging. Setting up a separate structure that specializes in this can ease the burden.

Action 7

Build an Impact Portfolio in Accordance with Your IPS

Building an impact investment portfolio synthesizes several distinct but interwoven actions: sourcing investment opportunities, performing due diligence, making investment decisions, structuring investments, monitoring the portfolio, and providing ongoing support. Building a robust, diversified impact portfolio is made easier when families work together with the help of a strong network of aligned partners with whom to source investments and collaborate on due diligence.



Imladris

The family office must be able to provide valuable non-financial support for the investees, alongside capital, which can be challenging for a small office already strapped for resources.

Moritz Kortekangas

The family office Imladris and the family went through a process defining positive impact after an intensive restructuring between 2012-2015. They now refer to positive impact as having a focus on investments in technological innovations that can bring about sustainable improvements in living conditions, while helping to preserve nature and its resources in the best possible way. The identified impact approach has been key in guiding their search for suitable investments.

Despite the clear guiding principles, finding quality investments remained a challenge – not only do investments need to fit the investment and impact thesis of Imladris, but the investees needed to choose Imladris as an investor. Investors can offer different levels of support to investees as they are growing their company, such as access to networks or support in business development. Due to the non-financial support investees are interested in, Imladris intentionally focuses on identifying non-monetary value they can bring to invested companies.

Today, Imladris has mainly two pipelines for investments; one through which the family office actively searches for investments based on strategic asset allocation needs and another consisting of opportunities sent to them directly and through third parties, such as databases and networks. In addition, one of the most important pipelines for quality impact deals is through fund managers.

However, building up and managing all these relationships requires a lot of resources. The family office must be able to provide valuable non-financial support for the investees, alongside capital, which can be challenging for a small office already strapped for resources. Nevertheless, Imladris maintains a good relationship with its investees, offering expertise through their network of tax, legal, and strategy advisors and working with CEOs through advisory board roles.

Cape Capital

Unlike single-family offices, multi-family offices manage the interests, preferences, and capital of a number of families. It was important for Cape Capital to develop a solution that catered to clients who wanted to invest for impact, while still addressing the needs of those who preferred to invest along a traditional approach, focusing on doing good solely through their foundations.

To balance the needs of different families, Cape Capital offers what they call a pyramid model of investing. At the base of the pyramid sits the discretionary mandate liquid portfolio with ESG integration as standard. The peak of the pyramid is dedicated to philanthropic projects, reflecting a traditional model of investing. What is new is the core of the pyramid - the values-aligned portfolio.

The values-aligned portfolio is where intra-generational tensions often lie. Generally, older family members prefer to keep most of the capital in the discretionary portfolio, with the illiquid portion being invested into direct investments without explicit values-alignment and a portion of that directed to philanthropic projects. As younger generations have started to learn about the potential of impact investing, they have sought to develop and expand their family's values-aligned portfolio. The tension between traditional and impact-focused investing continues to challenge the experts of Cape Capital.

As increasing their knowledge and capacities in impact investing, the firm reminds themselves that investing for impact is a transition that does not need to be executed overnight. Some families are transitioning capital out of their discretionary mandates and into their values-aligned portfolio, which allows both the families and family office to build skills and knowledge in investing for impact over time.

Keller Enterprises

"There are ways to ease into impact investing before building your own team from scratch."

Temple Fennell

As part of the family office's impact strategy, Keller Enterprises decided to focus on deploying capital primarily in private markets. However, building a bespoke portfolio of direct private deals requires considerably more time and investment skills than outsourcing to external advisors or wealth management firms. Knowing this, the investment team, consisting exclusively of family members, identified sectors and companies where the family had unique advantages through their expertise and connections.

As a family with legacy businesses in fossil fuel and ownership of large farmlands, it was clear that their expertise lay in energy and agriculture, leading to a focus on renewable energy and sustainable agriculture investments.

Temple Fennell, the spouse of one of the family members, and Jonathan Gilliland, a family member and the CIO of the family office, were both part of the innovation ecosystem in Charlottesville, Virginia, working on new technologies, skills, and knowledge to develop new products and services. This affiliation allowed them to source investment opportunities in the renewable energy sector through their network. It did not take long for the family office to start with equity investments and project finance in renewable energy companies in Charlottesville.

Now that the impact ecosystem is more developed and there are more seasoned professionals to learn from, Temple recommends that families build up their experience by finding fund-of-funds invested in impact funds instead of building a portfolio of direct deals. Although the fees are higher, such an approach offers an opportunity to gain deeper insight into a variety of funds and direct deals without having to commit to a high ticket size. This approach is especially useful for new impact investors because fund-of-funds make it easy to learn more about the landscape and on finding deals directly even without having the knowledge and expertise to diligence deals.

"Once you get comfortable with fund-of-funds and understand the landscape, try to become a limited partner in one of those funds. Once you've made an investment in that fund, start piggybacking on the deal sourcing and due diligence of your manager. Then, you can start building your own in-house team if you don't already have one," Temple explains. Co-investing, Temple argues, is the best way to understand the landscape and recognize the skills you will eventually need to build your team. "It takes about three to five years to go through the full learning cycle, but it is worth it. The point is, there are ways to ease into impact investing before building your own team from scratch."

Key takeaways for building your impact portfolio

- Building and maintaining a pipeline for quality impact investments can be challenging and requires a lot of resources.
- The best source of deals and learnings come from fund managers. Even when your aim is to build an in-house team eventually, you can always start by learning through investing in fund-of-funds and becoming a limited partner in a fund.

Action 8

Establish an Impact Measurement Methodology for Your Portfolio

Having defined their guiding lights and an impact investment strategy, families move on to monitor the mission or values alignment of the portfolio and the impact of individual investments. To do so, families typically clarify how they measure and assess impact alongside financial performance.

A variety of impact measurement and management frameworks exist today designed to help companies understand the consequences of their products and operations. The same frameworks help investors to understand the outcomes created by the deployment of their capital.

"A red flag for me is when there is not a clear impact reporting and measurement policy and when a company doesn't have staff that is dedicated to impact measurement."

Melissa Sesana Grajales

Inversiones Brembo

As creating and refining her family's impact activities, Melissa Sesana Grajales, a next gen of an Italian-Colombian family with a background in the food and beverage industry, made measuring and reporting the impact of her investments a priority, either by the company or fund itself, or through third party impact verification.

Melissa invested in and is working closely with Proof of Impact, a digital data platform that specializes in collecting and processing impact data to measure investment returns. "In general, a red flag for me is when there is not a clear impact reporting and measurement policy and when a company doesn't have staff that is dedicated to impact measurement," Melissa reflects.

"I needed a way to be more explicit in how I made investment decisions based on impact."

Paolo Fresia

100% Sustainability

After defining his impact themes and the criteria outlining a framework for decision-making, Paolo Fresia, the principal of 100% Sustainability was still uncertain whether he was actually having an impact as an investor or if he was just aligning his investments with sustainability themes. A measurement framework created by the Impact Management Project's (IMP) quickly became a cornerstone for Paolo's impact assessments enabling him to map out the impact he was having in various impact categories across his portfolio and across time.

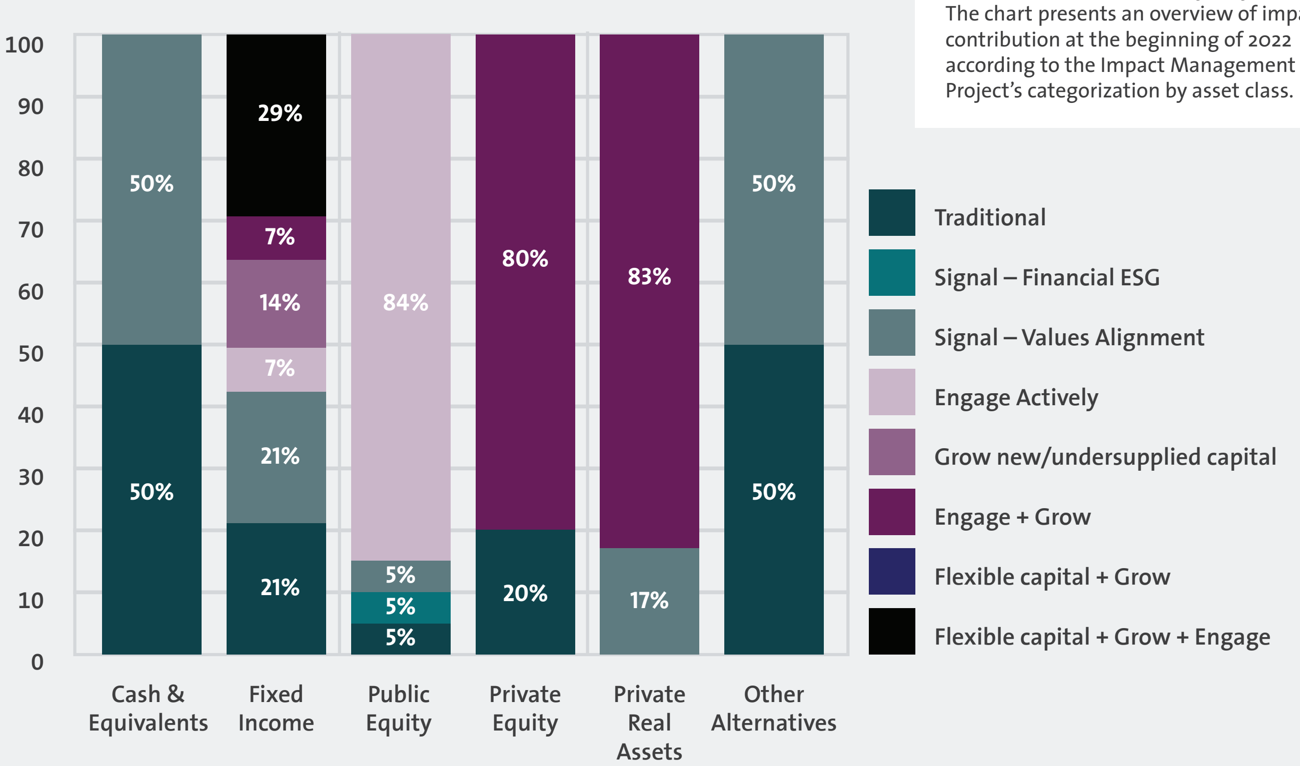
The IMP Framework divides impact classes into a matrix that assesses both the impact of the underlying investment as well as an investor's role in generating additional impact. This additional impact can range from simply engaging with the invested company, to providing undersupplied, flexible capital to companies that would not have been funded otherwise. "The framework made me think more about my additionality," Paolo explains. "That language of impact and additionality didn't exist four years ago, so it was very difficult for me and my advisors to articulate what we were looking for. Differentiating the impact of the investment and the impact of the investor has been a revolutionary step for the field of impact investing."

In addition to the support the IMP Framework has given to assessing the impact of investments, the framework has helped Paolo prioritize investments that he wants to spend time on by assessing the level of potential impact versus the high sourcing and due diligence costs involved. "I've come to appreciate specialists in their field. Sometimes I'm happy to pay for that specialization, and sometimes not. Either because there isn't enough impact or there isn't enough return," Paolo elaborates.

While the IMP Framework is useful as an initial starting point to categorize investments, Paolo also undertook further efforts to understand an investment's potential impact. With assistance from the Total Portfolio Project and Toniic's Tracer tool, he can now spell out the qualitative and quantitative parameters that make a specific investment impactful vis-a-vis other investments in his portfolio or, for instance, the closest available philanthropic benchmark. See Figure 1 and Table 1 for more information.

"The impact investment universe is expanding, and my advisors and I are flooded with investment opportunities. I needed a way to be more explicit in how I made investment decisions based on impact. For example, I have been looking at regenerative agriculture, which can store large quantities of CO2 in the soil. How would an investment in agricultural land in an African country compare to donating to a charity planting trees in the UK? Now I have the tools to answer this question, which was not the case a couple of years ago. This allows me to make more informed and impactful choices with my capital."

Figure 1: 100% Sustainability uses the Toniic Tracer Tool to map assets according to the IMP framework on a yearly basis. The chart presents an overview of impact contribution at the beginning of 2022 according to the Impact Management Project's categorization by asset class.



Contribution	Contribution of Underlining Enterprises/Assets			
	Does/May Cause Harm	**Avoid Harm**	**Benefit Stakeholders**	**Contribute to Solutions**
Traditional	10%	12%		
Signal – Financial ESG			1%	
Signal – Values Alignment	18%	1%	2%	10%
Engage Actively			22%	10%
Grow new/undersupllied capital markets				Less than 1%
Engage + Grow			1%	11%
Flexible capital + Grow				
Flexible capital + Grow + Engage				2%

Table 1: Ratio of 100% Sustainability's asset allocation by investor's contribution to impact, evaluated using the Impact Management Project's Matrix.

The data for the two tables is as of Dec 31, 2020.

Imladris

After making their first investments for impact, the Imladris family office was confronted with the challenge of measuring and managing their impact. The question was primarily a technical one due to the difficulties of obtaining and processing the right data. Today, their asset managers use multiple metrics from different data providers for assessing public equities. For private market holdings, Imladris works closely with entrepreneurs and the invested company, and they have direct access to the Impact metrics they are seeking.

In order to process the impact data collected, the team of Imladris uses the Gamma-Model, an academic model developed by Grabenwarter and Liechtenstein, which differentiates social and environmental impact for the various stakeholders in the investing value chain. This information then enables the team to form their own model balancing risk, return, and impact allowing for decisions that incorporate all three considerations into their analysis.

Key takeaways for establishing an impact measurement methodology

- Having a solid impact measurement and management process is key to ensuring that the intended impact set out in your IPS is achieved and managers are held accountable.
- There is a difference between the impact a company has and the impact an investor has. It is important to measure both. Helpful frameworks and metrics include:
    - Impact Management Project: www.impactmanagementproject.com
    - IRIS+ System by GIIN: www.iris.thegiin.org
    - In search of gamma - an unconventional approach to Impact Investing: www.impactstrategist.com/wp-content/uploads/2015/12/In-search-of-Gamma.pdf
- Collecting impact data can be challenging and working with external parties is helpful. Some impact data service providers (different from ESG data providers) mentioned in the examples are:
    - Proof of Impact: www.proofofimpact.com
    - The Total Portfolio Project: www.total-portfolio.org
- It is important to use an impact measurement tool to define the investment strategy and to implement investment decisions that reflect the well-defined strategy.

Action 9

Engage the Institutions That Support the Deployment of Your Assets

For many families, implementing an impact investment strategy requires the support of an institutional wealth manager or an asset management firm. By proactively engaging their wealth managers, families can increase the likelihood of fulfilling their needs and reaching their aspirations as well as being part and that these aspirations align with steps taken towards a larger systemic change. Collectively, families can be a powerful catalyst for change when they identify common impact investing products and standards of service thus signalling a demand for better impact investments.

Skagen Conscience Capital

"We have spent a lot of time over the past few years with our key investment partners, working together to develop, refine, and align our respective frameworks."

Mark Preston

When Skagen Conscience Capital wanted to start implementing its responsible investment strategy, many asset managers were only just beginning their own journeys in the field of sustainable and impact investing. Against this backdrop and as the CEO of a large wealth holder, Mark Preston believed that Skagen Conscience Capital's most immediate and sensitive point of influence was not among the underlying investees, but among the managers who invest on Skagen's behalf. "We have spent a lot of time over the past few years with our key investment partners, working together to develop, refine, and align our respective frameworks," Mark explains. This collaborative approach has given Skagen the opportunity to implement their own responsible investment approach and, through their example, contribute to the development of the field.

While the process has been time-consuming, Skagen's efforts have paid off. For instance, one manager launched an ethical investment strategy four years ago. "It was essentially just an exclusionary offering. However, we've been encouraging our key investment partners and working together with them to build a more robust framework based on an assessment of the impact an underlying asset has on the environment and society," Mark shares. Skagen's Transition to a Better Future framework, written in an easily understandable and applicable way, has also been partially adopted by the manager.

Mark cites the work done to support internal advocates within investment firms as key to Skagen Conscience Capital's success in engaging with asset managers. "We have found internal advocates, often more junior professionals, in these firms that think very much like us. We hope that our work with them raises their profile in the firms they work in and I hope that we have helped them find and raise their voice on these topics," Mark explains.

The Rockefeller Family

"High-level individuals in our network are putting pressure on the Biden administration to focus on the role of banking in mitigating climate change."

Vanessa Fajans-Turner

In 2020, 85 members of the Rockefeller family signed a letter seeking a meeting with James (Jamie) Dimon, CEO of JPMorgan Chase, to discuss the bank's investments in the fossil fuel industry. The international investment bank hosts a large number of assets of the members of the Rockefeller family and affiliated nonprofits, creating a sense of responsibility regarding the investment policies taken by the bank. The initiative to approach the CEO of JPMorgan Chase was the first project of BankFWD, a network of individuals and organizations founded by fifth-generation Rockefeller cousins Peter Gill Case, Danny Growald, and Valerie Rockefeller seeking to use the leverage of collective wealth and publicity to persuade major banks to take steps towards climate change mitigation.

Since then, the BankFWD team has been able to meet with several senior executives and communicate that the bank is putting their assets at risk, whilst endangering its own and its clients' reputation. Peter, Danny, and Valerie reiterated that they, along with most of their relatives, fight climate change through their personal decisions, political activities, philanthropy, and investments, yet the assets they bank in JPMorgan Chase undermine that work.

To date, over 300 individuals and entities, including nine Rockefeller-affiliated nonprofits worth 14 billion USD and representing tens of billions in assets under management, have joined the effort. "High-level individuals in our network are putting pressure on the Biden administration to focus on the role of banking in mitigating climate change," the Executive Director of BankFWD, Vanessa Fajans-Turner, explains. "We're prioritizing these issues on the national agenda."

The Rockefellers have thus publicly banded together with other institutions to urge the current US administration to enforce stricter fossil fuel finance and climate change risk disclosure regulation, join international coalitions focused on greening the financial system, and protect pensions by limiting climate risk.

Cape Capital

When Cape Capital launched its operations in 2002, it was characterized by a traditional family office setup: investments were managed by a team with targets reflecting standard investment criteria. The investment team worked in parallel, yet separate from the team managing the work of foundations aimed at creating a positive impact in the world. This concept changed when curious next gen clients initiated a dialogue to discuss impact investing within the family office. These next gens set a meeting with the key decision-makers of the office and introduced a new, impact-driven approach to investing.

Despite challenges and complexities, the family office has since committed itself to support the next gens in investing for impact, as well as making the approach available for other families of the multi-family office.

The impact-driven next gens and their families continue to engage with the family office by contributing their own time and skills to aid the family office in its transition toward impact. As their work in impact and sustainable investing has evolved, Cape Capital noticed that clients were keen on getting involved in the creation of values-aligned portfolios, and today, clients bring deals they have sourced themselves to the family office. Furthermore, when an investment is underway and after it has been made, clients are able to participate in calls with CEOs and in due diligence processes enabling them to learn about the work done behind the scenes of the family office. Through these opportunities, Cape Capital and clients both develop skills and knowledge in investing for impact.

Key takeaways for engaging with relevant institutions to amplify your impact

- Institutional change takes time and patience, but once it reaches a critical mass, it has the potential of enabling systemic impact.
- Wealthy clients can use their influence to drive change in financial institutions.
- Engaging institutions for change does not need to be done alone. Joining other coalitions can be an easy way to get engaged and to move the needle beyond your direct investments.

Action 10

Support the Flourishing of an Impact Ecosystem

As a growing field trying to change an intractable system, impact investing requires work that goes beyond investment activities. More research is needed to understand the impact and financial performance of market players better and to identify verifiable solutions to social and environmental challenges. In addition to knowledge creation and distribution, expert networks play an essential role in pushing for changes in the culture and practice of business and finance. Together research centers, networks, institutions, and individuals create an impact ecosystem that relies on private capital as well as time and talent to thrive. Giving back to this ecosystem increases the likelihood of making aligned, high-quality impact investments now and in the future.

Keller Enterprises

The Keller family is not only active in impact investing in private markets, but also engaged in fostering an ecosystem for investors. Temple Fennell, the spouse of one of the family members and an initial member of the investment team, is part of MIT's renewable finance group and an active member of CREO, an investor network focused on climate solutions. He is also a founding faculty member of the IRI/CSP Impact Investing for the Next Generation program, where he shares his knowledge and experience to impact-driven next gens.

Through their involvement in fostering an impact investor ecosystem, the family both supports the ecosystem as well as benefits from it. The sharing of experiences between different families has also allowed the Kellers to identify best practices and implement them in their own work. Engagement across the sector and with relevant players in the field has allowed the family to connect with peers who share common interests and thus broadened the networks from which to source deals too.

Inversiones Brembo

“Sometimes you have to be the one taking the initial risk for things to actually happen.”

Melissa Sesana Grajales

For Melissa Sesana Grajales, a next gen of a Colombian family, community-building has been key as supporting the growth of a local impact investing ecosystem. Despite the global trend, investing for impact has been a challenge in Colombia, as the local ecosystem remains largely immature and investable opportunities with strong track records are limited.

Since the beginning, Melissa saw a big need for catalytic or patient, risk-tolerant, and concessionary capital that could be used flexibly to help bridge the financing gap for new and upcoming impact investing funds and enterprises. She has thus used both her capital as well as her voice as an advocate for impact investing to support the growth of the sector. “Sometimes you have to be the one taking the initial risk for things to actually happen,” Melissa highlights.

After working on her own impact investing strategy, the interconnectedness of her, her family's, and her peers work became clear to Melissa. This interconnectedness thus became a central piece in the four nodes identified in her impact strategy:

- Advocacy work: The Colombian impact investing market is evolving and offers impactful deals. Melissa thus believes it deserves an international platform and is helping to promote the Colombian market by joining different networks and using her voice to advocate for impact investing.
- Investment work: Through her family office and her own separate investment vehicle, Melissa has put capital to work through investments that signal that it is possible to invest in deals that tap into new frontiers of impact while profiting other local investors too.
- Community-building work: Melissa learned that bringing other families together to co-invest in impactful deals has lowered the risk for the investors and allowed her and her peers to expand their investment opportunities. Working together has also enabled the community to share knowledge and do collective due diligence.
- Educational work: To expand the impact investor base further, Melissa is exploring ways to support educational programs on impact investing for Colombian next gens.

Key takeaways for building a robust impact ecosystem

- The impact investing ecosystem is still developing. Instead of expecting to find an answer, there is an opportunity to (co-)create new solutions to pressing problems.
- Building the ecosystem can be done in diverse ways:
    - Share investment activities with others and advocate for new investors to join in.
    - Provide catalytic capital to create investable opportunities.
    - Support education and research work.
    - Identify the connections within and beyond the sector and look for opportunities for collaboration.
- Understand the gaps in local impact investing contexts and foster collaborations to fill those gaps.

Appendix

100% Sustainability Impact Goals and Prioritized Investment Themes

<table>
<tr><th colspan="3">OVERARCHING IMPACT GOAL</th></tr>
<tr><td colspan="3">Social Justice
• SDG 5 Gender Equality
• SDG 10 Reducing Inequalities</td></tr>
<tr><th colspan="3">SUPPORTING IMPACT GOALS</th></tr>
<tr><td>The Basics of Life
• SDG 2 Zero Hunger (in terms of regenerative agriculture)
• SDG 3 Good Health
• SDG 4 Quality Education</td><td>Our Planet
• SDG 13 Climate Action
• SDG 15 Life on Land an SDG 14 Life Below Water (insofar as it's linked to SDG 13)
• SDG 11 Sustainable Cities & Communities</td><td>Empathetic Growth
• SDG 12 Responsible Prod. & Consumption
• SDG 9 Industry, Innovation, and Infrastructure
• SDG 8 Decent Work (SDG 8 and 9 above insofar as they're linked to SDG 5)
• SDG 1 No Poverty</td></tr>
<tr><th colspan="3">Priority Investement Themes</th></tr>
<tr><td colspan="3">Social Justice
• Family Planning and Educating Girls (as per Project Drawdown on climate change) MSME lending to women-owned or -led enterprises (Women leadership and capital)
• LGBT+ lens investing (especially via outcomes-based structures and grants)
• Social justice investing and philanthropy, place-based and community-governed
• Financial systems change and buildings the impact ecosystem (via board positions and grants)</td></tr>
<tr><td>The Basics of Life
Not a priority except for regenerative agriculture and in relation to SDG 5 above: gender-sensitive education and health investments</td><td>Our Planet
• GHG reduction
• CO2 storage (in soil and trees as well as oceans)
• Sustainably managed landscapes
• Transition from fossil fuels to clean energy</td><td>Empathetic Growth
• Sustainable agriculture
• Sustainable physical infrastructure
• Circular Economy</td></tr>
<tr><th colspan="3">Secondary Investement Themes</th></tr>
<tr><td>The Basics of Life
• Smallholder farmers
• Access to healthcare
• Ageing
• Upskilling
• Biotechnology
• Disease prevention and treatment
• Mental health
• Education technology</td><td>Our Planet
• Biodiversity and conservation
• Sustainable Aquaculture
• Green building
• Affordable housing
• Access to (clean) energy
• Energy efficiency
• Smart cities and mobility
• Water provision and wastewater infrastructure</td><td>Empathetic Growth
• Fair trade and ethical supply chains
• Jobs (both developed and developing)
• Digital infrastructure
• Financial inclusion
• Food waste
• Healthy food</td></tr>
</table>

The overarching impact vision of 100% Sustainability is social justice. The overarching vision is supported by three priority impact goals that guide investment decisions made under the primary and secondary investment themes. The table has been drafted using Toniic's investment framework as well as priorities identified in the United Nations Sustainable Development Goals (SDGs). The table is instrumental in supporting 100% Sustainability in reaching investment decisions that align with its vision, while still allowing for the re-ranking of priorities during each strategic review cycle.

Resources

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