



# White Paper

How to increase family office engagement  
in impact investing



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# 1 Introduction

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We are pleased to share with the impact community our review of current literature and market practice as well as direct investor feedback on how to increase impact investing activity within families and family offices.

Driven by our own experience as impact investors working with families and family offices, we wanted to better understand families' motivations and constraints when it comes to impact investing. In particular, we were interested in examining existing gaps between the impact "talk" and the actual impact "walk" of families and family offices, with a particular view upon how to overcome this gap. With this perspective, 27 (Ultra)-High Net Worth Individuals investing within their family settings have participated in a detailed survey exercise about major drivers for impact investing, existing collaboration and communication patterns within the field and more, thereby confirming that these organizations still face real challenges in moving their capital towards impact.

Our analysis builds on the current momentum of impact investing and the notably "hot trend" that families and family offices expect to increase their impact allocations in coming years to play an important role in support of the Sustainable Development Goals. Our purpose is to help families and family offices overcome the degrees of separation between interest and actual implementation and explore a set of recommendations for practical action. Once investors have made their first impact investment, they are likely to do so again. We therefore believe: if we can help these actors increase their impact engagement activity in a practical way, few actions may be more catalytic.

We would like to thank all of those who took the time to respond to our survey or who have otherwise contributed to this White Paper. We deeply appreciate their time and valuable insights. We invite your feedback and look forward to working with interested parties to continue this work.

*Dr. Christin ter Braak-Forstinger, LL.M., Chi Impact Capital*  
*Dr. Audrey Selian, Artha Impact (Rianta Capital Zurich)*  
*Dr. Brigitte Mohn, Bertelsmann Stiftung*

Zurich / Geneva / Guetersloh - April 2020

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## 2 Key findings

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This White Paper confirms the fact that despite families' and family offices' increased appetite for impact investing, there are still considerable degrees of separation between interest and actual implementation in practice. In particular:

- The market is still very heterogenous: while some families are at the beginning of their learning curve in implementing impact investments, others have incorporated social and environmental factors intentionally into every investment decision;
- Families and family offices still miss a clear definition of what impact really means;
- Although families and family offices seem to be ideally positioned to make the shift towards impact investing, the practice looks different;
- A person – or “champion” – driving impact investing within the family setting is crucial;
- Sharing with others requires a trusted safe space;

Next to these observations, the White Paper highlights a range of recommendations that should support families and family offices in shifting their capital towards impact:

- Implement more and better communication both internally, as well as with peers;
- Take a strategic approach and build a team to translate family values into an impact strategy;
- Choose supportive advisors or get rid of them;
- Decrease transaction costs through active and intentional collaboration;
- “Walk the talk.”

## 3 Impact investing

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### 3.1 The current market environment

Within the last 10 years the impact investing field has experienced a rapid evolution. What originally started with investments in countries at the bottom of the pyramid, now is a validated investment approach within developed countries as well. Families and family offices that are trying to figure out how to transition towards impact investing can tap into a large pool of existing resources as impact investing trends towards popularization, and aspirationally – at least, to becoming “mainstream.” On the other hand, this speedy rise has brought with it a number of obstacles like confusing industry jargon and a huge range of different impact measurement frameworks whose underpinning frameworks do not lend well to clarity for practical use. One of the biggest challenges is that the term “impact investing” has been used and abused extensively since inception and it is not a given that the sector will still speak about “impact investments” with the same meaning ten years from now. More than half of our survey participants (52%) cite “impact washing” as the biggest current risk for the sector. We will delve into this more deeply in section 3.3.

Impact investing has certainly de-mystified general scepticism surrounding the use of market forces to help solve social and environmental ills efficiently and sustainably. Impact investments are investments made with a return expectation and with an intention of generating positive, measurable social and/or environmental impact.<sup>1</sup> Thus impact investors intend to generate both a financial return and a measurable social and/or environmental impact. An investor’s intention to create a positive impact is a core characteristic of every impact investment, concomitant to the desire and obligation to *measure* the achieved impact. The range of financial returns can vary from below-market to risk-adjusted market rate returns. These return expectations have historically been put into two different camps, with “impact-first” investing focusing on concessionary returns while “financial-first” investing focuses on market-rate returns. Today’s reality diverges from such a gestalt, however as impact investments are increasingly implemented from individual impact deals to multi-impact investment portfolios

<sup>1</sup> Definition of the Global Impact Investing Network, <https://thegiin.org/impact-investing/need-to-know/#what-is-impact-investing>



– taking varying aggregated levels of risk, return and impact into account. The truth as ever is that reality is far more complex and volatile than our models on paper, even when our approaches appear to be designed with purity of intention.

On the product side, a dizzying array of different impact investing products and vehicles have emerged over the last years and families (and respectively, family offices) can decide whether to apply a direct or an indirect investment approach, or to combine the two. Direct investing offers entrepreneurial families and the next generation control and a more-hands on approach than investing through impact vehicles like private equity impact funds. On the other hand, a direct investment is much more time-consuming and work intensive over its life-span and requires high engagement throughout the investment process as compared to an indirect investment in a fund. Therefore, a fund investment can be a great way to start one's journey or to diversify and test the parameters of one's approach; impact funds may also offer interesting co-investment opportunities.

Although the impact investing market is still young and relatively small with estimated assets of around USD \$502 billion aggregate AUM in 2018<sup>2</sup> as compared to the sustainable investment sector with assets in sustainable investing reached nearly \$31 trillion in 2018 (a 34% increase in two years)<sup>3</sup>, it continues to mature and to grow rapidly.

### 3.2 Impact investing in the context of the SDGs

The United Nations 2030 Agenda for Sustainable Development was formulated in 2015, yielding 17 Sustainable Development Goals (SDGs) as the shared blueprint for peace and prosperity for people and the planet; these have gained significant traction since their ratification. Presently, a large number of investors are in the process of considering the long-term implications of aligning themselves to these SDGs. The SDGs recognize the key role that business can and must play in achieving them; in many ways, they are steeped in an emergent new philosophy about the purpose and role of both capital and business. In doing so, they define growth markets for companies that deliver innovative solutions and transformative change. There is today a tremendous annual funding gap that has been articulated by a variety of agencies as the capital shortfall toward the achievement of the SDGs; The *UNCTAD World Investment Report* cited this at a range of USD \$2.5-\$3 trillion per year.<sup>4</sup> In a post-COVID-19 world, some estimates likely on the back of a perceived inevitable decline of global markets in 2020 bring up this number to USD \$5-\$7 trillion (*Institute for International Finance*) per annum.<sup>5</sup>

2 See, Sizing the Impact Investing Market Report, Global Impact Investing Network, 1 April 2019, [https://thegi-in.org/assets/Sizing%20the%20Impact%20Investing%20Market\\_webfile.pdf](https://thegi-in.org/assets/Sizing%20the%20Impact%20Investing%20Market_webfile.pdf)

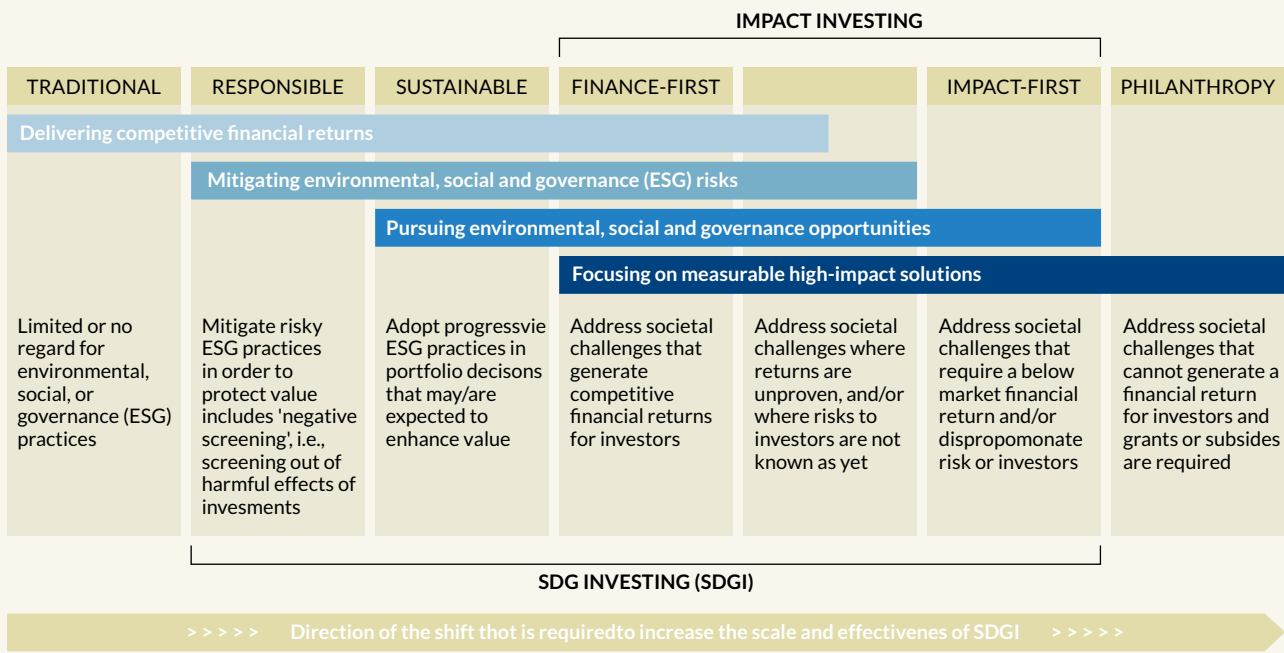
3 See, Global Sustainable Investment Review 2018, Global Sustainable Investment Alliance, April 2019, [http://www.gsi-alliance.org/wp-content/uploads/2019/03/GSIR\\_Review2018.3.28.pdf](http://www.gsi-alliance.org/wp-content/uploads/2019/03/GSIR_Review2018.3.28.pdf). Also, latest data from the Morgan Stanley Institute for Sustainable Investing underpins that rise and shows that both interest and adoption of sustainable investing continues their steady climb and emphasizes that sustainable investing is here to stay. Eighty-five percent of the general population of individual investors and ninety-five percent of Millennials have expressed interest in sustainable investing and similarly these investors believe (86%) that companies that embrace ESG practices may potentially be more profitable and may be better long-term investments.

4 UN Secretary-General's Strategy for Financing the 2030 Agenda. Link: <https://www.un.org/sustainabledevelopment/sg-finance-strategy/>.

5 Sustainable Finance In Focus: New Approaches to Private Sector Funding for Sustainable Development, Link: <https://www.iif.com/Publications/ID/3775/Sustainable-Finance-In-Focus-New-Approaches-to-Private-Sector-Funding-for-Sustainable-Development>, 02 March 2020.

Either way, SDGs can only be attainable through unlocking both public and (even more so) private capital, with an emphasis on non-debt instruments given the fear of putting upward pressure on debt-to-GDP ratios on developing country balance sheets. In the context of the SDGs it is important to realize that impact investing is only one avenue of opportunity and action. This becomes clear when we examine the term “SDG-investing” more closely. The term in itself is still very new and was only coined in late 2016 as “SDGI” by the signatories of the Dutch “SDG investing” agenda.<sup>6</sup> The table below is part of that Agenda and shows that SDGI is comprised of all investment strategies, whereby sustainability and/or the SDGs form a material factor in executing investment decisions. This means SDGI serves as an umbrella term for the full spectrum of responsible, sustainable and impact investments and recognizes the connections between each investment approach.

FIGURE 1 Spectrum of capital & working definition SOG investing (SDGI)



Source: Bridges Ventures 2016, European SRI Study 2012, C-Change analysis

| BertelsmannStiftung

As there is no unanimous definition for responsible and sustainable investing, there is no exact dividing line between approaches. Responsible investment strategies are typically relatively passive (i.e. negative screening) and can be described as value alignment strategies (see second left column of above table), compared to pro-active thematic impact investing approaches that can be described as value creation strategies (see columns 4-6 flagged “impact investing” in the above table). Sustainable investing in the form of best in class approaches, ESG integration or ownership through votation are typically more active than responsible

<sup>6</sup> Building Highways to SDG investing, Invitation to collaborate on a Dutch sustainable development investing Agenda, December 2016, <https://static1.squarespace.com/static/582981ddeb1ad7f34681b6/t/5899acd5c534a5036aeada0c/1486466378381/Building+Highways+to+SDG+Investing+PDF.pdf>.

investment practices but do not have the potential to create the level of deep impact as direct impact investments.

A recent study from Harvard University, University of Zurich and the World Economic Forum<sup>7</sup> has examined the potential for positive impact in the real world on different investment approaches and found that such potential was uncertain with approaches like exclusion, best-in-class, ESG integration and thematic investing. On the other hand, the study found that the potential for positive impact in the real world was significant for both active ownership (*“shareholders can coordinate their actions with each other and have substantial impact even if they own small portions of a firm”*) and impact investing (*“advancement of potentially important interventions and innovations”*).

Summarizing SDG investing requires the co-existence of all three approaches including responsible investing, sustainable investing and impact investing, such that heightened complementarity and synergies between them may be surfaced and in evidence.

### 3.3 Danger of impact washing

As displayed in the graph in section 3.2. above, it is important to compare apples with apples. In order to come close to attaining the SDGs, both value alignment strategies as well as actual value creation strategies are necessary. This therefore includes the full spectrum of different approaches, from responsible to sustainable to full-fledged active impact investment. Currently, the value alignment agenda is fast-growing, with initiatives like the EU Action Plan on Sustainable Finance or the European Green Deal is evidence, showing that “ESG”<sup>8</sup> is no longer just a “nice to have” anymore. This is an important step into the right direction. What large scale, listed equities funds from traditional asset managers can do in this regard is to bring scale, quickly. What smaller, illiquid private equity funds on the other hand can do is to drive and amplify real and measurable impact, where companies succeed. Both approaches are valuable and necessary to reaching the SDGs, though we should recognize their intrinsic differences. In this context, impact investing still means different things to different people in practice.<sup>9</sup>

The reason for stressing this point is that we are currently observing a wide-scale re-branding of responsible and sustainable investment funds around impact funds. Upon a closer look, it becomes obvious however that the capital deployment spectrum starting with “do no harm,” “benefitting people and planet” and “contributing to solutions” are three very different boats raised on the same capital tide. Upon this tide, one can compare and speak inter-changeably of a range of value-aligned and passive ESG risk management practices (“avoiding harm”), with more active ESG opportunities (“benefitting people and planet”)

<sup>7</sup> Impact Investing for the Next Generation: Insights from Young Members of Investor and Business Families, Responsible Investment Initiative at Harvard Kennedy School, Center for Sustainable Finance and Private Wealth (CSP) at University of Zurich and World Economic Forum, June 2019, [http://www3.weforum.org/docs/WEF\\_Impact\\_Investing\\_for\\_the\\_Next\\_Generation.pdf](http://www3.weforum.org/docs/WEF_Impact_Investing_for_the_Next_Generation.pdf)

<sup>8</sup> Environmental, social and governance (ESG) criteria are a set of standards for a company’s operations that investors use to screen potential investments.

<sup>9</sup> See for example ter Braak-Forstinger Christin, Lets be clear what positive impact means, Guest Contribution, in IPE Magazine May 2019, <https://www.ipe.com/guest-viewpoint-christin-ter-braak-forstinger/10030865.article>

to pro-active and value creating impact solutions (“contributing to solutions”). Such impact-washing is dangerous for the accountability of our sector and its further growth, particularly in a market that has just become steadily more precarious in the wake of COVID-19.

It is important to realize that impact investing currently is driven by two different movements: The Broad Impact Movement and the Deep Impact Movement.<sup>10</sup> In a recent article, impact investing pioneer and TONIIC co-founder Charly Kleissner pointed out that impact investing is currently driven by both. The Broad Impact Movement is embracing Environmental, Social and Governance (ESG) criteria in the context of adapting the existing system, with examples including ESG funds and sustainable Exchange Traded Funds (ETFs). The Deep Impact Movement is embracing thematic and systemic solutions while challenging the existing system; examples include direct equity, private equity funds and debt investments in regenerative enterprises, social impact bonds, blended capital structures, first loss and revenue participation approaches and investments in community development banks. While these are all very different, these two movements are complementary and the challenge of building a 100% impact portfolio calls for a diversified and agile approach that benefits from both broad and deep impact perspectives.

*“The biggest distraction at this stage are investors who are fig leaf investors. I believe a large chunk of the increase in AUM still comes from greenwashing. Originally the industry came from a large tent approach where everybody fits but it now needs to be stricter in defining what impact is. This is important to avoid dilution.”*

Andreas Ernst, Head & Managing Director Impact Investing Anthos Fund and Asset Management, the Netherlands

What may help us overcome impact washing are a set of commonly agreed principles or standards of integrity, as well as clear confession of what positive impact really means in practice. This would be a needed step toward bringing clearer guidance in distinguishing the more “hobby”/ “bricolage” approaches taken by those who achieve impact “by accident,” versus those who achieve

real impact from commitment and intention to execute a positive strategy for impact by design. This is almost always a change management exercise, and it will no doubt bring clear benefits for investors who can make more informed decisions about what to look for and what to expect from an impact vehicle. The other much-ignored element lies in the implementation and utility of simple feedback loops – not from the executing agents, fund managers or entrepreneurs, but from the target beneficiaries *themselves*.

It is a very rare occurrence for investors to have immediate and direct impressions from the people their vehicles are ultimately serving. A handful of organizations including the likes of Fredrik Galtung from True Footprint are currently pioneering new technology-mediated approaches to support this, and it may be just what is needed to support risk-mitigation efforts around unintended consequences. Investors – even direct investors – almost never have a sense of the secondary or tertiary consequences of the introduction of a new solution or intervention in a given market serving the underserved. How can they know when more harm is created than good? While one important step forward in this context is reference

<sup>10</sup> See Kleissner Charly, A Year of Impact – Personal Reflections, in Medium as well as in ImpactAssets, May 2019, <https://medium.com/@ImpactAssets/a-year-of-impact-personal-reflections-4d569f200572>

to the recently published IFC's Operating Principles for Impact Management<sup>11</sup> (bringing increased transparency obligations for impact fund managers), the other approach is to invest a little capital in the fabric of true, direct feedback.

The Omidyar Network has recently launched a new initiative called "The Tipping Point Fund"<sup>12</sup> to help investors distinguish between investments that are little more than marketing fluff from those that have real impact. Mike Kubzansky, CEO of the Omidyar Network says in that perspective that there is an "... urgent need to protect the integrity of the impact investing industry as it scales to include more mainstream players."

*"I think that if you call yourself an impact investor, you should have at least 10% of your assets invested in high-impact private equity investments."*

Antonis Schwarz, nextGen impact investor, Germany

Other impact intermediaries like the U.K.-based Nesta<sup>13</sup> also directs its attention to the impact washing issue and publicly states on its website that they as an investor want to ensure that they are "... making the most of the capital [they] have...". "The implications go far beyond Nesta: this is about the risk of 'impact washing'. The broader impact investing industry is very aware of this risk. If we are not clear and precise about what we mean by 'impact' then this growing market will simply be bloated by people using the language but not putting anything substantial behind their claims."

11 Investing for Impact: Operating Principles for Impact Management, February, 2019 [https://www.ifc.org/wps/wcm/connect/720ed26b-48fe-40fb-9807-711d869c5bf9/Impact+Investing\\_Principles\\_FINAL\\_4-25-19\\_footnote+change\\_web.pdf?MOD=AJPERES&CVID=mJ20IIA](https://www.ifc.org/wps/wcm/connect/720ed26b-48fe-40fb-9807-711d869c5bf9/Impact+Investing_Principles_FINAL_4-25-19_footnote+change_web.pdf?MOD=AJPERES&CVID=mJ20IIA)

12 Omidyar's Tipping Point Fund aims to address the concerns of impact washing by strengthening the infrastructure that allows impact investing to exist and grow. It will issue grants in two focus areas: public engagement and policy as well as data, metrics and measurement. Funding was provided by nine inaugural donors, seven of which incubated the idea with assistance from the U.S. Impact Investing Alliance, <https://www.omidyar.com/blog/funding-rails-which-we-ride-why-we-invested-impact-investing's-tipping-point-fund>

13 See <https://www.nesta.org.uk/blog/what-do-we-mean-when-we-say-we-are-looking-investments-impact/>

## 4 Impact investing by wealthy families – what do we know?

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### 4.1. Families and the motivation to shift towards impact investing

Impact Investing has become attractive within wealthy families and the family office community. Families and family offices seem to be ideally positioned to make the shift towards impact investing. Families have a greater flexibility and agility as well as a different perspective on their own fiduciary responsibilities. In principle, family capital is perfectly placed for the allocation towards impact investment, especially in those early-stage, higher-risk undertakings that might not otherwise be well-positioned as “first investment” from the likes of more mainstream investors. Families and family offices are typically unrestricted by formal investment mandates and targets, and they bear a certain freedom in determining what fund lifetimes and return expectations must really be for them.

Family offices possess the means and vehicles to invest across the returns continuum and tend to have leaner decision-making structures, an advantage that most institutional investors will not have. Although there is not much homogeneity in the family office space, these vehicles are typically in the strong position of having the resources to implement investments for impact in a timely manner of their own accord. The 2019 Global Family Office Report of UBS reveals that at present 25% of family offices globally are engaged in impact investing.<sup>14</sup>

According to a report from The Impact Network, there are three key motivations that drive families or family offices to make impact investments<sup>15</sup>: values alignment (motivation 1), social and environmental impact driving long-term out-performance (motivation 2) and business models addressing specific social and environmental challenges (motivation 3). In particular, family members or families want to be proud of the investments that they make as part of their legacy to the next generation, often wishing proactively to minimize harm and maximise the good their investments actively create in the world. Families tend to believe

<sup>14</sup> The Global Family Office Report, UBS, Campden Research, 2019, file:///C:/Users/chris/AppData/Local/Packages/MicrosoftEdge\_8wekyb3d8bbwe/TempState/Downloads/global-family-office-report-2019-sp%20(1).pdf

<sup>15</sup> The ImPact, Impact Investing Framework for Families, 2016, [http://theimpact.org/wp-content/uploads/2016/01/TheImPact\\_FrameworksForFamilies\\_2016HR.pdf](http://theimpact.org/wp-content/uploads/2016/01/TheImPact_FrameworksForFamilies_2016HR.pdf)

that investing in companies that are proactively responding to critical social and environmental needs will outperform companies that lag behind in addressing these issues, and in fact – substantial evidence<sup>16</sup> from public equities portfolios validates such assumptions.<sup>17</sup> And lastly, families often from their own journeys inevitably understand and believe in the dynamism and important of business in addressing the world’s most wicked social and/or environmental problems.

## 4.2 Families and their desire to increase impact allocations

While some families and family offices are at the beginning of their learning curve in implementing impact investment strategies, others have incorporated social and environmental factors intentionally into every investment decision. Over the past years, investor activity amongst families and family offices in impact investing has accelerated and is currently further increasing at a rapid pace.

Five years from now, over a third (37%) of family offices are expected to increase their average impact portfolio allocations to 25% of their portfolios, according to the 2019 *Global Family Office Report of UBS and Campden Wealth*.

Recent research from the University of Zurich’s Center for Sustainable Finance & Private Wealth and The ImPact reaffirms this direction as more than half of the UHNW families responding to their survey plan to invest over 90% of investible assets in impact.<sup>18</sup> This upward trend is also confirmed by the 2019 FT Report on Investing for Global Impact,<sup>19</sup> where a large majority of respondents (composed of HNWI and family offices) has shifted strongly towards action. As of now, 41% of respondents have made their first impact investment and are considering making more (reflecting a substantial increase of 28% compared to 2018).

In the last years, much has been written on why impact investing has become a hot trend in the family office community. Of particular note is how impact investing is an effective way for principals to bridge generation gaps and bring their families closer together. Individual family members are key influencers guiding their family offices towards impact investing, typically and especially those aged between 35–55. The above mentioned 2019 FT Report disclosed that in 2019, the key motivation of family members switched from the “... responsibility to make the world a better place” to considering impact investing as a “... contribution to sustainable development and the future.” Impact investments are thus definitely an effective way to further engage the next generation in the affairs and decision-making of a family-led organization or office, ensuring that its current values are espoused actively and extend well into the future.

16 Companies with strong ESG scores outperform, study finds. Link: <https://www.ft.com/content/f99b0399-ee67-3497-98ff-ee4b04cfde5>, 12 August 2018.

17 Sustainable Companies Are Beating the Market During the Crisis. Will It Last? Link: <https://www.barrons.com/articles/sustainable-companies-are-beating-the-market-during-the-crisis-will-it-last-51585241734>, 26 March 2020.

18 Impact Investing: Mapping Families’ Interests and Activities, University of Zurich Center for Sustainable Finance & Private Wealth, TheImpact, 2019, [http://theimpact.org/wp-content/uploads/2019/09/TI\\_MA\\_ImpactInvestingReport2019\\_LowRes.pdf](http://theimpact.org/wp-content/uploads/2019/09/TI_MA_ImpactInvestingReport2019_LowRes.pdf)

19 Investing for Global Impact, Financial Times, GIST, Cleary Gottlieb, Barclays, 2019, <https://www.sereinprivate.com/theme-content/uploads/2019/06/Serein-FT-investing-for-global-impact-2019-preview.pdf>

*“Initially the shift was difficult, as Josephine and I were pushing for a completely different investment strategy for the family office that put impact at the centre of it. This got quite a bit of push back. Eventually we were able to get access to a small carve-out of our own capital for impact investing, and then the dynamics changed. We started to look for and evaluate impact deal-flow for ourselves, select the most exciting opportunities, and then present those to the family for co-investment. They ended up co-investing with us in almost all of the opportunities – both funds and directs – that we presented, and then they got to see first-hand how well these funds and companies were performing compared to the ‘traditional’ investments. Now they are completely ‘converted’ and equally excited (if not more) about the investment opportunities in impact.”*

Alexandra Korijn, nextGen impact investor, the Netherlands

Upon an interview with **Dr. Rebecca Gooch**, Director of Research at *Campden Wealth*, we asked what she sees as the major drivers behind why family offices move into impact investing. Her response:

*“Family offices” growing attraction to impact investing is being driven, in large part, by the next generation of wealth holders, and millennials in particular. Generally speaking, Next-Gens are more actively involved in impact investing than the current generation, and this is an important factor as we are currently in the early stages of a major generational transition. To date, 28% of Next-Gens have already assumed control of their family wealth. Another 37% are expected to assume control within the next 10 years. As a knock-on effect, we are likely to see a notable rise in the take-up of impact investing over the coming decade.*

*In terms of why family offices are drawn to this form of investing, various motivations are at play, including families’ desire and sense of responsibility to give back to society, their interest in promoting sustainable development, and their expression of family values. Furthermore, “impact” is becoming an increasingly lucrative form of investment, with 81% of family offices’ impact investments having either met or exceeded performance expectations in 2019 when compared to traditional investments.*



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# 5 Degrees of separation between the talk and the walk

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## 5.1 Interest versus action

Despite the assumption that family offices are ideally positioned for impact investing (see section 4.1 above), family offices in practice are often traditional and conservative in their outlook and investment activity; a shift towards impact investing at high speed is unlikely to be a natural one.

While it can be relatively straight forward for a family or family office of one or two generations to move into impact investing, it typically becomes more complicated with deeper legacy and multiple generations involved. For large families it may be challenging to align their different generations and family “tribes” under one hat, and the generational power shifts within families can result in stultification and inertia. Through their economic interdependency, there is often a duty of consensus within family investment committees, which means that if only one voting member is not convinced of an impact investment, such decisions can easily be rendered moot or unlikely.

The current 2019 FT Report on Investing for Global Impact confirms that the degrees of separation between “interest in impact investing” and “actual” executed investments with positive impact are getting smaller. It shows a plummeting difference between the walk and the talk of its survey respondents “... *actively researching impact investing but not having yet made an investment*” at a low 6% in 2019 as compared to 16% with the same answer in the 2018 report. This is great news.

Evidence of actual market practice however shows that existing degrees of separation between interest and action in impact investing are still relatively strong, preventing families and family offices from making the shift to impact investing or from actively deploying more of their family assets into impact investing. A range of obstacles is usually cited: amongst them, a lack of clarity around products and approaches or a large variety of differing impact measurement frameworks which tend to confuse the market.

The lack of sufficient investment opportunities and deal flow is amongst the top-quoted

*“We believe the shift towards impact investing is still not easy as offerings from banks and fund managers are misleading and often not real deep impact. But the market appears to be changing at the moment as more serious market participants are entering the space.”*

Dr. Johannes Knorz, 4L Vision Family Office, Germany

barriers to impact investment, on the back of our research. Obstacles like these are currently deemed to prevent more capital from being deployed in the field. They say that perception is reality, and in many ways the dominant narratives of this sector validate this; it is not been infrequent over the past decade to hear of equally vociferous articulations of the “problem” lying in a lack or a gap on the other side of the table, whether this be a lack of capital or perceived low quality pipelines. The good news is that 88% of our survey respondents say that attractive impact investment opportunities have increased over the last years.

*“There seems to be a feeling in the investor community that lack of product is a major barrier to shifting to impact. Our experience is there’s plenty of opportunity in the market, but it does take either a very aligned investment advisor and/or connected networks to reveal them.”*

Bec Milgrom, nextGen impact investor and co-founder Triple Impact, Australia

The 2019 UBS Global Family Office Report notes concerns about the fact that impact investments appear not to be “well-established” enough, or that the old argument about the “trade-off” between social and financial returns still reigns, on the presumption that they in fact generate lower returns than traditional investments. There is further a general lack of education in the field and evident scepticism about the wide variety of measurement criteria.

There is as well essentially a currently large number of families and family offices still reluctant vis-à-vis impact investment and not yet actively engaged in the field. The 2019 survey on mapping families interests and activities of the University of Zurich conclude that the impact investing space remains inefficient at this point of time. The study looked closely into families’ dissatisfaction with their conventional wealth managers who lack specialized impact investment capabilities. Next to a knowledge gap, the study also identified a product gap.

In addition to this, challenges also abound in the role of young private wealth owners themselves who would be interested in moving capital towards impact finance. According to a current study on impact investing for the next Generation conducted by Harvard Kennedy School, the University of Zurich Center for Sustainable Finance and Private Wealth and the World Economic Forum, young wealth owners face four critical common barriers to getting started in impact investing.<sup>20</sup> These include a lack of confidence in their own investment abilities, a lack of clarity on structures and impact objectives, a lack of capacity regarding their own bandwidth and expert support as well as confidentiality concerns when it comes to deal-sharing and honest exchange.

<sup>20</sup> Impact Investing for the Next Generation: Insights from Young Members of Investor and Business Families, World Economic Forum, in collaboration with the IRI initiative at Harvard Kennedy School and the Center for Sustainable Finance and Private Wealth at the University of Zurich. Harvard IRI/Zurich CSP Impact Investing for the Next Generation Program. Link: <https://www.csp.uzh.ch/en/teachingandexecutiveeducation/impact-investing-for-the-next-generation-program.html>

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## 6 Recommendations for overcoming barriers

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In this section we aim to offer recommendations for how families and family offices may overcome both perceived and real barriers towards a shift to impact investing. We must recognize that every family structure and every family office is unique; there is no single pathway to follow and every approach to invest consciously and with intentionality for impact will be different in its size, scope or purpose. In addition, family offices are typically exposed to multiple centres of power: family members, family office executives and eventually the management of operating companies all of whom together may contribute to competing priorities and challenges to unanimous decision-making. Upon analysis of existing literature and our survey feedback, we can draw several recommendations and refer to tools as disclosed below that could work for every family in aiming to deploy capital for positive impact. These recommendations should ultimately help family offices better walk the talk.

Independent from any specific recommendations, our survey confirms that having one person or “champion” who originally drives impact investing within a family, or a family office is crucial for any action to manifest.

It was fascinating to note that 96% of our survey respondents see themselves as the driver for impact investing within their respective family setting or family office.

*“In every family you need a rebel. Some kind of visionary. In my family I was the rebel. Nobody believed in my story 25 years ago. Now they do”*

Frank van Beuningen, impact investing pioneer and founder of Pymwyc Network, the Netherlands

### 6.1 Talk more and better within the family

Good internal communication is a key part of successful navigation of a family’s approach to impact investing. One helpful starting point is an open conversation about common values or emotional “sticking points” that are shared within a family, or eventually across generations of a family. Experienced impact investors that have invested for positive impact within their family setting recommend that being on the same page with one’s own family members about shared goals is an important starting point. A family can ask itself if there are specific themes or sectors that align with family values? Often, this is what emerges from exercises of articulating a family’s “statement of wishes,” or “constitution.” In practice,

it is not always a given that families will talk openly about common passions or beliefs, nor is it easy to introduce new topics within traditional structures and dynamics. All of this can become even more difficult in large(r) family settings. Working with a family coach or an independent third party who can walk a family through a values-discovery process and help foster a cross-generational exploration can be very beneficial.

Respect and a shared investment vision amongst family members should be a central part of working across generations to foster long-term investment strategies that everybody can stand behind. This does not always reflect “truth in practice” and close family ties are not a given or default basis for great communication. Next-Gens often enter family discussions from a position of relative disempowerment as older wealth holders find it difficult to step down from positions of control (and the traditional mindsets that go with them). Consequently, the power of position and personality often dictate who has the final say within families. Although many young family members have control over their own investable assets, greater potential for positive impact often lies with their wider family’s investable assets, such as the family office.

*“I influence my family by presenting success stories of a more sustainable way, but I let them act in their own way without trying to understand it better than them. It takes several attempts and it does not happen overnight. In the end, they must have the feeling that they have decided the impact journey by themselves, which is true; it just needs someone to shape their opinions.”*

Rudi Hilti, impact investor & co-founder of theHUS.institute, Liechtenstein

Next-generation investors like Liesel Pritzker Simmons, who started “Blue Haven Initiative” with her husband Ian Simmons back in 2012 as a single family office with market-rate impact investing as its focus, not only sees impact investments as the “right” thing to do but equally as a “smart” thing to do.<sup>21</sup> There is no doubt that today’s young wealth holders are much more “woke”; conscious and vocal about their wealth in

a way that at times rides in contrast to previous generations. They are also aware that they can create a much larger impact with their families or their family office on board. Winning the support and approval of older generations for relatively new investment approaches like impact investing in practice at times requires new and bold approaches. A recent Financial Times article<sup>22</sup> disclosed the inspiring story of Fernando Scodro, a third generation member of a Brazilian business dynasty, who said that he figured that getting the buy-in for impact investing by his parents meant having “... to speak to them in a language they understood.” To do this literally, he translated his impact investing course material from English into Portuguese – and shared the essence of the course with his family.

The above-mentioned challenges of inter-generational wealth transfer are not new and have been a hot topic in the wealth management industry for many years. A recent white paper launched by Merrill Private Wealth<sup>23</sup> on effective wealth decisions by families highlighted that 65% of participants lack a formal structure for communication, with 61% never having had formal family meetings

21 See for example, Impact Across All Investments: the role of family offices in building the impact investing ecosystem across the continuum, Liesel Pritzker Simmons, in the Economist, 5 November 2018, <https://beyondtradeoffs.economist.com/impact-across-investments-family-offices>

22 Murray Sarah, Rich millennials push to put family wealth into impact investments, Financial Times, 17 October 2019, <https://www.ft.com/content/972adac6-d928-11e9-9c26-419d783e10e8>

23 How do families make effective wealth decisions? Defining purpose, process and perspective of family wealth, Merrill Private Wealth Management, 2019, [https://mlaem.fs.ml.com/content/dam/ML/pdfs/ml\\_effective-wealth-decisions-2019.pdf](https://mlaem.fs.ml.com/content/dam/ML/pdfs/ml_effective-wealth-decisions-2019.pdf)

to discuss wealth. While it may be possible that family wealth communication takes place informally, it is unlikely to yield clarity in strategy or shared objectives.

Encouraging greater dialogue and building transparency around family values, through open discussions that ideally enshrine shared visions in writing are a useful starting point for the conversation about impact investing within the family setting.

Engendering trust will often further require decision making. Considering and implementing amenable decision-making styles may be helpful. For example, in family investment committees, determining the quality of a “yes” by leveraging different techniques like the “first of five” technique can bring a new dimension to family group decision-making. The 2019 YIO/Credit Suisse survey on creating a world with the Next Generation reported that 59% of next-generation inheritors wish they had more open discussions about wealth within their family settings, with 69% saying their families would benefit from better communication tools.<sup>24</sup>

*“We started the discussion from family values and the philosophy of the family business of growing with social and environmental responsibility. We determined that the family company now in the stock exchange was the bar, and we should invest in other companies and assets that help the Sustainable Development Goals. From there we have decided to take the 100% impact approach on all asset classes, using at least the SRI or ESG philosophy on every investment and going for thematic impact on private equity investments”*

Fernando Russo, next-Gen impact investor, Co-Founder Meraki Impact, the Netherlands

## 6.2 Build knowledge and an internal team

After a family has identified the “glue” of their family values (as outlined above), families can go a step deeper to explore why impact investing can make sense for them and what drives a family toward such a positivist view of the purpose of capital. In many families, impact investment starts with a single family member driving the agenda, as above mentioned. Over the longer run, a family or family office must ideally build an internal team. The cultivation of internal education is a natural ingredient to this end.

The Omidyar Network<sup>25</sup> has shared a four-step approach on how to build an internal impact investing team: (1) after identifying your shared motivations as a family, (2) a family should determine its guiding inputs looking at its resource allocation, its existing infrastructure, its family involvement and its portfolio considerations, (3) and to find the appropriate team structure, analysing if it makes sense to assemble an in-house team, work with a blended team or out-source roles, (4) followed by concrete action toward actually building a preferred team structure.

Families or family offices may consider inviting a family member who has taken the lead towards impact investing to participate formally in portfolio development

<sup>24</sup> Creating a world with the Next Generation, YIO Young Investors Organization, Credit Suisse, 2019, <https://www.credit-suisse.com/microsites/next-generation-and-families/en/next-gen/download-the-report.html>

<sup>25</sup> Omidyar Network, Resource Guide, Building an Impact Investing Team, 2018, <https://www.omidyar.com/sites/default/files/Building%20an%20Impact%20Investing%20Team.pdf>

work. At the same time, a trusted external advisor may also be helpful to assembling and developing an appropriate team.

A Barclay's White Paper on examining investor motivations for impact found that education is an important component for the move towards impact investing. When asked why investors might personally avoid impact investing, the most common reason cited was a feeling that prospective investors didn't know enough about it.<sup>26</sup> This is also underpinned by the aforementioned recent study from Harvard, University of Zurich and the WEF citing that the primary challenges for family members to getting started often simply included a lack of confidence or trust in their own investment abilities, particularly while working with sceptical family members or external advisors. Thus, the challenge of making the case for an impact investment strategy that may run counter to traditional investment approaches requires the development of internal education in the field. Needless to say, education within the family setting also helps engage older family members more effectively and is an important way of overcoming scepticism and misconception.

### 6.3 Develop a strategy

Another important building block for families in overcoming barriers toward an impact strategy is the phase wherein a family office assesses its existing resources and plan of action. Understanding one's own existing resources is a key starting point in this context. In particular, families need to determine specific needs or constraints (i.e. on the liquidity side) that govern their existing portfolios or asset-owning entities. Taking the time to formally link and articulate family

values and goals with the financial, social and/or environmental objectives of a family is a vital step toward deploying money for impact over the long haul.

In its framework for families, the The ImPact (as a network) has shared some helpful questions in this regard, for example:

*“While our family has always donated to social causes, I was the driver for changing internal strategies and structures toward impact investments after I became a member of the Board of Advisors 10 years ago. Today all family members stand behind our approach of impact investing instead of donating.”*

Peter Scheuch, impact investor and Advisor to Scheuch Family Foundation, Founder Ennovent, Austria

- What assets do we own and in what structures do we own them?
- How do our investments, activism/advocacy, philanthropy, work, and personal consumption patterns reflect our sense of identity, values and the impact we wish to have on the world?
- Who makes decisions about how assets are invested within our different investment entities?
- What kinds of investments give us the best chance of achieving our shared desired objectives, while also meeting our shared needs?
- How do we view our impact investments relative to our “conventional” investments?
- Do we wish to manage our impact investments separately, or integrate them into our broader asset allocation and investment strategy?

<sup>26</sup> See Investor motivations for impact: a behavioural examination, Barclays, 2019, <https://www.barclays.co.uk/content/dam/documents/wealth-management/investments/impact-investing-product/investor-motivations-for-impact.pdf>

Many impact investors also increasingly link their impact investment activity and their impact strategy to the Sustainable Development Goals (SDGs). The SDGs certainly offer a helpful framework for impact investors, although to date there are very few coherent measures of the sum total negative externalities that they represent; it is therefore quite difficult to ascertain which actions taken by whom have the best pace and scope of impact when reducing or chipping away at each specific SDG “problem.” The impact investing network TONIIC, for example, has released and publicly shared a helpful impact theme framework that maps impact themes to the SDGs, and the SDGs targets to a selection of impact metrics.<sup>27</sup>

As it turns out, 59% of our survey respondents are in some way “guided” by the SDGs as a helpful framework in building their investment portfolios (i.e. either via SDG alignment of their investments, or in using SDGs as an underlying investment philosophy or communication tool).

63% of our survey respondents say that impact investing vehicles have gotten more traction as a way to contribute to the SDGs.

*“The SDGs have helped us a lot; they were and are my milk. I moved into impact investing in 2015.”*

Giorgiana Notarbartolo, nextGen impact investor, Italy

*“Impact investors have the opportunity to become leaders in implementing the UN SDGs. The new green deal cannot be achieved without our expertise and effort. We owe it to our children and to the future of life on this blue dot of ours.”*

Dr. Mariana Bozesan, impact investor and co-founder of Aqual Group, Germany

## 6.4 Communicating more and better with peers

While more than three Quarters (77%) of our survey respondents shared in their feedback that they prefer open and honest conversations and sharing in a safe, trusted network of peers rather than with other families or family offices, we also see plainly in their feedback that there is a sense that talking more publicly and with other (new, incoming to the field) families about one’s own investment experience may be powerful.

A little more than half of our survey respondents believe (55%) that families do not communicate enough with other families when it comes to impact investing.

Over the last years, opportunities to learn from and engage with peers have increased and have made it much easier to build know-how and implement investment strategies within a family setting. Families may find it useful to engage with existing impact finance networks that offer a chance to deepen knowledge, and learn from the hands-on experience with peers within a trusted space. Such networks are definitely a helpful place to share experience with like-minded groups. Members of such networks are usually quite open and willing to share their

*“To date, our view is that families still do not communicate enough with others in a systematic way that would truly amplify the shared opportunities to inject capital and capture the narratives that emerge from it. This is naturally because every organization has their own modus operandi. This does not preclude us as a community however from truly and intentionally reconsidering the small changes in behaviour that could make all the difference; sharing a snippet of news, opening a diligence exercise to peers, talking a little bit more about specific challenges, or proactively offering to make linkages to those who would be engaged. Impact investment is one of the topics that opens doors between organizations that would otherwise find little in common to discuss. This should be a more prominent element of Family office network/conference agendas.”*

Dr. Audrey Selian, Artha Impact, Rianta Capital Zurich, Switzerland

<sup>27</sup> Impact Theme Framework, Tonic, Version 1.1, 2017 Tonic Institute, <https://tonic.com/sdg-framework/>

journeys – and their deals – amongst kindred spirits. Many impact investing networks also publicly disclose useful resources, methodologies and tools, with the goal of “paving the way” for peers.

In validation of the above, 85% of our survey respondents find the engagement in impact investing networks both helpful and beneficial in building new knowledge and share existing experience.

The pool of worldwide existing impact investing networks has increased over the years and comprises additional organizations like CREO, EVPA, Global Impact Investing Network (GIIN), The ImPact, Boundless Impact, PYMWYMIC, TONIIC, The T100% Network, and others.<sup>28</sup> Concurrently, a wide variety of impact initiatives have also emerged. There are for example a vast range of impact platforms with already over 200+ in existence around the globe, according to updates on a study completed in 2018 under the auspices of Bertelsmann Stiftung. We know today that many of these platforms struggle to achieve scale and interoperability, largely because of unclear incentives and a dearth of decentralized, distributed thinking; the potential of building connective tissue between these many platforms towards a more cohesive whole appears to be key to providing the social capital market much-needed information and capital liquidity.<sup>29</sup>

Further, a variety of University Courses on the subject and “Impact Investing” Schools have been brought to life. While ten years ago there were only a few selected impact investing conferences in existence, there is today a tremendous range of different impact investing gatherings around the world. While some of those conferences focus rather on marketing, sales and a wide range of different product offerings labelled as impact products, others focus on content and help expand linkages to investors in order to uplift the field. It is not surprising that those convenings focused on the “hard sell” have been one reason why some serious impact investors tend to shy away from conference circuit.

Other impact investors prefer rather to share experiences with like-minded peers in smaller, more intimate and trusted safe spaces and settings.

*“I have found exchanges with like-minded people sitting together and having brutally honest discussions on experience, learnings, failures or measurement approaches most useful in building knowledge. I believe I have saved so many years because I could learn from other people’s mistakes, because they were so open in sharing.”*

Julie Engelhorn, nextGen impact investor, founder of Pollex GmbH, Germany

Sharing and exchanging in an open dialogue with trusted peers can be hugely beneficial and is an important step in a family’s impact investing journey; this is independent of whether such sharing takes place within an impact network or not.

*“It is still taboo to talk about wealth, but it would be powerful to be more public.”*

Kate Poole, nextGen impact investor, co-founder of Chordata Capital, U.S.

Family members that have already had positive experiences with peer-to-peer sharing and who aim to maximise their impact find it helpful to also engage with other open-minded families or family offices who care deeply for impact.

<sup>28</sup> The list of networks mentioned above is neither comprehensive nor does it mean any endorsement to any of the above mentioned networks.

<sup>29</sup> See Scholz Astrid, Selian Audrey, Mohn Brigitte, Impact Platforms: Towards an Interoperable Impact Finance Ecosystem, Link: <https://impactfinance.network>, September 2018, [https://impactfinance.network/wp-content/uploads/2018/10/Impact-Platforms-Report\\_Final.pdf](https://impactfinance.network/wp-content/uploads/2018/10/Impact-Platforms-Report_Final.pdf)



## 6.5 Choose the right advisor

Building and cultivating relationships with trusted, supportive and knowledgeable advisors is another important step in overcoming barriers to impact investing. Many pioneering private impact investors who have been in the field for many years have relied on consultants and trusted advisors to help them with their family's transitions and journey.

As recent data from the University of Zurich's Center for Sustainable Finance & Private Wealth and The ImPact reveal, families expressed true dissatisfaction with their Advisors who (as in-house staff alike) lack specialized impact investing skills and capabilities. There is a clear argument that Advisors need to come up the learning curve, like for example in building deeper impact expertise, developing impact-specific strategies or bespoke due diligence capabilities.

A recent survey undertaken by Fidelity Charitable of 175 financial advisors found that only 41% have spoken with their clients about impact investing, representing a substantial missed opportunity given that 60% of investors surveyed in the 2019 Giving Report said they had already made an impact investment.<sup>30</sup>

Families or family offices should partner with trusted advisors who have been around the proverbial block; when a family office realises that their wealth-, financial- or tax advisors are not willing to go the extra mile required in assisting a family's impact journey, they are unlikely to shy away from challenging their stakeholders and eventually - changing their advisor.

*"We had no choice but to align our wealth with our values, with who we really are. It is inconceivable for us to imagine a scenario, where our advisors would invest against our values – knowingly and intentionally. We had to change a couple of advisors on our journey to deep impact."*

Dr. Charly Kleissner, co-founder Toniic Network, co-founder KL Felicitas Foundation, U.S.

## 6.6 Decreasing transaction costs

Consolidating resources amongst families or family offices through the continuum of an investment process for an impact investment can be another effective way to help overcome existing barriers in the market. Sharing between individuals is the tide that lifts all boats.

Families or family offices who are oriented toward collaboration and who unite their efforts from deal origination and sourcing, due diligence and deal structuring, through the value creation phase of an investment to its exit can drastically increase operational effectiveness for their investments and decrease costs. As Milligan and Selian have recently argued in an article on ImpactAlpha, there is an enormous amount of duplication of effort throughout the actual impact investment process generating an unconscionable label of waste of money, time and process re-invention.<sup>31</sup> Families who pool their efforts and who share deal-origination costs or due-diligence costs (both on the financial as well as the impact side) can decrease their transaction expenses and benefit from economies of scale.

<sup>30</sup> See 2019 Giving Report, Fidelity Charitable, 2019, <https://www.fidelitycharitable.org/content/dam/fc-public/docs/insights/2019-giving-report.pdf>

<sup>31</sup> Milligan Katherine, Selian Audrey, How do I convince my parents? Five guideposts for family offices shifting to impact, ImpactAlpha, 3 July 2019, <https://impactalpha.com/how-do-i-convince-my-parents-five-guideposts-for-family-offices-shifting-to-impact/>

This holds true for both direct impact investments (i.e., in to net positive impact companies) as well as for indirect impact investments (i.e., into private equity impact funds). Co-investing together directly into a company not only has direct cost benefits but also yields benefits of shared governance or a shared Board seat. Moreover, although direct investing can be rewarding it is not always suitable for every investor, in particular when it comes to the time effort of ongoing post-investment, with a need for hands-on involvement in the value creation process. Co-investing and sharing know-how can help overcome these constraints and also support family office investors in mitigating their vulnerabilities and a range of risks. For example, these could include failing to adhere to rigorous investment criteria and processes, or falling in love with an entrepreneur's vision and making emotional decisions or concessions in something that falls short of a family's objective investment criteria. Conversely, co-investing as families into an impact fund may secure material additional benefits like negotiating a reduction in management fees (in particular, as early joint seed investors in a trustworthy fund/vehicle) or in securing co-investment rights alongside a Fund. We realize that more collaboration and sharing will not happen overnight; yet, the conscious pooling of resources for positive impact already happens in practice and is a sign of what we perceive as inevitable convergence. There are many examples out there of how like-minded individuals and families pooling their efforts and capital in direct impact investments or funds. They not only benefit from one another's experiences and cost base(s), but there is also the catalytic argument of providing larger tickets to impact funds who often spend far too much time on fundraising roadshows, and not enough time pursuing their mission.

Examples of coordination initiatives are numerous: The London-based project Snowball<sup>32</sup> aims to pool resources from like-minded private impact investors while cutting down on fees such as those involved in Due Diligence. Artha Impact<sup>33</sup> is another co-investment platform in operation since 2008 with the intention of foster systematic collaboration, shared workflows, an exclusive social network and supporting marketplace to help minimize the redundancy, effort and costs of conducting due diligence in emerging markets. The T-100 Network<sup>34</sup> is another unique convening focused on careful portfolio selection, wherein members of the Network commit to deploying 100% of their investments in pursuit of deeper positive net impact. In so doing, T-100 members are willing to share their investment "lives" with other members and also empower the impact investing field with much needed evidence of outperforming portfolio data.

## 6.7 Walking the talk

Looking for the bullet-proof deal might just prevent a family or family office from ever making its first impact investment. We encourage all prospective practitioners to build confidence, to dip a toe in the water, and step into the driver's seat by engaging in open dialogue with family and with peers, working to identify the right advisors and ultimately - walking the talk. A journey of a thousand miles begins with a single step. Getting started is the only way to learn.

32 See <https://www.snowball.im/>

33 See <http://www.arthaplatform.com/>

34 See <https://tonic.com/100-percent-network/>

Some of our survey participants shared their experience and the importance of the above:

*“There is nothing challenging about making the shift towards impact investing other than starting, building a vision and finding the opportunities. The only thing that truly gets in the way is attitude and lack of attention towards a clear and defined goal, especially since much data now suggests that impact investing can outperform conventional investing in many areas; there are really no excuses.”*

**Seth Tabatznik**, nextGen impact investor, United Kingdom.

*“I don’t think it is really difficult for a family or family office to make the shift towards impact investing. The most important thing is that you get started and make a first step. You can for example do so by investing into an impact fund or by exploring a direct investment. Of course, in the long run it is important to define a strategy. The ‘one-truth’ does not exist. The worst thing is that you get stuck like a small child in a candy shop. My recommendation is to take a lolly and get started.”*

**Bernd Wendeln**, impact investor, Chairman WEGA Invest, Germany

In the context of getting started, we recommend prospective impact investor to focus on keeping things simple. This is particularly true in the context of impact measurement. When you invest in an impact fund, the fund manager will in any case take over the impact measurement part; in the event one invests directly, we recommend not letting oneself be held back by problems of “lack of uniformity” or comparability across impact metrics or associated tools. Start simple with the definition of a few straightforward key-performance-indicators (KPIs) and a set of operational common metric that make sense to you. One can also always refer to taxonomies like IRIS+, or tools like GIIRS; using to a helpful reference framework like the Impact Management Project may also be a good idea.

## 7 Summary

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While impact investing has become a noteworthy trend for wealthy families and family offices around the globe, we have observed that there are still substantial degrees of separation in practice when it comes to interest and actual practical investment action within the family or family office setting. This White Paper prescribes a series of concrete recommendations for helping to overcome such internal and external barriers to impact investment, which include better communication within the family setting, building one's internal team, the development of a solid strategy, improved open communication with peers, selection of good supporting advisor(s), pooling of resources and management of transaction costs, and finally – the guts to get started.

These recommendations should help to close the gaps between intention and action, ultimately supporting families and family offices to indeed “walk their talk” in the impact investment field. Our research substantiates that families today still do not communicate enough with others in a systematic way. While more than three-quarters of our survey respondents have shared that they prefer open and honest conversations in a safe and trusted space of peers rather than directly with other families or family offices, we also see in that feedback that there is a sense that talking more publicly in a more structured way and with other (new, incoming to the field) families about one's own investment experience can be powerful.

The implications of the impact investing movement should not be understated; as industry leader Jed Emerson has cited in his book, *The Purpose of Capital*, “... *We have become separated from capital and are now at its service, as opposed to it serving us, wherein our relation with capital comes to define our understanding of self, our value relative to others, our happiness and personal satisfaction, our prospects within this society, and the future prospects of our children.*” Redefining the relationship, we have as individuals and families to the capital that can transform entire economies and polities is a responsibility that we believe many today are ready to assume. Our belief in the power of what families or family offices can do to increase their engagement in impact investing reflects an unwavering, inherently positivist view and faith that a great many are finding their path to serving their higher selves, and the collective greater good, as a result. As our planet hurtles toward uncertainty as of March 2020, only one thing is abundantly clear; we must travel far, and as the African proverb says, to do so we must travel together. Impact investment is an important part of this journey, comprising in itself the path, the process and the destination.

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# Annex

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## Methodology

In this White Paper, we have analysed current existing literature about family and family office engagement in impact investing. In so doing, we have also surveyed a range of (U)HNW family members that have invested for impact within their family structures or family offices. Respondents to our survey shared their feedback on an anonymized basis. Some of our survey participants were willing to disclose certain statements from their survey feedback form in this paper.

In total, we received responses from 27 impact investors from 12 different countries including Austria, Australia, Belgium, Germany, Italy, Liechtenstein, Luxembourg, Netherlands, South Africa, Switzerland, United Kingdom and United States of America. Out of the 27 respondents, 11 were female and 16 were male. We are aware of the relatively small sample size of this survey, but we believe that sharing such practical, personal and anecdotal impact investor observations and insights will help contribute to the thought leadership “by impact investors for impact investors” to help overcome barriers to action. We would like to sincerely thank all our survey participants for their time and support.

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