The Economist INTELLIGENCE UNIT

TO GIVE OR INVEST?

Where sustainable finance and philanthropy intersect

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About the report

To give or invest? Where sustainable finance and philanthropy intersect is a report from The Economist Intelligence Unit, commissioned by Standard Chartered Private Bank, which examines the venture philanthropy and impact investing landscape globally, but with a particular focus on Asia.

Monica Woodley was the author of the main report and Georgia McCafferty was the editor.

The report aims to better understand the intersection of philanthropy and sustainable finance investing, as well as the challenges high-net-worth individuals (HNWI) face when choosing where to invest their money for impact. The findings are based on wide-ranging desk research conducted by The Economist Intelligence Unit as well as eight in-depth interviews with philanthropy and sustainable and impact investing experts in Asia and Europe.

Our thanks are due to the following interviewees for their time and insights:

- Evita Zanuso, senior director of financial sector and investor engagement, Big Society Capital
- David Hutchison OBE, chief executive, Social Finance
- Bonnie Chiu, managing director, The Social Investment Consultancy
- Ronie Mak, managing director, RS Group
- Joan Shang, senior associate, RS Group
- Vidya Shah, CEO, EdelGive Foundation
- François de Borchgrave, founder and managing director, Kois Invest
- Cherie Nursalim, executive director of GITI Group and a founding member of the Global Philanthropic Circle

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Executive summary

Many successful business people have shaped their legacy through giving. From the Carnegies and Rockerfellers to George Cadbury and George Peabody, the foundations of venture philanthropy were laid long ago. However, as the threats from global warming have become clearer and more immediate and large proportion of the world's population subsist below the poverty line, HNWIs globally have increasingly been looking for ways to give constructively and invest with purpose. Whether it be redirecting parts of their portfolios to venture philanthropy, or investing in sustainable finance and impact-based projects, growth in these sectors has surged.

This report aims to provide background information and guidance on the sustainable finance and philanthropy sectors for HNWIs. The information is designed to help them understand the different opportunities and decide how to allocate their sustainable investment and philanthropy portfolios to achieve the best outcome for their requirements.

Through a series of interviews, the report also examines the opportunities and challenges that HNWIs often face if they decide it is time to look beyond traditional investments based solely on financial return and explore ways that they can direct their capital for maximum impact.

It does not negate the need for further consultation and HNWIs should always seek specialised advice before making any investment decisions.

HNWIs often live globally mobile lives and operate across borders. As a result, this report covers a broad geography. However, growth in sustainable finance, impact investing and philanthropy that originates from and is directed to Asia and the Middle East and Africa is growing rapidly, so these regions are a focus.

From the findings and interviews it is clear that this type of investing can very personal. Objectives, measurement and outcomes can all differ depending on a person's goals and values. However, it can also be prescriptive, and experienced investors often use a set of guiding principles to help shape strategies and network with and seek advice from other experienced investors and philanthropists.

In writing this report, The Economist Intelligence Unit used desk research and eight in-depth interviews with experts who know the sustainable finance, impact investing or philanthropy landscapes—

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or all sectors—very well and all of whom have experience in and understanding of Asia or the Middle East and Africa. The key findings of the research are as follows:

- **Giving is growing.** The Global Financial Crisis (GFC) of 2008 and the global drive to meet the UN Sustainable Development Goals is changing the way HNWIs invest. Growth in sustainable investments and venture philanthropy is strong globally and becoming established in Asia and, to a lesser degree, the Middle East and Africa.
- **Definitions can be tricky.** What one person considers sustainable investment, another can call impact investing. Regardless of the name, it's important to set parameters and objectives for investment.
- **Knowledge is key.** Networking with people and organisations who have experience in sustainable finance and philanthropy and seeking out specialist advice helps inform investments and measurement, and ensures investors remain abreast of new developments.
- **Use a framework.** Regardless of the sector or type of investment, frameworks that specify risk-return levels and expected impact contributions for different parts of a portfolio are critical.
- **Research the market.** HNWIs need to thoroughly research any investment to ensure they have a clear understanding of the tools and options that will enable them to make the best use of capital deployment in a particular sector or contribution to a philanthropic organisation.

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Chapter 1. Conscious capitalism

For many investors, the 2008-09 global financial crisis (GFC) was a crossroads. The power of the finance industry was made clear, as well as the questionable ethics behind some of its decision-making. The desire grew for a new type of capitalism, one that is more principled and benefits society more widely, and a financial services sector to support that goal. More investors began to question how their money was being used and to demand products that aligned with their personal values.

"The GFC had a profound effect," says Evita Zanuso, senior director of financial sector and investor engagement at Big Society Capital, a UK-based financial institution connecting investment to charities and social enterprises that create social change. "Now more people are asking, is it enough to just make a return and not think about the other effects?"

David Hutchison OBE, chief executive of Social Finance, a UK-based not-for-profit organisation that partners with government, the social sector and the financial community, adds: "The GFC, environmental and social dislocation, and the less attractive features of capitalism are pushing a genuine concern among investors to understand what impact their money has."

The need for more ethical, proactive finance became even clearer in 2015, as did a way forward. At the United Nations (UN) Climate Change Conference, known as COP 21, the necessity to keep global warming below 2°C was recognised and led to a new international climate agreement. The role of finance in achieving that goal was reinforced by the Financial Stability Board's establishment of the industry-led Task Force on Climate-related Financial Disclosures (TCFD) to develop recommendations on climate-related financial reporting. Also in 2015, the UN Sustainable Development Goals (SDGs) (see Figure 1 below) were developed to provide a blueprint for achieving a better and more sustainable future for all, as well as a common language for those working towards the goals.

Although the SDGs have created a framework to define non-financial objectives, the best way to achieve those targets is not as clear. The proliferation of investment strategies and products in this space is welcome, but their varying labels such as sustainable or ethical can be confusing. How can high-net-worth individuals (HNWIs) ensure that they are making the most impact with their money?

This report aims to provide a guide for HNWIs—helping them to decide when and how to invest and when to give instead, to achieve the best outcome for their requirements.

Figure I. UN Sustainable Development Goals

Source: https://www.un.org

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What's in a name?

Terms such as ethical, socially responsible, sustainable, ESG (environmental, social and governance) and impact investing are sometimes used interchangeably, but do they mean the same thing?

Ethical or socially responsible investments tend to be led by negative screening—not investing in companies deemed harmful to society and the environment. ESG investments are guided by an ESG framework, not only excluding damaging behaviour but seeking companies that are committed to operating in a way that is sustainable for the future. Impact investing takes this a step further, actively seeking organisations that have an explicit social or environmental purpose.

In this report, "sustainable investing" will be used as the broad term for this space, with impact investing as a distinct sub-set.

Bonnie Chiu, managing director of The Social Investment Consultancy, a global organisation with a network of experts committed to creating social change, cautions against getting too hung up on terminology. "We're not too fussed about definitions," she says. "We look equally at the financial return and ESG impact—and how they reinforce each other. But we do see impact investing as distinct from ESG investing."

Some impact investments have financial return targets that are similar to more traditional investments, but others prioritise impact above profit. Where impact investments are made without the expectation of a financial gain, investing begins to blur into philanthropy, an area that is also rapidly evolving.

Ms Zanuso explains that while traditional philanthropy is usually just making a donation,

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more targeted investments, sometimes termed venture philanthropy, have become more common. This type of giving usually encompasses a grant, as well as non-financial supports such as access to networks, mentoring and other support that enables the organisation to scale or replicate.

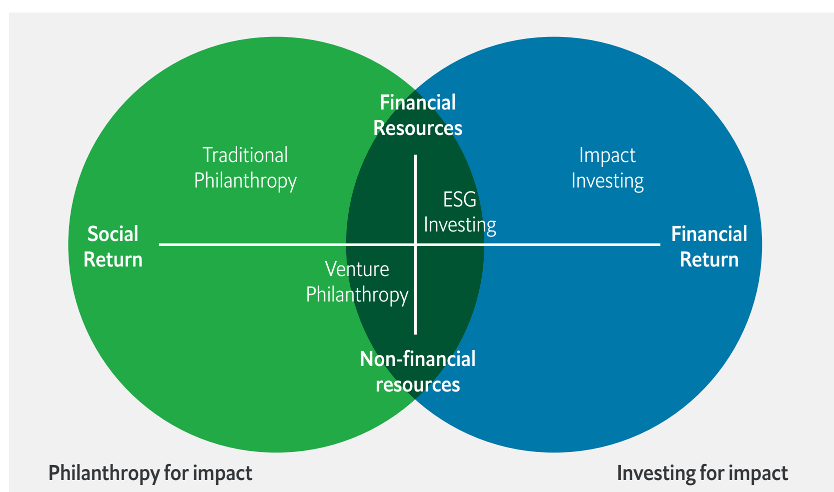
RS Group, a Hong Kong-based family office, takes the concept of philanthropy further. "We have always taken an innovative approach to philanthropy," says Joan Shang, senior associate. "We don't put names on buildings, we always work in partnership with organisations to support their key needs and conduct due diligence as we would with investments—it's strategic philanthropy."

She says "this includes providing seed funding to early stage impact enterprises, where there is a business model but it might not be market-ready yet, and providing capacity building grants to NGOs [non-governmental organisations]."

Vidya Shah, CEO of EdelGive Foundation, the philanthropic arm of the Edelweiss Group, focuses on the aim of the investment. "The major differentiator between each type of philanthropy or investment is based on the different needs that they are addressing," she says. Plotting these different factors on an axis can help an organisation or an individual to decide on their best approach (see Figure 2 below). Social returns and financial return are on opposite ends of the X axis (output), explains Ms Shah, while financial resources and non-financial resources are on the Y axis (input).

"Traditional philanthropy appears in the top left column, as it is associated with more of a grant-making approach—providing financial resources towards social impact," she adds. "ESG has featured on the top right, as these are initiatives that the company will invest in to create credibility but also include an element of financial return."

Figure II. The best approach
Mapping investments by aim can help guide allocation decisions



Source: EdelGive Foundation

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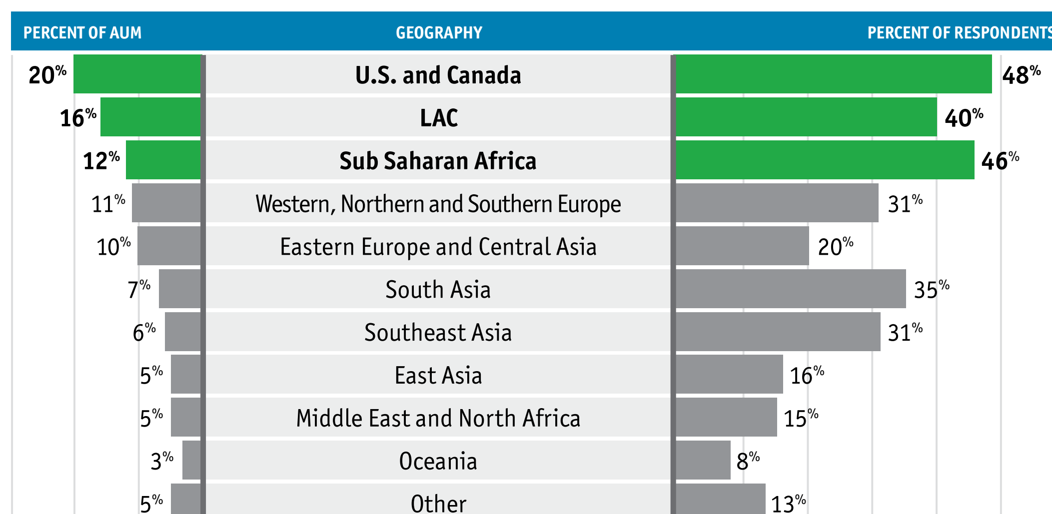
Growth in sustainable investments around the world

There may be debate around definitions, but no one can argue with the growth in these sectors. Sustainable investment has surged worldwide by more than a third since 2016, reaching assets of more than US$30.7trn at the start of 2018, according to the Global Sustainable Investment Alliance (GSIA).[1]

Europe holds US$14.1trn in sustainable investment assets, although between 2016 and 2018 its overall global share fell from 53% to 49%. According to the GSIA, this "may be due to a move to stricter standards and definitions of sustainable investing" in Europe. In the US, sustainable assets grew from US$8.7trn in 2016 to US$12trn in 2018, a rise of 38%. Japan-domiciled sustainable investments quadrupled, rising from just 3% to 18% of all assets under management (AUM). In Canada, sustainable investments now make up half of the country's overall AUM, having grown by 42% over the two-year period. At 63%, Australia and New Zealand have the greatest proportion of sustainable assets relative to total AUM.[2] Asia ex-Japan had $52bn in SRI assets, with a growth of 15.7% from 2014.[3]

The most popular sustainable investment strategies at the start of 2018, according to the GSIA, were: negative/exclusionary screening (US$19.8trn), ESG integration (US$17.5trn) and corporate engagement/shareholder action (US$9.8trn).

Figure III. Asset allocations globally
Geographic allocations by AUM and percent of respondents



1 The Global Sustainable Investment Alliance, "2018 GLOBAL SUSTAINABLE INVESTMENT REVIEW", http://www.gsi-alliance.org/wp-content/uploads/2019/03/GSIR_Review2018.3.28.pdf
2 Ibid
3 The Global Sustainable Investment Alliance, "2016 GLOBAL SUSTAINABLE INVESTMENT REVIEW", http://www.gsi-alliance.org/wp-content/uploads/2017/03/GSIR_Review2016.F.pdf

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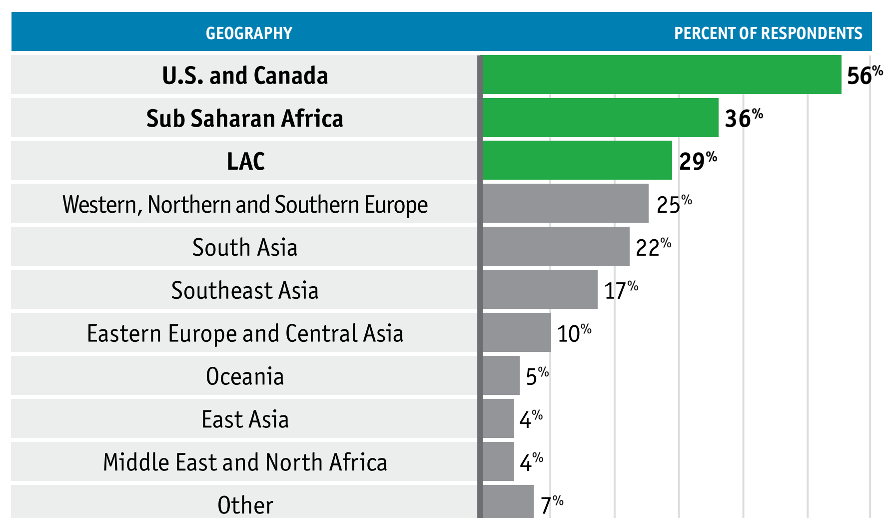
Figure IV. Capital deployment
Top three regions to which respondents deployed capital in 2017



Global Impact Investing Network (GIIN)

The Global Impact Investing Network (GIIN) estimated the size of the global impact investing market at the end of 2018 to be US$502bn, based on a survey of investors, covering foundations, banks, pension funds, asset managers, family offices and development finance institutions.[4]

Looking at Asia, according to the GIIN's Annual Impact Investor Survey 2018, India is the largest and most active impact investing market in the region, while the top countries for impact investment are Indonesia, Philippines and Vietnam. So far, investors have mainly deployed capital to sectors that promote financial inclusion, expand access to basic services and improve livelihoods—primarily, financial services, energy and manufacturing. Together, these three sectors account for 82% of the total capital deployed in the region and 63% of all deals.[5]

Awareness of sustainable investing and philanthropy is also growing in China. The number of social organisations increased by 14.3% in 2017[6], the highest rate in a decade, and China is now the world's second largest green bond market, with its issuance in 2018 topping US$30bn[7]. However existing impact investments remain small—direct data for impact investing itself in China is scarce but the country ranked 142nd of 147 countries in the 2018 World Giving Index by Charities Aid Foundation (CAF)[8]—and significant regulatory hurdles, including laws that prevent not-for-profit foundations from investing in for-profit companies, remain.

[4] The Global Impact Investing Network, "Sizing the Impact Investing Market", https://thegiin.org/research/publication/impinv-market-size
[5] The Global Impact Investing Network, "Annual Impact Investor Survey 2018", https://thegiin.org/research/publication/annualsurvey2018
[6] Public Policy Research Center, China Social Sciences Academy, "Annual Report on China's Philanthropy Development, 2018", http://www.chinabookshop.net/annual-report-china8217s-philanthropy-development-2018-p-26459.html
[7] The Climate Bonds Initiative and China Central Depository & Clearing Company, "China Green Bond Market 2018", https://www.climatebonds.net/resources/reports/china-green-bond-market-2018
[8] "CAF World Giving Index 2018: A global view of giving trends", October 2018, https://www.cafonline.org/docs/default-source/about-us-publications/caf_wgi2018_report_webnopw_2379a_261018.pdf

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Hong Kong's legal system, which remains independent from China under the "One country, two systems' principle, is less restrictive towards philanthropy and impact investing. This easier regulatory environment and the city's position as a global financial centre have seen Hong Kong emerge as a regional hub for sustainable and impact investing. Ronie Mak, managing director of RS Group, sees the potential first-hand.

"In Hong Kong, interest and awareness in impact investing has really grown in the past few years. Even five years ago it was much less popular. We no longer have to convince people on the 'why'", she says. "But in terms of action we are only at the beginning, people are just dipping their toes. They like to look at themes that match their philanthropy and we see healthcare, education and poverty alleviation as popular areas for impact investors in this region."

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Chapter 2. Investing versus giving: Key considerations

As with traditional investments, HNWIs need to consider numerous different factors when deciding how to invest sustainably and with impact. The same factors can also help determine when it might be better to give than invest. The vehicle for investment, time frame for engagement (the investment horizon), stage of funding, deal size, reporting expectations, need for diversification and the risk-return expectations should all be weighed up.

Sustainable investments can be made through mutual funds that are run with an ESG framework or that have a socially responsible theme like renewable energy. Impact investment funds are also developing. This can sometimes be the easier way to get involved. "Investing via a fund usually means additional cost but your fund manager is taking away the selection and ongoing monitoring away from you. [They] could also assist the organisation they are investing in with non-financial support as well as the investment," explains Ms Zanuso.

Impact investment funds are also becoming more widespread as regulation adapts, with India as a present example. "Regulation in India has changed and it is now easier to see up impact funds," Ms Shah says.

However, investors need to do their due diligence, as the type and level of impact will differ from fund to fund. In particular, Mr Hutchison warns against being taken in by "greenwashing", where a fund's ESG credentials are more about the branding than the actual impact. "Some asset managers are rebranding their ESG offerings as impact," he says. "People investing in those products may be disappointed by them."

Other structured investments may also give investors some comfort as there is a clear mandate and track record. "Structured social impact bonds have delivered a return," says Mr Hutchison. "People are excited by the concept, which shows explicit outcomes, and we now have a five-year track record."

Direct investments remain more common for impact investing. "At Big Society Capital, our impact investments are mostly in the private markets," says Ms Zanuso. "Direct investing tends to be time consuming and requires time, expertise and ongoing monitoring…we engage continuously."

Ultimately, the decision on the right investment vehicle comes down to what a HNWI wants to invest in and the type of impact desired. "Sustainable, ESG and impact investing all have the potential to deliver impact but the impact will be quite different," adds Ms Zanuso. "Investing in a company that behaves responsibly will be very different from investing to help solve a societal or environmental problem."

Philanthropy is better suited for "social enterprises which are focused on social issues", according to Mr Hutchison. "Usually these are not of the model or scale to attract investment, as their 'customers' can't pay."

When to invest and when to exit

A HNWI's investment horizon and need for liquidity will partly determine whether to invest via a fund, which usually allows redemptions on demand, or directly. "ESG investments are more liquid and becoming more so as regulators support the expansion," according to Ms Chiu.

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"Exits in impact investing are difficult, there just isn't the liquidity."

This is a function of the fact that "high-impact investments are made, not found," according to Mr Hutchison. "They tend to be unlisted and therefore illiquid, which can create fiduciary issues for some investors, particularly pension trustees."

When to exit will also be guided by the stage of investment. Early stage investment directly into a social enterprise will require a longer time commitment. "Early investors need to be prepared to stay invested," says Ms Shah. "They may want out after five to seven years but the enterprise might not be ready for more private equity-style investors."

François de Borchgrave, founder and managing director at Kois Invest, an impact investor, has also adopted a considered, longer-term approach. "We are not an investor that needs to exit after three years, as it is patient capital. But we do look at our exit options and don't want to stay beyond 10-15 years," he says. "A lot of what we do is put together blended finance products—bringing together different types of capital from different investors—not one investor supplying different types of capital."

Some of that blended capital may be in the form of a grant. "Particularly in early stage impact investments, a HNWI may support something with philanthropy," says Ms Zanuso. "Then once the unproven is proven, other investment capital will come in. That's an important role."

"Some ideas are ahead of their time and need investor education, that's what grant-makers can do," Ms Shah adds. "For example, we used a grant to pilot a scheme for female entrepreneurs, then after three years it went mainstream with a financial services provider."

It may be private equity investors or capital from a listing that provides the exit, or another stakeholder. Ms Chiu also sees government as the exit in some cases, where "impact can fill the gaps from lower levels of government funding, with private capital taking the risk upfront and then government taking over."

An investor's risk profile may also drive the timing of when they invest. "Because we have commercial expectations, we view earlier stages as higher risk," says Mr de Borchgrave. "We like to see that there are already customers."

Kois Invest is unusual as an impact investor in that it gives equal weight to its expectations for market returns and impact. "We are a 'financial first' impact investor, so our expectations for returns are comparable to those of more traditional investments across asset classes," explains Mr de Borchgrave. "That limits what we can do, as we are not always able to find social businesses with a return, but it does allow us to develop a strategy comparable to that of a regular investment—it's not a second-class strategy."

By contrast, other impact investors like Big Society Capital are often more focused on the effect rather than return. Ms Zanuso says they expect there to be a measurable outcome and a financial return, but also take into consideration each investment's potential for system change. Regardless of the approach adopted, industry experts agree that investors need to be realistic about financial outcomes. "I see HNWIs repurposing small amounts of

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their portfolio into impact, but they often have unrealistic expectations about returns," says Social Finance's Mr Hutchison.

Ms Chiu says the HNWIs she works with at The Social Investment Consultancy treat impact investing as a percentage of their portfolio and see it more as philanthropy, rather than replacing traditional investments. "Explaining ROI [return on investment] is difficult—you can't go online and find a market price for a kid in Kenya staying in school a year longer. When there is little data on performance, traditional investors will be hesitant," she explains.

But for investors willing to put the work in, impact investing can deliver both high impact and high returns. "I see some great people with investment skills who will do the work to identify opportunities and can take the risk," says Mr Hutchison. Ms Zanuso agrees, but says investors need to consider a spectrum of investments, from wide impact to ESG investing and also deep impact, which is higher risk but potentially carries higher returns.

Impact investments can also provide further diversification. "Many investors are attracted to social impact investing because of the diversification benefits from traditional mainstream markets, as they find the underlying investments are lowly correlated to listed investments," Ms Zanuso adds.

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Monitoring impact

Just as there are trade-offs between risk and return, some investments offer more in-depth reporting of impact than others. For example, sustainable funds may invest in companies that operate in a way that is ESG compliant but do not explicitly report on their impact. In these cases, the funds also do not report on the impact.

Even with impact investments where the objective is more impact than financial return, reporting can be difficult. "It is hard to compare impact investments unless they are operating in the same space. Impact is in the eye of the beholder, and it can lead to meaningless reporting," says Mr Hutchison. "We need third-party research to take impact investing to the next level."

Mr de Borchgrave agrees. "It is difficult to compare healthcare and education or healthcare in Europe with healthcare in India," he says. "You start getting into a complicated moral discussion. But we want to follow what the industry is developing, like Impact Reporting and Investment Standards, we don't want to create our own approach."

Impact Reporting and Investment Standards is a catalogue of generally accepted metrics of social, environmental and financial performance that is managed and promoted by the GIIN. It serves as a taxonomy that governs the way companies, investors and other stakeholders define their impact. The online tool collects and aggregates data from organisations anonymously and users can choose which metrics to adopt and use across sectors and geographies.

According to a recent GIIN survey, the majority of investors (83%) want a way to "better understand our impact" and half of those surveyed say the fragmented approach to measurement that the impact investing community has taken remains a "significant challenge" for the sector.[9]

Investors are also able to measure the effectiveness of an impact investment using the Global Impact Investing Rating System (GIIRS), first developed by B Lab, a non-profit organisation. GIIRS is a comprehensive and transparent system for assessing the social and environmental impact of developed and emerging market companies and funds. Taking an analytics approach similar to Morningstar investment rankings and Capital IQ, the tool evaluates a company on social and environmental metrics, and assigns a series of scores on each metric as well as a total score.

"There isn't a magic wand on measurement, but I don't see concern on measurement holding back people who really want to do impact investment," says Ms Zanuso. "How many lives have been touched, that may be enough. The qualitative side is usually more important to HNWIs."

"We don't want to burden entrepreneurs with bureaucratic impact measurements, but we want to see the impact," Mr de Borchgrave adds. "So we collaborate with the business to define metrics and find a middle road. Impact reporting shouldn't be an additional hurdle for the business."

Ms Shah also recognises the importance of working with the organisations that her foundation expects to provide reporting

[9] Barron's, "Impact Investors Make Strides in Measuring Results", https://www.barrons.com/articles/impact-investors-make-strides-in-measuring-results-1513703972

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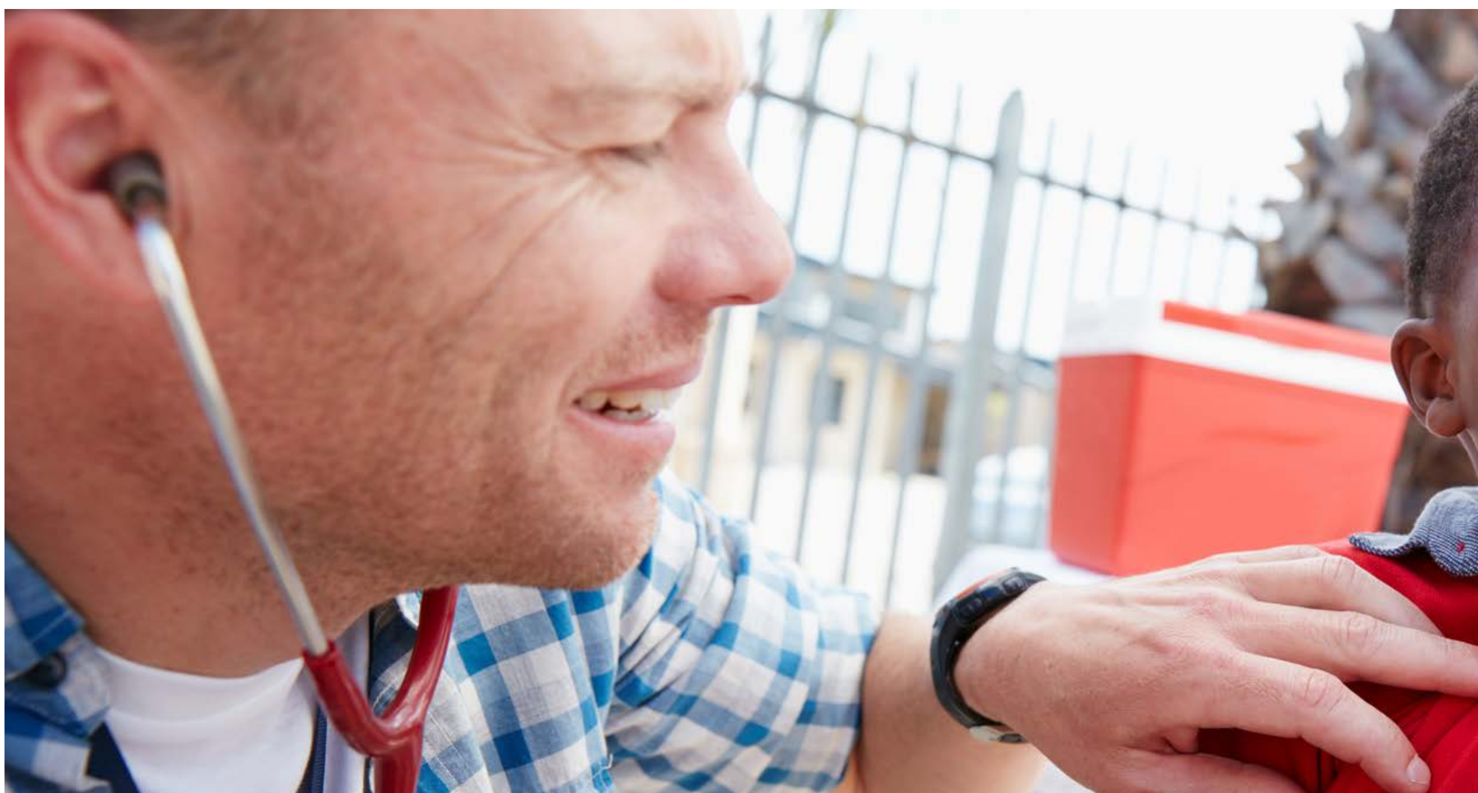
on their impact. "We're working with NGOs to help them build the capacity to measure, funding initiatives to help standardise measurement," she says. "But we also take a different approach to measurement. We are careful how we go about it, as some areas are harder to measure than others."

When to give instead

Expectations for impact reporting are spreading from impact investments to philanthropy. "As more philanthropists get into impact investing, they are asking for business plans, etc," says Ms Chiu. "However, most non-profits do not have the skills or financial model to meet those expectations." Ms Chiu worries that some non-profits are losing out on "no strings" philanthropy as a result, but Ms Zanuso says the outcome is sometimes more important to HNWIs than the measurement.

"HNWIs who really care are still philanthropists," she says. "Impact investing is not meant to replace giving. And some things will never have a model that will produce a financial return." For example, "there are organisations that will never have a repayable model. Clearly in those cases, [impact] investment would not be appropriate," Ms Zanuso explains.

However, she says there are also organisations that, because of the level of support they offer



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and who they assist, can afford some kind of repayable finance. Returns in these cases are not at market rates but the organisations do require levels of funding that are greater than the amount of grants and donations available. "Often philanthropy/grants are given, but on a restricted basis, whilst [impact] investments are usually unrestricted," she adds. "It's really on a case-by-case basis."

Cherie Nursalim, executive director of GITI Group and a founding member of the Global Philanthropic Circle, sees two key roles that philanthropy can play. The first is to seed blended finance platforms, which then mobilises commercial capital to join. An example is the Billion Dollar Fund for Women, which aims to invest US$1bn collectively in companies founded or co-founded by women in the next decade as part of achieving SDG 5 on gender equality.

"The fund was launched at last year's Tri Hita Karana Forum on Sustainable Development and was just one of over 30 high-impact projects, investments and initiatives that focus on priority SDG sectors including green infrastructure, sustainable land use, oceans, ecotourism, health, women and innovation," she says. "We mobilised close to US$10bn overall, and this shows how philanthropy (and development finance) can create a framework for larger-scale crowding-in of private capital."

This experience has focused her philanthropy. "In the past it was more ad hoc, based on who came to us and what we thought of the organisation and its leaders," Ms Nursalim says. "But now I am trying to focus on a collective approach, using philanthropy to help scale up social enterprises and bring in the private sector, as well as giving support beyond just money."

Ms Nursalim also believes philanthropy should be used to fund the study and dissemination of best practice. "We need to strengthen implementation so the next stage is to set up an institute, to research best practice, bring the relevant stakeholders together in coalition and really take it to the next level," she says. To this end, she is particularly interested in creating platforms for technology solutions to meet the SDGs. "It is a long road but there is good momentum," she adds.

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Chapter 3. How HNWIs invest and give to make an impact

Vidya Shah, CEO, EdelGive Foundation (India)

The Edelweiss Group started in the early 2000s and once we were sustainably profitable, we started giving but it was very ad hoc and unstructured. But by 2005-06, we realised that the organisations we supported faced one big challenge—sustainability. Growth and true partnerships were not happening. So, being very entrepreneurial, we thought we could take our ideas from the for-profit world and apply them to the non-profit, and founded the EdelGive Foundation.

I think there are three key questions we need to ask when we think about the difference between investing and giving within the social sector.

1. What is the programme?

A grant-making approach is mostly used for achieving long-term goals of large social interventions. For example, skill-building programmes are long programmes with several different interventions, so grant making is more effective than investment. On the other hand, enrolment of children into schools is a very specific and quantifiable programme, which can be funded by impact investing as well. So a lot of the structure of giving is dependent on what the programme objectives are.

2. What are the resources going to be used for?

This factor includes looking at whether our funds will be used towards solving a specific need for the organisation of the programme or whether it will be used towards creating impact for the programme.

3. What is the scale of the organisation?

Impact investing requires a very high level of maturity for any implementing partner. The scale and level of monitoring is extremely high for any impact investing or venture philanthropy project. There is also an element of risk in terms of investment returns, which further increases the need to partner with mature organisations. For grant-making, the risk is much lower, even though there are no returns to this investment. Moreover, grant-making can be made irrespective of the size of the organisation.

I think these alternatives complement traditional forms of investments, especially when we look at these models from the Indian perspective. The kind of social impact that we need to achieve in India can only be done through a healthy integration of government funding, and commitments of the wealthy and philanthropic organisations of companies and individuals. Without the flexibility of choosing an approach based on programme needs, we will not be able to successfully effect change.

We are seeing the growth of a family office culture in India but usually one family member will look after philanthropy while the rest are focused on investment. We ask if there is something in between.

At EdelGive Foundation, while our model for investments is still in its traditional form, we are increasingly looking at being innovative in its usage. For example, a large portion of our funding is matched with other funders, through co-funding models. We also look at collectivising this traditional investment by forming coalitions with multiple players. We are looking at investing not only in programmes and outcomes but also in building the capacities of the implementing partners we work with.

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François de Borchgrave, managing partner, Kois Invest (Belgium)

Kois Invest are focused on impact and we define it as investing with a financial return, including return of capital, as well as a positive ESG impact. We invest in companies where their core product or service has a positive impact. We focus on direct impact, rather than the second or third level down, where it can be difficult to attribute.

I'm very open and curious about where I can make an impact but I do have some areas of focus: healthcare access, employment access/training, education, climate, social housing and refugees. And also disability, which is where my philanthropy is focused, as I have a disabled son. But I stay away from things with too much tech risk.

I'm not invested in listed companies, as I think you have little influence or control. What I prefer is where there is a stronger role taken by the manager through private equity, otherwise it is too passive.

The first thing I look at is if the team [of the company] is strong—that is more than 50% of my criteria. Then I look at the type of impact it is making and if it is true impact, rather than "green washing". The rest [of my criteria] is in line with traditional investments.

I got strange looks when I started doing this ten years ago because of my expectations for financial returns. But having that focus helps bring in more traditional investors.

Annie Chen, founder and chair, RS Group (Hong Kong)

Over time, I began to question the value of what I was doing. What is the purpose of wealth? Why are we so consumed with preserving wealth, when there is more than enough to meet our needs? When there are still billions in the world who have close to nothing? And when our planet is faced with an existential crisis due to human activity?

At first I thought that philanthropy would be the answer—simply giving away the excess to those in need or towards a good cause. I had never found investing interesting anyway, and philanthropy seemed a more worthwhile and rewarding way to spend my time. But then the financial crisis of 2008 happened, and I was driven to ask: what is the purpose of investing? Is it possible to invest in a way that aligns with one's values? How can we ensure that our capital is deployed in a way that does not damage our planet or people, but actually contributes to their wellbeing?

As I searched for answers, I realised that there was a whole other dimension to investing that I had not been aware of. Investing doesn't have to be simply about making more money, but a way to manage capital with purpose, hence the founding of RS Group.

When deciding how to invest or give, everything is mission-led. Everything we put capital into has to align with our mission, the vision of the RS Group and the mission of the organisation. What type of impact are they trying to achieve with our capital?

Throughout this journey we have found it always comes down to people, whether it

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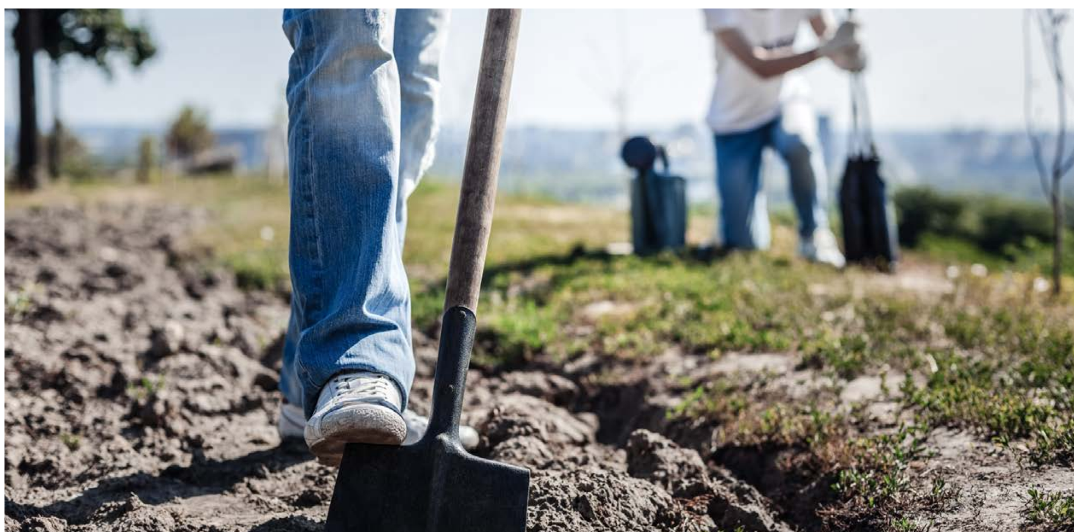
is a fund manager or the leaders of an NGO or social enterprise. Do we think they have the "impact DNA", the expertise and the track record? We look for these regardless of whether it is an investment or philanthropy opportunity.

We use a total portfolio approach to manage our capital, meaning our investments, grants and expenses as a family office are all considered within the same portfolio. On the investment side we are like any family office with diversification across asset classes, making decisions based on risk-return analysis, financial and impact performance. Ultimately, we want more family offices and HNWIs to get into impact, and to that end released an Impact Report (http://report.rsgroup.asia) in 2016, laying out in detail the philosophy, management approach, financial and impact returns, and learnings behind the journey of building a 100% impact portfolio.

To further strengthen the ecosystem for sustainable finance in Hong Kong, in 2017 we began incubating the Sustainable Finance Initiative (SFi) (www.sustainablefinance.hk), a dedicated platform to mobilise private capital for positive impact and accelerate Hong Kong's transition towards a sustainable finance hub. Since its launch in June 2018, SFi has been actively building a community of private investors. SFi enables the community to learn about sustainable finance through workshops, publications and peer-to-peer learning, connect with fellow sustainably minded private investors with other stakeholders, and invest together via investor circles with fellow investors who are ready to take action and co-invest under a facilitated environment.

Today, in the face of pressing challenges presented by climate change, I feel even greater urgency to put my capital into protecting "the commons". With RS Group, I am exploring the use of blended finance mechanisms to deploy grant and concessionary capital towards natural capital projects, funds and initiatives in Asia. We are facing a climate crisis, and we need to put all our available resources to ensure we have a chance at survival.



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Invest or give?

When deciding when and how to invest or give, there are few strict criteria—most will be determined by the individual and what is important to them. However, RS Group and Kois Invest provide some guidance on how to achieve the most impact.

1. **Start with your heart:** think about what is truly important for you and have a set of values you want to adhere to and promote. Look to the SDGs for inspiration and to focus your efforts.
2. **Build your knowledge and network:** meet with other stakeholders who already have experience of aligning their investments with their mission. They can help you identify specialist investment advisers to assist you in building your portfolio, and help you stay abreast of new developments.
3. **Construct a framework:** specify your risk-return levels and expected impact contributions for different parts of your portfolio, but have some flexibility. Consider whether you want to add to or replace traditional investments with sustainable investments, and philanthropy with impact investments.
4. **Know your options:** sustainable funds allow you to invest a large part of your portfolio in liquid strategies with risk-return characteristics comparable to traditional investments, or you can use low-cost index trackers. Blended finance options join your capital with that of other investors/donors to have maximum impact.
5. **Know your managers:** choose investment managers that are committed to sustainable investments and that actively vote proxies and engage with companies on sustainability issues.
6. **Be flexible:** assess how the objectives of your philanthropic portfolio could be achieved through investment. Sometimes grants can achieve objectives more efficiently than investments, but other times investments can be more impactful. Synergies and shared learnings between your investments and your philanthropy will drive even more impact.

My advice is to just do it—you learn more by doing. It's the only way to understand the reality. You also need to be honest when you assess what you've done in terms of impact. Because impact is often in areas that are closer to your heart, you may want to get more involved but that is not always the best decision—you wouldn't do that with traditional investments and it can be a source of frustration and failure. These are financial deals and you need expert guidance.

Mr de Borchgrave of Kois Invest

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