Investments: philanthropy in the balance

The credibility of today’s foundation depends on how it invests its assets.
Overview

Investments are our superpower

It’s widely accepted that institutional philanthropy can achieve more by throwing the whole of its weight behind its mission. This special feature examines some of the ways and means in which foundations are doing so.

Globally, the latest statistics suggest that philanthropy donates around $58 billion per annum and copious studies outline the many causes and issues we give to. In contrast, according to Paula Johnson’s estimate in her 2018 Global Philanthropy Report, our assets are estimated to be about $1.5 trillion, but unlike our grants programmes, there is relatively little information about what is clearly the largest element of our sector’s resources; they remain opaque, even to us.

Yet, these hidden assets – buried deep in capital markets – are arguably some of our most powerful tools for combating injustice, environmental degradation, poverty or any of the myriad issues which concern us. Indeed, I have called them our ‘superpower’: as endowed foundations, we have deep knowledge of the many challenges facing our societies and our countries as well as being important economic actors, controlling billions invested in capital markets all over the globe. Yet many of us ignore this power, focusing our attention only on the 5 per cent or less of our assets visibly at work. What we hope to do in this special issue is bring the other 95 per cent of foundation assets out of the shadows and into the spotlight. We also hope to show that all over the world trusts and foundations are actively using their investible assets to have definite impacts on the world.

The shape of money

As funders, we are used to designing and implementing grant programmes to deliver certain outcomes. The skills involved in making this support timely and effective are essentially shaping money to most effectively address the issues. Mission or high-impact social investing is a further journey down this path, as many funders have found that grant money wasn’t quite the right ‘shape’ to provide what was needed. High impact investment may underpin interventions through equity, it can provide early stage loan finance to build track records in revenue generating solutions, or use guarantees to de-risk new social ventures with the potential to scale.

This is undoubtedly a powerful additional tool for philanthropy but while it is an excellent way to create exemplars, scale great interventions and underpin the strength of key sectors, it is not a tool to effect macro-level structural change. For this, we need to engage capital markets and our investor power. By using our role as investors we can ensure thousands of workers are paid a living wage by supermarkets; we can put pressure on corporations to commit to tax transparency, decarbonising their supply chains and gender-equal boards and workplaces. In addition, through our relationships with some of the biggest investment managers in the world, we affect broader investment practices by providing important market signals and raising awareness within investment houses of areas of investment risk and client concerns.

De-coding the language of philanthropic investments

Global capital markets: where most foundations invest most assets in companies (shares or corporate bonds) and national government debt (government bonds or gilts). Can be directly in companies or through portfolios of assets in a range of sectors such as construction, aviation, pharmaceuticals, property, extractive industries, etc. Aim is to produce a risk adjusted return, with the surplus used for charitable purposes.

Investment houses: investment management companies that manage assets for clients on terms defined by investment mandates setting return benchmarks and expectations.

Impact investments/social investments: for the purposes of this special issue, we are defining these as investments (equity, debt or funds) where the main result is social benefit (social return) rather than a financial return.

Social enterprise: way of working to produce social benefits alongside revenue stream; surpluses usually returned to the enterprise and they are not usually profit distributing.
**Understanding models of business**

This is deep work, requiring us to understand the corporate behaviour that may be at the heart of some of the biggest challenges facing our planet. The discussion with Larry Kramer and Ana Marshall of the Hewlett Foundation that forms the centrepiece of this issue (p44) is an exploration of how one foundation deeply engages with its investment managers to understand and address major challenges as peers as well as clients. A central insight is that by understanding business models and engaging with the industry, we build effective relationships which are at the centre of effective stewardship.

Mauro Meggiolaro (p54) from one of the Italian banking foundations outlines how foundations across Europe are collaborating to share expertise and resources to make investment a tool for change alongside other methods used by activists such as boycotts, demonstrations and the exercise of consumer choice.

Andrew Milner (p60) touches on the huge potential of gender lens investing in terms of both effecting corporate change as well as improving investment performance by grounding the idea of diversity of thought.

The crucible of coronavirus

In the forefront of current concerns, the pandemic is both a tragedy for many communities and a shock galvanising new thinking and approaches in our sector, which can – it must be admitted – move at a geologically slow pace of change.

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If we as organisations working to make the world a better place do not consider how we use our assets to do so, we will miss the opportunity to make an impact on the huge global challenges confronting us.

Through the creation of the Charities Responsible Investment Network, European foundations have found a way to speed up learning about investment developments, new thinking and practical actions – shareholder activism and engagement – to make the most of our strengths and abilities.

In the UK, the Association of Charitable Foundations’ ‘stronger foundations’ working group has explored how investments can be brought into our strategic arsenal to be of true service to our missions and has published principles of best practice in this area.

My own trust, Friends Provident Foundation, undertook an exercise in what we call ‘radical transparency’ to bring investment practice out of the shadows and involve a wide range of expertise – academics, NGOs, beneficiary groups, trustees and peers – in the process of selecting a manager. We collaborated with two other medium-sized foundations to hold the first ESG investing Olympics – with an open call to the investment industry to pitch to us their best ideas for managing assets of £30 million in line with our shared investment policy. Although we have different missions as foundations, we share a commitment to responsible investing and a belief that managers should be responsive to our need for mission alignment, as well as returns.

Our Investment Engagement manager, olin Baines outlines the process (p40) and we hope it will inspire others to demand more of those we work with to manage our money.

As mission-driven organisations with deep roots in people, places and issues we have a responsibility to make active decisions about the use of the majority of our resources.

High-profile mission-led organisations such as The Bill and Melinda Gates Foundation in the US, Comic Relief and the Church of England in the UK have experienced public scandals relating to their investment holdings. Our money is out there expressing who we are and we need to know what it is saying. From the investor side, the growth and development of the expectations of transparency and disclosure are growing globally for public and private investors alike; ensuring our houses are in order is becoming a presumption of investment competence and fiduciary duties. And perhaps most importantly, if we as organisations working to make the world a better place do not consider how we use our assets to do so, we will miss the opportunity to make an impact on the huge global challenges confronting us – and it’s one we can’t afford to miss.

I have found the contributors in this special issue incredibly inspiring both in terms of what has been achieved and what more there is to be done. It is exciting to see that for us to truly recognise our powerful capacity which rests on having one foot in the challenges that are facing global society and the other in capital markets and investments, we must find new ways of collaborating and moving forward.

As we enter the last few months of 2020, I hope that this special feature will encourage us all to consider how we can deepen and expand our engagement and partnership with the investment sector in order to leverage our resources to achieve our missions.

I am grateful to all who have contributed to this issue and I look forward to seeing where our journey takes us next.
Investing for a just transition

The need to rebuild after the Covid-19 pandemic offers an opportunity for a just transition to a clean economy – an opportunity foundation investors must take

Crisis can be moments of transformation. The catastrophic failure of the financial system in 2007-09, for example, highlighted the need for truly sustainable finance and the prudent management of systemic risk. This in turn boosted the rise of responsible investment and enabled climate analysts to highlight the carbon bubble that was lurking beneath continued investment in fossil fuels. A decade on, and billion-dollar write-downs from oil majors such as BP and Shell have shown the growing significance of the stranded asset agenda. In the Covid-19 crisis, it is striking how quickly civil society along with leading political and business leaders have converged around the need for a recovery that is not only ‘green’, but also inclusive. In the UK, for example, over 200 businesses have called on the government to use its recovery plans to deliver a clean, just recovery.

First priority
For too long, the climate agenda has been socially blind. As one of the gilets jaunes protesters in France memorably remarked, ‘you care about the end of the world; we care about the end of the month’. The just transition has long been advocated by trade unions and civil society as a way of ensuring that the interests of workers and communities are centre-stage in climate action. A first priority is to ensure that the full social benefits of the transition are realised, for example, by ensuring jobs in the growing green economy have high labour standards in terms of wages, trade union recognition and diversity. The just transition idea also stresses that workers and communities in high-carbon sectors and regions are fully involved in shaping that transition. Along with stranded assets, we need to avoid stranded workers and communities.

The 2015 Paris Agreement included the importance of a just transition. Governments have started to take action, not least to ease the move from coal, as Spain has done. The European Union has made the just transition a core pillar of its 2050 Green Deal programme.

Finance a tool for the just transition
All of this will require transformational approaches to financing too. Foundations are increasingly seeing the just transition as the connective tissue between the often separate imperatives of social inclusion and environmental regeneration. This appreciation needs to run through both grantmaking and investment strategies. For example, as part of its Climate Emergency strategy, the Friends Provident Foundation has stated that ‘the rapid transition to a net-zero emission pathway must also be a just and fair transition’ and is applying this throughout its activities. Over 150 institutional investors with over $10 trillion in assets have now signalled their support. An investor roadmap has been produced for the UK, with a strong focus on investors responding to place-based priorities in key regions. Local government pension funds can play a critical role as anchor financial institutions, for example, by providing capital for climate investments that also deliver social benefits. Banks are also starting to recognise that assessing climate risk alone will not deliver a successful transition. A new generation of banking products and services is needed which respond to the just transition, for example, in housing finance and supporting SMEs.

Where the shoe pinches most
It is in the Global South that the need for a just transition is most acute. Developing countries will bear the brunt of the climate crisis and have least resources to fund their own transition. Moreover, a number of them are highly carbon-intensive. South Africa is a case in point. President Cyril Ramaphosa has recognised the centrality of the just transition to the country’s future in a situation of high unemployment and racial inequality. India is the G20 country that is the most exposed to climate damage. The move from coal will bring huge benefits in terms of human health, where 2.5 million Indians die prematurely each year due to air pollution. The growth of renewable energy can also enable a more distributed model of development with new job opportunities created for women as solar engineers, for example. The challenge extends to the future for the country’s rural communities faced with growing climate shocks on top of entrenched caste and gender disparities.

The real test
Covid-19 has made the just transition the next frontier of sustainable finance. Foundations and financial institutions will play a critical role in allocating capital that gets us faster to net zero in a fair and inclusive way. Internationally, development finance institutions (DFIs) and multilateral development banks will be key. Here, signs of action are emerging, for example, with the UK’s DFI, CDC and the European Bank for Reconstruction and Development stressing the need for a just transition. Increasing the flows of climate finance to developing countries so that they can invest in their own just transitions will be critical to the success of the UN’s climate change conference, COP26, in 2021.

The real test of the growing recognition of the role of finance in the just transition will come in the way we emerge from Covid-19. The task before us is to make the just transition part of every financial decision across the world.

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Right: The growth of renewable energy can enable a more distributed model of development and job opportunities.

Climate Philanthropy 2030
For more on this topic check out Alliance’s climate commitment at alliancemagazine.org/climate

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In Profile

Philanthropic investing

Foundations are actively using a greater range of their assets to pursue their underlying aims. These investments span a wide variety of form, purpose and recipient, a sample of which is featured here.

Foundations going all in

In 2012, the F B Heron Foundation decided to extend the 40 per cent of its assets devoted to mission investing across its entire portfolio. In pursuit of its mission, it makes investments along a spectrum which runs from below-market to market returns, with grants at one end and private capital at the other. In 2018, another foundation, the Nathan Cummings Foundation decided to do likewise, when its endowment stood at just under $500 million. ‘The problems we are working on – like the climate crisis and growing inequality – will not be solved by grantmaking alone,’ said foundation president, Sharon Alpert in an open letter to the field. ‘Capital markets have to change to drive sustainable and inclusive growth that will create long-term value for people, the planet, and the economy.’

The Nathan Cummings Foundation describes itself as ‘a multigenerational family foundation rooted in the Jewish tradition of social justice’.

Innovative financing to keep non-profits afloat

The Ford Foundation is one of five major US foundations to borrow in order to help non-profits survive the Covid-19 crisis. Ford has launched a $1 billion social bond with 30-year and 50-year maturities, the net proceeds of the sale of which will enable it to pay out over 10 per cent of the value of its total endowment in 2020 and 2021. This will be primarily to ‘key organisations that are advancing the fight against inequality when communities that are most vulnerable have been hit hardest by the pandemic’, according to the foundation. Other foundations to follow suit include MacArthur, Doris Duke, W K Kellogg and Andrew Mellon.

The use of such a stratagem, justified by Ford president Darren Walker on the grounds of ‘unprecedented challenges’, is rare in the non-profit world and is certain to enliven the debate about increasing the mandatory payout rate of US foundations from 5 to 10 per cent. On the other side, the move ‘creates an obligation for the foundation for the next 30 years’, Ed Henry, president of the Doris Duke Charitable Foundation, told the New York Times. ‘Basically, we’re taking out a mortgage.’ On a deeper level, it raises in a new form the conundrum faced by foundations which claim they are committed to social justice. A recent NPO article argues that the move shows that ‘foundations are committed to maximizing their investment portfolios – and will even borrow to do so. In other words, foundations through their investments help prop up a capitalist economy that often harms their grantees.’

Peer dialogue – p44

Divest Invest

Probably the best known of the cause-related investment movements is the DivestInvest movement. By no means exclusively associated with foundations (its 1,246 member organisations embrace a wide range from municipal authorities to faith-based organisations, as well as 200 individual members), philanthropy is prominent in the movement. Its advisors and ambassadors include Ellen Dorsey of the Wallace Global Fund and Sarah Butler-Sloss of the Ashten Trust. Members believe that by divesting from fossil fuels and encouraging others to do so, and by investing in climate solutions, they can accelerate the transition to a zero-carbon economy. Critics, who have included William MacAskill of the Centre for Effective Altruism, argue that divestment fails to achieve its effect because it does not hurt the companies in question, it simply means that others buy their stock. He argues that it is boycotts, not divestment, that would hurt fossil fuel companies.

divestinvest.org

ESG investing

Olympics: investment managers in the spotlight

Colin Baines, Investment Engagement manager at Friends Provident Foundation writes: We have seen rapid growth in funds labelled as impact, sustainable, responsible, green or environmental, social and governance (ESG) over the last couple of years. However, the quality of these funds varies greatly with marketing claims not always aligned with practice and standards of transparency are nowhere near what they should be. In response, three foundations – Friends Provident Foundation, Joffe Trust and Blagrave Trust – came together to hold an ‘ESG investing Olympics’: a first of its kind, an open competition which simply asked investment managers to ‘impress us’ on ESG integration and impact. The prize was £33.5 million to invest on our behalf.

The response saw dozens of proposals, from small boutique impact managers to global multi-trillion-pound investment banks. Five were invited to present in public in London, to an auditorium of like-minded asset owners, including charities, churches, universities, and pensions. It is fair to say they were put through their paces. The competition winner has yet to be announced but it helped bring investment management out of the shadows as intended, shared learning on emerging best practice, and sent a clear market signal for higher investment standards and purpose. We intend to continue engaging with the winner publicly to continually raise standards, and to help other asset owners compare against their own investment managers. It is time for the power dynamic to change between asset owners and asset managers. To do that, radical transparency will be key.

Investing for racial justice

Guest editor Danielle Walker Palmer writes: At the moment this is still a niche and predominantly US conversation. The approaches that reach beyond general social justice objectives are a bit limited (investing in Black-led SMEs) but there is growing awareness in the philanthropic sector that more can be done. At the forefront of current discussions should be one about who manages our money and the diversity of thought required for that to be done well. This is action all foundations can consider taking now.
SPECIAL FEATURE: OVERVIEW

**Movement.**
recognisable, articulated to stimulate the development in the service of positive and enduring change. Supported by the International Venture Philanthropy Center (IVPC), Latimpacto is independent but connected to the regional venture philanthropy networks, AVPN and EVPA. Like these sister organisations, it will provide training and capacity building for practitioners, promote the establishment of new venture philanthropy and social investment funds, help identify opportunities for co-investment and engage policymakers in the creation of more conducive conditions for social investment.

**ASIA WOMEN IMPACT FUND**

In 2017, Japan’s Sasakawa Peace Foundation announced that it was setting aside a part of its endowment – up to $100 million – to set up the Asia Women Impact Fund to support women’s economic empowerment and gender equality. The fund uses the fruits of its investment to provide early-stage women entrepreneurs in South East Asia with access to resources such as initial financing, technical assistance and mentoring and to develop an ecosystem in the region for gender-lens investing.

**Gender investing**

**Equileap** was launched in 2016 by Diana van Maasdijk and Jo Andrews with the aim of increasing gender equality in the workplace, using data to illustrate the current state of affairs and to campaign for improvement. Funded largely by grants, Equileap has developed a scorecard which ranks some 3,500 companies globally on gender equality and is based on 19 criteria in the areas of balance of numbers in leadership and the workforce, compensation and work-life balance, possession of policies promoting equality, and commitment, transparency and accountability. It publishes an annual gender equality report and ranking. The 2019 edition finds that 99 per cent of surveyed companies have a gender pay gap and 58 per cent of surveyed companies have no sexual harassment policy.

**Taking a queer lens**

Alongside support for feminist movements and women and girls, the German charitable fund Dreilinden uses grants, social investments and networks to help people whose sexual orientation, gender identity and expression and sex characteristics do not conform with social norms.

The initial focus of Dreilinden’s investments was on gender issues because there were no investible funds at the time with a specific queer-focus. In 2015, however, concerned that queer-lens investing was not attracting sufficient attention and that gender-lens investing was developing a binary view of gender, Dreilinden decided to embark on a queer-lens investment strategy in which LGBTQIA issues would be central. It pursues this strategy by investing in public securities, in impact funds and through its own direct impact investments. Most recently, it has partnered with the Criterion Institute on new strategies to invest with an LGBTQIA lens as a tool to address the inequalities which face these groups. Dreilinden sees itself as something of a pathfinder in this field and hopes that over time, its approach can ‘demonstrate that investments should be assessed with a broader (i.e. ’queerer’) perspective. This will lead to a more holistic assessment of opportunities and risks while also leading to better, more impactful investments.’

Our feminist philanthropy special feature (Alliance, December 2019) was guest edited by Dreilinden’s Ise Bosch.

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**Notes:**

1. toniic.com
2. gsgii.org
3. latimpacto.org/en-us
4. spf.org/awif/
5. equileap.org
Peer dialogue

Virtue signalling is not always a virtue

Guest editor Danielle Walker Palmour talks to Larry Kramer and Ana Marshall, respectively CEO and chief investment officer of the Hewlett Foundation, about why the foundation is investing its $10 billion endowment for the long term despite immediate needs

Danielle Walker Palmour: To start with, Ana, could you say a little about how your investment decisions are affected by the governance of the Hewlett Foundation?

Ana Marshall: The board delegates to the investment committee which approves asset allocation, benchmarks and any particularly large new investments, but everything else is delegated to my authority. That level of delegation only works as long as there is transparency. In my reporting, the more transparent I am in my periodic updates to the board, the more comfortable they are. In doing so, we can try to be responsible about them. If you change your investment strategy to favour one particular issue area because it seems a compelling case, what are you going to say to all the others? How do you say no to the BDS people, to the soft drinks people, to the people objecting to private prisons, all of whom have equally compelling cases?

Larry Kramer: We’ve never changed the formal governance structure as we’ve never found it necessary. But we did have three serious discussions about impact investing with the board, discussing different ideas about how we might approach it. Each time, the board said no, partly because they felt it would need a big internal team and there are strong commitments across the whole foundation to lean staffing. So we can only make investments of $50-100 million, we don’t have capacity to do underwriting or one-offs or that sort of stuff. I am profoundly sceptical about mission investment firms who say, ‘We’re putting 100 per cent of our assets to use’, but then you see that 50 per cent is in public equity. That’s not impact investing; that’s doing nothing. Obviously if there was a clean energy fund that produced the kinds of returns we need, we’d invest in it. But the few that apparently produce those returns are not large enough to take investments of the size we need to make. There is also the problem of managing an endowment when you have to invest in external fund managers. All of us are aware of these debates and we’re trying to be responsible about them. If you change your investment strategy to favour one particular issue area because it seems a compelling case, what are you going to say to all the others? How do you say no to the BDS people, to the soft drinks people, to the people objecting to private prisons, all of whom have equally compelling cases?

Ana’s team is talking to our managers about sustainability, as Larry said, and that’s important because that’s a much more sensible way for us to work. Similarly the environment team talks to the investment team on climate, who in turn talk to their managers, about how it is likely to affect investments, policies and so on.

Larry Kramer: The starting point is at the other end. We look at sustainability as an element of a company’s competitiveness that we have found engages on a much deeper level.

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wouldn’t have to index down unless there’s a really massive economic crash. In addition, to avoid competition between the programmes, we created a large pool of unallocated funds that are used every year for specific things. Then, if there are no specific things, these funds are distributed proportionally among the programmes.

**DWP:** Can you tell me more about your response to downturn?

**LK:** In 2009, the foundation had to cut grant budgets by something like 40 per cent, which was brutal for our grantees. I didn’t want us to be in that position again, so as the endowment started to grow again, we allocated the growth 60 per cent to programmes, 40 per cent to create this pool of flexible funds, which would be our cushion if we hit another downturn. Then Ana came to me two years ago with an idea to formalise that.

**AM:** In the US we have the three-year rolling spending rules, which we’ve always used for setting the grant budget. My proposal was that if, in any year where there’s a negative return, next year’s budget is set using the new lower NAV, it will allow us to course-correct more quickly and avoid overspending. When you make grant awards, you’re paying about 60 per cent of them in the present year. So adjusting the grants budget is the only way in a down year to not have too much cash out the door. That is when the biggest damage happens to endowments, when they have to sell assets to fund grants when the market’s in a crisis. It takes a very long time to recover from that, so my theory was, if we could minimise that damage, we would be able to regain our capacity faster.

**LK:** Something has to give when there’s a downturn. You’re either going to maintain your current support at the expense of the future, or you’re going to invest in the future and hurt your current grantees, and we found this middle way which was to give up our flexibility to do new and additional things for a couple of years. Although this downturn is not yet playing out as badly as everyone thought it would initially, we’re now being told it’s not enough to maintain spending, we should increase spending. Our plan doesn’t allow for that. I don’t say we’re right and they’re wrong. But people have to recognise that it’s a choice – between people today and people in the future. And hurt your current grantees, and we

**DWP:** One of the elements in this is perpetuity which is important from Friends Provident Foundation’s perspective. We’re not perpetual so we did feel like we wanted to increase spending, but the choice that we’re making involves our survival.

**AM:** Technically we’re not either. It was pretty clear that Bill and Flora Hewlett assumed that we would be but they’ve left us the power to spend down if we chose to. The perpetuity/spend-down issue depends what kind of problems you’re working on. Some problems are best addressed with large infusions of cash now and others require you to be there for a really long time. That’s why I don’t see there’s a right choice, there are different choices. Most of the problems we work on are of the second type. It’s important to recognise, again, that you cannot escape the choice between people today and people in the future. The easier course is to spend more today: we can do that and have everyone praise us, and why should we care about people in the future or our successors? The incentives are all to spend more now and it takes a degree of discipline to resist that if you think the foundation as an organisation will do more good over time by being restrained now.

**LK:** The other argument people make is that is your investments are good, you can grow your endowment back. But even assuming we could, it will always be smaller than it would otherwise be because we have a 5 per cent payout requirement and, with inflation, you’re starting at a 6-8 per cent hole. So you’re only going to grow back to the extent that you can systematically do better than that. Over the last 15 years, foundation returns sector-wide have been losing ground because of the 5 per cent payout rule. The only thing I know for sure is that there are way more needs today than I can fund, and if I spent the whole 10 billion dollars, there still would be more, and no

**LK:** We’re spending $120 or $130 million a year on climate but increasing our funding would not make a big enough difference. It’s not more money alone that we need, but more people, more funders with new ideas and approaches and capacities. If there were a particular opportunity like leveraging a billion dollars or catalysing some agricultural innovation, then I would ask the board to spend more. Because I could be confident the extra spending would make a meaningful difference.

**DWP:** You were saying your sustainability conversations are very much about business sustainability. Do you talk about climate in some of the conversations?

**LK:**: It’s about dollars and cents, but as that company improves, it’s going to pop up on screens of people who want ESG stocks and you’ll get greater demand for that stock, and it goes up.

**LK:** Just to add to that. First, it’s an area where we could easily exaggerate our importance. Some foundations with smaller endowments say ‘we’ve been able to divert from fossil fuels and it hasn’t hurt our returns’. That may be true, but because of our size we get access to managers who produce systematically better returns than they get. And those managers have people queuing up to invest with them
precisely because they are that good, so the amount of leverage we have over those managers is limited. If we said to them ‘divest from fossil fuels’ they would say ‘take your money elsewhere’. Second, I feel super strongly that we do need to rethink capitalism but this is not the way to do it. Thinking you change the system by impact investing is just nibbling around the edges while buying into the basic structure, and it’s the basic structure that needs to be rethought.

I am perfectly happy to take money from fossil fuel companies and use it to do them in, because I believe grantmaking is going to be more effective in achieving that end than divesting would be. I would press for changing our investment practices if I thought that would have more impact than divesting, but I do think it’s a hard sell.

DWP: Given your long-standing relationship with your managers, is there a discussion you can have with them about using the rebuilding process from this crisis to change the capital markets?

AM: In private funds, which is about 40 per cent of our portfolio, those conversations aren’t applicable. These are small companies. We have lots of conversations about policies and government programmes on a macro basis with our managers, but not engaging on the capitalism front. I think they would look at me suspiciously if I did.

LK: One of the core problems is the notion that the private sector is the place to find solutions and to say ‘business, you figure out how to solve the poverty and inequality issues that your systems have generated’. I think businesspeople should do what businesspeople do and the question is, how are we going to structure the world within which they do it? I don’t think we can or should look to or expect business to solve that for us.

DWP: It’s like saying to business ‘we want you to be part of it, you’re not the solution, neither are we, we’re just all trying to figure this out’. That sounds like something you have used on climate – talking to them about risks and the way they do their business in relation to the issue – but not dictating the terms. Going back to payouts,

what’s your take on the Wallace Global Fund and others’ proposal to Congress to increase foundation payouts to 10 per cent?

LK: I don’t think it’s automatically wrong for people to spend more. It depends on what their plans are. But I think to dictate that to everybody else is short-sighted. It’s discounting future harms against present harms when there’s no reason to think that’s the right thing to do.

I did have some private conversations with members of Congress to walk them through the thinking, because if the proposal seems so appealing – just give more now! – there’ll be other people with money later on.

DWP: The International Boreal Conservation Campaign

Most funders give [non-profits] restricted project support that doesn’t even fund the full cost of the project, so what little general operating support they get has been used to make up the gap on their underfunded projects. That’s short-sighted funding.

But there’s a more fundamental thing – why do we even have this problem? Because non-profits are not in a position to be resilient. They don’t have reserves, for instance. And why not? Because most funders give them restricted project support that doesn’t even fund the full cost of the project, so what little general operating support they get has been used to make up the gap on their underfunded projects. That’s short-sighted funding. And when they do get extra, most of them grow rather than create reserves, because funders have forced them to be fixated on creating impact now, which is also short-sighted. And then, when a crisis happens, we get still more short-sighted thinking in the form of ‘You should overspend’. You’d think people might have learned this lesson in 2009, but apparently almost nobody did. We changed for just that reason. We do 70-80 per cent general operating support, and we’re true cost funders when we do project support. It’s paying now so when that inevitable future crisis happens grantees are in a position to protect themselves without needing us to sell out the future to help today.
Limited assets among Chinese foundations restrict their ability to bring about change – but it may also act as a catalyst for other resources

When the Narada Foundation announced plans to contribute 50 million RMB (US$7.072 million) to the Yuhe Fund, an impact investing special fund initiated by Ehong Impact Capital at the China Social Enterprise and Investment Forum in May 2018, it distinguished itself as a leader among the country’s foundations.

Although China’s philanthropic sector has witnessed rapid development since the catastrophic Wenchuan earthquake in 2008, less than 1 per cent of Chinese foundations are grantmaking. Most are operating or hybrid foundations doing less than asset management to sustain their operations. According to the China Foundation Investment Report 2018 compiled by the China Philanthropy Asset Management Forum, from 2010 to 2016 about 67 per cent of Chinese foundations had passively gained asset increases from bank deposits as the only channel for investment.

The average investment return of less than 2 per cent is lower than the interest rate of one-year fixed-term bank deposits. The lagging behind of foundation investment limits the potential of the estimated 200 billion RMB ($28.29 billion) in philanthropic assets in China to do social good. Overdependence on fundraising to sustain programmes and operations also causes distortion in China’s philanthropic ecosystem, as it turns the operating and hybrid foundations into resource competitors with, rather than resource providers to, NGOs. This, combined with a lack of trust, means few thriving NGOs.

Moreover, the lack of foundation investments has prevented them from filling the funding vacuum created by foreign donors leaving China. With the sluggish economy in recent years, Chinese NGOs tend to rely on government procurement. This has exacerbated the shrinking space for NGOs, as only service provision NGOs can receive government procurement contracts in the fields of healthcare, education or care for the vulnerable. They are seen as government auxiliaries. Advocacy NGOs have lost nearly all funding sources. Surviving was a dominating theme for grassroots NGOs at the 2018 China Foundation Forum.

The lagging behind of foundation investment may be part of the reason for the prevalent misconception of impact investing in China. Originally introduced into the country by a few influential philanthropic leaders, impact investing is still in the process of being assimilated into China’s investment practices, or inspiring asset owners and financial intermediaries to change their minds and investment behaviour.

On the other hand, NGOs, thirsting for funding, are beginning to see impact investing as a solution. Many NGOs believe that a prerequisite for qualification as an impact investor is the ability to transform themselves into social enterprises, trying all possible means to integrate ‘business models’ into their key service lines, and pitch to investors with convincing social missions. This process caused the social enterprise surge in China. By the end of 2019, the total number of social enterprises was 1.684. Chengdu, Fujian District of Shenzhen, Shunde and Beijing governments have issued favourable policies to spur the development of social enterprises, despite considerable controversies.

The synergy of philanthropy and finance in mobilizing private resources for social good perhaps lies in foundation investments. It can be a pivot to leverage the finance sector to release the power of capital – and revitalising it to nourish the philanthropic sector is essential for a sustainable philanthropy ecosystem in China.

Foundations could take the lead in making mission-driven investing a mainstream practice. The pandemic may give them a push in that direction.

For reasons that are both systemic and paradigmatic, mission-driven investing in South Africa and its impact on the social sector for generations, largely through donations and grants. These philanthropic investments alleviate a number of the prevailing problems of South African society. With their track record for managing social impact, there is a latent opportunity to redirect the skills and experience of foundations towards investments aligned with their mission that offer financial returns too.

With the agency they possess as owners of significant pools of assets, and active participants in the investment process, foundations have the power to lead and influence the impact and social change. By the impact value chain shifting the attitudes (and perhaps the tenure) of trustees, foundations are poised to advance the progress of impact investing as a whole. It’s time to make that lead.

Since the outbreak, South African foundations have demonstrated an inspiring capacity to revise their processes and criteria to meet emergency needs, resulting in substantial funding increases, which are critical in the current economic climate. Foundations are operating or hybrid foundations that are grantmaking. Most are operating or hybrid foundations doing less than asset management to sustain their missions.

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SPECIAL FEATURE: VIEW FROM SOUTH AFRICA

Mission-driven investing: are foundations doing enough?

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The current state of mission-driven investing

Anthony Farr, CEO of the Allan Gray Orbis Foundation Endowment, a foundation investing in a series of innovative partners and programmes addressing poverty and employment through entrepreneurship, observes ‘a move towards greater interest… assisted by the local offices of international foundations’ but notes that ‘unfortunately, most foundations are still looking at the 4-5 per cent of asset annual spend as the driver of their impact rather than aligning 100 per cent of their assets with their mission’.

There are a series of reasons for the lack of progress, documented by Louise Driver, executive director of IPASA, an association of private and corporate foundations operating in the country. Innovative international foundations’ donor-inspired funding mechanisms such as Mergon Foundation’s GAP Fund.

Foundations in South Africa have been integral to funding systems and practice, collaboration and innovation in the social sector for generations, largely through donations and grants. These philanthropic investments alleviate a number of the prevailing problems of South African society. With their track record for managing social impact, there is a latent opportunity to redirect the skills and experience of foundations towards investments aligned with their mission that offer financial returns too.

With the agency they possess as owners of significant pools of assets, and active participants in the investment process, foundations have the power to lead and influence the impact and social change. By the impact value chain shifting the attitudes (and perhaps the tenure) of trustees, foundations are poised to advance the progress of impact investing as a whole. It’s time to make that lead.
The Covid-19 pandemic has shown that global problems need comprehensive solutions in a durable way without incorporating the understanding of how they relate to global challenges, including climate change. To effectively address these, collective efforts are required and that includes massive mobilisation of resources.

Financial flows play a fundamental role in shaping global dynamics that in turn determine those dynamics at national and local levels. The Paris Agreement on climate change adopted in 2015, has, as one of its long-term goals, the aim of making financial flows consistent with a pathway towards low-greenhouse gas emissions and resilient development. Since then, and in light of the most recent scientific evidence, our collective goal must be to cut emissions by half each decade, and protect and restore natural ecosystems. The scale of the challenge and the exponential curve of damage we are facing, requires decisive action and solutions at the same scale.

What foundations can do
Philanthropic organisations must get on board quickly, and not just through grantmaking. Where the endowments are invested, or what the businesses which have provided the philanthropic money are doing, has only recently started to become a matter of active public debate. According to the Global Philanthropy Report, while over 90 per cent of foundations worldwide are independent, in Latin America in particular almost 50 per cent are corporate or semi-corporate. This trend is led mainly by Argentina (75 per cent), Colombia (69 per cent), Brazil (65 per cent) and Mexico (45 per cent) where many of the largest companies belong to carbon-intensive sectors like oil, gas, aviation and construction (cement production and infrastructure). Whether these investments are contributing to healing our planet and are aligned with the social and environmental purposes that guide their owners’ philanthropic grantmaking, needs to be a frequently asked question in boardrooms.

The urgency of the situation means that the change needs to be accelerated. Corporations have been at the centre of this debate for decades, using corporate social responsibility as a means to address legitimacy concerns and companies’ social licence to operate. Philanthropy, usually understood as contributing to public interest and common good, is now similarly under scrutiny and its legitimacy at stake as the whole of its assets, including endowments and investments, are considered as part of the impact they have in society. In order to remain legitimate and effective, philanthropic organisations need to prioritise addressing global challenges in at least the following ways:

First, foundations must define and disclose investment criteria for both grantmaking and endowments, in terms of how – or if – they promote planetary health, including climate. Disclosure of climate related financial risks and opportunities following standards such as that of the Task Force on Climate-Related Financial Disclosures is fundamental. However, increased transparency is but the basis for action: excluding investments in high-emitting sectors is only one example of what all institutional investors, including philanthropy, should be doing. At the very least, foundations need to actively engage with the carbon-intensive companies they invest in so as to urge them towards the transition away from fossil fuels. Furthermore, through innovative approaches such as those found in blended finance, philanthropic actors may be able to provide catalytic capital to de-risk investments in low-carbon and resilience-building projects and sectors. Foundations must embrace their role not just as grantmakers, but as active capital providers and not only in their own portfolio, but also in their grantmaking, needs to be a frequently asked question in boardrooms.

Second, in grantmaking portfolios, it is critical that measures for success are connected to a family office, or a large-scale multinational company, and everything in between – to instigate systemic shifts in our entire economic architecture towards a sustainable, zero-emissions and resilient model. Philanthropic resources may be helping save and improve lives, but if their parent businesses are systematically harming our society and planet, their potential to do good deeds are cancelled out.

There is no time to lose. Our communities, economies and ecosystems are on the verge of seismic shifts which can easily go in the wrong way. Philanthropy has a crucial role to play in directing our energy in the right direction, in order to deliver on every single philanthropic objective. Whether focusing on infant nutrition or elderly livelihoods, ecosystem restoration or peace-building, every single philanthropic mandate aims for a better world. How resources – all of them, grants, and also equity and debt portfolios – are invested will determine whether we achieve it or not.

For more on this topic check out Alliance’s climate commitment at alliancemagazine.org/climate
European organisations are joining forces in critical shareholding but there’s a long road ahead

This story begins in Italy in the 1990s, when a series of pacifist, environmental, trade union and fair trade organisations created the first, and so far only, Italian grassroots bank, Banca Etica. Its purpose was and continues to be to finance non-profit organisations and responsible consumption. It was created the first, and so far only, union and fair trade organisations related to financial education projects and research mainly on Corporate Responsibility (ICCR), Of the US coalition Interfaith Center on Corporate Responsibility (ICCR), of the network. In 2017, inspired by the experience of the Italian Etica Sgr, foundations such as the Swiss Ethos Foundation and the British Friends Provident Foundation, as well as the German Catholic Bank für Kirche und Caritas. The aim of the network is to share experiences of shareholder engagement at European level and jointly engage with both strong and weak performers in terms of environmental, social and corporate governance (ESG) criteria.

Critical shareholding does not replace other equally valid actions, such as critical consumption, boycotts, petitions and demonstrations, but is a complementary strategy. It makes use of rights prescribed in law, such as the right to obtain answers from companies and the duty of informed participation in a company’s life. Shareholder engagement also involves a change of approach: in order to be considered at shareholders’ meetings the political themes of campaigns need to be translated into financial ones. Pollution, corruption and human rights violations become worthy of discussion at annual general meetings not so much because they are unfair or unethical practices, but because they can pose risks to the financial soundness of corporations, in the event of sanctions, lawsuits and trials, regulatory changes, or simply because they can negatively affect a company’s reputation and thus consumer choices.

In 2017, inspired by the experience of the US coalition Interfaith Center on Corporate Responsibility (ICCR), FFE joined forces with other asset managers such as the French Ecofi investments, Meeschaert Asset Management and the Italian Etica Sgr, foundations such as the Swiss Ethos Foundation and the British Friends Provident Foundation, as well as the German Catholic Bank für Kirche und Caritas. The aim of the network is to share experiences of shareholder engagement at European level and jointly engage with both strong and weak performers in terms of environmental, social and corporate governance (ESG) criteria.

The main issues for engagement are climate and environment, human and workers’ rights and tax justice. SFC has focused on tax justice, a real ‘orphan issue’, from the beginning, with the report Bad Connection which highlights the lack of fiscal transparency at European telecommunications giants and, in part, the implementation of aggressive tax strategies. These are legal or barely legal practices, which present a problem of an ethical nature associated with the risk of sanctions by tax authorities: the diversion of resources from the welfare of many countries by shifting profits to low-tax jurisdictions. The report was followed by exchanges of letters, emails and conference calls with the companies which, in general, proved to be very cooperative, even if they made few concessions on transparency.

Thanks to SFC and the collaboration with experts from the UK based Tax Justice Network, the issue of tax justice is gradually becoming one of the priorities of the foundations and asset managers who are members of the network. In 2019, 15 per cent of the SFC network’s 76 joint engagement initiatives were dedicated to fiscal justice, ranking third after climate change (35 per cent) and human rights (31 per cent). This is a great achievement for an issue that is usually marginal in investor engagement strategies. On the other hand, it is still difficult to refocus the spotlight to another ‘orphan issue’, at least in Europe: the issues of tax justice and critical shareholding.

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Making philanthropy’s superpower super

How foundations are choosing their investments and engaging with companies to shape the future

Philanthropy has an unlikely but critical superpower, as Danielle Walker-Palmour says in her lead article (p32): investment. European foundations have over €500 billion in assets, stored not in vaults but in the global companies that shape our world. And while foundation investment directors might look more like Bruce Wayne than Batman, they are increasingly taking action to protect the long-term value of their investments and to facilitate impact in line with their charitable objectives.

To this end, they have two weapons – asset selection and engagement.

The power of asset selection is in choosing which companies a foundation owns and, critically, which companies they give working capital to through the purchase of bonds or private equity investments. Selecting assets whose activities align with your charitable objectives is one option; another is avoiding companies or sectors that you don’t want to own. The good news is that studies show this could lead to improved performance and better resistance to shocks like coronavirus.

Engagement is less well known but can be just as powerful. Finance teams can use the power of their assets to influence the firms that manage their money, regulators setting the rules of the financial system, and the companies that they indirectly own.

So what is stopping foundation investment directors from becoming a powerful voice for investment and corporate responsibility? First, most are yet to discover their powers. They continue to see their investments as rainy day money or a stable income source, not as a tool for impact alongside delivery and grantmaking. Foundations have the legal right and the moral authority to put their money where their values are, as well as making their voice heard right across the financial system. Secondly, it is difficult to know what ‘good’ looks like, or where to find it. For example, investors struggle to separate ‘green-wash’ from real impact, due to the boom in ESG products on the market. That makes it easy for asset managers to say a lot, do little and claim the impact of others as their own. We will focus here on this second challenge.

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Seven years ago, a group of UK charities joined forces, forming the Charities Responsible Investment Network. As institutions existing for public benefit, charities must look beyond their individual investment portfolios and collaborate with peers and civil society organisations in support of a rapid, just energy transition,‘ says Dominic Burke, investment director of Lankelly Chase Foundation. Foundations across Europe are increasingly concerned about the implementation of the Paris climate agreement. As the guiding star of the global fight for climate justice, funders are unsurprisingly tunnelling large sums towards climate solutions that support the Paris accord. But what about the damage – and the opportunities – of their investment portfolios?

Europe is without question leading best practice in responsible investment. However, experience about the best ways to fashion and use our two ‘secret weapons’ is scattered across the continent.

In the Netherlands and France, investors have supported the implementation of progressive regulatory initiatives, the French Energy Transition Law and the Dutch Climate Agreement. Both have helped to push investor performance in the right direction and, in Denmark, asset owners such as pension funds are recognised for their approach to member engagement, as many funds have built close relationships with their members to facilitate discussion and input on climate change strategies. However, when looking at ‘portfolio Paris alignment’, asset managers across the continent are scrabbling to claim the best methodology. Yet some approaches are better than others, and some simply compare apples and oranges without explaining the difference.

A classic example of this is that some methods focus on either asset allocation or engagement and disregard the role of the other for building a zero carbon investment system.

When looking to understand and improve practice on this topic, philanthropists have often turned to civil society organisations with expertise in the field. The European Responsible Investment Network (ERIN) is a pan-European community of CSOs working to raise standards across the continent. Members of the group engage with companies and their shareholders on a wide range of social and environmental themes, and work to shape national government and EU financial sector regulation.

Foundations have the legal right and the moral authority to put their money where their values are, as well as making their voice heard right across the financial system.

For example, the Danish civil society organisation Responsible Future has capitalised on the positive approach to pension saver engagement in their country, and has called for pension funds to divest from fossil fuels. They joined a working group of ERIN members grappling with the technicalities of portfolio Paris alignment. The group are developing a ‘checklist’ of key features of an investment portfolio aiming to contribute to building a Paris-compliant future. Through collaborative cross-continental initiatives like these, civil society has a key role to play in maintaining and raising standards of responsible investment.

Funders want to use both of their ‘superpowers’, but often struggle to understand the complexities of the issue. As Richard Robinson, investment director of Paul Hamlyn Foundation says, ‘We have to learn from each other as this space is evolving rapidly. Expectations of improved behaviour, participation and governance make peer networks supremely valuable.’ Members of ERIN are hoping to draw on the expertise of civil society to find out what ‘good’ looks like, and to implement it. To realise their true potential, these superheroes have teamed up across Europe to learn from each other, transform together, and save the world.

Below: Members of the European Responsible Investment Network.
Hitting the bull’s-eye

Foundations’ missions and investments won’t always perfectly align, but the centre of the target is always worth aiming for

Whatever stage foundations have reached in aligning their investments with their mission, there are common barriers that hold them back. Access’s journey offers useful clues as to how to get past these barriers.

Access – The Foundation for Social Investment, aims to make charities in England more financially self-reliant. Our £60 million spend-down endowment was provided to Access by the UK government in 2015. Following its establishment, an endowment working group was formed of three trustees with social investment and foundation experience, and two external members: one a specialist in social investment and foundation governance and one with mainstream investment market experience. Knowing that a 10-year spend-down endowment was required to fund Access, we met with Rathbones but were often told that what we wanted to achieve was not possible. Things have moved on since then but the main driver for change will be more foundations demanding an impact lens to their portfolio.

We are one of many foundations to make progress on this journey and we all have further to travel. Seeing the management of assets as a key part of the changes we bring about will become the norm and the barriers holding foundations back can be overcome with a clear sense of purpose and a desire to change.

Tthe multiple ingrained challenges that disadvantaged communities face can only be addressed by authentically trusting, empowering and engaging the community to share their concerns, hopes and aspirations. This work requires ‘working with’ the community, not ‘doing things to’ it. The task of building trust is especially important as disadvantaged communities have been promised so many times by governments and organisations. And it also requires a deep commitment and willingness to persevere beyond traditional funding cycles and timelines.

An example of a successful intervention is the work of The Australian Social Investment Trust (ASIT) in the marginalised community of Bellambi, a suburb of Wollongong, the largest social housing estate in the Illawarra region of New South Wales. The member organisations of ASIT and its sub-fund, Illawarra Shoalhaven Social Investments, represent a group of government agencies and non-government organisations with the shared purpose of breaking the cycle of intergenerational social disadvantage and promoting long-term sustainable development.

In 2014, one of the authors of this piece, Natasha Scully, championed and pushed for the collaboration. We opted to use an adaptive model for social and collective impact called It’s Our Place as we recognised that any intervention would not respond favourably to ‘traditional linear frameworks (where a + b = c) and reductionist mental models’, in Fiona McKenzie’s words.

Authorising environment

In 2015 the first It’s Our Place collective impact initiative began in Bellambi. Central to its approach was the shared belief that community residents are essential subject matter experts and should be treated as key information resources, as well as respected stakeholders. It’s Our Place was engaged over 600 residents and service providers including representatives from business, schools, non-government organisations and government agencies. The Community Action Plan which emerged was designed as an adaptive living document.

With multiple stakeholders and agendas, the real role of the philanthropist was as a neutral facilitator, quietly creating the necessary conditions that allow the collaborative work to get done – beyond the investment. I was able to use my dual roles as an independent philanthropist and adviser to government to bring others along on the journey.

The speed of trust

Place-based interventions with community-driven action often mean philanthropists find themselves having to navigate highly complex and entrenched systems, and the desired change moves at the speed of trust. Investment in these situations often requires personal investment in the cause beyond the dollars and is thus more likely to attract catalytic funders with vision and long-term commitment for the community they have chosen to support.

Over the years, we have seen many successful interventions in Australian communities such as Bellambi, Bourke and Logan. Although excellent results have been achieved, in Bellambi, funding in scalability remains a challenge. Despite the fact that ASIT has developed a financial vehicle capable of pooling investment dollars from multiple sources, the long-term pooled funding has presented a serious sticking point with some government partners because of the cyclical nature of their commitments. In some initiatives, this can undo the good work of the community interventions achieved.

The lure of a community in distress often attracts more localised charitable investments with the promise of measurable impact. Interest can, however, be short-lived once the community reaches the ‘business as usual’ phase. Ironically, at that point where long-term success might be glimpsed, it can be much more difficult for catalytic funders to attract others to the table. It could be argued that at this point, investing in community is the responsibility of every level of government and support from philanthropy can help to ensure that the critical work in disadvantaged communities continues.

The positive change at Bellambi, and in the next phase of work focusing on social infrastructure investment, along with an openness to welcome new investment partners, means we are hopeful for the future.
The case for investing with a gender lens

Gender lens investing – the deployment of all forms of capital from philanthropic to public – to further the cause of women’s empowerment and the pursuit of their rights is not just good for women, it may turn out to be good for all of us.

The recent Asian Venture Philanthropy Network (AVPN) online conference turned the spotlight on gender lens investing (GLI), a practice becoming increasingly prominent. And it needs to. Women’s rights and their participation in society and the economy still lag behind, especially in developing countries. Moreover, the Covid-19 pandemic threatens not only to slow their progress, it may even send them into decline. That being the case, the need for increased adoption of GLI has never been more urgent.

And it’s not just the direct economic contribution that women make. Evidence indicates that there are also indirect benefits in terms of health, welfare, education, and even environment. According to a World Bank report as long ago as 2012, increasing the share of household income controlled by women changes spending in ways that benefit children, including access to and longer engagement in education, while the Brookings Institute argues that educating girls is one of the most effective ways to mitigate climate change and that increased family planning would also help reduce CO2 emissions by the simple expedient of having fewer people creating them. Whichever development goal you think of, it’s likely that investing in women will contribute to meeting it.

Gaining momentum

Gender lens investing is a growing area. At the end of 2018, wealth managers, Tribe, noted figures from US SIF showing ‘gender lens criteria applied to $868 billion in US money manager assets’, more than double the figure ($397 billion) for 2016. The same item notes 87 private gender-lens funds identified by Wharton and Project Sage 2.0, an increase of almost 30 from the previous year. Participants at the AVPN conference were similarly upbeat about the prospects. Ayaka Matsuno of the Sasakawa Peace Foundation (SPF) in Japan, which established the Asia Women Impact Fund out of its endowment in 2017, noted that, at the time funds for investing in women’s empowerment were almost non-existent in the region. In the three years since, the sector has grown rapidly, though most of that has been in Japan. A further boon of growing interest is the Gender Lens Incubation and Acceleration Toolkit, launched jointly by SPF and the Australian Department of Foreign Affairs and Trade’s Frontiers Incubators programme earlier this year.

GLI is also much more diverse, says Suzanne Biegel of Catalyst @ Large. Investment in women used to be mainly directed at women-led businesses or issues with an obvious gender element (education of women and girls, for example). Now, GLI extends across the range, which suggests a more acute perception of the symbiotic relationship between increased attention on women’s welfare and the success of development. Apart from investing in enterprises owned or led by women, the Centre for Gender Lens Investing in Asia cites the following as examples of GLI: investing in enterprises that promote workplace equality and offer good employment opportunities for women and mothers; investing in enterprises that provide goods and services that benefit women and girls; and, investing in enterprises that help combat social issues that disproportionately affect women and girls.

The Covid effect

Many sources tend to stress the possibilities gender lens investing offers, particularly in Asia. The Center for Gender Lens Investing in Asia, for example, speaks of ‘unprecedented opportunities’, describing the continent as ‘undoubtedly an attractive place for investment: home to 60 per cent of the world’s population, one-third of the global economy, two-thirds of global economic growth’. Well and good, but even GLI’s most ardent supporters would admit there’s still a long way to go.

Moreover, the need for a specific focus on women’s empowerment has been given added stimulus by the Covid-19 crisis. From a negative standpoint, the pandemic threatens to turn back the development clock and women, as usual, will be at the front end of any shocks in store. There are worries that it will affect areas like education (girls’ education is an early casualty of economic hardship) and nutrition (as one speaker on Gender Day of the AVPN
There are other barriers, too, one of which is likely to be ignorance. According to an audience poll at the AVPN conference session on GLI, half of those attending weren’t aware of the opportunities for gender lens investing. In addition, women entrepreneurs, as do women generally, still suffer from gender bias.

That’s the bad news. On the positive side, participants at the AVPN conference were keen to stress that the pandemic provides a sort of ‘ground zero’ from which... donors and investors can start afresh with a gender lens built in.

Forwards or backwards? In short, women’s empowerment is at a crucial point. If it is not intentionally pursued, there is a strong possibility that not only will development stall, it may even go into reverse. GLI may hold the key. Its widespread adoption might accelerate progress towards a number of desirable development goals. There is a particular reason for philanthropists and social investors to sit up and take notice. Given the likely reduction of foreign investments and international development financing in what Investing in Women calls ‘the post-Covid-19 environment’, the growth of gender lens investing ‘will thus rely on mobilising innovative and flexible local capital, including sources such as high net worth individuals (including women), family offices and foundations’. 1

Hugh Cunningham’s book sets itself the task of understanding what the slippery word ‘philanthropy’ means in the book’s timeframe, then uses the definition to see how it was regarded.

It is largely in this second task that it differentiates itself from histories like Rhodri Davies’ Public Good by Private Means. Cunningham assesses the reputation of philanthropy principally through references in The Times, which feels like a limited lens. These references reach a high-watermark in the 1880s then decline markedly with the rise of the welfare state and become almost a trickle after the Second World War.

The book is also full of striking contemporary quotations; I especially enjoyed the more pithy comments of literary lions such as G B Shaw. That’s the bad news. On the positive side, participants at the AVPN conference were keen to stress that the pandemic provides a sort of ‘ground zero’ from which... donors and investors can start afresh with a gender lens built in.

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