Impact Investing for Family Offices

Your guide to impact investing built around your questions

pwc

Over the years, impact investing has been defined in many ways. But at the root it's about making investments with the intention of generating a positive social and environmental impact alongside a financial return. And it's growing fast. It's a market that's now worth US$715 billion[1] – and rising by the day.

The significant growth in impact investing is a fantastic example of how financial assets can be used to make a positive difference to the world. For you as a wealth owner – and the family office managing your assets – the opportunities it presents are arguably greater than for any other type of investor. Yet they're still largely untapped.

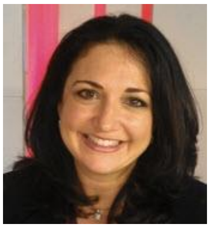
Currently, family offices account for just 4% of the impact investing universe[2]. Yet investing for a positive impact goes to the heart of family offices' culture and mission.

As a member of a wealth-owning family, you may want to invest in ways that preserve wealth for future generations. But you also may want your investments to reflect your deeply held personal values. And to build a shining legacy for the future – one that embodies your vision of a better world.

By becoming actively involved in impact investing, your family office can achieve these goals. What's more, family offices' ability to invest for the long term gives you a head-start over the likes of private equity and institutional investors. But while impact investing is a natural fit for family offices, most are still working out where to start – mulling over issues like how to source deals and measure impacts.

Your guide to impact investing built around your questions

In order to help you in this quest, we've captured the questions that family office clients ask most frequently about impact investing and provided responses from PwC's family office and impact investing specialists to create a thorough and accessible how-to guide on impact investing for family offices.



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[1-2] 2020 Annual Impact Survey, Global Impact Investing Network (GIIN)

Q1

Why should I consider impact investing, when I can pursue more traditional mainstream investments that I already know how to manage, and then allocate proceeds to philanthropy in order to do good?

The real question isn't why **would** you consider impact investing – but why **wouldn't** you? The reality is that every investment you make has an impact on wider society, whether positive or negative. And unless you know what the impacts are from your investments, there's a real risk that the negative and unintended effects you're generating may outweigh the positive impacts from your philanthropic activities. This would mean that, overall, you may be creating a net negative impact rather than net positive one. If that's the case, how does it align with your family values?

By integrating a consideration of impact into all your investments, you can be sure that your net impact is in line with those values. What is more, it is possible to combine a positive social and environmental impact with a financial return – an opportunity that's being recognised by more and more investors worldwide. As a result, impact investing is now part of the investment mainstream: according to the Global Impact Investing Network, total impact investing worldwide has reached well over US$700 billion – and that figure is continuing to rise steadily. Deciding to allocate for impact from your investment portfolio doesn't mean you necessarily need to change your financial expectations or cease your philanthropic contributions. Instead, it is an additional string to your bow.

The COVID-19 pandemic is expected to further increase the momentum behind the growth of impact investing. The global race to develop COVID-19 vaccines and therapies, and support those affected by the pandemic, has joined the quest for other positive impacts, ranging from reducing carbon to tackling social inequality. This is just the start: in the next few years, the rise of impact investing is expected to continue to accelerate.

Some of the most successful pioneers in the vanguard of impact investing are family offices – and many of them have become very sophisticated in this area, while also contributing to the development of industry-leading initiatives. This active role often reflects how family offices are set apart by their deeply held long-term purpose and values. Impact investing provides a great opportunity to put those values into effect without necessarily compromising on financial returns. Indeed, there's growing evidence from index and portfolio performance data that the returns are just as good if not better from investing in sustainable business models and practices than from more traditional investments.[3]

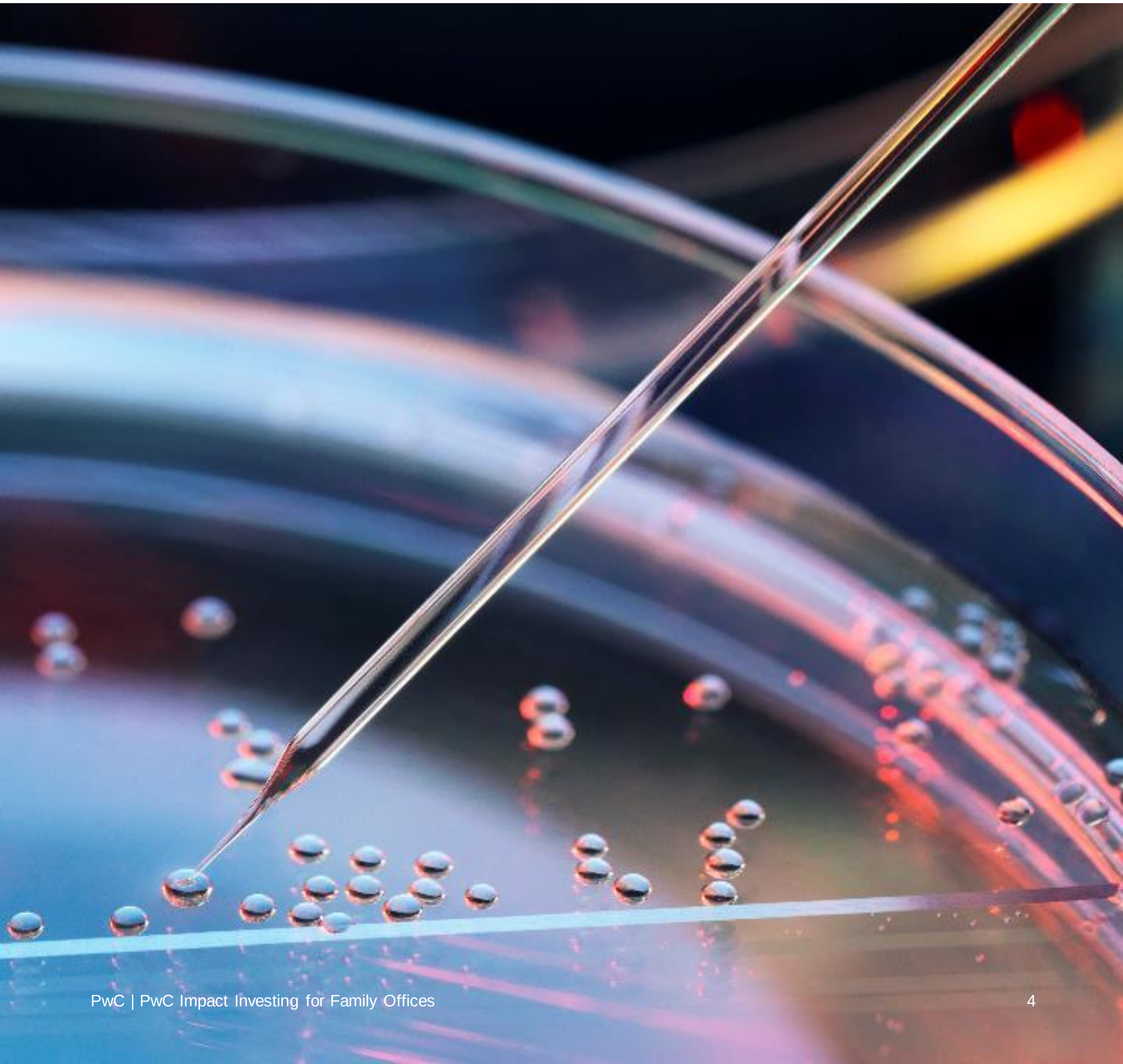
A closer look reinforces this message. If a family office is investing in companies that inherently have a positive impact, those opportunities may be more likely to be successful in the long term. That is because they're aligned with consumer expectations, have a lower likelihood to attract regulatory cost burdens, and are more likely to be in growth and innovative areas. More generally, the businesses most likely to succeed in the long run are those that deliver greater benefits for the planet and human society than the incumbents. So, applying an impact lens is a powerful way to pinpoint the businesses most likely to outperform going forward.

[3] Source: Friede, G., Busch, T. and Bassen, A. ESG and financial performance: aggregated evidence from more than 2,000 empirical studies, Journal of Sustainable Finance and Investment, December 2015.

Q1.

Even more importantly, those businesses can make a positive and lasting difference by tackling issues that existing markets, industries and often governments, have not addressed.

There is a big window of opportunity that impact investors can fill – by adopting a new way of deploying capital to make money and solve problems in a different way. Given the way the impact investing universe has grown, scaled and matured over the past decade, there are more and more opportunities out there for families and family offices to take the plunge – and get the best of both worlds, by combining financial returns with a positive impact aligned with their values.



Q2

What is the difference between impact investing, ESG investing, SDG-aligned investing, venture philanthropy, and social entrepreneurship? Which should I pursue?

According to the Global Impact Investing Network (GIIN), impact investments are those made “with the intention to generate positive, measurable social and environmental impact alongside a financial return.” GIIN goes on to define four core characteristics of impact investing:

- Intentionality, meaning the pursuit of impact is a driver of the investment;
- The use of evidence and impact data in the investment design;
- A commitment to managing impact performance; and
- A commitment to contributing to the growth of the industry.

ESG investors generally focus on environmental, social and governance risks that might affect the financial performance of an investment. Impact investors go further – investing in ways that combine a financial return with a positive contribution to solving big problems, such as those targeted by the UN Sustainable Development Goals (SDGs). According to the Business & Sustainable Development Commission (BSDC), achieving the SDGs could open up an estimated US$12 trillion in market opportunities across food and agriculture, cities, energy and materials, and health and wellbeing[4].

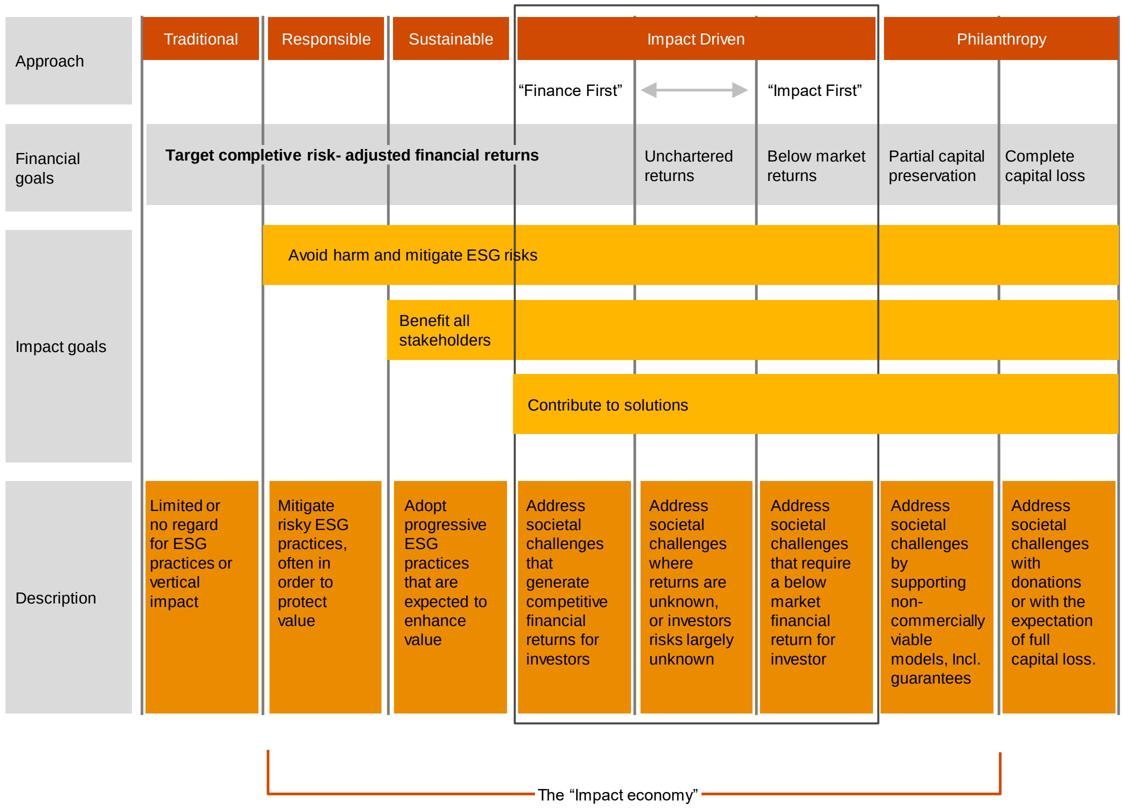
Meanwhile – as most people know – philanthropy generally involves donating money to support good causes and promote the welfare of others without expectation of a financial return. Venture philanthropy means applying the principles of traditional venture capital financing to achieve philanthropic goals. And social entrepreneurship involves running a business that provides solutions to societal or environmental issues and reinvesting the profits in the business to grow its impact.

However, rather than focusing on definitions of different types of investing or donating capital, a great way to visualise the various options is as a spectrum from “traditional” for-profit investment at one end to philanthropy at the other, as shown in Figure 1. Within this spectrum, impact investment represents the “sweet spot” that marries the financial returns on the left of the chart with the positive impacts on the right.

[4] Better Business, Better World, Business & Sustainable Development Commission, January 2017).

Q2.

Figure 1: The spectrum of capital in the "impact economy"



Source: Bridge impact, The Impact Management Project, 2019

As you move from left to right, the specificity and intentionality around the impact that is delivered increases. This means that the further to the right you go, the more definable and measurable the impact becomes. This doesn't necessarily mean you're creating more impact – but it does mean you're able to have greater insight into the impact you're generating and can demonstrate more accurately what that impact is.

This is a key reason why impact investing is often a good fit for family offices. They're regularly managing the investments of large families with many beneficiaries and shareholders, often underpinned by shared family values. Their role in managing funds for so many stakeholders means that transparency and accountability, and being able to show returns and impacts, are typically important attributes. While long-term financial returns are critical, family offices are also increasingly expected to bring the family's values to life in every investment they make. Impact investing can be a win-win for family offices – because they can report specific, quantifiable, credible results both on the financial side and on the impact side.

Q3

Who can advise me on impact investing? My current money managers don’t seem to know much about it.

The good news is that the rise of impact investing in recent years has fueled an equally rapid expansion in potential sources of advice on it, giving you and your family office a far wider choice of impact investment advisers than in the past. Today, many investment and financial advisers – ranging from the major investment houses to specialist niche providers – claim to have experience and expertise in impact investing.

However, these claims need to be approached with two major considerations in mind. First, does the adviser actually have genuine expertise in this area, or are they just looking to sell impact investing products as an add-on to traditional for-profit strategies? And second, genuine or not, do the adviser’s areas of knowledge around impacts match the values and purpose that the family wants to put into effect? Lastly, as this sector becomes increasingly regulated, do they understand the regulatory developments in this sphere (e.g. the implications and impact of the European Union Sustainable Finance Disclosure Regulation)?

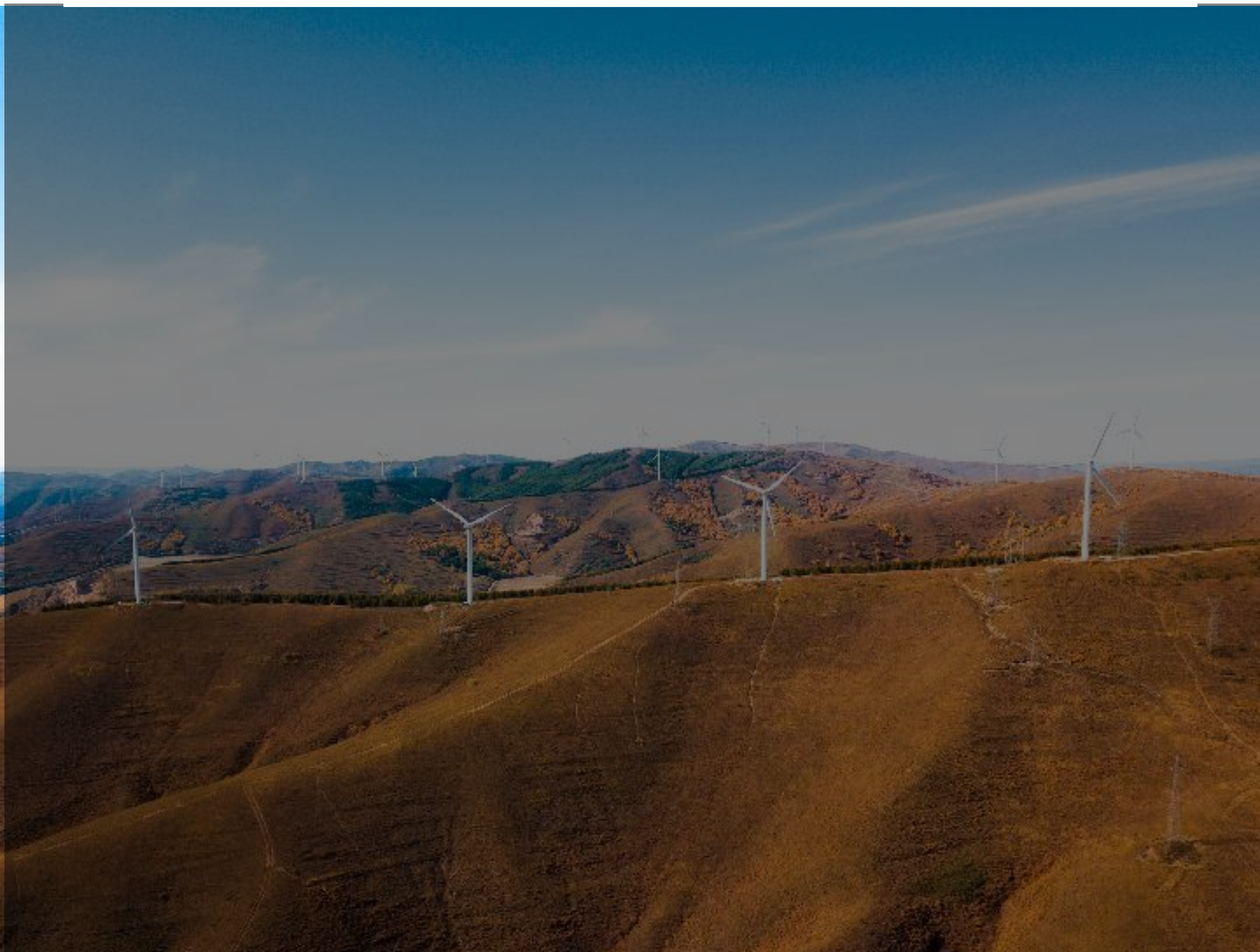
As the second of these questions suggests, there is reduced benefit to seeking advice on impact investing before deciding what your family’s purpose is and – aligned with that purpose – what impacts you’re seeking to make through your investments. This means that asking questions like what problem(s) you want to solve and whether you’re looking to create impact locally or globally is key. The more knowledgeable impact investing advisers in the marketplace can help you to clarify your impact goals in this way, equipping you to make a more informed choice. PwC UK jointly conducted an ‘Investing in a better world’[5] research report with the United Kingdom’s Department for International Development (DFID) in 2019, which examined the quality of advice in this area.

[5] Investing in a better world, HM Government, September 2019, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/834207/Investing-in-a-better-wold-full-report.pdf

Q3.

That said, you may already have appropriate impact advice in hand: many family offices today use investment consultants, who can provide guidance on investing for impact through discretionary fund managers, private banks or specialist impact managers. A useful source is the University of Zurich's report[6] on discretionary investment managers in private banks. The UK also has a growing community of specialist impact investors, whose starting point is often Big Society Capital, as a source of information. Another avenue for families and family offices is to talk to their networks and peer group organisations, including the Global Impact Investing Network (GIIN) and Toniic, whose 400 members are high-net-worth individuals, family businesses members and foundation asset owners.

A final point to add is that, as with any hot topic, you'll find many people have a view on impact investing. If you were seeking any other kind of investment adviser, you would naturally carry out due diligence around the robustness of their organisation, their track record, how well they really know the sector and who else works with them. You should apply just as much rigour with impact investing advisers. It shouldn't be treated as "softer" or less commercial: governance and diligence remain critical.



[6] Taeun Kwon, Dr Falko Paetzold, 'Sustainable Investing Capabilities of Private Banks', University of Zurich, 2019 https://www.csp.uzh.ch/dam/jcr:93ceb032-cd1b-4d66-a11b-12f49d6c6781/2019_CSP_Report_Sustainable%20Investing%20Capabilities%20of%20Private%20Banks_spreads_30122019.pdf

Q4

How does impact investing fit into my current investment portfolio?

As the “spectrum of capital” chart (Figure 1, page 6) shows, impact investing sits mid-way between philanthropy and traditional investing, providing families and family offices with the opportunity to deliver both financial returns and societal impact at the same time. However, one of the first complications you may encounter when trying to fit it into an overall investment strategy and portfolio, springs from the fact that everybody within a family is a unique individual – with a different view of where they want to position themselves on the investment spectrum, and their own personal ambitions and priorities.

There’s growing evidence that people inheriting money now and in the next few years – mostly members of the millennial generation – may be more interested than their predecessors in investing in an impactful way. This change among the younger generation is hardly surprising: they’ve grown up in an era of rising awareness about global and social issues such as climate change and inequality and have a greater tendency than previous generations to perceive value in terms that go beyond money. They also have a different mindset, different talents (particularly in areas like digital), and a different view of corporate behaviour.

That said, it is not just millennials driving the rise of impact investing: the current generation is very eager to leave a positive and lasting legacy. So, while fitting impact investing into the family portfolio may be an especially natural step for the next generation, it also presents a fantastic opportunity to unite all generations of the family behind common ideas and values. This is because it bridges the experience of the previous generation with the passion of the new generation, by both leaving a legacy and also contributing to the wellbeing of the planet and its people.

It follows that to fit impact investment into the family portfolio, the family must come to an agreement over issues like where they want to sit on the investment spectrum, what impacts themes they will look to achieve, and how those themes will be selected. These cross-generational conversations can be both challenging and rewarding, helping all family members gain a better understanding of one another’s priorities.

Crucially, impact investing and other traditional types of investment are not mutually exclusive – and it’s perfectly possible to have both side-by-side in the same family portfolio. To do this, a family office might include a specialist on its team who understands how to assess impact investment opportunities and monitor non-financial impacts and key performance indicators (KPIs).

Q5

Where do I start? How do I design an impact investment strategy? And how do I find impact investment opportunities to invest in?

When considering moving into impact investing, your first step should be to decide what's important to you as a family. PwC works with business-owning families as well as family offices worldwide to help them define and articulate their core purpose and values, create a vision for the future and work out what role they want to play. Based on those choices you can then apply a purpose lens to everything you do, including looking at how your ethical standards of behaviour align with your value set. This provides the basis for drawing up a family statement setting out the family's values and bringing different individuals and generations together around a common purpose, both as a family and a business.

The family values statement is a great compass for navigating a host of questions and potential problems in areas like family employment, compensation, business decisions and personal interaction. It's equally valuable in guiding investment decisions, because it provides a basis for identifying the impact theme or themes you want to focus on – perhaps clean water, climate change, and/or gender equality. Having agreed your priorities in terms of impacts, you might decide to apply a thematic lens across the whole portfolio to assess current performance against them, while also starting to seek out relevant investment opportunities.

Building a portfolio that delivers the targeted impacts may take several iterative actions to get from where you are today to where you want to be. You might start by making an investment – for example – in a fund linked to a purpose-based index, such as a gender equality portfolio, or in a number of specific impact funds. You could then use this experience as a stepping-stone to get more comfortable with impact investing and think through directionally where you want to go. Adopting impact investing is an evolution, not a revolution.

Having decided what problem or problems you want to help address with your investments, and having become comfortable with the process, you'll be well-placed to develop a coherent investment strategy and related structure for the family office. You'll then be able to work with your external network and chosen advisors to find more impact investing opportunities, while applying appropriate due diligence.

The whole process of screening and selecting impact investments can be visualised as a funnel. It starts at the wide end with many potential opportunities that could be impactful. You then narrow the companies down through the pipeline, filtering for factors like type of assets, degree of alignment with your values, and whether they're early-stage or late-stage. If they pass your investment criteria in these areas, you can zero in on an assessment of their specific potential to create impact.

Q6

Is there a different type of due diligence that needs to be put in place for impact investing? And who does that – me or someone else?

Historically, the impact of investments has not been subject to the same level of due diligence as other dimensions typically considered when deciding whether to invest. However, this is changing, as investors increasingly come to appreciate that all investments have an impact, and that the evaluation of impact characteristics can be treated with the same rigour. The specifics of impact due diligence should match the structure of the investment and the way the impact is going to be pursued: a direct impact investment to take a business into a new market or to back a start-up focused on a specific problem may require a different diligence process from an investment involving buying into a fund or selecting a specialist fund manager. But in each case, the approach should be consistent with that applied to a traditional investment.

For family offices conducting due diligence on impact investments, there's an increasing amount of information and guidance available in the public domain. If investors are looking to do this process for themselves, a good starting point might be The Impact Management Project, which collates industry best practice and case studies on its website as well as commissioning its own research. However, if you're a family office that's looking to invest fairly large amounts, you'll probably want professional help to conduct the due diligence.

As with traditional financial due diligence, you might decide to carry out some of the early work yourself in-house, but then outsource the deep dive to an external specialist to give you a third-party perspective. Ideally this would involve working with an experienced and seasoned impact investment advisor who can help you get a better understanding of the investments and their impact dimensions. This closely mirrors the approach often taken with traditional investments, underlining that there's actually little difference between due diligence processes focused on the impact and financial perspectives.

One issue that may arise is the difficulty of pricing risk on particular impact investments such as social impact bond funds or social enterprise funds. Carrying out risk pricing on these instruments is a specialised undertaking because there may not be precedents in the market. If you're looking at venturing into these types of investments, you may need to access highly specialised expertise, both in impact measurement and also in pricing risk. That shouldn't be a reason not to make an investment – but it is a reason to conduct due diligence in a careful and methodical way.

Q7

How do I determine if the funds presented to me as impact investment opportunities are genuine in their impact objectives?

The risk of "greenwashing" – companies or funds claiming impact credentials that they don't actually merit – is a concern across the impact investing marketplace. The key to avoiding this is rigorous measurement and reporting of tangible impacts, ideally supported by independent verification from a credible third party. At the early stages of assessing an opportunity, the UN SDGs[7] can provide a useful benchmark. Another valuable assessment framework is the five dimensions of impact created by the Impact Management Project[8], which suggest data sets to look at to help identify relevant measures and assess the level of impact actually taking place.

Importantly, the impact measures and KPIs will vary depending on the type of opportunity and the industry it's in. If you're considering an investment in renewable energy, you're likely to look at a matrix of KPIs related to installed capacity and the generation of renewable energy, and what kind of energy that's replacing in the energy grid. With a healthcare investment, you will likely be looking at the extent to which you can see how the business's activities are delivering better health outcomes. Similarly, if you're considering an education investment, then you will likely focus on the quality of the education, and on whether it's being delivered to the people most in need of it. In each case, breaking the impacts down in ways that are specific to the investment makes it possible to get a clear view of how tangible its impact is, and to sort through the opportunities presented to you.

To achieve this, you may need to go through a rigorous process. At root, it comes back to the core principles of effective due diligence: putting clear criteria and a disciplined process in place, and then applying these to your impact investments in the same way as you've done historically with traditional investments aimed solely at generating financial returns. And you should combine the right criteria and process with a clear understanding of your values and mission. In reality, these success factors are no different from those with any other type of investment.

[7] Sustainable Development Goals, United Nations
[8] Impact Management Project, Impact Management Norms, Who https://impactmanagementproject.com/impact-management/impact-management-norms/who/

Q8

How do I ensure that my values are truly aligned with impact investment opportunities that are presented to me and that I may decide to invest in?

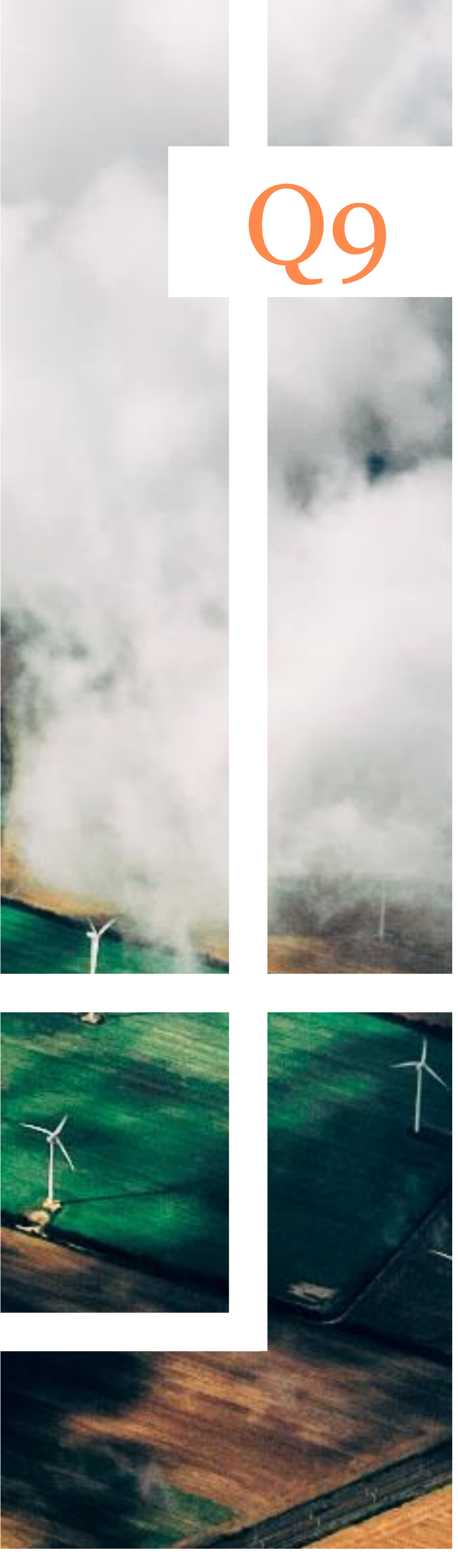
If you want to achieve clarity that your family's values are aligned with your impact investments, the first step is to agree what those values are. This may not be easy. When we at PwC work with business-owning families, we often find that family members initially appear to be on the same page. But as we get to know them, that united front sometimes begins to crumble. One example of divisions within a family is when it's not clear whether all members have a similar investment strategy – with some perhaps seeing the family investments as purely financial assets, while others see them as part of their identity and legacy.

This divergence is hardly surprising, given that every family member has their own unique situation, interests and priorities. They may also all be different in terms of risk appetite, attitude and mindset – not least around trust in the family as a whole to make decisions, versus trust in themselves and their private banker. Breaking down these barriers to create a core statement of family values takes time and commitment. For large families with a substantial amount of wealth our experience is that it can take at least a year to bring everybody into agreement on a statement of values, and perhaps even longer to create the family constitution and framework.

Reaching a consensus on values provides a basis for identifying shared priorities in terms of impacts, and then for assessing investment opportunities to deliver those impacts. In seeking out the right investments, there are useful lessons to learn from the discipline that many families have adopted around philanthropic giving, particularly if they have a family foundation. Ensuring that requests for funding or grants fulfil the right criteria is something that family foundations do all the time. The process is about making sure the request is clearly aligned with the foundation's values. This discipline can translate well into impact investing.

Achieving clarity on your family's impact goals is the first step towards applying this same discipline in impact investing. The second is putting the right governance and decision points in place to establish whether opportunities being considered are consistent with those goals. Sometimes it will be quite easy to assess whether this is the case, particularly when dealing with a registered fund structure or a strategy from a proven impact investment manager. But the disciplined process and governance really come into their own with direct venture-focused opportunities, by enabling you to use your values and purpose as a lens to ask the right questions about a company's impacts and the best metrics for measuring them.

In assessing alignment with your values, the depth of the analysis may vary depending on how broad or specific your impact objectives are. If you're simply looking to have a portfolio of investments that are better rather than worse from a societal perspective, then you might not be too concerned about having a very detailed alignment. But – for example – if your values lead you to pursue an impact as specific as the development of lower-carbon aviation fuels, you would drill down into the underlying company information in much more detail.



Q9

How do I measure and monitor the impact of my investments?

To keep track of the impact that your investments are having, it's important to set up an impact measurement framework that is closely aligned with your investment strategy. This will enable you to monitor and report on the progress being made towards the specific impacts that you're most interested in achieving. Given the current lack of generally accepted frameworks and standards in measuring non-financial impacts, it really is up to you to develop a framework that works for you and your family.

At PwC, the framework that we've developed for measuring and managing impacts focuses on the difference between inputs, outputs, outcomes and impacts. In simple terms, inputs are the resources and money you might put into an activity or business. Outputs are the immediate things that emerge as a result of that investment. So, with an education investment, the inputs would typically include finance for teaching materials and resources, teachers' time, and the costs of developing curricula and activities; while the outputs would be the delivery of education, and the number of people who have access to it.

Moving beyond outputs to outcomes and impacts, the aim is to answer the question "so what?" – by asking what has happened as a result of those outputs, and what has changed in society. Staying with the education example, the outcomes will be around how much the education level and capability of the people accessing the company's educational activities have changed as a result. Then the impacts will be about what those people can do that they couldn't do before through having a higher level of education, and what that means in terms of their ability to get better jobs or deliver better outcomes to society through their work. This framework takes us all the way through the chain of cause and effect from doing something to the resulting changes at a societal level, with a more macro perspective at each step to ultimately capture the full breadth and scope of the impact.

Q9.

One important angle on impacts that people also often talk about are measures of “wellbeing”. The Organisation for Economic Co-operation and Development (OECD) has developed a wellbeing framework that covers a variety of outcomes essential for society and looks at them through the lens of what has changed in the world. Also, an overarching benchmark for impacts is provided by the UN’s Sustainable Development Goals. These set out 17 challenges and a variety of different goals related to climate, diversity, education, poverty, life in the oceans, and more. At a high level, impact investing and impact measurement and monitoring can help investors to track how successfully they are contributing to the delivery of these goals.

Q10

My family's next generation often brings up impact investing. Is it a fad or something I should take seriously?

The growing use of impact investing by family offices is driven by a timeless motivation for families: the desire to leave a lasting legacy and make a positive difference to society by putting their-values into effect. The ways in which families and their family offices act on that motivation is evolving as the world changes in multiple dimensions – including economies, markets and how we all do business. But the fundamental objective and desire to pursue impact is long-standing and is often an embedded aspect of the core purpose of many family businesses.

It's also important to stress that impact investing is here to stay not just for families and family offices, but for investors in general. The reason comes down quite simply to an expectation of better performance. Sustainable investments are – by definition – better aligned with societal needs than unsustainable ones, meaning they're more likely to be successful and outperform other opportunities in the long term. Therefore, impact investing is an increasingly important feature of the overall investment landscape. Another important sign that impact investing is here to stay is the increased regulation of these types of investment products and funds, like in Europe with the EU Sustainable Finance Disclosure Regulation, which is contributing greatly to formalising this market.

The fact that many wealthy families have often been motivated to help others means that, for them, focusing on impacts is more of an evolution than a new departure. What's different today is that families now have a much wider range of options to deliver impacts than in the past. There's also greater attention being paid to societal impacts generally – a change that partly reflects a generational shift. Over the next two decades, trillions of wealth will pass on to the millennial generation. These are the new leaders who will shape their families' investment goals and agendas for many decades to come.

This cascade of wealth should be seen in the context of the growing need to tackle global issues – matched by the escalating cost of doing so – and the opportunities arising from investing in solutions. In terms of the need for action, the UN SDGs are critical to the future of humanity and the planet, and it's been estimated that developing countries face a funding gap of US$2.5 trillion a year[9] to deliver them. The Asian Development Bank has estimated that the COVID-19 pandemic's global cost could range from US$5.8 trillion to US$8.8 trillion – that's 6.4% to 9.7% of global GDP[10]. Turning to opportunity, the Business & Sustainable Development Commission (BSDC)[11] has estimated that business opportunities resulting from implementing the SDGs in four systems – food and agriculture; cities; energy and materials; and health and wellbeing – could be worth more than US$12 trillion annually for the private sector in 2030. The investment required to realise these opportunities would be around US$4 trillion a year.

[9] World Investment Report, UNCTAD, 2014

[10] Updated Assessment of the Potential Economic Impact of COVID-19, Asian Development Bank, May 2020

[11] Valuing the SDG Prize. Unlocking business opportunities to accelerate sustainable and inclusive growth, AlphaBeta (commissioned by BSDC), 2020

Q10.

This rising generation on whose watch these opportunities should be seized have grown up in an environment characterised by unprecedented awareness, transparency and communication about issues like environmental degradation, social inequality and unequal treatment of women in the workforce. Higher awareness of such problems isn't a stance that the next generation is adopting: it's what they have always known, and what may be front and centre of their view of the world. Over the next few years, some in this generation will come to control a vast global pool of family wealth.

In fact, some have already started to take the reins, and the handover will only accelerate – fostering a continued rebalancing of family portfolios towards impact investments. That is not to say that their parents and their grandparents didn't care about the same issues and support good causes. But the conventional wisdom around how to pursue societal goals was quite different for previous generations, focusing on philanthropic giving, setting up a foundation or contributing to other charities.

The message is clear. The rise of impact investing reflects a deeply-held perspective around values, mission and purpose that is as old as the families themselves. This consistent motivation has been amplified among the next generation of leaders – a change that has coincided with a dramatic expansion in the mechanisms available to pursue that mission. For business-owning families and their offices, impact investing is a concept whose time has come.

Authors

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Tom has 20 years' experience, leading and advising investors and businesses to help them develop and become more sustainable. He leads PwC UK's work around impact measurement and management and sits on a number of advisory boards including HRH Prince of Wales' Accounting for Sustainability initiative, the Impact Management Project, HBS's Impact Weighted Accounts Initiative, and BVCA (UK Private Equity and Venture Capital industry association) Impact Investing Advisory Group. Tom has worked with a number of private equity houses, impact funds and investment platforms to help integrate a rigorous approach to considering impact across the investment lifecycle from sourcing opportunities to exit.

He also leads PwC UK's work related to its Total Impact Measurement and Management (TIMM) framework, which enables organisations to measure and value the social, environmental, economic and fiscal impacts resulting from their operations, as well as their extended value chains.

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He regularly authors publications about family business and middle market companies, leading annual and other market surveys, in conjunction with the Center of Family Business at the University of St Gallen.

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Brittney Saks, Global Private Wealth Leader, PwC US

Brittney Saks is PwC's Global Private Wealth Leader for the PwC Network. Her focus is on Ultra High Net Worth Individuals, their Families and Family Offices. Prior to her current role, Brittney was the US tax leader for the Personal Financial Services practice.

Throughout the past 26 years, Brittney has focused on designing strategies to preserve and enhance her client's wealth and help them build value and manage risk. She specialises in providing complex income tax, trust and estate tax consulting and compliance services to ultra-high net worth families and their family offices.

Most of Brittney's time is spent working with high-net-worth family tax, wealth transfer, business succession, and other strategic family wealth planning issues. She has extensive experience and specialty knowledge in working with business owning families and addressing the multi-generational and governance issues they face. Brittney is the lead engagement partner and trusted adviser to some of the largest and most complex family office clients in the US.

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Belinda Sneddon, Managing Director, Family Enterprise Advisory Services, PwC US

Belinda is a Managing Director at PwC US Family Enterprise Advisory practice, which includes solutions for families, their family business and family office. She leads projects in family and business governance, succession planning, establishing family offices, and performing diagnostic reviews of existing family offices.

Belinda has over 25 years of experience as a consultant, multi-family office executive, and investment professional. For the last 15 years, she has focused exclusively on advising and supporting wealthy families on issues of wealth transfer, governance, succession, investment policy and philanthropic initiatives as the Group Executive and National Practice Executive for U.S. Trust’s family office.

She has significant experience in the management of family office functions including; fiduciary administration, investment oversight, operations and financial metrics. Belinda is a frequent national speaker on family office and impact investing topics. She holds a Bachelor of Business Administration in Finance and Marketing from the University at Albany.

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What our PwC Professionals say about Impact Investing …

"Particularly among older generations, who often control the majority of family wealth, there has been a widely-held view that you must give something up from a return or diversification perspective when you choose an impact-focused strategy. But in today's environment, that's not true. If you place traditional for-profit investing at one end of the spectrum and philanthropy at the other end, impact investing is somewhere in-between – where you have the opportunity to achieve appropriate returns and have a positive impact. The mantra is "doing well while doing good."

– Belinda Sneddon, Managing Director, Family Enterprise Advisory Services, PwC US

"In the past, value creation was about creating jobs and profits for the business and shareholders. So the way families gave back to society and made a positive contribution was through donations and philanthropic efforts. Why? Because at that time there was a strong belief that profit and purpose did not go together. Now this has changed 180 degrees. Today we create value through the purpose and impacts that give companies a licence to operate. That's why every company today needs to have a clearly defined purpose beyond making money – and why we're seeing more and more clients undertake purpose-led transformation."

– Peter Englisch, Global Family Business Leader, PwC Germany

"Most family offices have both a 'preservation of capital' angle and a 'delivering values and impact' angle. I wouldn't say that everything you might want to achieve from the values perspective can be fulfilled using impact investing, but it does offer a space where you can deliver both. You might still want to have philanthropic activities that deliver on impacts without providing a return, and that is absolutely fine. You may also want to make investments that have no consideration of impact. Historically that was the binary choice. But now impact investing introduces something in the middle, which enables you to do both at the same time."

– Tom Beagent, Director, Sustainability and Climate Change, PwC UK

"Regarding the due diligence on impact investments, you need to be as rigorous as you are on the financial aspects, applying all of the standards around the risk characteristics of the investment, while also building in an extra layer around impact. This means thinking about the aspects that differentiate impact investing – the intentionality, additionality, materiality of the investment and so on. But you also need to think about 'softer' things like the nature of the team running the investment, how unique the investments are that they're seeking to make, and whether or not you are investing marginal capital."

– Tom Beagent, Director, Sustainability and Climate Change, PwC UK

"For the current generation, having a positive impact on people and planet is increasingly an element of creating the legacy, and also contributes to the family identity and core family values. A few years ago, families began doing that not only through their own operating businesses but also through the way they invested their money. This trend started slowly but surely with ESG investments, and is now going more into impact investing. So, starting from regular investment for profit, into ESGs, and now into impact investing: that's the path many families are on."

– Peter Englisch, Global Family Business Leader, PwC Germany

"In terms of advice, there are many more options for impact investors today than there used to be. But what really matters is working with someone who understands and respects your motivation and is in a position to advise or help you implement it. That someone may very well be one of your current money managers, or it may require a change to a new money manager. What's critical here is that while they don't necessarily have to share your values, they do need to understand and appreciate your values – and have the expertise to help you to execute on them."

– Belinda Sneddon, Managing Director, Family Enterprise Advisory Services, PwC US

"If we roll the clock forward a few years, I think all investments will have a blend of impacts considered within them. Rather than this being a relatively niche area of investment as it is at the moment, the trajectory is that this going mainstream rather than being a short-lived movement. To see why, we only need to look at the increasing evidence that sustainability factors are driving the value of investments – along with the general rising trend for people to want to connect their values much more closely to where they invest their money."

– Jo Kelly, Assistant Director, Sustainability and Climate Change, PwC UK

"You might be looking at two stocks in a similar sector, and choose one because its impacts are more focused on your chosen priority – be it addressing climate change or doing good in the community. There may be quite small things that influence such decisions, but at the root they're about conscious decision-making to achieve impacts aligned with your values, and deciding where you want to be on the scale from traditional investing at one end to giving money away philanthropically at the other. So it's not a black-and-white cliff-edge: it's about saying, incrementally, how do I feel about what I'm investing in? What is the return going to be? And how much of the return might I be prepared to give up in order to be balanced with an impact that I want to happen?"

– Brittney Saks, Global Private Wealth Leader, PwC US

"Why are families and family offices increasingly looking to achieve impacts through investing rather than alternatives like donating through their foundations? Because they've understood that if you want to have a higher, more lasting impact on the non-financial measures that you want to affect, then it's better to apply a professional concept of sustainability. You will have only have the highest impact for the long term if the investment that you make helps to create a level of profitability that allows the project to continue. Also, with four different generations under one roof, we now have a more conscious current generation of wealth owners and a next generation strongly focused on what's good for the planet, what is fair, and what is social. All of this means the increase in impact investing to date by families is just the beginning of a long-term shift."

– Peter Englisch, Global Family Business Leader, PwC Germany

"The fact is, it's much harder to measure the impact return of a portfolio than the investment return as it is. One issue is that the metrics and the KPIs you use to measure impact will vary depending on the 'what' and the 'how'. But I think the critical takeaway here is to invest the time to build a measurement and monitoring mechanism, and to hold your partners and your providers accountable to that measurement and monitoring system. I think this is a place where we can look to the philanthropic space and family foundations for a lot of good perspectives, since that is an area where a lot of families have had great monitoring processes in place for many years."

– Belinda Sneddon, Managing Director, Family Enterprise Advisory Services, PwC US

"We've been working with a client recently to select fund managers based on their impact credentials, and we've framed the process around three pillars. First, their commitment and intentionality to create impact, and how they demonstrate that through their people, processes and strategy. Second, their capacity – particularly their ability to measure, monitor and report on impact. And third, their track record, which we've found can be very variable, especially since many funds don't have a long track record of looking at impact. We've found looking at those three pillars is a great basis for making an informed choice."

– Jo Kelly, Sustainability and Climate Change, PwC UK

“I don’t view impact investing as an asset class. Instead it touches all asset classes. You can start it with a strategy or a tranche or a particular money manager. But however you start, you need to look at it in the context of how it’s applied globally to your overall portfolio and your asset allocation – not as a specific investment that’s off to one side, and that you’re going to treat separately or differently from your core portfolio.”

– Belinda Sneddon, Managing Director, Family Enterprise Advisory Services, PwC US

“The starting point and bedrock for any impact investment strategy is to agree on a values statement that bonds the family together with clear, qualified principles. Reaching this agreement among all the diverse family members and generations isn’t easy, and almost always requires help from an experienced external professional facilitator. But once you’ve created the values statement, it’s a fantastically valuable resource, setting out what the family as a whole stands for, clarifying core values and beliefs, and bringing all the different perspectives together on one page – so the family can act and invest together.”

– Peter Englisch, Global Family Business Leader, PwC Germany

“At the heart of designing an impact investing strategy is where you want to sit on spectrum of capital. It might not be a single point - you may want to allocate capital in different amounts across the spectrum or you may only want to focus on one area such as risk adjusted market rate return and impact. You can then layer on top considerations such as a thematic focus, for example, women’s economic empowerment or climate change, and ensuring impacts are measurable.”

– Tom Beagent, Director, Sustainability and Climate Change, PwC UK

“In the family office context, you generally have the problem that there are diverging interest in one family. Some have sufficient wealth and want to reinvest everything in the company and good impacts. Others have different priorities, and say they want to have their yacht, their plane, their dividends, so the investments should target financial returns. For me, working with families – and bringing the wealth owners and beneficiaries together – it’s clear that most powerful driver towards purpose-led transformation is the values statement, setting out the core qualified values of the family. Then the starting-point for impact investing is to treat it not as just another alternative financial investment, but as something that’s aligned with your values and contributes to your family legacy.”

– Peter Englisch, Global Family Business Leader, PwC Germany

Thank you

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