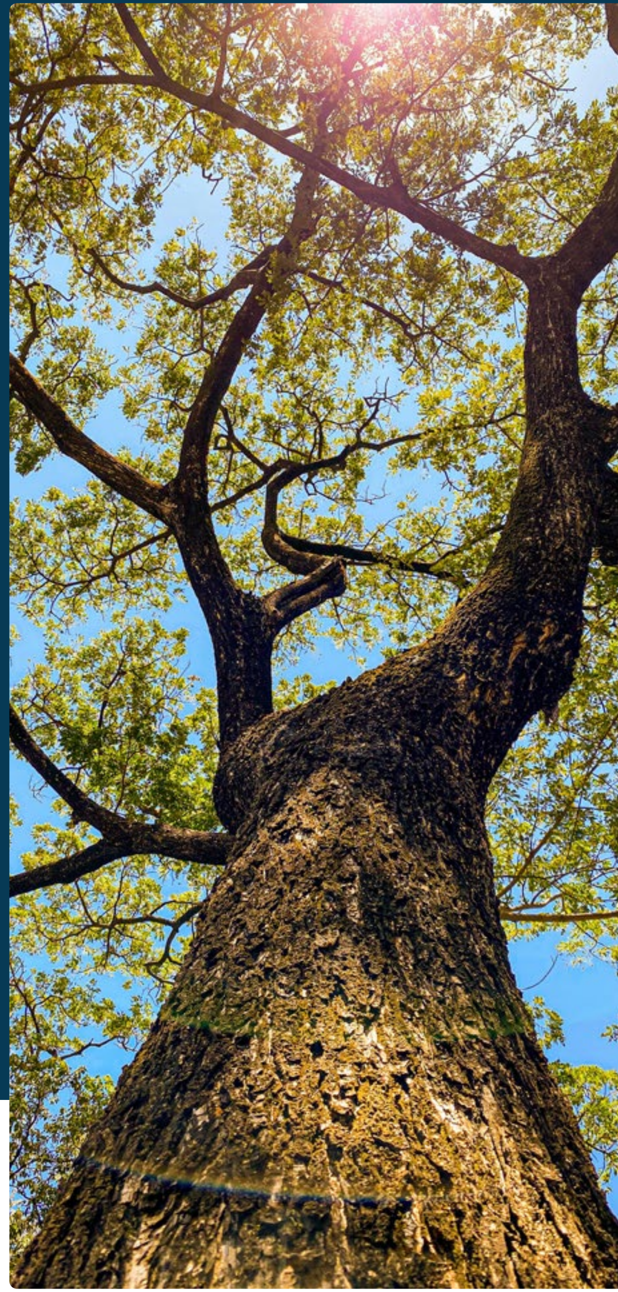
impact investing institute

Evolving your endowment:

Driving change through impact investing



With the support of

Esmée Fairbairn Foundation

Executive Summary

This guide is designed for charitable foundations who want to align their investable assets for impact. It is for foundations who want to evolve their main endowment investments to deliver positive social and environmental impacts alongside financial return to support the foundation's charitable activities.

Historically, most foundations have focused on delivering positive impact through their grant-making, typically accounting for a small proportion of their total assets.

If foundations all over the world started to deploy impact investing in their mainstream investment approach, it could unlock billions globally to address the world's most pressing challenges.

Drawing on real-life experiences, this guide starts from the point at which there is agreement to deliver impact investing at the Board and Executive level, but that broad direction has yet to be enacted in practice. The guide provides practical steps, questions and resources on the following:

Laying the groundwork & setting the impact strategy

Setting the Strategy:

- Consider how your foundation might resource the shift into impact investing.
- Explore how your mission can be translated into an impact investing strategy and how this can be codified in a 'theory of change'.
- Look at different models for transitioning your portfolio to an impact strategy – from a carve-out to 100% impact.

Codifying your goals and approach

Writing an impact-enabling investment policy statement (IPS): Discover why an IPS is important to formalise impact intent, maintain consistency of approach in all market conditions and ensure clarity and accountability for all professionals involved. Consider, step-by-step, what to include in the IPS.

Working with external investment partners

Choosing the right partners: Ask questions to determine if you are working with the right firm to achieve your aims, if your relationship is being managed by the right team in an organisation, and if the products offered fit with your impact strategy.

Managing relationships: See how to foster a productive, trusting, ongoing relationship with your chosen advisers and managers – from onboarding an impact strategy to sharing opportunities and to reporting on performance.

Continuous learning and collaboration

Discover the peer networks, impact organisations and educational resources to help inform, support, and inspire you on your impact journey.

About

About the project

This guide was produced with the generous support of Esmée Fairbairn Foundation. It is part of the Impact Investing Institute's endowments with impact programme, which provides tailored support, practical tools, and guidance to enable charitable foundations and other endowed bodies to invest their endowment for positive social and environmental impact alongside a financial return.

The 300 largest charitable foundations in the UK disbursed £3.7bn in grants across 2020-21;[1] their net assets rose to £87bn in the same period. Yet, despite existing as organisations for public benefit, only a fraction of these grant-makers used their larger endowment pool to deliver their stated charitable aims, focusing instead on their grant-making alone. This uneven split of impactful grant-making, and endowed assets not yet deployed for impact, represents a huge untapped opportunity for foundations to deliver meaningful change at a larger scale.

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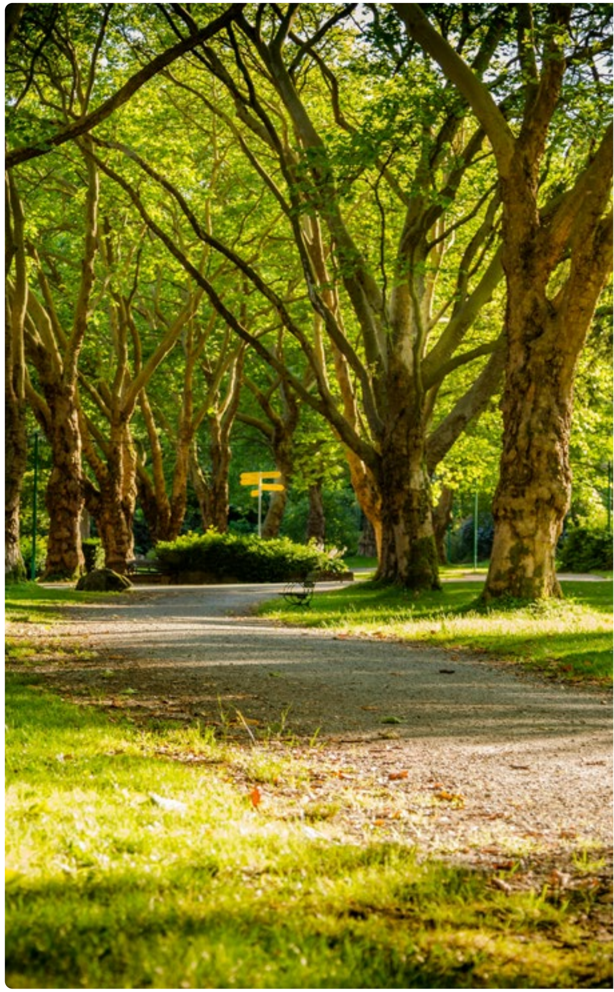
Spurred by market developments including the 2022 Butler-Sloss judgement[2] and the 2023 updates by the Charity Commission to Investing charity money: guidance for trustees (CC14)[3], an increasing number of UK charities are excited by, and reaching consensus to explore, the opportunities to direct more of their investable assets towards pressing social and environmental challenges as well as delivering a financial return.

Even with the increasingly supportive legal, regulatory and market environment and a growing appetite to act among UK foundations, actual capital flow from the main endowment into impact investments remains substantially smaller than its full potential.

The Impact Investing Institute supports foundations in unlocking that potential. Through our work, we help charitable bodies understand how they can move from interest and intention to the implementation of an effective impact investing strategy, enabling them to become part of this growing movement to generate real-world positive impact across all their assets.

For more information about the work of the Impact Investing Institute, please visit our website [here](#).



Foreword

In 2021, the 300 largest foundations in the UK gave away a record £3.7 billion to charities and individuals in need. That money had a huge impact on the world.

But what of the other £87bn of assets that those foundations controlled through their charitable endowments? What impact did those assets have? And more importantly, what impact could they have had?

In the past, this question was rarely asked. The impact of endowments, it was said, existed solely in the investment returns generated to be spent. But this view clearly has some inconsistencies.

For a start, it assumes that a charity's investments support its mission. That is certainly not a given. Many investment activities cause serious harm in the world. Second, it assumes that the most efficient way to achieve impact is through giving money away. But why should that be the case? Not every challenge is grant-shaped. Third, it assumes that there are almost two separate identities in the one organisation — the institutional investor and the philanthropist. That doesn't sound like a recipe for clear thinking.

But, above all, it is strangely inattentive to scale. In the UK, endowed charities' assets are 24 times bigger than their charitable disbursements. Directing just 5% more of these investments towards pressing social and environmental challenges would more than double the amount of philanthropic capital targeting impact. In that context, achieving impact through grant-making alone is like playing a football match with one star player rather than two whole teams.

Fortunately, that was then and this is now.

At the Institute, we are excited to see an ever-growing number of foundations looking to generate real-world impact across all their assets. They are making investments that align positive change with sustainable financial returns. They are uncovering opportunities to massively multiply their impact, both through capital allocation decisions and stewardship of their investments. And, just as importantly, they are showcasing to even bigger pools of money what the future of investing looks like. In a global economy facing deep-seated challenges of climate change and rising inequality, these endowments are no longer the minnows of the capital markets. They're the pioneers.

This guide aims to support charitable foundations seeking to make the same journey to maximise their impact. It helps them navigate the practical steps needed to become an impact investor. It unpacks the realities of going from the initial decision to invest with impact to incorporating impact into the main endowment's investment portfolio. Finally, it provides a "crib sheet" of some of the steps, conversations, practical considerations, and learnings that other foundations have gone through.

The guide is also highly relevant for the consultants, advisers and financial services professionals who work with foundation clients. It helps this constituency understand how endowments' needs on impact are evolving — and, we hope, will ultimately assist in more productive partnerships between foundations and those who manage their money.

In years to come, we will struggle to understand the orthodoxy that endowments are somehow separate from the organisations whose missions they enable, rather than one of their most powerful tools. That change will not come from outside foundations but will be driven from within them. And the world will be greener, fairer and more resilient for it.

Kieron Boyle
Chief Executive

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Introduction

What is the purpose of this guide?

This guide was developed as part of the Impact Investing Institute's **endowments with impact programme** where we work with multiple stakeholders across the endowments sector, including membership bodies and associations, endowed charities, investment consultants, and legal experts. Together we work on addressing common myths about impact investing, and provide education and training, practical tools and tailored support.

The purpose of this guide is to help foundations navigate the practical steps they need to take to become an impact investor. We explore the realities of going from that initial decision to become an impact investor to ultimately incorporating impact into the main endowment's investment portfolio. We look at how foundations are:

- setting impact aims and strategy within an investment context
- codifying those aims into their written investment policy statement
- working with investment advisers and managers to allocate capital to their agreed strategy

This guide also acknowledges that impact investing is a journey. No foundation will go from not impact investing to a fully-fledged impact investing portfolio overnight. So, this guide provides a helpful overview of some of the steps, conversations, practical considerations, and learnings that other foundations have gone through in order to execute impact investing strategies. The guide is accompanied by a series of case studies exploring in depth the impact journeys of a selection of different foundations, which you can read on our website.

Who is this guide for?

This guide is for foundations and other endowed bodies that are exploring the practicalities of incorporating impact into their investment decision-making. It should help senior executive leadership, the board of Trustees, and particularly those serving on the investment committee. It is designed to help foundations navigate some of the key questions and milestones that they will encounter when embarking on an impact investing approach.

There is an assumption that those who are reading this guide have at least a high-level consensus within their organisation to look at how to incorporate impact into their investment approach. The question this guide looks to help you answer is what to do next?

This guide is also highly relevant for the consultants, advisers, managers, and other financial services professionals that work with foundation and endowment clients. It should help this constituency understand how endowments' needs on impact are evolving and assist in more productive conversations and partnerships between foundations and those who manage their money.

This guide was primarily developed for a UK audience but much of its content will be relevant globally.

How can you use this guide?

Becoming an impact investor is a journey and a non-linear one at that. This guide is structured in three parts but, in practice, many of the conversations and activities highlighted may happen simultaneously.

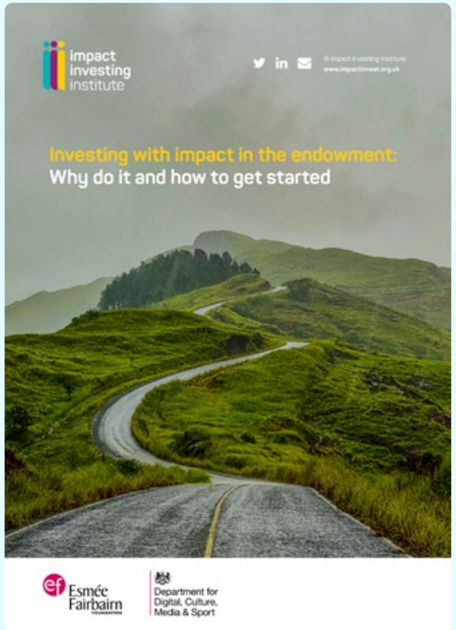
Generously supported by City Bridge Foundation, the Impact Investing Institute is also available to advise and help charitable foundations directly as they take steps to become impact investors. Further details on our programme to support endowments through direct advice, guidance, and facilitation can be found: here. The end of this guide features a list of additional organisations, networks, and information resources which are also of particular value to foundations doing this work.

How was this guide developed?

This guide was co-created with the sector, anchored in over 30 long-form interviews with endowments making the transition to impact and a further 25 in-depth conversations with the financial services professionals who serve them. The insights also emerge from the accrued knowledge of working closely with foundations over the last three years to encourage their shift to impact: through the Association of Charitable Foundations Impact Investing in the Main Endowment Programme, our City Bridge Foundation funded endowment advisory programme, and our other endowments with impact guides and case studies. We have also benefited hugely from the generosity of market-building peers – TONIIC – who have shared their own insights garnered from intensive work with this constituency and extensive desk research of the latest literature.

Before you read this guide

This guide is a companion piece and sequel to ***Investing with impact in the endowment: why do it and how to get started*** *(published in February 2022)*. Alongside setting out definitions of impact investing, this first guide exposed some prevalent myths concerning legality and financial returns, the reasons why endowments can benefit from investing with impact and the products and tools they can employ to help them to achieve this aim. The guide also included practical steps that endowments can take to become impact investors and profiled endowments that have pioneered an impact approach.

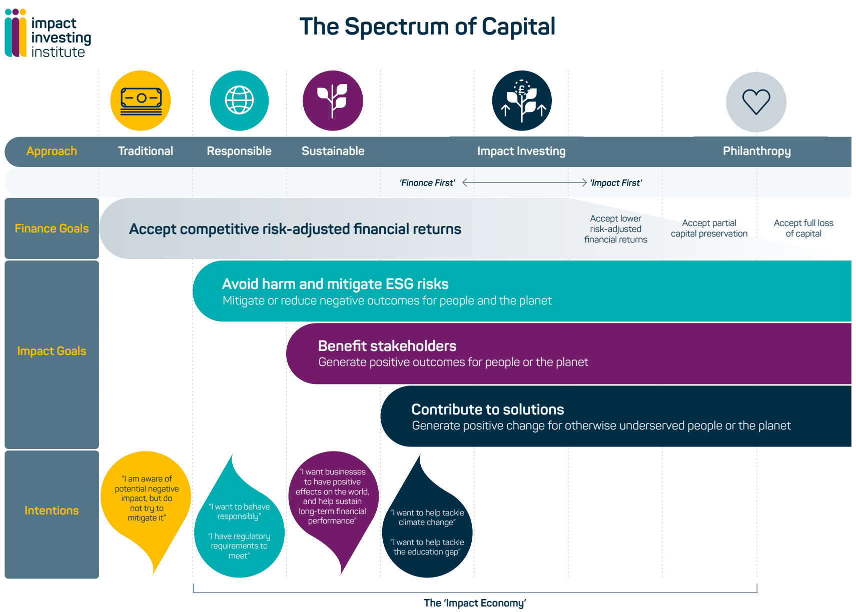


What is impact investing?

Impact investing' is the original term formalised in 2007/08 by a cluster of foundations for allocating to assets that can deliver financial return and deliver public benefit. Today the impact investing field has largely coalesced around the Global Impact Investing Network (GIIN)'s definition of impact investments as "investments made with an explicit intention to generate positive, measurable social and environmental impact alongside a financial return".

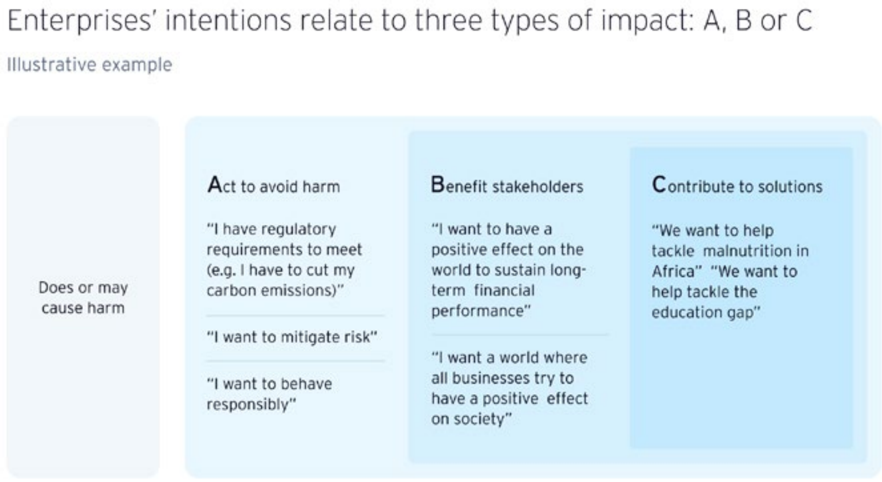
Impact investment sits at the middle/higher end of a spectrum of capital deployment where the balance between targeting financial goals versus outcome goals progressively shifts – see Figure 1. This spectrum ranges from traditional investing that focuses purely on financial return, through to responsible and sustainable investing (the world of environmental, social and governance, or ESG, investing) and on to impact investing. The end of the spectrum moves from investment into philanthropy where no financial return, including return of original capital, is expected.

Figure 1: The Spectrum of Capital



Source: Bridges Fund Management and Impact Management Project.

Figure 2: The ABCs of Impact[5]



The Spectrum of Capital is often combined with what is known as the ABCs framework – see Figure 2. The ABCs were developed by The Impact Management Project (now Impact Frontiers)[4] and categorise investments that:

- **A: A**void harm to stakeholders
- **B: B**enefit stakeholders
- **C: C**ontribute solutions to solving some of the world's greatest problems

The ABCs are used by both asset owners and investment managers to classify (at a high level) the role that impact is playing in their investment strategy.

Importantly, impact investing is an approach, not an asset class. It encompasses a broad range of perspectives and can be delivered in both public and private markets. It starts from a position that all investments have an impact – both positive and negative. The broadest goal of impact investing then is to create positive impacts, reduce the negative impacts and do so whilst securing targeted financial returns. It may aim to target social or environmental benefit for risk-adjusted market rate returns or to further optimise social or environmental benefit in exchange for below-market returns.

What impact investing approach does this guide focus on?

All charitable foundations are active on the Spectrum of Capital. They use their grant-making – in financial terms, accepting total loss – to deliver deep and important impacts; most have their endowments invested in traditional or responsible ways. A selection have deep experience using repayable finance (also termed social investment or programme-related investment – see note on terms below) in the 'impact first' category, understanding that some social purpose organisations may benefit from other forms of finance in addition to grants, to support their work. In this "impact first" space strategies might seek capital preservation or slightly above and prioritise creating positive impact above generating financial return.

This guide aims to support impact investing by charitable foundations in the main endowment. It therefore focuses most of its attention on impact investing that seeks to generate market-rate financial returns across asset classes, recognising that organisations need to continue to generate funds to support their grant-making and/or charitable activities and maintain the real, after-inflation value of their endowment.

A note on terms

Until summer 2023, the Charity Commission, and the wider charitable sector used the terms "programme-related investment" to describe charities investing mainly to achieve their charitable purposes and "mixed-motive investment" to describe charities investing to make a financial return as well.

In the updated CC14[6] guidance released in August 2023; the Charity Commission removed the use of these terms. However, they are still widely recognised in the sector and the Charities' Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (SORP FRS 102[7]) still uses them.

In the US, 'programme related investing' and 'mission related investing' are also commonly used terms. These two categories roughly equate to impact-first investment and finance-first impact investing respectively.

When leaning on or quoting examples from US-based foundations, this rhetorical norm will be reflected in the guide.

1. Laying the groundwork & setting the impact strategy

No two foundations are exactly alike. Your history, size, mission, and values will all influence how and where you start this work. The approaches taken to move into impact investing in the main endowment reflect that variety. Organisations come to this work in different ways.

The Dunhill Medical Trust, a UK-based trust focused on healthier ageing, started reviewing its overall framework and strategy in 2016. Initially, this led to a decision to make an allocation of 10% towards private market investments, having previously been entirely invested in public markets. Their new private market allocation did not directly lead to a decision to explore impact investing but rather came alongside it. In 2021, the trust developed an impact investing policy, recognising the role that their investments play in the organisation's mission:

> "Ultimately, we are an asset owner. We provide grants totalling around £5mn a year, but we are sitting on another £160mn. What we do with that £160mn is probably just as important as what we do with the £5mn we distribute every year." – Andy Gnaneswaran, Head of Investment, The Dunhill Medical Trust

For some like City Bridge Foundation (formerly Bridge House Estates) – a London-based foundation and grant giver that owns the five bridge crossings in the City of London – it was the introduction of a climate action strategy in 2021 and a set of major governance changes that prompted a strategic refresh and reflection on how and where their endowment was invested.

> "It really focused our thinking on the fact that we are doing this great work with the money we spend: shouldn't we be looking at how we can do similar things with the money we hold?" – Karen Atkinson, Finance Director, City Bridge Foundation

For others, such as the Nathan Cummings Foundation, a US-based family foundation, the journey began in the early 2000s when they started exploring shareholder engagement activities. It grew organically over nearly two decades up to its 2018 announcement that it would have a 100% mission-aligned portfolio.[9]

However you have arrived at this work, you should now be at the point where you as a senior leader at your organisation have a formal mandate from your board and/or investment committee to explore further how you might become an impact investor. You have likely already done a degree of stakeholder alignment and have come to a consensus in principle, if not in practice, of ways to explore this strategy.

Note. If you aren't at consensus please see the Institute's previous guide for insights, arguments and guidance on how to get there – it can be found **here**.

To continue this journey, there are three key steps that you need to consider for laying the groundwork and setting an impact strategy (not necessarily in this order) that we will explore in detail below:

1. How will we staff and govern the shift into impact investing?
2. How do we develop an impact investing strategy?
    - Translating your mission into investable impact themes
    - Creating a theory of change
3. What model should we use to shift the portfolio toward impact?

How will we staff and govern the shift into impact investing?

Once you have board approval to become an impact investor, you will need to be clear on all the internal and external resources you need to engage to frame, execute, manage, monitor, and report on your approach.

Foundations doing this work have benefited from board and executive "sponsors" to drive this work forward as well as using differing resourcing approaches (evolve, recruit, contract) to help with the work of bringing the strategy to life.

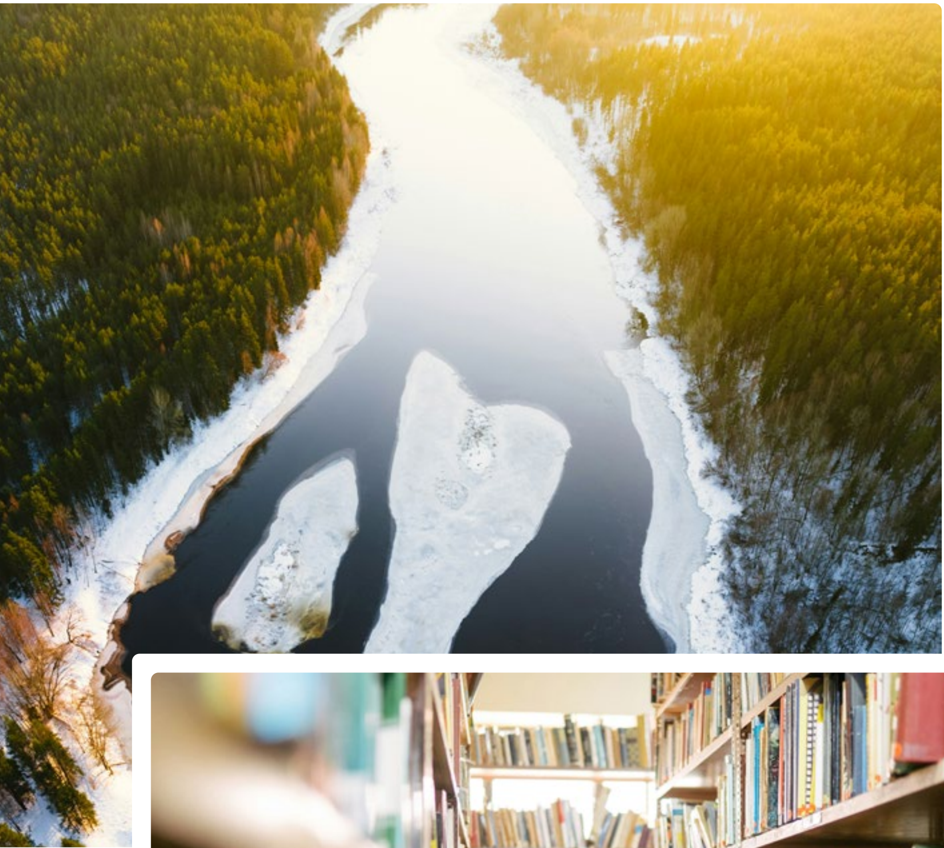
> "The thing I wish we had done more of is getting everyone on board with what we were trying to do. It meant that every time we came up against a difficult question, we had to do a bit of a re-education piece with the trustees." – An impact investing endowment

Board sponsorship

As an organisation, if you are exploring becoming an impact investor, it is likely because you have secured a mandate from your board and/or investment committee. They will have been sufficiently engaged and excited by this opportunity to give you the space to drive it forward. It is important to sustain that energy by keeping board stakeholders abreast of progress.

For example, City Bridge Foundation created an internal working group made up of staff members and four board volunteers who had particular interest or expertise in areas including investment and climate action, with the support of their finance director Karen Atkinson and her team.

This meant that they had people internally at both staff and board levels who were dedicated to this work and who had "regular touch points with the broader board". This included an away-day during the process where one of the key topics was making sure "everyone was content with how things were moving forward".



A key initial step, therefore, is to create your internal champion team – formal or informal – and decide how you will report back to the wider board, investment committee and staff on progress as things develop. Impact investing is a "change management process" as much as it is a new allocation or approach. It is distinct from a new grant-making strategy in that becoming an impact investor means adjusting your understanding of what your endowment is for and can deliver. You need to make sure that there is a good circle of people in your organisation who understand this direction of travel.

"Boards are not homogenous in terms of the individuals and the perspectives and the experiences. So, creating a strategy and a structure that took board members on a journey, and hopefully continues to take board members and others on a journey, is also important in this space."
– Dom Llewellyn, CEO, AchieveGood

This step of creating an internal champion team is supported by the Nathan Cummings Foundation, which made a commitment to adopt 100% mission-aligned investing in 2018. In their useful **Toolkit for the mission-aligned investing advocate** they highlight the importance of capacity, urging others who want to go on this journey to think through "what structures, knowledge, and time will be required to do the work well. This is idiosyncratic to each institution and requires a candid assessment of whether the current mix of internal and external capacities aligns with aspirations. There is no doubt that a commitment to mission-aligned investing will require scaling organisational bandwidth and flexing new muscles."[8]

Day-to-day resourcing – evolve, recruit, contract

Having framed how you will keep the board and governing structures abreast of your progress, you need to decide who will act as the day-to-day resource to do this work.

There are many ways foundations have taken to resourcing this work, but they can broadly be broken down into three approaches: **evolve, recruit, and contract.**

Evolve

You may evolve the role of an existing staff member, for example a financial director or head of investment, to include a mandate to lead on the development of an impact investing strategy. This was the approach that the City Bridge Foundation took, evolving the role of their finance director and her team to lead the development of this work day-to-day.

This included the re-writing of their investment strategy statement, hosting workshops to explore key impact themes of interest to the foundation and working with their investment advisers to understand the practicalities of actioning their intentions.

Recruit

Alternatively, you may look at your current resource and determine that your organisation needs to create a new role rather than evolve the mandate of an existing staff member.

This was the case with The Dunhill Medical Trust. It developed an impact investing policy in 2021, led by the board and senior management. However, it increasingly became clear that to deliver on the commitments outlined in the policy, internal resource was needed to design its implementation and support on the delivery of those plans.

In 2023, Andy Gnaneswaran was brought in as Head of Investment to develop an investment strategy for the trust, over the short, medium, and long term, recognising that "[although] the policy captured the intention of the trust, what was needed was the organisational capacity to think through how this could practically be enacted."

Contract

An alternative for those organisations that do not feel the evolve or recruit route is right for them, is to bring in external consultancy support to do some of the day-to-day work of setting the strategy.

This is the path that the Robertson Trust, a Scottish grant-maker focused on building solutions to poverty and trauma in Scotland, took. Having agreed at board level to explore impact investing, the decision was made to go out to tender for external expertise, rather than make a new hire, to support the trust in understanding how their investments might actively support their charitable aims.

They ultimately contracted the consultancy AchieveGood to support the development of their strategy and approach to this work.

Informing external stakeholders

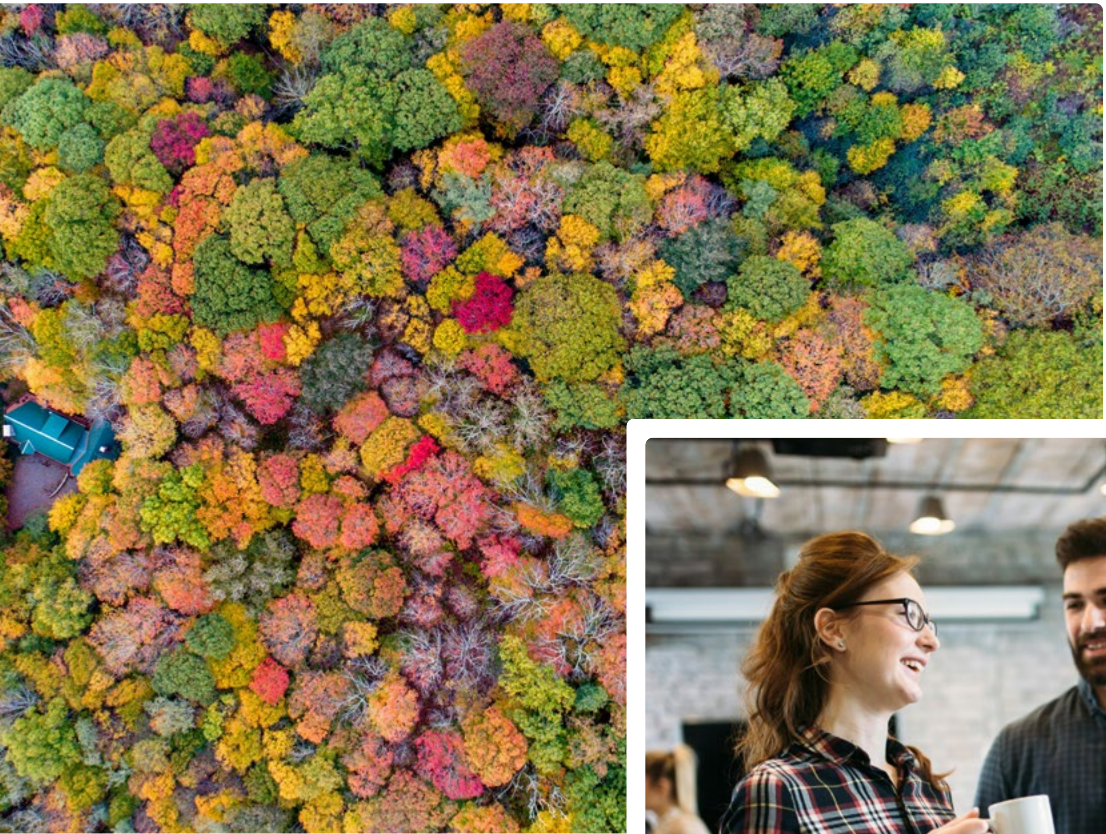
At this point in your journey, the focus is on internal stakeholder alignment.

However, we would also urge organisations at this stage to update any financial services partners (such as investment advisers, wealth, or asset managers) about the new impact direction and that you are actively exploring what this might look like for your organisation. Give them warning that things are going to change, even if time horizons have not yet been fully mapped out (indeed, they may have impact investment expertise or experience that would be useful to share). Most of all, ensure that you are not throwing any curveballs at your contracted professionals later down the line.

What these conversations might look like in practice is further explored in **Section 3: Finding the right partners**.

Key takeaways

- Taking the time early on to create an 'internal champion team' that has a mix of board and senior execs will ensure a firm base of advocates who understand, support and can communicate the intended direction of travel.
- There is no single way to resource this work – expanding existing staff roles, building new roles, or hiring external consultancy are all viable options.



How do we develop an impact investing strategy?

Who will be leading on this work is a key area of consideration. But understanding the "What" is also crucial. In particular, you need to determine the positive social and/or environmental impacts that you want to have through your investment portfolio.

Translating your mission into investable impact themes

Foundations are at an advantage to other impact investors in that, by design, they already have a clear impactful mission and impact areas in which they are involved. However, taking those aims and developing an investable approach is not a simple like-for-like but rather a process of translation. Your next step, therefore, is to explore your mission and consider it as the North Star that helps you coalesce around a set of investment priorities and values that will drive your investment strategy.

There are many frameworks and models that may aid in this discussion but three approaches have proven particularly helpful to others doing this work: the Substitution, the Bull's eye, and the Prism.

There are many frameworks and models that may aid in this discussion but three approaches have proven particularly helpful to others doing this work: the Substitution, the Bull's eye, and the Prism.

THE SUBSTITUTION: Swap in general impact products that are good risk / return matches for your current portfolio approach.

The substitution is useful if you have a more general mission as a foundation. It takes the premise that, given the option and if the risk/return/asset profile is broadly the same, the foundation would prefer a positive impact investment option. This model is issue-agnostic: it could see you invest in sustainable agriculture, affordable housing, microfinance, or urban regeneration, for example. The throughline is that having considered financial performance, the choice you make is always the more impactful one.

In the case of taking a **substitution** approach to impact themes, you would look at your current strategic asset allocation and in any given asset class explore the high-impact versions available. For example:

- Instead of your current private equity allocation, you request your managers invest in private equity options specifically focused on impact.
- Instead of standard corporate bonds, you explore corporate bonds that are specified for green and/or social outcomes.

The nature of your manager relationships and the portfolio that has been set up for you will determine how prescriptive you can be. In the case of smaller foundations, which may not have a discretionary or bespoke portfolio, this could mean either carving money out or swapping monies to a new manager to do so – further detailing on this approach is found on page 25.

However, the impact investing market has grown to over $1trn globally.[10] So, today, migrating existing portfolios to impact assets is now viable: you can look to exit your current investments over time and transition them to impact-focused products of the same profile. See Figure 3 for illustrative examples.

Figure 3: Illustrative impact alternatives. Note: the funds named here are for illustration only and are not intended as recommendations

Current asset allocation	Potential impact alternative
Example Fund W Asset Class: Fixed income Impact Target: Nil	• Columbia Threadneedle Social Bond Funds • Asset Class: Fixed income • Impact target: Primarily socially beneficial bonds including those issued by charities and government bodies
Example Fund X Asset Class: Public Equity Impact Target: Nil	• Wheb Environmental Impact Fund • Asset Class: Public Equity • Impact target: Investment in companies providing solutions to environmental sustainability challenges
Example Fund Y Asset Class: Real assets Impact Target: Nil	• Schroders Real Estate Impact Fund • Asset Class: Real Assets • Impact target: Social inequality in deprived areas in the UK
Example Fund Z Asset Class: Private Equity Impact Target: Nil	• Just Climate • Asset Class: Private Equity • Impact target: Low & no-carbon solutions for hard-to-abate sectors

THE BULLS-EYE: Locate your mission in the UN Sustainable Development Goals to unlock more opportunities for impact.

The bull's eye approach focuses on placing your mission in a broader context to find product that advances impact.

The premise of the **bull's eye** approach is simple. Using the United Nations Sustainable Development Goals (SDGs), you consider which of the 17 goals should be prioritised in your impact investment approach while also ensuring that goals not directly in line with your charitable mission remain in scope.

This is an approach that both The Dunhill Medical Trust and the City Bridge Foundation took in determining their priorities for investment themes. See Figure 4 for further detailing on how The Dunhill Medical Trust mapped the SDG bull's eye to their mission to "fund the remarkable science and the radical social change needed for healthier older age"

At the centre of the bull's eye is your mission. There will be several SDGs that directly correlate to your mission. Investment products that focus on those outcomes, where the risk and return profile is the same, can be prioritised over other products that have a less explicit link with your mission. Although an SDG may not be precisely aligned with your mission, and sit further away from the centre of the bull's eye, the SDGs are sufficiently broad that all 17 goals can contribute positively, although perhaps in less direct ways.

This approach has the advantage of leveraging the SDGs, a credible and well-respected framework that is commonly used by financial services firms. The SDGs can also be a clear and robust tool for discussion about impact priorities with internal audiences, some of whom may already be aware of the goals, thanks to their global profile.

City Bridge Foundation, for example, started the work of articulating its mission through a workshop with the members of their internal working group, supported by external facilitation from the Impact Investing Institute.

They printed off copies of the **bull's eye** image and the SDGs and had the group manually stick those SDGs they felt were most aligned with their mission in the centre of the bull's eye and those least so further out in the circle. This created space for focused discussion and allowed the group to centre the organisation's mission, rather than personal preferences, at the centre of the conversation. This ultimately led to the articulation of those aims in their updated investment strategy statement (see Section 2: Codifying your goals and approach for further detail).

Figure 4: The Dunhill Medical Trust's mission mapped to the UN SDGs.

"fund the remarkable science and the radical social change needed for healthier older age"

Advancement of the trust's mission	UN Sustainable Development Goals
Closest to mission	• Good health and well-being • Reduced inequalities/broader social determinants of health • Sustainable cities and communities
Supportive of mission	• Affordable and clean energy • Climate action • Quality education • Decent work • Gender equality • Industry, innovation, and infrastructure clean water and sanitation • No poverty • Zero hunger
Further from mission	• Life on land • Life below water • Responsible consumption and production • Peace, justice, and strong institutions • Partnerships for the goals

THE PRISM: Leverage what you know best to find opportunities.

The prism asks you to think of delivering impact in the endowment as another tool to deliver your mission. It asks you to take your mission, narrow it down, focus on what you know and through that, discover new richness and breadth as you look at your mission in new ways.

You take your mission and, by interrogating it thoroughly, you find a specific universe of investable assets. Think about what you know and your deep understanding of the issues you work on and how that might manifest in an investment strategy. Remember you are the impact experts, and you can leverage what you already know about your area of focus to drive change.

An example of this approach comes from Guy's and St Thomas' Foundation. Their focus is on driving more equitable health outcomes – they have leveraged the understanding of this area to target two priority sectors in their impact investments: the social determinants of health and clinical healthcare.

Under these two sectors, the foundation has detailed examples of investable areas – see Figure 5. In clinical healthcare, these include medical devices, healthcare delivery and the life sciences. The social determinants of health embrace investments in affordable housing and food and nutrition. In this way, the foundation is leveraging its endowment investments to positively impact areas that ultimately feed into health outcomes.

There is a lot of detail that can arise from a well-articulated philanthropic mission: you can and should leverage your deep expertise in your mission area to think about where you might wish to focus your impact investing strategy.

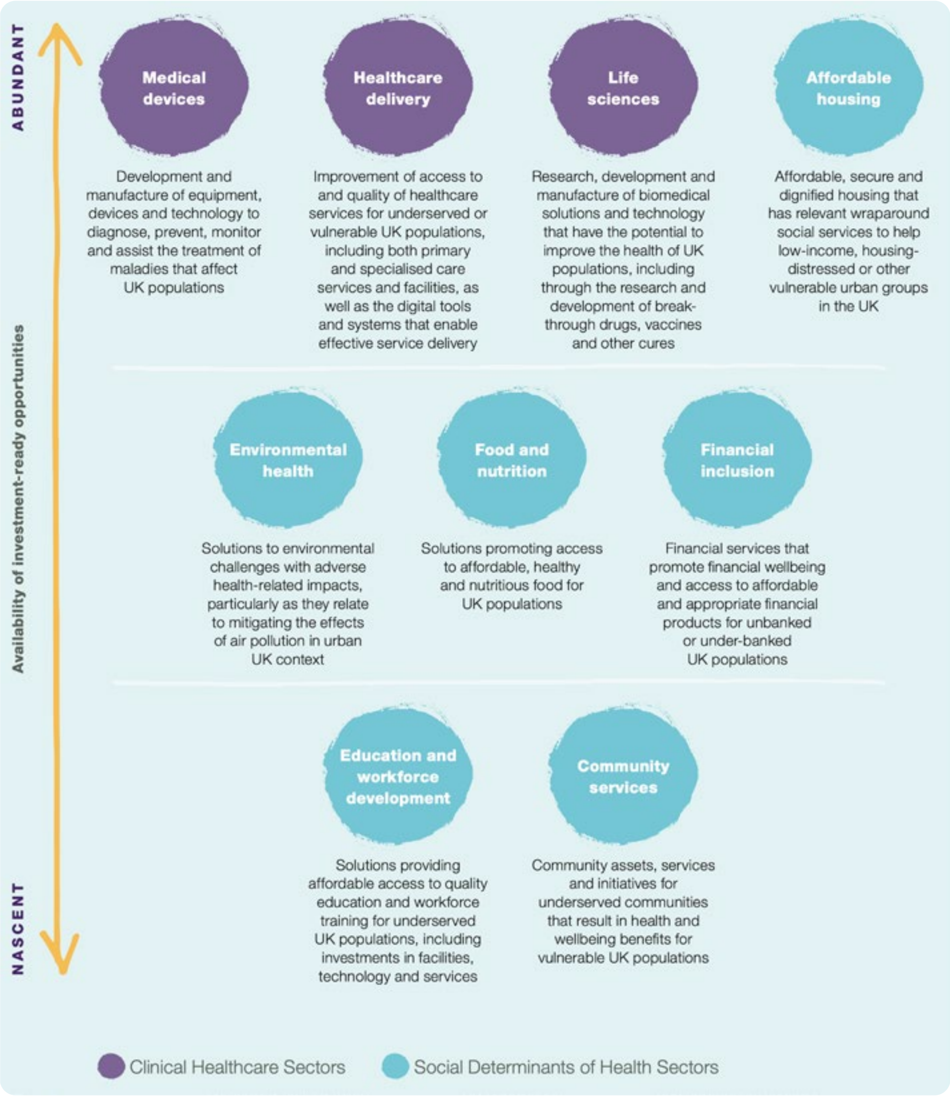
However, it is important to recognise that this approach may not be suitable for all organisations and does have potential downsides. It can require significant resources to creatively think through and understand how commercial models interact with your charitable mission.

Unless you are able to devote the right amount of time to this detailed work, you might not arrive at a model that provides the diversification of asset classes, thematic sectors and geographies that contribute to a healthy investment portfolio.

In setting your impact goals, it is crucial to remember that all three approaches – the substitution, the bull's eye and the prism – should facilitate a widening of opportunity, not a narrowing. Impact is a lens that can be taken to your investments to surface opportunities.

There is a balance to be struck between servicing your mission and not narrowing your investable universe so that allocation becomes challenging. Do not let the perfect be the enemy of the good.

Figure 5: Guy's and St Thomas' Foundation – Nine priority areas for impact investment[11]



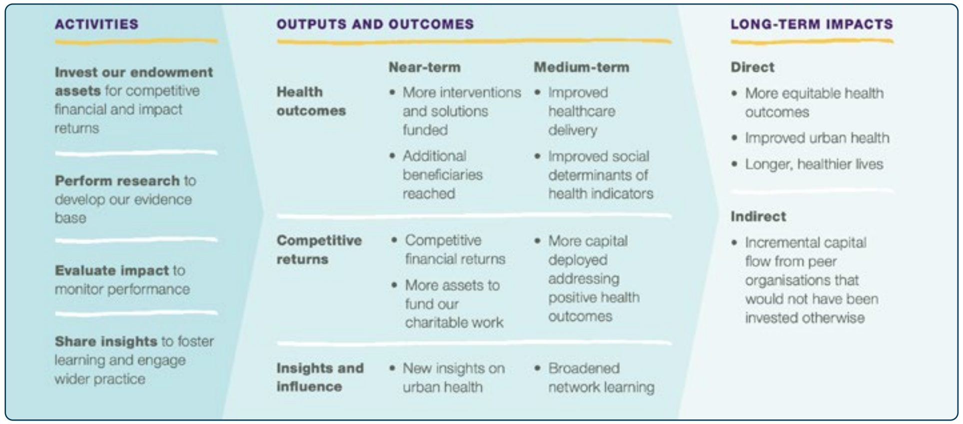
Understanding how you have impact as an investor: developing your theory of change

Having set broad impact themes, a natural next step is to develop a logic model, or theory of change, around the inputs, activities, outputs, outcomes, and impacts that you aim to have as an investor on your target area of concern. Theories of change are an established methodology and a key part of many charitable trusts and foundations' grant-making and wider strategy.[12]

This is the same process as developing a theory of change for your organisation or your grant-making, but instead, it is applied to your investments. You should feel empowered to leverage existing organisational expertise as you go through this process in this new context.

Guy's and St Thomas' Foundation, who took a prism approach, have detailed their theory of change for their impact investing portfolio – see Figure 6. This shows that the long-term impacts their main endowment now seeks to achieve are the same as for their grant-making. It is the activities, outputs and outcomes that have shifted, underscoring that this is

Figure 6: Guy's and St Thomas' Foundation's Theory of Change diagram[16]



simply another tool to enable foundations to advance the same goals they have long been in the practice of pursuing.

However, even if your organisation chooses to take a different approach – the **bull's eye**, or the **substitution** for example – it is still important to reflect on how you will have an impact as a capital markets actor and investor and what you anticipate that will look like in practice.

For different organisations, developing your theory of change can range from very light touch to much more involved. It is an important stepping stone to translating your broad impact goals into a practicable investment strategy, recognising all the resources you can put towards a problem and the wider context in which you sit. It both acts as a communications tool internally and externally to support alignment between all relevant stakeholders: it can also ensure that your stated aims are firmly rooted in what is genuinely possible. The strategic work of developing your theory of change may also help surface any gaps and opportunities as you move through the process.

All the assets you bring to the table as an organisation – your endowment capital, your position as a client in the capital markets, your networks, and your expertise in particular areas – can help to form the basis of your theory of change. Many of the foundations spoken to for this guide consider how they worked with managers and which managers they selected as essential to their impact investment as the underlying holdings themselves. Thinking holistically about the entirety of the investment process and which parts you are best placed to influence can unlock new and interesting strategies.

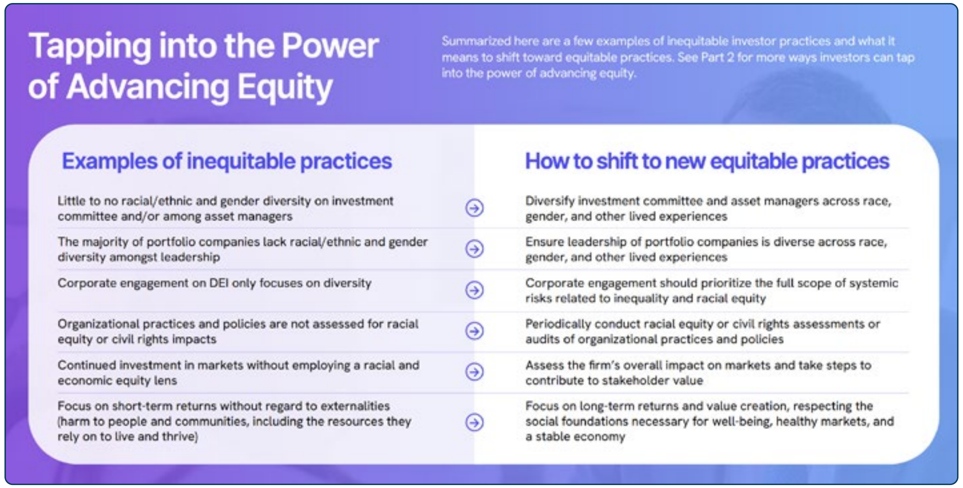
For example, advancing more equitable practices may be a key aim of your organisation. If so, you may look at developing a theory of change that articulates how you as an investor, rather than as a grant-maker, will contribute to this goal.

In their *Investor Blueprint for advancing racial and economic equity*[13], PolicyLink, a US think tank, lays out steps to help shift from inequitable to equitable practices as an investor – both in terms of internal operations and when assessing or engaging with portfolio companies – see Figure 7[14].

For organisations with more limited resources, this theory of change work will also serve as a useful prioritisation exercise. A more light-touch approach, for example, could deliver a set of principles that can guide your investment practice as you move forward to incorporate impact.

It is important to remember that this is very much an iterative process and should be revisited at appropriate intervals to ensure that your theory of change/strategic approach is practicable and remains a useful framework to guide decision-making. It will need to evolve over time as you move further along your journey. A simple guiding framework is provided in Figure 8. The "**Theory of Change Checklist**"[15] from the Global Impact Investing Network (GIIN) may also be a useful guide as you walk through this process.

Figure 7: Tapping into the power of advancing equity – Source: PolicyLink[17]



Tapping into the Power of Advancing Equity

Summarized here are a few examples of inequitable investor practices and what it means to shift toward equitable practices. See Part 2 for more ways investors can tap into the power of advancing equity.

Examples of inequitable practices	How to shift to new equitable practices
Little to no racial/ethnic and gender diversity on investment committee and/or among asset managers	Diversify investment committee and asset managers across race, gender, and other lived experiences
The majority of portfolio companies lack racial/ethnic and gender diversity amongst leadership	Ensure leadership of portfolio companies is diverse across race, gender, and other lived experiences
Corporate engagement on DEI only focuses on diversity	Corporate engagement should prioritize the full scope of systemic risks related to inequality and racial equity
Organizational practices and policies are not assessed for racial equity or civil rights impacts	Periodically conduct racial equity or civil rights assessments or audits of organizational practices and policies
Continued investment in markets without employing a racial and economic equity lens	Assess the firm's overall impact on markets and take steps to contribute to stakeholder value
Focus on short-term returns without regard to externalities (harm to people and communities, including the resources they rely on to live and thrive)	Focus on long-term returns and value creation, respecting the social foundations necessary for well-being, healthy markets, and a stable economy

Figure 8: Theory of change checklist

Our broad impact aims are _________

What resources do we have available? (Inputs)

Answers may include:

- Our endowment capital
- Our position as a capital markets client whereby we choose to hire and invest with specific financial services firms
- Our participation in networks and coalitions, e.g. ShareAction, Diversity Forum, 30% Coalition
- Being an impact organisation in the capital markets
- Aligned grant-making
- Our team and internal operating strengths, i.e. impact knowledge, research, campaigning, innovation, community connection, advocacy, identifying leaders
- Risk appetite
- Institutional independence
- Time horizon
- Reputation.

What activities might we use those resources towards? (Activities)

Answers may include:

- What products we invest our endowment capital in, e.g. products that target specific social and environmental outcomes
- What managers we work with, e.g. we aim to invest with a more diverse array of managers
- How we work with those managers, e.g. sharing our impact expertise with them
- How we tender for work with financial services professionals, e.g. emphasising impact investing expertise in requests for proposals
- How we use our position as a shareholder and an investor to engage with underlying companies to improve their social and environmental impacts, either individually or in coalition with other investors
- How we communicate publicly about the work we are doing and influence others
- How we can play a different role in products to leverage us as an impact organisation, e.g. blended finance, taking more risk with earlier-stage managers.

What outputs and outcomes will these activities create? (Outputs and outcomes)

Answers may include:

- More capital is invested in products that target both financial returns and positive social and environmental impacts, leading to more positive social and environmental outcomes: ours and others
- Financial services firms prioritise upskilling and capacity-building for impact investing in response to demonstrable market demand
- Standards are lifted in the capital markets on issues the foundation cares about
- Underlying investee companies improve their delivery of social and environmental impacts that are aligned with the foundation's purpose.

Key takeaways

- The extent to which a foundation's impact investing strategy aligns to its mission is completely flexible, so long as a suitably broad and diverse investable universe can be maintained.
- The collective process of creating a theory of change for your impact strategy is as important as the final document – enabling you to identify priorities, gaps or even opportunities in your chosen approach.
- The most robust and practicable theory of change is one that draws on all your assets: your capital, areas of expertise, networks, reputation, and capital markets profile will all help determine your inputs, activities, and outputs.

What model should we use to shift our portfolio towards impact?

The last key area of your strategic work is to understand the model that you will use to allocate your capital towards impact. Many foundations have explored different options for allocating to impact, but they broadly fall into two main buckets:

- The first looks at **a carve-out** of a specific monetary amount or percentage of the portfolio to allocate towards impact investments. This allows for experimentation with potentially more untested impact investment strategies but limiting the risk around underperformance or loss. However, even with carve-out strategies, some consideration should be given to how the remaining portfolio is invested.
- The second takes a more holistic approach to the entirety of the endowment, being clear on what you currently own and how impact will play out across your whole portfolio over time. This **whole portfolio approach** over time may mean that you have ambitions ultimately to hold only impact investments in the long term. Or it may mean taking the approach of being "impact conscious", i.e. consciously balancing impact considerations with financial risk and return across your entire portfolio.

These two approaches are not necessarily mutually exclusive – you may combine the carve-out of a specific percentage of your endowment with a broader awareness of the impacts across the rest of your investment portfolio. What these approaches can look like in practice are detailed out below.

The carve-out approach

A typical approach is for investors to set aside 5-10% of their assets under management (AUM) for impact investing. This proportion of assets may then be allocated to "classic" impact investments, such as an impact private equity fund or venture capital fund. Essentially, this money is siloed out of the main investment strategy with very specific parameters.

Creating a carve-out can be a very useful way of getting comfortable with the process of sourcing, due diligence, measuring, managing, and reporting on impact alongside a financial return. An example of this working well in practice is Esmée Fairbairn Foundation's initial £10mn allocation to impact investing, which is gradually being deployed in 10 £1mn tranches as appropriate impact funds that align with their aims are identified. At the time of writing three of the £1mn allocations had been invested.

Esmée's approach has been grounded in a deeply considered, long-term strategy around the entirety of their endowment, and the creation of a dedicated social and impact investing team to ensure its delivery. For organisations that do not, or cannot, go into this type of carve-out experimentation with the same rigour or level of resources, there is a risk that the impact investing experiment is side-lined or is reliant on too few funds to demonstrate its potential.

In an ideal world, carve-outs should be considered in the context of the whole portfolio – combining the learnings from your impact investments with an awareness of the impacts of your broader portfolio and ensuring the same level of attention to both the main portfolio and the carve-out from the investment committee.

The carve-out approach – a model portfolio

In considering impact investing with a 5-10% allocation, an alternative approach (although one that may not be suitable for organisations with assets of less than £100mn), is to create a portfolio with the carved-out funds. This is a way of finding out if you can build a diversified multi-asset portfolio of impact as a trial run to apply it to the entire portfolio.

This method treats the percentage carve-out differently, framing the experiment as a small but comprehensive multi-asset portfolio rather than focusing on just one or two funds. The idea is to provide exposure to different asset classes within a mini portfolio, offering insights into their performance in impact investing. You could use a fund of funds model to achieve this, balancing liquidity, diversification, and managing risk and return. The key is to have a clear vision of how these small experiments might eventually influence the broader portfolio.

One example of this approach is Guy's and St Thomas' Foundation, which started with an initial allocation of £30mn (or approximately 3% of their endowment) to impact investing in 2017/18 for investments specifically linked to health outcomes. They then grew that initial allocation to a £100mn pot to be deployed over a period of five years. Ultimately this allocation is a test to determine if they can, at scale, deploy significant investments through an impact lens, and therefore if they might be able to employ all their investments in this manner over time.

The whole portfolio approach – 'impact conscious'

Another place to start is interrogating your current investment portfolio. Instead of initially focusing on new allocations, understanding what you are invested in now and, as Confluence Philanthropy puts it, "own what you own" – see Figure 9.

Many foundations are using different phrases to frame this type of thinking – "impact conscious" or "values-aligned" investing, for example. Fundamentally, this is about being aware of the positive and negative impacts being created through your current investment practice. This awareness allows you to start making informed and conscious decisions about balancing impact, risk, and return, not just at an individual investment level but across the whole portfolio. This is about understanding and managing the impact of investments, as well as impact investing.

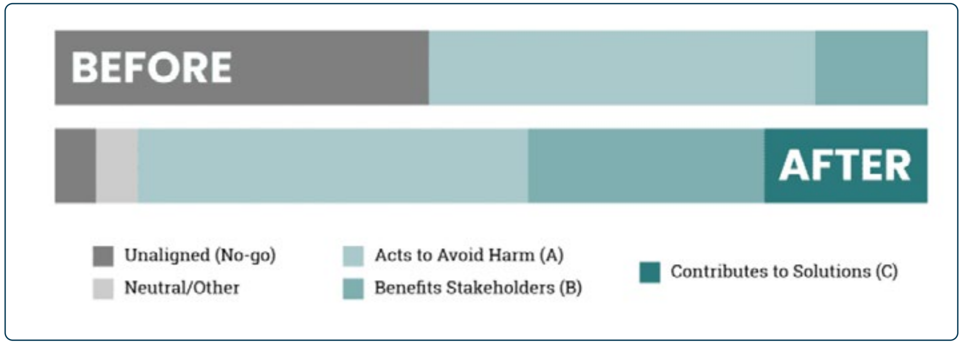
An impact conscious approach involves interrogating the current portfolio and categorising current investment approaches in a way that makes sense for your organisation in tandem with impact investing frameworks. For example, you may want to consider your existing portfolio using the ABCs of Impact framework outlined in Figure 2 in the introduction to this guide. Although some foundations will eventually seek to become 100% impact investors, others will aim in the long term to primarily be aware of the impact of all their activities without necessarily allocating all their portfolio to impact.

Figure 9: Appraising your current portfolio against your impact ambitions

Having set your broad impact ambitions, you may take the strategy you have outlined, and map all of yoOur existing holdings against it using the categories below. This approach of 'knowing what your own' can be a powerful tool to understand where your positive (and negative) impacts lie in your portfolio, including where your holding are most at odds with your impact goals.

Inconsistent	• Material negative impacts to the strategy
Neutral	• No material positive or negative impacts on strategy
Contributing	• Positive contribution to the strategy
Accelerating	• Accelerating material positive contribution to the strategy

Figure 10: Nathan Cummings Foundation – portfolio mapped to the ABCs of Impact[18]



This is the approach that The Dunhill Medical Trust aims to take, looking "holistically at the impact created across both the investment and grant-funding activity, using both financial and non-financial measures to assess success."

The whole portfolio approach – moving to 100% impact

For some foundations, the ultimate ambition is to hold only investments defined as impact investments but that can also generate sufficient financial return to fund their grant-making and help maintain the real value of the endowment.

The Nathan Cummings Foundation made a commitment in 2017 to be 100% mission-aligned in their approach through both specific investment allocations and active ownership. The shift in their portfolio, as mapped against the ABCs of Impact framework described in the Introduction of this guide, can be seen in Figure 10.

The foundation's experience should be a powerful reminder to all those doing this work that this is indeed a journey. The movement of their portfolio did not happen overnight and is still in progress. Today only 5% is out of alignment with the mission (no-go); most of these investments are illiquid assets that the foundation will unwind over the next five to 10 years. The foundation has more than doubled its investments that seek to benefit stakeholders (category B) — from 13 to 27%. Even more significant, it has increased investments in contributing to solutions (category C) from 0.1% to 19%.

Key takeaways

- Accept that moving to 100% impact can take time – a gradual increase in allocation as stakeholders get comfortable with the move to impact can be prudent and practical.
- That said, beware of being too timid in the initial allocation/carve-out – which can lead to the impact element being side-lined or too limited to perform effectively.
- Interrogating the impact profile (positive, neutral, and negative) of your existing portfolio can be a powerful starting point for determining where you currently sit against your impact ambitions – and what your reallocation priorities might be.

Checklist 1: Setting the strategy

Having secured a mandate from the board to explore this work you might want to consider the following checklist to confirm that key steps in shaping an impact strategy have been achieved.

- [ ] We know how we will resource the day-to-day of this work (Evolve, Recruit, and/or Contract).
- [ ] We have processes in place (formal or informal) to report back to the board and other key internal stakeholders on progress.
- [ ] We have informed our external financial services partners that we are starting this work.
- [ ] We have translated our mission as an organisation into broad investable impact themes and we understand the broad impact themes we are particularly looking to target.
- [ ] We have developed a theory of change that articulates how we aim to have impact through our investment activities.
- [ ] We have agreed which approach we will take to our impact investing activities in the main endowment (carve-out vs total portfolio approach).
- [ ] We are ready to start codifying this work into formal documents including our investment policy statement.

2. Codifying your goals and approach

The strategic work detailed in the previous section will ultimately support the creation of an investment policy statement (IPS) specifically for impact investing. Having spent time deciding how you will resource this work, your impact goal and what approach you will take to impact investing as an organisation, it is now time to codify that into the IPS.

You will utilise the work you have done on your theory of change and broad impact goals to inform the activities outlined in this section. The IPS is a legal requirement for foundations whose governing documents require them, who are incorporated as a trust and who delegate discretionary authority to an external investment manager: they are also common practice for most charities with investments[19]. For many, this document is also the lynchpin of their impact investing strategy – acting as the interlocutor between the organisation's investment ambitions, and the capital markets managers that will carry out the investment mandates.

As Matt Cox, Head of Investment at Esmée Fairbairn Foundation, says, "our IPS is very much the job description for our investment advisers".

The important thing to remember is that although an IPS can be prepared in consultation with an investment manager and adviser, the law stipulates this responsibility cannot be delegated. The statement needs to be written, maintained, and 'owned' by the trustees and, where appropriate, delegated with clear lines of oversight to relevant committee members.

Why an impact-enabling IPS is important

Provides clear and formal alignment on impact intent

If you are looking to become an impact investing endowment it is crucial to codify this into the IPS. It helps ensure that everyone involved implements an aligned strategy, as the document will be created, shared with, and utilised by a wide range of stakeholders. These stakeholders could include the staff and senior leadership at your organisation, the investment committee, the wider board, your advisers or consultants, an outsourced chief investment officer (OCIO), and both internal and third-party investment teams.

> As the Mary Babcock Foundation, a grant giver based in America, states in their investment policy statement "[our] mission is the anchor for our IPS, making impact outcomes a key factor in how we assess each investment opportunity."

As the Mary Babcock Foundation, a grant giver based in America, states in their investment policy statement "[our] mission is the anchor for our IPS, making impact outcomes a key factor in how we assess each investment opportunity. Our IPS lays the foundation for us to align our assets with our mission, optimising for both risk-adjusted financial returns and risk-adjusted positive net impact."

Anchors your impact investing strategy when markets are volatile and performance shifts

Ultimately, financial, macroeconomic, and geopolitical environments change and can place significant stress on investments. During times of high volatility and uncertainty, investment managers, investment committees, advisers, and other stakeholders will need to evaluate the effects of these events on investments. Sometimes, this can lead to risk management decisions that may affect the portfolio's impact potential. Because the IPS sets out the details of your risk tolerance, financial targets, and impact expectations, it can help guide portfolio management decisions, particularly during vulnerable times, to protect the impact integrity of your strategy.

The rise in the value of fossil fuel stocks following Russia's invasion of Ukraine across 2022-23 is a good example. Having clear policies in place can prevent short-term decision-making that may ultimately conflict with your long-term aims as an investor. Although a spike in the value of fossil fuels took place, climate change remains a long-term issue that is still of fundamental importance to the majority of purpose-driven entities and is likely to influence the value of those stocks over time.

Accountability for asset managers and advisers

The IPS is an essential tool to communicate your overall expectations consistently to financial services professionals. By providing clarity around intended impact, approach to measurement, financial return and risk tolerance, you create a framework for evaluating each manager's success and guidelines for advisers in the development of an allocation and strategy.

In a traditional IPS, an organisation will detail their return expectations, liquidity requirements, risk tolerance, and target asset allocation to give clear parameters for their managers to work towards. By including that same level of detail around impact intent, you create clear expectations for your financial services professionals to work towards and a framework for greater accountability towards those goals.

What to include in an impact-enabling IPS

Investment policy statements can vary in sections and detail depending on the needs and size of your organisation. According to CC14 guidelines, your investment policy statement "should include your charity's purposes and plans and how your investments fit with these".[20] The current CC14 guidance is also far more explicit than previous iterations.[21]

This policy framing is relevant to registered charities in England and Wales; if you are registered in an alternate jurisdiction, please check local advice and guidance.

The new CC14 guidance emphasises the duty of trustees to use their investment decisions to further their charitable purposes. This emphasis can be a catalyst for conversations about bringing impact into the main endowment. In the words of a leading City lawyer, "From a pure compliance perspective, following CC14, it would be prudent to ask questions about impact investing in the endowment".

As per the Charity Commission's (August 2023) guidance:

"You must have a written investment policy if your governing document requires you to have one or if your charity:

- is structured as a trust, or an unincorporated association, and
- gives an investment manager powers to make investment decisions on your behalf."

It also states that:

"Your decisions about your investment policy must:

- be in the best interests of your charity
- comply with your trustee duties and the principles of good decision-making."

CC14 also suggests that depending on the size and complexity of your organisation, you may include the following:

- What, if anything, your charity's governing document says about how you must invest
- Your charity's investment objectives, including any relevant reputational and other non-financial factors
- Any sectors or organisations which you consider conflict with your charity's purposes
- Your timeframe for investment – short, medium, or long-term
- How easily or often you need access to your charity's money
- Your charity's attitude to risk
- Your approach, if any, to ESG factors and to your engagement with the companies you invest in
- How you will monitor and review your investments, including key benchmarks
- Who your investment advisers and managers are, their responsibility and remit, and how you will work with them.

Many quality resources are available to support organisations developing a traditional IPS, and the upcoming Charity Investment Governance Principles (Summer 2024) go into greater detail on best practices around the governance of investments more broadly.[22] The distinction between an impact-enabling IPS and a traditional IPS is the clear outlining of values and impact intention threaded through the document.

Good impact investing IPSs will detail their impact intention and investment goals. Sections of the IPS that you may particularly want to review with an impact lens include:

- Mission and purpose
- Impact goals
- Impact investment theory of change
- Time horizon
- Approach to engagement and shareholder activity
- Roles and responsibilities

We'll look at each of these sections below.

Mission and purpose

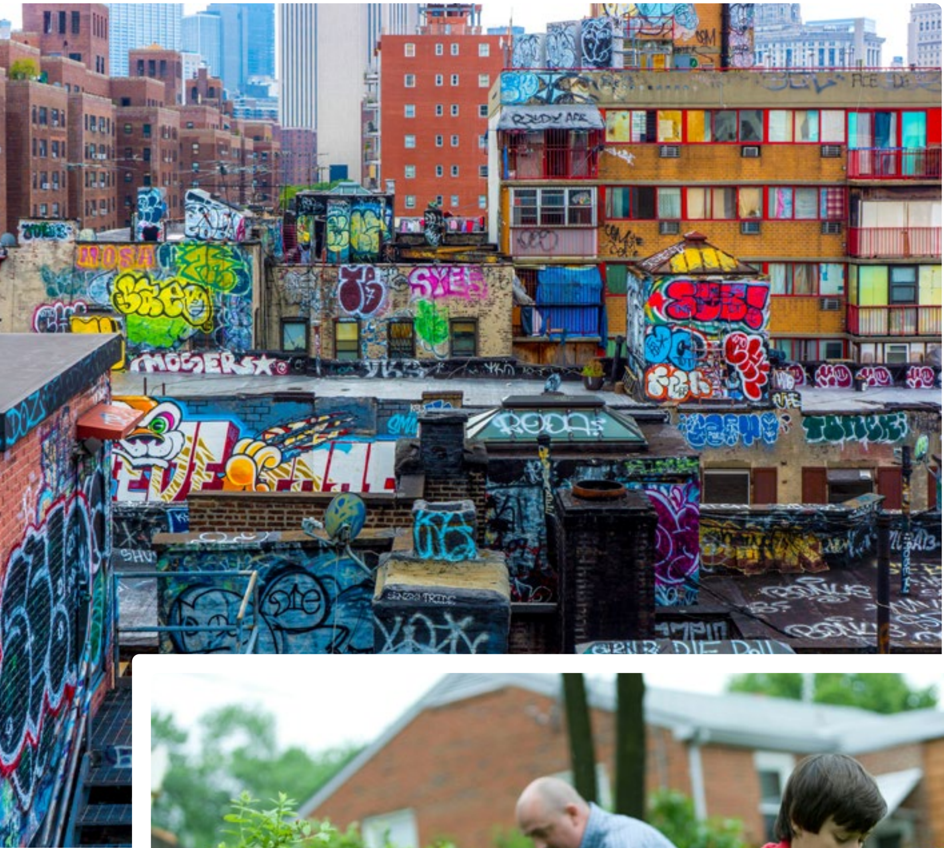
In your investment policy statement, you may want to articulate your mission and purpose as an organisation, as it contextualises your investment policy statement in the organisation's broader aims and the values underpinning those aims. This is a chance to lay out your intent's macro "why" and detail your answer to CC14's important connectivity between "your charity's purposes and plans and how your investments fit with these." It may include your organisation's beliefs around social and environmental factors and the interplay with investment outcomes. These might include concepts of natural capital depletion, climate risk, political risks and systemic risks arising from social inequality, etc. It might also refer to global frameworks like the COP 21 Paris Agreement on climate change or alignment with the UN Sustainable Development Goals.

It may be as simple as stating your organisation's history and charitable mission as the McKnight Foundation has done:

"The McKnight Foundation was founded in 1953 and independently endowed by William and Maude McKnight. A Minnesota-based family foundation, it strives to advance a more just, creative, and abundant future where people and planet thrive."

Or it may be more detailed in the vein of the Jessie Smith Noyes Foundation, which highlights in more depth their history and approach:

"The Jessie Smith Noyes Foundation's mission is to support grassroots organisations and movements in the United States, working to change environmental, social, economic, and political conditions to bring about a more just, equitable, and sustainable world. We seek to advance multi-issue work led by those most impacted by injustice — particularly women of colour and indigenous people — as they have the lived experience of being disenfranchised by unjust systems and have the clearest strategies for change."



If your endowment has a dual mandate to focus equally on delivering both financial return and impact, the IPS can act as a blueprint for managing, monitoring, and defining the success of your investments across both its impact and financial aims.

A dual mandate is not a requirement for an impact-enabling IPS. However, explicitly highlighting how you think about financial returns and impact at a high level in your investments can be a helpful guide when navigating market volatility, as detailed above.

For example, Guy's and St Thomas' Foundation articulates that the endowment's objectives are as follows (and is worded to give each of them equal weight):

"1. To maintain the value of the Charity's Endowment in real terms over the long term; and

2. To produce a consistent and sustainable amount to be transferred annually to the Charity's Unrestricted Fund for expenditure on charitable objects and the governance and management of the Charity; and

3. To seek opportunities provided by investment through the Endowment for health gains in line with the Charity's mission and to act as a responsible investor in relation to stakeholders affected by the Endowment.

4. The Charity seeks to maintain the value of the Endowment in line with the level of the UK's Retail Prices Index over the long term, measured in rolling 15-year periods, after actual transfers of value from the Endowment Fund to the Unrestricted Fund."

Similarly, Access, the foundation for social investment, highlights their impact goals as an organisation and how that influences the objectives of their spend-down investment portfolio:

> "Access's direct impact goals are to increase access to capital for UK charities and social enterprises to enable them to be more financially resilient and self-reliant and ultimately achieve greater social impact. Access has therefore determined that the social impact of its investment portfolio is as important as the financial return."

Figure 11: Friends Provident Foundation – investment principles and policy[23]

Our investment policy on specific social and environmental issues

	Areas in which we will not invest	Areas we will particularly favour for investment	Areas where we will use our influence as a shareholder to change company practice
Reduce the risk of armed conflict	Weapons manufacture and trade		
Promote the transition to a low-carbon economy	Companies for which coal and/or tar sands account for more than 10% of revenues Nuclear power	Energy producers and users whose business models focus on low/zero carbon fuels Energy efficiency	Promote the low-carbon transition – call for adaptation of business models by energy producers and users so that they are consistent with a maximum global temperature rise of 2 °C – including emission reduction, energy efficiency and the development of climate-friendly products and services.
Promote diverse local economies		Companies that excel in actively supporting local economies (e.g. through local sourcing and recruitment)	Promote support for local economies
Promote a resilient, fair and environmentally sustainable financial system and economy		Banks with a particularly strong approach to financial inclusion and supporting local economies Green bonds	Promote the highest standards of business ethics in all companies, including the prohibition of bribery and corruption, and the treatment of consumers
Reduce income and wealth inequality		Companies that support the Living Wage and those with smaller than average pay disparities	Promote the Living wage Control high pay and discourage wide pay disparities within companies Link pay to social, environmental and economic resilience objectives

Impact goals

Leading from the internal strategy work outlined in the first section, you should detail your broad impact goals in your IPS.

For example, Friends Provident Foundation has created a helpful graphic that details specific social and environmental issues that are of relevance to their aims. This details areas that they will not invest in, areas they particularly favour for investment and, areas where they will particularly focus their powers as a shareholder to change company practice – see Figure 11.

Having decided which impact model you will be taking (prism, bull's eye, substitution – see **Section 1**), you should take that articulation of your broad impact aims and ensure that they are laid out in the IPS.

Some other criteria to consider may include:

- Targeting specific impact goals (use of the UN SDGs as a framing can be helpful) to indicate where you would welcome investable opportunities – bearing in mind the danger that over-specifying goals can limit your investment scope.
- Steers on how to think about the distribution of your assets in the context of the Spectrum of Capital detailed in the Introduction to this guide. This could be framed as the targeted percentage for strategies that Avoid Harm, Benefit Stakeholders or Contribute solutions. It could also be framed as the split between responsible and sustainable investing approaches, "finance-first" impact investing, and more concessionary "impact-first" social investment strategies.
- The approach that should be taken on asset allocation: private/public markets split, exposure to real assets (directly-held property/infrastructure), equities, fixed income and cash.

City Bridge Foundation explicitly used the UN SDGs to outline areas that were particularly aligned with their mission. Having done extensive strategy work as outlined in **Section 1**, they concluded that areas that they would particularly favour for investment were focused around four SDG targets, namely:

- SDG 9: Industry, Innovation, and Infrastructure
- SDG 10: Reduced Inequalities
- SDG 11: Sustainable Cities and Communities
- SDG 13: Climate Action

Their investment strategy statement further details how these goals might translate into investable assets.

It is important to note that by highlighting these particular investment areas, they are not excluding other areas for positive impact but making clear the areas that would particularly support their mission.

Impact investment theory of change

Having identified where and how you can have an impact as an investor through your theory of change work – it is important to formally articulate that in your investment policy statement.

This is an opportunity to really highlight how you want your beliefs and mission to shape your investments. What's more, as Danielle Walker-Palmour, director of Friends Provident Foundation observes: "not every problem is grant-shaped". In other words, investing offers an opportunity to generate impacts or get involved in areas that grant-making can't.

> "Not every problem is grant-shaped" – Danielle Walker-Palmour, Director of Friends Provident Foundation

The McConnell Foundation, for example, clearly identifies that they see an impact not only in terms of the ultimate recipients of their investment capital but also in the managers they invest through. In their IPS, they detail their expectations of mainstream mission-related impact investments, but also share how they are interested in making "market-building" mission-related impact (MRI) investments. They explain to their managers what that looks like:

"Market-building MRIs exhibit some or all the following characteristics:

- target the development of a new intermediary, financial instruments, investments thesis or scope of intervention
- play a role in building the marketplace and help attract large pools of capital
- the Foundation's participation could be considered catalytic."

The Rockefeller Brothers Fund details their underlying philosophy and includes a schematic to show how that has manifested in practice over time – see Figure 12:

Figure 12: Rockefeller Brothers Fund – Mission-Aligned Investing[24]

"The Fund has embarked on an effort to achieve greater alignment of its investments with its philanthropic mission while maintaining the overall goal of preserving the purchasing power of the endowment over time.

This has evolved into a dual-pronged approach to investing, which ensures all investment allocations across the entirety of the endowment reflect mission-aligned investing objectives:

1. At the highest level, the Fund has increased the degree of alignment between its portfolio and its mission. The clearest way to do this was to commit to divest from investments in fossil fuels.
2. At the same time, where practical, the Fund seeks to advance its mission and program initiatives through impact investing."

Centring justice in investment practices

As part of its mission, The Rockefeller Brothers Fund has a clear mandate and commitment to address the fact that racially diverse and female-owned firms account for only 1.3% of the financial industry's $69.1trn assets under management.[25]

"This commitment recognizes the Fund's moral obligation to do its part to address past and current injustices to groups that have been historically disadvantaged and socially, politically, and economically marginalized. Our commitment is shaped by our values, our work, and the philanthropic traditions of the Rockefeller family. We seek to integrate this commitment to diversity, equity, and inclusion into our management of the Fund's endowment."

The Fund has a separate policy that details out what that means in practice, which is shared with all the financial services professionals that they work with and provides a clear philosophy and guidelines for how they have done and will continue to do this work.

They highlight the metrics and efforts utilised to diversify its endowment holdings by confronting any bias in their investment process and exploring how to increase the gender, racial, and ethnic diversity of the managers in their investment portfolio.

- **Metric #1/Ownership**: Women/People of Colour hold "Majority Ownership" of the firm (defined as 51% or more).
- **Metric #2/Leadership**: Women/People of Colour are voting members of the Investment Committee and/or Portfolio Manager for the fund/strategy.
- **Metric #3/Next Generation Pipeline**: Firm makes intentional efforts to transition Women/People of Colour to more senior roles; and
- **Metric #4/Diverse-Led Portfolio Companies**: Venture Capital & Private Equity fund commits to a minimum of 30% portfolio companies led by Women/People of Colour.

With the objective of fostering increased opportunities at the highest level of participation in the investment sector structure, the Fund will seek to increase the percentage of its endowment invested in firms that reflect majority ownership (Metric #1 above) by women and/or people of colour to 25%. We recognize the need for advancement in the remaining metrics above to support the longer-term goal of majority ownership and will also seek to measure and increase our investments supporting these objectives."

Time horizons – organisation

> "Aligning the shorter-term priorities of trustees and other stakeholders with the long-term nature of many investments we want to look at is an interesting challenge." – Andy Gnaneswaran, Head of Investment, The Dunhill Medical Trust

Time horizons – transitioning to impact

No foundation will transition their investments from 'traditional'[26] to impact oriented overnight. In recognition that this is a journey, many will choose to highlight plans for their investments in the long, medium, and short term in their investment policy statements. For example, The McConnell Foundation helpfully lays out a set of targets and milestones for their investment portfolio – see Figure 13.

As well as time-based targets, transitioning can also be specified as being contingent on finding the right opportunities. For example, as detailed above, Esmée Fairbairn Foundation has allocated £10 million to an impact carve-out – but has specified that it will be allocated over time in a series of 10 £1mn tranches. In this way, the allocation to impact has been assured, but the investment team is not under pressure to invest until appropriate investments have been found. That said, any milestones should be expressed in a way that ensures momentum to transition to impact is maintained.

Figure 13: McConnell Foundation's investment targets and milestones[27]

Approach to engagement and shareholder activity

Much of the focus of this guide has been on investing for impact through private assets such as private equity and venture capital opportunities. But impact can also potentially be achieved in public markets – particularly through intentional, active shareholder and stakeholder engagement.

Parameters for engagement, underpinned by a clear theory of change and processes for escalation and potentially divestment, could be included in the section on identifying your impact investment criteria. Alternatively, it could sit as a separate section of your IPS if engagement is an area where you feel that you can make particular progress as an investor and therefore merits detailed attention.

For example, the Health Foundation explains: "We guide and monitor our investment managers to ensure they engage with companies to improve ESG outcomes. This engagement supports our ambition to reach net zero in our investments by 2035. We work actively with our investment managers to look at decarbonisation pathways for our current investments, as well as educating them on the driving forces behind population health and the actions companies can take to meet world goals for health and sustainability."

Figure 14: Excerpt from the McKnight Foundation investment policy statement[28]

The table summarizes the primary roles and responsibilities for investment decision-making and oversight:

Responsibilities & Decision-Making				
	Board	Investment Committee	Investment Team	Consultants
IC Member Selection	Select	Consult		
Investment Policy Statement	Approve	Recommend	Prepare	Consult
Asset Allocation		Approve	Recommend	Prepare
Mission Alignment Strategy	Approve	Recommend	Prepare & Propose	Consult
Manager Selection		Approve	Analyze & Recommend	Prepare
Manager Termination		Approve	Analyze & Recommend	Prepare
Investment Policies (Includes Rebalancing Policy)		Approve	Prepare & Recommend	Consult
Periodic Rebalancing		Chair Review	Prepare & Execute	Consult
Quarterly Reporting & Data Analytics		Review	Analyze	Prepare
Manager Monitoring		Review	Prepare	Prepare
Selecting Consultants		Select	Recommend	
Mission & Impact Management Framework		Approve	Recommend	Consult
Measure & Report Impact & Learning		Review	Consult	Prepare
Governance	Approve	Consult	Consult	

Roles and responsibilities

Clearly delineating the roles and responsibilities of all stakeholders who will be involved in the investment decision-making process is crucial to ensure that impact integrity is maintained throughout the investment lifecycle. Figure 14, for example shows how the McKnight Foundation allocates roles and responsibilities for each area of investment decision-making across four groups: the board, investment committee, investment team and consultants.

Understanding and setting clear expectations around accountability – both for the financial performance and the impact performance of your portfolio – can help ensure that impact integrity is maintained over time, especially in the face of unforeseen circumstances and potential market volatility. Processes should also be put in place to periodically review and make changes as your journey progresses.

Learning from others

There is a lot to think about when putting together an impact-enabling IPS. Reading other organisations' IPSs can be a helpful and rewarding exercise and inspire fresh areas of discussion to have with stakeholders.

As part of this research, the Institute has compiled a bank of publicly-available impact-focused IPSs, which can be found **here.**

Social investments and the IPS

Many organisations that are exploring impact investing in the main endowment will have existing social investments, that are typically taken "out" of the endowment and are invested by colleagues in the main grants and programming team. These investments may be governed by a separate IPS, or they may be included in your main IPS.

For example, Friends Provident Foundation makes explicit reference to their social investments in their investment policy and principles:

"We view the whole of our endowment as a tool to help us achieve our mission. Our aspiration is that all our investments should generate both financial returns and positive social and environmental returns. We allocate c.90% of our endowment to generate income to support our grant-making, while at the same time supporting established companies whose business contributes to the kind of economy and financial system we wish to see and encouraging all companies to move in this direction through our role as a shareholder. We expect these investments to generate competitive market returns. We therefore refer to this as our 'market-rate portfolio'.

We allocate up to 10% of our endowment to investments that generate particularly strong social benefits, and from which we are prepared to accept lower financial returns because these investments further our charitable objectives. We refer to this as our 'social investment portfolio'."

Key takeaways

- As well as a legal requirement, the investment policy statement is the lynchpin that ensures your impact ambitions can be translated into a clear, workable, consistent, and accountable investment strategy – so involve all key internal stakeholders in its development.
- Be clear on how an impact-enabled IPS needs to expand on a traditional IPS – integrating your impact intention throughout, from mission and values to goals, shareholder engagement and time horizons for moving to impact.
- Your IPS is a living document – especially when navigating the new territory of impact investing, it will need ongoing review to keep pace with evolving impact goals, resources, and opportunities.

Checklist 2: Writing an impact- enabling IPS

Having gone through all your strategy work, you may want to consider the following checklist to use throughout the writing and reviewing process of your investment policy statement.

Before you start writing your IPS you may want to ensure:

- [ ] We have done the necessary strategic work internally (see Section 1).
- [ ] Board, staff, investment advisers and any other relevant stakeholders are aligned on our ambition.
- [ ] We have articulated broad impact goals.
- [ ] We understand how we aim to have impact as an investor.
- [ ] We have the governance processes in place at a team and board level for iteration and sign-off on our new IPS.

As you write your IPS you may want to ensure that the following impact aspects are included:

- [ ] We have articulated our organisational mission and vision in our IPS.
- [ ] We have articulated the purpose of our organisation and our endowment/investment activities.
- [ ] We have included an articulation of our intended impact goals.
- [ ] We have included an articulation of how we believe we will have impact as an investor.
- [ ] The above articulations are detailed and clear enough to ensure that our impact investing strategy remains central even in times of market uncertainty.
- [ ] We have detailed the time horizons that we as an organisation are working towards through our investment activities.
- [ ] We have detailed our approach to engagement and shareholder activity.
- [ ] Our IPS clearly delineates the roles and responsibilities of all relevant parties.
- [ ] We have written our IPS in a way that allows for clear accountability for the financial services professionals that we work with to invest our endowment.
- [ ] We are happy that we have iterated our IPS so that it fully reflects the nature of our aims and ambitions in a way that is practicable.
- [ ] We are happy that throughout the writing process we have incorporated feedback from all relevant stakeholders.

For ongoing management of the IPS, you may want to ensure:

- [ ] We have a governance structure in place to review and update our IPS at appropriate intervals.
- [ ] We have made a decision about whether or not to make our IPS publicly available.

3. Finding the right investment partners

Understanding if you have the right partners

Having the right partners is crucial to delivering on your impact investing ambitions. It may well be that those professionals you are already working with are the right team, but it is also possible they are not. Impact investing is still a new approach: while there are some excellent mainstream impact investing professionals, many investment firms have yet to invest in their capabilities to deliver impact investing mandates for their clients.

The partners you choose to work with and the standards that you hold them to are not just a mechanism for executing on your own aims but can also have ramifications across the financial services space.

Who might your investment partners be

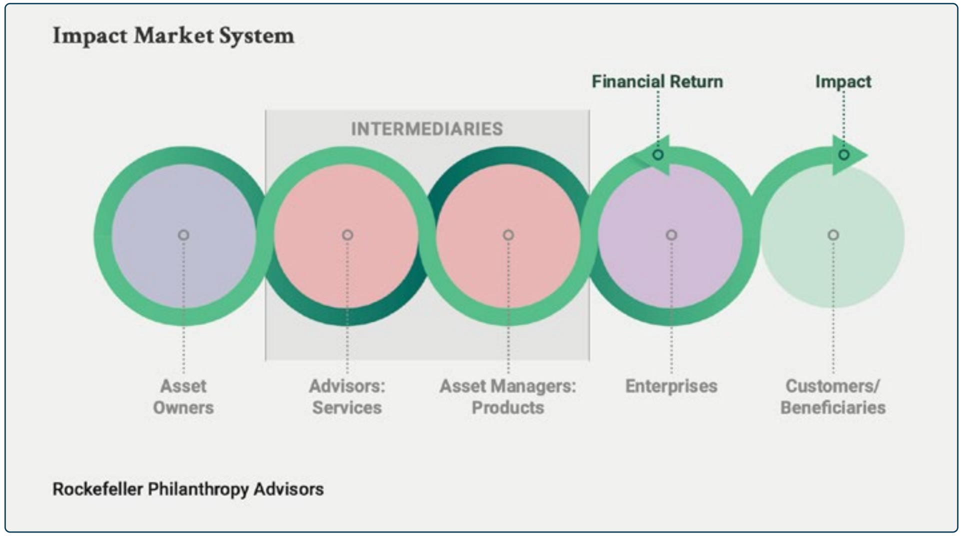
What is an adviser?

Investment advisers (sometimes called investment consultants or intermediaries) provide fee-based services to help asset owners determine where and how to deploy their assets in line with their objectives. They may or may not offer investment products as well as advice.

There are many ways of working with an adviser. Some advisers may be given the discretion to make investment decisions on behalf of their asset owners, including which investments to buy and sell, and which investment managers to use. Others may work on an 'advisory' basis only and need the asset owner's prior approval to execute any investment decision.

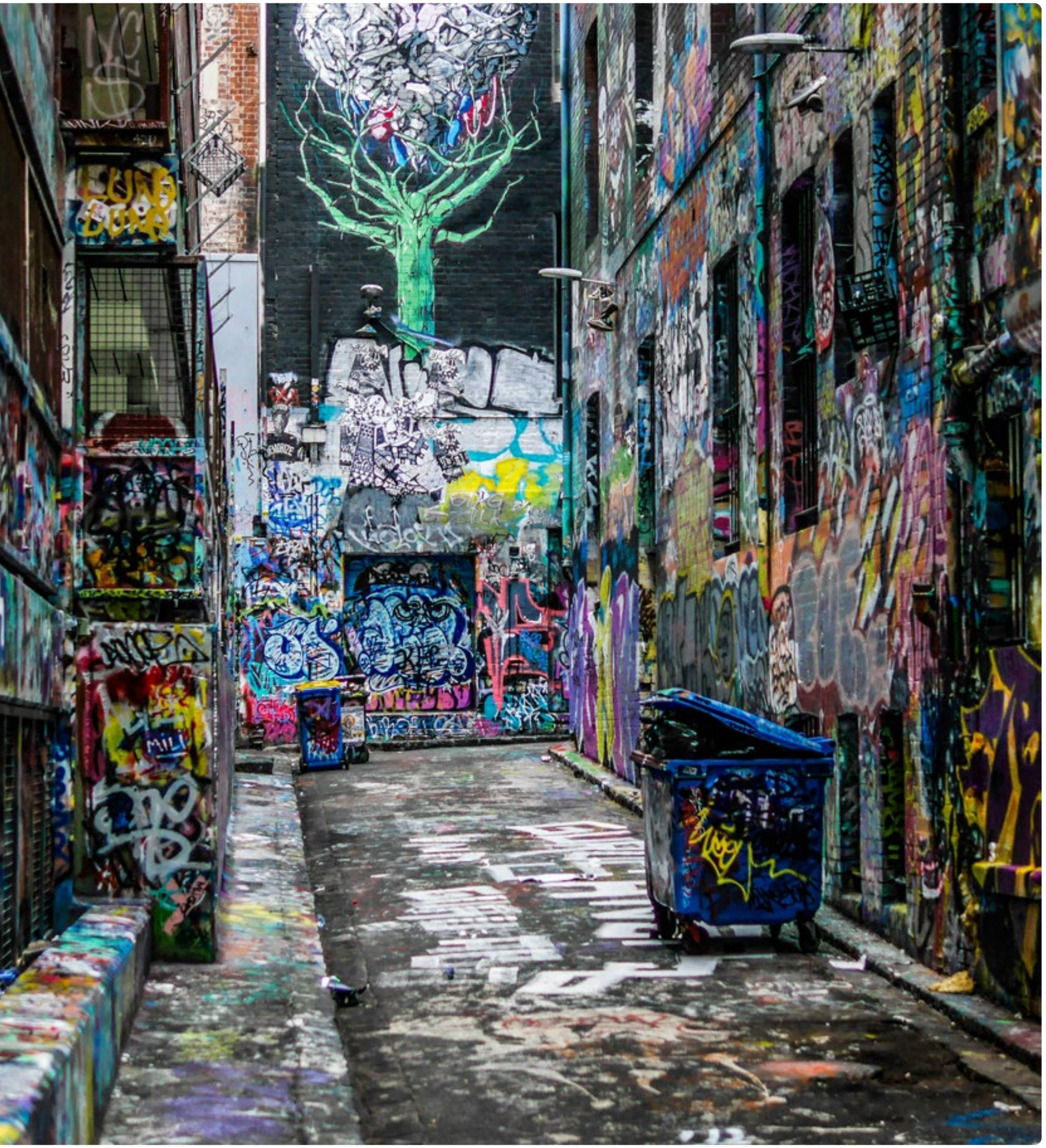
The right approach will be determined by an array of factors, including the level of internal resource and expertise in the foundation to approve investment decisions and the level of comfort with the chosen adviser or consultant. Some asset owners may choose to start off with an advisory relationship, moving to a discretionary one when the adviser/consultant relationship has proven to be successful. It is also possible to have different relationships in play with the same firm for different parts of your portfolio (in the case of Esmée Fairbairn) different advisers for different parts of your portfolio (in the case of Dunhill Medical Trust) or one adviser who works with you across the portfolio (in the case of the Nathan Cummings Foundation).

Figure 15: The impact market system – Source: Rockefeller Philanthropy Advisors[29]



"Asset owners are the key to the whole financial system. Investment advisers and fund managers and other professionals are simply there to provide a service to people's money. So if enough owners of that money ask for something, that's when an industry really changes.

For example, if we ask funds to provide DE&I data on portfolio companies as part of their due diligence, the fund has to ask companies to start gathering that data, which in turn requires companies to justify their own practices." – Matt Cox, CIO, Esmée Fairbairn Foundation



To assess if you have the right partners, you will want to test the impact investing capability of the organisation and team you are working with. You will want to understand:

- the seriousness with which the organisation takes the impact investing agenda
- the resourcing the organisation gives it
- the experience of the staff serving you
- the quality of the products that your adviser or managers will deliver.

Impact investing can be resource-intensive. The best chance you have to deliver impact investing successfully is working with a well-resourced, experienced team that is of strategic significance to its organisation and that

Figure 16: Three areas interlocking areas of determining partner suitability.

has its CEO's interest and engagement. Access to impact investing product often depends on whether an organisation has invested the upfront resource into finding it and conducting due diligence on it. This requires assessing potential partners across three overlapping areas – organisation, team, and product – see Figure 16.

Below we assess these three areas of partner analysis in more detail using questions that are useful to ask at many stages of the relationship. Steps on how to craft an Request For Proposals (RFP) using these questions are also provided.

Is this the right organisation?

To determine the impact investing capability of an organisation you will want to test for the following:

- The major commitments of the organisation to impact
- The governance of impact investing within the organisation
- The business model to enable impact investing in the organisation.

Figure 17 details questions to ask to determine standard and good practice in each of these areas.

The major commitments of the organisation to impact

Although being a signatory to or allied with market initiatives is not a silver bullet in assessing organisational capacity, it can be a useful starting point. At a minimum, you would hope to see that the organisation is aware of and involved with established impact investing initiatives that go well beyond responsible or sustainable investing.

Going deeper you would ideally like to see engagement with a rapidly growing market and a determination by organisations to participate in and shape its growth as well as a commitment to delivering positive impact through their own operations as a firm.

The governance of impact investing within the organisation

While it is crucial that organisations have demonstrable impact expertise at an individual and team level, it is also important to gauge the extent to which those individuals and teams also secure influence across the business. If an organisation has a chief sustainability officer (CSO) who also oversees the impact practice, but that individual and their teams are siloed from the broader business or do not have significant influence at a senior level it may be a sign that impact investing is seen as more of a marketing exercise. The impact should be considered fundamental in the investment decision-making process, driving the choice around whether to invest or, more importantly, where not to invest.

The business model to enable impact investing in the organisation

The business model of an organisation sets the boundaries of what an organisation is able to do in the impact investing space. Impact investing is a new approach and way of working. So, if the business model of the organisation is not facilitative of an impact approach, it is unlikely that you will receive the service to allow you to deliver on your aims.

Figure 17: Questions to determine organisational suitability

Question	Standard practice and good practice	Further probing
Organisational commitments What commitments has the organisation made around impact? Is the organisation signatories / allied to any initiatives supporting excellence in responsible and impact investing? Do they have an organisational net zero policy in place? Do they have an organisational diversity, equity and inclusion policy in place that is demonstrably changing the culture at the firm?	**Standard practice** The organisation has committed to the following: • Paris Agreement alignment[30] • UN Principles for Responsible Investment[31] • UK Stewardship Code[32] The organisation utilises the language of the UN Sustainable Development Goals in their approach. **Good practice to look out for** Knowledge of and/or engagement with: • Impact Investing Institute[33] • Global Impact Investing Network (GIIN)[34] • Global Steering Group (GSG) on impact investing or their local National Advisory Board on impact investing[35] • Impact Management Project (IMP)/Impact Frontiers[36] • Operating Principles for Impact Management[37] • Diversity Project[38] Note that the above initiatives are indicative only.	• If they are signatories/ allied, how long have they been so? What prompted them to sign up? • How has their participation in these initiatives strengthened their impact practice? • Can they share if their participation has affected other areas of their business? • Is the organisation a signatory or participant in market initiatives that are of relevance to your foundation's broad impact aims? E.g. Women in Finance Charter, 30% Club, Climate Action 100+

Question	Standard practice and good practice	Further probing
Governance How does their organisation govern impact investing?	**Standard practice** • The impact investing agenda has an executive sponsor i.e. CSO or other, and a board sponsor. • There are clear lines of governance and accountability between the impact investing unit, board, executive, and other business units. • Impact investing is a clear part of an organisation's broader sustainability approach. • The impact investing agenda at the organisation is serviced by diverse set of team members with a range of experience who are able to challenge and bring a wide range of perspectives to improve outcomes. **Good practice to look out for** • The CEO is committed to impact investing, has made public commitments on the topic, and shares it as a strategic imperative. • That public commitment ladders down into sustainability and impact KPIs owned by senior leaders. • The organisation works with independent, external oversight, committees, councils and/or partners to develop and oversee their impact practice	• Are there any impact KPIs that their leadership is held to? • How does success or failure on the impact investing agenda get dealt with by the Executive? • Does impact performance influence staff remuneration and bonuses? i.e. impact-linked carry in a private equity context.
Business model How is their business model facilitative of an impact investing approach?	**Standard practice** • The organisation is able to clearly articulate how its business model can facilitate the achievement of your impact aims (regardless of the investment approach or model that the firm has). **Good practice to look out for** • Impact is an established and core offering of the organisation. • The organisation demonstrates a strong impact culture e.g. is a registered B Corp.	• For advisory firms, what does their fee structure look like? Does it allow for flexibility and integration of impact into its offerings?

Is this the right team?

As well as appraising the broader organisation's commitment to impact, you will want to ensure that you are working with the right team within that organisation. Here you can look at:

- The team's size and longevity within the organisation
- The team's knowledge of impact investing
- The team members' personal commitment
- The team's diversity of background, profile and experience.

The team's size, longevity and composition within the organisation

If you are working with a 'mainstream' asset manager or adviser, understanding how much resource is allocated to impact investing and how long impact teams have been in place can help you understand the level of priority given to it within the organisation, as well as the depth of track record and expertise.

The team's knowledge of impact investing

There may be demonstrable impact investing knowledge and expertise at an organisational level, but it is also important to understand if that knowledge is embedded within the team that you are working with. You want to test the team's impact capability and knowledge of the market and if it is keeping up with developments in the impact investing field, which is continuously changing and expanding.

The team members' personal commitment

You should feel confident that each team member you are working with is fully and personally committed to delivering impact as well as a financial return. You can learn a lot about impact investing and the opportunities it offers through the passion, commitment and direct experience of individuals working in the space.

Those who have demonstrated a longstanding commitment to impact, be that through experience in the non-profit world, being early and vocal advocates for this agenda or who have had direct exposure to particular impact areas, will often have deeper commitment and understanding of this field than those from a purely financial background that have recently looked to incorporate impact into their investment capabilities for commercial reasons.

The team's diversity of background, profile and experience

Impact investing is a new discipline. As such, opportunities tend to be most successfully identified and delivered by organisations open to a rich variety of perspectives, experiences and skills within their investment and adviser teams. Equally, given that much impact work focuses on addressing social factors such as gender and race inequality, it is only appropriate that impact investment teams themselves need to reflect the diversity of gender, race and socio-economic background that clients are often seeking to achieve.

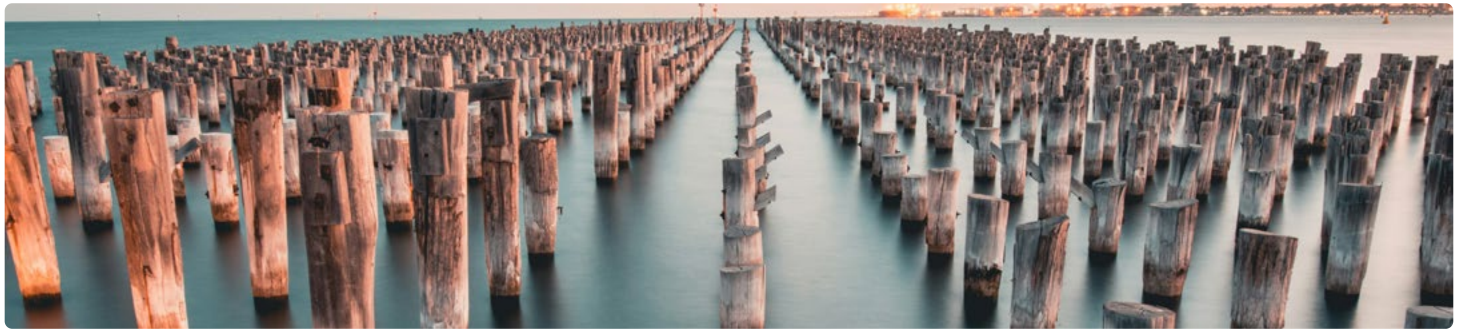


Figure 18: Questions to determine team suitability

Question	Standard practice and good practice	Further probing
How large is the team that services impact investing and how long have they been in place?	**Standard practice** • The team that leads on impact investing has been in place for 5+ years. • The team that services impact investing is made up of more than a handful of people. • The team is diverse and represents people who have both impact and financial specialisms. • The team has reflected and responded to key priorities on race, gender, and broader protected characteristics. **Good practice to look out for** • The team has a track record of working with clients to service an impact investing strategy and can give examples of how that has evolved over time. • Colleagues who have an investment-only role are able to speak the 'language of impact' and demonstrate understanding of the field.	• Does the team have adequate resourcing to deliver on your aims?
	Standard practice • The team can detail what impact investing looks like across asset classes and can give concrete examples. • The team can detail what differentiates impact investing from ESG or broader responsible investment practices. • There is integration and communication across the impact, investment, and research teams. **Good practice to look out for** • There is a diversity of knowledge and experience within the team that will contribute to the successful execution of your aims. For example, you may refer back to your broad impact aims and theory of change and look to understand the team's expertise in those areas. • Team members have undertaken professional training or qualifications linked to impact investing e.g. CFA UK Certificate in Impact Investing.	• Are there knowledge gaps across the organisations' team and how do they propose to address them? Can they give an example of where they have had to upskill team members in response to changing client demand? • How knowledgeable is the team on impact investing and how do they stay in-step with key trends? • What impact investing training do they provide their employees? • How long have they been running this training? How often is it made available? • Can they provide examples of what topics are covered?

Question	Standard practice and good practice	Further probing
What is your personal commitment to impact investing?	**Standard practice** • Individuals demonstrate genuine enthusiasm about the opportunities to generate real-world impact alongside financial return. **Good practice to look out for** • Individuals are able to sign post to research and market developments that they find particularly exciting and relevant to your aims. • Team members demonstrate commitment to delivering social and environmental impact e.g. through volunteering activities or as charitable trustees. • Team members have experience in the sectors or issues that your impact strategy looks to work on. • Team members have lived experience of the impact you are looking to create.	• Can they speak about their journey to working in impact investing? What prompted them to get involved?

Does their offering align with your new strategy?

Alongside establishing if the organisation and the team you are working with have the organisational and personal commitment and resources to deliver on your aims, you will want to ascertain that the products you are being served are the right fit, and on three parameters:

- the products have strong impact credibility
- they maintain that impact credibility throughout the investment lifecycle (in the case of asset managers)
- they are aligned with your strategy.

The products have strong impact credibility

An often-cited concern in impact investing is around green and impact washing. To assuage this anxiety, it is important to have assurance that the products you might invest in are credibly impactful. At a high level, an investment can be deemed a credible impact investment if there is:

- clear intentionality to produce a positive impact
- a framework or methodology in place to measure and report on that intended impact
- an ultimate aim to contribute to solutions rather than merely avoid harm.

The products maintain that impact credibility throughout the investment lifecycle

An impact investment has a lifecycle, it is not a static event. Impact should not just be a consideration at one point in this lifecycle but throughout, from the early stages of researching and sourcing deals, or product due diligence, all the way through to the exit of investments. Questions to probe here focus on how your partners manage the impact aspects of their investments, and how their day-to-day decisions support the most impactful outcome being achieved.

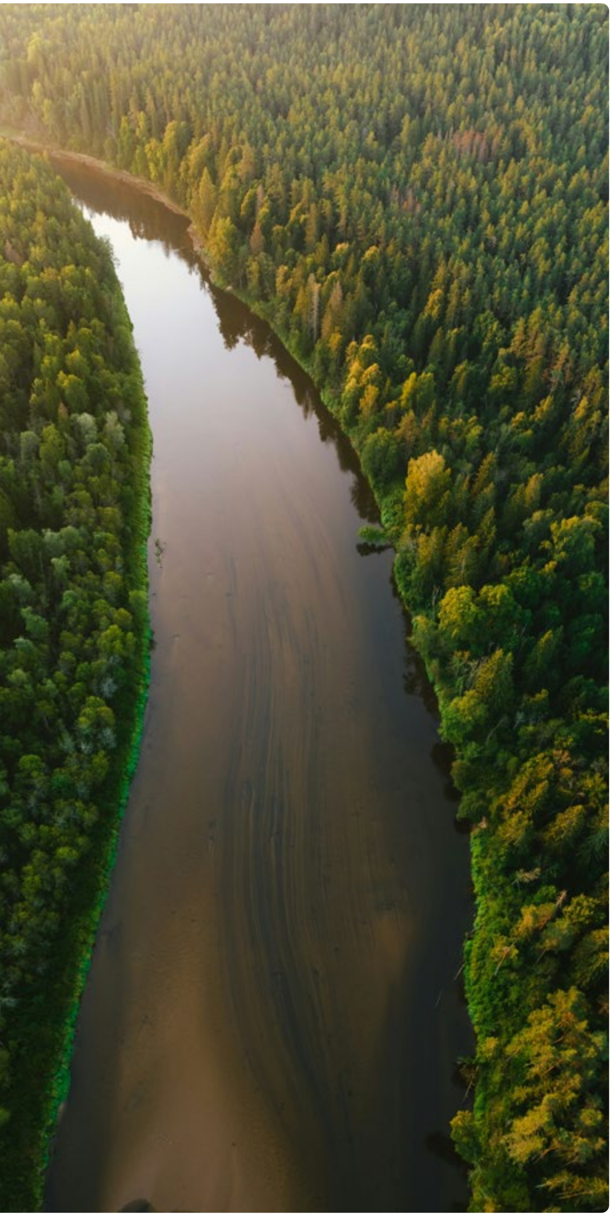
The products are aligned with your strategy

An organisation, especially more boutique, specialist impact firms, may have high impact integrity and credibility across their offering but their product (or research capabilities to surface product) may not specifically align with your aims as an impact investor. For example, products being offered may be primarily climate-focused whereas you may be more concerned with social impact. So, you will want to explore questions that help you understand if they can help you directly on the themes and asset focus that you want covered – see Figure 19.

Figure 19: Questions to determine product suitability

Question	Standard practice and good practice	Further probing
Tell us how you ensure the impact credibility of your products?	**Standard practice** • The organisation is able to articulate why the products being recommended are impact investments and do not conflate impact and ESG.[39] • The organisation's products have a clear impact goal, theory of change, impact measurement process, and clarity of how they contribute to solutions rather than just avoiding harm. • This explanation is grounded in clear evidence of the need for this product and of the team's track record of delivering impact. **Good practice to look out for** • The organisation can talk widely about the social and environmental problem their product is solving and why this investment is a great impact proposition. • The organisation uses the Impact Management Project's / Impact Frontiers' Impact Management Norms to talk about its product. • The organisation publishes an annual impact report that transparently documents successes and failures. • The organisation works with established independent organisations to verify their impact, for example BlueMark, 60 Decibels	• For asset managers, can they list the five investments they hold that score the lowest on ESG/impact metrics? • Are they able to give a strong rationale for including these investments?

Question	Standard practice and good practice	Further probing
How do you ensure that impact considerations continue to be paramount throughout the investment cycle?	**Standard practice** • Impact analysis is conducted throughout the investment lifecycle—from screening and due diligence through to exit. • Impact metrics are clearly defined and comparable across offerings. • Advisers (who may be recommending offerings from different firms) are able to take disparate and diverse offerings and compare and contrast in a way that is meaningful to you, the client. **Good practice to look out for:** • The organisation has impact and investment specialists working throughout the investment lifecycle—from screening and due diligence through to exit. • The organisation is committed to engagement across the lifecycle and can evidence multiple interactions with an investee and their positive impact outcomes.	• Can they give concrete examples of how the inclusion of impact analysis across an investment's lifecycle has changed outcomes? • For advisers, how is their research process facilitative of surfacing the best impact opportunities? • For advisers, to what extent is diversity and inclusion part of their assessment for manager selection? • For managers, can they give examples of how impact protections are integrated into a fund's governing documents?
Can you serve our strategy's particular thematic adequately?	**Standard practice** • The product being offered or recommended aligns with your impact goals and asset allocations. **Good practice to look out for** • Demonstrable expertise of the team in the impact areas you are looking to work in.	• Can they share examples of how they have worked with clients who have similar mandates and aims to yours?



Navigating resistance

Some foundations have found that initiating a conversation around impact has not always landed well with the investment professionals they work with. This is unfortunately still common, as expertise in financial services has not kept pace with impact investing's market growth.

Foundations will often hear an array of stock responses:

- Impact investing delivers concessionary returns, and the market is small/high-risk
- Your foundation is too small / too big to do this
- You are already achieving impact through our ESG product.

For each of these "stock" responses, there is a body of evidence to support you in pushing back.

"Reduced returns"

If you get the response that an impact investing approach is necessarily concessionary (i.e. you have to 'concede' financial return if you want to generate positive social or environmental impact), you may want to highlight that:

- There are a range of foundations and trusts in the UK and globally that have already taken this approach and are delivering compelling risk-adjusted financial returns. A starting list of case studies of practice can be found throughout this guide and on the Impact Investing Institute's website **here**.
- The global impact investing market was sized at $1.164trn globally in 2021. Of that $1.164trn, 66% of investors were targeting market rate returns. Product is available across asset classes, both in public and private markets with a wider range of return targets. The Impact Investing Institute has a case study library of products that can help land these arguments[40].
- Resources exist to demonstrate the scale and scope of the impact investing market. For example, Phenix Capital, a Netherlands-based investment adviser has an impact funds data base that provides data on over 2,500 impact funds across 1,100 fund managers globally.[41]

"Wrong scale"

If you are told that you are too small to do this work (or indeed sometimes too big):

- Highlight to your advisers the range of organisations that are doing this work – you can as a starting point speak to the case studies of practice that the Impact Investing Institute has assembled **here**.
- The point about being too small often comes because developing a bespoke portfolio approach can be expensive.
- There are multiple small foundations that have taken the journey to become impact investors. Access – The Foundation for Social Investment started their total impact approach with a £10mn allocation and at a much earlier stage of market evolution. Other examples of small foundations delivering impact investing in their endowment include Treebeard Trust (£20mn AUM)[42] and Bishop Radford (£24mn AUM).
- Ask your advisers to help you: "Given the realities of my organisation, what are some of the approaches that you would suggest to help us align our investment approach with our mission and values?"

"Already doing it"

If you are told that you are already doing this in some capacity and your advisers point to existing exclusions, your responsible investment policy or some ESG funds that you may be invested in:

- Ask them to identify what you are already invested in that they would deem to be impact investments and ask them to explain their reasoning in detail.

In these conversations, ensure that you ask for concrete examples and do not be afraid to keep digging if you do not feel you are getting the answers you need.

Some questions you may want to ask as a follow-up include:

- Can you explain how this contributes to solutions rather than just mitigating potential harms?
- Can you provide us with examples of how you have worked with other clients to develop and deliver on an impact-oriented strategy?
- How did that differ from work you have done that does not include impact considerations?

This work requires looking at your approach holistically. It is a great starting point if you already have portfolio holdings that are impactful. Indeed, this can inform your next steps and lead to conversations about how you might deliberately include more of this approach in your investments.

As discussed in Section 1, knowing what you already own can be a very powerful starting point to determine where you go next and is the foundation on which many organisations have begun this work.

What is in it for investment advisers – getting on the front foot of a major movement

The impact investing market is rapidly growing. Globally, increased interest and allocations from institutional investors, including foundations, are proving that impact investing is not a fad but rather represents a genuine shift in how asset owners are thinking about their investment approach.

In the UK, the market for advice on how to generate risk-adjusted market rate returns alongside social and environmental impact is still relatively nascent. But there is increasing interest from trusts and foundations, and they represent a significant market opportunity.

The 300 largest foundations in the UK are worth a collective £87 billion and growing.

Developing genuine advisory expertise in the field of impact investing is becoming a competitive advantage. Being an early mover in this space and supporting clients who are at the exploratory phase of this work now can set up advice firms for long-term relationships that are mutually beneficial.

Granted, foundation clients might currently be looking at an impact approach that encompasses a small percentage of the portfolio. But in coming years, many may well be looking to apply impact to a growing proportion of their assets – often the whole portfolio. Advisers and consultants need to be building their expertise and credibility now to be ready for that demand.

Designing an RFP process

Periodically any foundation will seek to run a procurement process for the investment management of their portfolio. Once your foundation's board has committed to impact investing, it may also determine if it is worth retendering the investment contract.

The assessment questions in the preceding section will support you in your search for suitable financial services partners. If you have concluded that new partners are needed to drive this strategy forward, it is important to be as detailed and clear as possible as you develop a request for proposal (RFP) for organisations to respond to:

- **RFPs for advisory support**: If you are looking to source new advisory support, you will need to assess an organisation's ability to advise on achieving both your impact aims and your financial aims. Their expertise will need to span a number of areas including strategic asset allocation; benchmarking and performance monitoring; sourcing; and due diligencing investment opportunities.
- **RFPs for asset management support**: If you are looking to source new asset managers to manage your portfolio, you are directly investing your money with a firm in a set of products. You therefore need to assess the impact thesis and integrity of the funds you are looking to invest in alongside financial considerations. This will mean understanding the ways in which your manager develops strategic objectives around impact and integrates those objectives into funds, as well as the impact commitment and integrity of the organisation.

The RFP structure

An RFP that results in useful answers to accurately appraise a potential partner's impact investing experience, resources and commitment will include three main parts:

About you

- Details of your organisation, its mission, its impact investing strategy, and its theory of change
- Clarity on any thresholds, requirements, or stipulations specific to your organisation
- Your organisation's commitment to diversity and inclusion and how you expect to see that reflected in proposals
- Key points from your new impact-enabling investment policy statement (IPS) – although you will probably provide the full IPS alongside the RFP

About them

The key questions you have for them on:

- The organisation
- The team serving you.
- The products/services you are being recommended.
- You may want to use the questions shared earlier in Section 3 as a reference here.

About how you'll work together.

- Key questions you have on how they intend to partner with you to deliver your finance and impact outcomes. This may include a request to detail their approach to measuring, monitoring and reporting on impact and proposed impact metrics.

Throughout this process, you should feel empowered to challenge potential providers on their impact approach in the same way you are empowered to challenge them on the financial elements of their proposals. Much of the art of this will be digging behind the marketing speak to understand the real commitment to, understanding of and expertise in the field. A guiding principle should be to always ask for real-life examples.

Conducting an RFP can also be an invaluable opportunity to influence the broader financial services sector by highlighting and setting expectations for impact investing expertise, ultimately pushing up standards across the industry.

This standard-setting can take many different forms. For example, in the summer of 2021, the EIRIS Foundation put forward a request for proposal for an investment solution to execute their responsible investment policy for a mandate of just £1mn. The foundation shortlisted proposals and hosted a public-facing webinar for the shortlisted candidates to present their proposals.

As part of this exercise, they made their RFP publicly available.[43] They highlighted their intent to appoint a fund manager or adviser who would:

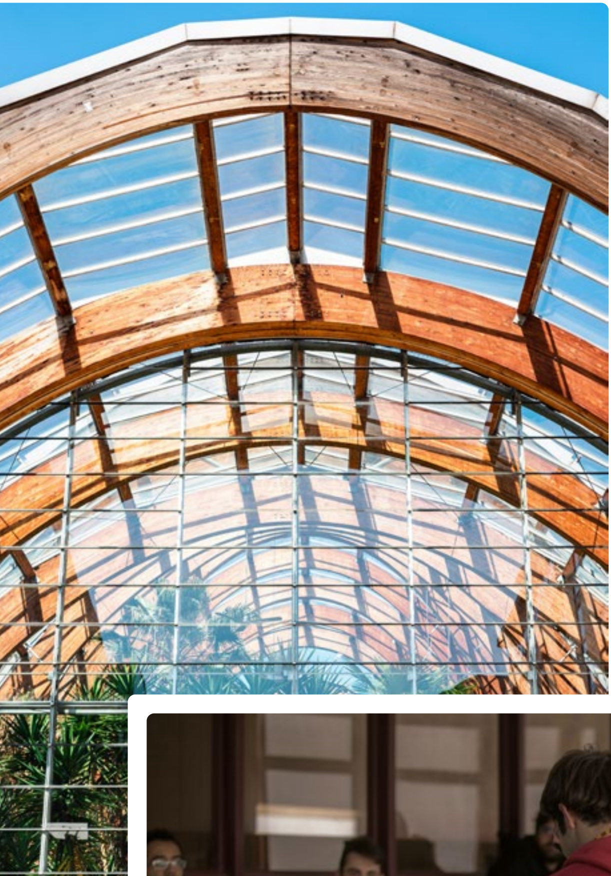
- "Understand the EIRIS Foundation's mission and priorities and be able to offer a solution that meets our objectives
- Have expert knowledge and experience of best practices in ESG
- Can provide high-quality reporting and transparency over underlying assets, including ESG/Impact
- Can demonstrate a track record of supporting similar clients to achieve or exceed their investment objectives
- Offer value for money"

The public-facing exercise was an opportunity both to raise the bar on transparency and showcase the offerings available to smaller foundations with as little as £1mn to invest that, despite their size, would still like to invest in line with their charitable objectives.

Ultimately the foundation chose to **split the mandate equally** between Snowball and Castlefield, impressed with "their openness and transparency as well as their high scores with regards to human rights and conflict screening...willing [ness] to learn from us and their other charity clients."[44]

Key takeaways

- Be prepared to accept that the investment professionals and advisers you are currently working with may not be the right partners to deliver your impact investing ambitions.
- When it comes to assessing partner organisations and the teams and products available to support impact investing, be aware of what constitutes best practice, not just good practice.
- In particular, recognise that your investment partners' senior management's and team members' personal belief in and commitment to impact will matter just as much as operational resources.
- Creating a robust RFP to interrogate impact investing capabilities is not only an opportunity to identify the right partner for you but also to push up standards across the sector – so be ambitious in your asks.



Develop a good ongoing relationship with your advisers and managers

Having established that these are the partners you will be working with, fostering a productive ongoing relationship based on trust should be the aim. Throughout the lifecycle of your relationship with your financial services partners there are three key moments where impact should be front and centre alongside your financial performance and aims:

- Onboarding the strategy
- Sharing opportunities
- Reporting on performance

Onboarding the strategy Reporting on performance

Your strategic work (outlined in **Section 1**) and your IPS form the basis for your ongoing relationship with your managers. The intentions you articulated through that process will drive decisions as to where your capital is ultimately invested.

"We consider the intention which lies behind any exclusions (e.g. fossil fuels) which a client wishes to impose. This enables conversations around areas of the portfolio the client might wish to emphasise." – Miranda Richards, Senior Investment Manager, Charities, LGT Wealth Management.

Most, if not all, organisations will have some framework in place to help clients assess their impact goals and translate that into tangible investment opportunities. Indeed, you may have also included impact considerations in any service agreement you may have signed with them. This framework should then be integrated into your onboarding process. This may take the form of a proprietary analysis or that translation may happen through a series of conversations.

The conversations you have with your advisers and managers as they onboard your strategy should cover the following topics.

- **Your impact aims**: You will have had these discussions internally. Your investment advisers and managers should pick up this thread with you and work to understand how your broad impact aims and theory of change can manifest as investments. This in turn will inform what your investable universe looks like. This may include discussions with your chosen advisers on the implications of specific impact aims for your investment portfolio. For example, if you have a particular focus on investing for racial justice or to address the climate crisis, what investable opportunities and enterprises can help support that, and equally what areas of the market would you want your portfolio to avoid?

- **Your financial objectives**: As with a traditional 'finance first' portfolio, your adviser should assist in identifying your return, risk/volatility and liquidity needs and expectations. Codified in your IPS, this information will guide the overall portfolio construction across asset classes. Asset class allocation, in turn, will also shape your investable universe from an impact perspective, given the varying availability of impact products across different classes.
- **Your investable universe**: The two elements above – your impact aims and financial objectives – need to be considered together in order to have an investable universe and asset allocation that can satisfy both. To achieve a sufficiently diversified portfolio, it is important not to over-specify – and thereby excessively narrow – your investable universe. Your investment adviser, drawing on their investment research and buy lists, should assess the feasibility of your proposed strategy. Are you able to act on it? Is it practicable in the market as it stands? Does it mean the foundation's return requirements? A process of adjusting asset allocation and impact objectives may be needed to resolve these questions successfully.
- **Your priorities**: The ultimate decision about the priority of impact versus financial characteristics rests with you, the client. This decision-making often occurs at the level of individual investment choices, typically with the approval of an individual asset manager or investment product for inclusion in your portfolio. For more liquid products that are investing or are listed in public markets, you have the opportunity to learn and observe the progress of strategies, with the option to exit if they are not meeting your impact objectives. In the case of less-liquid strategies, such as those investing in private markets or real assets, the learning cycle is longer, requiring more time for you to make adjustments to future impact allocations. This time horizon element, ideally codified in your IPS, will guide these decisions.

Once these decisions are made, your asset manager takes charge of deploying the capital, and accountability is maintained through regular reporting (monthly/quarterly/annual) based on the agreed-upon parameters.

The structure above will be seen in all relationships between you and your advisers but the trust that underpins the relationship as you move into execution is crucial.

Sharing opportunities

When building a relationship with an adviser around impact investing it is important to understand how they will continue to source and share suitable opportunities with you.

As the impact investing market continues to evolve, you'll want to discuss how your partners are adapting their practices and processes to surface new opportunities in an expanding and increasingly multi-faceted investment universe. In particular, you'll need to know what resources they are allocating to researching impact and at what point impact investment managers and their funds have the necessary track record to be considered (see 'Getting impact on advisers' research radar'.)

Your entry point into impact investing may be with a smaller allocation or more conservative strategies. But as you expand your impact practice and the market continues to develop, you want to ensure that your adviser relationships and ways of working together will keep up.

This is not one conversation but the ongoing development of a new sort of relationship and a new way of working.

Getting impact onto advisers' research radar

In an advisory firm, the research phase can often be the point where good impact opportunities with credible financial return aims get lost. Despite the growth of the impact investing market in recent years, many credible impact funds and investment opportunities do not have the history or track record of more established mainstream funds.

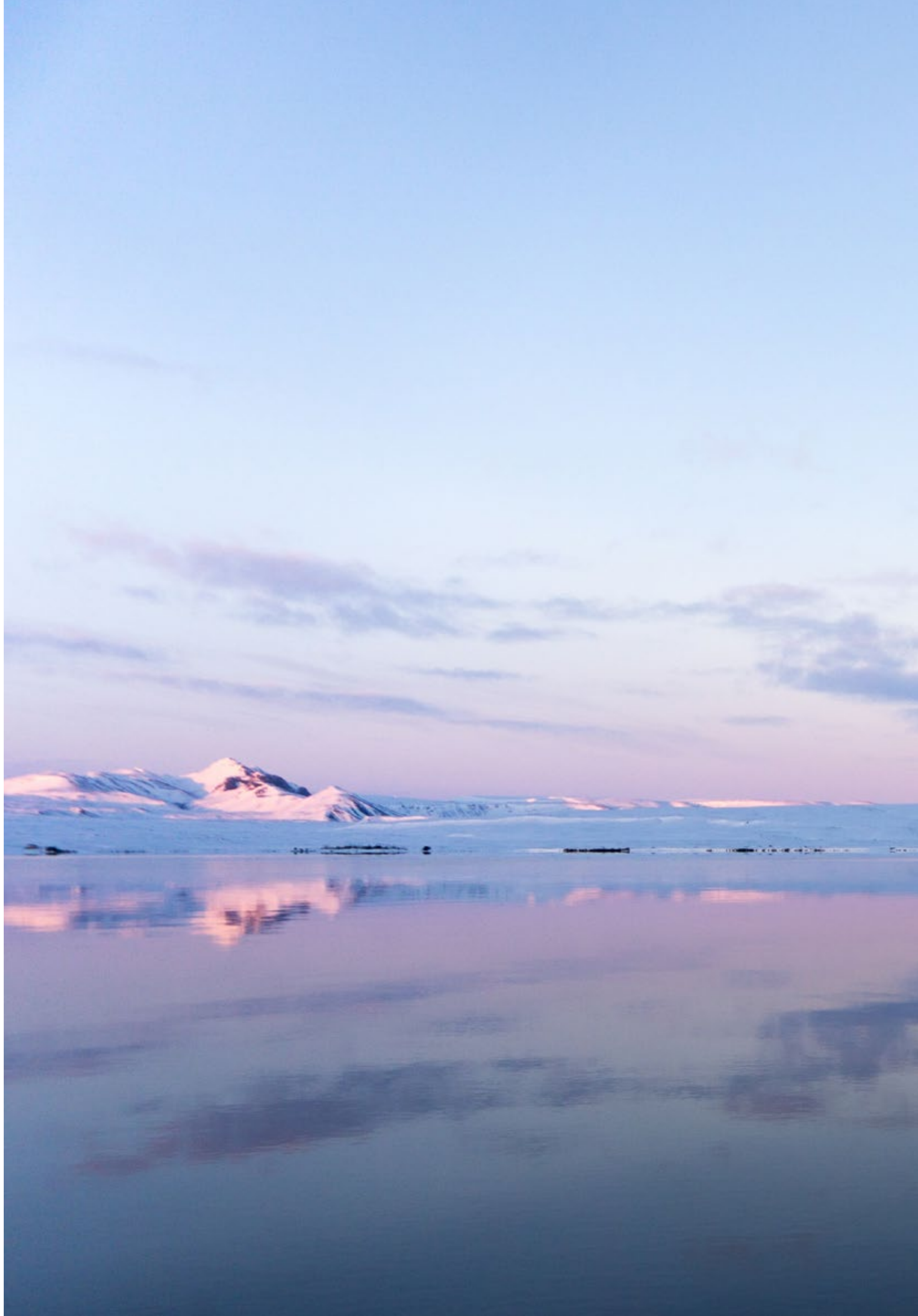
This need for track record also re-entrench existing inequalities within the financial services sector as new investment opportunities led by people from historically marginalised groups are overlooked.

Some advisers will consider a firm "early stage" until they have more than three funds under their belt. This means organisations with less than 10-year track records may be discounted from some advisers' investment pipeline and not even progress to the assessment and due diligence phase.

It is important to remember that research costs your advisers time and money. If they do not believe that a multiplicity of clients would be interested in pursuing a particular opportunity, it is often seen as uneconomic to analyse it. Some advisers are unlikely to review newer fund managers and related impact strategies unless they have strong confidence that enough clients will progress to investment. This could mean that unless there are several named clients or a sufficient total client investment commitment (e.g. £20mn), an opportunity may never make it to the assessment process.

This is a powerful example of how collaboration between foundations interested in this space can really move the market along. It may be worth exploring which of your peers are also working with your advisers and discussing the kind of opportunities you would both like to see.

It also underlines the need for diversity of background and perspectives within adviser teams, bringing together professionals who are open to seeking out impact investment solutions from non-traditional providers, such as women- and black-led venture capital and private equity funds.



Reporting on performance

A concern often voiced by those coming into this space is around impact measurement, management, and reporting or 'How do we know we are really having an impact?' It is important to remember that while you can have credible, real-world impact through your investments, that impact will look different from what you are used to in your grant-making.

Impact measurement in an investment context is still developing and suffers from a lack of standardisation. There is a plethora of standards, which can make it difficult to compare like for like. A starting point is to ensure that you are familiar with what's prevalent in impact investing practice. For example, the industry has unified around a set of Impact Performance Reporting Norms introduced by the Impact Management Project (IMP), now being overseen by Impact Frontiers.

Other helpful resources, including the Impact Investing Institute's Learning Hub[45]. Regulatory developments such as the **Financial Conduct Authority's Sustainability Disclosure Requirements (SDR)** regime demonstrate significant progress and growth in this area. Examples of credible impact reports from funds across the UK and internationally can also be very useful to look at.

Although every impact report will look different, some commonalities indicate best practice:

- There is a logical throughline from the organisation's impact goals, the investment opportunities targeted and the results being achieved.
- KPIs for impact are clearly stated and explained, and there is a rigorous and consistent system in each report showing to what extent they have been met and, ultimately how this level of achievement is trending over time.
- Impacts reported are backed by both in-depth qualitative narrative and quantitative data (e.g. tonnes of carbon saved, number of people newly housed) verified by credible third-party sources.
- Well-regarded industry metrics or frameworks are used to enhance comparability and transparency; these could include Iris+ Metrics, and Impact Frontiers' Impact Management Norms.
- Where proprietary analysis of impact results is used, it is clear what underpins that analysis.
- Impact risks and any steps taken to mitigate them during the reporting period are identified.
- Any limitations in the reporting, and steps being taken to improve it, are transparently acknowledged.

If shareholder engagement forms a meaningful part of your strategy, or any third-party strategy you are invested in, your impact reporting should move beyond metrics around number of engagements to focus more on the quality, nature, and outcomes of those engagements. You should also be able to show examples of where and how those engagements played out.

Asset managers and owners may also look to third parties to support the development of their impact methodology and reporting and provide a more nuanced and impartial perspective.

Key takeaways

- Onboarding your strategy is the point at which you can have detailed conversations as to how your impact ambitions will translate into specific investable asset classes, sectors, and securities.
- As the impact investing market is young and therefore rapidly evolving, it is essential to have partners who will actively keep sourcing opportunities and identifying optimal practices and processes for you.
- Measuring and reporting on impact is at a very early stage – but industry standards, such as Impact Frontiers' Impact Performance Reporting Norms, are emerging. Again, peers' impact reports may be the most practical tool to inform your own reporting approach.

Checklist : Working with the right partners

Having created your impact investment strategy framework, you might want to consider the following checklist in the process of securing the right partners to deliver this work.

When identifying partners to work with:

- [ ] We have agreed as an organisation on the outside resource (investment management, advice, reporting support) that may be required to deliver on this work.
- [ ] We have decided whether our impact investing ambitions can be delivered through our existing managers or advisers – or whether new partners need to be sourced.
- [ ] We have built a robust RFP/selection process to identify organisational, team and product suitability and alignment with our new impact investing strategy.
- [ ] We are confident of our chosen/shortlisted partners' commitment to impact at an individual personnel, team, and senior management/C-suite level.
- [ ] We have demonstrable evidence of our chosen partners' commitment to good – not simply standard – impact investing practice.

When onboarding partners and maintaining an ongoing relationship:

- [ ] We are happy that the recommended portfolio aligns fully with our financial and impact goals as codified in our investment policy statement.
- [ ] We are confident the recommended investable universe is sufficiently diverse to meet our risk-reward, liquidity, and impact requirements.
- [ ] We are comfortable that investments can be exited in an acceptable timeframe if they do not meet our impact objectives.
- [ ] We have a structure in place to ensure our partners proactively inform us of new opportunities, practices and processes that emerge in the impact investing market.
- [ ] We have resources, tools, and processes in place to monitor and report on impact performance, as well as financial performance.

4. Continuous learning and collaboration

Investing for impact can be inspiring and exciting but it can also be resource intensive and feel overwhelming at times. Fortunately, there are a wide range of peer networks, impact organisations and educational resources to help inform, support, and inspire you and your organisation on your impact journey. A full resource bank can be found **here**.

The Impact Investing Institute has a range of resources on impact investing with a particular focus on materials relevant to institutional asset owners (endowments, pensions, family offices) and with materials exploring key impact investing themes including place-based impact investing, and how investors can accelerate the just transition in the global south.

The Institute also works directly with endowed bodies that are exploring an impact investing strategy. It can provide access to tailored, independent education, guidance and facilitation to explore whether impact investing can and should be a part of a foundation's strategy and help organisations come to an internal collective view.

The Institute's online Learning Hub provides a collation of best in-class resources on impact investing and can be accessed **here**. It includes a section specific to endowed bodies which can be found here alongside a selection of publicly available impact-enabling investment policy statements.

Examples of networks and communities

- The Association of Charitable Foundations is the leading membership body for foundations and independent grant-makers in the UK. One of its special interest groups is the Social Impact Investors Group (SIIG), a community that supports foundations interested in social impact investing with market information days, learning events, and resources.
- ACF also co-hosts, in collaboration with the Impact Investing Institute, a yearly training programme on impact investing in the main endowment. More detail on previous years and future programming can be found **here.**
- The Global Steering Group for Impact Investing is a good port of call to find 'local' national advisory boards. There are now 40 internationally who will know the latest on impact investing within a local national market.
- The Global Impact Investing Network (GIIN) is a global members organisation building the market for impact investing around the world with high quality research and events.
- Rockefeller Philanthropy Advisors (RPA) accelerates philanthropy globally, managing over $500 mn in annual giving for individuals, families, foundations, and corporations. They provide advisory services, manage philanthropic initiatives, incubate non-profits, and share insights on effective philanthropic strategies. Their **Impact Investing Handbook: An implementation guide for practitioners** may be particularly useful.
- The Charities Responsible Investment Network (CRIN) at ShareAction unites charities with investments to advance their missions through responsible investment. CRIN engages with investee companies, investment managers, and policymakers on various environmental, social, and governance issues, supporting charities in achieving positive change collaboratively and enhancing responsible investing skills.
- Big Society Capital focuses on social impact investing in the UK, uniting capital, expertise, and ideas to address social challenges. They channel significant investments into areas like health, wellbeing, and community resilience, aiming to improve lives through sustainable financial returns and positive social impact. They also provide impartial and impact-driven guidance to professional and institutional investors and have invested alongside pension funds, university endowments, charitable trusts and foundations, wealthy individuals and families, and government organisations.
- Confluence Philanthropy is a US-based membership network of over 260 private, public, and community foundations, family offices, individual donors, and their values-aligned investment advisers
- The EIRIS Foundation is a research, advice, and advocacy charity with over 30 years of experience in sustainable finance. Their mission involves providing free and objective information on sustainable finance, encouraging responsible investment, assessing corporate lobbying on human rights, and supporting charities in responsible investment efforts
- Mission Investors Exchange is a US-based impact investing network for foundations, philanthropic asset owners, and their partners. They provide resources, inspiration, and connections to support members to scale and increase the impact of their impact investing practice. Their resources are generally available for non-members to view. It is particularly recommended for foundations looking to grow and deepen their commitments to racial equity in their investing practices. See **here** for more information.
- TONIIC is a global community of asset owners promoting impact investing, with around 500 members worldwide. They facilitate peer gatherings, provide online community support, and offer resources for impact investors at all stages. The Toniic Tracer platform is a web-based tool that allows investors, entrepreneurs, and funds to share data on impact goals and outcomes, aiding in aligning investments with positive impact intentions.
- The Social Investment Consultancy (TSIC) specialises in diversity, equity, and inclusion, research and evaluation, and social innovation. Their services include data-backed investment plans, financial modelling, statistical analysis, and market research.
- The Diversity Forum is a collective within social investment advocating for greater diversity and inclusion. They coordinate activities to enhance judicial diversity, support organisations in implementing diversity initiatives, and provide resources for promoting equity in the social investment sector, aiming to drive inclusive practices and knowledge sharing. Their Asset Owner Diversity Charter Toolkit is of particular relevance for the readers of this guide and can be found **here.**

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