

JULY 2013

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THE GUIDE

to Philanthropy & Giving

**"NEVER RESPECT
MEN MERELY FOR
THEIR RICHES, BUT
RATHER FOR THEIR
PHILANTHROPY;
WE DO NOT VALUE
THE SUN FOR
ITS HEIGHT, BUT
FOR ITS USE" -
19TH CENTURY
AMERICAN
JOURNALIST
GAMALIEL BAILEY**



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Blue & Green Tomorrow wants to support innovative businesses that balance the needs of the planet, its people and our prosperity.

➤ We aim to provide our readers with the knowledge they need to make informed choices without prejudice, scaremongering or greenwash.

➤ **We want the world to be as blue and green tomorrow as it was yesterday.**

➤ We believe that everyone can play a part and anyone can make a difference. Not by going back through misplaced nostalgia to some bygone age, but by striding out to a bright new future in which we take advantage of the new approaches that can improve our quality of life, the food we eat, the air we breathe, the water we drink and the land we live on.



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FOREWORD

I expect very few people will have heard of José Mujica. As the president of Uruguay, he earns around £7,500 a month, but his rise to the country's top job is quite a story.

He spent 14 years in squalid prison conditions from 1971-84 during 17 years of dictatorship in Uruguay, was shot six times by police and even spent over two years living (not by choice) in a well.

But since he assumed office in 2010, he has been described as “the world's poorest president”.

Why? Because he gives as much as 90% of his monthly salary away to charity. He lives on a small farm, drives an old Volkswagen Beetle and because of his generous charitable activity, gets by on roughly £7,000 a year – the average wage in Uruguay.

Mujica's story is just one of a number of inspiring philanthropic and charitable tales. Others include multi-billionaire tycoon Warren Buffett giving away 83% of his £28.8 billion fortune in 2006, and Microsoft co-founder Bill Gates pledging £6 billion to develop vaccines for children in 2010. These examples bring us to this latest Blue & Green Tomorrow report: The Guide to Philanthropy & Giving 2013.

As we have outlined in previous guides, and as the musical Cabaret first suggested in the 60s, money does indeed make the world go around. The all-powerful financial system can and must be utilised as a force for good.

However, whereas in the past we've focused on investment, banking and the stock market, and encouraged readers to seek out ethical, sustainable and responsible alternatives, our latest guide takes

a slightly different angle.

Philanthropy, in its ancient Greek meaning, means the ‘love of mankind’. It is about giving back to society and the environment, for the good of both. Some of the world's grandest museums, arts buildings and monuments wouldn't have existed if it weren't for generous philanthropists. Similarly, some of the gravest threats to humanity and the environment would be a whole lot worse without years of charitable giving.

In these pages, you'll hear from environmental philanthropists like Ben Goldsmith, who calls the environmental crisis the biggest challenge facing our generation, and read about the Environmental Funders Network.

You'll hear from the Charity Finance Group and the CCLA – two of the leading organisations in the UK charitable sector – about how charities should be investing responsibly so as to not contradict their central missions.

You'll hear from Scorpio Partnership, which, through its research of ultra-high net-worths, perhaps has a better understanding of what makes the wealthy tick than any other organisation in the world.

Plus background, trends and statistics on philanthropy and charity more generally.

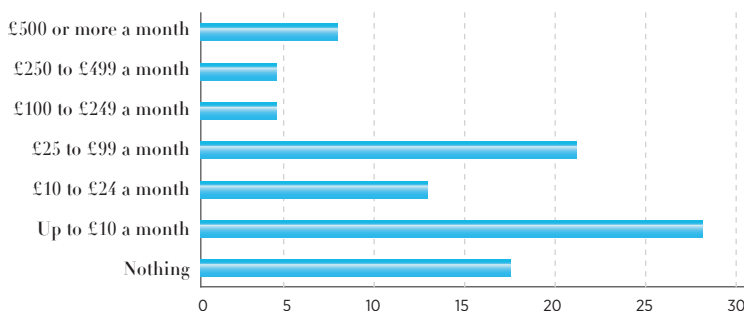
The quote on the front cover of this guide, by 19th century American journalist Gamaliel Bailey, reads, “Never respect men merely for their riches, but rather for their philanthropy; we do not value the sun for its height, but for its use.”

It's an interesting suggestion, and one that would really shake up the way we think about money if it happened.

Alex Blackburne

EDITOR, BLUE & GREEN TOMORROW

In the last 12 months, on average, I have individually given to charity...

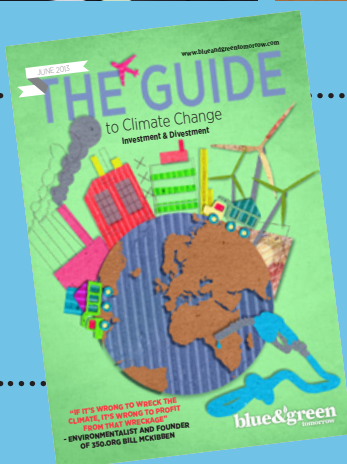
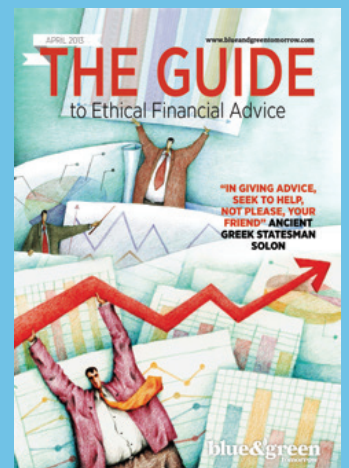
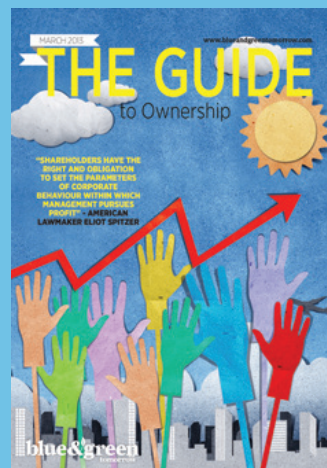
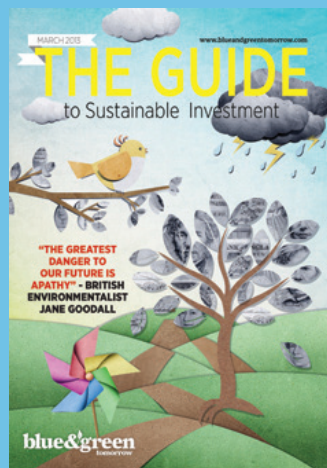


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Philanthropy

PAST AND PRESENT

BY NICK SLAWICZ

A SHORT HISTORY OF PHILANTHROPY

The notion of philanthropy – that is, the giving of resources by the rich to the masses in order to fund social welfare programs and to encourage aspects of life such as the arts and entertainment over long periods of time – is far from new.

Even before the extensive private donations to set up hospitals and universities (common in the USA and UK; Harvard University, which was created from a donation of books and half of the estate of the British clergyman John Harvard, celebrated its 375th anniversary in 2011), there was a long history of philanthropic giving in cultures all over the world. Plato's Academy was first founded as the result of an endowment around 387 BC, and lasted for some 900 years; the Waqf served as a philanthropic foundation for the Islamic world in as early as the seventh century.

Out of these historical examples, however, a number of different approaches to the act of philanthropy can be determined:



THE CHARITY MODEL

Historically the most prevalent, the charity/service approach to philanthropy stems from the act of giving alms and other religiously-motivated acts of donation. This eventually led to a model where donations from private individuals plugged the gaps in social welfare programmes that government programmes missed, either through lack of resources or through a belief that some things were best left to a laissez-faire approach.

It has several downsides, not least because of the small and not particularly far-reaching impact of the services offered. Traditionally, help was given to a specific case or a small group of people at best, without seeking to promote widespread social change.

Another criticism classifies this as a 'sticking plaster' approach: a temporary solution until a larger organisation (such as the state) can come in to take over. Finally, it is often noted to be more interested in treating symptoms rather than causes, and therefore less-equipped to bring about genuine, long-lasting social change.

THE SCIENTIFIC MODEL

Historically, what has become known as the 'scientific model' of philanthropy was the first to really incorporate the central tenets of philanthropy as it is known today: the aspect of 'social engineering', or improving the lives of many without the catalyst of a natural disaster or other large-scale catastrophe to act as a tipping point.

While the work of early proponents (such as the Rockefeller, Carnegie and Russell Sage foundations) helped to impact a lot of the underlying causes of problems in the world, the model still has some flaws, especially with regards to its applicability to modern day problems.

Primarily, the scientific approach is often criticised for setting up firm solutions to problems when other alternatives might present themselves: by availing themselves of the scientific method, proponents often set out a 'right' solution that does not necessarily reflect the prevailing mood on the ground – especially problematic in terms of global aid programmes, where the idea of a 'benevolent patrician' (however well-meaning) might not suit the needs of those who require the help on a day-to-day basis.



THE NEW-SCIENTIFIC MODEL

Also known as ‘venture philanthropy’, the new scientific model emerged from the old scientific model. It aims to deal with the same issues – underlying social problems, rather than rapidly-changing issues such as natural disasters – but instead moves away from the patrician approach to

change the way funds are distributed. New and experimental methods of aid are most often pioneered by this model and its proponents with varying degrees of success. The innovation that comes from these ‘bright young things’ of the philanthropic world also leads to one of its biggest criticisms. Helmut Anheier, current dean of the

Hertie School of Governance in Berlin, wrote in 2005, “For many of these ‘new philanthropists’, philanthropy is an investment, not charity, and its aim is to create social wealth. The new philanthropists are generally results-oriented; they want to see the impact and the results of their giving relatively quickly.”

Unfortunately, the majority of problems facing the ethical philanthropist require time as well as money, and often the short-term nature of donations from this model do not have the staying power to bring about long-term effects.

It is only by combining the positive aspects of all three of these models – social moralism; the importance of cause-oriented problem solving, and the application of novel techniques to age-old problems – that the future of philanthropy can ensure it will continue to both grow and flourish.

PERSONAL PHILANTHROPY GLOBAL

Fresh from the success of their work with the Bill and Melinda Gates Foundation, 2010 saw Bill Gates and Warren Buffett – then the two wealthiest men in the US – devote their attentions to the Giving Pledge, which encouraged billionaires in the USA to pledge half of their wealth to charitable organisations in the future. As of July 2013 there are 113 signatories, including Gates, Buffett, Tesla Motors and SpaceX CEO Elon Musk, mayor of New York Michael Bloomberg and Facebook founder Mark Zuckerberg. As well as encouraging the donation of monetary resources, the organisation helps to promote the idea of large-scale philanthropic intervention across the country. However, in July 2013 the reach of the Giving Pledge was expanded outwards from the US, in order to promote a more global approach to the philanthropic movement. Twelve new signatories from around the world have signed up (including Andrew and Nicola Forrest from Australia, Patrice and Precious Motsepe from South

Africa, Hasso Plattner from Germany, Vladimir Potanin from Russia, Azim Premji from India, Victor Pinchuk from Ukraine, and Richard and Joan Branson, John Caudwell, Chris and Jamie Cooper-Hohn, Mo Ibrahim, and Lord (David) Sainsbury from the UK), pledging a total of over \$10 billion in charitable good.

It is difficult to overstate the potential magnitude of this development. With Forbes putting the current number of global billionaires at 1,426 (with an aggregate net wealth of \$5.4 trillion) – and with only 442 of these coming from the US – the door has been opened to a whole new world of people with the funds to really make a difference to global suffering.

As a case study, the UN put the figure needed to eradicate world hunger at \$30 billion per year. If every billionaire on the Forbes list promised half their wealth, according to the Giving Pledge, it would be a large enough donation to completely wipe out global hunger for almost a century. Put another way, if each of the billionaires on the list pledged just six-tenths of 1% of their net worth every year, the crisis would have enough backing to be solved. (By comparison, and for reference, US defence spending in 2012 reached \$737 billion, or almost 25 times the value being discussed.)

However, it is not likely to be without its problems. Even Buffett didn’t want to expand the programme for the first three years of its existence, recognising that it was a tough sell and noting that the organisation “felt [it] had [its] hands full in the US”.

Additionally, there are many cultural issues to be overcome. Beyond the language barrier – recent addition and the second-wealthiest man in Ukraine, Victor Pinchuk, stated that he refused to pledge at first because he did not initially understand exactly what the organisation was asking him – there are also significant cultural issues, with different nations having very different approaches to charitable acts. A letter from Gates and Buffett stressed the importance of every country finding ways to organise its own philanthropy

to best meet its needs, but their determination to rollout the successes of the Giving Pledge to a worldwide audience sets a healthy precedent for the superrich who feel the urge to give back to society.

IN THE UK

There has been an increasing reliance by many organisations on charitable donations from large-scale donors, largely due to the fact that the pinch of the 2008 global economic crisis is still being felt by many in the middle class. In the UK, for example, the average amount donated by individuals has declined in recent years, but in the last year the total amount donated by the nation’s top 100 donors rose by a colossal 21%, up to £1.77 billion. The total amount of giving tracked from 231 people in this year’s Sunday Times Rich List also is up from £1,715m to £2,081m, a level beaten only once in the past 12 years.

One of the downsides of this shift from small-scale donations to reliance on larger philanthropic gifts is that smaller charities may suffer: while pounds and pennies add up to significant amounts over time, larger endowments tend not to be split up quite as much, leading to many smaller charities fearing for their livelihoods. According to a report in the Guardian, in December 2012 one in six UK charities feared they might have to close within the coming twelve months. Additionally, nearly half say they are being forced to dip into reserves, and a third say they fear being forced to cut services.

Even the UK government has switched its focus to larger donations, with the chancellor George Osborne laying out plans to encourage endowments after death with inheritance tax breaks. While anything that encourages more charitable giving can only be a good thing for philanthropy as a whole, it seems clear that both large and small gifts should be encouraged, allowing for a wider range of action by charitable organisations and ensuring that standards do not have to be cut due to lack of funds.

FAMOUS PHILANTHROPISTS IN THE SPOTLIGHT

PHILANTHROPISTS COME IN ALL SHAPES AND SIZES, AND SOME HAVE MADE MORE IMPACT THAN OTHERS. HERE, WE LOOK AT A HANDFUL OF THE WEALTHIEST, AND MOST SUCCESSFUL, WHOSE CHARITABLE EFFORTS ARE OFTEN PRAISED BY THE PUBLIC.



NAME: Warren Buffett
NATIONALITY: American
KNOWN FOR: Being the CEO, chairman and majority shareholder of Berkshire Hathaway: a multinational holding company that owns more than 70 firms globally.
PHILANTHROPY SECTORS: Health, education, humanitarian causes
Philanthropic highlights: Giving away 83% of his \$44 billion (£28.8 billion) fortune to charity in 2006 – a significant proportion to the Bill & Melinda Gates Foundation. This remains the largest philanthropic donation in history. Buffett co-founded the Giving Pledge, a campaign to encourage philanthropic giving by the wealthy, with Bill Gates in 2009
ESTIMATED LIFETIME GIVING: Well over £26 billion
WHAT HE SAYS ABOUT PHILANTHROPY: “If you’re in the luckiest 1% of humanity, you owe it to the rest of humanity to think about the other 99%.”



NAME: Richard Branson
NATIONALITY: British
KNOWN FOR: Being founder and chairman of the Virgin Group, and one of the UK’s most successful businessmen
PHILANTHROPY SECTORS: Environment, children, social, medical
PHILANTHROPIC HIGHLIGHTS: Setting up a \$25m (£16.3m) competition through his Virgin Unite foundation to find commercially-viable technology that would help dramatically reduce greenhouse gas emissions – thus helping to tackle global warming. Eleven finalists were selected from 2,600 entrants in 2011. Revealed in February 2013 his intention to give away half his fortune to charity as part of the Giving Pledge
ESTIMATED LIFETIME GIVING: The 2012 Giving List estimated that his annual charitable donations totalled over £350m
WHAT HE SAYS ABOUT PHILANTHROPY: “Ridiculous yachts and private planes and big limousines won’t make people enjoy life more, and it sends out terrible messages to the people who work for them. It would be so much better if that money was spent in Africa – and it’s about getting a balance.”



NAME: Lord (David) Sainsbury
NATIONALITY: British
KNOWN FOR: Being chairman of supermarket chain Sainsbury’s (founded by his great-grandfather John James)
PHILANTHROPY SECTORS: Education, arts, humanitarian, heritage
PHILANTHROPIC HIGHLIGHTS: Being placed third in the Sunday Times’ Giving List 2013 – an annual rundown of the most generous philanthropists in Britain – after his family office donated more than £217m in the previous 12 months. The Sainsbury Family Charitable Trusts oversees 18 grant-making trusts and is one of the biggest family trusts in Britain
ESTIMATED LIFETIME GIVING: No concrete data, but certainly in excess of £1 billion. The Giving List 2013 said he had recently given away nearly £300m
WHAT HE SAYS ABOUT PHILANTHROPY: “We do not believe that spending any more money on ourselves or our family would add anything to our happiness.”



NAME: George Soros

NATIONALITY: Hungarian/American

KNOWN FOR: Being ‘the man who broke the Bank of England’ when he made \$1 billion by betting on the devaluation of the pound sterling during the 1992 Black Wednesday currency crisis

PHILANTHROPY SECTORS: Open and democratic societies

Philanthropic highlights: Founding the Open Society Foundation in 1993, which invests in areas such as university scholarships and economic relief. Having been born and brought up in Hungary, Soros’ foundation also helps encourage democracy in many former Soviet states

ESTIMATED LIFETIME GIVING: Over £4.1 billion

WHAT HE SAYS ABOUT PHILANTHROPY:

“The main difference between me and other people who have amassed this kind of money is that I am primarily interested in ideas, and I don’t have much personal use for money.”



NAME: Bill and Melinda Gates

NATIONALITY: American

KNOWN FOR: Co-founding Microsoft

PHILANTHROPY SECTORS: Global health and development, education

PHILANTHROPIC HIGHLIGHTS: Establishing in 1994 what would become the largest private philanthropic foundation in the world: the Bill & Melinda Gates Foundation. Its endowment, as of September 2012, was \$36.2 billion (£23.7 billion). Gates co-founded the Giving Pledge, a campaign to encourage philanthropic giving by the wealthy, with Warren Buffett in 2009

ESTIMATED LIFETIME

GIVING: Over £15.7 billion as of June 2009

WHAT BILL GATES SAYS ABOUT PHILANTHROPY:

“Is the rich world aware of how four billion of the six billion live? If we were aware, we would want to help out, we’d want to get involved.”

OTHER NOTABLE PHILANTHROPISTS

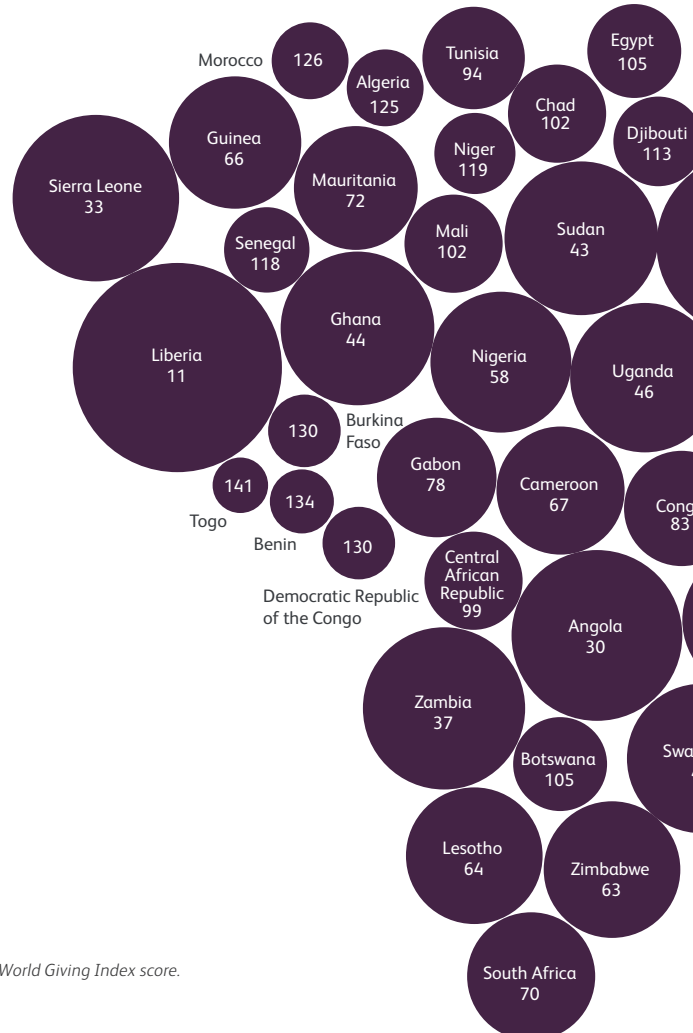
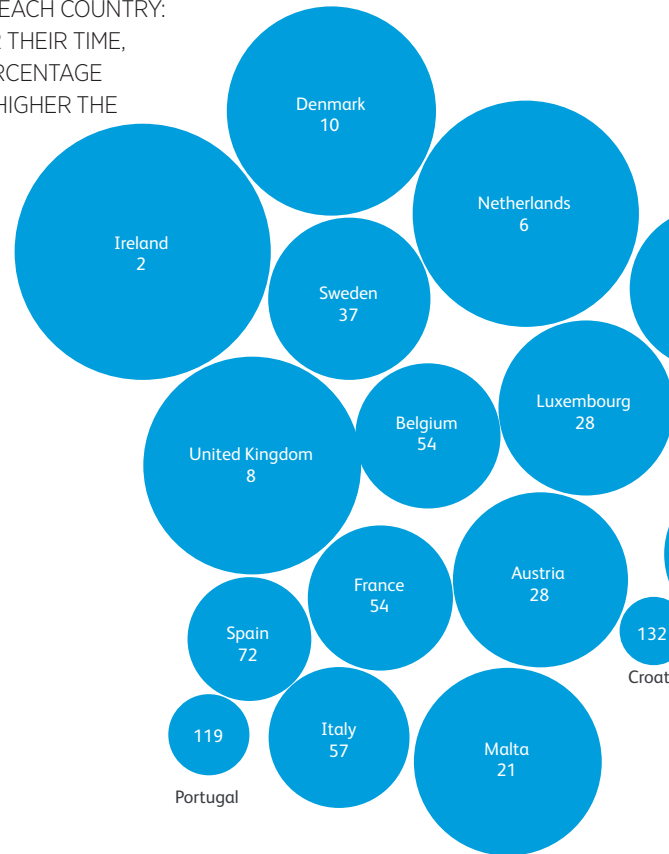
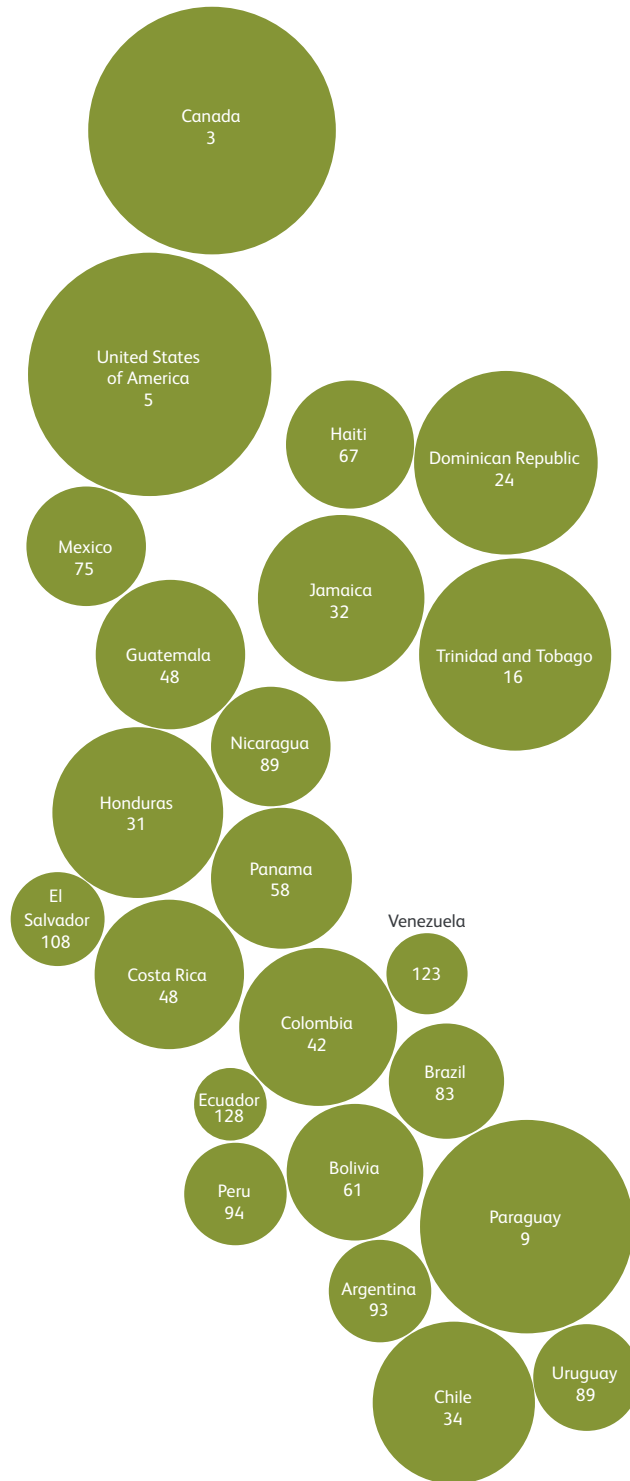
- John D Rockefeller (1839-1937) – American industrialist whose Rockefeller Foundation is now one of the largest family grant-making foundations in the world
- Sir William Morris (1877-1963) – British motor manufacturer who founded of the Nuffield Foundation to advance education and social welfare
- Andrew Carnegie (1835-1919) – Scottish-American industrialist whose large-scale philanthropy looked to improve local libraries, world peace, education and scientific research
- Joseph Rowntree (1836-1925) – British founder of confectionary company Rowntree’s who set up many charitable trusts, including the Joseph Rowntree Foundation which still exists today
- Edward Cadbury (1873-1948) – Son of George, the founder of chocolate manufacturer Cadbury’s, and founder of the Edward Cadbury Charitable Trust

Top 10 wealthiest philanthropic foundations in the world

1. Stichting INGKA Foundation (Netherlands) – £23.5 billion endowment
2. Bill & Melinda Gates Foundation (US) – £22.6 billion
3. Wellcome Trust (UK) – £14.2 billion
4. Howard Hughes Medical Institute (US) – £10.5 billion
5. Ford Foundation (US) – £7.2 billion
6. J Paul Getty Trust (US) – £6.8 billion
7. Mohammed bin Rashid Al Maktoum Foundation (United Arab Emirates) – £6.5 billion
8. Robert Wood Johnson Foundation (US) – £5.8 billion
9. Li Ka Shing Foundation (Hong Kong) – £5.4 billion
10. The Church Commissioners for England (UK) – £5.2 billion

CAF WORLD GIVING INDEX 2012

IN ORDER TO CALCULATE SCORES, A ROUNDED MEASURE OF GIVING BEHAVIOUR ACROSS THE WORLD NEEDS TO BE ESTABLISHED. THE WORLD GIVING INDEX RELIES ON A SIMPLE AVERAGING OF THE RESPONSES FROM THE THREE KEY QUESTIONS ASKED IN EACH COUNTRY: THE PERCENTAGE OF PEOPLE WHO DONATE MONEY TO CHARITY, VOLUNTEER THEIR TIME, AND HELP A STRANGER, IN A TYPICAL MONTH. EACH COUNTRY IS GIVEN A PERCENTAGE SCORE; AND COUNTRIES ARE RANKED ON THE BASIS OF THESE SCORES. THE HIGHER THE SCORE, THE MORE GENEROUS THE COUNTRY.

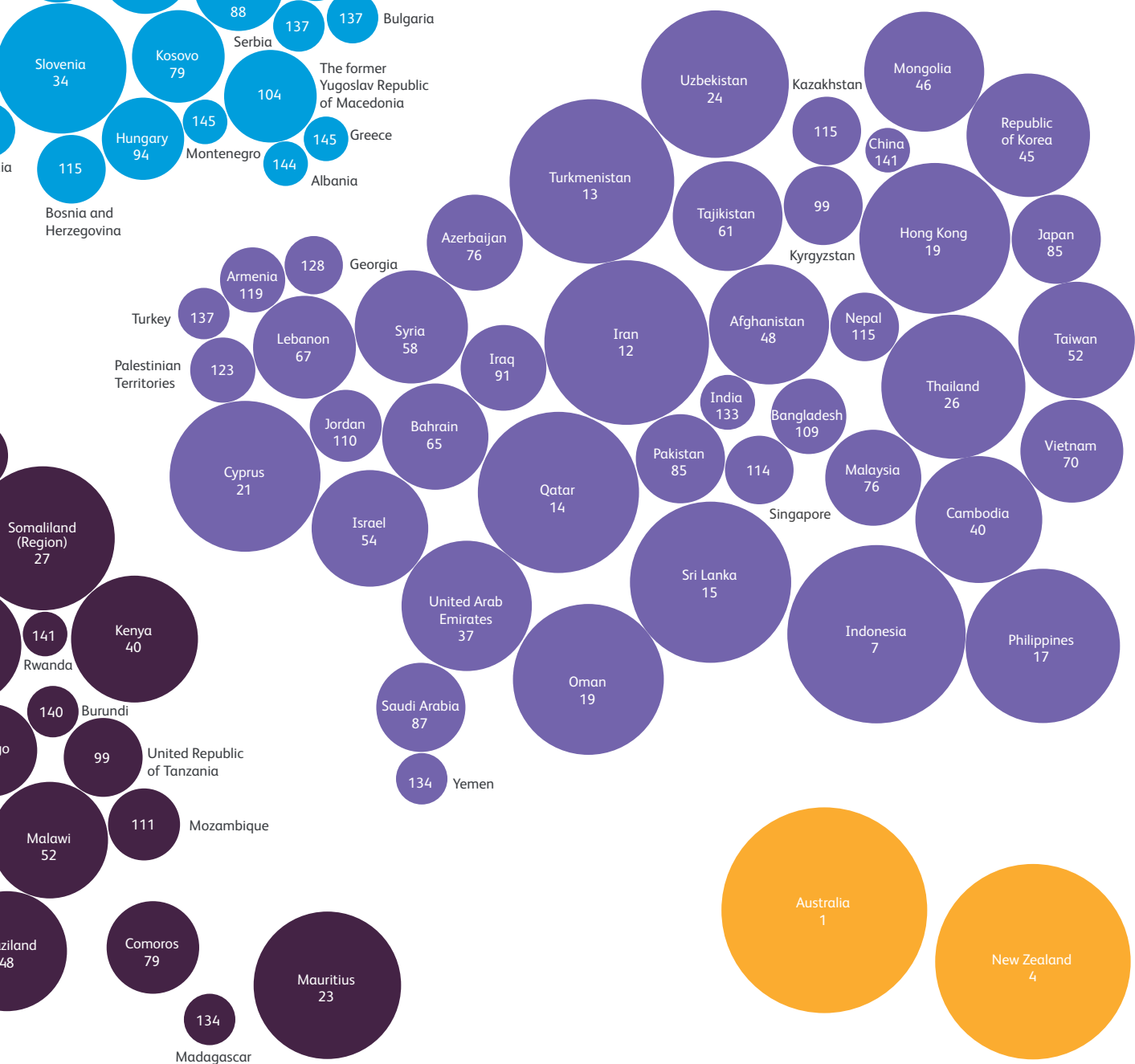
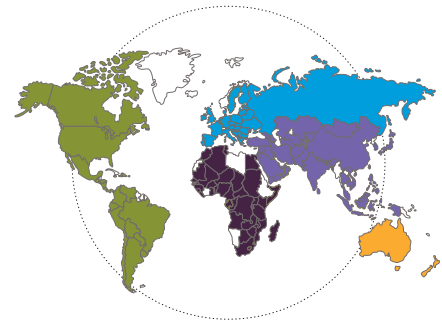
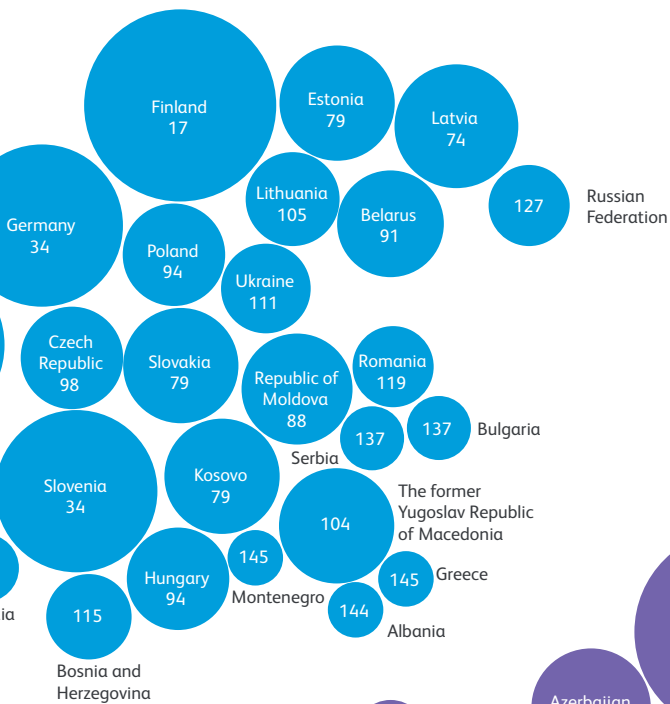


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Only includes countries surveyed in 2011. The size of each circle is proportional to the country's World Giving Index score.

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PHILANTHROPY IS WHAT SUSTAINS THE CHARITABLE SECTOR, NOT MONEY

Mitchell Kutney explores what it means to be a philanthropist.

IT APPEARS THAT PHILANTHRŌPÍA FIRST ENTERED THE ENGLISH LANGUAGE AS A TERM TO DESCRIBE PLANTS WHOSE SEEDS STICK RATHER TOO READILY TO PEOPLE. PHILANTHROPY WAS THEN MODERNISED BY SIR FRANCIS BACON, WHO IS LARGELY CREDITED WITH PREVENTING THE WORD FROM BEING OWNED BY HORTICULTURE.

Bacon considered philanthropia to be synonymous with “goodness”, which correlated with the Aristotelian conception of virtue, as consciously instilled habits of good behaviour. Then in the 1700s, an influential lexical figurehead by the name of Samuel Johnson simply defined philanthropy as, “Love of mankind; good nature.” This definition still survives today and is often cited more gender-neutrally as the love of humanity. In the online Merriam-Webster dictionary, the definition of philanthropy is, “Goodwill to fellow members of the human race; especially: active effort to promote human welfare an act or gift done or made for humanitarian purposes an organization distributing or supported by funds set aside for humanitarian purposes.” As Sulek writes, the precise meaning of philanthropy is still a matter of some

contention, its definition being largely dependent on the particular interests of the writer employing the term. Nevertheless, there are some working definitions to which the community associated with the field of ‘philanthropic studies’ most commonly subscribes. One of the more widely accepted of these is the one employed by Lester Salamon, who defines philanthropy as, “The private giving of time or valuables (money, security, property) for public purposes; and/or one form of income of private non-profit organisations.” This is the definition that resonates the most with my experiences in the non-profit/charitable sector. Among famous philanthropists, the people that come to mind are Bill Gates, Warren Buffet, John Wilson McConnell, Michael Bloomberg, John D Rockefeller and George Soros. All of these people have donated enormous sums of money and have certainly earned their title as philanthropists. But what made them

philanthropists? And who decided that they were philanthropic enough to be labelled philanthropists? After all, being a philanthropist is a highly esteemed role.

Now this may not come to anyone’s surprise, but there are some commonalities between these famous philanthropists, with the most outstanding being their massive accumulation of wealth. Is it a coincidence that these figurehead philanthropists are also extremely wealthy? Or is it a requirement to be a philanthropist?

This is an important question to ask because in the lexical evolution of the word philanthropy, nowhere does it state only the wealthy can be philanthropic. We can certainly conclude a massive accumulation of wealth is correlated with increased philanthropy, but is wealth a prerequisite of philanthropy? With our understanding of metrics, it is common practice to normalise values in



a base number in order to discern actual impact (the result of outcomes). For example, when calculating the value of a basket of goods, we account for inflation; or when reviewing incident rates, we base it on per capita basis. What do we ground philanthropy in? It would make sense to calculate charitable giving based on proportional wealth versus absolute wealth, as one would think this would be more philanthropic.

For example, if I made a \$100 and gave away \$99, that would be more charitable than if I made \$1,000 and gave away \$500. This however is not the case when it comes to philanthropy. Furthermore, irrespective of the proportional size of one's donation relative to one's wealth, and irrespective of the lexical evolution of philanthropy, it seems that to me, one must give away a wealth of money in order

to be considered a philanthropist in modern society.

If my statements are deemed accurate, I would pose a policy question: what if we were to bring philanthropy back to Francis Bacon's definition of philanthropy as simply "goodness"? Would that not mean so much more? If we deconstructed the underlying emphasis on riches and replaced it with goodness, would a revitalisation of giving perhaps begin to take place? The charitable sector has not yet returned to pre-recession giving rates and has systematically been cutback from government, foundational and philanthropic support. Organisations such as Imagine Canada are pushing for new tax credit benefits to revitalise the sector and crowdfunding has surfaced as a viable alternative for raising dollars in the non-profit sector. Moreover, the non-profit sector

is increasingly being pressured to participate in revenue-generating activities on a cost recovery basis. Though these are potential solutions to the current stormy climate within the charitable sector, the financial shortfall affecting it is a growing problem that will require a real cultural shift to remedy.

So while this shift is taking place with a focus on changing tax policies, revenue-generating activities and funding alternatives, I would argue the bigger picture is being lost. Philanthropy is what sustains the charitable sector, not money.

The charitable sector is in a period of flux right now and is moving to the furthest extreme of whatever prospective alternative presents itself. I believe in order for the charitable sector to obtain steady change, the conversation should not be about money, but rather it should be about values.

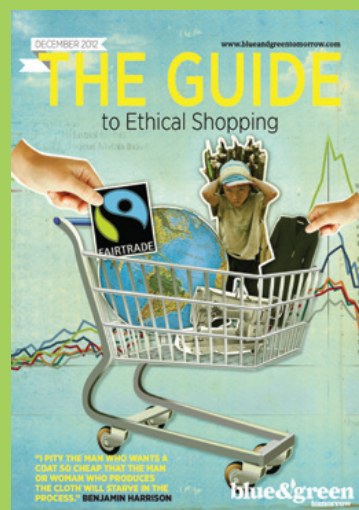
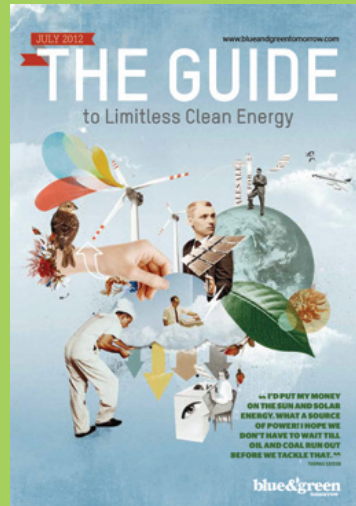
What does it mean to be charitable? What does it mean to be a philanthropist? If being charitable is purely like a business, and if being a philanthropist is just giving away massive amounts of money, it comes as no surprise to me that the sector is in trouble now, despite the negative impact of the economy.

While the financial shortfall is a real problem, another equally important problem dogging the sector is its own values.

Mitchell Kutney's work focuses on reimagining the roles of philanthropy and social change to create sustainable solutions. He has spearheaded a number of successful non-profit initiatives in Canada and holds a Masters degree from Carleton University in Public Policy. This article originally appeared on his website, where you can find a fully referenced version.
www.mitchellkutney.com

REPORTS

reports



Blue & Green Tomorrow produced seven reports in 2012. Visit blueandgreentomorrow.com/reports to read them all.

CHARITIES INVESTING FOR CHANGE

JANE TULLY, HEAD OF POLICY AND PUBLIC AFFAIRS AT CHARITY FINANCE GROUP, EXPLAINS WHY AN INCREASING NUMBER OF CHARITIES ARE LOOKING AT RESPONSIBLE INVESTMENT.



What is the Charity Finance Group?

Charity Finance Group is a membership organisation that exists to raise the standards of charity finance across the sector. We have over 2,200 member charities, but we represent the views of the wider charity sector as well.

We operate in a number of ways, providing a range of training, support and advice to charities. We also seek to actively improve the operating environment for charities through lobbying and influencing work.

Our work in the socially responsible investment space really began in 2008 when we published 'Unlocking Socially Responsible Investment', which is a guide for charities that explains the legal framework for responsible investment, and the different approaches and strategies charities can take.

For the past two years, we've actively engaged our members in National Ethical Investment Week, taking the opportunity to promote social investment and socially responsible investment and its benefits to charities.



“ ALL IT WOULD TAKE IS ONE VERY NEGATIVE NEWS STORY ABOUT A HIGH-PROFILE CHARITY INVESTING IN A WAY THAT IS CONTRARY TO ITS MISSION, TO MAKE OTHER CHARITIES TO SIT UP AND START REVIEWING THEIR OWN INVESTMENT APPROACHES

When it comes to responsible investment, why do you think it's particularly relevant to charities?

There is a clear public expectation that charities should be at the forefront of ethical and responsible investment. Research published by YouGov in 2012 found that 56% of investors in Great Britain believe that charities should measure the social and environmental impacts of their investments to the same

extent that they measure the impacts of their charitable activities. Fifty-nine per cent of investors believe that UK charities have a responsibility to take a lead on 'stewardship' issues. This means engaging with the companies they invest in and challenging them if they perform poorly on issues such as excessive bosses' pay or environmental impact. Sometimes there's an assumption that because charities tend to be at the

forefront of social justice issues, they invest in that way too. This isn't always the case though, and it's not uncommon to find charities investing in ways that may be publicly perceived as contrary to a charity's aims.

It's worth noting that this can also be a challenging area for charities as 'ethical' and 'responsible' are relatively subjective terms and can be interpreted in different ways by different stakeholders. A finance director's perspective on what an ethical approach is for their charity may be different to what their colleagues, the public, trustees or service users perceive as 'ethical' or 'responsible'.

What are the consequences for charities if they invest unethically and irresponsibly?

There are two major risks: damage to the charity achieving its mission and

damage to a charity's reputation. The damage to mission is fairly straightforward - the activity supported by the investments may run directly contrary to the charity's goals and purpose, hence undermining the charity's overall impact.

Reputational risks are a real concern too. The horror story of a national media outlet proving that a charity is investing in a way that is contrary to its organisational objectives can cause lasting damage by alienating the charity's supporters.

Not too long ago the LA Times produced a story on its front page that showed that the Gates Foundation was investing in a way that was contrary to its organisational objectives, and that its investment activities were actually damaging in terms of some of the work it was trying to do. This is not the sort of headline or news story any charity wants to be associated with.

Is there also a financial element?

Research demonstrates that returns for ethical and responsible investment products can be equal to or above market rate. Furthermore, investing for the long-term, rather than chasing short-term gains, can serve to strengthen the value of the underlying investment, as John Kay ably demonstrated in his review of equity markets. There are a number of particularly forward-thinking charities that actively operate in this way, such as the Church of England.

What kind of trends have you seen in positive screening and shareholder activism?

In the main, the way charities engage with socially responsible investment is through negative screening, though I think to some extent we're beginning to see a growth in shareholder activism too. We're now seeing more charities looking at how they can use ownership of shares to try to influence organisational activities as part of their campaigning work.

I think there's a role for more education in the charity sector about the potential benefits of positive screening and shareholder activism. The main reason why fewer charities will do it is that traditionally most charities have

associated ethical investment with negative screening, which admittedly can be simpler and less time-consuming.

Is there much interest in impact investing or social investment from charity investors?

We're seeing interest in social investment growing slowly, but I think the tradition within the sector, and the opportunities that are offered by most investment houses, is for relatively straightforward negative screens. It's important to distinguish between charities receiving social investment and making social investments - in the media charities are generally referred to as potential recipients of social investment, although relatively few have done this up to now, but some charities, notably trusts and foundations, are looking into investing small parts of their own portfolios in this way too.

How much do charities rely on philanthropic trusts and foundations for funding?

It varies from charity to charity. There are some that are heavily or almost solely reliant on funds from high net-worth individuals and grant giving organisations, but there are others which do not receive any income in this way.

In the US there is a well-developed culture of philanthropy with strong relationships between charities and philanthropists. The significant investment that goes into this kind of fundraising isn't necessarily replicated here, possibly for cultural reasons.

Looking ahead, what kind of things do you expect to see change in charities' investment strategies?

We would often say of our members that while they're interested in responsible investment, for many it falls to the bottom of the priority list. I think as it becomes more of a social norm for charities to be seen as forward-looking responsible investors, more will want to become involved and be at the forefront of this process.

I also think we will see a growing shift to more mature and wide-reaching responsible investment policies that are

not just about negative screening. As social investment evolves and develops too, we will see more organisations explore opportunities arising in that area.

One positive development in the past few years that has led many charities to review their investment strategies was the issuance of the new Charity Commission guidance on investments. The guidance clarified the legal position for charities making social and ethical investments, and has helped to dispel the myth that charities must always seek the highest rate of financial return.

Charities adopting a socially responsible approach can accept a lower rate of return in instances where investments might run contrary to their mission or may disenfranchise supporters. This has given comfort to many charities looking to explore responsible investment. That is not to say that responsible or ethical investment necessarily results in returns at a sub-market rate.

What would it take for a charity to begin investing responsibly?

In many instances at present the decision to adopt an ethical approach is the result of one or a few individuals' influence. For example, a trustee or finance manager who has a firm belief that that's how an organisation should be investing, and pushing for a more proactive responsible investment policy.

I think the strongest driver of behaviour in this area, though, is the changing public expectations about how charities should invest. I think all it would take is one very negative news story about a high-profile charity investing in a way that is contrary to its mission, to make other charities to sit up and start reviewing their own investment approaches.

www.cfg.org.uk



WE NEED TO PUT ETHICS AT THE CORE FINANCIAL HEART OF CHARITIES

HELEN WILDSMITH, OF CHURCH AND CHARITY ASSET MANAGER CCLA, SPEAKS TO BLUE & GREEN TOMORROW ABOUT PHILANTHROPY AND ETHICAL AND RESPONSIBLE INVESTMENT.



“**PHILANTHROPISTS CREATE MECHANISMS WHICH TURN INTO LASTING INSTITUTIONS**”

nets, and then send them out to Africa. It now invests in microenterprises making nets in Africa. Obviously those microenterprises give a far lower financial return, but in terms of their overall philanthropic mission, which is all about how getting nets onto beds, they find this is a much more successful approach.

In general, amongst both philanthropists who have traditionally given away their money to charities, and those who've set up permanent endowments to sustain their giving, we're seeing an increased interest in what the Charity Commission calls mixed motive and programme-related investment.

Mixed motive investment is where you get some financial return, but you're taking quite a lot of your return in relevant environmental or social outcomes, and programme-related investment is where an even higher proportion of your return is from relevant charitable outcomes. Sometimes programme-related investment just aims to get your money back with no real financial return to speak of. It can be thought of as recycling grants – instead of giving the money away it helps deliver the mission several times.

This type of investing can be hard work for trustees and staff, so sharing due diligence costs and learning from each other's experience is becoming more common. Interested foundations can join the Association of Charitable Foundations working group by contacting their Deputy Chief Executive, Carol Mack.

How would you define philanthropy?

Philanthropy for me is all about that instinct to give away assets for charitable purposes. I've always thought of the difference

What does ethical and responsible investment offer to philanthropists and foundations?

I think the most interesting new approach is being able to leapfrog the traditional capital markets, and invest directly in an area that's related to the mission of the philanthropist or the foundation.

There's a famous example from the US where a charity that was set up by philanthropists to address health issues used to invest in the S&P 500, collect the dividends, buy mosquito

between charity and philanthropy as being about scale. Warren Buffett and Bill Gates are modern day philanthropists, whereas I tend to think of my more modest giving as charity, rather than philanthropy.

Philanthropists tend to be able to create mechanisms which turn into lasting institutions. I'm not wealthy enough to set up the Wildsmith Foundation, but Bill Gates has the wealth to sustain the Gates Foundation.

Why do you think a growing number of charitable foundations are looking at ethical and responsible investment?

I think foundations and charities are realising that their financial assets can actually help with their mission in multiple ways. So if they're a human rights charity and own companies that haven't quite got their policies and practices in line with latest thinking on businesses' role in human rights, they can engage themselves or ask their fund manager to engage on their behalf.

At CCLA 20% of the time we spend on stewardship, engaging with companies and voting at their annual meetings, is explicitly tailored to fit with our clients' missions.

The flipside of investing for positive good and being a good steward of the assets you hold is making sure that charities aren't investing in anything that fundamentally undermines their mission.

The Evening Standard recently had a headline article about local authority pension funds investing in tobacco while they were also running programmes to try and reduce deaths from smoking within their local areas. The Charity Commission guidance makes it much easier for trustees of charities to avoid things that conflict with their mission than other trustees. They can also avoid things that would make it difficult for the charity to continue to operate.

Reputationally damaging mistakes are usually unwittingly made. Traditionally there's been a silo approach within charities and foundations, where financial experts look after the

“ **QUITE A LOT OF THE PHILANTHROPIC INSTINCT IS PEOPLE GIVING BACK TO A SOCIETY THAT HAS HELPED THEM CREATE HUGE AMOUNTS OF WEALTH** ”

investment and then hand over the dividend returns to people who are experts in the mission. What we're seeing now is people starting to work across those boundaries, and deal with ethical and responsible investment in all its guises, whether it's engaging with companies and policymakers, avoiding certain things or seeking out investments that align really well with the mission. They are all good ways to make the money work harder for that important ultimate charitable purpose.

How much do you think charities rely on philanthropic giving?

Charities rely quite a lot on government contracts, selling services in the way that you buy your National Trust membership, and philanthropic giving.

I think at the moment, all of those sources are under pressure, because in times of austerity, the government and the public bodies have got smaller contracting budgets, people are giving less and people are cutting back on leisure activities, memberships and sponsorships. At the same time, for many churches and charities, there is more pressure being put on them to meet charitable needs.

What are the motivations for giving to charity or becoming a philanthropist?

I did a master's degree in voluntary sector organisations about a decade ago, and there are multiple motivations for people getting involved in charity and philanthropy. I think, just as in the Victorian era, quite a lot of the instinct at the moment is people giving

back to a society that has helped them create huge amounts of wealth, and the instinct that some of their expertise from business and other careers can help with some of society's problems. For example, some venture capitalists become venture philanthropists, bringing innovation to the sector.

Why do you think environmental philanthropy represents such a small amount of total philanthropic giving?

That's certainly the longstanding trend, but it might be one of those things that does change. If you think about organisations like Oxfam, Christian Aid and CAFOD, which traditionally focused on issues that are clearly linked to poverty and development, now they've got big programmes on the environmental issues that will disrupt progress in the developing world.

You see the same sort of thinking flowing through in philanthropy, if you speak to the family foundations with multiple generations of trustees. You'll probably see an increase in interconnected systemic thinking as the sustainability crisis becomes more widely understood.

Any final thoughts on philanthropy, or ethical and responsible investment?

For both people who are giving to charity, and for philanthropists who are thinking about setting up foundations, remember that the core financial heart of a charity or endowment can also help with the charitable mission. It is increasingly possible to make money and make a difference, by careful selection of investments and appropriate stewardship across the resulting portfolio.

www.ccla.co.uk



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THE GUIDE

to Sustainable Homes



2013 REPORTS:

SEPTEMBER - Guide to Homes

SEPTEMBER - Guide to Banking

OCTOBER - Guide to Investment

NOVEMBER - Guide to Spending

DECEMBER - Guide to Sustainability

DECEMBER - Guide to 2014

SEPTEMBER 2013:

The Guide to Sustainable Homes will look at all aspects of green homes, including sustainable mortgages, carbon reduction and energy efficiency.

HOW IMPORTANT IS STABILITY IN A CHARITY FUND MANAGER?

CHARITY ASSETS NEED A FUND MANAGER THAT RECOGNISES THEIR SPECIAL CHARACTERISTICS, IS GEARED UP TO MEET THEIR NEEDS, AND CAN PROVIDE A STABLE RELATIONSHIP THAT IS NOT MOTIVATED BY THEIR OWN SHORT-TERM FINANCIAL TARGETS.

BY MICHAEL QUICKE, CHIEF EXECUTIVE, CCLA

The charity fund management industry has seen a surprising level of restructuring recently, raising the question of how this upheaval might affect charity clients.

It started in February when Standard Life bought Newton's private client business, including £400m of charity funds. Since then, Schrodgers acquired Cazenove, both with about £3 billion of charity funds, and most recently Blackrock has reorganised its charity team, substantially increasing the minimum size of charity where they are willing to provide a full relationship, and encouraging those with

less than the minimum to invest in their pooled funds.

These moves all have a good commercial rationale as far as the fund managers and their shareholders are concerned.

They might dispose of an area of business the seller no longer consider strategically important, or build scale in a strategically important area of business for the buyers. In a world where there is a constant drive to increase profitability, shareholders benefit.

How will this change affect the underlying charity clients?

In answering this, we need to remind ourselves of the needs of



UNLIKE ALL OF US,
CHARITIES DON'T DIE; NEITHER
DO THEY HAVE THE DEFINED
LIABILITIES AND TIMESCALES
OF PENSION FUNDS OR OTHER
INSTITUTIONAL INVESTORS

ensure that the charity's funds are managed to best effect and in accordance with its objectives.

Such an understanding takes time to develop through a long-term and committed relationship. Any strategic change by a fund manager will be likely to impair its ability to meet these requirements, at least in the short-term. Staff changes will inevitably result in a loss of knowledge and understanding built up over the years. The best record keeping cannot replace the kind of empathy that comes from a longstanding relationship. Even staff who keep their jobs may be distracted by uncertainty over their future, reducing their emotional engagement with clients. Competition for status or influence in a new corporate environment can easily weaken their focus in the short term.

How should trustees respond?

Clearly this depends upon their circumstances. But if a change of fund manager is appropriate, this most recent period of change does emphasise the importance of stability in the newly appointed firm – the last thing trustees want is to be faced with the same disruption all over again a couple of years later. That means choosing a fund manager with a solid corporate commitment to your type and size of charity – from the shareholders, through the board to the front-line staff.

charity investors. Charity investors are in some important ways quite different from other asset owners. Charities are often the ultimate long-term investors, wishing to continue their work long into the future. Unlike all of us, they don't die; neither do they have the defined liabilities and timescales of pension funds or other institutional investors. They often have quite sophisticated investment requirements, including the need for regular and growing distributions to fund their work,

and many also have ethical requirements to ensure alignment with their purpose, their supporters' beliefs and beneficiaries' needs. Yet despite this complexity, charity trustees are non-executive and often meet infrequently. They generally do not have the resources to justify the level of professional advice enjoyed by pension fund trustees. As a result, most rely heavily on their relationship with their fund manager. The fund manager needs to understand their needs and provide advice and guidance to help the trustees

Michael Quicke is chief executive of CCLA, which manages funds for more charities than any other investment manager.
www.ccla.co.uk



THE WEALTHY ARE NOT TAX DODGERS; THEY'RE A POSITIVE FORCE IN SOCIETY

WORKING WITH HUNDREDS OF FINANCIAL INSTITUTIONS ACROSS 35 COUNTRIES TO INTERVIEW THOUSANDS OF MILLIONAIRES AND HIGH NET-WORTH INDIVIDUALS, SCORPIO PARTNERSHIP HAS AN ALMOST UNPARALLELED UNDERSTANDING OF WHAT MAKES THE WEALTHY TICK. MANAGING DIRECTOR CATH TILLOTSON DESCRIBES HOW PHILANTHROPY AND RESPONSIBLE INVESTMENT KEEP CROPPING UP AS KEY ISSUES IN ITS RESEARCH.

Explain a bit more about Scorpio Partnership.

We're a strategy firm, which means most of our clients in financial services, we're telling them how to expand their business, find new markets and change the way they interact with their existing customers.

A few years ago, we noticed a lot of wealth management institutions were starting to talk about philanthropy as an area of business practice. We got involved in a number of different strategy projects, around understanding the process of philanthropy and where wealth management firms fitted in alongside lawyers and accountants.

We've also done a lot of research with major donors of different levels of wealth. So from major donors at the high net-worth level who are perhaps part of a giving circle, up to major donors

who have billion dollar foundations.

We're trying to understand what motivates them, and what they see as the future of philanthropy and philanthropic advice.

We've interviewed probably about 10,000 millionaires and multi-millionaires face-to-face, and we've done quantitative research with probably another 20,000-30,000 on top of that. So we've got a very good insight into what makes the global wealthy tick, and philanthropy keeps coming up.

You've also done research into responsible investment and wealth creation. What are the main trends that you identified?

That work was spurred really by the fact that there was a lot of pressure a year ago. It perhaps came to a head with the Give it



“ ONE PHILANTHROPIST’S INTERESTS ARE NOT THE SAME AS ANOTHER’S. HOWEVER, IF YOU CAN INTRODUCE A COMMON MOTIVATION – AND PROFIT IS A VERY GOOD ONE – THEN YOU CAN ALIGN PEOPLE’S INTERESTS

Back George campaign, which appeared to be casting wealthy individuals who gave money as being motivated by dodging taxes. We, in all of our research with thousands of high net-worth individuals, just couldn't see that as a profile that we regularly came across. Most of the wealth creators we spend time with, and most of the wealth creators who respond to our quantitative work, are very interested in wealth creation as a concept not just for themselves, but for the businesses that they run and the organisations they work

with. We just couldn't see how this profile of tax dodging fitted against that. If you talk to a wealth adviser, they will tell you that a wealthy person is only interested in securing their wealth for their family. If you talk to the government, there's more of a slant on making them pay the appropriate levels of tax. If you talk to charities, they characterise wealthy people as those who put restrictions on the way that they give and can be quite awkward to deal with in terms of information flows. None of this added up, so we did

some specific research looking at what responsible wealth creation meant. We call it a Responsibility Index, which basically asks wealth creators to rank how important things like securing wealth for their families, paying taxes, charitable activity, obeying international laws, the environment and a whole range of different factors.

What we found was that people that we deal with everyday regard all of those factors important. And in fact, securing wealth for the family and paying taxes were broadly on a level. Now obviously, they put slightly more emphasis on family than they do on tax, but actually you're looking at somewhere between six and eight out of 10 for all of these factors. If you then go to advisers and ask the same questions, you find that advisers significantly overweight the importance of family and significantly underweight the importance of responsible investing or the environment or giving money to charity. What that said to us is that there's an imbalance about the way that society perceives wealthy individuals, and if we had a better understanding of the person in front of us, we would actually see that they're quite a positive force in society and not the stereotypes that sometimes get put forward.

Why and how do you think this perceptions and stereotypes have been created?

I think it's because inevitably, any individual, when they are interacting with one authority or one adviser, is focusing on a particular issue.

When you go to see your financial adviser, you are going to be talking to them about pensions and school fees and so on. It is about your family; it is about that particular aspect of your life. When you're interacting with the authorities, it's probably around tax returns. People focus on the thing that they see, and they forget the individual in front of them is actually much more rounded. And if we understood that person in a much more rounded way, then we could balance products and services accordingly. At the moment, the individual has to go out and interact separately on all of these issues.



**Your research says,
“Responsibility is far more
important to wealth creators
than the wealth management
industry gives credence today.”
Why do you think this is?**

I think it’s because wealth advisers will focus on one aspect, and that is the most important thing. And if that is just one out of 10 or 20 or however many factors, they’re kind of missing the point. They could just as easily have a conversation with that person about philanthropy and social investment. And those would be equally interesting topics.

If you want to deliver a holistic wealth solution, you should be comfortable having those conversations, because the person in front of you is interested. If we look at our work that we’ve done in the philanthropic space – particularly with very major donors – they are much more in tune with the concepts of venture philanthropy, social investment and impact investment, however you wish to define those terms, because they understand that if you can put some kind of profit motivation into the equation, it brings more efficiency into the model. When you’re giving money away, you want to maximise the efficiency. You want

“ **THERE’S
AN IMBALANCE
ABOUT THE WAY
THAT SOCIETY
PERCEIVES WEALTHY
INDIVIDUALS** ”

to make sure that everybody’s on the same page with the same motivations, so it’s a natural step for many major donors to say that there are some problems that are best solved with charity, and there are some problems that would be better solved with an equation that has profit motivation in there.

**Is there a difference currently
between ethical, sustainable
or responsible investment and
philanthropy?**

They’re two very different activities, but they are certainly related. Philanthropy,

at its purist, is about alleviating suffering. That’s fundamentally what it is, but there are many different types of problems and those problems are usually complex, so if you want to scale up philanthropic activity you need to motivate a wide group of people – and that is a very difficult challenge.

One philanthropist’s interests are not the same as another philanthropist’s interest. However, if you can introduce a common motivation – and profit is a very good one, and has worked for many thousands of years – then you can align people’s interests. But in order to get the process started, you need seed capital. That seed capital will almost certainly have a philanthropic goal and initially will probably be philanthropic capital, but that capital has an investment motivation – by which I mean that its purpose is to prove a concept and engage others in the investment.

So the philanthropist says, “We can help to make this work, and we can prove it, test it, and then move it across into the mainstream.”

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what wealth needs next

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ETHICAL INVESTMENT IS MORE THAN BEATING ONE BASTARD WHILE FUNDING THREE OTHERS

AS PART OF NATIONAL ETHICAL INVESTMENT WEEK 2012, THE CHARITY FINANCE GROUP (CFG) PUBLISHED A SURVEY OF ITS MEMBERS THAT FOUND THAT JUST OVER HALF HAD ANY SORT OF ETHICAL INVESTMENT POLICY, AND THAT OF THOSE WHO DID, MOST ONLY USED 'NEGATIVE SCREENING', WHERE THEY AVOID COMPANIES WHICH HAVE ACTIVITIES THAT GO AGAINST THE CHARITY'S AIMS.

BY DAVID AINSWORTH, THIRD SECTOR

“ THERE IS LITTLE TO SUGGEST THAT CHARITIES ARE DISPLAYING HIGHER ETHICAL STANDARDS IN THEIR INVESTMENT THAN THE AVERAGE MAN ON THE STREET

There is little, in short, to suggest that charities are displaying higher ethical standards in their investment than the average man on the street.

This is a bit of a worry. If charities don't have any sort of ethical investment policy, it makes it almost certain that they're investing money in someone, somewhere, who is doing something harmful to their beneficiaries.

Charities are supposed to act ethically, after all. Charities are supposed to be the ones leading the crusade against companies that pollute the environment, make banned munitions, and run sweatshops in the developing world, aren't they?

It's also perhaps disappointing that most that have ethical policies are worried only about their own beneficiaries. Those who protect the environment are often happy to invest in sweatshop-

owners. Those who fight to prevent poverty are often happy to invest in arms manufacturers. And so on. Many charities have developed investment policies to beat the bastards they're personally battling, while funding three other types of bastard.

Charities' attitudes also seem to be at odds with what the wider public want from them.

A survey by UKSIF, the ethical investment industry's trade body, found that 59% of investors want to see charities take a lead in investing more ethically. Whereas, if anything, charities are being dragged into the field by their investment managers.

There are reasons why charities have been slow to invest ethically. One is a lack of resource. It takes time and effort to develop an ethical policy, and the trustees who should be in charge of doing so are often part-time, with limited investment experience.



Another is the separation of those who manage money from those who spend it. A CFG seminar on this subject found that there was often a lack of connection between finance teams and their campaigns and policy counterparts. A third is a belief that you should focus first on maximising your returns – or perhaps more serious, that trustees are required to maximise returns, because of their fiduciary responsibility to their charity.

Charities have argued previously to me that it's their duty only to be concerned with their own beneficiaries – or, to put it another way, that if the best way to help dogs is to invest in people who make cluster bombs, then dog charities have a duty to do so.

I'm not sure this is really true, but if it is, it seems silly. And it argues that perhaps the duties of charities should be widened to include something that looks a little like the Hippocratic

**“ CHARITIES’
ATTITUDES TO
INVESTMENT SEEM
TO BE AT ODDS WITH
WHAT THE WIDER
PUBLIC WANT FROM
THEM**

Oath – not just to do good for your beneficiaries, but to do no harm to everyone else while you're at it. Of course, in reality, the question is probably moot, because there is no evidence that being ethical in your investment costs money. If anything, there's some evidence that companies which have good environmental, social and governance (ESG) records provide a better return for the long-term investor. In addition, Charity Commission

guidance also indicates that charity trustees have reasonably broad powers to make investments in line with their ethical judgements.

The evidence suggests that the number of charities who are developing an ethical investment policy is growing. But it appears that it will be a while before the 59% of investors who want to see charities take a lead are likely to get their wish.

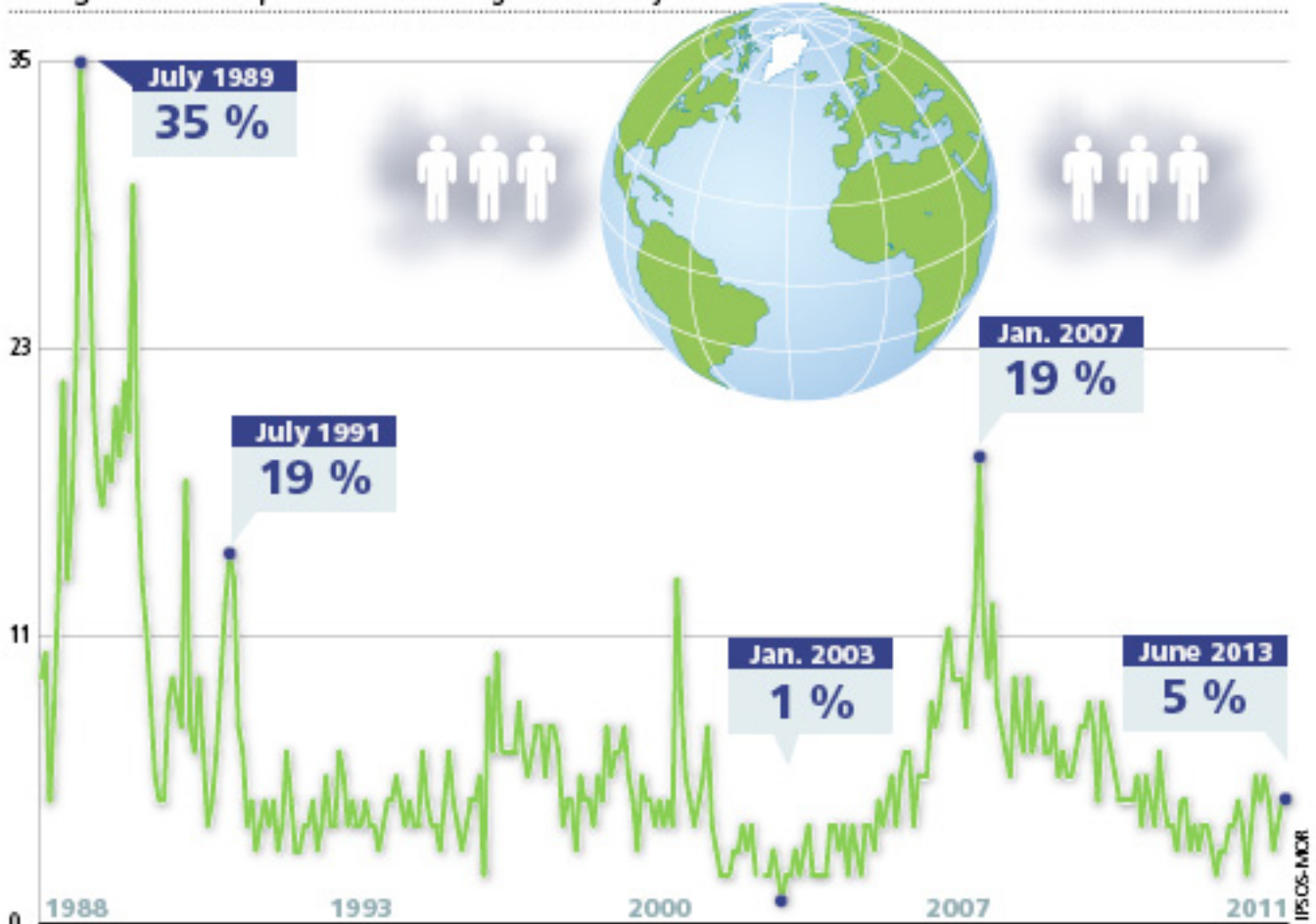
David Ainsworth is a senior reporter at Third Sector, the leading business publication covering charities and voluntary sector organisations.

www.thirdsector.co.uk

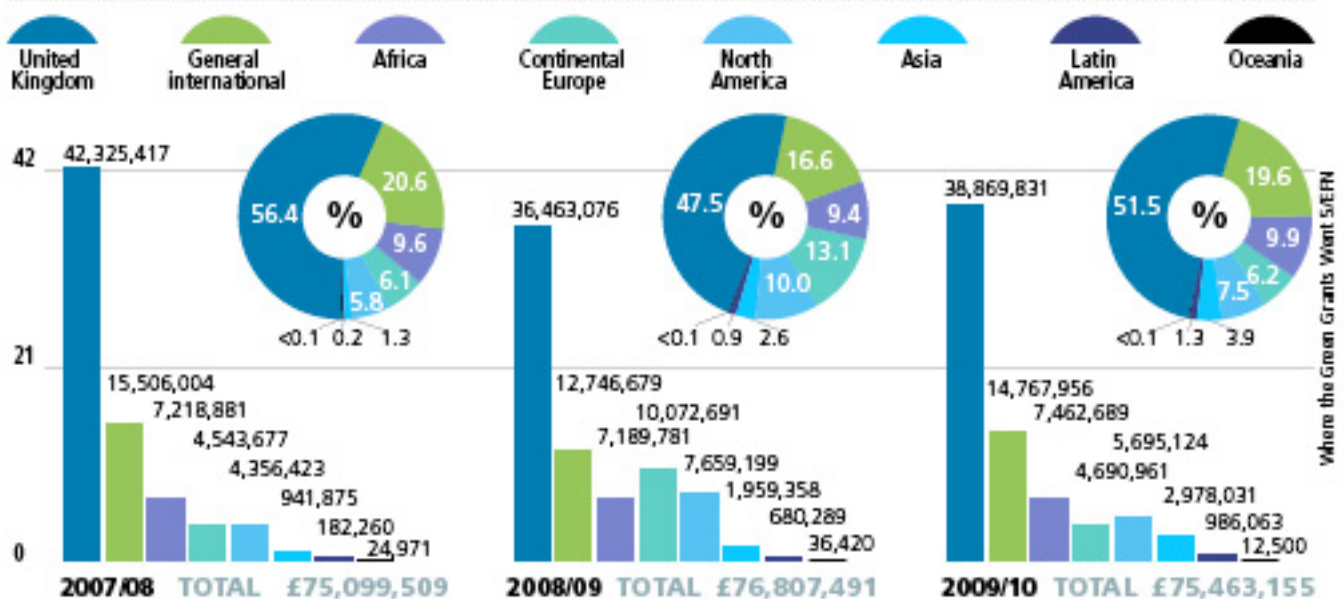
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Environmental philanthropy: the stats

Percentage of population rating environment and pollution amongst the most important issues facing Britain today



Geographical distribution of the work supported by grants, 2007/08 to 2009/10



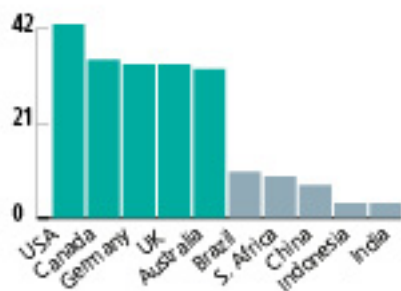
Distribution of grants by issue, 2007/08 to 2009/10



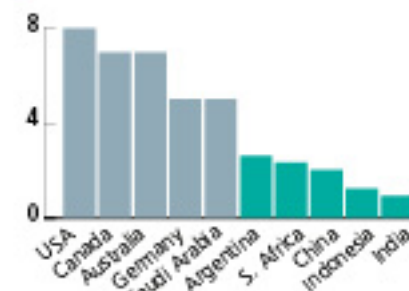
Total (£)	2007/08	2008/09	2009/10
Agriculture & food	12,365,309 20.8	9,419,108 12.3	15,733,291 20.8
Biodiversity & species preservation	15,950,397 22.7	16,187,600 21.1	17,101,237 22.7
Climate & atmosphere	4,626,247 10.6	12,627,107 16.4	8,029,975 10.6
Coastal and marine ecosystems	4,963,905 4.5	1,030,166 1.3	3,431,304 4.5
Consumption & waste	492,841 0.3	441,075 0.6	196,661 0.3
Energy	4,044,246 5.8	3,369,865 4.4	4,356,201 5.8
Fresh water	3,248,313 3.9	3,562,205 4.6	2,925,995 3.9
Multi-issue work	5,600,788 5.9	8,540,217 11.1	4,453,324 5.9
Sustainable communities	6,133,742 6.2	5,005,836 6.5	4,685,273 6.2
Terrestrial ecosystems and land use	11,103,196 10.1	9,603,562 12.5	7,616,306 10.1
Toxics & pollution	2,774,281 4.9	4,383,778 5.7	3,689,571 4.9
Trade & finance	1,706,609 2.1	874,159 1.1	1,619,979 2.1
Transport	2,089,63 2.2	1,762,813 2.3	1,624,038 2.2
TOTALS	£75,099,509 100%	£76,807,491 100%	£75,463,155 100%

A comparison of G20 countries' economic and environmental performance ■ The top five performer ■ The bottom five performer

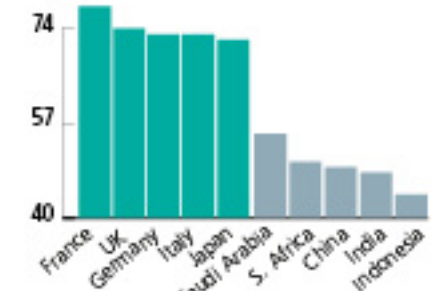
Gross National Income per capita (\$ PPP), (2005)



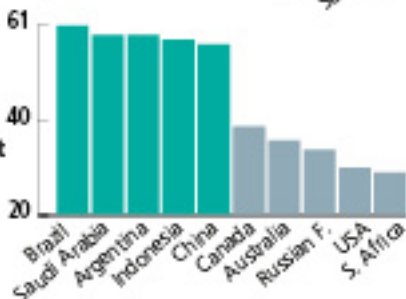
Ecological footprint (hectares per capita)(2007)



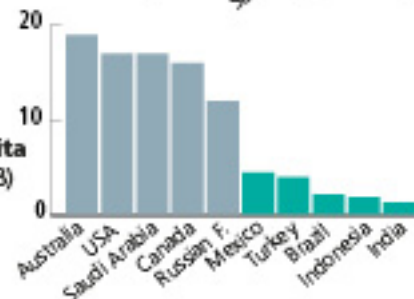
Environmental Performance Index (2010)



Happy Planet Index (2007)



CO2 per capita (tonnes) (2008)





WHAT IS THE ENVIRONMENTAL FUNDERS NETWORK?

THE ENVIRONMENTAL FUNDERS NETWORK (EFN) IS A NETWORK OF PHILANTHROPIC TRUSTS, FOUNDATIONS AND INDIVIDUALS THAT FUND ENVIRONMENTAL AND CONSERVATION INITIATIVES.

BY TOM REVELL

WHERE THE GREEN GRANTS WENT

Patterns of UK Funding for Environmental and Conservation Work

Launched in 2003, its mission is to inspire increased levels of charitable support for such causes and to make environmental philanthropy better organised and more effective. Its members are “collaborating to secure a truly sustainable and just world, fit for people and nature.”

A project of the Ecology Trust, it was founded with the support from the family of the late billionaire financier and politician Sir James Goldsmith. The Goldsmith family remains actively involved in funding environmental initiatives.

EFN is a funder-to-funder network, meaning that it is not open to grant seeking organisations. Its main purpose is to allow contact between environmental grant-makers, and provide a forum where common interests can be discussed. To that end, the network holds a yearly retreat, quarterly lunches, and other ad hoc events, all of which bring philanthropists together.

The trusts and foundations that have worked with EFN have diverse interests. Some are concerned with specific issues, such as the People’s Trust for Endangered Species, which is especially concerned with British mammals.

Others want to tackle broad, global issues, such as the Waterloo Foundation, which supports international development work and funds international environmental initiatives.

Some are familiar names, such as Comic Relief, the Body Shop Foundation and the BBC Wildlife Trust. Some have religious connections, such as the Joseph Rowntree Charitable Trust, which is strongly linked to the Quaker community. Meanwhile, the New Israel Fund exists, it says, to help secure Israel’s long-term prospects and “to promote environmental activism throughout Israel.”

For their various reasons they have all gathered under one environmental banner to work with the EFN.

The EFN has made a name for itself through a series of reports investigating patterns of funding on environmental issues. The latest in the ‘Where



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With a foreword by Chris Cooper-Hohn

JANUARY 2012



the Green Grants Went’ series was published in 2012.

The report shows that less than 3% of charitable grants made in the UK are donated to environmental and conservation projects, a “disappointingly low” figure.

This is “despite the risk that unchecked climatic changes will prove catastrophic for biodiversity, marine systems, habitat and species preservation, as well as public health,

international development, human rights and the welfare of future generations.” The research also shows that from 2007 to 2010, funding has plateaued, at around £75m a year. The report predicts that reductions in public spending will mean a failure to deliver environmental programmes, leaving gaps that philanthropy cannot fill alone. It says that environmental funders, such as those EFN counts as members, will need to carefully plan ahead.

www.greenfunders.org

Environmental Funders Network

FIXING THE ENVIRONMENTAL CRISIS THROUGH PHILANTHROPY

ENVIRONMENTAL PHILANTHROPY ACCOUNTS FOR LESS THAN 3% OF TOTAL UK PHILANTHROPIC GIVING. THIS IS A STAGGERING STATISTIC CONSIDERING THE SHEER SCALE OF ENVIRONMENTAL PROBLEMS THE WORLD FACES, SAYS PHILANTHROPIST AND GREEN INVESTOR BEN GOLDSMITH.

BY ALEX BLACKBURNE



People address the environmental crisis in their own way. Some buy solar panels; some sell solar panels; some educate; some write. But for some people, like Ben Goldsmith, money is their weapon of mass conservation.

At just 32, Goldsmith has made a name for himself as one of the brightest entrepreneurial minds in Britain, and is already a veteran when it comes to philanthropy. He is a partner at green investment group WHEB, chairs his family's philanthropic foundation, which specialises in grant-making to green and environmental causes, and was instrumental in setting up the Environmental Funders Network (EFN), which brings together 150 trusts, foundations and individual donors. In January 2012, the EFN published the fifth edition of its 'Where the Green Grants Went' report, which analyses the state of environmental philanthropy in the UK. The latest edition provided some real food for thought for Goldsmith.

"The total amount of money given by trusts and foundations to environmentally-related work amounts to I think less than 3% of total philanthropic giving by trusts and foundations", he says, citing research conducted by the EFN.

"I'm staggered by that. Given the scale of the problem that we're facing, I find it amazing that only around £75m was spent on environmental work in total in 2009/10. It's the biggest challenge

“ I CAN'T THINK OF A GREATER CHALLENGE THAN FIXING THE ENVIRONMENTAL CRISIS



facing our generation. I can't think of a greater challenge than fixing the environmental crisis."

In a 2011 article for *Spear's*, a lifestyle magazine for high net-worth individuals, Goldsmith praised generous philanthropic giving, but said it all "means nothing" unless the environment is looked after. He puts the apparent disregard for the long-term future of our planet and its inhabitants down to a lack of education: "The general problem is that people take the environment for granted. The stuff that we consider to be our God-given right and we consider to receive for free has no economic value attached to it for that reason."

Goldsmith adds that this problem, failing to value healthy ecosystems and the services they provide, is a problem that runs through investment, business, development, decision-making and philanthropy.

His sentiments are supported by academic research. A report from April 2013 by investment firms Alliance Trust, Newton

and Schroders claimed that leading economists were failing to account for ecosystem services such as climate change, because of the inherent short-term nature of markets.

Interviewees, including several chief economists from some of the largest investment banks in the world, noted the "shortcomings in the ability of existing economic models to readily incorporate ecosystem service impacts".

"A fundamental problem with economics is that a forested area of hills near a city is not valued for the water it provides that city every year. It's only when the forest cleared and the city starts running out of water in the summers that they realise what they've done", explains Goldsmith.

"The root of that problem is the same when it comes to philanthropy. People assume that the environment will just always be there and will always keep on giving, and therefore they look to focus on the more immediate problems.

"It's like they're putting sticking plasters onto the symptoms of environmental

collapse and trying to deal with things at the end of the pipe, rather than going to the beginning of the pipe and trying to solve the cause of some of those problems. That's the transition that philanthropists need to make."

But while the current generation of big philanthropists are perhaps falling short in giving to environmental causes, Goldsmith believes there is room for optimism. Environmental issues have been drummed into schoolchildren since the 90s, and so represent a top priority issue for young people today.

The environment, he says, will benefit from that shift in the long run – though whether things will change as quick as they need to is another question altogether. Goldsmith has his father, the late billionaire financier Sir James, to thank for introducing him to philanthropy. Sir James, who died in 1997 when Ben was just 16, set up what was then called the Goldsmith Foundation in 1990. It was from his father that Ben inherited his business and investment nous.



His passion for the environment came from his uncle Teddy, though, the brother of Sir James and founder of both the Green party and the Ecologist magazine (which Ben's brother Zac would later go on to edit). Sir James, too, had Teddy to thank for converting him to a green way of thinking. The Goldsmith Foundation is now called the JMG Foundation. But while its name has changed over the years, it still has almost no public profile and a discrete online presence. However, it continues to give away millions to environmental causes each year.

The philanthropists Goldsmith most admires are Sigrid and Lisbet Rausing. Daughters of billionaire Swedish businessman Hans, the sisters are known in their own right for being two of the most generous and publicity-shy givers in the world – Sigrid to human rights causes and Lisbet to environmental and conservation issues. Goldsmith describes them as “unsung heroes”.

“There are lots of philanthropists around, and certainly those that are most unsung are often in areas such as human rights and environment, where there are no monuments to their giving”, he adds. “A lot of what they do is unseen, but they're actually creating lasting, systemic change with their philanthropy, which I think is the ultimate outcome.”

Many philanthropists engage in so-called ‘vanity giving’. Indeed, one of the biggest criticisms of philanthropy is that it allows the wealthiest to pursue their own interests (most notably in the arts) and not

“ I WOULD LOVE TO SIT DOWN AND CHAT TO SOME OF THE BIG PHILANTHROPISTS AND GET THEM TO SEE THE SCALE OF THE PROBLEM WE'RE FACING

necessarily resolve what is most pressing in society. The tiny amount of philanthropic money given each year to environmental causes is perhaps evidence of this.

“I would love to sit down and chat to some of these philanthropists and get them to see the scale of the problem we're facing, and the fact that philanthropic money is so incredibly potent”, Goldsmith says.

“Tiny amounts of philanthropic money, compared to the money spent with corporate lobbyists, can make such a difference. You can really move juggernauts with tiny amounts of philanthropic money.”

Goldsmith is quick to add, however, that ‘vanity giving’ is not a bad thing in his eyes: “Look at some of the wonderful monuments in the cities of the world that have been built, and some of the national parks that have been donated. There are lots of wonderful examples of extravagant, ostentatious giving that have left us with a

fantastic legacy.

“Thank God for the National Gallery and the Royal Opera House, which were the results of extravagant and ostentatious giving. I don't think it's ever a bad thing; I think it's definitely a good thing.”

But philanthropists have not always enjoyed a steady relationship with governments. Criticisms of philanthropy from politicians stretch way back, with US senator Frank Walsh arguing in 1912, “Taxation, not philanthropy, was the proper way to provide funds to solve social problems.”

Fast forward 100 years and philanthropists in the UK were outraged when David Cameron and George Osborne accused them of giving away money to charitable causes as a means of dodging taxes. Goldsmith argues that the relationship between tax rates, levels of philanthropic giving, and social outcomes is something that would benefit from further research.

“It's clear that the US and UK have stronger philanthropic cultures in part as a result of having lower levels of income tax than some other industrialised countries, and personally I like the idea that individuals have the freedom to support the things they care about the most”, he says.

“It's also the case that philanthropic capital has a vital role in supporting work that criticises the government, such as the lobbying and advocacy work carried out by environmental organisations. It is very hard for such groups to get funding for this kind of work from either the government or the business community.”

At the same time, he points out that countries with strong philanthropic cultures often fare less well in terms of social indicators and measures of wellbeing.

But conversations about philanthropy with Goldsmith will always come back to one point: the “staggering” mismatch between the scale of environmental philanthropy and the problems ahead.

“To change the world for the better is the ultimate outcome of philanthropy. And the collapse of the natural systems on which we all depend – some people more directly than others – is the deciding factor governing so many other issues that philanthropists are trying to address”, he says.

“I therefore find it odd that the environment sits so low down the priority list.”

www.greenfunders.org
www.whebpartners.com

**“WHAT WE HAVE DONE FOR
OURSELVES ALONE DIES WITH US;
WHAT WE HAVE DONE FOR OTHERS**

AND THE WORLD REMAINS AND IS IMMORTAL”
– AMERICAN LAWYER ALBERT PIKE

**“IF WE COMMAND OUR WEALTH, WE SHALL
BE RICH AND FREE; IF OUR WEALTH
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BOUND TO ADMINISTER IN HIS LIFETIME FOR THE GOOD OF THE
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“Philanthropy

IS INVOLVED WITH BASIC INNOVATIONS THAT TRANSFORM
SOCIETY, NOT SIMPLY MAINTAINING THE STATUS QUO OR
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“NEVER RESPECT MEN MERELY FOR THEIR RICHES, BUT
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WHAT DO I DO NEXT?

Having read through the Guide to Philanthropy & Giving 2013, which we hope has opened your eyes to new ways of thinking about money and its uses, you might be wondering how else you can make a difference in your life. We encourage you to read our other in-depth reports, from both this year and last, on topics as varied as investment, tourism, energy and the media. But above all, we encourage you to act upon what you've read.



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