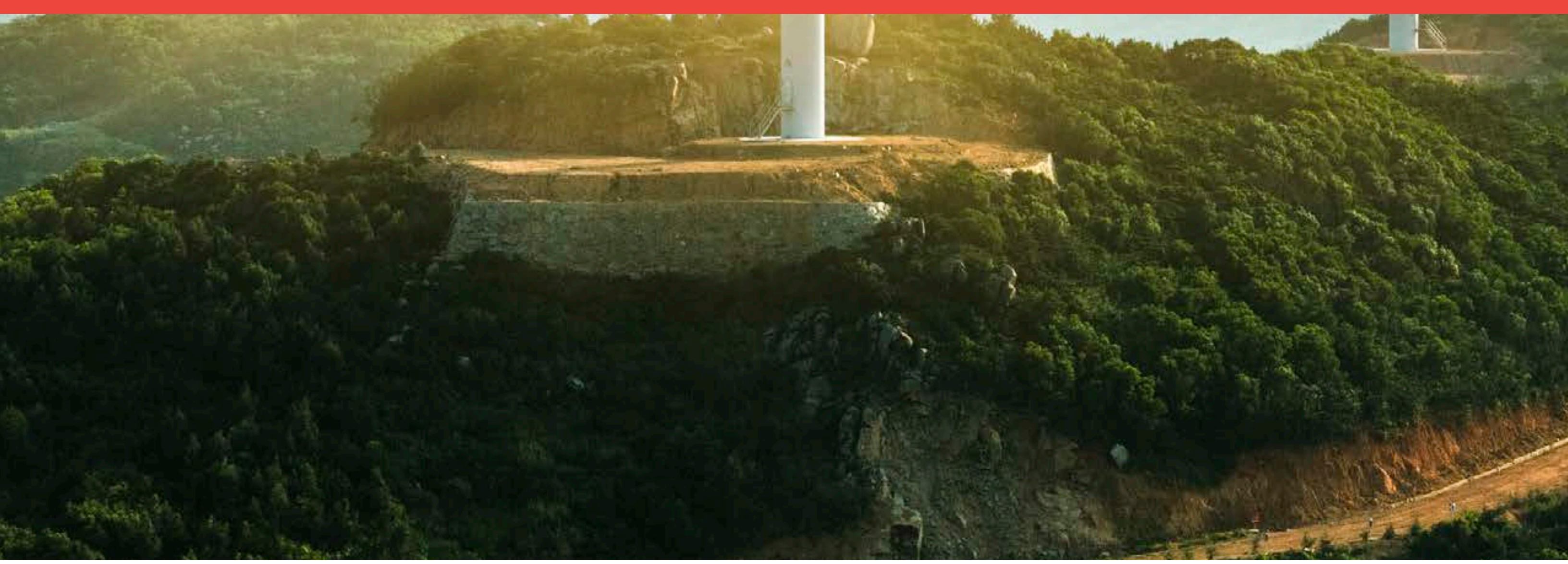
Investing for Impact: A Case Study

How the Laird Norton Family Foundation and Laird Norton Wealth Management generate both financial returns and social good.



LAIRD NORTON FAMILY FOUNDATION

lairdnorton WEALTH MANAGEMENT

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Executive Summary

Impact investing is an ever-evolving discipline that continues to attract individuals, families and foundations that want to put their wealth to work creating societal good.

The Laird Norton Family Foundation (LNFF) is one such investor. A private foundation and one of the philanthropic arms of a seven-generation business owning family, LNFF worked closely with Laird Norton Wealth Management to create an impact investing partnership that has attained the following key results:

- LNFF's investment portfolio is now 76 percent invested in funds and direct investments based on environmental, social and governance (ESG) criteria, with the aim of having this percentage rise to 100% in the near future.
- Portfolio allocation is diversified across all major asset classes, from ESG-related funds to private investments.
- The investment return target remains at approximately eight percent annually, a testament to a strategy that generates both a measurable social benefit and solid financial return.

Since making impact investing a strategic priority, the Laird Norton Family Foundation has learned numerous lessons, and many that go beyond the numbers. Their experiences have shown them that:

- **Size is not a barrier:** There is a perception that smaller foundations do not have the luxury of investing in line with their social missions. This is not the case. Getting started with impact investing is considerably easier than it was in the past, and there are opportunities for investors of all sizes to make an impact.
- **Due diligence is critical:** Impact investing requires the same stringent standards applied to evaluating traditional investments, and even more so when looking at private non-listed investments, where the impact can be the greatest. This is especially true for perpetual foundations making investments that require a long-term commitment of capital.

Impact investing is an ever-evolving discipline that continues to attract individuals, families and foundations that want to put their wealth to work creating societal good.

- **Education is ongoing:** As part of a seven-generation family with many viewpoints – including some detractors – making the shift toward impact investing wasn't a one-time effort. Getting stakeholders on board with the approach requires demonstrating the financial and social value of impact investing early and often.

- **Creating a common language helps:** Impact investing is an ever-evolving field and new funds and private investments will continue to emerge. Creating tools that help evaluate how opportunities fit into your own mission and investment goals goes a long way in keeping everyone on the same page.

- **Your impact can be bigger than yours alone:** With a commitment to impact investing, foundations, families and individuals can act as catalysts to help create new opportunities that attract a wider array of investors.

Smart and sustainable impact investing is a long-term strategy, one that requires as much intention and commitment as it does the desire to align your investments with your mission. And it's this dedication that has continued to drive the Laird Norton Family Foundation to make impact investing central to its purpose.

We hope, in reading about these experiences, you'll be inspired to join the Laird Norton Family Foundation, Laird Norton Wealth Management, and a growing cohort of individuals, families and foundations around the world in putting your wealth to work for societal good.

Part I

Introduction

Many families seek to use their resources to improve the world around them. Whether it's by building businesses that create jobs and contribute to the community, using philanthropy that supports causes close to their hearts or focusing their investment portfolio to build wealth for future generations, they're driven by a need to leave the world better than they found it. Impact investing is one of the most powerful strategies they employ.

The experiences of the Laird Norton Family Foundation – found on the following pages – paint a picture of one family's impact investing efforts that are, by design, thoughtful, pragmatic and deliberate. With this case study, LNFF hopes to share lessons learned and illustrate the evolution of their journey for the benefit of foundations that are considering or are at the early stages of aligning their missions with their philanthropic priorities. Moreover, the lessons within apply to other families and individuals interested in impact investing. The Laird Norton family has been most actively focused on its foundation as its chosen vehicle, but the process can be used by anyone.

As the field of impact investing has evolved, so has the language, and a number of terms are used throughout this case study. Put simply, we consider impact investing to be the practice of investing in companies, funds and projects to generate both a measurable social benefit and a financial return. This is often also referred to as socially responsible investing, or SRI.

Impact investing includes a full spectrum of approaches:

- ESG stands for environmental, social and governance – and ESG screening is used to weed out or weave in companies along a number of commonly accepted screening factors
- Thematic investing refers to selecting groups of investments that address a pre-defined issue or cause
- Program Related Investments (PRI) can be loans, equity investments or a guaranty made by a foundation to an organization more because of an alignment with a mission than because of its potential for financial returns

> Partnership is critical to putting together the right portfolio. Impact investing is not a one-size-fits-all endeavor.

- Shareholder advocacy is engaging with company management – either directly or through proxies – to affect changes in its business practices

- Direct investing refers to funding projects via private markets through debt and/or equity

Laird Norton Wealth Management has worked with the Laird Norton Family Foundation for decades, together navigating impact investing's ongoing evolution. While the organizations share a name and family legacy, they operate independently, and the creative tension built into the relationship is one of the keys to success.

Partnership is critical to putting together the right portfolio; impact investing is not a one-size-fits-all endeavor. Values, missions, return requirements and investment strategies are just some of the many factors weighed into the optimal approach. The Laird Norton Family Foundation doesn't claim to be a trailblazer in the field, but its experiences have been valuable and do demonstrate that making a shift towards impact investing is an achievable goal.

Both the Laird Norton Family Foundation and Laird Norton Wealth Management hope that this case study offers insights that anyone interested in impact investing can use as an inspiration to get started.

Part II

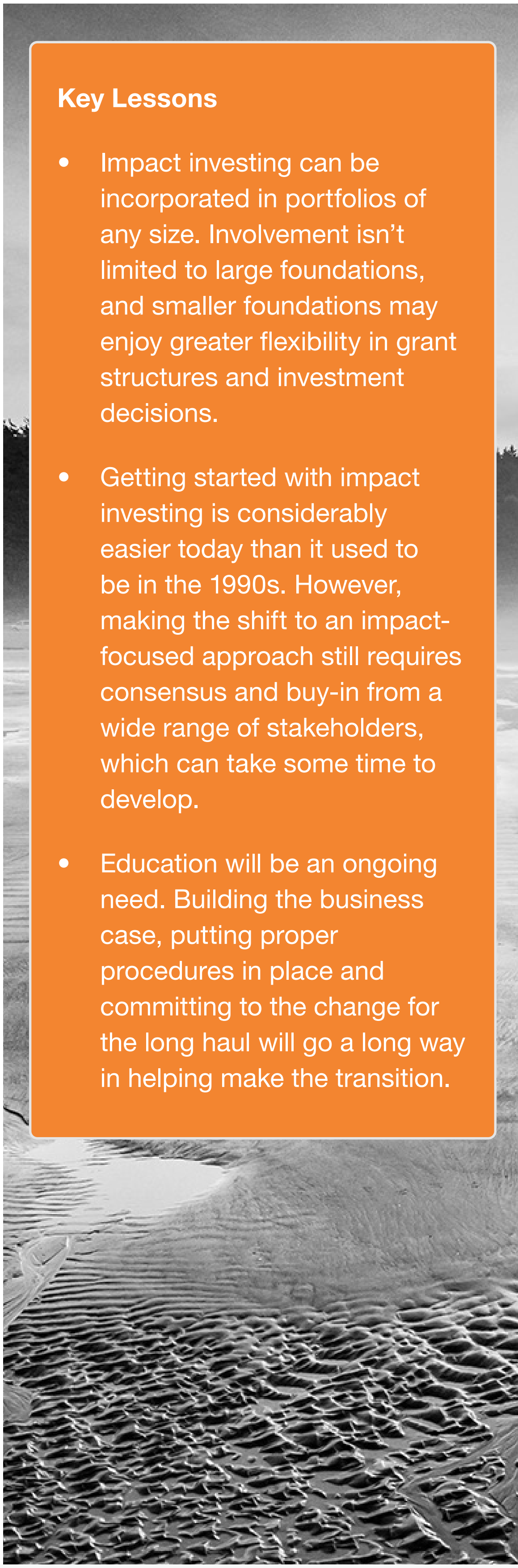
Planting the Seeds for Impact

The Laird Norton Family Foundation is one of the philanthropic arms of a seventh-generation business-owning family with a history in the timber industry. Throughout much of its history, the family's philanthropy and its business interests functioned separately and at times appeared to be in conflict. In the 1990s, many of LNFF's efforts began to focus on environmental causes, such as conservation, sustainable forestry and watershed stewardship while the company was still invested in more traditional lumber industry practices. LNFF made early investments in Lyme Timber, which helped pioneer the concept of sustainable forestry, and took a more deliberate approach in its grantmaking to ensure organizations it supported aligned with its environmental priorities.

In the 1990s, the Laird Norton Family Foundation was a $5 million, volunteer-led endeavor, and the fifth generation of the family started to make social causes central to its investment strategy. In many ways, it was a sign of the times. The concept of impact investing was starting to take hold but proving its efficacy as well as implementation was left largely to large institutions, such as the Ford Foundation. As members of the Laird Norton family's fifth generation started stepping into leadership roles within LNFF, they began making the case that a more intentional approach to investing, one that aligned with LNFF's mission, was possible and necessary, despite its relatively small size.

This younger generation felt that impact investing was a natural fit. Laird Norton Family Foundation was already making grants and program-related investments (PRI) that were aligned with its mission but not designed to generate market-rate returns, while most of its investment portfolio was in public markets (equities and fixed income). Building on its early focus on sustainable forestry, LNFF began monitoring its investments more closely for potential issues related to environmental concerns, reviewing reports manually at first, and then gradually in a more systematic way. Laird Norton Wealth Management was managing the portfolio and LNFF was beginning to take more active steps, with "socially responsible investing" as a new guiding principle

Change, of course, is never easy. The prevailing wisdom at the time was that investing for social good meant giving up financial returns. For some, this perception remains today, and many foundations choose to maximize investment returns, regardless



Key Lessons

- Impact investing can be incorporated in portfolios of any size. Involvement isn't limited to large foundations, and smaller foundations may enjoy greater flexibility in grant structures and investment decisions.
- Getting started with impact investing is considerably easier today than it used to be in the 1990s. However, making the shift to an impact-focused approach still requires consensus and buy-in from a wide range of stakeholders, which can take some time to develop.
- Education will be an ongoing need. Building the business case, putting proper procedures in place and committing to the change for the long haul will go a long way in helping make the transition.

of the impact, and then use their grantmaking to do good. Some, in fact, have invested counter to their missions, and this may have stifled impact investing's maturation or sent mixed messages to the public. But the Laird Norton Family Foundation was starting to build a commitment to mission-aligned investing.

Because the field of impact investing was in its infancy, the Laird Norton Family Foundation researched and proposed many of its early investments – including its equity investment in Lyme Timber – and handled proxy voting and other direct engagement with the management of companies in its portfolio on its own. At this stage, proxy voting and shareholder advocacy were roll-up-your-sleeves grassroots efforts; before using professional services to screen investments, LNFF's leadership manually tracked down corporate reports, analyzed them for the family, and actively made their voices heard to corporate management when company behaviors were at odds with the foundation's mission.

The inclusive nature of the family and its desire to involve members of all ages in its efforts gave the emerging investment strategy an inherent "permission to pursue." But it wouldn't go far without proof. There were many viewpoints – including detractors – within the family, and the tension between an impact-first strategy versus a more traditional market-rate approach provided a significant hurdle.

Underscoring all efforts was a significant need for education in order to build consensus. For the Laird Norton Family Foundation's leadership, presenting the case for impact investing to the full Laird Norton family proved to be a significant undertaking given that there were hundreds of family members, multiple generations and members with varying viewpoints and beliefs. Also, at the time, there were relatively few impact investing vehicles and strategies with verifiable track records.

Making the case led the Laird Norton Family Foundation to set up specific governance structures, such as establishing an investment oversight committee and creating a statement of investment principles. It also required additional effort in financial reporting to explain the decision-making process and how impact investments, some with longer time horizons than in the past, would benefit both the portfolio and the Foundation's mission. And, in addition to a detailed annual report, LNFF created a separate newsletter designed to educate the family with activities and stories that were examples of grant and investment successes.

The mission of the Laird Norton Family Foundation was reflected in its grantmaking. Over time, as the new investment focus began crystalizing, LNFF began to further define its role in impact.

LNFF's emerging investment strategy had an inherent "permission to pursue." But it wouldn't go far without proof.

Part III

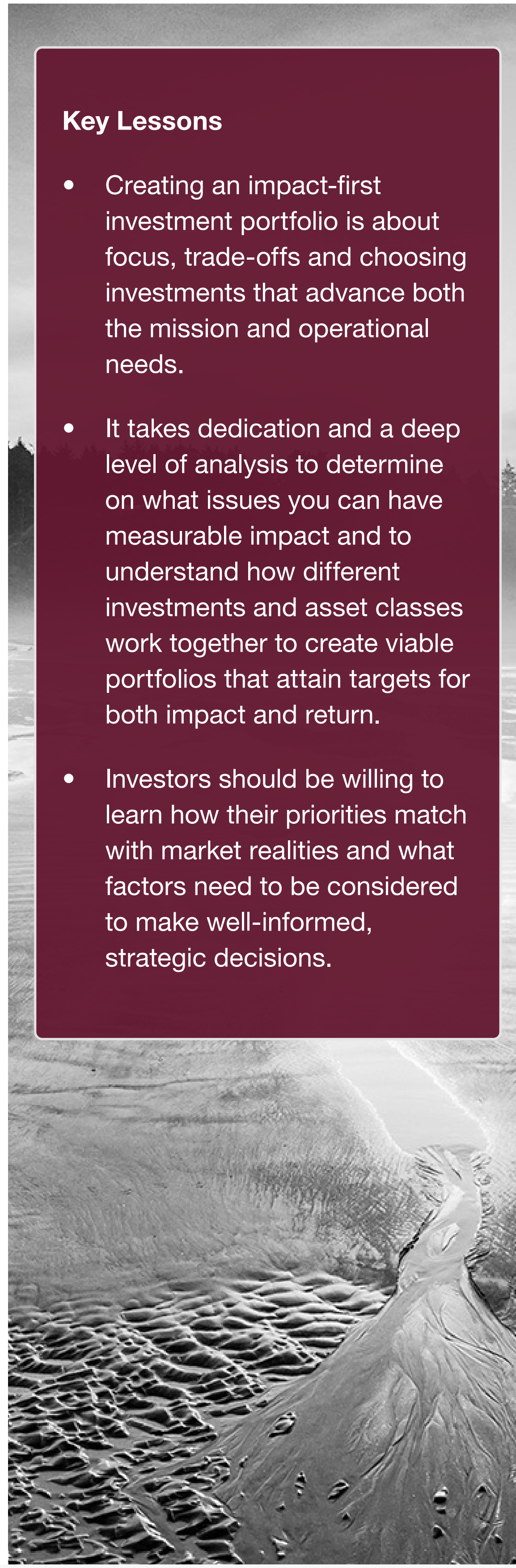
A New Era, A New Strategy

In the first decade of the 21st century, a convergence of forces created a new path for the Laird Norton Family Foundation. The impact investing industry continued to mature, with new organizations paving the way and more options across the investing spectrum, creating the opportunity for new ideas and new urgency in how LNFF itself could be a catalyst for change. In 2006, the Laird Norton Company, with profits from the sale of a substantial business holding, made a major investment of capital, increasing the LNFF's assets from $5 million to $30 million. Amidst the excitement of this capital infusion, the stock market plunge of 2008 and subsequent recession offered a stark reminder that financial responsibility and accountability should always be at the forefront if LNFF is to last in perpetuity, per its mandate.

The Laird Norton Family Foundation's growth at this point was a pivotal moment. Almost overnight, the capital infusion increased LNFF's power to positively impact the world around it and created an even deeper sense of responsibility — not only to make sure its investment strategy and grantmaking were aligned for the greater good, but to be an even better steward of the decisions that went into defining its investment portfolio. Notably, the capital infusion made by the Laird Norton Company into LNFF was in part designed to create new ways for family members to work together beyond the family business of old and paved the way for a new strategic direction and unified family values.

More than 100 family members gathered to establish and prioritize the Laird Norton Family Foundation's grantmaking areas, ultimately agreeing on an initial set of priorities around climate change, watershed stewardship, improving quality of life in developing countries, arts in education and a family matching grant fund; shortly thereafter LNFF took on a long-standing family program intended to encourage the philanthropic efforts of the family's younger generations. Each of these program areas established fund advisory committees to help direct grants, in turn providing insights to LNFF's board that it used to further focus its investment strategy.

A small professional staff – the Laird Norton Family Foundation's first non-family leadership – was hired and took root, helping to bridge generations-old values with new developments in the impact investing arena and building connections that would lead to a broader range of potential investments.



Key Lessons

- Creating an impact-first investment portfolio is about focus, trade-offs and choosing investments that advance both the mission and operational needs.
- It takes dedication and a deep level of analysis to determine on what issues you can have measurable impact and to understand how different investments and asset classes work together to create viable portfolios that attain targets for both impact and return.
- Investors should be willing to learn how their priorities match with market realities and what factors need to be considered to make well-informed, strategic decisions.

From an investing perspective, the confluence of changes provided the opportunity to rethink and codify a new approach. When the Laird Norton Family Foundation initially developed guidelines around its impact investing, it adopted a mandate of “no more than 25 percent” of its portfolio in impact-related investments, largely because the board at the time felt that impact investing involved a necessary reduction in earning power – an early assumption that, in LNFF’s experience, has repeatedly been proven false over the following years. Given the growth in impact investing options and broader family acceptance of these new approaches, LNFF flipped its target to “at least 25 percent” in impact-related investments, with a new goal of “as much as possible” while remaining financially responsible.

But tying investments directly to program areas is a challenge. Building a complete suite of impact investments that reflect carbon sequestration, water, human services, arts in education and youth philanthropy is a very broad mandate. While some investments line up perfectly with program areas, others may not. It therefore becomes a balancing act: Certain investments prioritize financial returns over perfect alignment with mission priorities, while others provide less-than-market returns but still contribute to operating capital. The latter are often in the form of program related investments and are an important part of an overall portfolio.

All of these factors led to continued and deeper conversations among the board and within the family about its true goals for impact investing. It’s important to recognize that impact investing focuses on both return and impact. Usually, the higher the impact, the more of a focus on certain investments and sectors, and the lower the diversification. This can increase risk and affect potential return, so the trade-offs and how a particular investment is likely to alter the overall risk/return profile of a portfolio are critical to understand.

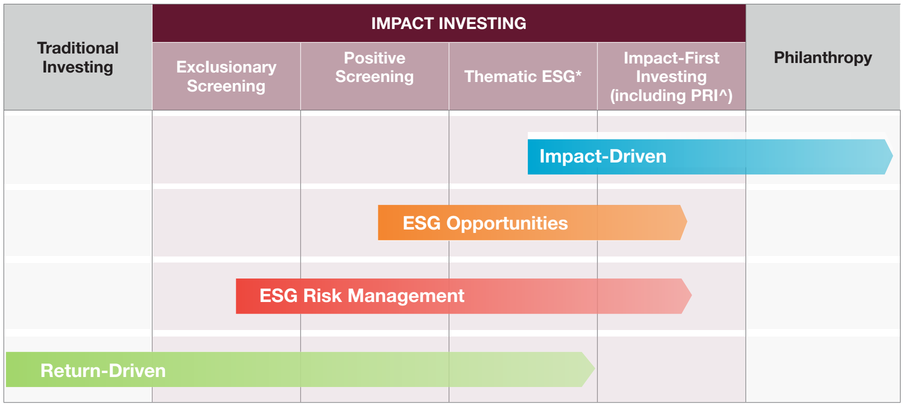
These were – and continue to be — valuable discussions, as the Laird Norton Family Foundation and Laird Norton Wealth Management work closely together to find strategic investments that deliver financial returns, provide measurable social impact and support LNFF in perpetuity.

Strategically chosen investments deliver financial returns, provide measurable social impact and support LNFF in perpetuity.

Part IV
Portfolio Planning

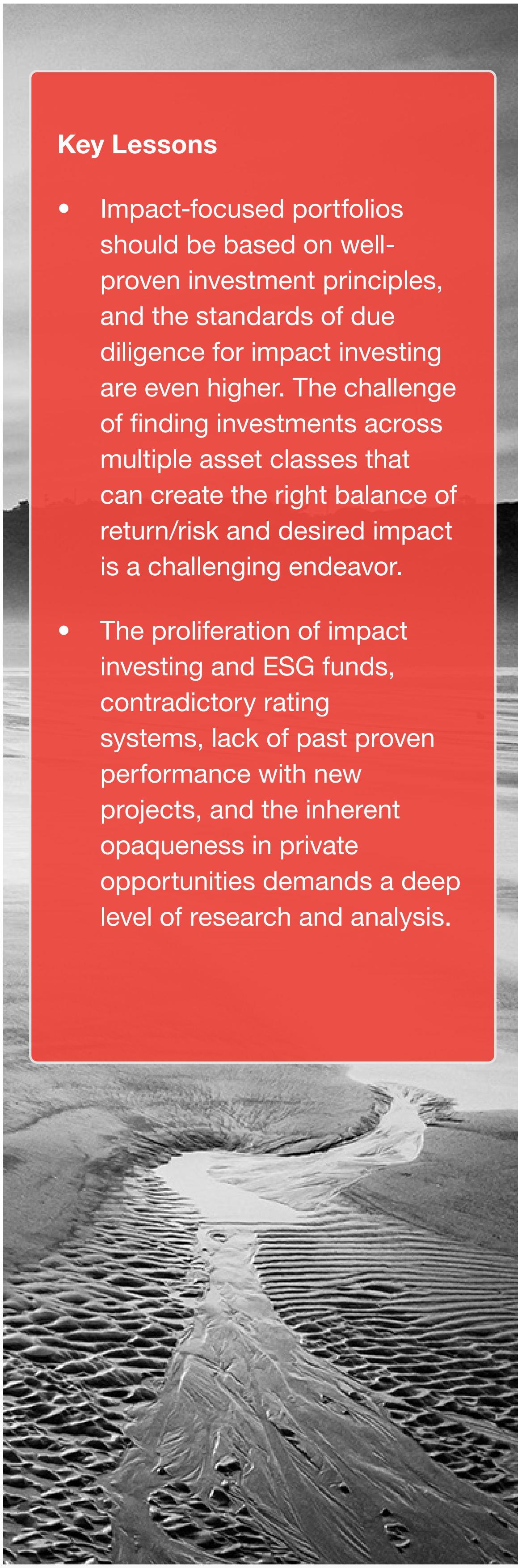
Many foundations, by their nature, want to align everything they do to support their missions, and this can include their investments. For example, foundations that support environmental causes may shy away from investments in fossil fuels, or those that grant money for watershed stewardship may veer away from major polluters. The Laird Norton Family Foundation was moving in this direction because it did not want a conflict between its investments (95 percent of its capital) and its grants (the five percent of its capital that is given away each year). This opened new opportunities. But there were also challenges.

As a private foundation, the Laird Norton Family Foundation is required to distribute five percent of the fair market value of its assets each year. In addition, it's structured to operate in perpetuity, a mandate that means it needs to manage its investment portfolio to support its operations far into the future. To address these needs, it set its target rate of return on its investment portfolio at approximately eight percent annually. This is an ambitious goal for any investment portfolio. For a perpetual foundation committed to making as many impact-related investments as possible, it is imperative to find a balance that works in terms of portfolio risk, return and impact, while keeping the portfolio on track to meet its targets in all three areas over the long term.



*Enviromental, Social, Governance (ESG) focused.
^Program Related Investment (PRI) is a loan, equity investment, or guaranty, made by a foundation in line with its charitable mission rather than to generate a return.

Today, there is much more alignment between the 5 percent of its assets that the Laird Norton Family Foundation provides as



Key Lessons

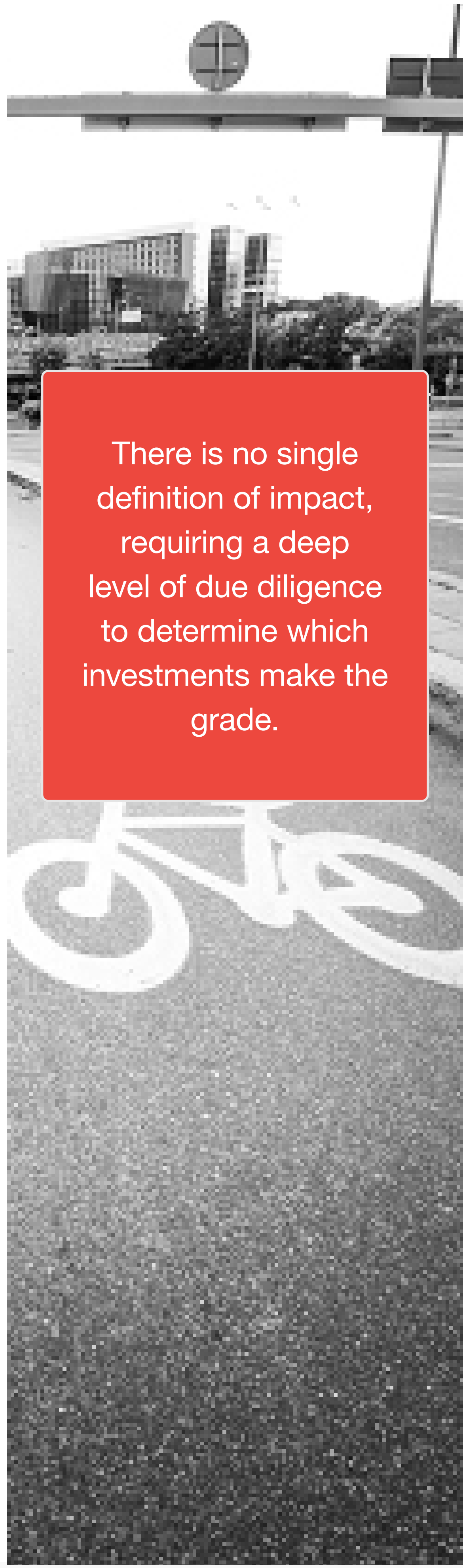
- Impact-focused portfolios should be based on well-proven investment principles, and the standards of due diligence for impact investing are even higher. The challenge of finding investments across multiple asset classes that can create the right balance of return/risk and desired impact is a challenging endeavor.
- The proliferation of impact investing and ESG funds, contradictory rating systems, lack of past proven performance with new projects, and the inherent opaqueness in private opportunities demands a deep level of research and analysis.

grants annually and the other 95 percent of assets that are in its investment portfolio. At the time of this case study, 76 percent of LNFF's investment portfolio is in funds and direct investments that emphasize and are focused on ESG principles, with an explicitly stated goal of increasing to 100 percent. Both are significant targets that take time and deliberate effort to achieve, and they reflect LNFF's careful approach.

One of the challenges faced by the investment team was that many funds market themselves as ESG or Impact with each asset manager defining impact on its own terms. For example, one fund may hold a "bad" stock because they're trying to use it as leverage to negotiate with that company's management. Others may use negative or exclusionary screening to avoid certain companies and sectors, but it's up to investors to decide which approach and which results align with their priorities. And, the same stock can be rated differently by different managers, depending on the ESG definitions and criteria on which they are basing their analysis. There is no single definition of impact, requiring a deep level of due diligence to determine which investments make the grade.

To focus the effort, Laird Norton Wealth Management, which has a long history of analyzing impact investing strategies, including exclusionary and positive screening as well as direct investments, defined its own methodology to align to specific criteria set out by the Laird Norton Family Foundation. Evaluating everything together helped LNFF find private and public funds with investment approaches and holdings aligned with its priorities, while screening out investment opportunities that ran counter to its mission.

At the broadest level, the methodology used by Laird Norton Wealth Management for non-direct investments uses a mix of the leading third-party ratings services to evaluate funds based on how well their underlying holdings are able to manage medium to long-term risks related to environmental, social and governance (ESG) factors and how they compare to other similar funds. In addition, Laird Norton Wealth Management uses rating services to evaluate specific environmental measures, such as carbon footprint, exposure to fossil fuel reserves or water usage risks of portfolio holdings. Ratings can also be used to assess social concerns, such as exposure to human rights issues and labor controversies. Finally, the ratings can be used to consider positive social policies, such as equity and inclusion efforts, as well as diverse leadership and ownership structures.



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Laird Norton Wealth Management also helped the Laird Norton Family Foundation develop a more advanced approach to shareholder activism and proxy voting, building on the board's early leadership and commitment to directly engaging with company management, by identifying fund managers best-equipped to carry out this strategy and staying on top of trends and changing regulations. This was a critical measure and one that supported a commitment by LNFF, as laid out in its investment policy statement, to divest from companies and entities that constitute the greatest financial and social harm, especially those with carbon-heavy assets, and to avoid those that contribute to water pollution and scarcity. Shareholder activism and engagement are important ways to prod companies to become more transparent and work toward sustainable communities and economies.

As the Laird Norton Family Foundation's impact investing strategy evolved, it expanded its efforts to identify and source alternative and private investments. This was necessary to diversify its portfolio and to have more direct impact, but also to identify opportunities that would attract other investors who could do more together. The goal was to source as many new opportunities as possible, dig deep into the due diligence with Laird Norton Wealth Management and identify investments with the greatest potential to advance the foundation's priorities.

One of these efforts led to the development of a private equity fund with one of the world's largest asset managers to invest in renewable power projects around the globe, specifically wind and solar power generation. In addition to financial returns, the projects owned by this fund are forecast to generate 6.5 million megawatts of power annually, prevent the release of over 2.8 million metric tons of carbon dioxide (CO_2) emissions every year, and reduce water usage by nearly 5.4 million cubic meters. To put that in perspective, this is roughly equivalent to supplying enough clean energy to power 525,000 homes, removing more than 600,000 cars from the roads, and saving enough water to fill more than 2,000 Olympic-sized swimming pools. This was an early foray into private equity for the Laird Norton Family Foundation and, even with its financial and social returns, it highlighted a number of key learnings of how they could do even better in the future with this asset class.

Another effort, in partnership with a separate foundation and leveraging Laird Norton Wealth Management's holdings and relationships, helped a Fortune 100 financial services firm establish a new fund focused on companies that collectively

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would reduce carbon emissions to the tune of 70 percent, making it an investment vehicle with a direct and quantifiable environmental benefit that would in turn attract other investors. While the Laird Norton Family Foundation is no longer invested in this fund, it is a successful example of using a focus on impact to influence the industry and attract other investors to the cause.

Finally, because of its deep due diligence capabilities, Laird Norton Wealth Management continues to be a critical partner in helping the Laird Norton Family Foundation identify and evaluate private opportunities, such as whether to invest in start-up companies and other private ventures. One of these was a technology that would improve salmon habitat. Another is with an organization helping people move out of a flood plain and into affordable housing, a project that would deliver modest ongoing financial returns, provide an opportunity for long-term equity and create a measurable social benefit.

Some of these opportunities may become equity investments, others may be better suited as program-related investments, and some, while seemingly promising on the surface, may turn out to have a very low chance of delivering measurable impact and returns.

For investors, this deep level of due diligence – using the same standards applied to evaluating traditional investments – can't be overlooked. As interest in impact investing continues to grow, many funds, companies and organizations adopt the terminology in their marketing, which can cause confusion. The type and level of "greenwashing" can be assessed through in-depth due diligence. Private non-listed investments require an even deeper analysis as their business metrics aren't easily accessed and they may not have a track record of past performance.

In addition to the research conducted directly by Laird Norton Wealth Management, the funds it selects for its investments are managed by best-in-class professionals with their own stringent standards. While each of these companies has their own guidelines, one example illustrates the point, with 27 in-house ESG professionals, 12 ESG data vendors, and a commitment to focusing on the data points they find to be the most financially material, cutting through the clutter by evaluating only around 300 of the 3,000 they provide.

In addition to research and due diligence, these companies engage directly with the companies in their funds with one-on-one meetings with company management, letter writing campaigns, proxy voting and participation in shareholder meetings to address

a wide range of impact investing and ESG issues. On one priority issue in a recent year, this manager targeted dozens of companies that were underperforming with offers to work with management to implement changes requested by their investors.

The Investment Strategy and Research team at Laird Norton Wealth Management firmly believes that impact investing should be grounded in the same well-proven investment principles required for any portfolio: Asset allocation is a key driver of return, diversification is key to limiting risk and due diligence is imperative. The stakes are higher with impact investing, so education is critical to making well-informed decisions.

These principles are especially true when it comes to the long-term commitment of capital. Foundations that intend to operate in perpetuity can often afford to tie up a certain portion of their capital for longer periods of time in exchange for more impact and market-like returns. For example, the renewable energy private equity fund mentioned earlier required a minimum ten-year capital commitment. This and other long-term investments require deep due diligence and analysis to limit the risk of locking up capital for such an extended period of time. The potential rewards of direct long-term impact investments, if properly evaluated, can make patience worth the effort.

Part V
Developing a Common Language

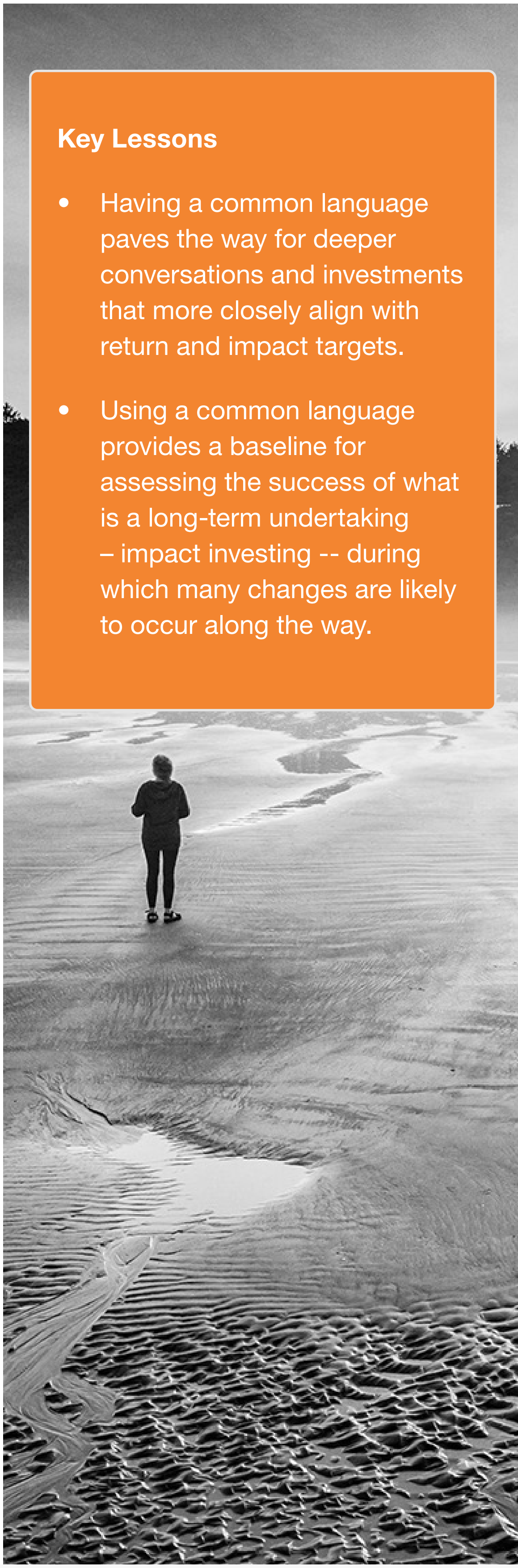
Because impact investing is an ever-evolving field, it's important that everyone involved is speaking the same language; that is, having the same understanding of how impact is defined and the different ways it can be attained. This is especially critical for an organization like the Laird Norton Family Foundation which, through board term limits, is designed to ensure the ongoing infusion of new ideas and perspectives. This makes education and clear definitions critically important.

A shared common language is also important for guiding communications between a foundation's investment committee and its outside investment advisors. Tying mission to investment strategy is full of nuance, and a common language helps with decision making, reporting and the ongoing education a foundation needs to provide to its stakeholders.

A common language can develop organically, such as through the decades-long relationship that the Laird Norton Family Foundation has with Laird Norton Wealth Management, and the shared experience of being actively involved in the impact investing community. However, two specific tools supported LNFF in developing a common language.

The first is the bullseye model that the Laird Norton Family Foundation uses to drive its investment focus. Adapted from the Meyer Memorial Trust, the outer ring represents investments contrary to its mission or that cause direct harm. Just inside are neutral investments. Closer to the center are opportunities that complement the mission. In the bullseye itself are investments in direct alignment with mission priorities.

For the Laird Norton Family Foundation, the bullseye model is a simple tool that everyone can use to make decisions and facilitate conversations about what's working, what's changing and what's important for ongoing success. It also creates a vehicle to assess to what degree programmatic priorities are being addressed via the investment portfolio. This is important for LNFF, as some of its program areas (such as addressing climate change) offer a relative abundance of investment opportunities, while others (like arts in education) provide more challenges for finding returns. Using the bullseye helps make sure LNFF's priorities are being addressed in the most appropriate way.



Key Lessons

- Having a common language paves the way for deeper conversations and investments that more closely align with return and impact targets.
- Using a common language provides a baseline for assessing the success of what is a long-term undertaking – impact investing -- during which many changes are likely to occur along the way.

The other tool that helps foster a common language is a custom scorecard developed by Laird Norton Wealth Management, based on third-party ESG ratings that incorporate a wide range of factors and sources. This is used to evaluate potential investments across all asset classes as well as measure ongoing performance.

As mentioned earlier, different fund managers and ESG rating services may evaluate the same investment opportunity differently, providing conflicting and confusing results. The scorecard was created, along with a wide range of performance metrics that are part of Laird Norton Wealth Management's performance methodology, to assess the multitude of funds and investment opportunities marketed – rightly or wrongly – as impact investments. Rather than relying on one commercially available service, Laird Norton Wealth Management's scorecard incorporates measures from three highly respected ESG ratings services and incorporates the Laird Norton Family Foundation's values into its assessment. There is no single off-the-shelf solution, so this custom scorecard provides a more comprehensive way for LNFF and Laird Norton Wealth Management to measure success.

Laird Norton Wealth Management's experience in understanding multigenerational families – including being part of a seven-generation business owning family – was essential in helping the Laird Norton Family Foundation in this regard. Multigenerational families have complex financial considerations, including trusts, closely held stock and related estate issues. Being able to come at those financial challenges with a deep understanding of family dynamics, an emphasis on service and a philosophy of partnership and learning together goes a long way in developing that common language and making it work for everyone.

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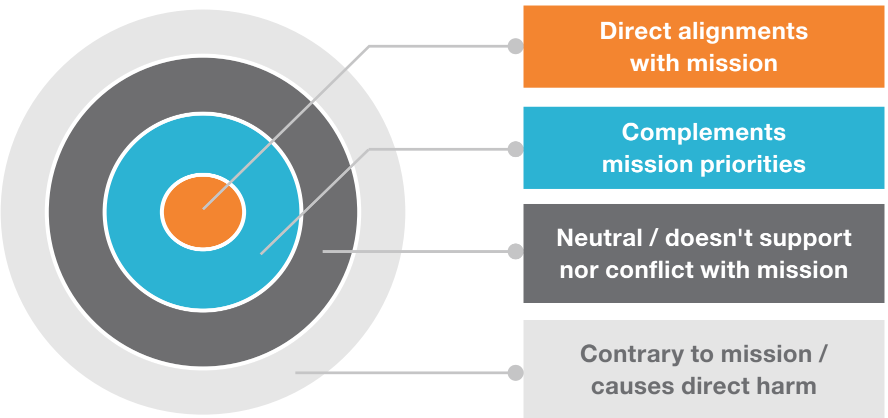

Part VI
Impact Investing: Past, Present, Future

The experiences of the Laird Norton Family Foundation can serve as a guide for others seeking to develop and execute a successful and responsible impact investing strategy. As with all investments, impact investing starts with an exploration and determination of goals and values, assessing current portfolios and then making the strategic changes necessary to deliver both financial returns and measurable social impact. This is not an easy undertaking, and each of these three steps should not be rushed in order to take advantage of current trends.

Building on a well-established mission, the Laird Norton Family Foundation took proactive steps to shift its investment portfolio to align with its purpose, created a structured approach that aided decision-making and kept it accountable and developed a working partnership with an investment advisor – Laird Norton Wealth Management – that advanced its success with deep due diligence, well-grounded investment strategies and an ongoing relationship that helped both sides work effectively together.

The quantifiable results are impressive, including:

- LNFF's original target of 25 percent of its portfolio in impact-related investments is now its minimum, with an explicitly stated goal of 100 percent.
- 76 percent of LNFF's investment portfolio is in impact investments, either with ESG-focused public fund managers or in private investments. The percentage of its portfolio not currently in impact investments gives it the capacity to move further in this direction as additional suitable opportunities are identified.
- LNFF is actively investing across all asset classes, with a greater focus on private investments more closely aligned to direct impact and offering long-term investment horizons.

But just as important as its financial success are the Laird Norton Family Foundation's experiences along the way:

- Recognizing the importance of emerging leaders, starting with fifth generation of the Laird and Norton families that laid the foundation for mission-related investments and carrying over to the sixth generation, now establishing themselves both on LNFF's board and throughout the rest of the family's efforts. It was these emerging leaders who formalized a new approach to investing, from early “socially responsible” to today's “impact,” and made the push – started in one of LNFF's fund advisory committees – to divest from carbon-heavy investments.

- Making the case for change, overcoming early resistance to impact investing and making it a critical component of its ongoing investment strategy. With an effort beginning in the 1990s that carries through today, LNFF adopted a plan for education, governance and diligent financial reporting to demonstrate how impact investing aligns with family goals and values.

- Acknowledging its role as a catalyst and taking deliberate steps to attract a wide range of stakeholders and partners to its mission. LNFF started by making its intentions known, within the family and across the impact investing community. This opened doors, attracted partners and enabled impact bigger than it could have made on its own. Being proactive is so ingrained in LNFF's culture that it measures itself not only by the return of its investments but also by the actions it instigates.

Family foundations are unique entities. They are stewards of family resources, vehicles for family values and social organisms that develop and change as new generations mature and new leaders emerge. The Laird Norton Family Foundation has been able to use its position within the Laird Norton family and society at large to have an increasingly positive impact on the world in which it exists.

The lessons in this case study, however, aren't exclusive to family foundations. Any foundation, family or individual interested in impact investing can apply something from them to advance – or activate – their own efforts.

And, just as the Laird Norton Family Foundation's efforts have evolved, the arena of impact investing itself will continue to change. Investments that directly seek to tackle issues like climate change are beginning to mature, from targeted ESG screening to the emergence of private equity funds addressing climate concerns head on. LNFF certainly has benefited from these developments.

In the future, new areas in impact investing will continue to spring to life. ESG screening criteria will evolve. More private investments will emerge – whether they are projects to create affordable housing, efforts to address equity and inclusion in business or something beyond our current cultural framework – potentially creating opportunities nobody is even thinking of at this moment in time. The mission to do good for the world is here to stay. Foundations, families and individuals are driving the demand, and the investment community is listening.

Laird Norton Wealth Management has been helping foundations, families and individuals create impact through impact investing for decades. We know that every client is unique in their financial goals, personal values and what kind of change they're driven to create. We hope this case study has been useful for you, and we would be happy to discuss how you want to impact your world.

ABOUT US

The Laird Norton Family Foundation (LNFF) is a private family foundation in Seattle, Washington, with a mission to honor and reflect the family's shared values through giving and engage the family in philanthropy as a platform for strengthening family connections. The Laird Norton family is a seventh-generation family with nearly 500 living family members worldwide. LNFF awards roughly $1.25 million per year in grants through five program areas of strategic importance to the family: Arts in Education, Climate Change, Human Services, Watershed Stewardship and Sapling Fund (Youth Development).

Laird Norton Wealth Management, with nearly $5 billion in assets under advisement, provides integrated wealth management solutions for successful individuals, families, private foundations and nonprofit organizations. For more than two decades, Laird Norton Wealth Management has helped clients own their impact through socially responsible investing in public capital markets, private debt strategies, private equity funds and direct investments. We have developed deep relationships with socially responsible investment asset managers – each of which we hold to the same strict criteria we use for all our asset managers. Experience has its benefits.

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Disclosure

All investments involve a level of risk, and past performance is not a guarantee of future investment results. The value of investments and the income derived from them can go down as well as up. Future returns are not guaranteed and a loss of principal may occur. All investment performance can be affected by general economic conditions and the extent and timing of investor participation in both the equity and fixed income markets. Fees charged by LNWM will reduce the net performance of the investment portfolio.

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A benchmark is an unmanaged index, and its performance does not include any advisory fees, transaction costs or other charges that may be incurred in connection with your investments. Indices are statistical composites and are shown for informational purposes only. It is not possible to invest directly in an index. Indices are unmanaged and are not subject to management fees. Any benchmark whose return is shown for comparison purposes may include different holdings, a different number of holdings, and a different degree of investment in individual securities, industries or economic sectors than the investments and/or investment accounts to which it is compared. Comparisons of individual account or portfolio performance to an index or benchmark composed of indices are unreliable as indicators of future performance of an actual account or portfolio. Actual performance presented represents past performance net of investment management fees unless otherwise noted. Other fees, such as custodial fees or transaction related fees may not be reflected in the actual performance results shown.

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