

## CEE4Impact Day (14 October 2022) – Keynote by Charly Kleissner

### Pre-Amble

Thank you, Nora, for the kind introduction

Thank you, Social Impact Investors Association, for organizing the 4th Hungarian Impact Day

And thanks for all the sponsors that made this possible

But most importantly, thanks to all of you in the audience and on-line for attending this event

I am very excited to be here, even if it is only on-line!

The title of my keynote is: The role of impact investing in the midst of the new challenges that the World is facing – an International perspective

I will talk about the following three topics:

What are the new challenges that the world is facing? And why are we facing these challenges?

How did we get here?

Where do we need to go from here?

### Let's jump right in: What are the new challenges that the world is facing? And Why?

We are at the beginning of an unprecedented global transformation, where humanity has precious little time to figure out how to sustainably live on a planet with finite resources. Fundamental design flaws of our economic and financial systems - like the assumption of unlimited exponential growth on a finitely resourced planet - have been contributing to massive disruptions, as evidenced by the ongoing pandemic and the war in Ukraine.

In times of radical change, we need to continue to support and enhance the existing systems, while allowing the new system to emerge. A great example of this dynamic is the explosive growth of the ESG (environmental, social and governance) movement and the emergence of the deep impact movement. The former is improving the existing financial system, while the latter is birthing the new system. We need to do both, contrary to the opinion of many who are trapped in their own echo chambers!

Humanity is at a crossroad. The first road continues on the path of business as usual. This road cements existing power structures in place, does not create space for the deep impact economy to emerge, and will predictably lead to environmental and societal collapse. The second road actively prepares for major systemic changes, while making sure that the old system does not uncontrollably crash. It allows for the emergence of a regenerative financial and economic system serving humanity and the planet. This road is much more uncertain and unknown, yet filled with infinite possibilities.

### So: How did we get here ... to this crossroad?

ESG is going mainstream. ESG is better than non-ESG and has a place in any 100% impact portfolio that requires liquidity. But ESG is not sufficient to effectively deal with the big systemic issues of our times, like inequality, social injustice, poverty, ecosystem collapse and climate change. These issues are systemic in nature: highly complex, dynamic, and interdependent. To address them requires a different approach.

We know what to do: We need to holistically apply principles like circularity, resiliency, regeneration, regionality, and social justice. But we seem to be paralyzed, lost, and confused. The question is: Why

don't we do what needs to be done? I believe the root cause is that our level of awareness and consciousness is too anthropocentric. Human brains are adept in convincing us, that we are somehow special. This gives us permission to dominate and destroy nature and other sentient beings – ignorant of the fact that we are destroying ourselves. Having nature and the universe at the center has profound implications on many different levels, including changing our reductionist thinking to holistic thinking. We need to acknowledge that humanity is part of the evolutionary process, not outside of it.

The pandemic and the war in Ukraine have demonstrably triggered an increase in awareness and consciousness. That is the good news. The challenge is, that most actions taken so far have only treated the symptoms of these disasters, and not their root causes. A couple of important questions need to be asked: First, do we need these types of disruptions in order to make incremental steps in awareness and consciousness, or could we accomplish this with much less pain? And secondly, will it take an even bigger disaster to jolt us into waking up to our evolutionary role on our beautiful planet – which is to be part of it, not somehow outside of it?

I am personally cautiously optimistic that the necessary changes have been emerging bottom-up: from tens of thousands of beautiful grassroots efforts; from millions of individuals who have taken responsibility for their own awakening, who understand that the impact of their lives is a direct reflection of their inner state-of-being and who understand that the answers to these questions lie within;.

The potential for change is here, particularly with the very young generation. Now we need to create the conditions that enable the right changes to happen. How do systems change? Very slowly at first, and then all at once. The same is true for consciousness change. It seems very slow at first, but ultimately it will happen quickly.

Allow me now to address the third and last part of my remarks: Where do we need to go from here?

What are some of the necessary enablers for the new system, for successfully embarking on our journey on the second road?

The archetypal organizational form of circles of 10-12 people enable deeper and more meaningful connections and relationships amongst their participants. At Toniic, we institutionalized Deep Impact Circles, where participants explore hard questions like: How are we contributing to inequality and social in-justice? How do we benefit from the existing system? How much is enough? Are we perpetuating extractive practices through what we call impact investing?

The Impact Management Project has created one of the preeminent impact management methodologies. A group of impact investors is exploring how to expand this methodology to include deep impact investments, which are all awareness-based system change investments.

We need a considerable research effort to develop the Post-Modern Portfolio Theory or Total Portfolio Theory, which moves us beyond the false dichotomy of market rate returns versus concessionary return. This research will analyze the relationship between impact risk & return and financial risk & return. We will have to collect massive open-source impact data-sets. Machine learning algorithms will use these datasets to compute the optimum impact portfolios – based on impact themes and expected financial & impact returns, constrained by financial & impact risks and liquidity needs.

Modern technologies like artificial intelligence and blockchain will need to be in service to the impact economy. Tokenization of impact, impact NFTs, Decentralized Autonomous Organizations (DAOs) and

impact crowd funding platforms will move the power and governance structures from shareholders to stakeholders – including beneficiaries.

Finally: We need to bust through our own biases and echo chambers - which are amplified by modern technology. We need to build bridges across generations, gender, ethnicity, affluence, regions, and so on and so forth.

Let me conclude

A lot of the necessary transformative work is already underway, but in very small pockets and many times invisible to, or suppressed by the mainstream. We need to give these efforts more visibility, more funding, and we need to massively accelerate and scale them – both bottom-up and top-down. I see deep impact investing not only as a result of my thoughts and my feelings, but as an expression of my soul. I am committed to contributing to bridge building, to creating the right environment for us to take the second road, which takes courage and requires collaboration and co-creation. This road will predictably lead towards a regenerative future. Let us lead from the future as it emerges. Have a great and impactful day! And please join me in taking the second fork in the road! THANK YOU!

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Charly Kleissner, Ph.D.  
[www.charlykleissner.com](http://www.charlykleissner.com)  
[charly@kleissner.com](mailto:charly@kleissner.com)  
US: +1 (408) 316-1974  
Europe: +43 660 399 0276  
Skype: ckleissner  
Twitter: @CharlyKleissner