

ARE WE PUNCHING BELOW OUR WEIGHT?

Impact investing in the Netherlands:
status quo, barriers and ways to
unleash further growth

March 2022



Stichting NAB on impact investing

In memoriam of Margaret van Beuningen-McGovern,
one of the sparks that ignited the creation of the Dutch impact investing community

STUDY SCOPE AND AIMS

This study provides an overview of impact investing in the Netherlands, barriers to scaling it up, and opportunities to accelerate the mobilisation of capital to meet environmental and social challenges both at home and abroad.

The study draws on a combination of desk research, survey data, interviews and a roundtable. It was initiated and conducted by the Netherlands Advisory Board on impact investing (NAB) in partnership with KPMG.

Outreach support

The initiative is a collective effort supported by 8 Dutch and international network organisations: EVPA, Co-Financing our Future, Phenix Capital, TBLI, the GIIN, PYM, NVP and FIN. We are grateful for the valuable support they provided by encouraging impact investors in their networks to participate in the online survey.

Acknowledgements

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Colophon

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This study was produced by NAB and KPMG and is a collective effort supported by Dutch and international network organisations:





TABLE OF CONTENTS

Study scope and aims	3
Executive summary	6
Foreword	
Finance as a force for good	8
Joint foreword from the NAB and KPMG	9
1. WHY IMPACT INVESTING MATTERS	12
2. IMPACT INVESTING IN THE NETHERLANDS	15
3. THE DUTCH IMPACT INVESTING ECOSYSTEM	22
4. BARRIERS TO SCALING UP IMPACT INVESTING	28
5. FACTORS SUPPORTING DUTCH IMPACT INVESTING	31
6. RECOMMENDATIONS	33
7. ROADMAP FOR NAB ENGAGEMENT	35
ANNEXES	
1. DEFINING IMPACT INVESTING	37
2. COMMON IMPACT INVESTING TERMS	40
3. KEY DUTCH STAKEHOLDERS	42
4. OVERCOMING BARRIERS	44
5. METHODOLOGY	46

EXECUTIVE SUMMARY

1. Why impact investing matters

Impact investments are investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return. Such investments create and scale solutions to resolve the most pressing issues affecting our society, including climate change and global poverty. Impact investors are increasingly aligning and measuring their investments with the UN Sustainable Development Goals.

Accelerating the growth of impact investing is essential to attaining the Sustainable Development Goals. Global impact investing is already a trillion-dollar marketplace, and the market is both growing and maturing. However, attaining the Sustainable Development Goals will require US\$ 5-7 trillion per year globally, which equals approximately 5-7% of the global assets under management. Currently, global impact investments still only account for 1-2% of global assets under management

2. Impact investing in the Netherlands

Dutch players have currently invested assets worth an estimated EUR 150-180 billion for impact, accounting for 4-6% of all Dutch assets under management. The Netherlands is strongly positioned to become a global leader in impact investing. However, the impact allocation in Dutch assets under management still remains low for a country aspiring to be leading in this field, and remains below the 5-7% global average needed to achieve the Sustainable Development Goals.

The market is clearly growing rapidly, but it remains difficult to assess its exact depth. Our survey of 38 Dutch impact investors shows that they have allocated an average of 10% of their total assets to impact, representing a total of EUR 116 billion. **Pension funds** represent the bulk of the impact assets with EUR 76

billion under management, followed by **fund and asset managers** with EUR 25 billion, and **public investors** (national or regional funds or development finance institutions) with EUR 12 billion under management.

Institutional investors have the biggest potential to scale up. They have by far the largest absolute volume of assets under management, but only use a small share (4-6%) of those assets for impact investing.

The most crucial Sustainable Development Goals financing gaps are not sufficiently addressed. Investments into developing and emerging economies – where the global financing gap is largest – account for less than 20% of Dutch impact investing. And some SDGs are considered less investable than others.

The sector is growing rapidly. New players are driving significant growth in overall impact investment in the Netherlands, and four out of five existing mainstream Dutch investors plan to increase the share of impact investments in their portfolios in the future.

3. The Dutch impact investing ecosystem

Pension funds, insurance companies and banks are the most important sources of capital for impact investments. Although specialised impact fund managers in the Netherlands are often well developed compared to other countries, there is still a lot of untapped potential to scale up.

Cooperation among these stakeholders and with other stakeholder groups is essential for the further development of the ecosystem. Collaboration between policy makers, knowledge institutions & networks, and businesses is an absolute prerequisite for realizing the systemic change that is needed to scale up.

4. Barriers to scaling up impact investing

Investors currently face multiple barriers to enter the field of impact investing and/or deepen their engagement.

- **Public sector barriers** include Dutch and European laws and regulations and public management systems.
- **Market efficiency barriers** include a lack of globally accepted norms and standards, lack of data sharing, and lack of a deal pipeline across the full value chain.
- **Investment culture barriers** include short-termism, conservatism, and inflated risk/return expectations.

5. Factors supporting Dutch impact investing

Several positive factors are seen to be supporting the development of impact investing portfolios in the Netherlands.

These are high public awareness, the European Sustainable Finance Action Plan, tax incentives, political attention to the issue (coupled with the potential of large new government funds), strong interest by NextGens, and the presence of multiple ecosystem enablers.

6. Recommendations

Recommendation to the government: Embrace impact investing as a scalable and cost-effective instrument to achieve policy objectives

We urge the government of the Netherlands to actively engage with the impact investing community to co-create a mature, highly efficient marketplace supporting the achievement of the Netherlands' Sustainable Development Goal ambitions. The government should remove barriers to impact investing by improving **financial and regulatory frameworks** that are currently hampering the growth of the sector, and create conditions that foster the mobilisation of additional public and private capital. Such as a beneficial treatment under the capital requirement frameworks for banks, pension funds, insurance companies and asset managers. In

addition, new government funds (as proposed in the *Regeerakkoord*) should actively promote an impact investing approach.

Systemic change is an essential precondition for the viability of the next recommendation.

Recommendation to institutional investors:

Set ambitious and time-bound portfolio growth targets

Achieving the Sustainable Development Goals can only be attained by doubling the size of the Dutch impact investing sector by 2025. We urge Dutch institutional investors, who have the largest potential to scale up, to make a public commitment to at least **double their impact investing allocations** to a minimum of 10% of their assets under management by 2025. In addition, investors should publicly commit to at least doubling their impact investing allocations to projects and companies located in developing and emerging economies to 40% by 2025. Institutions should report on their progress towards these targets. Widely accepted impact definitions for all asset classes, including publicly traded instruments (such as green and social bonds) are a necessary step to get to scale while avoiding the risk of green washing.

"Private capital is available in abundance. The challenge lies in creating the conditions for it to flow with urgency, scale and integrity into investment opportunities that reflect investor appetite and risk and return tolerances while having a positive impact on the public effort to meet our challenges". - G7 Impact Task Force report, 2021¹

Recommendation to the impact investment community (Roadmap for NAB engagement):

Collaborate for systemic change

All stakeholders should jointly commit to building a strong ecosystem infrastructure to accelerate the mobilisation of capital for impact in collaboration with the Netherlands Advisory Board on impact investing (NAB).

¹ <https://www.impact-taskforce.com/media/brzkvcvx/time-to-deliver-1.pdf>

FOREWORD

FINANCE AS A FORCE FOR GOOD

It is with great pleasure that I write this foreword to *Are we punching below our weight?* The Netherlands have played a leading role in the development of the impact investment field and the leadership of the GSG's Dutch NAB has added a powerful platform to unite all efforts to promote impact investment and to connect them with the efforts being made across the GSG's 33 other countries.

The Netherlands is a key actor in meeting the urgent need for impact transparency. Some \$40 trillion of ESG investment relies on unverified, inconsistent and incomparable data to guide investment decisions aimed at improving our planet and society. It is not surprising, therefore, that 'impact washing' is spreading fast, as companies make unsubstantiated claims about their positive impacts and omit their negative ones. While this is creating a backlash from consumers and investors, it also represents a danger for the whole field of impact, as it calls into question our ability to ensure that real impact is measured and delivered.

As this report shows, Dutch institutional investors and banks play an influential role in the world's financial system. They can help meet the transparency challenge by pushing for the introduction of mandatory impact statements that

show the revenues, costs and impacts of companies in monetary terms. The G7 Impact Taskforce Report, *Time to Deliver*, sets mandatory impact accounting as the objective in order to bring our economic systems to generate solutions to our great social and environmental challenges.

Are we punching below our weight? provides an excellent overview of the current situation in The Netherlands, the barriers in the way, and how investors, businesses and governments should act together to remove them as well as incentivize greater impact capital flows. Together, we must get to a point where every company couples financial reporting with reliable measurement, in monetary terms, of its impacts on the world, and government is able to incentivize positive corporate behavior. When we reach that point, financial markets and businesses will truly be a force for good, creating a fairer and more sustainable world.

With my best wishes for your continued progress!

Sir Ronald Cohen
Chair, GSG

FOREWORD

JOINT FOREWORD FROM THE NAB AND KPMG

The world is facing significant societal and ecological challenges, as set out in the Sustainable Development Goals. In our view, the financial sector can and should play a prominent role in addressing these challenges through its investment and lending choices. Our traditional approach to lending and investment is not sufficiently addressing these issues, meaning there is great potential to have more impact. Supporting a transition to lending and investments with a focus on positive impact will make a substantial difference. The key question is: how can such a transition be accelerated?

The financial players at the forefront - dedicated impact investors, entrepreneurial private equity firms, as well as some traditional banks, pension funds and insurance companies - are starting to see the benefits of impact investing. They recognize that focused investment efforts can create a lasting positive correlation between financial return and creating ecological and/or societal impact.

One of the factors limiting the further growth of impact investing is the lack of widely accepted standardized information on which impact metrics could be based. For this, a new perspective has been created by the EU in setting new regulations for the financial sector and corporate companies. The introduction of new sustainability disclosure requirements through the Sustainable Finance Disclosure Regulation (SFDR) and the Corporate Sustainability Reporting Directive (CSRD) will pave the way for more standardized and comprehensive sustainability information on which impact metrics could be based.

We at KPMG, together with our fellow audit firms, will definitely step up our contribution to society. A formalized assurance role for sustainability

information as required by the EU will support the process of developing relevant and standardized impact information to be reported by companies. We strongly believe that with this information impact objectives can be determined and monitored alongside the current financial objectives. This also holds for traditional lending and investment management. Whilst there are clearly more challenges to overcome before we can conclude that impact investing is the mainstream investing approach in our modern financial sector, with the anticipated expansion of sustainability information an important step will be made in the coming years.

The Netherlands Advisory Board on impact investing (NAB) is proud to partner with KPMG in the execution of this study and the preparation of this report. As a community of frontrunners, we hope this report will increase national awareness of the potential of impact investing and trigger the ambition of existing and new players. This exercise to map the impact investing ecosystem has helped the NAB to sharpen our action agenda and we take ownership of the recommendations herein.

We look forward to working with you on increasing the scale and effectiveness of impact investing in and from the Netherlands. **Together we can make the difference!**

Yvonne Bakkum
Chair
Netherlands Advisory Board
on impact investing

Marco Frikkee
Partner Sustainable Finance
KPMG





1. WHY IMPACT INVESTING MATTERS

Impact investments seek to generate positive social and environmental impact alongside a financial return. They form a growing trillion-dollar global marketplace. The Dutch impact investing ecosystem can make a significant contribution towards mobilising the additional funding that is urgently required to enable the Netherlands and other countries to achieve the 2030 Sustainable Development Goals.

What is impact investing?

Impact investments are investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return. Impact investments can be made in both emerging and developed markets and target a range of returns from below market to market rate, depending on investors' strategic goals.²

Finance has the power to drive positive social and environmental impacts, both at home and abroad. Investors can support innovation, infrastructure and entrepreneurship to create and scale solutions to resolve the most pressing issues affecting our society, including climate change and global poverty. Through impact investments, we can be agents of change.

"Impact investing is absolutely crucial right now. [...] there are many challenges to achieve, including net zero, social and climate imperatives. But if you haven't got a finance system that is positively designed to achieve social and climate goals, you haven't got a chance." - Cliff Prior, CEO of the Global Steering Group for Impact Investment³

**A trillion-dollar growth market
Global impact investing is already a trillion-dollar marketplace.**

The International Finance Corporation (IFC) estimated the market size for total assets of impact investors in 2019 to be US\$505 billion, using very narrow criteria.⁴ Widening the scope to include other funds and players with impact objectives, total market size could be just over US\$ 2 trillion. The full scope of impact investing may be substantially larger if green, social, and sustainable bond markets and active public market strategies are also taken into account.

In its 2020 Annual Impact Investor Survey⁵, the Global Impact Investing Network (GIIN) analysed the supply of capital allocated to impact investing as of the end of 2019, using assets under management as indicator of market size. The survey conservatively estimated that over 1,720 organisations managed US\$ 715 billion in impact investing assets.

The global impact investing market is both growing and maturing.

While estimating the total size of the impact investing market is often challenging – most reports are based on self-reported data – the trend is clearly positive in terms of growth of total assets reported and in terms of availability of information.

**The Sustainable Development Goals
Impact investors are increasingly aligning and measuring their investments with the UN Sustainable Development Goals.**

The Sustainable Development Goals⁶ (SDGs) set out 17 global targets for overcoming the most pressing challenges

2 Our study uses this most widely used definition of impact investment, developed by the Global Impact Investing Network (GIIN): <https://thegiin.org/impact-investing/need-to-know/#what-is-impact-investing>: "Impact investments are investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return. Impact investments can be made in both emerging and developed markets and target a range of returns from below market to market rate, depending on investors' strategic goals."

3 Global Steering Group for impact investment (GSG), www.gsgii.org, the parent network of the NAB.

4 The IFC data only considered impact funds with identifiable measurement systems and Development Finance Institutions that use the ICF Harmonised Indicators for Private Sector Operations. See: IFC 2021, *Investing for Impact: The Global Impact Investing Market 2020*.

5 2020 Annual Impact Investor Survey | The GIIN: <https://thegiin.org/research/publication/impinv-survey-2020#charts>

6 <https://sdgs.un.org/>

that societies are facing, including poverty, inequality, environmental degradation and biodiversity, prosperity, peace and justice by 2030. These standardised goals and metrics promote impact tracking, increasing companies' credibility and performance.



OECD countries have so far achieved around 78% of their SDGs. The average score globally is just above 65% - emerging and developing countries are still significantly lagging behind.

How well do the Netherlands perform on the SDGs?

In the latest UN Sustainable Development Report, the Netherlands rank 11th globally with an 81.6% SDG achievement score.⁷

According to a February 2021 report⁸ by the Dutch central office for statistics, the Netherlands are the **European leader on six SDGs** related to poverty, work, business, inequality, institutions and partnerships. In contrast, the Netherlands are **lagging behind on climate action**, and have only a lacklustre performance on other goals. The report unfortunately does not provide an analysis of how the achievements of the SDGs in the Netherlands are being financed.

There is considerable potential to **use impact investing to address the remaining domestic challenges** and ensure that the Netherlands fully meets all of its goals by 2030.

Scaling impact investing is critical to close SDG funding gaps
Achieving the Sustainable Development Goals will require US\$ 5-7 trillion per year globally.⁹

While some sectors, such as the energy sector, have managed to successfully attract significant amounts of investments from traditional investors, many other sectors still lack the attention they need.

The estimated annual investment gap in developing countries is of particular concern.

That investment gap has been estimated at US\$ 4.2 trillion, and has further increased since the beginning of the pandemic.¹⁰ Low-income countries in particular lack the financial space to meet the challenges ahead, including recovery from the Covid pandemic and meeting existential threats such as climate change and biodiversity loss. SDG-aligned investments in low-income economies

7 <https://dashboards.sdgindex.org/profiles/netherlands>. This is a global assessment of countries' progress towards achieving the SDGs. It is a complement to the official SDG indicators and the voluntary national reviews.

8 The Sustainable Development Goals (SDGs) in the Dutch context - Monitor of Well-being & the Sustainable Development Goals 2021 | CBS. <https://longreads.cbs.nl/monitor-of-well-being-and-sdgs-2021/the-sustainable-development-goals-sdgs-in-the-dutch-context/>

9 Overview | Global Outlook on Financing for Sustainable Development 2021: A New Way to Invest for People and Planet | OECD iLibrary (oecd-ilibrary.org)

10 In addition to the US\$ 2.5 trillion annual SDG financing gap estimated in 2016 by UNDP, the OECD estimates that developing countries require an additional US\$ 1 trillion in Covid recovery spending. Compounding the gap in both recovery spending and SDG financing, the OECD further estimates a potential drop of US\$ 700 billion in external private finance in 2020.

often bear extra complications in terms of risk, maturity and liquidity.

Impact investing can help to close domestic and global investment gaps.

While impact investing is increasing in importance in portfolios worldwide, it is still nowhere near the scale that will be required. Despite the positive momentum, impact investing is still a relatively niche investment practice, making up only 1-2% of the US\$ 103 trillion in assets under management worldwide.¹¹

With only nine years left to meet the 2030 Sustainable Development Goals targets, we urgently need to accelerate global investments.

Mobilising private capital at scale to realise the SDGs will require unprecedented intense cooperation between stakeholders.

Making progress on impact investing has never been more pertinent and

necessary. Our collective agenda for 2022 and beyond is crucial for tackling the global challenges we collectively face: from combatting climate change to recovering from the pandemic, protecting human rights and alleviating poverty.

Potential for Dutch global leadership

The Netherlands, with a rich track record in sustainable finance, a dynamic NGO sector, a favourable business environment, strong research and development capabilities, and a solid financial sector, has the potential to become a global leader in impact investing.

The Dutch impact investing ecosystem has a long track record of leadership on financing the SDGs, including in emerging and developing economies, and has the capacity to make a significant contribution to bridging the SDG investment gap both domestically and worldwide.

¹¹ <https://www.bcg.com/publications/2021/global-asset-management-industry-report>

2. IMPACT INVESTING IN THE NETHERLANDS

We estimate that Dutch players have currently invested assets worth EUR 150-180 billion for impact, and that impact investments currently account for 4-6% of all Dutch assets under management. The market is clearly growing rapidly, but it remains difficult to assess its exact depth. Our survey of 38 Dutch impact investors shows that they have allocated an average of 10% of their total assets to impact. Institutional investors, which control the largest asset volume but allocate only 7% of their assets to impact, have the largest potential to scale up. Investors currently target some Sustainable Development Goals far more than others, and investments into developing and emerging economies (where the global financing gap is largest) seem to account for less than 20% of Dutch impact investments.

Dutch impact investing market size and market share

We estimate that Dutch players have currently invested assets worth EUR 150-180 billion for impact, and that impact investments currently account for 4-6% of all Dutch assets under management.

To arrive at these estimates, we have triangulated our own findings with those of comparable studies published over the past few years. These data are unfortunately difficult to aggregate or

compare as they usually capture only sub-segments of the total ecosystem.

- In 2015, **VBDO**¹² estimated the size of the impact investing sector in the Netherlands at EUR 24 billion, or 1.7% of the total assets under management of EUR 1.4 trillion. Most of VBDO's research narrowly focused on institutional investors¹³.
- In 2020, **NpM** researched the impact assets of its members. These totalled EUR 19 billion for just nine member organisations¹⁴. No pension funds or insurance companies participated in the NpM survey.
- In 2021, the **PensioenPro** annual Environmental, Social & Governance survey¹⁵ found that 17 out of 37 responding pension funds (46%) were making impact investments. An inventory made by VBDO estimated that 17-20 pension funds and 19 insurance companies had invested into impact¹⁶.

The market is clearly growing rapidly, but it remains difficult to assess its exact depth.

Total assets under management of players based in the Netherlands range from EUR 2.8 trillion (counting

Study	2015 - VBDO (n=29)	2020 - NpM (n=9)	2021 - VBDO + PensioenPro (n=unknown)	Our study (n=38)	Totals (extrapolated) ¹⁷
(mainly) Institutional	27 respondents EUR 24bn		17-20 pension funds 19 insurance companies AuM unknown	3 pension funds 1 insurance company 4 fund managers EUR 85bn	20 pension funds 19 insurance companies 5-10 inst. fund managers EUR 130-140bn
(mainly) Non-institutional		9 respondents EUR 19bn		30 respondents EUR 31bn	40-50 non-institutional investors EUR 35-38bn
Total				38 respondents EUR 116 bn	90-100 impact investors EUR 150-180bn

*n = number of respondents to the survey/study already investing in impact

¹² The Dutch association of investors for sustainable development, www.vbdo.nl

¹³ https://www.vbdo.nl/wp-content/uploads/2016/02/ImpactInvestment_Final.pdf

¹⁴ The nine organisations were: Triodos IM, Triple Jump, FMO, Oikocredit, Rabobank, ASN, Cordaid, Lendahand and Actiam

¹⁵ <https://pensioenpro.nl/pensioenpro/30047808/angst-voor-reputatieschade-belangrijke-drijfveer-voor-esg-beleggen>, page 46 of the report

¹⁶ https://www.vbdo.nl/wp-content/uploads/2021/08/VBDO-Benchmark-Verzekeraars-2021_DIG.pdf

¹⁷ Based on maximum number of respondents per study and NAB's own estimates.

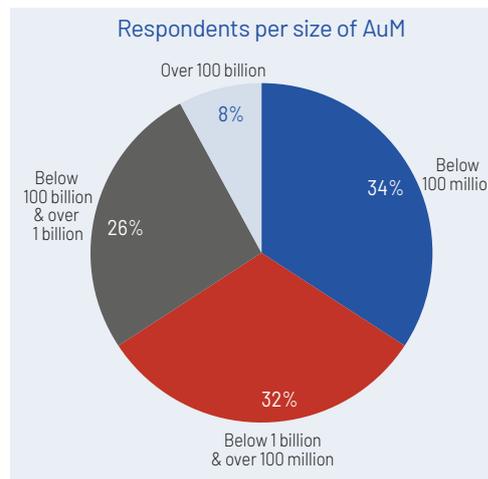
institutional investors and fund managers only¹⁾ to up to EUR 3.5 trillion (adding foundations, family offices and High Net Worth Individuals¹⁹⁾). Based on these figures, we estimate that the proportion of impact investments within the total pool of Dutch assets under management is probably in the range of 4-6%.

Volume of impact investments

The 38 respondents to our survey reported a total of EUR 116 billion in impact investments, with pension funds representing the bulk of the impact assets with EUR 75.5 billion under management, followed by fund managers with EUR 25 billion and public investors (national or regional funds or development finance institution) with EUR 12 billion under management.

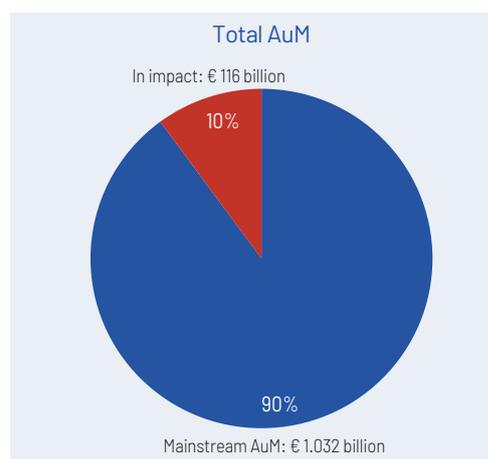


The majority of respondents (60%) defined themselves as fund managers, a category that encompasses both institutional and non-institutional (often specialised) fund managers. The size of the managed assets per respondent varied significantly from over EUR 100 billion to less than EUR 100 million.

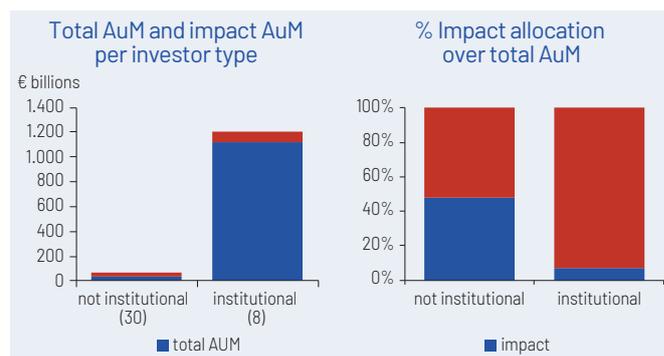


Share of impact investments

On average, survey respondents had allocated an average of 10% of their total Assets under Management (AuM) to impact, indicating that many respondents are front-runners within the impact investing community.



However, this average conceals great disparity between the various categories of investors, with institutional investors investing around 7% into impact on average, while non-institutional investors allocated 44% of their AuM to impact investments.

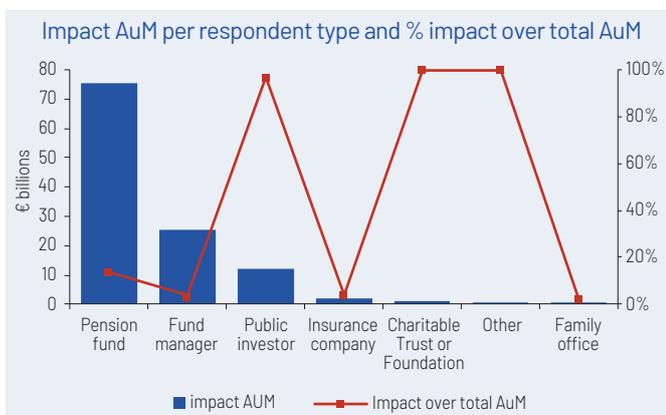


18 De Nederlandsche Bank (DNB) dashboard: <https://www.dnb.nl/en/statistics/dashboards/> Data as of 31 December 2020.
 19 Assessing Dutch field builders' total assets between EUR 200-700 billion.

Clearly, institutional investors have the largest potential to scale up. They have by far the largest absolute volume of assets under management, but only use a small share of those assets for impact investing.

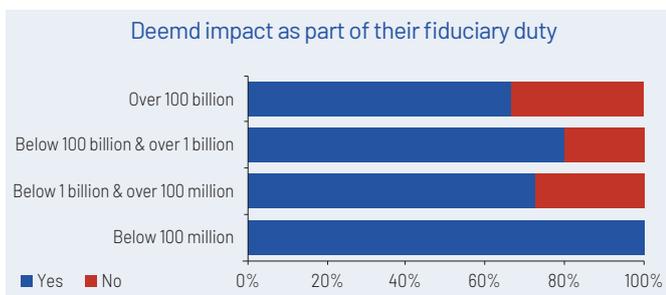
Pension funds dedicate a larger portion of their portfolio to impact-generating projects than do institutional fund managers and insurance companies.

Public investors provide a salient fraction of impact investment, despite the limited total amount of assets that they have under management.



Drivers for impact investing

A large majority of respondents (84%) identified impact investing as part of their fiduciary duty. Interestingly, probably because of the clear specialisation of the smaller players that were surveyed, we noted a negative correlation between size of AuM and the consideration of impact as part of their fiduciary duty.

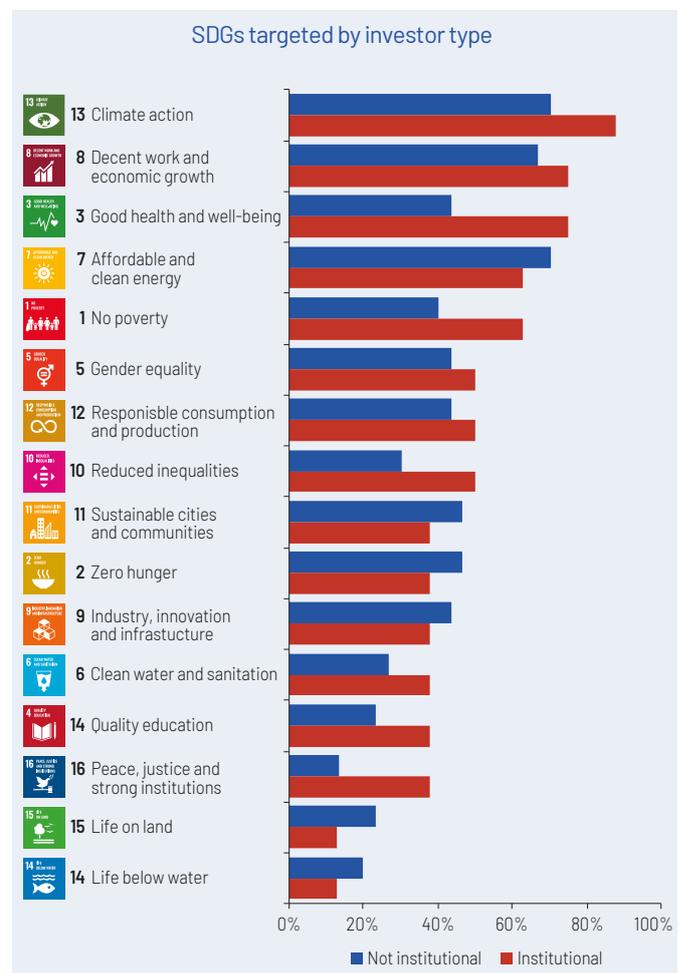


A wider acceptance and understanding of the new concept of fiduciary duty – that includes a duty to take environmental and social factors into account – should lead more institutional investors to increase their allocations to impact investing.

Sustainable Development Goals targeted

A key takeaway from the survey is the relevance of most Sustainable Development Goals for Dutch impact players. However, investors target some SDGs far more than others.

As the chart below shows, investors frequently target SDG 13 (climate action), SDG 8 (decent work and economic growth) and SDG 7 (affordable and clean energy). In contrast, SDG 14 (life under water), SDG 15 (life on land), SDG 16 (peace and justice) are only rarely targeted, as is SDG 4 (education).



Institutional and non-institutional investors in the Netherlands generally tend to focus on the same SDGs.

The main exceptions are SDG 11 (sustainable cities), SDG 2 (zero hunger) and SDG 9 (infrastructure) which receive more attention from non-institutional respondents. In contrast, SDG 3 (good health), SDG 16 (peace and justice), SDG 1 (no

poverty) and SDG 10 (inequalities) receive more focus from institutional players.

Dutch impact investing targets in global comparison

There seem to be considerable differences between Dutch investors and global investors in terms of SDGs targeted.

The 2020 GIIN Annual Investor survey report²⁰, which surveys impact players worldwide, shows that SDG 8 (decent work and economic growth) ranks as the most frequently named investor target worldwide, followed by SDG 1 (no poverty). In contrast, SDG 13 (climate action) – the top Dutch investor target – only occupies the seventh place globally.

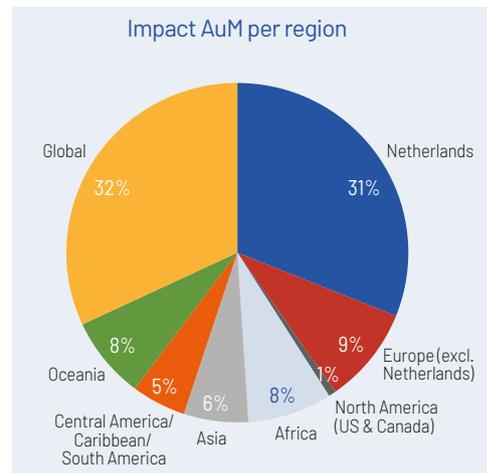
Globally, there appears to be a link between investors' SDG focus and their geographic focus.

The GIIN report shows that investors focused on developed markets tend to strongly target SDG 11 (sustainable cities and communities) and SDG 13 (climate action). In contrast, investors focused on emerging markets tend to target SDG 5 (gender equality) and SDG 1 (no poverty) more.

Geographic focus of Dutch impact investments

Nearly a third (31%) of Dutch impact investments whose destination can be pinpointed are targeted at the Netherlands. Emerging markets receive less than 20% of Dutch impact investments.

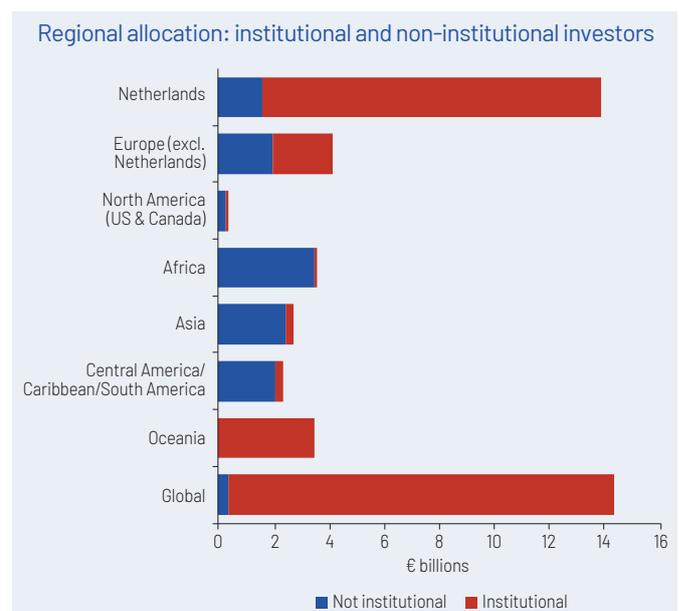
"Global" investments that cover multiple regions account for 32%. The remainder is spread more or less equally between Africa, Asia, Latin America and Oceania. Africa, Asia and Latin America attract less investments because emerging and developing economies are perceived to be higher risk. Oceania mainly concerns investments in Australia and New Zealand.



Institutional investors allocate 87% of their impact investments to developed markets, while non-institutional investors only invest 34% of their impact portfolio there.

In other words, two thirds (66%) of funds of non-institutional investors are allocated to emerging and developing markets. Presumably, these investors are more often mission-driven and thus primarily focus on those markets where most investments are needed to achieve the SDG's objectives.²¹

As a result, nearly all Dutch impact investment funding for Africa, Asia and Latin America comes from non-institutional sources and represents less than 20% of the total.

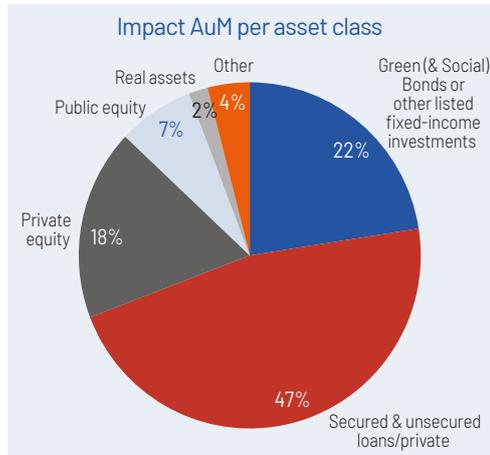


²⁰ <https://thegiin.org/research/publication/impinv-survey-2020>

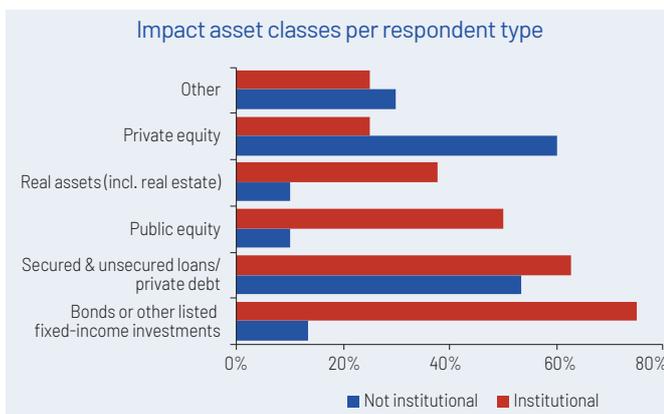
²¹ Not all respondents to the survey reported complete information about the asset class breakdown of their impact AuM. The graph represents less than 50% of reported impact AuM.

Asset classes

Almost half (47%) of the Dutch impact assets under management were invested in private debt (secured and unsecured loans), followed by 22% in bonds, 18% in private equity and 7% in listed equities.



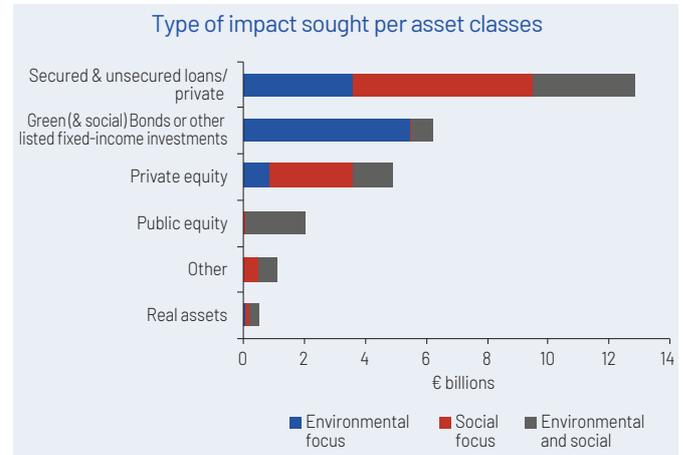
Investment strategies differ by type of respondent: 75% of institutional investors report that they invest in bonds or fixed income investments, while 60% of non-institutional investors tend to focus on private equity investments. Private debt receives allocations from 53% of non-institutional investors and from 63% of institutional investors.



Environmental versus social goals per asset class

Over EUR 12 billion of Dutch capital marked for impact takes the form of private debt, i.e. secured and unsecured loans.²² This private debt is equally focused on both social and environmental issues.

Listed bonds come second in terms of volume, with an overwhelming focus on environmental goals, probably due to the popularity of green bonds. In third position comes private equity, which focuses more strongly on social goals.



Geographic allocation per asset class

The largest allocations by volume are in real assets, both in the Netherlands and globally.

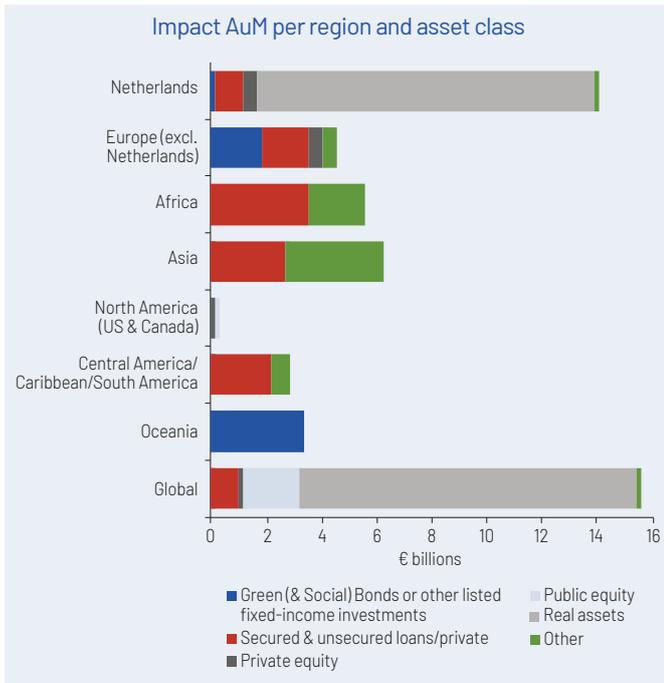
Bonds and to a smaller extent listed equities make up nearly all of the remainder of investments in developed markets. (For many investments, the location is multi-region or not specified. These are coded as “global”; we expect most of them to be in developed economies.)

In emerging and developing markets, the largest asset type is private debt, which takes the form of secured and unsecured loans.²³

Africa and Asia also receive a large fraction of investments in the form of other asset types, such as listed closed end funds, guarantees, outcomes-based contracts or funding for microfinance funds, as well as direct investments into microfinance institutions.

²² The amounts reported here are lower than the total reported AuM since some respondents to the survey indicated that their impact investments were either not specifically allocated to environmental and/or social objectives, or that they were unable to specify the allocation.

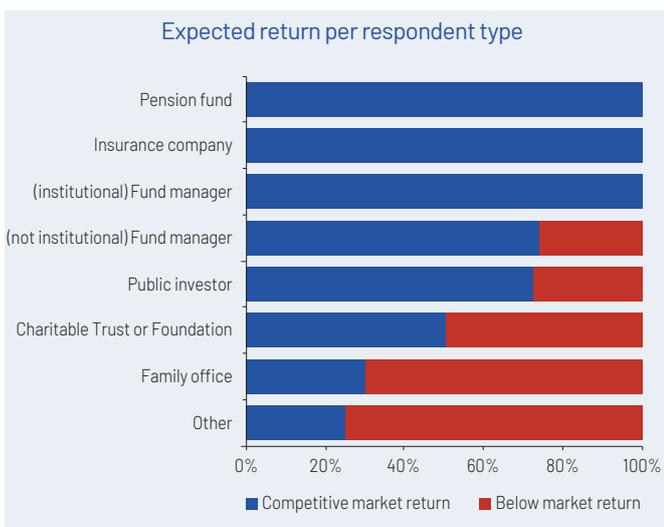
²³ Not all respondents to the survey reported complete information about the geographic breakdown of their impact AuM per asset class. The graph represents less than 50% of reported impact AuM.



Expectations for return on investments

All institutional investors surveyed – insurance companies, pension funds and institutional fund managers – expect to obtain competitive risk-adjusted returns on their impact investments.

Investors with a lower volume of AuM tend to be more flexible regarding their expectations for returns. However, in each respondent category there are players who expect competitive market returns.

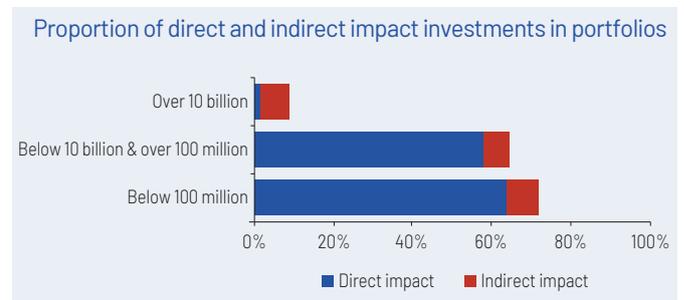


Direct versus indirect investments

Impact investors have the choice between investing *directly* into companies, projects or real assets, or investing *indirectly* via funds or other investment intermediaries.

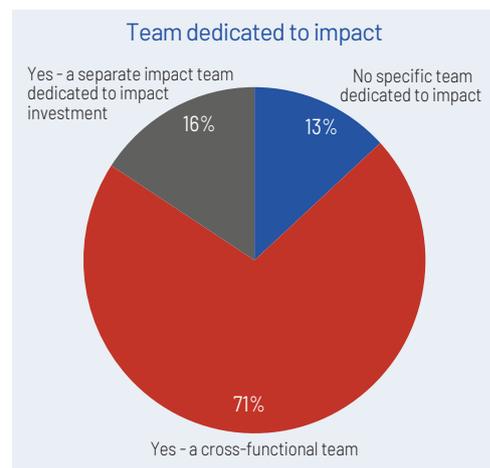
As discussed further above, our survey shows that the largest investors by overall portfolio size tend to dedicate a comparatively small proportion of their portfolios to impact. The chart below highlights that these investors invest most of their impact funds indirectly. They mostly rely on intermediaries, typically external fund managers, to guide the allocation of their AuM dedicated to impact.

In contrast, medium-sized and small investors predominantly invest directly by seeking out and identifying investment targets that meet their impact priorities and expectations.



Portfolio management approaches

A large majority of investors (71%) have cross-functional teams managing their impact investments alongside the other investments in their portfolios. Only a minority of respondents (16%) have a stand-alone team dedicated to impact investment. The remaining 13% stated that they did not have a team dedicated to impact investment; nevertheless, all respondents in the latter group did consider impact part of their fiduciary duty.



Definitions of impact used

The GIIN definition²⁴ of impact investments has been adopted by 84% of our survey respondents. (This study is also based on the GIIN definition, which is widely used worldwide.)

The remaining 16% of respondents used idiosyncratic impact definitions. These respondents typically focus on a very specific mission or niche area, such as accelerating social progress for minority groups, or else seek to generate measurable positive impact but without formally using the GIIN definition.

Standards used

Respondents reported using a wide range of standards. The UN Sustainable Development Goals and GIIN's IRIS/IRIS+²⁵ standard are the most widely used.

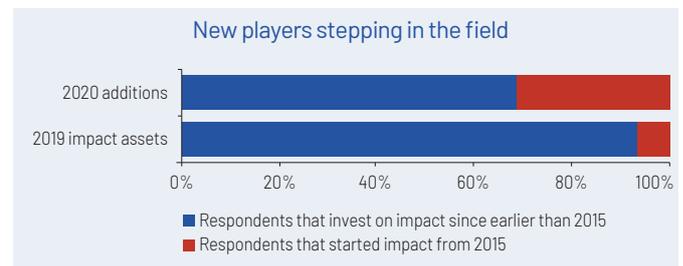
However, other standards and frameworks were also frequently cited. These include UN PRI²⁶, IFC OPIM²⁷, the IMP²⁸, and the Green Bond Principles²⁹. In addition, respondents frequently referred to European Union regulations (SFDR³⁰ and EU Taxonomy³¹) as emerging cornerstone standards to measure or monitor impact.

Around half of the respondents indicated that they also used standards developed in-house. This reliance on a heterogeneous group of standards is typical of impact investors worldwide, as the GIIN 2020 Annual Investor report has documented.

Market entry by new players

New players are driving significant growth in overall impact investment in the Netherlands.

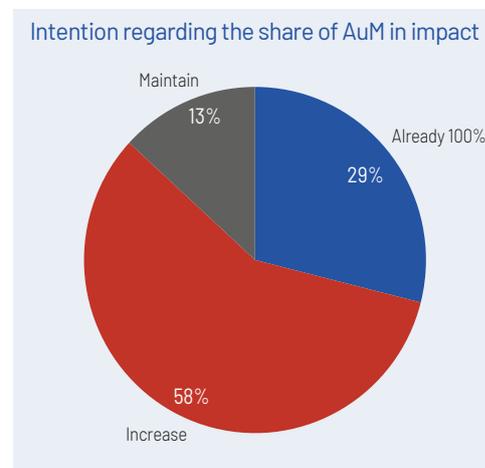
Nearly a third (31%) of new capital flowing to impact investment during the year 2020 originated with players that have only entered the market since 2015, up from just 4% during the previous year.



Future growth plans

Four out of five mainstream Dutch investors plan to increase the share of impact investments in their portfolios in future.

Nearly a third of respondents (29%) already allocate their entire portfolios to impact investment. Of the remainder, 58% plan to increase the share of impact investments in their portfolios, compared to only 13% that will maintain the same level.



²⁴ "Impact investments are investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return. Impact investments can be made in both emerging and developed markets and target a range of returns from below market to market rate, depending on investors' strategic goals." <https://thegiin.org/impact-investing/need-to-know/#what-is-impact-investing>

²⁵ <https://iris.thegiin.org/>

²⁶ <https://www.unpri.org/pri/what-are-the-principles-for-responsible-investment>

²⁷ <https://www.impactprinciples.org/>

²⁸ <https://impactmanagementproject.com/>

²⁹ <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/green-bond-principles-gbp/>

³⁰ The EU Sustainable Finance Disclosure Regulation (SFDR) is a set of EU rules which aim to make the sustainability profile of funds more comparable and better understood by end-investors.

³¹ The EU taxonomy is a classification system establishing a list of environmentally sustainable economic activities:

https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/eu-taxonomy-sustainable-activities_en

3. THE DUTCH IMPACT INVESTING ECOSYSTEM

This section introduces the key players in the Dutch impact investing ecosystem. Pension funds, insurance companies and banks are the most important potential sources of capital for impact investments. Although individual organisations and sub-sectors are often well developed compared to other countries, there is still a lot of untapped potential to scale up for more impact.

Six stakeholder groups

There are six groups of stakeholders within the Dutch impact investing ecosystem.

- Three of those groups are investors: institutional investors, fund (and asset) managers & public investors, and field builders.
- The other three stakeholder groups are also essential for the development of the ecosystem: the (social) businesses that are the recipients of impact investing, knowledge institutions & networks, and policy makers.



The Dutch impact investing ecosystem specifically includes **institutional investors** because of their enormous potential to provide impact funding. It also includes **policy makers/public sector**, because of their potential to adopt policies that could significantly drive the growth of an impact economy and catalyse the mobilisation of vast amounts of private capital.

The diversity of backgrounds and objectives of these stakeholder groups creates a powerful combination of knowledge, ambition and scope within the Dutch ecosystem.

Annex 3 provides an overview of relevant stakeholders in the Netherlands.

The following section provides a description of each of the six groups.

Group 1: Institutional investors
Pension funds, insurance companies and banks are the most important potential sources of capital for socially responsible and environmentally sustainable investments.

Dutch pension funds alone held total assets of EUR 1.7 trillion in 2020³², putting them into fourth place worldwide.³³ Their assets equalled 191% of Dutch GDP. The total assets of Dutch domestic banks totalled EUR 2.5 trillion³⁴ in 2020, while the total assets of Dutch insurers totalled EUR 552 billion³⁵ in 2020.

Pension funds and insurance companies are among the largest and most influential investors in the Netherlands. Encouraging them to allocate a larger part of their assets to impact strategies (while continuing to apply Environmental, Social & Governance criteria to the rest of their portfolios) could significantly shift the needle towards an impact-led economy.

However, current regulation of these entities places significant barriers to their ability to engage in impact investing. Please see the Barriers and Recommendations sections of this report for more details.

³² <https://www.dnb.nl/en/statistics/dashboards/pensions/>

³³ Only pension funds in the US (US\$ 19 trillion), the UK (US\$3.5 trillion) and Australia (US\$1.8 trillion) held more assets.

³⁴ <https://www.dnb.nl/en/statistics/dashboards/structure-of-the-banking-sector/>

³⁵ <https://www.dnb.nl/en/statistics/dashboards/insurers/>

Group 2: Fund and asset managers, and public investors

The Dutch impact investing ecosystem benefits from a vibrant impact fund management and investment management sector.

Over the past two decades, many Dutch financial intermediaries have become global leaders in the emerging inclusive finance sector, and then more broadly in the impact investing sector, especially in emerging and developing economies. Dutch players have traditionally been well organised within national platforms (such as NpM³⁶, now succeeded by the NAB) and international platforms (as active participants of and contributors to the GIIN) and within broader Dutch sustainability platforms such as VBDO³⁷ and the DNB Sustainable Finance Platform³⁹.

The large population of Dutch impact intermediaries has given social enterprises in the Netherlands access to a wide spectrum of funding options, catering to a wide range of social enterprise maturity levels across multiple economic sectors.

Group 3: Field builders

Field builders are foundations, NGOs, High Net Worth Individuals and other entities that deploy concessionary resources to help build new impact investment markets.

These players are traditionally more flexible investors and have a higher risk appetite than mainstream financial institutions. In particular, wealthy individuals are often mission-driven and increasingly seek alternative forms of engagement to traditional philanthropy. They can intervene in earlier stages of development and bridge funding gaps of impact-generating projects.

Case study: German investment pilot fund

In Germany, the Association of German Foundations established an expert group on “mission investing,” which in turn created a pilot fund for foundations, the “Mission-Related Investment Pilot Fund for Education³⁹”.

Group 4: Businesses

Businesses represent the demand side of impact investments.

In 2019, PwC researched⁴⁰ how **mainstream companies** contribute to the SDGs. It found that while 93% of Dutch companies mentioned the SDGs in their annual reports, only 30% had chosen SDG targets, and a mere 13% had actually linked those to a quantified ambition. New legislation could encourage more Dutch companies to look beyond their narrow financial bottom line, as a recent French law illustrates.

Case study: French law promotes social and environmental business objectives

Since 2019, a national law (“Loi PACTE”) requires the management of French companies to take into consideration social and environmental issues. Corporations must now be managed taking into consideration the “social and environmental issues” related to their operations. Companies are also encouraged to enshrine social objectives in their corporate bylaws. Corporate and management boards must take into consideration “social and environmental issues” as part of their duties. Despite the absence of specific sanctions for failing to take into account “social and environmental issues”, the new law could generate civil liabilities for companies, and even individual liabilities for their managers.

Within the wider businesses world, **social enterprises** are particularly relevant for impact. These organisations are formed with the explicit goal of creating and maintaining positive impact on social and environmental challenges. Social enterprises in many

³⁶ The Dutch Platform for Inclusive Finance; in 2020 it transferred its legacy to the NAB

³⁷ Dutch Association of Investors for Sustainable Development, <https://www.vbdo.nl/en/our-work/about-sustainable-investing/>

³⁸ <https://www.dnb.nl/en/green-economy/sustainable-finance-platform/>

³⁹ https://ec.europa.eu/commission/presscorner/detail/en/ip_20_694

⁴⁰ <https://www.pwc.nl/nl/actueel-en-publicaties/themas/duurzaamheid/sdg-challenge-2019.html>

ways operate similarly to mainstream private sector businesses, deriving a substantial portion of their income from commercial activities (as opposed to grants or donations). However, these commercial activities are not only driven by profit maximisation for shareholders or owners, but also by the goal of achieving positive social impact alongside financial sustainability.

The 2019 Social Enterprise Monitor⁴¹ found that social enterprises in the Netherlands are successful in attracting capital, with an 88% success rate. Most social enterprises sought out growth capital (62%) and working capital (42%).

Group 5: Knowledge institutions & networks
Knowledge institutions such as universities and network organisations can help to build the capacity of the ecosystem.

In particular, these actors can facilitate the spread of know-how and information, accelerate the takeup of knowledge generated by industry leaders, and assist in the setting of standards.

Case study: Assessing the total value created by companies

In the US, Harvard Business School in partnership with the GSG⁴² and the Impact Management Project⁴³ has set up the Impact-Weighted Accounts Project⁴⁴. The project operates on the principle that “to build an impact economy, we need to ensure that all participants understand that every action has consequences and produces impact.” Its ambition is to create accounting statements that transparently capture both positive and negative external impacts in a way that drives investor and managerial decision making. Instead of only using Generally Accepted Accounting Principles (within the US) and International Financial Reporting Standards (globally) to distil a company’s revenues and expenses into a single figure that represents the value accrued to the company’s shareholders during a given period, Harvard Business School is proposing an alternative – or additional – way of assessing a firm’s performance. This new approach measures the total value created by the firm in multiple dimensions, and with respect to all stakeholders.

The Dutch impact investing ecosystem is well developed but fragmented.

The Netherlands has a rich landscape of networks, mostly working with the various stakeholder groups discussed above, that have historically been successful at promoting collaboration within their sub-sectors.

However, a 2018 feasibility study⁴⁵ for the establishment of a Netherlands Advisory Board on impact investing highlighted the current fragmentation of the Dutch impact investing ecosystem and the need for more cooperation and co-creation between the different stakeholder groups.

Ecosystem builders such as the Global Steering Group for impact investment (GSG) and specialised consultants and service providers can support the acceleration of ecosystem development.

41 <https://www.social-enterprise.nl/over-sociaal-ondernemen/publicaties/intern/social-enterprise-monitor-2019-english>

42 Global Steering Group on impact investing, the parent network of the NAB www.gsgii.org

43 <https://impactmanagementproject.com/>

44 <https://www.hbs.edu/impact-weighted-accounts/Pages/default.aspx>

45 https://socfin.nl/NAB_report_digital.pdf

Group 6: Policy makers

Policy makers can create legal and regulatory frameworks that enable impact investing to thrive.

National-level policy makers can foster impact investing by creating enabling legal and regulatory frameworks. They can also direct regulatory agencies and supervisory bodies to, for example, preserve impact integrity through developing and implementing appropriate compliance tools. The current introduction of European Sustainable Finance Action Plan⁴⁶ is a case in point.

Case study: How the United Kingdom fostered impact investing

In 2001, the UK government appointed a taskforce to examine how to mobilise the support of private backers for innovative initiatives to tackle intractable social problems that conventional approaches had been unable to effectively address. The taskforce was launched because amidst a period of economic prosperity and optimism in the country, a segment of the population was being left behind.

Based on the recommendations of the taskforce, within a decade the first international social investment bank was founded, a number of investment intermediaries specialised in the social marketplace were developed, and tax breaks were offered to social impact investors. These measures, supported by the UK government, were aimed at mobilising private financial resources to achieve greater impact and more transparency.

In particular, the development and implementation of the first "Social Impact Bond", a special "pay-for-success" social finance instrument, attracted significant international attention.

Governments – national, provincial and local – have the power to drive impact investment by putting it at the heart of their agendas. It is essential to educate policymakers on the model, identify and empower policy champions, foster connections and international collaboration, and support capacity building to enable them to meet their objectives through impact investing.

Dutch public sector plays key role

In the Netherlands, the public sector should support the development of the impact investing ecosystem in two ways. First, **regulatory and fiscal reforms** could change rules on capital requirements, customer protection, and market supervision, with the support of fiscal policies implemented by the Ministry of Finance. Second, national, regional and municipality level bodies could **use impact investing as an instrument to leverage impact**.

⁴⁶ https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/overview-sustainable-finance_en#action-plan





4. BARRIERS TO SCALING UP IMPACT INVESTING

Potential investors currently face multiple barriers to enter the field of impact investing and/or deepen their engagement.

These barriers fall into three categories:

- Public sector barriers include Dutch and European laws and regulations and public management systems.
- Market efficiency barriers include the lack of norms and standards, lack of data sharing, and lack of pipeline.
- Investment culture barriers include short-termism, conservatism, and inflated risk/return expectations.

The following section discusses public sector barriers, market efficiency barriers and investment culture barriers in more detail.

Public sector barriers

Dutch and European laws and regulations are not conducive to scaling the impact investment sector.

Both institutional and non-institutional respondents noted that taxes, regulations and norms on financial risk and client protection penalise impact investments.

Examples include:

- **Financial regulations requiring high capital charges (Basel IV, Solvency II and VEV)** for banks and institutional investors on illiquid investments and investments in emerging and developing economies make impact investing less attractive and penalise impact investing projects. Many impact investments are made in these instruments (private debt or private equity) or in these markets, which also have the greatest unmet need for additional impact investments to close the SDG funding gaps. These regulations impose additional burdens

on impact investors and thereby hamper the achievement of the SDGs.

- **Absence of laws and regulations that promote scaling of the sector.** For example, considering an impact investments approach for government-funded initiatives.
- **The Sustainable Finance Disclosure Regulation** requires detailed disclosures that can be challenging when investing outside Europe because non-European companies are not subject to European disclosure standards. This regulation, although very useful to increase integrity and transparency within Europe, makes reporting more challenging.
- **High operational expenses related to AML/KYC⁴⁷ compliance requirements** make impact investing less attractive and more costly especially for smaller non-institutional players.

“By removing regulatory barriers such as capital charges that are not in line with the actual risk profile of an investment, regulators can play an important role in unlocking more capital towards the Sustainable Development Goals” -Yvonne Bakkum, FMO - Dutch Development Bank

The public management system limits the use of impact investing as part of the policy instrument toolbox.

Many respondents – in particular publicly funded investors – pointed out that policies decided and implemented by governments are often defined for a limited (and short) period of time. Systems are geared towards subsidies rather than towards investments. For example, the **lack of governmental financial support for the provision of catalytic capital to crowd in market players** slows down the development of the impact investment sector.

“There are not many government bodies involved in the system of impact investing. So governmental bodies in this market need to learn from each other.” - Bram Spitzer, Provincie Zuid-Holland

Market efficiency barriers

The Dutch impact investing market is still at an early stage of growth. The immaturity of the marketplace creates barriers to market entry and raises transaction costs. More data sharing and the adoption of common standards could help to lower transaction costs, boost efficiency, and unleash the full potential of this rapidly growing marketplace.

Lack of information and data sharing on market activities, trends, performance, practices and impact slows down the growth of impact investing in the Netherlands.

Impact investing is a relatively new concept and multi-sectoral, institutional investors have access to limited information and data on the marketplace. The resulting uncertainty and perceptions of risk raise barriers for entry into impact investing for institutional investors that are not already engaged.

In addition, smaller players would significantly benefit from efforts to build capacity and create synergies across the sector and to pool knowledge resources.

“We need organisations like the Netherlands Advisory Board on impact investing to step forward in taking the lead and showing others how to do impact investing. This should be done through sharing experiences, failures and successes.” - Coos Santing, ImpactCity The Hague

The lack of a deals pipeline across the value chain acts as a break on impact investment.

Both institutional and non-institutional respondents currently face a lack of investment opportunities. While institutional investors lack an abundance

of mature (in terms of ticket size and liquidity) impact investment targets that meet their risk-adjusted returns criteria, non-institutional investors face the challenge of finding impact investments that meet their own, generally more diverse, investment criteria.

There is a shared perception of a mismatch between supply and demand of capital across the impact playing field. In particular, impact investment opportunities are not equally spread across the Sustainable Development Goals. Some SDGs are harder to finance than others, holding back progress in many sectors.

In the end, the most important is that the money goes to impactful companies, projects and entrepreneurs. We need to stay focused on facilitating ways for investors who want to contribute to a greater purpose with their money.” -Wouter Koelewijn, GIIN

The lack of common norms and standards for impact measurement heightens risk.

All respondents across the spectrum noted that clear norms and standards of impact are needed to increase the coherence and build the credibility of impact investing, and to avoid the risk of “impact washing”.

“The sustainable and impact investment sector has grown exponentially in recent years and the problem is that there are no globally or nationally recognised definitions. This makes the sector vulnerable and this is one of the reasons why we welcome new regulations such as SFDR and the EU Taxonomy”. - Fund manager

The lack of impact data creates uncertainty.

Institutional investors in particular pointed out the current lack of impact track record and lack of unambiguous Environmental, Social & Governance impact data as major barriers. This lack of data creates uncertainty.

“Impact investing is different from mainstream investing and requires more time and specific expertise. To mobilise private capital we do need to collaborate together as a consistent matter with all this new information.” –Romée van Wachem, Actiam

Barriers created by mainstream investment approaches

Short-termism and conventionalism inhibit the uptake of impact investing by institutional players.

Institutional investors’ mindset needs to be shifted to evaluate their investments using a different lens. The development of impact markets requires more patient capital and can offer less liquidity. Conservatism of financial market players also plays a role: mainstream investors excessively rely on conservative and risk-averse practices. Mainstream investors can be reluctant to engage with impact investing, which aims to redefine the rules of the game and act as a trailblazer within the world of finance.

Conventional market risk/return expectations cannot (yet) be met for all impact investments.

Institutional investors’ conventional return expectations cannot be met at scale for all Sustainable Development Goals. Natural capital and social capital are not yet valued in the same way that financial capital is. Conventional capital currently is unable to provide the resources to develop impact investment solutions and infrastructure for the SDGs that are underfunded.

“The impact investing scene is still often focused on financing high growth companies. Next step would be to invest with more difficult business models.” –Stefan Panhuijsen, Social Enterprise NL

5. FACTORS SUPPORTING DUTCH IMPACT INVESTING

Survey respondents named six factors present in the Netherlands that have supported, and continue to support, the development of their impact investing portfolios.

These six factors are discussed below.

Factor 1: Public awareness

Many people in the Netherlands realise that money can achieve more by generating impact. One of the big driving forces for impact investments is intrinsic motivation and an understanding of the relevance of contributing to a better world. This movement can be noticed throughout society: individuals, government agencies and businesses seek ways to drive positive change. The last two years have seen a growing interest from the financial sector to become part of the new movement of impact investing. People in general, and High Net Worth Individuals in particular, are consciously looking for ways to make an impact with their money. And with the growing match between bottom-up (employee) and top-down (board) commitments to impact investing, organisations can move towards impact investing more quickly than in the past.

“There is the will to do more than just make profits. Impact investing can connect societal and environmental goals with economic or financial goals.” -Wouter Koelewijn, GIIN

Factor 2: Europe’s Sustainable Finance Action Plan

The regulatory momentum generated by the European Union’s Sustainable Finance Action Plan (SFAP) promotes and guides a focus on sustainability and impact. Companies are being pushed to become more transparent regarding their environmental and social footprints, and are increasingly being held accountable for these. In this regard, European regulation helps to put a spotlight onto underperformers. This influences policy and decision making because national,

regional and local governments start searching for ways to become involved in impact investing.

Factor 3: Tax incentives

Regulations that stimulate impact investing can spur growth in the impact investing market. Small (tax) benefits can help to motivate people to direct money towards impact investments. The Dutch ANBI status⁴⁸ makes it attractive for donors to transfer funds to an impact foundation.

Factor 4: Political attention

There is growing political focus on climate change and on impact investing. Political impulses can be a driving force for impact investment because they put the topic onto the political agenda, sparking positive developments in the market and accelerating the development of legislation (such as the implementation of sustainable finance regulations) to enable the growth of impact investing. Government could lead by example; the new government funds for climate, nitrogen and sustainable infrastructure (Nationaal Groeifonds) and the Africa strategy of the Ministry of Foreign Affairs should embrace an impact investing approach.

Factor 5: NextGens

Impact investment is a quest towards creating impact together. Especially young people seem to be interested in joining the impact investing movement. Younger generations (the NextGens) care about the state of the world, and want to make a positive difference as employees, consumers and investors.

“We need young people who are open to impact themes, who care about the world and who want to make a change. To achieve this, we need a new system with the right structure and approach.” -Daan van Kassel, Polestar Capital

Factor 6: Ecosystem enablers

Knowledge and awareness about impact investing is growing thanks to the activities and publications of Dutch networks and research organisations. This rapidly growing open access to information has been stimulating the development of the impact investing sector. For example, the Sustainable Development Goals have been a very

useful framework for communicating the need for impact investing and the opportunities it can generate.

“The impact investing sector is developing and parties such as the Netherlands Advisory Board on impact investing can play an important role in connecting different pieces and interested parties.” - Björn Vennema, Social Finance NL

6. RECOMMENDATIONS

RECOMMENDATION TO THE GOVERNMENT

Embrace impact investing as a scalable and cost-effective instrument to achieve policy objectives

Recommendation: We urge the government of the Netherlands to actively engage with the impact investing community to **create a conducive environment** to support scaling impact investing and to **build a highly efficient marketplace**.

Impact investing can make a significant contribution to supporting the government's efforts to fully achieve the Sustainable Development Goals domestically by 2030, and has the potential to leverage hundreds of billions of euros in private capital to tackle the world's most pressing environmental and social problems. The potential global market for impact investing is immense, and the Netherlands is well positioned to become a global leader in this rapidly growing area of finance. However, as this study documents, multiple legal and regulatory barriers are currently preventing the sector from achieving its full potential.

The government of the Netherlands should develop policies that remove existing barriers to impact investing. This includes reviewing and improving financial and regulatory frameworks that are currently hampering the growth of the sector, and creating conditions that foster the mobilisation of additional public and private capital.

The new government funds for energy transition, nitrogen and sustainable infrastructure proposed in the new government agreement (*Regeerakkoord*) and the Africa strategy of the Ministry of Foreign Affairs should actively promote an impact investing approach to make the Netherlands a 'sustainable country'. The NAB urges the government to engage in a dialogue with the impact investment community and leverage the sector's expertise to strengthen the ecosystem

and co-create a mature, highly efficient marketplace supporting the achievement of the Netherlands' SDG ambitions.

We ask supervisory institutions to intensify research regarding the relationship between impact investments and risk/return profile of these investments. As it may be expected that impact investments will have a beneficial risk return profile compared to other investments it can be justified that impact Investments will be awarded a beneficial treatment under the capital requirement frameworks for banks, pension funds, insurance companies and asset managers.

Systemic change is an essential precondition for the viability of the next recommendation.

RECOMMENDATION TO INSTITUTIONAL INVESTORS

Set ambitious and time-bound portfolio growth targets

Recommendation: We urge Dutch institutional investors, having the largest potential to scale up, to make a public commitment to at least **double their impact investing allocations** to a minimum of 10% of their assets under management by 2025. In addition, investors should publicly commit to at least double their impact investing allocations in projects and companies located in developing and emerging economies to 40% by 2025. Institutions should publicly track their progress towards these targets.

Achieving the SDGs and resolving the most pressing issues affecting our society, including climate change and global poverty, will only be attained with ambitious goals. The NAB wants to double the size of the Dutch impact investing sector by 2025.

Dutch investors currently allocate only 4-6% of their assets under management to impact investing. Even though the impact investing market has considerably grown and matured in recent years,

94-96% of assets are still not targeted towards making any measurable positive social or environmental impact.

Dutch institutional investors are currently failing to seize the opportunity to become global leaders in a rapidly growing trillion-dollar marketplace that in many cases already allows investors to combine market rate returns on their investments with the achievement of tangible environmental and social benefits.

Widely accepted impact definitions for all asset classes, including publicly traded instruments, are a necessary condition for achieving these targets. Instruments such as Green or Social Bonds –

provided these are thoroughly validated through the available frameworks and assurance processes – remain necessary in financing impact; regulatory requirements allow Dutch institutional investors to access these instruments.

RECOMMENDATION TO ALL STAKEHOLDERS

Collaborate for systemic change

Recommendation: All stakeholders should jointly commit to **building a strong ecosystem infrastructure**. The NAB aims to advance the public good by supporting all stakeholders in the Dutch impact investing ecosystem.

7. ROADMAP FOR NAB ENGAGEMENT

Going forward, the NAB will further support the building of a better infrastructure for the Dutch impact investing ecosystem to accelerate the mobilisation of capital for impact:

1. Challenge the public sector
2. Raise the bar for investors
3. Increase awareness and understanding of impact investing
4. Shape the future by co-creating solutions

These four activities are outlined in more detail below. A detailed visual roadmap for future NAB engagement can be found in Annex 4.

1. Challenge the public sector

- **In the Netherlands:** engage with national and local governments, regulators and other policy makers to increase information about impact investing and advocate for a more conducive environment:
 - Inspire with concrete examples of successful policies in other countries, such as ANBI status for impact investments
 - Promote the GSG G7 Impact Taskforce recommendations for a fair transition and the present mapping report
 - Invite policy makers to participate in community activities and accelerate peer group learning
- **In the European Union:** support the development of regulations and rules fostering impact investing

2. Raise the bar for investors

- Engage with institutional investors on the importance of integrating long-term impact creation in their strategies:
 - Leverage momentum of other international actors (UN Net Zero Asset Owners Alliance⁴⁹, GISD

- Alliance⁵⁰, IIGCC⁵¹, FCLT⁵²) to engage with institutional investors
- Promote information and (peer) leadership program for board members in partnership with branch associations
- Raise awareness among Dutch consumers and the general public (incl. pension fund beneficiaries) in partnership with MMMM⁵³ and other Dutch stakeholders
- Promote alternative structures and innovative instruments to broaden SDG impact and attract private and institutional investors to scale up

3. Increase awareness and understanding of impact investing

- Bring stakeholders together and stimulate cooperation
- Publish and promote information and best practices about impact investing
- Participate in international standardisation efforts and translate them in the Dutch context to set standards and agree what makes an investment an impact investment
- Promote norms and standards and their compliance (in the form of exchanges and dialogues)
- Develop thematic knowledge exchange based on the needs of Dutch ecosystem members
- Share successful evidence-based impact investment instruments and structures
- Promote Dutch impact investing solutions globally (and vice versa)

4. Shape the future by co-creating solutions

- Support the development of innovative financial instruments and the availability of catalytic capital for de-risking (blended finance)

49 <https://www.unepfi.org/net-zero-alliance/>

50 Global investor for sustainable investment Alliance: <https://gisdalliance.org/>

51 Institutional investors groups on climate change: <https://www.iigcc.org/>

52 Focussing capital on long-term: <https://www.fcltglobal.org/>

53 <https://makemymoneymatter.co.uk/21x/>

- Support development of investable business models that help achieve SDGs per sector – for instance, Agtech with Digital Agri-hub⁵⁴
- Sensitise the Dutch government and European regulators about the need for appropriate levels of capital requirements for institutional investors
- Promote and support start-up projects generating impact in a more targeted

way, for instance through state-supported capacity building tools, funds or instruments

“NABs are leading radical system change across the world by making impact the “invisible heart of markets” that guides their invisible hand”. -Sir Ronald Cohen, Chair of the Global Steering Group for impact investment

⁵⁴ <https://digitalagrihub.org/>

ANNEX 1

DEFINING IMPACT INVESTING

This appendix addresses the four key characteristics of impact investing: intentionality, measurement, additionality and financial return. It also explains how impact investing is positioned in the broader spectrum of responsible and sustainable finance. In addition, it touches upon the variety of definitions used in the sector as well as the remaining controversies, in particular regarding the additionality of listed financial instruments.

Background

The growing impact investment market provides capital to address the world's most pressing challenges in sectors such as sustainable agriculture, renewable energy, conservation, microfinance, and affordable and accessible basic services including housing, healthcare, and education.

Impact investing is a relatively young sector for some asset managers, asset owners, and governments. As such, there are differing views on the definitions of impact-related terminology, where the boundaries of impact investing are, and even what impact means now.

Definition and characteristics

The Global Impact Investing Network (GIIN) provides the most widely accepted and used definition of impact investments. We adopted this definition for the present study:

"Impact investments are investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return. Impact investments can be made in both emerging and developed markets and target a range of returns from below market to market rate, depending on investors' strategic goals."

This widely accepted definition is however subject to interpretation. In addition, many other terms define more specifically the type of impact or the level of return sought in practice. (See Annex 2 for an overview of widely used terms.)

Based on the feedback of NAB members and stakeholders, we define four characteristics of impact investments as follows:

- **Intentionality:** the investor and/or company are driven by a stated intention to affect positive social and/or environmental change.
- **Measurement:** investors and companies commit to tracking and reporting the social and environmental impact generated, ensuring accountability while informing future practice in the field.
- **Additionality:** the notion that the impact would not have been generated if not for the specific investment in question.
- **Returns:** impact investments are expected to generate a financial return on capital and, at a minimum, a return of capital. They range from below market (sometimes called concessionary) to risk-adjusted market rates.

Our definition echoes the work of the G8 Social Impact Investment Taskforce and the Global Impact Investing Network (GIIN)⁵⁵.

Contested interpretations

While the definition of impact investing above is broadly accepted, the true challenge lies in its interpretation.

In their report "Impact investing: A demanding definition for listed and non-listed products" the French Social Investment Forum⁵⁶ and France Invest have sought to define what is, and what is not, impact. The report has been broadly shared in the GSG/NABs network and can be considered to reflect an emerging consensus about impact investing, especially with regards to listed financial instruments which are often subject to debate.

Impact investments have to be intentional, measured, additional, and deliver a financial return.

The following table is a presents the consensus from the above-cited report on intentionality, measurement and additionality, to which we added the fourth dimension of return.

⁵⁵ www.thegiin.org/characteristics

⁵⁶ Forum pour l'Investissement Responsable, the French Social Investment Forum, part of EUROSIF and one of its co-founders: www.frenchsif.org

What is impact investing

Intentionality is defined by the GIIN as the investor's intention to contribute to the generation of a measurable social or environmental benefit. The explicit aim of impact investors is to respond to an issue of sustainable development. This is what differentiates impact investing from other types of socially responsible investing, which are based on a generic process for integrating ESG criteria, possibly taking some account of the impact. As the GIIN definition highlights, the investor now has two goals: to generate a financial return and an impact. This intentionality must relate to all of a fund's investments (systematic approach) and apply at the moment an investment decision is taken (ex-ante).

Impact measurement is the process of measuring the social and/or environmental externalities of investments against the investor's intended impact goals. Impact goals are by definition positive, whether they seek to increase a positive externality (time-wise or relative to a benchmark scenario) or to significantly reduce a negative externality of the company. Impact may be measured on a qualitative or quantitative basis, and may relate to the impact of products and services offered by the company, and in some instances, to the significant impact of these processes. The impact outcomes must be reported and should be used by the investor in making investment decisions.

Additionality is the specific and direct action or contribution of the investor that enables the investee company or the project financed to increase the net positive impact generated by its activities. It is the answer to the question: **"What difference would it have made if the asset had not been financed by this specific investor?"** Additionality is the concrete manifestation of intentionality. It may be financial (e.g. financing assets with little or no financial market coverage, growing new / undersupplied capital markets and providing flexible capital) and/or non-financial (e.g. active engagement or support for companies to achieve greater social and/or environmental impacts).

Financial return: Any investment is in principle based on the expectation that the invested assets will produce a return, either in the form of future income or from an increase in value in the future. Therefore, any investment strategy has to target a certain financial return. The financial return can range from below market to above market financial returns.

What is NOT impact investing

Intentionality does **NOT** consist in:

- Claiming positive impacts after they have been generated, despite not having declared an intention to generate these impacts in advance.
- Launching a fund labelled as an "impact fund" when the impact strategy covers only part of the fund's portfolio.

The following do **NOT** represent a robust form of **impact measurement**:

- Claiming/appropriating excessive outcomes without transparency regarding the real additionality contributed by the investor. *For example: investing in a listed pharmaceutical company and claiming that the impact of the investment is the number of vaccines produced (or even lives saved) per euro invested.*
- Presenting alignment with the SDGs as an adequate measure of impact in itself. *For example: presenting the proportion of turnover of investee companies aligned with the SDGs as a measure of impact.*
- Presenting an impact measurement approach that has not advanced beyond the stage of identifying the potential impact (no qualitative or quantitative measurement). *For example: a description of the issues.*
- Omitting details of the time horizon for the impacts presented in an annual report. *For example: aggregating the impact from several years without clear details.*

The following does **NOT** qualify as **additionality**:

- A financial or non-financial contribution similar to that found in generic socially responsible management that integrates ESG criteria without the specific intentionality of generating an impact.
- A position as a passive or sleeping shareholder.
- A solely financial contribution, such as that made by an index fund or a passive co-investment fund.

Financial return: The expectation of return distinguishes investments in general, and impact investing more specifically, from philanthropy. **Philanthropy is actually impact-only**, because the transfer of money to the recipient is intentionally irrecoverable and the donor acquires no creditor or equity claims. In the case of venture philanthropy, philanthropic capital can serve as a catalyst for impact investments, for example if deployed in first-loss tranches.

The current dilemma, almost controversy, with regards to investments in listed bonds and equity, is potentially conflicting with the concept of additionality explained above. We acknowledge that ecosystem members need to align more strongly in future to resolve the dilemma and express clear guidelines for existing investors as well as newcomers.

Impact investing in public markets

While it is broadly accepted that investors can invest with impact in private markets, through deploying a variety of debt and equity instruments (e.g. private loans or venture capital) we believe the intentionality and measurability required for any impact investment, can also be found in publicly traded fixed income instruments.

Debt markets have been innovating around Green Bonds, Sustainability-Linked Bonds, Social Impact Bonds and Blue Bonds to finance a variety of projects aimed to deliver verifiable outcomes. Issuers can be governments, development banks, philanthropic donors or corporates seeking to, for instance, transition away from non-renewable energy infrastructure, better protect marine ecosystems and fisheries, or achieve a specific social outcome (e.g. reduce re-offending rates in prison systems, deliver better educational outcomes or improve social and public housing conditions). Internationally recognized frameworks such as 'Sustainability Linked Bond Principles', 'Social Bond Principles', 'Green Bond Principles', 'Climate Bonds Standards' or the new to be ratified 'EU Green Bonds Standards' provide guidelines for issuers and investors to channel capital towards clearly pre-defined social or environmental goals (intentionality) and require regular reporting (impact measurement).

They are a form of outcomes-based contracting where the certification or verification from an external party (through the so-called Second Party Opinion) is essential to confirm the impact and avoid any form of 'green washing'.

Spectrum of capital

The spectrum of capital is a great way of showing different strategies for investors to adopt, depending on their desired risk, return and impact profile.

It maps a broad range of risk/return strategies in environmental and social impact investing. These range from investing for maximum profit (finance-only) over concessionary investment (financial return can be traded off for social return) to philanthropy (impact-only).

- **Traditional finance:** focuses on competitive risk-adjusted financial returns -> Intention: can be aware of potential negative impact but does not try to mitigate it.
- **Responsible Investment will Avoid harm** and mitigate or reduce negative outcomes for people and planet: ESG risk -> Intention: wants to behave responsibly, or has regulatory requirements to meet.
- **Sustainable Investment will Benefit stakeholders:** generate positive outcomes for people and the planet -> Intention: wants business to have a positive effect on the world and help sustain financial performance.
- **Impact Investment will Contribute to solutions:** generate positive change for otherwise underserved people or the planet -> Intention: wants to help tackle social or environmental issues.
- **Philanthropy:** will accept partial or full loss of capital

Does impact imply a trade-off?

A reflection on this topic is relevant given that some traditional asset managers are not investing in impact investments as they are convinced that they might lose financial return or increase their management costs (as more "handling" is needed to invest in impact investments).

Impact investment has been successful at generating both a commercial return and a positive impact. Beyond trade-offs, a report⁵⁷ and website⁵⁸ from Omidyar Network & The Economist, came up with compelling explanations of how impact does not necessarily affect financial returns. The report features case studies from Goldman Sachs, Access, Big Society Capital, BMGF and Blue Haven Initiative.

But there are also some investors who could achieve market returns and decide to (partially) forego them by offering flexible or illiquid (patient) capital in order to catalyse other investors or to pursue additional types of impact. For example, Omidyar and Root Capital⁵⁹ argue that there can and should be a trade-off between profitability and impact because of the intrinsic value for society brought by the realised impact.

57 <https://beyondtradeoffs.economist.com/pdf/Beyond-Trade-offs.pdf>

58 <https://beyondtradeoffs.economist.com/>

59 https://rootcapital.org/wp-content/uploads/2018/01/Winter_17_Toward_the_Efficient_Impact_Frontier.pdf

The ABC model

Financial-only	Responsible	Sustainable	Impact	Impact-only		
Delivering competitive financial returns						
Avoid harm →		Mitigating Environmental, Social and Governance (ESG) risks				
Benefit all stakeholders →		Pursuing Environmental, Social and Governance opportunities				
Contribute to solutions →			Focusing on measurable high-impact solutions			
Limited or no regard for environmental, social or governance (ESG) practises	Mitigate risky ESG practises in order to protect value	Adopt progressive ESG practises that may enhance value	Address societal challenges that generate competitive financial returns for investors	Address societal challenges where returns are as yet unproven	Address societal challenges that require a below-market financial return for investors	Address societal challenges that cannot generate a financial return for investors
	<ul style="list-style-type: none"> PE firm integrating ESG risks into investment analysis Ethically-screened investment fund 	<ul style="list-style-type: none"> "Best-in-class" SRI fund Long-only public equity fund using deep integration of ESG to create additional value 	<ul style="list-style-type: none"> Publicly-listed fund dedicated to renewable energy projects (e.g. a wind farm) Microfinance structured debt fund (e.g. loans to microfinance banks) 	<ul style="list-style-type: none"> Social Impact Bonds / Development Impact Bonds 	<ul style="list-style-type: none"> Fund providing quasi equity or unsecured debt to social enterprises of charities 	

Source: Bridges Ventures, UK

Part of the dilemma of investors and asset managers comes from which price to put on impact (both positive and negative impact).

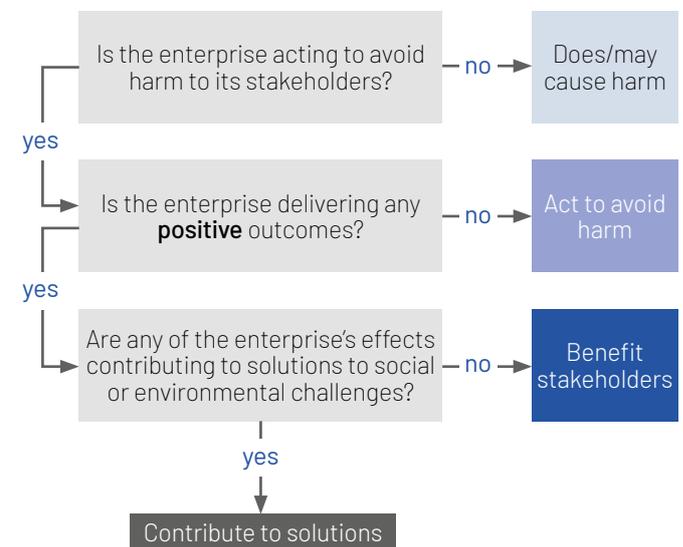
Accounting for impact

In an ideal world, accounting for impact should be mandatory for businesses and investors.

This principle is the basis of the Impact-Weighted Accounting Initiative⁶⁰ researched and promoted jointly by the Harvard Business School and the GSG.

Since 2016, the Impact Management Project⁶¹ has provided a forum for over 2,000 practitioners to agree on norms for impact measurement and management. According to the Impact Management Project, an enterprise's impact is the combination of its effects on people and planet. Once a classification has been determined for each important effect, the impact of the overall enterprise can be assessed.

Classifying the impact of an enterprise



Source: A guide to classifying the impact of an investment, IMP, 2021 (p7)

60 <https://www.hbs.edu/impact-weighted-accounts/Pages/default.aspx>

61 <https://impactmanagementproject.com/>

ANNEX 2

COMMON IMPACT INVESTING TERMS

Catalytic Finance

Investment capital that is used to shape nascent markets by taking a patient, risk-tolerant, concessionary, and/or flexible approach. As a result, providers of catalytic finance also often aim to draw in subsequent additional funding. (Adapted from C3).

Community Development Finance

Responsible and affordable financing to individuals or small and medium-sized enterprises in order to help low-income, low-wealth, or other disadvantaged people and communities participate in the financial system. (Adapted from Opportunity Finance Network).

Concessionary Finance

Investment capital (strategies) with a financial return that is below market or commercial benchmarks, typically in order to generate a higher social or environmental impact. Willing to accept some financial sacrifice – either by taking greater risk or accepting lower returns – in exchange for generating higher societal impact. (Adapted from Tiime.org Spectrum of Capital)

Impact Investing

Investments made with the intention to generate positive, measured social and environmental impact alongside a financial return. This is taking place all over the world and across all asset classes. (Adapted from the GIIN)

Results Based Finance

A general term referring to any programme, intervention or instrument that sets financial or other incentives for an agent to deliver predefined outputs or outcomes (eg. 'Outcomes Based Finance', 'Pay for Results' and the more specific model of 'Social Impact Bonds'). The approach rewards the achievement of these results upon verification. It embodies four core principles:

1. Clearly defined outcomes
2. Data-driven decision making
3. Outcomes-based payment
4. Strong governance and accountability

(Adapted from "Tying funding to results" report by GSG and Education Outcomes Fund and Social Finance)

SDG Investing

Investing which aims to contribute towards the UN Sustainable Development Goals while generating both financial and social or environmental returns.

Social Investing

Investment into social purpose organisations. These organisations can be enterprises, charities or similar kinds of organisations whose primary purpose is to address social or environmental challenges.

Socially Responsible Investing

Investment into companies that promote ethical and socially conscious themes as part of how they are run, such as environmental sustainability, corporate ethics, gender balance, diversity, etc. These companies are not necessarily social purpose organisations (e.g. social enterprises, charities or other organisations that exist to solve a social or environmental challenge), but rather companies that aim to be run responsibly. (Adapted from Investopedia)

Venture Philanthropy

An approach for building stronger investee organisations with a societal purpose, by providing them with both financial and non-financial support (e.g. help with strategy, strengthening the management team, mentoring, access to valuable networks, impact measurement and management, etc.). Venture philanthropy's ultimate objective is to achieve social and environmental impact. This is done through both impact investment and high-engagement grant making (Adapted from EVPA)

Source: GSG Impact Narrative⁶², adapted from various sources

62 <https://gsgii.org/wp-content/uploads/2021/08/Narrative-Challenge-1.pdf>, <https://gsgii.org/impact-narrative/>

ANNEX 3

KEY DUTCH STAKEHOLDERS

The below lists relevant stakeholders in the Netherlands, grouped by category. The list is not exhaustive.

(Social) Businesses



Financial Institutions involved in impact investing⁶³



Field builders



Knowledge institutions & networks



Policy makers



⁶³ Institutions in this category include institutional investors as well as fund managers & public investors.



a.s.r.
de nederlandse
verzekerings
maatschappij
voor alle
verzekeringen



ANNEX 4

OVERCOMING BARRIERS

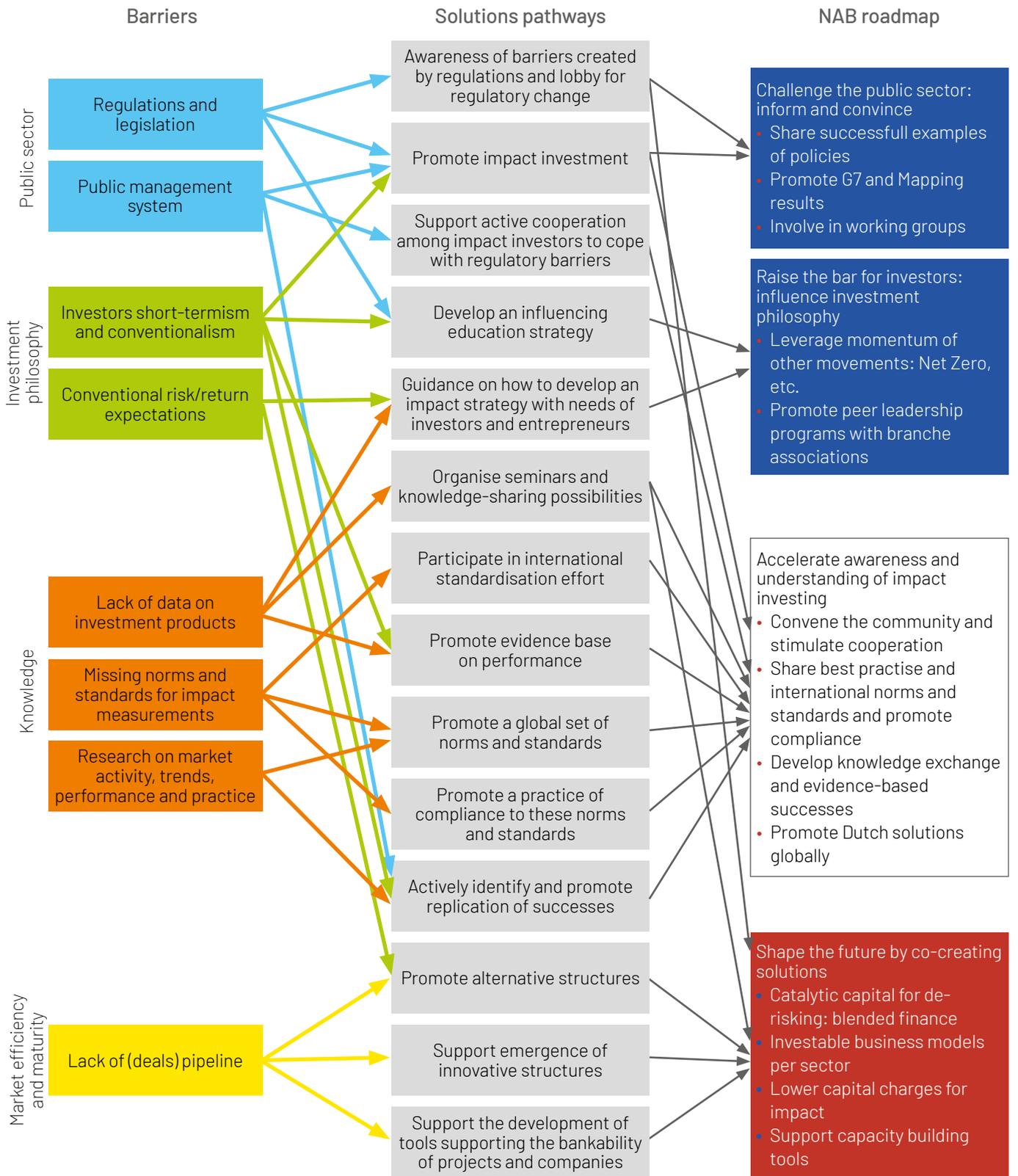
The study identified several barriers to the growth of impact investing in the Netherlands. This annex lists approaches and activities that can help to overcome these barriers, and presents a roadmap for future NAB engagement.

Approaches and activities

- » **Increase policy makers' awareness of unintended barriers** to impact investing created by regulations, and lobby for regulatory change conducive to scaling impact investing.
- » **Promote impact investing as a cost-effective policy instrument** - through education (trainings, p2p exchanges), lobby and advocacy.
- » **Support active cooperation and exchange** among impact investors to cope with regulatory barriers
- » **Develop an influencing and education strategy** to tackle hurdles related to investment beliefs, culture, risk appetite and consumer demand (incl. pension fund beneficiaries) that hamper uptake by institutional players. For example, introduce impact investing in CFA trainings, promote a (peer) leadership program for board members, etc.
- » **Provide guidance for institutional investors** on how to develop an impact strategy, with a focus on the needs of investors and entrepreneurs.
- » **Engage with investors' Boards** to achieve a long-term change in mindsets regarding impact investment.
- » **Promote alternative structures** to broaden SDG impact and attract private and institutional investors to scale up.
- » **Organise knowledge-sharing seminars** on specific topics of the interest of ecosystem members, on ongoing basis, asking for input from the ecosystem members, to share knowledge across the industry, particularly for small and new players.
- » **Participate in international standardisation efforts** on behalf of the Dutch ecosystem, and help to accelerate standardization in a sector that has a large Dutch footprint (e.g. off-grid with Gogla⁶⁴).
- » **Develop an evidence base** on the performance of impact measurement and management instruments.
- » **Promote a global set of norms and standards.** This includes (1) academically sound and affordable international methodologies and KPIs for impact measurement, and (2) the development of templates for tracking, tracing and monitoring impact data.
- » **Promote compliance** with norms and standards to avoid green washing or impact washing.
- » **Identify and promote the replication of successful impact investment cases** to educate and build the awareness of institutional investors and policy makers.
- » **Support the development of structures for pooling impact investment opportunities**, including where needed in a blended form using **catalytic capital**.
- » **Support the development of tools supporting the bankability of projects and companies.** Support the development and replication of new investable business models that help achieve the SDGs, such as agri-tech, minigrids, water kiosks, and circular economy.

64 The global association for the off-grid solar energy industry

Roadmap for future NAB engagement



ANNEX 5

METHODOLOGY

Report methodology

This study was initiated and conducted by the Netherlands Advisory Board on impact investing (NAB) in partnership with KPMG.

The purpose of this study is to provide an updated map⁶⁵ of the current state of the Dutch impact investing ecosystem and the challenges to scaling it up, and to identify ways to accelerate the mobilisation of capital towards the Sustainable Development Goals. The scope of the study includes all major Dutch stakeholders engaged in the impact investing ecosystem.

We collected data through desk research, an online survey of 38 players with impact investments (details further below), a roundtable with 13 participants organised by the NAB and EVPA during the ImpactFest⁶⁶, and 16 interviews (details further below), and desk research.

Timeline:

- September-October 2021: Online survey
- November 2021: Roundtable
- November-December 2021: Interviews

Interviews

Between 16 November and 21 December 2021, the NAB and KPMG interviewed 16 impact investing professionals representing a broad range of stakeholder types within the Dutch impact investing ecosystem. In addition, members of the NAB Board were also interviewed.

The purpose of the interviews was to dive deeply into the barriers and enablers experienced by each institution as it seeks to further scale up its impact investments.

Type of stakeholder	Interviewee
Businesses	1 Social Enterprise NL: Stefan Panhuisen
Fund (and asset) managers & public investors	1 Invest-NL: Joanne de Jonge 2 PZH: Bram Spitzer 3 Polestar Capital: Daan van Kassel 4 FMO: Linda Broekhuizen & Yvonne Bakkum 5 Triple Jump: Marnix Mulder 6 Rubio impact ventures: Willemijn Verloop 7 Triodos IM: Hadewych Kuiper
Institutional investors	1 a.s.r. AM: Jack Julicher & Raquel Criado Larrea 2 Actiam: Romee van Wachem
Field builders	1 Fam office - Heanin An: Erik aan de Stegge 2 Pymwymic - Monique Meulemans
Policy makers and regulators	1 AFM (supervising/regulator): Raoul Kholer 2 Gem Den Haag (local government): Coos Santing 3 Ministry Foreign Affairs: Sandra Pellegrom
Knowledge institutions & Networks	1 GIIN: Wouter Koelewijn 2 VBDO: Jacqueline Duiker 3 Social Finance NL: Bjorn Vennema 4 KPMG: Marco Frikkee

⁶⁵ The last major relevant report analysing the state of the Dutch impact investing sector was published in 2015.

⁶⁶ The ImpactFest is an annual impact event organised by City of The Hague, it gathers international impact makers: <https://www.impactfest.nl/>

Online survey

Respondents of the online survey were exclusively Dutch-headquartered organisations. They were either part of the NAB community, or members of outreach partners. They belonged to 3 of the 6 categories of stakeholders of the Dutch impact investing ecosystem identified in the study: fund and asset managers, field builders and institutional investors.

We implemented the survey between 7 October and 7 November 2021. Out of 40 respondents to the survey, 38 reported existing investments allocated to impact. Respondents provided data based on their self-reported 2020 audited figures.

Below is the complete survey tool used.

Q0. Filter Is your organisation incorporated in the Netherlands or, for individual respondents, are you a resident in the Netherlands?

Yes → Continue

No → End. This survey is focussing on Dutch stakeholders only.

Q1. Please provide the name of the legal entity / entities for which you are answering the survey:

This information will allow us to identify possible double-counting and will be discarded after the survey is analysed to preserve anonymity.

Q2. What type of organisation is your institution?

- Bank
- Pension fund
- Insurance company
- Fund manager
- Charitable Trust or Foundation
- Family office
- Other namely, <OPEN>

Q3. Please indicate whether your institution is an asset manager or an asset owner. In case your institution is both, please fill in the survey on behalf of the asset owner.

- Asset owner
- Asset manager

Q4. Please indicate your total AuM on December 31, 2020.

- <NUMBER> million EUR

NAB applies the GIIN's definition of impact investments, which states that impact investments are investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return. Based on this GIIN definition:

Q5. Do you engage in impact investing according to this definition?

- Yes
- No, we use a different definition
- No, we do not engage in impact investing

Q5b. You are engaged in impact investing according to a different definition. Can you specify this definition?

- <OPEN>
- I don't want to say

Q6. Does your institution consider making impact as part of your fiduciary duty?

- Yes
- No

Q7. Does your institution have a team dedicated to impact investing?

- Yes, a cross-functional team
- Yes, a separate impact team
- No

Q8. What type of risk-adjusted financial return do you target for your impact investments? Please indicate which proportion of your impact investments in each category.

- Below market return <%>
- Competitive market return <%>

In this survey we make a split between direct and indirect investments to avoid double counting. **As direct investment, we define investments that have been invested directly into companies, projects or real assets. As indirect investments, we define investments through funds or other investment intermediaries.**

Q9a. Please indicate: (i) the AuM allocated to direct impact investments on December 31, 2020; of which (ii) the amount additionally invested during the year 2020.

- <EURO> million EUR on December 31, 2020
- Of which, <EURO> million EUR between January 1, 2020 and December 31, 2020

Q9b. Please indicate: (i) the AuM allocated to indirect impact investing on December 31, 2020; (ii) the amount additionally invested during the year 2020.

- <EURO> million EUR on December 31, 2020
- Of which, <EURO> million EUR between January 1, 2020 and December 31, 2020

Q10. How much of your AuM in impact investments was sourced from Dutch asset owners on December 31, 2020?

- <EURO> million EUR on December 31, 2020
- I don't know

Q11. Which asset classes are applicable for the impact investments of your institution?

- Green (& Social) Bonds or other listed fixed-income investments
- Secured & unsecured loans/private debt
- Private equity
- Public equity
- Real assets (inc real estate)
- Other (e.g. Social Impact Bonds, Outcome-Based Finance, Guarantees etc.), namely: <OPEN>

Q12. What is the amount of AuM (or an estimate of the amount) related to your impact investments with a primary focus on environmental, social-related or combined impacts on December 31, 2020?

Per asset class	Green (& Social) Bonds or other listed fixed-income investments	Secured & unsecured loans/ private debt	Private equity	Public equity	Real assets (inc real estate)	Other (e.g. Social Impact Bonds, Outcome-Based Finance, Guarantees etc.)
-----------------	---	---	----------------	---------------	-------------------------------	--

Primarily Environmental focus <EURO>

Primarily Social focus <EURO>

Combined environmental and social <EURO>

Unspecified/ I don't know

Q13. What was the financial return (or an estimate of the financial return) related to your impact investments for the year 2020?

Per asset class	Green (& Social) Bonds or other listed fixed-income investments	Secured & unsecured loans/ private debt	Private equity	Public equity	Real assets (inc real estate)	Other (e.g. Social Impact Bonds, Outcome-Based Finance, Guarantees etc.)
-----------------	---	---	----------------	---------------	-------------------------------	--

<%>

I don't know/ not applicable

Q14. Which SDG-aligned impact themes are targeted by your institution?

- SDG 1: No Poverty
- SDG 2: Zero Hunger
- SDG 3: Good Health and Well-being
- SDG 4: Quality Education
- SDG 5: Gender Equality
- SDG 6: Clean Water and Sanitation
- SDG 7: Affordable and Clean Energy
- SDG 8: Decent Work and Economic Growth
- SDG 9: Industry, Innovation and Infrastructure
- SDG 10: Reduced Inequality
- SDG 11: Sustainable Cities and Communities
- SDG 12: Responsible Consumption and Production
- SDG 13: Climate Action
- SDG 14: Life Below Water
- SDG 15: Life on Land
- SDG 16: Peace and Justice Strong Institutions
- SDG 17: Partnerships to achieve the Goal
- No SDG impact themes are targeted by our institution

Q15. What was the amount of AuM (or an estimate of the amount) in impact investments for each of the following regions on December 31, 2020?

Per asset class	Green (& Social) Bonds or other listed fixed-income investments	Secured & unsecured loans/ private debt	Private equity	Public equity	Real assets (inc real estate)	Other (e.g. Social Impact Bonds, Outcome-Based Finance, Guarantees etc.)
-----------------	---	---	----------------	---------------	-------------------------------	--

Netherlands EURO>

Europe (excl. Netherlands) <EURO>

Africa <EURO>

Asia <EURO>

North America (US & Canada) <EURO>

Central America/ Caribbean/ South America <EURO>

Oceania <EURO>

Global <EURO>

Q16. Which frameworks, standards or proprietary method does your institution use to measure impact?

- <OPEN>

Q17. What is your institution's intention regarding the share of AuM in impact investments in the coming years?

- Increase share of impact investments
- Maintain same share of impact investments
- Decrease share of impact investments
- Other namely, <OPEN>

Q18. Did your institution set targets for growing impact investments as part of AuM?

- Yes, <%> growth for next year (2022)
- No

Q19. How does your institution experience the following potential barriers to the further growth of Dutch impact investing sector?

Barrier	Major progress needed	Minor progress needed	Not perceived as a barrier
Research on market activity, trends, performance and practice			
Common understanding of definition of impact investing market			
Segmentation of impact investing market			
Sophistication of impact measurement management practice			
Data on investment products			
High-quality investment opportunities (fund or direct) with track record			
Adequate deal or fund structures to accommodate investors' or investees' needs			
Provision of appropriate capital across the risk/return spectrum			
Regulatory capital requirements for impact investing products			
Suitable exit options			
Government support for the market			
Professionals with relevant skill sets			

Q20. Are there any other potential challenges to the further growth of Dutch impact investing in your institutions' experience?

- <OPEN>

Q21. What does your institution see as current key enabling conditions and trends facilitating the impact investing ecosystem?

- <OPEN>

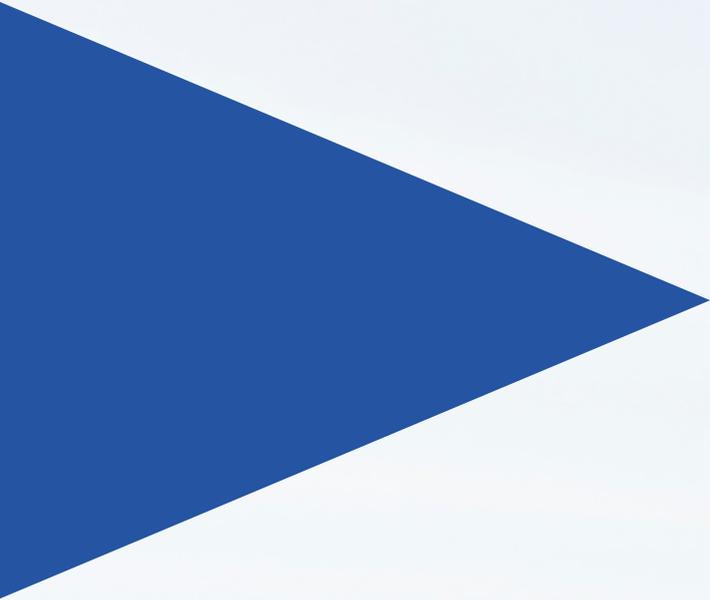
Q22. Is there anything else you would like to share based on this questionnaire?

- <OPEN>

Q23. Are you open to engage with the NAB through a (1 hour) follow-up interview to discuss these challenges and potential propositions to overcome them?

- Yes
- No

Q23b. Please provide your contact details. You have indicated being open to engage with the NAB through a (1 hour) follow up interview to discuss these challenges and potential propositions to overcome these challenges. Your contact details will not be shared combined with the answers provided.



We are grateful for the funding of the pioneering impact investing leaders who are supporting the NAB and made this research effort possible:



ABOUT THE NAB

Set up in November 2020, the Foundation Netherlands Advisory Board on impact investing (NAB) is an independent, non-profit organisation that aims to accelerate the growth and improve the effectiveness of the impact investing market. It does this by raising awareness of, addressing barriers to, and increasing confidence in investing with impact.

As member of the worldwide network Global Steering Group on impact investing (GSG), the NAB is supporting Dutch leaders of the impact investing ecosystem to achieve the SDGs. The NAB is actively enabling policies with evidence and data (engage), increasing awareness and understanding of the public to help them make the right choices (inspire) and co-creating solutions (catalyse).

www.nabimpactinvesting.nl

About KPMG

KPMG offers high-quality services in the areas of Audit and Advisory. As overseers of economic traffic, our accountants provide confidence when it comes to information. Our advisers develop advanced digital and other solutions for tomorrow's economy. At KPMG, it's not just about what we do but about how we do it. We believe that progress is only real progress if it is good for people and society. That is people-driven progress. We have been working with our clients in this way for over 100 years. We combine the latest technologies with what we have built over all those years: a foundation of knowledge, expertise and independent thinking.

In our vision, technology only produces progress when harnessed to human insight and creativity. We create value for our stakeholders and society. This value is multi-faceted and has an impact on people, the environment and society. We provide quality services to our clients and offer the best working environment to our staff, with ample opportunities for growth. Our work contributes to economic growth and promotes confidence in financial markets.



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