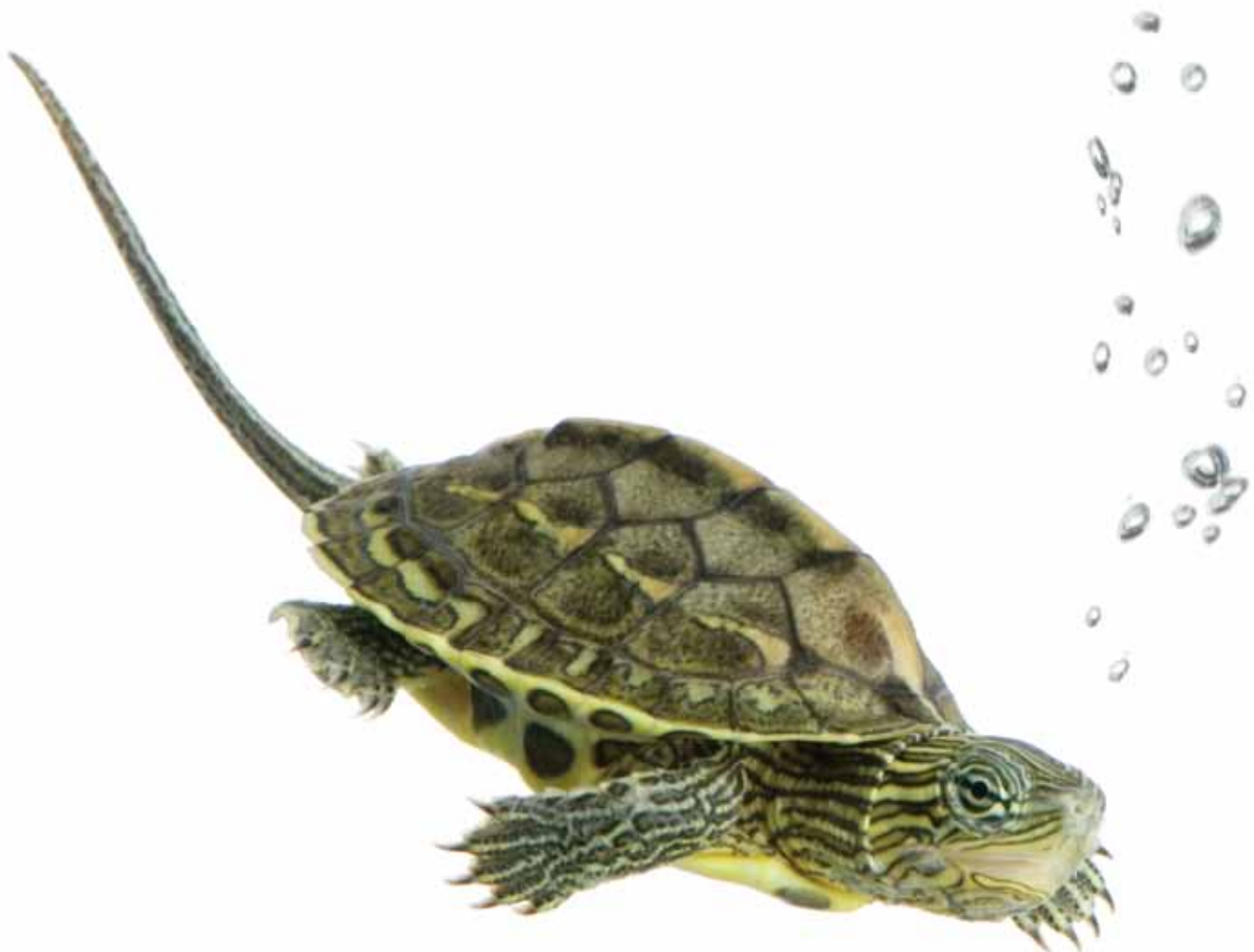


# Benchmark Responsible Investment:

## Fundraising charities and foundations in the Netherlands 2011





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# Benchmark Responsible Investment: Fundraising charities and foundations in the Netherlands 2011

A research paper prepared by Vereniging van Beleggers voor  
Duurzame Ontwikkeling (VBDO)

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## Foreword Stichting Pequeno

Big ideals, countless innovative projects to address the problems that the world is facing, glowing stories of expected results. All these things can be found at non-profit organisations, where 'doing good' gets all the room. These are wonderful, of course, but slowly the question is more and more being raised what impact all these good initiatives have had. The complexity of the world's problems is more resistant to change than many idealists believe.

Non-profit organisations work with capital that does not need to create profit. There is, as a result, room for innovation and renewal. Risks are an inevitable part of this. Many are still convinced that sustainable investment brings more risks with it. Partly for that reason people are still very careful when considering using the capital and/or reserves of their organisation to invest in sustainable development. The opposite, however, has been proven time and again. This is a missed opportunity. If non-profit organisations had maintained the same level of risk but had chosen for investments where people and planet were given priority, the financial losses would certainly not have been higher, and there's a good chance they would have been lower. And even the possibly disappointing financial results would have been worth it because they created results for people and planet.

The non-profit sector is heavily affected by its public image. It seems as if reputational damage is becoming the most important factor. This is especially true for fundraising charities. Organisations generally take on a defensive position, even though making the right choices when investing the reserves can greatly benefit the organisation. On top of this, it is much easier to explain 'losses' as a result of investments that contributed to sustainable development as they led to better production methods. This also benefits the future of our planet, and in this way, the investment policy is another possibility to achieve this goal.

This is the second time that this research has been conducted. It is good to see that the response rate is higher than last year. Unfortunately, despite a few positive points, there is little visible change in the level of sustainable investment. But the standard has been set. If we make a change together, we can show that our capital and the returns on that capital and other sources of profit contribute to our mission. Where the government is withdrawing, civil society can make a necessary contribution with all its available resources to the quality of life for many, both here and internationally. With our head held high we can convince the policymakers to make all the assets of the non-profit organisations tax-free. After all, they serve society in general as well.

Let's let this report support the efforts to add a new dimension to 'doing good' that we can all be proud of.

Irene Mol,  
Stichting Pequeno



## Foreword VBDO

Welcome to the VBDO's second annual report on the extent to which fundraising charities and foundations in the Netherlands invest responsibly.

The VBDO works to create a fully sustainable capital market, and encourages all the different types of investors to contribute to this goal. That is why we also do research on the responsible investment policies of pension funds, insurance companies and, more recently, religious institutions.

Fundraising charities and foundations, or 'non-profit organisations', have a special role. Indeed, where commercial companies aim to maximize financial return, you can expect that for charities, achieving the mission has precedence over all else. Of course, a good financial return is important to support projects to achieve that mission, but by not looking at your investments in terms of sustainability, you miss an opportunity to achieve your mission with your financial assets. If you invest in companies or projects that, for example, are energy efficient, work to prevent child labor or focus on developing local communities in developing countries, you allow your capital to work for you and achieve not just financial, but also environmental and social return.

Conversely, a 'wrong' investment doesn't just work against your mission (eg. if you are a development organization unwittingly investing in a business that does not respect human rights), but also negatively affects your reputation. And that can have an immediate effect on your income...

This research would not have been possible without the support of Stichting Pequeno, both financially and in the process, whom I warmly thank. I would also like to thank the associations VFI and FIN for their cooperation with this report, something that underlines the importance of sustainable investment for their members. Both organisations have developed a number of initiatives to bring this topic to the attention of their members.

The VBDO is itself a non-profit organisation, and offers its expertise to all parties who wish to invest money responsibly and sustainably. I wish you great reading pleasure for this report, and wish the industry every success in making their investments more sustainable: to create a better world.

Giuseppe van der Helm  
Director VBDO



# Contents

	Foreword Sticing Pequeno	3
	Foreword VBDO	4
	Executive summary	6
	Samenvatting	8
Chapter 1	Introduction	11
Chapter 2	<b>Making a buck and the world a better place</b>	<b>12</b>
2.1	Separation or connection?	12
2.2	Volatility of financial markets	14
2.3	The increasing importance of Responsible Investing	16
2.4	Creating shared value and investing for impact	19
2.5	Collaboration	21
2.6	Closing remarks	23
Chapter 3	<b>Research objective and methodology</b>	<b>24</b>
3.1	Research objective	24
3.2	Selection of organizations	24
3.3	Research period	25
3.4	Research process	25
3.5	Division of tasks and responsibilities	26
3.6	Assessment methodology	26
Chapter 4	<b>Results</b>	<b>29</b>
4.1	Response rate	29
4.2	Fundraising charities	30
4.2.1	Direct investing fundraising charities	30
4.2.2	Non-investing fundraising charities	43
4.3	Foundations	46
4.3.1	Direct investing foundations	46
4.3.2	Non-investing foundations	56
4.4	Aggregated results	59
4.5	Advisory Panel	60
Chapter 5	<b>Conclusions and recommendations</b>	<b>62</b>
5.1	Conclusions	62
5.2	Recommendations	63
	Appendices	64

## Executive summary

The report you have in front of you is the second annual edition of the VBDO Benchmark study among fundraising charities and foundations in the Netherlands. This report has once again been made possible by Stichting Pequeno, and is published in association with Maastricht University. In this report, the VBDO tracks the development of responsible investment among non-profit organisations.

Last year, the VBDO concluded that most fundraising charities had a responsible investment policy, but applied it in a limited fashion and were not very transparent about the policy or the implementation thereof. Foundations were only very hesitantly taking steps towards responsible investment and were not at all transparent about these steps.

### Results

When comparing the results of last year's report to this year, the VBDO sees a number of positive developments. The response rate was significantly increased. In total, 34 organizations responded to the sent profile, leading to a response rate of 69%. In comparison with last year's results this is a big increase as the total response rate was 39% last year. This shows a greater willingness by the organisations to provide information on their responsible investment activities.

### Fundraising charities

In terms of information provided to the VBDO about the responsible investment policies, an improvement can also be seen. Thirteen of the 18 organizations provided information on the content of their responsible investment policies. Looking at the implementation of the responsible investment policy, the most widely used instrument is exclusion. Other instruments such as positive selection, voting and engagement are much less frequently used. A positive development is that more fundraising charities are engaged in mission related investing. When it comes to reporting on the responsible investment activities, 14 of 18 fundraising charities provide information on the policy as well as the implementation thereof. The level of detail on this information varies greatly. Most fundraising charities that do not invest directly make use or have made use of sustainability criteria in the selection of banking services.

### Foundations

Foundations on the whole provide little information on their responsible investment policy. Six of 24 foundations indicate that a responsible investment policy is in place for their investments or make reference to the implementation of responsible investment instruments; another 4 provided more detailed information. Six foundations indicate that they make use of exclusion criteria. Another 6 also engage in mission related investing, a definite improvement. Other instruments such as positive selection, voting and engagement are not applied by many organizations. In terms of accountability, only 2 organizations provide adequate information about responsible investment policy and the applied instruments. Another 6 reference their policy or application thereof, but do not provide more detail. For the 2 foundations that do not directly invest, it is unknown whether or not sustainability criteria play a part in the selection of banking services.

### Aggregated results

From the total of 49 researched organizations 30 (61%) referred to or could show that they have a responsible investment policy. The most widely used instrument was exclusion. In total 19 (23%) of the (investing) organizations used this instrument, while positive selection has implemented at 23% of the organizations. MRI and impact investing has been implemented at 15% and 18% of the investing organizations, which is an increase with last year's results. The

active ownership instruments (voting and engagement) have both been implemented at 3 of the 39 investing organizations. Eleven organizations (22%) showed that they included sustainability criteria in their selection of bank for its deposits and/or reserves. This is mainly done by the non-investing organizations, which have implemented this instrument in 70% of the cases. Twenty-seven organizations (55%) have made information publicly available about either their responsible investment policy or the implemented instruments.

### Conclusions

The VBDO sees it as a positive development that more fundraising charities and foundations are more open in providing details on their responsible investment policy. Another improvement is that they are increasing engaged in mission related investing. A growing number of organisations are seeing the benefits of making a contribution to the mission of their organisation, not just on the funds side, but also on the investment side of their activities.

That being said, the VBDO concludes that little significant steps forward have been taken in incorporating responsible investment into the core activity of the of the researched organizations in the non-profit sector in the Netherlands. Even though there are exceptions, especially when it comes to mission related investing, there seems to be a marked lack of ambition among the majority of the researched fundraising charities and foundations, and a tendency to do the perceived bare minimum.

Transparency remains an issue. Fundraising charities are, on the whole, more transparent about their responsible investment activities. At the same time, however, the lack of detailed information provided seems to suggest that fundraising charities and foundations expect the public at large to simply trust that they are investing their entrusted capital in a responsible way.

### Recommendations

Based on these results and conclusions, the VBDO makes the following recommendations:

- Be willing to think of responsible investment as another means to achieve the goals of the organisation.
- Responsible investment should become part of the core activities of the organisation.

A good start is by following the recently published VFI guidelines for responsible money management (Richtlijn Financieel Beheer Goede Doelen), where a number of general and organization-specific issues and suggestions are raised. In order to do this, the following steps can be taken. These steps were first presented in last year's report, but are very much worth repeating here.

**Step 1: Clarify the situation** - gather together the information needed to be able to review the charity's starting point, address concerns within the organisation and to be able to suggest how best to proceed.

**Step 2: Get responsible investment on the agenda** - Once information has been gathered, it is important to bring the issue onto the agenda with important stakeholders within the organization in order to build agreement.

**Step 3: Set aims** - Think about how investment links to the charity's mission, strategy, and risk assessment.

**Step 4: Develop or update your SRI policy** - consider which environmental, social and governance issues should be incorporated into the charity's investments and which approach to take.

**Step 5: Implement policy** - In determining the best implementation strategy, trustees need to ascertain whether the existing services provided by fund managers are sufficient or whether additional expertise is required.

**Step 6: Report and review** - With clearly defined aims and a written policy that is well researched and effectively transmitted, the charity is likely to gain from responsible investment.

## Samenvatting

Voor u ligt de tweede editie van VBDO-onderzoek 'Benchmark Goede Doelen en Vermogensfondsen'. Deze rapportage is wederom mogelijk gemaakt door Stichting Pequeno en is gepubliceerd in samenwerking met Universiteit Maastricht. Door deze benchmark jaarlijks te publiceren volgt de VBDO de ontwikkeling van verantwoord beleggen bij de maatschappelijke instellingen in Nederland.

In het vorige rapport kwam de VBDO tot de conclusie dat de meeste fondswervende organisaties een duurzaam beleggingsbeleid hebben, maar dat de implementatie van de duurzame beleggingsinstrumenten achterwege blijft, en dat de organisaties niet erg transparant waren over het beleid en de uitvoering daarvan. Vermogensfondsen namen zeer aarzelend stappen om duurzaam te beleggen.

### Resultaten

In vergelijking met de resultaten van vorig jaar, signaleert de VBDO een aantal positieve ontwikkelingen. De respons op de vragenlijsten van de VBDO is verhoogd. In totaal 34 organisaties, ofwel 69% heeft gereageerd op het verzonden profiel. Vorig betraf het slechts 39%. Dit toont een aanzienlijk grotere bereidheid van de organisaties om informatie te verstrekken over hun activiteiten rondom duurzaam beleggen.

### Fondswervende instellingen

Bij de fondswervende instellingen kan er een verbetering worden aangemerkt wat betreft het opstellen van het duurzaam beleggingsbeleid. Dertien van de 18 organisaties hebben kunnen aantonen dat ze een duurzaam beleggingsbeleid hebben. Wanneer er wordt gekeken naar de implementatie van het beleid, valt op dat uitsluiting het meest gebruikte instrument is. Andere instrumenten, zoals positieve selectie, stemmen en engagement, worden veel minder vaak gebruikt. Een positieve ontwikkeling is dat meer fondswervende instellingen betrokken zijn bij missie-gerelateerde investeringen. Als het gaat over de verantwoording van de duurzaam beleggingsactiviteiten, valt op dat 14 van de 18 fondswervende instellingen informatie geven over het beleid en de uitvoering daarvan. De mate van detail van deze informatie varieert sterk. De meeste fondswervende instellingen die niet direct investeren, maken gebruik van duurzaamheidscriteria bij de selectie van hun bank.

### Vermogensfondsen

Vermogensfondsen hebben over het algemeen weinig informatie gegeven over hun duurzaam beleggingsbeleid. Zes van de 24 vermogensfondsen geven aan dat er een duurzaam beleggingsbeleid opgesteld is of verwijzen naar een of meerdere van de geïmplementeerde instrumenten; nog eens 4 geven gedetailleerdere informatie. Zes vermogensfondsen geven aan dat ze gebruik maken van uitsluitingscriteria. Nog eens zes geven aan dat ze ook bezig zijn met missiegerelateerde investeringen, een duidelijke verbetering met vorig jaar. Andere instrumenten, zoals positieve selectie, stemmen en engagement worden amper toegepast door vermogensfondsen. In termen van verantwoording, publiceren slechts twee organisaties adequate informatie over hun beleggingsbeleid en de toegepaste instrumenten. Zes andere refereren aan hun duurzaam beleggingsbeleid of de geïmplementeerde instrumenten, maar zorgen voor onvoldoende detail. Van de twee vermogensfondsen die niet rechtstreeks investeren, is het onbekend of ze duurzaamheidscriteria een rol laten spelen in de selectie van hun banken.

### Samengevoegde resultaten

Van de in totaal 49 onderzochte organisaties konden er 30 (61%) aantonen dat ze een duurzaam beleggingsbeleid hebben. Het meest gebruikte instrument is uitsluiting. Negentien (49%) van de (direct investerende) organisaties gebruikt dit instrument, terwijl 23% van deze organisaties het instrument positieve selectie heeft geïmplementeerd. Missiegerelateerde investeringen (21%) en impact investeringen (15%) zijn door een kleiner gedeelte van de organisaties geïmplementeerd, wat een stijging is met de resultaten van vorig jaar. De 'actief-aandeelhouderschap' instrumenten, engagement en stemmen op aandeelhoudersvergaderingen, zijn beide uitgevoerd door drie van de 39 direct investerende organisaties. Elf organisaties (22%) lieten zien dat zij duurzaamheidscriteria hebben opgenomen in de selectie van de bank die ze gebruiken voor hun deposito's en/of reserves. Dit wordt voornamelijk gedaan door de organisaties die zelf niet direct investeren, want 70% van deze organisaties hebben dit instrument gebruikt. Zevenentwintig (55%) hebben informatie gepubliceerd over ofwel het duurzaam beleggingsbeleid of de implementatie van de duurzaam beleggingsinstrumenten.

### Conclusies

De VBDO ziet het als een positieve ontwikkeling dat meer fondswervende instellingen en vermogensfondsen opener zijn bij het verstrekken van gegevens over hun duurzaam beleggingsbeleid. Een andere verbetering is dat deze organisaties steeds meer betrokken zijn bij missiegerelateerde investeringen. Een groeiend aantal organisaties ziet de voordelen van het maken van een bijdrage aan de missie van de organisatie niet alleen aan de fondsenzijde, maar ook op de investeringenkant van hun activiteiten.

Daarentegen valt het de VBDO op dat er in het afgelopen jaar weinig significante stappen voorwaarts zijn gezet in de integratie van verantwoord beleggen in de kernactiviteiten van de onderzochte organisaties in de non-profit sector in Nederland. Hoewel er zeker uitzonderingen aan te merken zijn (vooral op het gebied van missiegerelateerde investeringen), lijkt er een sterk gebrek aan ambitie onder de meerderheid van de onderzochte fondswervende instellingen en vermogensfondsen te zijn, en de neiging te bestaan om het absolute minimum te doen.

Transparantie blijkt ook een probleem te blijven. Fondswervende instellingen zijn over het algemeen transparanter over hun (duurzame) beleggingsactiviteiten. Tegelijkertijd lijkt het gebrek aan gedetailleerde informatie te suggereren dat fondswervende instellingen en vermogensfondsen er vanuit gaan dat het door het publiek toevertrouwde vermogen op een verantwoorde manier wordt geïnvesteerd.

### Aanbevelingen

Op basis van hiervoor gepresenteerde resultaten en conclusies doet de VBDO de volgende aanbevelingen:

- Wees bereid om duurzaam beleggen te zien als een andere manier om de doelstellingen van de organisatie te bereiken.
- Verantwoord beleggen dient deel uit te maken van de kernactiviteiten van de organisatie.

Een goede start is het volgen van de onlangs gepubliceerde VFI-richtlijn 'Financieel Beheer Goede Doelen', waarin een aantal algemene en organisatie-specifieke problemen en suggesties worden uitgelicht. Om verantwoord beleggen tot de kernactiviteiten te laten behoren, kunnen de volgende stappen worden genomen. Deze stappen zijn voor het eerst gepresenteerd in het onderzoek van vorig jaar, maar zijn zeer moeite waard om hier te herhalen.

**Stap 1: Verduidelijk de situatie:** Verzamel de informatie die nodig is om het startpunt van het goede doel te bepalen en analyseer de bezwaren binnen de organisatie om te bepalen hoe verder te gaan.

**Stap 2: Zet duurzaam beleggen op de agenda:** Nadat de informatie is verzameld, is het belangrijk om duurzaam beleggen op de agenda te krijgen bij de belangrijke stakeholders binnen de organisatie om intern tot overeenstemming te komen.

**Stap 3: Stel doelen:** Denk na over hoe de investering relateert aan de missie, de strategie en de risico-evaluatie van de organisatie.

**Stap 4: Ontwikkel of vernieuw het duurzaam beleggingsbeleid:** Ga na welke milieu-, sociale en bestuurselementen dienen te worden opgenomen in de beleggingen van het goede doel en welke aanpak gebruikt wordt.

**Stap 5: Implementeer het beleid:** Bij de bepaling van de beste implementatiestrategie dienen de beheerders na te gaan of bestaande diensten die aangeboden worden door de vermogensbeheerders voldoende zijn of dat aanvullende expertise vereist is.

**Stap 6: Rapporteer en evalueer:** Door middel van een schriftelijk beleid en duidelijk omschreven doelen, die goed zijn onderzocht, zal de maatschappelijke instelling profiteren van duurzaam beleggen.

# 1 Introduction

The report you have in front of you is the second annual edition of the VBDO Benchmark study among fundraising charities and foundations in the Netherlands. This report has once again been made possible by Stichting Pequeno, itself a foundation, and is published in association with Maastricht University. In this report, the VBDO tracks the development of responsible investment among non-profit organisations. This is done by providing insight into how fundraising charities and foundations formulate, implement and account for their responsible investment activities.

Last year's edition of this report showed that the majority of fundraising charities had a responsible investment policy, while less than half provided insight into the content of these policies. In terms of implementation, the most commonly used instrument was exclusion, followed by positive screening. Finally, a little more than half of the organizations reported on the responsible investment policies and less than half on implementation of these policies. In general, the VBDO concluded that most fundraising charities had a responsible investment policy, but applied it in a limited fashion and were not very transparent about the policy or the implementation thereof.

For foundations, approximately one-third of the surveyed organizations were able to indicate that they had a responsible investment policy. Even less were able to show how they implemented this, and about a quarter of all surveyed foundations provided publicly available information. In short, the results seemed to indicate that foundations were only very hesitantly taking steps towards responsible investment and were not at all transparent about these steps.

The report concluded by providing a number of recommendations, provided by the EIRIS Foundation in the UK, on the necessary steps that can be taken when formulating, implementing and reporting on the responsible investment policy.

This report is divided into a number of chapters. Chapter 2 provides an overview of responsible investment in the non-profit sector, focusing the unique opportunity responsible investment provides these organisations to make 'a buck and the world a better place'. The following chapter, chapter 3, contains information about the research objective and methodology used to come the results. These results are presented in chapter 4. The report concludes by making some concluding remarks and recommendations in chapter 5. The individual profiles of the charities and foundations have been included in appendix 1.

## 2 Making a buck and the world a better place<sup>1</sup>

### 2.1 Separation or connection?

**‘Actually, the key question for charitable foundations is not so much to invest, but to pursue your objective. It is important to reflect on what kind of foundation you want to be.’<sup>2</sup>**

In a recent contribution to the discussion on responsible investing, Prof. Dr. Robert van der Meer separated the two sides of charitable foundations, while at the same time demonstrating the necessary connection between the two. On the one hand, there are the foundation’s liabilities. These usually reflect the foundation’s reason for existence. The other side is the asset side. This side comprises the resources that make it possible for a foundation to live up to its mission. On the balance sheet the assets are, as a matter of course, financial in nature. Nevertheless, foundations usually have more to offer than just financial support. Apart from the financial means, in quite a few cases recipients of a foundation’s benevolence also receive in kind assistance - e.g. advice or making use of the foundation’s facilities. In order for the recipients to benefit fully from the grant or the investment, the reputation of the donor becomes increasingly important.

A case in point was the Bill and Melinda Gates Foundation. In 2007 the foundation’s investment policy was severely criticized by the Los Angeles Times for investing in companies whose activities were detrimental to the mission of the foundation and its grant-making.

#### **Blind-eye investing and pharmaceutical apartheid**

The Gates Foundation is the single largest private foundation in the world. With a budget largely exceeding one billion dollars per annum the foundation contributes to a wealth of charitable causes. The causes vary from poverty alleviation to increased access to education and health care. In 2007 the Los Angeles Times accused the foundation of investing its endowment in a way that annihilated the positive effects of its grant making and knowledge sharing. The foundation misses the ‘virtue of consistency’, as Peter Kinder calls it<sup>3</sup>. An interesting example comes from the investments worth USD 243 million in companies that polluted the Niger Delta, like Eni, Royal Dutch Shell, Exxon Mobile Corp., Chevron Corp. and Total. The effect of their pollution extended to the poor health and safety of communities living in the area. Examples of diseases that could be attributed directly to the activities of the companies - e.g. flaring - are asthma, bronchitis, and a variety of eye diseases. The LA Times interestingly qualified the foundation’s behavior as ‘blind-eye investing’. The critique, however, also relates to the behavior of Big Pharma. Even though the largest pharmaceutical companies in the world are well aware of gigantic struggle of African nations with HIV/AIDS issue, they turned a blind eye to the needs of the population - particularly protecting their patents. As a result, the newspaper accused the Gates Foundation, which was heavily invested in these companies at the time, of ‘pharmaceutical apartheid’.

Box 1 Investing according to the Gates Foundation

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- 1 This chapter is prepared by Prof. Dr. Harry Hummels is Professor of Ethics, Organisation and Society at Maastricht University and fellow of the European Centre for Corporate Engagement. In addition, he is managing director of SNS Impact Investing, the development investment arm of SNS REAAL.
  - 2 Interview with Prof. Dr. Robert van der Meer, FIN, September 2011, [www.verenigingvanfondsens.nl](http://www.verenigingvanfondsens.nl)
  - 3 Peter Kinder, Virtue of Consistency, mei 2008, [www.kld.com](http://www.kld.com)

The Gates Foundation is certainly not the only foundation applying the separation thesis: the deliberate separation between the management of the assets and the foundation's mission in terms of its liabilities towards its beneficiaries and society at large. Traditionally, many foundations have erected high walls between the two operational sides of business. This is a result of a poorly understood notion of fiduciary responsibility. In the words of Kramer en Cooch:

**“In theory, the board’s duty is not only to protect and grow the assets of the foundation, but to use those assets to help achieve its public purpose and social mission. In practice, however, some board members are wary of any investments that depart from maximizing the foundation’s risk-adjusted financial returns.”<sup>4</sup>**

The question that arises as a result of the confrontation between the previous confrontation between the LA Times and the Gates Foundation is: what is the use and purpose of funding a good cause if the positive effect that comes from that is wiped out by the impact of the foundation's investments? As D.K. Matai, co-founder of The Philanthopia, remarks:

**“What is the point of earning a high return in China if my money is helping to build Dickensian working conditions? If I have \$ 5 billion, and I am giving \$ 4 billion away, do I really want a 17 percent return on activities that are wrecking the world?”<sup>5</sup>**

A foundation that walks the talk - and at the same time talks the walk - is Fonds 1818. Professor Van der Meer is a member of the Investment Advisory Board of the foundation that is considered to be a frontrunner in responsible investing. In addition, according to Van der Meer, Fonds 1818 is quite unique in its focus on mission related investments. ‘Even though the mission related investments do not offer maximum financial returns<sup>6</sup>, they add value to the realisation of a foundation's objectives.’ But because of the risks involved and the potential discount on the financial return of the investment, a professional approach towards making mission related investing is required.

Last year the VBDO report *Doing Good and Sharing It* provided an overview of the current state of affairs regarding Dutch charitable foundations and fund raising charities in terms of the sustainability of their investment policies and portfolios. The 2011 report marks the improvements that have been made in a year's time. This opening chapter is an attempt to provide an overview of some relevant developments in the sector that have taken place. It provides the context for the survey. Topics that will be addressed in this chapter are - in this order - the volatility of the financial markets, the increasing importance of responsible investing, the introduction of a new concept: ‘shared value’ and the rising interest in impact investing, and finally, the growing collaboration in the sector in light of reduced government funding.

The first four issues deal with the management of assets, the last topic relates to the liabilities and increased effectiveness of charitable grants and funding of foundations and fund raising charities. The choice for these topics obviously reflects the focus of this report, which is mainly on the management of the assets and to a lesser extent on grant making and funding.

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4 Mark Kramer en Sarah Cooch, *Investing for Impact*, 2006, p. 25

5 *The Economist*, ‘The business of giving’, 25 February 2006

6 This assessment may be the logical consequence of the way that Fonds 1818 has operationalised its approach towards MRI. The foundation invests, for instance, in a local newspaper or the The Hague Tuk-Tuk Company. Investing in local companies is, however, not the only way to operationalise this new type of investing, let alone the necessary operationalisation, as I will explain in this chapter.

## 2.2 Volatility of financial markets

What do the following dates in August 2011 in common: 3, 4, 8, 10, and 18 August? The answer is that on all of these days the AEX, the leading index of the Amsterdam Exchanges, lost at least 3% of its market value<sup>7</sup>. And the instability and uncertainty continued, when on 5 and 22 September the market lost again some 4.5% of its value. Compared to the US markets, where major indices like Dow Jones, S&P 500 and Nasdaq have lost less than 10% of their value, the European exchanges have performed poorly in 2011. The Dutch AEX took a free fall from 354 at year-end 2010 to 273 in the beginning of September. Other continental markets did not perform much better and all lost a significant part of their capitalization. The following box shows the overview of some of the major market indices between the closing of the market on 31 December 2010 and 7 September 2011.

CAC 40	3804	3073
DAX	6914	5405
FTSE	5899	5318
AEX	354	281
S&P 500	1258	1192
Dow Jones Industrial Average	11.578	11.362
Nasdaq	2653	2535

Box 2 Developments on major financial markets in 2011

What were the consequences for both charitable foundations and fund raising charities? Referring to some specific examples, this paragraph outlines some of the differences between the two.

### The impact on charitable foundations

On the surface, the crisis appears to have different implications for charitable foundations and fund raising charities. Where the latter do not report a major setback in their financial situation, the foundations are hit severely by the crisis. Fonds 1818 reported that it was in the middle of a conversion of its portfolio. It was reducing its exposure to listed equities from 60% of the portfolio in 2007 to 40% in later years. In addition, a more diversified investment strategy was implemented. In the new investment policy, it was decided to increase the exposure to other asset classes. Real estate (15% of total investments), commodities (10%), hedge funds (10%) and mission related investing (5%) were added to the portfolio. As the foundation reported in its 2010 Annual Report the transition is in process but was not yet fully completed. Adding high quality real estate investments and mission related investments to its portfolio provides a considerable challenge in turbulent times.

Also other foundations, which are largely dependent for their program funding on the returns of their investment portfolios, have been hit hard by the crisis. It is highly likely that the entire sector will report significant losses over 2011. The reason is that charitable foundations - unlike many fund raising charities - accept higher levels of risk for their investment portfolios<sup>8</sup>. To keep up with inflation and to raise the amount of capital available for executing their mission, foundations increasingly act like (institutional) investors. They have diversified investment strategies consisting of, among others, equities, bonds, credits, cash and alternatives. A good

7 The losses on the days mentioned amounted to: 3 August - 3 percent; 4 August - 3 percent; 8 August - 4,4 percent; 10 August - 3,4 percent; 18 August - 4,5 percent.

8 Due to the fact that fund raising charities are working with public money and are under permanent scrutiny, most charities have decided to invest (very) defensively. Many charities will only invest in what they see as safe havens, like Dutch or German government bonds or depositing their cash. Key notions are: low risk, high liquidity, and transparency. These charities feel they have to be able to explain (the execution of) their policies, since they are always in the public eye.

example is provided by Prins Bernhard Cultuurfonds<sup>9</sup>. The asset allocation of the fund - a total of € 146 million - is as follows:

	Allocation end of 2010	Strategic asset allocation
Bonds	49%	50%
Equities	38%	35%
Real Estate	4%	5%
Hedge fund(s)	9%	10%

#### Box 3 Asset Allocation PBC

In 2010, the portfolio achieved a return of 8.1% - a small increase of 0.1 percent compared to 2009. In the period 2000 - 2009, the return on the investment portfolio amounted to 3.1%.

Another example comes from Van Leer Group Foundation. The value of the global investment portfolio totalled the amount of € 606 million at the end of 2010. The total return on assets amounted to 16.6% - even though the foundation only expects a return of 4.5% annually.

Not all charitable foundations have asset allocations like the ones previously mentioned. Take the Dutch Oranje Fonds<sup>10</sup>. The fund formulated an investment policy characterized by five key criteria: relevance, reputation, return, risk and robustness<sup>11</sup>. Two-thirds of the foundations' € 166 million in assets are invested in government and corporate bonds. Nearly twenty percent is invested in equities, while another 9% is invested in historic real estate in The Netherlands - like water towers. The last 5% is kept liquid. In light of its objective to return 3.5 to 4% on its portfolio, the actual 5.5% the foundation made in 2010 clearly meets expectations.

In light of the turbulence in the European and other financial markets, one does not need a crystal ball to predict that realised returns in 2011 will be quite poor for many funds. Van Leer Group foundation already envisaged the downturn. In its 2010 report it writes the following:

**“In 2011 the foundation will review its spending policy and investment policy to evaluate whether the 4.5% expected return is still a realistic return in the current financial climate. It is not unlikely that a lower expected return and therefore lower spending will result.”<sup>12</sup>**

#### Fundraising charities

Generally speaking, fund raising charities have a different approach to managing their investments. Unlike charitable foundations, which usually make private money available for public purposes, fund raising charities allocate public money to the public good. This specific characteristic has had - and still has - great impact on the ways that fund raising charities manage their financial reserves<sup>13</sup>. They are cautious not to lose the public trust as a result of their investment results - both positive and negative<sup>14</sup>. This means that as long as they have to manage

9 [http://www.jaarverslagcultuurfonds.nl/financiën/beleid.aspx#section\\_1343](http://www.jaarverslagcultuurfonds.nl/financiën/beleid.aspx#section_1343)

10 Oranje Fonds is a hybrid institution. It is a charitable foundation with an endowment that it manages, while at the same time raising funds among the general public for its charitable activities.

11 The last 'r' of 'robustness' is a personal translation of the author of this chapter of the Dutch word 'rust'. It refers to the tranquillity and peace of mind that are the result of a robust investment management.

12 <http://www.vanleergroupfoundation.nl/images/stories/pdf/annual-reports/annual-report-2010.pdf>

13 Charitable foundations usually refer to their core capital in terms of their 'endowment'. Fund raising charities, on the other hand, talk about their financial reserves. The difference is important, since the fund raising charities are not at liberty to accumulate their reserves indefinitely. Foundations are free to manage their endowment at their own discretion. In order to protect their ANBI-status they are, however, required to show that they make a significant contribution to the public good defined in their mission.

14 If the results are very positive, this opens the debate on why the population would still needs to donate money to charity. If results are (very) poor this opens the discussion on prudence and stewardship. The money was given to be used for the mission and not to be saved for a rainy day.

financial reserves, fund raising charities for the most part have a rather low risk profile. They tend to invest in government bonds, credits and - if at all - only for a very small part in (listed) equities. Some even keep their money on a savings account<sup>15</sup>.

The Salvation Army (Leger des Heils) is a good example. The Dutch Salvation Army invests its portfolio of € 89 million on the basis of a set of ethical principles that are strictly applied in a structured process. The objective is to obtain a maximum financial return within the boundaries of its ethical convictions. To assess the ethical quality of its investment portfolio the Salvation Army does not rely on external portfolio managers. It has hired an independent information provider to advise the Army on which investments to make and which not. Following the financial crisis in 2009 the organisation decided to change its investment strategy. As of 2010, the Salvation Army no longer invests in listed equities. Instead, between 2011 and 2013 it wants to gradually increase its investments in fixed assets, such as real estate, that are directly related to (the execution of) its mission. Approximately 7 percent of the portfolio will be invested in impact investments like microfinance.

KWF Kankerbestrijding was one of the first to divest its listed equities portfolio. Following the Zembla broadcast in 2007 the organisation decided to sell its portfolio of stocks and invest in bonds. Even though fixed income investments are not insensitive to market fluctuations, it is undoubtedly true that the risk exposure is significantly reduced due to the sale of its listed equity portfolio.

De-risking may be an important strategy for charitable organisations to manage their assets prudently and safeguard their reputation. It will not protect them from the downfall resulting from the various financial crises - the ones that we had and the ones still to come. According to Dutch VFI - the Association of Fundraising Organisations - fund raising charities will suffer the consequences of the financial crises. In the first place, there is an increasing pressure on financial returns due to the volatility in the global financial markets. But second, the services and support of fund raising charities are in high demand. Many charitable causes turn to the fund raising charities for support and that demand is only expected to increase<sup>16</sup>. In times of financial and economic distress, in which the government drastically cuts its subsidies, it is quite unlikely that fund raising charities are able to fill the gap. According to Professor Theo Schuyt, the general public is not inclined step up its financial contribution to the sector to cover up for the loss of government support<sup>17</sup>.

### 2.3 The increasing importance of Responsible Investing

The perceived lack of consistency in the approach of the Bill and Melinda Gates, with which we opened this chapter, demonstrates the growing concern in society about a charitable foundation's investments. Dutch media have taken a special interest in the subject - in particular in stories that easily lead to an outburst of moral discontent. Because perceptions can have real consequences, charitable organisations increasingly have to watch their backs.

Ever since the media started to report on the impact of what charities do, there is a gradual increase in the awareness and the willingness among charities to address social, environmental, or cultural issues in their investments. Usually, the media lose their appetite for topics like responsible investing after they have exposed what they see as wrongdoing, but not this time. Following the famous Zembla broadcast in 2007 and an edition of Kassa in 2009 Dutch broad-

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15 Reasons for this vary from avoiding any financial risk to the necessity of having immediate access to the reserve (high liquidity requirement) and from the cost of managing assets to (failing to pass) the threshold of financial capital that makes it worthwhile to invest.

16 <http://www.vfi.nl/standpunten/financile-crisis>

17 <http://www.vfi.nl/cms/showpage.aspx?id=2649&mid=5>

cast organisation VARA<sup>18</sup> brought up the issue once more at the end of November of 2010. The research of Uitgesproken VARA showed that some fundraising organisations were still invested in corporations involved in the production of, for instance, controversial weapons.

Before the media attention started, there were only a few organisations that considered responsible investing an important issue requiring board attention. The number has increased significantly in the last few years - not in the least because the active involvement of the sector organisations. Two years ago, the VFI provided its members guidance regarding the environmental, social and governance (ESG) aspects of their investments<sup>19</sup>. Also, in 2009 and 2010, the Association of Dutch Charitable Foundations, the FIN, explicitly paid attention to the topic of sustainability - focusing on sustainable investing and on the way the members conduct their business in line with general principles of sustainability<sup>20</sup>.

In May 2010, Drs. Rutgers and Dr. Willemsen published a book entitled 'Goed Geldbeheer' (responsible money management), geared towards fundraising charities and foundations in the Netherlands. It was set up to be a handbook for controlling (investment) risks. This handbook also includes a chapter on the socially responsible behaviour behavior, and identifies responsible investment as an important area of focus. It provides details on how fundraising charities and foundations can manage risks in terms of responsible investment, focusing on exclusion, positive selection, green investment, active shareholders and mission-related investments<sup>21</sup>.

The focusing by charities on Responsible Investing is part of a wider movement addressing the importance of ESG-factors in the investment process. International organisations like the OECD or the World Economic Forum (WEF) have written on the subject recently. The box below reveals the view of the both organisations on responsible investing.

#### World Economic Forum

The WEF launched its White Paper called *Accelerating the Transition towards Sustainable Investing* in January 2011. According to the organization sustainable investing has the potential to become a mainstream approach among a broad range of investors, especially those who are in a position to take a longer-term perspective. "Key drivers", the report argues, "include:

- Growing awareness within the investment community that global mega trends such as climate change and natural resource scarcity (...) are becoming increasingly financially material;
- Increasing demand from large asset owners;
- Increasing demand from retail investors (including high net worth individuals)."

With a clear focus on superior risk-adjusted returns, sustainable investing is consistent with the fiduciary duty of many institutional investors to maximize those risk-adjusted financial returns. The rationale for the superior performance is that sustainability considerations have the potential to drive the creation of business value, thereby strengthening the financial performance of companies. "To accelerate this process of transition," the report argues, "leadership from all stakeholders across and around the investment value chain is required."

#### Box 4 World Economic Forum on Sustainable Investing

18 www.vara.nl

19 The guidance was based on the report "Investeren in een betere wereld". The report was an initiative of four leading fundraising charities, together with Maastricht University.

20 The increasing importance of responsible investing among charitable organisations is not yet reflected in the work of CBF - the Dutch Certification Board for fundraising charities. Also, in assessing the social value added for charitable organisations to receive the ANBI-status - a status granting the organisations tax benefits - the issue of responsible investing is not part of the list of criteria for receiving the desired status.

21 Drs. Liesbeth Rutgers and Dr. René Willemsen, *Goed geldbeheer: leidraad voor het verantwoord nemen van risico's*, 2010, p. 57-63.

The OECD addresses the issue of promoting and investing in sustainable growth from a different angle. As to be expected from a multilateral organisation, the focus is more on the legal and governance framework that stimulates investing in growth and sustainable development worldwide.

#### OECD

According to the OECD Investment Committee promoting investment for growth and sustainable development in a globalizing world is core to the mission of the organisation. “The Committee seeks to increase the capacity of non-members to attract more investment by engaging in dialogue and sharing ‘best practices’ for promoting a favourable environment for both foreign and domestic investments”. As such the OECD wants to create an environment in which multinational companies can operate in a responsible way, while global investors can invest in development responsibly. It works in partnership with non-OECD organisations and countries, it promotes principles and best practices, and demonstrates the positive effects of its work on corporate responsibility.

#### Box 5 Organisation for Economic Cooperation and Development on sustainable investing

A clear signal that the subject is gaining momentum comes from the Principles for Responsible Investing (PRI). This organisation, backed by the United Nations, has grown in the last few years to a little over 900 members with Assets under Management exceeding USD 25 trillion. Currently, nearly all of them are institutional investors - pension funds, insurance companies and asset managers. It is to be expected that charities will increasingly adopt the 6 principles of the PRI as part of a growing interest in transparency.

#### PRI Principles

- We will incorporate ESG issues into investment analysis and decision-making processes
- We will be active owners and incorporate ESG issues into our ownership policies and practices
- We will seek appropriate disclosure on ESG issues by the entities in which we invest
- We will promote acceptance and implementation of the Principles with the investment industry
- We will work together to enhance our effectiveness in implementing the Principles
- We will each report on our activities and progress towards implementing the Principles

#### Box 6 Principles for Responsible Investing

The focus on responsible investing of the abovementioned organisations is reflected in the increasing percentage of assets under managements that is invested using sustainability and responsibility checks. The VBDO publishes its trend report every year, while organisations like Eurosif and the US Social Investment Forum report bi-annually. The message is always the same: responsible investing is on its way up and about to become indispensable as part of every investment manager’s toolkit. An interesting new field of attention, addressed in the next paragraph, is the focus on the simultaneous creation of financial, economic and social value under a variety of names such as impact investing, mission related investing or targeted investments.

The increasing amount of attention for responsible investment can also be seen in the increasing amount of attention paid to this topic by the umbrella organisations. A number of events have been organised that address this issue in the last few years. Both organisations also published material designed to help their members in the decision-making around responsible investment. In September 2011, the VFI released its 'Richtlijn Financieel Beheer'. This guideline money management also addresses the topic of responsible investment. In particular, it makes clear that responsible investment covers all types of financial investments, including savings accounts. A number of general and organization-specific sustainability issues are included that need to be considered, as well as mission-related investments. It also includes a section that provides details on how to report on the financial and non-financial results of the investments.

## 2.4 Creating shared value and investing for impact

In January 2011 Michael Porter and Mark Kramer called upon business to create “shared value”. Their article, which was published in the Harvard Business Review, was not another plea for social responsibility per se. Instead they took Milton Friedman’s argument one step further by arguing that in the current global business environment the creation of societal value is in the interest of the shareholders. Or in their own words:

**“Shared value (...) “points toward a more sophisticated form of capitalism, in which the ability to address societal issues is integral to profit maximization instead of treated as outside the profit model.”<sup>22</sup>**

“This is not about companies being good or bad,” Mr. Kramer added in the same issue of the New York Times. “It’s about galvanizing companies to exploit the market in addressing social problems.” In the Harvard Business Review they describe a number of examples going from the development of new business opportunities to rationalizing the supply chain. All in the interest of both society and the shareholders.

Their article more or less captures the core of what currently is called “impact investing”. Ever since the Monitor Institute published its report on Impact Investing in 2009 the interest in the subject has tremendously risen. The issue as such is not new, but the framework that the Monitor Report provided was helpful in canalizing the divers initiatives already taking place.

Impact investing, which we define as *the entire spectrum of investments aiming to create shared value*, can be seen as an integrative approach to wealth creation<sup>23</sup>. Impact investors deliberately and willingly pursue labour, environmental, cultural, religious, or societal returns, while making a solid financial return<sup>24</sup>. In addition, they look at non-financial criteria relevant for the communities in which the investments are made. This simultaneous realisation of financial and non-financial objectives is at the heart of Porter and Kramer’s notion of ‘shared value’<sup>25</sup>.

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22 <http://www.nytimes.com/2011/08/14/>

23 This new, integral approach to investing is distinguished from an ESG-approach to investing. Impact investing as ‘creating shared value’ is about the creation and fair distribution of prosperity. It combines solid financial returns with social, environmental and community wealth and takes the business rationale as its point of departure. In this chapter we disagree with the WEF, claiming that “The focus on superior risk-adjusted financial returns distinguishes sustainable investing from similar-sounding approaches such as ‘impact investing’ or ‘socially responsible investing’, in which lower financial returns can be accepted as a trade-off for meeting social or environmental goals.” It is simply in the eye of the beholder - in this case the investor - how he or she defines impact investing, sustainable investing, or (socially) responsible investing.

24 For institutional investors the return needs to be at the level of what is considered to be a market rate return. The term ‘market-rate’ refers to a risk-adjusted return that is equal to or exceeds the relevant benchmark of a particular investor. Institutional investors usually start with the assumption that - based on their fiduciary responsibility toward their beneficiaries - their investments need to be in line with or exceed relevant benchmarks. Charitable organisations usually have higher tolerance than institutional investors for investments with a target financial return (just) below the market rate.

25 Michael Porter, and Mark Kramer, ‘Creating Shared Value’, Harvard Business Review, Jan/Feb 2011, pp. 1-17

Traditionally speaking, impact investing comes from the realm of charitable foundations. It gradually came to mind there are more ways to achieve its objectives than simply to allocate 3 to 5%<sup>26</sup> of the endowment to the mission. Investing money in charitable causes - and receiving a financial return - can be as effective in achieving the mission. These investments often go by the name of mission-related investments<sup>27</sup>, mission connected investments<sup>28</sup>, mission investing<sup>29</sup>, social venturing<sup>30</sup>, venture philanthropy or, more recently, impact investing. The investor wants to bring the program of the foundation and the management of the investment portfolio on the same footing - both contributing to the mission of the organisation. Traditionally, there was a gap between the investment objectives and those of the program board of the foundation, as we have seen in the case of the Gates Foundation. Recently this is changing - even though the pace of change is not very fast. But change is needed and can no longer be avoided, as Rien van Gendt, chairman of the Dutch Association of Foundations, the FIN, recently remarked<sup>31</sup>:

**‘Foundations become more relevant, visibility increases. Criticism on the fact that you spend 5%, get a 100% tax exemption and forget the social dimension when investing the remaining 95%.’**

To clarify the meaning of impact investing the remainder of this paragraph contains some examples of impact investments, starting with sustainable real estate.

#### Responsible Real Estate

Recently Professors Piet Eichholtz, Nils Kok and Rob Bauer of the European Centre for Corporate Engagement (ECCE) at Maastricht University published their second Global Real Estate Sustainability Benchmark (GRESB). Based on a survey of 340 of the largest property funds reporting on the environmental performance of their investments they found that CO<sub>2</sub> emissions have dropped some 2 percent since 2009. The result is not earth shattering. What is interesting, however, is the total of 65 ‘Green Stars’. These are the top-performing funds<sup>32</sup>. One of the ‘Green Stars’ is London-based Climate Change Property Fund (CCPF). The fund invests in UK office buildings at prime locations in London, Manchester, Edinburgh, and Birmingham, in the proximity of public transport facilities. The objective of the fund is to realise excess financial returns - outperforming the benchmark - while reducing the emission of CO<sub>2</sub> and the use of water, gas, and electricity. According to the report CCPF has demonstrated leadership in execution of its mission and policies. With a partly realised IRR of more than 20 percent annually and a significant reduction of its environmental pressure the fund has lived up to its promise. Green alpha is more than just a nice slogan.

#### Development finance

The second example comes from the world of emerging market debt. Development Finance Institutions (DFIs), like IFC, EBRD, the Inter-American Development Bank, or the Dutch FMO, provide funding in emerging economies. The loans will be made available to education boards, sustainable energy facilities, sanitation boards, housing projects, farmlands, et cetera. These loans have a clear social objective while returning approximately 250 basis points on top of LIBOR on an annual basis over the last five years. Recently, the DFIs have made it possible for other institutional investors to co-invest in these loans by means of so-called B-loans. The loan

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26 In the USA the Internal Revenue Service (IRS) decided that in order to become tax exempt a foundation has to donate at least 5 percent of its endowment to its stated mission annually.

27 F.B. Heron Foundation

28 NEF, Mission Possible, London, 2008

29 Cooch, S., and M. Kramer, Compounding Impact: Mission Investing by US Foundations, Boston, 2007, p.10

30 Prof. Dr. Gert van Dijk, Tilburg University, The Netherlands talks about social venturing.

31 FIN Newsletter, June 2011

32 Next year, the researchers will be integrating the financial performance of the funds in the survey. This will allow them to assess both the environmental quality of the funds surveyed and their financial performance.

is then cut into two parts: one part, called the A-loan, will remain in the books of the DFI while the second part, the B-loan, is transferred to the institutional investor. The institutional investor will have an equal share in the financial and non-financial benefits accrued by the DFI.

### Responsible agriculture

The third example deals with investments in farmland as part of a wider portfolio of real assets. Recently, investor interest in responsibly managed farmland is on the rise. But so are the critical reviews of those investments by international stakeholder groups. A recent study from the World Bank identified 45 million hectares of farmland under negotiation for allocation during 2009 alone, of which 70 percent (32 million hectares) was in Africa.<sup>33</sup> This tremendous growth has resulted in NGOs questioning the split of benefits and burdens among all stakeholders involved. Local communities have lost control over the land they live on - very often already for many centuries. Foreign investors buy the land, but the proceeds seldom end up in the pockets of the communities. This has led to an international focus on land grabbing. However, investments in farmland do make sense if done in the right way and for the right reasons. Take for instance South-African Fruit Exporters (SAFE). The company invests in land and has made solid financial returns of some 18 percent net on a yearly basis over the last 10 years. Simultaneously, the investments have resulted in increased prosperity for the local population in terms of income, job security, access to primary health care and access to education.

### Drawbacks

Impact investing provides a new and interesting avenue to pursue attractive social, environmental and financial returns. But they are not to everyone's liking, and rightfully so. One of the characteristics of an impact investment is its illiquidity. The investment cannot be liquidated at will, at the moment of the investor's liking. Therefore, impact investing can only be a limited, but in many ways useful part of the investment portfolio.

OnValues recent report *360 Degrees for Mission*<sup>34</sup> provides an interesting overview of recent initiatives taken by foundations in the realm of impact investing. Good practices come from foundations as diverse as German Drielanden Foundation, Swedish Mistra, Italian Cariplo - by far the largest initiative with some 280 million Euros invested in Impact Investing alone - and Dutch Fonds 1818.

## 2.5 Collaboration

The last theme briefly touched upon in the area of responsible investing and impact investing in the opening chapter of this year's report is collaboration. The previous twelve months have shown a shift towards increasing cooperation in the sector. An example is the covenant 'Ruimte voor Geven'<sup>35</sup>. The covenant focuses on improving the coordination between the Dutch government and the four sector organisations<sup>36</sup> - operating jointly under the SBE flag. To further the professionalization of the sector in this respect, SBE appointed Mr. Steven van Eijck as its new and independent chairman. Mr. Van Eijck very much values collaboration as becomes clear in the following statement:

**“Now the government is withdrawing its support in various societal areas the philanthropic sector is gaining importance. Greater emphasis will be placed on the sector [to support those in need, HH].”<sup>37</sup>**

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33 World Bank, *Rising Global Interest in Farmland: Can it yield sustainable and equitable benefits?*, Washington DC, World Bank, September 2010.

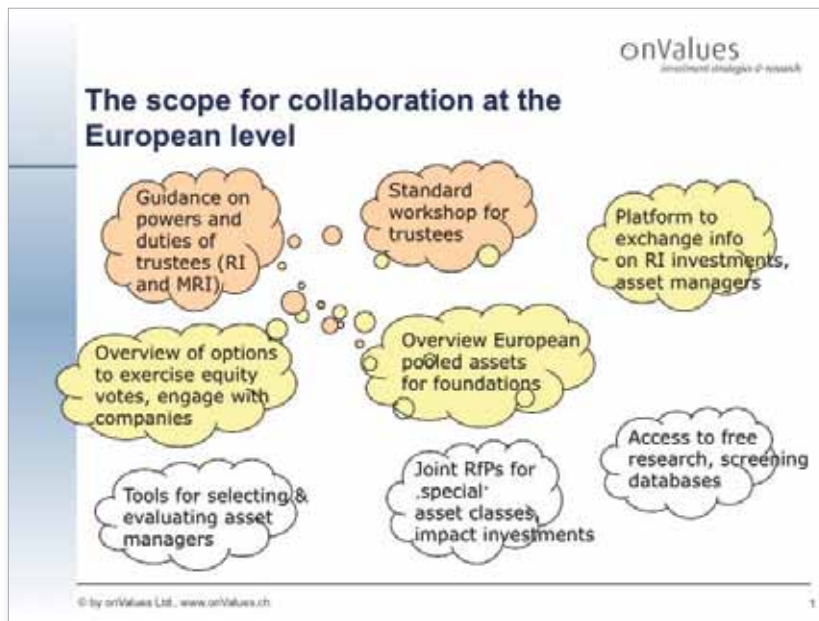
34 Imbert, D. and Knoepfel, I., “360-degrees for Mission”. Stockholm: Mistra, 2011

35 SBE is the abbreviation of “Samenwerkende Brancheorganisaties Filantropie”.

36 SBF is an independent foundation in which FIN, the Instituut voor Fondsenwerving (IF), VFI and Contact in Overheidszaken (CIO) are united to further their common interest.

37 Quoted in the FIN Newsletter, June 2011

A call for collective action was also heard in a meeting hosted by the European Foundation Centre at the end of August 2011 - a meeting we alluded to in the previous paragraph. Together with Swedish foundation Mistra and onValues, the EFC organised a meeting on responsible investing and impact investing. The conclusion was ‘that collaboration helps to overcome some of the barriers<sup>38</sup> and create a European momentum’. Summarizing the opportunities for collaboration onValues draws the following picture.



This initiative ties in with already existing initiatives of the EVPA, the European Venture Philanthropy Association, to foster impact investing and stimulate collaboration among its members. Also in 2011, we saw a new international network coming to Europe, exclusively focusing on impact investing: the Global Impact Investing Network. Just as the EVPA the GIIN network focuses clearly on joint investment initiatives by the members to enhance a positive impact on the communities in which they invest.

Finally, there are opportunities for collaboration provided by organisations such as the Principles for Responsible Investing. In general, the network offers its members a platform, a clearinghouse, for joint action. More specifically, the PRI network now coordinates the work of recently launched Principles for Investors in Inclusive Finance<sup>39</sup>. These principles, the launch of which were an initiative of Dutch Princess Maxima, provide a framework for responsible investment in inclusive finance, which includes, but is not limited to microfinance. The principles intend to protect the interest of the end clients of microfinance institutions and enhance the professionalization of the microfinance sector. Inclusive finance focuses on expanding access of poor and vulnerable populations, micro- and small-enterprises, and those otherwise excluded from access to affordable and responsible financial products and services. One of the signatories is the Dutch Salvation Army. This initiative may become important for charities, since many charitable organisations invest in microfinance. In the box below the principles are highlighted.

38 Barriers range from lack of knowledge about the new ways of investing to a fear that it might hurt investment returns and from a lack of investment opportunities to the gap between program management and investment management.

39 Annual Report PRI, London, 2011, p.18

### Principles in the interests of the poor

1. Range of Services. We will actively support retail providers to innovate and expand the range of financial services available to low income people in order to help them reduce their vulnerability, build assets, manage cash flow, and increase incomes.
2. Client Protection. We believe that client protection is crucial for low-income clients. Therefore we will integrate client protection in our investment policies and practices.
3. Fair Treatment. We will treat our investees fairly with appropriate financing that meets demand, clear and balanced contracts, and fair processes for resolving disputes.
4. Responsible Investment. We will include ESG issues in our investment policies and reporting.
5. Transparency. We will actively promote transparency in all aspects.
6. Balanced Returns. We will strive for a balanced long-term social and financial risk-adjusted return that recognises the interests of clients, retail providers, and our investors.
7. Standards. We will collaborate to set harmonised investor standards that support the further development of inclusive finance.

#### Box 7 Principles for Investors in Inclusive Finance

## 2.6 Closing remarks

In this opening chapter, an overview was given of some of the relevant developments in the last 12 months regarding responsible investing and impact investing. Both topics are clearly on the rise and increasingly become part of the investment environment of charitable foundations and fund raising charities. The remainder of this report will demonstrate to what extent and in what ways charitable organisations have taken steps to integrate these topics in their investment strategies and the implementation of those strategies.

## 3 Research objective and methodology

This chapter starts by putting forward the objective of this research and subsequently explains the methodology. This consists of the selection of the researched organizations, the research period, the research process and the division of tasks and responsibilities. Finally, the assessment methodology is explained.

### 3.1 Research objective

The mission of the VBDO is to make capital markets more sustainable. It tries to achieve this by using both sides of the capital markets. The demand side of this market are the Dutch companies. These companies are influenced by direct engagement, voting and asking questions concerning sustainability at annual general meetings (AGM's) and a variety of other efforts such as supply chain research, multi-stakeholder dialogues and thematic research into areas such as biodiversity and sustainable remuneration. For most people it is clear that companies can accelerate sustainable development by behaving more responsibly. The supply side however, which are investors, can accelerate sustainable development as well, by carefully choosing in which companies or countries it invests. The VBDO encourages Dutch (institutional) investors to develop, implement and report on their responsible investment activities. One way is to undertake benchmark studies into the responsible investment activities of institutional investors, such as the largest pension funds and insurance companies. Charities and foundations also have investments and are active in the Dutch capital markets. This can be done by investing directly in, for example, publicly listed equity or bonds; or by having bank accounts, where the bank is investing the balance of the charity or foundation.

The objective of this research is to report on the responsible investment activities of foundations and fundraising charities. This provides insights into the current state of affairs regarding this topic for each sector. It shows the frontrunners in both sectors and what activities they undertake and how transparent they are. At the same time, it also shows which organizations have a longer way to go. Finally, this report also provides organizations that have not developed such a responsible investment policy the examples of how sector leaders are performing.

Furthermore, it provides more clarity for the general public into the responsible investment activities of these organizations. All organizations work to create a better world, with or without donations from the general public. This can be accelerated, or at least not impeded, by developing a sound responsible investment policy.

### 3.2 Selection of organizations

For its benchmark reports, the selects the largest investors in the particular sector. This is done as the largest investors have the biggest impact on making the capital markets more sustainable. Furthermore, the largest investors have a larger responsibility because they have more resources at their disposal to take significant steps.

Because less is known of the invested resources within the Dutch charitable sector in comparison to other sectors, the selection of the research group occurred in a somewhat different way than with other benchmark researches.

The selection of last year's research group was done in the following manner. In the group of the foundations, 18 organizations were selected by the VBDO together with Maastricht University and Stichting Pequeno. These were selected on the expectation that they are large and well-known. For the fundraising charities, the selection occurred last year by first dividing the sector into four categories: health, (international) aid, nature, environment and animals, and

wellbeing and culture. These are the same categories that the VFI, the umbrella organization for charities in the Netherlands, uses. In these categories, the organizations were chosen again based on size and an estimation of the level of public awareness. Besides the foundations and the fundraising charities, three hybrid organizations were identified: Koninklijke Nederlandse Redding Maatschappij (KNRM), the Oranje Fonds and the Prins Bernhard Cultuurfonds.

This year, the same group as last year was used, supplemented by 11 newly selected foundations and charities. The newly included organizations have been selected by the VBDO, based on an estimation of the size of the organizations and an estimation of the level of their public awareness. In the process, the FIN, the umbrella organization for foundations in the Netherlands, provided suggestions.

In total, 23 fundraising charities are included as well as 23 foundations. The three hybrid organizations of last year are also included in this research. This brings the research group to 49. The hybrid organizations are listed separately in the report, but the information in their profiles is used in the analysis for both fundraising charities and foundations.

The list of researched organizations can be found in appendix 1.

### 3.3 Research period

The period over which this research has taken place is 2010. The total assets and the asset allocation of the charities and foundations cover the period up to the end of 2010. In a number of cases, information about the implementation of responsible investment relates to the first half of 2011.

### 3.4 Research process

The research process the research process was altered in comparison to last year. Last year, a questionnaire was sent to the included organisations. On the basis of this questionnaire, a profile was made, also on the basis of publicly available information. After compiling the profiles, the organizations were provided with a (second) possibility to provide more information and/or corrections.

Because the sector has long indicated that it was suffering 'questionnaire fatigue', the VBDO decided to alter the research process. This year, the VBDO put together a profile for each of the charities and foundations, in which all applicable assessment criteria were included. These profiles were based on publicly available information (annual reports, websites and other sources). These profiles were sent to the surveyed organizations, providing them with an opportunity to provide additional information and/or corrections. These definitive profiles were used for the analysis, and a summary of each profile is included in this report.

After the analysis of the profiles and prior to the publication the VBDO discusses the results of the research with representatives in the sector in an advisory panel meeting. These representatives consist of people from organizations within the research group and delegates of the umbrella organizations of both the fundraising charities (VFI) and foundations (FIN). These members of the advisory panel provide feedback on the used methodology, the results of the research and the conclusions drawn from the results. A summary of the input of the advisory panel is included in the results chapter of this research.

### 3.5 Division of tasks and responsibilities

This research is being conducted by the VBDO, which has a sole responsibility of the contents of this research. However, different other organizations have contributed to this research. In the first place, Stichting Pequeno financed this research and critically monitored the process of this research. Dr. Harry Hummels from Maastricht University compiled the background chapter, which is chapter 2 in this research. Finally, the umbrella organizations, VFI and FIN, were involved in the start of this research and provided feedback on the research methodology and participated in the advisory panel to discuss the results and conclusions.

### 3.6 Assessment methodology

The VBDO breaks its assessment of responsible investment activities into three parts: policy, implementation and accountability. This is done to emphasize the different elements that are essential to a responsible investment policy. Responsible investment starts with a policy, and then moves onto the implementation of this policy. Finally, organizations should be transparent about their responsible investment policy and the implementation thereof.

The VBDO divided the assessment methodology into three categories, with a number of elements per category:

- Policy
  - Information on the content of the policy
- Implementation
  - Exclusion
  - Positive screening
  - Engagement
  - Voting
  - Mission-related investing
  - Cash deposits/reserves
- Accountability
  - Policy
  - Implementation

#### Policy

The implementation of a socially responsible investment policy requires in the first place that it be defined as clearly as possible in a publicly available document. In doing so, it is important to provide a clear description of the policy objectives and basic principles, preferably referring to recognized legislation and international treaty standards, such as the UN Declaration on Human Rights, ILO conventions and the UN Global Compact.

The policy document should also provide insight into the method(s) of implementation. Many organizations diversify their investment capital across various investment categories (equity, bonds, real estate, alternatives, etc.), and therefore the responsible investment policy should apply to and be implemented across all these categories.

For this report, the VBDO distinguished between organizations that indicated that they had a responsible investment policy and those that provided further information on the content of this policy.

## Implementation

When implementing a responsible investment policy, various methods can be used. These are listed below:

**Exclusion:** The products and processes of some companies are so clearly contrary to international agreements and treaties that they should be excluded from the investment portfolio. Additional clarity is provided by continuously updating a list of excluded companies. Finally, the exclusion policy should be applicable not only to equity but also to bonds and other investments.

**Positive screening:** Even when unsustainable companies are excluded, large differences in terms of corporate responsibility sometimes remain between companies. Where one company may only abide by the current environmental and social laws of the country in which it operates, the other may pursue high social and environmental standards in every country in which it is active. Organizations should consider this in its investments and should give preference to companies that perform well in relation to corporate responsibility. Investors, in following this policy, often state their consideration of ESG-criteria in selecting or excluding investments (ESG stands for Environment, Social and Governance). This strategy is also referred to as a best-in-class approach. However, other strategies such as stock picking or a fundamental analysis of investments in terms of ESG criteria can also be seen as positive screening.

**Engagement:** Organizations can actively exert influence on companies in which investments are made by entering into dialogue with them. Using engagement, they have the opportunity to alter the conduct of companies in which investments are made, all depending on the size of investment. Engagement can be pursued by organizations directly or in collaboration with other (institutional) investors.

**Voting:** Organizations can actively exert influence on companies in which they invest by voting at shareholder meetings. Many pension funds have taken to actively voting at shareholder meetings, but their voting policy is sometimes limited to issues regarding corporate governance. This might push companies towards a better sustainability policy, but that is in itself not enough. A clearly defined voting policy is required, one that explicitly emphasizes social and environmental issues. Organizations can also introduce or support sustainability resolutions, resulting in companies being pushed towards improvement and corrective action.

**Mission-related investing (MRI):** A recent Dutch publication about MRI highlights three characteristics: (1) investments are made directly from the core assets of the organization, (2) investments are geared towards making financial profit, (3) investments are also geared to achieve non-financial profit.<sup>40</sup> MRI is, essentially, an extension of positive screening, where the selection of investments is aligned with the mission of the organization. Where possible, organizations can take steps to engage in mission-related investing.

**Cash deposits/reserves:** All organizations have cash deposits and/or reserves invested at banks. These funds are then invested by the banks, with varying levels of responsible investment criteria being applied to these investments. Organizations should include sustainability criteria in their selection of bank for its deposits and/or reserves.

In its analysis, the VBDO investigated whether or not the surveyed organizations made use of these instruments in implementing their responsible investment portfolios. This information is also found in the tables in chapter 4, where a summary of the organizations' activities in the field of responsible investment is made.

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40 Hummels, H. (2009). Een aandeel in maatschappelijke ontwikkeling. Van Gorcum, Assen.

## Accountability

In terms of accountability, the VBDO encourages organizations to provide publicly available information on the responsible investment policy and how it is implemented.

**Policy:** The responsible investment policy should be publicly available. This means more than just stating that the organization is active in responsible investing, and should include information on the content, what elements are taken into consideration.

**Implementation:** It should be clear from publicly available sources what activities the organization undertakes to implement its responsible investment policy (exclusion, positive screening, engagement, voting, MRI, cash deposits and/or reserves). In addition, it also includes an overview of the investments made by the organization.

In terms of accountability, the VBDO looked at whether or not there was publicly available information provided by the organization itself on its responsible investment policy and whether or not there was also information on the implementation of this policy. For the implementation, a distinction was made between organizations that provided partial information on the instruments it used and those that provided full information.

## 4 Results

This chapter contains the results of this research. It will first start by providing the response rate of both fundraising charities and foundations. Then results of the responsible policy, implementation and accountability of fundraising charities will be explained, followed by the results of the foundations. Then the aggregated results are presented. Finally, a summary of the advisory panel is included.

### 4.1 Response rate

For this report, 49 profiles were compiled on the basis of publicly available information. These profiles consisted of information about the responsible investment policy of the organizations; the instruments they use to implement this policy; and how transparent these organizations are about their responsible investment activities. These profiles were sent to the organizations. The organizations that provided feedback on these profiles are listed below:

- AIDS Fonds (fundraising charity)
- ASML Foundation (foundation)
- Amnesty International (fundraising charity)
- Artsen zonder Grenzen (fundraising charity)
- Cordaid (fundraising charity)
- de Zonnebloem (fundraising charity)
- Dierenbescherming (fundraising charity)
- Diabetes Fonds (fundraising charity)
- Fonds 1818 (foundation)
- Fonds NutsOHRA (foundation)
- Fonds Sluyterman van Loo (foundation)
- Haella Stichting (foundation)
- Hartstichting (fundraising charity)
- Hivos (fundraising charity)
- ICCO (fundraising charity)
- Innovatiefonds Zorgverzekeraars (foundation)
- Iona Stichting (foundation)
- Kinderopvangfonds (foundation)
- KNRM (hybrid organization)
- KWF Kankerbestrijding (fundraising charity)
- Milieudefensie (fundraising charity)
- Natuurmonumenten (fundraising charity)
- Nederlandse Rode Kruis (fundraising charity)
- Nierstichting (fundraising charity)
- Oranje Fonds (hybrid organization)
- Oxfam Novib (fundraising charity)
- Plan Nederland (fundraising charity)
- Prins Bernhard Cultuurfonds (hybrid organization)
- SNS REAAL Fonds (foundation)
- Stichting Leids Universiteits Fonds (foundation)
- Turing Foundation (foundation)
- Vluchtelingenwerk Nederland (fundraising charity)
- VSB Fonds (foundation)
- Wereld Natuur Fonds (fundraising charity)

When the fundraising charities (including the hybrid organizations) are considered, 22 of the 26 fundraising charities have responded, resulting in a response rate of 85%. Of the foundations (the hybrid organizations again included) 15 of the 26 foundations responded, resulting in a response rate of 58%.<sup>41</sup> The difference is not surprising, as already concluded in last year's report. Fundraising charities have a higher sensitivity to public opinion and have a higher profile in society and are therefore more inclined to participate in surveys.

In total, 34 organizations responded to the sent profile, leading to a response rate of 69%. In comparison with last year's results this is a big increase. Last year the total response rate was 39%. This can be explained by the fact that last year this research was conducted for the first time and organizations were less familiar with the VBDO. Another explanation is the streamlining of the research process by working more closely together with the two umbrella organizations and eliminating the questionnaire.

## 4.2 Fundraising charities

In this section the results of the fundraising charities (that invest directly in the capital markets) are put forward. This is divided into three parts: policy, implementation and accountability. First, the general results of these parts are provided followed by a summary of the individual results that are displayed in table 4.1. Finally, the results of the fundraising charities that do not invest in the capital markets directly are stated, followed by the individual results in table 4.2.

### 4.2.1 Direct investing fundraising charities

#### Policy

When looking at the responsible investment policies of the different fundraising charities, it should be noted that the quality of these documents varies greatly. Some charities restrict themselves to stating that they have a policy in place, while others were able to provide more details on the contents of this policy. A total of 16 of 18 fundraising charities that are active in investing were able to indicate that they have a responsible investment policy.

Three organizations simply stated that a responsible investment policy is in place for their investments. These organizations are listed below:

- Nierstichting
- Nationale Vereniging de Zonnebloem
- Oranje Fonds (hybrid organization)

Thirteen organizations provided more detailed information on the content of their responsible investment policy. These were:

- Cordaid
- Diabetes Fonds
- Dierenbescherming
- Greenpeace
- Hartstichting
- ICCO
- KNRM (hybrid organization)
- KWF Kankerbestrijding
- Leger des Heils
- Natuurmonumenten

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<sup>41</sup> As already mentioned in chapter 3, the hybrid organizations are included in the analysis of both the foundations and the fundraising charities. Therefore, the sum of foundations and fundraising charities exceeds the total number of the research group.

- Prins Bernhard Cultuurfonds (hybrid organization)
- Vluchtelingenwerk Nederland
- Wereld Natuur Fonds

The organizations that provided details of their responsible investment policies cited a number of international initiatives. The most commonly cited international initiative is the UN Global Compact, which covers four themes: human rights, labour rights, environment, and anti-corruption. These four themes are worked out in ten principles.

In comparison with last year's results, an improvement can be seen. Last year, only half of the 16 fundraising charities provided more details on the content of their responsible investment policy.

Two organizations were unable to provide details on their responsible investment policies: Bar-timeus and Natuur en Milieu. The VBDO encourages these organizations to develop or provide more information on their responsible investment policies.

### Implementation

In the second assessment category, the implementation of responsible investment is described. Investors have different instruments at their disposal to implement a responsible investment policy, as described in the previous chapter. This section provides an overview of the different instruments that are used by the organizations.

**Exclusion:** 16 organizations make use of exclusions to implement their responsible investment policy, which is an increase compared to last year. These organizations are:

- Cordaid
- Diabetes Fonds
- Dierenbescherming
- Greenpeace
- Hartstichting
- ICCO
- KNRM (hybrid organization)
- KWF Kankerbestrijding
- Leger des Heils
- Nationale Vereniging de Zonnebloem
- Natuurmonumenten
- Nierstichting
- Oranje Fonds (hybrid organization)
- Prins Bernhard Cultuurfonds (hybrid organization)
- Vluchtelingenwerk Nederland
- Wereld Natuur Fonds

In contrast to other institutional investors such as pension funds and insurance companies, a wide range of exclusion criteria are identified. Besides the different themes of UN Global Compact and the production of cluster ammunition, ethical exclusion criteria are also listed. These are mostly in line with the mission of the organization. Examples of these criteria are: tobacco, alcohol, pornography, gambling industry, fur, industries related to unhealthy lifestyles, nuclear energy, unsustainable forestry, pesticides and animal testing. One organization stated that it only excludes companies when engagement has failed. Another organisation stated that it excludes the government bonds of France as it relies for a disproportionate percentage on nuclear energy.



**Positive selection:** In total, 7 organizations use positive selection as instrument to implement its responsible investment policy. This is the same amount of organisations as last year. These organisations are:

- Cordaid
- Diabetes Fonds
- Greenpeace
- ICCO
- Natuurmonumenten
- Oranje Fonds (hybrid organization)
- Wereld Natuur Fonds

It is not possible to show what proportion of the invested assets of these organisations is invested using positive screening.

This shows that no significant steps forward have been made in terms of positive screening. This is a missed opportunity for organisations to contribute to sustainability through their investments.

**Impact investments:** Four organizations indicated that they use impact investment as part of their responsible investment policy. These organizations were:

- Cordaid
- Greenpeace
- Leger des Heils
- Wereld Natuur Fonds

Two organizations, Cordaid and Leger des Heils, have a dedicated amount to invest in specific microfinance institutions. Greenpeace uses its total (equity) investments as impact investment, investing in companies that are active in organic farming or sustainable energy production. The Wereld Natuur Fonds invests in a Greentech fund and wind energy.

**Mission related investments (MRI):** Four organizations have made mission-related investments. These are:

- Bartimeus
- Leger des Heils
- Oranje Fonds (hybrid organization)
- Prins Bernhard Cultuurfonds (hybrid organization)

This is a significant positive trend in comparison to last year's results, where only one fundraising charity had mission-related investment. Furthermore, three organizations are considering making mission related investments. These are:

- Hartstichting
- Natuurmonumenten
- Nierstichting

**Voting:** Only one organization was able to show that it made use of voting to implement its investment policy, which is:

- Prins Bernhard Cultuurfonds (hybrid organization)

The Prins Bernhard Cultuurfonds has contracted F&C to conduct its engagement activities. Other organizations make reference to voting, but this instrument does not seem to be part of the responsible investment policy of the organization and is done incidentally. These are:

- Diabetes Fonds
- KNRM (hybrid organization)
- Oranje Fonds (hybrid organization)
- Wereld Natuur Fonds

Last year, four organizations were able to show that they use voting as an instrument to implement their responsible investment policy.

**Engagement:** When looking at engagement, only two fundraising charities engage with companies in their equity portfolio.

- Nationale Vereniging de Zonnebloem
- Prins Bernhard Cultuurfonds (hybrid organization)

Three organizations make reference to engagement, but there it does not seem to be part of the responsible investment policy of the organization and is done incidentally. These fundraising charities are:

- Diabetes Fonds
- Natuurmonumenten
- Oranje Fonds (hybrid organization)

The results for voting and engagement show that fundraising charities are not willing to take on the role of active owner. This is a missed opportunity, as these instruments are a very good way to contribute to sustainability.

**Cash deposits/reserves:** Four organizations, besides paying attention to sustainability in their direct investments, also take care that their indirect investments are invested according to sustainability criteria,

- Diabetes Fonds
- Greenpeace
- Leger des Heils
- Wereld Natuur Fonds

Although this is an increase in comparison with last year, 14 fundraising charities do not take their indirect investments into account in terms of sustainability. This is unfortunate, because by way of this instrument a significant contribution can be made to sustainability as well.

### Accountability

Maybe even more than other institutional investors, fundraising charities have an obligation to be transparent on how their funds are invested. These organizations under a lot of scrutiny and are held accountable for their actions. These organizations should therefore provide clarity about their responsible investment policy and the instruments they have in use to implement this policy.

Six organizations provided adequate information about the responsible investment policy and the used instruments. These organizations are:

- Diabetes Fonds
- Greenpeace
- Hartstichting
- Leger des Heils
- Prins Bernhard Cultuurfonds (hybrid organization)
- Wereld Natuur Fonds

Eight organizations make reference to their responsible investment policy and the instruments in their annual report, but do not provide the policy documents itself.

- Cordaid
- Dierenbescherming
- ICCO
- KWF Kankerbestrijding
- Natuurmonumenten
- Nierstichting
- Oranje Fonds (hybrid organization)
- Vluchtelingenwerk Nederland

This means that four fundraising charities that invest their funds directly do not report on responsible investing. Some of these fundraising charities have a responsible investment policy in place, implement different instruments, but do not report on these activities.

Furthermore, the results show that the list of investments and the list of excluded companies and countries have not been published by the fundraising charities. Since these organizations do not have commercial reasons not to do this it remains unclear why the fundraising charities do not provide more transparency on this topic.

Summaries of the profiles of the direct investing fundraising charities can be seen in table 4.1.

Table 4.1: Fundraising charities and responsible investment

Name organization	Policy	Implementation	Accountability
<b>Bartimeus</b> <b>Invested funds €33.8 million</b> <ul style="list-style-type: none"> <li>• 16.7% public equity;</li> <li>• 22.8 % corporate bonds;</li> <li>• 60.5% bank deposits.</li> </ul>	<ul style="list-style-type: none"> <li>• There is no evidence found that the organization has developed a responsible investment policy.</li> </ul>	<ul style="list-style-type: none"> <li>• The organization reports on a mission related loan of €268,474. No further information was found about the implementation of responsible investment instruments.</li> </ul>	<ul style="list-style-type: none"> <li>• Besides the mission-related loan, the organization does not report on either the responsible investment policy or instruments.</li> </ul>
<b>Cordaid</b> <b>Invested funds €29.848 million</b> <ul style="list-style-type: none"> <li>• 38% corporate bonds;</li> <li>• 62% government bonds</li> </ul>	<ul style="list-style-type: none"> <li>• The organization has set up a Treasury Statute, which makes reference to investing in companies that have good social policies, environmentally friendly business and respect for human rights. The asset manager is Schrettlén, which uses Sustainalytics for screening investments on social responsibility criteria. The bank has been selected on sustainability criteria.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Exclusion:</b> The organization has an exclusion policy on the basis on human rights and environment for both countries and companies. The exclusion policy is comprehensive and specific.</li> <li>• <b>Positive selection:</b> the organization describes different criteria on human rights and environment on which it includes it companies and countries into the portfolio.</li> <li>• <b>Impact investing:</b> the organization has different participations, mostly in investments funds such as microfinance institutions.</li> </ul>	<ul style="list-style-type: none"> <li>• The Treasury Statute, in which responsible investment criteria are included, has not been made public. The exclusion criteria are not made public. The list of excluded countries and companies has not been published.</li> </ul>

Name organization	Policy	Implementation	Accountability
<p><b>Diabetes Fonds</b></p> <p>Invested funds €12 million</p> <ul style="list-style-type: none"> <li>• 17% public equity;</li> <li>• 18% corporate bonds;</li> <li>• 26% government bonds;</li> <li>• 8% alternative investments;</li> <li>• 31% bank deposits</li> </ul>	<ul style="list-style-type: none"> <li>• In the investment statute, which can be found on the website of the organization, a responsible investment section has been included. This section refers to the selection of asset managers with knowledge in sustainability and best-in-class selection of companies. Triodos MeesPierson has been selected as sustainable asset manager.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Exclusion:</b> companies are excluded that are involved in child labour, tobacco, weapon, pornography or gambling industry. Positive selection: The companies should have a clear long-term vision concerning sustainability and should perform above average on sustainability issues. Impact investing: Some of the alternatives investments are invested in Triodos Microfinance Fund.</li> <li>• <b>MRI:</b> The organization states that it is looking into the possibility.</li> <li>• <b>Voting &amp; Engagement:</b> The Diabetes Fonds invests only in public equity funds and not in separate titles. Fund managers are often engaging with the companies and using their voting right. This has not been included in the responsible investment policy of the Diabetes Fonds. Cash: ABN AMRO/Triodos MeesPierson, has been chosen because sustainability is one of their main values.</li> </ul>	<ul style="list-style-type: none"> <li>• A reference to responsible investment has been made in the annual report and in the investment statute a dedicated section is included. Both can be found on the website of the organization. The exclusion policy and positive selection policy was found in the annual report and investment statute. The list of excluded companies was not published. The Diabetes Fonds states that it is planning to extend their reporting on the basis of responsible investment instruments.</li> </ul>
<p><b>Dierenbescherming</b></p> <p>Invested funds €45 million:</p> <ul style="list-style-type: none"> <li>• 13% public equity;</li> <li>• 31% corporate bonds;</li> <li>• 56% bank deposits</li> </ul>	<ul style="list-style-type: none"> <li>• In annual report, the Dierenbescherming states that investments have to take animal welfare into account. Dierenbescherming has recently introduced a much more extensive responsible investment policy that will take effect in 2012.</li> </ul>	<ul style="list-style-type: none"> <li>• There is no information on the current responsible investment policy that the organization has implemented. The new policy focuses on the exclusion of companies based on 14 criteria.</li> </ul>	<ul style="list-style-type: none"> <li>• The organization does not report on either the responsible investment policy or instruments.</li> </ul>

Name organization	Policy	Implementation	Accountability
<p><b>Greenpeace</b></p>	<ul style="list-style-type: none"> <li>Greenpeace has published a financial statute in which it explains its responsible investment policy. The organization explains both the negative and positive criteria extensively. The policy encompasses all themes of the UN Global Compact. The organization uses ASN Bank and Triodos Bank as their banker, selection on the basis of sustainability criteria.</li> </ul>	<ul style="list-style-type: none"> <li><b>Exclusion:</b> The exclusion policy is part of the financial statute of the organization. In this document the exclusion criteria are also described. These include exclusions on the basis of their effects, the products, the processes for corporate bonds and reasons for excluding government bonds.</li> <li><b>Positive selection &amp; impact investments:</b> The policy and criteria are included in the financial statute. The organization invests in companies that are (for more than 50%) active in: organic farming; sustainable energy production; reduction of negative effects of transportation; contribution to a more sustainable society and environment.</li> <li><b>Cash deposits:</b> The organization uses ASN Bank and Triodos Bank as their banker. This is on the basis of the sustainability criteria.</li> </ul>	<ul style="list-style-type: none"> <li>A part of their financial statute is the responsible investment policy of Greenpeace. The exclusion policy was found online, but the list of excluded companies and countries was not found. The positive selection methodology was explained in the financial statute and was found online. On the website information about the selection of banks was found.</li> </ul>
<p><b>Hartstichting</b></p> <p><b>Invested funds €77.5 million:</b></p> <ul style="list-style-type: none"> <li>25% public equity;</li> <li>69% corporate bonds;</li> <li>6% bank deposits.</li> </ul>	<ul style="list-style-type: none"> <li>The organization states on the website that it invests its investments responsibly. It describes the exclusion and positive selection policy. The organization indicates that it uses the VFI-directions as much as possible. The organization indicates that the asset managers report annually on sustainability using a sustainability scan of Sustainalytics. In the communication with the asset managers sustainability plays a role.</li> </ul>	<ul style="list-style-type: none"> <li><b>Exclusion:</b> The exclusion policy and criteria are found on the website. Exclusion criteria are tobacco, pornography, cluster ammunition, alcohol and child labour. Positive selection: In general terms, the website describes that on the basis of relative criteria companies are being selected.</li> <li><b>MRI:</b> The organization is currently not investing in MRI, but is considering to implement such a policy in coming years.</li> </ul>	<ul style="list-style-type: none"> <li>The responsible investment policy can be found on the website of the organization. The exclusion policy and the exclusion criteria can be found on the website, a list of excluded companies and countries was not found. A brief description of the positive selection methodology can be found on the website.</li> </ul>

Name organization	Policy	Implementation	Accountability
<b>ICCO</b> Invested funds: €5.2 million	<ul style="list-style-type: none"> <li>• ICCO has a responsible investment policy and an exclusion policy based on multiple criteria. In addition to this, ICCO also makes use of a best-in-class selection mechanism and mission-related investments.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Exclusion:</b> The exclusion policy and criteria can be found in the treasury charter. These are altogether 15 criteria. Positive selection: ICCO maintains a best-in-class approach for its investments.</li> <li>• <b>MRI:</b> ICCO makes use of MRI as part of its Fair Economic Program.</li> </ul>	<ul style="list-style-type: none"> <li>• The organization does not report on either the responsible investment policy or instruments.</li> </ul>
<b>KWF Kankerbestrijding</b> Invested funds: €195.9 million: <ul style="list-style-type: none"> <li>• 83% government bonds;</li> <li>• 17% bank deposits.</li> </ul>	<ul style="list-style-type: none"> <li>• The organization has implemented a responsible investment policy which refers to the four themes of the UN Global Compact. Furthermore, an exclusion policy has been adopted. The organization has chosen to only invest in Dutch government bonds and to save via bank deposits. The organization sets requirements for banks and investment institutions. It indicated that CSR criteria played a role in the selection process.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Exclusion:</b> KWF Kankerbestrijding excludes companies that are active in the production or trade of tobacco, cigarettes and cigars. Furthermore, KWF further invests exclusively in countries, companies or institutions that avoid serious violations of human rights, serious forms of child forced labor, pollution and corruption. Also involvement in production and supply of arms are excluded.</li> </ul>	<ul style="list-style-type: none"> <li>• A description of the responsible investment policy has been included in the annual report.</li> </ul>

Name organization	Policy	Implementation	Accountability
<p><b>Leger des Heils</b> Invested funds: €88 million</p>	<ul style="list-style-type: none"> <li>The Leger des Heils has published its responsible investment policy (sociaal verantwoord beleggen) on the website of the organization, which describes its exclusion policy. Furthermore, the website states its investment policy 2010 which states that the investments in public equity have been sold. In its Annual Report Leger des Heils indicates that it has chosen for Staalbankiers and Schretlen &amp; Co among others on the basis of their sustainability screening.</li> </ul>	<ul style="list-style-type: none"> <li><b>Exclusion:</b> The organization has identified different criteria on the basis of which a company can be excluded from the investable universe. No investments are allowed in tobacco, alcohol, pornography and ‘cheap’ amusement, gambling, weapon- and war industry (including suppliers), fraud and corruption, child labour, discrimination and human rights violations, severe environmental crimes and presence in ‘sensitive’ countries. Besides these exclusion criteria, the organization does not invest in the bottom 10% of each sector.</li> <li><b>Impact investments &amp; MRI:</b> The organization has sold its equity portfolio to invest its means in impact investments and mission related investments. The impact investments consist of participations in funds that provide microcredits to entrepreneurs in developing countries. The mission related investments consist among others of investments in farmland where clients can work. The total mission related investments portfolio is being expanded from 2 million euro to 5 million euro.</li> <li><b>Cash deposits:</b> Leger des Heils chose Staalbankiers and Schretlen &amp; Co among others on the basis of their sustainability screening.</li> </ul>	<ul style="list-style-type: none"> <li>The responsible investment policy can be found on the website of the organization. The exclusion policy and the exclusion criteria can be found on the website, a list of excluded companies and countries was not found. Information about their impact and mission related investments was published on the website. In the annual report it was published that the banks were selected on the basis of sustainability criteria.</li> </ul>

Name organization	Policy	Implementation	Accountability
<p><b>Nationale Vereniging de Zonnebloem</b></p> <p>Invested funds 22.5 million</p>	<ul style="list-style-type: none"> <li>• "De Zonnebloem states that they include non-financial criteria into the investment decision. The themes that De Zonnebloem specifically focuses on are: human and labour rights, environment, corruption and bribery, pornography, nuclear energy, animal welfare (including fur), tobacco and weapons. As instrument, the Zonnebloem uses engagement and exclusion (when engagement has failed). The policy document of de Zonnebloem was not found. Kempen Capital Management has been selected as external manager also on the the way the asset manager has integrated sustainability in their investment process.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Exclusion:</b> De Zonnebloem states that it does not make use of exclusion criteria. However, some companies have been excluded when engagement with these companies has failed.</li> <li>• <b>Engagement:</b> is being used as main instrument to implement their responsible investment policy. The annual sustainability report 2010 of the asset manager details how engagement with companies takes place and provides examples of individual cases.</li> </ul>	<ul style="list-style-type: none"> <li>• The organization has not published their responsible investment policy. Also the publicly available information about the engagement activities is limited. The organization has indicated that it will publish the sustainability report of the asset manager on the website.</li> </ul>
<p><b>Natuur en Milieu</b></p>	<ul style="list-style-type: none"> <li>• In the previous edition of the VBDO benchmark it was stated that Natuur &amp; Milieu has a responsible investment policy and that it has all its investments at ASN Bank and reserves at Rabobank. This year no reference could be found about these investments.</li> </ul>	<ul style="list-style-type: none"> <li>• There is no evidence found that the organization has implemented responsible investment instruments.</li> </ul>	<ul style="list-style-type: none"> <li>• The organization does not report on either the responsible investment policy or instruments.</li> </ul>

Name organization	Policy	Implementation	Accountability
<p><b>Natuurmonumenten</b></p> <p><b>Invested funds: €182 million:</b></p> <ul style="list-style-type: none"> <li>• 23% public equity;</li> <li>• 16 corporate bonds;</li> <li>• 57% government bonds;</li> <li>• alternatives 0.3%;</li> <li>• bank deposits: 4%</li> </ul>	<ul style="list-style-type: none"> <li>• The organization makes reference to its investment statute, which was provided. Several exclusion criteria have been identified and a best-in-class-approach is used in the selection of companies. This has been implemented for the total equity portfolio and the organization is implementing the policy for the corporate bond portfolio. The investment managers have been selected on the basis of a broad set of criteria with regard to financial performance, quality and ESG expertise. With regard to ESG capabilities the managers' experience, research expertise and their general ESG philosophy have been taken into account in the selection process.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Exclusion:</b> In the annual report the following exclusion criteria have been stated: serious environmental damage, weapon industry, nuclear energy, tobacco, gambling, fur and porn. The investment managers have been instructed to implement the exclusion and best in class criteria, they report on a quarterly basis on sustainability, they also check on a regular basis if companies in the portfolio still meet the sustainability criteria. If a company should fail to meet the criteria, the investment managers will report on this matter.</li> <li>• <b>Positive selection:</b> The organization makes use of a best-in-class-approach. This applies to the entire equity portfolio. Best-in-class criteria are drawn up on a wide range of environmental, social and governmental criteria.</li> <li>• <b>MRI:</b> To date no mission related investments are included in the investment portfolio, but this is under consideration.</li> <li>• <b>Engagement:</b> Natuurmonumenten does not actively engage as a principle, but via the assets managers, sometimes companies and or funds have been engaged on their "unsustainable performance".</li> </ul>	<ul style="list-style-type: none"> <li>• The organization is planning to publish the investment statute soon on the website. Thus far, the policy only has been described in the annual report. A description of the exclusion policy was found, but a list of excluded companies/countries has not. A list of companies included in the 'Best in class' approach was also not found.</li> </ul>

Name organization	Policy	Implementation	Accountability
<p><b>Nierstichting</b></p> <p>Invested funds: €20 million</p>	<ul style="list-style-type: none"> <li>In its Annual Report 2010 the Nierstichting stated that it has developed a new investment policy, which takes responsible asset management into account. The criteria that the Nierstichting uses correspond to the criteria included in the VFI guide 'responsible asset management'. In 2011 it expanded focus and emphasis on the sustainable securities portfolio.</li> </ul>	<ul style="list-style-type: none"> <li><b>Exclusion:</b> Consistent with the mission and goals of the Dutch Kidney Foundation is a strict policy regarding the tobacco industry and industries related to unhealthy lifestyles, including the junk food industry. War and weapons industry have also been included in the exclusion policy.</li> <li><b>MRI:</b> It is intended that the Dutch Kidney Foundation in the course of 2011 its new investment policy implementation.</li> </ul>	<ul style="list-style-type: none"> <li>A reference has been made towards the new investment policy, but the policy itself has not been published. The exclusion policy was not found as well as a list of excluded countries and companies.</li> </ul>
<p><b>Vluchtelingenwerk Nederland</b></p> <p>Invested funds: €11.3 million:</p> <ul style="list-style-type: none"> <li>public equity 11%;</li> <li>corporate bonds 18%;</li> <li>government bonds 19%;</li> <li>bank deposits 52%</li> </ul>	<ul style="list-style-type: none"> <li>The organization refers to its (responsible) investment policy in its annual report. The investment policy describes three of the UN Global Compact themes and the fourth (corruption) will be included in 2011. The organization has selected its external managers on sustainability criteria.</li> </ul>	<ul style="list-style-type: none"> <li><b>Exclusion:</b> The organization has selected Sustainalytics to screen its public listed equity portfolio on the basis of discrimination, nuclear energy, child labour, human rights violations, environmental degradation, unsustainable forestry, weapons and working conditions. In 2011 the element corruption will be included. This is considered to be a negative selection policy. The reach of the exclusion policy does include the equity and its bonds portfolio.</li> </ul>	<ul style="list-style-type: none"> <li>The responsible investment policy was found in the annual report of the organization. The exclusion policy and the exclusion criteria have been found in the annual report of the organization.</li> </ul>

Name organization	Policy	Implementation	Accountability
<p><b>Wereld Natuur Fonds</b></p> <p>Invested funds €45.9 million:</p> <ul style="list-style-type: none"> <li>• public equity 18%;</li> <li>• corporate bonds 34%;</li> <li>• government bonds: 29%;</li> <li>• bank deposits: 19%</li> </ul>	<ul style="list-style-type: none"> <li>• The Wereld Natuur Fonds has a responsible investment policy in place in which it, besides financial criteria, also takes into account strict sustainability criteria. This investment policy has recently been published on the website of the WNF and is comprehensive. It consists of negative and positive selection criteria and investment in a Greentech Fund. The organization is striving to make its portfolio increasingly sustainable, among others by a monthly report of the sustainability of the portfolio. The organization states that it uses professional asset managers to manage the assets. The contract with Schretlen has been provided to the VBDO and shows clearly that sustainability played a role in selecting this manager. Rabobank and WNF have set up a partnership in which they try to find solutions on environmental problems via business.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Exclusion:</b> The organization has set up a extensive exclusion policy, including exclusions on sector (oil and mining), product (weapons, nuclear energy, fur, pesticides and animal testing) and thematic (environmental damage by company activities, suppliers and usage of products and services). Furthermore, the government bonds of France have been excluded based on their dependence on nuclear energy. Positive selection: The organization has set up positive selection criteria in the field of environment (biodiversity, environmental activities to reduce environmental impact, environmental activities of suppliers and sustainable products and services).</li> <li>• <b>Impact investing:</b> The organization participates in the Dutch Greentech Fund and in wind energy.</li> <li>• <b>Voting:</b> Via the Dutch Greentech Fund the organization votes at annual general meetings, but besides this fund no voting rights are exercised. The VBDO considers this not as an active voting policy.</li> <li>• <b>Engagement:</b> The WNF has frequently dialogue with international companies, for example through strategic partnerships. However, it does not see its investment policy not as a means to discuss sustainability issues with companies.</li> </ul>	<ul style="list-style-type: none"> <li>• The responsible investment policy has been published on the website. The exclusion policy has been published on the website, the list of excluded companies has not. The positive selection strategy has been published on the website. Reference has been made towards its impact investment. Information about the selection of the bank in which the deposits are held is publicly available.</li> </ul>

		<p>Dialogues occur via partnerships and round table meetings.</p> <ul style="list-style-type: none"> <li>• <b>Cash deposits:</b> The organization indicates that for deposits the same criteria apply as for equity and bonds. The organization has selected its bank on the basis of sustainability criteria.</li> </ul>	
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#### 4.2.2 Non-investing fundraising charities

In total, eight fundraising charities indicated that they did not invest directly in the capital markets. This does not mean that they cannot make a contribution towards sustainability. The banks where they deposit their money have different policies for investing the entrusted funds.

Table 4.2 shows the responsible investment activities of these organizations. Three organizations used the Fair Bank Guide or Eerlijke Bankwijzer (Amnesty International Nederland, Hivos and Oxfam Novib). Three others (AIDS Fonds, Milieudefensie, Nederlandse Rode Kruis) decided to use (where possible) banks with a heavy focus on sustainability: ASN Bank and Triodos Bank. Plan Nederland has put the majority of their bank deposits at the ASN Bank, but has selected its other bank on the basis of financial criteria. Artsen zonder Grenzen does not provide any details on the selection criteria for their banks.

Table 4.2: Non-investing fundraising charities and responsible cash deposits/reserves

Name organization	Policy	Implementation	Accountability
<b>AIDS Fonds</b>	<ul style="list-style-type: none"> <li>• The organization has a CSR-policy in place, which includes for its financial services. - The organization has used sustainability criteria when selecting its bank for savings.</li> </ul>	<ul style="list-style-type: none"> <li>• The organization uses ASN Bank for its savings and is in contact with the bank for its current accounts concerning its responsible investment policy</li> </ul>	<ul style="list-style-type: none"> <li>• The organization states that it has selected the banks on the basis of responsible investment criteria. The criteria itself are not published.</li> </ul>
<b>Amnesty International Nederland</b> Invested funds: €10.6 million	<ul style="list-style-type: none"> <li>• The organization has set up a policy for responsibly managing its assets. Amnesty International Nederland initiated the Fair Bank Guide (Eerlijke Bankwijzer). At the AGM, it was decided that Amnesty should limit the number of financial institutions in which it invests, and that it accepts less interest from a bank/ financial institution if this bank/ financial institution is a better choice from the point of view of responsible investment.</li> </ul>	<ul style="list-style-type: none"> <li>• Amnesty International Nederland initiated the Fair Bank Guide and invests its reserves in the two banks with the highest ratings. Besides, the charity invests in two banks with average ratings to ensure financial security by spreading the reserves over four banks.</li> </ul>	<ul style="list-style-type: none"> <li>• In its annual report the charity states that it has selected four banks, among others on the basis of the rating of the Fair Bank Guide (Eerlijke Bankwijzer), an initiative of four charities including Amnesty International Nederland. This policy is described in the annual report.</li> </ul>

Name organization	Policy	Implementation	Accountability
<b>Artsen zonder Grenzen</b> Invested funds: €76 million	<ul style="list-style-type: none"> <li>In the treasury statute the organization states that it does not invest in public listed equity, bonds and other risk-bearing instruments. In 2010 the contract with the ABN AMRO bank is extended. It remains unclear if the selection of the described bank occurred on the basis of sustainability criteria.</li> </ul>	<ul style="list-style-type: none"> <li>There is no evidence found that the organization uses responsible investment criteria when selecting its banks.</li> </ul>	<ul style="list-style-type: none"> <li>The organization does not report on whether it uses sustainability criteria in selecting its banks.</li> </ul>
<b>Hivos</b>	<ul style="list-style-type: none"> <li>Hivos has decided to invest their assets solely in bank accounts and deposits. On the basis of the analysis of the Fair Bank Guide (Eerlijke Bankwijzer), Hivos (together with Oxfam Novib) decided to choose Rabobank as banker</li> </ul>	<ul style="list-style-type: none"> <li>On the basis of the analysis of the Fair Bank Guide (Eerlijke Bankwijzer), Hivos (together with Oxfam Novib) decided to choose Rabobank as banker.</li> </ul>	<ul style="list-style-type: none"> <li>The policy not to invest in other asset classes than liquidity has been put forward on the website of Hivos as well as the selection of the banker on the basis of sustainability criteria.</li> </ul>
<b>Milieudefensie</b>	<ul style="list-style-type: none"> <li>Milieudefensie has put its money in different bank accounts. The website states that it has a preference for ASN Bank and Triodos Bank. Because it is not possible to arrange direct debits via these banks, Milieudefensie also has a bank account of ING Bank. When direct debits are possible at Triodos and/or ASN Bank, Milieudefensie will transfer to one of these banks.</li> </ul>	<ul style="list-style-type: none"> <li>The deposits and reserves are on the bank accounts of ASN Bank and Triodos Bank. For donations the organization uses an ING bank account, since direct debits are not possible with Triodos Bank and ASN Bank.</li> </ul>	<ul style="list-style-type: none"> <li>The organization explains in its annual report and on the website that it does not invest and which banks have been used.</li> </ul>

Name organization	Policy	Implementation	Accountability
<p><b>Nederlandse Rode Kruis</b></p>	<ul style="list-style-type: none"> <li>In the annual report of the organization is stated that besides the financial elements of the investment policy, the Rode Kruis tests the investment portfolio on the basis of their 7 ground principles (human care, impartiality, neutrality, independence, voluntarily, unity, generality). The organization has a decentralized structure where the national office decided only to use savings accounts or deposits. The local offices are able to invest in equity or bonds, but are urged to divest these investments where possible. In this analysis the policy and implementation of the national office is described. The organization indicates that it has selected its bank on the basis of sustainability criteria</li> </ul>	<ul style="list-style-type: none"> <li>The organization has used sustainability criteria to select its bank.</li> </ul>	<ul style="list-style-type: none"> <li>A reference to its responsible investment policy has been made in the annual report of the organization. The selection criteria for its bank has not been made publicly available.</li> </ul>
<p><b>Oxfam Novib;</b> Invested funds: €62 million</p>	<ul style="list-style-type: none"> <li>The policy of Oxfam Novib is that it solely invests in bank accounts and that the banks are selected on the basis of the Fair Bank Guide.</li> </ul>	<ul style="list-style-type: none"> <li>In 2010, Oxfam Novib (in cooperation with Hivos) has launched a formal tender to choose a new housebank. Several criteria were included in the benchmark; CSR was the most important of all (counted for 50%). Subcriteria for CSR were the scores of banks on a number of relevant CSR-themes in the Dutch Fair Bank Guide. On the basis of this tender Oxfam Novib (together with Hivos) decided to choose Rabobank as bank for its international payments. It should be noted that on the basis of diversification, the assets of Oxfam Novib have been divided among ABN AMRO, ING and Rabobank.</li> </ul>	<ul style="list-style-type: none"> <li>The decision to select the housebank on the basis of sustainability criteria has been communicated on the website and in the annual report.</li> </ul>

Name organization	Policy	Implementation	Accountability
<b>Plan Nederland</b> Invested funds €8.2 million	<ul style="list-style-type: none"> <li>• "Plan Nederland puts the main part of its money at a bank which invests in a responsible way (ASN Bank). Due to the fact that it is not possible yet to arrange direct debits via banks with a heavy focus on sustainability, a small part of its money is put at Rabobank.</li> </ul>	<ul style="list-style-type: none"> <li>• Plan's deposits and reserves are on the bank account of ASN Bank. For direct debits Plan uses an account at Rabobank. Furthermore, Plan has a partnership with ASN Bank.</li> </ul>	<ul style="list-style-type: none"> <li>• Plan's investment policy is based on the VFI directives. This is information in provided via the annual report. No further information on the sustainability of cash deposits can be found.</li> </ul>

## 4.3 Foundations

In this section, the results of the foundations are presented. This is divided into three parts: policy, implementation and accountability. First, the general results of these parts are provided, followed by a summary of the individual results in table 4.3. Finally, the general results of the foundations that indicated that they did not invest in the capital markets directly are stated, followed by the individual results in table 4.4. The FIN indicated that foundations mostly have small organizations, which can provide an explanation that the responsible investment policy is less developed than of the fundraising charities. Furthermore, that the organizations are organizations with private funds (for public purposes) and are not under public scrutiny.

### 4.3.1 Direct investing foundations

#### Policy

Foundations on the whole provide little information on their responsible investment policy. Six foundations indicate that a responsible investment policy is in place for their investments or make reference to the implementation of responsible investment instruments. These are:

- d.o.b. Foundation
- Iona Stichting
- Noaber Foundation
- Oranje Fonds (hybrid organization)
- Triodos Foundation
- Turing Foundation

Four organizations provided more detailed information on the content of their responsible investment policy. These were:

- Fonds 1818
- KNRM (hybrid organization)
- SNS REAAL Fonds
- Prins Bernhard Cultuurfonds (hybrid organization)

Four foundations indicated that the policy is will be developed or is being implemented. These organizations are:

- ASML Foundation
- Haella Stichting
- Stichting Fonds Schiedam Vlaardingen eo
- Stichting Leids Universitair Fonds

It should be noted that the four organizations that provided more detailed information on the content of their responsible investment policy are the same as last year. This means that no new foundations have provided detailed information on this topic. Furthermore, the Stichting Fonds Schiedam Vlaardingen e.o indicated last year that it is developing a policy, but it is unclear when this policy can be expected.

### Implementation

In this section the different responsible investment instruments are described as well as the foundations that have implemented these instruments.

**Exclusion:** Six organizations make use of exclusions to implement their responsible investment policy, an increase in comparison with last year. These organizations are:

- Fonds 1818
- Iona Stichting
- KNRM (hybrid organization)
- Oranje Fonds (hybrid organization)
- Prins Bernhard Cultuurfonds (hybrid organization)
- SNS REAAL Fonds

**Positive selection:** In total, 3 organizations use positive selection as responsible investment instrument. These are:

- Fonds 1818
- Iona Stichting
- Oranje Fonds (hybrid organization)

Last year, SNS REAAL Fonds has also implemented positive selection. This year they were unable to show that this instrument was used for its investments. The Iona Stichting also indicate that they invest in companies based on a number of sustainability criteria.

**Impact investments:** Two organizations showed that they use impact investment to implement their responsible investment policy. These organizations were:

- d.o.b. Foundation
- Turing Foundation

**Mission related investments:** Six organizations have made mission-related investments. These are:

- d.o.b. Foundation
- Fonds 1818
- Fonds Sluyterman van Loo
- Noaber Foundation
- Oranje Fonds (hybrid organization)
- Prins Bernhard Cultuurfonds (hybrid organization)

A definite improvement can be seen when it comes to impact investing and mission related investments. A number of organisations are taking steps to implement these instruments.

**Voting:** Three organizations were able to show that it made use of voting to implement its investment policy, which is:

- Fonds 1818
- Iona Stichting
- Prins Bernhard Cultuurfonds (hybrid organization)

The Prins Bernhard Cultuurfonds has contracted F&C to conduct its engagement activities. Fonds 1818 has partnered with the VBDO to vote on its equity holdings in the Netherlands and is expanding this to other European countries in 2011. The Iona Stichting instructs in fund managers to vote based on ESG criteria. Other organizations make reference to voting, but there it does not seem to be part of the responsible investment policy of the organization and is done incidentally. These are:

- KNRM (hybrid organization)
- Oranje Fonds (hybrid organization)

**Engagement:** When looking at engagement, only two foundations engage companies.

- Fonds 1818
- Prins Bernhard Cultuurfonds (hybrid organization)

Again, Prins Bernhard Cultuurfonds makes use of F&C and Fonds 1818 partnered with the VBDO for their engagement activities.

One organization makes reference to engagement, but there it does not seem to be part of the responsible investment policy of the organization and is done incidentally. This organisation is:

- Oranje Fonds (hybrid organization)

**Cash deposits/reserves:** No foundation makes reference to the sustainable management of their cash deposits and/or reserves or what criteria are used.

#### Accountability

Only two organizations provided adequate information about the responsible investment policy and the used instruments. These organizations are:

- Fonds 1818
- Prins Bernhard Cultuurfonds (hybrid organization)

Six organizations make reference to their responsible investment policy and/or the instruments in their annual report or website, but do not provide the policy documents itself.

- d.o.b. Foundation
- Fonds Sluyterman van Loo
- Iona Stichting
- Noaber Foundation
- Oranje Fonds (hybrid organization)
- SNS REAAL Foundation

The Haella Foundation indicates that when the new responsible investment policy has been developed, it will be published on the website of the organization.

There continues to be, it seems, reluctance on the part of foundations to be more transparent about their responsible investment policies and activities.

Summaries of the profiles of the direct investing fundraising charities have been put forward in table 4.3.

Table 4.3 Fundraising charities and responsible investment

Name organization	Policy	Implementation	Accountability
<b>Adessium Foundation</b>	<ul style="list-style-type: none"> <li>There is no evidence found that the organization has developed a responsible investment policy.</li> </ul>	<ul style="list-style-type: none"> <li>There is no evidence found that the organization has implemented responsible investment instruments.</li> </ul>	<ul style="list-style-type: none"> <li>The organization does not report on either the responsible investment policy or instruments.</li> </ul>
<b>ASML Foundation</b>	<ul style="list-style-type: none"> <li>The organization currently does not have a responsible investment policy, but has indicated that it intends to change this in 2012.</li> </ul>	<ul style="list-style-type: none"> <li>The organization currently does not have a responsible investment policy, but has indicated that it intends to change this in 2012.</li> </ul>	<ul style="list-style-type: none"> <li>The organization does not report on either the responsible investment policy or instruments.</li> </ul>
<b>Bernhard van Leer Foundation</b>	<ul style="list-style-type: none"> <li>"The income of the Bernhard van Leer Foundation is received from the Van Leer Group Foundation, which has a global portfolio of diversified investments. No reference to responsible investments has been made. The assets under management of the Bernard van Leer Foundation are in bank accounts. No evidence was found that sustainability criteria have played a role in choosing the bank.</li> </ul>		
<b>European Cultural Foundation</b>	<ul style="list-style-type: none"> <li>There is no evidence found that the organization has implemented responsible investment instruments.</li> </ul>	<ul style="list-style-type: none"> <li>The organization does not report on either the responsible investment policy or instruments.</li> </ul>	
<b>d.o.b. Foundation</b>	<ul style="list-style-type: none"> <li>The d.o.b. Foundation invests in projects in Africa with a high-risk profile where conventional investors are not active. Selection of these projects is among others on environmental, social and financial aspects. It is unclear if the assets of the foundation itself are being invested according responsible criteria.</li> </ul>	<ul style="list-style-type: none"> <li>Impact investing and mission related investing: The organization invests in projects in Africa with a high-risk profile where conventional investors are not active. Selection of these projects is among others on environmental, social and financial aspects. Based on the published examples this is considered both impact investing and mission related investing.</li> </ul>	<ul style="list-style-type: none"> <li>Impact investing and mission related investing: Both the criteria and examples of projects have been stated on the website.</li> </ul>
<b>European Cultural Foundation</b>	<ul style="list-style-type: none"> <li>There is no evidence found that the organization has developed a responsible investment policy.</li> </ul>	<ul style="list-style-type: none"> <li>There is no evidence found that the organization has implemented responsible investment instruments.</li> </ul>	<ul style="list-style-type: none"> <li>The organization does not report on either the responsible investment policy or instruments.</li> </ul>

Name organization	Policy	Implementation	Accountability
<p><b>Fonds 1818</b></p> <p>Invested assets €450 million</p> <ul style="list-style-type: none"> <li>• 42% public equity;</li> <li>• 20% bonds;</li> <li>• 4% real estate;</li> <li>• 21% alternatives;</li> <li>• 13% bank deposits.</li> </ul>	<ul style="list-style-type: none"> <li>• Fonds 1818 makes reference in their annual report that the organization wishes to invest in a responsible and sustainable manner. This is further elaborated in the investment statute of the organization and the underlying convictions in investing-document. All assets will be invested in a sustainable manner, with the exception when this is not possible or desirable from an investment management perspective. In the investment statute is stated that sustainability is a dominant criterium in the selection of external managers.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Exclusion:</b> the organization does not invest in companies that produce landmines and cluster ammunition. Positive selection: The organization uses a best-in-class-approach and invests in companies that are sustainable in the field of climate change, energy usage, personnel management, knowledge management, stakeholder relations and corporate governance. The positive selection policy applies to the entire equity portfolio, as much as possible.</li> <li>• <b>MRI:</b> The organization invests in organizations which have a direct relationship with the mission of the foundation. These investments are expected to provide a return. Furthermore, Fonds 1818 provides projects with warranties and low interest loans at ASN Bank. 5% of assets are reserved for mission related investments. So far about 2% has been executed.</li> <li>• <b>Voting:</b> Fonds 1818 has voted at the AGM's of their Dutch equity portfolio. Sustainability criteria have been taken into account in the voting decision. In 2011, there will also be voted at the AGM's of a sample of the non-Dutch companies. Voting is being executed by the VBDO.</li> <li>• <b>Engagement:</b> The organization engages with a sample companies via meetings and conference calls. These meetings are organized and executed by the VBDO.</li> </ul>	<ul style="list-style-type: none"> <li>• The investment statute and the underlying convictions have been published on the website. The exclusion policy has been found, but a list of excluded companies was not found on the website. The positive selection policy was found on the website, as part of the investment statute. The organization describes its mission-related investing policy on the website, but a list of mission related investments has not been found.</li> </ul>

Name organization	Policy	Implementation	Accountability
<b>Fonds NutsOhra</b>	<ul style="list-style-type: none"> <li>Fonds NutsOHRA indicated that the majority of their capital comes from a subordinated loan that it is restricted from accessing. There is no evidence found that the organization has developed a responsible investment policy.</li> </ul>	<ul style="list-style-type: none"> <li>There is no evidence found that the organization has implemented responsible investment instruments.</li> </ul>	<ul style="list-style-type: none"> <li>The organization does not report on either the responsible investment policy or instruments.</li> </ul>
<b>Fonds Sluyterman Loo</b> <b>Invested assets €67.1 million</b> <ul style="list-style-type: none"> <li>Public equity 51%;</li> <li>Bonds 31%;</li> <li>Real estate 14%;</li> <li>Bank deposits 4%.</li> </ul>	<ul style="list-style-type: none"> <li>The organization is looking into integrating environmental, social and governance (ESG) criteria into their investments. This is being stated in both the investment statute and its annual report. The internal research is looking into all elements of ESG. Thus far, a responsible investment policy is not available (yet).</li> </ul>	<ul style="list-style-type: none"> <li>MRI: The organization states in its investment statute that it has invested a part of its means into property, which has as goal to carry out statutory objectives.</li> </ul>	<ul style="list-style-type: none"> <li>Besides the MRI, the organization does not report on either the responsible investment policy or instruments.</li> </ul>
<b>Haella Stichting</b>	<ul style="list-style-type: none"> <li>"The assets of the Haella stichting are being managed by Stichting Haella Vermogensbeheer. On the website of the Haella Stichting it is mentioned that the board of Stichting Haella Vermogensbeheer has decided to adopt an investment policy based on ethical, responsible and sustainable investments. The organization stated that responsible investment has been discussed and the implementation is in its final stages.</li> </ul>	<ul style="list-style-type: none"> <li>The organization has not yet finalized and implemented its responsible investment policy. It has indicated that most instruments will be included in the new policy.</li> </ul>	<ul style="list-style-type: none"> <li>When the new responsible investment policy has been accepted, it will be published on the website of the organization.</li> </ul>

Name organization	Policy	Implementation	Accountability
<p><b>Iona Stichting:</b> Invested assets €12.1 million:</p> <ul style="list-style-type: none"> <li>• Public equity 61%;</li> <li>• Corporate bonds 6%;</li> <li>• Government bonds 10%;</li> <li>• Real estate 3%;</li> <li>• Alternatives 13%;</li> <li>• Bank deposits 7%.</li> </ul>	<ul style="list-style-type: none"> <li>• The organization states in its annual report that it has started to invest responsibly in 2010. It has attracted a responsible investment expert and has re-invested its total portfolio in funds, which take responsible investment dimensions into account. The Iona Stichting uses IBS Asset Management as its asset manager.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Exclusion policy:</b> Iona Stichting excludes based on multiple criteria (controversial weapons, human rights and environmental degradation). Positive selection: Iona Stichting maintains positive selection criteria such as human rights, corporate governance, innovation, environmental protection, local economic and social development, and responsible customer behaviour.</li> <li>• <b>Impact investments:</b> Iona Stichting is reviewing investment opportunities in impact investing in sustainable agriculture, sustainable real estate, renewable energy, microfinance and water. Voting: Iona Stichting expects its investment funds to vote on the basis of ESG criteria.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Policy:</b> A reference has been made to the investment statute where responsible investment is included. This statute has not been published. Implementation: There is no publicly available information on the implementation of this responsible investment policy.</li> </ul>
<b>Levi Lassen</b>	<ul style="list-style-type: none"> <li>• There is no evidence found that the organization has developed a responsible investment policy.</li> </ul>	<ul style="list-style-type: none"> <li>• There is no evidence found that the organization has implemented responsible investment instruments.</li> </ul>	<ul style="list-style-type: none"> <li>• The organization does not report on either the responsible investment policy or instruments.</li> </ul>
<b>Noaber Foundation</b>	<ul style="list-style-type: none"> <li>• On the website of the organization (a part of) the investment policy has been explained. The organization provides donations (as a 'venture philanthropist') and investments in companies and organizations (as a 'social venturer'). If the investments of the organization have been done in a responsible manner remains unclear.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>MRI:</b> One of the methods of funding by the organization is to invest in organizations and companies as a 'social venturer'. These organizations can make profits, but there is a impact first policy. This is considered mission related investment. It is not considered an impact investment, since for impact investments a market return is prerequisite.</li> </ul>	<ul style="list-style-type: none"> <li>• Besides the MRI investments, the organization does not report on either the responsible investment policy or instruments.</li> </ul>
<b>R.C. Maagdenhuis</b>	<ul style="list-style-type: none"> <li>• There is no evidence found that the organization has developed a responsible investment policy.</li> </ul>	<ul style="list-style-type: none"> <li>• There is no evidence found that the organization has implemented responsible investment instruments.</li> </ul>	<ul style="list-style-type: none"> <li>• The organization does not report on either the responsible investment policy or instruments.</li> </ul>

Name organization	Policy	Implementation	Accountability
<p><b>SNS REAAL Fonds</b> Invested funds: €16.5 million</p>	<ul style="list-style-type: none"> <li>SNS REAAL Fonds has no responsible investment policy published on the website. In its annual report it is stated that it receives funds from Stichting Beheer SNS REAAL, which in its turn lets SNS Asset Management manage its assets. SNS Asset Management has a thorough responsible investment policy, which addresses the 10 principles of the UN Global Compact. In this profile the policy of the asset manager is assessed.</li> </ul>	<ul style="list-style-type: none"> <li><b>Exclusion:</b> SNS Asset Management has established their Fundamental Investment Principles (Fundamentele Uitgangspunten), which exclude companies on the basis of UN Global Compact and controversial weapons.</li> <li><b>Positive selection:</b> SNS Asset Management selects for a part of its assets via a best-in-class-approach. It remains however unclear if for the assets of Stichting Beheer SNS REAAL this instrument has been used.</li> <li><b>Impact investments:</b> SNS Asset Management uses impact investing of its assets. It remains however unclear if for the assets of Stichting Beheer SNS REAAL this instrument has been used.</li> <li><b>Voting &amp; engagement:</b> It remains unclear if SNS Asset Management engages and votes on the companies that are in the portfolio of Stichting Beheer SNS REAAL.</li> </ul>	<ul style="list-style-type: none"> <li>The responsible investment policy of the asset manager has been published on its website. However, it would be appreciated if the foundation itself makes reference to responsible investing on its website or in its annual report. The exclusion policy and the list of excluded companies has been described on the website of SNS Asset Management.</li> </ul>
<p><b>Start Foundation</b></p>	<ul style="list-style-type: none"> <li>The Start Foundation receives its means on an annual basis from the Stichting Start. Stichting Start (or the Start Foundation) makes no reference toward responsible investments. There is no evidence found that the organization has developed a responsible investment policy.</li> </ul>	<ul style="list-style-type: none"> <li>There is no evidence found that the organization has implemented responsible investment instruments.</li> </ul>	<ul style="list-style-type: none"> <li>The organization does not report on either the responsible investment policy or instruments.</li> </ul>

Name organization	Policy	Implementation	Accountability
<p><b>Stichting Fonds Schiedam Vlaardingen eo</b></p> <p><b>Invested funds: €160.9 million</b></p> <ul style="list-style-type: none"> <li>• public equity 26%;</li> <li>• bonds 37%;</li> <li>• alternatives 36%;</li> <li>• bank deposits 1%</li> </ul>	<ul style="list-style-type: none"> <li>• Last year the fund stated in its annual report that in 2010 it would develop a responsible investment policy. However, in this year's annual report the same statement is included. It would be appreciated if the organization would provide more clarity on the status of these statements. The assets of the fund are placed with Kempen Capital Management, ING Investment Management, International Asset Management and Merrill Lynch Bank Suisse. It remains unclear if these asset managers have been selected on the basis of sustainability criteria.</li> </ul>	<ul style="list-style-type: none"> <li>• There is no evidence found that the organization has implemented responsible investment instruments. The only statement that the organization makes is that it does not engage in MRI, since donations and investments are separated.</li> </ul>	<ul style="list-style-type: none"> <li>• The organization does not report on either the responsible investment policy or instruments.</li> </ul>
<p><b>Stichting Leids Universiteits Fonds</b></p> <p><b>Invested funds: €23 million</b></p> <ul style="list-style-type: none"> <li>• public equity 30%;</li> <li>• corporate bond 10%;</li> <li>• government bonds 50%;</li> <li>• alternatives 10%</li> </ul>	<ul style="list-style-type: none"> <li>• In its annual accounts the organization has included a section about the investment policy. However, no reference has been made towards responsible investments. The organization indicates that this will be discussed in the following years.</li> </ul>	<ul style="list-style-type: none"> <li>• The organization has not yet implemented responsible investment instruments.</li> </ul>	<ul style="list-style-type: none"> <li>• The organization has not implemented a responsible investment policy and therefore does not report on it.</li> </ul>

Name organization	Policy	Implementation	Accountability
<b>Triodos Foundation</b>	<ul style="list-style-type: none"> <li>A reference has been made to the investment policy of the Triodos Foundation in the Annual Report 2009. It states that a part of the reserves is being invested for the long term in sustainable funds. Furthermore, deposit and saving accounts are used. And the foundation has several real estate funds derived from heritages. Besides the sustainable funds, no reference has been made to responsible investments. The 2010 Annual Account mentions a number of Triodos investment funds that it is invested in. For the remaining funds it remains unclear which responsible investment instruments are used. It is also unclear which managers the Triodos Foundation uses in managing its assets, and whether these managers have been selected on the basis of sustainability criteria.</li> </ul>	<ul style="list-style-type: none"> <li>There is no evidence found that the organization has implemented responsible investment instruments.</li> </ul>	<ul style="list-style-type: none"> <li>The organization does not report on either the responsible investment policy or instruments.</li> </ul>
<b>Turing Foundation</b> <b>Invested funds: €44.5 million</b> <ul style="list-style-type: none"> <li>public equity 20%;</li> <li>bonds 54%;</li> <li>alternatives 5%;</li> <li>bank deposits 21%</li> </ul>	<ul style="list-style-type: none"> <li>The organization indicates that it has discussed the topic of responsible investment, but rejected it because the organization brings its mission into practice by donations or interest-free/ low interest loans to various institutions. Furthermore, the organization states that 10% of the equity portfolio was invested in sustainable investments. The assets of the Turing Foundation are being managed by Goldman Sachs International (2/3) and Rabobank and Barclays Wealth Management. It is unclear if sustainability criteria have been used in the selection of these managers.</li> </ul>	<ul style="list-style-type: none"> <li><b>Impact investments:</b> The organization states that 10% of the equity portfolio was invested in sustainable investments. It remains unclear how this has been implemented.</li> </ul>	<ul style="list-style-type: none"> <li>The organization does not report on either the responsible investment policy or instruments.</li> </ul>

Name organization	Policy	Implementation	Accountability
<b>Vereniging Rembrandt</b>	<ul style="list-style-type: none"> <li>There is no evidence found that the organization has developed a responsible investment policy.</li> </ul>	<ul style="list-style-type: none"> <li>There is no evidence found that the organization has implemented responsible investment instruments.</li> </ul>	<ul style="list-style-type: none"> <li>The organization does not report on either the responsible investment policy or instruments.</li> </ul>
<b>VSB Fonds</b> <b>Invested funds: €1 billion</b> <ul style="list-style-type: none"> <li>public equity 35%;</li> <li>bonds 47%;</li> <li>real estate 13%;</li> <li>alternatives 4%</li> </ul>	<ul style="list-style-type: none"> <li>VSB Vermogensfonds provides the means to the VSB Fonds. No reference was found that the VSB Vermogensfonds invests responsibly or is planning to do so. The asset managers of the VSB Vermogensfonds are described in the annual report (Theodoor Gilissen, State Street, ING Real Estate Investments, Kempen Capital Management and MeesPierson). There is no evidence found that sustainability criteria played a role in the selection of these managers.</li> </ul>	<ul style="list-style-type: none"> <li>There is no evidence found that the organization has implemented responsible investment instruments.</li> </ul>	<ul style="list-style-type: none"> <li>The organization does not report on either the responsible investment policy or instruments.</li> </ul>

#### 4.3.2 Non-investing foundations

Two foundations indicated that they did not invest directly in the capital markets.

Table 4.4 states the responsible investment activities of these organizations. Both organizations did not provide details on whether the selection of the banks has been done on the basis of sustainability criteria.

Table 4.4: Non-investing foundations and responsible cash deposits/reserves

Name organization	Policy	Implementation	Accountability
<b>Innovatiefonds Zorgverzekeraars</b>	<ul style="list-style-type: none"> <li>The organization indicates that it does not have assets, but receives quarterly from health insurance companies. The received money cannot and is not invested, but is spent on a short term in different projects. If the banks in which the assets are held, are being selected on the basis of sustainability criteria remains unclear.</li> </ul>	<ul style="list-style-type: none"> <li><b>Cash deposits:</b> It remains unclear if the banks are selected on the basis of sustainability criteria.</li> </ul>	<ul style="list-style-type: none"> <li><b>Cash deposits:</b> No information was published whether or not the banks are selected on the basis of sustainability criteria.</li> </ul>
<b>Kinderopvangfonds</b>	<ul style="list-style-type: none"> <li>In its annual report the organization states that it does not invest its assets. The money has been put at different bank accounts. The organization indicated that it has put the money in a bank account of banks with a good reputation. Unclear if this also includes sustainability issues.</li> </ul>	<ul style="list-style-type: none"> <li><b>Cash deposits:</b> The organization indicated that it has put the money in a bank account of banks with a good reputation. Unclear if this also includes sustainability issues.</li> </ul>	<ul style="list-style-type: none"> <li>The organization does not report on either the responsible investment policy or instruments.</li> </ul>

The results of the hybrid organizations have been included in the analyses of both the fundraising charities and the foundations. Table 4.5 provides an overview of the responsible investment activities.

Table 4.5: Hybrid organizations and responsible investment

Name organization	Policy	Implementation	Accountability
<b>KNRM</b> <b>Invested funds: €61 million:</b> <ul style="list-style-type: none"> <li>Public equity 31%;</li> <li>Bonds 59%;</li> <li>Alternatives 10%</li> </ul>	<ul style="list-style-type: none"> <li>The KNRM has a responsible investment policy based on the four themes of the UN Global Compact. According to its own assessment, about 87.5% of the investments can be classified as responsible and it aims to bring this percentage up to 100%.</li> </ul>	<ul style="list-style-type: none"> <li><b>Exclusion:</b> An exclusion policy is in place which excludes companies that breach elements of UN Global Compact. <b>Voting:</b> The organization indicates that voting occurs via the fund managers. Unclear remains, if ESG-criteria play a role in the voting policy and if the fund managers vote according to the voting policy of KNRM.</li> </ul>	<ul style="list-style-type: none"> <li>The responsible investment policy of the KNRM has not been made publicly available. The organization does not report on the responsible investment instruments.</li> </ul>

Name organization	Policy	Implementation	Accountability
<p><b>Oranje Fonds</b></p> <p>Invested funds: €177 milion:</p> <ul style="list-style-type: none"> <li>• public equity 10%;</li> <li>• bonds (including bank deposits) 80%;</li> <li>• real estate 10%</li> </ul>	<ul style="list-style-type: none"> <li>• "The Oranje Fonds invests its assets in a responsible manner and tries to invest as much as possible mission related. The organization states further that the in 2009 set course of getting a sustainable portfolio is finished in 2010. All assets have been transferred to sustainable portfolios and IBS Asset Management has been appointed as fiduciary manager, selected on its commitment to the mission and goals of the Oranje Fonds. Oranje Fonds has appointed two portfolio managers for bonds with specific sustainable criteria, the same applies to the equity investment (directly in a sustainable Dutch bank and in an investment portfolio of Dutch shares, also screened on sustainability and with active ownership).</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Exclusion:</b> By hiring the portfolio managers the Oranje Fonds systematically integrates Environmental, Social and Governance issues in its investment policy. Exclusion is on the basis of their investment policy (eg exclusion of controversial weapons). <b>Positive selection:</b> The organization does not disclose which responsible investment instruments are being used in the investment portfolio. By selecting portfolio managers with a clear strategy towards sustainability the Oranje Fonds have incorporated their positive selection criteria (more than seventy), focused on the themes society, environment and corporate governance. <b>MRI:</b> Mission related investments is a substantial part of the assets, by investing in not for profit real estate foundations, which invest in the preservation of unique buildings in major Dutch cities. These investments, along with the investment in sustainable real estate, will enhance social cohesion, being the main goal of the Oranje Fonds. <b>Voting &amp; engagement:</b> The organization indicates that active ownership is part of the investment portfolio of the Dutch shares. How this has been implemented remains unclear.</li> </ul>	<ul style="list-style-type: none"> <li>• A reference has been made to responsible investment in the annual report of the organization, but the responsible investment policy has not been published. The organization does not report on the responsible investment instruments.</li> </ul>

Name organization	Policy	Implementation	Accountability
<p><b>Prins Bernhard Cultuurfonds</b></p> <p><b>Invested funds:</b>  <b>€145.9 million:</b></p> <ul style="list-style-type: none"> <li>• public equity 38%;</li> <li>• bonds 49%;</li> <li>• real estate 4%;</li> <li>• alternatives 9%</li> </ul>	<ul style="list-style-type: none"> <li>• The responsible investment policy of the Prins Bernhard Cultuurfonds has been published on the website. The main element of their responsible investment policy is the engagement and voting policy, which is being carried out by asset manager F&amp;C. In this voting and engagement policy document explicit attention has been paid to the elements of UN Global Compact. On the website of the organization it is stated that the fiduciary manager is SEI. It has been stated that in the selection of this manager explicit attention has been paid towards the level of responsible investment.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Exclusion:</b> The organization states that its responsible investment policy focuses on engagement and not on the basis of positive or negative selection. However, in the government bond portfolio, no countries have been included which are under sanction of the UN Security Council or where the ILO calls for a reconsideration of relationships.</li> <li>• <b>MRI:</b> The organization has developed culture funds for Monuments, where low-interest mortgages to owners of municipal monuments are being supplied. Besides these loans the organization also is owner of the property where Heritage Netherlands is located. Since a below market return is required for these loans this is considered to be mission related investments (and not impact investments).</li> <li>• <b>Voting &amp; engagement:</b> The equity portfolio of the Prins Bernhard Cultuurfonds uses the F&amp;C Engagement Overlay, which is an instrument that is a combination of engagement and voting activities. Companies are being engaged and voted on their non-sustainable elements. Because different asset owners combine their engagement and voting activities the influence and effectiveness rises.</li> </ul>	<ul style="list-style-type: none"> <li>• The organization has published their responsible investment policy on their website and makes reference to this document via their annual report. The organization describes their exclusion policy for government bonds, but does not publish their list of excluded countries. The MRI-policy is described on the website and one example has been put forward on the website. The voting and engagement policy has been published on the website and a quarterly report has been published on the website of F&amp;C.</li> </ul>

#### 4.4 Aggregated results

In this section the aggregated results will be put forward, which are the combined results of all participants (both investing and non-investing; and fundraising charities and foundations) of this research will be presented. The percentages of the different elements are for policy, cash deposits/reserves and accountability part of the total participants, but for the other instruments only a percentage of the investing institutions. The non-investing participants do not make use of these instruments.

## Policy

From the total of 49 researched organizations, 30 referred to or could show that they have a responsible investment policy, which corresponds to 61%. This is considered to be the first step in responsible investing.

## Implementation

**Exclusion:** The most widely used instrument was exclusion. In total 19 of the (investing) organizations used this instrument, which is 49%.

**Positive selection:** is being used by 9 of the 39 investing institutions (23%).

Impact investing and mission related investments (MRI): are being implemented by respectively 6 (15%) and 8 (21%) of the investing institutions.

**Voting and engagement:** which are the active ownership instruments, are both being implemented by 3, or 8%, of the 39 investing institutions.

**Cash deposits/reserves:** 11 of the 49 institutions (22%) showed they included sustainability criteria in their selection of bank for its deposits and/or reserves. This is mainly done by the non-investing organizations, which have implemented in 70% of the cases sustainability criteria when selecting their banks in one way or another.

## Accountability

From the total of 49 organizations that have been researched, 27 have published information on either the responsible investment policy or on the implemented instruments. This corresponds to 55% of the organizations.

## 4.5 Advisory Panel

After the analysis of the profiles and prior to the publication the VBDO discusses the results of the research with representatives in the sector in an advisory panel meeting. These representatives consist of people from organizations within the research group and delegates of the umbrella organizations of both the fundraising charities (VFI) and foundations (FIN). These members of the advisory panel provide feedback on the used methodology, the results of the research and the conclusions drawn from the results.

A number of points were raised by the organisations. In the first place, the question was raised why this report must be written in English when all the researched organisations are Dutch. The VBDO responded that it previously made the decision to publish as many reports as possible in English in order to increase the (international) profile of the VBDO and its publications. The suggestion was made to include a Dutch executive summary, something the VBDO will look into and possibly include.

Participants also voiced concerns about the research process. Organisations were asked to provide feedback on a profile of their organisation based on publicly available information. Based on the responses, a final profile was made and an analysis was made. The concern was raised that the researched organisations that were not provided with a reminder to provide feedback. The VBDO took this concern to heart, and sent out a reminder, which led to a higher response rate. There was also too little time given to organise this advisory panel and the preliminary results were provided too late. The VBDO takes these concerns seriously and will work to further improve the research process.

Another observation was made regarding the fact that although the conclusions might indicate that little seems to be happening among the fundraising charities and foundations themselves, there is a lot happening behind the scenes. One example is the recent publication of the VFI guidelines for responsible money management.

The suggestion was also made to contact a selection of the researched organisations to gain a more in-depth understanding of the reasons why these organisations made the decisions they did in terms of responsible investment. This would provide an insight into the reasons for, for example, not responding to the profile or for having the responsible investment policy they have. The VBDO found this a worthwhile suggestion, and will look into this for future publications. Another suggestion focused on including the number of people employed by the organization, and relating this to the responsible investment policy. Many organizations have a limited capacity, and it is therefore quite a challenge to find the resources for responsible investment.

Finally, the concern was raised that if the VBDO comes with a (overly) negative conclusion, that the VBDO will not be taken seriously by the non-profit sector. It was pointed out that it is not possible to compare this sector to other sectors that the VBDO researches, such as pension funds and insurance companies. Finally, there may be very good reasons for organisations not to undertake certain responsible investment activities.

## 5 Conclusions and recommendations

This final chapter of the report draws a number of conclusions based on the results presented in the previous chapter and provides a number of recommendations based on a 6-step plan for composing, implementing, and reporting on a responsible investment policy.

### 5.1 Conclusions

When comparing the results of last year's report to this year, the VBDO sees a number of positive developments. The response rate was significantly increased, showing a greater willingness by the organisations to provide information on their responsible investment activities. Another positive development is that more fundraising charities and foundations are engaged in mission related investing. A growing number of organisations are seeing the benefits of making a contribution to the mission of their organisation, not just on the funds side, but also on the investment side of their activities. Eight organizations (15%) use mission related investments as a responsible investment instrument. Furthermore, impact investing is done by 6 organizations, which corresponds to 21% of the investing researched organizations.

That being said, the VBDO concludes that little significant steps forward have been taken in incorporating responsible investment into the core activity of the non-profit sector in the Netherlands. There seems to be a marked lack of ambition among fundraising charities and foundations, and a tendency to do the perceived bare minimum. This can be seen by the fact that the even the first step, which is developing a responsible investment policy, has not been done at 39% of the researched organizations. Furthermore, the most commonly used instrument is exclusion, based on a perceived need to avoid reputation risks, which is implemented by 49% of the investing fundraising charities and foundations. Active ownership, entering into a dialogue with invested companies is barely put into use. Three organizations (or 8% of the investing organizations) use voting as a responsible investment instrument and 3 organizations have implemented an engagement strategy. Entering into a dialogue with its banking services provider or selecting this financial institution based, among other criteria, on sustainability criteria is still uncommon, which is done by 10% of the investing organizations. Exceptions are fundraising charities that do not directly invest their capital, as most of these organisations (70%) have applied sustainability criteria in one form or another.

Fundraising charities are, on the whole, more transparent about their responsible investment activities. At the same time, however, the lack of information provided seems to suggest that fundraising charities expect the public at large to simply trust that they are investing their entrusted capital in a responsible way. Most fundraising charities, for example, are transparent about the exclusion criteria they maintain. A list of excluded companies, however, is not provided.

Foundations are, similar to last year's results, more reluctant to provide insight into their responsible investment practices. The previous chapter showed that more than half of the surveyed foundations indicated that they had a responsible investment policy. This reluctance to be transparent means that it is still very difficult for the VBDO to get an accurate picture of the extent to which responsible investment is applied. The two mostly used instruments are exclusions and mission-related investments. The other available tools seem to be much less widely used, a missed opportunity. Also in this sector, active ownership is not widely used despite the fact that foundations have a significant amount of invested capital that could be leveraged to better achieve sustainable development.

## 5.2 Recommendations

Based on these conclusions, the VBDO makes the following recommendations:

- Be willing to think of responsible investment as another means to achieve the goals of the organisation.
- Responsible investment should become part of the core activities of the organisation.

In order to do this, the following steps can be taken. These steps were first presented in last year's report, but are very much worth repeating here.

- **Step 1: Clarify the situation** - gather together the information needed to be able to review the charity's starting point, address concerns within the organisation and to be able to suggest how best to proceed. Factors to think about include: the size of investments and where they are currently invested, the current investment policy, any restrictions on the investment policy, what agreements are in place currently with investment managers, what resources are available to develop and implement an SRI policy and who is available and best placed within the organisation to take this work forward.
- **Step 2: Get responsible investment on the agenda** - Once information has been gathered, it is important to bring the issue onto the agenda with important stakeholders within the organization in order to build agreement. It may be helpful to discuss responsible investment at trustee meetings and senior management meetings. Make the case for why SRI would be a sensible choice for the organization; consider inviting 'an expert' from within the sector to talk about their experiences.
- **Step 3: Set aims** - Think about how investment links to the charity's mission, strategy, and risk assessment (particularly around reputation risk); consider the charity's motivations for adopting SRI; consider the nature of the charity and its activities, think about who the key stakeholders are and how they could be involved in setting aims.
- **Step 4: Develop or update your SRI policy** - consider which environmental, social and governance issues should be incorporated into the charity's investments and which approach to take. The policy should include information about which assets it applies to, what is hoped to be achieved from the policy and how this will be assessed, how will it affect the choice of companies to invest in, how will it affect the use of voting rights and other forms of engagement, who will be responsible for implementing the policy and what services will be employed to implement it.
- **Step 5: Implement policy** - In determining the best implementation strategy, trustees need to ascertain whether the existing services provided by fund managers are sufficient or whether additional expertise is required. There are a number of different ways for each approach to responsible investment to be implemented. For example, with engagement, the easiest option may be to use a fund manager with an active engagement process. Alternatively you may decide it is best for the organization to engage by itself or in collaboration with others.
- **Step 6: Report and review** - With clearly defined aims and a written policy that is well researched and effectively transmitted, the charity is likely to gain from responsible investment. To ensure that this is the case, an effective and on-going monitoring process should be established. It should include an assessment of the impact of SRI and whether it has achieved its aims. Underlying this should be an assessment of a number of factors including: the performance of fund managers, costs, which approach best suited, and whether the key issues were addressed.

## Appendices



# 1 List of researched organizations

## Fundraising charities

AIDS Fonds

Amnesty International

Artsen zonder Grenzen

Bartimeus

Cordaid

de Zonnebloem

Diabetes Fonds

Dierenbescherming

Greenpeace

Hartstichting

Hivos

ICCO

KWF Kankerbestrijding

Leger des Heils

Milieudefensie

Natuur en Milieu

Natuurmonumenten

Nederlandse Rode Kruis

Nierstichting

Oxfam Novib

Plan Nederland

Vluchtelingenwerk Nederland

Wereld Natuur Fonds

Foundations

Adessium Foundation

ASML Foundation

Bernard van Leer Foundation

d.o.b. Foundation

European Cultural Foundation

Fonds 1818

Fonds NutsOHRA

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KNRM

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[www.vbdo.nl](http://www.vbdo.nl) / [www.goed-geld.nl](http://www.goed-geld.nl)

The VBDO (Dutch Association of Investors for Sustainable Development) aims at generating a sustainable capital market, a market that brings together supply and demand, not just based on financial criteria, but also on social and environmental aspects. VBDO focuses its activities on actors in the Netherlands, with the international context.