Sustainable Finance Platform

Integrating Impact

Practical Insights for Institutional Investors

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(2) This handbook presents the findings of the Working Group on Integrating Impact set up under the auspices of the Sustainable Finance Platform. The Sustainable Finance Platform is a partnership between De Nederlandsche Bank (chair), the Dutch Banking Association, the Dutch Association of Insurers, the Dutch Federation of Pension Funds, the Dutch Fund and Asset Management Association, Invest-NL, the Dutch Authority for the Financial Markets, the Ministry of Finance, the Ministry of Climate Policy and Green Growth, the Ministry of Agriculture, Fisheries, Food Security and Nature, the Ministry of Infrastructure and Water Management and the Sustainable Finance Lab. The members of the platform meet three times a year to forge cross-industry connections and examine together how they can prevent or remove barriers to sustainable financing and boost sustainability by collaborating in specific areas. The Sustainable Finance Platform endorses the efforts of the Working Group. Nevertheless, the practices and recommendations described in this report are not binding for the individual financial institutions affiliated to the sectoral organisations that are members of the platform, nor is it mandatory for them to implement specific follow-up measures. The document also describes private-sector initiatives and as such contains no regulatory requirements or official government standpoints. The handbook is based on the knowledge in the possession of the Working Group at the time of writing and was completed on November 28, 2025.

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Contents

About the handbook

The goal of this handbook is to support institutional investors in integrating impact into their portfolios by bringing together the latest developments in sustainable finance, grounded in both practical applications and academic debates. It was drafted by the Working Group on Integrating Impact, chaired by PGGM Investments, under the umbrella of the Sustainable Finance Platform (*Platform voor Duurzame Financiering*), a Dutch initiative established by De Nederlandsche Bank (DNB) to bring together financial institutions, supervisors, government bodies, and knowledge institutions with the aim of promoting sustainability within the financial sector. The working group included representatives from APG Asset Management, a.s.r. asset management, Triodos Bank, NN Group, Stichting Pensioenfonds PME, De Nederlandsche Bank and Achmea Investment Management. This handbook was enriched with examples and best practices collected from across the sector. Input was sought from a broader group of financial institutions in the Dutch context, with the Sustainable Finance Lab (SFL), a Dutch academic think tank that brings together scholars and practitioners to promote a stable and sustainable financial sector that serves society, contributing content and expertise. The handbook was also supported and sponsored by DUFAS (Dutch Fund and Asset Management Association) and the Pensioenfederatie (Dutch Pension Federation).

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Introduction

Society is facing pressing global challenges. Already seven of the nine planetary boundaries that define a safe operating space for humanity have been crossed[1], putting increasing pressure on the systems we rely on for production, consumption, and economic stability.

Bound by fiduciary duty, the primary goal of institutional investors is to achieve financial performance, securing future pensions, covering future claims or delivering on other obligations. Yet global challenges are transforming economic, environmental, and political systems, creating system-wide risks that threaten economic and financial stability and, in turn, long-term portfolio performance.

Since investors ultimately depend on the resilience of these systems, they have a financial interest in contributing to their stability and reducing these system-wide risks[2]. By recognizing the connection between portfolio performance and system health, investors can strengthen their resilience while contributing to long-term value creation. This requires looking beyond individual companies and portfolios to the broader system-level perspective. Investors operate within interconnected economic, social, and environmental systems, and the health of these systems shapes the performance of markets and assets.

Investors can contribute to the reduction of systemic risks in two complementary ways: by increasing the positive impacts of their investments and by identifying and reducing negative impacts. Negative impacts can amplify system-wide risks and translate into transition risks such as stranded assets, regulatory fines, or reputational damage. Positive impacts, such as investing in solutions to global challenges, can create long-term financial benefits while aligning investments with beneficiaries' values, whether through affordable housing, climate solutions, or other social priorities. In this handbook, we focus on these inside-out effects, or the ways in which investors' decisions influence people and the natural environment.

The responsibility to address systemic risks does not solely lie with financial institutions. Governments play a leading role in setting direction, shaping regulation, and enabling capital allocation at scale. However, investors can send strong signals to companies, regulators, and society through their market decisions, stewardship, and influence.

This handbook is the result of collaboration among a group of financial institutions that recognize the responsibility, necessity and opportunity to act. It shares practical steps and examples of how the real-world effects of investors' financial activities on people and the natural environment ('impact') can be integrated into the asset management practices of institutional investors. Alongside this, it highlights considerations and dilemmas, acknowledging this as an evolving topic with many questions still open. This handbook is written for institutional investors, asset owners and asset managers alike. It is particularly relevant for board members and strategists, who oversee the full investment process.

[1] Planetary Boundaries Science (PBScience), 2025, Planetary Health Check 2025
[2] UNEP FI & UN PRI, 2010, Universal ownership: Why environmental externalities matter to institutional investors

Written by practitioners for practitioners, this handbook is an invitation to explore how the financial sector can contribute to a more resilient and sustainable system. It does not provide all the answers, because integrating impact is complex, evolving, and full of open questions. Instead, it reflects lessons from experience, and encourages ongoing dialogue, experimentation, and collaboration.

Section 1 introduces key concepts and definitions, including a system-level perspective and the notion of impact; Section 2 looks at where impact can be integrated across the investment cycle; Section 3 covers vision, purpose, key themes, and investment beliefs; Section 4 focuses on strategic planning and asset allocation; Section 5 explores implementation at the portfolio and mandate level, including stewardship practices; Section 6 addresses monitoring and evaluation, highlighting approaches to measure impact and track progress. Finally, the conclusion emphasizes the remaining open questions in the field, as an invitation to ensure continuous sharing and learning from each other.

Definitions and overarching concepts

This section highlights some definitions and overarching concepts that clarify the scope and approach taken in this handbook.

A system-level lens to investing

System-level investing is an approach which adopts a macro perspective, connecting financial markets and socio-environmental systems[3]. It looks at the system-level, beyond individual companies and portfolios. It focuses on the health and stability of entire economic, environmental, and social systems (e.g., climate, biodiversity, inequality, financial stability) and recognises that financial markets are embedded within those systems. Unlike traditional portfolio management, which focuses mainly on the risk-return profile of individual assets or sectors, system-level investing considers how system-wide issues are interlinked and how they shape long-term investment outcomes. The core idea is that investors cannot insulate themselves from system-wide risks simply through diversification, because these risks affect entire markets and asset classes simultaneously. In other words, a safe portfolio does not exist if the system itself becomes unstable[4]. This handbook is based on the standpoint that investors operate within interconnected systems. As a result, they should consider these systems throughout the investment cycle[5].

"Impact" in this handbook

In this document, "impact" refers to the real-world effects of financial activities on people and the natural environment. These build on the concept of double materiality, used in sustainability reporting[6]:

- Financial materiality (*outside-in*): how environmental and social factors affect financial performance
- Impact materiality (*inside-out*): how an organisations' (including companies and investors) activities affect people and the planet

[3] Dorian, 2025, System-Level Investing: Redefining the Role of Institutional Investor | Sustainable Investing Research Initiative (SIRI)

[4] Lukomnik & Hawley, 2021, Moving Beyond Modern Portfolio Theory: Investing That Matters, Lukomnik & Burckart, 2024, Tools Used by System-Level Investors in Their Net-Zero Initiatives

[5] More about system-level investing in: PRI (2025), Addressing System-level Risks and Opportunities; J. Lukomnik and W. Burckart (eds) (forthcoming in early 2026), Handbook of System-Level Investing, Miniver Press, McLean (VA).

[6] The concept of double materiality is introduced by the European Union in 2019 and it became a well-established concept in non-financial reporting and in strategy development among financial institutions, particularly in the European context. Sources: Adams et al., 2021, The double-materiality concept: Application and issues; European Commission, 2019, Guidelines on non-financial reporting: supplement on reporting climate related information.

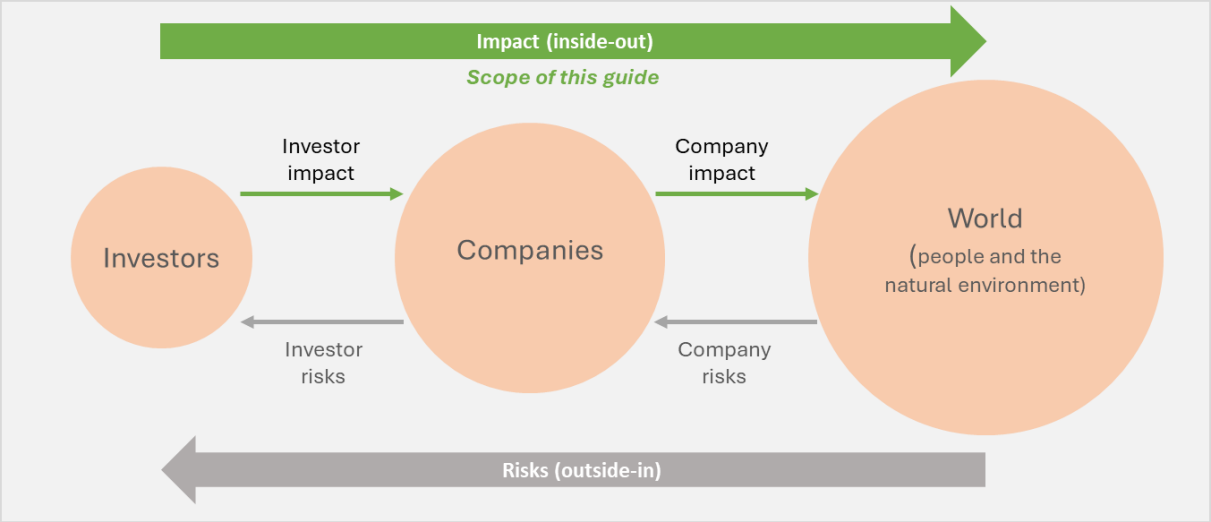


Figure 1: Schematic overview of company impact and investor impact versus risks

While acknowledging relevance of managing both outside-in and inside-out material topics for long-term value creation as well as the interconnectedness of these two perspectives, this handbook focuses on the **inside-out perspective**: the positive and negative effects of investments on society and the environment.

Impact can further be divided into investor and company impact:

- Investor impact: the influence investors have on companies through capital allocation, stewardship, or signalling.
- Company impact: the effects of a company's products, services, and operations on people and the environment[7].

This handbook focuses on managing and accounting for the company impacts across a portfolio, with varying degrees of investor impact depending on the tools used.

[7] Based on Kölbel et al., 2020, Can Sustainable Investing Save the World? Reviewing the Mechanisms of Investor Impact

Considerations on the term "impact"

This handbook uses the term "impact" to describe the real-world effects that investee companies have on people and the natural environment. We recognize that multiple interpretations of the term exist in practice across the financial sector.

"Impact investing" is often defined as a subset of strategies that intentionally direct capital toward projects or companies with measurable positive outcomes, as outlined by the Global Impact Investing Network (GIIN).

While embracing this concept, the handbook takes a broader view. It does not only concern intentional impact investing products, but considers all financing activities, and examines the full range of an investor's portfolio, including both positive and negative effects on society and the environment. It contains all of the impact categories defined by the ABC framework of the Impact Management Project: "Act to avoid harm", "Benefit people and the planet", and "Contribute to solutions". It also addresses negative (adverse) impacts organisations create or contribute to, as referred to in the OECD Guidelines Responsible business conduct for institutional investors.

Due to such broad approach, the handbook does not focus on the debate over the concept of "additionality", which asks whether outcomes would have occurred without investor action. In this context, that question is less central.
Our aim is not to impose a rigid definition of impact. Instead, we provide practical insights for institutional investors on systematically integrating sustainability considerations across portfolios, drawing on both experience and the latest research.

Long-term thinking

Institutional investors typically have a mix of short- and long-term obligations. Thus, they are well positioned to focus on long-term value creation. Steering on impact requires a long-term horizon as sustainability transitions are long-term processes with inherent uncertainty[8]. However, investor processes are typically organised around shorter-term horizons. Being able to manage this requires a strategic mindset shift and policy and governance frameworks that allow for long-term thinking. In practice, this may mean accepting short-term deviations from traditional risk-return expectations.

Some examples include[9]:

- Agree on board level what the goals are and how success is measured. Instead of only looking at return and benchmarks, more qualitative or absolute measures can be considered.
- Embed long-term value creation in manager selection processes, by assessing the asset manager's forward-looking strategy and alignment with sustainable, long-term targets.
- Design incentive structures and performance expectations that balance short- and long-term performance metrics.

[8] Page 9 on World Economic Forum, 2011, The Future of Long-Term Investing
[9] See SPIL papers: SPIL, 2021, De praktijk van langetermijn beleggen: de aanpak van PME en PostNL; SPIL, 2018, Langetermijnbeleggen

Integrating impact in the investment cycle

In this handbook, we describe possible steps that institutional investors can take while integrating impact in their asset management activities. The handbook follows the typical investment cycle of institutional investors. Impact can be integrated in the different steps of this existing investment cycle. These steps are:

1. **Vision, purpose, key themes & beliefs**: Define a vision for long-term financial, social and environmental value creation, define the purpose and identify key themes or transitions and set investment beliefs.
2. **Strategic plan**: Translate the vision into a strategic plan. This includes defining how impact is measured, assessing current and potential impact, setting targets and integrating impact in the asset allocation.
3. **Implement & execute**: Implement and execute the strategic plan. This includes translating policies into operational guidelines. It also includes the manager selection process and the engagement strategy.
4. **Monitor & evaluate**: Ongoing monitoring of key themes and impact of the portfolio, evaluating results and refining the strategy if needed.

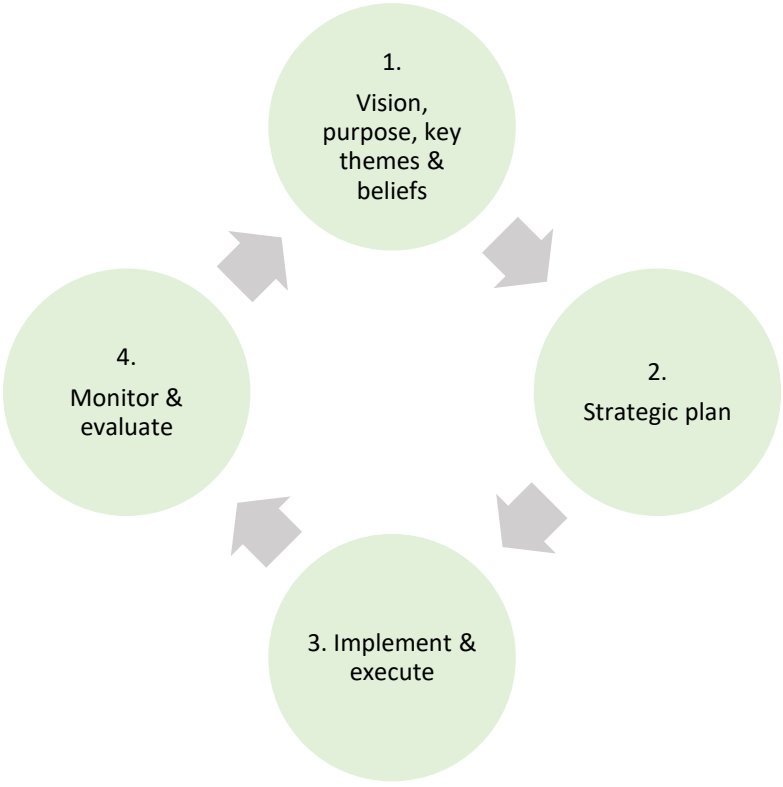


Figure 1: Framework for impact integration in the investment cycle. Drafted by the authors, inspired by the investment cycle used by DNB[10].

[10] De Nederlandsche Bank, 2019, Beleggingen - Pensioenfondsen

1. Vision, purpose, key themes & beliefs

This section describes the starting point for steering on impact: formulating a vision on what the economy can look like in the future; and defining an organisational vision and purpose around this. The goal is to have this translated into key themes and investment beliefs.

1.1 Vision

As a first step for integrating impact, it can be helpful to formulate a vision or scenarios of what the economy can look like in the future. This includes developing a view on societal transitions or trends. As a result, there may be a longer-term perspective on what is sustainable and how investors can contribute.

Such a vision on the future and long-term developments can be informed by various sources. Examples include the annual 'Global Risks Report' by the World Economic Forum[11], megatrend analyses[12], and scientific research. Increasingly, companies use so-called 'foresight' and scenario-analyses to assess possible future scenarios and their implications for business. Regarding this, it can be valuable to explore both prospective (what is likely to happen) and normative (what ought to happen) scenarios when considering the future vision.

To evaluate potential future developments, investors can use the STEPE framework[13]. This approach helps consider external factors from five key perspectives: Social, Technological, Economic, Political, and Ecological. Using STEPE ensures that multiple angles are considered when analysing how the world might change and how it could affect investments.

Moreover, there are several frameworks that structure sustainability trends and transitions into subtopics. In this chapter, we highlight some of the most established ones.

The UN Sustainable Development Goals (SDGs), adopted by all UN member states in 2015, provide a global framework of 17 interconnected goals aimed at guiding countries through the transitions necessary for environmental sustainability (e.g., climate action, life on land and below water), social development (e.g., quality education, gender equality, reduced inequalities), and economic progress (e.g., decent work, industry innovation, responsible consumption), thereby promoting a holistic approach to sustainable development by 2030[14].

[11] Elsner et al., 2025, Global Risks Report 2025
[12] Gaub, 2019, Global Trends to 2030: Challenges and Choices for Europe
[13] Richardson Jr., 2017, A Brief Intellectual History of the STEPE Model or Framework – (i.e., the Social, Technical, Economic, Political, and Ecological)
[14] UN, n.d., The 17 Goals

Figure 2: Integration of Sustainable Development Goals across economy, society, and biosphere. This diagram illustrates the interconnection of the United Nations Sustainable Development Goals (SDGs) across three key dimensions: the biosphere (environmental boundaries), society (social foundations), and economy. The layered, circular design emphasizes that a healthy economy and society depend on a stable biosphere, and that the SDGs are interlinked across these domains. Each coloured segment represents specific SDGs within their respective dimension.

Another framework to identify key risks for sustainability is the planetary boundaries model[15], developed by the Stockholm Resilience Centre. The Planetary Boundaries model provides a framework for identifying key environmental risks to global sustainability. It defines nine critical earth-system processes, such as climate change and biodiversity loss, which, if crossed, could trigger large-scale environmental disruptions and threaten the resilience of the planet.

[15] Stockholm Resilience Center, 2025, Planetary Boundaries

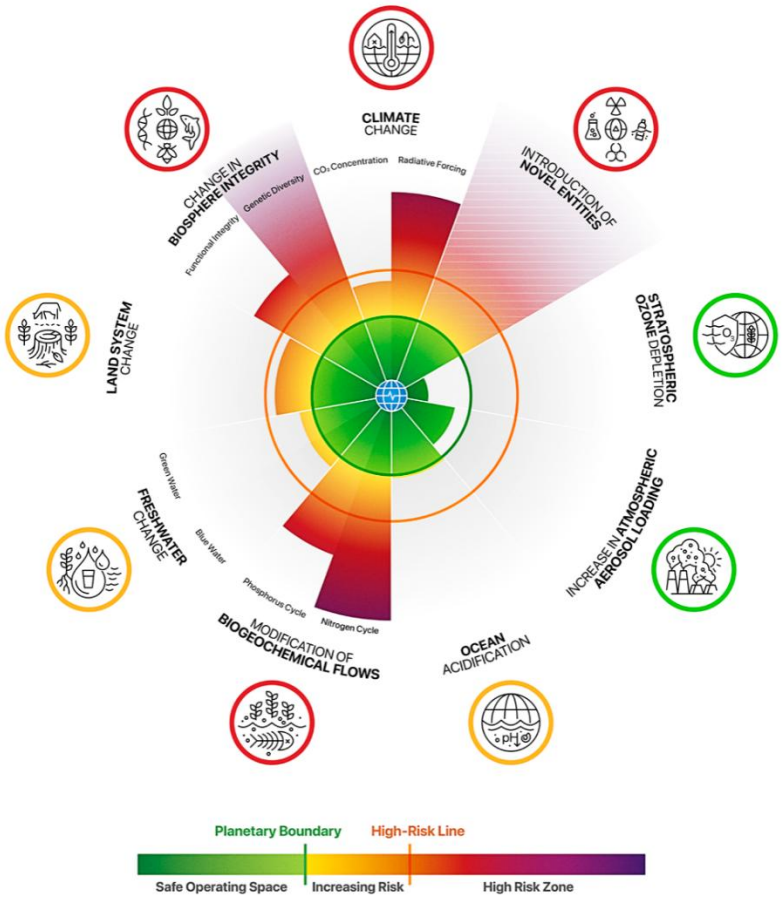


Figure 4: The Planetary Boundaries Model

A related framework is Kate Raworth's Doughnut model of social and planetary boundaries. In this model, planetary boundaries form the environmental ceiling, which, if exceeded, can lead to irreversible environmental degradation and tipping points in earth systems. The social boundary represents the foundation of life essentials, such as food, housing, healthcare, and education. The space between these boundaries defines an environmentally safe and socially just zone where humanity can thrive[16].

Building on these models, the transitions needed to achieve a desired future state can be identified. Transitions can be seen as the bridge: they aim to redesign human systems (such as energy, food, mobility, industry) so that human and planetary well-being is achieved within a safe operating space.

Transitions are transformational systemic changes occurring through the gradual build-up of new economic paradigms and the breakdown of obsolete models. Transitions are typically disruptive and non-linear, e.g. new regimes may take a long period to develop but can accelerate in a relative short timeframe[17].

[16] Doughnut Economics Action Lab, 2025, Doughnut 3.0 is here
[17] Hebinck et al, 2022, An actionable understanding of societal transitions: the X-curve framework

Examples of transitions are[18]:

- Energy transition: Shifting to renewable and low-carbon energy systems to ensure universal access to affordable, reliable, and sustainable energy, energy security and independence.
- Food, agriculture, and land-use transition: Transforming food systems to be more sustainable, resilient, and equitable, addressing issues such as food security, nutrition, and sustainable land management.
- Urban and infrastructure transition: Developing sustainable, inclusive, and resilient urban areas and infrastructure, promoting green cities, sustainable transport, and equitable access to services.
- Industrial and resource materials transition: Creating sustainable industrial systems that minimize resource use, reduce emissions, and promote circular economies.
- Biodiversity and ecosystems transition: Halting biodiversity loss and restoring ecosystems, ensuring the protection and sustainable use of terrestrial and marine environments.
- Water and sanitation transition: Ensuring universal access to clean water and sanitation, promoting sustainable water management and addressing water scarcity issues.
- Education: Ensuring inclusive and equitable quality education and promoting lifelong learning opportunities for all.
- Jobs: Promoting full and productive employment and decent work for all, with a focus on creating green and sustainable jobs.
- Digital connectivity: Expanding access to digital technologies and internet connectivity to bridge the digital divide and promote inclusive development.

Triodos' view on the resource transition

Resource Transition - from a wasteful 'extract-use-dispose' linear economy to one in which resources are truly valued and used prudently.

"The way we produce and consume materials creates a variety of environmental, social and economic challenges. Ranging from deplorable labour conditions and shadowy trade flows to pollution, climate change and biodiversity loss. We must establish a resource management system that conserves resources across their entire lifecycle and revitalises the natural systems they are a part of.

This transition entails a fundamental change of our current production and consumption practices and in the way we extract, produce, use, and dispose of goods and materials. It can only be achieved if supported by a change in mindset, leading us to intrinsically value the things we use and produce, as well as the natural environment that surrounds us. These values should be reflected in all supply chain processes, technologies, business models and business practices.
This holistic view forms the base of our investment strategy and is further explained in Triodos Bank's vision paper 'Transforming resource lifecycles. An urgent shift from linear to circular'."

[18] UN, 2023, Six Transitions: Investment Pathways to Deliver the SDGs; UN, 2019, Global Sustainable Development Report (GSDR) 2019; UN, n.d., Global Sustainable Development Report (GSDR); UNEP, 2021, Making Peace With Nature

1.2 Purpose and key themes

The concept of purpose originates from a debate in management literature about the fundamental aim of the organization. In essence, a purpose is "the point where the strength of the company intersects with a societal need". In other words, a purpose is the intersection of the answers to three fundamental questions: who are we as an organization, which stakeholder needs do we fulfil, and what societal role do we play[19]? A clear 'purpose', and well-defined key themes form the foundation of successful impact integration. They help institutional investors to:

- Provide direction and focus by explicitly defining what impact means for the organization, it becomes clear what impact integration should contribute to.
- Ensure strategic consistency because investment decisions can be aligned with long-term targets, both financially and in terms of impact.
- Engage stakeholders because shared vision fosters better collaboration with investors, policymakers, and other stakeholders.
- Improve measurability and accountability because clearly defined themes and targets enable impact to be quantified and reported transparently.

Building on the vision defined, which provides the strategic compass, the vision and purpose translate this aspiration into a concrete organisational role. Whereas vision is broad and forward-looking, purpose is actionable: it identifies where the organization can make a meaningful contribution, leveraging its strengths to address societal needs. Once an organization has defined its purpose, this becomes the foundation for selecting key themes. These themes outline the areas where the organization aims to create meaningful impact. Several factors can inform this selection. For asset owners such as pension funds, the sustainability preferences of participants can play a significant role, shaping both the direction and emphasis of the themes. Internal capabilities also matter; themes should align with areas where the investor has the expertise, capacity, and influence needed to contribute to real-world outcomes. In addition, themes can be driven by future opportunities. Addressing environmental or societal challenges may open pathways for new business models or long-term value creation. By considering purpose, participant preferences, organizational strengths, and forward-looking opportunities together, investors can identify themes that are both credible and aligned with their broader vision.

Table 1: "Examples of visions, their corresponding purposes, and key themes

Vision	Purpose	Key Themes
A world powered entirely by renewable energy, with zero waste and thriving ecosystems	Accelerating the transition to a sustainable economy	Energy transition, sustainable agriculture, circularity
Universal access to high-quality healthcare and improved quality of life for all	Advancing global health and well-being	Affordable healthcare, mental health, nutrition
A society where every individual has equal opportunities and can fully participate in economic, social, and political life	Promoting social equity and inclusion	Gender equality, financial inclusion

[19] Mazutis & Ionescu-Somers,2015, How Authentic Is Your Corporate Purpose?

a.s.r.: Themes selection

a.s.r. has defined four focus themes within its policy on Responsible Investments and Impact Investing Framework: Climate & Energy Transition, Biodiversity & Natural Resources, Health & Wellbeing, and Human Rights. These are applicable for the total portfolio. For each of these themes, specific impact objectives have been formulated. In addition, target areas have been identified to make the themes investable, supported by (non-exhaustive) examples of relevant activities.

APG: Themes selection

As a steward of long-term capital, APG translates its clients' environmental, social and governance (ESG) priorities into its investment practices, including engagement. These themes are selected in close consultation with clients and focus on areas where systemic risks exist and where investor influence can drive meaningful change, including setting new industry standards.

APG engages with companies on the key chosen themes such as climate, biodiversity, human rights, and governance. These themes are updated periodically following discussions with clients. APG calibrates the intensity and format of engagement based on the materiality of the issue and the responsiveness of the company. By taking a dynamic approach to take into account market developments, APG aims to remain effective in an evolving investment landscape.

Source

Key themes can also be selected through a "double-materiality assessment" that maps the potential impact of its investments on the real world (inside-out, impact materiality) and the potential impact of developments in the real world on its portfolio (outside-in, financial materiality). This identifies the themes the investor has most impact on and will have most impact on the portfolio. The themes or trends that score high on both dimensions could be prioritized in the sustainability strategy of the investor.

1.3 Investment beliefs

Investment beliefs assist investors in structuring and guiding their investment policies, ensuring alignment with their vision, purpose and beneficiaries' expectations (such as pension fund participants). This requires a high-level understanding of the balance between financial returns and social or environmental impact, if possible, supported with data. Well-defined beliefs serve as the foundation of the investment policy, reducing ambiguity and minimizing potential disputes later in the process. A financial return belief might be that diversification across asset classes enhances long-term portfolio returns. A risk belief can be based on climate-related risks, such as regulatory changes or physical damages, and it must be actively managed to protect investment stability. An impact belief is that investing in companies with sustainable practices contributes to long-term economic prosperity while aligning with stakeholder values. It is up to the investor to decide on the hierarchy of the beliefs.

Integrating impact into investment beliefs: theoretical example

To establish a robust framework for sustainable investment, a pension fund integrates impact objectives into their financial decision-making. This involves:

1. Balancing impact and financial returns
   Define whether impact objectives enhance long-term returns or require acceptance of short-term trade-offs. *Example: Integrating impact may reduce short- and medium-term returns (<10 years) but is expected to increase long-term returns (>10 years).*
2. Understanding financial risk
   Specify the relationship between impact objectives and financial risk to manage volatility effectively. *Example: Impact integration can reduce transition risk volatility in the short- and medium-term (<10 years) and mitigate systemic risk in the long-term (>10 years).*
3. Embedding impact considerations
   Investment beliefs should include an understanding of both risks (e.g., climate change) and opportunities (e.g., renewable energy). *Example: As a long-term investor, we aim to contribute to a more sustainable world by actively seeking investment opportunities in renewable energy.*

2. Strategic plan

This section describes the strategic framework. It starts with converting the overarching vision and beliefs into practical guidance and a common understanding of what impact entails and how an investor can steer on impact. It then considers potential adjustment to the risk appetite and how impact, risk and return can be balanced. This is translated into the asset allocation framework, the long-term investment strategy across asset classes.

2.1 Risk-return-impact considerations

When adopting a system-level lens, impact can be added to the traditional risk-return analysis of investors. Integrating impact as a new dimension will introduce new sorts of trade-offs to consider. This means investors might have to accept (short-term) deviations from traditional risk-return objectives in pursuit of long-term value creation. Conversely, investors may accept reduced impact in the short term to increase potential long-term impact. This reflects the dual logic of "impact investing", which combines financial and social objectives and inherently increases complexity. "Finance-first" investors tend to prioritise financial returns, while "impact-first" investors emphasise impact even at the expense of returns[20].

Employing an "impact-first" approach requires the investor to assess trade-offs at the mandate or project level. This level also allows them to make use of transition-driven opportunities, such as investments in new industries, social or environmental infrastructure, insurance products, or innovative financial instruments (e.g., environmental credits; blue bonds). Alternatively, at the portfolio level, investors can set goals for risk, return, and impact, identifying where to optimize for impact and where to optimize for risk–return. The portfolio is then balanced across these objectives, rather than expecting each investment to achieve all three simultaneously[21].
By expressly stating the approach upfront, investors ensure that potential trade-offs are addressed through a structured evaluation rather than ad hoc decisions.

2.2 Impact framework

To effectively steer on impact, investors need a clear understanding of which economic activities contribute positively to societal objectives, and which may have harmful effects. As discussed in the previous chapter, investors can leverage their investment beliefs and impact targets to determine the transitions they aim to support and how they prioritize positive and negative effects.

To navigate these complexities, investors increasingly rely on well-established methodologies such as the GIIN and Impact Management Project (IMP) frameworks, Sustainable Development Goal (SDG) mapping, Environmental, Social, and Governance (ESG) metrics, and life-cycle assessment

[20] Finkelman & Siipi,2017, The Extinction and De-Extinction of Species
[21] Blitz et al.,2024, 3D Investing: Jointly Optimizing Return, Risk, and Sustainability

(LCA) approaches. These frameworks provide structured ways to evaluate the scale, depth, and duration of impacts, and to consider both direct and indirect consequences of economic activities.

Central to this assessment is the "Do No Significant Harm" (DNSH) principle, which underpins regulatory frameworks such as the EU Taxonomy. DNSH requires that an activity contributing to one sustainability objective must not generate material negative impacts on other environmental objectives. For instance, a renewable energy project may advance climate goals but fail DNSH if it significantly harms biodiversity. Thus, integrating DNSH helps investors avoid unintended trade-offs, maintain credibility, and ensure alignment with evolving regulatory standards.

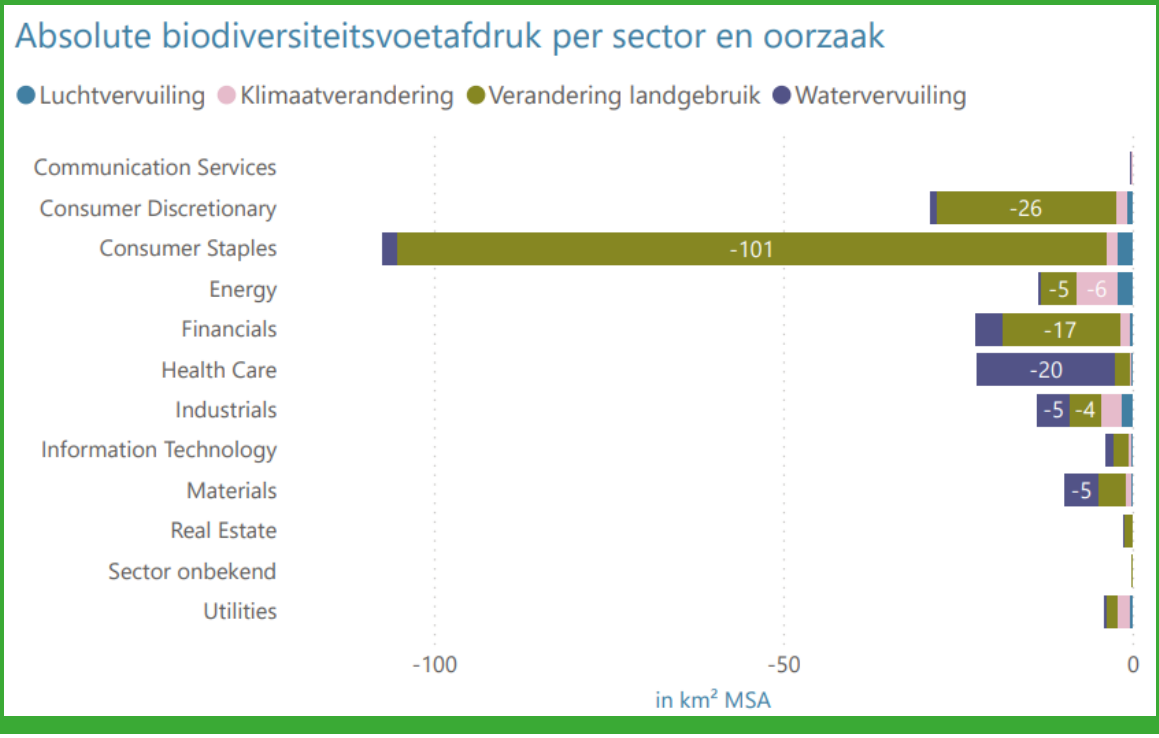
Research emphasizes that impacts are non-substitutable: negative effects in one value dimension cannot be offset by positive outcomes in another[22]. This underscores the need for nuanced analysis, where each activity is evaluated holistically, considering both direct and indirect consequences, short- and long-term effects, and potential trade-offs. Open dialogue and transparent disclosure of these assessments can foster a collective understanding among stakeholders regarding which activities support key themes, and which may undermine them, thereby strengthening strategic impact alignment.

[22] Schoenmaker & Schramade, 2023, Corporate Finance for Long-Term Value

Achmea IM: Biodiversity footprint tool

Achmea IM assesses the biodiversity footprint of its investment funds, with the Corporate Biodiversity Footprint (CBF) scores, developed by Iceberg Data Lab. The CBF is expressed in km^2 MSA. MSA stands for mean species abundance, which is a unit to express the relative biodiversity by comparing the presence and abundance of species in an area comparing to a pristine situation of that area. This tool allows insights in the impacts of an investment portfolio on biodiversity on a sector and corporate level. It allows to identify sectors with high impact on nature, key drivers of loss and the position in the value chain where most loss is caused (scope 1-3).

The insights can also be used to compare a portfolio footprint to a relevant benchmark. Achmea IM uses the data to monitor high-risk companies, identify sectors for engagement and to develop portfolio footprint reduction targets based on insights derived from the footprint analysis.



a.s.r.: Biodiversity impact score

a.s.r. conducts an annual assessment of the key biodiversity impacts and dependencies within its listed corporate investment portfolio. This analysis focuses on two critical factors that determine a company's (direct) impact on biodiversity:

- The nature of its economic activities, and
- The geographical location of those activities.

To evaluate these factors, a.s.r. has developed a proprietary methodology that combines both elements into a single metric: the Biodiversity Impact Score (BIS). The BIS consists of two equally weighted components:

1. Impact Driver Score: This score maps the key issues related to biodiversity for each company to the drivers for biodiversity loss, following the MSCI ESG Methodology. Each driver is weighted according to its relative importance, as defined by IPBES (Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services).
2. Location Score: This score assesses the proximity of a company's assets (minimum of three) to biodiversity-sensitive areas.

Together, these components produce an overall BIS ranging from 0 to 10, where 10 indicates the lowest negative impact on biodiversity. This information is used to determine focus sectors and as a starting point for analysis for engagement on a company level. Further details on the results and a.s.r.'s broader biodiversity strategy are available in their Biodiversity & Natural Resources position paper.

2.3 Investor levers

Investors seeking to integrate impact in their investment processes can generally leverage three levers: stewardship, capital allocation, and indirect influence[23]. These strategies are generally used in combination rather than isolation.

Stewardship (also referred to as active ownership) involves engaging with companies and exercising voting rights to influence corporate behaviour. The underlying assumption is that investors can shape real-world effects by levering their position as shareholders. At the strategic level, the investor may determine where and how the engagement can make the most material impact, based on their vision, key themes, and portfolio. Stewardship is often considered as one of the most effective strategies, as it directly targets decision-making at the company level[24]. While its success depends on focus, follow-up, and coordinated action, when structurally done, it can result in measurable outcomes[25]. However, in practice, stewardship does not always lead to the desired change, and it can be difficult to demonstrate a clear causal link between investor actions and corporate behaviour[26]. Another potential limitation is that stewardship strategies tend to focus

[23] See Kölbel et al., 2020, Can Sustainable Investing Save the World? Reviewing the Mechanisms of Investor Impact
[24] Gosling, 2024, Universal Owners and Climate Change
[25] Tissen, 2024, De zin en onzin van betrokken aandeelhouderschap
[26] PRI, n.d., Active Ownership 2.0

on establishing policies (e.g. having a climate transition plan) at companies, rather than on improving the real-world outcomes (e.g. reduction of emissions).

Capital allocation refers to directing funds towards companies and activities that contribute positively to impact goals, while reducing or exiting exposure to harmful activities[27].

Investors can direct funds toward companies that contribute meaningfully to sustainability goals. This includes providing flexible capital to firms that require adaptable financing conditions to grow, scale solutions, or accelerate their transition to more sustainable business models. To achieve this, specific instruments such as green bonds can be used. The assumption is that by channelling capital to these companies, investors can influence their cost of capital and, over time, potentially guide strategic decisions that reinforce positive impact.
Simultaneously, investors can limit their exposure to companies that are misaligned with an organization's impact targets. Divestment is often discussed as a potential market signal, and while its direct influence on real-world change is debated, some research suggests that achieving a critical mass of investors prioritizing sustainability can amplify the effect, enhancing visibility, legitimacy, and potential behavioural shifts among companies[28].

Indirect influence shapes market norms through benchmarking, setting standards, or creating demonstration effects. These activities aim to shift broader expectations of corporate behaviour. The assumption is that by changing norms, more companies will adjust their policies and practices.

Often, a combination of levers proves most effective. For instance, stewardship can be used as the primary lever to engage with companies, while credible divestment serves as an escalation tool when engagement fails. Similarly, investors may focus stewardship on companies that have both the capacity and willingness to transition, while divesting from those that are unable or unwilling to change. Investors are recommended to reassess regularly whether the assumptions underlying their chosen instruments hold in practice and remain mindful that their actions do not automatically translate into tangible real-world impact.

[27] Investors may also make these allocation decisions for financial considerations linked to sustainability metrics, such as pursuing alpha or managing portfolio risk, rather than purely for impact objectives.
[28] Some literature highlighting the ongoing debate on the effectiveness of exclusions: Li & Wang, 2023, Tracing the Impact of Sustainable Investors; McDonnell, Rempel & Gupta, 2022, Climate action or distraction? Exploring invester initiatives and implications for unextractable fossil fuels; Ewers et al., 2019, Divestment may burst the carbon bubble if investors' beliefs tip to anticipating strong future climate policy; Mangot, 2023, Discussion paper series on investor impact mechanisms; Erl, Kiesel & Schiereck,2024, The diversity of divestiture-stock market reactions around the announcements of divestiture programs.

A.s.r.: Investor levers in practice

a.s.r. has implemented a stewardship strategy through a three-year intensive engagement program, urging oil and gas producers to develop verifiable climate transition plans aligned with the Paris Agreement. During this period, a.s.r. used its capital allocation to invest in companies and projects that contribute to the energy transition and generate renewable energy.

However, after evaluating the progress of 18 oil and gas producers in its portfolio, a.s.r. concluded that all failed to meet the required climate criteria. As a result, these companies were divested and added to the exclusion list. This decision marks the completion of the second phase of a.s.r.'s Fossil Fuel Exit Strategy, which began in 2021 and targets companies with significant climate impact. The strategy sends a message to the market: companies that fail to align with a sustainable energy future will be excluded from a.s.r.'s investment universe. Through this act of stigmatization, a.s.r. reinforces the urgency of ambitious climate action and its commitment to a low-carbon economy.

Investors can use different levers across asset classes depending on the potential to increase positive impact or reduce negative impact. When seeking to increase positive impact, asset classes can be assessed according to three broad dimensions: the degree of influence investors can exercise, the effort required to implement impact strategies, and the potential magnitude of impact that can be achieved. For example, public equities may offer opportunities for engagement through shareholder dialogue and voting, while private equity or private debt can allow more direct involvement in company governance, strategy, and operational decisions. Fixed income instruments may provide influence through covenant design or targeted lending programs, and real assets such as infrastructure or real estate may allow direct interventions with measurable environmental or social outcomes.

Considering these dimensions helps investors identify where their resources and efforts are most likely to translate into meaningful impact. The choice of levers and approaches can also vary within an asset class, depending on factors such as investment horizon, co-investor coordination, data availability, and regulatory constraints. Ultimately, evaluating the interplay between influence, effort, and impact potential can guide more informed decisions and highlight where collaboration or innovation may be needed to achieve real-world outcomes [29].

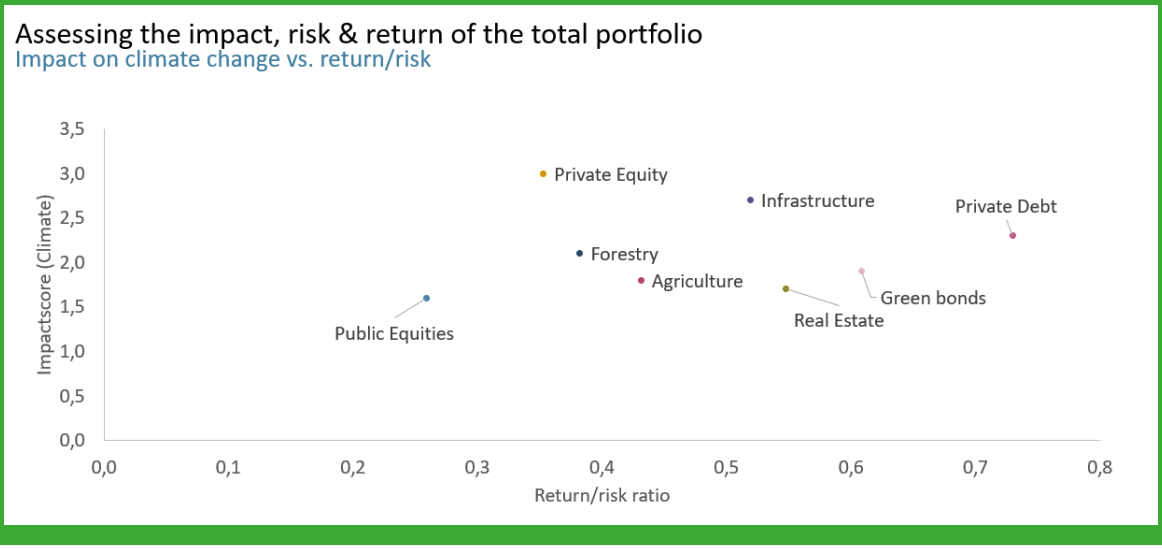
[29] Examples of these kinds of assessments can be found in Investment letter April 2024. Achmea IM, 2024, Impact Investing Part 1: A Strategic Perspective; SPIL, 2024, Impactbeleggen in opkomende markten

Achmea IM: Impact potential

To assess the relative attractiveness of asset categories in the context of an impact portfolio, Achmea IM looks at both the risk-return and impact characteristics. The impact score is a thematic score that weighs four aspects relevant to creating impact:

- Impact potential – the extent to which the asset class allows an investor to realize additionality while generating the impact
- Relevant activities - the extent to which the activities relevant for a specific theme are investable within the asset class
- Availability of solutions - number of funds/managers that provide an investable way of generating impact in the theme
- Ease of implementation – the extent to which the asset class is easy to implement in a given portfolio (e.g. liquid and easy to understand asset classes score higher on this scale)

Then, scores for the 4 aspects are added together in a weighted sum. The weights used should reflect the importance of the 4 aspects for the investor. For example, an investor with the goal of attaining a high additionality of the impact should give more weight to the impact potential characteristic relative to an investor who is not interested in doing so. Finally, the return/risk ratio and the impact score of various asset classes are compared and used in a portfolio construction analysis.



2.4 Targets

Once an impact framework has been adopted and the impact potential across asset classes assessed, the next step is to translate this understanding into quantitative targets for impact. This provides a clear link between strategy and implementation.

Currently, the majority of investors set portfolio-level targets expressed as a percentage or monetary allocation. For instance, they allocate 10% of their total Assets Under Management (AUM) for impact investments. This way, they provide a quantifiable target to align investment strategy with sustainability-driven actions.

Targets can also relate to increased alignment with international frameworks such as the SDGs. Innovative approaches include output-related targets, which measure what was delivered by an investments. For instance, this could include metrics such as megawatts of renewable energy installed, the number of affordable housing units developed, or the volume of sustainable agricultural products financed. Outcome-related targets focus on the real change achieved, such as the reduction in CO_2 emissions, improvements in air quality, or increases in financial inclusion for underserved populations. Such approaches require consistent measurement over time and a clear specification of the intended real-world impact.

Investors can set targets at multiple levels:

- Portfolio-wide targets define overall ambitions, providing a bird's-eye view of the organization's commitment to sustainability or impact.
- Asset class-specific targets enable more granular steering, reflecting the differing capacities of equities, bonds, private equity, infrastructure, and other asset classes to generate impact.

To operationalize these targets, investors can define both long-term and intermediate targets. Long-term targets establish overarching goals, such as reducing portfolio carbon emissions or increasing the share of renewable energy investments. Intermediate targets break these goals into measurable steps, helping investors monitor progress, make adjustments, and ensure their capital contributes to sustainable development in a meaningful and tangible way.

Examples of targets:

- ABP: "By 2030, €30B in impact investments, of which €11B supports climate transition (€10B) and nature conservation (€1B), and €10B invested in Dutch projects." This is an example of a target linked to a **monetary value**.
- PFZW: Through Impact investments, target to avoid 15 megatons of CO_2 emissions by 2030. This is an example of a target linked to an **outcome**.
- Achmea: at least 10% of its own-risk investment portfolio to impact investments by the end of 2025. This is an example of a target linked to a **% of AUM**.

2.5 Asset Allocation

Asset allocation is a process in which institutional investors, based on macroeconomic expectations, calculate expected risk and return and allocate investments. This process typically does not consider impact. However, there are opportunities to integrate and steer on impact within the asset allocation. Recent research[30] finds that while institutional investors increasingly pursue impact within asset classes, only a small number systematically incorporate impact at the asset allocation level. This highlights the practical and methodological challenges in connecting impact management with asset allocation.

To integrate impact within asset allocation, investors could consider either using the Strategic Asset Allocation (SAA) or a Total Portfolio Approach (TPA). These approaches differ in their methodology, flexibility, and capacity to integrate risk and impact considerations. There is an ongoing debate

[30] Impact Frontiers, 2023, Impact Portfolio Construction Yesterday, Today, and Tomorrow

about the merits of SAA and TPA. However, it is important to acknowledge them as governance frameworks rather than different strategies for sustainable investment. Moreover, the choice between SAA and TPA also depends on the type of institution and its liability structure, such as whether the investor is an insurer or a pension fund, or whether it deals with life or non-life products. Institutional context (e.g. regulatory requirements and governance structure) intersects with market opportunity to determine what can be financed. Clarifying this context at the outset helps ensure that asset allocation decisions align both with institutional constraints and market possibilities. In practice, the approach taken may incorporate elements of both SAA and TPA, depending on the investor's objectives and circumstances.

The SAA approach focuses on managing performance at the asset class level. Investments are typically guided by benchmarks that define expected returns and risk profiles for each asset class. This approach emphasizes a structured allocation of assets across different classes based on predefined targets and limits. In the SAA, the allocations to asset classes are based on the Asset and Liability Management (ALM) study. This means impact can only be integrated within existing asset categories, and only in a way that new risks do not exceed category risk budgets. Such predefined targets and limits make it harder to jointly consider risk, return and impact, as they limit the dynamic decision-making.

The TPA approach addresses the limits by shifting the focus from asset class-level to a holistic portfolio-level strategy. In this approach, the risk appetite is set at the portfolio-level and the ALM is treated as a benchmark. This allows for more flexibility in managing the portfolio on risk, return and impact by enabling portfolio managers to allocate or move risk between asset classes. Investors can deviate from existing asset categories within their total risk budget. This portfolio level analysis also allows to assess the impact of certain transitions better; in case they affect certain sectors and/or regions.

Table 2 shows an overview of characteristics of the SAA and TPA. Both approaches are discussed in more detail in the next section.

Table 2: Overview of SAA and TPM approaches.

	Strategic Asset Allocation	Total Portfolio Approach
Methodology	Predefined asset class targets	Flexible portfolio-level allocation
Decision-making	Based on asset class returns and risks	Focuses on each investment's contribution
Risk, return, impact monitoring	Managed at the asset class level	Managed at the total portfolio level, one portfolio approach
Adaptability to transition dynamics	Incorporate transitions in capital market assumptions, but difficult to act as allocations are less flexible.	Incorporate transitions in capital market assumptions, more opportunity to adapt as portfolio can be adjusted continuously
Impact potential	Assessed at asset class level	Assessed at portfolio level
Impact targets	Clear mandate per asset class to achieve impact targets	Mandate on asset class level is more flexible
Impact steering	Limited in short run, rebalancing needed to maintain targets	More in short run, portfolio evolves dynamically, more flexibility in limits

We emphasize that both approaches can be applied differently across investors. Integrating impact consistently and quantitatively remains challenging and relies on many assumptions. While the table on SAA vs. TPA highlights their differences, practical implementation may fall between the two. Moving directly from SAA to a full TPA is rarely realistic, as it requires significant governance and organizational changes. Investors can take incremental steps to gradually strengthen impact integration. The examples below illustrate how institutions can begin internal discussions and explore these intermediate steps, though this work is still at an early stage.

2.5.1 SAA approach

SAA is a widely used asset allocation approach where the investment portfolio is allocated across asset classes (e.g., equities, bonds, real estate) based on long-term strategic targets. These allocations are determined using economic assumptions, return expectations, and risk tolerance. An Integrated Strategic Asset Allocation framework extends traditional SAA by incorporating impact as a third dimension alongside risk and return, ensuring that investment decisions align with long-term sustainability transitions. This approach adjusts capital market assumptions to reflect structural shifts and integrates measurable impact metrics into portfolio optimization to balance financial performance with real-world positive outcomes. These expected structural changes are driven by policy, technology, and consumer behaviour shifts, and can be extracted from the vision formulated in the first chapter. Adjusting the capital market assumptions also includes critically looking at the selected benchmark to assess whether it still reflects the identified structural changes.

Furthermore, the Integrated Strategic Asset Allocation moves beyond an asset class view only towards a sector-level and geographical portfolio view. This provides investors with a better

understanding of how their investments relate to the real economy[31]. For instance, the SAA framework can adjust expected returns for carbon-intensive assets downward while increasing allocations to green infrastructure and clean energy. By doing so, the portfolio becomes proactively aligned with long-term macroeconomic trends and transitions, rather than reacting to them retroactively. For example, when an institutional investor seeks to balance financial returns with real-world decarbonization, it assigns a numerical impact score to each asset, based on CO_2 reduction potential. Then, these impact scores are factored into the portfolio optimization process, ensuring that selected investments not only offer the best risk-adjusted returns but also maximize positive impact. Over time, the fund can set thresholds to progressively increase its portfolio impact while maintaining financial resilience.

a.s.r.: Integration of qualitative impact assessment in Asset Only Study

Every year, a.s.r. conducts a Strategic Asset Allocation (SAA) study. As part of this process, a.s.r. performs a qualitative analysis of various investment categories, evaluating factors such as valuation, vision, and liquidity, and assigning a positive or negative score accordingly. Starting in 2024, a.s.r. has also integrated an assessment of each asset's potential to create a positive societal and/or environmental impact. The impact potential score reflects the capacity of the asset class to contribute to positive outcomes and indicates its alignment with a.s.r.'s impact investing targets. The score is categorized as Large (significant impact potential), Medium (moderate impact potential), or None (little to no impact potential). This impact score is based on a high-level estimation and is confirmed through consultation with various stakeholders.

2.5.2 Total portfolio approach

The total portfolio approach is an emerging asset-liability management method, which treats the entire portfolio as a single entity rather than dividing it into separate asset classes. Instead of rigid allocations in asset classes, investments can be selected based on their contribution to overall risk-return-impact objectives.

Investors applying TPA set objectives for risk, return, and impact on the total portfolio level. This allows them to not only allocate funds based on risk-return-impact considerations but also to distribute the overall targets based on the specific characteristics of each asset class. This means that an investor can, for example, allocate most of the positive impact targets to an asset class best suited for this while ensuring sufficient returns through another asset class. Additionally, by using TPA, investors can monitor and steer on the total progress on targets since they have a better overview on them. To adopt TPA elements, changes in organisational design and governance structure may be needed[32]. The following text boxes provide some (theoretical) examples on how TPA can be used in practice.

[31] Roor, Schoenmaker & Maas, 2025, Integrating Transitions and Impact Measurement in Strategic Asset Allocation

[32] Thinking Ahead Institute, 2019, Total Portfolio Approach (TPA) and Mercer, 2024, Managing the total portfolio

Using TPA to optimise impact objectives: theoretical example

After assessing the impact potential of each asset class and setting portfolio-level impact targets, TPA could be used to adjust the allocation of impact objectives across asset classes. This could ensure that each class is tasked with a proportionate share of the overall impact goals. Hence, for each asset class, specific targets can be set based on its impact potential and risk-return. For instance, if the private equity asset class is particularly well-suited to contribute to a positive impact target, this asset class would be allocated a larger share of this target. Conversely, an asset class like government bonds can provide a large proportion of the risk mitigation. This integration of the total portfolio approach in the SAA ensures that the impact allocations align with both the fixed SAA framework and the impact objectives. In effect, the result of this integration is that the impact objectives are optimised for the SAA allocation, without transferring funds from one asset class to another. This allows for a cohesive strategy that leverages the strengths of each asset class to optimize impact objectives within the constraints of the fixed SAA allocations.

Using TPA to optimise within the limits of SAA: theoretical example

TPA could be used to supplement the outcomes of the strategic asset allocation. This first requires adjusting the SAA to deliver ranges or buckets rather than fixed allocations, thereby creating more flexibility in the SAA. Once these ranges are established, TPA can be applied to further optimise the asset allocation based on risk, return, and impact objectives set at the portfolio level. This involves actively managing the portfolio to align with these targets, considering how different asset classes contribute to the overall objectives. By leveraging TPA, it is possible to dynamically adjust allocations within the predefined ranges, ensuring that the portfolio remains responsive to changes in risk factors, return opportunities, and sustainability goals.

3. Implement & execute

This section show specific examples on how the vision and the strategic plan can be implemented and executed at the mandate level.

3.1 Portfolio construction and mandate considerations

The first step in building portfolios and mandates that integrate impact is gaining an understanding of the inside-out impact of current investments. This can be achieved through in-depth analysis of the existing portfolio or the investible universe, using data vendors and sophisticated analytics. One way to simplify this analysis is by reducing portfolio complexity. In recent years, some institutional investors have intentionally decreased the number of holdings in their portfolios. While a smaller portfolio may reduce diversification, recent research indicates that effective diversification may not require thousands of companies[33].

On one hand, reducing the number of holdings could come with trade-offs such as investors missing high-growth opportunities. On the other hand, concentrating on a smaller, representative set of companies which are well-understood and contribute to long-term value, could help reduce the risk of significant losses over time. Evidence on the effects of portfolio reduction is still emerging, and investors considering this strategy may benefit from closely monitoring ongoing research.

Many investors use exclusion criteria to remove companies involved in controversial industries or products from the investible universe. Common exclusions include companies linked to tobacco and controversial weapons. In recent years, exclusion lists have expanded to include sectors perceived to have negative environmental or social impacts, such as oil and gas, coal, tar sands, gambling, or the sex industry.

While focusing on sectors and products is relatively straightforward to implement, more nuanced approaches are emerging. These approaches evaluate whether companies meet certain sustainability standards (e.g., requiring companies in high-risk deforestation sectors to have dedicated policies) or link these criteria to stewardship activities. Such strategies are often framed as "inclusion" approaches, where the focus is on which companies' investors want to invest in, rather than which they want to exclude.

For instance, once sustainability criteria are adopted, investors can assess which companies are leaders-performing well on such criteria and prioritized for inclusion-and which are laggards, meaning those that perform poorly on these criteria and fall behind their peers. Among laggards, some may be "engageable", showing realistic potential for improvement through stewardship[34] while others are not included in the investment portfolio because labelled as "not investable" with

[33] Brogger, Koeter & Dijk , 2025, FOMO in equity markets? Concentration risk in (sustainable) investing
[34] These are often framed as "improvers" on the basis of the Financial Conduct Authority, 2023, Sustainability Disclosure Requirements (SDR) and investment labels. Improvers are defined as investment products primarily in assets that may not currently meet sustainability standards but have a credible plan to improve over time.

little prospect for meaningful change. This approach aims to make real-world impact by encouraging investee's improvement.

Once the boundaries of the investible universe have been clearly defined, asset owners may wish to embed impact considerations directly within each mandate. By doing so, each mandate can be purposefully aligned with, and contribute to, the impact targets established earlier in the process. Topics to consider are regional limits), company size and stage of investments.

APG: iSTOXX APG World Responsible Index

The iSTOXX APG World-X and Responsible Indices are a series of indices designed to track and quantify the impact of different ESG, Carbon and SDI constraints and tilts on a broad developed global market cap index. The weighting of each constituent security is determined through an optimization process that is designed to minimize tracking error to the benchmark while improving the ESG, Carbon and SDI exposures.

Although the responsible indices significantly lowered the number of issuers compared to the iSTOXX World A benchmark (from 1702 to 848), the tracking error only increases from 0.25% to 0.89% compared to the minimum iSTOXX APG World-X benchmark.

	iSTOXX World A	iSTOXX APG World-X	iSTOXX APG World Responsible	iSTOXX APG World Responsible Low-Carbon	iSTOXX APG World Responsible SDI	iSTOXX APG World Responsible Low-Carbon SDI
Tracking error						
to World A	-	0.25%	0.89%	0.89%	0.89%	0.89%
to World-X		-	0.85%	0.85%	0.85%	0.85%
to World Responsible			-	0.01%	0.09%	0.09%
to World Responsible Low-Carbon				-	0.09%	0.09%
to World Responsible SDI					-	0.01%
Number of components	1,702	1,462	848	846	818	821
Active share vs. World A	-	8%	27%	27%	28%	28%
SDG[1]						
Majority	11.3%	11.6%	12.0%	12.0%	15.0%	15.0%
Decisive	6.5%	6.8%	7.4%	7.3%	8.5%	8.5%
Majority + Decisive	17.8%	18.3%	19.3%	19.3%	23.4%	23.4%
ESG leaders[2]	85.1%	88.6%	100.0%	100.0%	100.0%	100.0%
Emissions[3]	5,398	4,628	2,871	2,751	2,629	2,646
Improvement vs. World A		-14%	-47%	-49%	-51%	-51%

Source

PGGM 3D Equity Mandate

PGGM has a 3D investment strategy, which balances financial returns, investments risks, and sustainability. To execute this strategy for our public equity investments, PGGM shifted from passive investing to 'conscious' investing.

The portfolio has a mix of two complementary strategies: fundamental and systematic. Fundamental managers conduct in-depth company research, which allows for forming an opinion on the sustainability risks a company faces, and on whether the company positively or negatively contributes to sustainability. To ensure a sufficiently diversified equity portfolio, PGGM combines fundamental investment with systematic strategies that use quantitative models to assess the investment universe across all three dimensions.

In the new equity portfolio, PGGM shifted from about 3,500 holdings to 800 holdings. The tracking error increased from 1,0% to 1,2%, meaning that PGGM takes slightly more active risk. However, the new portfolio delivers sustainability improvements. For example, the Paris alignment of the portfolio increased from 23% to 30%, while the SDG alignment increased from 19% to 21%. In comparison, the Paris alignment and SDG alignment of the FTSE AW index is 18% and 12%, respectively.

It is important to stress that this is not a fully 'sustainable' portfolio. Based on the current opportunity set, increasing our exposure to the positive sustainability indicators further would lead to substantial sector and regional tilts. Therefore, the portfolio consists of several types of investments: neutrals, positive alignment investments, improvers, and impact investments.

Most of the portfolio is invested in neutrals, which are companies that meet the minimum sustainability norms from PGGM's client, PFZW, but have no strong negative or positive sustainability characteristics. Moreover, rather than focusing on positive alignment investments, that already show strong positive sustainability characteristics, PGGM wants to focus on improvers. These are companies that have strong transition plans and can contribute to sustainability over time. For example, an energy company that has plans to increase the percentage of renewables in its energy mix.

Lastly, a small part of the portfolio consists of impact investments. These defined by PGGM as investments that contribute to one of the three focus themes of PFZW: healthcare in the Netherlands, climate, and nature & biodiversity. For this, PGGM follows the GIIN definition: investments with the intention to generate positive social and environmental impact alongside a financial return. Therefore, PGGM invests in companies that have a positive and measurable impact. For example, for the climate focus theme, PGGM measures the avoided CO2 emissions resulting from a company's products and or services.

Source

Van Lanschot Kempen: Building a nature positive portfolio

For a total nature positive portfolio, multiple asset classes can be combined to contribute to a portfolio-level outcome. In this case we take farmland, venture capital, growth equity and private debt, each contributing with a specific risk, return and impact profile.

The farmland strategy integrates impact considerations in a real-asset portfolio. The strategy invests in conventional agricultural land across Europe, using regenerative farming practices to address biodiversity, carbon sequestration, and long-term land productivity. Regenerative farmland holdings provide returns with relatively low volatility, while contributing to soil restoration and carbon capture over a multi-year horizon.

Venture capital investments focus on innovations in precision agriculture, alternative inputs, and AI-driven farming optimization tools, representing higher-risk, higher-return opportunities that may scale impact over a longer horizon.

Growth equity and buyout strategies are directed at companies involved in the food value chain, such as vertical farming or food-waste reduction technologies, providing lower double-digit financial returns while embedding sustainability into existing business models.

Debt investments support initiatives in agricultural waste reduction and circular food systems, offering lower-risk, predictable returns while enabling measurable environmental improvements.

Such a strategy is designed with a system-level perspective, considering the combined effect of corporate, sectoral, and investee engagement on both financial outcomes and environmental objectives.

Source

3.2 Manager selection

Integrating impact across the investment chain relies on strong alignment between asset owners and managers. Asset owners set the vision, beliefs, and strategic direction, defining the mandate within which an asset manager operates. Asset managers translate these directives into actionable strategies, drawing on market insights, impact data, and stewardship tools. A shared commitment to aligning financial goals with impact considerations is essential, and ongoing dialogue between owners and managers helps ensure responsiveness as risks and opportunities evolve. Frameworks such as the Model Mandate, developed by the International Corporate Governance Network (ICGN) and the Global Investors for Sustainable Development Alliance (GISD), offer guidance for improving alignment[35].

When selecting external asset managers, investors would benefit from looking beyond superficial indicators such as sustainability initiative memberships. Instead, the assessment should consider the manager's ability to integrate impact into investment decisions, including the specific strategies,

[35] ICGN & GISD, 2022, ICGN – GISD Model Mandate

processes, and practices employed to generate measurable impact and align with the investor's objectives.

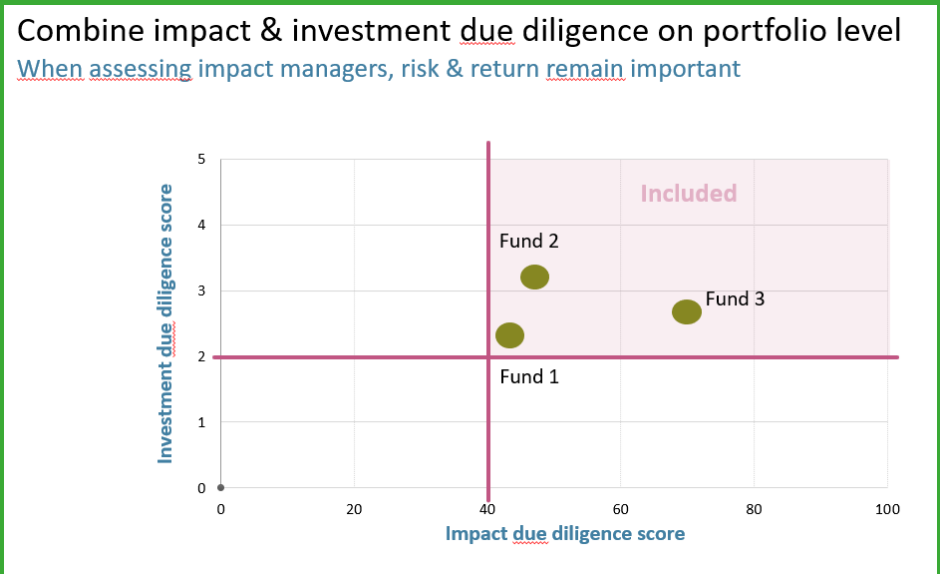
Example questions for manager selection process: theoretical example

Some questions investors might ask during the selection process include:

- How does the manager integrate impact considerations into their investment analysis and decision-making process?
- What is the manager's track record in achieving impact alongside financial returns?
- Does the manager have dedicated impact specialists, and what roles do they play within the team?
- How does the manager measure and report on the impact of their investments?
- What stewardship strategies does the manager conduct?
- How does the manager track the effectiveness and progress in its stewardship activities?
- Is the voting behaviour of the manager during General Shareholder meetings consistent with its sustainability commitments and claims?

Achmea: Impact manager selection

While specifically performed for impact investment funds, Achmea IM's approach can be used to assess any fund. Achmea IM uses an impact scorecard as a tool to conduct impact due diligence. The impact scorecard focusses on four major topics: impact strategy, impact measurement & reporting, impact management and impact governance. The scorecard is used for conducting impact due diligence next to investment due diligence for external manager selection. When applied at the portfolio level, a minimum score for impact is set, which allows for comparison of the impact of different funds. This allows to compare managers and determine what the optimal balance is between the two. As solutions will be implemented over multiple years, investors should not be biased towards solutions that are readily available now.



3.3 Stewardship

While stewardship is a well-established practice among responsible investors, there remains much to share and refine regarding best practices for effective stewardship. Linking stewardship to real-world impact requires more than a series of ad hoc actions; it calls for a carefully designed strategy that emphasizes effectiveness and aligns closely with the investor's broader objectives[36]. While the field keeps developing, there are a series of best practices that emerge from existing literature[37]:

- Grounding engagement in portfolio analysis and focusing on selected material topics or themes, with a focus on the company's key deficiencies.
- Using early engagement focused on disclosure, high-level commitment, or access to senior management to build trust and laying the groundwork for more ambitious requests establish realistic expectations.
- Setting clear, achievable requests with explicit timelines.

Direct engagement with companies is a meaningful tool for driving sustainable outcomes, but its impact is amplified when combined with broader, system-level approaches. Investors can play a key role in shaping the regulatory and policy landscape by supporting and guiding policymakers, contributing to standard-setting initiatives, and fostering shared knowledge and data transparency. By engaging at the corporate, sectoral, and policy levels, investors help create an environment that encourages sustainable practices across the entire market, reinforcing both individual company improvements and systemic change.

Approaches to stewardship can differ across asset classes. In public markets, engagement often relies on dialogue, shareholder resolutions, and collaborative initiatives, while in private markets governance rights such as board seats or advisory roles allow investors to influence strategic, operational, and impact-related decisions more directly. Longer-term investment horizons in private markets can support meaningful operational or structural changes, and coordination with co-investors can extend influence. Tools such as performance-linked incentives, contractual obligations, and structured monitoring may help ensure that impact considerations are reflected in company strategies and practices. Tailoring stewardship to the characteristics of each asset class can help align efforts with the opportunities available in different markets.

[36] In appendix 2, we provide a series of potential escalation measures for stewardship in listed equities.

[37] Bauer, Derwall & Tissen, 2023, Private shareholder engagements on material ESG issues; Hoepner et al., 2023, ESG shareholder engagement and downside risk; Flammer, Toffel & Viswanathan, 2021, Shareholder Activism and Firms' Disclosure of Climate Change Risks; Kölbel et al., 2020, Can Sustainable Investing Save the World? Reviewing the Mechanisms of Investor Impact; Heeb & Kölbel, 2024, The impact of climate engagement: A field experiment

MN: Systemic engagement approach

MN believes that to decarbonize hard-to-abate sectors, investors must develop initiatives aimed at removing any barriers to progress. Initial engagement with steel producers indicated a willingness to supply green steel, but there was a clear lack of demand. In 2023, the IIGCC Steel Value Chain Working Group developed the Steel Purchasing Framework to better understand the projected demand for green steel and identify barriers to its procurement. This framework asks companies to report on current steel usage, obstacles to procuring low-emissions steel, and the emissions intensity of steel purchases along with targets that progressively increase in ambition. In late 2024, a roundtable with eight companies and several institutional investors, including MN, commenced a focused engagement trajectory. The target group includes large steel purchasers with net zero targets such as carmakers, construction firms, and renewables developers. Investors aim for framework adoption, with an intermediate review of enhanced disclosures scheduled for 2026.

PGGM: Stewardship Playbook

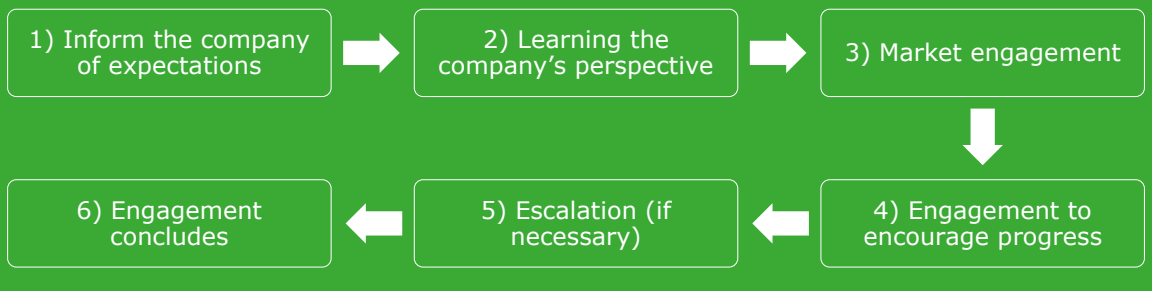
To implement its stewardship strategy, PGGM has drafted the Stewardship Playbook. This playbook outlines how PGGM engages with portfolio companies on key themes, following four steps: Portfolio Analysis, Engagement, Escalation, and Evaluation and Reporting.

First, in Portfolio Analysis, PGGM identifies which companies to engage with by selecting sustainability priorities and conducting a portfolio analysis. This results in a prioritized list of companies needing engagement.

Next, during Engagement, PGGM establishes dialogues with these companies to influence their performance. They create detailed engagement profiles outlining key requests, progress timelines, and potential collaborative partners.

If a company does not meet expectations, PGGM escalates the engagement. Escalation measures vary in severity and can be implemented at different stages of the engagement process.

Finally, PGGM regularly reports on and evaluates its engagement strategy. Quarterly updates are provided to clients, and a year-end stewardship report summarizes achievements, challenges, voting outcomes, and feedback from engaged companies.



3.3.1 Voting as a stewardship tool

Voting during shareholders meeting is a critical mechanism for institutional investors to exercise stewardship. Through proxy voting, investors can signal their preferences on corporate governance, environmental, and social issues, reinforcing the targets outlined in their strategic plan. Voting allows investors to hold boards accountable, promote transparency, and influence corporate decision-making without (or in tandem with) direct dialogue. While voting alone may have limited impact compared to sustained engagement dialogue, research shows that the support of multiple investors on key sustainability resolutions can increase the likelihood of corporate action and signal market-wide expectations for responsible business conduct. As such, voting and engagement should not be seen as substitutes, but rather as mutually reinforcing tools that can complement each other. Effectively integrating voting into a stewardship strategy requires a clear framework for prioritizing proposals, aligning votes with stewardship and impact targets, and monitoring outcomes to inform future actions.

3.3.2 Collaborative and policy engagement

By working together, investors can pool their influence, expertise, and resources to address issues that go beyond the capacity of any single investor. Recent research shows that collaboration significantly increases the likelihood of successful outcomes, as companies are more responsive when approached by multiple investors. Collaborative engagement may involve co-signing letters, participating in joint meetings with management, or joining investor-led initiatives on specific sustainability themes, such as those coordinated by the PRI or IIGCC. These mechanisms make engagement more efficient for both investors and companies, especially on complex topics. To be effective, collaboration should be structured around clear objectives, a shared understanding of priorities, and agreed timelines. It is also relevant to maintain a balance between coordination and individual responsibility, ensuring that each investor acts independently, contributes meaningfully, and respects confidentiality and governance protocols.

Collaborative engagement is particularly functional when addressing systemic or structural challenges, such as deforestation. In these cases, progress requires not only changes in company practices but also broader systemic improvements, including value chain transparency and supportive policy frameworks. By enabling cooperation across investors and engaging with multiple stakeholders in society, collaborative initiatives can leverage collective expertise, networks, and authority to drive more significant and lasting change within portfolio companies and beyond.

It should be acknowledged that companies face limitations in how far they can transition without supportive policy frameworks. Therefore, combining direct engagement dialogues with collaborative efforts to prepare the ground can be effective. Policy engagement plays an important role in stewardship, enabling investors to address structural barriers that individual companies cannot tackle on their own.

Collaborative & policy engagement initiatives on deforestation

Leveraging geospatial data

Collaborative engagement can leverage both technology and coordinated investor action to tackle systemic system-wide issues such as deforestation. For example, Cardano partners with Satelligence, a geospatial analytics firm, to monitor deforestation in real time using satellite imagery and AI. Through this collaboration, multiple investors can access data-driven insights into companies' environmental impacts, enabling coordinated engagement on forest-risk commodities and portfolio-level sustainability objectives.

Leveraging policy dialogue

Another example is the Investor Policy Dialogue on Deforestation (IPDD), which brings together institutional investors to engage governments in tropical countries with high deforestation rates. By pooling their influence, investors can advocate for policy reforms, sustainable land use, and stronger enforcement mechanisms. This coordinated approach increases the likelihood of systemic change compared to individual investor efforts and allows participants to combine on-the-ground policy engagement with portfolio-level stewardship initiatives.

4. Monitor & evaluate

This section explains how impact can be measured, monitored and reported on. It also provides examples on how to monitor trends in key themes and how that can influence the strategy and vision again. Regularly evaluating the vision and strategy on management board level is insightful as it can challenge the existing investment approach.

4.1 Measure and monitor impact

4.1.1 Impact metrics and tools

To assess impact, investors can define metrics that reflect the key themes relevant to their portfolio. This can help track current impact and inform decision-making. Multiple metrics per theme may be used to provide a more comprehensive picture. When selecting indicators, it can be useful to consider both top-down targets and the availability and relevance of underlying data. As methodologies and data evolve, metrics can be reviewed and adjusted over time. For positive impact, frameworks such as GIIN's IRIS+[38] offer guidance for standardized reporting, while OECD and SFDR Principal Adverse Impact (PAI) indicators can be used to monitor potential negative impacts. These metrics provide a way to observe changes over time, supporting the gradual pursuit of more sustainable outcomes. Investors do not need to have every metric or methodology fully developed from the outset; transparency about choices, assumptions, and results is essential to building credibility and learning over time.

Investors can use a range of tools to measure and monitor impact. Commercial impact databases provide performance metrics, but their limitations must be understood and interpreted critically. While most focus is on public markets, emerging solutions are enabling sustainability data collection and impact analysis in private markets.

Direct data collection, such as surveys shared with companies, can complement these metrics and tools. Coordinating with other investors helps reduce the burden on companies and supports the development of consistent reporting standards. Maintaining an in-house view on data quality and methodology is also important, ensuring that insights are meaningful and comparisons are robust, while contributing to the broader advancement of impact measurement.

[38] GIIN, 2025, IRIS+ Standards | Overview

NN Group: Impact reporting on investments in Climate Solutions

In 2024, NN Group developed a Climate Solutions Investments and Impact Measurement Framework. The framework details the approach and the methodology used to measure the impact of investments in economic activities that aim to contribute to climate change mitigation or adaptation. Avoided emissions were chosen as a standard metric across asset classes. However, as it is a hypothetical metric, NN Group aims to also monitor metrics that more accurately reflect the impact that different categories of investment may have.

For example, through infrastructure funds and projects for the energy transition, NN Group invests in solar PV, wind (offshore/ onshore), hydrogen, storage, and other renewable technologies. For these investments, NN Group looks at the gigawatt hours (GWh) of (renewable) capacity they produce. In the case of real estate investments, where the focus is on certified green buildings and properties that meet strict environmental standards, NN Group measures energy saved (GWh) compared to properties with average energy consumption in their respective countries and sectors. NN Group's Climate Action Plan 2025 contains a more detailed case study on this topic.

Achmea IM: Impact metrics to measure performance on one of their key themes 'Equal Opportunities'

Achmea IM conducts thematic impact studies on the key impact themes of the organisation. This study explores the activities that Achmea IM considers impactful based on science, including potential impact metrics to measure the positive impact of these activities. For equal opportunities, these are mostly output metrics. Furthermore, the study tries to bring the theory together with the practice, looking at the availability of investment solutions for the different activities and corresponding impact metrics. Achmea IM continuously iterates this study to reflect the development of the markets and scientific insights.

Tabel 1. Activities and impact metrics Equal Opportunities

Activity	Description	Impact metrics
Financial inclusion	**Financial inclusion** refers to the ability of individuals or businesses to access financial services, including credit, deposits, payments, insurance, and other risk management solutions. It empowers individuals and enterprises to seize business opportunities, invest in education, save for retirement, and protect themselves against risks.	(1) Number of people given (new) access to finance
		(2) Number of MSME's given (new) access to finance
		(3) Number of loans disbursed
		(4) Value of loans disbursed
		(5) Average loan size disbursed
Access to education	**Access to education** provides everyone with the opportunity to realise their potential. As such, education plays a vital emancipatory role. Access to education is particularly relevant for developing countries.	(1) Classroom space new/improved
		(2) Number of people given (new) access to education
		(3) Student to teacher ratio
		(4) Teachers qualified
Digital inclusion	**Digital inclusion** means that everyone can contribute to and benefit from the digital world. The internet and emerging technologies enable society to work and learn more efficiently, maintain social connections, and access news and information.	(1) Average number of connectivity devices in client households
Access to healthcare	**Access to healthcare** contributes to reducing health disparities, and good health in turn helps to reduce inequality.	(1) Number of people given (new) access to healthcare
		(2) Target stakeholder spending on health
		(3) Patients screened
		(4) Patients Completing Treatment
Access to decent work	**Access to decent work** includes promoting inclusivity in recruitment processes, as well as in the treatment and remuneration of employees. Inclusivity contributes to improved company performance, a healthier working environment with diverse perspectives, and greater employee loyalty.	(1) Employees earning a living wage or higher
		(2) Jobs Created at directly supported or financed enterprises
		(3) Employees with written contracts
		(4) Wage equity
Access to housing	**Access to housing** refers to affordable and quality housing for individuals and families, providing a stable foundation for their well-being and economic opportunities.	(1) Individuals housed
		(2) Number of housing units constructed
		(3) Number of housing units improved
		(4) Percent affordable housing

4.1.2 Aggregation and analysis

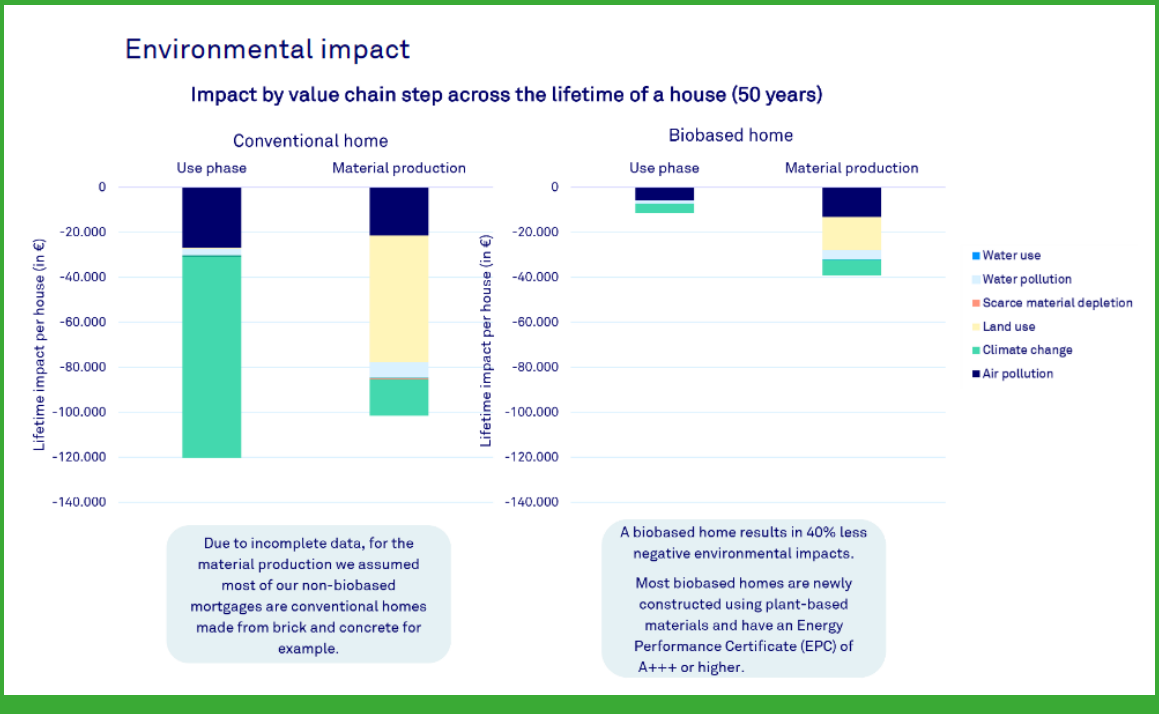
Impact can be measured using separate topic-level metrics (e.g., CO_2 reduction) or aggregated into a comprehensive impact score. Separate metrics allow detailed analysis of each theme and help investors weigh trade-offs between financial return and impact. It maintains a clear distinction between financial performance and impact outcomes, ensuring that impact remains a priority alongside financial considerations. The study of Roor, Schoenmaker and Maas (2024) explores a methodology to integrate impact alignment as a separate dimension in the process of forming an SAA[39]. The proposed method allows to use absolute measurements of impact and corresponding system thresholds. With this methodology, investors can derive an impact score comparing the actual impact to system thresholds resulting in a negative, aligned or positive impact alignment.

Aggregated scores provide a holistic portfolio view. It enables investors to aggregate and compare different impacts across the entire portfolio. In addition, it provides a view of how impact factors contribute to overall investment performance, aligning financial returns with societal outcomes. Integrating impact factors in risk-return metrics involves assigning a monetary value to a unit of impact. For carbon, the social cost of carbon (SCC) or the market value of carbon credits are often used to determine the monetary value. For other impact metrics, it can be more challenging to determine the monetary value. The monetary value of the impact can then be incorporated into Net Present Value (NPV) or Internal Rate of Return (IRR) calculations to create a total impact-adjusted return value.

[39] Roor, Schoenmaker & Maas, 2025, Integrating Transitions and Impact Measurement in Strategic Asset Allocation

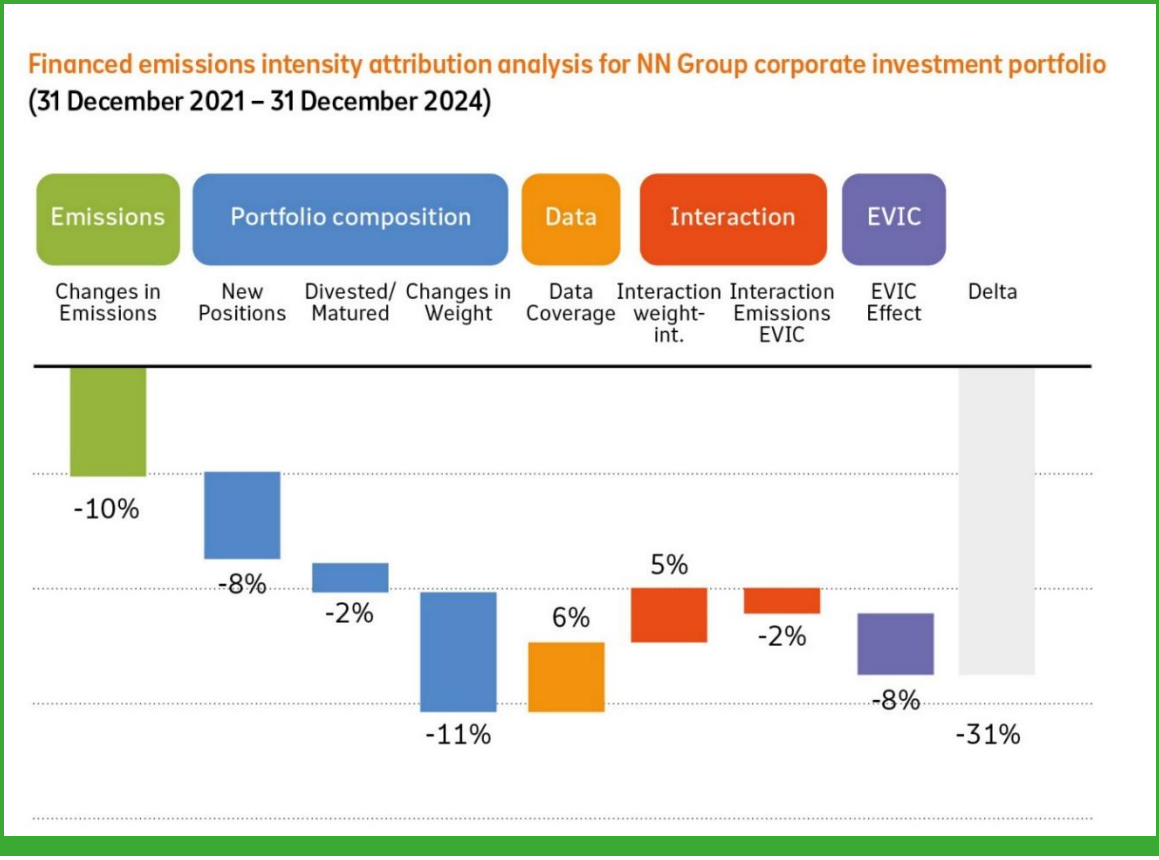
Triodos: Impact in the mortgage portfolio

Triodos investigated the impact of houses. While the financing of bio-based and energy-efficient real estate avoids many negative impacts, there remain environmental challenges associated with the construction and material production and the use phase of these assets. Enhancing the energy efficiency of houses substantially reduces their contributions to climate change and air pollution. However, some negative environmental impacts persist due to material production and usage. In their mortgage portfolio, the largest negative environmental impact comes from contributions to climate change, followed by air pollution. For bio-based mortgages, the most significant negative impacts are land use and air pollution.



NN Group: Attribution analysis to gain insight into portfolio-financed emissions

In the context of its ambition for its proprietary investments to be net zero by 2050, NN Group explored the insights gained from three years of implementing our Paris alignment strategy for the corporate investments' portfolio. To better understand the drivers of emissions reductions, they developed an attribution analysis. This analysis shows that changes in portfolio carbon intensity are influenced by several factors in addition to real-world emissions reductions. The figure shows that actual emissions from NN Group's existing holdings declined by 10%. However, other factors also have an effect – for example, changes in portfolio composition and the EVIC (Enterprise Value including Cash) of individual companies which are affected by movements in market capitalisation. New investments and changes in data coverage can also affect the figures. By applying this type of attribution analysis to its investments, NN Group can better understand how portfolio changes contribute to the real-world emissions reduction and see where more efforts are needed to meet the Paris goals. Read the full case study in the NN Group Climate Action Plan 2025.



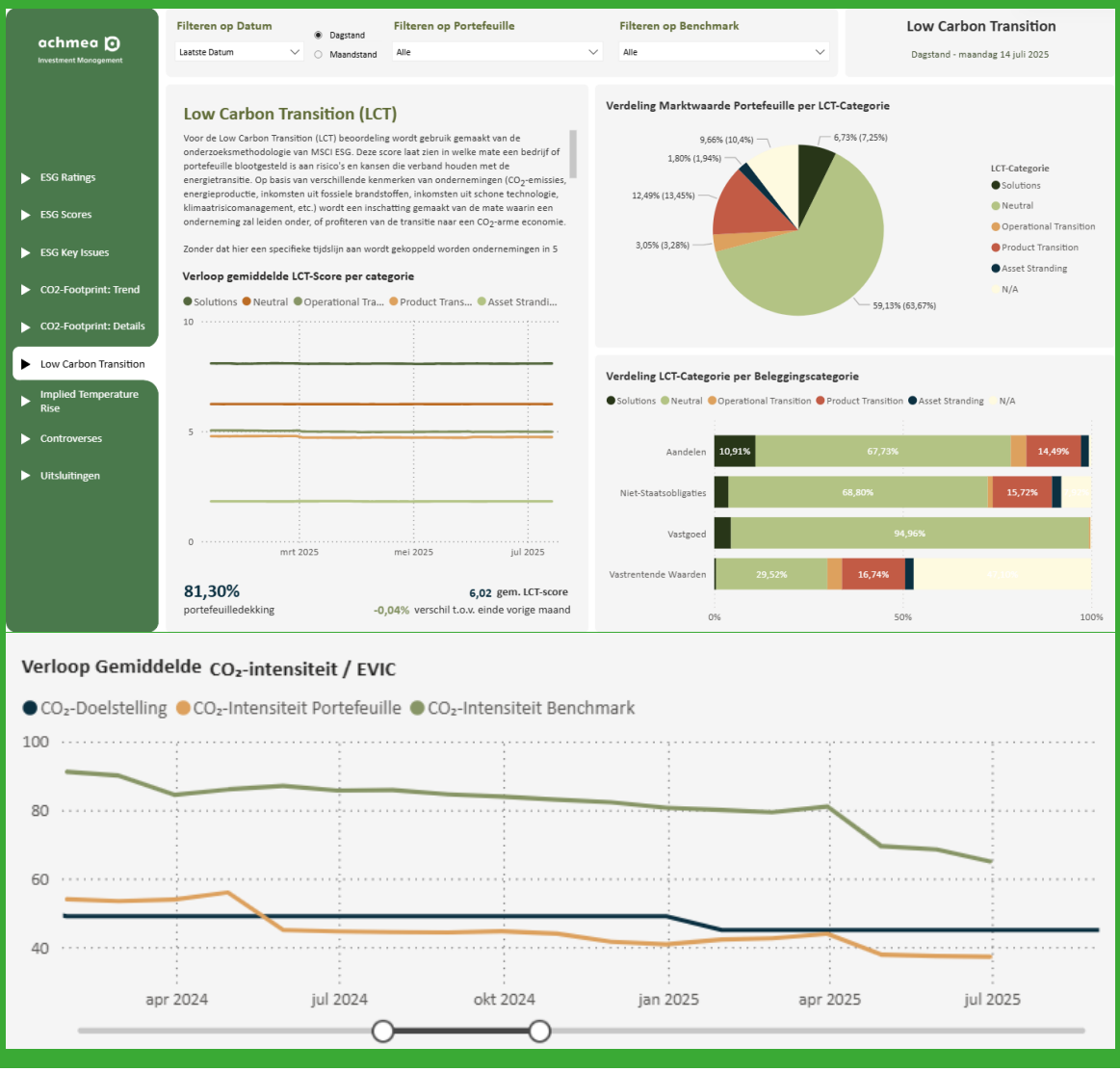
4.1.3 Reporting and monitoring

Regular reporting on both positive and negative impacts ensures progress toward impact targets and enhances credibility. Detailed explanations, case examples, and visualizations improve understanding. Monitoring the broader portfolio impact helps investors detect emerging issues, avoid blind spots, and adapt strategies proactively. In addition, asset owners should also monitor and evaluate the asset managers themselves. Asset owners need to determine if managers are effectively implementing the strategy, meeting impact goals, and aligning with the defined criteria.

This favours accountability and can help with making decisions on manager selection, engagement, or adjustment of mandates. Continuous evaluation enables investors to refine their approaches and maintain alignment between strategic goals, metrics, and real-world changes.

Achmea IM: Sustainability dashboard for pension funds

Dashboard for (pension fund) clients where they can measure the progress of CO2-reduction against their own CO2-reduction targets. An overview of the whole portfolio is shown, and it is also possible to zoom in into investment mandates and funds and specific companies within the portfolio. On the dashboard several other insights are also provided, such as the ESG-rating profile of the portfolio and the positioning of the portfolio for the energy transition (the low carbon transition score, measured by method of external data providers). The dashboard is updated real-time and provides trends over time.



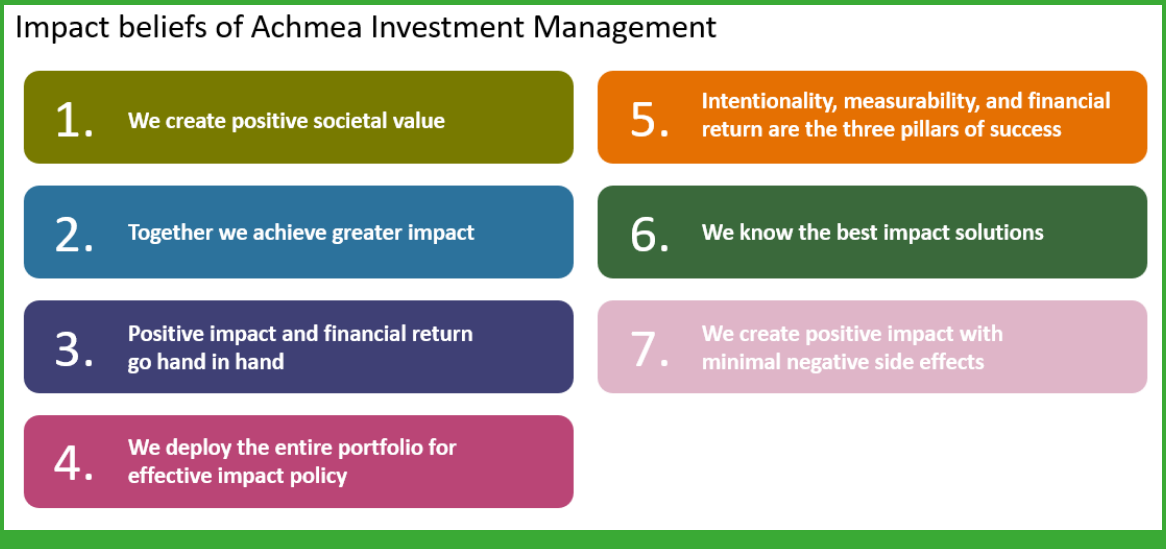
4.2 Evaluate vision & strategy

The dynamic nature of markets, technological advancements, and societal changes require continuous reassessment to align with evolving circumstances. This process helps identify whether expectations need to be increased or decreased based on current market trends and project outcomes. By maintaining an updated understanding of the overall strategy, investors can make informed decisions that better support their strategic plans and impact targets. It also allows them to adapt to new opportunities and challenges, ensuring that their portfolios remain resilient and effective in achieving desired outcomes.

It is recommended to regularly review the impact targets, which are defined in the strategic plan (see Chapter 4). This way, investors can ensure they are still relevant, ambitious, and attainable given the current market conditions and societal needs. Such evaluations allow investors to adjust their targets, refine their strategies, and allocate resources more effectively to achieve the desired outcomes.

Achmea IM: Evaluating investment beliefs

When the board set their vision for 2030 on increasing impact investments; the investment beliefs, including the sustainability beliefs, were reviewed whether they sufficiently reflected this ambition. The beliefs were not detailed enough to reflect the impact ambition and did not give sufficient guidance to implement impact investments more thoroughly than before in portfolios. Therefore, it was decided to form separate impact beliefs. Different departments of the organization were included in this process to give their input and feedback. Whereafter, the impact beliefs were formalized by the investment committee and the board.



Conclusion: advancing the field together

At the beginning stage of this handbook, the overall ambition was to create a practical manual for integrating impact into investment practice. Along the way, we realized that there is still much to learn about how financial institutions can drive real-world change. This handbook is not a final answer but a collection of insights, examples, and lessons from peers and the market. Its purpose is to encourage continuous exploration, with a focus on what works, what does not, and the real-world effects of investment decisions.

The pressures of climate change, biodiversity loss, and social inequality are no longer distant risks. They are shaping markets today and affecting the resilience of portfolios for decades to come. Investors who adopt a clear vision, align asset owners and managers, and integrate risk, return, and impact considerations into both strategy and execution can strengthen portfolios while contributing to the stability of the systems they depend on. Actions such as defining impact targets, embedding impact into mandates, selecting managers carefully, enhancing stewardship, and monitoring outcomes consistently can make these ambitions tangible.

The journey toward impact integration is neither linear nor complete. It requires experimentation, collaboration, engagement with research, and a willingness to revisit assumptions. Tools, frameworks, and examples exist to guide the way, but the most meaningful learning comes from practice. In fact, there are still challenges remaining: definitions of impact vary, approaches differ across markets, and measuring real-world outcomes is complex. These challenges are not reasons to delay action, but invitations for dialogue, joint problem-solving, and shared learning.

This handbook is intended as a conversation starter. Our aim is inspiring peers to deepen collaboration, share lessons, and collectively advance the field. Several areas merit further research and discussion, including:

- How to effectively combine risk, return, and impact in investment decisions
- Reconciling real-world outcomes with the construction of sustainable portfolios
- Clarifying the different interpretations and uses of the term “impact”
- Exploring the applications and potential effects of different asset classes and financial instruments, including conditions for effectiveness
- Understanding what works and what does not in practice
- Extending these considerations beyond asset management to other financial instruments, such as lending and insurance underwriting

The commitment and community are already in place, and meaningful work has begun. Moving forward, investors are advised to continue learning from each other, focus on what drives real-world impact, and act in the best interest of participants while upholding fiduciary responsibilities. Transparency about assumptions, methods, and results is key; it is acceptable not to have all the answers from the outset, if the process is clear and accountable. By embracing learning, collaboration, and rigor, investors can contribute to resilient portfolios and the long-term health and stability of the systems on which society depends.

Appendix I – References frameworks

This handbook provides institutional investors guidance on how to integrate impact on portfolio level, considering the inside-out impact that these investments have. In drafting this handbook, several other frameworks are consulted. The below overview is no exhaustive overview but provides some relevant frameworks on related topics.

Impact management frameworks

- Impact management platform (IMP), 2023, The Imperative for Impact Management and 2025, Actions of impact management
- Hand & Gilbert, 2023, Holistic portfolio construction with an impact lens: a vital approach for institutional asset owners in a changing world, GIIN; Rosenhol, Gilbert & Litt, 2024, Pursuing Impact Within a Portfolio: Insight From Institutional Asset Owners, GIIN
- Impact frontiers, 2020, Impact-financial integration: a handbook for investors
- University of Cambridge Institute for Sustainability Leadership (CISL),2019, Applying the Long View to Investment Funds: Introducing the Long-Term Disclosure Framework
- Operating Principles for Impact Management, n.d., The 9 Principles
- MSCI & OECD, 2018, Institutional Investing for the SDGs
- OECD, 2017, Responsible business conduct for institutional investors: Key considerations for due diligence under the OECD Guidelines for Multinational Enterprises

Impact investing guidance

- Global Impact Investing Network (GIIN) materials, 2024, Fund-level impact decision-making tools for asset allocators and 2021, COMPASS: The Methodology for Comparing and Assessing Impact
- Impact investing institute materials, 'Impact investment thesis, strategy and portfolio management'
- IRIS+ System: GIIN, 2025, IRIS+ Catalogue of Metrics **System-level investing and transition analysis**
- The Investment Integration Project (TIIP), 2025, System-Level Investing, and TIIP, 2024, 'System-level investing: Case studies of investors leading the way'
- Deep Transitions Lab, 2025, Humanity faces a stark and urgent choice
- Transition Pathway Initiative, 2025

- Climate Action Tracker, 2025
- Finance for Biodiversity Foundation, 2023, Tracking top biodiversity-impact sectors with footprinting tools

Outside-in perspective; integration environmental and social risk in risk management and investment process

- DNB, 2025, Updated guide to managing climate and nature-related risk

Food transition

- Heijboer, Dekker & Fershtman, 2024, Exploring the Food Transition, Van Lanschot Kempen

Appendix II – Engagement escalation measures

Broaden engagement coalition	This form of escalation involves seeking out like-minded investors and stakeholders to jointly engage the company. Typically, companies are more likely to respond to a larger group of investors.
Private letter co-signed by other investors	Sending a letter, co-signed by other investors, formally expresses the concerns of investors. Investors can request that the CEO or Chair reads and responds to it, which ensures that the message reaches the highest levels of leadership and shows how seriously the issue is being taken.
Voting at Annual General Meetings (AGMs)	For companies in which the investor holds shares, the investor is entitled to vote on certain items at AGMs. For companies that do not meet expectations, the following voting actions are typically used to escalate engagement (with increasing severity): Vote against management proposals requesting approval of their plans (e.g., Say on Climate proposals). Vote against the re-election of directors. Vote against the remuneration policy. It is advisable to inform the company after voting why the investor voted a certain way.
Pre-declaration of voting intentions	Besides voting, further escalation can involve publicly pre-declaring how the investor plans to vote. Although it is not permitted to directly influence how other investors vote, the investor can publicly disclose their rationale, which could contribute to the decision-making of others and bring attention to the company's performance.
(Co-)filing a resolution	To express disapproval of a company's performance, the investor can participate in or lead the investor group that files a resolution requesting more ambition. This indicates the seriousness of the desired change and allows them to influence the text of the resolution.
Public statements	Public statements to the media can elaborate on the concerns and obtain endorsements from other investors. This method is often used when a company is unresponsive to private dialogues and may be influenced by increased public scrutiny.
Denying refinancing	This option is specifically for bondholders and involves disclosing, publicly or privately, that the investor will not provide additional financing or will demand higher interest rates if a company seeks to raise funds via bond issuances. Unlike IPOs, bond issuances are more common, and these

	actions can affect a company's cost of capital and motivate it to address investor concerns.
End engagement/ divestment	If a company remains unresponsive to engagement and other forms of escalation are ineffective, the final option is to end the engagement or divest the company from the portfolio. This can be accompanied by a public announcement, indicating that the investor believes the company is unwilling to change.

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