Top-league impact

Impact investing finances solutions and opportunities that address and contribute directly to solving global problems. At Van Lanschot Kempen, we believe that investing for impact is not only the right thing to do, but also the smart thing to do. By directing capital towards innovative and impactful businesses and real assets, we aim to generate both financial returns and meaningful social and environmental outcomes for our clients. How did our top impact strategies fare in 2023?

Kempen SDG Farmland – Investing in the food transition

Our SDG Farmland strategy (AuM: committed capital €445million, total capital called: €383 million, as at December 31, 2023) is a natural capital solution that offers investors access to sustainable real assets and measurable impact. The agricultural sector can play a central role in helping to solve many of the problems currently facing our society: sufficient and healthy food production, deteriorating soil quality, biodiversity loss and global warming. Intensive modern farming practices have played a big part in creating these problems, while regenerative farming can offer comprehensive solutions to the issues that agriculture faces. Our Farmland strategy invests in agricultural land and is committed to promoting regenerative agricultural practices, including improving biodiversity and reducing greenhouse gas emissions.

In 2023, we completed a baseline measurement of existing assets, adding more measurability to our solid KPI framework in our reporting. We also published our first annual sustainability report, describing our sustainability goals, which range from alignment with the Sustainable Development Goals (SDGs) to practical targets for each farm in our portfolio. We have assessed all key performance indicators (KPIs), which will serve as a basis for future improvements. In addition, we finalised the sustainability strategies for the farms we acquired last year, setting the stage for the implementation of our regenerative agriculture framework.

Kempen Global Impact Pool – technology-driven impact

The Global Impact Pool (GIP) (AuM 215 million, as at December 31, 2023) celebrated its fifth anniversary in 2023. The pool invests in funds or companies that seek to contribute to at least one of the four selected focus themes: basic needs and wellbeing; climate and energy; circular economy, and small and medium-sized enterprise development and decent work. All of these are aligned with the energy, food and materials transitions. The investments vary from companies working on accessible health care and clean energy generation to a company developing aircraft engines powered by hydrogen.

A common denominator is that technology plays an important role in many of the GIP's investee companies. Technology is often necessary for the development of new products and services that contribute to solving a specific problem. But it can also play a crucial role in achieving impact on a larger scale, through the use of smarter, online solutions that enable businesses to reach a large number of people.

In its anniversary year, the GIP received a positive rating from BlueMark, a leading independent organisation which examines how impact investors approach and gauge impact when integrating it into their investment process. 2023 also brought new collaborations, for example with the Indian health app HealthifyMe, which provides health analytics and advice to 30 million users in Asia.

Building a framework for meaningful impact investing

Building on our two existing impact solutions – the Global Impact Pool and our SDG Farmland strategy – in 2023 we worked on fine-tuning our company-wide definition of impact investing. Our goal is to set up a broadly applicable impact framework across illiquid asset classes such as private debt, real assets, private equity, venture capital and farmland.

With new 2023 guidance from the Global Impact Investing Network on how to help investors achieve impact in public equity investments and new input from the EU Sustainable Finance regulatory framework, we are further improving our perspectives. This input also helps us to draw a clearer line between sustainable and impact funds.

Our goal is to help clients navigate through transitions. For this, our impact investments need to start with a clear theory of change: how do investments set out to address real-world problems and progress the energy and food transitions? We identify three types of investments.

1. Investments that focus on improving the current situation: making assets greener, companies more sustainable. These we call “improvers”. Improving, however, calls for active and explicit input from the manager. This in turn means that active ownership – engagement and voting – are essential for a significant change (delta) to be achieved in greening the asset during the investment period.
2. Then there are companies whose revenues align with the Sustainable Development Goals. These are the sustainability/SDG-aligned investments.
3. The most advanced way to accelerate the transitions is the positive impact investing approach, where positive real-world impacts are generated alongside financial returns. In these investment cases, the focus is not on greening the underlying assets, but rather on contributing to impactful solutions. For this type of investment there are some hard requirements: a theory of change, intentionality, additionality (both from the investee and the investor), as well as measurable targets. These investments are predominantly in the illiquid assets space and depend on patient capital to grow and maximise impacts.

While in this latter profound impact is very important, and also somewhat scalable, most of the current economy falls into the improvers and SDG-aligned categories. The art of navigating through transitions through impactful investments is to find the balance in all three approaches so as to maximise overall positive outcomes.