VBDO

Benchmark **Responsible Investment:**
Fundraising charities and foundations in the Netherlands 2010

"Doing good and sharing it"

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"Doing good and sharing it"

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

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About the organizations and authors

Sponsor and advice

Stichting Pequeno

Stichting Pequeno is a private foundation with years of experience in the field of sustainable investments. With both the principle amount and any profits, Pequeno supports socially and ecologically responsible initiatives. Pequeno aims to support projects in becoming self-reliant. If at all possible, Pequeno works to create a financing formula in which loans, guarantees and donations or a combination thereof are used to create an independently functioning project. For some time now, Pequeno has also worked within the philanthropic sector in the Netherlands to encourage more sustainable policies and increased transparency. The funding of this research report fits perfectly into Pequeno's mission, the organization was therefore also closely involved in the initiation, research-gathering and publication phase of the report.

Report authors

Maastricht University

Maastricht University (UM), the most international university in the Netherlands, stands out for its innovative approach to learning and international outlook. With 14,500 students and 3,500 staff, UM offers a wide choice of academic programmes, all of which are designed to bring out the best in its students.

Prof. Dr. Harry Hummels holds a chair (as full professor) in Ethics, Organisations and Society at Maastricht University. He has written extensively on subjects like Mission-Related Investing, Responsible Investing, Corporate Responsibility, Organizational Ethics and the Philosophy of Work. In addition, he is a fellow of the university's European Centre for Corporate Engagement (ECCE) and he sits on the Advisory Board of the Initiative for Responsible Investing at Harvard's Kennedy School of Government. In addition, Prof. Dr. Hummels serves on the board of SNS Asset Management as commercial director - a position he shares with his friend and colleague Theo Brouwers. Prof. Dr. Hummels is the author of chapter 1 of this report.

Dutch Association of Investors for Sustainable Development (VBDO)

The VBDO was founded in 1995. The VBDO works to generate a more sustainable capital market by raising awareness both with multinational corporations and investors about the contributions they can make towards a sustainable capital market. The VBDO also formulates strong opinions on different topics related to sustainability. VBDO regularly carries out independent research, visits Annual General Meetings of publicly listed companies and engages in an active dialogue with banks, insurance companies, media and publicly listed companies. As such, the VBDO is the only association in the Netherlands representing institutional as well as individual sustainable investors.

Kees Gootjes is responsible for the supply side of the Dutch capital markets. In this context, he examines (Dutch) investors to investigate the extent to which they engage in responsible investment. He is also involved in engagement activities among these investors, working to embed sustainability into the supply side of the Dutch financial markets. Mr. Gootjes wrote the second and third chapters of this report and was the final editor.

EIRIS Foundation

The EIRIS Foundation is a leading UK charity working in the area of responsible investment. The Foundation has over 25 years experience of providing free, objective and trusted information on ethical finance to members of the public. A not-for-profit organisation, its mission is to empower investors with independent assessments of companies and advice on integrating them with investment decisions.

Its subsidiary, Ethical Investment Research Services (EIRIS) Ltd, researches the environmental, social, governance and ethical aspects of over 3,000 companies globally. EIRIS provides services to fund managers, banks, pension funds, charities and NGOs worldwide.

Rachel Withey is the Project Manager for the EIRIS Foundation. She supports the management, development and administration of the Foundation and the projects it supports. She has a background of working in the voluntary sector in the UK having worked for the National Society for the Prevention of Cruelty to Children (NSPCC) and for community information and volunteer development organizations. Her previous job was as Assistant Director for EIRIS Ltd. Ms. Withey wrote the fourth and final chapter of this report.

Foreword

Somewhere around ten years ago, I discovered that the sustainable management of capital, reserves, donations and office supplies within the philanthropic world was not a subject for discussion. To my astonishment, I found that fundraising charities and foundations with reserves paid insufficient attention to how this money was invested. How could it be that these institutions on the one hand invested in companies that harmed people and the environment, and yet used this investment income to try and accomplish the organization's idealistic goals?

I still don't know the answer to this question. Let's just say the timing still was not ripe. Fortunately, times are changing. A number of leading organizations have a sustainable financial policy, engage in impact investing, and take the limits of what the earth has to offer us into consideration. The developments are even such that we must be careful that sustainability does not become a hype, an empty shell. True implementation of sustainability within an organization requires vision, flexibility and courage. There has to be a level of awareness and a mindset change at all levels of the organization. It requires time and attention. Even then, you run the risk of something going wrong and becoming aware that achieving 100% sustainability is currently not feasible. Innovation is not an off-the-shelf product, that's exactly why it is so inspiring.

With this research report, the partner organizations worked to identify what happens in terms of the responsible investment of available resources. We hope that this report will motivate you to integrate this subject into the very core of the organization, and becomes a regular item on the agendas of meetings, both at board level and with project partners.

Obviously, the implementation of sustainability is of paramount importance. But the degree of transparency also plays an important role. Numerous times, it proved difficult for the researchers to get an accurate picture of the extent of sustainable asset management. The conclusion is that there may be quite a lot done in terms of sustainability, but that very little is communicated.

I know, there's a big difference between private foundations and charities that solicit funds from government and the general public. It is understandable for private foundations to take care when providing information. Yet it remains important that we get an indication of what's really happening in this area. Being open about the degree to which responsible investment is implemented creates positive examples, and an even greater impact can be made. Because in the end, in this time of great transformation, all available resources must be used to safeguard the future generations.

Irene Mol, director Stichting Pequeno
November 18, 2010

Executive summary

The Netherlands has a long history of philanthropy. Donations, large and small, made by private citizens, businesses and governments raise a significant amount of money. This money is used to effect positive change in the Netherlands and around the world. More recently, increasing attention is being paid to the responsible investment policies of the philanthropic organizations. It must, of course, in the first place be avoided that the invested capital hinders achieving the goals of the philanthropic institution. In the second place, invested capital can also be used to better achieve these goals.

This report, made possible by Stichting Pequeno and published in association with Maastricht University and the EIRIS Foundation, tracks the development of 38 fundraising charities and foundations in the Netherlands in formulating, implementing and providing transparency into their responsible investment policies. A list of all the surveyed organizations is found in Appendix A. By publishing this report, the VBDO hopes to encourage further progress in these areas.

Research methodology

The VBDO approached both fundraising charities and foundations to participate in the survey. On the basis of this questionnaire and publicly available information, a profile was created for each organization. This was sent to the surveyed organizations so that additional information could be provided and incorrect information could be fixed. The report breaks its assessment of the responsible investment activities of fundraising charities and foundations into three parts: policy, implementation and accountability. For each surveyed organization, a summary of their responsible investment activities is included in this report.

Three of the organizations indicated that they were hybrid organizations, leading to the following breakdown:

- 19 fundraising charities
- 16 foundations
- 3 hybrid organizations

For each of the three categories, the VBDO looked for a number of elements per category:

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

Research results

The response rate for this survey was 39%. For fundraising charities, 9 of the 19 organizations responded. Four of the 16 foundations completed the questionnaire or provided feedback. Finally, 2 of the 3 hybrid organizations also responded and were included in the analysis for both groups.

As the hybrid organizations share characteristics of both fundraising charities, the results for these organizations were included in the analysis for fundraising charities as well as foundations. In addition to this, four fundraising charities indicated that they did not directly invest, and held their reserves/funds in bank accounts. This means that in the analysis of the results, the following breakdown was used:

- **18 fundraising charities**
- **4 non-investing fundraising charities**
- **19 foundations**

For the fundraising charities, the results are as follows:

- **Policy:** 16 of the 18 fundraising charities were able to indicate that they had a responsible investment policy. Eight of these organizations actually provided information on the content of these policies;
- **Implementation:** 11 organizations maintain an exclusion policy, 7 make use of positive screening in their investments, 4 implement engagement, 3 vote on their equity, only 1 organization engages in mission-related investing, and 2 organizations also have a policy for their cash deposits/reserves;
- **Accountability:** 11 organizations provide publicly available information on their responsible investment policy. Only 6 of these organizations provide information on the implementation thereof;
- **Non-investing fundraising charities:** 3 of the 4 organizations were able to indicate that they had a policy for their cash deposits/reserves.

In general, this means that most fundraising charities have a responsible investment policy, but apply it in a limited fashion and are not very transparent about their policies and implementation.

For foundations, the results are:

- **Policy:** 6 of the 19 foundations were able to indicate that they had a responsible investment policy. Only 2 provided information on the content of these policies;
- **Implementation:** 3 foundations demonstrably apply exclusion criteria, 2 demonstrably make use of positive screening, 2 implement engagement, 3 vote on (a portion) of their equity, 1 foundation demonstrably engages in mission-related investing, and 1 foundation has a policy for cash deposits/reserves;
- **Accountability:** Only 5 organizations have publicly available information on their responsible investment policy.

These results seem to indicate that foundations are only very hesitantly taking steps towards responsible investment and are not at all transparent about these steps.

Recommendations

Based on these results and the experience of the EIRIS Foundation in the UK, this report concludes by outlining the necessary steps for formulating, implementing and accounting for the responsible investment policy. Whatever level of implementation a fundraising charity or foundation is currently at, the following steps can be taken:

- Step 1: Clarify the current situation
- Step 2: Get responsible investment on the agenda
- Step 3: Set aims
- Step 4: Develop or update your responsible investment policy
- Step 5: Implement policy
- Step 6: Report and review

The report concludes with reemphasizing the need for transparency among fundraising charities and foundations, also for responsible investment.

Future reports

The VBDO plans to repeat this research report in the future in order to be able to track progress. Future editions of this report will also expand their scope, meaning that organization such as religious institutions will be surveyed in terms of their responsible investment activities.

Introduction

The report you are reading is the first investigation by the Dutch Association of Investors for Sustainable Development (VBDO) into the responsible investment policies of fundraising charities and foundations in the Netherlands. This report, made possible by Stichting Pequeno and published in association with Maastricht University and the EIRIS Foundation, tracks the development of 38 fundraising charities and foundations in the Netherlands in formulating, implementing and providing transparency into their responsible investment policies.

This is not the first report dealing with fundraising charities and foundations and responsible investment. As is made clear in the first chapter of this report, numerous reports have conducted surveys among these organizations. These reports by and large indicated a willingness and feeling of responsibility among fundraising charities and foundations to initiate and further develop responsible investment activities. This report, however, is the first report to publish the names of the surveyed organizations and indicate for each organization what activities they are currently undertaking in terms of responsible investing.

The VBDO has previously conducted research among institutional investors like pension funds and insurance companies in the Netherlands (all reports can be accessed on the website of the VBDO: www.vbdo.nl). The assessment methodology that it uses for all of its research has been applied to this report as well. Similar to previous benchmark methodologies, these organizations are assessed in terms of three categories, focusing on 9 elements:

- **Policy** (1 element)
- **Implementation** (6 elements)
- **Accountability** (2 elements)

There were, however, a number of significant changes made to match the unique context and characteristics of fundraising charities and foundations in the Netherlands. This meant that no final score was assigned to each organization and two elements specific to the philanthropic sector were added: mission-related investing and cash deposits and/or reserves.

As the results in this report show, there is a lack of transparency on the topic of responsible investment and the implementation thereof, especially among foundations. The VBDO is planning to repeat and expand on this report in 2011, and hopes that steps will have been made by that time to improve on the results presented in this report.

The contents of this report are as follows: chapter 1 provides an introduction to the organization of philanthropy in the Netherlands. It begins by introducing the concept of philanthropy and provides insight into how the philanthropic sector is organized in the Netherlands. It then moves on to the issue of responsibility, responsible investing and transparency.

Chapter 2 focuses on the research methodology used in this report. It covers the research objective, the selection of organizations, and the information sources used as well as summarizing the conclusions of the advisory panel that was held. The chapter closes with an explanation of the assessment methodology used by the VBDO to analyze the responsible investment activities of the surveyed organizations.
The third chapter details the results of the conducted research. After presenting the response rate, the results for the organizations are displayed first for the fundraising charities followed by the foundations. At the end of each section, a table is provided with the results of the assessment given per surveyed organization. The final section of the chapter makes some concluding remarks that lead into the final chapter.

The fourth and final chapter focuses on how fundraising charities and foundations can formulate and further develop their responsible investment policies. It begins by introducing the UK experience regarding responsible investment in the philanthropic sector. Having established this, the chapter moves on to provide tips on how to develop and implement a responsible investment policy and finishes by reemphasizing the need for transparency.

Chapter 1 The organisation of philanthropy in the Netherlands

1.1 Introduction

Human beings are not necessarily altruistic. They do, however, feel a responsibility to care for others when they are in need. Emergency relief is a good example, but also in the daily course of life, people feel the responsibility to care for other people's wellbeing. Throughout history, those who were better off supported those with poor health, hunger, absence of shelter, lack of education, or limited abilities as a result of old age or disabilities. In other words, philanthropy is and has always been part of society and in the course of history there have always been organizations that take care of the redistribution of money, goods or services that ultimately benefit the needy.

Charity rests on the moral and religious obligations felt by members of a community to care for each other's basic needs. Very often, providing support is demanded and justified by referring to some kind of religious commandment, whether in the scriptures of Islam, Judaism, Christianity, Buddhism or any other major religion. The Qur'an, for instance, specifies the duty of Zakat, the amount of money that every Muslim belonging to the 'haves' – that is those whose means exceed a certain minimum – have to pay to support the 'have nots'. In Buddhism, the way to Nibbana starts with paying alms to Buddhist monks and others in need.[1] Both the Old and the New Testament refer to the duty of Christians and Jews to care for the needy and the poor.[2] As the Quaker John Wesley, for instance, remarked in his writing reflecting on the duties to the poor and needy:

> *"Do you not know that God entrusted you with that money (all above what buys necessities for your family), to feed the hungry, to clothe the naked, to help the stranger, the widow, the fatherless, and indeed as far as it will go, to relieve the wants of mankind."*

In western countries – and with the corresponding declining influence of religion on politics at the end of the 16th century – caring for the poor gradually came to be regulated by the state. The English Poor Laws of 1601 were the first example of this new trend, moving from a largely voluntary approach to a compulsory tax collected at a parish level. Those who were too old or too ill to work received some relief in terms of a minimum amount of money or supplies such as the 'parish loaf', soups, or clothing.[3]

Although charity has been of all times and places, the way it has been practiced and the conditions under which it was given differ from era to era. Attempts have been made to reach out to the poor ranging from voluntary to highly regulated approaches, and from religious to secular. All approaches have in common that at least the distribution of care and supplies was – and still is – organised. In many Dutch municipalities, for instance, a 'Maatschappij tot Nut van het Algemeen' was established to raise the level of education and the standard of living. The basic idea was to elevate the lower classes to the level of self-sufficiency and to have them embrace a set of (Christian) virtues: humility, industry, loyalty, prudence, and economy. In addition, all kinds of practical initiatives were launched, from municipal soup committees to libraries, and from local banks to poorhouses.

Many of the services that were once private have become public over the course of the centuries. But there is still a major task for charitable organisations to help the needy – even if the needy do not necessarily have the same needs anymore as those in previous ages. Nevertheless, as recent research on giving in The Netherlands makes clear, donations are made to a wide variety of charitable causes. Most of the (privately donated) funds are still provided to church organisations, most particularly by Turks and Moroccans,[4] followed respectively by dona-

[1] Quite intriguing and important in Buddhism is not only the amount to be given – which is not predetermined – but also the motive for giving. Buddhism distinguishes between various motives. One can give out of fear or to embarrass or insult the receiver. One can also give to improve once reputation, however, or because one is really motivated by a sense of altruism.

[2] A good example is Jeremiah 22:16 (New Living Translation, 2007) "He gave justice and help to the poor and needy, and everything went well for him. Isn't that what it means to know me?" says the Lord.

[3] Able-bodied beggars and vagrants who refused work were placed in 'houses of correction' – which were meant to change the attitude of the person and induce him to work for his money. This was already an important improvement compared to the bills that were passed during the 16th century by Edward VI and Elizabeth I. The bills called for branding of a 'professional' beggar or vagabond with a "V" or boring through the ear for a first offence and for putting the offender to death for the second offence (See e.g. John Pound, Poverty and vagrancy in Tudor England, Longman, London, 1986).

[4] Most of the money donated by non-western immigrants is, however, being remitted to their home countries. In 2007 a total of over €250 million was sent home to their relatives. The rest was given to a variety of causes in The Netherlands.

tions to social objectives, sports, international aid, health care, environmental protection, culture, and education and research. In 2007, the amount of donations to these various objectives exceeded € 4.2 billion. That is 0.8% of Dutch GDP in that same year and a slight decline compared to both the amount and the percentage of GDP in 2005.[5] Unlike, for instance, the US, where 2% of GDP is donated to charities by the US citizenry, the authors argue that the Dutch are inclined to donate more to good causes by means of public expenditure. The difference is easily explained, according to Schuyt et al (2009), by the different taxation regimes in the two countries – the Dutch being familiar with a substantial tax rate that allows the government to redistribute money to various charitable causes.

As Schuyt makes clear, private individuals do most of the giving in The Netherlands. As is mentioned, above they transfer money to fundraising charities and religious institutions. In addition, foundations make donations to good causes. The major difference between a foundation and a fundraising charity is that a foundation is usually founded by an individual person, a family, or a business, setting aside money for a charitable cause – or charitable causes. In general one can conclude that foundational money is mostly private money, whereas fundraising charities work with public money.[6] Religious organisations in The Netherlands are not known for holding large financial reserves with the possible exception of some Catholic congregations and a few Protestant church institutions. Their capital, however, is usually invested in land, buildings and other commodities. Part of the capital is invested, however, with the purpose to generate returns covering the cost of living of the nuns and sisters or the friars, the monks and the priests and to donate to the needy.

Before we will go into the management of their financial reserves, the next section focuses on the organisation of philanthropy in the Netherlands.

1.2 Philanthropy in The Netherlands – a brief overview

The two biggest organisations representing the interests of their member charities and foundations are the Vereniging voor Fondsenwervende Instellingen (VFI) and the Vereniging van Fondsen in Nederland (FIN). The VFI unites the fundraising charities in The Netherlands, while the FIN is the representative body of the Dutch foundations.

The VFI is the industry organisation for fundraising charities, representing more than 120 of the largest and best-known charities in areas ranging from international aid to health care, from the arts to animal welfare. The VFI represents its members in an active dialogue with stakeholders, like the government, the media, and the general public. The VFI also stimulates the dialogue among the members on relevant issues like, among others, transparency, good governance, responsible investment, and organizational responsibility.

The FIN is the umbrella organisation representing the interests of private charitable foundations in the Netherlands. Any private charitable foundation established in the Netherlands and which makes a substantial part of its capital or income available to individuals or social organisations may become a member of the FIN. The FIN supports its members, stimulates contact and collaboration among its members, and provides support for good governance, asset management and donation policy. To this end, it produces a number of informative publications such as guidelines on managing a foundation and its publication on tax law. The FIN contributes on a regular basis to a publication listing 700 private charitable foundations in the Netherlands, bearing the title Fondsenboek. This is a directory in which about 700 Dutch based foundations are listed. The FIN also organises symposia and workshops. Finally, the FIN is active internationally through its participation in the Donors And Foundations Networks in Europe (DAFNE) network. DAFNE is a union of associations of private charitable foundations in Europe.

Besides the FIN and VFI, two other representative bodies in the area of philanthropy focus on the interests of their members: ISF is the Institute for Sponsoring and Fundraising and CIO (Contact in Overheidszaken) represents

[5] Schuyt, Th., B. Gouwenberg, R. Bekkers, Geven in Nederland, Reed Business, 2009, p.13 and 14. In 2005, €4.3 billion was donated to the various charitable causes, which was 0.9% of GDP. Already in 2005, the trend was negative compared to 2003 when €4.9 billion – representing 1.1% of GDP – was donated. Companies giving less to charity then in previous years caused part of the decline over the period 2001 - 2007.

[6] The distinction is not completely true since foundations receive tax benefits as a result of which they are opening up to public requests for information on their mission, their activities and (the efficacy of) their spending behaviour.

churches in their dialogue with the government and with society. Together the four organisations discuss and align their joint interests, policies and agendas in a separate organisation: the Samenwerkende Brancheorganisaties Filantropie (SBF).

In order to act in the interests of their (future) beneficiaries, philanthropic organisations have to maintain and manage financial reserves. This report focuses on how they manage these reserves, whether they take social, ethical, environmental, and governance criteria into account in the management of their reserves and to what extent they are transparent about the management of their funds. In the rest of this introductory chapter, the focus lies on the environment in which the management of financial reserves takes place and on the current (responsible) policies and practices of the charities in managing their reserves.

1.3 Responsibility has become an issue

There has always been a clear division between the mission of a charitable organisation and the management of its funds – or reserves as fundraising organisations like to call it. Even though foundations, fundraising and religious organisations have assets at their disposal to invest in and realise their mission, they do not see themselves as owners of assets. Instead, they consider themselves as stewards prudently managing their funds for the greater good of a part of society. Their greater good deals with the concrete needs of specific groups of beneficiaries, whether it be in the area of international aid and development, spiritual wellbeing, health, education, culture and the arts, sports, environmental protection and nature conservation or any other meaningful purpose. In order to serve the public good, charitable institutions are, in their own words, not necessarily managing assets but maintaining reserves required for long-term goal achievement. In order, for instance, to side with cancer patients and improve their situation, research is a very important and worthy cause. A commitment to research, however, requires long term funding and that is why fundraising charities like KWF Kankerbestrijding, the Aids Fund or the Dutch Heart Foundation need to keep and properly manage financial reserves. The funds coming from fundraising is clearly dedicated to specified (research) objectives, but reaching the stated goal requires deep pockets and a long time horizon – something the patients themselves, unfortunately, do not always have.

Even though the objectives are in themselves meaningful and worthwhile, effective measures to reach the objectives are not always taken. By the end of the nineties of the previous century, particularly in the USA, critical voices were calling for more efficiency and transparency (Porter & Kramer, 1999; Emerson, 2003). As Porter argues in The Economist (2006):

> *"The real scandal is how much money is pissed away on activities that have no impact. Billions are wasted on ineffective philanthropy."*[7]

Stewardship in the interest of the public means, in the first place, that the organisation's reserves are managed in such a way that the initial capital is protected. Increasing financial risks – leading to moral hazard – is not in the interest of the beneficiaries who deserve to be protected against opportunistic investment behaviour. At the same time, the beneficiaries have an interest in the achievement of long-term financial goals at a reasonable cost. Prudent management of its financial reserves therefore becomes an important (second order) objective for the charity. This is why the Vereninging van Fondsenwervende Instellingen – the Dutch industry organisation for fundraising charities, VFI – had already taken the step in 2003 to draft a policy regarding the management of financial reserves. The policy, while acknowledging that investments in stocks and other risky assets might be acceptable, focuses strongly on prudent management of reserves. In addition, the Vereniging van Fondsen in Nederland – the Dutch association of foundations, FIN, drafted a policy explaining the members' fiduciary responsibility:

> *"In the process, careful attention will be devoted to the risks that are inherent to the investment process. The goal of ensuring the capacity to meet financial obligations vis-à-vis the beneficiaries of donations and/or staff in particular and third parties in general, demands that a careful balance be made in the chosen investment portfolio."* [8]

[7] Michael Porter in The Economist, 'The Business of Giving', 25 February 2006
[8] FIN, Code of Conduct, Appendix A

With accountability being one of its guiding principles, the FIN also promotes prudent investment management and openness of the members to relevant stakeholders.

In recent years, the responsibility to act in the best interest of the (future) beneficiaries and to be open and accountable to the public has become an issue both for fundraising charities as well as for religious institutions and foundations. The reason for the ‘call for responsibility’ lies in the increased transparency regarding the management of financial capital primarily donated – whether by the public or by a patron or philanthropist – for the benefit of the greater good. The drive towards greater transparency is partly the result of a trend in the larger society from ‘tell me’ to ‘show me’ and more recently to ‘involve me’. This trend has manifested itself strongly throughout the nineteen nineties and the beginning of the current century – and does not restrict itself to providing information about a charity’s financial responsibility. An interesting example was the Kassa broadcast in September 2009, challenging fundraising charities and foundations to be more transparent about their investments and to abstain from what the program considered to be risky and irresponsible investments.

An earlier example comes from the Zembla broadcast in June 2007 criticising philanthropic organisations on their investment policies and – more specifically – on their investments in cluster munitions, land mines, and other assets contradicting the mission of particular charities.[9] As a result, 5 of the largest fundraising charities in The Netherlands teamed up with Maastricht University and developed a guidance document to stimulate and support the members of the VFI in integrating social, ethical, environmental, and governance issues in the investment process.

What counts for fundraising charities distributing funds to specific projects to a certain extent also counts for foundations and religious organisations. Even though these latter organisations are not soliciting any gifts from the general public, they have been pressed to become more open and transparent about the allocation of their funds. The reason is that foundations and religious institutions – just like fundraising charities – have public characteristics (receiving benefits and thus also bringing obligations along with it), even though they are usually private organisations. For instance, they receive significant financial benefits from the Dutch Internal Revenue Service in terms of tax reductions. Dutch philanthropic organisations, Steenbergen reveals, received tax benefits in 2006 approaching € 450 million.[10] In order to receive these financial benefits, the IRS requires transparency on the character of the philanthropic organisation and proof that society really benefits as a result of its charitable projects and actions.

Steenbergen is not alone in questioning philanthropic organisations regarding their contribution to the public interest. Michael Porter and Mark Kramer,[11] for instance, have been very critical about the ineffectiveness of foundations in contributing to public welfare. According to these authors effectiveness can be improved in at least four ways:

- Systematic selection of good causes that are most effective and satisfy social needs that are not provided for by others.
- Making donations or investments jointly with other institutions so as to limit administrative expenses and make it possible to commit larger amounts to the good cause.
- Contributing to a better performance of the receiving good cause by acting as a fully engaged partner. By enabling good causes to improve their process control, measure their performance and organise their accountability, the donor will enhance the recipient’s competencies.
- Making investments in the deepening of knowledge of social issues.

These issues are all focused on the spending (and lending) programs of charities. But what about the responsible management of the endowment, the core capital? To what extent do Dutch charities take the effectiveness of responsible investments seriously? The next section deals with these questions.

[9] The broadcasting of Zembla in June 2007 targeted some of the largest charitable organisations in the Netherlands for having invested in controversial weapons and other investments that were in conflict with the organisation’s mission. Nevertheless, most philanthropic organisations are not scared off by the risk of being publicly exposed – even though they do not look forward to being publicly scrutinised and criticised. For them it is part of the discussion with the general public. It is all in the game that specific audiences hold different views on the responsibilities of the charities regarding their investment policies and practices.

[10] Fiscally attractive types of sponsoring by, for example, business organisations are, according to Renée Steenbergen, not taken into account although it totals nearly €0.5 billion. See: Renée Steenbergen, De nieuwe mecenas, Business Contact, Amsterdam, 2008, p.157

[11] Porter, Michael, and Mark Kramer: “Philanthropy’s new agenda: creating value”, Harvard Business Review, November-December 1999, p. 121-130

1.4 The rise of responsible investing

In the past, many charities took the view that their fiduciary responsibility required them to focus on minimizing (financial) risks, while maximizing (financial) returns. Even today, many charities – in particular foundations – support this view. According to the Code of Conduct of Dutch foundations:[12]

> *"Essential to good asset management is the careful weighing up of a number of elements that together will determine the strategy: financial goals (…); financial obligations; and the composition of the investment."*

It has been investigated to what extent legislation, codes and guidelines allow Dutch charities to integrate social, ethical, environmental and governance issues in the investment process and in investment decisions. Legal expertise[13] points out that it is indeed possible for Dutch charities to integrate non-financial elements in the decisionmaking process as long as the charity meets certain procedural standards. This means that the philanthropic institution must have a policy detailing the following items:

- the activities performed by the institution,
- how the institution intends to raise funds (if applicable),
- management of the institution's capital, and
- application of the institution's capital.

Within this framework, a charity can invest responsibly – that is, it can take social, ethical, environmental, and governance issues into account – provided that the charity complies with the organisation's Articles of Association, its by-laws and its accepted policies. Obviously, the board is expected to account for its actions. If such internal safeguards are respected, responsible investment can be implemented, even if the returns of individual investments prove disappointing. The fiduciary responsibility refers to the entire investment portfolio – not to individual investments.

Being allowed to do something does not necessarily mean that Dutch charities have taken steps to improve their performance in ways to address the concerns of Porter and Kramer. A good example to stimulate openness and collaboration among foundations comes from Pequeno, a Dutch foundation that persistently tries to raise the bar with regard to measuring and reporting on social, environmental and governance information.

As a variety of research reports has shown, the entire sector improved its performance over the years in the area of responsible investment in terms of agenda setting, policymaking, the implementation of policies and the (public) reporting on efforts and results (cf. Hummels, 2004; ING/DSR, 2004; Hummels (red.), 2008; Kempen Capital Management, 2008; Hummels, 2009). This does not necessarily mean that philanthropic organisations – in the management of their reserves – have bridged the gap between their investment behaviour and their spending behaviour. A notorious example of doing good with donations while at the same time creating negative impact with its investments comes from the Gates Foundation.[14] A case can be made for aligning investment management objectives and objectives that are promoted through the spending activities of the charities – going from grants and subsidies to loans and venture capital. So far, there is major room for improvement in aligning these interests. The two sides of philanthropy – investment management and spending – are not known for the excellent quality of their mutually oriented communications. This is certainly not only a Dutch phenomenon; it is a characteristic of the philanthropic sector throughout the western world.

The two most recent surveys among foundations and fundraising charities demonstrated a gradual rise in both the interest in and implementation of responsible investment among the respondents when compared with surveys held at the beginning of this decade. Nevertheless, whether the organisations are always very open and transparent to inform their beneficiaries and the general public about their investments remains to be seen. It is particularly with the focus on transparency that this report distinguishes itself from previous studies.

[12] The Code of conduct for member of the Association of Foundation in The Netherlands, FIN, was accepted by the Annual General Meeting in 2010 and is therefore brand new. Guidance on asset management is provided in Appendix A.

[13] Mr. S.A.M. de Wijkersllooth-Lhoëst, Ernst & Young, interview 17 November 2008 and with Martin Bauman, PricewaterhouseCoopers (PwC), d.d. 19 November 2008. Both are quoted in Harry Hummels, Een aandeel in maatschappelijke ontwikkeling, Van Gorcum, Assen, 2009

[14] For a detailed discussion of this case see Harry Hummels, Een aandeel in maatschappelijke ontwikkeling, Van Gorcum, Assen, 2009, chapter 1.

Een aandeel in maatschappelijke ontwikkeling (2009) discloses the results of a survey among 200 charitable institutions in The Netherlands conducted in 2008. Out of the 200, a total of 51 institutions participated in a survey that particularly focused on the relevance of mission-related investing including the integration of social, ethical, environmental and governance issues. The main results are as follows:

1) Eighty percent of the respondents believe that boards of charities have the (legal) freedom required to include non-financial criteria in the management of their assets. Such criteria may relate to the institution's mission or to general social, ethical or environmental issues.

2) Apart from financial considerations, two-thirds of all respondents say they expressly include non-financial considerations.

3) One-third of all respondents state that they do indeed use investments to help achieve their mission. However, this result must be considered in its right context, as the sample survey is not representative of the entire population of charities in the Netherlands. This bias does not, however, diminish a positive development.

4) The wide variety of investments aligning the mission of a charity with its investment behaviour includes instruments ranging from guarantees to alternative investments in microfinance, clean energy or clean technology, from loans to direct investments in farmland or natural areas. The relatively high number of microfinance investments is particularly striking. Out of the 17 institutions that invest in a mission-related manner, 6 invest in microfinance, both directly and through funds. Charities also invest in bonds, private equity, responsible listed companies etc.

5) Investing in line with the mission may involve high risks in financial terms, but, at the same time, investments may result in considerable social and financial returns. According to 94 per cent of the respondents, generating market-rate returns is a key principle. Several respondents state that the results from investments can and are often allowed to be lower than this. However, this does not alter the principle that the institutions should strive for fair market returns. In addition to monitoring the financial results of the investment, 7 institutions also attach value to measuring the non-financial results. Some of them do so systematically, using a designated measuring instrument, whereas others do so without such an instrument.

6) There is still little cooperation between institutions: a mere 23 percent of the institutions state that they explicitly collaborate with other institutions in the field of mission-related investing.

7) If the respondents' replies can be considered indicative of the development of mission-related investing, there is hope for the future. Where 60 percent of the institutions that are already engaged in mission-related investing state they will increase their activities in this area in the future, cautious optimism can be observed with the institutions that are not yet active in mission-related investing. Of the respondents that do not engage in mission-related investing, 4 out of 10 institutions say they will be doing so in the future; the other institutions expect that they will not. In conclusion, this means that, if the respondents' prediction proves correct, more than 50 percent of the target group will be making mission-related investments five years from now and will do so in a manner that goes beyond today's practice.

As a result of the increasingly stronger call for transparency in the area of investment management mentioned previously and the legal power to invest responsibly, the two major representative bodies – challenged by individual members like Pequeno, Prins Bernhard Cultuurfonds, Leger des Heils, KNRM, Natuurmonumenten and KWF Kankerbestrijding – have taken the initiative to reinforce responsibility and accountability towards a broader general audience.

1.5 Recent initiatives

In 2010, both the VFI and the FIN have taken additional steps that stimulate their members to take responsible investing seriously. The VFI issued a set of guidelines for those members that have not taken initiatives in the area of responsible investing, to develop and implement a responsible investment policy: Handreiking Verantwoord Vermogensbeheer Fondsenwervende Instellingen. These guidelines build on the 2001 *Richtlijn Reserves Goede Doelen* (Guidelines on managing the reserves of fundraising charities). The new guidelines on responsible investment came out of an initiative of four VFI member organisations – the Dutch Salvation Army, KNRM, Prins Bernhard Cultuurfonds, and Natuurmonumenten – together with Maastricht University.

In order to raise awareness among its members and to stimulate a positive dialogue on the relevance and the practical implementation of responsible investing, the FIN initiated a working group in 2008. The group – consisting of representatives of the FIN, Pequeno, VBDO, Maastricht University and Triodos Bank – organised a seminar in 2009. As a result of the seminar, a brochure for members of the organisation was published explaining the ins and outs of responsible investment. In addition, the brochure provides guidance when a foundation is looking to select a responsible investment manager.

Looking at the various surveys that have been conducted in The Netherlands, it can concluded that much improvement has been made with regard to Porter and Kramer's suggestions:

- Awareness on the relevance and the practicality of responsible investing has increased,
- The leaders among the fundraising charities and the foundations have already integrated responsible investment criteria into their investment processes, not only in regular investment products – stocks, credits, government bonds, real estate – but also in the area of mission-related investing,
- At present, no observable progress has been made regarding joint investments with other charities so as to limit administrative expenses and make it possible to commit larger amounts to responsible entities;
- Even though engagement has become an established practice among (institutional) investors, charities – whether foundations or fundraising charities – have not really picked up on this latest trend;
- Finally, a number of (mission-related) investments have been made in deepening knowledge of social, environmental, cultural and other relevant issues. Most of the time, however, these investments were made out of the program budget – not as part of the management of the endowment.

1.6 Transparency

With this chapter we have set the stage for the latest research on the policies, the practices and the openness of Dutch charities – fundraising charities and foundations – regarding the investment of their financial reserves. In the last decade we have seen a positive development, but as is argued in this chapter, there is room for improvement. That improvement starts with awareness on the side of the philanthropic organisations and culminates in more transparency as the manner in which the financial reserves have been invested responsibly. That is, more openness is wanted even though this openness does not mean that an organisation has to share all the information it has to all who consider themselves to be stakeholders. What is important is that philanthropic organisations make informed judgments on what to communicate and what not – and be able to give a justification for its communication policy.

As we already indicated in this chapter, there are a number of reasons why transparency is a relevant topic for philanthropic organisations. First and foremost, even though a (large) number of philanthropic organisations are privately endowed, they nevertheless have characteristics that make them to some extent public. Not only are they working in the public interest, they also receive public tax benefits. Second, transparency is important because philanthropic organisations intervene in society and the economy – for better and sometimes for worse. The Gates Foundation's investment and donations practice mentioned earlier serves as an example in this respect.

Third, transparency is relevant because it provides opportunities to learn from others. As Porter and Kramer have argued, philanthropic organisations can be much more effective in achieving their objectives if they collaborate. Openness, however, is a prerequisite for collaboration. Without sharing information, it will be very difficult to collaborate. Fourth, improved transparency might be in the best interest of the organisations themselves. Just like any other organisation in public space, philanthropic organisations are open to criticism and therefore vulnerable. This reason, of course, is more relevant to larger and increasingly visible organisations than to those who are smaller and relatively hidden for the public eye. Ultimately, it will be up to the board of a philanthropic organisation to decide on the (risk of) public exposure it wants to have. Just as there is a money market, a labour market or the market for goods and services, there is also a market for social acceptance. Information is actively brought to this market through the organisation's website, its annual reports, brochures, and other publicly available information. But information is also actively sought or even demanded by external stakeholders. These stakeholders have an opinion on the organisation's actions, its behaviour, its performance and its disclosure and that opinion can be – and sometimes will be – uninformed, incorrect or even a conscious untruth. Transparency can help to build a reputation and to prevent external stakeholders making false and unjustified claims about the organisation.

It is clear that more attention is being paid to transparency within the philanthropic sector. To this end, a Transparency Prize (Transparantprijs) is awarded each year to the charitable organization in the Netherlands with the most transparent annual report as determined by an independent jury, with the 2010 prize being awarded to Natuurmonumenten.[15] The link with responsible investing is that, interestingly enough, the selection criteria includes whether or not a responsible investment policy is in place for its investment. However, in the final report on the results, no mention is made as to whether or not any of the surveyed organizations reported on their responsible investment policies.

[15] See www.transparantprijs.nl for more information.

Chapter 2 # Research methodology

2.1 Research objective

The VBDO's mission is to make the Dutch capital markets more sustainable. One way to accomplish this mission is by encouraging Dutch (institutional) investors to develop, implement and report on their responsible investment activities. Foundations and fundraising charities have investments and are active in the Dutch capital markets. This can done by investing directly or by having bank accounts, where the balance is invested by the bank.

The objective of this report on the responsible investment activities of foundations and fundraising charities is to provide each sector with insight into the current state of affairs regarding this topic. This independent research report shows what organizations at the forefront of responsible investment are doing and how transparent they are about it as well as making clear which organizations have a longer way to go.

At the same time, the general public is provided insight into the responsible investment activities of these organizations. Many of these organizations solicit donations from this same public, and all these organizations work to create a better world. This can also be more effectively accomplished, and at the least not impeded, by developing and implementing a responsible investment policy.

Transparency is given a prominent place within the research methodology in an effort to encourage these organizations to provide more insight into their responsible investment.

2.2 Selection of organizations

When selecting the organizations that it surveys in its benchmark studies, the VBDO chooses the largest organizations within the sector. This is done for two reasons: the larger the organization, the more effect a change in responsible investment policy has. Secondly, the VBDO believes that larger organizations also bear more responsibility because they have more resources at their disposal to take significant steps.

Because there is little information concerning the invested assets within the charitable sector in the Netherlands, another approach had to be taken for this report. For the foundations, 18 organizations were chosen by the VBDO in consultation with Maastricht University and Stichting Pequeno. These organizations were chosen based on the organizations' estimation of whether they were large and whether they were relatively well known.

For the fundraising charities, the group was divided into four categories, with the number of surveyed organizations given in brackets behind each category, leading to a total of twenty organizations:

- health (5)
- (international) aid (6)
- nature, environment and animals (6)
- wellbeing and culture (3)

This are the same categories used by the VFI, the umbrella organization for charities in the Netherlands. Within these categories, a number of organizations were chosen in consultation with Maastricht University and Stichting Pequeno, once again based on size and an estimation of the level of public awareness.

There is an unavoidable overlap between these two sectors because a number of hybrid organizations exist that qualify as both foundations and fundraising charities. Each of the organizations below was approached, and each confirmed that they classified themselves as a hybrid organization. These organizations are:

- **Koninklijke Nederlandse Redding Maatschappij (KNRM)**
- **Oranje Fonds**
- **Prins Bernhard Cultuurfonds**

The hybrid organizations are listed separately in the report, but the information in their profiles is used in the analysis for both fundraising charities and foundations.

2.3 Information sources

Information regarding the responsible investment policy of these organizations was in the first place taken from the information sources provided by the organizations themselves. This includes annual reports, websites and other media. Because the VBDO was aware that a lot of the information was not publicly available, a questionnaire was sent to the organizations, where the organizations were able to provide additional information not (yet) publicly available.

The information gathered from these sources was used to compose a profile for each of the organizations in which all applicable assessment criteria were included. These profiles were sent to the surveyed organizations, providing them with an opportunity to provide additional information and/or corrections. These definitive profiles were used for the analysis, and a summary of each profile is included in this report.

2.4 Advisory panel

Prior to publication, the VBDO maintains the practice of organizing a session in which a number of representatives from the surveyed sectors are given a chance to evaluate the preliminary results of the benchmark and comment on the research process. In publishing its reports, the VBDO does not in the first place wish to establish the frontrunners and laggards in terms of responsible investment. Rather, it works to show the opportunities available to these organizations for implementing a responsible investment policy.

By organizing an advisory panel, the VBDO works to ensure that the benchmark remains an accurate as possible reflection of the philanthropic sector and responsible investment. Comments made during this session regarding the research results and process were used when preparing the final report, as well as for future editions of this report.

The advisory panel for the first edition of this report was composed of five people representing the researchers as well as the foundations and fundraising charities. This was a smaller group than planned, as two people were unexpectedly unable to attend the session.

In the first place, the umbrella organizations for the foundations and fundraising charities indicated that they were unaware of the fact that the VBDO was in the process of conducting this research. This possibly led, according to them, to the low response rate among surveyed organizations. There was also evidence of 'questionnaire fatigue' among these organizations. The VBDO will work to keep the umbrella organizations up to date on the progress for future editions of the report.

As mentioned in the section on the selection of the surveyed organizations, a number of organizations can be viewed as hybrid organizations in the sense that they have characteristics of both organizations. An organization can have, for example, an endowed fund but can also be actively fundraising for its activities. This means that care must be taken when analyzing both groups, so that the right organizations are compared.

In the discussion, it became clear that the report must make the transparency element clear when analyzing the results. Participants noted that a lot more is happening within these organizations in terms of responsible investment, but some foundations and/or fundraising charities have what they feel are very good reasons for not making information related to responsible investment publicly available. The VBDO, in its analysis of the results, must work to convince these organizations that it is better for them to be more transparent about responsible investment and the decision-making that goes on behind the scenes of many organizations.

The participants in the advisory panel also emphasized that it was impossible to draw general conclusions for all the surveyed organizations and groups. The differences are just too great to be able to draw correct conclusions. Each group of fundraising charities and foundations must be separately evaluated and conclusions have to be limited to that group. The VBDO will work to ensure that the results are applicable to the particular groups, and that the conclusions are valid.

2.5 Assessment methodology

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

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

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

Policy

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

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

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

Implementation

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

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

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

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

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

- **Mission-related investing (MRI):** A recent Dutch publication about MRI highlights three characteristics: (1) investments are made directly from the core assets of the organization, (2) investments are geared towards making financial profit, (3) investments are also geared to achieve non-financial profit.[16] MRI is, essentially, an extension of positive screening, where the selection of investments is aligned with the mission of the organization. Where possible, organizations can take steps to engage in mission-related investing.

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

In its analysis, the VBDO investigated whether or not the surveyed organizations made use of these instruments in implementing their responsible investment portfolios. This information is also found in the tables in chapter 3, where a summary of the organizations' activities in the field of responsible investment is made.

Accountability

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

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

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

In terms of accountability, the VBDO looked at whether or not there was publicly available information provided

[16] Hummels, H., Een aandeel in maatschappelijke ontwikkeling, Van Gorcum, Assen, 2009.

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

Chapter 3

Results

This chapter provides the results of the survey as conducted by the VBDO, and is divided into a number of sections dealing with the response rate, the results for fundraising charities, foundations and then concluding remarks.

3.1 Response rate

For this report, a total of 38 organizations were invited to fill in a questionnaire. The organizations that completed a questionnaire are listed below:

- **Fonds 1818** (foundation)
- **Greenpeace** (fundraising charity)
- **KWF Kankerbestrijding** (fundraising charity)
- **Nierstichting** (fundraising charity)
- **Prins Bernhard Cultuurfonds** (hybrid organization)
- **Stichting Fonds Schiedam Vlaardingen e.o** (foundation)

The organizations were subsequently also invited to respond to the profile that the VBDO had made for each of these organizations. Although a number of organizations corresponded with the VBDO on various subjects, the organizations that provided feedback on the responsible investment activities as indicated in their profiles are listed below:

- **AIDS Fonds** (fundraising charity)
- **Cordaid** (fundraising charity)
- **Diabetes Fonds** (fundraising charity)
- **Fonds 1818** (foundation)
- **Greenpeace** (fundraising charity)
- **ICCO** (fundraising charity)
- **KNRM** (hybrid organization)
- **Natuurmonumenten** (fundraising charity)
- **Oxfam Novib** (fundraising charity)
- **Prins Bernhard Cultuurfonds** (hybrid organization)
- **R.C. Maagdenhuis** (foundation)
- **SNS REAAL Fonds** (foundation)

In total, 15 organizations responded, leading to a response rate of 39%. This is a higher response rate than average when comparing this to previous research done on responsible investment among fundraising charities and foundations.[17] When comparing this, however, to the response rate for previous VBDO benchmark reports among pension funds and insurance companies (with response rates hovering around the 50% and 80%, respectively), this is the lowest response rate yet encountered by the VBDO.

Distinguishing between the three types of organizations included in this report, it becomes clear that fundraising charities were much more willing to participate in the survey:

- **Fundraising charities** – 9 respondents
- **Foundations** – 4 respondents
- **Hybrid organizations** – 2 respondents

This difference in response rate is not surprising. Fundraising charities are, by nature, more inclined to participate in surveys due to their higher sensitivity to public opinion and also generally have a higher profile in society.

[17] The response rate for the 2004 ING/Dutch Sustainability Research report 'Duurzaam beleggen bij charitatieve instellingen' was 32%. The 2008 Kempen Capital Management report 'Rapport Enquête: Duurzaam Beleggen Charitatieve Instellingen en Congregaties' had a response rate of 23%. Finally, Prof. Dr. Harry Hummels' book entitled 'Een Aandeel in Maatschappelijke Ontwikkeling' included a survey that had a response rate of approximately 25%.

3.2 Fundraising charities

The results for the fundraising charities are divided into three parts: policy, implementation, and accountability. For each of these categories, a short summary of the information provided by the organization is displayed in Tables 3.1 and 3.2 (for the organizations that indicated that they did not invest in the capital markets directly) at the end of this section.

Policy

In terms of policy, a distinction can be made between fundraising charities that indicate that they have a responsible investment policy and those that were able to provide more details on the contents of this responsible investment policy. Of the 18 fundraising charities that are active in investing, a total of 16 organizations were able to indicate that they have a responsible investment policy.

Eight organizations simply stated that a responsible investment policy is in effect for their investments. These were:

- **Dierenbescherming**
- **Hartstichting**
- **Natuur en Milieu**
- **Natuurmonumenten**
- **Nierstichting**
- **Oranje Fonds** (hybrid organization)
- **Wereld Natuur Fonds**
- **De Zonnebloem**

Another eight organizations provided more detailed information on the content of their responsible investment policy. These organizations are also listed below:

- **Cordaid**
- **Diabetes Fonds**
- **Greenpeace**
- **ICCO**
- **KWF Kankerbestrijding**
- **Leger des Heils**
- **KNRM** (hybrid organization)
- **Prins Bernhard Cultuurfonds** (hybrid organization)

The eight organizations that did provide details on the contents of their responsible investment policy cited a number of international initiatives as basis for their policies. The UN Global Compact, with its ten principles that focus on the four themes of human rights, labour, environment, and anti-corruption was the most popular, and explicitly mentioned by three organizations. KWF Kankerbestrijding also cited other initiatives such as the UN Declaration of Human Rights, various ILO Conventions, and the Earth Charter.

Interestingly enough, ethical exclusion criteria such as tobacco, pornography, alcohol, and gambling were also mentioned frequently. This is in contrast to many other institutional investors such as pension funds and insurance companies that generally maintain more norm-based criteria such as controversial weapons and child labour.

Only two organizations provided no details at all on their responsible investment policies: Milieudefensie and Plan Nederland. It is hoped that this will be remedied in the near future.

Implementation

The second assessment category in this report is implementation. Once a policy has been defined, there are many different ways to implement a responsible investment policy. This section makes an inventory of these different ways and identifies which organizations are applying which instruments.

Exclusion: 11 organizations make use of exclusions to implement their responsible investment policy. These organizations are:

- **Cordaid**
- **Diabetes Fonds**
- **Greenpeace**
- **ICCO**
- **KNRM (hybrid organization)**
- **KWF Kankerbestrijding**
- **Leger des Heils**
- **Natuur en Milieu**
- **Natuurmonumenten**
- **Nierstichting**
- **De Zonnebloem**

The criteria used for these exclusions range from the four themes of the UN Global Compact to alcohol, tobacco, non-medical animal testing, gambling, genetic engineering and intensive farming. Surprisingly enough, a list of excluded companies is rarely published. Considering the fact that commercial interests should not play a role in these organizations, there is little reason for these organizations not to publish a list of excluded companies.

Positive screening: When looking at positive screening, 7 fundraising charities invest (a portion) of their funds using various criteria to select companies that perform well in terms of sustainability. These organizations are:

- **Cordaid**
- **Diabetes Fonds**
- **Greenpeace**
- **ICCO**
- **Natuur en Milieu**
- **Natuurmonumenten**
- **Nierstichting**

It is unclear, however, how much of the funds are invested using positive screening. That 7 organizations make use of positive screening means that more than half of the fundraising charities are not engaged in these activities. There is significant room for improvement in this area.

Engagement: Only 4 organizations were able to show that they made use of engagement to implement its investment policy. These organizations were:

- **Greenpeace**
- **Natuur en Milieu**
- **Natuurmonumenten**
- **Prins Bernhard Cultuurfonds (hybrid organization)**

One of these organizations, Prins Bernhard Cultuurfonds, has contracted F&C to conduct its engagement activities for it. Two other organizations invest their funds in ASN funds that conduct engagement activities (Greenpeace and Natuur en Milieu).

Voting: The same organizations that conducted engagement activities also conduct voting activities with the exception of Natuurmonumenten, which only conducts engagement. Therefore, the organizations that vote on their equity portfolio is as follows:

- **Greenpeace**
- **Natuur en Milieu**
- **Prins Bernhard Cultuurfonds (hybrid organization)**

MRI: Of the 18 fundraising charities, only 1 organization engages in mission-related investing. The Leger des Heils (Salvation Army) puts aside up to 6% of its funds for MRI. That so few fundraising charities take part in MRI could be explained by the fact that many organizations have relatively little investment capital. This capital is primarily set aside to ensure the long-term survival of the organization, and is not seen as part of its core activities.

Cash deposits/reserves: Two organizations, besides paying attention to sustainability in their direct investments, also take care that their indirect investments fall under a responsible investment policy. These two organizations are:

- **Greenpeace**
- **Natuur en Milieu**

This indicates that the other 16 organizations have no demonstrable policy for their cash deposits and/or reserves. This is unfortunate, considering the fact that banks invest the funds that are held in their accounts and these bank accounts can hold very significant amounts of cash.

Accountability

Fundraising charities, being in the public spotlight means that they are also under a lot of scrutiny and are held accountable for their actions. This is also true for their responsible investment policy and implementation. These organizations need to be transparent about how their funds are invested and what responsible investment criteria are applicable.

In total, 11 organizations provide publicly available information on their responsible investment policies. These are:

- **Cordaid**
- **Diabetes Fonds**
- **Dierenbescherming**
- **Greenpeace**
- **Hartstichting**
- **ICCO**
- **Leger des Heils**
- **Natuurmonumenten**
- **KNRM** (hybrid organization)
- **Oranje Fonds** (hybrid organization)
- **Prins Bernhard Cultuurfonds** (hybrid organization)

When looking at publicly available information on the implementation of this responsible investment policy, only six organizations provide information. Three organizations provide information on some of the instruments that they use (Diabetes Fonds, Greenpeace, and Natuur en Milieu) while another three are open about all of the instruments they use (Leger des Heils, KNRM and the Prins Bernhard Cultuurfonds).

This means that 6 organizations provide no publicly available information whatsoever on their responsible investment activities, if any. They are:

- **KWF Kankerbestrijding**
- **Milieudefensie**
- **Nierstichting**

- **Plan Nederland**
- **Wereld Natuur Fonds**
- **De Zonnebloem**

Non-investing fundraising charities

During the research process for this report, four fundraising charities indicated that they did not invest directly in the capital markets. This does not mean, however, that they have nothing to do with the capital markets. As indicated earlier on in this report, through their cash deposits and/or reserves, these organizations are indirectly active in investing.

Table 3.2 provides insight into the responsible investment activities of the four organizations. Two of the organizations, Hivos and Oxfam Novib, are transparent about their policy in terms of the selection of bank for its banking services. One fundraising charity, the AIDS Fonds, indicated that they do have a policy but this policy is not publicly available. The fourth organization, Amnesty International, was unable to provide information on the criteria that it used to implement its responsible investment policy for cash deposits and/or reserves.

Table 3.1: Fundraising charities and responsible investment

	Policy	Implementation	Accountability
Cordaid **Invested funds: € 29.1 million** • Corporate bonds - 37% • Government bonds - 66%	• Cordaid has a responsible investment policy as part of its Treasury Statute that is based on the UN Global Compact with a number of extra criteria related to companies' processes and products.	• **Exclusions:** Cordaid excludes investments in alcohol, non-medical animal testing, child labour, controversial weapons, gambling, genetic engineering, human rights, intensive farming, nuclear energy, pornography as well as the exclusion criteria of ASN (2003) and Sustainalytics research (2010) • **Positive screening:** Cordaid selects investments based, in general, on environmental and social criteria and more specifically on sustainable energy and resources, green transport, human rights, green energy, treatment of stakeholders • **Engagement:** Not applicable as Cordaid only invests in bonds • **Voting:** Not applicable as Cordaid only invests in bonds • **MRI:** Cordaid is not yet active in MRI • **Cash deposits/reserves:** It is unclear if sustainability criteria are applied to its cash deposits/reserves	• **Policy:** A summary of Cordaid's responsible investment policy can be found online. Its Treasury Statute (to be updated at the end of 2010) is available upon request • **Implementation:** Cordaid's exclusion policy is currently not publicly available • **Positive screening:** methodology is not publicly available

	Policy	Implementation	Accountability
Diabetes Fonds	• Diabetes Fonds' annual report states that investments are done responsibly. This means that it excludes investments in companies involved in child labour, tobacco, weapons, pornography, and gambling	• **Exclusions:** Diabetes Fonds excludes investments in companies involved in child labour, tobacco, weapons, pornography, and gambling • **Positive screening:** Diabetes Fonds states in its Investment Statute that the companies in its portfolio must have a long term vision and must score above average in its sector	• **Policy:** Responsible investment policy can be found online. • **Implementation:** Exclusion policy is explained in its annual report
Dierenbescherming	Responsible investment policy available: investments are animal-friendly and is in line with its multi-year plan; unclear what this plan is	• No information found on responsible investment	• **Policy:** Some information can be found in its annual report
Greenpeace **Invested funds: € 23.1 million**	• Greenpeace NL has a financial statute that outlines its responsible investment activities. Its policy covers all four themes in the UN Global Compact and also details how it deals with some of the ten principles	• **Exclusion:** Greenpeace excludes investments that have a negative effect on animal welfare, ecosystems, natural resources, general health, environment and human rights • **Positive screening:** Greenpeace selects investments that have a positive impact on energy and resources, green transport, microfinance, green energy, waste management, organic farming and environment. This applies to less than 5% of its investments • **Engagement:** By investing in ASN funds, Greenpeace NL engages companies. It is unclear what the results of this engagement are • **Voting:** By investing in ASN funds, Greenpeace NL votes on its portfolio. On occasion, it also uses its equity holdings for active engagement (eg. Shell, Unilever) • **MRI:** Greenpeace does not directly engage in mission-related investing, but through its positive selection process it hopes to support its mission • **Cash deposits/reserves:** Greenpeace NL holds all its cash at the ASN bank, which complies with its sustainability criteria	• **Policy:** Greenpeace's responsible investment policy can be found online • **Implementation:** A list of investments is not available online, but on request • Greenpeace's exclusion policy is available online. A list of excluded companies cannot be found • Greenpeace's positive screening methodology can be found • No engagement strategy can be found • No voting policy or activity can be found • **Cash deposits / reserves** policy can be found in its annual report

	Policy	Implementation	Accountability
Hartstichting	• The Hartstichting states that it has a responsible investment policy but it is unclear what this policy entails	• No information found on responsible investment	• **Policy:** Limited information on the Hartstichting's responsible investment policy is available in its annual report
ICCO **Invested funds: €24.6 million** • Equity 4% • Bonds 18% • Oikocredit participation 0.002% • Investment accounts 1% • Cash deposits/ reserves 78%	• ICCO's investments are covered by a responsible investment policy that takes criteria into account such as human rights, bio-industry, weapons trading, nuclear energy, corruption, environmental damage, fur and tobacco. The ING Bank is the asset manager for ICCO's investments.	• **Exclusions:** ICCO excludes companies based on multiple criteria • **Positive screening:** ICCO makes use of positive screening in its investments at ING Duurzaam	• **Policy:** ICCO's annual report contains information on ICCO's responsible investment policy. No further information is available
KWF Kanker-bestrijding	• KWF Kankerbestrijding's policy includes the four themes included in the UN Global Compact, as well as tobacco, controversial weapons. It also refers to the Universal Declaration of Human Rights, various ILO conventions, OESO Guidelines, the Earth Charter, the Rio Declaration and the Treaty of Ottawa and Dublin	• **Exclusion:** KWF Kanker-bestrijding exclusion policy is based on multiple criteria (alcohol, child labour, controversial weapons, corruption, human rights, pornography, tobacco, etc.) • Positive screening: KWF does not (yet) engage in positive screening for its investments • **Engagement:** KWF does not (yet) have engagement activities for its investments. It does not invest directly in equity • **Voting:** KWF does not (yet) vote on its investments. It does not invest directly in equity	• No information is publicly available
Leger des Heils **Invested funds: € 80.2 million** • Equity 59% • Real estate 2% • Cash deposits/ reserves 12%	• The Leger des Heils has a responsible investment policy that covers the following issues: tobacco, alcohol, pornography, gambling, the weapon industry, fraud and corruption, child labour and human rights, environmental damage, presence in countries with controversial regimes • It makes use of Sustainalytics to screen its investment portfolio • Since the end of 2009, the Leger des Heils has decided not to invest at all in public equities and to replace it with short-term government bonds	• **Exclusion:** The exclusion criteria are the following: tobacco, alcohol, pornography, gambling, the weapon industry, fraud and corruption, child labour and human rights, environmental damage, presence in countries with controversial regimes • **MRI:** Mission-related investing is €2 to 5 million, or 2.5 to 6.2% of the organization's assets	• **Policy:** Responsible investment policy is publicly available. • **Implementation:**Exclusion criteria can be found, along with a limited number of companies • Its mission-related investing strategy can be found in its annual report

	Policy	Implementation	Accountability
Milieudefensie	• It is unclear whether Milieudefensie has a responsible investment policy for its investments. It does have numerous bank accounts at sustainable banks such as ASN and Triodos	• It is unclear whether or not Milieudefensie uses sustainability criteria in its selection of bank. It does, however, make use of sustainable banks such as ASN Bank and Triodos	• Milieudefensie has the majority of its liquid assets deposited at sustainable banks such as ASN Bank and Triodos, but a policy for its cash deposits/reserves is not publicly available
Natuur en Milieu	• Natuur & Milieu has a responsible investment policy. It is unclear what its responsible investment policy entails, but it does have all of its investments at ASN Bank	• **Exclusion:** Because its investments are all held at ASN Bank, it does have an exclusion policy • **Positive screening:** ASN Bank only makes use of positive screening • **Engagement:** Because its investments are all held at ASN Bank, it does have engagement activities • **Voting:** Because its investments are all held at ASN Bank, it does engage in voting • **Cash deposits/reserves:** Natuur & Milieu chose the Rabobank as its bank because it had the best responsible investment policy of all the largest banks in the Netherlands	• **Policy:** Information on Natuur & Milieu's responsible investment policy can be found online • **Implementation:** No list of investments can be found • **Exclusions, positive screening, engagement, voting:** Natuur & Milieu does not provide information on these elements • **Cash deposits/reserves:** Natuur & Milieu uses the Rabobank as its bank because it had the best responsible investment policy of the largest Dutch banks
Natuurmomenten **Invested funds:** **€ 179.4 million** • Equity 25% • Corporate bonds 8% • Government bonds 53% • Cash deposits/reserves 14%	• Natuurmonumenten has a responsible investment policy, which states that its asset managers are required to take the environmental and social aspects into account of the funds they invest in and have to report on this on a quarterly basis	• **Exclusion:** Natuurmonumenten does not invest in companies involved in fur, weapons, tobacco, gambling, nuclear energy, pornography • **Positive screening:** Natuurmonumenten makes use of best-in-class selection based on environmental (74 elements), social and governance criteria • **Engagement:** Natuurmonumenten indicates that its investment managers engage on their behalf	• **Policy:** Responsible investment policy is publicly available. • **Implementation:** Further information is available upon request
Nierstichting **Invested funds:** • Equity 7% • Government bonds 66% • Cash deposits/reserves 27%	• The Nierstichting states that it has instituted a responsible investment policy since 2009, but this policy is not yet publicly available	• **Exclusion:** The Nierstichting indicates that it excludes investments based on numerous criteria: alcohol, child labour, controversial weapons, corruption, environment, gambling, human rights, pornography, tobacco. • **Positive screening:** The Nierstichting indicated that it screens based on societal involvement, energy and conservation of resources, fair trade, human rights and waste management.	• No information is publicly available

	Policy	Implementation	Accountability
Plan Nederland	• No information found on responsible investment	• No information found on responsible investment	• No information found on responsible investment
Wereld Natuur Fonds	• In the Wereld Natuur Fonds' Annual Report 2009, it is stated that the investment decision is not only based on financial criteria, but also on strict sustainability criteria. It is, however, not clear how it this has been implemented since a responsible investment policy was not found	• No information found on responsible investment	• No information found on responsible investment
De Zonnebloem	• The Zonnebloem's Annual Report 2009 states that it has developed a responsible investment policy. The policy itself cannot be found	• **Exclusion:** The Annual Report states that it has an exclusion policy, which states that companies that do not fit in the identity of the Zonnebloem as well as controversial companies (weapons, tobacco, climate change, nuclear energy, health, corporate governance and human rights (i.e. child labour)) are excluded. A list of excluded companies is not provided.	• **Policy:** The policy itself has not been provided, only the Annual Report makes reference to it • **Implementation:** Information can be found on exclusions

Table 3.2: Non-investing fundraising charities and responsible cash deposits/reserves

	Policy	Implementation	Accountability
AIDS Fonds	• The AIDS Fonds indicates that it has a CSR policy	• **Cash deposits/reserves:** In line with its policy, AIDS Fonds decided in 2008 to make use of ASN Bank for its savings accounts. The ING Bank is used for its payments	• AIDS does not provide public information concerning its CSR policy
Amnesty International	• No information on its cash deposits and/or reserves	• **Cash deposits/reserves:** No information on its cash deposits and/or reserves	• No information on its cash deposits and/or reserves
Hivos	• Hivos does not invest its reserves in funds. Its assets are held in bank current and savings accounts. In its new contracts for banking services, the sustainability of eligible banks has been taken into account. Along with Oxfam Novib, Hivos selected the Rabobank to carry out their banking services	• **Cash deposits/reserves:** Hivos made use of the Eerlijke Bankwijzer methodology to make a selection for its banking services contractor	• **Policy:** Hivos made use of the Eerlijke Bankwijzer methodology to make a selection for its banking services contractor. This can be found online • **Implementation:** All Hivos bank accounts have been selected based on social, ethical and sustainability criteria
Oxfam Novib **Invested funds: € 28.1 million** • Bank deposits 63% • Real estate (own property) 24% • Alternatives (see implementation) 13%	• Oxfam Novib does not invest its reserves in funds. Its assets are held in bank current and savings accounts. In its new contracts for banking services, the sustainability of eligible banks has been taken into account. Along with Hivos, Oxfam Novib selected the Rabobank to carry out their banking services	• **Cash deposits/reserves:** Oxfam Novib made use of the Eerlijke Bankwijzer methodology to make a selection for its banking services contractor • **Alternatives:** Oxfam Novib supplies microfinance loans to developing countries, and thus hedges its foreign exchange risks using TCX. Loans to microfinance institutions are executed by Triple Jump, co-founded by Oxfam Novib. It has also founded the ASN-Novib Fonds	• **Policy:** Oxfam Novib made use of the Eerlijke Bankwijzer methodology to make a selection for its banking services contractor. This can be found online • **Implementation:** All Oxfam Novib bank accounts have been selected based on social, ethical and sustainability criteria

3.3 Foundations

The results for the foundations are divided into three parts: policy, implementation, and accountability. For each of these categories, a short summary of the information provided by the organizations is displayed in Tables 3.3 and 3.4 at the end of this section.

Policy

Foundations in the Netherlands provide relatively little information on their responsible investment policy. Six foundations were able to indicate that they have a responsible investment policy: two foundations simply state that they have a responsible investment policy. These are:

- **Haella Stichting**
- **Oranje Fonds** (hybrid organization)

Another four foundations were able to show that they have a responsible investment policy and provide some details on the content of this policy. These four organizations are:

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

All of these organizations base their responsible investment policies on the UN Global Compact, with the exception of the SNS REAAL Fonds that makes use of the Fundamental Investment Principles of SNS REAAL, as its assets are managed by SNS AM. Interestingly enough, three of the six foundations with a demonstrable responsible investment policy are hybrid organizations.

This means that 13 of the remaining 16 foundations were unable to provide evidence of a responsible investment policy. These are:

- **Adessium Foundation**
- **Bernhard van Leer Foundation**
- **d.o.b. Foundation**
- **Fonds NutsOHRA**
- **Fonds Sluyterman van Loo**
- **Levi Lassen**
- **Noaber Foundation**
- **R.C. Maagdenhuis**
- **Start Foundation**
- **Stichting Fonds Schiedam Vlaardingen e.o**
- **Stichting Leids Universiteits Fonds**
- **Turing Foundation**
- **VSB Fonds**

Two foundations, R. C. Maagdenhuis and Stichting Fonds Schiedam Vlaardingen e.o, have indicated that they are currently in the process of developing a responsible investment policy.

Implementation

Looking at the implementation of the responsible investment policy, once again relatively little information is available. This section provides a summary of the different instruments available to foundations and which organizations make use of them.

Exclusion: Three foundations maintain exclusion criteria in their investments. They are:

- **Fonds 1818**
- **KNRM** (hybrid organization)
- **SNS REAAL Fonds**

Once again, this means that 16 organizations were unable to show that they maintain exclusion criteria for their investments.

Positive screening: In terms of positive screening, two organizations were active in this area:

- **Fonds 1818**
- **SNS REAAL Fonds**

Fonds 1818 uses the Dow Jones Sustainability Index and other ethical indices in its asset selection, and SNS REAAL Fonds invests in a sustainable fund through SNS AM.

Engagement: Two foundations were also active in engagement activities:

- **Prins Bernhard Cultuurfonds** (hybrid organization)
- **SNS REAAL Fonds**

The Prins Bernhard Cultuurfonds, as mentioned earlier, makes use of F&C for its engagement and voting services. SNS REAAL does this through its asset manager.

Voting: Three foundations vote on their equity investments. These are:

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

In 2010, Fonds 1818 partnered with the VBDO to vote on its equity holdings in the Netherlands, and is looking to expand its' voting policy to its European equity.

MRI: Only one foundation, Fonds 1818, was able to show that it engaged in mission-related activities. This is a much lower percentage than in previous reports. Research done in 2009 by Prof. Dr. Hummels showed that 17 of the 51 respondents to his survey, or 34%, were involved in MRI.[18]

Cash deposits/reserves: When it comes to indirect investing through cash deposits and/or reserves, only Fonds 1818 holds a portion of its cash reserves at banks that are selected based on sustainability criteria.

Accountability

When it comes to being transparent about a responsible investment policy, five foundations have publicly available information. These organizations are:

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

These five organizations publish, on their own website or in their annual report, information concerning their responsible investment policy. This means that 14 of the 19 surveyed foundations provide no publicly available information on their responsible investment policies, if these are available. Focusing on the level of transparency around the implementation of this policy, three organizations provide varying amounts of information. Fond 1818 provides information on a portion of the instruments that it uses, while the KNRM and the Prins Bernhard Cultuurfonds are open about all of the instruments they make use of to implement their policy.

[18] See Harry Hummels, Een aandeel in maatschappelijke ontwikkeling, Van Gorcum, Assen, 2009, chapter 5.

Table 3.3: Foundations and responsible investment

	Policy	Implementation	Accountability
Adessium Foundation	• No information found on responsible investment	• No information found on responsible investment	• No information found on responsible investment
Bernard van Leer Foundation	• No information found on responsible investment	• No information found on responsible investment	• No information found on responsible investment
d.o.b. Foundation	• No information found on responsible investment	• No information found on responsible investment	• No information found on responsible investment
Fonds 1818 **Invested funds: € 450 million** • Equity 40% • Corp. bonds 10% • Gov't bonds 10% • Real estate 5% • Alternatives 10% • Bank deposits 18% • Commodities 5% • MRI 2%	• Fonds 1818's responsible investment policy can be found online. Its policy states that it uses a best-in-class methodology in combination with exclusions. This policy covers all four elements of the UN Global Compact	• **Exclusion:** Fonds 1818 excludes companies that are engaged in the manufacture of landmines and clusterbombs • **Positive screening:** Fonds 1818 makes use of the Dow Jones Sustainability Index and other ethical indexes to make its asset selection. This means that virtually all equity and bonds are invested in a responsible way • **Voting:** Fonds 1818 makes use of the VBDO to vote on its shares of Dutch companies, and will give priority to exercise the voting rights for all its European holdings • **MRI:** Mission-related investing is 2% of the organization's assets. Its investments work towards a sustainable and livable society, and finance organizations that invest in sustainability or the protection of culture. Fonds 1818 feels that these investments will be pay out in the longterm. • **Cash deposits/reserves:** A portion of Fonds 1818's cash reserves are held at banks that are selected based on sustainable criteria.The amount of cash reserves is too large to be placed at a small number of banks	• **Policy:** Responsible investment policy can be found online • **Implementation:** The exclusion policy can be found online • Methodology for positive s screening can be found online • Voting policy and activities are not publicly available • MRI policy can be found online

Table 3.3: Foundations and responsible investment

	Policy	Implementation	Accountability
Fonds NutsOhra	• Fonds NutsOhra owns Delta Lloyd public equity and also has a loan outstanding to Delta Lloyd. Its bond portfolio is invested in a defensive manner. It is unclear whether a responsible investment policy is in place for its bond portfolio and/or its bank deposits	• No information found on responsible investment	• No information found on responsible investment
Fonds Sluyterman van Loo **Invested funds:** • Equity 55% • Bonds 39% • Cash deposits/ reserves 6%	• Fonds Sluyterman van Loo indicates in its annual report that its investment policy works to provide optimal funds for its activities, resulting in social return. It is undertaking steps to determine whether or not it will apply a responsible investment policy for its funds	• No information found on responsible investment	• The annual report indicated that no responsible investment policy exists as yet
Haella Stichting	• The website of the Haella Stichting states that it has instituted a responsible investment policy since 2002. It is, however, unclear what this policy is and how it is implemented	• No information found on responsible investment available	• No information found on responsible investment available
Levi Lassen	• No information found on responsible investment	• No information found on responsible investment	• No information found on responsible investment
Noaber Foundation	• No information found on responsible investment	• No information found on responsible investment	• No information found on responsible investment
R.C. Maagdenhuis	• R. C. Maagdenhuis has formulated an Investment Statute that considers responsible investment. This is, however, not yet in effect. In future editions of this report, more information will be provided	• No information found on responsible investment	• No information found on responsible investment. R. C. Maagdenhuis has indicated a willingness to provide more information in future editions of this report.
SNS REAAL Fonds *SNS REAAL Fonds receives its funding from the Stichting Beheer SNS REAAL. The management of the assets of Stichting Beheer SNS REAAL is done by SNS Asset Management*	• SNS Asset Management makes use of the Fundamental Investment Principles (FIP)s. These principles cover issues such as human rights, child labour, forced labour, corruption, pollution, controversial weapons, and ethical fundamentals of a humanitarian society.	• **Exclusion:** SNS AM has an exclusion policy based on its Fundamental Investment Principles. Its list of excluded companies can be found on its website. • **Positive screening:** SNS AM invests a portion of its equity portfolio is a fund that uses a best-in-class approach on top of its FIPs. • **Engagement:** SNS AM conducts engagement activities, both individually and on a collective basis. It	• Policy: Responsible investment policy can be found online. • Implementation: No further information on implementation is provided by SNS REAAL Fonds.

	Policy	Implementation	Accountability
SNS REAAL Fonds		It chooses not to publish its engagement activities as it feels that this contributes to openness and a constructive dialogue. There is, however, some information available on its website. • **Voting:** SNS AM votes on behalf of, among others, REAAL. Its voting policy can be found online, and pays explicit attention to ESG. Its voting record can be tracked through quarterly and annual reports as well as a voting disclosure web feed available on the website.	
Start Foundation	• No information found on responsible investment	• No information found on responsible investment	• No information found on responsible investment
Stichting Fonds Schiedam Vlaardingen e.o **Invested funds: € 155 million** • Equity 24% • Corporate bonds 39% • Government bonds 13% • Real estate 10% • Alternatives 13%	• Fonds Schiedam Vlaardingen e.o. states that it is developing a responsible investment policy. No reference, however, is made to this on the website or in its Annual Report	• No information found on responsible investment	• No information found on responsible investment
Stichting Leids Universiteits Fonds **Invested funds: € 21.8 million** • Equity 11% • Bonds 62% • Cash deposits/ reserves 27%	• No information found on responsible investment	• No information found on responsible investment	• No information found on responsible investment
Turing Foundation	• No evidence of a responsible investment policy. The Annual Report 2009 states that the board has decided to invest 10% of the in public listed equities in responsible investments. However, no evidence has been provided that this has been implemented	• No further information was provided	• No information found on responsible investment
VSB Fonds	• No indication was found that the VSB Vermogensfonds invests responsibly or is planning to do so.	• No information found on responsible investment	• No information found on responsible investment

Table 3.4: Hybrid organizations and responsible investment

	Policy	Implementation	Accountability
KNRM	The KNRM has a responsible investment policy based on the four themes of the UN Global Compact. According to its own assessment, about 80% of its investments can be classified as responsible and it aims to bring this percentage up to 100%. The specific criteria are: • Human rights • Working conditions (forced and child labour) • Environmen • Anti-corruption	• **Exclusion:** Exclusion criteria based on the UN Global Compact is used to screen the portfolio	• **Policy:** KNRM's responsible investment policy is available in its annual report. • **Implementation:** Exclusion criteria are publicly available
Oranje Fonds	• The Oranje Fonds states in its annual report that it decided in 2009 to invest in a responsible manner. The policy has five principles: relevance, reputation, quiet, results, and risk/return. It is unclear, however, how the Oranje Fonds defines responsible investment.	• No information found on responsible investment	• **Policy:** Responsible investment policy is publicly available.
Prins Bernhard Cultuurfonds **Invested funds: € 156.2 million** • Equity 22% • Corporate bonds 18% • Government bonds 37% • Real estate 5% • Alternatives 18%	• The Prins Bernhard Cultuurfonds (PBC) makes use of an engagement overlay created by F&C. This overlay includes all four themes and ten principles of the UN Global Compact.	• **Engagement:** PBC has an engagement policy executed by F&C. Results of this engagement are shared on a quarterly basis with PBC • **Voting:** The engagement overlay of F&C also has a voting policy. Voting results are shared on a quarterly basis with PBC • **MRI:** PBC invests in culture funds for monuments. In 2009 in total 22.9 million (14%) has been invested in such funds.	• **Policy:** Responsible investment policy is found on the website. • **Implementation:** Engagement strategy is explained, results are not available. • Voting policy can be found, no voting activity report is available. • MRI policy was found on the website.

3.4 Concluding remarks

The results presented in the previous sections show that there is a large difference in how responsible investment policies are formulated, implemented and accounted for. A number of conclusions can be extracted from the results of the two groups.

Fundraising charities

When it comes to the responsible investment policies of fundraising charities, the vast majority of the organizations have a responsible investment policy. Half of the organizations, however, provide little details in terms of the content of the investment policy. The implementation of the responsible investment policy currently remains largely limited to exclusions and positive screening. Engagement and voting are implemented much less frequently. Mission-related investing and the selection of bank for its cash deposits and/or reserves are also infrequently used.

In terms of accountability, more than half of the surveyed fundraising charities have publicly available information on their responsible investment policy, but there is much less publicly available information on how these instruments are applied.

Foundations

Foundations are, in general, not very forthcoming about their responsible investment policies. Less than one-third of the surveyed organizations have a demonstrable responsible investment policy. In terms of implementing this policy, even fewer are able to show how this is done.

This also means that there is a general lack of transparency. Once again, less than a third of the surveyed organizations have publicly available information regarding their responsible investment policies and implementation.

Religious organizations

In this edition of the report, the VBDO chose to analyze the data of the fundraising charities and foundations. The VBDO plans to expand its list of surveyed organizations for following editions of this report. Religious organizations also invest in the capital markets, and therefore also obligated to provide insight into their responsible investment activities. Some preliminary informal research conducted by the VBDO based on publicly available sources shows that information on responsible investment is difficult to find.

Chapter 4 The UK experience and recommendations

This chapter will look at the experience in the UK and consider steps Dutch fundraising charities and foundations could take to develop their SRI policies and practises.

4.1 The UK experience regarding responsible investment

The EIRIS Foundation is a charity that supports (socially) responsible investment (SRI). It researches the social and ethical aspects of companies and provides other charities with information and advice to enable them to choose investments which do not conflict with their work. For the last 6 years, the Foundation has managed a Charity Project which encourages and assists charities and their trustees in the development of an ethical and socially responsible approach to their investments through education, research and the provision of resources. Many UK charities, including fundraising charities, foundations and trusts are further along the road of developing socially responsible investment policies than similar organisations in the Netherlands.

In the UK

While there is still a lot more that the UK charitable sector could do in the development of SRI policies and practises, a lot has been achieved and many charities, foundations and religious organisations have well developed policies in place.

In 2009, the EIRIS Foundation and the Charity Finance Directors' Group[19] (CFDG) surveyed the CFDG membership about their SRI policies.[20] The results of the survey give some interesting information about UK charities' approach to socially responsible investment.

- Of the 164 CFDG members who responded to the survey 46% said they had an ethical investment policy
- Looking at charities with the largest investments 60% of charities with more than £ 1m in investments had an SRI policy
- Most charities that did invest ethically said they used their policies to screen out companies that were in conflict with their goals
- One in four charities that invest ethically invest positively in companies that furthered their own mission
- 22% of the charities who invest ethically engage with companies either directly or via investment managers
- 70% of fundraising charities had ethical investment policies, compared with 59% of foundations and 32% of service delivery charities

4.2 Recommendations

The results of this report show that fundraising charities and foundations in the Netherlands are all at different levels of formulating, implementing and accounting for their responsible investment policies. As part of its Charity Project the EIRIS Foundation produced a website (www.charitysri.org) and various guides and research publications to give information to fundraising charities and foundations considering developing an SRI policy. This section gives a brief summary of the steps involved in developing a policy based on the results of the survey – the full version of this advice can be found in the Trustee Toolkit.[21]

Step 1: Clarify the current situation - gather together the information needed to be able to review the charity's starting point, address concerns within the organisation and to be able to suggest how best to proceed. Factors to think about include: the size of investments and where they are currently invested, the current investment policy, any restrictions on the investment policy, what agreements are in place currently with investment managers,

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[19] The Charity Finance Directors' Group is a membership organisation set up in 1987 and specialises in helping charities to manage their accounting, taxation, audit and other finance related functions. www.cfdg.org.uk

[20] www.cfdg.org.uk/cfdg/files/best_practice/ethical_investment_survey_results.pdf

[21] http://www.charitysri.org/downloads/key_publications/toolkit_for_charity_trustees.pdf

what resources are available to develop and implement an SRI policy and who is available and best placed within the organisation to take this work forward.

- Respondents to the VBDO questionnaire felt strongly about investments avoiding conflict with the aims of the organisation – reviewing your investments to ensure none of them conflict with your organisation's aims is a good first step for charities and foundations.

Step 2: Get responsible investment on the agenda - Once information has been gathered, it is important to bring the issue onto the agenda with important stakeholders within the organization in order to build agreement. It may be helpful to discuss responsible investment at trustee meetings and senior management meetings. Make the case for why SRI would be a sensible choice for the organization; consider inviting 'an expert' such as a finance director from within the sector to talk about their experiences.

Step 3: Set aims - Think about how investment links to the charity's mission, strategy, and risk assessment, particularly around reputational risk; consider the charity's motivations for adopting SRI; consider the nature of the charity and its activities, think about who the key stakeholders are and how they could be involved in setting aims.

- Respondents also showed concern about holding investments that might alienate supporters and/or donors. Another possible first step for Dutch charities is to ask your supporters and/or donors about their views on your charities investments.

Step 4: Develop or update your SRI policy – consider which environmental, social and governance issues should be incorporated into the charity's investments and which approach to take. The policy should include information about which assets it applies to, what is hoped to be achieved from the policy and how this will be assessed, how will it affect the choice of companies to invest in, how will it affect the use of voting rights and other forms of engagement, who will be responsible for implementing the policy and what services will be employed to implement it.

- When developing an SRI policy charities will need to decide which aspects to include. This will be influenced both by the aims set for SRI and practical considerations. For example a fundraising charity with a narrow scope of work, for example animal welfare, and limited resources may find a negative screening approach is appropriate because it fits with its mission, and is cost-effective. A charity with a large endowment may prioritise engagement in order to mitigate financial risks to its investments as well as a positive screening approach where the portfolio is biased towards companies in sectors the charity believes to be beneficial. A smaller charity may decide to review options available in pooled funds and current accounts.

Step 5: Implement policy - In determining the best implementation strategy, trustees need to ascertain whether the existing services provided by fund managers are sufficient or whether additional expertise is required. There are a number of different ways for each approach to responsible investment to be implemented. For example, with engagement, the easiest option may be to use a fund manager with an active engagement process. Alternatively you may decide it is best for the organization to engage by itself or in collaboration with others.

- **Pooled funds:** In the UK, there are pooled investment funds that are available only to UK charities; they are known as Common Investment Funds (CIFs). There are a number of advantages of investing in CIFs including exemptions from income tax and capital gains tax, the fact that they provide diversification to reduce risk and the attraction that minimum investment levels are low. Some of the UK CIFs have a responsible investment policy – some will screen out companies, some also engage with the companies they invest in. Different funds concentrate on different environmental, social and governance issues. They provide charities with the opportunity to invest responsibly while enjoying the advantages of investing in a pooled fund.[22]

[22] More information about CIFs can be found in this paper: http://www.charitysri.org/downloads/key_publications/charity-pooled-funds.pdf

Referring back to the results, what follows are tips for each of the elements that comprise the implementation of a responsible investment policy.

- **Exclusion** involves avoiding investments that do not meet the environmental, social and governance (ESG) standards that a charity has set. There is no single correct approach to negative exclusion; the degree to which a particular behaviour is avoided will be determined by a charity's policy. Exclusion can involve avoiding investments in certain companies or sectors. In the case of government bonds, it may also be possible to avoid investing in particular countries. Investors can set materiality thresholds to determine which investments will be excluded – for example avoiding companies that derive more than 10% of turnover from gambling, rather than avoiding companies with any involvement in gambling. It is also possible to avoid the worst performing companies within a particular sector, for example those with the poorest human rights record.

Case in point: The People's Dispensary for Sick Animals (PDSA) is a large UK veterinary charity. Its mission is to care for the pets of needy people by providing free veterinary services to their sick and injured animals and promoting responsible pet ownership. It has an ethical investment policy that excludes investments in companies that have an adverse impact on the charity's underlying beneficiaries. This means that the PDSA does not invest in companies whose activities are contrary to its purpose and it avoids investing in companies that test on animals for cosmetic or other non-medical purposes, and in companies with an involvement in the fur trade.

- **Positive screening** involves investing where there is a commitment to responsible business practices, and/or positive products and services. It is also known as support or preference. Forms of positive screening include: investing in companies that sell positive products – for example educational material or essential necessities of life (food, clothing, electricity, water or housing); thematic investing – investing in specific areas such as environmental technology and a best-in-class approach – favouring investments with best practice amongst sector peers. Positive screening is a tool that enables charities to further their aims, select investments that perform well according to social, environmental and financial criteria and encourage responsible business practices.

- **Engagement and voting** can be used to encourage more responsible business practises. They usually take the form of dialogue with companies or voting at Annual General Meetings in an attempt to maintain or improve corporate environmental, social or governance policy, management or performance.
  Engagement is typically carried out by fund managers on behalf of investors. Charites choose to engage with companies for a number of reasons including encouraging more responsible business practices, encouraging greater transparency and disclosure and influencing corporate behaviour to further the mission of the charity. Engagement usually involves dialogue, negotiation, gentle (or firm) persuasion and can take the form of informing companies how their actions will affect the charity's investment decisions, encouraging and persuading them to improve certain policies and practices and/or offering to help them formulate a policy or improve an approach to an issue of concern.

Case in point: Save the Children UK is an international children's charity which works to give all children proper healthcare, food, education and protection. The charity excludes companies from its portfolio whose practices are considered to be in conflict with the United Nations Convention on the Rights of the Child 1989. In addition to the exclusion aspect of their SRI policy they also use engagement and voting. Through its investment managers the charity seeks to use engagement to raise issues of concern with companies. The charity states, "Rather than disinvesting it can sometimes be more appropriate to use investments to open doors to companies and raise social concerns at the highest levels."

- **Mission-related investing** involves charities making investments that produce a positive social or environmental impact as well as generating a financial return. Impact Investing is a similar process that relates to using equity or social enterprise investments to make an impact linked to a charities mission. These two approaches can be combined.

- **Cash deposits/reserves** should be considered alongside equities. There are ethical banking facilities available for fundraising charities and foundations.

Step 6: Report and review - With clearly defined aims and a written policy that is well researched and effectively transmitted, the charity is likely to gain from responsible investment. To ensure that this is the case, an effective and on-going monitoring process should be established. It should include an assessment of the impact of SRI and whether it has achieved its aims. Underlying this should be an assessment of a number of factors including: the performance of fund managers, costs, which approach best suited, and whether the key issues were addressed.

The need for transparency

It is important for fundraising charities and foundations to be transparent about their investments; it also offers them opportunities. Transparency gives donors, supporters, beneficiaries, funders and other stakeholders important information about the organization. Through sharing details about their investments and sharing their reasons for adopting responsible investment, fundraising charities and foundations can build links with these stakeholders, particularly if they were consulted as part of the process, or have raised concerns in the past about investments. Transparency presents a positive image of the organization and encourages others to develop similar policies.

Steps have been taken in the UK towards greater transparency by charities with regard to their investments. Most charities[23] have to declare in their Trustees' Annual Report the extent (if any) to which social, environmental or ethical considerations are taken into account within their investment policy. Some charities in the UK show their commitment to SRI and transparency by publishing their SRI policies on their websites.

Case in point: The Joseph Rowntree Charitable Trust (JRCT) is an independent charity which makes grants to individuals and to projects seeking the creation of a peaceful world, political equality and social justice. It publishes its investment policy in detail on its website.[24]

The VBDO hopes that by providing insight into the responsible investment policies of fundraising charities and foundations and by outlining the steps in this chapter will encourage these organizations to take (futher) steps and become more transparent about how their responsible investment policies have been formulated and implemented.

[23] This applies to charities with an income over £500,000 or total assets of £ 2.8m or more. See www.charitysri.org for more details.

[24] http://www.jrct.org.uk/text.asp?section=0001000300070003

Appendix A

Surveyed organizations

Fundraising charities

AIDS Fonds
Amnesty International
Cordaid
Diabetes Fonds
Dierenbescherming
Greenpeace
Hartstichting
Hivos
ICCO
KWF Kankerbestrijding
Leger des Heils
Milieudefensie
Natuur en Milieu
Natuurmonumenten
Nierstichting
Oxfam Novib
Plan Nederland
Wereld Natuur Fonds
de Zonnebloem

Foundations

Adessium Foundation
Bernard van Leer Foundation
d.o.b. Foundation
Fonds 1818
Fonds NutsOHRA
Fonds Sluyterman van Loo
Haella Stichting
Levi Lassen
Noaber Foundation
R. C. Maagdenhuis
SNS REAAL Fonds
Start Foundation
Stichting Fonds Schiedam Vlaardingen e.o
Stichting Leids Universiteits Fonds
Turing Foundation
VSB Fonds

Hybrid organizations

KNRM
Oranje Fonds
Prins Bernhard Cultuurfonds

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