

**How and where we invest our money defines the world we want to live in.**

Like many faiths we at Triodos Investment Management, see impact investing as a driving force in the transition towards a society that is fairer, more sustainable and humane. We thereby recognise the instrumental role and creative power of money when used consciously.

There is a growing urgency for this transition. Pressures on the environment, the prospect of irreversible climate change, and a rising number of people who are excluded from opportunities and face difficulties to fulfil basic needs, require a fundamental change in the way we live, consume, produce and invest.

The financial sector plays a critical role to unlock capital to address these challenges. But it needs a fundamental change in how it looks at investing.

Leading up to the financial crisis, financial institutions had, for years, created an intransparent system, separating people from their money and from their understanding of the system in which it existed. As a result, when there was a crisis, people felt worried and angry, but also disconnected.

This disconnect, intransparency and short-term focus are the main flaws in our current financial system. The investment industry has gone off-track and has evolved more into trading and speculation. Most financial products lead a life of their own, disconnected from the real economy, disconnected from serving people.

We need a paradigm shift in the investment industry from thinking in short-term financial gains to long-term investments, creating real value, adding to the quality of life of people.

Impact investing has the potential to be that paradigm shift. It is not just a concept defined by 'what' it is – there is a philosophy underpinning it which is related to 'how' it is practiced. It focusses on the real economy and looks to the longer term value. It allows people to become reconnected to their money and to the social and environmental impact it has. It is much more directly participatory and meaningful than other forms of investment and ultimately recognizes a greater degree of humanity within investment relationships.

We therefore see impact investing not as a niche but as a transformative power to change investing. And more importantly, as a driving force in the transition towards a society that is fairer, more sustainable and humane.

**II**

So clearly, there is an obvious **need** for investments that look beyond risk and return.

At the same time there is also an extraordinary **opportunity** for investors to harness a growing wave of optimism. An optimism in which individuals, enterprises and progressive investors dare to create new, innovative and sustainable solutions.

Now more than ever, the momentum and global commitment is in place to embrace these new solutions. Remember for instance how the whole world joined together in 2015 and first agreed on the SDGs in September in New York and then on the Climate Agreement in December in Paris. It is the first time in human history that there is this joint sense of urgency and willingness to cooperate...

... that there is this joint sense of urgency and willingness to cooperate. From all countries, from all stakeholders.

It is also the first time in history that it became universally understood that alleviating poverty, tackling climate change, and protecting the environment are interlinked. For instance, climate change is related to our food system, economic growth, access to clean energy, and our soils among many other issues. What is clear is that we can no longer think and act in silos. We need integral, systemic solutions and one dimensional thinking is not an option anymore.

Last December we welcomed Christiana Figueres, one of the key persons to realize the Paris Climate agreement, at our office in the Netherlands. Her message was very clear stating that the financial sector has five years. 'How and where we invest our money in the next five years determines what the world will look like in the coming 300 years'.

The UN estimates that developing countries alone face a 2.5 trillion dollar gap in financing projects and initiatives that positively contribute to environmental and societal change. That is our five-year challenge.

### III

So there is a clear urgency and opportunity for impact investors. For them to succeed in impact investing, it requires asking the question "what is my money doing for a cleaner planet or for equal opportunities for all?" and taking action from there.

Now changes in fiduciary laws allow trustees to look beyond risk/return and include impact into the equation ...how can you do this?

The answer is simple. Replace risk/return by impact/risk/return. Look at impact/risk/return as lens to all your investments and ask your advisers and asset managers to do the same.

Then also acknowledge that not all externalities of your investments are mirrored in risk or return. Not all positive change nor all negative impacts can be quantified or monetized yet. The financial industry simply does not have the correct models yet to incorporate all impacts of your investments (eg like true cost accounting).

Interestingly enough there is also a good thing about this, as it requires investors to look beyond the numbers and to bring back in human judgement. It requires, the willingness and effort to really know what your money is doing. Because only then can it be invested consciously.

For example. If you are keen to address let's say the education problem (the lack of good quality and affordable education in underserved populations) you need to engage and start dialogues in order to judge if the investment solution is aligned with your views and values (is it inclusive, really addressing the underserved, is it self-sustaining, a long term approach, replicable or just a one-trick-pony for the happy few? What is the underlying theory of change and will they act upon it, also when it gets tough or when they want to exit?

The impact investment sector needs investors that ask these questions. No report or single metric can give you that answer. It requires you to engage in a dialogue.

Our experience is that values-based investors are extremely good at this and best positioned to do so. You might need to start a dialogue with your advisors/fiduciary managers to ask the same from them, but you have an exceptionally solid basis to start

from.

IV

Let me round off

Impact investing is about bringing the soul back into money. Institutional and private investors – including you as faith-consistent investors - can connect to the many entrepreneurs all over the world who have set up their companies to contribute to positive change.

And that is something we very urgently need. We need to do our utmost to safeguard a sustainable society, for ourselves and for the generations that come after us. Because remember: how we invest our money now, will determine what our future will look like.

### Hadewych Kuiper, Triodos

**Hadewych Kuiper** is Commercial Director, Triodos Investment Management, responsible for business development & investor relations as well as marketing & communications. She joined Triodos Bank in 2008 as the international Head of Marketing, responsible for the bank's brand positioning and market approach in those European countries where Triodos Bank is active. She previously spent more than ten years as a market strategy consultant in the financial services industry, telecom and media. She is an MBA graduate of Erasmus University Rotterdam. She firmly believes in businesses to spur sustainable development: they are instrumental in providing the leadership necessary to create the world we want to see and live in.