**The GIIN Initiative for Institutional Impact Investment** supports institutional asset owners seeking to enter or deepen their engagement with the impact investing market, by providing educational resources, performance research, and a community of practice. The Initiative is made possible by the generous support of JPMorgan Chase & Co., a founding member and longtime partner to the GIIN.

This series of case studies represents one type of educational resource offered to the growing institutional community. Each case study profiles one institutional asset owner that has started to make impact investments, providing a snapshot of what they did to make it work thus far. The case study series provides a useful tool for institutional investors seeking to understand how to make the case for, and then establish, an impact investment strategy, based on examples from peers. If you are interested in contributing to this resource, please contact the GIIN.

The Salvation Army is a registered charity that operates in 128 countries worldwide running charity shops, shelters for the homeless and coordinating disaster relief and humanitarian aid to developing countries. For this case study, we interviewed John den Hollander, Secretary of Business Administration at the Salvation Army in The Netherlands, and Léonard ten Siethoff, Senior Relationship Manager at Triodos Private Banking, one of the Salvation Army’s external asset managers.

**How do you define impact?**

The Salvation Army has three different criteria that defines its approach to sustainable investing. First and foremost defines itself as an ethical investor. That means that the organization has an exclusion list of sectors, companies, and countries in which it will not invest. For example, they will not invest in tobacco companies, companies that violate human rights, or make use of child labor. Because they want to invest according to their values, it does not invest in index trackers. Their second goal is to invest in companies that have higher-than-average social and environmental standards. Doing better than the average does not mean that the company operates sustainably per se, but that they perform better than their peers when it comes to these two factors. The third element of the Salvation Army’s sustainable investment policy is what it defines as its impact investments. In this category, they prefer to invest in companies and funds that positively contribute to social inclusion and the environment. These can be investment funds that are aimed at financial inclusion, such as microfinance funds, but also listed companies that provide clear solutions for environmental challenges or social challenges. By the nature of its work, social inclusion is a topic that is of special interest to the organization.

**What have you done to start making impact investments?**

Being a smaller fund, the Salvation Army does not have in-house capacity to manage its assets with an internal team. However, this does not prevent it from engaging in the impact investing space. They have chosen to pick a fiduciary manager that advises them on their investment strategy and do the work of managing their assets. Then there are two external asset managers execute this investment strategy, Van Lanschot and Triodos Private Banking.

John den Hollander explains why the Salvation Army has two different external asset managers. “As a rule, we want more than one fiduciary asset manager, because this helps to keep everyone sharp. We are in a business agreement here, it’s not charity. We want to see good results from both business partners. Both asset managers are selected because of their socially responsible investment policies, but also because of the historical results of their portfolios, the quality of their reporting, their sustainability screening and management fees.” Because of the organization’s explicit interest in social inclusion, various inclusive finance funds are part of their investment portfolio. Den Hollander: “Impact investments are just a part of our overall financial strategy, to invest at market rate. We don’t think sustainability or positive impact has to lead to lower returns. We watch our investments closely. The investment managers are continuously compared to each other and to external benchmarks. Every month, the fiduciary administrator and the external asset managers report to us about their results.”
An internal group of financial experts gathers at least three times a year to monitor and discuss the investment policy and results. Both the financial performance as well as the environmental and social aspects are discussed in these meetings. It is also at this table where new suggestions for impact investments are being discussed. The Secretary for Business Administration reports both the financial and sustainability and social aspects of the portfolio to the Territorial Financial Board of the Salvation Army.

**Why did your approach work?**

“First of all, we make sure to have buy-in from all internal stakeholders. This means we have discussions with around 20 people at the table. This costs time, of course, but it certainly helps to make sure that all expectations are aligned. If you have all business aspects clear at the start, this saves a lot of time and effort later on in the process” Den Hollander explains. “Secondly, clear agreements with our external managers are important. In the end, not everything is captured in agreements. It is also about trust in each other. We can only be an impact investor because we have business partners that take an effort in understanding our values and the positive impact we want to make with our assets. You can only have these discussions with external managers in an atmosphere of openness and trust.” ten Siethoff from Triodos Private Banking explains: “We have regular conversations with each other about the values that are important to the Salvation Army as an organization. It is up to us as the external manager to find positive impact opportunities that align with both their values and financial objectives.”

Den Hollander adds: “Even as an institutional asset owner with no internal investment capacity, we are able invest our financial assets with positive impact, thanks to our external advisors and asset managers”.

**What advice do you have for institutional investors interested in impact investing?**

Den Hollander is adamant that internal buy in be first and foremost. “You need broadly accepted decisions before you start anything new. For the rest, the normal mainstream finance rules apply to impact investments: you have to diversify your investments.” This is why they have spread their inclusive finance investments over a number of different funds and use benchmarks to track their performance. Another piece of practical advice that Den Hollander gave is to be aware what your organization can and cannot do. “We at the Salvation Army don’t have the internal capacity to manage our investments ourselves, so we chose not to do direct investments into companies.” Den Hollander adds: “Illiquidity of impact investments is not necessarily something negative. If this illiquidity goes hand in hand with stability of returns, it can be a good match with a long-term liability like a pension provision. It’s not only about high returns; stability is also important.”

Last, but not least: choose the right partners. “What we value very much about Triodos is that they have their own clear vision on sustainability. They do not just follow the best-in-class ESG lists provided by data providers. In addition to in-depth ESG insight, they have their own vision on how to enable sustainability and social inclusion through our investment portfolio. It’s an exciting and rewarding journey and now that we are a few years on the road, we are confident that this approach can go very well together with pursuing our financial goals.”