NORNAB

FOR IMPACT INVESTING

The State of Impact Investing in Norway

Preface

The Norwegian National Advisory Board for Impact Investing (NorNAB) is committed to helping increase capital allocation towards measurable, intentional impact investments - in Norway and internationally - to address the UN's Sustainable Development Goals. We champion collective action and warmly invite individuals and organizations who are part of or aspire to join the impact investing ecosystem. Our work encompasses three key areas: enhancing understanding and familiarity with impact investments, advocating for favorable policy changes, and facilitating the exchange of experiences and best practices in the sector.

One of our first milestones is the survey at hand, ***The State of Impact Investing in Norway.*** This report estimates the current size and characteristics of the Norwegian impact investing ecosystem and provides a detailed snapshot of its current landscape. Additionally, it sheds light on key barriers and drivers in the sector. This survey will serve as a tracking tool for market trends and a cornerstone for our strategic priorities in the coming years.

The findings of the survey are encouraging. Twenty-six organizations indicate engaging in impact investing, having more than NOK 100 billion in direct impact investments. This finding highlights the growing momentum in impact investing in Norway and reflects the commitment of stakeholders towards aligning their financial activities with impact. We hope this will instill optimism and inspire increased interest and engagement in impact investing.

The survey also informs us about key factors that can further stimulate the growth of the impact investing sector. Examples include further standardization of market practices, knowledge sharing, and the availability of suitable exit options. These insights pinpoint areas where strategic interventions and collaborative efforts can amplify the positive impact of investments, thereby contributing to the broader global goals of sustainability and social progress.

We are grateful to all the survey participants who generously offered a glimpse into their impact investing practices. The collective wisdom and transparency exhibited in these contributions have provided a much clearer picture of the current state of this sector. As we move forward, we invite all stakeholders to join our efforts to expand the impact investing market in Norway. Together, we can leverage the power of finance to drive positive social and environmental change. We encourage everyone to delve into the survey findings, as they offer a valuable roadmap for our collective endeavors. We wish you a happy reading.

Sincerely,

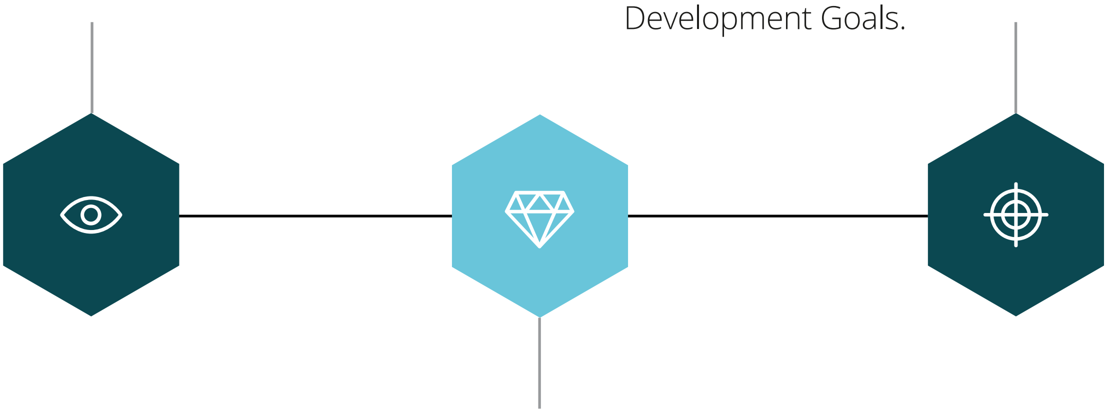
NorNAB

Vision

A thriving Norwegian impact investing ecosystem benefitting people and planet.

Mission

NorNAB works to develop a strong impact investment ecosystem out of Norway, driving more capital towards initiatives that accelerate the achievement of the Sustainable Development Goals.



Values

Impact-driven
We drive more capital towards impact-investing to help achieve the Sustainable Development Goals (SDGs).

Inclusive
We engage with all actors to create favorable conditions for solutions that generate positive impact.

Action-oriented
We take action to improve regulations, facilitate capital flow and foster national and global collaboration to advance impact investing.

Survey Highlights

1

Topping the NOK 100 billion mark
Strip away the Development Finance institution's capital, and we're still looking at a robust NOK 77 billion dedicated to impact in the survey sample. Read more in chapter 3.

2

Norway punches above its weight in Europe
Now, look at the NOK 77 billion in play against Europe's 80 billion euros (excluding DFIs) and it is clear: Norway notably emerges as an important contributor. Read more in chapter 3.

3

No perception of trade-off between impact and returns
That's the view of 95% of the survey sample. Even more eye-opening? Nearly half (45%) believe that impact investments can be more lucrative than traditional investments. Read more in chapter 6.

4

Impact investing is on a roll
95% intend to ramp up or keep up their share of impact investments. A quarter of the sample is already channeling every asset to impact. Read more in chapter 6.

5

Booming growth potential
Emerging Interest in Impact: Of the surveyed investors currently on the sidelines, 33% have set their sights on entering the impact investing arena soon. Read more in chapter 4.

6

Impact investors have a global perspective
70% of the surveyed impact investors have assets abroad, while 80% are invested within Norway. 50% allocate investments to both international and local impact opportunities. Read more in chapter 4.

7

Consensus on environmental impact
All surveyed impact investors pursue climate and environmental impacts, while two thirds also invest in social impact prospects. Read more in chapter 4.

8

Recent impact pipeline holds allocations back
The young Norwegian ecosystem is still evolving and has yet to mature to fully encompass all stakeholders. To further increase capital allocation in impact investments, three primary areas demand attention: 1) professionals with expertise in impact, 2) access to high-quality investment opportunities with a proven track record, and 3) suitable exit options. Read more in chapter 6.

Glossary

Additionality	Enabling or creating a positive effect that would not have occurred without the investment.[1]
Article 9 Fund ("dark green")	Funds that have sustainable investment as their objective based on the SFDR.[2]
Article 8 Fund ("light green")	Funds that promote environmental and social characteristics, but do not have a sustainable investment objective under the SFDR.[2]
Article 6 Fund	All other funds, according to the SFDR.[2]
Asset Class	A group of financial instruments with similar characteristics and behavior in the market, such as equities, fixed-income instruments, cash, currencies, real estate, and commodities.[3]
Asset Manager	Financial professionals who manage the investments of individuals or institutions.[4]
AuM	The total market value of financial assets managed by a person or entity on behalf of clients/users or for its own account.[5]
Capital Market	A financial market in which long-term, at least one-year-maturity debt or equity-backed securities are bought and sold.[6]
Environmental, Social, Governance (ESG)	Construct used in the financial industry to assess how an organization manages risks and opportunities around sustainability issues. [7]
Five Dimension of Impact (Impact Management Project)	A framework that helps assess the impact one intends to create. The five dimensions include the intended outcome (what), who experiences it, how much of the outcome is experienced, the contribution to the outcome achieved, and the risk of the impact being different than expected.[8]
Impact Investments	Investments made with the intention of generating positive, measurable social and environmental impact alongside a financial return. [9]
Intentionality	Intentional desire for positive positive social or environmental impact through investments.[10]
Measurability	Quantifying identifiable social and or environmental impact effects linked to invested capital. Both quantitative and qualitative measurements are essential.[10]
Operating Principles for Impact Management (OPIM)	Provides a reference point against which funds and institutions can assess their impact management systems. Established by the IFC.[11]
SDG Impact Standards	Guidelines coming from UNDP to help businesses and investors integrate sustainability and the SDGs into their operations, decision-making and value creation.[12]
Sustainable Development Goals (SDGs)	Adopted by the United Nations in 2015 as a global initiative to end poverty, protect the environment, and ensure that all people experience peace and prosperity by 2030.[13]
Sustainable Finance Disclosure Regulation (SFDR)	A European regulation that imposes disclosure requirements on asset managers and other financial market participants. Depending on how the financial product is marketed to investors, defined information and data relating to potential impacts and risks must be disclosed. [2] The current market perception is that Article 9 funds under the SFDR relate specifically to impact investing.
Theory of Change (ToC)	A theory of change defines all building blocks required to bring about a given long-term goal. This set of connected building blocks is depicted on a map known as a pathway of change or change framework, which is a graphic representation of the change process.[14]

Advancing Impact Investing in Norway

1

The world is currently facing many challenges, including climate change, loss of nature, poverty, and social inequality. We must act immediately to tackle these challenges. The UN estimates we need between $5 trillion and $7 trillion annually to achieve the Sustainable Development Goals (SDGs).[15] Impact investing is one way for investors to help move the needle on global issues and build further momentum towards achieving the 2030 Agenda for Sustainable Development.[16]

Impact investing is an increasingly important practice within the broader sustainable finance spectrum. The Global Impact Investing Network (GIIN) defines impact investing; as "investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return."[9]

To complement its definition, the GIIN outlines four core characteristics to help define what constitutes credible impact investing:[10]

Intentionality
Investments that intend to create positive social and environmental impact.

Use Evidence and Impact Data in Investment Design
Impact investors use evidence and data in their decision-making to effectively generate social or environmental benefits.

Manage Impact Performance
Impact investors monitor and evaluate their investments' social and environmental outcomes and progress using standardized metrics and best practices. They also use feedback loops and performance information to help themselves and others in the investment chain manage their impact.

Contribute to the Growth of the Industry
Investors with credible impact investing practices use established industry terms and conventions to describe their impact strategies and performance. They also share learnings where possible to enable others.

Additionality
While not outlined by the GIIN, a common fifth core characteristic of impact investing is additionality - enabling or creating a positive effect that would not have occurred without the investment or investor.[1]

A landmark survey on Norwegian impact investing

Impact investing capital has grown substantially over the past decade, with the global market now estimated at a staggering USD 1.164 trillion[17]. As impact investments gain momentum worldwide, this study narrows its lens to explore Norway's distinct role and nuances within this burgeoning impact investing landscape. To this effect, NorNAB has, in collaboration with Deloitte, conducted the survey ***The State of Impact Investing in Norway***. This is the first survey focused on the impact investing market in Norway. The key objectives of the study are to estimate the size of the Norwegian impact investing market (chapter 3) and gain more insight into the Norwegian impact investing landscape. The study looks into investor's impact investment strategies (chapter 4) and practices (chapter 5), key factors for scaling the Norwegian impact investing sector, i.e., by understanding the growth factors in the market (chapter 6), as well as the potential for future impact investments (chapter 7). The survey provides a starting point to track market developments and gives valuable insights to shape NorNAB's strategic priorities.

Exploring the Norwegian impact investing ecosystem

2

To fulfill the goals of this report, we conducted a survey in the summer of 2023 consisting of 25 questions. The survey drew inspiration from the Netherlands Advisory Board on Impact Investing research and the data harmonization initiatives carried out by the Global Steering Group for Impact Investment (GSG) and the European Venture Philanthropy Association (EVPA) in Europe. The survey was open to participants incorporated in Norway. By limiting the geographical scope, the survey aims to understand factors and trends shaping impact investing practices, specifically in Norway.

Lacking a database of Norwegian impact investors, we identified local entities involved in or likely to pursue impact investing. The sample includes asset owners and managers, intermediaries managing investments such as venture capital (VC), private equity (PE), corporate venture capital (CVC), funds, financial institutions, family offices, financial advisors, public market fund managers, covered bond issuers, and more. In total, we invited 133 organizations to participate, of which 39 responded, representing a response rate of 29%. With our current insights into the Norwegian impact investing sector, we believe that the survey respondents provide a good initial starting point for assessing the state of impact investing in Norway. However, it is important to note that while we believe this sample offers valuable insights, it is not exhaustive or fully representative of all impact investing activity in Norway. Lastly, we have not further assessed the actual practices of respondents identifying themselves as impact investors.

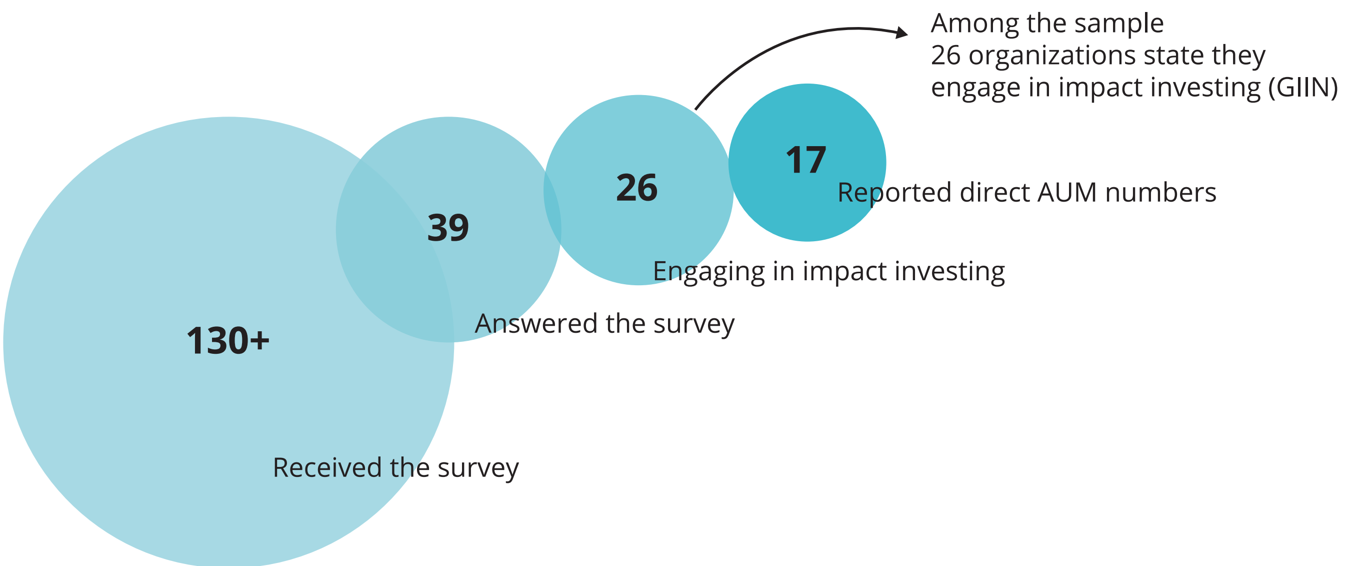


Figure 1: What the survey builds on - Breakdown: number of respondents

2.1 Two-thirds of respondents state they engage in impact investing according to GIIN's definition

Do these respondents all adhere to a common definition of impact investing? Two-thirds (67%) of the sample - 26 respondents - state they engage in impact investing according to the GIIN definition. 23% of all surveyed investors do not pursue impact investing strategies, but practice sustainable/ESG investing.[18] About 8% say they neither engage in impact investing nor sustainable/ESG investing. Of those who do not engage in impact investing, 33% say they intend to engage soon, while 50% say they have no immediate plans to do so.

Figure 2 below presents an overview of the organizations stating they engage in impact investing. The majority are primarily fund managers (42%) and family offices (23%). The remainder of the sample spreads widely across different types of organizations.

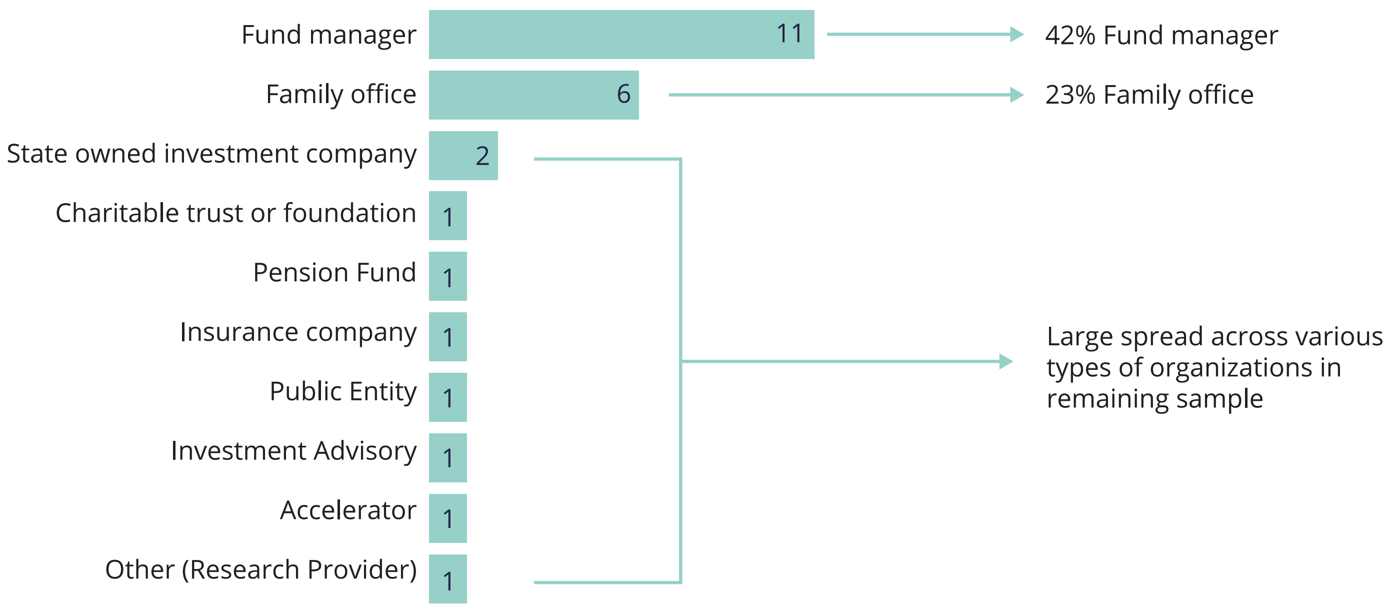


Figure 2: Overview of the types of organizations in the survey sample that report engaging in impact investing, n = 26.

Norwegian direct impact investing market sized at NOK 100 billion

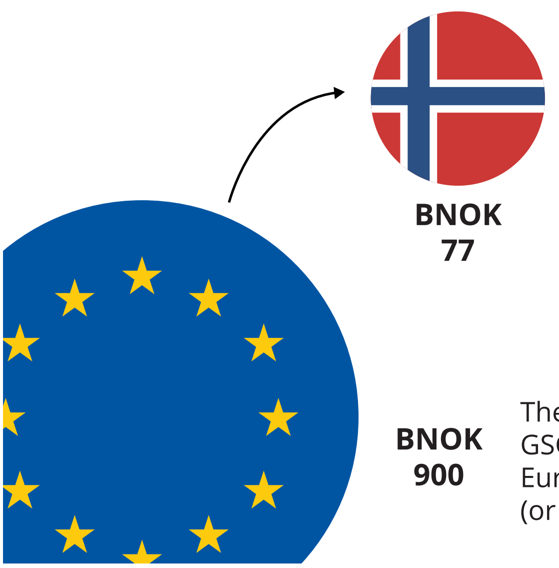
3

Based on the survey participants, the market is estimated to have upwards of NOK 100 billion dedicated to impact investments. Excluding Development Finance Institutions (DFI) investments, the sum amounts to NOK 77 billion. This number allows for comparison to the EVPA (European Venture Philanthropy Association) and the GSG's estimate of the European direct impact investment market - estimated at 80 billion euros (or over 900 billion NOK).[19] Given Norway's population size and number of players, Norway stands out as a significant contributor to the European impact AUM.

Fund managers and state-owned investment companies represent 98% of direct impact AUM. Fund managers manage more than NOK 72.5bn, accounting for over 71.5% of the assets. State owned investment companies manage NOK 27.1bn - 27% of the impact investment assets. Family offices are the third largest investor group with NOK 1.3bn, or 1.3%.

Table 1: Indicated market share of impact investor types (for direct investments) in Norway (AUM pr 31.12.2022)

Type of investor	Bn NOK	Share (%)
Fund managers	72.5	71.5 %
State-owned investment companies	27.1	26.7 %
Family offices	1.3	1.3 %
Others	0.5	0.5 %
Sum	**101.4**	**100 %**



The Norwegian direct impact investing market is sized at NOK 77 billion, 100bn including DFI investments.

Fund manager and state-owned investment companies account for 98% of the direct impact AUM

The EVPA (European Venture Philanthropy Association), and the GSG (Global Steering Group for Impact Investment) estimate the European direct impact investment market at 80 billion euros (or over 900 billion NOK).

Figure 3: The size of the Norwegian market and how it fits into the European context, n = 17

3.1 Direct impact investments made in 2022 constitute 16% of total direct AUM

Impact investments can be direct or indirect. Direct investments fund companies, projects, or assets directly, while indirect investments go through intermediaries like funds. This distinction prevents double-counting when sizing the market. Figure 4 presents the total AUM of direct and indirect impact investments at the end of 2022 - revealing that surveyed investors have over five times more direct impact investments than indirect ones. Further, findings indicate that direct impact investments made in 2022 constitute 16% of total direct AUM.

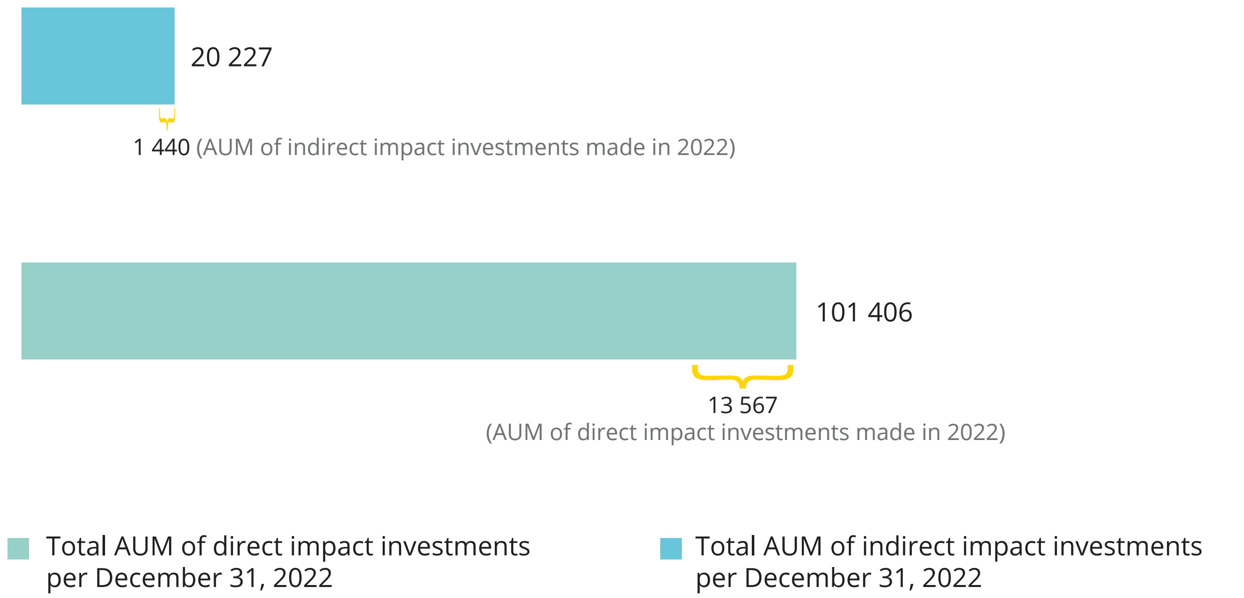


Figure 4: Total impact AuM (categorized by direct and indirect impact investments) per end of 2022, n = 20

Investors' impact investment strategies

4

4.1 Private equity emerges as the dominant asset class

The results indicate that private equity is the dominant asset class among the surveyed impact investors, with 95% (18) of the respondents making impact investments in private equity. Among these, 53% (10) have exclusively focused private equity. Secured and unsecured loans/private debt is the second largest asset class (6 respondents, 32 %). Three respondents (16%), specifically some family offices and state-owned investment companies, engage in impact investing through public equity, which offers a more liquid market.

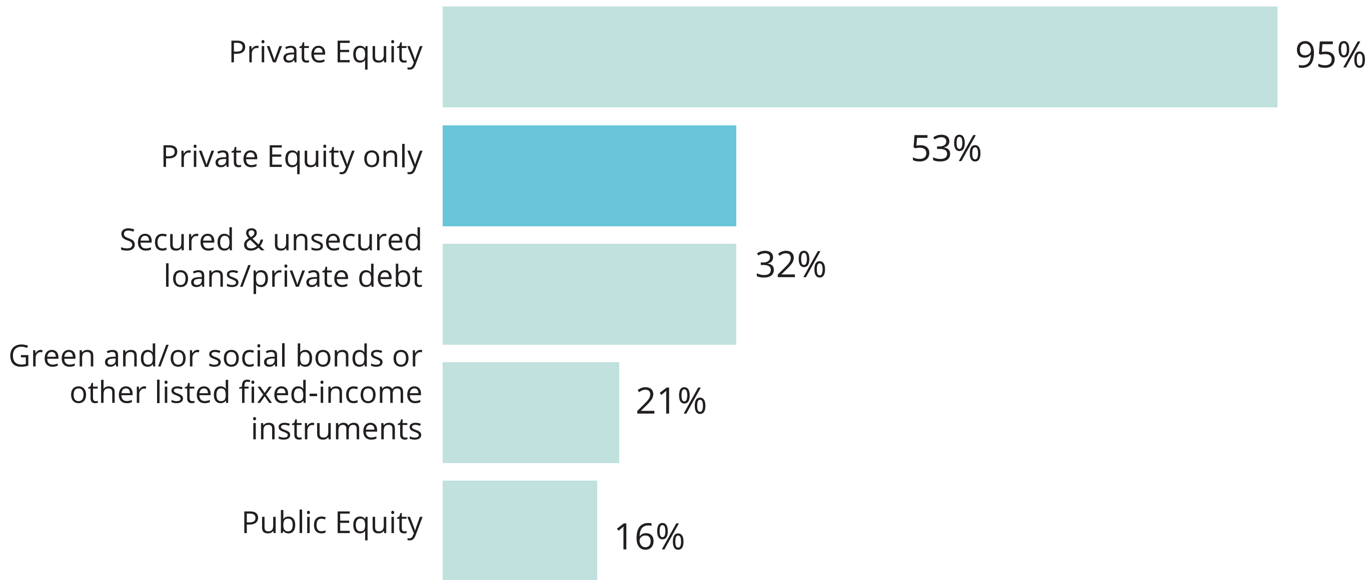


Figure 5: Respondents' answer to "in which of the following asset classes has your organization done impact investments?". n = 19.

Figure 6 presents the different asset classes to which respondents allocate their impact investments, broken down by type of organization. While the pension funds and insurance companies surveyed focus exclusively on private equity, family offices and fund managers invest in a broader range of asset classes, including fixed-income investments and real assets.

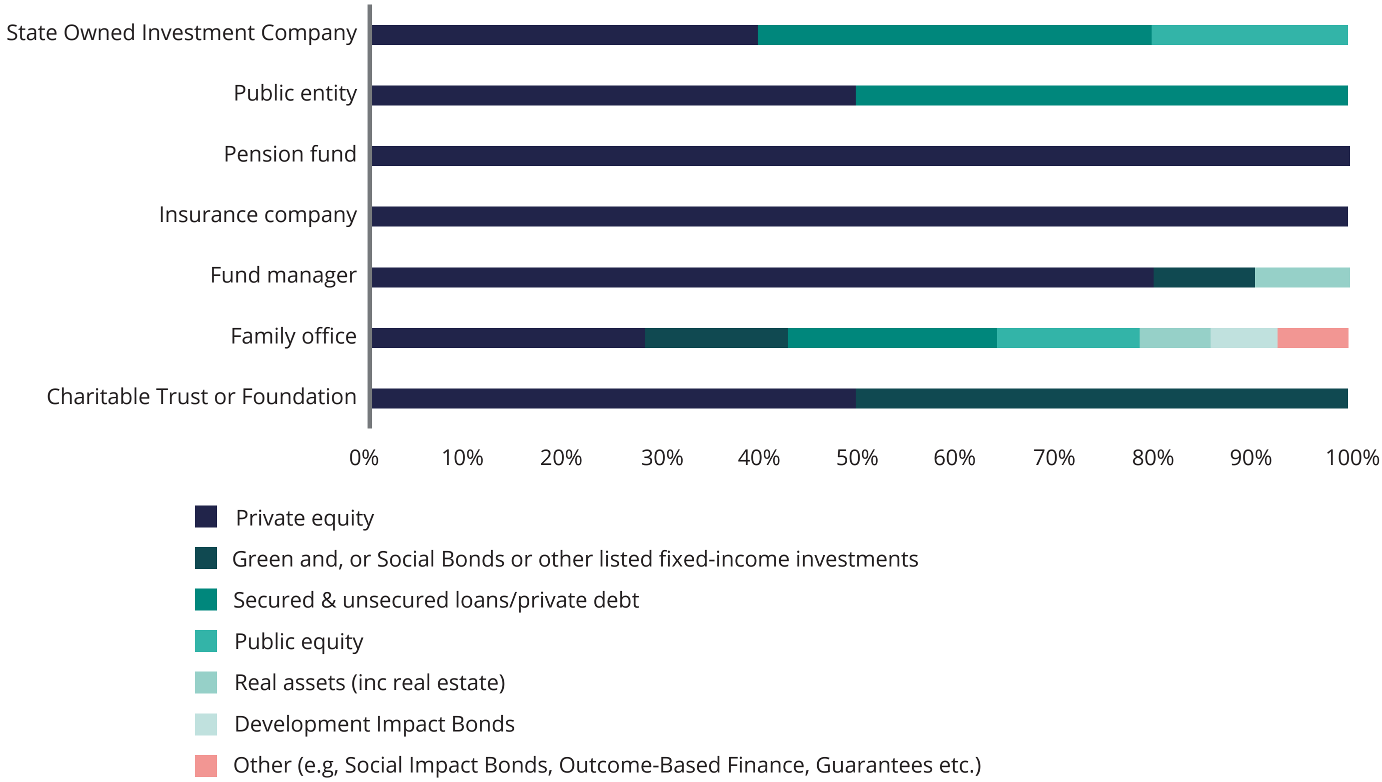


Figure 6: Distribution of impact investments across asset classes, by type of organization. n = 19.

4.2 Half of the surveyed impact investors invest both at home and abroad

Examining the geographical distribution, 80% (16 responses) of the participants mention investing in Norway, whereas 70% (14 responses) specify investments abroad. Upon analysis, 50% of respondents (10 responses) invest in Norway and abroad. Meanwhile, 30% (6 responses) concentrate their investments solely on Norway, while 20% (4 responses) allocate their investments exclusively to foreign markets (figure 8). Delving further into the details of international investments, we find that 30% of the respondents (equating to 6 responses) are involved in investments within the African continent. Similarly, an equivalent percentage of respondents (30%, 6 responses) direct their investments toward North America, while 35% (7 responses) are engaged in investment activities in Asia.

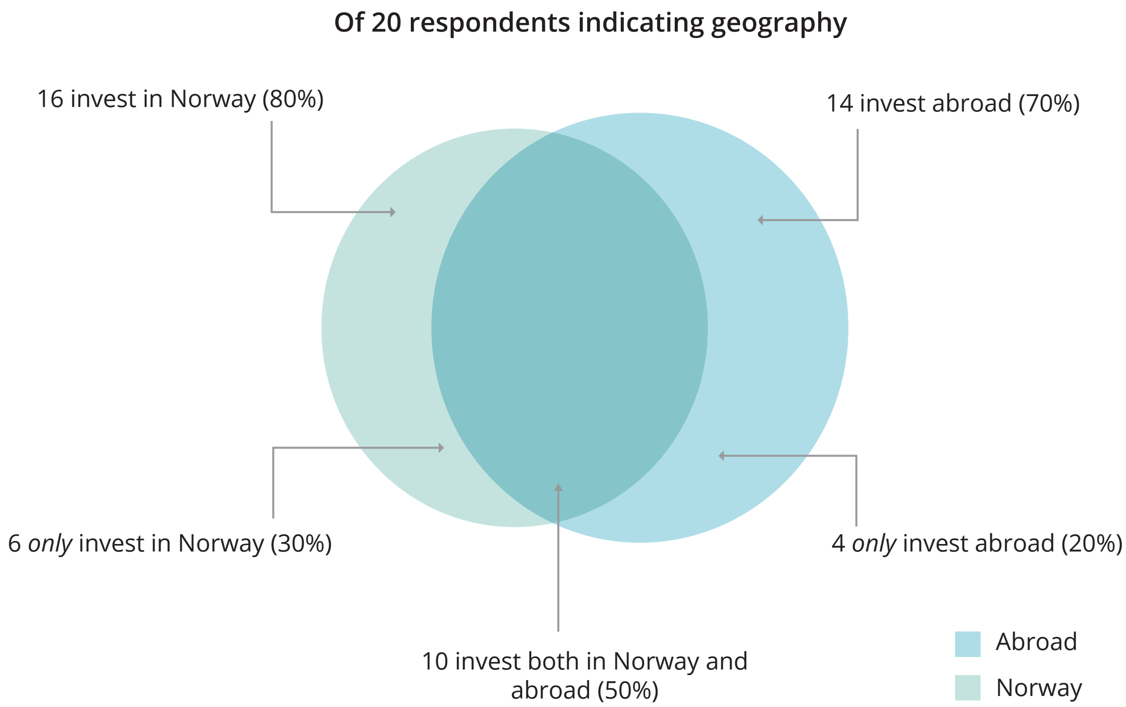


Figure 8: Geographic asset allocation of investors. n = 20.

In terms of investor types and their geographical allocation of investments, the survey indicates that fund managers invest in Norway, the rest of the Nordics, and Europe, while family offices have the largest exposures in North America, Norway, and Europe.

4.3 Higher activity in climate and environmental impact

Survey participants defined their impact investing objectives, choosing from climate, environmental, or social impact, and selected multiple objectives if applicable. As illustrated in Figure 9, 100% of the respondents (22 responses) indicated seeking climate and environmental impact, while 64% (14 responses) indicated targeting social impact. None of the respondents solely focus on social impact.

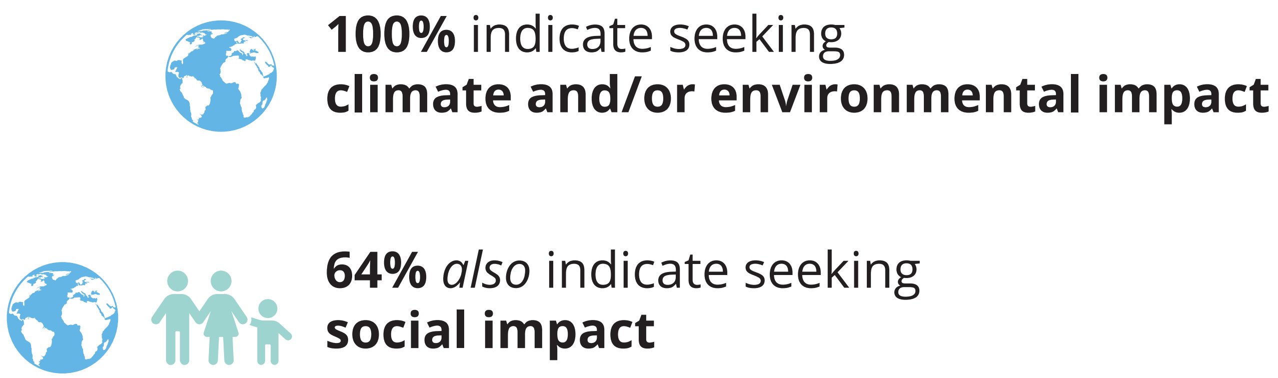


Figure 9: Impact sought through the investor's engagement in impact investing. n = 22

Respondents consistently prioritize climate change when addressing environmental challenges, further supported by their responses regarding the most targeted Sustainable Development Goals (SDGs). Figure 10 shows that surveyed impact investors primarily target SDG 13 on climate action (91%, 20 responses), SDG 9 on industry, innovation, and infrastructure (73%, 16 responses), and SDG 7 on affordable and clean energy (68%, 15 responses).

Figure 10: Top three Sustainable Development Goals targeted. Respondents could select multiple options. n = 22.

In addition to reporting on SDG relevance, respondents categorized their investments by selecting from 17 categories covering key business sectors and sustainability topics. The outcome closely mirrors the results from above, indicating that climate (73%, 16 responses), energy (68%, 15 responses), and circular economy (55%, 12 responses) are the top three areas targeted by investors. Climate aligns with the result of the most targeted SDGs, possibly because many view climate change as one of the most pressing challenges of the 21st century.

In general, the survey respondents indicate broad themes. Only two respondents adopt a specialized approach, focusing exclusively on one area, such as climate, environment, or social impact. Most respondents indicate that they target multiple impact categories, including all types of impact, SDGs, and related sub-topics.

Investors' impact practices

5

5.1 Investors are embracing established frameworks, with the SDG Impact Standards in prominent use

Impact management and measurement are integral to impact investing.[20] To find the related practices of the investors, the respondents were asked to identify the frameworks, standards, and proprietary methodologies used to measure and manage their impact investments.[21]

Approximately 60% (12 responses) indicate using the SDG Impact Standards, while another 50% (10 responses) indicate utilizing the theory of change in their impact investing practices. About 40% (8 responses) state using the Impact Management Project's (IMP) Five dimensions of impact, while 5% (1 response) state using Operating Principles for Impact Management. Further, 30% (6 responses) of the respondents also stated using other frameworks or methodologies, including Principal Adverse Impact (PAI) Indicators, EVPA Charter of Investors for Impact, The Principles of Social Value, impact-weighted accounting, and own/ internal frameworks (illustrated in Figure 11a).

The results suggest that respondents mainly adhere to established frameworks or standards. In this context, the respondents emphasize that "following a robust and structured process, in which impact assessments are fully integrated" is among the main elements that distinguish impact investing practice from other sustainable and traditional investment practices.

The frameworks serve different functions in the investment process. Therefore, the lack of variety of frameworks utilized could suggest immaturity in Impact Measurement and Management (IMM) practices.

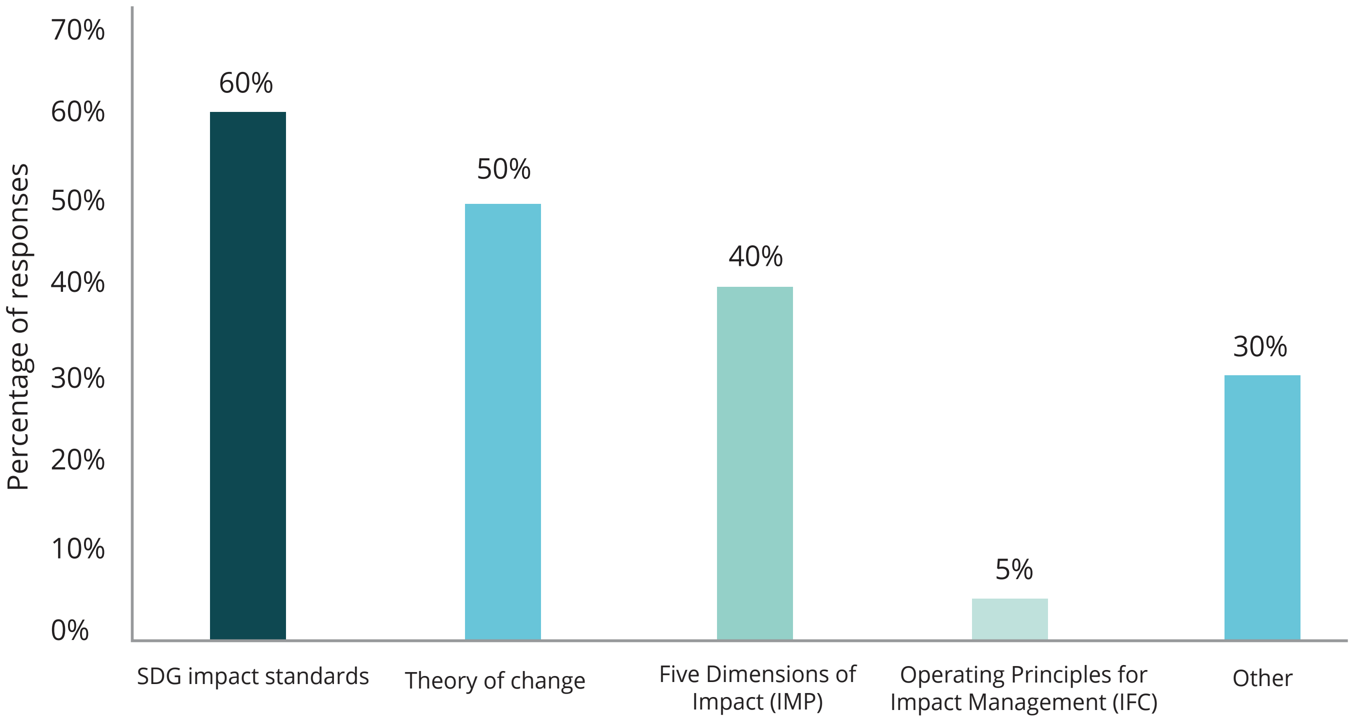


Figure 11a: Frameworks, standards and proprietary methods used for impact measurement and management by investor type and by the survey participants defining themselves as impact investors (percentage of respondents per framework), n= 20

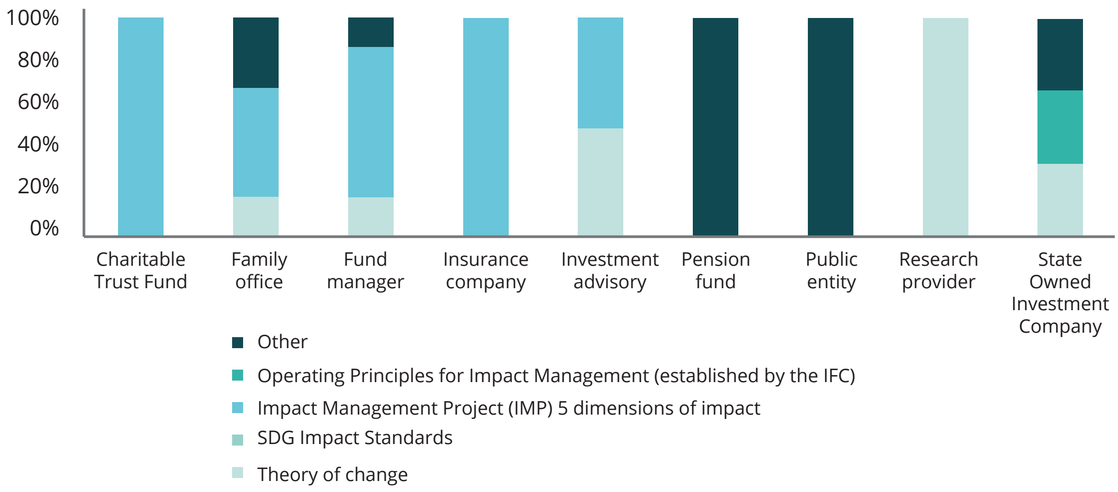
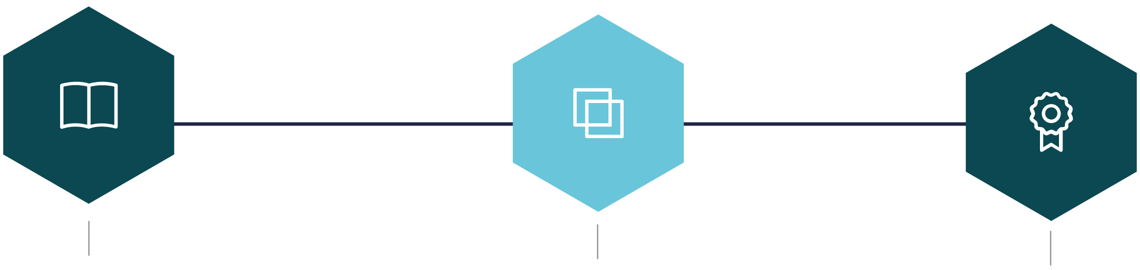


Figure 11b: Frameworks, standards and proprietary methods used for impact measurement and management by investor type and by the survey participants defining themselves as impact investors (percentage of respondents per framework), n= 20



Theory of Change
A theory of change defines all building blocks required to bring about a given long-term goal. This set of connected building blocks is depicted on a map known as a pathway of change or change framework, which is a graphic representation of the change process.[14]

SDG Impact Standards
Guidelines to help businesses and investors integrate sustainability and the SDGs into their operations, decision-making and value creation.[12]

Five Dimensions of Impact (IMP)
A framework that helps assess the impact one intends to create. The five dimensions include the intended outcome (what), who experiences it, how much of the outcome is experienced, the contribution to the outcome achieved, and the risk of the impact being different than expected.[8]

Below is a list of various responses regarding the strategies and approaches the respondents have reported on the question, "What does your organization do differently when engaging in impact investing versus other sustainable and/or traditional investments?". The list summarizes the essential practices and strategies organizations adopt when engaging in impact investing instead of traditional or sustainable investments. It highlights how these organizations differentiate their approach to focus on generating significant positive social or environmental impacts through their investment decisions.

Dedicated Impact Portfolio
Some investors have a distinct impact portfolio for venture investments, separate from financial portfolios that integrate ESG criteria and focus on listed securities. They often favor early-stage investing for measurable impact.

Theory of Change and Additionality
Some emphasize understanding the theory of change and the potential to contribute additional value to impact.

Comprehensive Impact Approach
Approaches consider companies' core products and services and evaluate both positive and negative impacts across value chains, ensuring alignment between impact and profit.

Robust Investment Process
Some indicate they utilize a streamlined investment process, incorporating impact evaluations performed by an in-house team specializing in impact or sustainability.

Science-Supported Decision Making
Some investors base their decisions on scientifically-backed evidence and utilize proprietary impact scorecards. Only companies that exhibit alignment with or contribute to meaningful impact qualify for investment.

Investment Engagement
Some collaborate with portfolio companies to bolster the companies' impact expertise, improving impact measurement, reporting, and comprehension of relevant impact and sustainability regulations.

5.2 Aligning impact investing strategies with SFDR

When assessing respondents' impact investing strategies, an important aspect is their connection to the Sustainable Finance Disclosure Regulation (SFDR), particularly Article 9 funds.[22] SFDR is a European regulation that aims to enhance transparency and aims to prevent greenwashing in the market for sustainable investment products. Under this regulation, financial market participants such as asset managers shall disclose sustainability information related to funds according to requirements set out in three articles in the regulation: Article 9 funds (targeting sustainable investments), Article 8 funds (promoting environmental and social characteristics), and Article 6 funds (all other funds).[2] Within the industry, there is a common perception that Article 9 funds are synonymous with impact funds. Accordingly, we examine how survey participants perceive the relationship between SFDR, particularly Article 9 funds, and their own investment strategy. Indeed, the majority (70%, 14 responses) expresses a substantial level of alignment between this regulation and their approach. Not surprisingly, and because they are subject to SFDR, fund managers indicated the highest level of linkage between their impact investment strategy and SFDR, accounting for 50% (10 responses) of the substantial levels of alignment. It is important to note that SFDR is applicable to financial market participants (typically asset/fund managers offering financial products), and many respondents are not regulated under the SFDR. Interestingly, even some respondents not subject to SFDR state they align their investment strategy with SFDR to some degree.

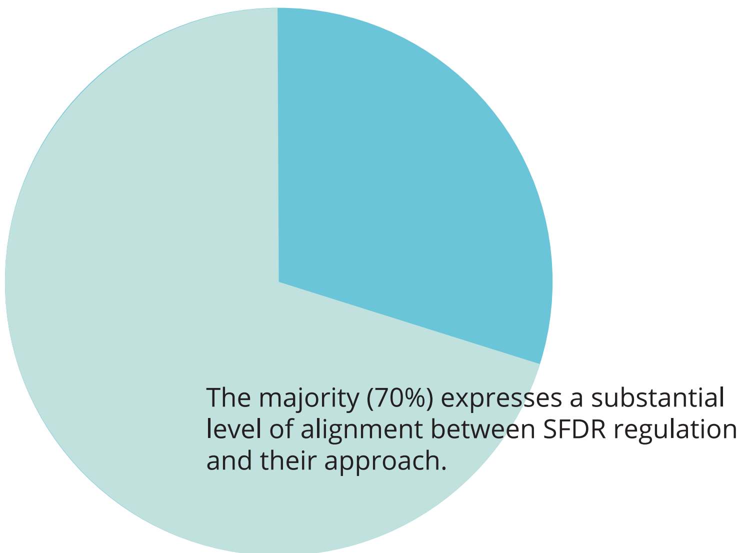


Figure 12: To what extent impact investors link SFDR with their impact investing strategy, n = 20.

5.3 Most impact investors follow a structured process of assessing and maximizing the impact of their investments

To understand how participating organizations integrate impact into their impact investing practice, survey participants rated four statements seen below on a scale from 1-5, where 1 means “not at all” and 5 means “to a large extent”.

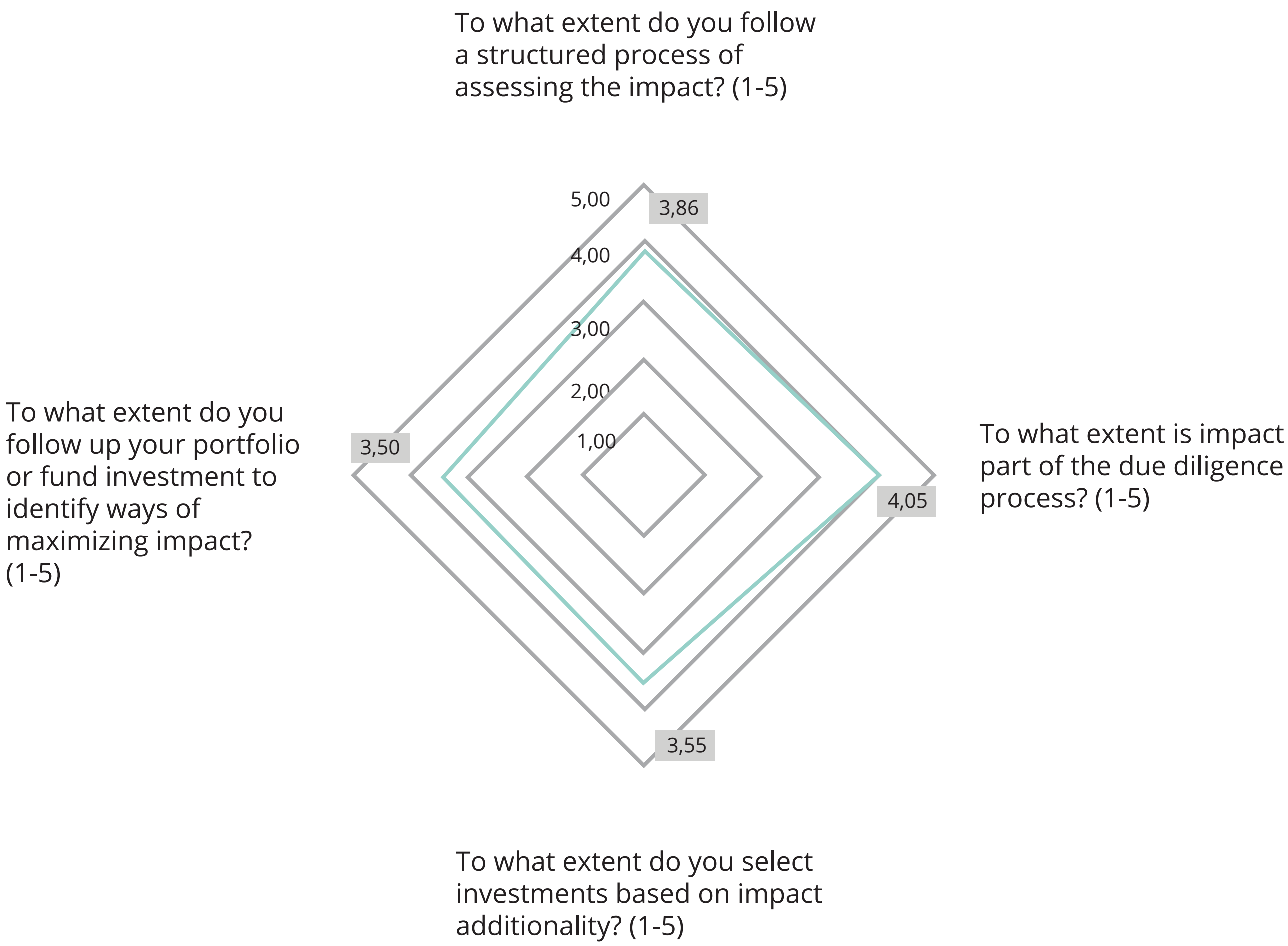


Figure 13: To what extent impact investors incorporate the following aspects in their practice of impact investing, n = 22, [1 = not at all, 2 = to a little extent, 3 = neutral, 4 = to some extent, 5 = to a large extent]

The results indicate that the majority of respondents follow a structured process to assess impact to a large extent/some extent. Similarly, most respondents indicate that they to a large extent/some extent follow up their portfolio to try to maximize impact.

The results indicate that almost half of the respondents take additionality into account to some extent/large extent, while 38% consider themselves neutral. Finally, 50% of the respondents indicate that they to a large extent include impact as a part of their due diligence processes, which may reflect that impact guides their investment decisions.

The results indicate that fund managers rate themselves higher in incorporating all four aspects, with 6 out of the 9 highest scoring respondents being fund managers. All fund managers indicate having incorporated the four aspects to some or to a large extent. Family offices indicate a larger variation of integration of the aspects in their practice of impact investing.

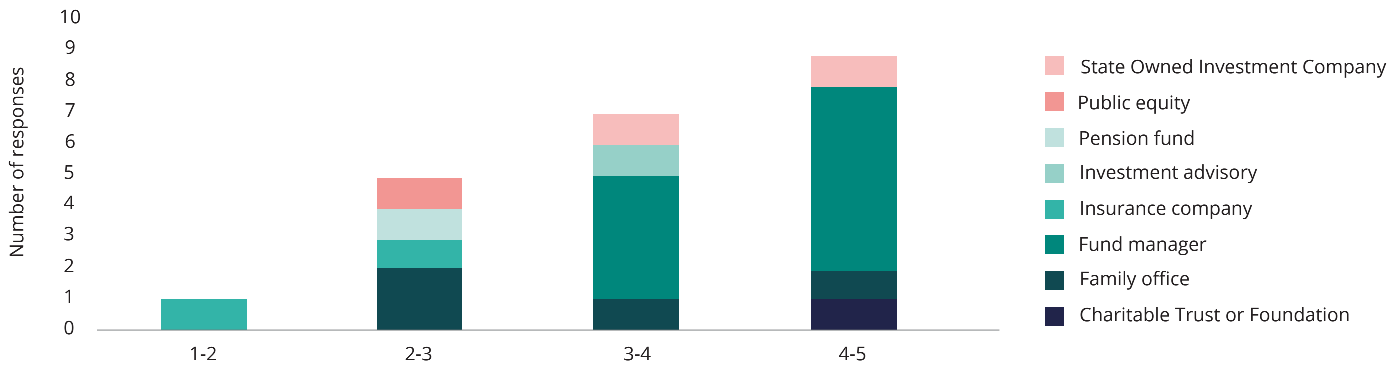


Figure 14: To what extent different impact investors incorporate all four aspects in their practice of impact investing, average of the four aspects, n = 22, [1 = not at all, 2 = to a little extent, 3 = neutral, 4 = to some extent, 5 = to a large extent]

Of the 22 respondents, 50% have an impact resource within their main team, 18% have a distinct impact or sustainability team, and 32% lack any dedicated impact resources. The results display a positive relationship between the presence of a dedicated resource or team, and the organization's extent to which they consider or follow the four aspects above.

Growth Factors for the Impact Investing Market in Norway

6

6.1 Growing appetite for impact investing in Norway

The survey participants are optimistic regarding asset allocation towards impact investments in the upcoming years. As displayed in figure 15, 50% (10 responses) of the respondents intend to increase their share of impact investments, while 45% (9 responses) plan to maintain the current share. Of these, five investors already have all their AUM invested in impact and cannot increase their share. Without considering new players entering the field, the findings point to growth in the impact investing market among established organizations.

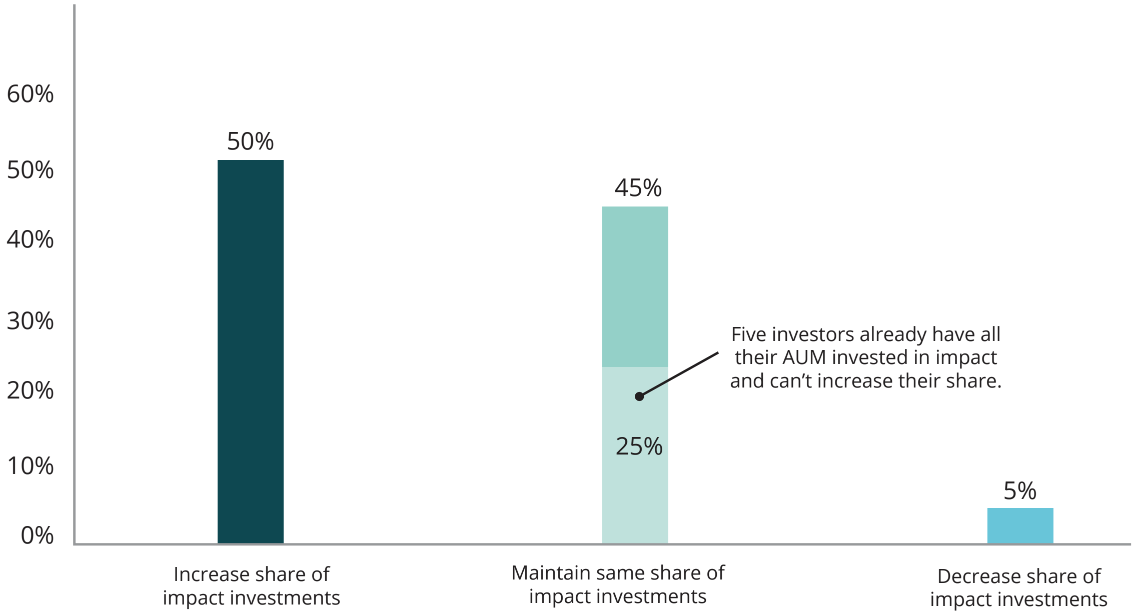


Figure 15: Allocation of AuM towards impact investments in the upcoming years, n = 20.

6.2 A positive sentiment towards financial returns among surveyed impact investors

Impact investing entails the dual pursuit of financial return and impact. As such, survey participants express their view on whether they see a potential negative trade-off between financial return and impact. Figure 16 displays the findings - with over 95% of respondents perceiving no trade-off. In fact, 45% (9 responses) share the view that impact investing can lead to greater returns. Overall, this is a positive signal dismissing the notion of impact investing jeopardizing financial returns - hopefully attracting new players to the field.

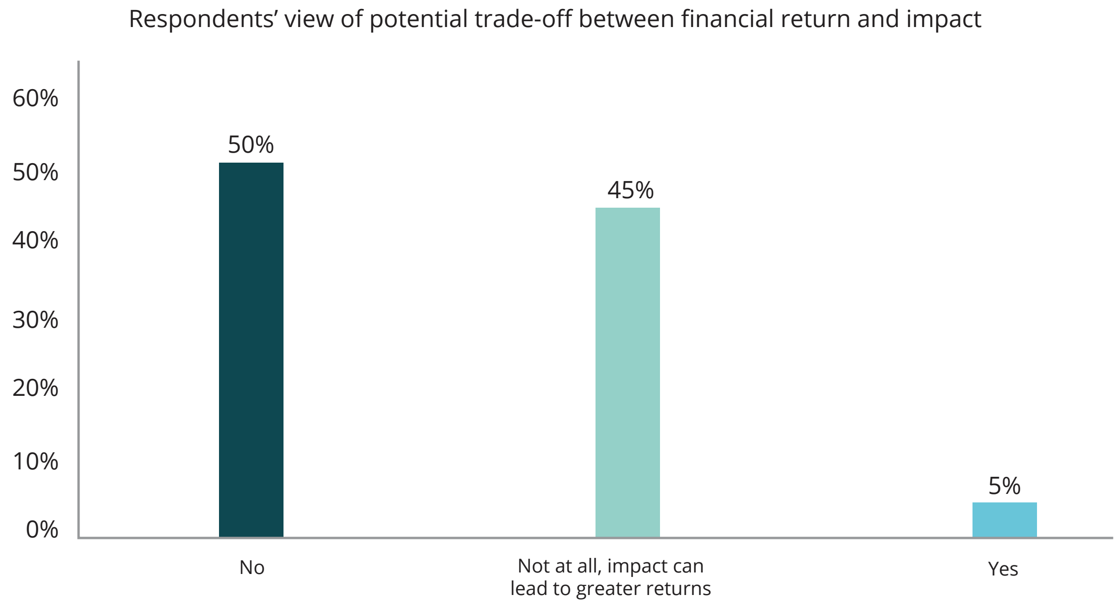


Figure 16: Respondents' answers to the question 'do you see a potential negative trade-off between financial return and impact?', n = 20.

6.3 Factors driving the potential for impact investing

To identify growth drivers, participants evaluated the significance of factors influencing impact investing growth, rating them from “not important” to “very important”, as depicted in Figure 17. The top three factors are: the presence of internal professionals equipped with impact and sustainability skill sets, the availability of high-quality investment opportunities with a proven track record (both in fund and direct investments), and suitable exit options.

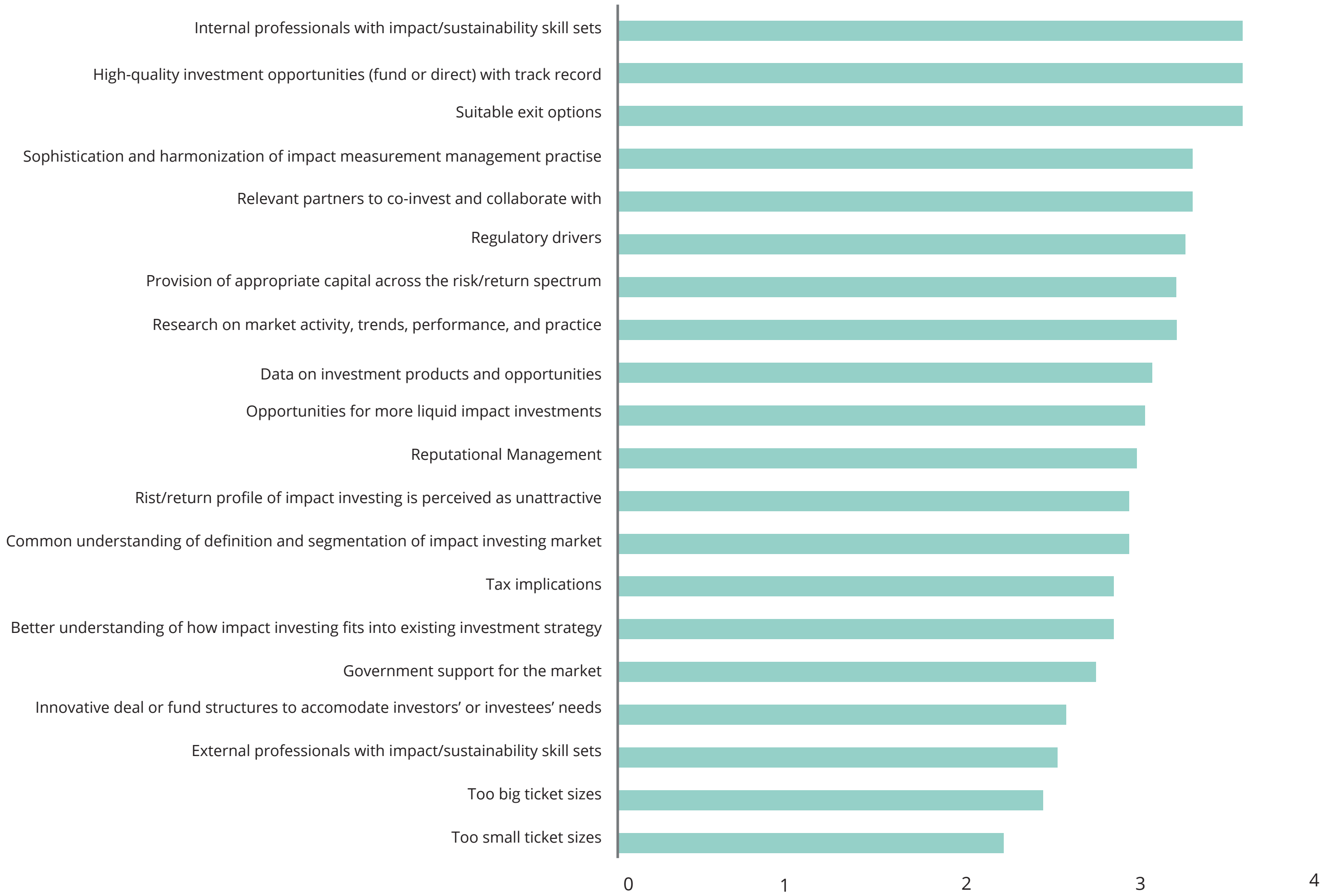


Figure 17: Respondents’ answers to the question “how important are the following factors for growth in the impact investing sector?”, n = 21.

Respondents currently not engaged in impact investing were asked what is needed. Responses mainly highlight the need for improved knowledge and and alignment with corporate strategy. Further, demand from investors, accessible opportunities and clearer guidance on the practice of impact investing.

Additional viewpoints from respondents on unlocking further growth in the sector

"Climate impact-oriented capital needs to become more available, meaning that a significantly higher percentage of the total capital available in Norway needs to be dedicated to true impact investments."

"As the Norwegian market is too small to be a successful stand-alone market, both in terms of deal flow and customer base, it is necessary to think internationally from the outset"

"Norwegian investors sometimes tend to be a bit traditional, preferring to put money into assets they know well. Clarifying uncertainties about e.g., tax liability, encouraging tracking records from previous investments, or having professional valuations done by common third parties or governing bodies may help to clarify the framework around the investment opportunities"

"Ensure best practice marketing of impact stocks and funds, sound financial advice and appropriate regulatory oversight"

"Government financing of large projects is necessary to reduce the risk of large industrial investment opportunities."

"Alignment and sharing of best practices among venture/PE funds on how to measure impact, externalities and impact additionality, will contribute to further growth of the Norwegian impact investing sector"

"Change the narrative that you must sacrifice financial return to achieve impact"

"Awareness, knowledge and a sense of urgency about the climate crisis needs to be raised among investors and the population in general"

"Guidelines about better and more detailed measurement of the impact achieved"

"Some large successes within the impact space, creating FOMO going forward"

Outlook: Impact investing is expected to grow due to global challenges, regulations, and economic factors

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Impact investing can be a powerful way to create positive global change. The landscape of impact investing continues to evolve, presenting opportunities in areas like climate action, renewable energy, circular economy, social equality, sustainable communities, and more. In the Norwegian market, survey results indicate that impact investing is gaining traction. Investors are motivated by the potential to make a positive impact and the opportunity to achieve meaningful returns.

Several factors are driving interest in impact investing. The survey identified climate change risks, regulation changes, and the desire to tackle global challenges as primary motivators. EU regulations, especially SFDR, provide an additional spotlight. They clarify how to define, measure, and report, enhancing transparency. However, impact investing is about driving real change and outcomes. The needs created by the global poly crisis and new regulations are creating new markets and opportunities.

Lastly, the actors surveyed shape an ecosystem where Norwegian capital supply and investing take a new form. They are examples of where investing ought to be if it wants to be part of driving the green transition and making progress on the SDGs. It is an unprecedented opportunity for the Norwegian financial sector – an opportunity we hope the sector continues to grasp.

Acknowledgements

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Finally, we hope that this study will serve as a benchmark for future research and studies on estimating the size of the Norwegian impact investing ecosystem. It will allow key stakeholders to follow the development of key characteristics, growth, and players in the market.

Endnotes

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21. Respondents were asked to select all applicable options provided (see Figure 11a), and further indicate if other tools apply. The same respondent can therefore use multiple methods to measure and manage impact.
22. The regulation covers all financial advisers (FAs) and financial market participants (FMPs) based in the EU.

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