

# Five questions investors ask before allocating to natural capital

For Professional Investors only  
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Natural capital rarely enters portfolios in a single step. Interest builds, questions accumulate, and progress often slows because a small number of practical issues are not addressed early on. These typically relate to portfolio fit, decision making, evidence, limits and how nature related risks are treated in practice.

This checklist reflects the questions investors commonly ask before committing capital. It is intended to surface potential pinch points early, helping conversations move forward with clarity rather than optimism. It is a pre allocation tool, not a diagnostic.

## 1 Can we explain where this fits, without inventing a new box?

Most investors begin by testing portfolio fit. In some cases, this discussion starts within a separate impact allocation rather than an asset-class framework. Natural capital is usually assessed within existing frameworks such as real assets or infrastructure, because that makes governance, risk framing and committee discussion more straightforward. Strategies that rely on new categories or loose positioning often stall at this stage.

What matters is a clear, plain English explanation of the role the strategy is expected to play over time,

## 2 Is it clear who makes decisions and who is accountable when conditions change?

Investor confidence tends to rise quickly when governance is easy to describe. The focus here is not on organisational charts, but on accountability. Investors want to understand who is responsible at asset level, how operating decisions are taken, and how issues are handled when outcomes are mixed rather than favourable.

Clarity around decision making and escalation, particularly in less straightforward periods, is often more important than the formality of the structure itself.

## 3 What evidence will we see early on, and will it still make sense later?

At this stage, investors are rarely asking for exhaustive measurement. They are looking for a small number of indicators that are consistent over time, linked to management action and credible enough to support oversight as an allocation develops.

Baseline information and direction of travel tend to matter more than precision. Transparency around what is measured, and what is not, is often seen as a positive signal.

## 4 Are the limits clear, including what the strategy is not relying on?

Strategies tend to lose credibility when they imply they can deliver everything at once. Investors increasingly want clarity on boundaries, including geography, activities, operating intensity and the role of any supplementary revenue sources.

Clear limits help investors understand where returns are expected to come from and where trade offs may arise. They also make it easier to assess risk and to explain the strategy internally.

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## Is biodiversity treated as a dependency that affects asset quality, not a separate story?

Biodiversity is increasingly viewed through an investment lens. Soil, water and ecosystem condition influence costs, volatility and the durability of cashflows over time. As a result, investors want to see that nature related dependencies are recognised within day to day management, rather than treated solely as reporting outcomes.

A long term view of asset quality, aligned with operating decisions, is often taken as a signal of durability rather than impact ambition alone.

### Why this matters

Natural capital allocations often progress slowly not because of a lack of intent, but because practical questions arrive late and collide with governance timelines. A clearer view of the key issues early on helps investors retain control of pacing, avoid last minute pressure and move into deeper diligence with the right expectations in place.

### Author:



**Arif Saad**

CFA, Head of Natural Capital -  
Farmland Solutions



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**VAN LANSCHOT  
KEMPEN**

Van Lanschot Kempen  
Investment Management NV  
Beethovenstraat 300, 1088 WZ Amsterdam  
The Netherlands.

