

The logo consists of a purple rectangular background. On the left side, there are white silhouettes of two wind turbines and a tree. The text 'PENSIONS FOR PURPOSE' is written in a large, white, sans-serif font across the top and middle of the rectangle. The word 'PENSIONS' is on the top line, 'FOR' is on the middle line, and 'PURPOSE' is on the bottom line.

# PENSIONS FOR PURPOSE

The Next Steps for Fund Governance – Sustainable Investment

*Charlotte Tyrwhitt-Drake*

2 November 2020

## What is our mission?

Pensions for Purpose is an independent thought leader in ESG, sustainable and impact investment

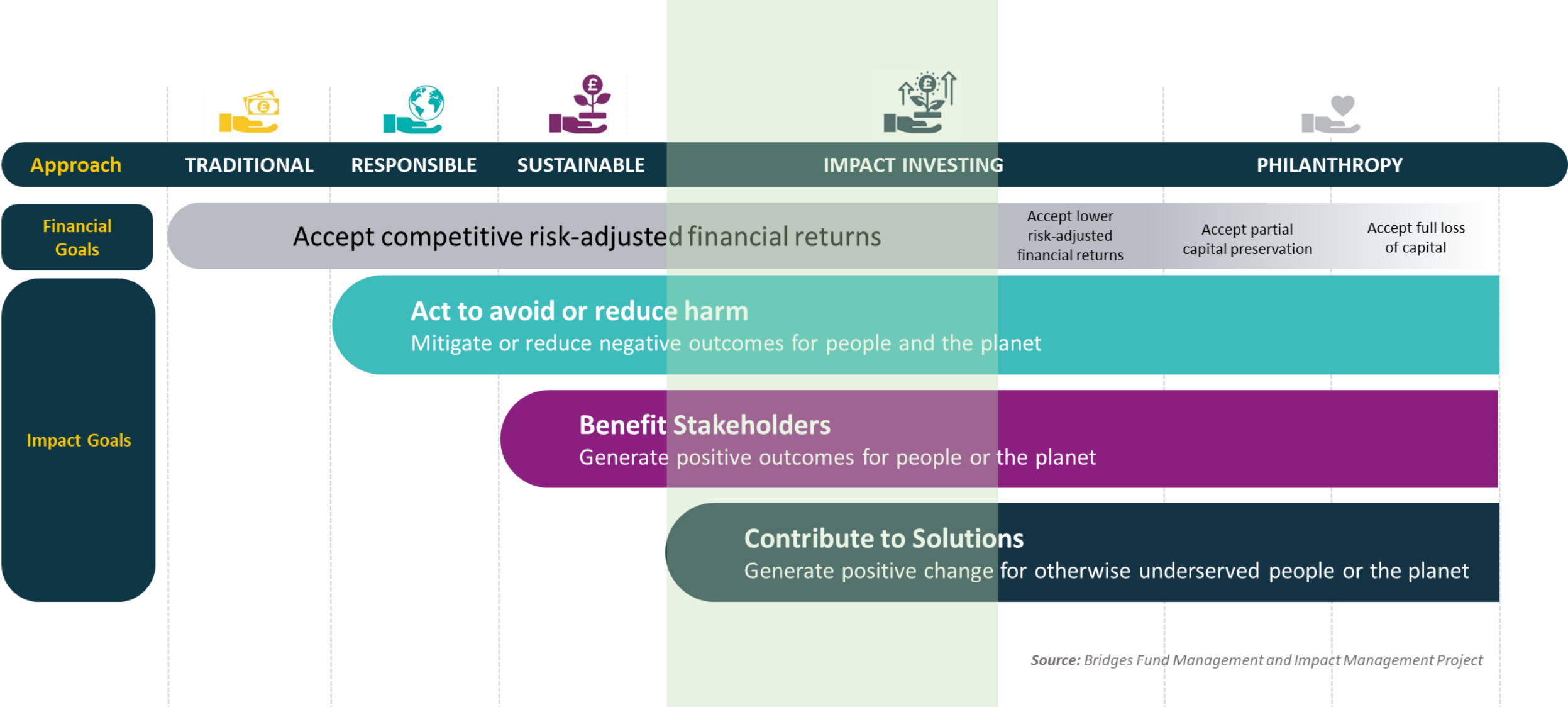
We empower pension funds by helping you:

- Clarify your impact goal
- Crystallise your options
- Make it happen

Join Us - [www.pensionsforpurpose.com](http://www.pensionsforpurpose.com)



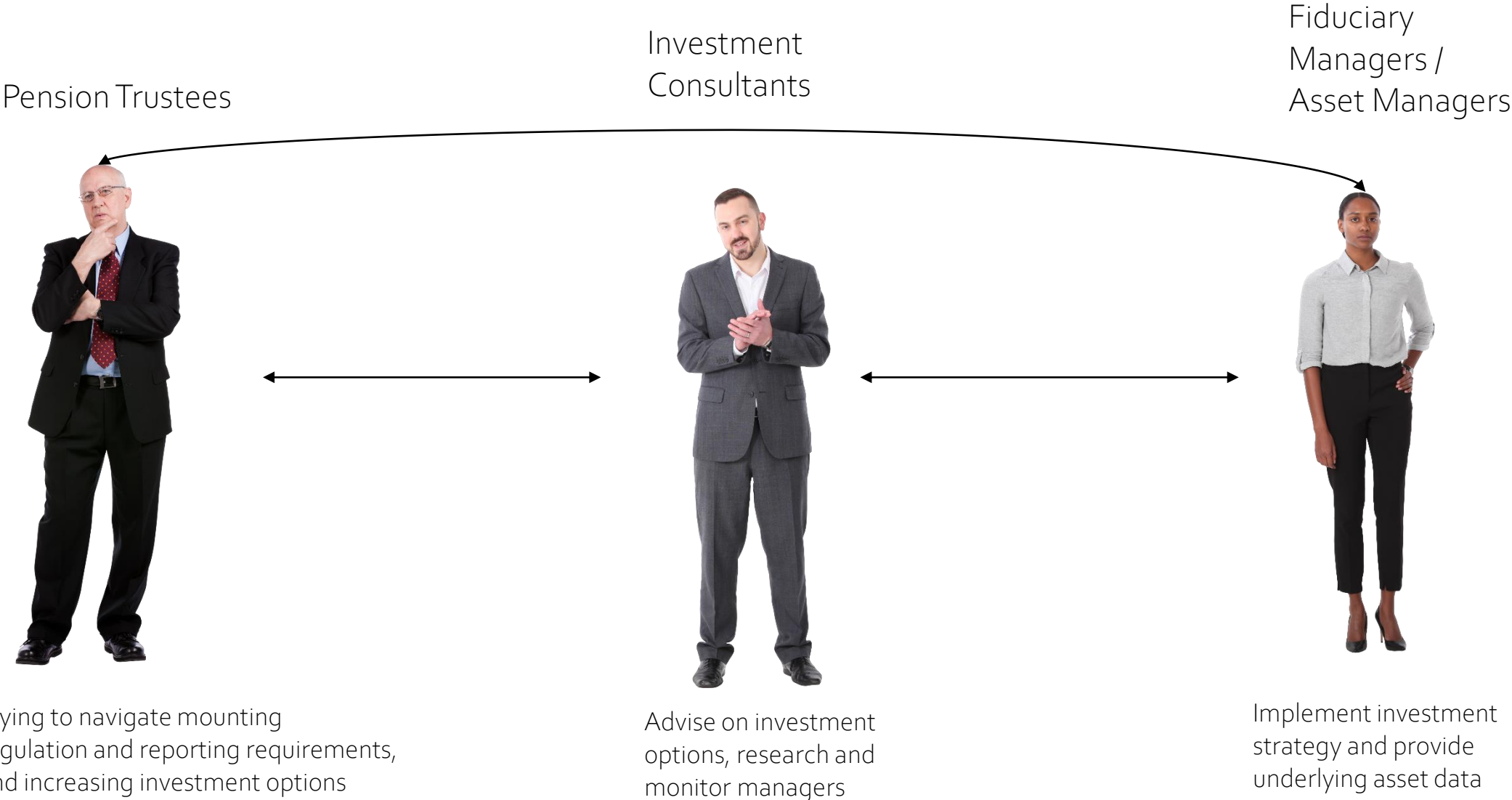
# What is the spectrum of capital?



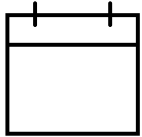
Source: Bridges Fund Management and Impact Management Project

Impact investing intentionally generates a positive impact on society or the planet

# Engaging all stakeholders in the investment chain is key

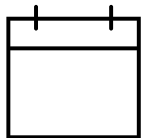


# Trustees are being moved by regulation and industry scrutiny



SIP to set out policies in relation to “financially material considerations”

OCTOBER  
2019



SIPs must include how asset managers are incentivised to align their investment strategy and decisions with the trustees’ investment policies

OCTOBER  
2020

Implementation statements required

*UKSIF published a report that found most pension scheme trustees have adopted “thin and non-committal” policies to manage environmental risks and many have not complied with minimum legal obligations*





Investment  
consultants are  
finding common  
ground

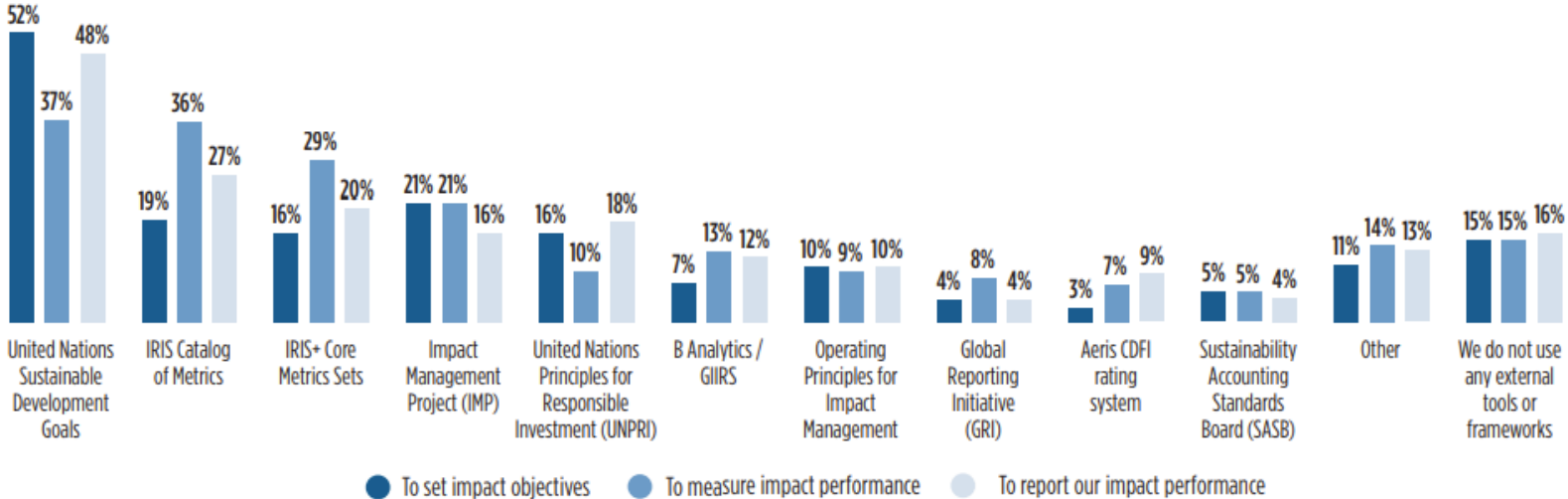
*'Aon, Barnett Waddingham, Cambridge Associates, Cardano, Hymans Robertson, ISIO, LCP, Mercer, MJ Hudson Allenbridge, Redington, SEI and Willis Towers Watson will collaborate as ESG goals in investment shoot up the agenda of investment professionals'*

# Asset managers need to get a handle on the data

Quality of climate-related financial disclosures is dependent on the right data being provided by asset managers to asset owners

To avoid green or impact washing, we need clear categorisation and data mapping standards

Figure iv: Use of tools, frameworks, and systems, by purpose  
 n = 294; respondents could select multiple answer options for each purpose.



Source: GIIN, 2020 Annual Impact Investor Survey

# Key takeaways

- All pension funds have impacts when they invest, positive or negative, intentional or unintentional
- To make capital move towards sustainable investments, we need to engage the whole investment chain
- Trustees need to be clear about what they want in their investment portfolios and consultants need to be able to advise them
- Apples and pears – we need a universal framework for measuring sustainability/impact and for asset managers to meet asset owners' needs



# Appendix

## The Five Principles for Impact Investing

1

### Adopt a 'transitional mindset'

Manage the risks and seize the opportunities presented by the move towards a sustainable economy, including net zero carbon emissions and, more generally, to meet the UN Sustainable Development Goals (SDGs).

2

### Set impactful objectives

Establish and incorporate 'impact objectives' as part of your pension scheme's statement of investment principles (SIPs), which draw on the views of your members and are designed to serve the scheme's purpose.

5

### Manage and review your impact

Monitor progress against your impact objectives by identifying relevant indicators and benchmarks, assisted by your investment managers.

3

### Appoint investment consultants and managers with impact integrity

Identify and appoint investment consultants who are aligned with your investment beliefs and objectives, and fiduciary and/or investment managers who can achieve your scheme's impact objectives through their investment and stewardship activities.

4

### Use your voice to make change

Progress your impact objectives by formulating stewardship guidelines for your, or your investment manager's, voting and engagement activities.

Please note: the full Principles include an explanation of each Principle and recommended actions for Trustees.

# Launch of Principles for Impact Investing for Trustees






The Impact Investing Institute's **legal panel of top law firms** has set out the case for the compatibility of pension trustee fiduciary duty and impact investing

The principles have been developed to **help pension trustees clearly define impact investing** and to provide them with a practical, step-by-step framework for making impact investments

This was done with the belief that **impact investing benefits both pension fund returns and wider society**

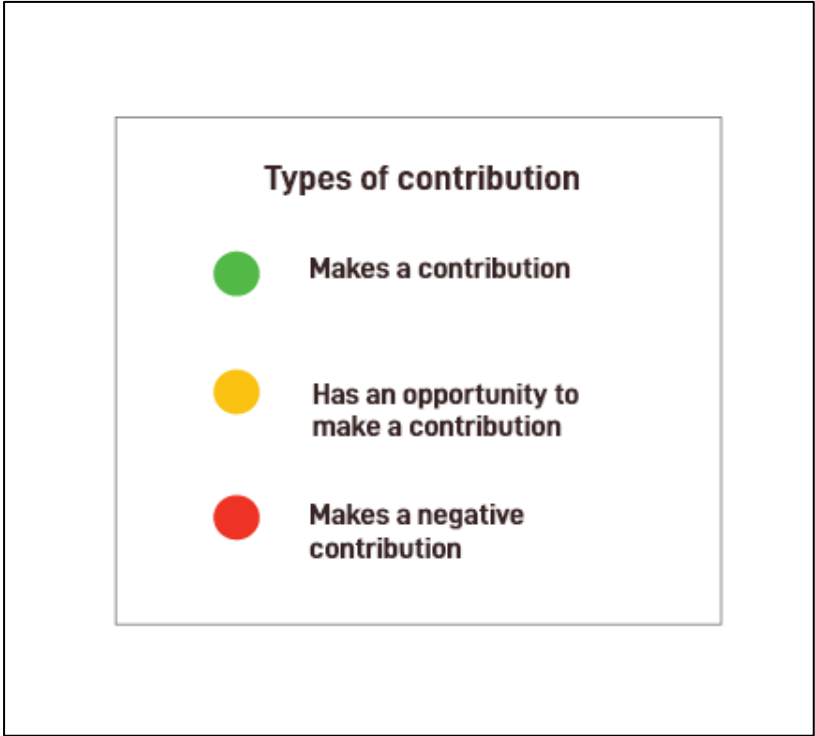
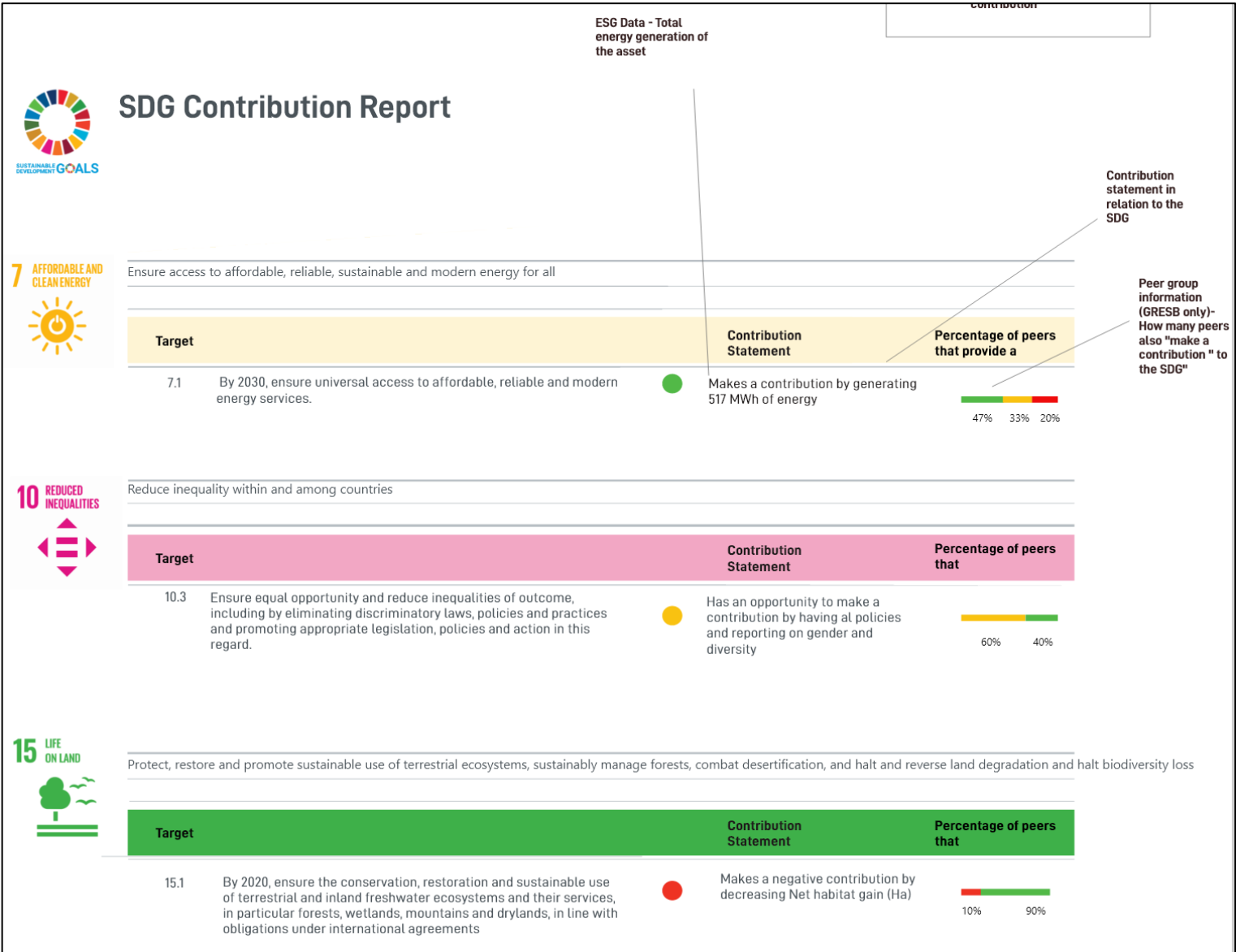
# Providing impact reporting alongside financial reporting

The IMP reached global consensus that impact can be measured across five dimensions: What, Who, How Much, Contribution and Risk

Impact dimension	Impact questions each dimension seeks to answer
 <b>What</b>	<ul style="list-style-type: none"><li>•What outcome is occurring in the period?</li><li>•Is the outcome positive or negative?</li><li>•How important is the outcome to the people (or planet) experiencing them?</li></ul>
 <b>Who</b>	<ul style="list-style-type: none"><li>•Who experiences the outcome?</li><li>•How underserved are the affected stakeholders in relation to the outcome?</li></ul>
 <b>How Much</b>	<ul style="list-style-type: none"><li>•How much of the outcome is occurring - across scale, depth and duration?</li></ul>
 <b>Contribution</b>	<ul style="list-style-type: none"><li>•Would this change likely have happened anyway?</li></ul>
 <b>Risk</b>	<ul style="list-style-type: none"><li>•What is the risk to people and planet that impact does not occur as expected?</li></ul>

Source: Impact Management Project

# Providing impact reporting alongside financial reporting



Source: CFA AOS SDG-ESG Infrastructure Investment Framework



# Contact us

Pensions for Purpose

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# Risk warning

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