Masterclass blog

# Why asset owners want better impact reporting – and how to get it

Asset owners are questioning the effectiveness of impact investing, demanding rigorous and decision-useful impact reports comparable to financial performance. A recent masterclass by *Pensions for Purpose* & *Impact Frontiers* explored the challenges

**By David Brown**

As more capital flows into impact investing – over $1.5tn in 2024 – asset owners are increasingly asking what is being achieved. Are impact products delivering on their promises? How can impact performance be rigorously examined and integrated into decision-making with the same laser-sharp focus as financial performance?

These questions were at the heart of a recent masterclass co-hosted by *Pensions for Purpose* and *Impact Frontiers*, which explored the state of impact reporting and, more importantly, how it can be improved. The session brought together a diverse group of asset owners, advisers and verification providers to discuss the challenges and opportunities in impact performance reporting.

## The challenge: making impact reports decision-useful

Asset owners and allocators often find it difficult to extract meaningful insights from the impact reports they receive and read. During the masterclass, some common issues identified include:

- Limited comparability: differences in reporting formats and metrics make it hard to benchmark funds against one another.
- Lack of standardisation: without a consistent reporting framework, asset owners find it difficult to trust the accuracy or relevance of performance disclosures.
- Cherry-picked data: reports often highlight successes while omitting challenges, reducing their credibility and making reports feel more like promotional material.

Unlike financial reporting – where corporate disclosure and sustainability-related financial reporting follows established standards – there has historically been little consensus for how investors should report their impact performance.

## Filling the gap: the Impact Performance Reporting Norms

To address this, *Impact Frontiers* led an 18-month consultation with over 350 stakeholders, resulting in the Impact Performance Reporting Norms, released last year. Initially designed for private markets, they are now expanding into public markets as well. The Reporting Norms aim to:

- Establish shared expectations for the content and structure of impact reporting.
- Guide decisions both about 'what' information to report and 'how' to determine its relevance in a given context.
- Be underpinned by the same conceptual framework as financial reporting, ensuring consistency and rigour.

Ultimately, the goal is to reduce the reporting burden for investment managers preparing reports while increasing the usefulness of reports for asset owners and allocators.

## Why better impact reporting matters to asset owners

Improved impact reporting offers several benefits for asset owners and allocators.

During the masterclass, a participatory group exercise helped identify and prioritise the most significant advantages of more consistent and comparable disclosures:

- Shifting focus from deciphering reports to driving impact: Clearer, more comparable and, ultimately, more useful reports would allow asset owners to switch from just interpreting reports to using information about impact performance to inform investment and engagement actions
- Greater capital allocation to impact: If impact and financial performance are presented clearly and credibly, asset owners may be more inclined to increase their allocation to impact funds.

Better impact reporting can also serve as a powerful tool for communicating with pension scheme members. While the importance of saving for retirement is increasingly understood, combining financial security with the positive impact a pension fund can support takes the message a step further. By showcasing how members' investments contribute to meaningful social or environmental outcomes, pension funds can strengthen their engagement with members and inspire a greater sense of purpose in their long-term savings. This connection between financial wellbeing and impact creates a more compelling narrative and reinforces the value of impact investing.

# Masterclass blog

## How asset owners can help drive better reporting

The masterclass explored how asset owners can enhance impact reporting beyond encouraging their fiduciary managers in their impact allocations to follow the Reporting Norms. Actions suggested at the masterclass:

- Providing constructive feedback to managers on report content.
- Setting clear expectations for impact performance, such as defining targets.
- Requesting independent verification or assurance of impact reports.

While progress is being made, several critical questions remain. One challenge is setting appropriate expectations for impact reporting. If the bar is set too high, there is a risk of creating a 'measurement tax', placing an excessive burden on investment managers. At the same time, striking the right balance between standardisation and flexibility is essential. Different impact funds operate in vastly different contexts – what is relevant for a climate innovation fund may not align with the reporting needs of a social housing fund, for example.

Another pressing issue is building impact literacy among pension funds. Many trustees and consultants lack the in-house expertise to assess impact data effectively. To bridge this gap, there is a growing need for educational resources and capacity-building initiatives that empower asset owners to interpret and use impact data with the same level of scrutiny as financial performance. Without this foundation, even the most standardised and well-structured impact reports may struggle to drive meaningful decision-making.

## Join Pensions for Purpose

If your organisation isn't a member of *Pensions for Purpose,* why not join and gain access to our thought-provoking events. You will be able to attend an event before deciding whether to sign up for membership. See our events.

For more information on this topic? Email David Brown.

- ***David Brown is Senior Director & Training Lead at Pensions for Purpose.***

## Help for asset owners

***Pensions for Purpose* offers bespoke training for trustees and pension committee members.**
**Our Knowledge Centre contains hundreds of articles on our strategic themes – System & Governance Change, Impact Integration, Place Lens, People Value, Climate Innovation, Biodiversity & Natural Capital.**


## Next steps: a deeper dive into asset owner landscape

The masterclass served as a springboard for deeper insights into the pivotal role of asset owners in driving high-quality impact reporting. *Pensions for Purpose* and *Impact Frontiers* are now conducting further research, with findings to be released this summer. Stay tuned for practical resources to help limited partners strengthen the impact reporting ecosystem!

## Impact Lens reports


Our research includes published and bespoke papers. Through engagement with a range of stakeholders, we gather insights into the challenges of sustainable and impact investment. Impact Lens seeks to offer solutions and informed decisions on governance and investments.

Read *Pensions for Purpose*'s latest report, 'Systemic stewardship: challenges & strategies for change', commissioned by *Robeco*, in partnership with *Border to Coast Pensions Partnership*, *IGG* and *TPT Investment Management*, or visit our *Impact Lens section*. Please email our Research Manager if you're interesting in commissioning a report.