

PENSIONS FOR
PURPOSE

IIAF: Setting impact objectives

Hosted by Pensions for Purpose, the Impact Investing Institute and Kempen Capital Management

24 MARCH 2021



SDGs being prioritised by pension funds

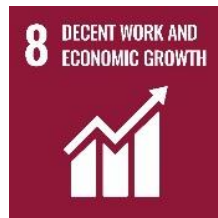
Environmental:

Nearly all funds



Economic:

Most funds



Social/Governance:

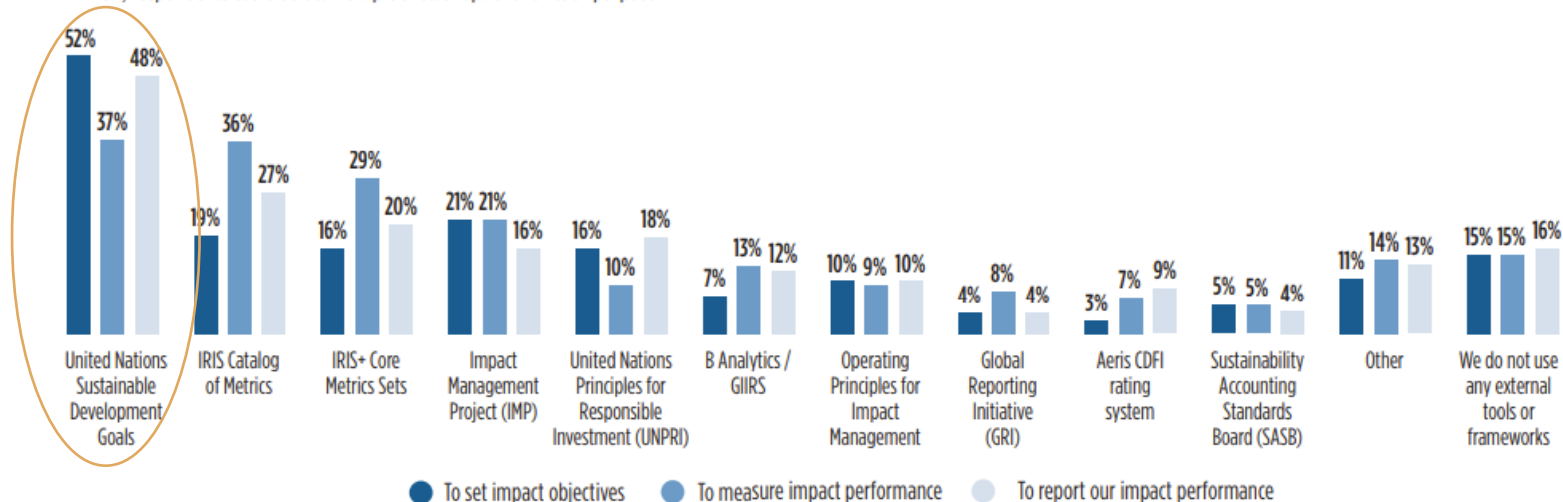
Some funds



Setting objectives according to what?

Use of tools, frameworks, and systems, by purpose

n = 294; respondents could select multiple answer options for each purpose.



A stylized landscape illustration on a teal background. In the foreground, a white silhouette of a rolling hill. On the left, two white wind turbines stand on the hill. To their right, a single white tree with a rounded canopy stands on the same hill. The text 'Kempen's Presentation' is centered in the upper half of the image.

Kempen's Presentation

Setting Impact Objectives

Impact Investing Institute
Early Adopters Roundtable



Kempen

NARINA MNATSAKIAN
MARJOLEINE VAN DER PEET
24 MARCH 2021

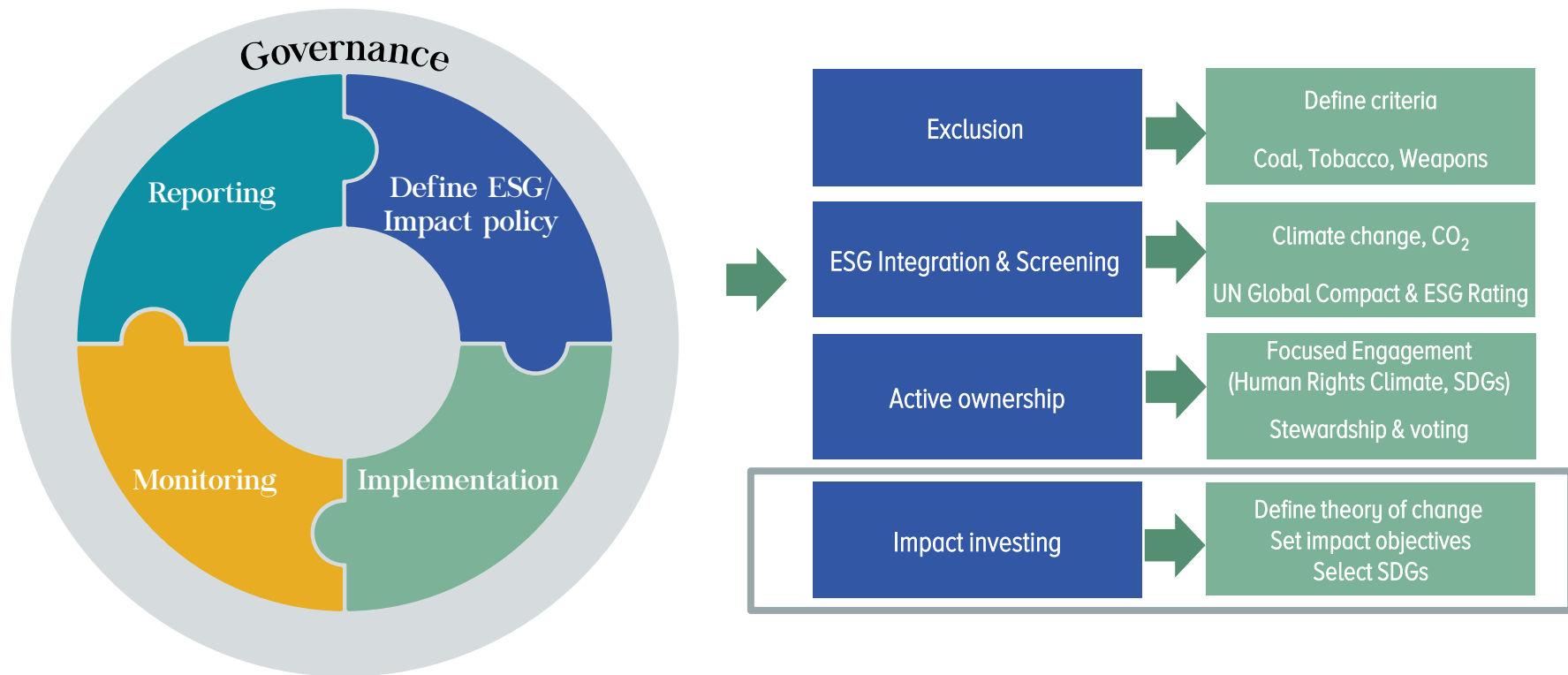


Kempen

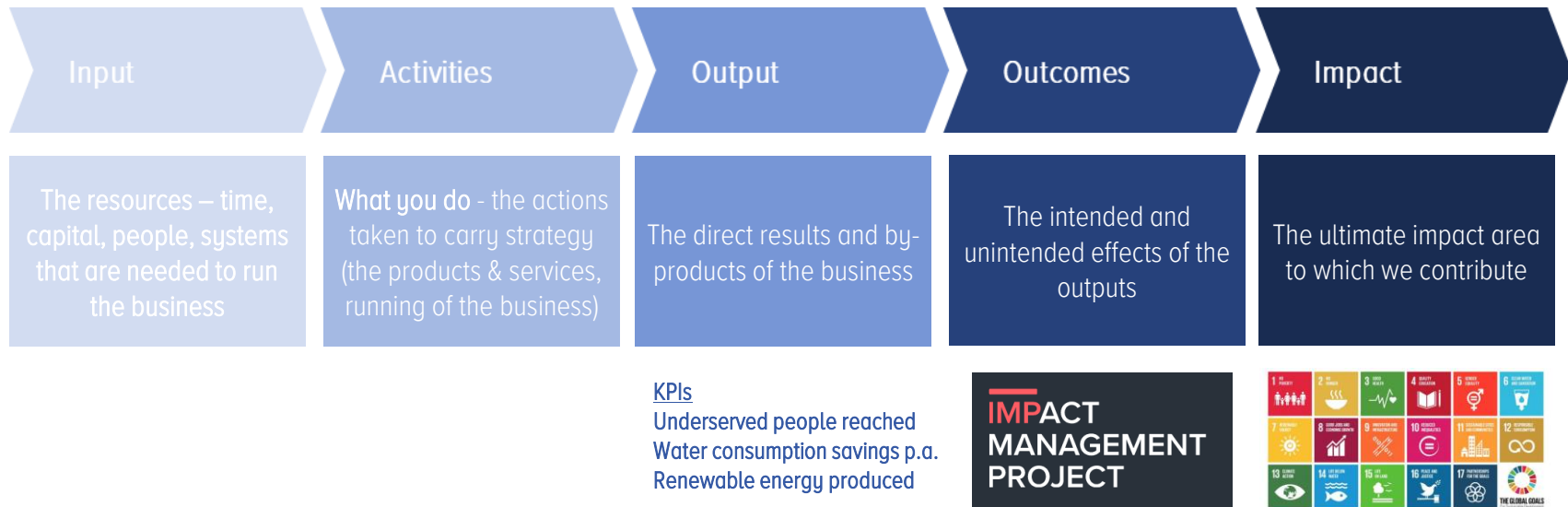


- Building an impact portfolio in a multi-asset context
- Impact reporting
- Bespoke portfolio construction

Engaging clients to set ESG & impact portfolio objectives





Define Impact and Financial goals...



...Start with the end in mind

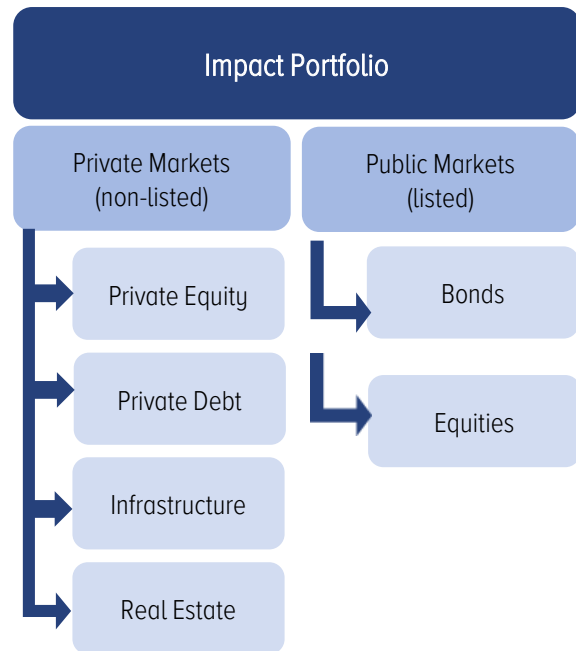


Example: setting SDG themes, outcomes & KPIs

SDGs & Themes	Target outcomes	Selected KPIs
 <p>3 GOOD HEALTH AND WELL-BEING</p>	<p><u>SDG 3 Target 3.8</u></p> <ul style="list-style-type: none">• Access to universal health coverage including financial risk protection,• Access to quality essential health-care services• Access to safe, effective, quality and affordable essential medicines and vaccines for all• Improved healthy eating and nutrition	<ul style="list-style-type: none">• Number of people reached with improved health care• Cost reduction for standard treatments and medicines
 <p>7 AFFORDABLE AND CLEAN ENERGY</p>	<p><u>SDG 7 Targets 7.1; 7.2; 7.3; 7.4</u></p> <ul style="list-style-type: none">• Access to affordable, reliable and modern energy services• Improved efficiency of energy use• Reduced greenhouse-gas emissions	<ul style="list-style-type: none">• Renewable energy produced (MWh)• Avoided greenhouse gas emissions (tonnes CO2)• Number of people with access to affordable, reliable and modern energy services

Portfolio Construction

Asset Classes



How to implement impact investments in the portfolio

- Find impact in every asset class – we see opportunities in every asset class
- Work with client framework
 - Asset allocation
 - Return targets
 - Liquidity constraints
 - Other..
- Not all asset classes are equally impactful
 - Primary Markets versus Secondary Markets
 - Life stage of companies
 - Geography

Think in Opportunities



Example: Water Theme Investments



Private Equity

Life below Water

- SMID sized companies targeting a cleaner ocean and a safe environment for (shell) fish and water plants
- Return expectation: 12% IRR
- KPI: tonnes marine debris avoided



Infrastructure

Re-use of Waste Water

- Projects developed to decrease potable water usage and clean waste water
- Return expectation: 15% IRR
- KPI: gallons of waste water reused

Disruptive Water Technology

Venture Capital

- Strategic investments in disruptive and sustainable smart water technologies
- Return expectation: 20% IRR
- KPI: litres of water quality improved

Water, sanitation and hygiene

Fixed Income

- Loans to small businesses to a build sanitation facilities
- Return expectation: 3-5% annualised
- KPI: # loans for sanitation installation



Impact Focus on Countries with Room for Improvement

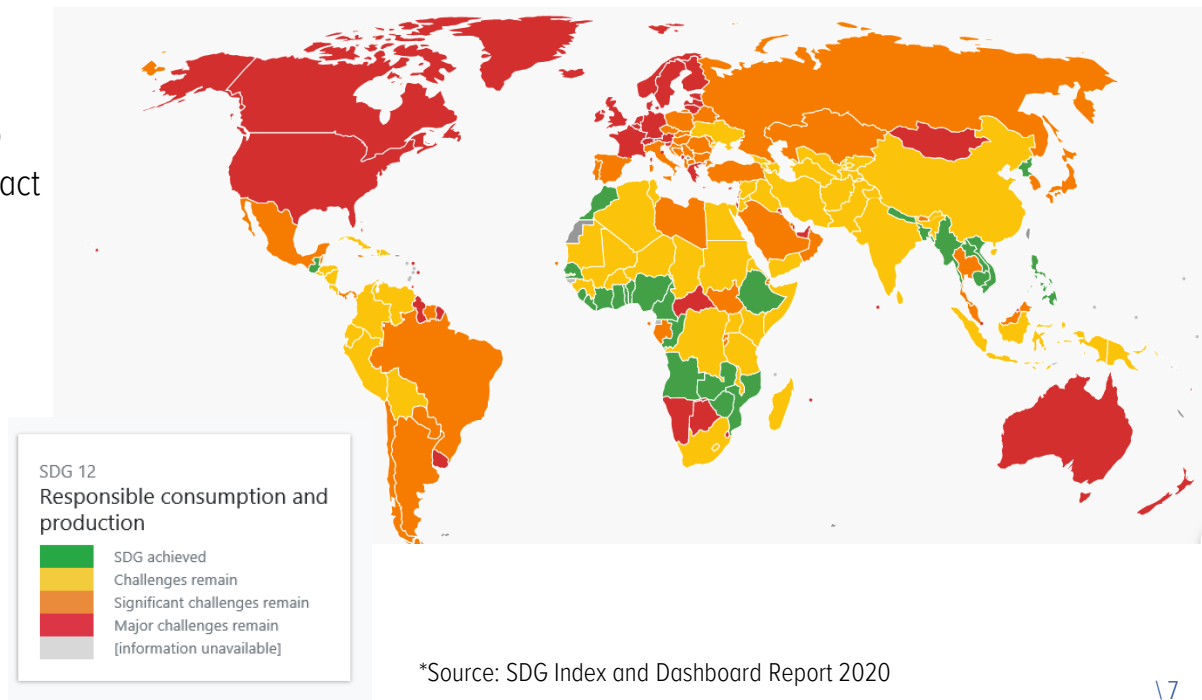
Identify Priorities for Action

- Identify the SDG gaps on a country or regional level
- Use the gaps to identify which region to target when allocating to a specific impact goal

Or

- Use the gaps to identify which SDGs to focus on when allocating in a specific country or region

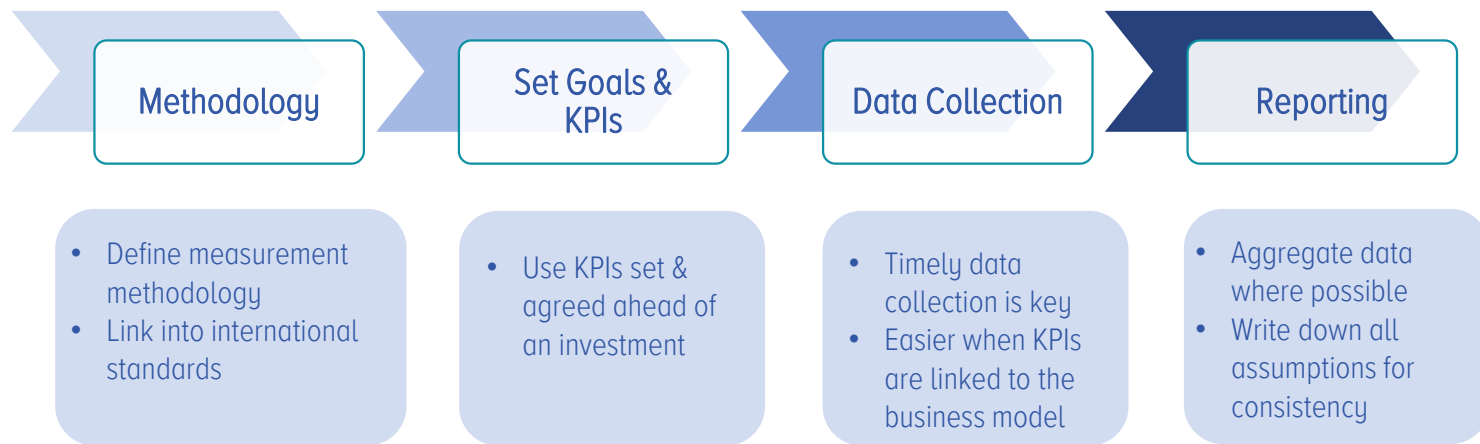
World Heat Map for SDG 12*



*Source: SDG Index and Dashboard Report 2020



Impact Measurement & Management Framework



The impact of any single investment is complex
Just as in financial accounting, there are different standards of accounting and reporting



Building impact portfolios: lessons learned

Sourcing

- Limited SDG / impact related manager databases are available
- Building your own pipeline and partner contacts is essential

Due diligence

- Managers have to meet institutional hurdles for quality
- Important to develop clear evaluation criteria for impact investing and ESG processes
- Understanding the extent to which impact is embedded in manager DNA and investment processes

Impact Reporting

- Setting clear requirements and KPIs is essential
- Ongoing engagement with the manager to help them improve their processes
- Understanding manager contribution and added value to companies



Disclaimer

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About Us

PENSIONS FOR PURPOSE TEAM

Pensions for Purpose exists as a bridge between asset managers, pension funds and their professional advisors, to encourage the flow of capital towards impact investment. Our aim is to empower pension funds to seek positive impact opportunities and mitigate negative impact risks. We do this through the sharing of best practice, case studies and ground-breaking solutions delivered via our online platform that provides our knowledge centre, training workshops, events and member forums.

Pensions for Purpose is run by Charlotte Tyrwhitt-Drake (CEO), Karen Shackleton (Founder and Chair), Stephanie Windsor (COO), Alex Noble (Head of Business Development) and John Donovan (Director, Australia). They are supported by the Pensions for Purpose Board and an Oversight Committee of Influencer members who meet quarterly.



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THANK YOU