



Impact Investment and Pension Funds

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Impact investment trends around the world

- **Globally:** over £120bn invested globally in impact investment by pension funds *(Source: the GIIN)*
- 65% of pension funds are considering or developing impact-investing strategies *(Source: UK NAB impact investing)*
- **Australia:** more than 92% of Australians expect their pension fund to be invested responsibly *(Source: [Money Magazine](#) December 2019)*
- 81% of Australia's largest pension funds are committed to responsible investment (up from 70% in 2016)
- **Netherlands:** 58% of the 50 largest pension funds have impact investments *(Source: [VDBO survey 2019](#))*
- 30% invested in real estate impact funds
- **France:** 90/10 Solidarity Funds – 5-10% invested in high impact social enterprises
- **Norway:** 43% institutional investors currently invest in impact funds, while another 22% plan to do so. *(Source: [NNIP survey 2020](#))*

So how does the UK compare?



Impact investment in the UK

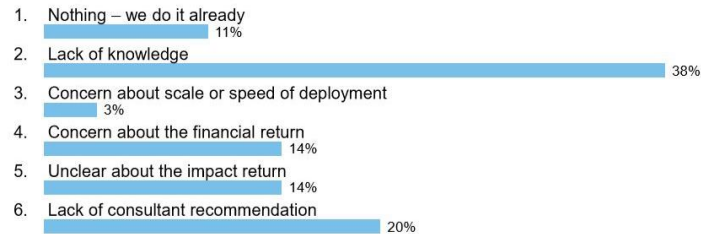
- 57% of British people would like their pension fund to be invested responsibly (Source: [*Investing in a Better World*](#), HM Government)
- 47% would want their pension switched if it was invested in a way that went against their values
- The [*Make My Money Matter*](#) Campaign – targeting individuals to put pressure on their pension funds to invest impactfully
- The [*Impact Investing Institute*](#) - aiming to accelerate the growth and improve the effectiveness of the impact investing market
- But... only a minority of pension funds are already allocating to impact investment (LGPS funds are leading the way)

What is stopping pension funds from allocating to impact investment?

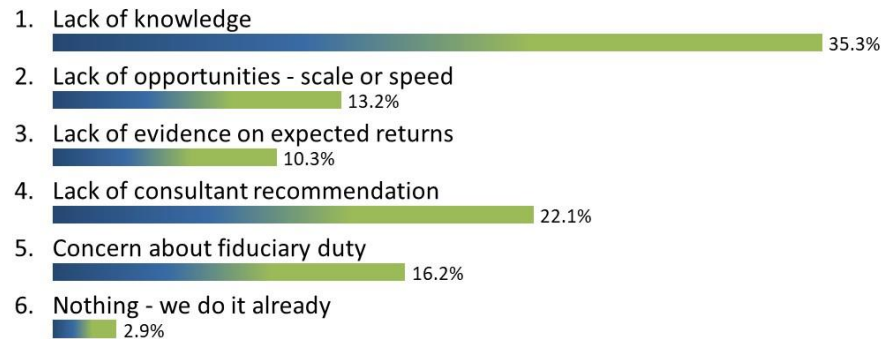
Poll

Achieving Impact through Private Markets

What (if anything) has stopped you from allocating to impact investments to date?



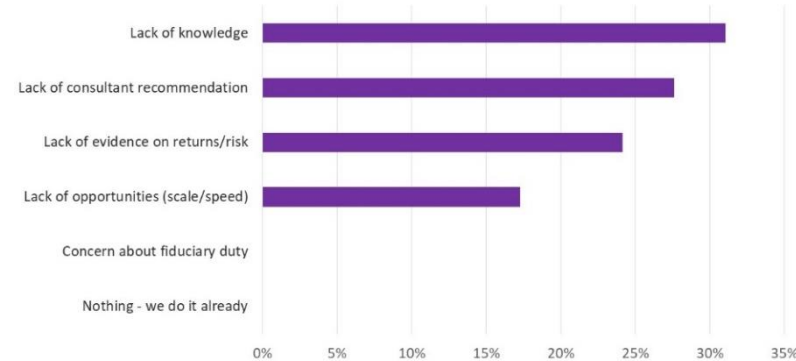
Source: Russell Investments – 2019 summit



Source: DG Publishing "The Grove" 2018

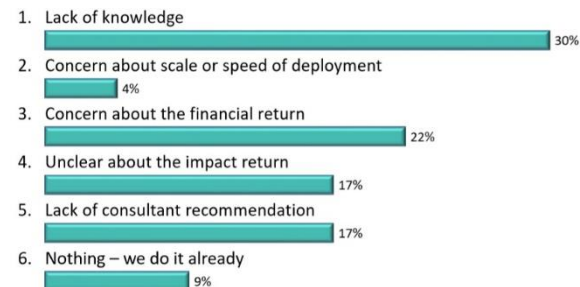
What has stopped you from investing in impact investments?

Corporate DB pension fund responses - Aberdeen Standard Investments
Pensions Intelligence Seminar



Source: Aberdeen Standard "Pensions Intelligence Seminar" 2018

What has stopped you from allocating to impact investments to date? (Pension funds only)



Source: Pensions for Purpose "Investing with Impact Summit" 2019

Main barriers

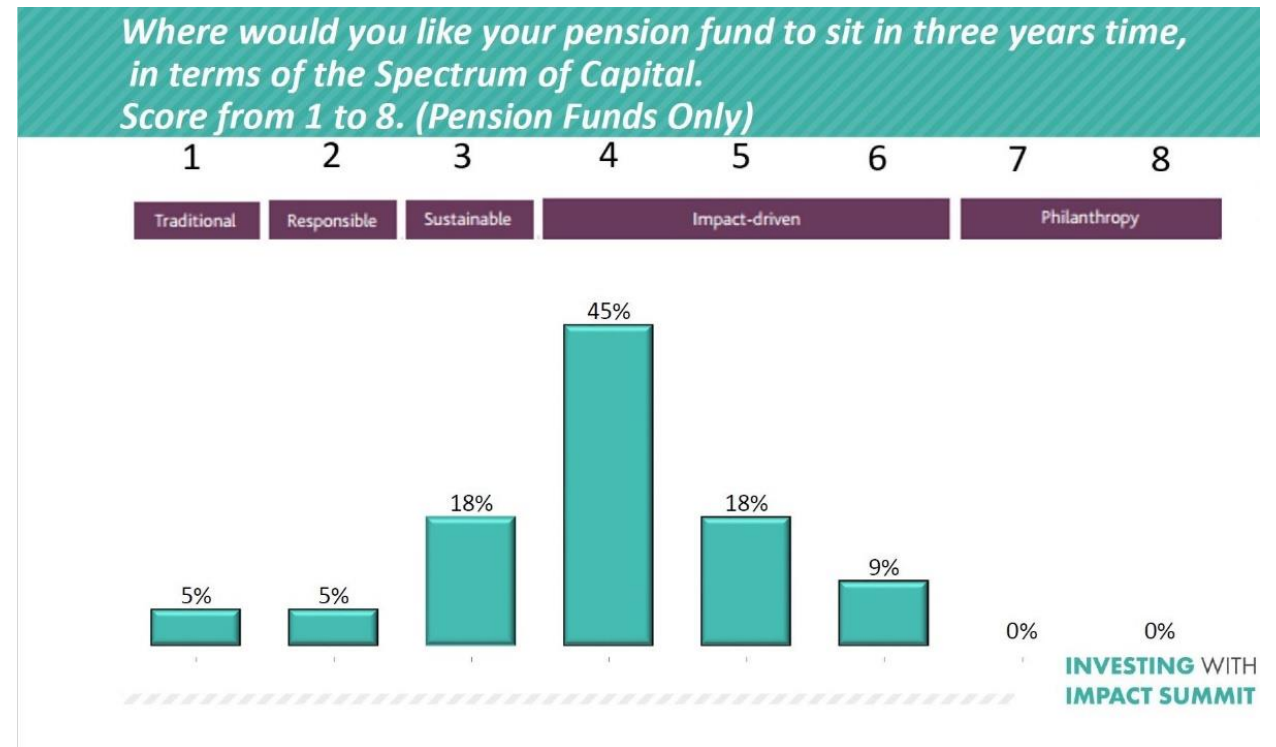
- Lack of knowledge
- Consultant advice
- Evidence of returns



Industry trends: the direction of travel for UK pension funds

A strong desire to shift along the spectrum of capital

- Voting by delegates at the Pensions for Purpose “Investing with Impact” summit 2019
- **90%** want to be investing sustainably and impactfully in 3 years’ time
- **72%** want to invest in impact-driven opportunities



Case study

London Borough of Islington Pension Fund

- £1.4 billion - over 20,000 members
- 2017 – began to reduce exposure to carbon
 - ✓ Low carbon passive; sustainable active
- Set goals to reach by the end of April 2022
 - ✓ Reduce future CO2 emissions
 - ✓ Reduce exposure to carbon intensive companies across asset classes and industry sectors in the public equity allocation by 40%
 - ✓ Invest 15% of the Fund in sustainability-themed investment
- Allocating to impact investments in renewable energy
- Considering allocations to social housing
- Seeking market rate risk-adjusted returns
- Annual measurement of carbon footprint and emissions



Defining investor beliefs is an important step

Mapping to the SDGs is becoming popular

SUSTAINABLE DEVELOPMENT GOALS



Pension funds are...

- Agreeing an investment thesis for each SDG
- Prioritising those they wish to target
- Incorporating E, S and G investment beliefs into their Investment Strategy Statements
- Considering how best to align to their SDG priorities in their investments – the spectrum of capital

What we are seeing...

SDGs being prioritised by pension funds (although still a small sample)



Key pension fund take-aways for impact managers

- A need for further training and education
 - Pensions for Purpose, Impact Investing Institute, Make My Money Matter
- Focus on market-rate, risk-adjusted return funds to attract investment
- Align your message with the way pension funds are beginning to think about impact investment
 - Mapping to the Sustainable Development Goals
- Prepare for significant capital flows over the next three years





A collaborative initiative between impact managers, pension funds, social enterprises and others involved or interested in impact investment



Risk warning

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