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# Reviewing the Principles for Impact Investing

Trustee Roundtable

3 November 2020 @ 2:30pm

# What is our mission?

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

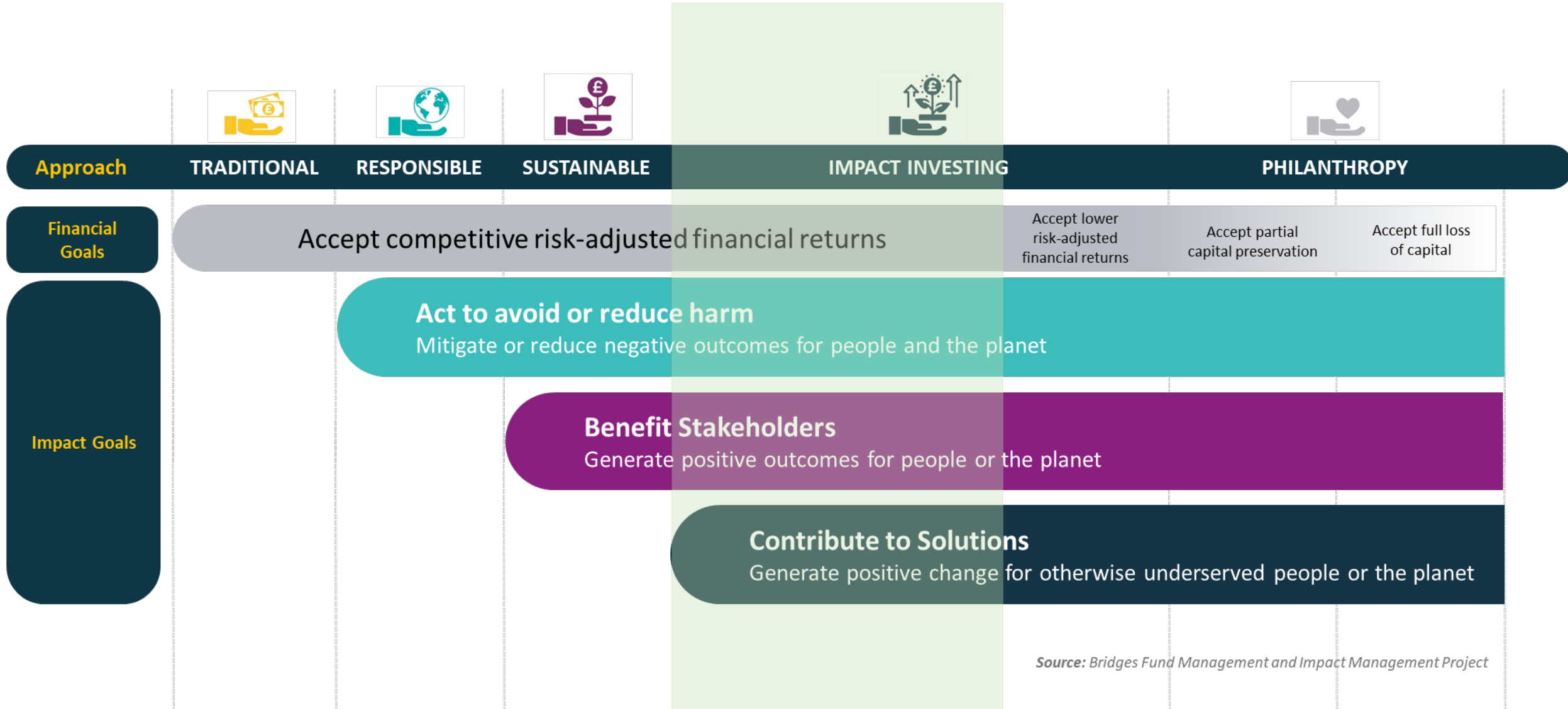
We empower pension funds by helping trustees:

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



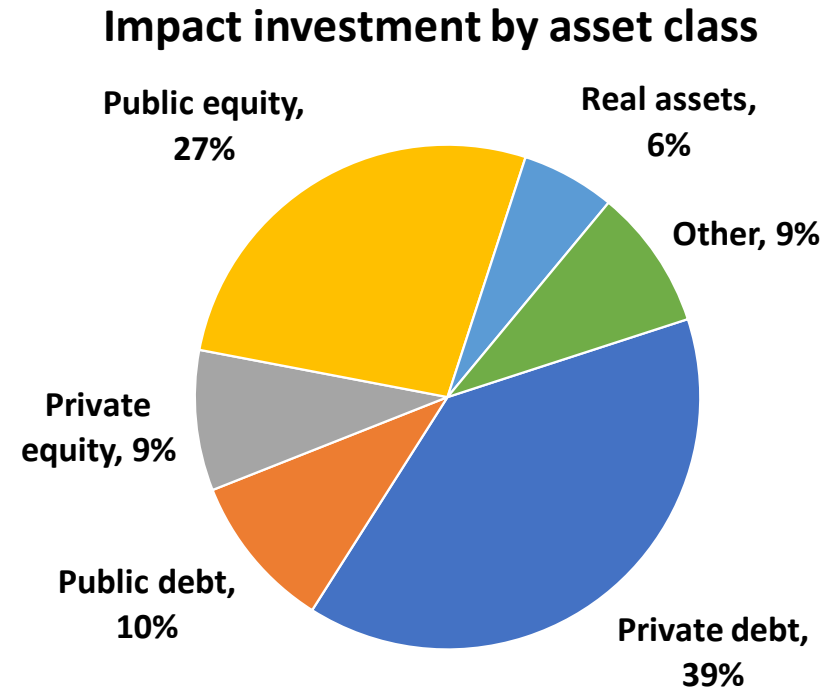
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# What is the spectrum of capital?



# What is an impact investing approach?

- Intentionally generates a positive impact on society or the planet
- Measures both the financial return and the social/environmental impact
- Already forms part of the investment strategy for many pension funds, and covers all asset classes
- Of an estimated £380 bn in impact investment funds, 32% are investments made by pension funds and insurance companies (*source: the GIIN*)



*Source: GIIN 2019 Annual Impact Investor Survey*

# Why does it matter?

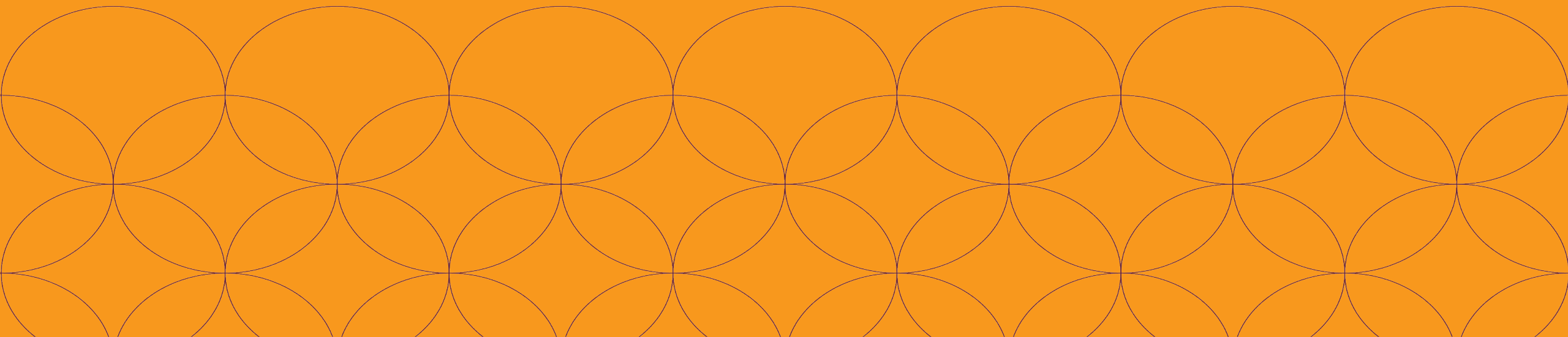
- All pension funds have impacts when they invest, positive or negative, intentional or unintentional
- Creating investment beliefs and a policy can mitigate risks and identify opportunities
- It also does something else – it creates a dynamic measurement framework

# Impact Investing Roundtable for Trustees

## Some legal context

**Stuart O'Brien Partner**

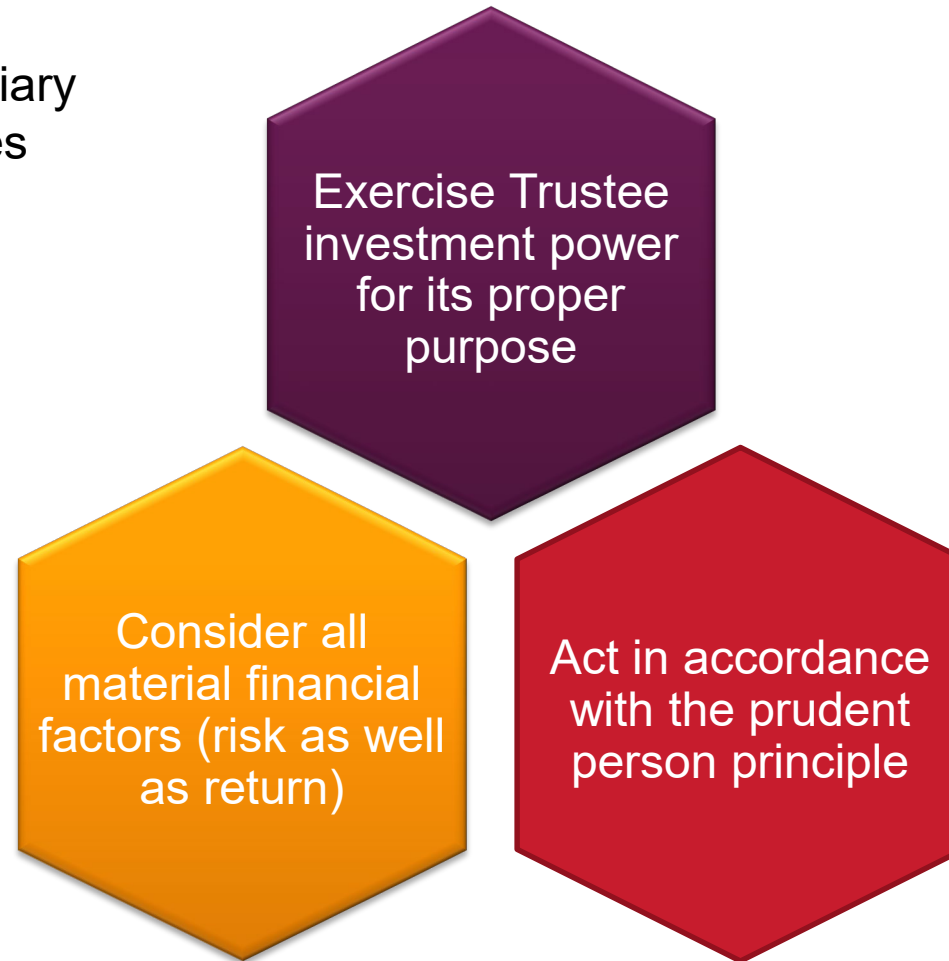
3 November 2020



# Trustee legal duties – dispelling some myths

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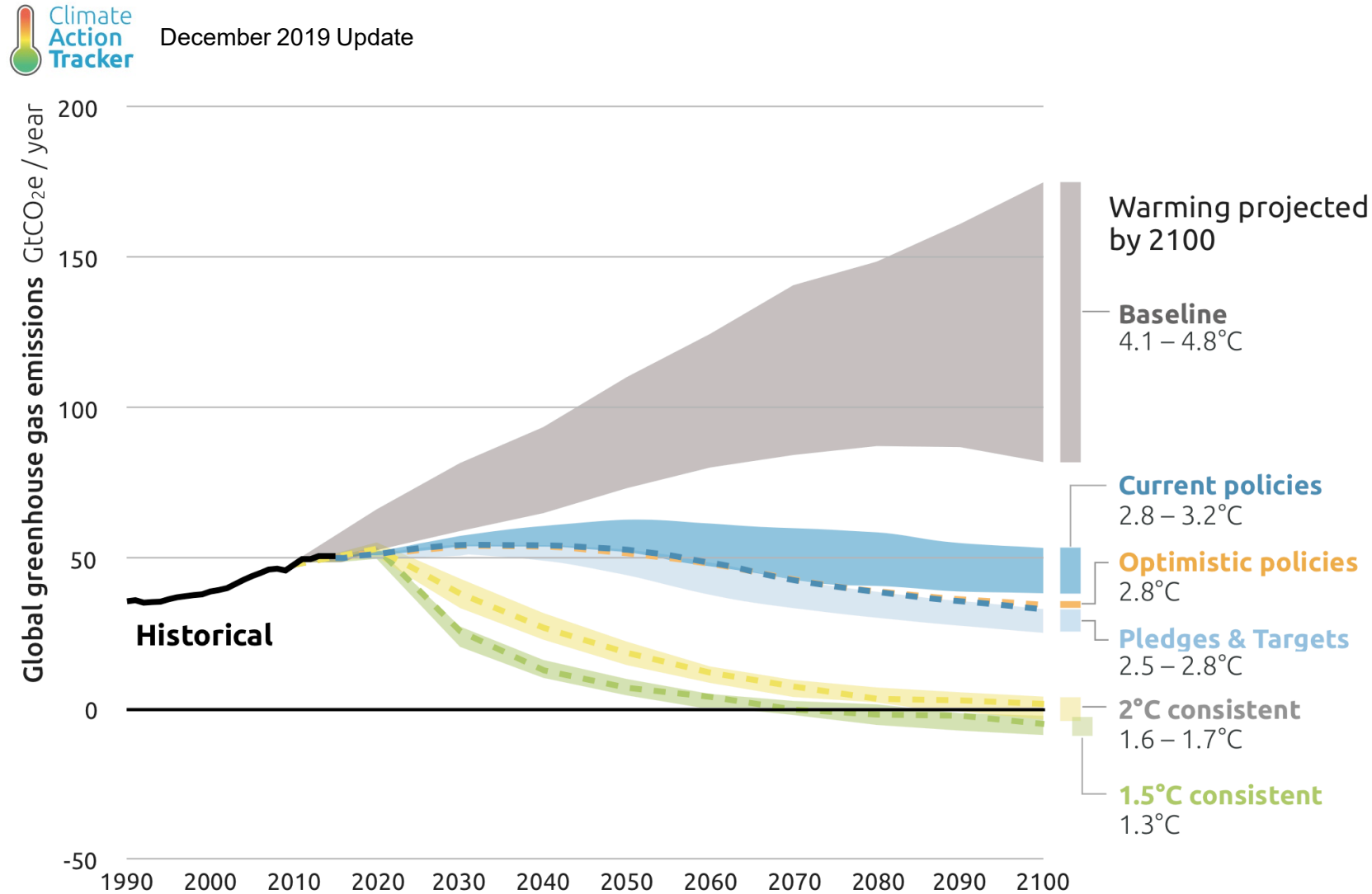
a “bundle” of fiduciary  
and trust law duties



# Climate change – an example

Investing in transition opportunities (as well as mitigating risks)

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- Trustees legal duties are wider than just a narrow focus on returns.
- Trustees must consider risks and adopt a “transition mindset” as part of their consideration of a wide range of financial factors. This is particularly relevant to the transition to a low carbon economy.
- All investments have some “impact”:
  - Negative impacts upon society or the environment which arise as a result of a company’s core business, products and services can be a source of financial, legal, regulatory and policy risks which can threaten the sustainability of the returns.
  - Investing in solutions can correlate with financial performance of investments, particularly over the longer-term.
  - Certain impact investments have the potential to improve the diversification of the portfolio due to a low correlation with mainstream markets.

# Impact Investing Institute

Putting capital to work for people and the planet

# Who we are

The Impact Investing Institute is an independent, non-profit organisation.

Our aim is to accelerate the growth and improve the effectiveness of the impact investing market so that more capital contributes to achieving the UN's Sustainable Development Goals and the well-being of people and the planet.

We deliver change by:



**Educating and raising awareness** through communications, events, and engagement programmes



**Providing useful tools and information** on impact investing



**Advocating for regulation and policies** that support impact investing



**Impact Investing**  
Principles for Pension  
Trustees

## 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.

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.

5

### Manage and review your impact

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

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

# The Five Principles of Impact Investing

## The problem

- Common myths about compatibility of impact investing with pension funds' fiduciary duty
  - Maximising short-term financial return
  - Believing impact investing is always concessionary

## Our response

- Case for compatibility – by legal panel of top law firms
- Principles to help trustees define and embark on impact investing
- Practical step-by-step framework for making impact investments

## Our belief

- Impact investing benefits both pension fund returns and the wider society

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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

### 3 **Appoint investment consultants and managers with impact integrity**

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



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# Manage and review your impact

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

# Risk warning

Pensions for Purpose ([www.pensionsforpurpose.com](http://www.pensionsforpurpose.com)) provides an online platform for our Influencer Members, who are professionals within the pensions sector, to upload features, case studies, blogs, research papers and other information relating to impact investment for use by the general public and Affiliates (asset owners, government bodies, independent advisers and journalists).

Information on the website will in part be available to all users, but some sections will be available to Affiliates only.

The information on the Site is not verified by us and we in no way endorse the Members or the Information provided by Members.

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