



CASE STUDY

PensionBee

The **IMPACT INVESTING**
PRINCIPLES *for* **PENSIONS**

PensionBee

PENSIONS
FOR
PURPOSE

What are The Impact Investing Principles for Pensions?

The Impact Investing Principles are a practical guide to impact investment and provide four concrete steps pension schemes can take to pursue an impact investing strategy – see figure.

Drawn up to meet the growing need for best practice guidelines on how to set, implement, review and measure an impact investment strategy, the Principles were designed by the *Impact Investing Institute* in partnership with *Pensions for Purpose* in consultation with leading practitioners and with input from stakeholders including pension funds, investment consultants and managers as well as member associations.

Increasingly pension schemes want to reduce negative impacts and risks that arise from carbon emissions,

biodiversity loss, poor governance and inequality, which affect their portfolios. Pension funds are interested in investment opportunities that have a positive impact on the environment and society, and also secure a competitive financial return. The Principles make it easier for pension schemes to reach that goal.

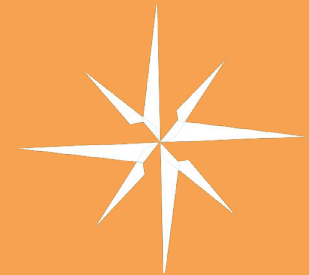
The Principles were designed to be dynamic and to reflect the fast-evolving nature of impact investment. Pension schemes already working with the Principles participate in *Pensions for Purpose's* Community, a peer-learning platform that shares relevant resources and hosts events. This group, along with other initiatives and partnerships, provides evidence-based feedback to ensure the Principles remain cutting-edge and responsive.



Impact Investing Principles for Pensions

PensionBee

We spoke to Giorgia Antonacci, Senior ESG Manager at *PensionBee* to compile this case study



Fund facts 2023

Assets under administration (AUA): **£4.4bn**

Number of customers: **229,000**

Impact journey facts:

- PensionBee aligns their materiality assessment with the UN's sustainable development goals (SDGs) most relevant to their business and stakeholders among their top-ranked material topics.
- They conduct scenario analysis across their portfolio as required under the *Task Force on Climate-related Financial Disclosures (TCFD)*, indicating a focus on climate-related risks and potential paths to achieving net zero emissions.



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How did you get buy-in for impact investment?

We embarked on impact investing as our customers told us this is where they wanted to invest their pensions. In 2021, we surveyed customers in our Fossil Fuel Free Plan, for their views on increasing exclusionary screens around fossil fuel financing and banks over time. The feedback told us that while the Plan suited them from an exclusionary perspective, they also wanted a mainstream impact-related solution.

Before that, we hadn't considered impact, partly because such funds didn't exist, but mainly because impact wasn't widely discussed. So, from Autumn 2021, we began talking to different asset managers to understand what impact solutions were available at that time. We also ran surveys, interviews and focus groups to deepen our understanding of what the customer group wanted.

On this journey, we spoke to many managers about potential solutions, sharing our findings with the customer group. We were both on a steep learning curve; the group were understanding how impact investing works, and we were learning about each manager's constraints in delivering the solution we wanted.

We discussed with customers how, presently, you simply can't have pure play impact and 1,000+ listed companies in a portfolio. We needed to find the sweet spot where each company delivered highly measurable, material and additional impact, and advanced at least one SDG, while still offering a high-level of diversification to pension savers.

After much work, we found a full-time impact research team, that knew each company in their impact universe. They used industry best-practice tools for impact measurement and management, and produced a solution, that invested in 200-300 high-conviction impact companies. By comparison, the most other providers could offer was about 50, which presented a high-concentration of risk for mainstream savers.

This process did not require the investment committee to change their mindset because customer-led innovation has always been the foundation of our business. Genuinely listening and responding to our customers' needs is embedded in *PensionBee's* culture. We didn't encounter resistance from customers either; we received only enthusiasm from those whose opinions hadn't been asked, or listened to, before.



THE SUSTAINABLE DEVELOPMENT GOALS

How have you progressed with each Principle?

Set impactful objectives

1

Pensions have significant power to positively impact the world. Trillions of pounds are invested in companies that can enhance or harm the planet and society with their business activities. At *PensionBee*, we believe firms focused on environmental and societal contributions stand a better chance of long-term financial sustainability and offer stronger returns for our customers.

In 2022, we conducted our inaugural ESG materiality assessment, providing deeper insights into the themes our stakeholders prefer. This analysis helped shape our approach and prioritise ESG initiatives. We surveyed each group, asking stakeholders to rank 15 ESG topics by importance, followed by individual interviews and feedback. The most critical material topics identified in our assessment closely aligned with our *PensionBee* customer proposition, broader business strategy and goals. We have aligned our materiality assessment with the SDGs that are most relevant to our business and stakeholders, focusing on our top-ranked material topics.

The objective of the *PensionBee* Impact Plan is to generate long-term total returns by actively investing in companies addressing the world's social and environmental challenges. We employ strict criteria in determining inclusion in the Impact Plan through a five-step vetting process:

- 1) Company alignment to one or more impact themes: people – affordable housing; education and skilling; financial and digital inclusion; public health; safety and security.

Set impactful objectives *continued*

1

Planet – efficiency, electrification and digitisation; green energy; pollution remediation; sustainable food, water and waste.

- 2) Identification of the SDG target the company's product or service advances progress towards.
- 3) Materiality: ensuring over 50% of a company's revenues or business activities from core products and services align with the impact theme or SDG goals.
- 4) Additionality assessment: is the company tackling a world issue not being well addressed by others, ie the majority of its products and services meet a need unfulfilled by others.
- 5) Identification of a measurable indicator of the company's reporting, to quantify the impact-related outcome over time.

Holdings in the plan are reviewed and adjusted quarterly, with inclusion subject to rigorous checks by *BlackRock*. There is a strict impact-related divestment discipline; companies no longer meeting the impact criteria may be divested at any time outside of the quarterly rebalance.

The goal of the impact investing plan is to target 100% impact opportunities. One of the primary inclusion criteria is intentionality. Companies in the Impact Plan must evidence over 50% of their revenue contributes to a social or environmental benefit or aligns with an SDG. Examples of impact investment in their portfolio include the *Bank Rakyat of Indonesia*, a pioneer of microfinance and *Ørsted*, a Danish renewable energy company.

How have you progressed with each Principle? *continued..*

Appoint investment consultants and managers with impact integrity

2

We annually survey our customers to understand their investment views, then analyse the results. We share this feedback with both our customers and asset managers, working with them to implement requested changes. After extensive market research, we believe *BlackRock's* Impact Plan is best suited to help our customers save for retirement and build a better world.

In our assessment, only *BlackRock* could deliver an impact solution meeting our customers' preferences. Other options were either overly concentrated or lacked the ability to measure impact effectively.

While we don't have investment consultants, we ensure *BlackRock's* Fundamental Equities Impact Team aligns their impact measurement and reporting with best practices.

We monitor this through regular meetings, updates and shared engagement with investee companies through initiatives like *ShareAction's* Good Work Coalition.

They utilise industry-leading frameworks to enhance comparability of impact metrics over time and prevent methodological proliferation. For example, their impact measurement and management incorporates frameworks such as OPIM, the UN SDGs, five dimensions of impact and the *GIIN IRIS+* taxonomy.

Use your voice to make change

3

PensionBee's mission is to simplify pensions, ensuring everyone can look forward to a prosperous retirement. We strive to achieve this for our customers through financial security, good health and social inclusion. We believe prioritising these aspects leads to greater pensions and fosters positive impacts on society, the planet and the investment system.

As part of our mission, we maintain a socially inclusive workplace, reflecting the UK's diversity and welcoming historically underrepresented groups into pensions and financial services. In 2023, we achieved gender parity across our business, Executive Team and Board, alongside significant representation from minority ethnic groups.

In line with our commitment to help customers achieve a happy retirement, we take our role as asset owners seriously, driving positive change through our investments. Effective environment, social and governance (ESG) management enhances resilience and long-term value for all stakeholders. We transparently disclose our ESG targets and metrics to maintain accountability and keep stakeholders informed of our progress. [For details see our website.](#)

PensionBee was among the first UK clients to request voting rights. Since 2023 we have had 'Voting Choice', allowing us to vote at major global companies' AGMs. We also actively engage with industry groups like the Good Work Coalition and participate in initiatives like the Workforce Disclosure Initiative to advocate better working conditions.

How have you progressed with each Principle? *continued..*

Manage and review your impact

4

We employ exclusionary screens, engagement, active ownership and voting choice to assess progress towards our goals. Scenario analysis is conducted across our portfolio as required under *TCFD*, with continuous monitoring and risk mitigation.

We are aware of both negative and positive impacts across our entire investment portfolio, continually expanding screens and reducing carbon intensity. We trust *BlackRock's* strict inclusion procedure for the Impact Plan, supported by years of collective impact research.

Our asset managers strictly adhere to criteria, ensuring the measurement process informs objective reviews. Our greatest achievement is offering a fairly priced direct-to-consumer impact solution, elevating savers' ambitions and industry standards.

We communicate impact efforts with customers through surveys, shaping our approach based on their feedback. Moving forward, we aim to increase visibility and awareness of impact investing, encouraging more UK pension savers to participate.



“We are at the very beginning of our impact investing journey. I think the Impact Investing Principles are an extremely valuable governance framework that will serve as a useful tool to achieve our impact objectives, ultimately endorsing our commitment to help our customers save for a happy retirement.”

Giorgia Antonacci

PENSIONBEE



PICTURE CREDIT: LUÍS EUSÉBIO, UNSPLASH

“PensionBee’s focus on the needs of their customers coupled with their pursuit of innovation and understanding around the benefits of impact investing have led to a thoughtful approach to integrating impact across their investments. We look forward to seeing how this evolves over time and hope it shows other pension funds how they can invest to mitigate negative social and environmental impacts as well as pursue opportunities in the interests of their customers.”

Charlotte O’Leary

CEO OF PENSIONS FOR PURPOSE



WEBLINK

Find out more about
the Principles