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Impact integration – advancing reporting
& management practices in pension funds

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Research projects in 2025

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Executive summary

Impact integration – advancing reporting and management practices in pension funds

Pensions for Purpose's new research, commissioned by *Impact Frontiers*, captures views on how impact reporting is used – and what needs to change to support better investment decisions

Impact investing represents less than 1% of the UK investment market but its momentum is clear. Between 2021 and 2023, while the broader UK asset management sector saw flat to negative growth, ranging from -2% to 0%, the impact investing market grew at a compound annual rate of 10.1%¹. This growth is promising, but it also raises important questions about how to scale impact with integrity and avoid greenwashing.

This report, developed by *Pensions for Purpose*, commissioned by *Impact Frontiers* and supported by the *Operating Principles for Impact Management*, explores how UK pension funds currently use impact reporting to inform investment decision-making – and what must evolve to support deeper integration of impact considerations across the investment process.

Data collection

The findings are based on:

- 23 interviews: 15 pension funds, two asset managers, two investment advisers, three investment consultants and one development finance institution (DFI).

- Written survey – alongside the qualitative insights gathered from the 23 interviews, we conducted a written survey to capture further perspectives.

Insights

1 Impact reports are underused in decision-making – most asset owners assess whether managers produce reports, but few engage deeply with their content.

2 Data remains a challenge to asset managers' impact reporting – quality, consistency and the burden of collection, particularly at the investee level. Even where data exists, comparability remains a challenge.

3A Barriers to integration
Balancing risk, return and impact remains complex – while investors increasingly seek to optimise across all three dimensions, tools for assessing and comparing impact are still underdeveloped. Unlike the well-established

frameworks for understanding risk-return trade-offs, the relationship between impact, risk and return remains less explored. Standardising expectations could help asset owners more effectively evaluate asset managers, particularly given that they are often not involved in day-to-day investment decisions.

3B Barriers to integration
'Average' impact literacy – asset owners depend heavily on consultants and managers for impact insights, but this reliance highlights another issue – the need for impact literacy. Most pension funds described their own literacy as 'average'. Even among more advanced pension funds, levels of understanding vary, especially among trustees.



4 Competing priorities – impact reporting will need to strike a balance between competing priorities going forward, such as:

4A Standardisation versus flexibility – shared approaches to performance measurement – including standardised metrics and impact practices – enable comparability, but flexibility is essential to account for the unique characteristics of different investments.

4B Quantitative versus qualitative data – there is growing demand for data-driven reporting, yet qualitative context, such as narratives and case studies, remains crucial for understanding real-world outcomes.

5 Marketing versus faithful representation – pension funds are alert to the difference between using impact reports as marketing tools – from asset managers to pensions, and from pensions to beneficiaries – and using them as faithful representations of investment impact suitable to inform investment decision-making.

5A Manager-to-asset owner reports should provide a balanced and comprehensive view of positive, negative and unintended impacts, supporting better decisions.

5B Asset owner-to-beneficiary communications are often tailored and promotional, but should draw from transparent, rigorous reporting to maintain credibility.

6 Impact management – interviewees applying the *Operating Principles for Impact Management* embed impact across the investment lifecycle, from strategy and due diligence to exit. They agreed that industry-wide alignment around frameworks like the *Operating Principles for Impact Management* and the *Impact Performance Reporting Norms (Reporting Norms)* would provide a common foundation for evaluating impact while allowing for institutional flexibility.

While summaries and case studies are valuable tools for engaging stakeholders in impact and performance reports, they can result in selective storytelling. *Reporting Norms* offer practical guidance on how to use case studies – and impact reports more broadly – in a responsible, transparent and informative way. This helps ensure that reports enhance understanding rather than obscure trade-offs or exaggerate impact. Complementing this, the *Operating Principles for Impact Management* set out core principles of sound impact management practices that pension funds can use to assess prospective managers. The *Reporting Norms*, in turn, guide what to look for in managers' impact reports, including the appropriate use of case studies.

Both frameworks are designed as interoperable public goods, developed through open consultation processes with asset managers and owners, facilitated by independent, neutral, non-profit organisations.

REFERENCE

- 1 **Impact Investing Institute, 2024**, *The UK impact investing market: size, scope, and potential*, viewed April 2025, <<https://www.impactinvest.org.uk/resources/publications/the-uk-impact-investing-market-size-scope-and-potential/>>.

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Introduction

The imperative for impact integration

Impact reporting is essential in managing outcomes – not just measuring them. By navigating impact integration, we can strengthen decisions, align with purpose and promote more rigorous, transparent practices



Pensions for Purpose's goal in setting up the Impact Integration Ecosystem Theme was to help asset owners navigate the complexity of embedding impact across their investment processes, ensuring that impact is not just measured but meaningfully managed and delivered. This work builds on our mission: to direct capital towards investments that create positive outcomes for people and the planet.

Based on our Impact Lens research, '[Impact investment performance: a UK asset owner & investment consultant perspective](#)', and our reporting on Adopters of the [Impact Investing Principles](#) for

Pensions, we set out to dig deeper and interrogate pension funds on the challenges still holding back impact integration. We sought to understand whether current reports are driving decision-making. If not, why – and what needs to change? We also explored what asset owners expect and look for in impact management practices of managers or advisors to ensure impact intentionality and rigour.

The *Operating Principles for Impact Management* and the *Impact Performance Reporting Norms* can help to close this gap. While the former provides a disciplined and standardised approach to impact management – crucial for mobilising capital at scale with integrity – the latter fosters shared reporting



The Operating Principles for Impact Management

The *Operating Principles for Impact Management* are the global standard for integrating impact throughout the investment lifecycle.

Composed of a set of nine principles, the *Operating Principles for Impact Management* provide an end-to-end framework of best practices and promote transparency, discipline and credibility for impact management practice in capital

markets. They may be implemented across all asset classes, and by all types and sizes of investors.

The signatories to the *Operating Principles for Impact Management* commit to integrate impact across their investment process in alignment with each of the principles, publicly disclose their alignment annually and conduct periodic independent verification of the alignment.

The *Operating Principles for Impact Management* were launched in April 2019 by the *International Finance Corporation* as the initial host, with an extensive consultation with industry leaders. The *Global Impact Investing Network (GIIN)* took over as host in November 2022. There are currently over 180 signatories across 40 countries, representing nearly \$600bn in impact assets (as at May 2025).



Operating Principles for
Impact Management

practices and expectations, enabling efficiency, comparability and trust. Together, they lay the groundwork for more transparent and credible impact delivery.

Interviews

Through interviews conducted primarily with pension funds – supplemented by insights from other institutional asset owners, including one development finance institution (DFI) – we explored 17 questions. These were developed as a follow-up to a *Pensions for Purpose* masterclass on impact reporting ‘*Understanding impact performance: a masterclass for asset owners and allocators*’, sponsored by *Impact Frontiers*, to deepen our understanding of current practices and challenges in impact reporting and management practices, with a focus on:

Strategic alignment

- How impact reporting aligns with organisational goals and decision-making.
- Current expectations on impact management practices of managers or advisers.
- Current practices, challenges and effectiveness of impact reporting.

Using impact reports

- How organisations leverage them for internal and external communication.

Improving impact reporting and management practices

- Opportunities for enhancing accuracy, relevance and usability.
- Alignment on impact management practices.

Reporting

Impact reporting is a core component of effective impact management and the primary channel by which information about real-world outcomes of investments reaches investors. It can also play a central role in engaging pension scheme beneficiaries, strengthening their connection to their investments and building a stronger case for impact.

We want this research to serve as a gateway for asset owners, helping them build the confidence to begin or deepen their learning journey. Our aim is for them to feel increasingly equipped to critically assess impact reports and management practices,

ultimately, to integrate those insights into decision-making throughout the investment cycle. By doing so, they can not only drive more informed decisions, but also promote disciplined impact management among their managers, better understand the value of impact and advocate for its application across their portfolios as fully as possible.

- **Charlotte O’Leary is CEO and Impact Integration Ecosystem Theme Lead at Pensions for Purpose.**



The Impact Performance Reporting Norms

The *Impact Performance Reporting Norms* (version 1) establish shared expectations for the reporting of impact results by asset managers in private markets. They were developed through an 18-month consultation involving over 350 asset managers, asset owners, allocators and service providers. The *Impact Performance Reporting Norms* aim to improve

consistency and transparency in impact reporting.

Filling a gap in existing impact standards and frameworks, the *Impact Performance Reporting Norms* provide guidance on what information to include in an impact report and how to present it. The goal is to make impact reports more actionable for asset owners and allocators – enabling

better understanding and comparison of impact performance – while also reducing the reporting burden for asset managers.

As an open access public good, the *Reporting Norms* are being piloted by over 100 investors through a programme facilitated by *Impact Frontiers* and are simultaneously being adapted for use in public markets.



1 How & why pension funds allocate to impact

1.0 How and why pension funds allocate to impact

Through the findings of the face-to-face interviews and the written survey, we explored pension funds' current strategy for impact allocation, defining 'impact investments' as those which, alongside financial returns, aim to generate positive outcomes for people and planet¹.

While a minority of surveyed pension funds approach impact at the portfolio level without fixed targets, most of them have a specific allocation for impact investments, typically ranging between 5–13% of their overall portfolio. Motivations for these allocations include a blend of:

- Place-based outcomes.
- Climate-related goals.
- Long-term financial returns.
- Portfolio diversification benefits.

Investment themes primarily focus on climate impact and place-based social impact. The former includes energy transition and renewable energy, while the latter is concentrated in social housing, affordable housing, temporary accommodation and residential properties for people with long-term needs. Less common but still mentioned were nature and biodiversity, and healthcare.

According to investment consultants, asset allocation targets are mainly driven by client preferences rather than a predefined standard. Some consultants, instead of considering impact at the strategic asset allocation level, approach impact at the implementation stage. For example, after deciding on a strategic asset allocation, such as having 20% in equities, clients may choose to allocate part of that to a sustainable or impact fund.

“We offer training and help clients define their impact beliefs. We work with stakeholders to develop a specific impact objective, based upon these beliefs. However, we do not set impact targets across entire portfolios. If a client has an impact objective, it will typically apply to a dedicated impact allocation. Depending on their goals and priorities, we support them in allocating to specific impact mandates, each of which we expect to have its own defined impact targets.”

INVESTMENT CONSULTANT

Motivations for impact allocation

Impact

Asset owners usually decide on impact allocations to contribute to their goals, such as net-zero targets, without overlooking financial returns. Pension funds recognise merely reducing exposure to high-risk assets would not address challenges like climate change, so they now focus on directing capital towards solutions aligned with broader goals.

“We’ve been exploring the difference between cleaning up a portfolio and actually making a real-world impact, starting at the board level. When we began reducing our portfolio’s carbon intensity and increasing *sustainable development goals* (SDG)-aligned investments, especially in climate, it became clear we were simply offloading ‘dirty’ assets to other investors. Our portfolio looked cleaner but the world hadn’t changed. That was the turning point. We realised a clean portfolio doesn’t equal real-world impact. Our beneficiaries helped push this insight forward; you can’t claim impact just by shifting bad assets elsewhere. Our regulator stepped in too. They made it clear: if all you’re doing is selling off the dirty stuff, you can’t call it impact.”

ASSET OWNER

A close-up photograph of a map with a red pushpin stuck into it. The map shows various geographical features like rivers and roads. The pushpin is located in the upper left quadrant of the map.

Definition

place-based impact investing (PBII) *n.*

investment approach focused on generating positive social, environmental and economic outcomes within a specific geographic area, while also aiming for appropriate risk-adjusted financial returns. It differs from traditional impact investing by prioritising the unique needs and opportunities of a particular place, often targeting areas facing social or economic challenges

Pension funds primarily driven by impact usually start by defining their impact priorities, and then select specialised managers to explore and build the investment case inspired by these factors.

“We began training with our pension committee and explored options like nursing homes, doctors’ and retirement housing, focusing on social impact rather than a specific asset class. To navigate impact investing, which was new to us, we brought in a research firm. Ultimately, we chose property management and appointed a manager to provide residential housing for those with long-term care needs.”

ASSET OWNER

Pension funds are increasingly considering UK-based impact investing to achieve more tangible results. While they recognise the goals of Paris-aligned funds, such as cutting carbon emissions, the direct impact of those investments is hard to see. The need for visible impact became evident in our interviews, where specific success stories easily came to their minds.

In previous *Pensions for Purpose* research, we found it takes asset owners some time to think of a successful case study. However, this wasn’t the case with place-based impact, where most interviewees had visited sites in person and heard positive impact stories firsthand.

Net-zero commitments are the main reason for target allocations to climate-related investments, as asset owners increasingly align their portfolios with impact goals. These aims are not just about reducing carbon emissions but also about actively supporting the transition to a low-carbon economy. However, the geopolitical landscape is reshaping how asset owners assess and manage risk. Concerns over US investment managers relinquishing their climate goals are prominent.

“Geopolitical challenges are becoming a risk factor. Previously, our focus was on risk-return objectives, as fiduciary duty remains our priority. Now, with some US investment managers scaling back commitments, geopolitical risk is more prominent. Despite this, we remain committed, maintaining a 10% allocation to climate investments and our net-zero goal.”

ASSET OWNER

Asset owners with no discrete allocation to impact justify their decision by saying they prioritise impact across the entire portfolio.



“While we do make impact investments – and already have several – we’ve shifted away from specific targets. Instead, we evaluate all opportunities based on impact, liquidity, risk and return, rather than adhering to set allocations.”

ASSET OWNER

Risk and return

Pension funds perceive climate risks as systematically mispriced in the market. By properly incorporating these risks into their investment decisions, schemes believe they can achieve improved returns and ultimately improve outcomes for pension fund members.

“We believe illiquid assets are a well-rewarded asset class but, historically, it has been difficult for defined contribution (DC) master trusts to access them. Another significant reason was to include more assets, which either mitigate the risks we anticipate or contribute to improving the world our members will retire into.”

ASSET OWNER

To get to this stage, the pension fund commissioned a law firm to analyse ‘what fiduciary duty means’, specifically regarding the idea of ‘the world our members retire into’.

“Following legal analysis, we’ve confirmed we’re permitted to consider impact in our investment decisions. We interpret this as an opportunity to make targeted impact investments, particularly in the UK, where most of our membership is based. So, beyond simply diversifying returns, we now have a financial rationale for investing in impact themes.”

ASSET OWNER

REFERENCE

¹ Global Impact Investing Network, 2024, *About Impact Investing*, viewed June 2025, <<https://thegiin.org/publication/post/about-impact-investing>>.



② How pension funds assess impact practices & performance

2.0 How asset owners assess impact practices & performance

Managing impact effectively begins with selecting managers whose strategies and goals align with those of the pension fund. From there, pension funds can maintain active engagement by asking questions, reviewing impact reports and fostering open dialogue, to understand how managers measure and manage progress. Together with managers, pension funds can establish clear expectations around impact intent, measurement, monitoring and reporting, adapting these based on the manager's experience and operating context.

Asset owners and consultants emphasise transparency by requesting managers to disclose both positive and negative impacts, while seeking independent verification to enhance credibility whenever possible.

Still, challenges remain. These include limited data quality, measurement inconsistency and varying levels of impact literacy, all of which can influence how impact is integrated throughout the investment lifecycle. This chapter explores these findings in depth and offers insights as to how the

Impact Performance Reporting Norms and the *Operating Principles for Impact Management* can provide practical solutions.

Impact management processes

The *Operating Principles for Impact Management* provide a structured framework for investors to design, implement and improve their impact management practices, ensuring impact is embedded throughout the entire investment lifecycle – from strategy formulation and opportunity assessment through to post-investment management and exit.

Interviewees who follow the *Operating Principles for Impact Management* embed impact from the earliest stages of strategy development. This approach extends through sourcing and evaluating opportunities to active management and exit planning. Some have structured their internal evaluation tools around the nine principles, using them to assess a manager's approach across the investment lifecycle, from pre-investment due diligence to exit. Others described using the

Operating Principles for Impact Management to guide internal thinking, even if their processes are not formally mapped to the framework. In these cases, the *Operating Principles for Impact Management* serve more as a reference lens than a strict checklist. There were also examples of more proactive use: in some cases, asset owners have provided training and capacity-building support, or even offered to cover the cost of a manager's first verification, particularly for new funds.

The *Operating Principles for Impact Management* are a foundational tool for assessing and engaging with managers on impact management practices. Beyond a conceptual framework, they serve as a practical reference point for evaluating how impact is integrated across investment processes – from intent to measurement, management and exit. Post-investment, they help to ensure a consistent approach to impact management, and set clear expectations for ongoing monitoring and reporting across diverse managers and portfolios.

The *Operating Principles for Impact Management* is often used in conjunction with the *IRIS+* system –

a publicly available resource managed by *The Global Impact Investing Network (GIIN)* – which supports consistency in measurement and enhances data comparability across investments. *IRIS+* indicators help to track progress, serving as the basis for performance measurement. The interviewees described how they embed impact across the investment lifecycle by assessing and engaging with managers.

Principle 1

1 Define strategic impact objective(s) consistent with the investment strategy

The process begins with a ‘house view’ to identify emerging impact themes and opportunities to define clear impact goals. A theory of change is then developed to link investment activities to desired impact outcomes. For instance, in addressing climate or healthcare challenges, organisations first define the types of solutions that align with their impact goals. These are then assessed for impact potential and investment viability, ensuring alignment of financial returns with impact objectives.

Impact objectives are typically aligned with the *UN sustainable development goals (SDGs)* and the Paris Agreement. Organisations also apply the five dimensions of impact to guide their understanding, assessment and communication of intended outcomes.

Principle 2

2 Manage strategic impact on a portfolio basis

Following development of impact objectives, organisations design a disciplined system and process to manage impact performance for the whole portfolio across the investment lifecycle. This lets investors identify and assess investment

opportunities for impact in a systemic manner – including pre-existing strategies, or issuing targeted request for proposals (RFPs) to managers with relevant capabilities to build custom impact solutions – and consistently manage portfolio impact post-investment.

As part of the process, mandates are structured to incentivise impact results through impact-linked compensation.

Principle 3

3 Establish the manager's contribution to the achievement of impact

Contributions may include technical assistance to portfolio companies, active engagement with management teams or the design of financial structures that reduce cost of capital, catalyse resource mobilisation or incentivise impactful behaviour.

Organisations evaluate a manager's track record and capacity to influence outcomes, looking for clear articulation of value-add, including evidence of influence over impact delivery decisions.

A manager's theory of change, including its contribution to outcomes, is typically reviewed during due diligence and monitored throughout the life of the investment.

Principle 4

4 Assess the expected impact of each investment, based on a systematic approach

Prior to investing, asset owners and managers apply a methodology to forecast expected impact, which includes evaluating the scale, depth, duration and likelihood of outcomes. Common tools include logic

models and impact rating or scoring frameworks aligned with standards such as the five dimensions of impact or *IRIS+* metrics. These tools help screen opportunities, rate potential investments and support consistency across asset classes or geographies. Investments that do not meet a predefined impact threshold are either refined or rejected. The goal is to prioritise opportunities with a high probability of meaningful, measurable change.

Whether developing a new strategy or selecting from available options, impact due diligence is central to investment selection. If an opportunity does not meet the impact criteria, it is excluded from consideration.

Principle 5

5 Assess, address, monitor and manage potential negative impacts on each investment

Impact management also involves assessing and minimising potential negative or unintended effects. Once identified, mitigation strategies are incorporated into deal structuring, contractual agreements and ongoing monitoring plans. Negative impacts are tracked over time and, where relevant, disclosed in reports.

Principle 6

6 Monitor the progress of each investment in achieving impact and respond accordingly

Progress against impact objectives is tracked using *IRIS+* indicators and other performance metrics. This allows for consistent evaluation of whether investments are delivering on expected outcomes throughout the holding period and the pursuit of action on underperforming investments.

Principle 7

7 Conduct exits considering the effect on sustained impact

While the primary focus remains on long-term impact, the exit stage is a critical moment for reflection and review. It involves assessing not only financial returns, but also the sustainability of impact after exit and considering the timing, structure or process of exit accordingly. Organisations use this phase to evaluate impact performance in alignment with their theory of change, refining it where necessary based on insights and lessons learned. This includes revisiting underlying assumptions and identifying gaps in evidence. The resulting feedback loop strengthens future investment strategies and reinforces accountability.

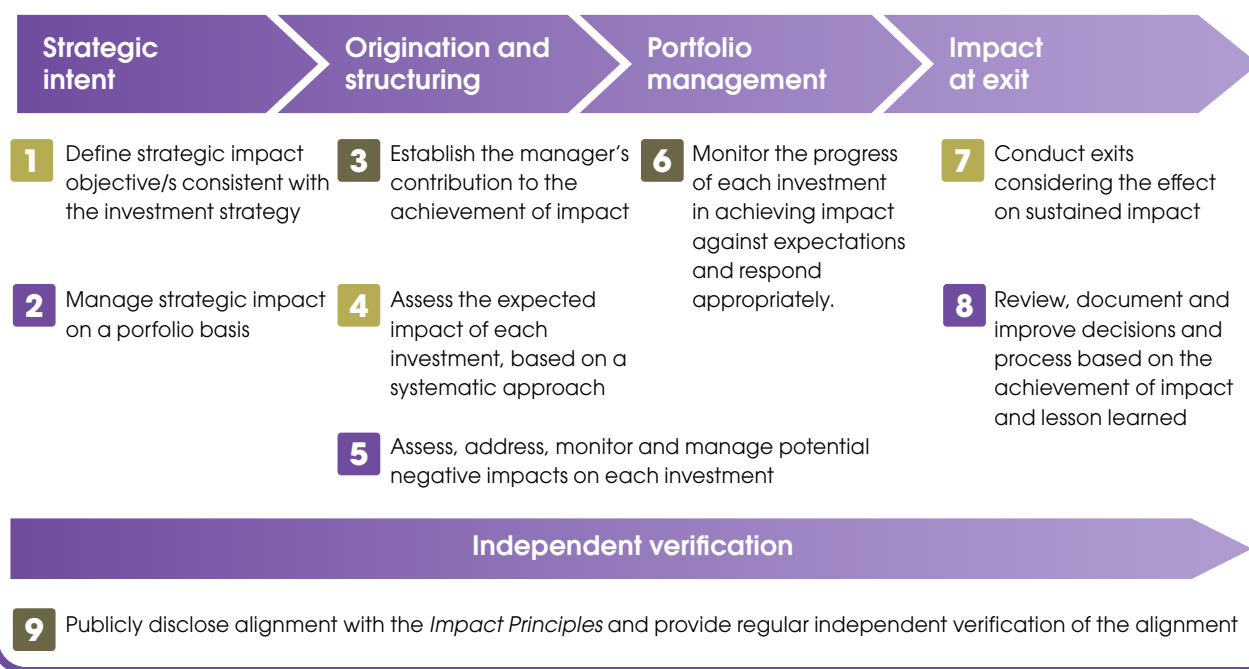
Principle 8

8 Review, document and improve decisions and processes based on the achievement of impact and lessons learned

Continuous learning is embedded into investment processes through post-investment reviews, internal knowledge-sharing and impact evaluations. These exercises assess performance against original expectations and explore what worked, what did not and why.

Insights gathered during exits or key reporting cycles feed back into strategy development and due diligence templates. This institutional learning helps improve portfolio construction, strengthen manager selection processes and evolve impact measurement practices.

Fig 1 | The nine *Operating Principles for Impact Management*



THE OPERATING PRINCIPLES FOR IMPACT MANAGEMENT

Principle 9

9 Publicly disclose alignment with the *Impact Principles* and provide regular independent verification of alignment

Annual disclosure statements on alignment with the Impact Principles are published on the websites of the signatories and the *Operating Principles for Impact Management*. The *Operating Principles for Impact Management* also requires periodic independent verification, which is a valued aspect of the *Operating Principles for Impact Management* according to the interviewees. Verification ensures signatories are held accountable to their claims of disciplined impact management practices aligned with each of the nine principles, driving transparency

and investor confidence in the market. However, as a process standard, the *Operating Principles for Impact Management* do not require disclosure or verification of impact performance results.

The *Operating Principles for Impact Management* increase the likelihood a fund will achieve its objectives; however, they do not guarantee success or require results to be reported. Whereas, the *Reporting Norms* complement the *Operating Principles for Impact Management*, by providing practical guidance on what information about actual results should be reported and how. Together, these frameworks strengthen integrity in impact investing: the *Operating Principles for Impact Management* promote process accountability and the *Reporting Norms* aid transparency in performance.

The *Operating Principles for Impact Management* provide an end-to-end framework of best practices that investors can use in the design, implementation and continuous improvement of their impact management systems and processes.

Asset owners see impact assessment and management as an evolving process, considering financial materiality, qualitative insights and long-term impact goals. There is an increasing recognition of the value of aligning with standardised, disciplined impact management practices and reporting frameworks to strengthen impact integrity and transparency in the mainstream market, and allow for benchmarking across funds and managers.

Interviewees noted impact reporting is different to traditional financial reporting, as:

- Impact strategies vary widely depending on context, sector and geography.
- Data is often qualitative or difficult to verify.
- Expectations around what 'good' looks like are still forming.

Still, they generally agreed greater alignment around frameworks and standards is valuable, especially as the market for impact investing grows. However, it needs to be:

- Principles-based, not prescriptive or rule-based.
- Adaptable to different types of investors and contexts.
- Focused on building trust and improving

decision-making, not just collecting data.

- **Balanced**, to avoid overburdening smaller players or hindering innovation.

For this reason, this research included three in-depth interviews focused exclusively on impact management with organisations that currently adopt the *Operating Principles for Impact Management*. The aim was to gain insight into the systems and processes these organisations have established, their expectations of asset managers and investment consultants, the degree of industry alignment on impact management frameworks, and standards and priority areas for further integration of impact considerations.

Managers' selection & engagement

Asset owners typically focus on selecting managers whose strategies and impact goals align with their own. According to investment consultants, the priority is understanding the rationale behind a manager's key performance indicators (KPIs), the broader goals they reflect and the strategy in place to achieve them.

When impact is embedded in a manager's strategy, asset owners and consultants hold them accountable through regular engagement: quarterly meetings, targeted questions and the review of impact reports. Investment consultants noted pension funds only co-develop KPIs with managers

in specific cases, such as place-based investments or funds explicitly labelled as impact. According to one asset owner: "We ask our managers for *Sustainable Finance Disclosures Regulation (SFDR)* and *Sustainability Disclosure Requirements (SDR)* labels, to assess whether their funds qualify as impact investments and meet impact definitions. In addition to these labels, we also review their KPIs and impact reporting to ensure we are comfortable with their approach and their impact measurement framework."

Once onboarded, pension funds value back-and-forth communication with managers. "Unlike numbers-driven investments, impact isn't always as easily quantified. Clients want to feel more certain about what's being measured, what's being claimed and how it's being monitored. That need for clarity naturally leads into a more active feedback loop," according to an investment consultant.

Ongoing dialogue with managers is essential to navigate the complexities of impact, particularly the challenge of balancing qualitative insight with quantitative rigour. Regular engagement allows pension funds to better understand the rationale behind KPIs, set realistic expectations and tailor measurement approaches to each investment. Rather than imposing uniform requirements, many favour flexible, sector-specific frameworks reflecting the context and nature of the underlying assets.



CASE STUDY 1

Active ownership

The following quotes illustrate how two asset owners approach impact measurement with their managers. While one integrates impact goals into their broader investment strategy, embedding responsible investment principles into manager selection and engagement, the second mentioned a context-driven impact assessment, using customised tools to define expected outcomes across different asset classes.

“Our impact performance isn’t measured solely by goals achieved, though we have clear targets, such as investing 10% in impact strategies, and achieving a 40/40/20 gender diversity ratio across our companies and investment teams. We conduct thorough due diligence when evaluating managers, both before and after onboarding, and expect alignment with our responsible investment priorities. Active ownership is central to our risk management approach, and we require our managers to engage accordingly. Each year, we assess them on themes including climate action, diversity and gender equity, human rights and natural capital, ensuring ongoing engagement with these issues.”

ASSET OWNER

“Our focus is on using the right targets for different types of investments, rather than applying a one-size-fits-all approach. For example, in place-based investments, we have developed a place-based impact toolkit which helps us define the expected impact of an investment in a specific location, using a theory of change framework. The goal is not to monetise impact but to outline expected outcomes in an auditable way. For investments in alternative venture capital, health startups and similar sectors, we assess the outcomes generated by these companies. However, it can be challenging to determine exactly how much of a given outcome is directly attributable to our investment. Since we invest across multiple sectors, we adapt our impact reporting methods to suit each investment.”

Impact Performance Reporting Norms: dealing with incomplete and uncertain data

For impact performance information to be accurate, it does not need to be perfectly precise. Accuracy means the information presented is free from material misstatement, any estimates or forecasts are clearly identified and that these estimates are based on reasonable assumptions supported by data of sufficient quality and quantity.

In the field of impact management, measurement uncertainty is common - particularly when assessing difficult-to-quantify outcomes or estimating counterfactuals that cannot be observed directly. Similarly, some impact-related disclosures, such as future targets or projections, are by nature forward-looking.

The *Reporting Norms* align with guidance in the *European Sustainability Reporting Standards*, which state: “The use of reasonable assumptions and estimates, including scenario or sensitivity analysis, is an essential part of preparing sustainability-related metrics and does not undermine the usefulness of the information, provided that the assumptions and estimates are accurately described and explained.”

To further support the reliability of reported information, the *Reporting Norms* endorse the principle of conservatism. This principle suggests that in cases of uncertainty or multiple possible interpretations, preparers should lean toward understating positive impacts and not underreporting negative ones. This cautious approach enhances the credibility and usefulness of reported impact data, especially in the face of complexity and uncertainty.

2.1 Asset owners' expectations of managers and consultants

Approaches to impact differ according to the manager and the market. Asset owners expect clear intent, robust measurement, transparent reporting and ongoing monitoring

Impact management practices are sometimes tailored to reflect the type of manager and the markets they operate in. Interviewees invest across a wide range of geographies and manager types: from highly experienced impact-driven managers to newer or commercially-oriented funds in developing markets. For managers with established systems, expectations are higher. For less mature managers, there is recognition capacity may be limited. In those cases, investors still expect basic monitoring and reporting, and often conduct internal assessments of expected impact.

In emerging markets, where specialised impact managers are hard to find, flexibility is essential. Investors adapt their requirements to reflect the locality while upholding minimum standards for impact delivery.

Interview insights

Expectations typically span four core areas:

1 Intent

Pension funds expect managers to articulate their impact intent, eg how investments are designed to generate positive outcomes. This intention should be embedded into the fund's strategy and guide sourcing, selection and portfolio construction. This often involves a theory of change which outlines:

- The social or environmental problems the fund addresses.

- The solution or intervention the investment supports.
- The long-term impact and intermediate outputs or outcome the investments will drive.
- How the investment aligns with broader impact goals, such as the *SDGs* or the Paris Agreement.

2 Measurement

Impact measurement has dual purposes – firstly, in assessing the expected impact of each investment at the outset and secondly, in monitoring progress against those expectations over time. Pension funds expect managers to assess and report on outputs, such as the number of jobs created and units of service delivered. However, there is a strong preference for progressing toward outcome-level measurement that captures the actual changes or benefits experienced by people or planet. Leading managers also contribute to comparability by using standardised metrics like those in *The Global Impact Investing Network's IRIS+*.

3 Reporting

Annual impact reports should include data and metrics which reflect progress against impact goals. While outcome measurement is the ideal, many funds remain at the output level – something interviewees accept, provided efforts are underway to evolve. Asset managers are

encouraged to define their own impact metrics aligned to their fund's strategy or to adopt impact metrics developed by investee enterprises. Following the delivery of impact reports, interviewees conduct annual reviews to discuss progress, understand new investments and evaluate how each aligns with the original theory of change. This process supports continued learning and adaptive management.

If a pension fund invests in, for example affordable housing, the result can be tangible and transformative:

- Output: 500 housing units are built.
- Outcome: As a result, 1,200 low-income individuals gain stable, affordable homes, contributing to improved health, greater job stability and better educational outcomes for their children.

4 Monitoring

Impact monitoring occurs through formal reporting and informal, ongoing dialogue. Regular check-ins allow investors to stay updated, provide support and identify any issues early. The depth of these interactions varies. For deeply impact-focused funds, conversations are typically more collaborative and integrated into day-to-day operations. For more commercially-focused funds, investors often take a more active role in assessing outcomes and identifying alignment gaps.



CASE STUDY 2

Ongoing conversation with managers

During the interviews, we found asset owners largely rely on managers for reporting, as impact assessment is context-specific and often requires detailed, on-the-ground insights.

As every strategy is different, it becomes difficult to aggregate impact data across portfolios. For this reason, several asset managers focus on holding fund managers accountable, ensuring they have strong KPIs and are genuinely pursuing achievement of impact with robust impact measurement and management practices, rather than imposing rigid reporting structures. However, managers are also learning how to develop impact reports, so ongoing feedback is essential.

One asset owner mentioned how entering the *Pensions for Purpose* Asset Owner Awards was a useful process for them to understand what they value in impact reporting. After taking part in the Awards, they wrote an email outlining what they found particularly effective and shared it with a fund manager. Their feedback to managers included:

Theory of change is always helpful: understanding the logic behind an investment and how it is expected to create impact gives more clarity than just looking at outputs or numbers in isolation.

Qualitative rather than quantitative information: while quantitative metrics are important, they can sometimes be overdone. For example, aggregate impact scores, where multiple metrics are combined into a single, composite score, are not always useful. Instead, it is more insightful to have qualitative detail and analysis, which explain how an investment is actually delivering impact.

Engagement case studies: rather than giving just one or two examples, regular reporting on engagement efforts – especially detailing the fund manager's role and any tangible outcomes – adds a lot of value. It helps to understand how engagement is being used as a driver of impact.

Impact Performance Reporting Norms: qualitative versus quantitative information

While methods of impact measurement, analysis and reporting vary significantly across sectors and issue areas, the *Reporting Norms* reflect broad consensus on the types of information that should be included in impact performance reporting at the asset or portfolio level. This includes providing sufficient context, clarity on the investor's contribution and clear explanations of impact results.

Rather than prescribing a single approach, the *Reporting Norms* encourage the use of qualitative and quantitative data – commonly referred to as mixed methods. Neither qualitative nor quantitative information is considered inherently superior; instead, combining them can enhance the quality and depth of impact reporting by balancing the limitations of each.

Qualitative data, though less established in impact investing compared to the social sciences, plays a valuable and growing role. It enables a deeper understanding of complexity, and provides insights about the experiences of affected people and communities that are often difficult to capture through quantitative data alone. When applied rigorously, qualitative analysis can offer just as much validity and insight as quantitative approaches and contributes meaningfully to a more complete picture of impact.

The next section provides further guidance on case studies as a common usage of qualitative information.



2.2 Impact performance of portfolios

Impact reports are primarily used to assess impact performance of investments with explicit impact objectives. Asset owners often rely on reports from managers alongside their own qualitative evaluations to gauge the impact performance of holdings. As one asset owner explained.

However, many asset managers acknowledge impact assessment remains subjective and reports tend to emphasise successes. Asset owners expressed concern that managers primarily highlight the positive aspects of their impact, rather than providing a balanced view, which includes areas for improvement or negative impacts. As an investment consultant explained.

“We also challenge our managers on how they consider negative impacts. Many are quick to highlight all the positive things they’re doing – which is great – but some of the best practices we’ve seen come from managers who also take a hard look at potential negative externalities. It shows a more balanced and thoughtful approach.”

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“Each year, managers provide impact reports, which are reviewed holistically alongside a stewardship assessment. This ensures the reported impacts align with the trustees’ five stewardship beliefs. The reports are assessed qualitatively, typically highlighting successes. A critical review identifies where performance may fall short of expectations, what the managers are doing, the impacts they’re having and whether the impacts align with the goals set by the trustees.”

ASSET OWNER



CASE STUDY 3

Disclose challenges and difficulties

One asset owner mentioned better reporting on negative or unintended impacts, alongside disclosing difficulties, is crucial. It is important for managers not just to highlight successes, but also to acknowledge challenges and unintended consequences. Beyond that, asset owners also want to see how they are feeding those learnings back and improving their approach over time. For example, as one asset owner outlined:

“Not everything goes smoothly, and the best managers are open about what hasn’t worked and how they’re adapting. For example, we worked with a fund focused on providing housing for vulnerable women. They had an innovative ‘midwife model’, where an experienced housing provider was paired with a care-focused organisation that lacked property management experience. The idea was, over time, the care organisation would gain the knowledge and confidence to become a housing provider themselves. However, once they started, they realised this was more difficult than expected, due to factors like the small size of women’s sector organisations and challenges in finding suitable properties. Instead of ignoring these difficulties, the manager reflected on them, which allowed us to have a meaningful conversation about how they were adapting their approach.”

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Impact Performance Reporting Norms: negative impacts

A depiction of impact performance implies not only a description of impact results, but also a consideration of the balance between different kinds of positive and negative impacts, the trade-offs among them and the decisions made to manage those impacts.

Here, the term ‘negative’ encompasses outcomes that fall below acceptable or sustainable thresholds, and outcomes that have worsened significantly over the reporting period. These may stem from the actions of investee companies or from the reporting entity itself. To be meaningful, reporting should also describe actions taken to remedy those impacts or to prevent recurrence. Including negative impacts is critical to ensuring reported information is faithfully represented, meaning it is complete, neutral and accurate.

In the context of financial and impact reporting, bias refers to the slanting, weighting, emphasising, de-emphasising or otherwise manipulating information, for example, by highlighting positive aspects while downplaying or omitting negative impacts. Such bias undermines the credibility and usefulness of the report.

Colloquially, a neutral depiction is one that avoids practices such as ‘greenwashing’ or ‘impact-washing’, where performance is overstated or misrepresented. Concepts like bias and neutrality require thoughtful handling, as what appears neutral and unbiased to a report preparer or to users may not be perceived as such by others.

The *Reporting Norms* encourage report preparers, users and independent reviewers to check for bias and neutrality from multiple perspectives, for instance by ensuring that report drafts are reviewed by individuals who can represent the various groups of stakeholders and/or aspects of the natural environment represented in the report.

2.3 Impact report verification

Most asset owners surveyed prefer reports produced to be reviewed by independent third parties, arguing this adds credibility and reduces the risk of bias. Investment consultants largely supported this view. However, while independent authentication of impact reports is important, it is not the only factor considered when assessing a manager. A range of criteria is evaluated, including:

- The quality and coverage of the data provided.
- The specific metrics used.
- If the manager's engagement with companies aligns with the fund's objectives.

On the flip side, if a manager claims their data is substantiated, the team does not just accept it at face value. They look for supporting evidence – such as details on who conducted the verification and how it was carried out. The goal is to ensure claims of validation are credible and backed by evidence.

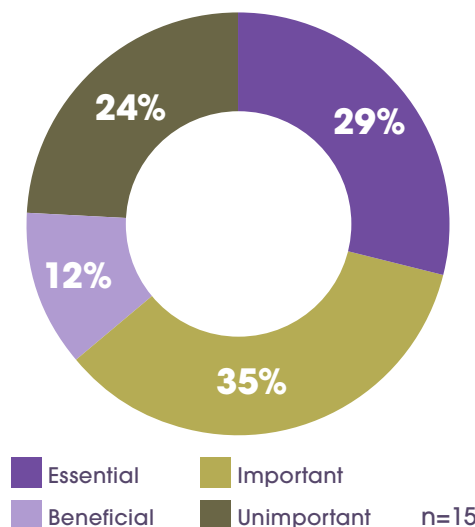
While verification is valued, confidence in impact reporting varies significantly depending on several key contextual factors:

Asset class – asset owners mentioned there is often a lack of clarity on how the proceeds of corporate green bonds are used, which reduces trust in the reported impact. In contrast, infrastructure projects, such as renewable energy, tend to provide clearer, more tangible evidence of impact, leading to greater credence. Similarly, private equity and private debt investments can offer more visibility, particularly when there is a close working relationship with fund managers. However, these asset classes also carry the risk of limited liquidity, making it harder to adjust allocations if concerns arise.

“I’ve worked in investment for several years, so I’m cynical. I see reports as marketing. That’s why I sit down with people and talk things through, rather than just read a piece of paper and think, ‘Oh that’s great,’ and move on. If I’m tasked by the client to understand it, I have to look at it properly.”

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Fig 2 | How important is it managers' impact reports are independently assured or verified?



Impact Performance Reporting Norms: independent verification

Independent reviewers require generally accepted norms and standards against which they can assess impact performance reports prepared by investors. The *Impact Performance Reporting Norms* are designed to fulfil this need. In the context of assurance, the *Reporting Norms* can serve as the 'suitable criteria' for an independent review engagement.

These criteria can be used in combination with established assurance standards - such as those issued by the *International Auditing and Assurance Standards Board* and *AccountAbility* – to support two primary types of independent review:

1 Assurance – provides confidence the statements made in the impact performance report are accurate and fairly presented in all material respects.

2 Verification – provides an opinion on the extent to which the *Reporting Norms* have been followed.

The frequency and scope of independent review can vary. For instance, one year may include a full review of all sections of the report, while subsequent years might focus on selected sections. Additionally, while impact reports may be published annually, independent review may occur less frequently, perhaps every two or three years.

A companion document, the *Supplement on Independent Review*, provides a set of suggested questions independent reviewers can use to assess asset managers' impact performance reports against the *Reporting Norms*.



Operational versus product-level impact –

interviewees mentioned a difference between operational impact – such as how a company manages its internal processes – and impact at the product-level, like the emissions avoided through the use of a company’s products. This emphasises the importance of differentiating between operational excellence and whether a company’s products contribute to a more sustainable future. The distinction between emissions reduced through operations and those avoided through product use are still unclear.

The interest in this area was driven by frustration with sustainability and impact rankings that placed companies such as *British American Tobacco*, or oil firms like *Shell*, at the top. According to interviewees, while these companies may operate efficiently, this does not necessarily translate to positive impact.

Data source

Trust in impact reporting depends on the type

of investment and how data is collected. For investments with a clear impact focus, confidence is generally high. However, data credibility varies: some fund managers rely on third-party support; others purchase datasets (for example emissions metrics), or use alternative sources like stakeholder feedback or platforms such as *Trustpilot*.

Asset owners prefer direct data from portfolio holdings over modelled estimates, especially when evaluating impact-focused investments. Some interviewees noted their updated impact due diligence questionnaires now include a question on whether the data is audited. While still not widespread, data auditing is becoming more common among impact managers.

In cases where ideal datasets are unavailable, proxies are sometimes used. In these situations, asset owners emphasise the importance of assessing whether the indirect data reflects the intended impact, often leading to more in-depth engagement with fund managers.

Impact Performance Reporting Norms: comparability

The *Reporting Norms* follow the *Conceptual Framework for Financial Reporting* in viewing comparability as an enhancing, rather than fundamental, characteristic of useful information about impact. Information can be relevant and faithfully represented without being comparable.

Preparers can enhance comparability in several ways, for example linking performance to widely recognised taxonomies (such as the *SDGs*), using standardised metrics such as those in the *GIIN IRIS+*, or by following a consistent structure and format.

The *Reporting Norms* suggest reporting on every investee or asset individually, with optional portfolio-level synthesis. When it comes to aggregating at the portfolio-level, the *Reporting Norms* identify two approaches:

1 Measurement equivalence – involves reporting the same set of metrics across investments.

2 Construct equivalence – allows different investments to use different metrics, provided those metrics relate to common impact characteristics, such as thematic taxonomies, the five dimensions of impact or other criteria.³

When aggregating metrics, the *Reporting Norms* caution that comparability should not be mistaken for uniformity. As the *IFRS* notes: “Like things must look alike and different things must look different. Comparability of financial information is not enhanced by making unlike things look alike any more than it is enhanced by making like things look different.”



2.4 Challenges

Persistent barriers – like data quality, comparability, structural misalignment and levels of impact literacy – continue to limit full integration of impact into investment decisions and portfolio management

Across interviews, participants identified pain points which hinder the full integration of impact into investment decision-making and portfolio management:

Data limitations – particularly the quality, consistency and burden of collection, was often mentioned as a challenge. While internal systems may be well-developed, real constraints emerge when trying to gather reliable data from investees, especially in emerging markets, where sustainability or impact reporting is still nascent.

Comparability across asset classes – while standardisation is desirable, asset owners recognise the challenge of balancing this out with the unique nature of each investment: “The real tension is the need for standardisation, but also the fact that

every investment is context-dependent. How do you thread the needle in that?”

Asset classes

Some believe impact should be measured subjectively across asset classes, recognising investments vary and have different types of impact: “It’s challenging to compare the impacts of different asset classes. The impact of global equities is much harder to measure directly, whereas with real assets like infrastructure or natural capital projects – such as a pepper farm or peatland restoration – the outcomes are more tangible and easier to observe.”

Despite these challenges, interviewees agreed a balance must be struck between having standardised impact metrics while allowing for asset-specific nuances. As this investment consultant said:

Impact Performance Reporting Norms: standardisation

The *Reporting Norms* aim to balance the need for standardisation with the flexibility required by the diversity of investment strategies, sectors and contexts.

Part one of the *Reporting Norms* suggests content for an impact performance report. However, asset managers are expected to exercise acumen to determine which content is appropriate to include.

To support these subjective decisions, part two of the *Reporting Norms* sets out guiding principles. These are grounded in the conceptual framework for financial reporting of the *International Financial Reporting Standards (IFRS) Foundation*, which outline two basic characteristics that make information useful:

1 Relevance – information must be capable of influencing users’ decisions. ‘Part one: content’ lists the types of information investors affirmed as relevant through public consultation.

2 Faithful representation – information must be complete, neutral and accurate.

Four other characteristics enhance the usefulness of relevant and faithfully represented information:

1 Comparability – enables users to identify and understand similarities and differences between items of information.

2 Verifiability – information is verifiable if it is possible to corroborate it, either directly or through the inputs used to derive it.

3 Timeliness – information must be available to decision-makers in time to influence their decisions.

4 Understandability – information should be clearly classified, characterised and presented concisely.

The two fundamental characteristics are considered primary and indispensable. They form the foundation upon which all other qualities of useful information are built. Without these two, information cannot be considered useful, regardless of any other characteristics it may possess.

“A standardised approach that fits every investor’s individual impact belief isn’t possible, but it still needs to be objective. There should be some numbers – but those numbers need context. It’s important to explain what they actually mean, how they compare to what ‘good’ looks like and, ideally, show whether they’re trending toward a clear target.”

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Structural misalignment – the complexity of balancing risk, return and impact is a challenge. While the industry wants to optimise all three, the tools for measuring and comparing impact are still underdeveloped. As one interviewee put it: “In a performance-driven environment, there’s always the risk that impact gets pushed aside. We still haven’t figured out how to align risk, return and impact throughout the investment process.”

Impact literacy – as part of this exploratory research, we invited interviewees to self-assess their level of impact literacy. While not a formal or objective evaluation, these reflections offer a useful starting point for understanding how members of the industry perceive their own impact knowledge and capabilities today. Pension funds rated themselves as ‘average’ in terms of impact literacy. As one of them explained: “We outsource expertise to our advisers and consultants, so we primarily rely on them.”

Most funds have small teams that benefit from highly engaged trustees, knowledgeable strategic advisers and investment consultants.

Literacy

Even among pension funds that considered themselves advanced, respondents noted impact literacy varies across decision-makers, often being more limited among trustees. Pension fund officers generally have a strong grasp of the objectives, while trustees, though committed to best practices, often have a more limited understanding.

Most of the investment consultants and asset managers we interviewed classified themselves at a high-level of impact literacy, in response to their clients’ needs and expectations.

“At the officer level, impact literacy is strong – we understand what we’re trying to achieve. At the trustee level, it’s more limited, though they still push for best practices and, where possible, aim to lead. Greater understanding among trustees could be helpful but a challenge is high board turnover, making it difficult to build and retain knowledge over time.”

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“Many of our clients are less-impact literate, so we tailor our approach to fit the client’s impact ambition and broader responsible investment.”

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PENSIONS FOR PURPOSE’S PERSPECTIVE

Asset owners are still progressing along the impact investing journey, with trustees frequently identified as the least impact-literate group. This is critical, as trustees bear ultimate responsibility for pension scheme decisions. According to the *Financial Markets Law Committee’s February 2024 paper*¹, trustees’ duty to balance risk and return increasingly includes impact, which can reveal hidden risks or enhance long-term returns. Trustees do not need to be climate science experts, but they must understand responses to climate change from governments, markets and society can directly affect financial risk and return. Relying solely on current regulation fails to capture the full scope of emerging risks.



REFERENCE

- 1 Financial Markets Law Committee, 2024, *Common Approach to Impact Measurement*, viewed June 2025, <<https://fmlc.org/wp-content/uploads/2024/02/Paper-Pension-Fund-Trustees-and-Fiduciary-Duties-Decision-making-in-the-context-of-Sustainability-and-the-subject-of-Climate-Change-6-February-2024.pdf>>.



③ How asset owners use impact reports

3.0 How asset owners use impact reports

Impact reports are emerging as an underused resource for investment oversight, with asset owners beginning to explore their strategic potential

Impact reporting is increasingly recognised by asset owners as a tool for accountability, strategic learning and stakeholder engagement. While not yet a core driver of investment decisions, many schemes use these reports to monitor impact performance, inform internal reporting processes and guide engagement with investment managers. Looking ahead, asset owners express a desire to use impact reports more strategically, integrating them into portfolio analysis, impact thesis development, manager oversight and even asset allocation.

How are impact reports used?

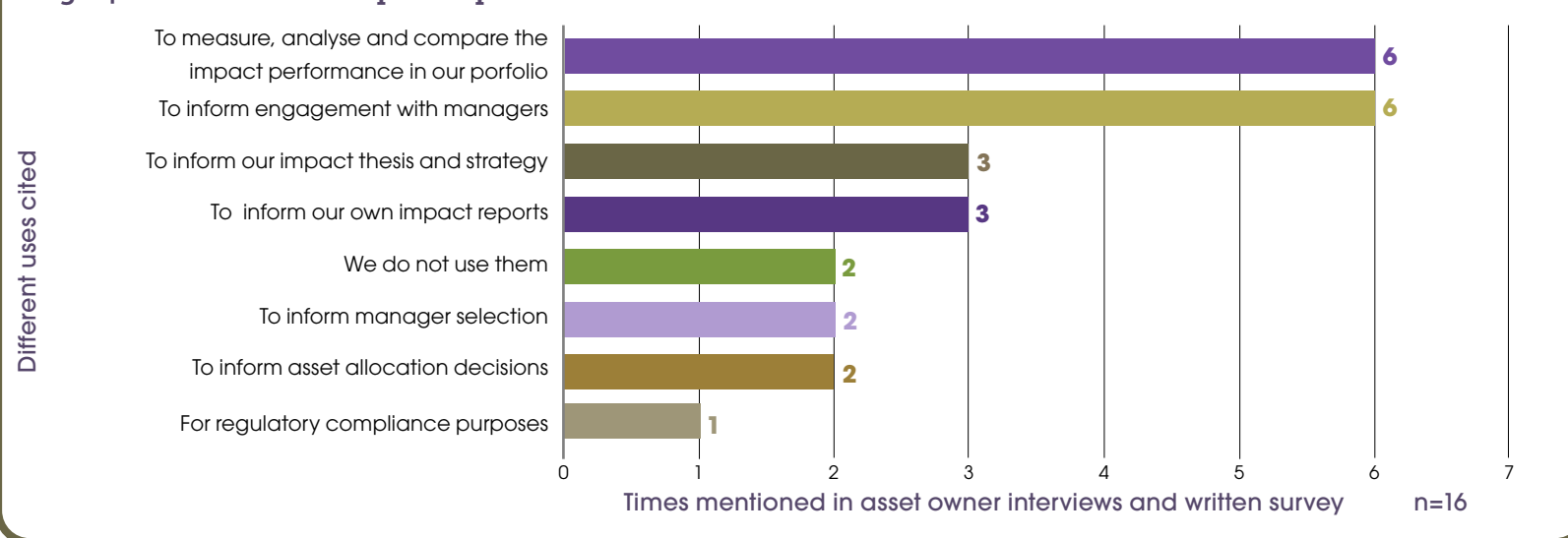
Impact reports are not yet commonly used to inform investment manager selection and asset allocation decisions. Instead, asset owners primarily use these papers to:

- Support engagement with investment managers.
- Measure, analyse and compare the impact performance across their portfolio.
- Inform internal impact reporting and broader strategy development.

Impact reports can help asset owners and consultants evaluate how well investments align with their impact beliefs and objectives, enabling them to track progress, assess manager alignment and prompt deeper scrutiny of outcomes.

In practice, however, asset owners often focus primarily on whether a investment manager produces an impact report at all, rather than engaging meaningfully with the content of the document or monitoring impact performance over the long term.

Fig 3 | Current use of impact reports



3.1 Communication with pension beneficiaries

‘Massively’ was a frequent response when we asked asset owners if information in impact reports helps them communicate with external stakeholders, such as pensions beneficiaries. As one scheme said: impact reports “bring pensions to life”. However, investment consultants mentioned schemes reporting back on the impact of their investment to beneficiaries is not yet common practice.

“The impact stories we receive in the reports are definitely helpful in communicating with our members and engaging them more deeply with their pensions. We’ve found them to be very effective in generating emotional connection with our members. It’s a great way to highlight the positive impact of their investments,” an asset owner explained to us.

Pension scheme member story

Although successful impact investing case studies can be one of the ways to increase member engagement, it should not be the only one. This is because most beneficiaries do not actively engage with their funds. An asset owner explained there’s still a broader financial educational gap:

“Reports help to create a story for members and help them to understand investments. However, I wouldn’t go as far as to say this is what gets members hooked on their pension or communicating with their pension. You still have a majority of members who don’t know they have a pension or how it’s invested. There are other areas where members need education, such as whether the way they are invested aligns with their needs and how they plan to retire. I think it’s a great way to engage members and get them interested in their pensions, but it shouldn’t happen in a silo.”



CASE STUDY 4

Communicate impact to members

An asset owner puts significant effort into exploring different communication channels to understand members’ views outlined:

“It’s important our reports and updates show the real-world impact of their investments and how members’ input helps shape our overall strategy. Every three years, we run a survey to understand what matters most to our members: what they care deeply about, what they’re less concerned with and what topics they’d like to hear more about from us. That said, we’d like to see more people taking part. Engagement is typically stronger among members who are closer to retirement, which isn’t surprising – but one of our goals is to boost participation among younger members and build a more representative view across all age groups and backgrounds.”

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CASE STUDY 5

Boosting pension engagement through emotional connections

While formal impact reports from asset managers are designed to serve the informational and decision-making needs of professionals, such as trustees, investment teams and consultants, some pension providers are also exploring how impact stories can be used to engage plan beneficiaries. These efforts serve a different purpose and audience: whereas manager reports aim to support due diligence and performance tracking, beneficiary communications focus more on education, trust-building and emotional connection. One asset owner described how they are using impact case studies not as part of their formal investment monitoring, but as a communications tool to deepen members' connection with their pensions, ultimately aiming to improve financial outcomes through increased engagement. They are testing a new feature in their member-facing app designed specifically for this purpose:

“A key part of our approach is the belief better member engagement leads to better retirement outcomes. Research shows the majority of people retire with at least £250,000 less than they need in their pensions. So, one of our objectives is to increase engagement, helping members make better decisions and contribute more. A way to do this is by using emotions. We worked with a company to research how people could engage more with their pension pots. They found emotional connection leads to greater commitment – people become more engaged and start checking their pots more frequently. When they do that, they're more likely to contribute

ASSET OWNER

more. Impact assets is significant in creating these emotional connections. For example, members may feel a stronger bond with an investment in a wind farm, knowing it's part of a sustainable future. Or they may take pride in investing in a pepper farm that uses heat from a neighbouring plant. These kinds of investments generate positive stories, enhance engagement and improve emotional ties to their pensions. We're testing a new feature in our app that will showcase these impact stories to members. Through this, they'll be able to see, for example, the natural forestry project they're helping to invest in. It's a great way to highlight the positive impact of their investments.”

Impact Performance Reporting Norms: case studies

Case studies provide in-depth examples of impact performance. They help to illustrate how investments translate into real-world change and can often capture the reader's attention more effectively than aggregate data.

However, it is important to recognise their limitations: case studies are not generalisable. A single case – no matter how well-executed – cannot indicate whether the situation it describes is unique or representative of broader patterns¹.

The *Reporting Norms* suggest case studies should be selected and written in alignment with concepts of relevance and faithful representation, to avoid framing the content or selection of case studies in a way that biases how readers perceive the overall impact performance.

To ensure consistency and transparency, each case study is recommended to include the following elements:

- Type of case study (for example illustrative, exploratory).
- Selection process and purpose (eg random, convenience, in order of investment size).
- Investee overview and impact thesis, including the role of investor contribution, if applicable.
- Impact performance, analysis and commentary, providing insights into what was achieved (or not), why and what was learned.

REFERENCE

- 1 World Bank Group, *Case study evaluations*, viewed June 2025, <<https://documents.worldbank.org/en/publication/documents-reports/documentdetail/323981468753297361/case-study-evaluations>>.

Place-based impact investment is another area pension funds highlighted as a good strategy to increase member engagement. When there are local investments, which affect families and local communities directly, the social benefits are felt closely, this asset owner explained: “We’ve financed the redevelopment of a prominent site that hundreds of our scheme members drive past every morning. They’ve watched it transform from an unused space into a thriving industrial estate. Seeing that change firsthand helps them realise their pension is actively contributing to something tangible, reinforcing the message saving into their pension is a good thing.”

Only 13% of asset owners reported reading through the entire impact report provided by their fund managers. The majority prefer a high-level overview that distils complex information into metrics or visual formats, with 37% of asset owners reading

25% of impact reports or less. This offers managers a significant opportunity to optimise their reporting formats making them more accessible and focused on the information that matters most to asset owners. Despite this preference for brevity, asset owners value components of impact reports that help communicate the significance of investments. For instance, case studies are highly valued, particularly for communicating the real-world implications of investments. As one asset owner noted: “Case studies are incredibly useful because we can use them in communications with members, highlighting the positive impact of their investments.”

Evolving use of impact reports

Building on the utility of case studies, asset owners are enhancing the effectiveness of impact reporting. Many are using impact reports not just for storytelling,

but for more rigorous analysis and decision-making. Specifically, they are interested in using them to support portfolio-level assessment: to measure and compare impact performance across multiple investments. This perspective clarifies how individual investments contribute to their main impact goals and supports more strategic allocation of capital.

When asked how they would like to utilise impact reports if restrictions were removed, asset owners expressed aspirations for more integrated and strategic use, including to measure, analyse and compare impact performance across the portfolio; to inform their own impact reports; and to inform their impact thesis and strategy. Future impact reports are expected to be more streamlined, focusing on concise, clear and financially relevant information that helps asset owners evaluate the financial and impact performance of their investments.

Fig 4 | Impact reports from fund managers opened and read for >5 mins

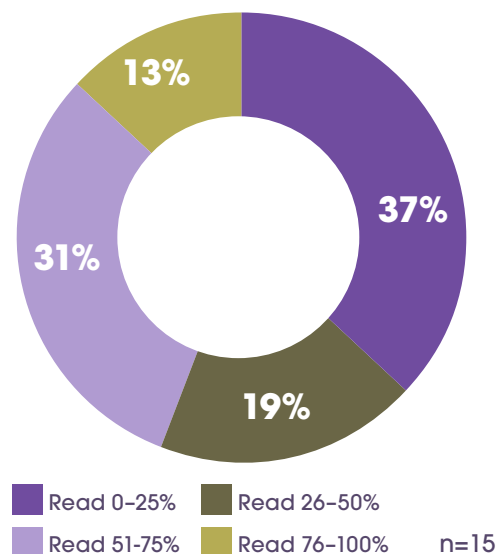
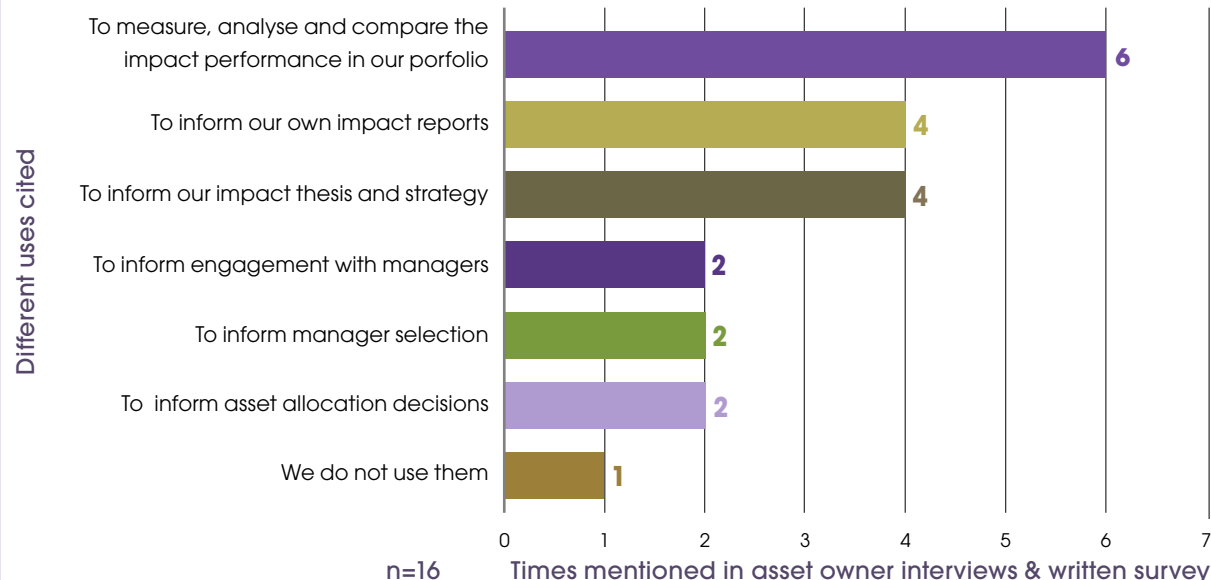


Fig 5 | Future use of impact reports



3.2 Features of future impact reports



1 Case studies and storytelling – these provide tangible evidence of impact. Asset owners value reports that go beyond numbers and illustrate how investments translate into meaningful change, while following emerging guidance from the *Reporting Norms*, which enables investors to reap the benefits of case studies without incurring the risk of impact-washing. These narratives help create an emotional connection, making impact more tangible and engaging for stakeholders. They also help asset owners determine whether their investments are achieving the intended outcomes.

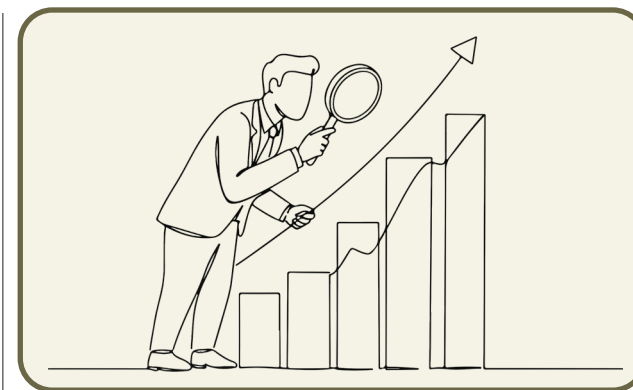
“Case studies help us assess whether we’re achieving what we set out to do. They clearly indicate that we’re making the impact we intended as a pension scheme and our managers are delivering the outcomes we expect.”

ASSET OWNER

2 Clarity through synthesis – while asset owners appreciate detailed reporting, they prefer reports that strike a balance between the main insights and digestibility, rather than overwhelming, excessive data. An asset owner emphasised the need for fewer, more meaningful metrics: “It would be great if all those reports made a distinction between reduced and avoided carbon. When it comes to biodiversity, we’re not there yet. It’d help if we had fewer metrics, instead of a zillion.”

“For me, it comes down to standard-setting. That’s key. Even the word ‘biodiversity’ can be a turn-off for some of my colleagues as it sounds like the opposite of what we need: standardisation, uniformity and aggregation. That’s the structure we’re missing.”

ASSET OWNER



3 Investor contribution – a major challenge in impact reporting is demonstrating additionality – whether the investment is driving new or increased impact or if the outcome would have happened regardless. This is particularly important when comparing private to public market investments, as this investment consultant explained:

“In public markets, it’s quite hard to evidence that you, as the shareholder in a listed company, are making a difference. On the other side, in private markets, it’s much easier to confidently say, ‘Yes, this project and this company exist because I provided the finance’.”

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4 Financial materiality – asset owners expect reports to clearly show how an investment’s impact aligns with risk management and financial returns.

“We consider the material financial risk on the company, but we also do it on the system risk as well,” one asset owner explained.

This systemic approach helps asset owners communicate impact in a way which resonates with members and stakeholders:

“You don’t need to have investment portfolio knowledge at the system level. You need to know how it impacts you – antimicrobial resistance, its impact on the economy, the burden on the healthcare system because drugs aren’t working anymore. That resonates with our members.”

ASSET OWNER



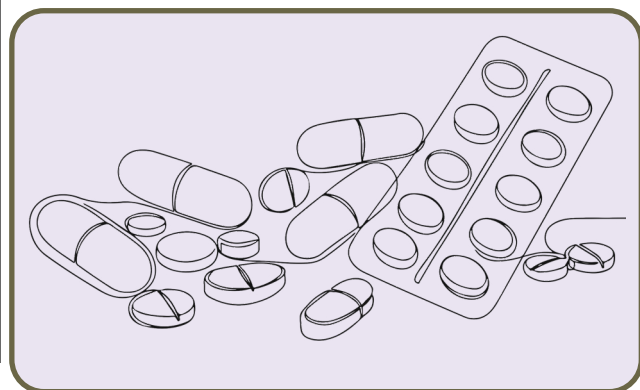
Reports which articulate financial and impact performance were noted as being more persuasive.

Although many investors recognise the social and environmental value of impact investments, some stakeholders remain sceptical – particularly when the financial case is unclear. For these audiences, it is not enough to show positive outcomes; reports must also demonstrate how those results support the financial performance of the fund.

One investment consultant explained: “Reporting should clearly demonstrate how real-world, non-financial impacts contribute to financial outcomes for the fund. Take housing as an example – it’s great to show a number of affordable homes have been built, but the question is, ‘What’s the return been?’ How has the intended impact also contributed to financial performance? That’s what will make the case for those who remain unconvinced about the need for impact reporting or impact investing. If reporting can effectively highlight this connection, it could play a crucial role in driving more investment toward impactful projects.”

“What’s most important to see is progress against objectives and using relevant metrics to track. We will not want to see climate metrics because those are the most available and easiest to report on. If they have socially-oriented objectives and they have got nothing on social metrics, there would be little point to it. So, there needs to be alignment across the board.”

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5 Visual and concise reporting – to enhance readability and engagement, asset owners prefer visual representations of data.

Dashboards, infographics and well-structured summaries can be more effective than text-heavy reports. Impact reports should also focus on progress over time, rather than just a single moment. Asset owners want to track long-term milestones, rather than being overwhelmed by quarterly fluctuations. An asset owner explained:

“You don’t achieve much in a single quarter – quarterly returns are almost irrelevant – mostly noise. What matters is the long term. Take social housing: the value is in the outcomes, and those may take five years or more to fully show. What’s important is the business is being run well; meaningful impact can only be measured over time. You need a long-term view to understand what’s being achieved.”

6 Prioritising faithful representation over perfection – many asset owners and consultants stressed the importance of not letting perfect be the enemy of progress. In the evolving field of impact reporting, data limitations and methodological inconsistencies are expected. Still, stakeholders broadly agree that it is better to report data that provides a faithful, if imperfect, representation of impact, than to withhold it due to concerns over precision.

One investment consultant explained: “Don’t let perfect get in the way of good. We don’t need to wait around for a perfect impact reporting methodology and a perfect way of capturing it to stop us from doing anything. We can start to build up what’s missing and improve over time.”

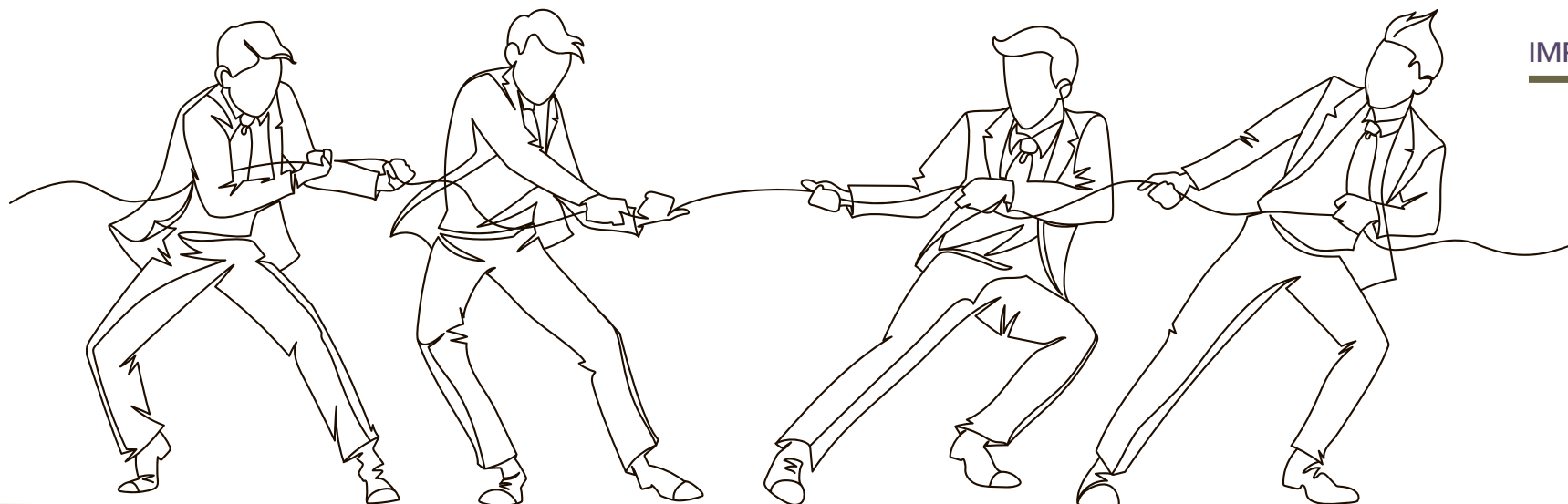
This sentiment was echoed by an asset owner, who emphasised the need for the confidence to simplify and make best-effort estimations where needed: “The courage to simplify is important; you need to have the courage to get it 80/20 approximately right than precisely wrong. You aim to determine conversion factors that estimate how much carbon a particular solution will abate or avoid, based on an 80/20 modelled approach. It’s middling through, frankly. You try to push a standard, you do your modelling work, but you have to accept that this will never be precisely right.”

Several interviewees also reflected on the broader issue of data credibility and completeness. The general view is some information is better than none, provided it is clearly presented with the appropriate context. “It’s better to have that information than not have it,” as an asset owner stated.



“The confidence, completeness and accuracy of impact reports varies a little bit in terms of the quality of it and whether we can have full confidence. From our perspective, we would rather have managers attempt to report with the caveat to say the methodologies are inconsistent or the data’s unreliable, but at least provide that information so that we, as either consultants or asset owners, can make the decision on how they use that information. As long as it is caveated.”

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3.3 Competing priorities

Designing effective impact reports means balancing standardisation with flexibility, aggregation with detail and data with storytelling to meet asset owners' evolving priorities

To address the emerging needs of asset owners, it is crucial to balance several competing priorities in the future design of impact reports.

1 Standardised metrics compared to flexible metrics: while there is a clear desire for standardisation across impact metrics, asset owners also recognise each investment is unique, requiring flexibility to accommodate the specific context of different asset classes. Asset owners are seeking a balance between comparability and customisation to reflect the diversity of investments.

2 Few aggregated metrics compared to bespoke metrics: there is ongoing tension between the desire for a few, high-level aggregated metrics that are easy to digest and the

need for bespoke metrics that offer more granular insights into specific impact areas. While aggregated metrics are preferred for simplicity, asset owners also recognise the value of tailored, detailed metrics for specific impact areas.

3 Qualitative versus quantitative data: striking the balance between qualitative and quantitative information is a challenge. Many asset owners are calling for more data-driven reports, but they value the context and storytelling qualitative insights can bring, especially case studies and narratives. Without sufficient quantitative metrics, it can be difficult to compare performance across managers or time periods. Conversely, data-heavy reports risk missing the nuance and human impact qualitative stories can illuminate.

Impact Performance Reporting Norms: integrated reporting

The *Reporting Norms* can be used for standalone impact reports or integrated impact and financial reports. The consultation phase of the *Reporting Norms* indicated a growing preference for integrated reporting. A common approach is to prepare impact performance reports annually, with interim updates as needed.

Given the shared conceptual foundations, those seeking to create an integrated report are encouraged to consider following the *Reporting Norms* in combination with the integrated reporting framework by the *IFRS Foundation*.



④ A way forward: how to improve impact integration



4.0 A way forward: how to improve impact integration

Interviewees reflected on how impact integration could be improved. Their ideas can be grouped into five interrelated themes: to educate the industry, improve data quality, align on impact reporting and management practices, build collaboration and dialogue, and reframe investment.

Educate the industry – many interviewees pointed to education as an essential foundation for better impact integration. As one asset owner explained: “More formal training in this area is something we’ll be focusing on in the coming years. Like with any emerging or newer style of investing, the availability, reliability and consistency of data and reporting are ongoing challenges. But as impact investing continues to grow, reliable data will become more widely accessible. That, in turn, will make it easier to integrate into our decision-making processes.”

Training needs to span a range of topics, with particular emphasis on how to assess and interpret impact performance. Several interviewees noted a better understanding of evolving standards, such as the *Reporting Norms*, would benefit both internal investment teams and pension committees. As one

asset owner expressed: “That’s exactly what we would benefit from some more formal training on, for our committee as well as the investment team. Our committee ultimately have to make decisions based on the information that’s being reported to them. It’s important they also understand the different frameworks and so on.”

Pension committee members are important targets for building impact literacy, as many are elected officials without a financial background – let alone an impact measurement and management background – adding an extra layer of complexity. As one investment consultant explained: “Fund managers often have a deeper understanding of climate and impact considerations than pension committees. Investment committees, particularly in local government, may approach decisions with political considerations, rather than focusing solely on optimal environmental or financial outcomes. Their motivations often centre on demonstrating influence, rather than making the most effective investment choices. A challenge is the lack of financial training for local pension committee members. Since no formal financial training is required for these roles, the best way to improve

“I hate to say it, but I do wonder if regulation will be the catalyst to get more people thinking about integrating impact into investment decision-making. The reason I don’t like that idea is because, ideally, education would be the driving force, not just because it’s the right thing to do, but because of the clear impact on financial risk and returns. We need more education, training and awareness of the power of capital, not just in terms of its broader impact, but also from the scope of fiduciary duty.”

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decision-making is through better education for investment committees.”

When asked which groups need impact education most urgently, interviewees consistently highlighted trustees and pension committees. An investment consultant noted some trustees still believe impact investing requires sacrificing returns. Training could help dispel these misconceptions and highlight the potential for both financial and social or environmental benefits: “It’s important to help them understand impact doesn’t mean reduced risk-adjusted return. That’s still a common misconception; whenever you start talking about impact with trustees, they immediately think, ‘Oh, what’s the hit I’m taking on my risk-adjusted return?’ I just don’t think that’s true any more, if it ever was.”

Other stakeholder groups mentioned during interviews included:

Investment teams

Understanding impact is essential for effectively communicating with trustees and pension members. “When it comes to bringing everything together into a holistic, portfolio-wide narrative, that’s where more upskilling is needed. Our investment consultants and team are responsible for looking at the portfolio as a whole. Since it’s our job to provide clear, meaningful impact data to trustees and members, we need to get better at using impact reporting to tell a coherent story across the entire portfolio, not just through isolated examples,” said an asset owner.

Investment consultants

Many pension funds rely on consultants, so ensuring they have a strong grasp of impact investing is important: “There’s a heavy reliance on consultants; less so in the big schemes, but definitely in smaller schemes. They will educate trustee boards and tell them in what financial direction they should go. They give advice on which managers are selected. So, they should have the knowledge of whether that



impact fund is doing well. That final advice comes from consultants. They need to be clued up on impact investments,” an asset owner noted.

Regulators

Interviewees felt education alone may not be enough, and that regulators, such as the *Financial Conduct Authority (FCA)* and *The Pensions Regulator (TPR)*, are critical in setting the broader standard. Some respondents drew our attention to the need for regulatory bodies like the *FCA* and *TPR* to improve their understanding of impact investing, ensuring regulations support and incentivise meaningful impact reporting.

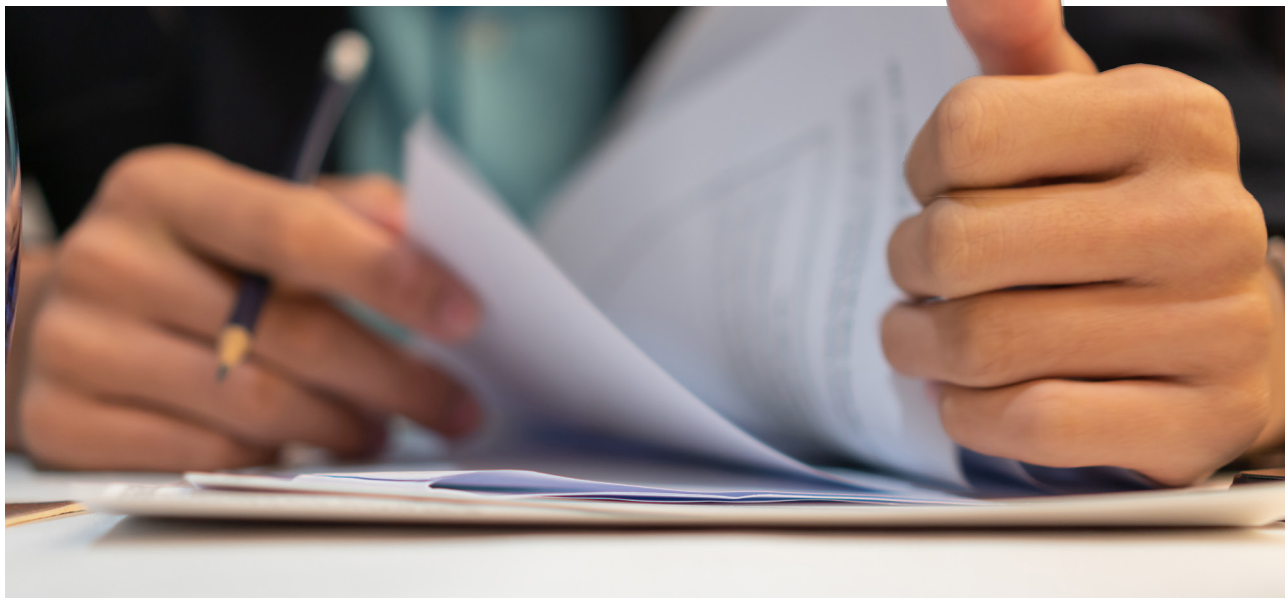
Building understanding across the investment chain is essential

As one investment consultant noted, “There’s also a responsibility for asset managers to train us, investment consultants, on what’s happening in the market. It’s a bit of a downward flow, with information

coming from investment managers to consultants, to clients and so on.” This highlights the importance of asset owners developing their own understanding of impact – not only to engage effectively with consultants and managers, but also to ensure that insights are meaningfully passed along to beneficiaries.

2 Improve data quality – these educational priorities are closely linked to the data challenge: while education enhances the ability to act on impact data, the data itself must also become more reliable, actionable and aligned with user needs. High-quality, consistent data is essential for effective impact measurement, but many interviewees stressed that data must also be usable. Better data alone is not enough if the people using it lack the capacity or confidence to apply it effectively.

As some interviewees pointed out, this issue has come to the fore with recent frameworks such as



The Taskforce on Nature-related Financial Disclosures. Improving data quality and improving decision-making capacity must go hand in hand. As one asset owner expressed: “The main issue is the availability and quality of data. However, consistent impact frameworks, regulatory guidance and the need for broader alignment also play an important role. While much of this ties back to data, it also involves broader guidance and regulatory standards.”

Benchmarking progress across themes was also seen as crucial. While decarbonisation has long dominated the conversation, there is growing recognition that impact must be assessed more holistically, including across other social and environmental priorities.

Interviewees consistently flagged the risk of overwhelming decision-makers with complexity, especially when too many metrics are tracked without context or synthesis. As one asset owner put it: “In an ideal world, we’d aggregate metrics across different investments, but there are practical limits

in how much we can consolidate and the amount of detail the board or beneficiaries will actually engage with. Tracking 20+ metrics can become overwhelming and ineffective. The key is having the courage to simplify. It’s better to be 80% right in a way that’s clear and actionable than to drown in overly complex data that no one will use.”

3 Align on impact reporting and management practices – a recurring theme across interviews was the need for greater alignment around how impact is both managed and reported. While different funds operate with different mandates and contexts, many stakeholders agreed that clearer expectations, grounded in accepted norms and standards, would bring much-needed consistency, reduce friction across the investment chain, and improve the quality and usability of impact information.

Interviewees generally agreed industry-wide alignment on frameworks such as the *Operating*

Principles for Impact Management and the *Reporting Norms* would be particularly valuable. These frameworks offer a shared foundation for understanding, managing and evaluating impact, while remaining adaptable to different institutional contexts. As one asset owner highlighted: “I think impact reports are still important and we should definitely be receiving them from managers. However, I think there needs to be a global standard on what should be in them and how they should be looked at.”

Others felt alignment on content, format and frequency of impact reporting would benefit all actors involved, especially in helping asset owners compare approaches and performance more effectively.

One asset owner said: “I don’t see any issue with agreeing, as an industry, on what we need in terms of content, format and frequency of impact reporting. Standardising these elements would make reporting more consistent and useful across the board. I can’t imagine anyone having a major issue with that; it would ultimately benefit everyone.”

This desire for consistency extended to expectations placed on managers. Interviewees noted that standardisation would help managers navigate and streamline diverse asset owner demands, while also offering a clearer benchmark for what strong impact practice looks like. At the same time, there was recognition that a one-size-fits-all model is neither possible nor desirable. Investors work across different asset classes, geographies and maturities of impact practice. As such, flexibility remains critical.

Encouraging adoption of established frameworks and contributing to alignment efforts is a clear, practical step asset owners and consultants can take immediately. Doing so would not only improve impact practices, reporting quality and comparability, but also reinforce a more coherent and purpose-driven approach to

education, collaboration and decision-making across the sector. It would be also critical to ensuring scaling of the market with impact integrity to drive real-world outcomes and prevent impact washing as more commercial investors drive market growth.

4 Build collaboration and dialogue – building collaboration and dialogue across the investment chain is essential to embedding impact effectively, which has open, consistent communication between asset owners and their investment managers at its foundation. Direct engagement helps ensure expectations are clearly conveyed, strategies are aligned and the realities of day-to-day implementation are well understood by both sides.

Beyond these one-to-one relationships, participation in industry initiatives as a whole also helps investors stay connected to new trends and best practices. As one asset owner described: “We’re working to keep up with investment conferences, networking and engaging with similar funds within the local government pension scheme (LGPS) and wider sectors to stay informed about market trends and new fund developments. We’ve also subscribed to organisations like *Pensions for Purpose* to keep updated. For committee members and officers, conferences are a focus. The most important for us is staying aware of industry trends and the philosophies of like-minded investors, as this

directly informs our decision-making. In addition, we seek independent advice, another critical part of the process.”

Standardising approaches to both impact management and reporting was a common theme across interviews. Greater alignment on content, format and frequency would improve consistency, make it easier to assess performance and enable clearer communication with stakeholders. Interviewees highlighted established frameworks, such as the *Reporting Norms* and the *Operating Principles for Impact Management*, as useful foundations to build on and collaborate for alignment. “Standardising the approach would benefit everyone, as long as it’s not too burdensome or expensive. This applies both to the fund managers who would need to create it, and to the client funds that would need to pull it together and report on it. The key challenge is whether we can actually embed it,” an asset owner told us.

However, several challenges stand in the way of deeper collaboration and alignment:

A | Diverse objectives

Pension funds have different priorities and member bases, making a one-size-fits-all approach difficult. Some focus on local impact, while others take a broader perspective. An asset owner revealed: “There are very different requirements for different funds trying to achieve different things. If we look

at our pool alone, there’s a huge array of different objectives and different types of members each fund is communicating with.”

B | Concerns over expertise

Some asset owners feel it is not their place to define technical standards, which should instead be led by investment managers and industry groups. However, while asset owners may not govern the details, they are valuable in supporting and reinforcing the use of established standards by leveraging their influence in the market. “We have a basic understanding of impact,” an asset owner said, “but we’re not the ones working with it day-to-day. So, for us to declare what KPIs other pension funds should use and how they should report on them doesn’t feel right. It’s like telling an expert in a field you’re not familiar with how they should do their job and report on it. While there definitely needs to be some influence on what pension schemes need, the detailed work should come from the managers and industry groups like the *Operating Principles for Impact Management*.”

C | Resource constraints

Limited resources may prevent funds from actively engaging in collaborative initiatives, particularly if alignment efforts create an additional reporting burden. “It depends on the size of the client,” an investment consultant told us. “Smaller clients are unlikely to do collaborative engagements or initiatives



just by the general capacity of the teams. So, it is more of our role to support them with best practice through those initiatives. Bigger schemes may have more capacity and ability to engage.”

5 Reframe investment – asset owners raised the importance of reframing the conversation to communicate the positive contribution of investment, while recognising the need for reporting on unintended and negative impacts. According to them, despite its potential to drive positive change, investment is often perceived negatively due to environmental and social concerns, as well as geopolitical issues.

One investment consultant addressed this point, noting place-based impact, with its tangible benefits for specific communities, helps make the positive outcomes of investment more relatable. This is particularly relevant for LGPS, given their direct links to local economies, infrastructure and social wellbeing. It can also resonate with corporate pension schemes, especially where investments remain tied to the regions in which companies operate.

Another investment consultant highlighted the foundational role of having a clear impact strategy, starting with well-defined goals and supported by a capable team. A structured theory of change can help ensure investments are aligned with a shared purpose, making it easier to track success and engage stakeholders throughout the process.

Another investment consultant said: “Number one would be ‘theory of change’ – being clear on the impact you’re trying to achieve. The other factor is ensuring you have the right people, whether that means hiring those who understand this approach, or working with a manager or partner who does, so that everyone has sufficient resources. For many of the schemes we work with, we know they rely on our investment teams to consider impact in their decisions. However, it goes without saying many investment teams wouldn’t naturally be doing that.”

“Investment is crucial, but it often carries a negative perception. It feels like ‘investment’ is a bad word, with concerns raised over climate change, tobacco or geopolitical issues. While responsible investing means ensuring we’re not contributing to harm, it’s also important to highlight the positive impact we have. Our investments support renewables, diversity, equality and inclusion agendas, and climate action. We’re not solving everything overnight, but investment is generally a force for good. Yet, the focus often lands on a single stock we hold, rather than the bigger picture. For example, divesting from *BP* tomorrow, though a current topic of debate, wouldn’t directly change *BP*’s actions. If everyone did, perhaps. The real challenge is shifting the narrative. As a fund, we’re reflecting on how to showcase the positive impact we enable, like the supported living housing just built nearby.”

ASSET OWNER

“Building a database of tangible examples is incredibly helpful. While this is particularly relevant for local government schemes, it applies more broadly, especially when it comes to place-based impact. It helps make the concept more relatable and encourages people to think about what they’re doing and who they’re helping. Highlighting place-based investing and providing real examples of how impact can be achieved in specific areas would make it more tangible. It’s not just about risk and return; it’s also about creating a broader impact by leveraging other funds, including those from pension schemes.”

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Conclusion



What have we learned from the research?

The quality and usefulness of impact reporting, and the ability of pensions to understand impact reports, are improving. However, for most pension funds, impact reports are still not being used to their full potential to inform and drive investment decisions. Pension funds often rely on these reports to understand the outcomes of their holdings and communicate with members. However, our research shows a key issue: most reports are not being effectively read or used.

A fundamental first step is straightforward: asset owners and investment consultants can read the reports they already receive, check whether the information is relevant and accurate, and follow up with questions. This basic feedback loop – between reading, reflecting and communicating with managers – can help to improve reporting quality and strengthen accountability. Without this step, there is no real basis for evaluating performance or challenging managers' impact claims.

The second priority is building stronger internal understanding of impact, particularly among trustees. Most pension funds still rate their impact literacy as 'average'. Without knowledge of what good impact practice looks like, they cannot assess whether the reports they receive are

meaningful or identify when key issues, like negative impacts, trade-offs or shortfalls, are missing or misrepresented.

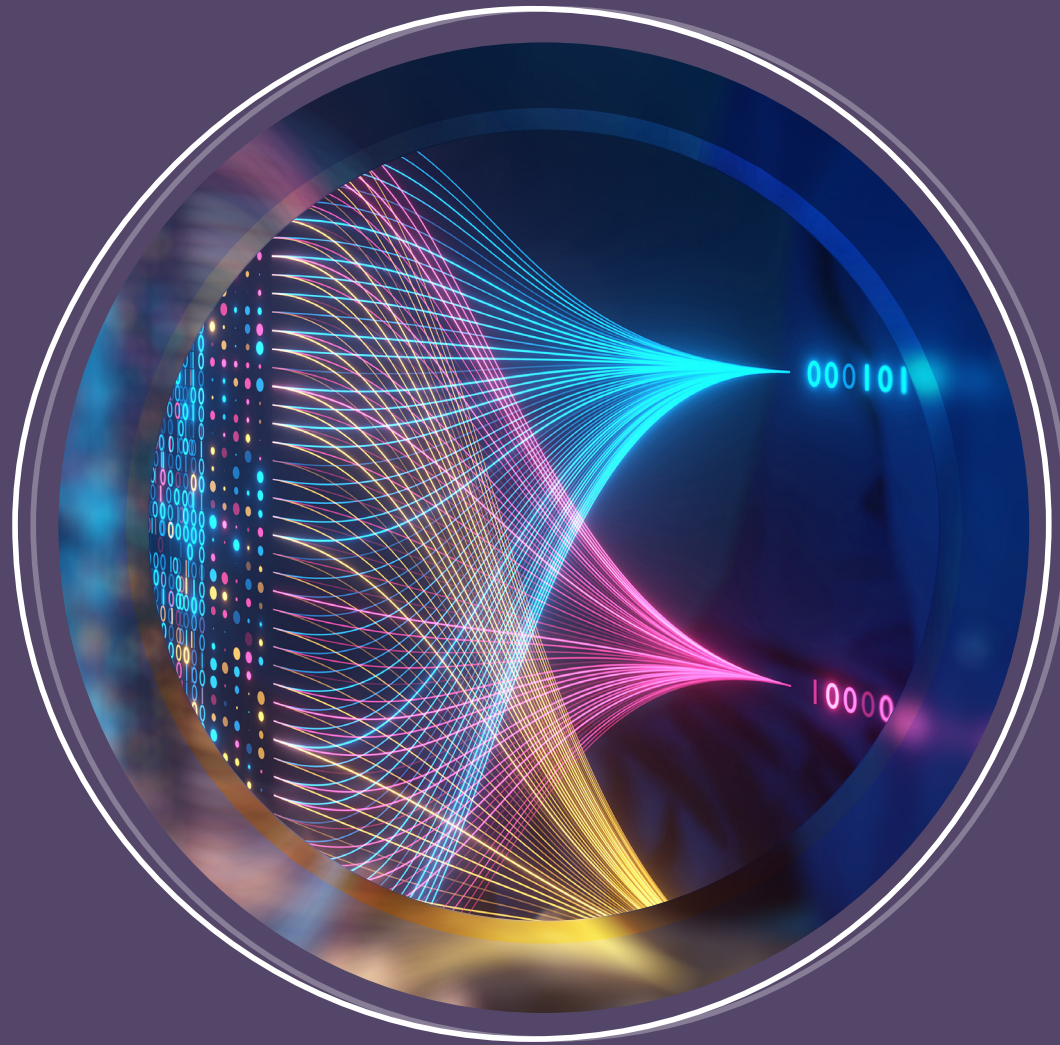
This is where the *Reporting Norms* and the *Operating Principles for Impact Management* can help. These frameworks offer clear, practical guidance on what pension funds should expect to see in impact reports, how to assess the quality of information and what credible impact management looks like. The *Reporting Norms* can act as a reference tool or checklist, supporting trustees in evaluating if reports are relevant, transparent and useful for decision-making. The *Operating Principles for Impact Management* help assess whether managers are embedding impact across the full investment lifecycle, from setting goals to managing exits, and not just reporting selectively after the fact. Combined, they help to align and promote shared expectations for best practices in impact management and reporting and establish market infrastructure to mitigate impact washing in the growing impact investing field.

Many asset managers and consultants are already stepping up, developing tools and guidance to help asset owners spot impact washing, navigate difficult trade-offs and understand sector-specific

impact themes, like the energy transition. But this external support can only go so far. Pension funds themselves must take a more active role: building their own understanding, scrutinising the information they receive and holding managers accountable through informed engagement.

On the other hand, pension funds already engaging with impact reports expect these to be concise, financially relevant and focused on material outcomes. They want impact claims to be supported by real-world examples, presenting a clear connection between impact, risk and return. They also want reporting to be consistent and comparable without being reduced to a rigid checklist of metrics. The *Reporting Norms* and the *Operating Principles for Impact Management* are both well-placed to guide that balance.

To support further progress, *Pensions for Purpose*, *Impact Frontiers* and the *Operating Principles for Impact Management* will launch a Community Interest Group for pension funds and advisers, which will focus on applying the findings of this research and sharing practical tools. This space will support long-term learning, peer exchange and help pension funds develop stronger approaches to impact integration.



Appendix

Participants

Asset owners

Cushion Master Trust
 Durham County Council Pension Fund
 Gloucestershire Pension Fund
 Guy's & St Thomas' Foundation
 Legal & General
 Merton Pension Fund
 PGGM
 Smart Pension
 South Yorkshire Pensions Authority
 Tyne and Wear Pension Fund
 Wiltshire Pension Fund

Asset manager and allocator

UBS

Consultants and advisers

Aon
 Apex Group
 Ario Advisory
 Barnett Waddingham
 ISIO
 XPS Investment

Development financial institution

British International Investment



*Participants who gave permission to be named



Pensions for Purpose – our team

Pensions for Purpose is dedicated to advancing the allocation of capital towards impactful investments, with a goal of fostering positive outcomes for humanity and the planet. To achieve this mission, we fully embrace the cultural ethos and values we promote.

Companies that align their business objectives with their advisory services show a more robust integration of environmental, social and governance (ESG) factors,

as well as impact considerations. With a management team comprised entirely of women and a robust commitment to diversity, flexible work arrangements and remote operations, we ensure that our values permeate every decision we make. Our service offerings are guided by a recognition of systemic needs and we embed these principles within our own organisational structure.

Asset owner questionnaire

Section 1 | How and why pension funds allocate to impact

- 1 | Do you have a specific asset allocation target for investments that aim to generate positive outcomes for people and planet?
Who influenced your decision to establish (or not establish) this target (eg investment committee/beneficiary demand)?
What is the target and how did you set it?
- 2 | Do you collaborate with your managers to set specific goals related to their impact performance? If so, what do those goals look like, eg KPIs, meeting certain labelling requirements?
- 3 | How would you describe the scheme's level of 'impact literacy'?
Consider factors such as capacity (time, resources and expertise) to digest and analyse impact performance, including the roles of team members, trustees, consultants and advisers.

Section 2 | How pension funds assess impact practices and performance

- 4 | How do you assess the impact performance of your holdings? What frameworks or methodologies do you use? Who does the assessment?
- 5 | What are your expectations and/or requirements of the asset managers related to impact management processes and systems? What about expectations for consultants and investment advisers? Do you (or your consultants) provide feedback to managers on their impact performance? If yes, how? If not, why not?
- 6 | Do you produce your own impact reports (ie for schemes or allocations)?
Who are these aimed at?
- 7 | What type of information in an impact report is most useful to you and why?

Section 3 | How pension funds use impact reports

- 8 | Does the information in impact reports influence your investment allocation decisions, engagement and stewardship strategies? If so, how?
- 9 | Does the information in impact reports help you communicate to your external stakeholders (eg pension beneficiaries)? How?
- 10 | How important is the 'investment and engagement decision-making' use case for impact reports, relative to the 'improved communication with pension beneficiaries' use case?
- 11 | What else could be done, beyond reporting, to help integrate impact into your investment decision-making?
- 12 | How much confidence do you have in the completeness and accuracy of impact reports? Can you trust them enough to inform your investment decision-making? If not, what improvements could increase your confidence in manager disclosures?

Section 4 | How to improve impact integration

- 13 | What are the top three priority areas where managers could improve the quality of the impact reports they provide?
- 14 | Do you currently, or would you like to, collaborate with other pension funds to align expectations for impact reporting (eg content, format, frequency)?
If yes, how? If not, why not?
- 15 | Do you think it is important for the impact investment market to align on common frameworks/standards for impact management practices?
- 16 | Are you familiar with the *Operating Principles for Impact Management* (the *Impact Principles* or *OPIM*) which are included in *Impact Investing Principles for Pensions* as a complementary framework/principle? Would you consider using or supporting the *Operating Principles for Impact Management* for your screening of investments or portfolio management?
- 17 | If you could choose one stakeholder group to upskill in understanding impact, who would it be (eg your team, trustees, consultants, managers or others), why and how?



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