

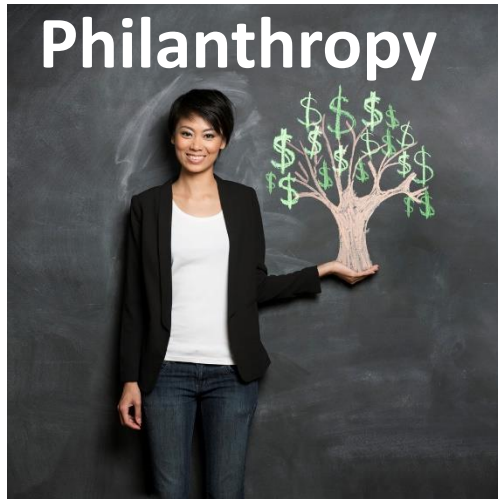
Social Impact Investing – Practical Approaches and Considerations for Pension Funds

Karen Shackleton
Head of Pensions for Purpose

26th April 2018

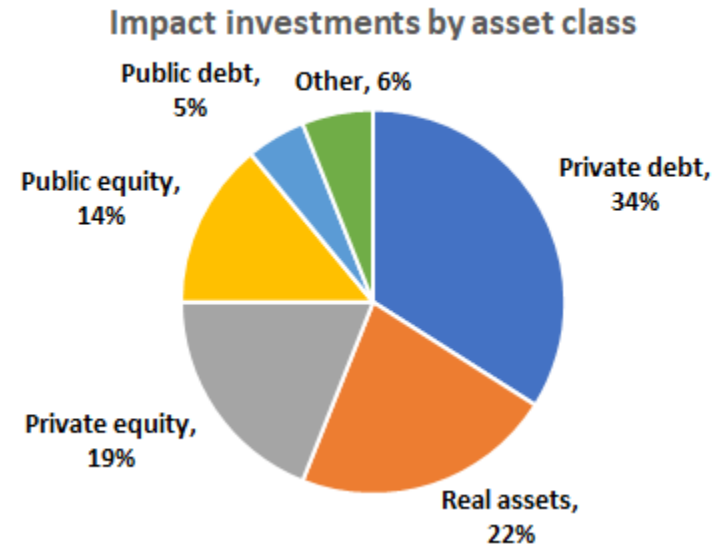
Mythbusters

Impact investment does not mean...



Impact investment

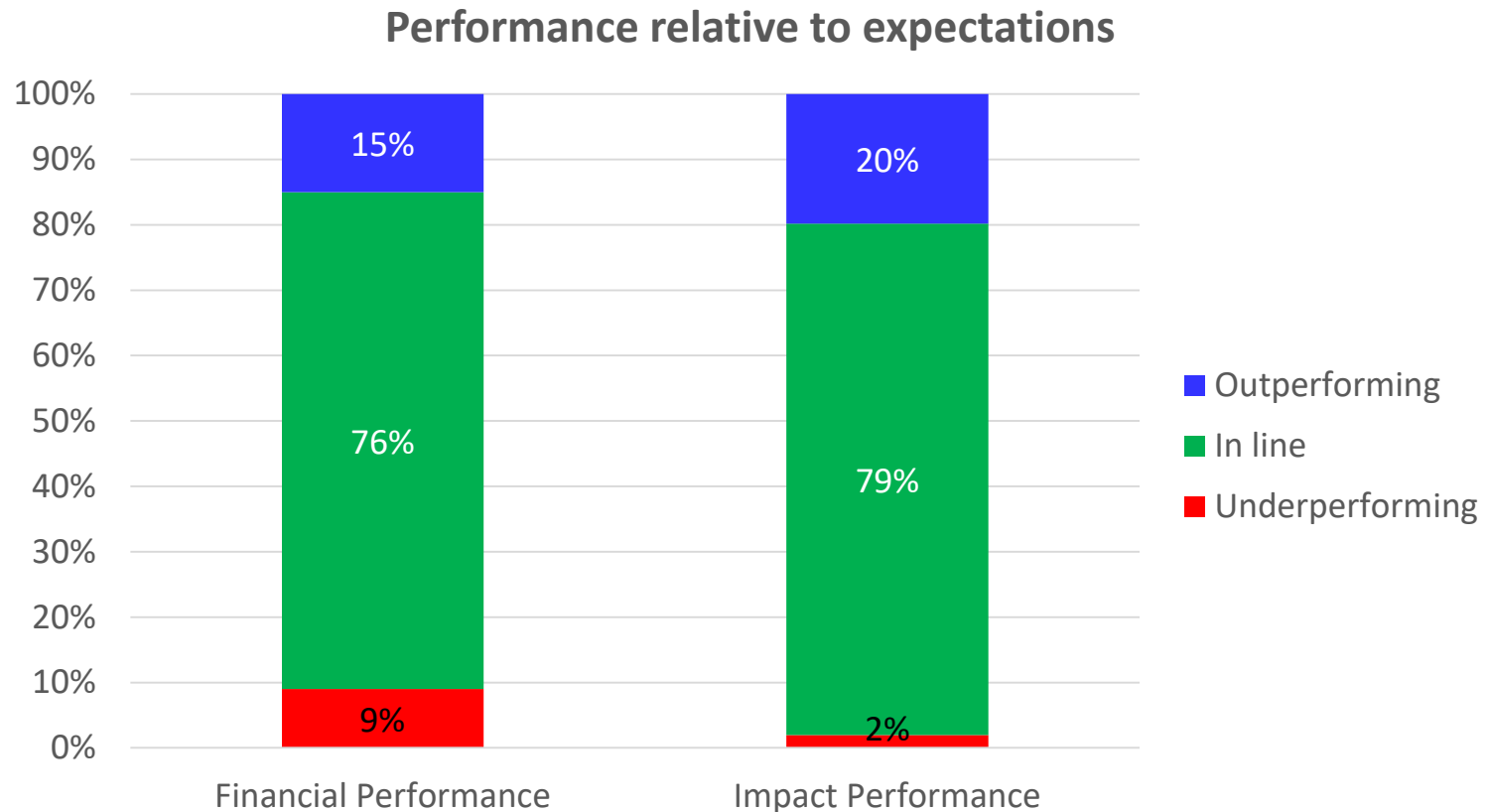
- Offers a financial return
- Intentionally generates a positive impact (social or environmental)
- Measures both the financial return and the social/environmental impact
- Covers the full range of different asset classes
- Already forms part of the investment strategy for many pension funds
- Constitutes at least £150 billion of assets *(Source: FT)*



Source: GIIN 2017 Annual Impact Investor Survey

Fiduciary responsibility

The financials of impact investment



Source: GIIN



Some attractive features

- Secure cashflows
- Inflation protection
- Genuine diversification with the traditional asset classes
- Addressing environmental, social and/or local issues with positive impact

GMPF

Through our property fund we have the twin aims of generating a commercial rate of return and supporting the area.

EAPF

We set ourselves the target to maintain at least 25% of our investments in clean technology and other sustainable opportunities.

My home is probably the best privately rented home I've ever had...

Resonance beneficiary



Barriers to entry

Market research for DCMS

- **Knowledge:** 64% lacked knowledge
- **Data:** 82% lacked risk/return data
- **Consultants:** 68% relied on consultants... who had not mentioned impact investing
- **Regulatory change:** nervous about moving goal posts
- **Reputation risk:** e.g. social housing
- **Strategy uncertainty:** how to treat it?

The trustees feel nervous if they don't understand what they are investing in.

We looked at social housing but the reputational risk involved outweighed the advantages and we didn't invest. The blame can often fall on the investor rather than the manager in this sphere.

A pension fund's journey to impact

- Begins with a review of ESG
 - Policy agreed
 - Discussion with managers
 - Engagement approach
 - Voting policies
- Socially responsible investment discussion
 - Divest?
 - Lower carbon footprint?
- Consider impactful investment approach
 - Global or domestic impact?
 - Environmental or social or local impact?
 - Embedded in all asset classes or a focused sleeve?
- Appoint managers, implement... then monitor
 - Measure both financial and impact returns



Thought Leadership

Case Studies

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SUBJECT TAGS

ESG and RI (18)

Strategy (15)

Environmental impact (12)

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