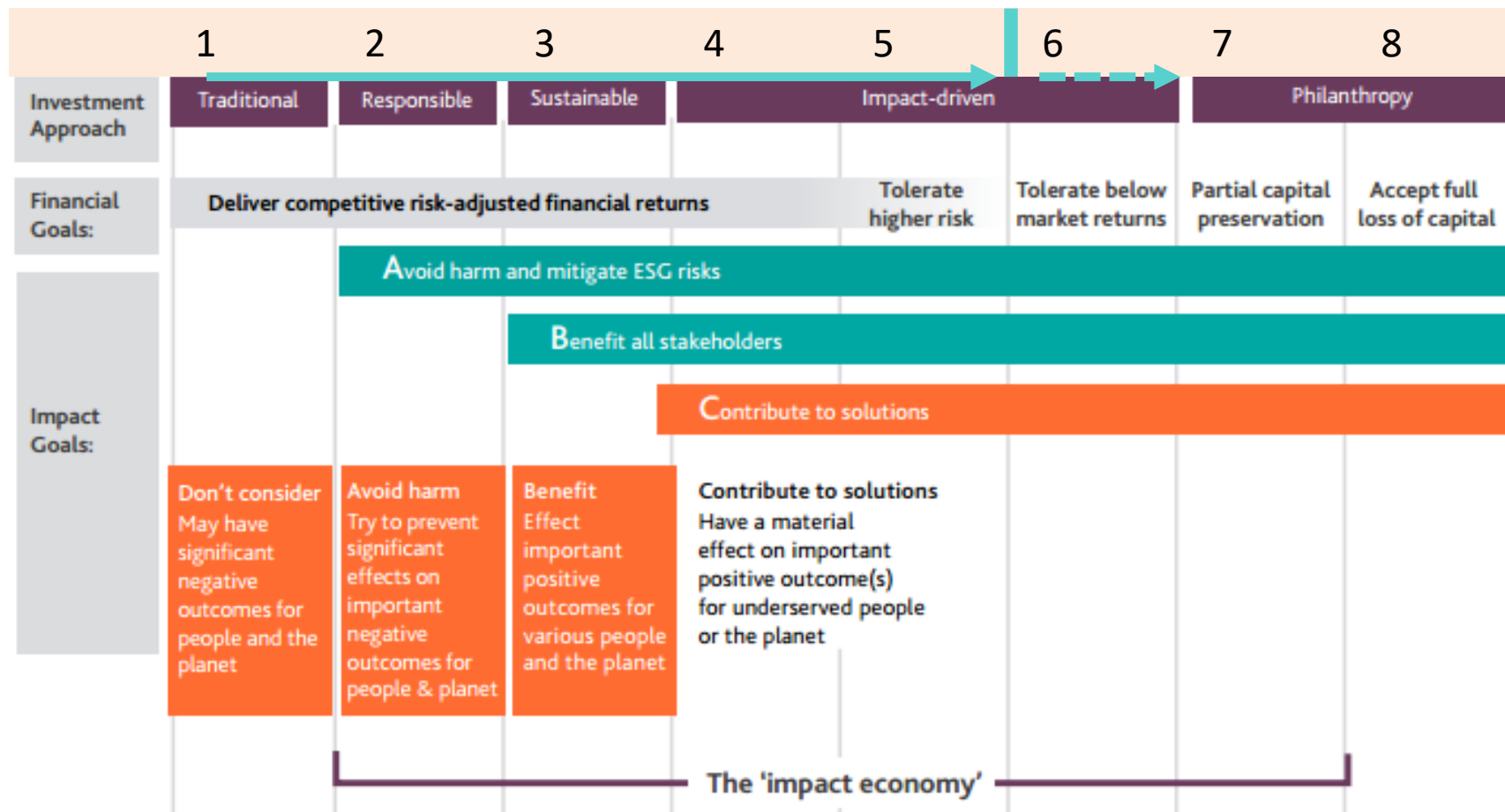


Responsible Investment Sustainable/Ethical Investment and Impact Investment

Karen Shackleton
Pensions for Purpose

26th March 2019

The Spectrum of Capital



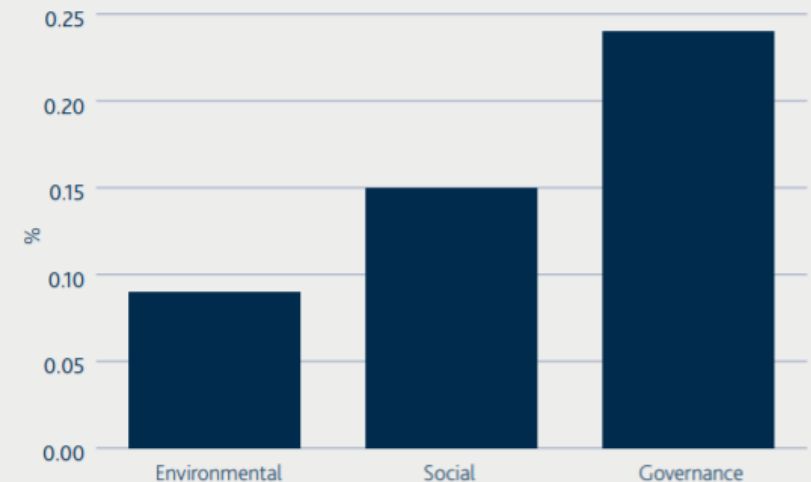
Source: *The rise of Impact: Five steps towards an inclusive and sustainable economy.*
 UK National Advisory Board on impact investing 2017 &
 Impact Management Project 2017

Moving from traditional to responsible (1 to 2 on the spectrum of capital)

- Traditionally very little consideration of ESG factors (Environmental, Social, Governance)
 - * Position 1 on the spectrum of capital
- In the past 3-5 years, more and more managers are taking this into account
 - * Position 2 on the spectrum of capital
- There is evidence that this adds value.
 - See [Hermes: ESG investing: a social uprising on Pensions for Purpose website](#) (reproduced here with their permission)

Figure 2. ESG value is driven by corporate governance and social characteristics

Average monthly dispersion in total returns between companies in top decile and lowest decile on environmental, social and governance scores from 31 December 2008 to 30 June 2018.

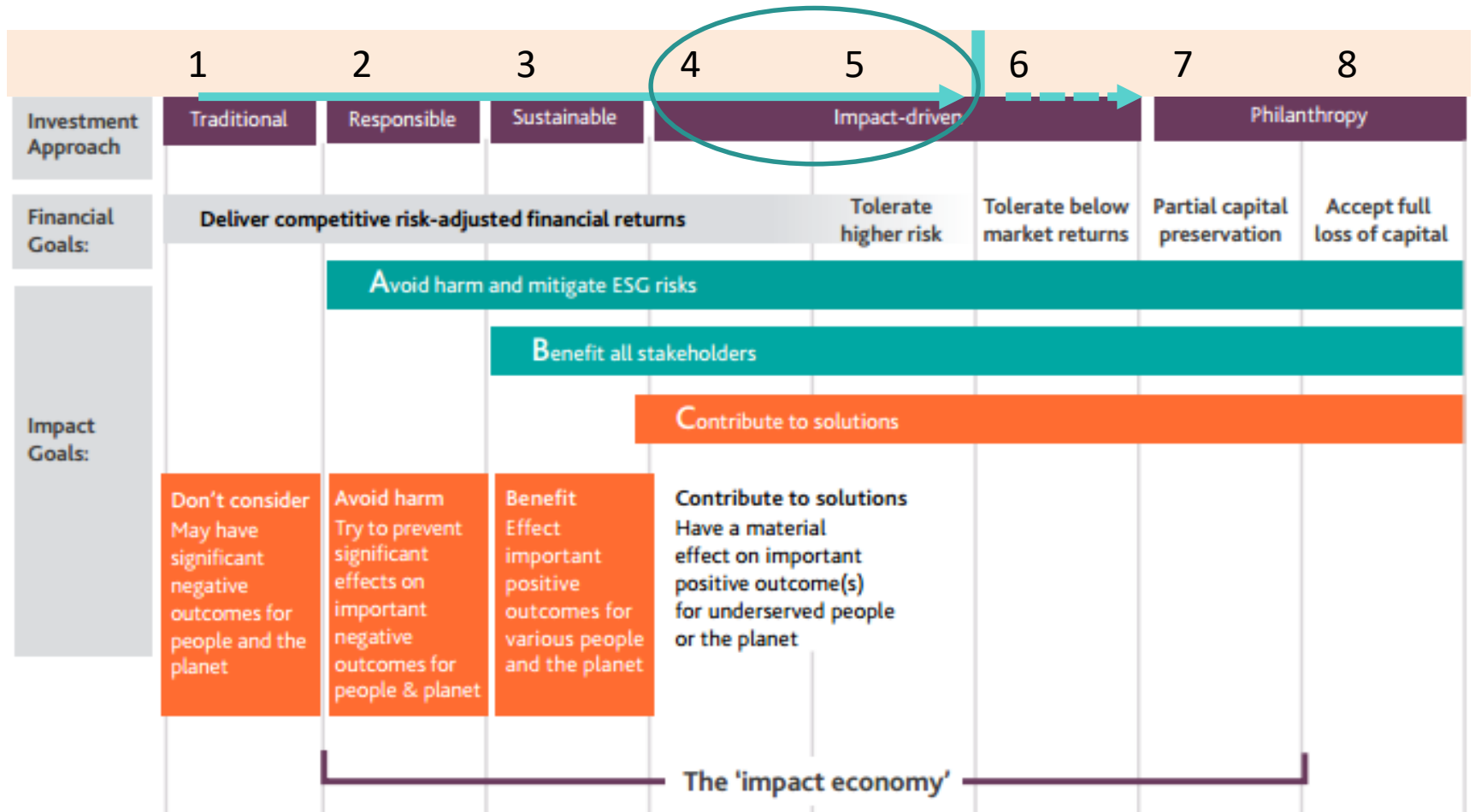


Source: Hermes Investment Management as at 30 June 2018.

Moving from responsible to sustainable (3 on the spectrum of capital)

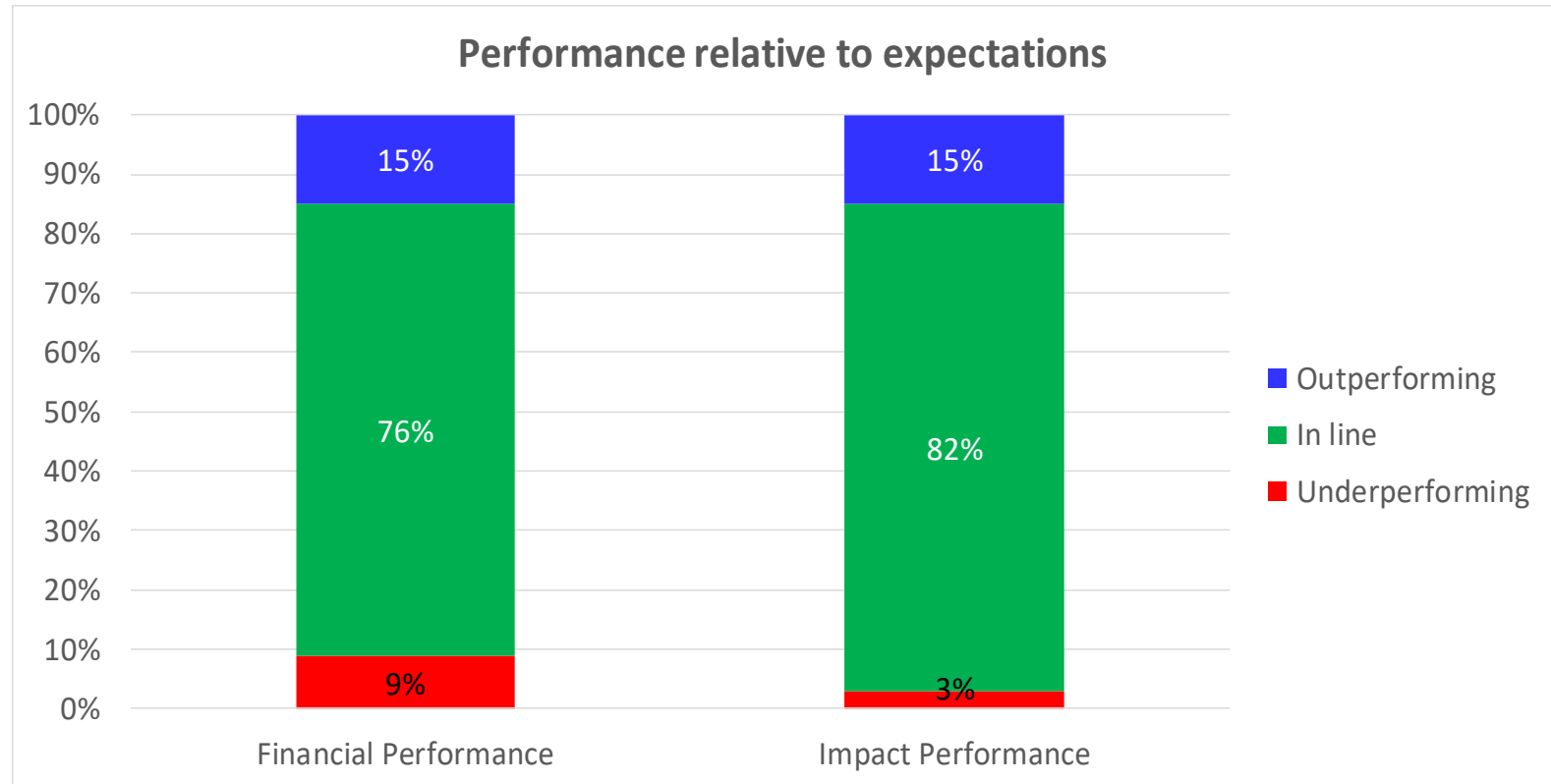
- Many pension funds are now introducing a set of investor beliefs around ESG issues.
- This is **values-based investing**.
- The committee may set goals for the pension fund to achieve
- Example: London Borough of Islington pension fund's goals:
 - Reduce future CO2 emissions.
 - Reduce exposure to carbon intensive companies across asset classes and industry sectors in the public equity allocation by 40% percent.
 - Invest 15% per cent of the Fund in sustainability-themed investment.

Moving from sustainable to impact (4+ on the spectrum of capital)



Source: *The rise of Impact: Five steps towards an inclusive and sustainable economy.*
 UK National Advisory Board on impact investing 2017 &
 Impact Management Project 2017

The financials of impact investment



Source: GIIN 2018 Investor Survey

64% targeted market-rate risk adjusted returns

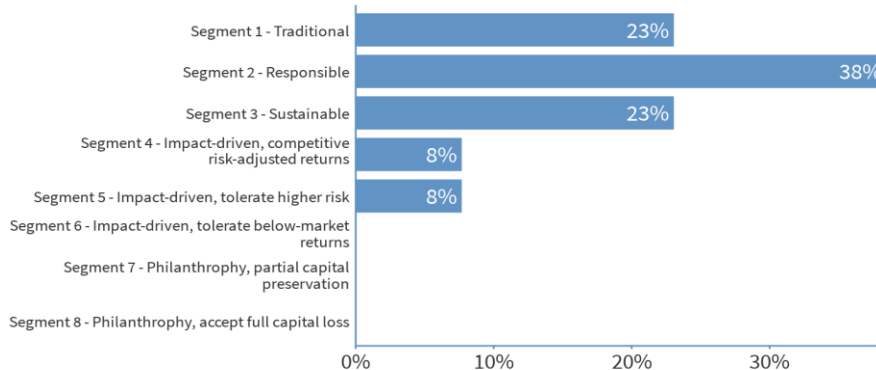


The direction of travel for pension funds

A shift along the spectrum of capital

3. Where on the spectrum of capital do you think your pension fund currently sits (1 to 8 scale on the slide displayed)?

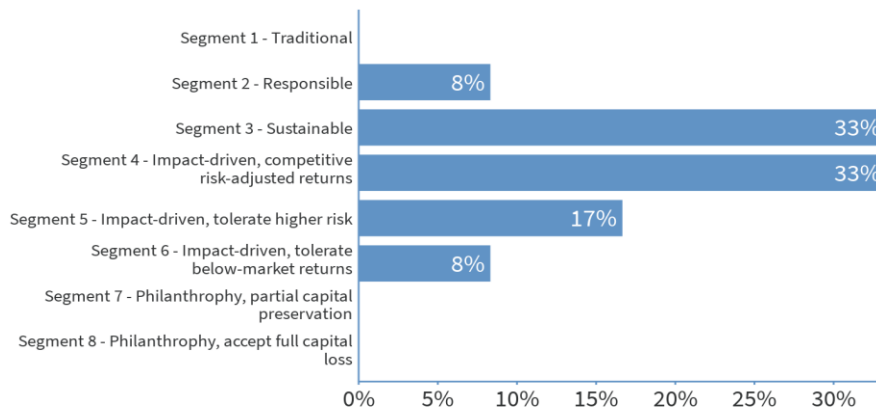
🔒 Poll locked. Responses not accepted.



- Voting by delegates at the DG Publishing/Pensions for Purpose “Investing with Impact” summit 2017
- In three years time there is a significant shift along the spectrum of capital
- 8% said they would even consider below market-return impact investments...

4. Where on the spectrum of capital would you like to sit in three years time?

🔒 Poll locked. Responses not accepted.



For more information about ESG, sustainable and impact investment...



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



Risk warning

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