impact investing institute

Impact Investing

Good Governance Principles for Pension Trustees

What are the Principles for?

The Principles are a practical insight into the opportunity presented by impact investing and the concrete steps pension trustees (Trustees) can take to pursue an impact investing strategy. They are designed to help Trustees understand their duties - and options - in our changing world.

The Principles and recommended actions are based on analysis of existing law and regulation in a legal paper commissioned by the Impact Investing and produced by five City law firms.[1] The paper sheds light on the compatibility of Trustees' investment duties and impact investing – *in other words, why and how Trustees might invest with the intention to generate positive, measurable social and environmental impact alongside a financial return.*

The Principles explore how to develop an impact investment strategy and how such a strategy can fit into a pension scheme's overall governance framework.

Who are the Principles for?

The Principles are designed for Trustees of trust-based occupational pension schemes, both defined benefit (DB) and defined contribution (DC). However, they are intended to be of universal application by all pension schemes and different types of pension schemes may wish to adapt the Principles to reflect their contexts.

They should serve as a guide to support ongoing reflection and improvement in governance. We recommend that Trustee boards reflect on the Principles periodically as part of the SIP review and annual reporting cycle.

[1] The paper was written by Bates Wells and Sackers, with the assistance of Herbert Smith Freehills, Norton Rose Fulbright and Travers Smith; all firms are members of the Impact Investing Institute's Legal Panel.

How do the Principles work?

The Principles are co-designed with representatives from pension schemes, investment consultants, asset managers, policy makers, and other stakeholders. They set out good governance guidelines and recommended practices and are based upon and informed by legal principles, particularly the fiduciary duty of Trustees.

Each principle has a brief description, an explanation of the underlying logic, suggested practices to implement the principle, and recommendations for further reading.

Whilst Trustees should take legal and investment advice based on the circumstances of their own pension scheme, we hope the Principles will give Trustees greater confidence to develop an impact investment strategy in compliance with high standards of governance and legal duties.

The Principles are currently in draft form and we are seeking your feedback. We want to engage a wide range of people, develop the list of recommended actions, identify best in class examples and share learnings.

Please share any comments or feedback you have on any aspect of the draft Principles with the Impact Investing Institute by visiting **our website** or emailing us at **pensions@impactinvest.org.uk**.

We look forward to sharing the final Principles with you later in the year.

The Five Principles for Impact Investing

1

Adopt a ‘transitional mindset’

Manage the risks and seize the opportunities presented by the move towards a sustainable economy, including net zero carbon emissions and, more generally, to meet the UN Sustainable Development Goals (SDGs).

2

Set impactful objectives

Establish and incorporate ‘impact objectives’ as part of your pension scheme’s statement of investment principles (SIPs), which draw on the views of your members and are designed to serve the scheme’s purpose.

3

Appoint investment consultants and managers with impact integrity

Identify and appoint investment consultants who are aligned with your investment beliefs and objectives, and fiduciary and/or investment managers who can achieve your scheme’s impact objectives through their investment and stewardship activities.

4

Use your voice to make change

Progress your impact objectives by formulating stewardship guidelines for your, or your investment manager’s, voting and engagement activities.

5

Manage and review your impact

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

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

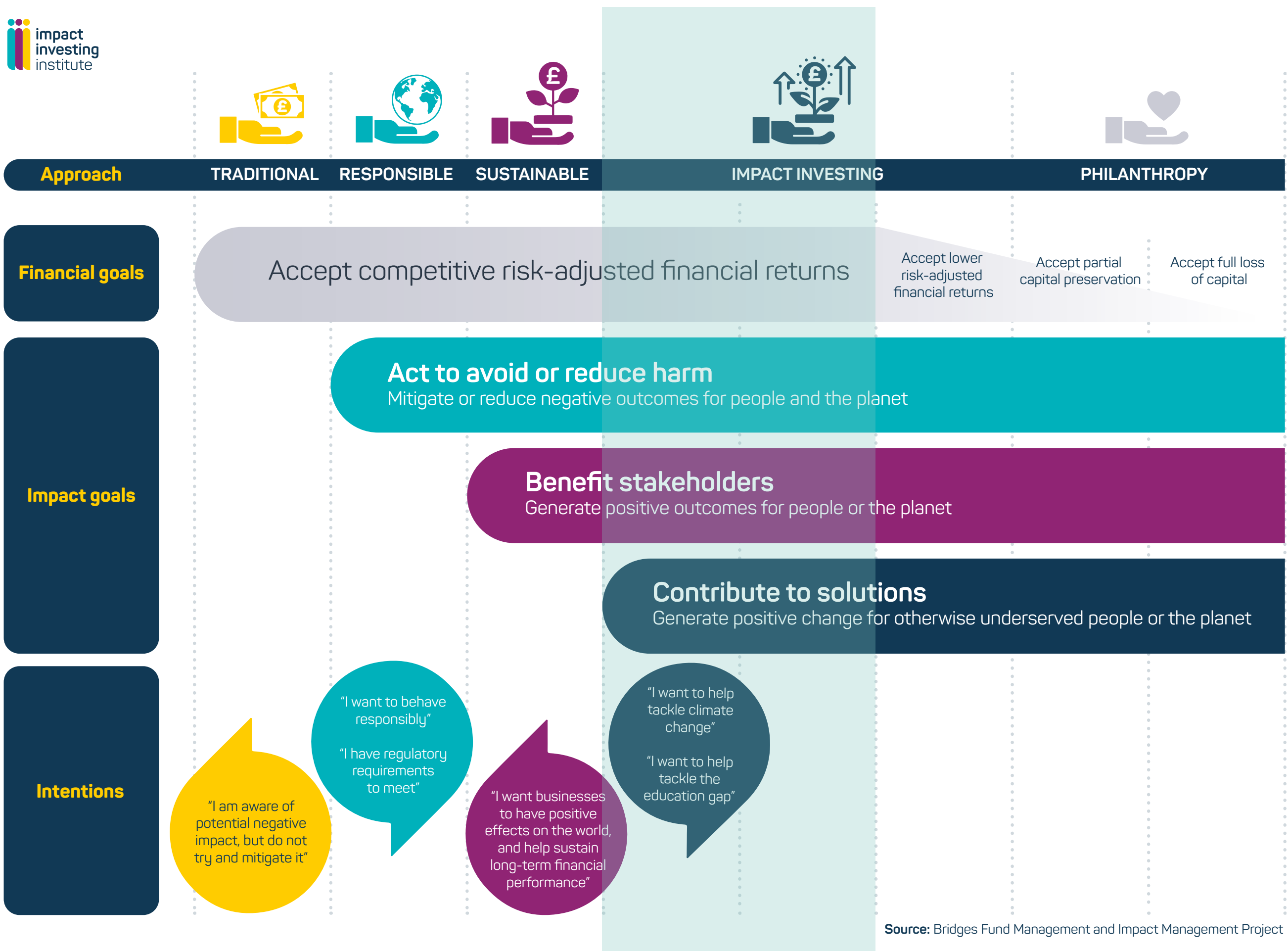
Introduction

The world is changing – with new challenges relating to people and the planet. New risks and opportunities must be considered by pension scheme trustees (Trustees) when balancing risk and return in investing their pension funds' assets. Trustees may therefore consider it prudent to adopt investment strategies that reduce the negative impacts arising from, and impacting on, their portfolio and search for positive impacts which provide financial opportunity – for example, as part of the sustainable energy transition and more generally the effort to meet the Sustainable Development Goals.

This is the essence of impact investing - understanding that investments have negative and positive impacts, and *choosing to invest with the intention to generate positive, measurable social and environmental impact alongside a financial return*. Impact investments can be made in both public and private markets.

It can be helpful to place impact investing alongside other well-known investment approaches, as represented in the Spectrum of Capital below. The difference between traditional and responsible investing is relatively well understood. There are numerous environmental, social and governance (ESG) strategies to mitigate risks from negative impacts. It is the focus on outcomes that differentiates the impact investment approach from standard ESG analysis and negative screening.

Typically, impact investments which are attractive for a pension fund trustee would fall within the light green shaded area ('accept competitive risk adjusted financial returns').



Source: Bridges Fund Management and Impact Management Project

Pensions have purpose

Trustees have a fiduciary duty to use their powers to achieve the pension scheme's purpose – to provide retirement benefits for its members. They achieve this through contributions made by employers and members; a covenant from the sponsoring employer (in the case of defined benefit (DB) schemes); as well as employing different investment management services and strategies, often via third parties, to provide a required financial return.

As pension funds are subject to multiple sources of risk and opportunity surrounding the employer, members and the investments that trustees make on their behalf, it is crucial that trustees consider all material risk factors.

Most factors considered in this context focus on investments – for example, matching assets against liabilities as part of a diversified portfolio, or making allocations to specific asset classes to hedge against risk. However, it is also worth noting that risks to the employer – their ability to exist, thrive, and provide pension benefits to members – can also be significant and material. Pension funds, due to their long-term horizons, are also uniquely affected by long-term risks.

The risks faced are known, material and need to be addressed

It is apparent now that many risks faced by pension funds stem from society generating negative impacts which present systemic risks to the broader economy, such as carbon emissions, biodiversity loss, poor governance and inequality.

While these risks were originally 'unknown unknowns' within the economic system, we are fast becoming more knowledgeable about them and their financial materiality. This has been met with increased regulation on companies that have negative impacts, forcing them to absorb costs they previously externalised, as well as encouraging them to seek solutions which align with the environment and society. [2]

To manage these risks and improve investment evaluation, investment managers have introduced ESG criteria, to monitor the impacts of investee companies' activities. Those managers may use ESG criteria to mitigate negative impacts but also to engage with companies to promote better practices to preserve shareholder value.

The opportunities for positive impact are known and supported, providing an investment opportunity

The power of the knowledge we now have about ESG risks also provides opportunities for companies. They are able to act differently, developing new ideas to solve challenges facing the environment and society. These opportunities are increasingly supported by regulation and public and private funding, as well as commitments from international organisations, governments, investors and businesses to achieve specific sustainability goals (e.g. the United Nations Sustainable Development Goals, and the UK's commitment to net zero carbon emissions by 2050).

[2] https://www.lse.ac.uk/granthaminstitute/publication/the-impacts-of-environmental-regulations-on-competitiveness/

Trustees with fiduciary duties in the UK and throughout the world are finding competitive investments across a range of sectors and asset classes that provide capital growth, income or diversification as well as a positive impact. Hence, there can be sound financial reasons for making impact investments. They can both contribute to the sustainability and resilience of people and planet, and increase prospects for long-term capital growth and performance of pension fund assets over time.

Some examples of investment opportunities that contribute to positive impacts while providing the potential for a market financial return are set out in the chart below:

Impact	Example investments	SDG
Products and services which contribute to a net zero carbon economy and other environmental objectives	• Renewable energy • Waste treatment and recycling • Forestry	✔ Affordable clean energy - SDG 7 ✔ Responsible production and consumption - SDG 12 ✔ Climate action - SDG 13
Businesses which are diverse and inclusive by nature or design and provide workers with decent employment, economic opportunities and working conditions	• Locally based SME financing • PLCs with leading environmental, social and governance practices	✔ Gender Equality - SDG 5 ✔ Decent Work and Economic Growth - SDG 8 ✔ Reduced Inequalities - SDG 10
Infrastructure which meets the needs of lower income and vulnerable people	• Social housing • Supported living • Care homes	✔ No poverty - SDG 1 ✔ Sustainable cities and communities - SDG 11
Technologies which increase agricultural output or provide improved food supply	• AgTech – such as smart irrigation and biowaste • Farming equipment	✔ Zero Hunger - SDG 2
Foods and other products which improve health and nutrition	• Health food enterprises • Sustainable fisheries	✔ Good Health and Well-being - SDG 3
Digital and other technologies which increase literacy, language skills, financial inclusion and education	• Education technology ('ed tech')	✔ Quality Education - SDG 4

Urgency is mounting, regulation is increasing

The Coronavirus pandemic and global protests against racial inequality have highlighted the clear and urgent need for change. Going back to business as usual would be the wrong choice – we need a more resilient, inclusive society that will better withstand systemic global shocks and share benefits more equally. Environmental and social impacts are material to a company's ability to create financial value. Investors, through their capital allocation choices, can contribute to building a better, more sustainable world. This includes expectations about the role of big pools of private capital such as UK pension schemes.

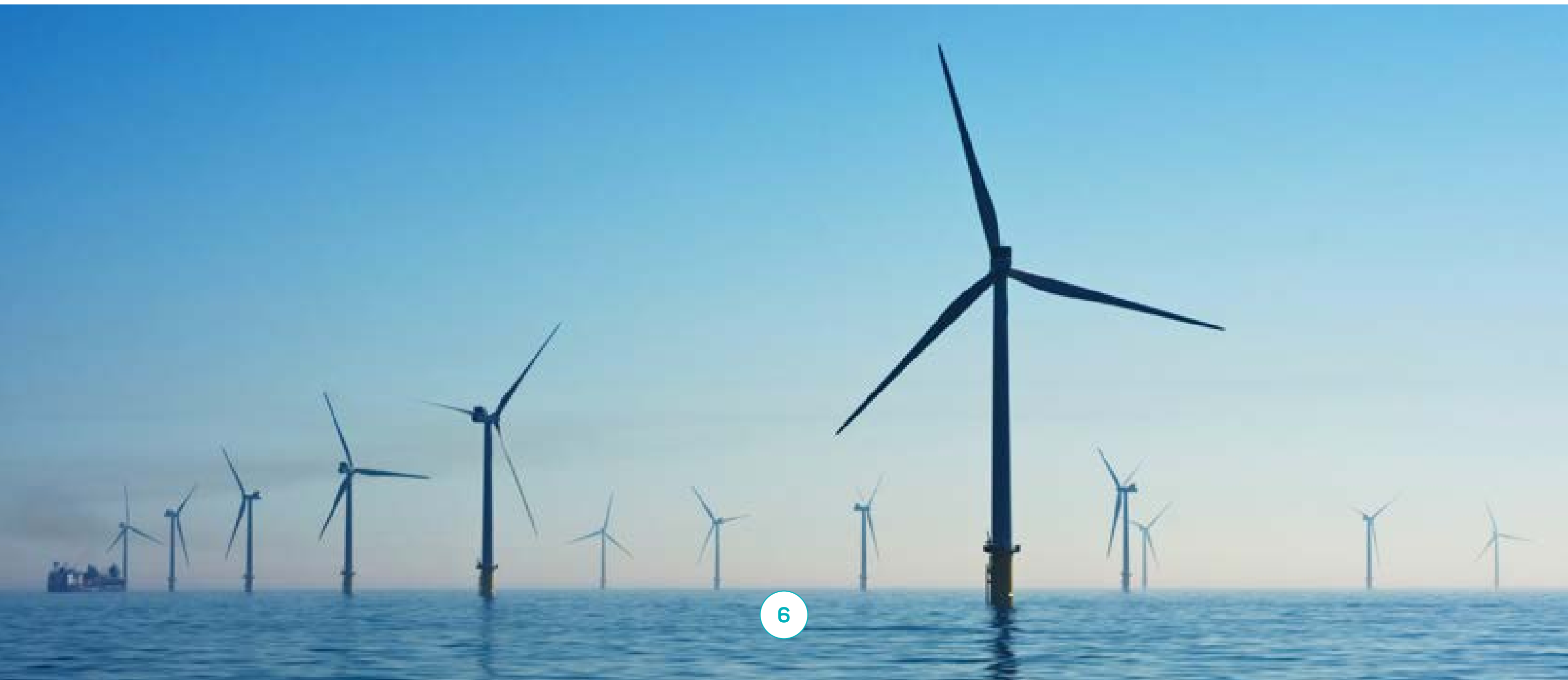
The societal pressure to meet these expectations is further bolstered by regulatory developments, which in the UK include:

- requirements for Trustees to include policies in relation to financially material ESG considerations; stewardship and engagement activities with investee companies; and arrangements with asset managers – including on ESG issues;
- requirements for Trustees to publish an implementation report, including how they have acted on the policies outlined above;
- enhanced requirements in the Financial Reporting Council's 2020 Stewardship Code for asset owners to report on their stewardship activities and outcomes, including how they take account of material ESG factors; and
- provisions in the Pensions Schemes Bill requiring schemes to publish climate change related risk information and to have governance in place to manage those risks.

Why the Principles?

We have designed the Principles to help Trustees navigate and respond to the significant shift in understanding of ESG risks and opportunities, by tackling the investment process at every stage in the investment chain – from policy setting, to engaging with investment consultants, fiduciary managers and/or asset managers, to monitoring and reporting on outcomes.

While this is a rapidly evolving area, perfect should not be the enemy of good. The Principles are intended to provide a foundation on which stronger and better practices and methods can be built over time.



1

Principle 1: Adopt a 'transitional mindset'

Manage the risks and seize the opportunities presented by the move towards a sustainable economy, including net zero carbon emissions and, more generally, to meet the UN Sustainable Development Goals (SDGs)

Explanation

It is not possible to predict the future. However, it is possible to plan for foreseeable outcomes and to model for these scenarios. A 'transitional mindset' means identifying and managing the risks and opportunities presented by changes to specific assets or sectors and/or from macro or systemic developments – such as the move towards a net zero carbon economy and other societal transitions. These changes will be caused by and/or identified through shifts in societal attitudes, law, policy and practice, and will have a significant impact on business and investment performance.

The duty of prudence requires Trustees to exercise their investment powers with the "care, skill and diligence" that "a prudent person would exercise when dealing with investments for someone else for whom they feel morally bound to provide."[3] Where society as a whole is generating negative impacts which present systemic risks to the broader economy, in the form of carbon emissions, biodiversity loss, poor governance and inequality, many Trustees will properly wish to consider what actions they can take, as prudent investors, to reduce *financial risks* arising from negative impacts generated by their portfolio, and to search for positive impacts which provide *financial opportunity*.

Thus, considering impact – or *changes in social, environmental, and economic outcomes caused by an organisation's activities* – as part of a pension scheme's portfolio investment and engagement activities (individually or collectively with other investors) will contribute to a prudent response to managing *financial risk* to pension portfolios.

Transitional thinking includes *mitigating financial risk* by identifying companies that are vulnerable to changes in societal attitudes, law, policy and practice as a result of their negative impacts. For example, companies that fail to adapt their activities to align with a future carbon neutral economy; or fail to address concerns over equality, human rights and decent work conditions within their own activities or supply chains; or produce products or services with addictive or other qualities that are detrimental to health or wellbeing.

Transitional thinking also includes *seeking financial opportunities* by identifying companies that may be more resilient, future-fit and able to benefit from the shift towards more sustainable economies as a result of their positive impacts. For example, companies developing renewable energy, tackling waste, advancing education, and improving health.

Trustees will want to consider these risks and opportunities in light of their scheme's current portfolio and wider investment strategy over the scheme's time horizon, as part of a holistic consideration of all relevant and financially material factors. Trustees should be continually asking questions of each other and their third-party service providers in order to establish whether (and what) impact factors can or should be taken into account, e.g. by considering the SDGs.

[3] Re Whiteley (1896) 33 Ch D 347 at 355

1

Recommended actions

- In your risk register, identify and incorporate risks presented by the transition to a net zero carbon economy and other systemic changes relating to sustainability. Also identify mitigants to those risks.
- Conduct scenario analyses with your actuary, investment consultant and/or fiduciary manager (where you have more than one relationship, consider asking each one to run an analysis for comparison). Stress test your current portfolio to understand its ability to withstand different scenarios and stresses and use the output to inform choices about how to make the portfolio more resilient. Also consider if it Is appropriate to have an independent analysis.
- Actively monitor and mitigate stranded asset risks within the portfolio.
- Identify opportunities presented by the transition towards a net zero carbon economy and other changes relating to sustainability, with reference to the SDGs.

> Transitional thinking includes seeking financial opportunities by identifying companies that may be more resilient, future-fit and able to benefit from the shift towards more sustainable economies as a result of their positive impacts. For example, companies developing renewable energy, tackling waste, advancing education, and improving health.

Selected resources

- **Climate Change Challenges: Climate change scenarios and their impact on funding risk and asset allocation** (Report). Aon, 2018.
- **Climate Scenario Planning** (Case study). SustainAbility Trends, 2020.
- **Paris Agreement Capital Transition Assessment** (Online tool). 2° Investing Initiative, 2018.
- **The United Nations Sustainable Development Goals** (Website)
- **The Use of Scenario Analysis in Disclosure of Climate-related Risks and Opportunities** (Website). The Taskforce for Climate-related Financial Disclosures, n.d.
- **Transition Pathway Initiative** (Website and Online tool)

2

Principle 2: Set impactful objectives

Establish and incorporate 'impact objectives' as part of your pension scheme's statement of investment principles (SIPs), which draw on the views of your members and are designed to serve the scheme's purpose

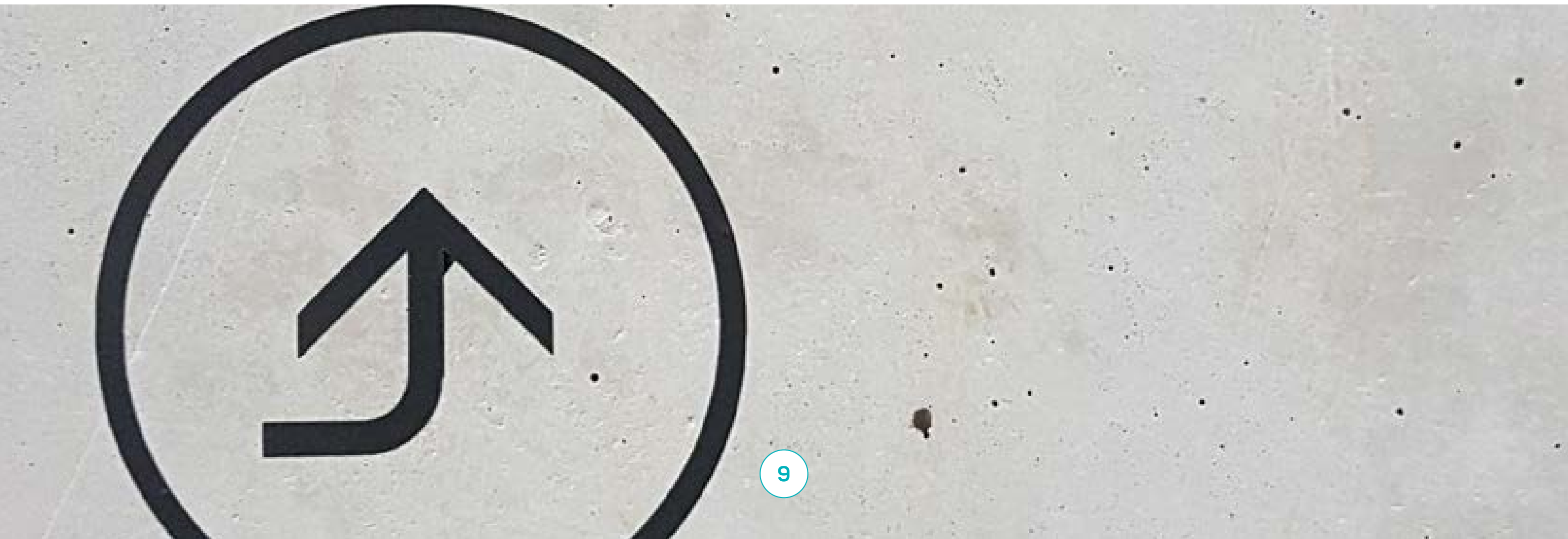
Explanation

Trustees must exercise their investment powers for the purposes for which they were given, namely for the provision of benefits to the members of the scheme. They will then set objectives to achieve this purpose. *This is not synonymous with chasing the highest short-term investment returns.*

Trustees may take account of any factor which is financially material to the objectives they have set. This clearly permits positive impact investments which meet relevant financial criteria and would permit an impact investment strategy which is geared to managing investment risk and exploiting investment opportunity. However, other factors may be considered too, such as diversification, avoiding volatility at inopportune moments for the member, and providing sufficient liquidity to meet member demands.

Trustees may also want to consider how investing with impact can improve member engagement. In many cases, Trustees might have cause to believe that the pension scheme's members would have a specific preference for investments which have a positive impact on people and the planet. They may wish to consult members to develop a more rounded view of their preferences and interests to inform their strategy (particularly in relation to defined contribution schemes), although legal advice should be taken on the extent to which such preferences may be taken into account.

Importantly, in terms of portfolio benefits, Trustees may also believe that certain impact investments have the potential to improve the diversification of the portfolio due to a low correlation with mainstream assets, and may wish to take advantage of this as part of a larger investment strategy. A pension scheme's investment objectives will lead to different asset allocations over time and the impact factors that are most relevant and financially material to the objectives and allocation may therefore change accordingly.



2

Recommended actions

- Consider and define the scheme's core beliefs with regards to sustainability, incorporating ESG and impact investing, and record them in the scheme's wider 'investment beliefs' document.
- Formulate appropriate impact policies and objectives consistent with the scheme's purpose and include these in its Statement of Investment Principles (SIP).
- Consider the extent to which scheme members' impact preferences might be ascertained and reflected in line with the scheme's funding objectives and within legal parameters.
- In addition to your investment consultants, fiduciary managers and investment managers, seek the views (where relevant) of the sponsoring employer, professional advice, pensions industry groups, associations and thought leaders.
- Include in each new Trustee's induction an explanation of the scheme's core beliefs, policies and objectives as they relate to impact, how these relate to the scheme's funding objectives, and how they are interpreted and understood in practice.

> “Trustees must exercise their investment powers for the purposes for which they were given, namely for the provision of benefits to the members of the scheme. This is not synonymous with chasing the highest short-term investment returns. Trustees may take account of any factor which is financially material to the objectives they have set.

- Periodically review and discuss the impact beliefs, policies and objectives and the extent to which they are consistent with the scheme's purpose, as well as the extent to which the scheme's purpose is aligned with the impact beliefs, policies and objectives. This could be done as part of the (new) annual requirement to publish an implementation report on how the scheme has acted on the policies in their SIP.

Selected resources

- **Pensions for Purpose** (Website)
- **The Bridges Spectrum of Capital - How we define the sustainable and impact investment market** (Publication). Bridges Fund Management, 2015.
- **The Good Citizen's Guide to ESG** (Report). DCIF, 2020.

3

Principle 3: Appoint investment consultants and managers with impact integrity

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

Explanation

When appointing investment consultants and managers, selection criteria should include an evaluation of their impact investing credentials, alignment with the scheme's impact beliefs, and capacity to deliver on the scheme's impact objectives.

Trustees should establish and maintain an ongoing dialogue with their investment consultants and managers about performance relative to scheme policies and objectives, and any changes in these.

Trustees should consider setting clear goals and expectations of their investment professionals in areas such as impact performance, implementation, monitoring and reporting, potentially incorporating these into their contracts and using regular reviews of their providers to assess progress and any need for change.

Investment consultants and fiduciary managers

Trustees should expect their investment consultants or fiduciary managers to work collaboratively with them and develop a full understanding of the Trustees' desired investment approach in relation to their impact beliefs. A good investment consultant or fiduciary manager will be able to support Trustees to identify and incorporate appropriate impact objectives into the SIP in an informed and intelligent way. They will be able to advise Trustees about which strategies and approaches to adopt to achieve the scheme's impact objectives. This will require an understanding of the financial implications of the wider environmental and social impacts, positive and negative, of the portfolio and individual investments.

A good investment consultant or fiduciary manager will have a deep understanding of the impact investment universe and will understand how investments create positive and negative impacts across the range of relevant asset classes.

Investment managers

Trustees should consider whether any prospective managers have the right people and products to identify and manage impact risks and opportunities within the portfolio on an active basis.

They also should ensure that investment managers are equipped to measure and report on the impact of their portfolio in compliance with relevant regulations. The performance of the investment managers and investment portfolio against the Trustees' impact objectives should be regularly monitored and reviewed against agreed indicators and benchmarks.

Trustees might also expect their investment managers to provide them with information and training on sustainability and impact issues.

3

Recommended actions

- Incorporate knowledge of impact investment and relevant experience and credentials into selection criteria when identifying and appointing investment consultants and investment managers.
- As part of your requirement to set objectives for your investment consultants, consider requiring them to bring impact investment ideas to the Trustee board.
- Seek advice from investment consultants and/or fiduciary managers on how to incorporate impact investment objectives in the SIP; and work with investment consultants to establish a suitable impact investment strategy, including investment manager selection and selection of relevant indicators and benchmarks.
- Assess the investment managers' ability to achieve the scheme's impact objectives, including an assessment of their investment philosophy, strategy, model, capacity, people and products, and ability to measure and report on impact. Assess performance of appointed investment managers and portfolio against agreed impact objectives by monitoring and reviewing them regularly against relevant indicators and benchmarks.

> A good third party adviser will have a deep understanding of the impact investment universe and how investments create positive and negative impacts across the range of relevant asset classes.

Selected resources

- **ESG Integration: How fiduciary managers stack up** (Special note). XPS, 2020.
- **Holding Investment Consultants to Account: A guide for trustees** (Report). AMNT and UKSIF, 2018.

4

Principle 4: Use your voice to make change

Progress your impact objectives by formulating stewardship guidelines for your, or your investment manager's, voting and engagement activities

Explanation

Trustees are the stewards of large pools of assets and can use their voice – either directly or through their investment managers – to effect change. Stewardship and shareholder engagement are critical tools in meeting impact objectives. Through engagement, investors (directly or through delegated agents) can engage with investees to improve corporate performance on social, environmental and governance issues. This extends impact investing beyond the financing of beneficial products and services, to the improvement of corporate behaviour.

Stewardship includes voting on key resolutions and robust engagement with companies on impact objectives, which may raise risks or create opportunities relevant to their business model, practices and future prospects.

Where Trustees have the right to undertake voting or engagement activities directly and they decide it is appropriate to do so based on their stewardship guidelines, they will need systems in place to achieve this. More commonly, schemes may delegate many stewardship activities to consultants or managers. Trustees should work collaboratively with their investment consultants and managers to develop the scheme's stewardship guidelines and expectations, taking into account the scheme's impact beliefs and objectives.

Tools such as shareholder resolutions are beginning to change the landscape of shareholder stewardship. There are also opportunities to engage collectively on key impact issues with like-minded investors through organisations such as ShareAction and the Investor Forum.

Moreover, in addition to new reporting responsibilities in the SIP, [4] there are significant new best practice and regulatory expectations on pension scheme stewardship in the Financial Reporting Council's 2020 Stewardship Code. For the first time, it requires signatories to take account of material ESG factors, including climate change, when fulfilling stewardship responsibilities.[5]

[4] The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018

[5] "Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society." 2020 Stewardship Code definition

4

Recommended actions

- Sign the UK Stewardship Code as an asset owner and select investment managers that are signed up to it too.
- Set transparent annual objectives for stewardship which reinforce and are consistent with your scheme's impact objectives; and include these objectives in guidelines for your scheme's investment managers.
- Ask third-party providers, particularly Investment consultants and fiduciary managers, to keep you informed of key issues and developing asset owner views or positions on stewardship issues for particular sectors, assets or investments, especially where relevant to the scheme's stewardship guidelines.
- Undertake active, supportive monitoring of investment managers' stewardship activities through the year based on their detailed reporting. If, over a year of monitoring, you feel your investment manager is not delivering on your priorities, discuss this with them and consider changing them.
- Tell your members about your scheme's stewardship priorities – how your engagement with companies is designed to meet their interests and needs and your impact objectives.
- Consider attending company Annual General Meetings rather than using a proxy voting manager, as well as collaborating with other asset owners and capital markets actors on issues of importance to your pension scheme's impact objectives.

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Through engagement, investors (directly or through delegated agents) can engage with investees to improve corporate performance on social, environmental and governance issues.

Selected resources

- **AMNT Red Line Voting** (Code). AMNT, n.d.
- **Aon Trustee Checklist: Understanding trustee decision making** (Report). Aon, 2017.
- **Climate Action 100+** (Investor initiative)
- **Engaging the engagers: A practical toolkit for schemes to achieve effective stewardship through their managers** (Toolkit). PLSA and The Investor Forum, 2020.
- **ESG and Stewardship – a practical guide to trustee duties** (Guide). PLSA, 2019.
- **Pensions for the Next Generation: Communicating What Matters** (Report). ShareAction, 2018.
- **Social Investment Issues Red Lines** (Social issues guidance). AMNT Red Line Voting, n.d.
- **UK Stewardship Code 2020** (Code). Financial Reporting Council, 2020.

5

Principle 5: Manage and review your impact

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

Explanation

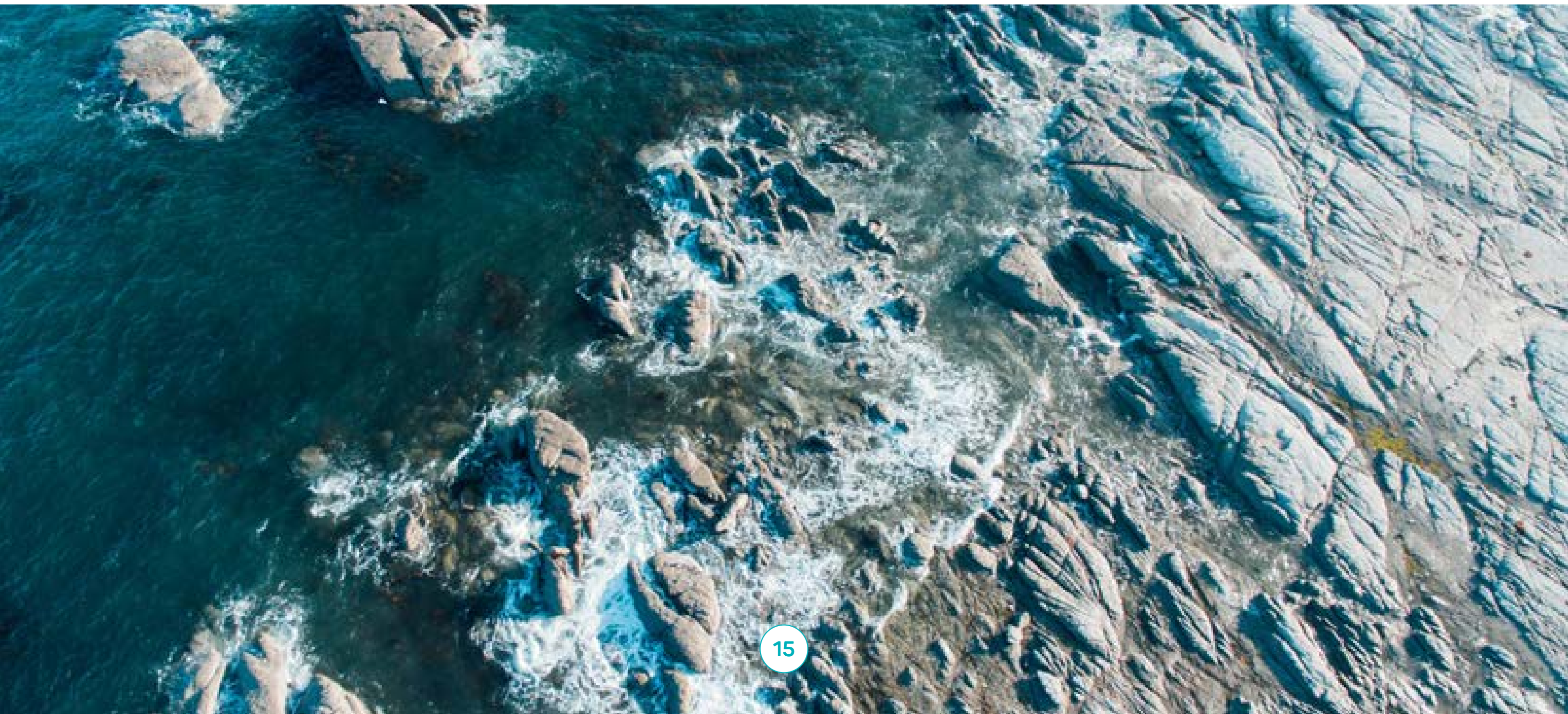
Trustees should expect relevant, robust and clear reporting from their investment consultants and managers that helps them understand the extent to which they are fulfilling the scheme's purpose and investment objectives, and to make decisions accordingly.

This includes metrics, indicators and benchmarks that help Trustees monitor performance in relation to impact beliefs and impact investment objectives, and the cost-effectiveness of that performance.

The investment horizon of a pension scheme is usually in decades. Trustees' evaluation of value – financial, environmental and social – should take an appropriately long-term view. The reporting framework should be stable and consistent in order to enable a reliable run of data to be gathered over an appropriate period, such that progress can be monitored objectively.

Although global reporting standards for impact measurement, management and reporting do not yet exist, market infrastructure and practice are developing rapidly, supported an evolving body of sustainability reporting regulation. For example, the Task Force on Climate-related Financial Disclosures (TCFD), and the proposed requirements under the EU Non-Financial Reporting Directive (NFRD) and the EU Sustainable Finance Disclosure Regulation (SFDR).

As market practice develops, Trustees and their advisers will need practical solutions. There are currently a number of frameworks that can be used to enhance the monitoring of impact. Trustees can ask their investment providers to keep them informed of developments or new data sources that might allow improved monitoring of the scheme's impact.



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Recommended actions

- Work with your investment consultants to establish benchmarks and reporting mechanisms.
- Require stewardship reports from your investment managers.
- Ask investment consultants to provide reports in a format that is easily accessible and digestible, with an assessment on the extent to which you've met your impact objectives.
- Hold an annual discussion about the scheme's progress against impact benchmarks and other mechanisms and consider measures depending on whether they are being met, e.g. change investment managers.
- Take opportunities to report on progress against your impact objectives to your members, for example in your annual newsletter, particularly showing progress and successes in achieving these goals.
- Consider an independent review of your investment consultant, fiduciary manager or in-house team on a regular basis, using peer analysis and best practice to determine their value in relation to your sustainable investing (Including ESG and impact investing) objectives.

> The investment horizon of a pension scheme is usually in decades. Trustees' evaluation of value – financial, environmental and social – should take an appropriately long-term view.

Further Resources

- **From policy to practice: testing the EU taxonomy** (Case studies). Principles for Responsible Investment, 2020.
- **GIIN Perspectives: Evidence on the Financial Performance of Impact Investments** (Report). The GIIN, 2017.
- **Guide to responsible investing reporting** (Guide). EAPF et. al., 2015.
- **In search of impact - Measuring the full value of capital: Update: The Investment Impact Framework** (Report). Cambridge Institute for Sustainability Leadership, 2019.
- **IMP+ACT Classification System (ICS)** (Free digital system).
- **The Impact Management Project** (Website).

The Impact Investing Institute is an independent, non-profit organisation which aims to accelerate the growth and improve the effectiveness of the impact investing market. Our vision is for lives to improve, as more people choose to use their savings and investments to help solve social and environmental challenges, as well as seeking a financial return.

We drive change through education and awareness raising, providing useful tools and resources, and advocating for supportive policies.

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Set up in 2017, Pensions for Purpose is a professional investment member network focused on directing capital towards sustainable and impact investments. We bring influencer members (consultants, legal firms and asset managers) and affiliate members (pension funds and other institutional asset owners) together to find investable solutions which align with the environment and society. This is facilitated through sharing of thought leadership and case studies, investor roundtables, events and training. We also partner with organisations and initiatives which help us to deliver on our goals as well as for the benefit of our members.

www.pensionsforpurpose.com