

Impact Investing Adopters Forum: all-stakeholder discussion

February 2022



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This was the first all-stakeholder discussion for the Impact Investing Adopters Forum (IIAF) in 2022. The IIAF is run in partnership with the Impact Investing Institute and sponsored by Tikehau Capital.

Charlotte O'Leary, CEO of Pensions for Purpose, hosted and introduced the session by explaining **the need for a move in investment thinking from the two dimensional to the three dimensional – risk, return, impact.**

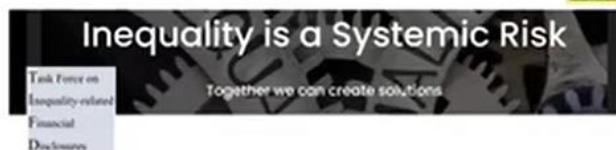
This was followed by a panel discussion in which Charlotte quizzed the participants – **Julius Pursaill, Strategic Adviser to Cushon, Tim Manuel, co-head of Responsible Investment at Aon, and Laure Villepelet, Head of ESG & CSR at Tikehau Capital** – on **how pension funds can embed impact objectives, the frameworks they can use and how these investments can be made on the ground.**

We also started and finished with some interesting polls to the audience. This is just a snapshot of the discussion.

The Future of Pensions



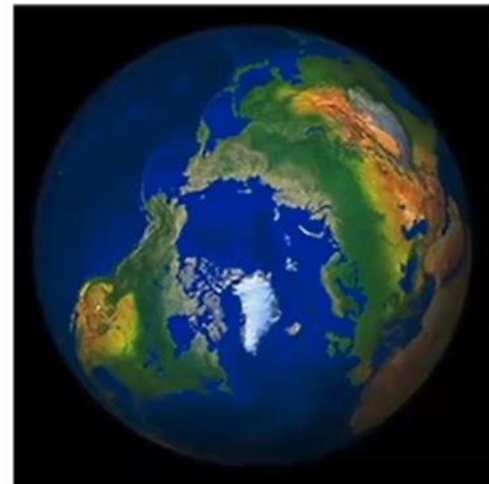
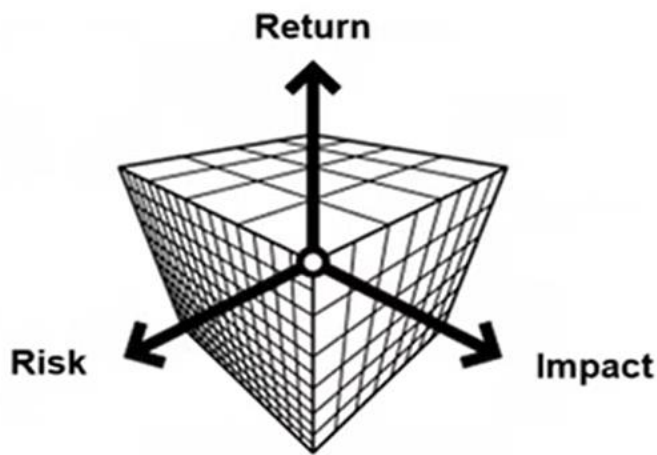
The future of pensions needs to embed environmental and social impact **because of the emergence of financially material data, information and transparency.**



But it requires a change in mindset....

To the three dimensional: Return-Risk-Impact

Charlotte O'Leary, P...



POLL: Our first poll was about the way that participants view impact investing – either as a philosophy across an entire portfolio or an allocation. Most participants viewed it either as a philosophy or an allocation rather than both.

Charlotte then went to the panel to find out **how they approached impact investing and what it meant to their organisation.**

Julius from Cushon put forward that “Cushon is a purpose-driven organisation going for B Corp status” but this is not something that would be framed as an impact philosophy to the trustees as it may cause confusion. Instead, the trustees are focused on this being a good method for investing given the risks and opportunities associated with the sustainable transition. This was also an area that interested and engaged members of pension schemes as they very much respond to stories or narratives, such as saving endangered animal species.

Tim from Aon: “What I ask is why is this important...this is a revolution...companies will need to adapt and innovate and this will create a shift in the competitive landscape. This presents as an opportunity for those that get ahead and provide positive sustainability outcomes.”

Laure from Tikehau Capital: “There are definitely unprecedented challenges and there are risks and opportunities in light of the UN Sustainable Development Goals and the relative importance of investment in each of these (see the chart below). We have a theory of change for each fund and company that we manage and interact with. We spend a lot of time and there is a lot of hard work going on to measure and demonstrate an intention to transition or change.”



POLL: Our second poll was on the way that participants viewed impact investing in the context of risk and return – did they see it as achieving market-rate risk-adjusted returns, maximizing risk-adjusted returns or lower than market-rate risk-adjusted returns? While few saw it as maximizing risk-adjusted returns, the **majority saw impact investing as achieving market-rate risk-adjusted returns**, with a few anticipating that it would mean accepting lower than market-rate risk-adjusted returns.

What was the reason to integrate ESG and impact into your pension fund or strategy as an organisation? As Julius highlighted, **impact investments are just like any other type of investments** – some will deliver higher risk-adjusted returns and some will deliver below market-rate risk-adjusted returns. We need to have **clear and transparent investment beliefs**. Without these being included there are no other environmental and social objectives driving trustees.

Why does impact get such a different level of scrutiny on risk and return compared to other decisions that trustees make freely but which all have risk, return and cost implications, such as active versus passive, developed versus developing markets, public versus private, etc?



Tim said that this was a really good question but that he has seen the most positive response from trustees when the focus is on beliefs rather than evidence – **“if you wait for irrefutable evidence then it will be too late”**. So, what you need to do is understand and articulate the starting point for your stakeholders and what there is agreement on. As an investment consultant **you need to be able to help trustees create a narrative using existing frameworks**, such as the **Impact Investing Principles for Pensions**, which incorporates things like the Bridges Spectrum of Capital,

Impact Management Project’s abc framework, etc We don’t need to create more frameworks, just use what we have to better effect.

How is this growing appetite for impact translating **to interest in impact investment solutions**? Laure responded that there is an **increasing scale of demand** and that this comes with more interest and understanding about the **authenticity and integrity of the manager**. Do they believe in this? Does this filter through to their investment teams and their investment products? How are they aligned? These are really important and powerful discussions that allow investors to understand how their impact objectives lead to impactful investment and outcomes on the ground.

We concluded the panel by repeating the two polls and saw a change in perception because of the panel discussion. Almost all participants saw impact investment as a philosophy and an allocation. They also shifted their thinking on risk-return; **none of the participants thought that it had to lead to lower risk-adjusted returns. Such a shift within the space of a short session demonstrates the effect of educating and discussing impact investing** in a transparent and open forum with a range of stakeholders. This is Pensions for Purpose's mission and we will continue to open up the debate, to educate and empower pension funds to make impact investments.

Forthcoming events

20 April 2022 – Morning coffee discussion - Jupiter Asset Management - Planet, people, profit - getting under the bonnet of sustainable equity. Please join us at 09:30 GMT for online morning coffee with Jupiter Asset Management on 'Planet, people, profit - getting under the bonnet of sustainable equity'. For more information see [here](#) or register to attend [here](#) (*open to pension funds, professional trustees, independent advisers, consultants, government representatives and fiduciary managers only*).

25 April 2022 – Morning coffee discussion - The future of food in Asia and its impact on people and planet - Proterra Investment Partners Asia. Please join us at 10.00 GMT for a morning coffee with Proterra Investment Partners Asia to discuss the future of food in Asia and its impact on people and planet. For more information see [here](#) or register to attend [here](#) (*open to pension funds, professional trustees, independent advisers, investment consultants and fiduciary managers only*).

If you would be interested in joining or participating in the IIA Forum, please [contact Charlotte O'Leary](#).