

Pensions and Impact Investing

How are National Advisory Boards
for Impact Investing (NABs)
Engaging with Pension Funds
to Advance the Market?





About The Global Steering Group for Impact Investment

The Global Steering Group for Impact Investment (GSG) was set up in 2015 as the successor to the Social Impact Investment Taskforce established by the United Kingdom of Great Britain and Northern Ireland during its presidency of the Group of Eight (G8) in 2014.

A British charity, GSG brings together leaders from the worlds of finance, business, government and philanthropy to embed impact in policy, business and investment decisions to benefit people and the planet. The membership of GSG currently includes 37 countries through their National and regional Advisory Boards (NABs) for Impact Investing.

GSG's Working Group: Engaging Pensions in Impact Investing - As part of its ongoing programming for NABs, the GSG runs an Engaging with Pension Funds working group to support affiliated members to deepen their engagement with pension funds. Sessions are peer-led and devoted to sharing updates, tools and research, challenges, and best practices. The enclosed paper reflects case studies and examples gathered from members of the working group from 2021-2022.



About the Netherlands NAB

The Stichting Netherlands Advisory Board (NAB) on Impact Investing was launched in 2020 by several Dutch financial sector players, social investors, and impact fund managers. It focuses on scaling up investments in impact and increasing cooperation in the Dutch impact investing sector. The NAB is part of GSG's global network of 37 National Advisory Boards (NABs) for impact investing and a member of the GSG working group on Engaging Pensions in Impact Investing.

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| ▲ IFIE - Israel NAB | ⋮ | ▲ Fossil Free Israel |
| ▲ Argentina NAB | ⋮ | |

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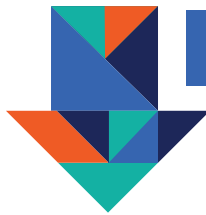
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Executive Summary

With their long-term investment approach, large ticket sizes, and market leadership roles, pension funds have the potential to be powerful drivers of positive economic, social, and environmental outcomes.

Grasping the urgency of the climate crisis and social inequalities over the world, an increasing number of GSG's affiliated network of National Advisory Boards (NABs) for Impact Investing are engaging with pension funds to raise awareness of the practices and opportunities afforded through impact investing.

Through peer-led examples, this paper provides 30 examples sourced from 12 partners of how NABs and other market builders are engaging with pension funds to provide introductory information about the impact investment market. The paper is organised according to top-down and bottom-up strategies:



Top-down strategies

Top-down strategies target key decision makers in pension funds to introduce the key concepts of impact investing, identify sustainability challenges and risk mitigation opportunities, and align investments with broader missions and values.

Within this approach, NABs are organising events and workshops, leading industry commitments, providing knowledge resources, fostering industry collaboratives, publishing research, and engaging in advocacy to encourage pension funds to adopt impact investment approaches.



Bottom-up strategies

Bottom-up strategies involve engaging grassroots stakeholders and building public awareness and support for greater transparency, accountability, and better social and environmental outcomes.

Within this approach, NABs are utilising public opinion surveys, public awareness campaigns, pension fund ratings, and industry benchmark reports as tools for change.

By leveraging these insights and strategies, NABs and market builders can accelerate the flow of capital and stewardship needed domestically and internationally, in the years of profound change that lie ahead.

As part of its ongoing programming for NABs, the GSG runs a working group to support affiliated members to deepen their engagement with pension funds. Sessions are peer-led and devoted to sharing updates, tools and research, challenges, and best practices. The enclosed paper reflects case studies and examples gathered from members of the working group from 2021-2022.



Pension funds represented only 2% of all respondents to the GIIN's 2022 Annual Impact Investor Survey.

Introduction



Financing solutions to the world's biggest challenges presents a unique market opportunity for investors. A world that is more environmentally sustainable, healthy, equitable, inclusive, and secure will result in more robust financial performance in the years and decades ahead.

Pension funds play an important enabling role in the financial system. As high-volume, long-term investors, even small shifts in pension fund allocation strategies have the potential to generate tangible positive impacts. Pension funds can foster positive impact not only through capital allocation strategies investing for the long-term, but also through their market building and market signalling role, the examples they set through their investment strategies, stewardship, and engagement activities.

With our aim of growing and deepening the impact investment market globally, we as the GSG and NAB members believe it is important and timely to engage with pension funds.

By nearly all measures, we are living in a world in which climate and biodiversity are under severe threat, livelihoods are becoming untenable, and socio-economic gaps are widening.¹ This does not bode well for pension funds or their beneficiaries. As universal owners with highly diversified, long-term portfolios that are representative of global capital markets, pension portfolios are exposed to growing and widespread risks. These systematic risks cannot be diversified away.

Instead, pension funds can mitigate these risks by tackling investment opportunities and assets that align with the UN Sustainable Development Goals. Achieving these goals by 2030 requires an estimated \$4 trillion in investment, a conceivable amount to which pension funds, which collectively manage upwards of \$60 trillion, can contribute.²

Why now?

To date, Pension funds represented only 2% of all respondents to the GIIN's 2022 Annual Impact Investor Survey.³ This low figure is alarming, if not peculiar, considering the risks and opportunities that lay before us and the need among pensions to ensure they can make pay outs in the long-term.

Fortunately, the influence of pension funds participants is growing, resulting in more pension funds not only promising to deliver a good pension, but beginning to prioritise investing in real assets with sustainable features to ensure we continue to exist in a liveable world.



¹ World Economic Forum (2022). "Global Risks Report 2022." Available at: <https://www.weforum.org/global-risks/reports>

² OECD (2022). "Global Pension Statistics." Available at: <https://www.oecd.org/finance/private-pensions/globalpensionstatistics.htm>

³ GIIN website. "What is impact investing?" Available at: <https://thegiin.org/impact-investing/need-to-know/#what-is-impact-investing>. As defined by the Global Impact Investment Network (GIIN), impact investments are investments made with explicit intention to generate a measurable social or environmental return alongside a financial return. See also <https://thegiin.org/research/publication/impact-investing-market-size-2022/>

Admittedly, some pension funds have been quicker to adopt sustainable impact investing, doing so mostly in response to regulation, and some through voluntary commitments. Sustainable and impact investing strategies have largely followed the fund's initial prioritisation of responsible investment, risk mitigation approaches, ESG factor assessments.⁴

While these developments are certainly encouraged and even serve as gateways for asset owners to pursue a deeper set of positive contributions through impact investing,⁵ a step change is needed to get from the billions currently invested in impact assets to the trillions needed to meet the energy, health, and infrastructure needs in our societies and ensure prosperous economies in the long term. The reality is that ESG policies are simply not enough to safeguard pension fund assets - and our economies - from future global risks and destabilising factors.

Fortunately, conditions are proving favourable for a discernible shift in pension fund activity. The global impact investing market continues to grow significantly year on year. The latest GIIN impact investor survey values the global market at \$1.164 trillion, up from \$502 billion just two years ago.⁶ New business and intermediaries are emerging in pensions' home countries at a rapid pace, creating the conditions needed for more pension funds to engage in the impact market. Furthermore, as pensions become more well-versed in market fundamentals, they will prefer impact investment opportunities over non-impact opportunities in their portfolio allocation strategies.

To accelerate the flows of capital and support needed, NABs and other market builders are encouraged to draw from the examples provided in this paper.



⁴ PRI website. "Regulation Policy." Available at: <https://www.unpri.org/policy/regulation-database>

⁵ See for example, the Dutch pension fund PGGM's mapping of their assets according to responsible, sustainable, and impact investments. Once mapped, the fund was able to set concrete targets to move capital from responsible and sustainable investment strategies into impact investing.

⁶ GIIN (2020); "2022 Sizing the Impact Investment Market." Available at <https://thegiin.org/research/publication/impact-investing-market-size-2022/>

The purpose of this Paper

This paper provides a non-exhaustive roundup of 30 strategies and approaches employed by NABs and other affiliated ecosystem players to engage with their local pension funds. The approaches detailed in this paper illustrate the ways in which NABs are approaching **initial conversations related to impact investing**, (and in most cases, ESG and sustainable investing because of the nascent stage of the market in many NAB countries). Activities focus on providing general familiarity with the core principles of impact investing, familiarity with key market actors, examples of deals and transactions, and the type of outcomes or impact sought or achieved.

Through this paper, we hope to inspire our community to work together and learn from each other's successes and failures, to replicate good practices, and most importantly, to ramp up pressure and engagement.

Acknowledging that NABs operate under different regulatory environments and market conditions, and to identify pathways that can be useful and practical to NABs operating across a range of contexts, the paper is organised according to top-down and bottom-up strategies.

Through this structure, we hope NABs and other market builders will be better able to identify their target audiences, assess challenges and opportunities, and plan and execute engagement activities with a higher degree of success.



Top-down Strategies

Top-down strategies are approaches that target the firm's key decision makers responsible for setting firm strategy, including members of the Board of Trustees, Chief Investment Officers and investment committees, investment managers, and risk managers.

By affecting change among these key stakeholders, NAB members can help pension funds address sustainability challenges that could affect their underlying assets or liabilities, mitigate long term risks associated with climate change or social inequality, improve risk adjusted returns, and align the fund's investments with its broader mission and values, which can enhance the fund's reputation and help retain clients. They can also support in other ways, by providing added capacity building, and access to talent and skills acquisition.

The following examples illustrate top-down approaches that NAB members are employing to engage with pension funds.

1



Events, Convenings, and Roundtables

Events and convenings for pension fund trustees, CIOs, and managers provide pension funds with opportunities to learn from experts and peers and gain a deeper understanding of complex investment strategies, emerging trends, or new tools and frameworks.

Such gatherings may be used to introduce new industry initiatives, for example, climate pledges, adoption of impact principles, or simply to introduce new information or generate conversation among peers.

Investor roundtables are opportunities to foster dialogue and exchange on evolving topics such as regulation, investment strategy, and industry leadership. As we will see in the examples below, they may be convened by National Advisory Boards, government or regulatory bodies, or pension funds themselves to assess the feasibility of new policies and regulations. Similarly, they provide pension funds with networking opportunities and facilitate the exchange of ideas, insights, and best practices, which can help pension funds stay up to date with the latest trends and developments in the industry.



CONFERENCE FOR INSTITUTIONAL INVESTORS TO EXPOSE INVESTORS TO GLOBAL PEER-LED INVESTMENT STRATEGIES (ISRAEL)

Social Finance Israel (SFI) hosted the country's first ever ESG conference for institutional investors in Israel. The event aimed at providing greater clarity around a newly announced ESG directive issued by the Commissioner of Capital Markets Insurance and Savings.

SFI invited senior representatives of Israel's leading financial institutions, including representatives of local pension and insurance firms, commercial banks, and investment firms. The day's agenda included an update on local regulatory changes, examples and case studies from global peers,

including the ex- CIO of Christian Super, an Australian pension fund (now Australian Ethical), and a discussion on opportunities and challenges facing Israeli pensions.⁷ The event was covered in the media and attended by senior representatives of pensions and asset management firms, helping to generate greater awareness of international and local activity on an emerging area of focus in global regulatory markets.



IMPACT INVESTING ROUNDTABLE TO SHARE INFORMATION ON IMPACT INVESTING WITH INSTITUTIONAL INVESTORS (JAPAN)

In 2020, the Japan NAB organised an impact investing roundtable, co-hosted with the Japanese Financial Services Agency (FSA). The event included 35 members of major financial institutions as well as 90 observers from the financial sector as a platform to foster common basic understanding of impact investing in Japanese market. The topics discussed in the Roundtable include how to engage asset owners in Japan. The Japan NAB also published "Guidebook for Impact Measurement & Management for equity impact investing" in May 2021, with input led by their impact measurement and management (IMM) working group. The guidebook shares current practices and questions related to impact measurement and management (IMM) among impact equity investors in Japan, with a view to improving the quality of IMM practices. In the coming months, the Japan NAB will publish a second guidebook, this time focusing on IMM for debt investments.



GOVERNMENT-LED SUSTAINABLE FINANCE ROUNDTABLE TO GENERATE INDUSTRY COMMITMENTS FOR SUSTAINABLE FINANCE (ARGENTINA)

In 2021, at the request of policy makers, the Argentina NAB took part in a Sustainable Finance Roundtable, which included representatives from the federal and local government, regulators, as well as the country's only pension fund and insurance companies. The forum resulted in establishment of a roadmap and the release of a signed agreement with insurance companies, banks, and the pension fund to work together to promote sustainable finance in the country.



PENSION INDUSTRY COLLABORATIVE TO FOSTER COLLECTIVE ACTION AND DEVELOP INVESTMENT PIPELINE (GHANA)

In 2021, IIGh (Ghana NAB) created the Leaders Forum for CEOs of Pension Trustees and fund managers, which quickly evolved to become known as the Pension Industry Collaborative (PIC). The Collaborative works to identify barriers to impact investment among local pension funds, prioritise collective solutions, and develop investment pipeline opportunities.

Over the course of the year, the IIGh convened representatives of 7 of the 16 largest private pension funds in a series of roundtable workshops with the aim of developing partnerships and taking collective action to increase pension investment in alternative assets and strengthen prospects for sustainable development in the country. Topics discussed included current barriers and needs (training, capacity building, ratings, regulation, etc.), design requirements for a financial vehicle that could meet the risk/return profile of the industry's pension funds, and feedback on the definition of

⁷ For more on Christian Super's impact investing approach see the following [case study](#).

impact investing and what industries and activities would qualify as impact investments. The roundtable workshops enabled IIGH to better understand real and perceived risks as perceived by pension fund trustees, paving the way toward more effective engagement informing the design of an impact fund of fund vehicle set to be launched in 2023. (See 'DESIGNING NEW FINANCIAL VEHICLES' below for more information on IIGH's impact fund of funds vehicle).



PENSION ROUNDTABLES TO EXPLORE REAL AND PERCEIVED RISKS (ZAMBIA)

One of the objectives NABIIZ (Zambia NAB) is championing is around increasing the supply of local institutional capital going to local SMEs. As a first step in engaging the industry, the NAB held a series of roundtables with pension fund administrators from 12 pension funds, as well as the Zambia Association of Pension Funds (ZAPF), an organisation that undertakes advocacy, networking, and capacity building of fund managers on behalf of pension funds to better understand the existing challenges and risks preventing pensions from investing into local enterprises, and the Zambian Pensions and Insurance Authority (PIA), the pensions regulator to identify barriers preventing pension funds from investing in alternative assets. The engagement has led to further meetings with PIA to provide additional information about the impact investment market and the role played by the NAB within the local impact investment market. Based on ongoing dialogue, NABIIZ is developing an action plan to address the needs facing small and growing businesses and the barriers facing banks and pension funds, including training and capacity building, pipeline development, technical assistance support, and opportunities for policy engagement.

2



Professional Workshops and Trainings

Workshops and training for senior pension fund professionals, including Chief Investment Officers, Heads of Risk and Compliance, and other managers serve to familiarise stakeholders with impact investment approaches and models that are not easily accessed through traditional finance and management training opportunities. They offer clarity and a closer, more practical understanding of the rapidly evolving set of tools and frameworks available to practitioners to align and standardise their impact investment practices.



TRAININGS ADMINISTERED BY THE PENSION FUND OPERATORS ASSOCIATION TO FAMILIARISE TRUSTEES WITH IMPACT INVESTMENT PRACTICES (NIGERIA)

The Pension Fund Operators Association of Nigeria (PenOp) is an independent, non-governmental, non-political and non-profit making body established to ensure that international best practices relating to the industry are observed by pension operators registered in Nigeria. PenOp represents 26 Nigerian pension funds which collectively manage about \$30 billion USD. A member of the Nigerian NAB, the Pension Fund Operators Association provides targeted trainings on topics related to impact and sustainable investing, among other key topics.

The PenOp views trainings as a means of empowering placement officers and pension fund directors with new information, connecting them to global discussions, and familiarising them with alternative investments as an asset class, which they use as a gateway for introducing further examples and information on impact investing.⁸ While alternative assets are in no way synonymous with impact investments – the latter being an approach to investing that can be employed and integrated across asset classes – the organisation holds that the more local stakeholders are familiar with alternatives as an asset class, the more likely they will be empowered to co-create impact investment strategies within this asset class. The PenOp also partners regularly with DFIs who offer trainings to pension fund directors on topics related to ESG management and risk analysis.

INSPIRATION BREAKFAST WORKSHOPS' TO SHARE CASE STUDIES AND FOSTER DIALOGUE (THE NETHERLANDS)

The Dutch NAB partnered with the local chapter of 'Impact for Breakfast,' the Impact Institute, and EVPA to organise a series of bi-monthly thematic presentations. Each session offers a deep-dive on a specific topic, for example, asset classes (e.g., infrastructure, green bonds, private debt in emerging markets, PE/VC, etc.), themes (e.g., the energy transition, biodiversity, circular economy, creative economies, financial inclusion, etc.), or regions (e.g., Latin America, Africa, etc.), with the aim of fostering peer-to-peer dialogue and knowledge exchange as well as educating newcomers about impact investing. The sessions start with an introduction to impact methodologies and theoretical frameworks and are followed by presentations from 2-3 impact investors who provide practical case studies on the specific themes. Finally, an extensive Q&A period enables the audience to engage and interact. All events in the series are open and free of charge to enable wide participation.

IMPACT INVESTING WEBINAR PENSION FEDERATION TO SHARE INFORMATION ABOUT IMPACT INVESTING WITH DUTCH PENSION FUNDS (THE NETHERLANDS)

The Dutch Pension Federation organised a webinar on impact investing for their members. The goal of the workshop was to provide knowledge about impact investing and how a pension fund can integrate impact investing in their investment policies, while adhering to their fiduciary duty. The Dutch NAB was invited to give a presentation of the sector, and the steps needed to lower current barriers that may prevent pension funds from increasing impact allocations. The pension fund PME (Pensioenfonds Metalektro), the pension fund for the metal and technology industry, and its fiduciary manager MN presented examples of investments aligned to the SDGs. The webinar was attended by 50 representatives of pension funds.

⁸ Placement officers are intermediaries that invest pension boards' funds in companies.



SUSTAINABLE INVESTMENT TRAINING FOR CIOs (ISRAEL)

Social Finance Israel (Co-chair of the Israel NAB) organised a sustainable investment workshop for CIOs at leading Israeli pension funds and insurance companies. The workshop was delivered in partnership with BlackRock's Sustainable Finance team. Workshop content featured the latest sustainable investment research, an overview of global disclosure standards used by Blackrock's investment team, as well a deep dive of Blackrock's own bespoke tools and frameworks for assessing and integrating ESG and sustainability factors in its portfolios. Inviting a well-known, international name in asset management to relay the training helped to generate interest and exposed local CIOs for the first time to tools and frameworks they had not encountered previously.

3

Access to Case Studies and Knowledge Resources

To get up to speed on impact investing as a new investment approach, pension funds require access to performance data across various asset classes, case studies, tools, frameworks, and other sources of information. While a standardised set of performance benchmarks for impact investments, both in the public and private markets - is still needed, NABs are trying to share what limited data is available by researching, circulating, and sharing new knowledge and learning resources through libraries, white papers, and individual case studies.



ONLINE KNOWLEDGEBASE OF WHITE PAPERS AND CASE STUDIES (UK)

The Impact Investing Institute's (UK NAB) website has a dedicated [learning hub](#) and collection of [case studies](#) on impact investment practices employed by UK and foreign pension funds. In addition to resources on its website, the Impact Investment Institute, which co-led the G7 Impact Task Force together with the GSG, has also made its workstream B report on impact investing strategies for mobilising capital in emerging markets and for the SDGs accessible by creating abbreviated summaries for pension funds. The abbreviated case studies and recommendations are all available on the [ITF website](#).



ENSURING INTERNATIONAL RECOMMENDATIONS AND BEST PRACTICE MATERIAL ARE ACCESSIBLE IN THE NATIVE LANGUAGE (SOUTH KOREA)

The Korea NAB set up a satellite organisation called the G7 Korea Impact Alliance, in partnership with the Korea Standards Association (KSA), whose chairman participated in the 2021 G7 Impact Task Force (ITF). The Alliance translated the ITF recommendations into Korean and is working closely with the government on the creation of a Korean Sustainability Standards Board which will work to adapt the International Sustainability Standards Board (ISSB) standards to the local context in South Korea.

GSG'S WORKING GROUP ON ENGAGING PENSION FUNDS IN IMPACT INVESTING (GLOBAL)

GSG runs a pensions and impact investing fund working group comprised of 20 or so NAB representatives from around the world committed to engaging with pension funds to unlock new sources of capital. Sessions are devoted to sharing tools, challenges, best practices, updates, etc. The working group has developed a resource library which lists recent publications related to the topic, materials that may be useful for pension funds, a running list of pension funds active in the field as well as examples of deals in their portfolios. NABs are invited to add resources to the list and to use the resources listed in the library to support their engagements and discussions.



A STUDY OF IMPACT INVESTMENTS MADE BY DUTCH PENSION FUNDS (THE NETHERLANDS)

We often hear that one of the barriers faced by institutional investors to investing in impact is the lack of pipeline. Despite a market size for impact investments estimated at €150-180 billion in the Netherlands, investors are often faced with a mismatch between supply and demand of capital. To dispel this claim, the Netherlands NAB released a study of impact investments made by Dutch pension funds between 2021-2022. The report presents publicly available information about the pension funds, their asset managers, and the fund(s) in which they have invested. The NAB also comments on the impact strategy of the pension fund, the SDGs addressed, and the countries where the investments were made.

4



Industry Commitments and Pledges

Industry commitments are collective and coordinated efforts towards achieving a specific goal. When firms in a particular industry make a commitment to a certain cause, it sends a clear signal that they are dedicated to addressing a particular issue. In turn, it creates accountability, and builds momentum for others to join in as well. Industry commitments subsequently help to align the efforts of various stakeholders, including governments, civil society organisations, and consumers. This alignment can create a more cohesive and effective approach to addressing complex challenges that may require a multi-faceted solution. Industry commitments can be local or national in focus, or span regions and geographies.



IMPACT INVESTING PRINCIPLES FOR PENSIONS (UK)

The UK NAB worked with Pensions for Purpose, a UK-based member network working to increase capital flows to impact investments, to develop the Impact Investing Principles for Pensions. The Principles provide pension funds with an introduction to impact investing by outlining the concrete steps pension schemes can take to adopt impact investing allocation strategies. At their essence, the Principles are a good governance framework that helps pension funds understand how to set impact objectives, align their consultants and managers with these objectives, and measure impact. The Principles have been adopted by funds with

£20 billion in assets and have also been taken up by a breadth of fiduciary managers and consultants who have used them to engage clients on impact investing.

Adopters of the Impact Investing Principles for Pensions gain access to a unique peer network called the **Adopters Forum**, where members can share experiences in pursuing impact investing, exposure to a growing area of investment opportunities, quarterly newsletters, access to quarterly events, case studies and research materials. With 300+ members including pension funds and other institutional investors from across the investment community, Pensions for Purpose demonstrates that there is nothing about impact investing that pension funds cannot do.



DUTCH SDG INVESTING AGENDA (THE NETHERLANDS)

In 2016, 18 Dutch financial institutions in collaboration with the Dutch government and central bank joined together and signed a commitment to support SDG-Investing (“SDGI”), a Dutch initiative to accelerate investment in the SDGs.⁹ In 2022, facilitators of SDGI agreed to bring the initiative under the auspices of the NAB. Marking the occasion, the NAB co-organised an event with VBDO (the Dutch Association of Investors for Sustainable Development) challenging the signatories of the SDGI pledge on their accomplishments to date halfway to 2030, and the remaining actions to take.

VBDO also marked the release of its report surveying impact investments among Dutch pension funds in illiquid markets. The event represented an opportunity to engage with a broader group of Dutch institutional investors with an affinity for sustainability and thus more likely to engage in impact investing.

IMPACT-DRIVEN FINANCING INITIATIVE (JAPAN)

In 2021, the Japan Impact-driven Financing Initiative was launched to provide major financial institutions an opportunity to deepen their commitment to impact investing. The initiative includes 27 financial institutions, including key players such as Mitsui Sumitomo Trust Holdings, Risona Holdings, Asset Management One, Sumitomo Mitsui Banking Group, Mitsubishi UFJ Bank, and Mizuho Bank. To be part of the initiative, the financial institutions must commit to make allocations to impact investments in the future, agree to develop an impact-driven corporate strategy that includes impact, and commit to start measuring their impact. Furthermore, pledges must be signed at the highest level of the organisation.

⁹ SDGI. Available at: <https://www.sdgi-nl.org/>

5



Local Pension Fund Fora and Collaboratives

Local pension fund fora and collaboratives are initiatives that bring together pension funds to co-invest in impact deals in a particular geographic region or asset class. These fora aim to increase the scale and effectiveness of impact investing by leveraging the collective expertise, networks, and capital of their members. They are also able to structure investments or conduct in-depth due diligence in ways that mitigate real or perceived risk. In some cases, they can provide comment or feedback to government and regulators on areas of policy.



THE ASSET OWNERS FORUM (SOUTH AFRICA)

The Asset Owners Forum in South Africa (AOFSA) is a first-of-its-kind collaboration of local pension funds to support a common goal of investing in South African infrastructure and real assets for the benefit of its members, while maximising the positive socio-economic impact of those investments.¹⁰ The Forum was founded by 12 of the largest pension funds in South Africa with collective assets approaching R3 trillion (\$200 billion USD). By pooling resources across funds, it aims to create an enabling environment to channel capital toward private market investments, such as infrastructure, affordable housing, and renewable energy.

AOFSA was launched with support from the U.S. Agency for International Development (USAID), World Bank, and MiDA Advisors (Mobilizing Institutional Investors to Develop Africa's Infrastructure). USAID provided resources to support implementation partners like MiDA Advisors in providing advisory support, capacity building, and technical assistance to develop the Forum's framework to unlock and mobilise private capital in South Africa. This support aims to drive local investments in infrastructure and facilitate investments by U.S. investors and South African pension funds in local deals.



PENSION OPERATORS ASSOCIATION (NIGERIA)

The Pension Operators Association of Nigeria is an independent, non-governmental, non-political and non-profit making body established to ensure that international best practices relating to the industry are observed by the operators registered in Nigeria. By releasing periodic reports and providing trainings it keeps pension fund trustees and investors informed of new investment opportunities, guidelines, and policies, within the pension industry.



PENSION INDUSTRY COLLABORATIVE (PIC) (GHANA)

II Gh convened the Impact Investors Leaders Forum for CEOs of pension trustees and fund managers, including CEOs of the seven of the largest private pension funds to encourage collective action that would increase pension investments in profitable alternative investments for Ghana's development. One of the resolutions from the leaders forum was to define impact investing as it pertains to alternative assets, and to determine the characteristics of investment vehicles/products in which pension funds might be comfortable investing. With this aim in mind, they constituted

¹⁰ The Employee Benefits Network. "Asset Owners Forum South Africa Launched." Available at: <https://www.ebnet.co.za/asset-owners-forum-south-africa-aofsa-launched/>

the PIC, the Pension Industry Collaborative. The PIC has worked together to clearly identify the challenges, including why the industry is not investing in alternative assets, outline clearly what would be needed (training/capacity building/ratings/regulations etc) for the industry to begin to engage in alternative investments, provide input into what the design/requirements/ characteristics of a financial vehicle, institution or product that could meet the risk-return profile of the industry would need to be and work together on further actions. As detailed in a previous section, the Ghana NAB is working closely with the PIC to design an impact fund of funds vehicle that would receive investment from PIC, in addition other local sources.

6



Research, Advocacy, and Policy Change

NAB representatives across the network have engaged with public and private pension funds as well as local regulatory bodies to request clarification, modification, guidance, and policy reform on topics related to fiduciary duty, risk management and disclosure, asset allocation limits, and other considerations that hinder pension funds' ability allocate capital to impact investment opportunities. Similar to other topics covered in this paper, NAB advocacy and engagement can make use of successes, precedents, and lessons learned from other NABs and jurisdictions to make the case for policy reform in their local jurisdictions.



ENGAGING WITH PENSION FUNDS TO INCREASE THEIR ALLOCATIONS TO ALTERNATIVE INVESTMENTS (GHANA)

Regulators are known to set limits on the proportion of assets that can be allocated to certain asset class. This is done to diversify investments, but also to limit exposure to risk. Regulatory limits affecting pensions funds were recently reformed in Ghana, Nigeria, South Africa, and Colombia. Despite having the ability to invest a certain portion of their assets in alternative investments (the majority of verifiable impact investments are still concentrated in alternative, unlisted assets), most pension funds do not invest even close to their maximum regulatory limits. In Ghana, for example, pensions can allocate up to 15% to private equity and venture capital, yet in reality, only 0.03% is invested in the asset class.¹¹

Through a project supported by the IDRC, the Ghana NAB is working with a research team to produce a baseline study of the Ghana VC/PE industry that will provide much needed information to the local pension fund industry in hopes that greater clarity and performance data will boost allocations to the asset class. The Ghana NAB's study is expected to be published in Q3 2023 and will be followed by an engagement event presenting findings to industry stakeholders. This information is especially timely as it supports a broader campaign led by the NAB to design a fund of funds for alternative assets they hope will be backed by local pension funds.

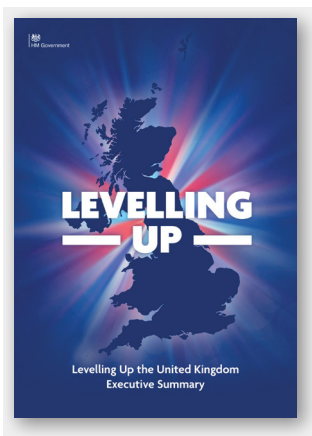
¹¹ Collaborative For Frontier Finance (2022). "Unlocking local pension fund capital for small business finance." Available at: <https://static1.squarespace.com/static/59d679428dd0414c16f59855/t/6336d650d647c054b1336fbd/1664538207001/CFF+Unlocking+local+pension+fund+capital.pdf/>

BOOSTING ALLOCATIONS TO PLACE-BASED INVESTMENTS (UK)

Together with the Good Economy and Pensions for Purpose, the Impact Investment Institute published a white paper in 2021 titled, '[Scaling up Institutional Investment for Place-Based Impact](#).' Place-based investing constitutes investments made with the intention to yield appropriate risk-adjusted financial returns as well as positive local impact, with a focus on addressing the needs of specific places to enhance local economic resilience, prosperity and sustainable development.

Through an analysis of Local Government Pension Scheme (LGPA) data, the paper finds that only about 1% of LGPA assets under management support local or regional projects that advance what the Iii regard as key sectors – affordable housing SME Finance, clean energy, infrastructure, regeneration – that could support equity and economic growth in the UK. With £326bn AUM, LGPA is the largest public sector pension scheme in the UK with more than five million members ranging from local government employees to teachers, police staff and people working in the voluntary sector. The pension funds are locally managed by 98 sub-regional Administering Authorities. Through further analysis and case studies, the paper lays out 5 recommended actions for how the LGPA can boost allocations to local projects that promote robust social and environmental outcomes.

Since issuing the paper, the UK government released its own [Levelling Up white paper](#), in which it announced a new 5% target for local investment by council pension schemes to invest in place-based initiatives. The new policy is directly informed by one of the key recommendations put forward by the Iii's in its white paper.



WHITE PAPERS AND POSITION PAPERS (UK)

There is a common misconception among pension fund trustees that their fiduciary duties are incompatible with impact investing. To dispel this myth, the Impact Investment Institute (UK NAB) issued a [legal paper](#) (2020) written and attested by five leading law firms and reviewed by a number of other lawyers and experts explaining how fiduciary duty and impact investing are compatible. The Impact Investment Institute's Legal Paper is just one resource listed in its resource library.

The Institute remains in regular engagement with government (consultation responses, ministerial meetings, etc.), focusing efforts on highlighting that clarifying fiduciary duty, via legislation or guidance, by DLUHC (for LGPS), DWP and the Law Commission (for occupational schemes) would reassure pension funds and unlock this capital.

Representatives of the Institute sit on a Financial Market Law Committee (FMLC) working group, seeking to provide policymakers with clear options on fiduciary duty reform, as highlighted in the UK's 2023 Green Finance Strategy. They also collaborate with the Department of Work and Pensions' Taskforce on Social Factors, supporting the development of an understanding of social factors in the pensions industry. To support these efforts, they have published a report scoping the wide range of existing social disclosures in the UK. The report indicates that three stand out as sufficiently developed as to provide a strong starting point

for a social metrics framework by policymakers: 'nondiscrimination' (in relation to employment (i.e. workforce equality)), the National Living Wage (as determined by the Living Wage Foundation) and 'education'. 'Non-discrimination' contains a series of well-developed metrics, including gender pay gap reporting, ethnicity pay gap reporting and board diversity targets.



WHITE PAPER ON CAPITAL REQUIREMENTS FOR INSTITUTIONAL INVESTORS (THE NETHERLANDS)

When the Dutch NAB researched the state of the Dutch impact investing ecosystem, many interviewees identified the high level of capital charges for pension funds, insurance companies and banks when investing in unlisted assets as a key barrier for the sector, and indeed impact deals within this sector, to scale up. The Dutch NAB set up a working group to research and compare the regulatory requirements to the track-record of its members: the first level of research focused private debt in emerging markets and is set to be published in 2023. The research intends to support pension funds and other institutional investors with market data when building their risk management models.



RESEARCH REPORT ON ISRAEL INSTITUTIONAL INVESTOR PRACTICES IN IMPACT AND ESG (ISRAEL)

In 2023, the IFIE (Israel NAB) produced an up-to-date analysis of ESG and impact investing among institutional investors in Israel. The study provides insights on the size of the market, practical aspects, motivations and challenges facing investors. Research is based on comprehensive interviews carried out with institutional investors and industry experts, combined with in-depth analysis of publicly available data, including ESG reports and investment policies. IFIE conducted interviews with 17 Israeli institutional investors, including Israel's largest banks (Discount Bank, Bank Leumi, Bank Mizrahi-Tefahot and Bank Hapoalim), insurance companies (Ayalon, Clal, Harel, Menora Mivtachim, Migdal and Phoenix), and major investment houses (Altshuler Shaham, ANALYST, Meitav Dash and Yelin Lapidot). According to the IFIE's findings, impact investments currently constitute a negligible fraction of the total assets managed by Israeli institutional investors, with such investments predominantly facilitated through intermediaries or financial vehicles. Findings also suggested that greater public demand for responsible and impact investing will be a potentially dominant motivator going forward.



7



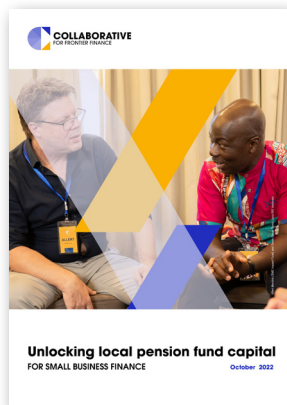
Designing new Investment Vehicles

One of the barriers facing pension funds is the lack of available impact investment vehicles with the scale, return expectations, or strong governance frameworks suitable for pension funds to invest into. To bridge this gap, some NABs are designing new investment vehicles to bridge between the volume requirements of pension funds and the challenges faced by individuals, enterprises, and sectors on the ground.



CREDIT GUARANTEE SCHEME FOR SMES (ZAMBIA)

In Zambia, pension funds are mandated to invest 5% of their assets in socio-economic development projects.¹² However, the lack of investable products and the real and perceived risks around lending to local micro and small and medium enterprises often makes it difficult for capital to be deployed where it is needed most. To bridge this gap, the Zambian NAB (NABIIZ) is working with the Bank of Zambia to develop a Credit Risk Guarantee Scheme (CRGS), a local currency blended finance instrument, that would enable Zambian pension funds to support new financing opportunities for local enterprises. As detailed above, NABIIZ is engaging directly with pension funds, other investors, and lenders to design the scheme so that it meets the needs of all involved stakeholders, enterprises, investors, lenders, and regulators alike. For more information on the NAB's efforts to date, see [Unlocking Pension Fund Capital for Small Business Finance](#) (CFF, 2022).



DESIGNING FINANCING INSTRUMENTS TO DE-RISK AND DRAW IN PENSION FUND CAPITAL (GHANA)

A consortium of partners initiated by the World Economic Forum Global Alliance for Social Entrepreneurship, including the Collaborative for Frontier Finance, the Global Steering Group for Impact Investing and the Sustainable Development Investment Partnership, worked with IGH (Ghana NAB) to support the design and implementation of a Fund of Funds investment vehicle that could address some of the key barriers to growth finance for small and growing businesses in Ghana. As detailed in the respective sections above, the NAB is working with its pension industry to structure the Fund of Funds in a way that would make it attractive for pension funds. Targeting \$85 million, the Ci Gaba Fund of Fund aims to unlock pension fund local capital for local fund managers who will make equity and debt investments into small and medium enterprises. The fund of funds will be a blended finance vehicle comprised of two tiers of capital, a senior tier from local pension funds structured as preferred shares with return expectations based on 10-year government bond rate; and a second tier covering 30% first loss from donors or development finance agencies. For more information on the Ghana Pension Funds Collaborative and the Fund of Funds Vehicle, see [Unlocking Local Pension Fund Capital for Small Business Finance](#) and [Fund of Funds Vehicles for Small and Growing Businesses](#) (2022).



¹² Collaborative For Frontier Finance (2022). Ibid.



Bottom-up Strategies

Engaging with pension funds using a bottom-up approach involves building support for specific initiatives or actions from individual stakeholders and organisations at the grassroots level, rather than relying solely on top-down decision-making by fund managers or executives. Besides reflecting changing public preferences, building grassroots support fosters greater transparency around pension's investment practices and accountability vis-a-vis fund beneficiaries. This ultimately leads to better outcomes for the industry and for savers alike.

1



Public Opinion Surveys



PUBLIC OPINION SURVEY (ISRAEL)

In 2018, Social Finance Israel (SFI) and Greeneye, two NAB members, conducted a survey among Israeli pension savers examining saver's preferences and attitudes towards responsible investment. The study was the first of its kind to survey savers' interest and level of knowledge related to where and how their pension savings were being invested and perceptions around channelling funds toward more responsible investments. Interestingly, nearly half of respondents said they were likely to choose responsible investments if given the option. Even those that did not express interest in responsible investments noted the importance of the entities that manage their savings to feature this type of investment. Furthermore, the survey's findings indicated that the public wanted to know where their pension savings funds are invested, and to choose savings channels that are more responsible and ethical, in a way that allows for a better correlation between investment strategies and the values of the saver.

A well-executed public opinion survey can be a useful component in a comms strategy, especially when findings are reported in advance of announcements related to new regulation or feedback processes involving pension funds and sustainable or impact investing practices.

2



Direct Advocacy at Annual General Meetings



DIRECT ADVOCACY AT AGMS (UK)

ShareAction is a registered UK charity that aims to improve corporate behaviour on environmental, social and governance issues. Through ShareAction's AGM Activism Program, individuals can advocate directly to their pension funds, using the tools and materials provided by the organisation. Participating in this programme, Francesca Spoerry, a past GSG team member, was able to ask Standard Chartered Bank's board questions related to the institution's climate policies and net zero commitments. A [LinkedIn](#) post written by Francesca captures the moment, demonstrating how these types of engagements can generate further engagement, public awareness, and support.

3



Public Awareness Campaigns



MAKE MY MONEY MATTER (UK)

Make My Money Matter was set up to address two challenges; to get more capital flowing towards impact, sustainable development goals, and climate-related issues, and to address a gap in knowledge and engagement among savers about their money and the power of their investments. The organisation, which focuses primarily fostering public engagement vis-à-vis UK pensions and banks, runs a series of campaigns for individuals, organisations, government and industry, encouraging them to reduce the climate impact of their pensions as well as exposure to deforestation and other sustainable finance advocacy initiatives.

NABs looking to endorse or encourage public awareness campaigns can look to partner or establish similar organisations in their home countries. Pension funds and sustainable or impact investing practices.

4



Pension Fund Ratings

The Asset Owner's Disclosure Project, now a ShareAction project, was set up in 2014 to research the world's largest institutional investors and rank their performance on climate-related risks and opportunities. Their annual pension climate survey, which ran until 2018, featured a ranking of the best performing pension funds with regard to mitigating climate risk. Their ranking provides much-needed benchmarking, data, and transparency for beneficiaries, clients, investors and stakeholders. Pension funds may be especially sensitive to benchmarking studies and choose to improve their practices if ranked lower than competitors, or to improve their own reputation among clients who are increasingly interested in engaged with financial service providers that align with their values around sustainable investment practices.¹³

In 2022, the Israeli grassroots group Clean Money Forum, part of Fossil Free Israel, a coalition of environmental and civil society organisations that look at the financial aspects of the climate crisis, ranked Israel's institutional investors exposure to fossil fuels. Though based on publicly available data, the information had not been systematically assessed. Through the ranking, the organisation aims to increase transparency and foster dialogue around possibilities for reaching net zero as quickly as possible.

5



Industry Benchmark Reports



INDUSTRY BENCHMARKS REPORT (THE NETHERLANDS)

VBDO, an association in The Netherlands, is a knowledge leader of responsible investing and implementation of sustainability by asset owners. They publish benchmarks of responsible investing for pension funds and insurance companies. In the benchmark for pension funds, the 50 biggest pension funds of The Netherlands are ranked on their responsible investments.

¹³ Pew Research Center (2021). "Gen Z, Millennials Stand Out for Climate Change Activism. Social Media Engagement with Issue." Available at: <https://www.pewresearch.org/science/2021/05/26/gen-z-millennials-stand-out-for-climate-change-activism-social-media-engagement-with-issue/>

Conclusion



At the end of 2021, total pension assets managed in countries where National Advisory Board for Impact Investing are operational amounted to \$56 trillion, with pension assets exceeding annual gross domestic product (GDP) in 3 of the 30 countries included in this tally.¹⁴

Recognising the pension industry's enormous potential to support positive social and environmental outcomes locally and globally, National Advisory Boards - represented by senior leaders in the supply and demand sides, policy makers, regulators, lawyers, academics, and advisors - are devoting significant efforts to encourage pension funds and their communities of savers, fund managers, and clients, to adopt impact investment practices and invest to ensure measurable, positive outcomes for people and planet.

As our paper illustrates, NABs are engaging through top-down and bottom-up approaches; top-down to affect changes in policy and strategy among pension trustees, Boards of Directors, CEOs and CIOs; bottom up, by raising awareness and encouraging pension savers to engage directly with their providers.

By helping to lay a strong foundation of the principles and practices of impact investing, and by serving as trusted and professional knowledge partners, NABs can enhance their efforts vis-à-vis pension funds by subsequently championing more targeted approaches to capital mobilisation. These can include SDG-focused and climate investing, Just Transition financing, place-based investing, or blended finance transactions in emerging markets. These are just some of the myriad of opportunities represented in the impact investment market, which holds some of our generation's most significant investment opportunities. According to estimates, emerging markets and developing economies face a \$4 trillion annual financing gap to meet the SDGs (UNCTAD, 2022). Emerging markets are also highly vulnerable to the increasing impact of climate change and will need \$2.45 trillion to finance their energy transition over the next decade, with adaptation costs alone expected to reach \$140-300 billion per year by 2030 (UNEP, 2021).

As a group, the GSG, affiliated NABs, and market building partners continue to produce up to date of analysis and actionable recommendations designed to aid pension funds in going beyond real and perceived risks to channel more capital to impact investing opportunities, both domestically and abroad.

By helping to lay a strong foundation on the principles and practices of impact investing and by establishing themselves as trusted and professional knowledge partners, NABs can enhance their efforts vis-à-vis pension funds by championing more targeted approaches for capital mobilisation for positive impact, including conveying the urgency of SDG and climate finance, Just Transition and place based investing, showcasing the opportunity of impact investing through the public markets, and encouraging pensions to commit to pursue impact investing in emerging markets.



¹⁴ This figure reflects pension assets in 30 countries listed in the OECD's Pensions Outlook, whereas there are currently 37 NABs and RABs (Regional Advisory Boards). Data from Sri Lanka, Central America, Bangladesh was not available. OECD (2022): "OECD Pensions Outlook 2022." Available at: <https://www.oecd.org/pensions/oecd-pensions-outlook-23137649.htm>



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