

## The Impact Investing Institute's response to the Pensions Dashboards Programme's Call for Input: Design Standards

24 August 2022

### ABOUT US

The Impact Investing Institute (the “**Institute**”) was launched in 2019 with a simple mission: to accelerate the growth and improve the effectiveness of the impact investing market in the UK and internationally. Our vision is for lives to improve, as more people choose to use their savings and investments to help solve social and environmental challenges, while seeking a financial return. We want to see more capital contributing to the well-being of people and the planet – as set out in the United Nation’s Sustainable Development Goals (UN SDGs) - and for capital markets to be fairer and work better for people and the planet.

### WHAT WE DO

Our [Theory of Change](#) describes how we plan to achieve change in the short-, medium- and long-term. We run a series of research, education and advocacy programmes designed to bring about the market conditions to enable impact investing to flourish. We want to make it easier for pension schemes to invest with impact, which we believe is consistent with their purpose. We seek to support schemes in making investments which create opportunities to generate positive, measurable environmental and social impact alongside a competitive risk-adjusted return.

We work with pension schemes to make it easier to allocate for impact in the following ways:

We developed a legal paper on [pension scheme fiduciary duty](#) (2020) in partnership with five City law firms and reviewed by the Association of Pension Lawyers, which counters the misconception that investing for social and/or environmental impact is incompatible with pension scheme fiduciary duty. Please see paragraph 4.2 for more detail on this paper.

We developed our [Impact Investing Good Governance Principles for Pensions](#) (see our comments on stewardship below). These give an accessible, practical insight into the opportunity presented by impact investing and provide pension scheme trustees with concrete steps to take to invest with impact at every stage in the investment chain.

In partnership with Pensions for Purpose, we run the [Impact Investing Adopter Forum](#), a member forum of pension schemes, investment consultants and fiduciary managers that have committed to the Impact Investing Principles for Pensions. Members advance the principles, share best practice, and together lead the way for more pension schemes to invest with positive social and environmental impact.

We are continually developing an evidence base of impact investments suitable for pension schemes. This includes the investment cases for 'place-based impact investments', including clean energy and social housing. Our [Place-Based Impact Investing \(PBII\) Project](#) explores how a place-based approach, already favoured by public and social investors, can be extended to Local Government Pension

Scheme funds. We have also recently published a series of case studies on opportunities for impact investments in emerging markets that are suitable for pension schemes.

Our [Learning Hub](#) is designed to help professionals and individuals learn more about impact investing, to meet personal interests or support work with clients or on behalf of beneficiaries.

In January 2022, we [responded](#) to the Department for Work and Pensions' consultation on climate and investment reporting, outlining our positions on fiduciary duty, universal ownership, the Just Transition and stewardship, voting and engagement.

## KEY RECOMMENDATIONS

We welcome the introduction of Pensions Dashboards, which should enable individuals to access all their pensions information online, thereby supporting better planning for retirement and growing financial wellbeing. We also believe the programme presents an opportunity to better enable individuals to align their investments with desired social and environmental outcomes, thereby benefiting people and the planet as well as a delivering a healthy pension in retirement. The following recommendations fully support the stated objective of the Pensions Dashboards to “play a part in helping users to engage in retirement planning, obtain advice or guidance and ultimately make informed decisions”.

### Financial Literacy

We recognise that the Pensions Dashboards Programme's consumer research found that some users have little motivation to engage with their pensions, given a lack of trust in financial services, other priorities, and a lack of understanding, amongst other reasons.

Despite this, research consistently demonstrates that people want their investments to contribute towards positive social and environmental impact, while delivering a risk-adjusted financial return. Although the current cost-of-living crisis has raised financial anxiety among some savers, many of its underlying causes – including the energy crisis – reinforce the need to invest for a more sustainable economy. A recent LPC survey, for example, [found](#) that around three-quarters of workplace pension holders would want to avoid investing in companies involved in certain unethical practices, but a lack of financial literacy prevents employees from aligning their pension investments with their ethics.

The Pensions Dashboards should therefore include information on how an individual can invest their pension(s) in line with their values, alongside broader guidance on how pension schemes work. Our [Learning Hub](#) includes information for individuals who want to learn more about impact investing to meet personal interests, and we would be pleased to support the roll-out of such information on Pensions Dashboards.

### Data Accessibility

Once a pension holder is capable of and willing to invest their pension in line with their values, they need access to high-quality, comparable data. Much of this data has already been gathered by emerging companies in conjunction with pensions providers. [Tumelo](#), for example, shows investors

the companies they own and empowers them to engage on issues they care about. In doing so, it helps investment firms connect with customers so they can better serve people and protect our planet.

Pensions Dashboards should work with data providers to 'plug in' this data, enabling users to access information on:

Pension funds' investments in individual companies.

Pension funds' engagement, including votes at companies' AGMs, collective engagement with other investors, and communication of investment priorities and engagement activities.

### **Investor Engagement & Selection**

Organisations such as Tumelo not only inform shareholders but seek to empower them by providing a platform to vote on issues at company AGMs. Once again, Pensions Dashboards should seek to include this functionality, which could dramatically increase the level of 'active ownership' among UK pension holders.

It should also be easier for pension holders to manage fund selection within pension schemes. Pensions Dashboards could enable users to compare different funds and outline how they could transfer from one fund to another. In the future, Dashboards could facilitate such transfers themselves.

The same approach could also be taken to switching between schemes, with clear signposting to impartial information on pension transfers from [MoneyHelper](#), a government-backed service.

### **Impact Certification**

Regulatory standards around impact investing are developing rapidly, including:

The Financial Conduct Authority is developing new sustainability-related financial disclosure requirements ('disclosures') and a sustainable classification and labelling system for investment products ('labels'). We are advising the FCA through our membership of its [Disclosures and Labels Advisory Group](#).

Similar efforts are taking place elsewhere, [including in the US](#) through its Securities and Exchange Commission.

The UK's [Green Technical Advisory Group](#) is advising the Government on implementing a UK Green Taxonomy – a common framework setting the bar for investments that can be defined as environmentally sustainable. The EU has already developed a [Green Taxonomy](#) and is exploring the development of a Social Taxonomy, covering a wider range of social issues (e.g., working conditions, healthcare, education).

As such standards are implemented, adopted and – hopefully – standardised as much as possible across jurisdictions, consumers will increasingly expect this information to be readily available to

them. Pensions Dashboards should therefore consider the future incorporation of high-quality information on the sustainability of investment funds. This would further enable individuals to make well-informed investment decisions in line with their values, for the benefit of people and the planet.

Given our contribution to the development of such standards, the Institute would be pleased to support the Pensions Dashboards Programme on this initiative.