

The environmental and social impact of investments

Summary of webinar discussion 4 November 2013

What positive social and environmental impact can investments have? In this webinar, **David Wood** (Initiative for Responsible Investment, Harvard University) moderated a panel of three different examples of how responsible investment strategies can address environmental and social issues such as climate change, resource scarcity and poverty.

Julie Fox Gorte (Pax World Investments) described how Pax World engages with companies to raise awareness about environmental, social and governance (ESG) issues and how this can affect change not only within the approached company, but more broadly in the industry as other companies follow suit.

In response, **Wouter Koelewijn** (PGGM Investments) explained how PGGM differentiates between responsible investment strategies, such as company engagement and ESG integration, which are implemented across all its investments, and its 'targeted ESG' investments. The latter are defined as investments that meet standard financial criteria for their asset class and, in addition, target clear and convincing measurable goals which address environmental and social challenges, and are therefore considered to be more impactful.

Kelly Born (Hewlett Foundation) questioned whether market or above-market return investments can actually have an impact. Her starting point was that an investment has impact only if it increases the quality or quantity of an enterprises' social outcomes beyond what would otherwise have occurred. Assuming that markets are more or less efficient it is therefore difficult to say that an investment has impact as the capital would have been allocated anyway, regardless of the investor's environmental or social motivations. In new markets or sub-sectors however, investors may be able to create impact by providing capital that would otherwise not have been available.

Continuing the discussion of how to determine the impact of investments, Wouter explained how PGGM has developed scorecards to measure the expected impact of an investment at the pre-investment stage and the actual impact, post-investment. Both Julie and Kelly pointed to the importance of the signalling effect. Allocating capital to new markets and sectors can catalyse additional investment. Engaging with companies can create ripple effects which, though hard to correlate with a single engagement, can have huge impact.

Looking to the future, the speakers saw both opportunities and challenges. They acknowledged issues such as the current lack of investable opportunities for pension funds to create positive environmental and social impact. They agreed, however, that there is increasing demand from

different kinds of asset owners for such investments. The market can therefore be expected to grow, particularly in light of a new generation of pension fund beneficiaries and business leaders for whom the societal impact of business is as important as profit maximisation.

Read more about:

- PGGM's approach: [PGGM case study – Understanding the impacts of E&S themed investments](#) – PRI (2013) and [PGGM Responsible Investment Annual Report 2012](#).
- The impact of responsible investment strategies including active ownership, with examples from Pax World and others: [The impact of sustainable and responsible investment](#) – US SIF (2013).
- The thesis presented by Kelly Born and responses to it from different investment actors: [When can impact investing create real impact?](#) – Kelly Born and Paul Brest, Stanford Social Innovation Review (2013).
- [The Initiative for Responsible Investment](#) at Harvard University.
- How to understand and measure the impact of your investments in PRI's recent paper: [Understanding the impact of your investments](#) – PRI (2013).