Dutch pension funds and Sustainable investment

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The VBDO

- The Dutch Association of Investors for Sustainable Investment
- Multi-stakeholder: more than 60 institutional and 700 retail investors
- Mission: ‘to make the capital markets more sustainable’
- Vision: raise the awareness of and improve the level of sustainability among companies and investors
- Active on both the supply and demand side of the capital markets

Our network

Our member organisations

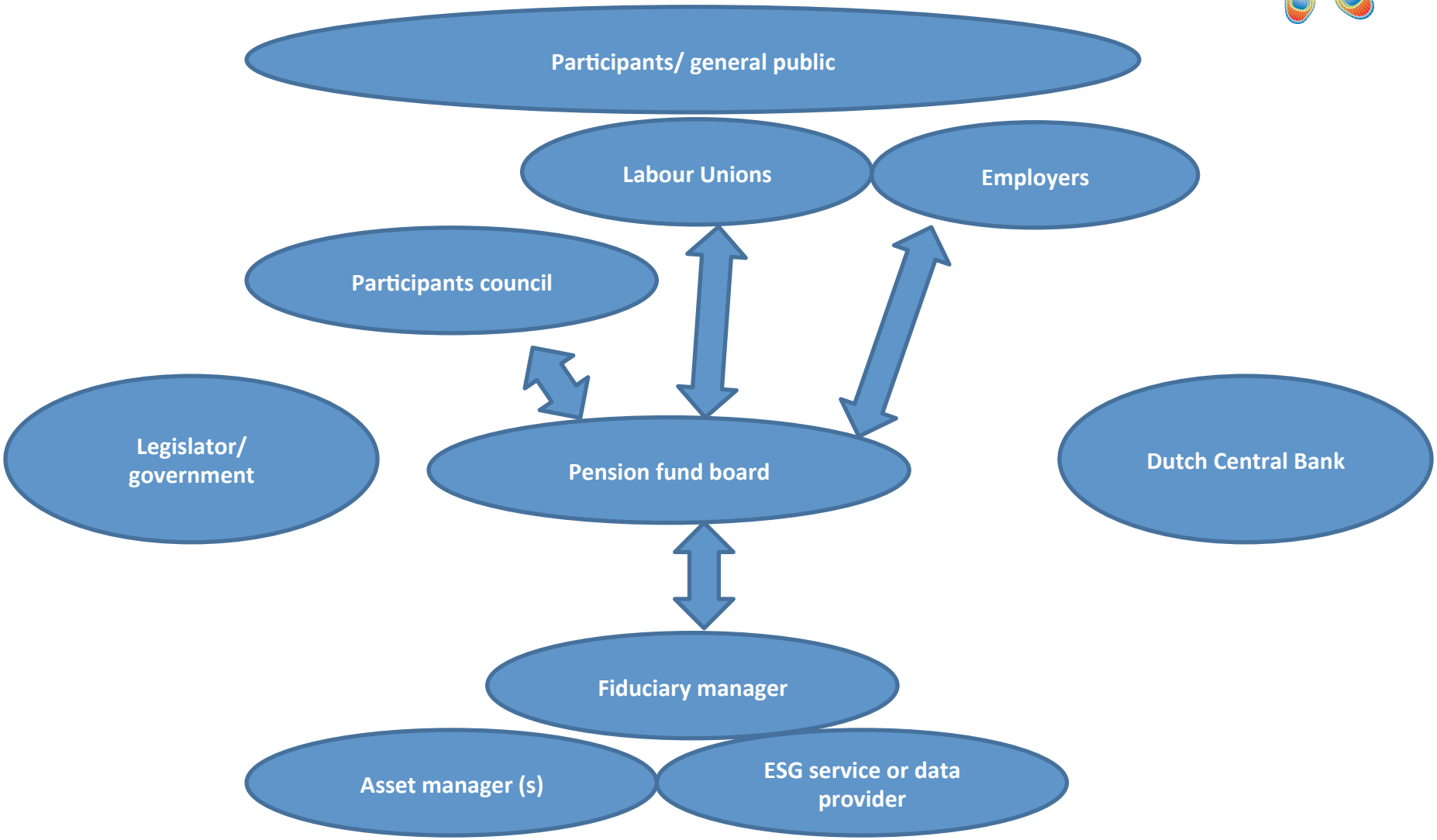
Our current collaboration partners

- Institute for Human Rights & Business
- Business & Human Rights Resource Centre
- Calvert Investments
- Aviva Investors
- EIRIS
- CREM
- PwC
- Accenture
- E&Y
- Tax Justice NL
- DoubleDividend
- EUROSIF
- USSIF
- GSIA
- ACTIAM
- Syntrus Achmea
- Oikos
- ICCO Cooperation
- CNV Internationaal
- RVO NL
- Fonds 1818
- Ministry of Economic Affairs
- Ministry of Foreign Affairs
- Triodos Bank
- ING Group
- ASN Bank
- ABN AMRO
- Rabobank
- HSBC
- Vigeo
- Novethic
- Nederlandse Vereniging van Banken
- UCP
- Oikocredit
- … and many others

Dutch pension fund sector

- Over 1.38 trillion USD in assets
- In total around 300 pension funds
- Pension funds are linked to a certain economic sector, company or profession – Not possible to switch
- Pension funds managed by board composed of representatives from employers, trade unions and experts
- Implementation of the investment management for a pension fund is done by one or more asset managers

Complex network



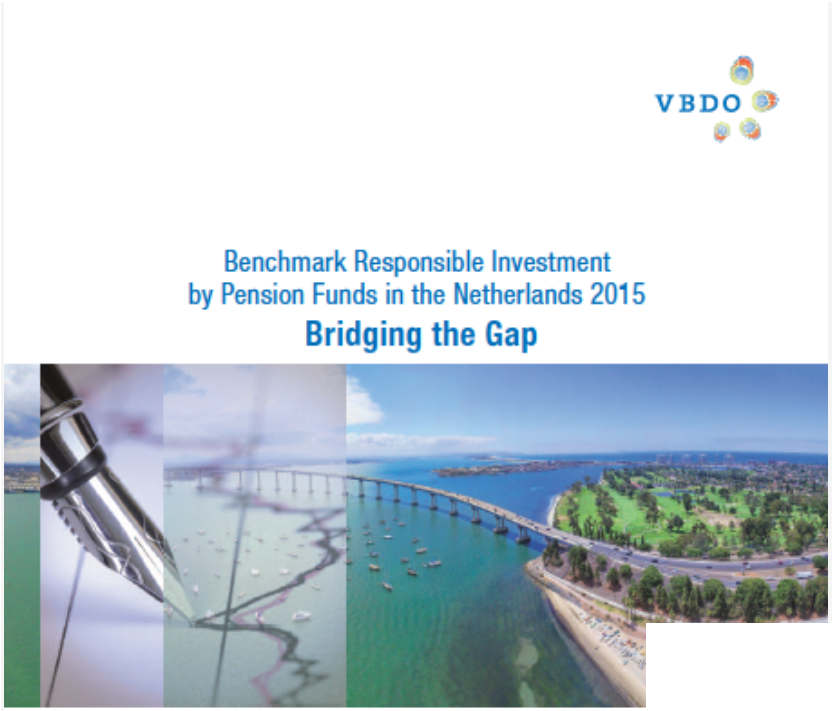
Part of societal debate on incidental basis

Dutch pension funds and sustainable investing

- Start in 2006. Documentary on Dutch television on investments in cluster ammunition by pension funds
- Slowly developing ever since
- Asset managers often taking the lead
- From “do no harm” to “do good”

Exclusion | ESG-integration | Voting | Engagement | Impact investing

VBDO Benchmark on responsible investment by pension funds



Motivation to start with the Benchmark in 2006

- Large sums invested
- Societal debate on the investments of pension funds
- Not on the agenda of pension funds
- No transparency on responsible investment
- No communication towards participants

Themes that are assessed in the Benchmark

Governance: role of the board

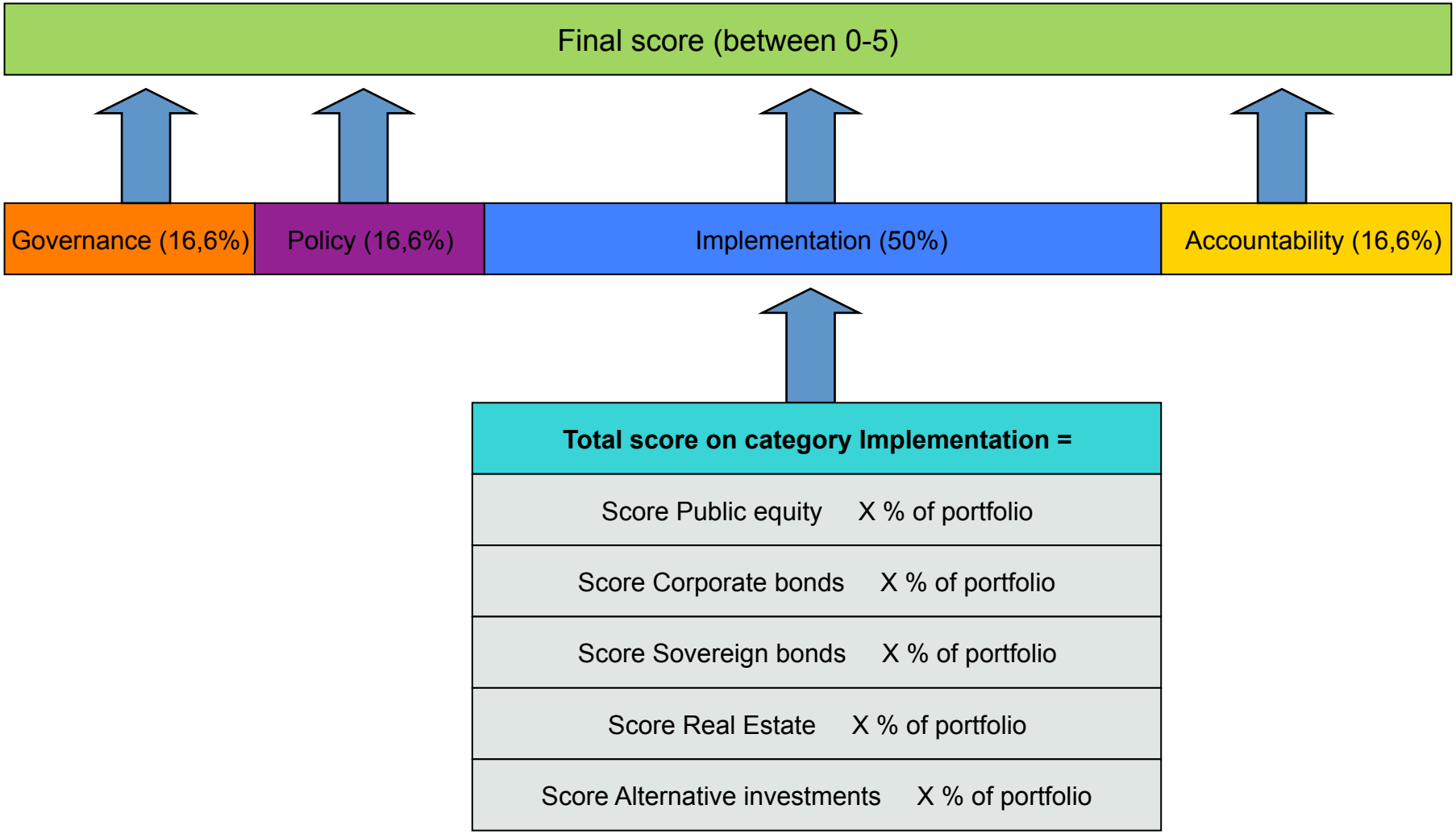
Policy: quality and extent

Implementation: use of RI investment instrument over asset classes

Transparency: process and outcomes

- Are instruments for responsible investments fully used by pension funds. No normative approach.
- Extra-legal

- **Number of questions**: 52


Final score (between 0-5)
Governance (16,6%)
Policy (16,6%)
Implementation (50%)
Accountability (16,6%)
Total score on category Implementation =
Score Public equity X % of portfolio
Score Corporate bonds X % of portfolio
Score Sovereign bonds X % of portfolio
Score Real Estate X % of portfolio
Score Alternative investments X % of portfolio

Results 2015

- Almost all pension funds use ESG-integration to make better investment decisions
- Many pension funds (84%) practice engagement
- Impact investments are increasing, but impact measurement is not commonplace
- Size of the pension funds is not the only factor in score
- Still large differences in performance: sector-wide co-operation is necessary
- Supervisor should play a more prominent, facilitating role in fostering sustainable investment

RANKING 2015		2014	NAME OF PENSION FUND	OVERALL SCORE	GOVERNANCE	POLICY	IMPLEMENTATION	ACCOUNTABILITY
				SCORES PER CATEGORY				
1	=	1	Pensioenfonds Zorg en Welzijn	4,4	5,0	5,0	3,8	5,0
2	▼	1	Bedrijfstakpensioenfonds voor de Landbouw	4,2	5,0	3,5	3,8	5,0
3	=	3	Algemeen Burgelijk Pensioenfonds	4,1	5,0	4,5	3,6	4,5
4	▲	7	Pensioenfonds SNS Reaal	4,0	4,8	5,0	3,5	3,9
5	▲	11	St. Pensioenfonds voor de Woningcorporaties	3,8	4,5	4,5	3,5	3,5
6	=	6	Bedrijfstakpensioenfonds voor de Bouwnijverheid	3,8	4,5	4,5	3,4	3,5
7	▲	9	Spoorwegpensioenfonds	3,6	4,3	4,0	3,1	4,2
8	▲	14	St. Pensioenfonds Openbaar Vervoer	3,6	4,5	4,0	2,9	4,2
9	▲	13	Ahold Pensioenfonds	3,5	4,8	4,0	3,1	2,7
10	▲	16	Bedrijfstakpensioenfonds Zorgverzekeraars	3,3	3,5	4,0	2,8	3,6

Linking investments with societal impact

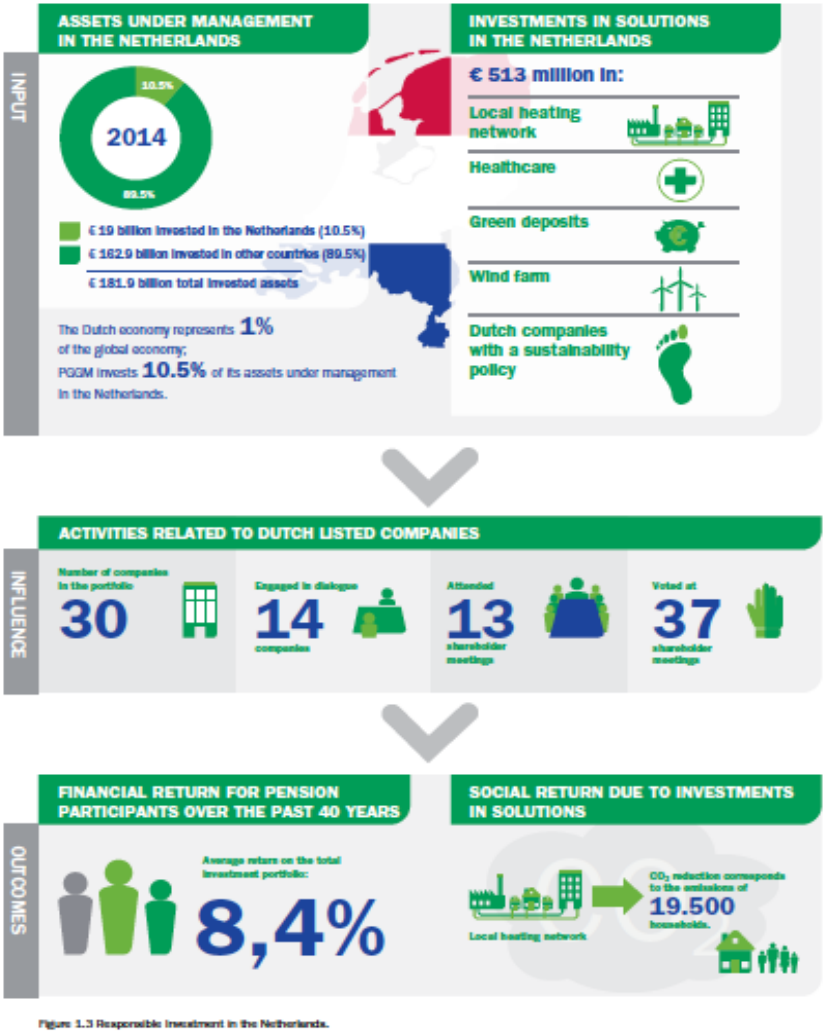
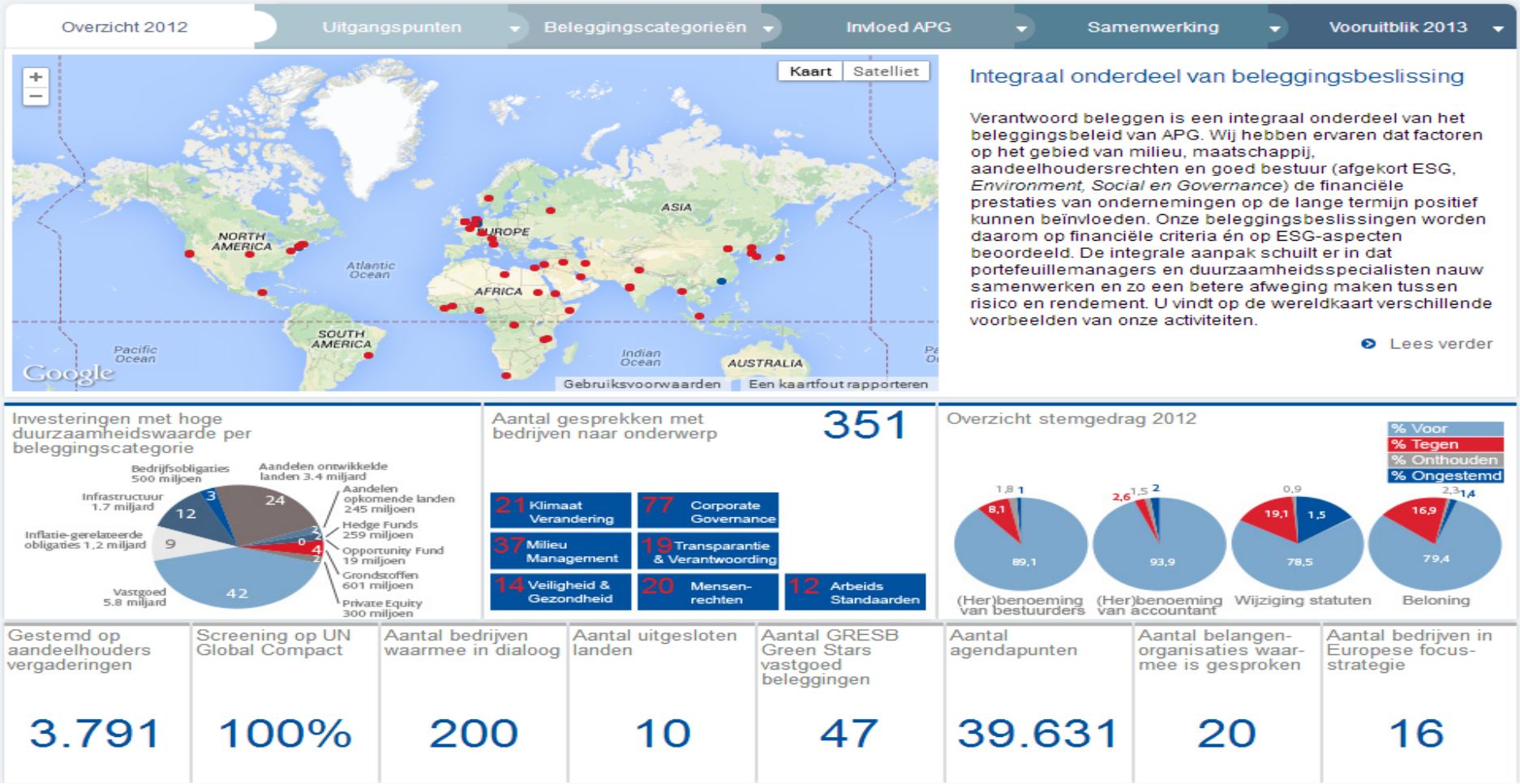


Figure 1.3 Responsible investment in the Netherlands.

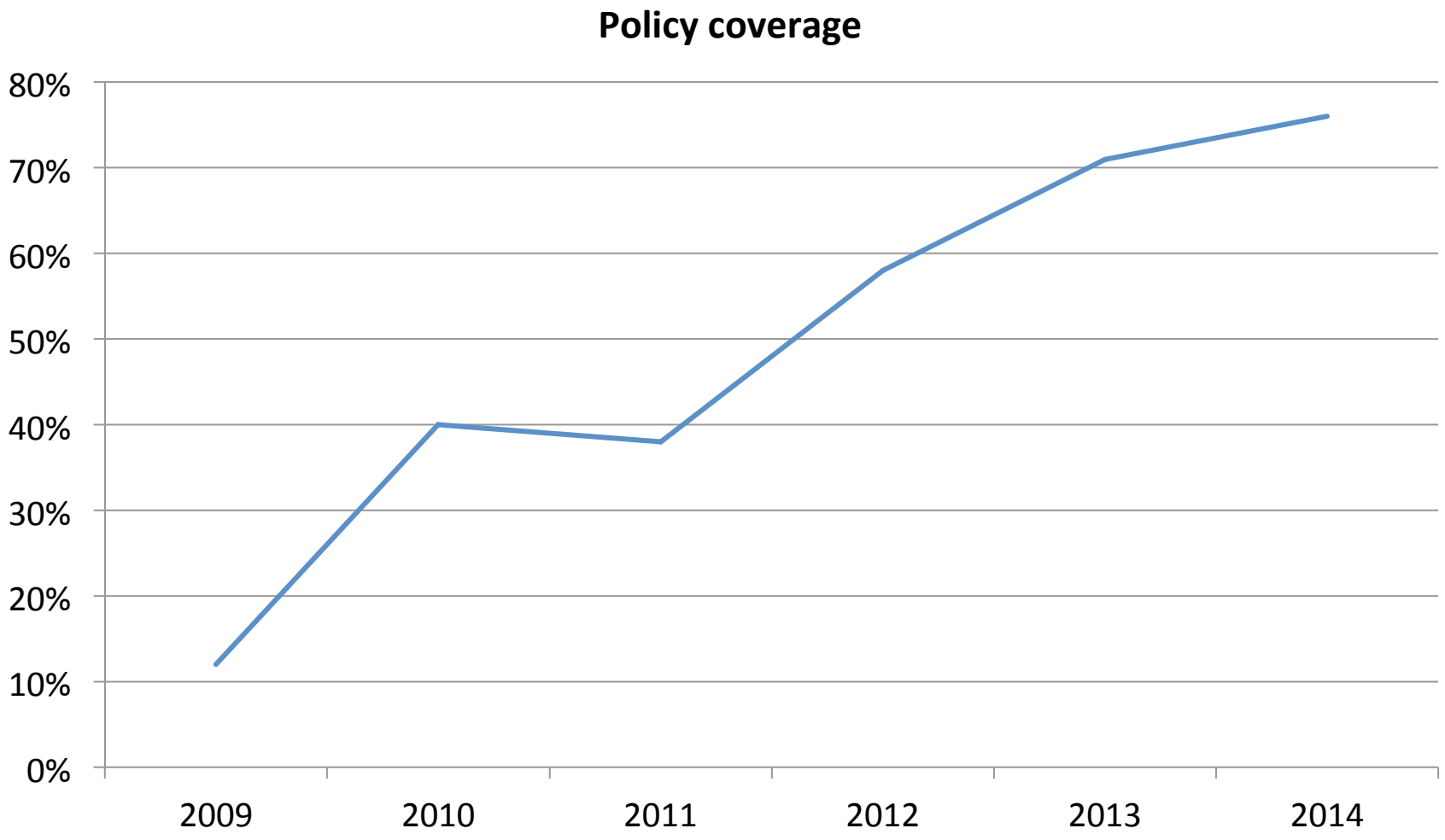
Transparency



Is benchmarking effective?

- Use of ranking in the benchmark as KPI by pension funds.
- Seen as valuable tool by the pension fund sector: response rate of 98%
- Increase in score over the years. Between 5% and 10% yearly.
- 100% has a responsible investment policy in 2014
- Increasing use of different instruments of responsible investment.
- To a lesser extent outcomes are used by:
  - Participants
  - Government
- Media attention

Coverage of asset classes by the SRI policy over the years



Benchmark used by the sector, supervisor and ministry

Next steps

- We congratulate FFS and MEFOP with the benchmark; an important step for the Italian pension fund sector
- We are sure that it will serve as an important tool to improve the dialogue on responsible investment in the Italian pension fund sector
- Looking forward to an international roll-out of the benchmark and start an international dialogue and sharing of best-practices in the pension fund sector

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