Benchmark on Responsible Investment by Pension Funds in the Netherlands 2022

Reflection: Beyond the benchmark

Benchmark on Responsible Investment by Pension Funds in the Netherlands 2021

Mainstream RI in an unsustainable world

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Ranking

Ranking 2022	Change	Ranking 2021	Name of pension fund	Overall score 2021	Gover-nance	Policy	Imple-mentation	Accoun-tability	Stars
1	– 0	1	ABP	4,4	4,6	3,9	4,3	4,9	★★★★
2	– 0	2	bpfBOUW	4,3	4,6	3,6	4,3	4,9	★★★★
3	– 0	3	PME	3,8	4	3,8	3,5	5	★★★
4	– 0	4	PMT	3,8	4,2	3,8	3,4	4,7	★★★
5	– 0	5	PFZW	3,8	4,6	3,3	3,5	4,2	★★★
6	▲ 3	9	SPW	3,5	3,5	2,9	3,7	3,2	★★
6	– 0	6	Pensioenfonds PostNL	3,5	3,5	3	3,6	3,3	★★
8	▲ 12	20	Pensioenfonds DSM Nederland	3,4	2,7	2,7	3,5	4,6	★★
9	▲ 27	36	Stichting Pensioenfonds SNS REAAL	3,2	4,3	2	3,3	3,3	★★
10	▼ 2	8	Pensioenfonds KPN	3,2	3,2	3,3	3,3	2,8	★★
11	▼ 4	7	Bpf Schilders	3,1	4	2,4	3,3	2,5	★★
12	▲ 3	15	Stichting Algemeen Pensioenfonds Unilever Nederland kring 'Progress'	3,1	3,8	2,6	3,3	2,3	★★
13	▲ 9	22	Pensioenfonds Rail & Openbaar Vervoer	3,1	4,2	2,3	2,9	3,2	★★
14	▲ 3	17	Stichting Pensioenfonds PGB	3,1	3,8	2,8	2,8	3,4	★★
15	▼ 5	10	BPL Pensioen	3	2,1	2,2	3,5	3,4	★★
16	▼ 2	14	SBZ Pensioen	3	3,5	2,3	3	3,1	★★
17	▲ 1	18	Pensioenfonds Vervoer	3	3,5	2,6	3,1	2,4	★★
18	▲ 6	24	Philips Pensioenfonds	2,9	3,8	2,8	2,8	2,6	★★
19	▼ 6	13	Pensioenfonds Horeca & Catering	2,9	2,7	2,4	3	3,5	★★
20	▼ 9	11	St. Bedrijfspensioenfonds voor het Bakkersbedrijf	2,9	3,5	2,9	2,8	2,5	★★
21	▲ 4	25	Pensioenfonds Shell	2,8	3,5	2,7	2,8	2,1	★★
22	▲ 5	27	Stichting Pensioenfonds voor Fysiotherapeuten (SPF)	2,7	4,2	2,3	2,5	2,5	★★
23	▼ 2	21	PWRI	2,7	3,4	2	2,9	2,3	★★
24	▼ 5	19	Rabobank Pensioenfonds	2,7	3	2,8	2,7	2,3	★★
25	▲ 1	26	Pensioenfonds UWV	2,7	3,1	3,5	2,2	3,2	★★
26	▲ 2	28	Stichting Pensioenfonds Huisartsen (SPH)	2,7	4	2,3	2,3	3,1	★★
27	▼ 11	16	Pensioenfonds Detailhandel	2,7	3,5	2,6	2,2	3,5	★★
28	▼ 16	12	Pensioenfonds PNO Media	2,6	1,5	2,2	3,2	2,7	★
29	▲ 4	33	Bpf Schoonmaak	2,6	3,5	2,3	2,4	2,3	★★
30	▼ 7	23	Pensioenfonds Achmea	2,6	1,9	2,2	2,9	2,5	★
31	▲ 6	37	SPMS	2,5	4,2	2,4	2	2,6	★★
32	▲ 15	47	Pensioenfonds Medewerkers Apotheken (PMA)	2,4	2,7	2,3	2,3	2,8	★
33	▲ 1	34	Stichting Pensioenfonds TNO	2,4	4,2	0,8	2,1	2,7	★
34	▼ 5	29	Pensioenfonds ING	2,3	2,2	2,1	2,2	3,1	★
35	▲ 7	42	Bedrijfstakpensioenfonds voor het Levensmiddelenbedrijf	2,2	2,1	2,9	1,7	2,9	★
36	▲ 12	48	Ahold Delhaize Pensioen	2,2	3,5	1,8	1,8	2,5	★
37	▼ 3	34	Pensioenfonds Architectenbureaus	2,1	2,5	2,6	2,1	1,4	★
37	▲ 2	39	Stichting Algemeen Pensioenfonds KLM	2,1	2,1	1,8	2,1	2,6	★
39	▼ 7	32	Bpf MITT	2,1	2,2	1,6	2,2	2,2	★
40	▼ 9	31	Bpf Koopvaardij	2,1	2,1	1,8	2,1	2,2	★
41	– 0	41	Stichting Pensioenfonds Vliegend Personeel KLM	2	3,1	1,2	1,9	2,2	★
42	▼ 4	38	Stichting Bedrijfstakpensioenfonds voor de Meubelindustrie en Meubileringsbedrijven	2	2,7	1,8	2	1,7	★
43	▼ 13	30	Pensioenfonds APF	1,9	2,7	2,3	1,7	1,4	★
44	▲ 2	46	Heineken Pensioenfonds	1,9	2,2	1,8	1,7	2,4	★
45	▲ 3	48	Pensioenfonds Hoogovens	1,9	2,7	2	1,4	2,4	★
46	▼ 6	40	ABN AMRO Pensioenfonds	1,8	2,7	1,8	1,3	2,5	★
47	▼ 4	43	Pensioenfonds IBM Nederland (SPIN)	1,8	3,3	1,8	1,4	1,7	★
48	▼ 3	45	Stichting Pensioenfonds KLM-Cabinepersoneel	1,8	2,1	1,5	1,5	2,4	★
49	▲ 1	50	Stichting Bedrijfstakpensioenfonds voor Vlees, Vleeswaren, Gemaksvoeding en Pluimveevlees (Pensioenfonds VLEP)	1,5	2,3	1,3	1,3	1,4	☆

* The scores are rounded to one decimal place. However, funds are only given a shared place in the ranking if they have the same score to two decimal places.

** New respondent

Preface

Since the publication of the last benchmark, responsible investment has been questioned more intensely than ever before, both by the sector itself and the outside world. The doubts raised about ESG as a practice and concerns around green washing made headlines and both accelerated and intensified the discussion on what sustainability in the financial sector entails. At the same time, both participants and society at large have found it easier to initiate conversations on responsible investment and what it means for institutional investors in general and pension funds in particular. In addition to this scrutiny, the first phase of the Sustainable Finance Disclosure Regulation (SFDR) has been implemented, and other sustainability-related regulation is due to come into play in the near future. The financial sector has never been as closely watched as it is now, and pension funds are finding themselves under particular scrutiny.

It is paramount that pension funds take the time to look back on where the sector started, see how far it has come, and appreciate what else it should be doing.

This does not mean the sector has been sitting on its hands. On the contrary, it is busier than ever. Increased regulation, continuous requests for survey participation (including for our benchmark), task forces and working groups all demand attention. All of this means that this benchmark is now more important than ever. It is paramount that pension funds take the time to look back on where the sector started, see how far it has come, and appreciate what else it should be doing.

At its core, the benchmark aims to do three things: incite reflection, encourage collaboration and instigate change. Reflection is not just a solitary activity but something we do together, as a sector. In order to bolster continued and meaningful activity on responsible investment and sustainability, it is key to look beyond the ranking. Readers will therefore notice this report includes far fewer 'hard' results than previous years. Rather than just quantifying the outcomes and preparing graphs showing progress (or lack of), this year we have taken a different approach. I would like to call on all involved in the pension sector to take this report as an opportunity to discuss the hard-hitting questions outlined within it. It is time to thoroughly re-examine responsible investment, warts and all.

In light of the above and as most pension funds have indicated ambitious developments for 2022, making recommendations per chapter obsolete, we have opted to include discussion points based on this and the previous year's results for each chapter. These are questions to be discussed and debated. The idea behind these discussion points is for them to serve as food for thought and conversation starters internally and with peers. Let the resulting discussion be a starting point for concrete change in the real economy and world.

A sincere thank you to the participating pension funds and their fiduciary and asset managers for their contribution. Without you, this study would not have been possible. Our gratitude also goes out to our sponsor, FNV, and our members. We have a long road ahead of us. I hope you will use this report as a tool to contemplate the direction we should take and as a call to action. Use the benchmark but think beyond its confines. We will be with you every step along the way.

Angelique Laskewitz
Executive Director of VBDO

Introduction

This report is based on research on the current status and developments relating to the responsible investment practices of the 49 largest Dutch pension funds. Due to liquidation, this year's scope includes one fewer pension fund than previous years. The pension funds are assessed based on how they formulate, govern, implement and report on their responsible investment practices. While this is the 2022 benchmark, the one-year period covered is the calendar year 2021. VBDO's assessment ranks the results in order of performance. The response rate for this year's study was 100%.

HOW TO INTERPRET THE SCORES

Pension funds are given a score between 0 and 5 in this benchmark, with 5 being the highest achievable score. It should be noted that a score of 5 does not equal being 'most sustainable' or that no further improvements can be made. Rather, it gives an indication of how well a pension fund performs on criteria that have been set in the current questionnaire. The questionnaire is reassessed and revised periodically to reflect developments in responsible investment (RI). The overall score reflects how well each pension fund has scored in the four categories (figure 1). The scoring does not focus on individual investments (e.g. investments made in the fossil fuel industry) but instead takes a more holistic approach.

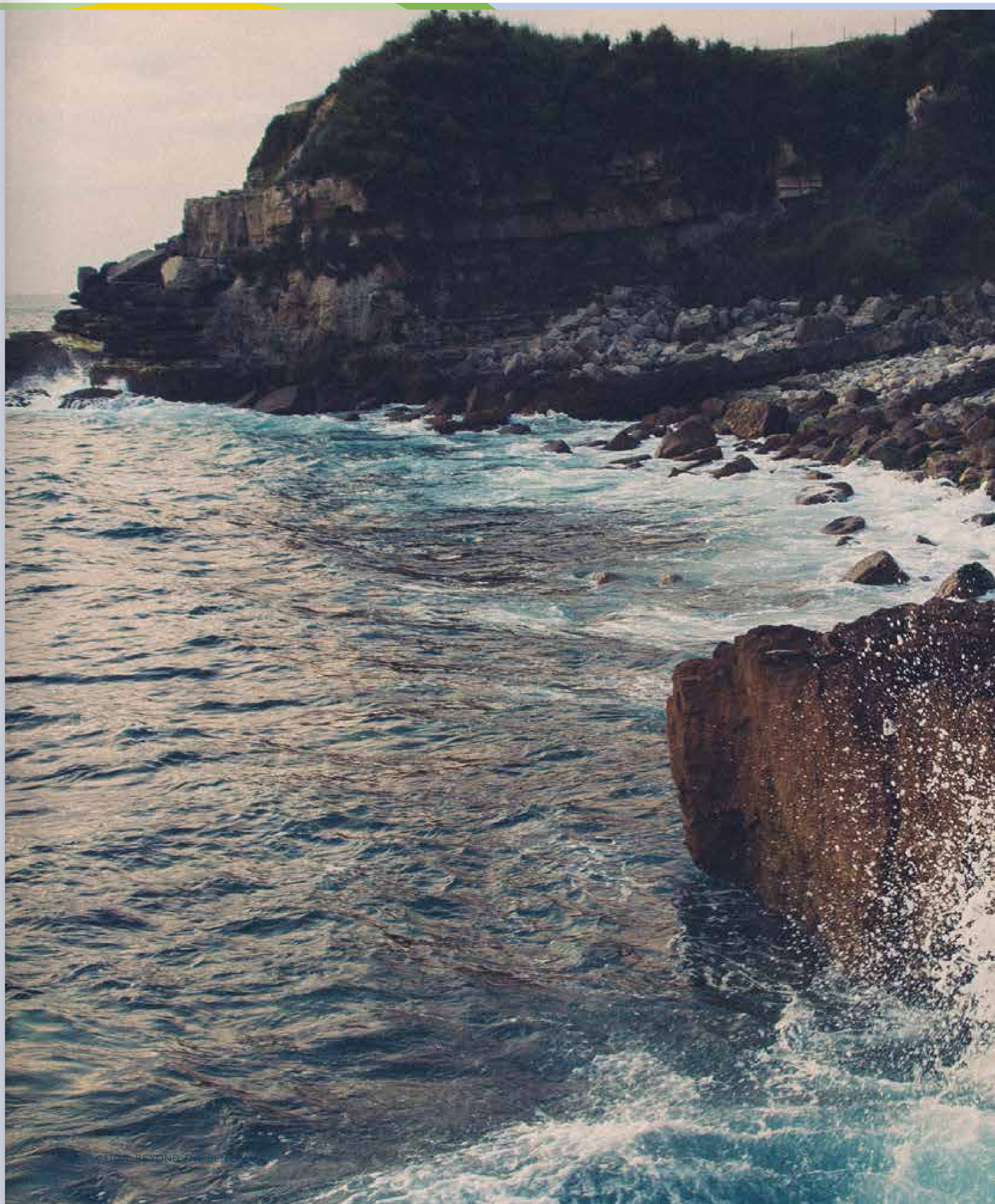
Figure 1 | **Overview scoring model**

FINAL SCORE (between 0-5)

GOVERNANCE (16,7%)	POLICY (16,7%)	IMPLEMENTATION (50%)	ACCOUNTABILITY (16,7%)

Total score on category Implementation =
Score public equity X % of the portfolio
Score corporate bonds X % of the portfolio
Score sovereign bonds X % of the portfolio
Score real estate X % of the portfolio
Score private equity X % of the portfolio
Score alternative Investments X % of the portfolio

This figure shows the scoring model. The categories are weighted differently. Governance, policy and accountability each account for 16.7%, and implementation 50%. The weighted percentage for implementation is 50% because this category determines the final output and quality of the responsible investment practices of a pension fund. The final score for implementation is determined by multiplying the score of each asset class by the percentage of the portfolio invested in this asset class.



Key findings

Climate change and net-zero portfolio goals for 2030 and 2050 are focus points
All pension funds acknowledge the importance of addressing climate change and reaching the goals set out in the Paris Agreement. This is reflected in their RI policies and by the increasing use of RI instruments and participation in indexes and benchmarks, such as the EU Paris-Aligned Benchmark.

Biodiversity is on track to become a main focus
Of the pension funds which answered the open question on which ESG topics deserve more attention, over a third (35%) indicated that biodiversity is top of the list. A number of pension funds indicated that biodiversity-related active ownership activities, such as engagement dialogues, would increase in the coming year.

Increase in the use of RI instruments
RI instruments are being used more widely across asset classes, and increasingly go beyond merely addressing surface-level issues. While exclusion is still the most-used instrument, many pension funds are looking for ways to employ RI instruments in a more ambitious manner where possible. For example, while ESG-related shareholder resolutions are still largely climate focused, engagement dialogues now often address more complex topics, such as deforestation and human rights in the supply chain.

Participants have a voice and pension funds are listening
The vast majority of pension funds consult their participants on a regular basis about the RI policy. The results of these consultations inform the RI policy, for example in the selection of focus topics. Steps are being taken to inform the participant base of RI-related activities through different means, such as dedicated websites, newsletters, news updates on the fund's website and podcasts. Participants find it easier to share their opinion with pension funds, resulting in increasing avenues and opportunities for dialogue.

Recommendations

Broaden consultations to include different perspectives
Perspectives from those adjacent to and outside the financial sector are instrumental to developing an in-depth approach to RI and sustainability. These parties and individuals can support a pension fund's aims regarding RI by providing on-the-ground insights and knowledge and identifying blind spots and emerging areas of interest. Pension funds can use these parties' expertise to take both a macro and micro approach to various sustainability and RI topics.

Look beyond net-zero and portfolio carbon emissions
The emphasis on reaching net-zero does not come as a surprise and is instrumental in addressing the effects of climate change, but it should not eclipse other material topics. Climate change and other sustainability topics are interconnected and complex issues which cannot be addressed solely by a one-size-fits-all approach. If we are to move towards a resilient society, a broad but in-depth and holistic approach is needed.

Ensure that a broad knowledge base on RI and related topics is in place
RI, ESG and sustainability are increasingly covered by regulation, and climate change is projected to have far-reaching consequences for not just the financial sector but society at large. Therefore, pension fund boards need to be able to make informed decisions in this area.

Moreover, the supervisory and accountability bodies should be able to check and provide feedback on the pension fund's direction. In order to do so, knowledge of the basic tenets of responsible investing, ESG strategies and sustainability in general is a must.

1. Results per category

1.1 Governance | Good governance is crucial for a successfully implemented policy and relies on several factors, such as sufficient knowledge of responsible investment (RI) at board level, insight into the preferences of participants, and clear guidance from the board to asset managers when it comes to setting targets and measuring results.

KEY RESULTS 2022
The average score for governance is 3.2, with a range of 4.6 to 1.5.

- **Pension funds value the opinion of not just the accountability body but participants in general on the RI policy. This is demonstrated by the 82% of pension funds that consult both the accountability body and participants on the RI policy directly and on a regular basis.**
- **63% of all pension funds consult participants or society at large on climate-related issues in the RI policy on a regular basis. 25% do so in-depth, for example by consulting on reducing transition risks or achieving social-ecological resilience. 12% of all pension funds have not consulted on climate change-related issues in the last three years.**
- **Just 20% of all pension funds can confirm that at least one member of the governing body, supervisory body and accountability body have demonstrable knowledge of RI.**

DISCUSSION POINTS ON GOVERNANCE

- **What value can external experts and CSOs add by providing different viewpoints on your approach to RI?**
- **In light of the rapid developments made regarding RI and related topics, how can it be ensured that the board and other relevant bodies keep up to date?**

THE IMPORTANCE OF SUFFICIENT KNOWLEDGE OF RI

In the questionnaire VBDO used pre-2020, the topic of governance was incorporated through questions on the formalisation of the board's responsibility for the RI policy and asset manager oversight. In the current questionnaire, the governance section focuses on setting RI objectives and monitoring their implementation as well as the board's RI knowledge. Additionally, questions on consultation with participants and society at large are included.

VBDO emphasises the need for board knowledge of RI as the board decides the pension fund's vision on RI, and thus the direction it takes. As the fiduciary and/or asset managers often have in-house knowledge, it makes sense to use this to your advantage and have them advise on RI matters. However, the board needs to be able to check and challenge external parties as well, making it necessary to obtain knowledge beyond the pension fund's own RI policy and the fiduciary and/or asset manager's methods and strategies concerning RI and environmental, social and governance (ESG) themes. More importantly, knowledge is needed in order to devise a forward looking, ambitious and all-encompassing vision on RI that takes into account stakeholder interests as well as the pension fund's purpose. VBDO assesses board knowledge by considering whether relevant courses have been completed, training has been delivered by independent and established institutes or board members have a demonstrable background in RI or related fields. If none of these elements apply, points cannot be awarded.

As demonstrated by figure 2 and figure 3, over the last three benchmarks an increase in knowledge and responsibilities can be seen. A sidenote to this issue is that in some cases responsibility of the board may have been formalised but points were not awarded due to the narrow definition of what constitutes demonstrable knowledge of RI. Sufficient board knowledge is especially relevant in light of increasing regulations, societal attention and the urgency of issues such as climate change. Therefore, the RI knowledge of not just the board, but the supervisory board and accountability body, are considered in the benchmark research.

Figure 2 | **Board accountability and leadership**

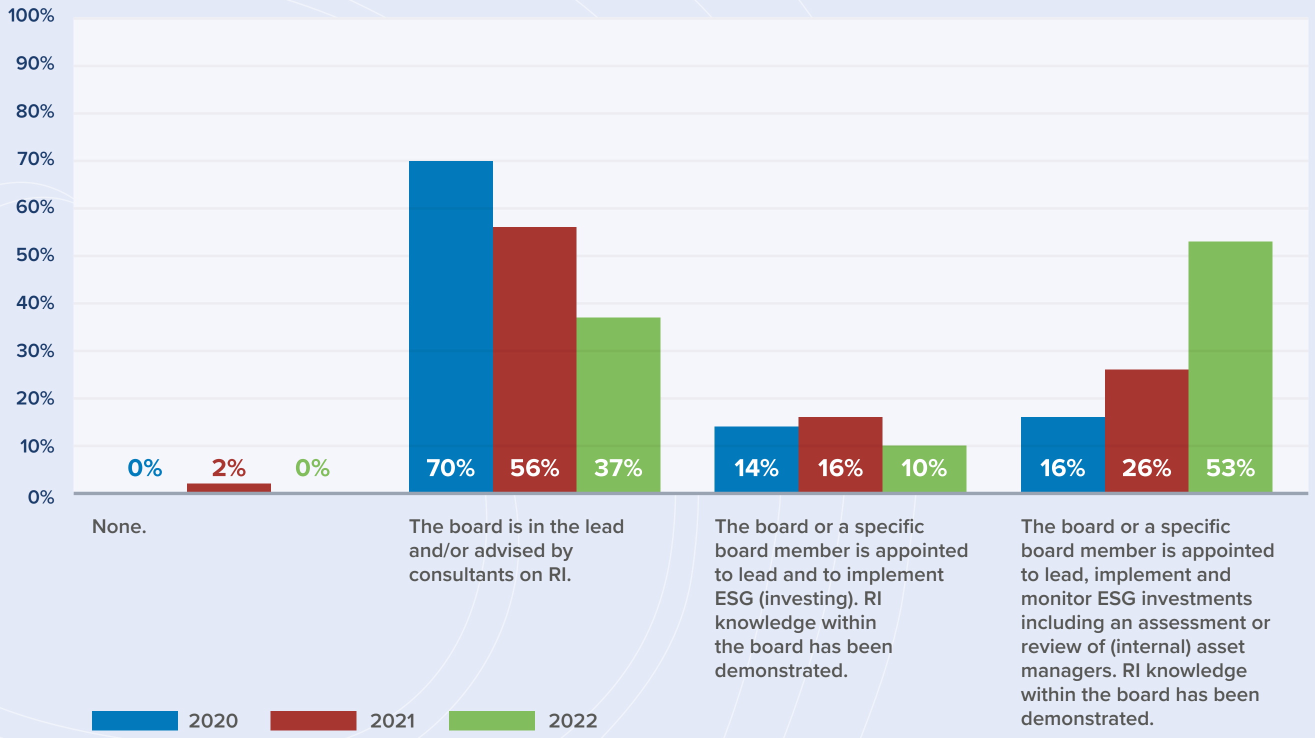
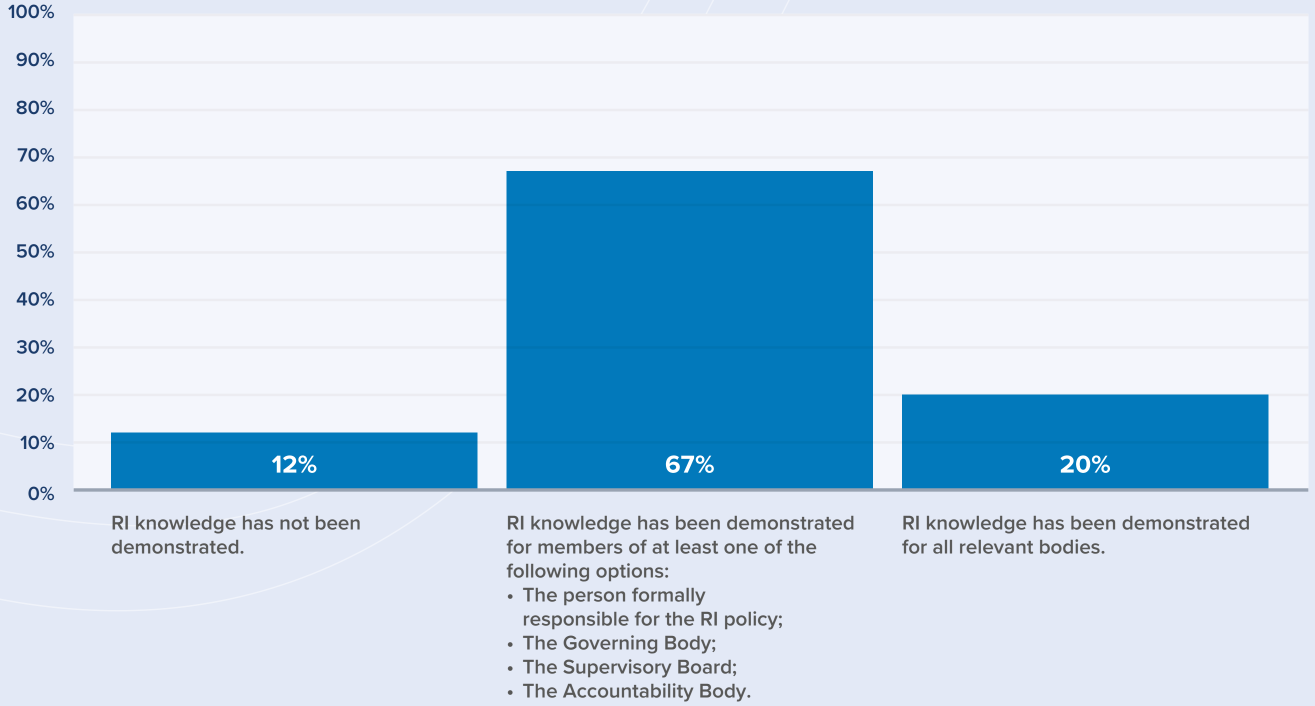


Figure 3 | **Knowledge on RI**



Viewpoint: Sustainability is no longer optional

Cindy van Oorschot, Programme Director of Sustainability and Director of Pension Supervision at DNB

VBDO asked Cindy van Oorschot, Programme Director of Sustainability and Director of Pension Supervision at De Nederlandsche Bank (DNB), about DNB's view on responsible investing by pension funds and its own supervisory role.

Board understanding of ESG and responsible investing
'Sustainability must be on the table of pension fund boards. This is no longer optional as it is clear to everyone that sustainability risks, such as climate change and biodiversity loss, are becoming increasingly visible and more urgent.

'Keeping in mind the developments regarding sustainability and related risks, DNB expects a pension fund's policymakers to be knowledgeable on how to identify, monitor and contain ESG risks. For board members, being aware of applicable European and Dutch laws and regulations as well as reporting obligations is also vital. We require the board as a whole to have sufficient knowledge of sustainability. For example, how extensive is the board's knowledge of the pension fund's own ESG policy? Would the board be able to pinpoint weaknesses in said policy and are board members aware of the steps that should be taken in this area in the short-term? Board members usually know what to do generally speaking, but in our view in-depth knowledge of ESG can help them to bring the integration of ESG factors in risk management to a higher, more mature level.

'We consider dialogue between pension funds and their participants on the importance and degree of responsible investment to be of great importance as this can provide the board with guidance and support when developing a responsible investment policy. Additionally, it makes it easier to explain choices made in the investment policy to participants and other stakeholders.'

Good pensions require climate-related risk management
'DNB has been advocating in favour of more sustainable investment portfolios for quite a while, but we do not determine the choices boards make in this regard. We expect pension funds to embed the energy transition and its related risks in their risk management and investment policy, with phasing out fossil fuel exposure being one of the possible outcomes. We are delighted to see these kinds of considerations are increasingly being made deliberately and proactively. However, we have also observed that some pension funds only start taking action after external societal pressure. It is pension funds' job to provide their participants with a good pension, now and in the future. As such, all relevant risks – including sustainability-related risks – need to be taken into account in their risk management now. This is a legal requirement. Moreover, climate-related risks and newly emerging risks must be included in their own risk assessment (ORA). DNB published a good practice ESG risk management document earlier this year, which can assist the sector with integrating ESG factors into risk management. We will begin consultation on our expectations regarding climate and environmental risk management soon. This will include good practices, such as climate scenario analysis. In short, we encourage pension funds to measure and provide insight on sustainability-related risks as much as possible.'

Green talk and green walk alignment
'Currently, there are no solvability requirements regarding sustainability factors, as is the case for the new pension contract. We are, however, working on embedding ESG risks in our own supervision methodology, which will be based on risk scores. I Implementation will start in 2023. With the integration of ESG in our supervision methodology, sustainability will be embedded in DNB's regular and existing supervisory process.

'An increasing number of pension funds consider sustainability when deciding on the investment policy. In many cases, this goes beyond containing risks for the pension fund's holdings. For example, a large number of pension funds have signed the Dutch Pension Funds Agreement on Responsible Investment (Convenant Internationaal Maatschappelijk Verantwoord Beleggen Pensioenfondsen: IMVB-convenant). Other funds have explicitly voiced their intention to align their investments with the Paris Agreement or to join the NL Klimaat Commitment. If a pension fund has explicitly aligned itself with such a guiding principle on policy (which includes certain obligations to achieve results), DNB will monitor whether the pension fund is making necessary efforts to satisfy these commitments.

'In our supervision, we regard sustainability from several perspectives. In addition to our thematic research on the integration of ESG factors in risk management, we assess the substantiation, implementation and monitoring of a responsible investment policy in our onsite research. In short, the 'green talk' and 'green walk' need to be aligned.

'We will, of course, continue to share the general takeaways from our research as well as our dialogue with the sector as this is relatively new territory.'

ELEVATING THE CONVERSATION
This leads us to the necessity of debate within the sector. As the sector is grappling with complex issues and questions, such as how to measure an investment portfolio's impact on biodiversity, knowledge on the various facets of RI is needed in order to facilitate an in-depth discussion. Perhaps paradoxical for a sector for which minimising risk is of the essence, fostering conversation on diverging views and embracing uncertainties are paramount ingredients for progress.

The crucial role of good governance in developing, guiding and executing the pension fund's vision on RI through policy and its implementation cannot be overstated. As the board is in charge of setting the pension fund's course, it needs to be able to deal with rapid developments while staying true to its fiduciary duty. In VBDO's view, this includes responsible investment and sustainability. Ultimately, this means governance is about expertise and responsibility.

The crucial role of good governance in developing, guiding and executing the pension fund's vision on RI through policy and its implementation cannot be overstated.

In order to supplement the above, consultation with relevant stakeholders, such as participants, external experts and CSOs, can help to shape the course on RI. Consultation and subsequent conversations are a tool that can help to identify potential blind spots and opportunities. Moreover, by including outside perspectives, the conversation on what responsible investment and sustainability are and should aim to do can be elevated beyond the confines of the daily grind of managing a pension fund's activities.

1.2 Policy | A comprehensive RI policy is the foundation for a pension fund's responsible investment practices and provides a clear investment framework. This framework reflects the values of the pension fund and its stakeholders by formalising its vision, investment principles and approach to RI. To this end, articulating a long-term vision, including specific and measurable goals and a clear roadmap, is vital for the success of the RI policy. The RI policy should include (ESG) themes and ideally show how related topics overlap, and should apply to all asset classes.

KEY RESULTS 2022
The average score for policy is 2.4, with a range of 3.9 to 0.8.

- **All pension funds now explicitly include climate change in the RI policy to varying degrees, compared to 94% in 2021 and 80% in 2020.**
- **The number of pension funds including targets with a clear roadmap for implementation in their RI policy has increased sharply from 18% last year to 45% this year. This can partially be explained by the increase in pension funds aiming to implement the EU's Paris-Aligned Benchmark, Climate Transition Benchmark or similar strategies.**
- **59% of all pension funds do not have a (responsible) tax policy in place beyond adherence to the relevant OECD guidelines.**

DISCUSSION POINTS ON POLICY
- Which RI topics and issues must be included in order to constitute a well-rounded RI policy?
- Should policies relating to climate change look beyond carbon emissions and net-zero targets?
- Should tax be an integral part of the RI policy in order to support the sustainable development of society in general?

INCREASE IN THE COMPREHENSIVENESS OF RI POLICIES
Before the most recent changes to the questionnaire, the section on policy included a question regarding references made to responsible investment in the investment beliefs. We can confidently say that RI policies are becoming more and more ambitious each year. RI policies have become more extensive and now include not just a general approach to RI but detailed strategies on a diverse range of topics.

Each year, we ask the participating pension funds which ESG themes they think deserve more attention. This year, biodiversity was by far the top mention at 35%. Topics related to the 'S' in ESG were mentioned by 24% of the respondents. Biodiversity as a topic has gained great momentum over recent years, and we've seen the launch of initiatives such as the Taskforce on Nature-related Financial Disclosures (TNFD).
The complexity of addressing biodiversity and measuring an investor's impact on this issue is also universally acknowledged. This is all the more relevant considering that biodiversity impact is one of the mandatory Principle Adverse Impact (PAI) indicators of the SFDR[1]. Social topics appear to be more elusive, although significant collective strides are being taken, for example by the Platform Living Wage Financials (PLWF).

[1] https://ec.europa.eu/finance/docs/level-2-measures/C_2022_1931_1_EN_annexe_acte_autonome_part1_v6.pdf

Viewpoint: In it for the long haul

Imke Hollander, senior board advisor on asset management at PWRI

As the pension fund for disabled people working in sheltered social workplaces (Sociale Werkvoorziening; SW), PWRI understands the importance of social topics like few others. VBDO spoke to Imke Hollander, senior board advisor on asset management at PWRI, about the challenges and rewards of advocating for a very specific social issue.

Combining social and fiduciary duty

'For PWRI, the most important consideration for making social issues, and participation in the workforce in particular, a focus area is the specific nature of our organisation. Incorporating this in a dedicated portfolio seemed quite unusual at first glance, especially considering we are a pension fund, but we think it should be possible to achieve two goals. As a pension fund, attention should be paid to investing responsibly and making sure financial returns are in line with expectations. On top of that, we see our inclusion portfolio as part of our social duty. Ensuring this is not at the expense of our participants is our fiduciary duty. The board is incredibly passionate about the wellbeing of its participants and contributing to the creation of jobs, but we do have to be able to justify the costs associated with the inclusion portfolio. Engagement, for example, is a paid service, but this is also the case for our regular portfolio. And you have to keep in mind that unforeseen issues can come up, which is always the case when you are launching a trailblazing strategy. For example, early on, we had to change our strategy regarding transactions due to associated costs. So, it is important that we regularly discuss the inclusion portfolio's performance and added value, and whether we can undertake additional activities to achieve our goals.'

Playing the long game

'At first, our focus with the inclusion portfolio was on the creation of jobs for people at a distance from the labour market, which is a very narrow definition – so narrow it makes it almost impossible to connect our activities with, for example, ESG indicators used by data providers or the Sustainable Development Goals. For example, 'diversity' often focuses on gender equality or the LGBTQIA+ community, not those at a distance from the labour market. So, we expanded our focus to fostering balanced social relationships, with specific attention being paid to the creation of jobs for people at a distance from the labour market. The PSO certification has helped with spreading awareness as it provides a neutral and objective basis for dialogue. We have noticed that attention for social topics, including inclusion in the workforce, has increased in recent years. This is something we have been advocating for years, including with, for example, our engagement provider and asset managers. By involving their organisations and raising awareness of the PSO certification, they can have meaningful conversations about inclusion in the workforce. This is what it's all about, even if that means we cannot directly attribute change to our efforts. We do, for example, know that a couple of thousand jobs have been created, but we cannot be completely certain this has been due to our efforts. However, the number is significant enough to warrant not halting these efforts. So, as we do this for our participants, we really are in it for the long haul.'

PWRI's inclusion portfolio

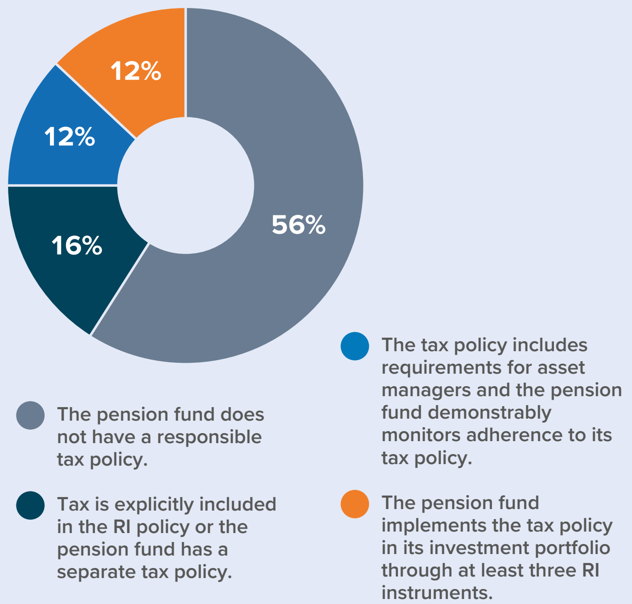
'In order to stimulate the creation of jobs for people at a distance from the labour market, PWRI has developed a dedicated portfolio of currently EU 130 million for publicly listed equity. In order to be eligible for (or remain in) this portfolio, a company needs to be PSO (Prestatieladder Sociaal Ondernemen) certified. We have chosen this pre-existing certification as a basis for the portfolio as it guarantees objectivity. However, when we started out years ago, there were few to no listed PSO-certified companies. So, we included companies in the portfolio that showed potential on this front. By engaging them on this topic and stimulating certification, we are now at a point where around 80% of the portfolio companies are certified. Creating jobs and engagement on this topic by getting a boot in the door and being able to encourage action is the main purpose of the portfolio.'

TAX AND RESPONSIBLE INVESTMENT

This year, a question on responsible tax policy and related activities has been introduced. VBDO has published a Tax Transparency Benchmark, which assesses the tax transparency of Dutch companies, for eight years. Tax is an integral part of sustainable development as a whole since governments use taxes to finance, amongst other things, the energy transition and adaptation to climate change. In addition, there are significant reputational and financial risks related to tax, which can negatively impact investors' portfolios. Pension funds can contribute to responsible tax by including this issue in their RI policy, developing requirements on tax for asset managers and investee companies, and integrating tax in RI instruments such as engagement and voting. However, as demonstrated by the results, this topic has not yet been widely included in RI policies and/or related activities.

Tax is an integral part of sustainable development as a whole since governments use taxes to finance, amongst other things, the energy transition and adaptation to climate change.

Figure 4 | **Responsible tax policy**



1.3 Implementation | Executing the RI policy throughout the portfolio is crucial. Pension funds should invest responsibly across the various asset classes and implement the applicable RI instruments.

KEY RESULTS 2022

The average score for implementation is 2.6, with a range of 4.3 to 1.3.

- The number of pension funds that apply at least two exclusion criteria to government bond investments has doubled to 51% compared to last year (24%). A less drastic (but still significant) increase can be observed for publicly listed equity, which increased from 90% last year to 98%.
- 90% of the pension funds that invest in publicly listed equity engage with companies on predefined ESG themes. This was 86% in 2021 and 74% in 2020.

DISCUSSION POINTS ON IMPLEMENTATION

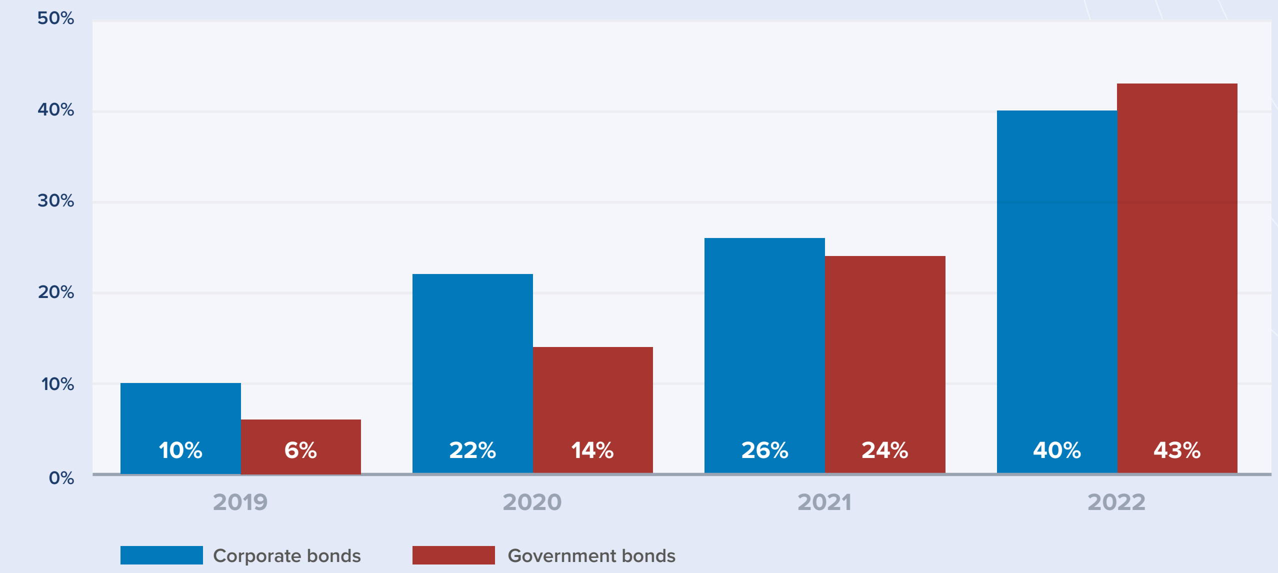
- What RI instruments are best suited to taking RI to the next level? Are these the same instruments that can bring about real-world impact?
- Should active ownership focus on a limited number of key issues, or is a broader approach more effective?

IMPACT INVESTING GAINS MOMENTUM

One of the instruments at an investor's disposal to implement RI in the portfolio is impact investments, such as bonds labelled as green, social or sustainable. These are relatively recent vehicles for investment, with the European Investment Bank (EIB) issuing the first Climate Awareness Bond (CAB) in 2007[2] and the first green labelled bond being issued by The World Bank in 20084. A recent subclass of green bonds is the blue bond, which focuses on marine or ocean-based projects. The first sovereign blue bond was issued by the Republic of Seychelles in 2018[3].

There are, of course, methodological differences between what exactly constitutes a green, social, sustainable or other bond and impact investments in general. VBDO adheres to the definition set by the Global Impact Investing Network (GIIN). An impact investment is an investment which is '[...] made with the intention to generate positive, measurable social and environmental impact alongside a financial return.'[4] Particular attention is paid to the predefined and explicit intention as this prevents impact investments from 'just appearing' in an investment portfolio. We have seen a move towards more ambitious allocation targets and actual allocation increases in recent years.

Figure 5 | **>5% allocated to green bonds**



WHAT IS NEXT

At VBDO, we are pleased to report that most pension funds now use at least some of the RI instruments at their disposal. In addition, these instruments are being used far more effectively than previously. Pension funds are setting more ambitious KPIs, applying stricter criteria and engaging with companies on new topics, such as plastics and biodiversity. Many pension funds have implemented the EU Paris Aligned Benchmark, Climate Transition Benchmark or an equivalent standard, or stated their intention to do so. As we are attempting to capture real-world impact, it is important to recognise that real-world impacts do not always align exactly to a KPI or metric. For example, it is universally acknowledged that engagement dialogues can influence, and therefore impact, a company's strategy and trajectory. But it is difficult to attribute clear outcomes to a single fund's engagement efforts.

Increasingly, we are seeing diverging paths. For example, some pension funds have chosen to exclude certain sectors in favour of investments in new solutions, while others have committed more strongly to engagement in order to strengthen the influence they have on the behaviour of companies. It is good to see the increase in collaboration between pension funds on a wide range of subjects. This collaboration includes working groups to tackle specific topics or disclosures, and collective engagement initiatives. These various forms of collaboration and conversation within the sector and with adjacent parties are key to determining what our next steps should be and how to actually take them.

[2] www.eib.org/attachments/fi/2017-cab-newsletter-10years.pdf

[3] www.worldbank.org/en/news/press-release/2018/10/29/seychelles-launches-worlds-first-sovereign-blue-bond

[4] https://thegiin.org/impact-investing/need-to-know/#what-is-impact-investing

Viewpoint: The urgent need for debate on the way forward

Daan Spaargaren, Senior Strategist for Responsible Investment at PME Pensioenfonds

VBDO asked Daan Spaargaren, Senior Strategist for Responsible Investment at PME Pensioenfonds, to reflect on the current state of the field and what is needed to move responsible investing forward.

From responsible investing towards sustainable investing
'At PME, we are aware of the difference between responsible and sustainable investing. As a result, we see that a change is needed as ESG alone is not sufficient to achieve sustainable outcomes.

'After all, ESG is a great risk management tool, but on its own it does not contribute to positive sustainable impacts for society. This means that ESG is effectively rendered useless with regards to sustainable investing, simply because it does not measure impact or sustainable outcomes, it just identifies risks. For example, IPCC concluded that so far ESG has not contributed to fighting climate change.'

Stop looking down
'Most of us have seen the movie Don't Look Up, but the investment community fails to see just how relevant the film's message is to the financial sector. The Paris Agreement clearly states that we should shift capital flows away from carbon-intensive investments and towards low-carbon and sustainable investments. Yet we are occupied with measuring net zero instead of an absolute zero goal and adhering to laws and regulations that should be an absolute minimum standard instead of something to strive for.

'Getting caught up in paper realities is an absolute nightmare scenario; we should go far beyond just what is expected and required by legislation. We are trying so hard to do well and do right and to showcase to the outside world how important our work is, that we forget our core aim: shifting capital flows. Instead of being overly concerned with how we look and preventing others from spotting weaknesses in our arguments on why responsible investment matters, we should face this debate head on.'

Making room for debate
'Ultimately, this means we as an industry need to take a long hard look at ourselves and open up the floor to substantive debate on the current state of the sector. And while doing so, we should not shy away from pointing out sore spots and uncertainties. In fact, that is precisely what we should centre our discussion on in order to move forward as a sector.'

Daan Spaargaren was a guest on the VBDO podcast series 'The purpose of finance & investment'. You can listen to episode 4 – 'Managing for value' – on which he was featured, on Spotify or on our website: www.vbdo.nl/en/2022/05/the-purpose-of-finance-and-investment-episode-4-managing-for-value/.

Data privacy and biodiversity
'As the pension fund for the metal and technology sector, PME represents a sector that is closely involved with technological advancements and innovation. As such, we have a responsibility to promote awareness of the risks related to the technological revolution and the social implications related to data privacy violations. The advance of digitalisation, for example the interconnectivity of information through algorithms, means there is an increased risk of profiling people and them getting lost in and crunched by the system. On the other hand, technology provides numerous opportunities to tackle social and environmental problems. Therefore, technology and innovation provide attractive opportunities for impact investing.

'An example of this is our investment in the DeeptechXL investment fund. This fund focuses on young Dutch companies active in 'deep tech'. Deep tech is a type of technology that can aim to address the sustainability challenges faced by our society and which are set out in the UN Sustainable Development Goals, such as healthcare and the energy transition.
Moreover, this investment is closely aligned with our participant base and is a collaborative effort with the tech sector to further advancements that have a positive impact on people and the planet.

'Another area of interest is biodiversity. The biodiversity crisis keeps on developing while society (including financial institutions) are still primarily focusing on mitigating climate change. However, biodiversity is a complex topic as it is difficult to measure what a company's contribution to a decrease in biodiversity is, or how it contributes to promoting and preserving biodiversity.'

1.4 Accountability

| Concrete and transparent reporting provides stakeholders and society as a whole with an insight into a pension fund's strategy and results regarding responsible investment. Part of this transparency is to show how the RI policy is designed. It is also important to report regularly and at the highest level of quality on strategies, goals, results and the impacts of RI. Information in such reports can serve as the starting point for communication with and accountability to participants of the pension fund while also being informative for other relevant stakeholders..

KEY RESULTS 2022

The average score for accountability is 2.8, with a range of 5.0 to 1.4.

- **100% of the respondents publicly explain their RI-related climate change policy in some capacity; 46% report on climate change-related performance, such as adaptation to the physical risks of climate change.**
- **84% of all pension funds make the concrete results of engagement activities publicly available, which is a significant increase from last year's 66%.**
- **Reporting on impact investing has increased from last year (70%) to 80%. However, only 12% of all pension funds report on the achieved impact.**

DISCUSSION POINTS ON ACCOUNTABILITY

- **Which key RI topics or issues should pension funds highlight in reporting?**
- **Should transparency play a far larger or a less significant role in RI?**
- **Does emphasising reporting and transparency actually help to move RI forward?**

THE PURPOSE OF RI REPORTING

More than ever, insight into pension funds' RI-related choices and performance is demanded by participants and other stakeholders. Reporting is not just an informational tool; it can also be used to hold pension funds accountable. With the continuing and increasing emphasis on sustainability in society at large, participants are increasingly calling on pension funds to be more transparent. This transparency is then used to hold the pension fund accountable for its choices regarding RI.

An underlying question regarding transparency and RI reporting is whether they further internal and external discussion on sustainability, and even whether they have anything to do with increasing sustainability at all or are yet another avenue for potential greenwashing. This all feeds into a wider social debate on what exactly sustainability is. The simple act of disclosing alone is not inherently sustainable. After all, one can be incredibly transparent about a bare-bones policy or even not doing anything at all on topics such as climate change or human rights. However, by being transparent, a pension fund opens itself up to questioning about activities and policy. This is where VBDO sees the added value – the potential for accountability, discussion and peer encouragement to raise the bar.

CLIMATE CHANGE IN REPORTING

Pension funds continue to report on climate change-related topics and activities in an increasingly detailed manner. This development echoes the greatly increased and still increasing interest in and focus on climate change in society as a whole and by people as individuals. This interest goes hand in hand with calls for transparency on climate change-related issues and activities, especially in relation to the financial sector. In light of recent and future national and international regulations, reporting on climate change performance is set to become increasingly central to pension funds' reporting on RI.

Appendix I - Methodology

Over the years, the benchmark has developed significantly and it has become a relevant tool to measure responsible investment by pension funds in the Netherlands. The study is impartial and its most important aim is, together with the pension funds, to enhance the sustainability performance of individual pension funds and bring about sector-wide improvements regarding responsible investment.

UNDERLYING PRESUMPTIONS

The most important underlying presumptions in this benchmark are:

I. The scope of the benchmark is determined by selecting from figures produced by the Dutch Central Bank the 50 largest pension funds in the Netherlands.
II. The assets that are included in this benchmark are those of Dutch pension funds, irrespective of where these are being managed.
III. The implementation of the responsible investment policy is considered to be the most important element of the assessment as this is where the actual impact is being made. Therefore, this receives 50% of the total score. Governance, Policy and Accountability account for the remaining 50%.
IV. The topic of 'Governance' is to be considered from the viewpoint of the management of the pension fund and not from the asset manager's perspective.
V. The total score for 'Implementation' is dependent on the different scores of the asset classes (publicly-listed equity; corporate bonds; government bonds; real estate; private equity; and alternative investments). The weight of the asset classes in the determination of the implementation score is dependent on the asset allocation. Other assets such as cash, interest swaps and currency overlays are not included in this benchmark study.
VI. It is determined within each asset class which responsible investment instruments are (reasonably) implementable.
VII. VBDO does not differentiate between investors taking an active or passive and direct or indirect investment approach but assesses what responsible investment strategies are being applied.

The above-mentioned underlying presumptions are based on VBDO's consultation with pension funds participating in this study. This consultation is based on an annual face-to-face meeting with a selection of participating pension funds. Of key importance in this meeting are the quantified survey results.

THE BENCHMARK

The VBDO Benchmark 'Responsible Investment by Pension Funds in the Netherlands 2022' compares the responsible investment performance of the 49 largest pension funds in the Netherlands based on 2021 data. VBDO assess responsible investment through detailed profiles of each pension fund. The response rate for this year's study is 100%. The pension funds participated in this study by providing feedback and evidence on VBDO's assessment.
In 2020, the methodology was thoroughly revised to better reflect developments in responsible investment. This year, a question on responsible tax policy was added to the 'Policy' category.

Figure 6 | Benchmark process.

Table 1 | **Responsible investment instruments and the different asset classes included in the benchmark**

	Publicly listed equity	Corporate bonds	Government bonds	Real estate	Private equity	Alternatives
Exclusion	■	■	■			
ESG integration	■	■	■	■	■	■
Engagement	■	■	■	■	■	
Voting	■					
Impact investing	■	■	■	■	■	■

Setup

The questionnaire comprises four themes:

I. Governance | The first theme relates to the governance of pension funds on responsible investment, including boardroom awareness and expertise of RI, boardroom accountability and oversight, and consultation with participants and relevant stakeholders.

II. Policy | This theme focuses on the responsible investment policy in place during the year assessed. Its applicability to the entire portfolio, its depth and its quality are surveyed.

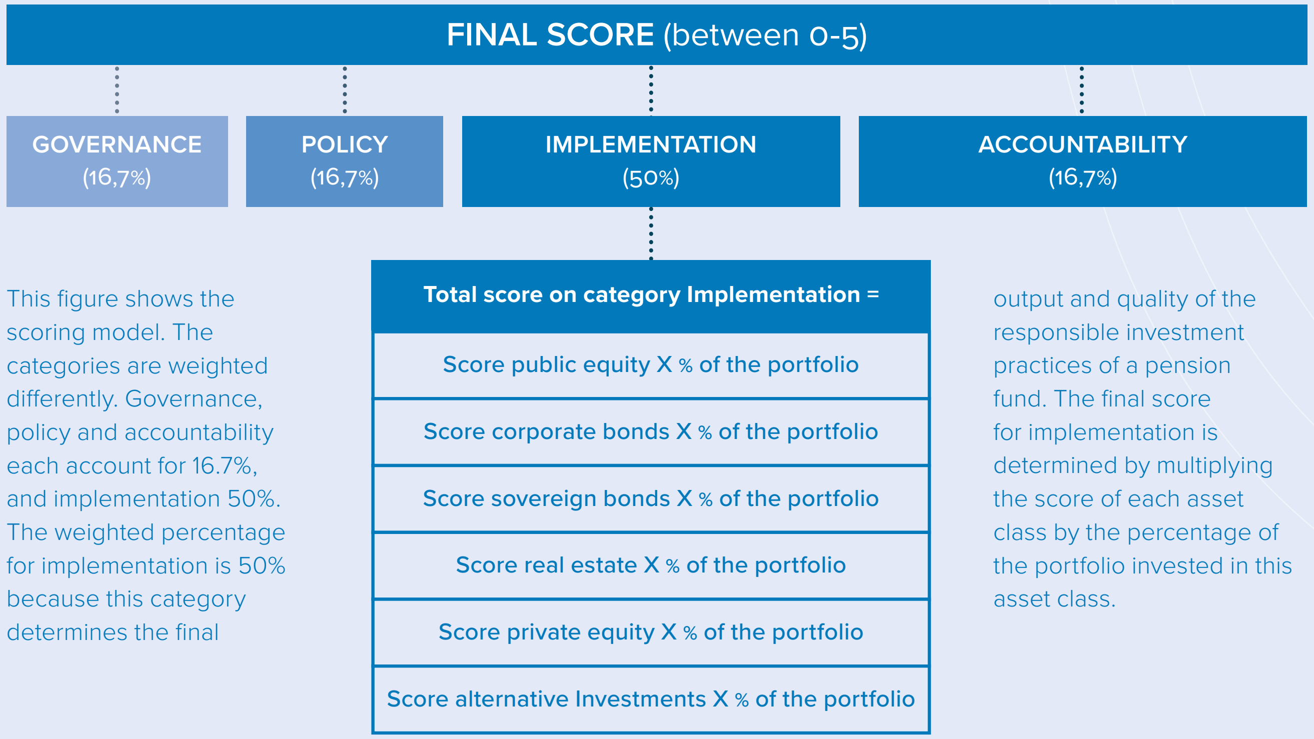
III. Implementation | The implementation of the responsible investment policy applies to six different asset classes. Table 1 shows the asset classes with the corresponding responsible investment strategies that are covered in the study. VBDO believes that the asset owners should take responsibility for the investments made on their behalf. Therefore, all implementation questions include the whole investment chain from pension fund to asset manager or fund manager. They are directed towards the status of implemented strategies in 2021.

IV. Accountability | This section discusses transparency of responsible investment policies, strategies, results and reports.

Scoring model

The categories are weighted differently. Governance, policy and accountability each account for 16.7%, and implementation 50%, totalling 100%. The weighted percentage for implementation is 50% because this category determines the final output and quality of the responsible investment practices of a pension fund. The final score for implementation is determined by multiplying the score of each asset class by the percentage of the portfolio invested in this asset class. In the accountability category, 5 subcategories are distinguished: the publication of the responsible investment policy; list of investments; transparency on implementation; actively informing participants and other stakeholders; and verification of the responsible investment report. Figure 7 gives an overview of the scoring model.

Figure 7 | **Overview scoring model**



This figure shows the scoring model. The categories are weighted differently. Governance, policy and accountability each account for 16.7%, and implementation 50%. The weighted percentage for implementation is 50% because this category determines the final output and quality of the responsible investment practices of a pension fund. The final score for implementation is determined by multiplying the score of each asset class by the percentage of the portfolio invested in this asset class.

Star ranking

VBDO uses a star ranking based on a 0 – 5 star range in addition to a 1 – 49 ranking in numbers. The star ranking is based on the total score and on the scores of the individual categories of the pension fund; governance, policy, implementation and accountability. These minimum standards might be expanded in the future. The following scores and minimum standards determine the number of stars awarded:

★★★★★
5 STARS
A score of at least 4.5 on all categories (governance, policy, implementation, accountability)

★★★★
4 STARS
A total score of at least 4.0
A score of at least 3.5 on all categories (governance, policy, implementation, accountability)

★★★
3 STARS
A total score of 3.5 up to and including 3.9
A score of at least 2.5 on all categories (governance, policy, implementation, accountability)

★★
2 STARS
A total score of 2.5 up to and including 3.4
A score of at least 2.0 on all categories (governance, policy, implementation, accountability)

★
1 STAR
A total score of 1.5 up to and including 2.4

☆
0 STARS
A total score below 1.5

Appendix II - Responsible investment strategies and asset classes

Responsible investment strategies

Based on reviews of implementation practices by investors worldwide and its own vision on responsible investment, VBDO has identified a range of responsible investment instruments that are applicable to one or more asset classes:

- **Exclusion**

Certain products, processes or behaviour of some companies and governments are at such odds with international agreements and treaties that they should be excluded from the investment portfolio. Merely taking general issues such as human rights violations into consideration offers insufficient means of judgment for the exclusion of specific companies. It is important to specify these issues and use well-defined Environmental, Social and Governance (ESG) criteria or international guidelines. In relation to the exclusion of government bonds, insurance companies can exclude countries based on the official sanction lists of the EU and UN, for example, or based on other criteria. In January 2013, the legal ban on investments in cluster munitions came into force in the Netherlands. In the opinion of VBDO, responsible investment should be a practice that goes beyond merely following legal obligation. Therefore, insurance companies can only receive points for exclusion criteria that go further than merely excluding on the basis of cluster munition.

- **ESG integration**

Even without the excluded companies, large differences in terms of corporate responsibility sometimes remain between companies in which institutional investors invest. Whereas one company may only comply with the current environmental and social laws of the country in which it operates, another may follow high social and environmental standards in every country in which it is active. Institutional investors should consider this when developing their investment policy and should give preference to companies that perform well in relation to corporate responsibility.

VBDO defines ESG integration as the process by which ESG criteria are incorporated into the investment process. This involves more than screening the portfolios against exclusion criteria, but it does not mean that an investor merely selects the best-in-class companies. ESG integration can go one step further by identifying and weighing ESG criteria, which may have a significant impact on the risk return profile of a portfolio. Therefore, VBDO distinguishes between investors making ESG information available to the portfolio manager and investors systematically incorporating ESG criteria into each investment decision. The latter is rated higher because this fully matches the idea behind ESG integration. An example of ESG integration is positive selection; this is defined as choosing the best performing organisation out of a group of corresponding organisations (sector, industry, class) by using ESG criteria. In this case, ESG criteria do not guide the investment decision process but form the basis for selecting companies that perform above average on ESG issues. Integration of ESG criteria in the investment selection can be applied to all of the selected asset classes in this research. This benchmark takes both the extent and volume of ESG integration into account.

- **Engagement**

Insurance companies can actively exert influence by entering into dialogue with organisations in which they invest. If the policy and behaviour of a company are at odds with the responsible investment policy, insurance companies should to some extent use their influence to alter the conduct of companies in which investments are made. Institutional investors that have formulated an engagement policy actively seek dialogue with companies outside the shareholder meeting. In order to obtain optimal engagement results, it is essential to evaluate and monitor the engagement activities and take further steps based on the outcome of the engagement activities. Engagement can be used for publicly-listed equity as well as fixed income, real estate funds, private equity and mortgage funds.

- **Voting**

Institutional investors can actively exert influence on companies in which they invest by voting during shareholder meetings. Many institutional investors vote at shareholder meetings, but their voting policy is limited to subjects regarding corporate governance. This might push companies towards a better sustainability policy, but that in itself is not enough. A clearly-defined voting policy is required, one that explicitly emphasises social and environmental issues. By introducing or supporting resolutions on sustainable development and corporate social responsibility proactively, companies can be pushed towards improvement and corrective action. Voting is assessed only for the publicly-listed equity asset class.

- **Impact investing**

Institutional investors can actively exert influence on companies in which they invest by voting during shareholder meetings. Many institutional investors vote at shareholder meetings, but their voting policy is limited to subjects regarding corporate governance. This might push companies towards a better sustainability policy, but that in itself is not enough. A clearly-defined voting policy is required, one that explicitly emphasises social and environmental issues. By introducing or supporting resolutions on sustainable development and corporate social responsibility proactively, companies can be pushed towards improvement and corrective action. Voting is assessed only for the publicly-listed equity asset class.

Asset Classes

- **Publicly listed equity**

The public equities market consists of the publicly-traded stocks of large corporations. The risks and opportunities connected to ESG issues are important for the analysis and adjustments of an equity portfolio. Both exclusion and selection of companies within the portfolio as well as voting and engagement give the investor many ways to integrate ESG issues into its investment decisions. Since emerging markets are increasingly reported as interesting opportunities because of their economic growth, they deserve special attention from investors. As a result of the growing demographic and resource challenges and the potential dangers for the environment, a more sustainable approach to economic development is crucial for emerging markets. In many sectors, economic development shows that these countries are already responding to the above-mentioned challenges. Nevertheless, extracting the relevant ESG data on emerging market companies can require a large volume of research. It is also possible to take ESG criteria into account with passive investments by following a sustainable index or by using an engagement overlay.

- **Corporate (including covered) bonds**

For corporate bonds, responsible investment activities can be similar to equities; however, corporate bonds do not have voting rights and carry a fixed return. This not only reduces the financial risk but also offers fewer opportunities to take advantage of high returns and to influence the policies of a company. Because bondholders lack the voting power shareholders have, most ESG integration activity has been in equities. However, with growing client demand, bond managers are working to integrate ESG factors into fixed-income portfolios.

- **Government / sovereign bonds**

As with corporate bonds, government bonds (together often referred to as fixed income) are generally regarded as one of the safer, more conservative investment opportunities. They are issued to fund public services, goods or infrastructure. The first consideration for responsible investment and this asset class may often be exclusion of countries with dictatorial regimes because of their human rights violations. This is a clear example of the results of an ESG risk analysis. ESG rating agencies increasingly offer products to screen bond portfolios on corporate governance regulatory practices, environmental policies, respect for human rights, and international agreements. Investors can also seek government bonds that support the creation of public goods such as necessary infrastructural improvements, support for schools, or the development of sustainable energy sources, and purchase government debt targeted to a specific activity.

- **Real estate**

Real estate investments encompass a wide range of products, including home ownership for individuals, direct investments in rental properties and office and commercial space for institutional investors, publicly-traded equities of real estate investment trusts, and fixed-income securities based on home-loans or other mortgages. This assessment is limited to direct investments in buildings and indirect investments via real estate funds. Investors could screen their portfolio by developing ESG criteria for: the construction of new buildings, their locations and the maintenance of existing buildings; machines and other facilities within buildings such as environmental efficiency; sustainable construction and materials; and fair labour practices. For real estate (investment) that is managed externally, the selection of fund managers based on experience with and the implementation of ESG is an important tool. Additionally, the managers of real estate funds can be engaged to improve their social and environmental performance.

- **Private equity**

With regard to private equity, an institutional investor can stimulate innovative and sustainable companies because it can directly influence management and encourage entrepreneurs to focus on developing business with high-impact social and/or environmental missions. This can be done in particular in regions and communities that are under-served and promote creation of local business and jobs. With this in mind, integrating the responsible investment policies in the selection process can be an important tool for institutional investors.

- **Mortgages**

Mortgages is a credit asset class to which ESG criteria can be applied during the selection and evaluation of investments, for example, by implementing energy labels as a selection criterion. Additionally, fund managers can be engaged on relevant topics.

- **Alternative investments**

Depending on the asset allocation and definitions of an investor, alternative investments can include many kinds of assets, while at the same time experiences with and strategies for responsible investments are in their infancy. In addition, as the investments are a small part of total investments, this research limits this asset class to hedge funds, infrastructure, commodities, and impact investments. Information provided on other asset classes will not be taken into account. The following opportunities were derived from publications:

I. Although hedge funds are often handled as a separate asset class, the underlying assets are generally publicly-listed securities (stocks and bonds) and their derivative products. Thus, investors could consider an ESG analysis of underlying assets and theoretically use the same tool for ESG management as they do for public equity and fixed income. Likewise, integrating the responsible investment policies in the selection process can be an important tool.
II. Infrastructure is widely considered to have a positive social impact. Infrastructure investors should take into account a broad range of material ESG issues that these investments might face over the assets' lifetime. Examples of ESG issues could involve: biodiversity impact; labour, health and safety standards; resource scarcity and degradation; extreme weather events; and supply chain sustainability. It is therefore relevant to monitor how ESG is integrated in infrastructure investments.
III. Regarding commodities, investors could direct capital to commodities with better ESG profiles and consider the source (region) of the commodity. As there are few ways in which to foster positive ESG changes, investors may advocate change on a broader level within commodities exchanges. The integration of the responsible investment policies in the selection process of commodity investments or asset managers can be an important tool for this category.

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