

Policy assessment update - summary

Fair Pension Guide



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Introduction

The Fair Pension Guide assesses how pension funds deal, in policy and practice, with the risk that companies they invest in inflict harm to people or planet. This document contains the summary of the 2020 assessment of investment policies. Besides the most important conclusions, this summary contains the most relevant overviews in tables, as well as an analysis of the most prominent policy changes for the ten pension funds assessed.

1. Summary

The report 'Policy Assessment Fair Pension Guide' assesses the investment policies of the ten largest industry-wide pension funds in the Netherlands (based on the number of participants). The assessment is an update of the first assessment of the policies of these ten funds, which was published in march 2019.

Pension funds are relatively large players on the (international) stock market. Through their investments, pension funds allow companies, governments and individuals to raise capital for factories, plantations or new technologies. These activities might contribute to fighting hunger or strengthen ecosystems, but could also be linked to human rights violations or environmental degradation. The Fair Pension Guide wants to inform pension savers about the policy and practice of their pension fund when it comes to investments in companies. We want to provide pension fund participants with a platform to engage with their pension fund to ask for a more responsible investment policy.

The assessment was carried out based on the methodology of the Fair Finance Guide International (FFGI). The FFGI-methodology is also used in the Dutch Fair Bank Guide and Fair Insurance Guide. The methodology is based on international standards for responsible investment. The criteria are organized in 9 themes (such as climate or human rights), 5 sectors (such as the arms or food sector) and one operational theme (transparency and accountability). For the readability of this document, we refer to all three categories as 'themes'. For each theme the FFGI methodology provides a set of criteria or assessment elements. Based on the number of criteria which the policy of a fund meets, the fund receives a score on a scale of 1 (very bad) to 10 (very good).

Table 1 (on the next page) provides an overview of the scores of the pension funds by theme. If the score has gone up since the first assessment as a result of policy improvements, the increase in score is marked in the table, next to the score.ⁱ

ⁱ These are only the scores which went up as a result of policy improvements. Scores also went up for other reasons, for instance changes in the methodology. After the first assessment in 2019, the FFGI decided that a number of criteria which had been considered 'not applicable' in the first assessment, were relevant after all. Or the other way around. Especially a few scores for 'tax' and 'corruption' went up as a result. Here, we focus on the scores which improved based on policy improvements by the funds.

Table 1 Overview of the scores of the ten pension funds, including the increase as a result of policy improvements

| Theme, sector or operational theme | ABP | BpfBouw | BPL Pensioen | Pf. Detailhandel | Pf. Horeca & Catering | Pf. Vervoer | Pf. Zorg & Welzijn | PME | PMT | StiPP |
|------------------------------------|-----------------|-----------------|-----------------|------------------|-----------------------|-------------|--------------------|-----------------|-----------------|-----------------|
| <i>Theme</i> | | | | | | | | | | |
| Labour rights | 5 ⁺² | 4 ⁺¹ | 4 ⁺¹ | 5 ⁺² | 5 ⁺² | 3 | 8 | 5 | 5 | 4 ⁺¹ |
| Tax | 4 | 3 | 4 ⁺³ | 3 | 4 ⁺³ | 3 | 3 | 5 | 5 ⁺³ | 3 |
| Corruption | 6 | 3 ⁺² | 4 ⁺² | 3 | 6 ⁺⁵ | 1 | 3 | 6 | 8 ⁺⁴ | 3 |
| Animal Welfare | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Gender | 3 ⁺¹ | 1 | 1 | 1 | 1 | 1 | 2 | 1 | 1 | 1 |
| Health | 3 ⁺² | 1 | 3 ⁺¹ | 2 ⁺¹ | 3 ⁺² | 1 | 3 ⁺¹ | 3 | 4 ⁺¹ | 1 |
| Climate change | 4 ⁺² | 2 | 3 | 1 | 1 | 1 | 2 | 3 | 2 | 1 |
| Human rights | 5 ⁺² | 3 | 5 ⁺² | 3 | 3 | 3 | 5 | 3 | 6 ⁺³ | 3 |
| Nature | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| <i>Sector</i> | | | | | | | | | | |
| Mining | 2 ⁺¹ | 1 | 2 ⁺¹ | 1 | 2 ⁺¹ | 1 | 2 | 3 | 3 ⁺¹ | 1 |
| Oil and Gas | 3 ⁺² | 1 | 2 ⁺¹ | 1 | 2 ⁺¹ | 1 | 2 | 2 | 3 ⁺¹ | 1 |
| Food | 2 ⁺¹ | 1 | 1 ⁻¹ | 1 | 1 | 1 | 2 | 1 | 2 ⁺¹ | 1 |
| Arms | 4 | 5 ⁺² | 4 | 3 | 4 ⁺¹ | 3 | 4 | 6 ⁺² | 5 ⁺² | 4 |
| Housing and real estate | 1 | 3 | 4 ⁺¹ | 1 | 1 | 1 | 1 | 1 | 3 | 3 ⁺² |
| <i>Operational theme</i> | | | | | | | | | | |
| Transparency and accountability | 6 | 8 ⁺¹ | 4 | 6 | 6 ⁺³ | 6 | 8 ⁺¹ | 6 | 7 ⁺³ | 4 |

The most prominent conclusions based on this overview are:

- 9 out of the ten pension funds saw a combined 44 scores go up as a result of policy improvements.
- For PMT (9), ABP (8), BPL Pensioen (8) and Pensioenfond Horeca en Catering (8), the most scores went up because of policy improvements. For Pensioenfond Vervoer, none of the scores went up as a result of policy improvements.
- None of the funds score higher than a 1 (the worst score) for 'nature' and 'animal welfare'.
- Half of the pension funds (ABP, Pensioenfond Detailhandel, Pensioenfond Horeca en Catering, PME and PMT) now score close to a sufficient score. PFZW scores an 8 for this theme.
- Most scores (6) went up for the themes 'labour rights' and 'health'.
- The funds now have a combined total of 15 scores which are sufficient or better. In the first assessment, they had 7 such scores.
- As in the first assessment in 2019, the theme for which the funds score best is 'transparency and accountability'.

Fout! Verwijzingsbron niet gevonden. 2 provides an overview of the ten pension funds that were selected for the assessment by the Fair Pension Guide.

Table 2 Overview selected pension funds

| Pension fund | Participans (2018, x1000) | Assets (2018, € billion) |
|---|--------------------------------------|-------------------------------------|
| Algemeen Burgerlijk Pensioenfonds (ABP) | 2.968 | 449,8 |
| Pensioenfonds Zorg en Welzijn (PFZW) | 2.796 | 217,9 |
| Pensioenfonds Horeca & Catering (PH&C) | 1.349 | 10,6 |
| Stichting Pensioenfonds voor Personeelsdiensten (StiPP) | 1.338 | 1,7 |
| Pensioenfonds Metaal en Techniek (PMT) | 1.322 | 72,7 |
| Pensioenfonds Detailhandel | 1.216 | 20,8 |
| Stichting Bedrijfstakpensioenfonds voor de Bouwnijverheid (BpfBouw) | 783 | 74,5 |
| BPL Pensioen | 673 | 17,5 |
| Pensioenfonds Vervoer | 671 | 27,0 |
| Pensioenfonds van de Metalektro (PME) | 631 | 48,4 |
| Totaal | 13.474 | 940,9 |

Source: DNB (2018, september), "Tabel 8.19 Jaargegevens individuele pensioenfondsen", online: <https://statistiek.dnb.nl/downloads/index.aspx#/>, seen in march 2020; Annual reports over 2018 of the funds in the table.

2. Analysis of policy changes

The scores are calculated based on the number of criteria (or assessment elements) from the FFGI methodology which the publicly available investment policies of the funds meet. The analysis that follows below focuses on the improvements on the level of these criteria. This analysis provides a more detailed insight in the improvement of policy by the funds.

Net policy improvements per theme

Table 3 provides an overview of the net criteria (or assessment elements) with a higher scores due to changes in the policy of a fund, when compared with the first assessment of 2019. 'Net' means that all elements for which the policy improved were added up, and policy deteriorations (if any) where subtracted from the total of improvements. Because of this, the total of policy deteriorations is not visible in table 3. In total, the assessment discerned 14 deteriorations of policy. This did not always lead to a lower overall score for the theme.

Table 3 Net policy improvements per theme

| Theme, sector or operational theme | ABP | BpfBouw | BPL Pensioen | Pf. Detailhandel | Pf. Horeca & Catering | Pf. Vervoer | Pf. Zorg & Welzijn | PME | PMT | StiPP | Total |
|------------------------------------|-----------|-----------|--------------|------------------|-----------------------|-------------|--------------------|----------|-----------|----------|------------|
| <i>Theme</i> | | | | | | | | | | | |
| Labour rights | 1 | 1 | 2 | 2 | 2 | - | - | 1 | 2 | 1 | 12 |
| Tax | - | - | 3 | - | 2 | - | - | - | 1 | - | 6 |
| Corruption | - | 1 | 2 | - | 4 | - | - | - | 2 | - | 9 |
| Animal Welfare | - | - | - | - | - | - | - | 1 | 1 | - | 2 |
| Gender | 3 | 2 | - | - | 3 | - | -1 | 1 | 1 | -1 | 8 |
| Health | 1 | 2 | 2 | 2 | 4 | -1 | 1 | - | 2 | - | 13 |
| Climate change | 8 | 2 | 4 | - | 4 | - | -1 | - | 2 | 4 | 23 |
| Human rights | 4 | - | 5 | - | 1 | - | - | - | 4 | - | 14 |
| Nature | - | - | - | - | 1 | - | - | - | - | - | 1 |
| <i>Sector</i> | | | | | | | | | | | |
| Mining | 5 | - | 6 | - | 2 | - | 1 | - | 4 | - | 18 |
| Oil and Gas | 2 | - | 4 | - | 2 | - | - | - | 3 | - | 11 |
| Food | 1 | - | - | 2 | 2 | - | - | - | 2 | - | 7 |
| Arms | - | 3 | - | - | 3 | - | - | 1 | 3 | - | 10 |
| Housing and real estate | 1 | 2 | 3 | - | 1 | - | - | - | 2 | 5 | 14 |
| <i>Operational theme</i> | | | | | | | | | | | |
| Transparency and accountability | - | 3 | - | 1 | 5 | 2 | 4 | 1 | 3 | -1 | 18 |
| Total | 26 | 16 | 31 | 7 | 36 | 1 | 4 | 5 | 32 | 8 | 166 |

Conclusions on scores en changes for the ten pension funds

- Overall, the policies of the ten pension funds has improved on 180 assessment elements since the first assessment in 2019. The policy deteriorated for 14 elements. The net number of elements with improved policy therefor comes to 166.
- Pension funds obtained the highest score for 'transparency and accountability' (average 6). This is comparable to the results of the first assessment in 2019.
- Looking at themes specifically, the funds obtain the highest scores for 'labour rights' (average 5). Frontrunner for this theme is PFZW (score 8). Other themes with relatively high scores are 'tax', 'corruption' and 'human rights' (average 4). Sector policy is best developed for 'arms' (average 4). Frontrunner for this sector is PME (score 6).

- The most net policy improvements were made for ‘climate change’ (23 improvements), followed by ‘mining’ and ‘transparency and accountability’ (both 18 improvements). Because both ‘climate change’ and ‘mining’ are themes with a large number of elements, the improvements did not lead to higher theme scores for every fund that improved policy.ⁱ ABP made the most improvements per theme, namely for ‘climate change’ (8 improvements). BPL Pensioen made six improvements for its policy on ‘mining’. Other strong improvements were made for ‘health’ (13 improvements for all funds combined), ‘human rights’ (14 improvements) and ‘housing and real estate’ (14 improvements).
- Pension funds obtained the lowest scores for the themes ‘animal welfare’ and ‘nature’. Most pension funds have no policy for these themes at all. All pension funds score ‘very bad’ (score 1) for these themes, and these themes also had the lowest number of policy improvements (2 for ‘animal welfare’, 1 for ‘nature’).

The following conclusions can be drawn for individual pension funds:

- The policy of Pensioenfonds Horeca en Catering improved for 36 elements, the most improvements of the ten pension funds assessed. The improvements are spread over fourteen themes, with strong improvements on ‘corruption’, ‘health’, ‘climate change’ and ‘transparency and accountability’. These improvements form the basis for higher scores for eight themes. The theme ‘animal welfare’ is the only theme for which the fund did not make any improvements in policy.
- The policy of PMT improved for 32 elements, spread over fourteen themes. Policy improved mainly for ‘climate change’ and ‘mining’. These improvements form the basis for higher scores on nine themes. The theme ‘nature’ is the only theme for this PMT did not make any improvements.
- The policy of BPL Pensioen improved for 35 elements, spread over ten themes. The policy deteriorated for four elements. Themes with strong improvements are ‘mining’, ‘human rights’, ‘climate change’ and ‘oil and gas’. BPL Pensioen obtained a higher score for eight themes, but also a lower score for the sector ‘food’.
- The policy of ABP improved for 26 elements, spread over nine themes. With eight net improvements, ABP improved the theme ‘climate change’ especially, leading to a score of 4. ABP also improved elements within the themes ‘human rights’ and ‘mining’. The policy improvements form the basis for higher scores for eight themes.
- The policy of BpfBouw improved for 17 elements, spread over eight themes. The policy deteriorated for one element. Improvements were mostly made for the themes ‘arms’ and ‘transparency and accountability’.
- The policy of StiPP improved for 12 elements, spread over four themes. The policy deteriorated for four element however. The strongest net improvements of policy were made for ‘climate change’ and ‘housing and real estate’. The policy deteriorated for ‘gender’ and ‘transparency and accountability’.
- The policy of Pensioenfonds Detailhandel improved for eight elements, spread over five themes. The policy deteriorated for one element. Most improvements were made for ‘labour rights’, ‘health’ and ‘food’.
- The policy of PFZW improved for seven elements, spread over four themes. The policy deteriorated for two elements. A strong improvement was made for ‘transparency and accountability’. The policy in the themes ‘gender’ and ‘climate change’ had net deteriorations, though these did not lead to a lower score.

ⁱ The themes consist of varying numbers of elements. Some themes have many elements, such as ‘climate change’, which has more than 20 elements. The improvement of policy on a single element doesn’t lead to a higher score in such a theme. Improvements for smaller themes with for instance 12 elements are more likely to lead to a higher score.

- The policy of PME improved for five elements, spread over five themes. The score went up only for the theme 'arms', for which PME now scores a 6. PME is the only pension fund that obtains a sufficient score for this theme.
- The policy of Pensioenfonds Vervoer improved for two elements. Pensioenfonds Vervoer had the smallest number of improvements. The policy also deteriorated for one element (in 'gender').