



Press release

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Pension Sector Raises SRI Ambitions

If all the pension funds collectively developed a more sustainable investment policy, the sector as a whole would create more social value than is currently the case and could expect a clear positive impact on investment results as well. This is the essence of the research conducted by the Dutch Sustainable Business Association and the Sustainable Finance Lab at the request of the Ministries of Foreign and Economic Affairs. The Pension Federation has also announced they will examine how to achieve more tangible results with socially responsible investing. This not only shows that there is momentum to set the bar high, but it also serves the interests of society, the government and the pension industry itself. It also means that the government and the industry must reinforce each other in this movement, and they must also keep each other sharp by monitoring concrete results, preferably by means of an independent commission.

Political and societal bodies have been discussing the various opportunities of how to effectively use the Dutch pension assets, totaling more than 1200 billion Euros, for the transition to a more sustainable economy. Additionally, the interests of the pension recipients have increasingly been an important topic. It is also becoming clear that there are risks of investing in previously considered safe sectors such as fossil fuels. Conversely, there are increasing indications that previously considered risky investments in sectors such as cleantech, are now leading to above average returns.

The Pension Federation has recognized by now that a change towards more sustainable investment is desirable and necessary. It has also recently announced an agenda that relates to many of the points outlined in the research. They will examine how common standards and definitions can be developed in order to make responsible investment easier, more transparent and more prevalent. The sector also explicitly aims to enter into dialogue with companies to encourage responsible business practices.

More impact is crucial

The CEO of the Dutch Sustainable Business Association, Marga Hoek, is pleased with this industry-wide movement. According to Hoek, there were significant differences in the ambition level and the implementation of sustainable investment policies among the different pension funds, making the impact from the sector as a whole less than desirable. She also argues that an acceleration and increase in impact is crucial in the coming years especially since COP 21 and the adoption of the SDG agenda.

Hoek: "We are in a major economic transition. The pension funds should therefore apply new principles to their investment policies and the implementation thereof in order to navigate this transition. By doing so, they will put themselves in a better position to benefit from the opportunities presented in this transition, and reduce the risks. This is not something that an individual pension fund can do alone: the sector as a whole must work together on this movement and it should be based on a shared knowledge and implementation agenda. Fortunately, this is currently under way and we are confident that the pension sector is going to work further in this regard. Because only then can there be any real impact 'for good', or in other words, investment with a positive social value."

Sector needs more support

The research conducted by the Dutch Sustainable Business Association and the Sustainable Finance Lab also showed that many pension managers need more guidance in making the right choices in the area of sustainable investment. There is not always sufficient understanding of risk profiles, standards of measurement and the range of sustainable investment products. There is often also a question of insufficient commitment and lack of experience in actually managing a sustainable investment. These issues have been explicitly added to the agenda by both organizations.

In addition, cost has been found to play an important role. Some directors, participants and administrators still have their concerns that socially responsible investments lead to lower returns, higher risk and/or higher costs, and consequently to undesirable concessions of the financial result. Smaller funds often think they do not have the means to attain the necessary knowledge and experience. What also seems to be the case is that the opportunities and value of sustainable investing are not always clearly visible to advisers and asset managers.

According to Herman Wijffels, Chairman of the Sustainable Finance Lab, the pension funds can only take the necessary steps if the government supports them. Wijffels: "The government can give direction and legitimacy to the radical transition facing this industry. This requires ambitious and consistent policies across the board. Many stakeholders point out that this is currently lacking. Therefore, it would be beneficial if the government, as a legislator, knowledge partner and network facilitator, could provide a stable investment climate, such as creating sustainable investment opportunities, including tightening their own purchasing policy."

The first copy of the study has recently been given to Minister Ploumen who will soon attend the Fifth Annual Conference of the Pension Federation. The Dutch Sustainable Business Association and the Sustainable Finance Lab intend to work together with the ministries involved in the implementation agenda in order to support the pension sector. To this end they have already established the Sustainable Pension Investments Lab (SPIL) together with Pension Fund Directors and other experts in the field of pensions and investments.

End of message