

# Sustainable and responsible investment policy ABP

A good pension in a liveable world

March 2024



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# 1. The key points of the sustainable and responsible investment policy

## 1.1 Our mission: building a good pension together

Building good pensions together in a liveable world: that is our mission.

We aim to offer our participants a good pension, now and in the future. For us this means: a financially sound pension that our participants can enjoy in a liveable world.

To deliver a good pension to our participants, we invest the contributions that they and their employers make. The returns we achieve through these investments represent a large part of the pension they will receive from ABP now or later.

The world is changing rapidly. These changes create opportunities and challenges for us as investors. We need to identify and respond to major changes to maintain good investment returns for participants. This is how we manage the risks that affect the value of ABP's investments. This also gives rise to opportunities for the company to make a positive contribution to solutions to societal problems.

In this document, we will explain how we do this and the choices we make. We do not make these choices alone. We also take into account the preferences and input of ABP participants. We have this conversation with participants and with our affiliated employers; with organizations in civil society, governments, other investors, trade unions, academics and, of course, other companies. You can read how we do that (in Dutch) [here](#).

## 1.2 The basis: our investment convictions

Our [investment convictions](#) form the basis of our investment policy. They guide how we invest pension funds. Two of our convictions are directly related to sustainable and responsible investing:

*1. "Our participants benefit from a balanced assessment when we make investment decisions. We make these decisions by assessing each investment on four criteria: risk, return, cost and sustainability."*

This is a conviction central to ABP. For each investment, we test whether the return is appropriate to the level of risk. We also attach sustainability conditions to our investments. We incorporate risks related to climate, biodiversity, labor and human rights and corporate governance into our investment policy and decisions.

*2. "ABP's investments have an influence on society and society has an impact on ABP's investments. Responsible investment and making the investment portfolio sustainable are not to the detriment of the risk-return profile of the portfolio."*

ABP has a large and diverse investment portfolio; we invest in a wide range of companies, sectors and markets worldwide. Institutions like ABP are also known as 'universal owners'. As we invest in many segments of the global economy, we have a deep interest in maintaining a stable and sustainable economy and society. Conversely, as a universal owner, we are in a position to play a role in making the economy more sustainable and promoting long-term stability. We also call this interaction 'double materiality': on the one hand, trends and events in the world affect ABP's investments, and on the other hand, ABP's investments affect the world.

### Returns and risk

In order to provide a good pension in a liveable world for our participants, we need to invest sustainably and responsibly. So that we can manage the risks affecting the investment portfolio, avoid any negative impact from our investments, and make a positive impact on the world around us where we can. These elements often go together. Consider, for example, the extent to which companies adapt their products and operations to the impact of the energy transition, or anticipate regulations for product sustainability.

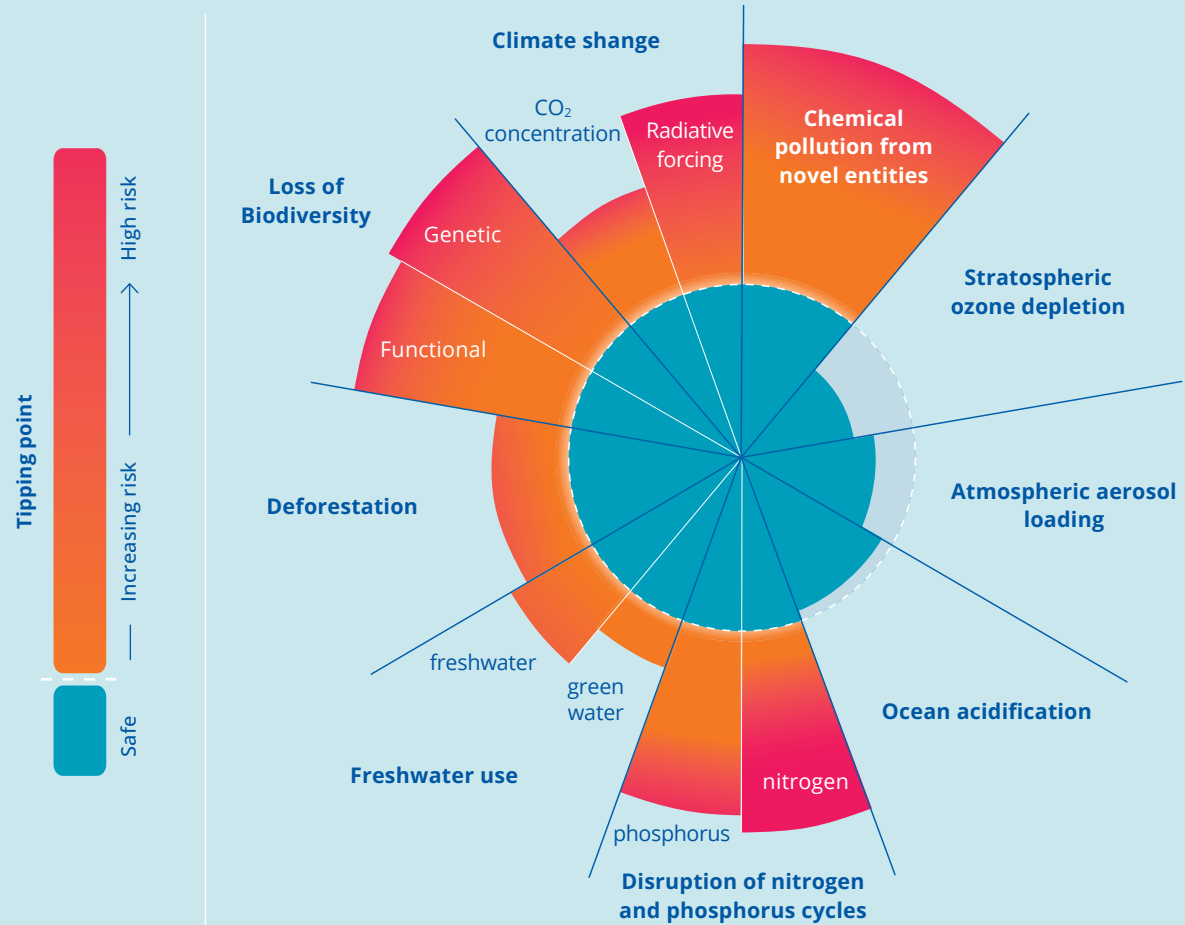
This is why we are convinced that responsible investment and making the investment portfolio more sustainable go hand in hand with having a good portfolio risk-return profile. We verify that this is the case in practice and we draw on solid, current scientific research to test this. We also compare the performance of our portfolio with benchmarks that do not include sustainability.

### 1.3 A sustainable economy

A liveable world demands a sustainable economy. A sustainable economy is one that produces what is needed but not at the expense of people, society and the planet. This is the 'planetary boundaries' model. This model identifies nine boundaries that people must respect if they are not to harm the earth. These boundaries all address aspects of climate and nature and biodiversity, such as global warming, water scarcity and chemical pollution.

Today's economy is not sustainable. Some of the planetary boundaries have already been exceeded. Examples include global warming and biodiversity loss. When these boundaries are breached over the long term, the result is significant and irreversible changes occur that threaten the balance of nature and the environment, as well as our prosperity.

Figure 1: A sustainable economy remains within planetary boundaries



Source: [The nine planetary boundaries - Stockholm Resilience Centre](#)

The concept of planetary boundaries shapes our thinking about the economy of the future. We intend to gradually move along that path. The two key transitions that are important in this policy, climate transition and conservation of nature and biodiversity, are translations of those planetary boundaries.

ABP is a long-term investor. This means that we seek to invest in activities that are profitable and sustainable in the long term. As a matter of principle, it is not right that companies are able to shift the negative consequences of their operations, such as greenhouse gas emissions, to the environment and society. In addition, companies that offload the negative impacts of their operations onto the environment and society stand a greater risk: legislation designed to protect the environment has the potential to hit these companies hard. Investing in such companies is too risky, especially in the long term.

#### 1.4 Addressing two key transitions: climate and nature & biodiversity

We translate the concept of planetary boundaries within our portfolios into the themes of climate change, and nature and biodiversity. Remaining within planetary boundaries entails a great deal of change in the world and the economy, and much more needs to change in the coming decades. This presents opportunities and risks for us as investors, in terms of both returns and sustainability. ABP has clear choices to make. These transitions are priorities for us because they are changes:

- that are important for our investments and for our participants;
- which we as investors can have an impact on;
- with a critical impact on the ability of companies to create long-term value.

Sustainable and responsible investment goes beyond environmental issues to include social aspects, namely how companies treat society and their employees. Ensuring decent working conditions and worker rights, preventing child labor, ensuring privacy and land rights of local communities are also key in this respect. ABP requires good governance and respect for human rights at companies we invest in.

We highlight our commitment in the following chart.

Figure 2: How we direct our investments in terms of the transitions?



#### Ambitieux en realistisch

We do not live in a perfect world. We are ambitious, but we are also realistic. As a pension fund, we can play a part in fostering a sustainable economy, yet we're also influenced by external forces and our surroundings. We are keen to shoulder this responsibility alongside others.

It will take some time to refine our expectations of companies and incorporate these refinements into our strategy. We're also aware that we can't tackle everything simultaneously; prioritization within our focus themes will be essential.

### 1.5 International standards as a starting point

We adhere to widely recognized international standards and follow the lead of prominent institutions. We expect companies to comply with relevant international and national standards, regulations and laws, and to make their compliance public. We hold ourselves to a similarly high standard. Specifically, ABP supports:

- the Paris Agreement;
- the Kunming-Montreal Global Biodiversity Framework;
- the OECD Guidelines for Multinational Enterprises;
- the United Nations Guiding Principles for Business and Human Rights (UNGPs);
- the United Nations Global Compact (UNGC);
- the Principles for Responsible Investment (PRI).

When selecting investments, due diligence requires that we rigorously assess the associated opportunities and risks, guided by the [OECD Guidelines for Multinational Enterprises](#) and the [OECD Guiding Principles for Institutional Investors](#). This involves taking into account the severity, scale and reversibility of environmental and social impacts. We also adhere to the covenant on International Socially Responsible Investment (ISRI). We also expect our external service providers, including fiduciary managers and asset managers, to follow these OECD guidelines and the UNGPs.

### 1.6 Compliance with laws and regulations

We strive for transparency in our investment practices. Legislation mandates that we disclose information regarding our investments and our sustainability efforts. One such regulation is the European Sustainable Finance Disclosure Regulation (SFDR). Our website provides further details on how we comply with these legal requirements.

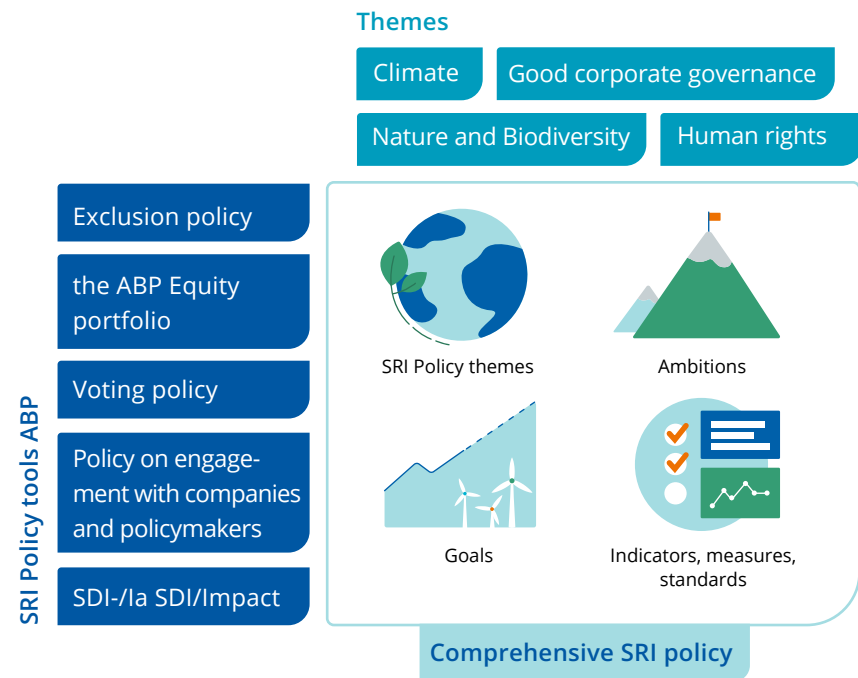
### 1.7 A comprehensive and effective policy for sustainable and responsible investment

We use a number of instruments to achieve the objectives of our Sustainable and Responsible Investment Policy.

These include the following instruments:

1. Establishing criteria for companies to qualify for inclusion in the ABP Equity Portfolio;
2. The exclusion of certain investments;
3. Engagement with companies and policymakers;
4. Voting at shareholders' meetings;
5. Investing in initiatives that support the Sustainable

Figure 3:



## 2. Two transitions: climate and nature & biodiversity

Combatting climate change and preserving nature and biodiversity are pivotal transitions in limiting the breach of planetary boundaries. These transitions are closely linked and are critical to a sustainable future and to companies' ability to create long-term value, which is why they are key themes for ABP. As a major investor, we leverage our influence to encourage companies and sectors towards environmental stewardship. We invest in companies that commit to environmentally friendly technologies and conservation efforts. We also exert pressure on companies to be transparent about their climate and environmental performance and set tangible targets for reducing their negative impact.

### 2.1 Climate

#### Why have a climate policy?

Climate change affects us all. To be able to provide a good pension in a liveable world, pension funds like ABP must anticipate what the world will look like in the future. Our participants expect this from us. The impacts of climate change are already evident and will only intensify. The Paris Agreement has set a goal to limit global warming to below 2°C, aiming for 1.5°C if possible.

Achieving this requires significant additional efforts from governments, corporations, consumers, and investors such as ABP. In the Netherlands, this commitment was set out in the National Climate Agreement of the Netherlands, which we have also signed. From a risk perspective, it is also important that companies we invest in contribute to the Paris Agreement. Companies that fail to adapt to climate and energy changes are at risk of losing value.

Climate change will impact various sectors, like food production, and could lead to political and social unrest. At the same time, building pensions for our participants

requires stability. A climate-neutral economy also offers opportunities for new jobs and investments. This is why promoting the energy transition is paramount to us. We are open to diverse solutions as long as they are safe, socially supported, and scientifically validated.

Our [Climate Policy 2022-2030](#) details ABP's contributions towards achieving the objectives of the Paris Agreement and the National Climate Agreement of the Netherlands.

#### Our vision for 2050

By 2050, the global economy will be climate neutral. This requires a fair and efficient transition to alternative energy sources so as to ensure energy affordability for everyone in the future.

#### Our objectives for 2030

*Our investment portfolio is aligned with the Paris Agreement target*

- On our path to a climate-neutral portfolio (net zero greenhouse gas emissions) by 2050, we aim to reduce emissions by 50 per cent by 2030 (compared to 2019).<sup>1</sup> This ambition:
- is absolute; focusing on total greenhouse gas emissions rather than emissions per euro of revenue;
  - applies across the entire value chain, covering direct emissions (scope 1), indirect emissions from purchased energy (scope 2), and indirect emissions in the supply chain, such as from the use of the company's products (scope 3);
  - applies to the entire investment portfolio.

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<sup>1</sup> This is in line with the International Panel on Climate Change (IPCC)'s assessment of what is needed to limit global warming to 1.5°C.



*We invest at least €30 billion in products, companies and projects that contribute to the energy transition (SDIs). At least €10 billion of this will be earmarked for impact investments (measurable positive contribution, see section 4.2).*

Our goal is to accelerate the transition from fossil fuels to renewable energy sources. This aligns with commitments made in the Climate Commitment (2019), which ABP, alongside other financial institutions, has pledged to support under the National Climate Agreement of the Netherlands. With this in mind, we invest in climate solutions for renewable energy, such as solar panels, wind turbines and green hydrogen as well as in sustainable energy infrastructure, smart grids, clean mobility and energy storage. Investments are also needed in climate change adaptation, i.e. increasing resilience to a changing climate.

### **How do we plan to achieve this?**

We make deliberate choices about the companies we invest in. Companies that are inextricably linked to climate change and are unable or unwilling to address this issue have no place in our portfolio. For example, in 2021 we made the decision to halt investment in fossil fuel producers.

At the same time, we encourage companies we do invest in to help implement the climate transition. We engage in an active dialogue (engagement) with large energy consumers and companies with a major climate impact. Our focus areas include the utility sector, transportation, chemicals, construction materials, and the financial sector. We also use our voting rights to drive the changes we want to see.

ABP has been monitoring the carbon footprint of the equity portfolio since 2015. For certain asset classes, we do not currently have a good overview of our carbon footprint, either due to unavailable data or unclear measurement methods. However, this will not deter us from working towards reducing the carbon footprint of the overall portfolio.

We are committed to mapping the carbon footprint of all asset classes as soon as possible. [Our website](#) (in Dutch) explains how we measure and manage the carbon footprint of our investments. We also document the carbon footprint of our investments in our annual report.

## **2.2 Nature and biodiversity**

### **Why do we have a Nature and Biodiversity Policy?**

Biodiversity encompasses all plants, animals, and microorganisms on Earth. All species work together in an ecosystem to maintain balance in nature. However, our natural world is in decline. According to the 2022 Living Planet Report, populations of wild animals (fish, birds, mammals, amphibians, and reptiles) have decreased by 69% since 1970.

The degradation of ecosystems also threatens the ecosystem services that nature provides to our economy, such as the availability of drinking water or crop pollination. Almost all companies depend to varying degrees on natural resources such as water, plants, energy and raw materials for their products or services. More than half of global economic activities depend more or less significantly on nature.<sup>2</sup> The loss of biodiversity leads to further economic disruptions and job insecurity in crucial global sectors like agriculture, aquaculture, and fisheries.

ABP's investments impact nature and biodiversity, and as part of the economy, we contribute to their decline, which in turn negatively impacts our economic investments. We must manage these risks effectively. Our aim is to wield our influence in such a way that our investments no longer harm nature and biodiversity. Where possible, we also seek to contribute to the restoration of nature and biodiversity.

It is not always easy to quantify the effects on biodiversity of companies and investments. However, we refuse to be limited by this. We are contributing to the development of measurement standards and we will continue to refine our policies in the future based on improved data availability, new widely accepted standards or evolving insights.

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<sup>2</sup> The World Economic Forum (WEF) estimates that about 15% of global GDP is derived from nature to a large extent, and 37% to a limited extent. See: [Nature Economy Report 2020](#)



Our [policy](#) focuses on the main causes of nature and biodiversity loss<sup>3</sup> especially those where we, as investors, can exert the most influence. This includes:

- changes in land use (e.g. deforestation and conversion of other ecosystems);
- use and depletion of ecosystems and species (e.g. degradation of soil fertility, water use and overfishing);
- climate change;
- pollution of land, water and oceans (plastics, waste, emissions of hazardous substances).

Addressing these negative impacts will require changes in our food systems as well as improvements to the sustainability of industry, energy production, buildings, and transportation.

ABP also recognizes the importance of animal welfare. Companies at significant risk of compromising animal welfare often have other adverse effects on people and the environment, such as biodiversity loss, deforestation, and pollution.<sup>4</sup>

### **Our vision for 2050**

People and nature live in harmony with each other. Biodiversity is valued, conserved, restored and used wisely. Ecosystem services are maintained. ABP aims to contribute to this through the sustainable management of our investment portfolio.

### **Our objectives for 2030**

#### *Our investment portfolio contributes to combating biodiversity loss*

ABP seeks to use its investments to [prevent the loss of nature](#) and contribute to the restoration of biodiversity, in line with the Kunming-Montreal Global Biodiversity Framework. To achieve this, we are committed to ensuring that our investments no longer contribute to deforestation and to investing in companies and projects that contribute to biodiversity conservation and restoration.

#### *Our investments no longer contribute to deforestation*

We require that companies in our portfolio do not cause deforestation. Companies with a high deforestation risk must commit to zero deforestation by no later than 2025. We aim to fully understand and reduce as soon as possible — but by 2030 at

the latest — any deforestation caused by companies within our portfolio, ensuring that no companies within our investment portfolio contribute to deforestation.<sup>5</sup>

*We invest at least €10 billion in companies and projects that contribute to preserving and restoring biodiversity. At least €1 billion of this amount will be in impact investments (see section 4.2).*

We plan to invest €10 billion in biodiversity-related Sustainable Development Goals by 2030, of which €9 billion will be in Sustainable Development Investments (SDIs) (see section 4.2) and €1 billion in impact investments. This will contribute to financing solutions for the preservation and restoration of biodiversity.

### **How do we plan to achieve this?**

We will first map the impact of our portfolio on biodiversity. Our biodiversity policy outlines our expectations for companies with a significant impact on biodiversity and how we use our shareholder votes to promote the conservation and restoration of biodiversity. Our new policy aims to clarify what we mean by “zero deforestation” in our portfolio. In addition, we are exploring how to measure and report on our performance.

### **Cooperation**

Our understanding of how to incorporate biodiversity into the investment process, the information available for this purpose and how well this topic is perceived in the market are still evolving. ABP participates in initiatives aimed at advancing these topics within the financial sector. This helps both us and others to make a more focused contribution to nature, biodiversity and animal welfare. ABP is actively involved in a number of groups, including the Taskforce on Nature-related Financial Disclosures (TNFD), the Partnership for Biodiversity Accounting Financials (PBAF), and the DNB Biodiversity Working Group.

3 As identified in IPBES (2019), the global assessment report on biodiversity and ecosystem services.

4 Source: Dutch Pension Federation: 20220531 Animal Welfare (in-depth).pdf

5 This is in line with the Glasgow Declaration on Forests.

## 3. Two conditions: human rights and good corporate governance

ABP requires good governance and respect for human rights at companies we invest in.

### 3.1 Condition: respect for human rights

#### Why have a Human Rights Policy?

Human rights cover issues like decent working conditions and worker rights, preventing child labor, ensuring privacy and land rights of local communities. The United Nations has established guidelines (United Nations Guiding Principles for Business and Human Rights) that have been accepted worldwide. These guidelines state that businesses have a responsibility to respect human rights and explain how they should do so. Companies must actively seek out potential issues wherever they operate and try to prevent them, a process known as due diligence.

ABP is committed to thoroughly investigating whether companies we invest in violate human rights. A matter of principle for us; we do not want companies profiting at the expense of their workers through poor or unsafe working conditions, or at the expense of the communities they operate in. We also expect companies to take responsibility for the actions of their suppliers.

This is critical for the people who are victims of such actions, and it also makes sense from a business perspective. Companies that respect human rights are less likely to encounter issues such as delays, employee disputes, lawsuits, fines, and reputation damage. Respect for workers' rights is also a sign of good corporate governance. In other words, violating human rights poses a risk to investors like ABP.

We investigate by identifying issues within companies and conducting active research into the largest global companies in high-risk sectors, such as food & agriculture, ICT, and the automotive industry.<sup>6</sup> This research shows that companies are still doing

too little to prevent human rights abuses. National governments often lack oversight of companies' activities abroad and the means to enforce compliance. However, in Europe and the US, more laws are being developed that require companies to demonstrate their compliance with human rights guidelines.

#### Our vision for 2050

By 2050, all companies respect human rights, both within their own operations and throughout their supply chains. This is a value in itself, and applies to all companies. Particularly during the climate transition, we focus on a sustainable and just transition. A just transition means making the economy more sustainable in a way that is as fair and inclusive as possible for everyone, creating decent employment opportunities and leaving no one behind.<sup>7</sup> This is also part of our human rights policy.

#### Our objectives for 2030

We are committed to fair business practices and just transitions, and we hold companies accountable for this. This means that companies respect human rights by recognizing, avoiding, and addressing issues (identification, prevention, and mitigation). The United Nations Guiding Principles for Business and Human Rights, further elaborated in the OECD Guidelines, set out how companies should do this (see section 1.5). We will not invest in companies that do not do enough. Companies must at least develop sound policies on human rights within their operations and supply chains. We will periodically reassess whether to tighten our demands on companies. This is the only way to ensure that major societal changes can take place responsibly.

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6 Zie voor dat onderzoek de [Corporate Human Rights Benchmark WBA \(worldbenchmarkingalliance.org\)](https://www.worldbenchmarkingalliance.org)

7 Definitie van de Europese Commissie en de International Labour Organization (ILO)

## How do we plan to achieve this?

### *We will refine our criteria for assessing whether companies respect human rights according to the UN Guiding Principles for Business and Human Rights*

We are sharpening our criteria to detect negative impacts and issues. We do not invest in companies that fail to adequately safeguard human rights. We also engage with companies that do not yet meet our requirements to better identify, prevent, and address human rights violations. We follow the approach of the OECD Guidelines for Multinational Enterprises and the United Nations Guiding Principles for Business and Human Rights (UNGPs). Similarly, at the country level, we look at how countries handle human rights, for example when buying government bonds, and factor that into our investment decisions.

### *We engage in discussions about respect for human rights and advocate for just transitions in climate and biodiversity*

We expect companies to have a process for actively identifying, preventing, and resolving human rights issues, as indicated by the UNGPs. We require them to have a clear human rights policy and a mechanism for remediating negative impacts on human rights (e.g. a grievance system). We also expect them to contribute to just transitions in the areas of climate and nature & biodiversity. We hold companies accountable for their responsibility to drive improvements, emphasizing the importance of sound corporate governance. A company's top level of management must take responsibility for human rights.

## 3.2 Condition: good corporate governance

### Why have a Good Corporate Governance Policy?

We see good corporate governance as a condition for good investments. Sound board leadership, effective operations, and a constructive relationship with shareholders and other stakeholders are essential for companies to manage risks and create long-term value. Without good governance, companies cannot successfully contribute to combating climate change and preserving nature and biodiversity.

### Our vision for 2050

Companies focus on creating long-term value. Good governance fosters a culture of responsibility and contributes to the balanced and fair consideration of the interests of shareholders and other stakeholders. This forms the basis for a healthy corporate culture and the effective management of sustainability risks and opportunities.

### Our objectives for 2030

In promoting good corporate governance at companies in which we invest, we focus on the following issues:

#### Composition and workings of the board

The board sets the company's goals, strategy, and values and focus on creating long-term value. It recognizes and manages risks. We want the board to consist of a balanced group of people in terms of experience, knowledge and background. In large companies and climate-sensitive sectors, there should be a director for sustainability issues.

#### Shareholder rights

We expect company statutes not to restrict shareholder rights. There should also be enough independent directors representing the interests of all shareholders.

#### Remuneration

We expect companies to strive to create long-term value and that board remuneration reflects this, for example, by taking into account the sustainability of the company. The rules for determining remuneration should align with the interests of shareholders, be clear, transparent, and consider the societal context without being excessive.

#### Reporting & Audit

Companies should clearly demonstrate how they deal with environmental, social, and governance (ESG) issues. They must report on the sustainability risks they face and show how they are mitigating these risks.

Our views on good corporate governance are set out in our [Corporate Governance Framework](#).

### How do we plan to achieve this?

ABP promotes good corporate governance by engaging in dialogue with companies on this topic and actively exercising our shareholder rights, including voting rights. We also collaborate with like-minded investors and other market participants to encourage good corporate governance in the markets where we invest

## Taxes

Taxes contribute to healthy public finances and a stable society, where social services are available and with which people feel connected. By being responsible when dealing with taxes, we can contribute to a liveable world in which our participants can enjoy their pensions. We have developed our Tax Principles to ensure responsible behavior in this area. These principles apply both to our own tax contributions and to promoting responsible tax practices by companies in which we invest. The key principles are:

- compliance with laws and regulations;
- transparency on tax issues with respect to our participants and society;
- cooperation with international organizations to promote fiscally responsible behavior;
- acting in accordance with the principles of initiatives aimed at combating aggressive tax planning.

Achieving our ambition will take time. By 2025 we aim to:

- have our systems and processes ready to engage in dialogue about fiscally responsible behavior with companies we invest in;
- show our participants and other stakeholders in a transparent way how much tax we pay directly and indirectly in the various countries and provide insight into the taxes that are indirectly borne by ABP;
- apply our Tax Principles to all our investments;
- to partner internationally with institutional and other investors to promote fiscally responsible behavior on the part of all our investees.

Learn more in our [Tax Principles and Tax Policy](#).

## 4. Our instruments

As investors, we have a range of tools at our disposal to help us achieve our goals. This chapter provides an overview of these tools.<sup>8</sup>

### 4.1 Starting point: what do we invest in?

In a sustainable economy, companies cannot shift the negative consequences of their operations, such as greenhouse gas emissions, to the environment and society.

In 2021, ABP decided to discontinue investments in companies with a business model based on the exploration and production of fossil fuels. These companies are inextricably linked to climate damage and discussions with these companies (engagement, see 4.4) have proven ineffective. If governments take responsibility for a sustainable economy and start pricing damage to the climate and nature while ceasing subsidies, these business models will suffer significant negative impacts (transition risks).

ABP continues to tighten the conditions for investing in companies by setting minimum conditions that companies must meet in all four themes of the Sustainable and Responsible Investment Policy. This approach ensures that we continue investing in companies that consider long-term risks, allowing us to engage in more focused dialogue with a more limited number of companies.

Companies whose business activities are inextricably linked to damage to the climate or biodiversity, and where there is no realistic prospect of improvement, do not fit into ABP's equity portfolio. The minimum requirements set out in our policy — which we will continue to refine in the future — are the guiding principles for determining whether ABP chooses to invest in certain business activities. This is also contingent on the continued availability of good and reliable data.

The future-proof assessment is based on facts and scientific research. We incorporate input from experts and our participants' preferences by organizing expert sessions and researching what participants consider important.

More information can be found in the composition of the [ABP Equity Portfolio](#).

### 4.2 Exclusion

We carefully select the companies we invest in. Sometimes, we choose not to invest in a company or government bond upfront because we do not wish to be associated with these entities or governments that have a negative impact through our investment portfolio. We have two types of exclusions:

#### Product exclusion

ABP does not invest in companies that manufacture weapons banned by international treaties signed by the Netherlands. Specifically, this refers to companies involved in producing cluster munitions, anti-personnel mines and chemical and

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<sup>8</sup> In another document on our [due diligence process](#) (in Dutch) we further explain how we apply the OECD Guidelines for Multinational Enterprises in six steps for each asset class. This document clarifies how we assess investments for risks to society and how we aim to address or prevent these risks. The tools for responsible investment discussed here include exclusion, the composition of the ABP Equity portfolio, voting and engagement.

biological weapons. We also do not invest in tobacco companies or companies involved in producing atomic weapons or important components of them.<sup>9</sup>

#### Exclusion of sovereign bonds

ABP does not invest in government bonds from countries subject to binding arms embargoes by the European Union or the UN Security Council.

We periodically publish an [overview](#) of the companies and government bonds we exclude on our website.

### 4.3 Contributing to the Sustainable Development Goals and Impact Investing

#### Contributing to the Sustainable Development Goals

Since 2016, ABP has set concrete goals for investing in companies and projects that contribute to the Sustainable Development Goals (SDGs), which were established by the United Nations in 2015 to achieve a better and more sustainable world. ABP, in collaboration with other financial institutions, has developed a method for determining whether a company or project contributes measurably to the SDGs. We refer to these as Sustainable Development Investments (SDIs). We apply the same risk and return requirements to SDIs as we do to other investments.

The targets ABP set for 2025 in 2020 have already been reached in recent years.<sup>9</sup> We continue to measure which investments contribute to the SDGs because it's a useful way to track how much money is invested in products that facilitate the transition to a sustainable economy. We set new targets for our investments in SDGs that contribute to the climate transition and solutions for the decline in biodiversity: €30 billion investments in the climate transition and €10 billion in biodiversity.

#### Impact Investing

To make our own impact concrete and measurable, we set targets for a new tool for ABP: impact investing.

The target for impact investing is a new addition to our policy. We aim to have made €30 billion of impact investments by 2030. Of this amount, our target is to have made at least €10 billion of impact investments in climate and at least €1 billion for biodiversity conservation (see sections 2.1 and 2.2). These targets are ambitious but achievable: they are based on a bottom-up analysis of what is possible in the portfolio if we commit to them in the coming years.

For an investment to be considered an impact investment, it's not enough for it to contribute to a better and sustainable world. It must also meet the following criteria:

1. The investment must intentionally aim to have a positive social and/or environmental impact. The key word here is **intentionality**.
2. The investment must achieve a **return** appropriate to that asset class.
3. The impact on the environment and/or society must be **measurable and transparent**.

In other words, some of our SDIs may be impact investments, but it is not the case that an SDI is automatically an impact investment. It's only considered to be an impact investment if the above conditions are met.

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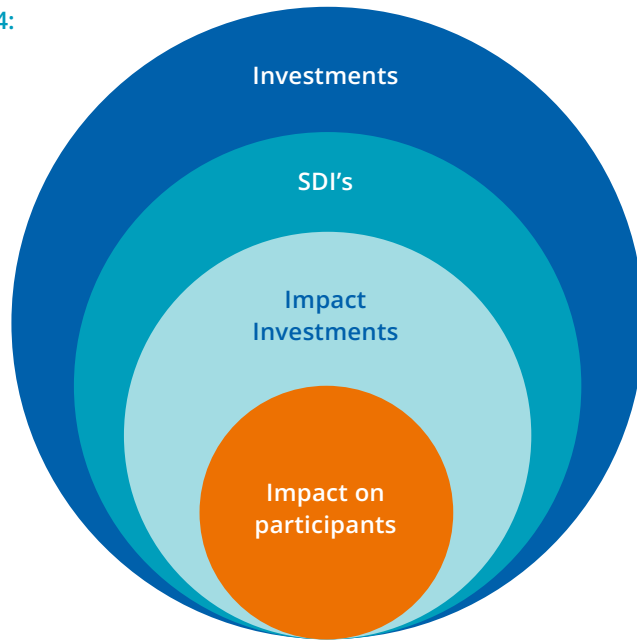
<sup>9</sup> ABP assesses product exclusions against four criteria:

- 1) Is the product inherently harmful to people?
- 2) Can we as investors make a difference?
- 3) Would there be no negative consequences if the product no longer existed?
- 4) Is there a global treaty on eliminating the product?

<sup>10</sup> The targets were: 20% of the overall portfolio invested in SDIs, and €15 billion in climate solutions.

## Relation between SDIs and impact investments

Figure 4:



Impact investments can be made in various different investment categories, with private asset classes lending themselves best to this. We prefer to focus on companies and projects in the Netherlands, because this is where the positive impact for our participants is greatest. Out of the target of €30 billion in impact investments, ABP aims to invest €10 billion in the Netherlands.

More information can be found in our [Impact Investing Policy](#).

## 4.4 Engagement with companies and engagement with policymakers

### Engagement with companies

As a major investor, we have a global influence on a vast number of companies and sectors. We exercise this influence through dialogue, which is known as engagement. We are explicit about our expectations with companies we invest in. Where possible, join forces with like-minded investors.

We are committed to gradually making our equity portfolio more sustainable, with engagement playing a key role. Dialogues with companies can be effective if we have clear objectives, set requirements and establish clear minimum conditions. Our dialogue is not without obligation; we part ways with companies that do not meet our minimum requirements even after engagement.

Our engagement plans are based on the transitions (climate and nature & biodiversity) and conditions (human rights and good governance) of the SRI policy. We inform companies about our ambitions and objectives and assess their compliance. We expect engagement to have a measurable impact on the sustainability performance of our portfolio. We regularly share information with participants and other stakeholders about the progress of our engagement initiatives and concrete examples of the companies we invest in. ABP also publishes an annual overview of the results of engagements concluded in that year, indicating the investment decisions that resulted, in line with the obligations of the Covenant on International Socially Responsible Investment (ISRI or IMVB in Dutch).

### Engagement with policymakers

ABP also engages with policymakers, including executives, legislators and regulators at local, national and European levels. We do this to:

- increase support for our responsible investing choices;
- mitigate systemic risks that affect our investment portfolio but are beyond our direct influence;
- achieve our social goals in cooperation with policymakers.



More information can be found in our [Engagement Policy](#) (in Dutch) and the [Engagement with Policymakers Policy](#) (in Dutch).

## 4.5 Voting

Voting at shareholders' meetings is one of the tools ABP uses to achieve the objectives of its sustainable and responsible investment policy. Since 2023, ABP has implemented stricter rules for voting on climate, biodiversity, human rights, and fiscally responsible behavior.

We review our [voting policy](#) (in Dutch) annually and adjust it where necessary. When making voting decisions, we consider the specific context and market in which the company operates, such as provisions in national codes of good governance and local laws and regulations. At the same time, we encourage companies to comply with international best practice standards for good corporate governance.

We publish all votes cast on [our website](#) and explain important votes in our annual report.

## 4.6 Application of the instruments in different asset classes

To spread risks, we invest in many different sectors and asset classes worldwide. All of the above instruments can be applied to listed shares. However, this is not the case for all asset classes.

For example, investing in a corporate bond does not give us voting rights at that company. Also, an instrument may be used more frequently in one asset class than in another. For example, investments in private real estate and infrastructure involve long-term partnerships; intensive engagement with management then plays a very important role. Other factors come into play in the case of different investments, such as government bonds or private equity. We continuously evaluate how to use different instruments most effectively.

## 5. Sustainable and responsible investment together with our stakeholders

### Joining forces

Working towards a liveable world is a collective endeavor. To make our SRI policy work most effectively and to achieve progress, we are committed to keeping our participants and stakeholders well informed. We listen to them, engage them, and collaborate with them. This approach enhances our decision-making, allows us to develop standards, and join forces to amplify our influence. We also collaborate with other pension funds, where possible, to share knowledge and strengthen the impact of our policies.

We pursue collaboration to achieve the following:

- To share knowledge and information crucial for implementing our policy;
- To work together with stakeholders to achieve the goals of our sustainable and responsible investment policy;
- To influence policy on the two transition themes and the two conditions.

Dialogue about our investment approach forms a key part of our policy. We engage in conversations with participants, with our affiliated employers, as well as with civil society organizations, governments, other investors, trade unions, academics and, of course, companies. The goal is to share views and reflections with each other, to combine forces to resolve dilemmas and learn from each other, even when we may not agree. That keeps us sharp. When public initiatives and pledges are in line with our policies and beliefs, we also make our position known by supporting them publicly.

We also join forces with our administrator APG for good policy and execution.

### Support from participants

To ensure that our SRI policy is in line with what participants expect from ABP, we engage in discussions and conduct digital participant surveys on Sustainable and Responsible Investment. We also carry out more extensive annual surveys among our participants to understand what they consider important and what they expect from ABP in terms of

sustainable and responsible investment. ABP uses the outcomes to formulate and refine its policy. The [key conclusions](#) (in Dutch) from the latest annual survey are available on our website.

### Examples of cooperation

#### Climate

##### Climate Action 100+

This initiative involves hundreds of large investors putting pressure on the companies responsible for the greatest amount of carbon emissions worldwide. Together, the investors participating in this have more than €60 trillion in assets under management.

##### National Climate Agreement of the Netherlands

Our administrator APG was closely involved in the national Draft National Climate Agreement of the Netherlands, which outlines agreements between government, business and civil society organizations on how the Netherlands intends to meet its Paris climate targets. APG led the Dutch financial sector's contribution to the Climate Agreement. Although the financial sector was not assigned a specific role in CO2 reduction by the government, it voluntarily committed to the ambition of making the Netherlands climate-neutral by 2050, including interim targets.

The financial sector also acknowledges its responsibility in financing the energy transition. We are, of course, committed to implementing the agreement and have signed it.

##### Task Force on Climate-related Financial Disclosures (TCFD)

The TCFD focuses on the impact of climate change on businesses. Its recommendations cover governance, strategy, risk management and metrics (including targets), with the aim

of providing insights into the risks faced by companies and their management strategies. Financial institutions are also expected to report on these four components in line with the TCFD.

### Paris Agreement

For a successful and responsible energy transition, action from the Dutch government alone is not enough. International institutions like the European Union and national governments play a crucial role here. We believe it is important that the Paris Agreement is fulfilled. Together with other international pension funds, investors and stakeholders, we aim to develop a measurement method for this that can be applied internationally. We will report on how we are working towards these targets.

## Nature and biodiversity

### Sector initiatives

ABP, sometimes through our asset manager APG, is part of various sector initiatives in nature & biodiversity, allowing us to pool influence and expertise. Examples of initiatives we or our asset manager have joined include the Taskforce on Nature-related Financial Disclosures (TNFD), the Partnership for Biodiversity Accounting Financials (PBAF), the DNB Biodiversity Working Group, the Finance for Biodiversity Pledge, and the World Economic Forum Biodiversity Finance Initiative.

### Natural Capital Stewardship

We aim to contribute to the development of a method for sustainable land use (Natural Capital Stewardship). By viewing land use as natural capital, we can spell out how we assign value to nature and use this in our decision-making process. We expect Natural Capital Stewardship to help us identify risks and opportunities for our portfolio.

## Respect for human rights

Covenant on International Socially Responsible Investment (ISRI, IMVB in Dutch)

In the framework of the Covenant, the Dutch pension sector, including ABP, has reached agreements with the government, trade unions and civil society organizations on addressing abuses at investees. We explain how we implement

these agreements on our website. After four years of intensive cooperation, the Covenant on ISRI expired in 2022.

### Corporate Human Rights Benchmark

Together with Aviva Investors, the Business & Human Rights Resource Centre, Nordea Wealth Management, and the Association of Investors for Sustainable Development, among others, we have launched the Corporate Human Rights Benchmark (CHRB). This benchmark compares the human rights performance of listed companies in a number of high-risk sectors (food and agriculture, ICT and the automotive sector) to provide insight into how companies in relevant sectors identify, prevent and address human rights issues. The Corporate Human Rights Benchmark is now part of the World Benchmarking Alliance.

## Good corporate governance

### Eumedion

ABP is a member of the management board of Eumedion, which promotes the interests of institutional investors in the areas of good corporate governance and sustainability. Eumedion aims to improve the governance, environmental and social performance of publicly traded companies. This independent foundation focuses on Dutch and European politics and Dutch listed companies.

## 6. Reporting and evaluation

### We are transparent

One of the keys to our sustainable and responsible investment policy is open and clear communication. We aim for our participants and other stakeholders to understand what we do and to see their reflections in our actions. This helps us stay aligned with market developments and the expectations of our stakeholders.

This means we strive to be transparent about our investment portfolio, including the choices we make in the framework of the sustainable and responsible investment policy. We communicate about our results and the consequences of our choices, even when they fall short of expectations. We also share how we comply with the OECD Guidelines for Multinational Enterprises, provide insights into how we define investments such as SDIs or impact investments, and discuss the objectives and outcomes of our various engagement initiatives. If controversies arise that directly relate to the sustainable and responsible investment policy, we communicate our positions and actions. This communication takes place through various channels, including our annual report, [our website](#), and through contact with the media.

### Data availability

Companies have long reported on their financial performance, guided by clear standards and laws. Sustainability reporting, however, is still significantly evolving. This means we might not always have all the data we would like to have about the sustainability of companies' operations. We believe this should not deter us from making the choices we can make based on the information that we do have. We also advocate for the availability of good and reliable data by drawing the attention of companies and the government to this issue.

### Monitoring and evaluation of external service providers

We have an asset management agreement with APG AM (NO VB), the administrator of our investments. We have established agreements with them on investment methods, risk management, the characteristics of mandates, the integration of the OECD Guidelines for Multinational Enterprises and the identification and mitigation of potential and actual negative impacts. This contract includes a Service Level Agreement (SLA) that stipulates quarterly reporting and real-time dashboards to keep us informed about investment results, including engagement and voting outcomes. When necessary, we also request analyses of specific investments.

In addition to our own monitoring of execution from the SLA, our fiduciary manager APG AM Fiduciary Management also monitors this. In accordance with applicable NO VB and SLA agreements, they independently evaluate the implementation of the SRI policy during the year. Based on the key findings, our fiduciary manager makes recommendations for improvements, which are expected to be met within a predetermined timeframe. We receive the results of this evaluation on an annual basis and make adjustments where necessary.

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