



# ABP Climate Policy 2022-2030

Accelerating investments that make a difference

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# Introduction

For over 100 years now ABP has been the pension fund for people employed in government and education. ABP's mission is to offer all participants a good pension in a livable world, now and in the future. 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. Since we invest in many segments of the global economy, it is very important to us to maintain a stable and sustainable economy and society. A sustainable economy produces what is necessary, without this being to the detriment of people, society or the Earth. Today's economy is not sustainable.

With the excessive emission of greenhouse gases (GHGs) we are burdening and heating the earth. Both national and international agreements have been signed aimed at changing this state of affairs. But despite high-sounding promises and good intentions, as yet little has been achieved in reality. At the current rate of change we will not stay within the 1.5 °C or even within the 2 °C global warming threshold. At the moment we seem to be even heading for 2.5 to 2.9 °C. A lot needs to happen if we are to avert climate change. Reports of the UN climate panel (IPCC<sup>1</sup>) and the International Energy Agency (IEA) make that clear. These changes become even more urgent in light of the EU's Copernicus

climate change service's report that, worldwide, January 2024 was the hottest January ever recorded. It also confirmed that, for the first time, the 1.5 °C global warming threshold had been breached for a full twelve month-period.

Climate change is a social and political problem, but it's also an economic problem. And it requires the efforts, courage and perseverance of all to contribute to the solution. Politicians, businessmen, scientists and financiers all have important roles to play. ABP is a social-societal financial institution. As such we have a responsibility to take action and to invest pension premiums sustainably and responsibly for current and future generations of participants. As global investors we can also play a role in making the economy sustainable and promoting long-term stability.

In the past few years ABP has taken steps in this direction. We have set goals and achieved them, in some cases even surpassing them. However, we see that it is necessary to take more forthright measures and to increase the pace if we are to realize that good pension in a livable world, now and in the future. The climate policy is part of ABP's sustainable and responsible investment policy.

Both derive from the following starting points: 1) who we are, i.e. a social-societal financial institution, and 2) what we stand for, a good pension in a livable world for current and future generations.

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<sup>1</sup> The Intergovernmental Panel on Climate Change (IPCC), an intergovernmental organization of the United Nations. The IPCC sees to it that policymakers always have access to the most relevant and up-to-date information from scientific research into climate change.

# ABP's climate policy 2022-2030 at a glance

## What we aim to achieve:

Portfolio in line with the aims of the Paris accord

Net zero GHG emissions in 2050

50% less GHG emissions in 2030 compared to 2019

- For the whole investment portfolio
- Footprint in absolute terms
- So it includes emissions throughout the chain, including those associated with inputs and with the use of products

To invest €30 billion in the climate transition in 2030, of which €10 billion impact investments

- With investments that demonstrably make a difference
- Actively to seek possibilities in the Netherlands

## What we are going to do:

Invest only in businesses that do not make any products or provide any services with which damage to the climate is inextricably bound

We will invest in sectors with long-term prospects, in businesses with the ability and determination to make the climate transition

We will require businesses with substantial impacts on the climate to submit a climate plan in line with the Paris accord:

- Objectives in line with net-zero emissions in 2050
- Reporting on emissions

Intensive dialogue with utilities, the transport sector, steel, cement and chemical industries and the financial sector

Impact investments in green energy, smart networks, insulation, hydrogen including green hydrogen, clean mobility, energy storage and climate adaptation



# Where we come from

Since 2007, climate policy has been part of ABP's sustainable and responsible investment policy.

In 2015, we set specific goals for 2020, such as investing more in sustainable energy and reducing our CO<sub>2</sub> footprint. In 2020 we refined our climate goals. In 2022 we published our climate goals for 2030, in line with the expectations of the Dutch Climate Agreement. Here are some of the results we have already obtained:

- By the end of 2023, we were already on the right heading. Our investments contributed about €20.4 billion in 2023 to "affordable and clean energy" (SDG 7). So our objective of €15 billion for 2025 has already been surpassed. As regards the emissions (Scopes 1 and 2<sup>2</sup>) of all investment categories in Scope<sup>3</sup> in 2023 the CO<sub>2</sub> footprint of our investment portfolio was 18% lower than in the base year 2019.
- In October 2021 we announced that we would no longer invest in fossil fuel producers. This decision came about as a result of the reports of the IEA and the IPCC published that year. It was

also strongly advocated by groups of ABP participants and employers. The consequences of this step had of course been worked out beforehand and our administrator had reached the conclusion that it should have no lasting negative effects on pensions for our participants. We are cautiously phasing these investments out.

At the beginning of 2024 we sold all our equities and corporate bonds issued by fossil producers. These sales were in years of relatively high prices. We re-invested the proceeds in attractive investments that fit with our investment policy. The remaining illiquid investments (at the end of March 2024: €4.8 billion) are in long-term contracts. These will be sold as soon as possible when the time is right for participants.

We realize that developments in today's world are piling up, despite the steps we are taking. As well as the disastrous consequences for people and society, the outbreak of various wars also affects the energy transition and international trade. Although gas prices have fallen, dependency on gas remains a central theme. Governments must seek alternatives. The energy crisis has made the need to accelerate the transition from fossil to sustainable energy all the more urgent.

The results of the UN Climate Change Conference COP28 confirm this through the following agreements:

Renewable energy capacity will be increased threefold

Transition away from fossil fuels

Phasing out of fossil subsidies

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- 2 Scope 1: direct CO<sub>2</sub> emissions, caused by own sources within the organization. Scope 2: indirect CO<sub>2</sub> emissions, from the generation of electricity or heat bought in and consumed. Scope 3: the emissions caused by the use of the business's products (source: Greenhouse Gas Protocol).
  - 3 Shares, corporate bonds, real estate, private equity, government bonds, infrastructure, commodities, mortgage loans and the opportunity fund.

## Revised Guide



In 2019 ABP signed the financial sector's commitment to the Dutch Climate Agreement. In 2022 the financial sector developed a [Guide](#) for all participants with guidelines to be followed by climate action plans. This Guide was revised in 2023, since when the [revised](#) Guide has been used as the starting point for this climate action plan.

The revised Guide asks investors in 2023 to draw up action plans with climate objectives for the CO<sub>2</sub> footprint of the equities, corporate bonds and real estate investment categories. And where possible to establish action plans for all other investment categories too. For further information, please refer to the chapter headed "Climate policy in the whole portfolio".

Based on the main changes in the revised Guide, we made the following adjustments:

From financial year 2023 for government bonds, we report on the CO<sub>2</sub> footprint and action plans in accordance with the latest 2022 PCAF standard<sup>4</sup>.

From financial year 2023, we also report Scope 3 CO<sub>2</sub> emissions for all investment categories.

In calculating attainment of the CO<sub>2</sub> reduction objectives, we take no account of carbon credits purchased or carbon offsetting. At present we have no systematic insight into the use of these techniques by businesses in our investment portfolio. Our preference is for businesses in our portfolio to strive to reduce CO<sub>2</sub> emissions related to their business activities.

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<sup>4</sup> [Partnership for Carbon Accounting Financials \(PCAF\) and the 2022 standard for the Global GHG Accounting and Reporting Standard for the Financial Industry.](#)

## A sustainable economy

ABP's investments have an impact on our society and on the world. Conversely, the world has an impact on ABP's investments. For this reason we are determined to increase the positive impact of our investments and to limit their negative impact.

In a sustainable economy, businesses cannot shift the negative consequences ("externalities") of their operations, such as GHG emissions, on to the environment or society. They have to bear their responsibility. In a sustainable economy, it is not possible to take all the benefits without suffering the burden. To get to this situation, a lot still needs to change. At present there are very few businesses that conform entirely to the sustainable economy ideal.

In a sustainable economy there is money to be made through honesty and integrity. Negative effects on people and the environment must be passed on to businesses. In this way innovation is encouraged and the costs of negative effects go where they belong. Businesses that cannot survive without shifting these negative effects on to others have no place in a sustainable economy. In the area of climate, this is particularly true of GHG emissions. We cannot invest in businesses where environmental damage is inextricably linked to what they do. They do not belong in a sustainable economy and we see that there are major risks to their long-term viability.

There are also business whose emissions are still too high, but that have the ability and will to change. We help businesses that have the ability and determination to make the climate transition, by means of dialogue. However, there is nothing optional about this dialogue: we require businesses to set demonstrable goals in line with those of the Paris accord and to act accordingly.

# What we aim to achieve

The goals of our climate policy are based on the notion of a sustainable economy. We strive to conduct our business in line with the Paris climate accord. That means that we strive to limit the global increase in temperature to less than 2 °C and preferably 1.5 °C. This in turn means rapidly reducing GHG emissions. So the footprint of our investment portfolio must also be reduced.

It is therefore our ambition to reduce the CO<sub>2</sub> footprint of the whole portfolio in absolute terms by 5% by 2030, compared to 2019<sup>5</sup>. This is in line with what the IPCC report says is necessary to limit global warming to 1.5 °C<sup>6</sup>. This applies to all emissions, both those produced directly by businesses (Scope 1) and by the energy they use (Scope 2), but also emissions for which businesses are responsible through the use of their products (Scope 3). And it applies to all investment categories, not just the equity portfolio. We will monitor progress towards this ambition against a linear reduction path. At present we cannot yet measure everything, and the measurements we can make are not always of the quality we would wish. However, this will not be allowed to stand in the way. We intend to work on ways of gauging things we cannot yet measure and on the continuous improvement of quality and reliability. We aim to

achieve net-zero emissions from our portfolio by 2050.

Wherever possible, we aim to contribute to the acceleration of the transition from fossil to renewable energy. For this reason, we intend to invest at least €30 billion in climate transition in 2030, of which at least €10 billion in impact investments. We can quantify the contribution to the transition of these impact investments. They are investments in climate solutions in sustainable energy, such as solar panels, wind turbines and green hydrogen, but also investments in sustainable energy infrastructure, smart networks, clean mobility and energy storage. In parallel, investment is also needed in adaptation to climate change. By this we mean making social and physical structures resilient to climate change. Examples are infrastructure that helps combat flooding and buildings that take account of changing climate and heat stress.

ABP also takes other measures to contribute to the Paris climate objectives. ABP assesses the policy and where necessary refines the climate-related criteria. This means we make choices: which investments are appropriate to a sustainable economy and thus to ABP?

As shareholders we also intend to make clearer what we expect from businesses. In our climate policy, we make choices as to what stance to adopt as shareholders vis-à-vis the businesses in our portfolio. About what to say to them in our dialogues and how to vote in shareholders' meetings.

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5 2019 is the starting point of the climate commitment

6 As per the IPCC report "Climate Change 2022: Mitigation of Climate Change" of April 2022 a 48% reduction in CO<sub>2</sub> emissions by 2030 relative to 2019 in a 1.5 °C scenario with little or no overshoot.  
[https://www.ipcc.ch/report/ar6/wg3/downloads/report/IPCC\\_AR6\\_WGIII\\_SPM.pdf](https://www.ipcc.ch/report/ar6/wg3/downloads/report/IPCC_AR6_WGIII_SPM.pdf)



# What we are going to do

To attain these goals, we make choices. These choices concern what ABP invests in, how we use the influence we have as active shareholders and how we are going to invest in the climate transition.



## What we invest in

ABP is a long-term investor, which means that we aim to invest in activities aligned with a sustainable economy. In a sustainable economy, companies cannot shift the negative consequences of their operations, such as greenhouse gas emissions, on to the environment and society. Sectors in which the business model is based on shifting negative effects on to others have no place in a sustainable economy with just rewards. These businesses face significant transition risks: if legislation were to compel them to operate sustainably, they would be severely affected. Investing in such businesses is too risky, especially in the long term.

ABP decided some time ago to cease investing in businesses whose business model is based on exploration and production of fossil fuels. Damage to the climate is inextricably bound up with these businesses, and attempts at engagement were insufficiently effective. If governments take their responsibilities seriously and start legislating for a sustainable economy, assigning costs and stopping subsidies, these business models will suffer severe negative effects (transition risks).

We look at business activities against a critical yardstick based on the following questions:

1. Is damage to the climate inextricably bound up with an activity or sector?
2. Is there a realistic scenario for making the business sustainable?
3. Is the sector or activity important for the climate transition or for solving other social problems? Or is it otherwise essential or irreplaceable?

Sectors or businesses in which damage to the climate is inextricably bound up with the business activities do not belong in ABP's portfolio. In 2024, we started [applying our new sustainability criteria](#) to our portfolio of developed country equities. We base our testing of businesses on facts and scientific research, incorporating input from experts and considering the preferences of our participants.



## How we use our influence

We wish to encourage businesses in which we invest to make the climate transition. We apply stricter criteria for inclusion in our investment portfolio. We conduct [dialogues](#) with businesses that have a substantial impact on the climate:

- Electricity producers
- Transport sector (airlines, cars)
- Construction materials (such as cement)
- Metals & mining (e.g. steel)
- Paper & forest products • Packaged foods, meat and meat processing

Other important areas for attention are: banks and real estate.

We expect these businesses to show regularly that they are taking the necessary measures to attain the Paris climate goals. This means:

Reporting on emissions of their production and in the supply chain

Reporting on emissions due to the use of their products, where applicable

Short-, medium- and long-term goals for reducing GHG emissions in line with the goals of the Paris accord

Investments that show that the business is really going to attain those goals

We assess this periodically. If businesses do not move sufficiently as regards the climate transition, we turn up the tone of the dialogs. In such cases, we will [use our vote](#) in shareholders' meetings to support, propose or second resolutions. If this does not bring about the necessary change, we may eventually divest.



## How we invest in the climate transition

ABP wishes to invest in the climate transition. We make these investments with an eye to the return we need in order to provide a good pension. And because with these investments we want to promote the climate transition. So we look for investments that enable us to contribute demonstrably to that transition. In this way, we can show the extent of the reduction of GHGs to which our investments contribute.

In order to contribute to the climate transition we invest in solutions aimed at combating climate change. Relevant categories for this are sustainable energy, smart networks, possibilities of making buildings more sustainable through insulation, hydrogen, including green hydrogen, and other sources of energy, clean mobility and energy storage. We also go for investments in businesses and projects that contribute to climate adaptation: making social and physical structures resilient to a changing climate.

In order to make a measurable impact, for ABP the stress will lie on illiquid investment categories such as infrastructure, real estate and private equity (in other words unlisted companies). We invest in private equity because we also want to invest in the early stages of new companies in order to drive the transition. That means we establish impact criteria in the strategies for those investment categories.

We monitor all investments in SDG 7 (affordable and clean energy). In 2024, we established a baseline for our investments in the climate transition. From 2025, we shall report on progress.



### **CO<sub>2</sub> footprint monitor to make all investments sustainable**

Because we wish to aim at reducing climate risks and to contribute to the climate transition, we make conscious use of our instruments for sustainable and responsible investment. By measuring and monitoring the CO<sub>2</sub> footprint of our portfolio we obtain a picture of the CO<sub>2</sub> emissions related to ABP's investments. This is a good indicator of whether the measures in our climate policy are having the right effect on the portfolio and whether we are attaining our CO<sub>2</sub> objectives. We are well on the way to defining the CO<sub>2</sub> footprint of our whole portfolio, and of the main investment categories, including Scopes 1, 2 and 3 CO<sub>2</sub> emissions. We will use an in-house monitoring system for this. This will give us a picture of GHG emissions throughout the portfolio so that we can carry out an annual assessment of where we stand on the way to our goal.

We will determine the CO<sub>2</sub> footprint of our portfolio in light of the CO<sub>2</sub> emissions of a business or asset that can be attributed to ABP on the basis of the amount invested. Whether or not we attain our reduction goal depends greatly on the extent to which businesses themselves reduce their emissions.

We know, from their climate objectives, that the emissions of a number of the largest contributors to the CO<sub>2</sub> footprint will reduce by 2030. Examples would include electricity producers that stop using coal before 2030. We continue to invest in these businesses.

We expect all companies to:

be committed to net-zero by 2030 and operate demonstrably in line with this

report on Scopes 1, 2 and 3 CO<sub>2</sub> emissions

and have effective policy and instruments to avoid involvement in serious controversies

## Climate policy in the whole portfolio

The climate transition is a change for the whole economy and society, and thus has repercussions for all segments of our portfolio. The choices we make in our instruments for sustainable and responsible investment are therefore entirely applicable to our whole investment portfolio. So the goals, instruments and reporting must refer to all our investment categories. For all investment categories, ABP wishes to show which instruments are applicable and where the changes are made. The following diagram shows which instruments are applicable for each investment category.

Investment category and weight	CO <sub>2</sub> footprint	Contributes to the climate transition (incl. SDG 7)	Use influence	Criteria and/or objective
<b>Equities (28%)</b>	Reported for Scopes 1, 2 and 3	X	X	In 2024, we started to apply climate criteria to inclusion in the portfolio
<b>Corporate bonds (10%)</b>	Reported for Scopes 1, 2 and 3	X	X	In 2025, we started to apply climate criteria to inclusion in the portfolio
<b>Real estate (10%)</b>	Reported for Scopes 1, 2 and 3	X	X	100% CRREM alignment in 2030 or investments with a sustainability plan
<b>Infrastructure (5%)</b>	Reported for Scopes 1, 2 and 3	X	X	A baseline in 2024 and a target for 2025 based on Net Zero alignment
<b>Private Equity (9%)</b>	Reported for Scopes 1, 2 and 3 (based largely on estimates.)	X	X	Starting in 2030 in order to be selected, new managers will be required to have a climate objective aligned with the Paris accord. From existing managers, best efforts will be required.
<b>Government bonds (29%)</b>	Reported for Scopes 1, 2 and 3	X	Indirectly with governments by means of engagement with policymakers	An exploratory study and cooperation with other investors in order to contribute to an approach to the establishment of climate objectives that is in line with the market
<b>(Illiquid) Commodities (&lt;1%)</b>	Reported for Scopes 1, 2 and 3 (based on external data and sector averages)			All new investments must report and monitor KPIs for CO <sub>2</sub> reduction and/or storage  Improve businesses' resilience to the consequences of global climate change
<b>Mortgage loans (&lt;5% of corporate bonds)</b>	Reported for Scopes 1 and 2 (based on data from external managers)  Scope 3 not relevant		X	Investigation of a baseline and possibilities of a target in 2024  The starting point is a target in 2025, depending on the results of the investigation

## Dialogue and reporting

ABP undertakes constant research among its participants and employers, on subjects that include sustainable and responsible investment. We also talk with our participants and employers about their investment preferences.

In preparing this climate policy we also asked participants about their preferences as regards sustainability. And we engaged in dialogue with many other stakeholders. We took account of all these insights in drawing up this climate policy.

Over the next few years, we will provide our participants, employers and other stakeholders with insight into how we will further refine the goals set out in this policy and the efforts we will make to achieve them. ABP will monitor the results of these efforts every year and adjust them where necessary.

The climate policy, including goals and criteria, has been approved by the Board of Trustees of ABP. The Board of Trustees of ABP supervises the progress of the policy and its execution through our asset manager APG. We monitor the portfolio-wide goals and ambitions on a quarterly basis. We are working towards having a footprint of all our investments and thus being able to assess annually where we stand on the way to our ambition and whether any adjustments to the policy are needed. In 2025, we will publish a further update to our climate policy.



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