



Building a good  
pension together

# **ABP's Sustainable and Responsible Investment Policy (2020-2025)**

Summary 30 january 2020



# 1. Summary ABP's Sustainable and Responsible Investment Policy (2020-2025)

## **Sustainable and just transitions**

ABP wants to offer all our participants a good pension now and in the future – one they can enjoy in a livable world.

That is why we carefully consider the return, risk, and cost, as well as the social responsibility and sustainability performance of each investment decision we make.

In our new policy on sustainable and responsible investing (SRI), we reestablish our goals as long-term investors and explain how we intend to achieve them. Our vision on a sustainable future looks toward 2050 and outlines our 2030 ambitions based on this vision. Our concrete goals for 2025 are the first step on the way to achieving our long-term ambitions and vision – all built on the foundation of our 2015-2020 policy.

We see three major transitions in the coming years that we address with our policy. These transitions have a decisive impact on companies' ability to create long-term value.

These three major transitions are:

1. Addressing climate change and the need to transition to new energy generation and renewable energy sources;
2. Conservation of natural resources, including increasing scarcity of raw materials and food;
3. The digitalization of society, in which technology plays an increasingly important role.

We regard corporate respect for human rights not only as a prerequisite for all our investments, but also as the precondition for these transitions to progress justly. Additionally, we see good corporate governance as fundamental. Without good governance, good business management, and a good relationship with shareholders, companies cannot successfully address the three transitions in a sustainable and responsible way.

These three transitions addressing climate change, conservation of natural resources, and digitalization of society and prerequisite that companies respect human rights are very closely aligned with the Sustainable Development Goals of the United Nations (SDGs).

## **Our ambitions and goals**

The three transitions we want to focus on are still evolving. We have done our best to formulate clear goals and we also recognize that in some cases we need more time to determine what is realistic. For example, conservation of natural resources and digitalization of society are new to ABP as investors. We need time to work it out. We will monitor the effects of our choices on risk, return, and costs. In light of recent academic research and our own experience, we are convinced that we can make our investment portfolio more sustainable without compromising its return-risk profile. In our annual reports and on our website, we will show how we are progressing toward our goals and to what extent we need to adjust our timeframes.

## **Sustainable Development Goals**

By 2030 we want to have made a measurable contribution to achieving the Sustainable Development Goals with our policy on SRI. Therefore, our goals for 2025 are:

- 20% of our total asset under management go to investments that are qualified as Sustainable Development Investments (SDIs). We are working to build consensus for SDI-standards among investors.
- Measure how we contribute to the Sustainable Development Goals through our inclusion policy and through improvement trajectories (engagement) with companies in the field of sustainable and just transitions.

### ***Climate change***

By 2050, the global economy should be climate neutral. This should be achieved with the support of civil society, which will be required to reach this goal. We are part of this transition and want to bring our portfolio in line with the international agreements of the Paris Agreement and the Dutch Climate Agreement. There is not yet consensus among investors and our stakeholders on how to measure that. We will, therefore, contribute to developing methods to determine what climate targets are needed in our portfolios to achieve the Paris objectives. We have already determined our ambition to stop investing directly in coal for the production of electricity without CO<sub>2</sub>-capture by 2030 in OECD countries. In addition, we want to significantly reduce this type of investment in non-OECD countries. Our goals for 2025 are:

- 40% CO<sub>2</sub>-reduction of our equity portfolio by 2025 (relative to 2015)
- Phase out our investments in coal mines (with a turnover of more than 30%) and tar sands (with a turnover of more than 20%)
- Additional, more stringent climate criteria in our inclusion policy
- EUR 15 billion invested in renewable and affordable energy by 2025, for example by investing in green bonds.
- Together with Climate Action 100+ contribute to improving the climate policy of companies that have the most influence on CO<sub>2</sub> emissions through their supply chains and consumers.
- In 2022, ABP will publish climate targets for 2030 in line with expectations in the Dutch Climate Agreement.

### ***Conservation of natural resources***

A climate neutral global economy in 2050 means shifting from a linear to a circular economy. This requires a transition to supply chains without waste and with efficient (re)use of raw extracted materials that are both extracted and used with respect for human rights. By 2030 we want it to be common practice for companies to have efficient and socially responsible natural resource supply chains. Therefore, our goals for 2025 are:

- Invest more in companies that have circular business models, and other innovative solutions for food and natural resource scarcity.
- Double the real estate assets in our investment portfolio that have a 'green building certificate'.
- Establish criteria to assess companies on demonstrably more efficient, sustainable, and more socially responsible use of natural resources.

### ***Digitalization and the fourth industrial revolution***

Before 2050, digitalization must have led to responsible value creation and have provided solutions to sustainability problems. We expect companies to take responsibility for the opportunities and consequences of new technologies and ensure that digitalization adds value to society. Companies bear responsibility for the way they work, their products or services, and the effects on their employees, their customers, society and/or the environment. Therefore, our goals for 2025 are:

- Encourage companies to take responsibility by investing more in companies that contribute to digital, sustainable solutions with their products and services.
- Establish criteria to assess whether companies respect the digital rights of workers, consumers, and users.

### ***Companies respect human rights***

In 2050, all companies must be able to demonstrate respect for human rights. We are going to demand that companies take responsibility for respecting human rights and show us how they ensure this. This means that companies need to identify, prevent, and address human rights risks. Only then can the three major transitions move forward justly and responsibly, and add value to people. Therefore, our goals for 2025 are:

- Refine our methodology and expand our criteria in assessing companies' respect for human rights and align further with the UN Guiding Principles for Business and Human Rights.
- Engage companies in order to improve their respect for human rights, especially where it concerns just transitions in climate change, conservation of natural resources and digitization.
- Invest more in companies that contribute to the basic needs of people with their projects, products and/or services.

## How will we achieve our goals?

As an investor, we have several possibilities to achieve our goals. First, we only invest in companies that are both financially attractive and responsible. Our inclusion policy and our taxonomy of SDIs are important tools in this. Our inclusion policy<sup>1</sup> ensures we thoroughly assess companies we invest in and engage with those who are lagging behind. Our SDI method makes it possible to make conscious decisions to invest in companies, real estate or infrastructure that contribute to the Sustainable Development Goals through their products or services.

In addition, we sometimes decide stop certain types of investment through our exclusion policy. Other approaches we use: voting at shareholder meetings, engaging companies how to improve or further encourage good corporate governance. We join forces with other parties where possible and we strengthen our ongoing collaborations with other investors and stakeholders.

Although we have strong approaches, working out measurable and realistic goals is not always easy. Many initiatives are new and companies are still in the early stages of the transitions. In many cases, intermediate steps are still needed to ensure that we can implement our policies effectively and efficiently. In addition, we always want to monitor the impact of our decisions on the risk and return rate of our investments.

## Finally

We work together with others on ensuring a sustainable, livable world. We are in dialogue with our participants and other stakeholders so that we can make the right choices, develop the right standards, be informed and achieve more by joining forces. In the coming years, we will continue to give our participants and stakeholders insight into how we progress against the goals set out in this policy. Transparency is one of our core values, and therefore a key element of this policy.

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<sup>1</sup> For more information see our Stewardship policy (<https://www.abp.nl/images/stewardship-policy.pdf>)

