Pension Funds

International RBC | SER

Dutch Pension Funds Agreement on Responsible Investment

Toolbox | June 2021

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Introduction

It was agreed in the Dutch Pension Funds Agreement on Responsible Investment[1] (referred to hereinafter as "the Agreement") that, within one year after the Agreement coming into force, the Parties[2] would develop a Toolbox containing recommendations for texts[3] that the Participating Pension Funds[4] could include in their policies, contracts with External Service Providers,[5] monitoring, and reporting. This document is the result.

In accordance with the contents of the Agreement, the Parties have tried to make the Toolbox applicable to all Participating Pension Funds in a meaningful and practical manner. In doing this, we have taken account of the characteristics and the leverage of different pension funds. Characteristics include the size, the investment strategies, and the various Asset Classes.[6] In this work, we drew on the expertise of the Parties involved.

The Toolbox supplements the Federation of the Dutch Pension Funds' Service Document on Responsible Investment.[7] The Parties will monitor the use and effectiveness of the Toolbox and lessons learned will be used to improve it. Updates to the Toolbox will be incorporated into this document.

[1] SER (2018), *Dutch Pension Funds Agreement on Responsible Investment.*
[2] For the definition of Parties, see page 59 of the Agreement SER (2018), *Dutch Pension Funds Agreement on Responsible Investment.*
[3] See Article 7 of the Agreement SER (2018), *Dutch Pension Funds Agreement on Responsible Investment.*
[4] For the definition of Participating Pension Funds, see page 57 van het Agreement SER (2018), *Dutch Pension Funds Agreement on Responsible Investment.*
[5] For the definition of External Service Provider, see page 58 van het Agreement SER (2018), *Dutch Pension Funds Agreement on Responsible Investment.*
[6] For the definition of Asset Classes, see page 57 van het Agreement SER (2018), *Dutch Pension Funds Agreement on Responsible Investment*.
[7] Federation of the Dutch Pension Funds (2016), *Service Document on Responsible Investment*.

OECD Guidelines, UNGPs and OECD guidance document

Guidelines form the basis of the Agreement

The Agreement is based on the OECD Guidelines for Multinational Enterprises[8] (OECD Guidelines) and the UN Guiding Principles[9] (UNGPs). The OECD Guidelines and UNGPs can be implemented in various ways. Some countries opt for legislation. In the Netherlands, an approach involving sectoral agreements has been chosen. To determine which sectors should be prioritised in relation to the agreements, the Dutch government commissioned KPMG to conduct an RBC Sector Risk Analysis in 2013.[10] The financial sector was identified as one of the sectors with risks in the investment value chain. In the same year, the government asked the Social and Economic Council of the Netherlands (SER) for advice on "RBC agreements with business sectors". The SER[11] gave its advice in April 2014, recommending the use of agreements as an instrument for applying the OECD Guidelines and the UNGPs.[12] According to these guidelines, companies are expected to identify, prevent and mitigate the actual and potential adverse impact of their actions, and to account for the way in which they deal with the risks identified (also known as due diligence, RBC risk management or due care).

The OECD Guidelines and the UNGPs are therefore an important basis for the Agreement and they give direction to the content of the Agreement. At a number of places in the Agreement, issues recur which stem directly from the OECD Guidelines, such as carrying out due diligence.

Risk according to the OECD Guidelines and UNGPs – the viewpoint of stakeholders

Virtually all Dutch pension funds already have a responsible investment policy. This is also stipulated in the Dutch Pensions Act and the Code of the Dutch Pension Funds. This policy is often drawn up on the basis of the Principles for Responsible Investment (UNPRI) or the UN Global Compact, and/or it results from priorities of pension fund beneficiaries. The Agreement stipulates that pension funds will gain a clear understanding of their investments and will act accordingly, in line with the OECD Guidelines and the UNGPs. This is called due diligence (RBC risk management or due care).

The greatest shift in adapting the OECD Guidelines and UNGPs is that in addition to the financial risks for a pension fund, the risks of an adverse impact on stakeholders in the investment value chain are also considered. Stakeholders in this context are, for example, people who live in the vicinity of a factory or plantation, or work there. Applying due diligence to the investment portfolio in accordance with the OECD Guidelines and UNGPs brings these stakeholders into focus. Based on this due diligence, pension funds can include in their considerations the interests of (potentially) affected persons or groups in the investment value chain.

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[8] OECD (2011), *OECD Guidelines for Multinational Enterprises*.
[9] United Nations (2011), Guiding Principles on Business and Human Rights. The UNGPs focus on the responsibilities of companies (including financial institutions) in relation to human rights. The UNGPs introduced the idea of human rights due diligence and they have been integrated into the OECD Guidelines. Various materials have been developed on the basis of the UNGPs, which can provide support in implementing due diligence. See, for example: https://www.business-humanrights.org/en/un-guiding-principles.
[10] KPMG (2014), *CSR Sector Risico Analyse*
[11] SER (2014), *Advisory report 14/04 IMVO-convenanten*.
[12] On the website of the Federation of the Dutch Pension Funds, there is an infographic (in Dutch) which shows the relationship between the OECD Guidelines and the Agreement.

Current and future European legislation[13] also makes a distinction between financial sustainability risks and risks (including sustainability risks) for society and the environment, as can be seen in the definitions:
"(t) 'sustainability risk' means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material adverse impact on the value of the investment arising from an adverse sustainability impact."
"(v) 'sustainability factors' mean environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters."

This document gives an explanation below of the OECD Guidelines (including the UNGPs) and the OECD guidance for institutional investors,[14] covering the following:

1. Where do they come from?;
2. What do they say?;
3. Who are they intended for?;
4. National Contact Point for the OECD Guidelines;
5. Status of the guidelines;
6. Where can I find more information?

The OECD Guidelines (including UNGPs)

1. Where do they come from?
De OECD Guidelines for Multinational Enterprises were adopted in 1976 by the Organisation for Economic Cooperation and Development (OECD). They have been endorsed by 48 OECD and non-OECD states, including the Netherlands.

The OECD Guidelines are based on various international treaties, such as the International Labour Organisation (ILO) conventions and the Universal Declaration of Human Rights. In 2000 and 2011, they were revised in line with the latest developments in the area of IRBC and supply chain responsibility. For example, the UNGPs were integrated in 2011.

2. What do they say?
The guidelines include principles and standards for international responsible business conduct. The subjects described in the guidelines deal with:
- General corporate policy: companies take account of policy in countries where they are active and take other stakeholders into account;
- Provision of information: companies provide timely and accurate information about all relevant aspects (financial and otherwise) of their activities;
- Human rights;
- Employment and industrial relations;
- Environment;
- Combating bribery, bribe solicitation and extortion;
- Consumer interests, science and technology;
- Competition and taxation.

The most important changes in 2011 were:
- Supply chain responsibility: this concerns the entire supply chain;
- Due diligence: conducting a risk analysis and impact assessment on factors related to RBC: risks to human health and the environment;

[13] Proposal for a regulation European Parliament and of the Council on disclosures relating to sustainable investments and sustainability risks and amending Directive (EU) 2016/2341, 27-3-2019 (Provisional Agreement Resulting from Negotiations)
[14] OECD (2017), *Responsible business conduct for institutional investors: Key considerations for due diligence under the OECD Guidelines for Multinational Enterprises*.

- Living wage: a breadwinner must be able to support a family;
- Temporary and seasonal workers: they are seen as employees.

In the Netherlands, the 2011 changes led to the approach involving sector agreements.

3. Who are they intended for?

The OECD Guidelines primarily bind countries. The Dutch government has endorsed the OECD Guidelines, as have 47 other countries. By committing itself to the Guidelines, the Netherlands has undertaken to work to promote them, among other things. In this case, promoting the guidelines means achieving implementation of the Guidelines by multinational enterprises. Although pension funds are foundations, it has been decided that due to the international character of the investments, the pension funds are also subject to the OECD Guidelines.

4. National Contact Point for the OECD Guidelines

All countries subscribing to the OECD Guidelines must establish a National Contact Point (NCP).[i] An NCP has two core tasks:

- Familiarising companies with the OECD Guidelines and promoting their application;
- Dealing with reports from individuals or civil-society organisations (NGOs and trade unions) regarding a suspected violation of the guidelines by a multinational enterprise.

In addition to these two core tasks, the Dutch NCP was given a new task in 2014 at the request of the government, which was to carry out cross-company research.

5. Legal status of the OECD Guidelines

The OECD Guidelines contain legally non-binding principles and standards for responsible business conduct, in accordance with applicable legislation and internationally recognised standards. However, the countries that adhere to the OECD Guidelines enter into a binding obligation to implement them.[15]

6. Where can I find more information?

- The OECD Guidelines can be found on the NCP website. For each section (labour, taxation, due diligence, etc.), the website also gives further explanatory notes and extra information.
- Short video on YouTube in which the OECD Guidelines are explained by means of a fictitious case.
- Information about the UNGPs.
- More information about passive investments: PRI How can a passive investor be a responsible investor?
- More information about the Sustainable Development Goals (SDGs) and their use to achieve the aims of the Agreement (Dutch).
- More information about setting meaningful performance indicators for reporting on the effectiveness of ESG policies (Dutch).
- An example case on what due diligence can look like.
- A brief explanation of the six steps of the due diligence process (Dutch).
- In addition to this Toolkit, an overview of relevant guidelines and how they relate to one another will be published later.
- In addition to this Toolkit, a one-pager on the basic principles of the six steps of the due diligence process will be published later.

[15] https://www.oesorichtlijnen.nl/binaries/oeso-richtlijnen/documenten/brochure/201/12/8/volledige-tekst-oeso-richtlijnen/oeso-richtlijnen-nlse-vertaling-def-webversie.pdf p. 6, foreword, Paragraph 1.

OECD guidance for institutional investors

1. Where does it come from?

The OECD has developed a number of sector-specific guidance documents. Important for pension funds is the guidance document "Responsible business conduct for institutional investors" (referred to hereinafter as: the guidance document), published in 2017. The guidance document supplements the OECD Guidelines specifically for asset managers and asset owners. It translates the guidelines for companies, so as to offer tools to institutional investors to help them implement the OECD Guidelines in their investments.

2. What does it say?

Key terms from the OECD Guidelines are explained from the point of view of institutional investors. The due diligence process and supporting measures consist of six steps (see also Figures 1 and 2 below). These deal with:

1. Integrating responsible business conduct (in this case investment) into policy and management systems;
2. Due diligence: identifying and analysing risks (adverse impact) to society and the environment in the investment portfolio and in potential investments;
3. Due diligence: preventing and mitigating potential and actual adverse impact using influence (see Figure 2 below);
4. Due diligence: monitoring implementation and results;
5. Due diligence: communicating (transparency) regarding the approach and results;
6. Access to remedy. Expectations are attached to this, depending on whether the pension fund causes an adverse impact, contributes to it or is directly linked to it:[16]
   - When investors cause/contribute to an adverse impact they are "…expected to address the impact through remediation and account for how it is addressed."
   - When directly linked they "…would not be expected to provide remedy, but they should seek to encourage the investee company to do so."

   The guidelines address the adverse impact that the company:
   - causes;
   - contributes to;
   - or with which the company is directly linked through its activities, products or services.

   Generally, pension funds as investors are only "directly linked", but in exceptional cases they may also "contribute".[17]

3. Who is the guidance intended for?

Institutional investor, asset owner and asset manager.

4. National Contact Point for the OECD Guidelines

See the OECD Guidelines above.

5. Status of the guidance document

The guidance document contains guidelines that give direction but are not binding for the interpretation of the OECD Guidelines for institutional investors. It has moral authority, because the guidance document was developed by the OECD in cooperation with the financial

[16] OECD (2017), *Responsible business conduct for institutional investors: Key considerations for due diligence under the OECD Guidelines for Multinational Enterprises*, p. 46.

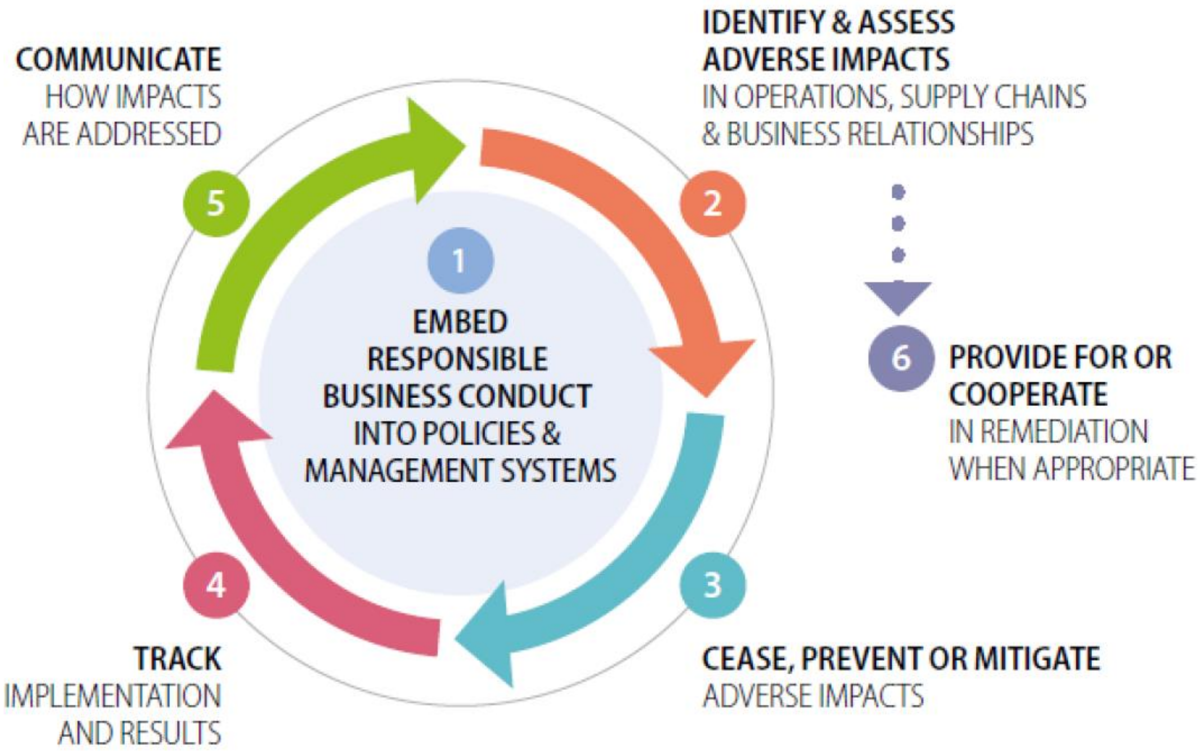
[17] Pension funds can only be considered to have "contributed" through their investments in the case of a substantial contribution, such as an action that causes, facilitates or directly initiates an adverse impact by a company. This is possible, for example, in a situation involving an investment with a majority interest or a seat on the board of the entity that causes this effect or substantially contributes to it (e.g. a general partner in private equity). The parties to the Agreement, and thus also the OECD itself, for example, expect that "cause" and "contribute" situations will not – or only very rarely – arise in practice in relation to pension funds. Nevertheless, the Agreement looks at such situations in Paragraph 8.3. This follows from the OECD Guidelines and is necessary for the exceptional cases in which this situation does arise.

sector, civil-society organisations, international organisations and experts. The Agreement states (in Paragraph 1.4 among others) that Parties see the guidance document as a guide for implementing the Agreement.

6. Where can I find more information?

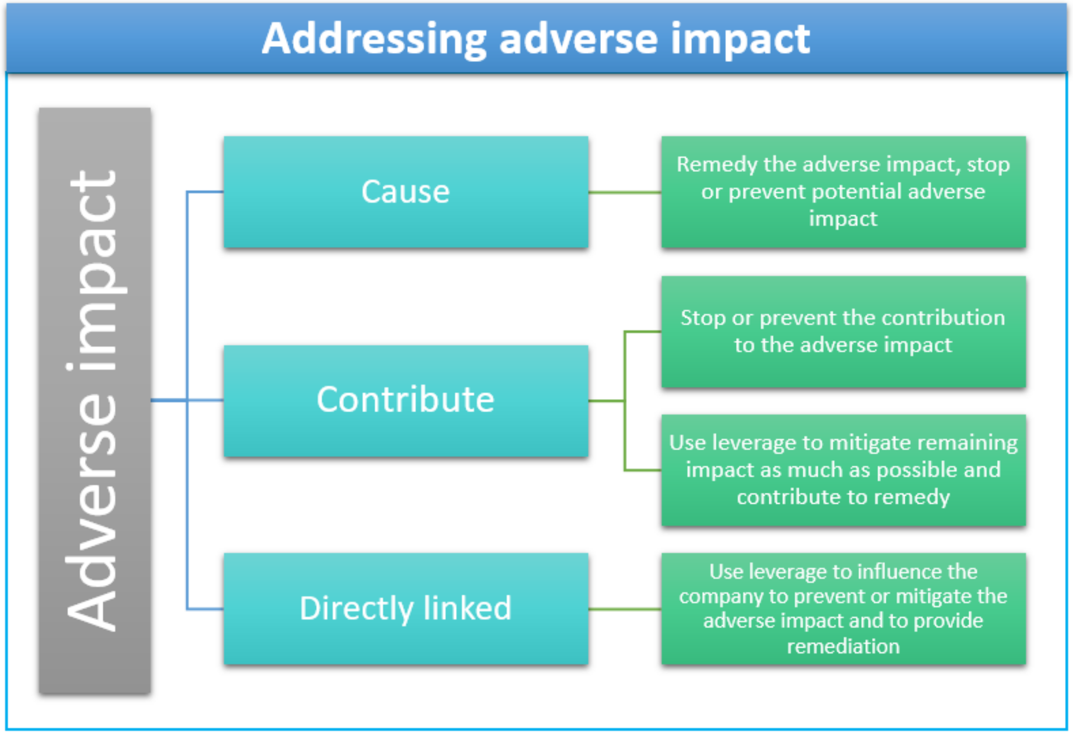
The guidance document is available via this link.

FIGURE 1: THE DUE DILIGENCE CYCLE



1 EMBED RESPONSIBLE BUSINESS CONDUCT INTO POLICIES & MANAGEMENT SYSTEMS
2 IDENTIFY & ASSESS ADVERSE IMPACTS IN OPERATIONS, SUPPLY CHAINS, AND BUSINESS RELATIONSHIPS
3 CEASE, PREVENT OR MITIGATE ADVERSE IMPACTS
4 TRACK IMPLEMENTATION AND RESULTS
5 COMMUNICATE HOW IMPACTS ARE ADDRESSED
6 PROVIDE FOR OR COOPERATE IN REMEDIATION WHEN APPROPRIATE

FIGURE 2: EXPECTATIONS RELATING TO ADVERSE IMPACTS IN THE CASE OF CAUSING, CONTRIBUTING TO OR BEING DIRECTLY LINKED TO



Policy

Many pension funds already have a responsible investment policy in place, in which they describe how their investment policy takes account of Environmental, Social and Governance (ESG) factors. In this policy they refer, for example, to the relevant standards, such as the OECD Guidelines for Multinational Enterprises (OECD Guidelines), the UN Global Compact (UNGC), the UN Principles for Responsible Investment (UNPRI), the Sustainable Development Goals (SDGs) or the G20/OECD Corporate Governance Principles. Not all Participating Pension Funds have policies that comply with the OECD Guidelines and the UN Guiding Principles on Business and Human Rights (UNGPs), however. Nor have all Participating Pension Funds taken the OECD Guidelines and UNGPs as a starting point when formulating their ESG policy. The OECD guidance for institutional investors is the reference document for this. The Participating Pension Funds must bring their ESG policy in line with the OECD Guidelines and the UNGPs as soon as possible, but no later than two and a half years after the Agreement takes effect (no later than 30 June 2021). In this section we provide tools, tips and examples for active implementation.

Paragraph 3.1 of the Agreement describes the requirements that the (responsible) investment policy of Participating Pension Funds has to meet. Table 1 contains:

1. An overview of the relevant paragraphs of the Agreement;
2. An explanation of the criteria in the text of the Agreement;
3. Relevant sample texts, which take account of the characteristics of different pension funds;
4. The document into which you can incorporate the relevant sample text.

TABLE 1: SAMPLE POLICY TEXTS

[THIS POLICY CONTAINS AT LEAST:]

Agreement Paragraph		Explanation	Sample text	Document
3.1a	A *commitment* to the OECD Guidelines and UNGPs.	**UNGPs:** These are guidelines adopted by the UN which clarify the role of states and the responsibility of the business sector in relation to human rights. The UNGPs supplement the Universal Declaration of Human Rights and other human rights standards. The UNGPs are based on three pillars: ‘Protect’, ‘Respect’ and ‘Remedy’.	“[name of pension fund] subscribes to the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. We use the OECD guidance for institutional investors to provide direction. We also expect our external fiduciary managers, ESG service providers and/or asset managers, as well as	(Responsible) Investment Policy

		OECD Guidelines: The OECD Guidelines are recommendations that governments make jointly to multinational enterprises. They contain principles and standards for responsible conduct, in accordance with applicable legislation and internationally recognised standards. **OECD guidance for institutional investors:** The guidance document contains guidelines that give direction but are not binding for the interpretation of the OECD Guidelines for institutional investors. In the Agreement it is agreed (in Paragraph 1.4 among others) that Parties see the guidance as a source of direction for implementing the Agreement. For an extensive explanation, see the article on the OECD Guidelines, UNGPs and OECD guidance.	enterprises in which we invest, to act in compliance with these international standards and to disclose this publicly."	
3.1b	A description of how the Participating Pension Fund interprets and is incorporating the various ESG due diligence steps into the outsourcing, monitoring and reporting of External Service Providers in accordance with the OECD Guidelines and the UNGPs.	**1) Embed responsible business conduct into policies and management systems** For an explanation, see: • The OECD guidance on responsible business conduct for institutional investors[18] pp. 21-25 • The OECD Due Diligence Guidance for Responsible Business Conduct[19] pp. 26-28	"We believe that […] and for this reason we have adopted the following international standards and treaties as the guiding principle in developing our ESG policy: […]." "We subscribe to the ESG due diligence steps in accordance with the OECD guidance." "Through our investments, we strive for long-term value creation (for society). In our	(Responsible) Investment Policy

[18] OECD (2017), *OECD guidance for institutional investors: Responsible business conduct for institutional investors.*

[19] OECD (2019), OECD Due Diligence Handreiking voor IMVO, (This is the Dutch translation of the "OECD Due Diligence Guidance for Responsible Business Conduct").

			contracts with External Service Providers, we have therefore […]. " "The due diligence is carried out by […]."	
		2) Identify and assess actual and potential adverse impact of the investment portfolio and in potential investments For an explanation, see: • The OECD guidance for institutional investors[20] pp. 26-31 (info available per asset class on p. 31). • The OECD Due Diligence Guidance for Responsible Business Conduct[21] pp. 26-28 Not everything has to be done all at once. For a further explanation of priorities, see: • SHIFT Explanatory Note.[22]	"We screen our investment portfolio to identify actual and potential adverse impacts on society and the environment. In this process, we prioritise the most severe adverse impacts on the basis of: • Scale • Scope • Irremediable character We also take account of the level of likelihood." "In assessing the actual and potential adverse impacts that we have identified, we involve external stakeholders and experts, such as […] where it is relevant. Further details of this procedure are described in: […][23]"	(Responsible) Investment Policy

[20] OECD (2017), *OECD guidance for institutional investors: Responsible business conduct for institutional investors.*

[21] OECD (2019), OECD Due Diligence Handreiking voor IMVO, (This is the Dutch translation of the "OECD Due Diligence Guidance for Responsible Business Conduct").

[22] SHIFT (2016), Explanatory Note on Prioritization for the Dutch Sector Agreement Process.

[23] This concerns the policy of the pension fund and not that of External Service Providers.

		3) Prevent and/or mitigate adverse impacts For an explanation, see: • The OECD guidance for institutional investors[24] pp. 32-42 • The OECD Due Diligence Guidance for Responsible Business Conduct[25] pp. 33-35	"We seek to prevent adverse impacts by using the following ESG criteria in our investment portfolio ..." "Our contracts with external service providers clearly indicate that our investments meet the following ESG criteria …" "If enterprises in our investment portfolio cause a potential or actual adverse impact, we will use our leverage to prevent and/or mitigate that impact and to make remediation possible. We do this, among other things, through engagement and/or voting at shareholder meetings." "We cooperate with the following initiatives that enable us, within the legal limits, to increase our leverage with regard to external service providers and the companies in our investment portfolio in order to prevent and stop adverse impacts …" "If no other options remain, divesting is a final step we may decide to take."	

[24] OECD (2017), *OECD guidance for institutional investors: Responsible business conduct for institutional investors.*
[25] OECD (2019), OECD Due Diligence Handreiking voor IMVO, (This is the Dutch translation of the "OECD Due Diligence Guidance for Responsible Business Conduct").

		4) Monitor implementation and results For an explanation, see: • The OECD guidance for institutional investors[26] pp. 42-45 • The OECD Due Diligence Guidance for Responsible Business Conduct[27] p. 36	"We monitor the progress of our investments by examining (e.g. through screenings, impact assessments, data analyses, discussions with experts, etc.) the ESG effectiveness of our investments [periodically]." "We monitor the progress and impact of our ESG policy by receiving a [period] report from [External Service Provider] and discussing it with them and, where necessary, the companies in our portfolio. Where necessary, we then make adjustments accordingly." "Once a year, we render account to our beneficiaries and other stakeholders by [indicate where account is rendered, for example in a public report, stakeholder meeting or statement on the website]"	

[26] OECD (2017), *OECD guidance for institutional investors: Responsible business conduct for institutional investors.*

[27] OECD (2019), OECD Due Diligence Handreiking voor IMVO, (This is the Dutch translation of the "OECD Due Diligence Guidance for Responsible Business Conduct").

		5) Communicate how adverse impacts are being addressed For an explanation, see: • The OECD guidance for institutional investors[28] pp. 42-45 • The OECD Due Diligence Guidance for Responsible Business Conduct[29] p. 37	“We report on the implementation of our engagement and voting policy in [...]. In it, we list the progress, escalation strategies, and companies we divested from after unsuccessful engagement.” For example: “Once a year, we render account to our beneficiaries and other stakeholders by [indicate where account is rendered, for example in a public report, stakeholder meeting or statement on the website]. We provide information there on the following matters: - The discussions we have had with external service providers and companies and the results of those discussions; - The action plans that we, our external service providers, and the companies in our portfolio have drawn up to prevent and stop the adverse impact; - Our decisions regarding divestments; - Our decisions regarding voting at shareholders’ meetings; - etc.”	

[28] OECD (2017), *OECD guidance for institutional investors: Responsible business conduct for institutional investors.*

[29] OECD (2019), OECD Due Diligence Handreiking voor IMVO, (this is the Dutch translation of the “OECD Due Diligence Guidance for Responsible Business Conduct”).

		6) Ensure or assist in the implementation of remedial measures where appropriate For more information, see: • The OECD guidance for institutional investors[30] pp. 45-48 • The OECD Due Diligence Guidance for Responsible Business Conduct[31] pp. 38-39	See also step 3: "If enterprises in our investment portfolio (potentially) cause adverse impact, we will use our leverage to prevent and/or mitigate that impact and to enable remediation. We do this, among other things, through engagement and/or voting at shareholder meetings." "If enterprises in which we invest have caused an adverse impact or have contributed to it, we expect the enterprise to provide remedies for affected persons or groups or cooperate in providing remedies as well. If enterprises in which we invest are directly linked with the adverse impact, we expect them to use their leverage to provide remedies for affected persons or groups. If we ourselves have caused a severe adverse impact or have contributed to it, we will in that case provide remedies to affected persons or groups or cooperate in providing remedies."	

[30] OECD (2017), *OECD guidance for institutional investors: Responsible business conduct for institutional investors.*

[31] OECD (2019), OECD Due Diligence Handreiking voor IMVO, (This is the Dutch translation of the "OECD Due Diligence Guidance for Responsible Business Conduct").

3.1c	An explanatory text addressing specific themes, including the use of standards, which the Participating Pension Funds deem to be high-risk based on information resulting from an ESG due diligence procedure, as well as specific themes reflecting the priorities identified by the participants of the Participating Pension Fund.	More information about the themes can be found on the website of the Federation of the Dutch Pension Funds and the website of the Agreement.		(Responsible) Investment Policy
3.1d	Information on the activities in which individual Participating Pension Funds will not invest.	There are a number of ways in which a pension fund can implement this. Three examples are presented below: • **Exclusions:** some pension funds have specific criteria based on which they exclude investments from the investment universe; • **Inclusions:** in contrast, other funds have criteria on the basis of which they include enterprises in the investment universe; • **Index adjustments:** Some funds have an adjusted investment index and/or select indexes with sustainability characteristics. It is possible for more than one of the above options to be applicable to your pension fund. If one or more of the options only applies to specific Asset Classes, you can clarify this.	“We do not invest in [products/activities] because [considerations underlying the exclusion of these products/activities]. In this context, we use the following definition: [qualitative and/or quantitative description, for example a more detailed definition of the products/activities and the percentage limit for the turnover of an enterprise gained from specific products/activities]. This is applicable to [all investments/the following Asset Classes: relevant classes].” “We only invest in [activities/products / enterprises/public authorities] which meet the following criteria: [criteria]. This is applicable to [all investments/the following Asset Classes: relevant classes].”	(Responsible) Investment Policy

			"We have compiled our investment index for the Asset Class [relevant class] based on the following criteria: [criteria]."	
3.1e	The voting approach for listed companies and the engagement approach for listed companies and corporate credits, direct or through outsourcing, aimed at encouraging long-term value creation in companies.	**Voting approach** You can use the following as sample texts for the voting approach for listed companies: • See principle 7 (p. 32) of the Dutch Stewardship Code [32] [33] • See for voting/proxy voting p. 17 of the Principles for Responsible Investment (PRI), 2016[34] The sample text shown here is largely based on principle 7 of the Dutch Stewardship Code.	"We take an informed approach in exercising our voting right and other rights connected with shares in listed companies in which we invest. We do this for [all listed companies in which we invest/description of the selection of listed companies in which we invest/description of the selection of listed companies in which voting always takes place/we vote at shareholders' meetings of companies where we have identified (potential) adverse impacts]." "By means of our voting approach, we monitor the listed companies in which we invest in relation to material matters, including, but not limited to, the company's business model for creating long-term value, the company's strategy, performance and risks and opportunities, the capital structure, social and environmental effects, corporate governance and corporate actions such as mergers and	Voting policy/ voting guidelines

[32] Eumedion, Federation of the Dutch Pension Funds (2019), *Verantwoord en betrokken aandeelhouderschap*. Downloaded from https://www.eumedion.nl/nl/public/kennisbank/best-practices/2018-12-servicedocument-nederlandse-stewardship-code.pdf.
[33] Eumedion (2018), *Dutch Stewardship Code*.
[34] PRI (2016), Investment Policy: Process & Practice, a guide for asset owners.

			takeovers. Material matters are matters that will probably have a significant effect on the company's ability to create long-term value." "We publish on our website: a) at least once per year/quarter how we voted at the general meetings of the listed companies in which we have invested, per individual company and per agenda item, and b) at least once per year a general description of our voting behaviour during general meetings of listed companies in which we have invested and an explanation of the most important votes. In the event that we vote against a proposal from the board or abstain from voting on a proposal from the board, we explain the reasons for our voting behaviour to the company's board on our own initiative or at the request of the listed company."	
		Does your pension fund have its own voting policy or voting guidelines? If so, you can refer to it.	"See our voting policy/our voting guidelines: [link to voting policy/ voting guidelines]."	(Responsible) Investment Policy
		If your pension fund is aligned with the voting policy/voting guidelines of one or more External Service Provider(s), for example a fiduciary manager, specific ESG service provider or asset manager, you can refer to the voting policy/voting guidelines of your External Service Provider(s).	"We align ourselves with the voting policy/voting guidelines of [name of External Service Provider(s)]: [link(s) to the voting policy/voting guidelines of the External Service Provider(s)]. This applies to [all	(Responsible) Investment Policy

		When selecting External Service Providers, you can then ask to what extent their voting policy/voting guidelines are in line with the Dutch Stewardship Code.	our investments in listed shares/description of the types of listed shares that this applies to].”	
		Engagement approach In your engagement policy, you can use the “*Individual engagement*” and “*Collaborative engagement*” sections (p. 17) of the PRI Investment Policy Guide for Asset Owners.[35] Important sections to look at in relation to individual engagement are: • Expectations and (long-term) goals for engagement including a timeline; • The process for identifying ESG risks and opportunities on the basis of which priorities are set for the dialogue with enterprises; • ESG interests / concerns on which you wish to engage; • How the success of engagement activities is measured; • Escalation strategies to employ if enterprises do not respond satisfactorily; • Transparency – the extent of reporting on these activities.	“We will start a dialogue with companies where we have identified potential or actual adverse impacts. • For us, engagement based on adverse impact encompasses four objectives: ○ The adverse impact must be ended; ○ The company must ensure remediation for affected persons or groups; ○ The company must take sufficient measures to prevent future incidents; ○ The company must be transparent about the measures taken. • We set time-limited targets and monitor progress; • Where relevant, we involve stakeholders in this, including affected persons or groups: [parties that you consider to be stakeholders];	

[35]Principles for Responsible Investment (PRI) (2016) *Investment Policy: Process & Practice - A Guide for Asset Owners*.

			• In this process, we focus in particular on ESG subjects which:
			  ○ Are financially material;
			  ○ Cause the most severe adverse impact to society and the environment;
			  ○ Are of importance to our beneficiaries.
			• We deem an engagement process to be successful if all time-bound goals have been achieved;
			• If enterprises do not respond to our engagement efforts satisfactorily by the agreed deadline, we can escalate in the following ways:
			  ○ Begin/intensify cooperation with other investors in order to lend more strength to the dialogue;
			  ○ Vote, for example:
			    ▪ Against the appointment of relevant board members;
			    ▪ Against the remuneration proposal of relevant board members;
			    ▪ On shareholder proposals;
			  ○ Begin/intensify cooperation with other stakeholders (e.g. market parties, trade unions or civil society organisations)	

			in order to lend more strength to the dialogue; ○ Make public statements to lend more strength to the dialogue; ○ Submit shareholder proposals, alone or jointly with other shareholders, in line with the goals of the engagement process; ○ Start legal proceedings in line with the goals of the engagement process. • Once a year, in our annual report on responsible investment, we render account for the engagement processes that we carried out in the previous year. In so far as it does not impair the effectiveness of completed or ongoing engagement processes, we report on the progress and results of engagement processes.”	
More 3.1f	A description of how (social) value creation will be used as a guiding principle in the longer term by the Participating Pension Fund.	Principle 2 (p. 31) of the Dutch Stewardship Code [36] [37] provides a description of long-term (social) value creation for pension funds. This point of the Agreement deals with the pension fund’s overall investment	“Through our investments, we strive for long-term value creation (for society). We incorporate this guiding principle into our policy in the following	Investment principles, strategic investment policy and/or

[36]Eumedion, Federation of the Dutch Pension Funds (2019), *Verantwoord en betrokken aandeelhouderschap*. Downloaded from van https://www.eumedion.nl/nl/public/kennisbank/best-practices/2018-12-servicedocument-nederlandse-stewardship-code.pdf.
[37] Eumedion (2018), *Dutch Stewardship Code*.

		strategy. This is in contrast to the previous point, 3.1e, about engagement and the encouragement of long-term value creation in enterprises in which investments are made. You can include the use of long-term value creation as the guiding principle in a pension fund’s policy in the following manner, for example: • Selection of Asset Classes based on real economic activities and underlying value creation; • Selection of strategies within a specific Asset Class, for example for private equity a focus on medium-term growth strategies; • Absolute objectives for long-term yield or excess yield (instead of relative objectives in relation to a benchmark); • Selection of asset managers, investment funds or individual investment instruments on the basis of forward-looking strategies for the long term (not based solely on past yields) and taking account of social value creation (also considering ESG information instead of only financial information); • External Service Provider mandates / contracts with a sufficiently long term; • Where remuneration of External Service Providers is linked to financial performance, a link to performance over a sufficiently long period. The sample text in the column on the right is largely based on this. Furthermore, the following explanation is given for principle 2: • Every corporate action has to be assessed on its own merits, taking account of the interests of other	manner: [see explanatory notes for policy elements] We expect our service providers to act in accordance with our policy and objectives, and we strive for long-lasting cooperation in order to achieve our objectives [see explanation] together”	(responsible) investment policy

		stakeholders of the Dutch listed company in which investments are made. • When assessing the opportunities for creating long-term value and the risks, strategy and performance of Dutch listed companies, it is essential to consider environmental (including risks and opportunities related to climate change), social and governance information (including the composition of the board and diversity), in addition to financial information. • Material matters can include short-, medium- and long-term developments.		

Outsourcing

The implementation of (responsible) investment policy by pension funds is often outsourced to External Service Providers. If that is the case, the Participating Pension Funds continue to be responsible for implementing the OECD Guidelines and the UNGPs in the Asset Classes. Paragraph 4.1 of the Agreement describes how the responsible investment policy in the Asset Classes of the pension funds, as well as the implementation of that policy, is embedded in contracts with External Service Providers in line with the OECD Guidelines and the UNGPs.

External Service Providers are defined in the Agreement as: "A service provider appointed by a Participating Pension Fund that, acting on the basis of a written agreement, assumes the task of implementing relevant provisions of this Agreement on behalf of a Participating Pension Fund."[38]

This chapter of the Toolbox discusses outsourcing to a fiduciary manager or asset managers and how the provisions of the Agreement can be safeguarded in new contracts with these parties. When contracts are entered into with another type of External Service Provider, such as ESG data providers, engagement providers, proxy vote service providers, ESG consultants, or other service- or product-providing organisations, which carry out one or more of the due diligence steps, the pension fund can determine in the contracts which of the due diligence steps will be incorporated and how the External Service Provider should report on this to the pension fund. This is described in 3.1b.

The Agreement distinguishes between the following Asset Classes:[39]

- Listed equities;
- Loans to governments (government bonds);
- Loans to companies (corporate bonds);
- Real estate;
- Private equity;
- Infrastructure.

The characteristics of pension funds and different Asset Classes determine the scope for exercising leverage that a pension fund has on that outsourcing relationship. There is a wide variety of outsourcing relationships, contracts and associated scope for exercising leverage in the pensions sector. In this Toolbox, the following types of outsourcing are discussed:

- Segregated mandates;
- Majority share in an investment fund;
- Minority share in an investment fund.

[38] See the definition of "External Service Provider" on p. 58 of the Agreement.
[39] See the definition of "Asset Classes" on p. 57 of the Agreement.

In exceptional cases, a pension fund itself invests and is therefore also directly responsible for implementing the responsible investment policy. In that case, the pension fund does not have to incorporate the provisions of Paragraph 4.1 of the Agreement in contracts with External Service Providers, but instead, the pension fund has to meet those criteria itself.

In the pension fund's policy (or that of the fiduciary manager), it is important to describe properly how the pension fund (or the fiduciary manager) combines these various elements to arrive at a coherent approach, while in contracts with individual service providers, the ESG provisions that the service provider has to meet need to be established.

Pension funds can have different outsourcing relationships for different Asset Classes. Even within Asset Classes, pension funds can have different outsourcing relationships. In general, the following applies regarding the leverage of pension funds:

- A pension fund's leverage is generally **high** when a pension fund (within a specific Asset Class) has a **segregated mandate** or a **majority share in an investment fund**;
- A pension fund's leverage is generally **low** when a pension fund (within a specific Asset Class) has a **minority share in an investment fund.** The pension fund's leverage is then **limited.**

Investment by the pension fund itself
If the pension fund itself invests (possibly within a specific Asset Class), there is no outsourcing relationship; in that case, (responsible) investment policy is directly applicable. The criteria stipulated for outsourcing in Paragraph 4.1 of the Agreement can then best be incorporated into (responsible) investment policy by the pension fund, as with the criteria in 3.1.

Segregated mandates
If the pension fund invests by means of a segregated mandate (possibly within a specific Asset Class), the fund often has a broader scope for exercising leverage. For example, the pension fund can include in the mandate that its own (responsible) investment policy is applicable to the mandate in question.

Majority share in an investment fund
If the pension fund has a majority share in an investment fund (within a specific Asset Class), it can initiate a discussion with the Fund Manager to have the content of the (responsible) investment policy of the pension fund concerned integrated into the fund conditions. However, this should be carried out through the unit holders' meetings. Such a request for a change can be submitted through the Manager and the Legal Owner, which has been brought in by one of the Unit Holders (the Fund Conditions should provide information on this). In other cases, the pension fund has no formal control and it can only indicate preferences through participation in client council meetings or other kinds of contact with the Manager.

Minority share in an investment fund
If a pension fund has a minority share in an investment fund, its leverage is limited. In that case, it is best to the criteria from 4.1 in the selection criteria for investment funds. The PRI Manager Selection Guide for Asset Owners[40] is a useful aid for this.

Table 2 contains:

1. An overview of the relevant paragraphs of the Agreement;
2. An explanation of the criteria in the text of the Agreement;
3. Appropriate sample texts, which distinguish between segregated mandates, a majority share in an investment fund and a minority share in an investment fund;
4. The document into which you can incorporate the relevant sample text.

TABLE 2: SAMPLE TEXTS FOR OUTSOURCING

[STATE IN NEW CONTRACTS WITH EXTERNAL SERVICE PROVIDERS THAT THE EXTERNAL SERVICE PROVIDER:]

Agreement Paragraph		Explanation	Sample text	Document
4.1a	Implements ESG in policy and management systems, and uses long-term value creation as a leading principle.	**Segregated mandates** If your pension fund has a segregated mandate (within a specific Asset Class), you can have your policy enshrined in the mandate. In that case, your policy has to meet the criteria set out in Paragraph 3.1 of the Agreement. This also includes a description of the way in which long-term value creation is used as a leading principle (3.1f). In addition to the criteria from Paragraph 3.1 of the Agreement, you can consult the following sources: • The OECD guidance for institutional investors (OESO, 2017), subsection 2.1. • The Service Document on Responsible Investment (Pensioenfederatie, 2016), subsection 5.1 (vision) and 5.2 (policy). • The PRI Manager Selection Guide for Asset Owners.[41]	"This mandate is subject to [name of relevant (responsible) investment policy as at contract date]."	(Responsible) Investment Policy and contract

[40] Principles for Responsible Investment (PRI) (2018), *PRI Manager Selection Guide for Asset Owners*.
[41] Principles for Responsible Investment (PRI) (2018), *PRI Manager Selection Guide for Asset Owners*.

		You can then include in the mandate in question the statement that your (responsible) investment policy is applicable to the mandate.		
		Majority share in an investment fund If your pension fund has a majority share in an investment fund (within a specific Asset Class), you can initiate a discussion with the Fund Manager to have the content of your investment policy included in the prospectus. Changes to the investment policy should be ratified at the unit holders' meeting. If no formal participation has been laid down, you can influence your fund manager informally. In that case, your policy, and the fund conditions, have to meet the criteria relating to policy and management systems as described above.	"This contract is subject to [name of relevant (responsible) investment policy as at contract date]." See Paragraphs 3.1b and 3.1f.	Contract Fund conditions of External Service Provider
		Minority share in an investment fund If your pension fund has a minority share in an investment fund (within a specific Asset Class), you can research when selecting the investment fund to what extent the prospectus complies with your (responsible) investment policy. The PRI Manager Selection Guide for Asset Owners[42] is a useful aid for doing this, together with the PRI's How can a passive investor be a responsible investor?.[43] In that case, your policy, as well as the selection criteria for investment funds, have to meet the criteria relating to policy and management systems as described above.	"This contract is subject to [name of relevant (responsible) investment policy as at contract date]." See Paragraphs 3.1b and 3.1f.	Contract Selection criteria for investment funds

[42] Idem.

[43] Principles for Responsible Investment (PRI) (2019), *PRI How can a passive investor be a responsible investor?.*

4.1b	Identify and prioritise the actual and potential adverse impact of activities undertaken in the Participating Pension Fund's Asset Classes, while involving relevant stakeholders in this effort.	**Segregated mandates** If your pension fund has a segregated mandate (within a specific Asset Class), you can have your policy enshrined in the mandate. In that case, your policy has to include Paragraphs 3.1b, 3.1d and 3.1e of the Agreement. You can then include in the mandate in question the statement that your (responsible) investment policy is applicable to the mandate.	"This mandate is subject to [name of relevant (responsible) investment policy as at contract date]."	Mandate
		Majority share in an investment fund If your pension fund has a majority share in an investment fund (within a specific Asset Class), you can initiate a discussion with the Fund Manager to have the content of your investment policy included in the prospectus. Changes to the investment policy should be ratified at the unit holders' meeting. In that case, your policy and the fund conditions have to include Paragraphs 3.1b, 3.1d and 3.1e of the Agreement.	"This contract is subject to [name of relevant (responsible) investment policy as at contract date]." See Paragraph 3.1b.	Contract Fund conditions of External Service Provider
		Minority share in an investment fund If your pension fund has a minority share in an investment fund (within a specific Asset Class), you can research when selecting the investment fund to what extent the prospectus complies with your (responsible) investment policy. The PRI Manager Selection Guide for Asset Owners [44] is a useful aid for doing this, together with the PRI's How can a passive investor be a responsible investor?.[45] You can ask the fund manager to what extent "Investor Actions" from subsection	"This contract is subject to [name of relevant (responsible) investment policy as at contract date]." See Paragraph 3.1b.	Contract Selection criteria for investment funds

[44] Principles for Responsible Investment (PRI) (2018) *PRI Manager Selection Guide for Asset Owners*.
[45] Principles for Responsible Investment (PRI) (2019), *PRI How can a passive investor be a responsible investor?*.

		2.2 (p. 32) of the OECD guidance for institutional investors[46] are complied with. Table 1 (p. 31) lists practices by Asset Category.		
4.1c	Use and, where necessary and possible, increase leverage to ensure that the adverse impact of activities undertaken in the Asset Classes is prevented or mitigated.	**Segregated mandates** If your pension fund has a segregated mandate (within a specific Asset Class), you can have your policy enshrined in the mandate. In that case, your policy has to include Paragraphs 3.1b, 3.1d and 3.1e of the Agreement. You can then include in the mandate in question the statement that your (responsible) investment policy is applicable to the mandate.	"This mandate is subject to [name of relevant (responsible) investment policy as at contract date]."	Mandate
		Majority share in an investment fund If your pension fund has a majority share in an investment fund (within a specific Asset Class), you can initiate a discussion with the Fund Manager to have the content of your investment policy included in the prospectus. Changes to the investment policy should be ratified at the unit holders' meeting. In that case, your policy and the fund conditions have to include Paragraphs 3.1b, 3.1d and 3.1e of the Agreement.	"This contract is subject to [name of relevant (responsible) investment policy as at contract date]." See Paragraphs 3.1b, 3.1d and 3.1e	Contract Fund conditions of External Service Provider
		Minority share in an investment fund If your pension fund has a minority share in an investment fund (within a specific Asset Class), you can investigate when selecting the investment fund to what extent the fund conditions comply with your (responsible) investment policy. The PRI Manager Selection Guide for Asset Owners[47] is a useful aid for doing this, together with the PRI's How can a passive	"This contract is subject to [name of relevant (responsible) investment policy as at contract date]." See Paragraphs 3.1b, 3.1d and 3.1e	Contract Selection criteria for investment funds

[46] OECD (2017), *OECD guidance for institutional investors: Responsible business conduct for institutional investors*.
[47] Principles for Responsible Investment (PRI) (2018) *PRI Manager Selection Guide for Asset Owners*.

		investor be a responsible investor?.[48] You can ask the fund manager to what extent "Investor Actions" from subsection 2.3 (p. 32) of the OECD guidance for institutional investors[49] are complied with. The guidance document contains recommendations for active and passive investment strategies (Table 2, p. 42) and for different Asset Classes (Table 3, p. 42).		
4.1d	Use and, where necessary and possible, increase leverage by imposing time-limited demands in which it encourages listed investee companies that cause or contribute to an adverse impact to prevent and/or mitigate that adverse impact and/or to provide access to remedy in accordance with Paragraph 8.2.	**Segregated mandates** If your pension fund has a segregated mandate (within a specific Asset Class), you can have your policy enshrined in the mandate. In that case, your policy has to include Paragraphs 3.1b, 3.1d and 3.1e of the Agreement. You can then include in the mandate in question the statement that your (responsible) investment policy is applicable to the mandate.	"This mandate is subject to [name of relevant (responsible) investment policy as at contract date]."	Mandate
		Majority share in an investment fund If your pension fund has a majority share in an investment fund (within a specific Asset Class), you can initiate a discussion with the Fund Manager to have the content of your investment policy included in the prospectus. Changes to the investment policy should be ratified at the unit holders' meeting. In that case, your policy and the fund conditions have to include Paragraphs 3.1b, 3.1d and 3.1e of the Agreement.	"This contract is subject to [name of relevant (responsible) investment policy as at contract date]." See Paragraphs 3.1b, 3.1d and 3.1e	Contract Fund conditions of External Service Provider
		Minority share in an investment fund If your pension fund has a minority share in an investment fund (within a specific Asset Class), you can investigate when selecting the investment fund to what extent the fund conditions comply with your (responsible)	"This contract is subject to [name of relevant (responsible) investment policy as at contract date]."	Contract

[48] Principles for Responsible Investment (PRI) (2019), *PRI How can a passive investor be a responsible investor?.*
[49] OECD (2017), *OECD guidance for institutional investors: Responsible business conduct for institutional investors.*

		investment policy. The PRI Manager Selection Guide for Asset Owners[50] is a useful aid for doing this, together with the PRI's How can a passive investor be a responsible investor?.[51] You can ask the fund manager to what extent "Investor Actions" from subsection 2 (p. 32) of the OECD guidance for institutional investors[52] are complied with. The guidance document contains recommendations for active and passive investment strategies (Table 2, p. 42) and for different Asset Classes (Table 3, p. 42).	See Paragraphs 3.1b, 3.1d and 3.1e	Selection criteria for investment funds
4.1e	Where Paragraph 8.3 applies, set up processes to provide access to remedy.	**Segregated mandates** If your pension fund has a segregated mandate (within a specific Asset Class), you can have your policy enshrined in the mandate. In that case, your policy has to include Paragraph 3.1b of the Agreement. You can then include in the mandate in question the statement that your (responsible) investment policy is applicable to the mandate.	"This mandate is subject to [name of relevant (responsible) investment policy as at contract date]."	Mandate
		Majority share in an investment fund If your pension fund has a majority share in an investment fund (within a specific Asset Class), you can initiate a discussion with the Fund Manager to have the content of your investment policy included in the prospectus. Changes to the investment policy should be ratified at the unit holders' meeting. Your policy and the fund conditions Paragraph 3.1b of the Agreement must then include the information described above.	"This contract is subject to [name of relevant (responsible) investment policy as at contract date]." See Paragraph 3.1b.	Contract Fund conditions of External Service Provider
		Minority share in an investment fund If your pension fund has a minority share in an investment fund (within a specific Asset Class), you can investigate when selecting the	"This contract is subject to [name of relevant (responsible) investment policy as at contract date]."	Contract

[50] Principles for Responsible Investment (PRI) (2018), *PRI Manager Selection Guide for Asset Owners*.
[51] Principles for Responsible Investment (PRI) (2019), *PRI How can a passive investor be a responsible investor?*.
[52] OECD (2017), *OECD guidance for institutional investors: Responsible business conduct for institutional investors.*

		investment fund to what extent the fund conditions comply with your (responsible) investment policy. The PRI Manager Selection Guide for Asset Owners[53] is a useful aid for doing this, together with the PRI's How can a passive investor be a responsible investor?.[54] You can ask the fund manager to what extent "Investor Actions" from Paragraph 2.5 (p. 45) of the OECD guidance for institutional investors[55] are complied with.	See Paragraph 3.1b.	Selection criteria for investment funds
4.1f	When temporarily or permanently reducing an investment position in or divesting from companies that have been prioritised owing to the severity of the adverse impact, also considers the potential adverse impacts on affected persons or groups.	**Segregated mandates** If your pension fund has a segregated mandate (within a specific Asset Class), you can have your policy enshrined in the mandate. In that case, your policy has to include Paragraph 3.1b of the Agreement. You can then include in the mandate in question the statement that your (responsible) investment policy is applicable to the mandate.	"This mandate is subject to [name of relevant (responsible) investment policy as at contract date]."	Mandate
		Majority share in an investment fund If your pension fund has a majority share in an investment fund (within a specific Asset Class), you can initiate a discussion with the Fund Manager to have the content of your investment policy included in the prospectus. Changes to the investment policy should be ratified at the unit holders' meeting. In that case, your policy and the fund conditions have to include Paragraph 3.1b of the Agreement.	"This contract is subject to [name of relevant (responsible) investment policy as at contract date]." See Paragraph 3.1b.	Contract Fund conditions of External Service Provider
		Minority share in an investment fund If your pension fund has a minority share in an investment fund (within a specific Asset Class), you can investigate when selecting the	"This contract is subject to [name of relevant (responsible) investment policy as at contract date]."	Contract

[53] Principles for Responsible Investment (PRI) (2018), *PRI Manager Selection Guide for Asset Owners*.
[54] Principles for Responsible Investment (PRI) (2019), *PRI How can a passive investor be a responsible investor?*.
[55] OECD (2017), *OECD guidance for institutional investors: Responsible business conduct for institutional investors*.

		investment fund to what extent the fund conditions comply with your (responsible) investment policy. The PRI Manager Selection Guide for Asset Owners[56] is a useful aid for doing this, together with the PRI's How can a passive investor be a responsible investor?.[57] You can ask the fund manager to what extent this criterion is complied with. For more information, see "considering divestment and exclusions" (p. 39-41) of the OECD guidance for institutional investors.[58]	See Paragraph 3.1b.	Investment fund.
4.1g	Render accountability by monitoring results and by reporting to the Participating Pension Fund, with due observance of the reporting requirements as described in Article 5 of this Agreement.	**Segregated mandates** If your pension fund has a segregated mandate (within a specific Asset Class), you can have your reporting guidelines enshrined in the mandate. In that case, the criteria as described in Paragraph 3.1b of the Agreement have to be stipulated in your mandate. You can then include in the mandate in question the statement that your (responsible) investment policy is applicable to the mandate.	"This mandate is subject to [name of relevant (responsible) investment policy as at contract date]."	Mandate & Reporting requirements
		Majority share in an investment fund Where the investment policy relating to Responsible Investment has been ratified by the unit holders' meeting, the investment policy of the Fund is changed and the Fund has to report on this through its reporting. In that case, the content of the fund's report will have to comply with your reporting requirements. The reporting requirements will have to contain the criteria as described in Paragraph 3.1b of the Agreement.	"This contract is subject to [name of relevant (responsible) investment policy as at contract date]." See Paragraph 3.1b.	Reporting requirements & fund reporting

[56] Principles for Responsible Investment (PRI) (2018), *PRI Manager Selection Guide for Asset Owners*.
[57] Principles for Responsible Investment (PRI) (2019), *PRI How can a passive investor be a responsible investor?*.
[58] OECD (2017), *OECD guidance for institutional investors: Responsible business conduct for institutional investors*.

		Minority share in an investment fund If your pension fund has a minority share in an investment fund (within a specific Asset Class), you can investigate when selecting the investment fund to what extent the fund's reporting complies with your (responsible) investment policy. The PRI Manager Selection Guide for Asset Owners[59] is a useful aid for doing this, together with the PRI's How can a passive investor be a responsible investor?[60] You can ask the fund manager to what extent Paragraph 3.1b of the Agreement is complied with.	"This contract is subject to [name of relevant (responsible) investment policy as at contract date]." See Paragraph 3.1b.	Reporting requirements & selection criteria for investment funds

[59] Principles for Responsible Investment (PRI) (2018), *PRI Manager Selection Guide for Asset Owners*.
[60] Principles for Responsible Investment (PRI) (2019), *PRI How can a passive investor be a responsible investor?*.

Monitoring outsourcing

As observed in Paragraph 4.1 of the Agreement, Participating Pension Funds outsource many activities in the investment value chain to External Service Providers, but they remain responsible for implementing the OECD Guidelines and the UNGPs in the Asset Classes. The pension funds must therefore monitor implementation of the policy concerning the OECD Guidelines and UNGPs by External Service Providers. As is noted in Paragraph 4.1 of the Agreement (on "Outsourcing"), there is a wide variety of outsourcing relationships, contracts and associated opportunities for leverage in the pensions sector. This needs to be taken into account when monitoring the outsourcing, as the monitoring always has to be appropriate to the type of outsourcing relationship. If your pension fund has a majority share in an investment fund (within a specific Asset Class), you (or, if applicable, your fiduciary manager) can enter into discussion with the Fund Manager about reporting in relation to ESG policy. If your pension fund has a minority share in an investment fund (within a specific Asset Class), you (or, if applicable, your fiduciary manager) can consider during the selection of the investment fund the manner in which a fund reports on ESG policy. If the service itself already includes an obligation to report on implementation of ESG policy by an external service provider, such as ESG data suppliers or ESG engagement providers, the outsourcing agreement does not have to be amended on this point.

TABLE 3: SAMPLE TEXTS FOR MONITORING OUTSOURCING

[FOR MONITORING PURPOSES, PARTICIPATING PENSION FUNDS WILL AS A MINIMUM IMPOSE THE FOLLOWING REPORTING REQUIREMENTS ON EXTERNAL SERVICE PROVIDERS, DOING SO AS SOON AS POSSIBLE, BUT NO LATER THAN THREE YEARS AFTER THE AGREEMENT COMES INTO EFFECT:]

Agreement Paragraph		Explanation	Sample text	Document
5.1a	The progress the relevant External Service Provider has made in implementing its own and/or the relevant Participating Pension Fund's ESG policy.	If your own responsible investment policy is implemented by one or more External Service Provider(s), you can stipulate in the reporting obligations of the External Service Provider(s) that it/they have to report on the progress of implementation of your ESG policy. The following can assist: **The OECD's Due Diligence Guidance for Responsible Business Conduct** (see https://www.oecd.org/daf/inv/mne/48004323.pdf): see p. 88 of the Due Diligence Guidance). **The Guiding Principles of the UNGP Reporting Framework** If your own reporting is based on the Guiding Principles of the UNGP Reporting Framework, it is	"[name of External Service Provider] must provide [periodic] reports on its progress in implementing [name of ESG policy of your fund]". "[name of External Service Provider] must provide quarterly reports on its progress in implementing [name of ESG policy of your External Service Providers]".	Reporting requirements/ SLA Reporting requirements/ SLA

		logical for External Service Providers also to report on this basis. See https://www.ungpreporting.org/framework-guidance/.		
5.1b	The External Service Provider's ESG risk-identification methodology and its findings concerning the adverse impact identified in the Asset Classes.	This part of the monitoring of outsourcing is applicable to External Service Providers that have the task of identifying ESG risks, such as fiduciary managers, asset managers and ESG data suppliers. Supplementary to Paragraph 5.1a, for these External Service Providers you can include a text in the reporting requirements such as the example in the column on the right. This reporting requirement does not apply to External Service Providers for which ESG risk identification is not part of the service provision, for example some ESG engagement providers that only carry out engagement services for pre-selected companies and ESG risks.	"In relation to the relevant services provided, the party/parties in question should at least report on: • The method used to identify potential and actual adverse ESG impacts; • Potential and actual adverse ESG impacts that have been identified in the pension fund's various investment portfolios."	Reporting requirements/ SLA
5.1c	Information on how the External Service Provider has attempted, on behalf of the Participating Pension Fund, to prevent and/or mitigate the adverse impact of activities in the Asset Classes and/or to encourage the provision of remediation.	Supplementary to Paragraph 5.1a, you can include in the reporting requirements the elements included under 'sample text'.	• "Enterprises/ activities that are excluded from the investment universe; • Enterprises/ activities with which engagement is carried out; • The SMART objective(s) of engagement for each enterprise/activity (including the provision of remediation if applicable); • The progress of ongoing engagement processes; • The results of completed engagement processes;	Reporting requirements/ SLA

			• Decisions made and the accompanying justification for any temporary or permanent reduction in investments, or disinvestments, and how potential adverse impacts of these decisions for affected persons or groups were taken into account in this decision-making.”	
5.1d	Information on the listed companies that have been prioritised based on the severity of the adverse impact and over which leverage has not led to sufficient progress within the designated time frame.	See the sample text under 5.1c.	See the sample text under 5.1c.	Reporting requirements/ SLA

Reporting and transparency

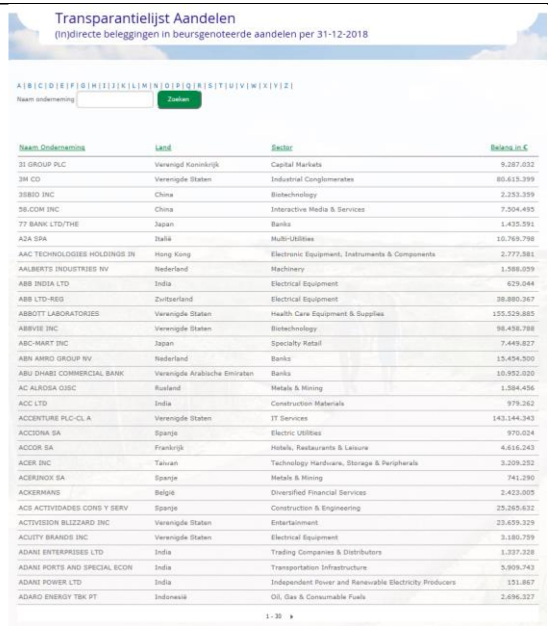
Paragraph 6.1 of the Agreement begins as follows: "The Dutch Pensions Act specifies that pension fund boards must explain how their fund's investment policy takes the environment and climate, human rights and social relationships into account (Article 135(4) of the Dutch Pensions Act). As soon as IORP II is transposed into national legislation and comes into effect, the pension fund's statement of investment principles must specify how its investment policy takes ESG factors into account. The statement of investment principles will be published."

As soon as possible, but no later than three-and-a-half years after the Agreement takes effect, Participating Pension Funds will, in accordance with the OECD Guidelines and the UNGPs, report and communicate on the results of their ESG policy, while respecting commercial confidentiality and other security concerns (see p. 43 of the OECD guidance for institutional investors). Due diligence as described in the OECD Guidelines and the UNGPs requires proactive communication of relevant information regarding due diligence policy and processes, and about the measures taken to identify and address actual or potential adverse impacts (see subsection 2.4 of the OECD guidance for institutional investors).

TABLE 4: SAMPLE TEXTS FOR REPORTING AND OUTSOURCING

[THIS REPORTING AND TRANSPARENCY CONTAINS AT LEAST:]

Agreement Paragraph		Explanation	Sample text	Document
6.1 a	Subject to the principle of "comply or explain", in so far as legally and practically possible and with due regard for Proportionality, and with a delay of one financial quarter but not more than one year annually, a list of the names of companies and/or investment funds within the listed equity portfolio(s) in which the assets of the Participating Pension Fund were invested over the previous period;	Proportionality refers to the characteristics and leverage of a pension fund and not to the size of individual equity investments (see Appendix 1 to the Agreement). If your pension fund has a majority share in an investment fund containing shares of listed companies, you (or, if applicable, your fiduciary manager) can enter into a dialogue with the Fund Manager about disclosure of the companies in which your pension fund invests. If your pension fund has a minority share in an investment fund containing shares of listed companies, you can, during the selection of the fund, take account of the disclosure of the	An example of public reporting on all investments in listed shares of a pension fund can be found here (Dutch): https://www.pfzw.nl/over-ons/over-ons/pensioenbeleggen/Paginas/Transparantielijst-Aandelen.aspx	Website

		companies in which investments are made. In the case of participation in actively managed investment funds, it is possible that a fund manager may not legally permit disclosure or will not cooperate with it in practice. In that case, you have to mention this in your reporting. In the case of participation in passively managed investment funds based on an index, the composition of which is public, possibly combined with an exclusion list or other change to the index of which the composition is also public, you can also report the name of the investment fund (preferably with a reference to the index in question) instead of the names of all the individual enterprises in which investments are made through this fund.		
6.1 b	The Participating Pension Fund's approach to due diligence in accordance with the OECD Guidelines and the UNGPs (whether or not pursued through External Service Providers).	This is in line with Paragraph 3.1b of the Agreement, under "Policy". Participating Pension Funds will report on the results of the ESG policy in accordance with the OECD Guidelines and the UNGPs. Furthermore, you can provide an explanation of your current approach and your current reporting. Due diligence is a process, not a final result. It is important to initiate this process as soon as possible and to continue to develop it further. The purpose of due diligence is to identify	See 3.1b	(Responsible) investment policy (if publicly available)

Transparantielijst Aandelen

(In)directe beleggingen in beursgenoteerde aandelen per 31-12-2018

A \| B \| C \| D \| E \| F \| G \| H \| I \| J \| K \| L \| M \| N \| O \| P \| Q \| R \| S \| T \| U \| V \| W \| X \| Y \| Z \|

Naam onderneming Zoeken

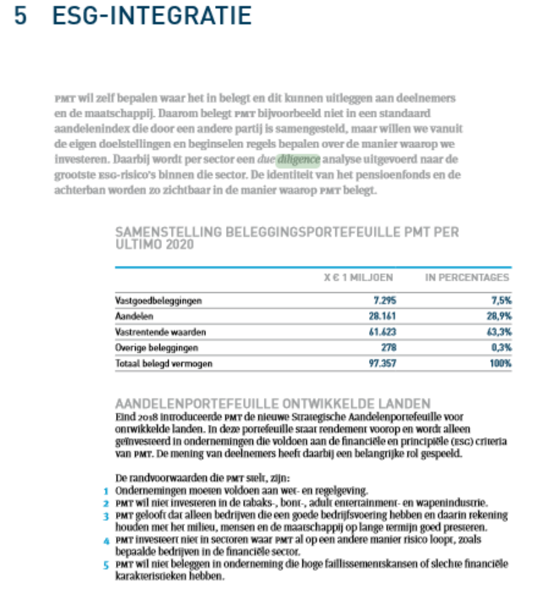
Naam Onderneming	Land	Sector	Belang in €
3I GROUP PLC	Verenigd Koninkrijk	Capital Markets	9.287.032
3M CO	Verenigde Staten	Industrial Conglomerates	80.615.399
3SBIO INC	China	Biotechnology	2.253.359
58.COM INC	China	Interactive Media & Services	7.504.495
77 BANK LTD/THE	Japan	Banks	1.435.591
A2A SPA	Italië	Multi-Utilities	10.769.798
AAC TECHNOLOGIES HOLDINGS IN	Hong Kong	Electronic Equipment, Instruments & Components	2.777.581
AALBERTS INDUSTRIES NV	Nederland	Machinery	1.588.059
ABB INDIA LTD	India	Electrical Equipment	629.044
ABB LTD-REG	Zwitserland	Electrical Equipment	38.880.367
ABBOTT LABORATORIES	Verenigde Staten	Health Care Equipment & Supplies	155.529.885
ABBVIE INC	Verenigde Staten	Biotechnology	98.458.788
ABC-MART INC	Japan	Specialty Retail	7.449.827
ABN AMRO GROUP NV	Nederland	Banks	15.454.500
ABU DHABI COMMERCIAL BANK	Verenigde Arabische Emiraten	Banks	10.952.020
AC ALROSA OJSC	Rusland	Metals & Mining	1.584.456
ACC LTD	India	Construction Materials	979.262
ACCENTURE PLC-CL A	Verenigde Staten	IT Services	143.144.343
ACCIONA SA	Spanje	Electric Utilities	970.024
ACCOR SA	Frankrijk	Hotels, Restaurants & Leisure	4.616.243
ACER INC	Taiwan	Technology Hardware, Storage & Peripherals	3.209.252
ACERINOX SA	Spanje	Metals & Mining	741.290
ACKERMANS	België	Diversified Financial Services	2.423.005
ACS ACTIVIDADES CONS Y SERV	Spanje	Construction & Engineering	25.265.632
ACTIVISION BLIZZARD INC	Verenigde Staten	Entertainment	23.659.329
ACUITY BRANDS INC	Verenigde Staten	Electrical Equipment	3.180.759
ADANI ENTERPRISES LTD	India	Trading Companies & Distributors	1.337.328
ADANI PORTS AND SPECIAL ECON	India	Transportation Infrastructure	5.909.743
ADANI POWER LTD	India	Independent Power and Renewable Electricity Producers	151.867
ADARO ENERGY TBK PT	Indonesië	Oil, Gas & Consumable Fuels	2.696.327

1 - 30

		and mitigate adverse ESG impact on other stakeholders. Pension funds can also carry out due diligence and communication about it in cooperation with other pension funds. For each of the six due diligence steps, show how they are included in the evaluation cycle, including at board level and where responsibilities are allocated. Examples of how this can be done for different investments can be found in Chapter 4.		
6.1 c	An explanation of how the Participating Pension Fund's ESG policy has been integrated into the various Asset Classes in which the Participating Pension Fund invests;	This paragraph in the Agreement results from a specific recommendation, which is included in the OECD guidance for institutional investors (p. 43).[61] You can find an example of a report from PMT via this link. Among other things, this text explains how the ESG due diligence steps risk identification (step 2) and mitigation (step 3) are integrated into the asset classes "listed equities of developed markets" and "government bonds". NB: this is an example for a proportion of the asset classes. It is expected that this will be reported for all asset classes (in accordance with the definition in the Agreement) in which the pension fund invests.		(Annual) Report on (Responsible) Investment

[61] OECD (2017), *OECD guidance for institutional investors: Responsible business conduct for institutional investors*.

<table>
<tr>
<td></td>
<td></td>
<td>A fund should preferably publish a single report on its ESG policy and activities, for example by the appointed fiduciary manager. A fund can also publish multiple reports from different (asset) managers with an explanation of how they relate to one another. For example, shown is the report on developed market equities and one on emerging market credits.

The most practical approach is to use the Sustainable Finance Disclosure Regulation (SFDR) format and the OECD Guidelines and UNGPs as much as possible. This makes it easy for pension funds to comply with both the Agreement and (new) legislation.</td>
<td>
5 ESG-INTEGRATIE

PMT wil zelf bepalen waar het in belegt en dit kunnen uitleggen aan deelnemers en de maatschappij. Daarom belegt PMT bijvoorbeeld niet in een standaard aandelenindex die door een andere partij is samengesteld, maar willen we vanuit de eigen doelstellingen en beginselen regels bepalen over de manier waarop we investeren. Daarbij wordt per sector een due diligence analyse uitgevoerd naar de grootste ESG-risico's binnen die sector. De identiteit van het pensioenfonds en de achterban worden zo zichtbaar in de manier waarop PMT belegt.

SAMENSTELLING BELEGGINGSPORTEFEUILLE PMT PER ULTIMO 2020
<table>
<tr><th></th><th>X € 1 MILJOEN</th><th>IN PERCENTAGES</th></tr>
<tr><td>Vastgoedbeleggingen</td><td>7.295</td><td>7,5%</td></tr>
<tr><td>Aandelen</td><td>28.161</td><td>28,9%</td></tr>
<tr><td>Vastrentende waarden</td><td>61.623</td><td>63,3%</td></tr>
<tr><td>Overige beleggingen</td><td>278</td><td>0,3%</td></tr>
<tr><td>Totaal belegd vermogen</td><td>97.357</td><td>100%</td></tr>
</table>
AANDELENPORTEFEUILLE ONTWIKKELDE LANDEN
Eind 2018 introduceerde PMT de nieuwe Strategische Aandelenportefeuille voor ontwikkelde landen. In deze portefeuille staat rendement voorop en wordt alleen geïnvesteerd in ondernemingen die voldoen aan de financiële en principiële (ESG) criteria van PMT. De mening van deelnemers heeft daarbij een belangrijke rol gespeeld.

De randvoorwaarden die PMT stelt, zijn:
1 Ondernemingen moeten voldoen aan wet- en regelgeving.
2 PMT wil niet investeren in de tabaks-, bont-, adult entertainment- en wapenindustrie.
3 PMT gelooft dat alleen bedrijven die een goede bedrijfsvoering hebben en daarin rekening houden met het milieu, mensen en de maatschappij op lange termijn goed presteren.
4 PMT investeert niet in sectoren waar PMT al op een andere manier risico loopt, zoals bepaalde bedrijven in de financiële sector.
5 PMT wil niet beleggen in onderneming die hoge faillissementskansen of slechte financiële karakteristieken hebben.</td>
<td></td>
</tr>
<tr>
<td>6.1 d</td>
<td>To the extent legally possible and without prejudice to the effectiveness of Engagement, a list of the activities undertaken on behalf of the pension fund, consisting of:
I. Companies with which a form of engagement has been pursued on behalf of the Participating Pension Fund and to what end;
II. The results of Engagement pursued on behalf of the Participating Pension Fund in specific companies;
III. Decisions taken by the Participating Pension Fund when Engagement has been unsuccessful.</td>
<td>The OECD guidance for institutional investors (pp. 43-44) says the following on this subject:

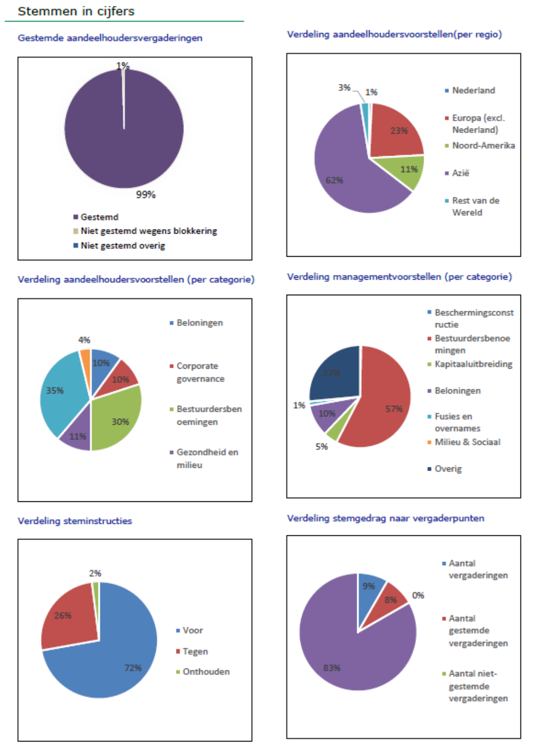
“Investors should strive to account for their due diligence processes to the extent possible while respecting confidentiality concerns.”

The image on the right is taken from an <u>example</u> report from the Pensioenfonds Detailhandel [Pension Fund for the Retail Trade]. (Text in Dutch).</td>
<td>
3.2. Voortgang thema

Per eind december 2020 laat het thema onderstaande voortgang op mijlpalen zien.
<table>
<tr><th></th><th>Onderneming</th><th>Land</th><th>Mijlpaal 1.</th><th>2.</th><th>3.</th><th>4.</th></tr>
<tr><td>1</td><td>Davide Campari-Milano S.P.A.</td><td>Italië</td><td></td><td></td><td></td><td></td></tr>
<tr><td>2</td><td>Hormel Foods Corporation</td><td>Verenigde Staten</td><td></td><td></td><td></td><td></td></tr>
<tr><td>3</td><td>Kraft Heinz Company</td><td>Verenigde Staten</td><td></td><td></td><td></td><td></td></tr>
<tr><td>4</td><td>LVMH Moet Hennessy Louis Vuitton SE</td><td>Frankrijk</td><td></td><td></td><td></td><td></td></tr>
<tr><td>5</td><td>Nestle S.A.</td><td>Switzerland</td><td></td><td></td><td></td><td></td></tr>
</table></td>
<td>(Annual) Report on Responsible Investment / Engagement Report</td>
</tr>
</table>

<table>
<tr>
<td>6.1 e</td>
<td>An explanation of how the Participating Pension Fund voted at shareholders’ meetings of listed investee companies, in accordance with Directive 2007/36/EC as regards the promotion of long-term shareholder engagement.</td>
<td>Your pension fund should be transparent regarding all the individual votes cast on behalf of your fund, for each shareholders’ meeting and for each item (see also Dutch Financial Supervision Act Section 5:87c(3)). To this end, you can refer to websites or reports of the External Service Providers where this information can be found. For example, see the APG <u>webpage</u>, which contains a comprehensive report on this at the end.

In addition, your fund has to provide details regarding the most important votes (see also Dutch Financial Supervision Act Section 5:87c(3)). This concerns reporting on the practical implementation of the voting policy, aimed at encouraging long-term value creation in companies, in Paragraph 3.1e of the Agreement, under “Policy”. To this end, too, you can refer to websites or reports of the External Service Providers where this information can be found.

This <u>link</u> takes you to the example of BPF Schilders. (Text in Dutch).</td>
<td>
</td>
<td>(Annual) Report on Responsible Investment/ Voting report</td>
</tr>
</table>

6.1f	Where relevant, future ESG policy and ESG objectives.	See the example of the ABP annual report to the right.	**Onze doelen voor 2025** We hebben een aantal doelen opgesteld die we willen bereiken. Zo willen we: - 20% van ons vermogen beleggen in bedrijven en projecten die meetbaar bijdragen aan de Duurzame Ontwikkelingsdoelen; - de CO2-voetafdruk van onze aandelenportefeuille met 40% verminderen ten opzichte van 2015; - onze beleggingen in kolenmijnen (bij een omzet van meer dan 30%) en teerzand (bij een omzet van meer dan 20%) afbouwen; - € 15 miljard beleggen in duurzame en betaalbare energie, bijvoorbeeld door beleggingen in groene obligaties; - samen met Climate Action 100+ bijdragen aan het verbeteren van het klimaatbeleid van de bedrijven die het meeste invloed hebben op CO2-emissies via hun ketens en hun consumenten. 	(Annual) Report on Responsible Investment

Acknowledgements

The Toolbox was compiled through intensive cooperation between pension funds, the Federation of the Dutch Pension Funds, NGOs, trade unions and the government in the context of the Dutch Pension Funds Agreement on Responsible Investment. The process was facilitated by the Social and Economic Council of the Netherlands (SER). We should like to thank all the members of the Toolbox working group and all the people who helped in reading and thinking behind the scenes for their input. Special thanks go to Cedric Scholl for his exceptional efforts in bringing this Toolbox to fruition.

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Lucia van Westerlaak	FNV
Anna-Sophie Steinebach	Ministry of Finance
Ioan Nemes	Oxfam Novib
Dik-Jan Jalvingh	Oxfam Novib
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Hedwig Peters	HaskoningDHV Pension Fund
Jelle Beenen	Hoogovens Pension Fund
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Patrick van der Groen	SER
Emma Vogt	SER
Martijn Huijnen	SER (chair)
Nicolaas Meijers	Shell Asset Management Company
Nienke van der Veen	World Animal Protection

For questions and further information

You can find more information on the Dutch Pension Funds Agreement on Responsible Investment here: website.

You can send specific questions on the Toolbox and the Agreement to: pensioenfondsenconvenant@ser.nl.

Beneficiaries of the Federation of the Dutch Pension Funds can find the Toolbox here

[i] https://www.OECDrichtlijnen.nl/ncp.

Pension Funds

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