

Dutch Pension Funds Agreement on Responsible Investment

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Note: This text has been translated from Dutch to English. Should there at any point be any doubt about its interpretation, parties will refer to the original text in Dutch.

Preamble

A Rana Plaza, conflict minerals that end up in phones, oil spills, poor factory working conditions, land expropriation and environmental pollution: a pension fund that invests in companies may find itself implicated in any of these unwelcome situations. They can arise in the investee company's upstream supply chain or occur at the company itself.

Pension funds invest in every sector and in a large number of countries, including emerging markets. They tend to invest in thousands of companies, which means they may be dealing with a wide variety of issues and therefore require focus and prioritisation to be effective.

In this Agreement, the signatory pension funds (hereafter: Participating Pension Funds) have opted for an approach in which the OECD Guidelines for Multinational Enterprises¹ (hereafter: the OECD Guidelines) and the UN Guiding Principles on Business and Human Rights² (hereafter: UNGPs) are taken as the basis for identifying, prioritising and addressing ESG risks.³ They also opt to cooperate with Non-Governmental Organisations (hereafter: NGOs), Trade Unions and Government. In this Agreement, ESG risks are understood to mean risks to society and the environment. They are therefore the same risks as the RBC risks described in the OECD Guidelines. They will serve to complement and enrich the pension funds' established responsible investment policy.

The Parties are convinced that they will contribute in this manner, directly and indirectly, in both the short and long term, to achieving the objectives of the OECD Guidelines and UNGPs and thus also to achieving the Sustainable Development Goals (hereafter: SDGs). The Parties possess specific knowledge of and information on labour rights (including freedom of association, collective bargaining and living wages), human rights (including children's rights, gender equality and land rights), climate change, nature conservation, the fight against corruption, health (including access to medicines) and animal welfare in the local context in which abuses may occur.

A sustainable society is not something we can achieve alone, but by working together. Everyone has a role to play and a responsibility to bear in this respect, including pension funds. Pension funds make long-term investments so that they can pay out pensions in the short and long term to participants who have paid contributions. A long-term horizon is therefore a natural horizon for pension funds. It is prudent for pension funds to work towards a more sustainable society, not only on behalf of their participants or with a view to attaining sound investment results in the long term, but also for the benefit of society as a whole.

In this Agreement, the Parties seek to cooperate in order to achieve a more sustainable society while allowing for each one's responsibility and ability, both practical and legal, and the Government's responsibility under the OECD Guidelines and UNGPs. A number of recent statutory and regulatory developments are relevant to this Agreement, such as the EU's *Action Plan: Financing Sustainable Growth*, the IORP II Directive, and the EU Directive as regards the encouragement of long-term shareholder engagement. As far as possible, these developments have been taken into account in this Agreement. Where necessary,

¹ OECD (2011), *OECD Guidelines for Multinational Enterprises*, OECD Publishing, and any updates.

² United Nations (2011), *Guiding Principles on business and human rights*.

³ ESG stands for Environmental, Social and Governance and is a frequently-used term among (institutional) investors.

adjustments will be made during the implementation phase to ensure that the execution of the Agreement corresponds with new statutory and regulatory measures.

As the first link in a long investment chain, pension funds are often far removed from the eventual impact on the environment and society. How can they use their leverage to ultimately influence business practices? The Parties to this Agreement have made arrangements to this effect along two tracks: a 'Wide Track' and a 'Deep Track'.

The aim of the Wide Track is to accelerate the implementation of the OECD Guidelines and UNGPs throughout the sector using an approach that can be applied by all Dutch pension funds. It involves making agreements about incorporating the OECD Guidelines and UNGPs into the policy of pension funds, about outsourcing to External Service Providers such as fiduciary managers and asset managers, and about monitoring and reporting by pension funds. Thanks to this broad approach, the Netherlands' total pension assets – some 1330 billion euros – could soon be invested in compliance with these guidelines. The Parties are convinced that this will lead to asset managers, which have pension funds as (potential) clients, developing products that comply with the OECD Guidelines and UNGPs. This will not only facilitate their implementation by pension funds, but will also have a positive impact on other branches of the financial sector, both in the Netherlands and elsewhere.

The Deep Track is equally pioneering in the global context. The Parties involved in this track choose to work together on actual Cases to mitigate and/or remediate the adverse impact of companies in which pension funds invest. The Cases chosen have a social component. The Parties and Participating Pension Funds consider that only limited experience has been gained in tackling and preventing negative social impacts. They believe that cooperating within the Agreement offers a good opportunity to develop an appropriate approach in this area. As far as the Parties are aware, this is an exceptional alliance of stakeholders, meant to increase leverage so that they can make real improvements. The agenda of the Deep Track therefore focuses on learning and innovation. A number of the Participating Pension Funds that together account for a substantial share of the total assets under management of all pension funds participating in the Wide Track will participate in the Deep Track. The results of the learning and innovation agenda will provide input for the Wide Track and will enhance the experiences and approach of all Participating Pension Funds and other Parties.

The Agreement has been structured in such a way that frontrunners can go a step further in areas where they are currently coming up against the limits of their ability. In addition, Participating Pension Funds with fewer resources and less capacity can take an important step to reduce any adverse impacts in their investment portfolio and increase positive impacts. The Parties are convinced that this approach will serve to achieve the objectives of the OECD Guidelines and UNGPs and that the Agreement will allow them to guide the way in which pension funds implement the same.

PARTIES:

Delegation 1: Pension funds and the Federation of the Dutch Pension Funds, represented by Ms S. Rambaran Mishre, chairperson of the Board of the Federation of the Dutch Pension Funds, and Mr A.H.J. Snellen, member of the Board of the Federation of the Dutch Pension Funds (hereafter referred to as 'the Participating Pension Funds'),

Delegation 2: the Dutch Minister of Finance, Mr W.B. Hoekstra; the Dutch Minister for Foreign Trade and Development Cooperation, Ms S. Kaag; and the Dutch Minister for Social Affairs and Employment, Mr W. Koolmees, acting in the capacity of governing body (hereafter referred to as 'the Government'),

Delegation 3: the Netherlands Trade Union Confederation (FNV), represented by Mr A. Elzinga, the National Federation of Christian Trade Unions in the Netherlands (CNV), represented by Mr A. van Wijngaarden, and the Trade union federation for Professionals (VCP) represented by Mr B.H. van der Wal (hereafter referred to as 'the Trade Unions'),

Delegation 4: Amnesty International Nederland, represented by Mr E.A.M. Nazarski; Natuur & Milieu, represented by Ms M. Demmers; Oxfam Novib, represented by Mr M. Servaes; Save the Children Nederland, represented by Mr P. Kraan; PAX, represented by Mr J. Gruiters; World Animal Protection Nederland, represented by Mr P. de Smit (hereafter referred to as 'the NGOs'),

hereafter jointly referred to as 'the Parties';

1. Recitals

Whereas:

- 1.1 In undertaking the Dutch Pension Funds Agreement on Responsible Investment, the Participating Pension Funds have opted for a proactive approach that meets the desire of both the Dutch Government and the Dutch House of Representatives to conclude voluntary multi-stakeholder agreements on international responsible business conduct in sectors in which there are risks in the value chain.
- 1.2 The process was prompted by the declaration of intent signed by 75 pension funds and the Federation of the Dutch Pension Funds on 30 March 2017 and by the advisory report authored by the Social and Economic Council (hereafter: SER) on International Agreements on Responsible Business Conduct (also referred to as the 'SER advisory report').
- 1.3 The objective of this Agreement is for the Parties to prevent, mitigate and/or remediate (or have remediated) the negative social and environmental consequences of investments by pension funds, with no risk being excluded in advance. The Parties will contribute their knowledge and expertise to this end.
- 1.4 The Parties wish the Dutch Pension Funds Agreement on Responsible Investment for pension funds to meet the expectations set for pension funds under the OECD Guidelines⁴ and the UNGPs,⁵ whereby the OECD guidance 'Responsible business conduct for institutional investors'⁶ (hereafter: OECD guidance for institutional investors) provides support for implementation.

⁴ OECD (2011), *OECD Guidelines for Multinational Enterprises*, OECD Publishing, and any updates.

⁵ United Nations (2011), *Guiding Principles on business and human rights*.

⁶ OECD (2017), *Responsible business conduct for institutional investors: Key considerations for due diligence under the OECD Guidelines for Multinational Enterprises*, OECD Publishing.

- 1.5 Given that the OECD guidance for institutional investors is new for pension funds and that there are few examples worldwide of how the OECD Guidelines and UNGPs are being fleshed out and implemented by institutional investors, learning and innovation are key objectives of the Agreement.
- 1.6 The implementation of this Agreement should contribute to, and may not prejudice, the fulfilment of the pension funds' fiduciary duty arising from Article 135(1) of the Dutch Pensions Act; the pension fund's board must ensure that there is support among participants for choices made regarding responsible investment. Taking material Environment, Social and Governance (ESG) factors into account in investment decisions is consistent with risk assessment and risk management and is in line with the fiduciary duty of pension funds. Such factors can become material in the short, medium and long term.
- 1.7 The Parties note that the Dutch pension funds are already actively working towards responsible investment in various ways:
- Responsible investment is one of the components of the Code of the Dutch Pension Funds, which is enshrined in the Dutch Pension Act and is regulated by the Netherlands Central Bank. In accordance with this Code, pension funds state in their board report whether they are pursuing any such policy and, if not, why they are not.
 - Dutch pension funds have contributed to the OECD guidance for institutional investors.
 - Dutch pension funds are involved in or are at the forefront of a wide range of activities and initiatives worldwide, such as the UN Principles for Responsible Investment (hereafter: UNPRI) and the SDGs.
- 1.8 Pension funds aim to create (social) value in the long term. Within the Asset Classes in which they invest, Participating Pension Funds will factor in the long-term and short-term consequences for society and the environment and will endeavour to make agreements with the External Service Providers that implement (part of) the responsible investment policy of the relevant pension fund, with a view to incorporating the weighting of ESG risks fully into their investment processes. An External Service Provider is a service provider appointed by a Participating Pension Fund that, acting on the basis of a written agreement, will assume the task of implementing relevant provisions of this Agreement on behalf of a Participating Pension Fund (hereafter: External Service Provider).
- 1.9 The Parties agree that pension funds themselves will be responsible for developing and implementing the (responsible) investment policy. In undertaking an Agreement, the Parties, mindful of the SER Advisory Report, will:
- support the Participating Pension Funds in resolving ESG issues that arise in their investment practice and that they are unable to resolve alone. This should not prevent Participating Pension Funds from addressing ESG issues individually;
 - urge the Participating Pension Funds to seek to optimise their investment processes through learning and innovation with a view to increasing the impact on investee companies;
 - bring about medium- and long-term improvements for individuals and groups who (may) experience adverse impacts associated with the activities of companies in which Participating Pension Funds invest, either directly or indirectly;
 - in the short term (the Term of the Agreement), make and implement process agreements on the policy and activities of Participating Pension Funds, as described in Articles 2 to 8 below.

- 1.10 The basis for cooperation between the Parties is the principle that they will work together to create added value.
- 1.11 The Parties will respect one another's roles. The Parties can and will continue to fulfil their own role in addition to the joint activities provided for under the Agreement. They will inform one another of individual activities, in so far as such activities relate to the arrangements referred to in the Agreement.
- 1.12 All Parties undertake to contribute actively during the implementation phase of the Agreement.
- 1.13 The Parties will examine how to build on previous initiatives within the sector.
- 1.14 Pursuant to Paragraph 23.9, the provisions set out in this Agreement have been concluded in accordance with applicable international, European and national law. Nevertheless, the Parties may decide – where this is not contrary to the law – to make arrangements that go beyond existing statutory and regulatory measures. The Parties recognise that new legislation may be introduced during the Term of the Agreement that may affect the provisions of this Agreement. The provisions of the Agreement have, as far as possible, taken into account future legislation introduced during the Term of the Agreement. This includes, *inter alia*, the transposition of the IORP II Directive into national legislation by 13 January 2019, the transposition into national legislation by 10 June 2019 of the amendment to Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement, and the proposals of the European Commission under its *Action Plan: Sustainable Finance*.
- 1.15 The Parties are satisfied that they have concluded this Agreement within the boundaries of current competition law.

2. Scope of the Agreement

- 2.1 The purpose of this Agreement is for the Participating Pension Funds to fulfil the expectations arising for pension funds under the OECD Guidelines and the UNGPs.
- 2.2 In this Agreement, arrangements have been made along two tracks: a 'Wide Track' and a 'Deep Track'. The Wide Track concerns agreements on the sector-wide implementation of the OECD Guidelines and the UNGPs [see Articles 3-8]. The Deep Track involves collaboration on Cases [see Articles 9-12].
- 2.3 Pension funds that sign the Agreement will adhere to all the provisions of the Agreement, with the exception of Articles 9 to 12. Participating Pension Funds may also commit to upholding the provisions set out in Articles 9 to 12 (the Deep Track) by signing a separate opt-in.
- 2.4 In so far as they have not already done so, Participating Pension Funds will incorporate the OECD Guidelines and UNGPs into their policies and into contracts with their External Service Provider(s) and will act in accordance with the OECD Guidelines and the UNGPs within the scope of their investment activities.
- 2.5 The Parties undertake to support the Participating Pension Funds in the meaningful and practical application of the OECD Guidelines and the UNGPs.
- 2.6 The Parties will encourage the members of the Federation of the Dutch Pension Funds and pension funds not affiliated to the Federation to sign the Agreement.
- 2.7 The focus of the Parties in this Agreement is on investment activities, as these constitute the greatest risks for pension funds with regard to Responsible Business Conduct (RBC).^{7,8}

⁷ There is a footnote here in the Dutch text that refers to the English translation of 'Responsible Business Conduct', that is irrelevant in the English translation of the Agreement. We have included the footnote to ensure consistency with the Dutch original.

- 2.8 Unless otherwise indicated, the following provisions of the Agreement apply to the Asset Classes as specified in the list of definitions and based on the OECD guidance for institutional investors. Articles 9 to 12, which concern the Deep Track, form an exception to the above. The Deep Track covers equity investments in listed companies. In the due diligence procedure, the focus is on the potential and actual adverse impacts on disadvantaged groups. Priority will be given to the most severe adverse impact or impacts on society and the environment. The severity of this impact will be judged by its scale, scope and irremediable character. This does not alter the fact that Participating Pension Funds must fulfil their fiduciary duty in compliance with the law.
- 2.9 With regard to the Deep Track (Articles 9 to 12), it should further be noted that:
- a. its scope covers:
 - i. specific Cases addressing ESG issues that Participating Pension Funds encounter in their investment practice and cannot resolve themselves and that could potentially be resolved through cooperation between the Parties;
 - ii. a limited number of Cases (approximately six) during the Term of the Agreement;
 - b. the other forms of Engagement pursued by Participating Pension Funds are not part of this Deep Track. All forms of Engagement pursued by Participating Pension Funds, including those covered in this Deep Track, are and remain the responsibility of the pension funds;
 - c. the aim is that the group of Participating Pension Funds in the Wide Track that take part in the Deep Track should jointly represent at least half of the assets managed by the Dutch pension funds as well as a sufficiently diverse range of pension funds;
 - d. in its implementation, the diversity of the pension sector and the abilities of each Participating Pension Fund will be taken into account (Proportionality);
 - e. the process of implementation will allow for possible legal restrictions applying in different jurisdictions regarding the (joint) leverage that can be exerted on companies.
- 2.10 The following Articles (3 to 8) correspond with the OECD Guidelines' due diligence cycle as described in the OECD guidance for institutional investors.

3. Policy

- 3.1 Many pension funds already have a responsible investment policy in place in which they describe how their investment policy considers Environment, Social and Governance (ESG) factors. In this policy, they refer, for example, to relevant standards, such as the OECD Guidelines, the UN Global Compact (UNGC), the UNPRI, the SDGs or the OECD Corporate Governance Guidelines. Not all Participating Pension Funds have policies that comply with the OECD Guidelines and UNGPs, however. Nor have all Participating Pension Funds taken the OECD Guidelines and UNGPs as a starting point when formulating their ESG policy. These Participating Pension Funds must bring their ESG policy into line with the OECD Guidelines and UNGPs as soon as possible but no later than two years after the

⁸ See: KPMG (2014). *MVO Sector Risico Analyse*:
<https://www.rijksoverheid.nl/documenten/rapporten/2014/09/01/mvo-sector-risico-analyse>

Agreement comes into effect.⁹ This provision concerns the Asset Classes described in Paragraph 2.8 and defined in the list of definitions. This policy will include at least the following:

- a. A commitment to the OECD Guidelines and UNGPs.
 - b. 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 pursuant to the OECD Guidelines and the UNGPs.
 - c. An explanatory text addressing specific themes, including the use of standards, which the Participating Pension Funds deem to be risky 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.
 - d. Information on the activities in which individual Participating Pension Funds will not invest.
 - e. The approach towards/policy on voting for listed companies and Engagement for listed companies and corporate bonds, directly or through outsourcing, aimed at encouraging long-term value creation in companies.
 - f. A description of how (social) value creation will be used as a guiding principle in the longer term.
- 3.2 The Parties will jointly develop a toolbox within one year of the Agreement coming into effect (see Article 7). The tools will include templates based on the OECD Guidelines and UNGPs for drafting policy texts that satisfy the criteria set out in Paragraph 3.1, allowing for the specific features and leverage (Proportionality) of different Participating Pension Funds and different Asset Classes. The templates can be used by small, medium-sized and (possibly in greater detail) large funds for embedding policy.
- 3.3 Several sources will be used, such as the OECD Due Diligence Guidance for Responsible Business Conduct,¹⁰ existing and new sector-specific OECD guidance documents, and substantive frameworks developed or proposed by the Parties.¹¹
- 3.4 Where possible and meaningful, Participating Pension Funds will involve third parties that Participating Pension Funds regard as stakeholders in the development of ESG policy. Participating Pension Funds will generate support among participants for the choices they make regarding responsible investment.
- 3.5 During the term of the Agreement, the Participating Pension Funds will take action (possibly in cooperation with the Parties) on identified areas of improvement in their responsible investment policy, doing so with the assistance of the Federation of the Dutch Pension Funds where they deem such assistance to be useful.

4. Outsourcing

- 4.1 Although Participating Pension Funds outsource many activities in the investment chain to External Service Providers, they will remain responsible for implementing the OECD Guidelines and the UNGPs in the Asset Classes. To ensure that the OECD Guidelines and UNGPs are implemented in the Asset Classes of Participating Pension Funds, these guidelines and guiding principles will be incorporated into contracts with External Service Providers. The OECD guidance for institutional

⁹ For pension funds acceding after 1 January 2019, this provision applies as soon as possible but no later than two years after accession (by analogy, the time limits for these funds set out in Paragraphs 4.1, 5.1 and 6.1 are also linked to the time of accession).

¹⁰ OECD (2018), *OECD Due Diligence Guidance for Responsible Business Conduct*, OECD Publishing.

¹¹ This explicitly applies to the themes in which NGOs, for example, are active.

investors offers support for such implementation. If Participating Pension Funds have included additional provisions in their ESG policy, within the meaning of Paragraph 3.1, they will, to the extent possible, stipulate contractually that the External Service Provider must comply with these policy provisions.

As soon as possible but at the latest within three years of the Agreement's entry into effect (see Article 7), Participating Pension Funds will, where this is not already the case, stipulate in new contracts with External Service Providers (whether or not by reference to a policy document of the relevant Participating Pension Fund) that the External Service Provider must, pursuant to the OECD Guidelines and UNGPs, do the following (in the Participating Pension Fund's Asset Classes):

- a. implement ESG in policy and management systems and uses long-term value creation as a leading principle;
- b. 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;
- c. 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;
- d. 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 remediation in accordance with Paragraph 8.2;
- e. where Paragraph 8.3 applies, set up processes to provide access to remediation;
- f. when (temporarily) reducing an investment position in or divesting from companies that have been prioritised owing to the severity of the adverse impact, also consider the potential adverse impacts on disadvantaged groups;
- g. 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.

- 4.2 Within one year of the Agreement coming into effect, the Parties will jointly develop a toolbox that includes templates for texts satisfying the criteria described in Paragraph 4.1 that Participating Pension Funds can incorporate into contracts with External Service Providers, in which these External Service Providers are asked to carry out due diligence pursuant to the OECD Guidelines and the UNGPs. The templates will allow for the specific features and leverage of different pension funds and Asset Classes. This toolbox can be used by small, medium-sized and (possibly in greater detail) large pension funds to incorporate the OECD Guidelines and the UNGPs in outsourcing contracts with External Service Providers. With regard to existing contracts that are not renewed within the term of the Agreement, Participating Pension Funds will make every effort to bring them into line with the provisions set out in Paragraphs 4.1 and 5.1.

5. Monitoring of outsourcing

- 5.1 As observed in Paragraph 4.1, although Participating Pension Funds outsource many activities in the investment chain to External Service Providers, they themselves will remain responsible for implementing the OECD Guidelines and the UNGPs in the Asset Classes. They must therefore monitor the implementation of the policy concerning the OECD Guidelines and UNGPs by External Service Providers. 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:

- a. The relevant External Service Provider must report on the progress it has made in implementing its own and/or the relevant Participating Pension Fund's ESG policy.
 - b. The External Service Provider must report on its ESG risk-identification methodology and on its findings concerning the adverse impact identified in the Asset Classes.
 - c. The External Service Provider must report on how it 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.
 - d. The External Service Provider must provide information on the listed companies that have been prioritised based on the severity of the adverse impact and over which its leverage has not led to sufficient progress within the designated time frame.
- 5.2 Within one year of the Agreement coming into effect, the Parties will jointly develop a toolbox as referred to in Paragraph 7.3, including templates for texts that Participating Pension Funds can incorporate into their reporting requirements for External Service Providers. According to these reporting requirements, External Service Providers must report to pension funds whether and if so how they conduct due diligence activities pursuant to the OECD Guidelines and the UNGPs, in accordance with the criteria set out in Paragraph 5.1. The templates will allow for the specific features and leverage of different pension funds and in different Asset Classes. This toolbox can be used by small, medium-sized and (possibly in greater detail) large pension funds to incorporate the OECD Guidelines and the UNGPs into the reporting requirements for External Service Providers.
- 5.3 While developing the toolbox during the implementation phase, the Parties will investigate the extent to which the Participating Pension Funds can use existing reporting standards, such as the UNGP Reporting Framework,¹² the Principles for Responsible Investment (PRI),¹³ and/or the Integrated Reporting survey,¹⁴ to monitor the External Service Providers in the manner described above.

6. Reporting and transparency

- 6.1 The Dutch Pension 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 comes into effect, the Participating Pension Funds will report on the results of the ESG policy pursuant to the OECD Guidelines and UNGPs. Such reporting and transparency will include at least the following:
- 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

¹² See: <https://www.ungpreporting.org/>

¹³ See: <https://www.unpri.org/>

¹⁴ See: <http://integratedreporting.org/>

- 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;
- b. the Participating Pension Fund’s approach to due diligence pursuant to the OECD Guidelines and the UNGPs (whether or not pursued through External Service Providers);
 - 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;
 - d. 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.
 - e. 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;
 - f. where valuable, future ESG policy and ESG objectives.
- 6.2 Within one year of the Agreement coming into effect, the Parties will jointly develop a toolbox containing templates for texts that Participating Pension Funds can incorporate into reports and other communications intended for third parties that satisfy the criteria described in Paragraph 6.1, allowing for the specific features and leverage of different pension funds and different Asset Classes. This toolbox can be used by small, medium-sized and (possibly in greater detail) large pension funds to report on the implementation of the ESG policy pursuant to the OECD Guidelines and the UNGPs.
- 6.3 While developing the toolbox, the Parties will investigate the extent to which the Participating Pension Funds can use existing reporting standards, such as the UNGP Reporting Framework,¹⁵ the Principles for Responsible Investment (PRI)¹⁶ and the Integrated Reporting survey,¹⁷ to report in the manner described above.

7. Toolbox

- 7.1 Within one year of the Agreement coming into effect, the Parties will jointly develop a toolbox that Participating Pension Funds will consider and may use to implement the OECD Guidelines and UNGPs into their policy, contracts with External Service Providers, monitoring and reporting. Participating Pension Funds will consider and may use texts arising from this toolbox.
- 7.2 In the first year following the Agreement’s entry into effect, a working group will be established and charged with developing the toolbox. The working group will prepare explanatory texts addressing specific themes, pursuant to Paragraph 3.1.c, based on risks already identified in current ESG policies and due diligence procedures (carried out by pension funds that have already embarked on such

¹⁵ See: <https://www.ungpreporting.org/>

¹⁶ See: <https://www.unpri.org/>

¹⁷ See: <http://integratedreporting.org/>

- policies and procedures), including themes reflecting the priorities of the pension fund's participants.
- 7.3 All Participating Pension Funds must be able to apply the toolbox in a meaningful and practical manner; this can be achieved by developing different tools and applications that are appropriate to the specific features and leverage of different pension funds (such as fund size and investment strategy) and different Asset Classes. The various Parties will contribute their expertise to the development of the toolbox.
- 7.4 The toolbox will consist of model texts concerning policy, outsourcing, monitoring and transparency, all of which must meet the criteria described in:
- a. Article 3, Policy
 - b. Article 4, Outsourcing
 - c. Article 5, Monitoring of Outsourcing
 - d. Article 6, Reporting and Transparency
- 7.5 In the interests of learning and innovation, the Parties aim to understand the use and effectiveness of the Toolbox. Lessons learned will be used to improve the Toolbox. The Monitoring Committee (see Article 20) will therefore monitor the use and effectiveness of the Toolbox. The KPIs in Appendix II include tracking indicators for this purpose, with the Participating Pension Fund being asked to explain components of the toolbox. The Federation of the Dutch Pension Funds will support the Participating Pension Funds in implementing the toolbox by incorporating it into a Service Document on Responsible Investment.¹⁸ Toolbox updates will be included in updates of this Service Document.

8. Promoting access to remediation

- 8.1 Consistent with their responsibility as set out in the OECD Guidelines and the UNGPs, the Participating Pension Funds will endeavour to promote access to remediation whenever adverse impacts occur.
- 8.2 In the event of adverse impacts caused by investee companies, it will generally be assumed that pension funds are only 'directly linked' to adverse impacts. As a result, pension funds will not be obliged to offer remediation in such cases, but should use their leverage to encourage investee companies that have caused or contributed to an adverse impact to take responsibility in the manner formulated in the OECD Guidelines and the UNGPs. This means that these companies must provide for or cooperate in providing access to remediation through existing legitimate judicial and non-judicial processes (UNGP 22, 29 and 31, OECD Guidelines Chapter IV, section 6). In addition, the Participating Pension Funds will expect investee companies to open up a credible operational level grievance mechanism (OLGM), in line with UNGPs 29 and 31, or to participate in an existing mechanism of this kind.
- 8.3 In exceptional cases, a situation may also arise in which Participating Pension Funds 'contribute' to an adverse impact through their investments, as defined in the OECD guidance for institutional investors.^{19,20} If a Participating Pension Fund finds clear

¹⁸ See: for the present Service Document (2016):

<https://www.pensioenfederatie.nl/paginas/nl/openbaar/publicaties/servicedocumenten/servicedocument-verantwoord-beleggen>

¹⁹ See: *Responsible business conduct for institutional investors: Key considerations for due diligence under the OECD Guidelines for Multinational Enterprise*, p.13.

²⁰ Pension funds are prohibited from performing 'ancillary activities' (Article 116 of the Pensions Act), which also include 'entrepreneurial investment' (See: Report by the Committee on pension fund conglomerates, p. 26) in which pension funds assume entrepreneurial risk and responsibility.

indications that this may be the case, the relevant pension fund will investigate whether and, if so, how responsibility for providing access to remediation can be assumed.

- 8.4 The procedure described in this Article is without prejudice to the task of the OECD-NCP to assist in resolving issues involving the application of the OECD Guidelines that arise in specific cases.

9. Deep Track – opt-in: Objectives of the Deep Track

9.1 By learning and innovating in selected Cases, Participating Pension Funds, NGOs, Trade Unions and Government will develop an approach and structure for cooperation within the scope of specific forms of Engagement by Participating Pension Funds. Such specific Cases will address ESG issues that Participating Pension Funds encounter in their investment practice and cannot resolve themselves and that could potentially be resolved through cooperation between the Parties.

9.2 The main objective is for the Parties, through learning and innovation, to develop forms of cooperation aimed at increasing the leverage of Participating Pension Funds in their Engagement with listed investee companies with a view to preventing, mitigating and/or remediating (possible) adverse impacts by these companies.

9.3 The above means:

- Creating positive impacts on the ground by tackling the selected Cases successfully.
- Learning and innovating in relation to themes, strategies and approaches to using leverage over companies effectively so as to prevent, mitigate and/or remediate actual and potential adverse impacts.
- Disseminating and replicating anonymised results related to specific companies and lessons learned that will benefit the entire pension sector and other Delegations, as well as collecting good practices that can serve as examples in the toolbox. The agreement to publish anonymously is without prejudice to the implementation of and compliance with the pension funds' current RBCI policy and the NGOs and Trade Unions' current practices.

10. Deep Track – opt-in: Criteria for selecting Cases

10.1 The Parties will apply a set of criteria when selecting Cases for cooperation. These criteria will be derived from the objectives of the Deep Track and are meant to safeguard these objectives. Whenever Cases are being selected, there will be explicit documentation of the selection criteria. The first three criteria are must-have selection criteria; the final criterion is meant to optimise the learning effect of a Case. The criteria are:

a. Severity of adverse impacts

Pursuant to the OECD Guidelines and UNGPs, the Parties will use the severity of actual and potential adverse impacts as a prioritisation principle. The severity of the impact will be judged by its scale, scope and irremediable character. The likelihood/probability of actual or potential impacts will also be considered. These aspects will be investigated and quantified where possible.

b. Added value through cooperation and diversity

The Cases must explicitly offer the Parties participating in the Deep Track the possibility of creating added value through cooperation, for example by providing additional opportunities for leveraging. Specifically, this means that Parties from multiple Delegations will play

a role in and share responsibility for the joint objective and strategy of building Participating Pension Funds' leverage over the listed company. This also means that selected Cases will reflect the Parties' priorities, programmes and (local) networks. Cases that the Participating Pension Funds can resolve on their own will be excluded. The Parties will select a variety of Cases so that different Parties can contribute their specific expertise. In their cooperation on the Cases, the Parties will endeavour to ensure appropriate representation of the Parties to the Agreement.

c. Focus on social aspects

The Parties will choose Cases with a social component, with a view to creating added value and generating innovation in the cooperation. Such Cases will address 'severe' ESG issues involving actual and potential adverse impacts on fundamental labour rights and human rights, such as freedom of association, forced labour and children's rights. Cases that are not clearly related to fundamental labour and/or human rights will not be eligible; the Parties will assess eligibility jointly.

d. Learning aspects and reproducibility

The Parties will select Cases that are identifiably and broadly relevant to the pensions sector and other Delegations. Relevance in this regard may be identifiable in terms of themes/substance, strategy/approach to (effective) cooperation, and/or potential policy consequences.

11. Deep Track – opt-in: Deep Track process

11.1 As a process, cooperation between the Parties in the Deep Track can be divided into three steps as elaborated in Paragraphs 11.2, 11.3 and 11.4. The cooperation will be described in a Cooperation Plan.

11.2 Step 1: Proposal and selection of Cases and adoption of Cooperation Plan:

11.2.1 Every Party participating in the Deep Track may propose a Case for possible cooperation in the Deep Track; it is therefore not necessary for the Cases to arise from the due diligence procedure in the Wide Track. This step breaks down as follows:

- a. The proposing Party will submit a description of the Case to the designated working group as referenced in Paragraph 19.9, stating the Parties involved and the selection criteria.
- b. The working group can reject or postpone the case or confirm it for further elaboration; an affirmative decision ('go') will be made by consensus between the Delegations. The initial decision to elaborate the case further will be based on the must-have selection criteria set out in Paragraph 10.1.
- c. In the event of confirmation, a sub-working group of Parties that have a stake in the relevant Case (including, where applicable, Engagement providers and/or other relevant third parties) will be established on a per-Case basis. The Parties participating in the Deep Track will validate the must-have selection criteria, among other things by consulting local stakeholders. If all sub-working group members determine that the must-have selection criteria have been satisfied, the sub-working group will draw up a Cooperation Plan in which the Participating Pension Fund is responsible for the Engagement and the other Parties develop supporting activities. If one or more members find that the must-have selection criteria have not been satisfied, the findings will be documented for endorsement by the working group.

- d. The sub-working group will draw up a Cooperation Plan that covers the further elaboration of the selection criteria, the joint objectives and strategy, the Engagement objectives and the pension fund's 'Asks' (i.e. specific measures addressing the adverse impacts), the Parties' roles and responsibilities, planning and staffing.
 - e. The Cooperation Plan will then be submitted to the working group for approval. A 'go' decision must be taken unanimously by all the Delegations, pursuant to Paragraph 19.6.
- 11.2.2 With a view to result and impact, the Parties aim to commence work on two Cases in year 1 and two additional Cases in year 2 and 3 respectively, making six Cases in total. Work on the Cases may continue throughout the entire term of the Agreement or may be concluded earlier if deemed to have been successful or if no such success has been achieved. The Engagement may be continued beyond the term of the Agreement. The cooperation may also be continued, if the Parties involved so agree. The Parties will endeavour to designate one Case prior to the official signing of the Agreement without their being obliged to identify the Case in so many words.
- 11.3 Step 2: executing Cases:
- 11.3.1 When executing Cases, the sub-working group will follow the steps of the due diligence process described in the UNGPs and OECD Guidelines:
- a. Assessment. Alongside the Cooperation Plan, real or potential adverse impacts will be subject to in-depth assessment where necessary in an effort to identify opportunities for improvement and leveraging. This could involve prioritising impacts and consulting (local) stakeholders and disadvantaged groups. While the Cases are being executed, the Cooperation Plan can be adapted to reflect any progress made and any improved understanding of how leverage can be used.
 - b. Integrating & acting. The Participating Pension Funds will use Engagement activities to exert leverage on the relevant listed company or companies to prevent, mitigate and/or remediate the actual and potential adverse impacts. Supplementary activities undertaken by the Parties and possible cooperation with third parties will build such leverage. With regard to potential adverse impacts, the object is to prevent or mitigate; with regard to actual adverse impacts, the object is to remediate as well (see Paragraph 11.3.1.c).
- If the Parties are cooperating in a Case involving listed companies, individual Participating Pension Funds may avail themselves of the opportunities to exert leverage that are available to minority shareholdings as identified in the OECD Guidelines and the guidance for institutional investors, including:
- Continuing the relationship with an investee company while exerting leverage by contacting the company by letter, e-mail and telephone; face-to-face meetings with the company at management and board level; speaking at annual general meetings; issuing a public statement; exercising voting rights; collaborating with other investors; collaborating with policymakers and legislators; asking for specific topics to be placed on the agenda of annual general meetings; taking appropriate judicial steps; collaborating with relevant stakeholders, initiatives and programmes, including NGOs and Trade Unions.
 - Reducing the investment position (temporarily) and/or divesting and clearly communicating the reason. Potential adverse impacts of

divestment should also be considered in such situations, based in part on consultation with stakeholders. The decision to divest is and will remain the responsibility of the individual Participating Pension Funds and communication regarding the same is subject to statutory restrictions.

- Accepting their responsibility to use leverage to prevent, mitigate and/or remediate adverse impacts caused by investee companies. This does not mean that the responsibility for actual or potential adverse impacts shifts from the investee company to the pension fund.

As defined above, Leverage is specific to the Deep Track, which focuses on listed companies in asset portfolios and minority shareholdings.

- c. Remediation: see Article 8 regarding remediation.
- d. Tracking response. The sub-working group will monitor the progress and effectiveness of the cooperation and leveraging in accordance with the objectives and Engagement goals and 'Asks' set out in the Cooperation Plan. It will make use of internal and external stakeholders, including disadvantaged groups where possible. A specific point of concern will be the effectiveness of grievance mechanisms, pursuant to the UNGPs.
- e. Communicating. The Parties intend to communicate transparently about progress made in the Cases and about the prevention, mitigation or remediation of actual and potential adverse impacts. Such communication is subject to statutory restrictions and commercial confidentiality, with explicit account being taken of potential risks to the Engagement itself and/or the disadvantaged groups. Communication may be public or confidential.

11.3.2 In tackling the Cases selected in accordance with these provisions and for which a Cooperation Plan has been adopted, the Parties will take a holistic approach that also embraces environmental, governance, and animal-welfare aspects.

11.4 Step 3: closing Cases.

11.4.1 Every six months, the working group will report to the Steering Committee on progress in the Cases. Cases may be closed if:

- a. the objectives of the cooperation, including the Engagement aims and 'Asks' of the Participating Pension Funds in the Deep Track, have been achieved; in that event, the Case will be deemed a success;
- b. the Parties conclude that the Engagement and the cooperation have yielded no or only inadequate results and that there is little prospect of any future results. In the latter event, individual Participating Pension Funds may decide to reduce their investment position (temporarily) or divest. Potential adverse impacts of divestment should also be considered in such situations, based in part on consultation with stakeholders.

11.4.2 The decision to divest is and will remain the responsibility of the individual funds and communication regarding the same will be subject to statutory restrictions. If the pension fund decides to continue investing in the relevant company or companies, it will continue to account for its efforts within the investment relationship, pursuant to the OECD Guidelines. The fund should be aware of the reputational, financial and legal risks of the continuing relationship.

12. Deep Track – opt-in: Learning agenda and process

- 12.1 Cooperation between the Parties in the Cases will give rise to innovations and new insights and produce broadly relevant lessons learned. Three levels can be distinguished in this context:
 - 12.1.2 Issue: insights about how to tackle adverse impacts effectively within the context of the ESG issue.
 - 12.1.3 Cooperation: tactical and strategic insights about how to build the leverage of the Participating Pension Funds over companies through cooperation. This concerns cooperation across the entire process of proposing and selecting, executing, closing and reflecting on Cases.
 - 12.1.4 Policy: insights that are reproducible or that have implications for the pension funds' due diligence processes, for government, NGO and Trade Union policymaking, or for the application of the UNGPs and the OECD Guidelines in other sectors/countries and thus for the Wide Track (Articles 2 to 8).
- 12.2 The working groups and sub-working groups will reflect on their Cases every year so as to identify and document strategic insights and lessons learned. The board of the funds involved in the execution of these cases will be invited to participate. Third parties and/or experts can also be invited where necessary. Upon the close of a Case, a workshop that includes external experts will be organised for reflection purposes, with policy implications being a specific topic of discussion. The Parties will endeavour to document the lessons learned and insights concerning the Deep Track in publications. The working group or sub-working group will report its final findings to the Monitoring Committee and the Steering Committee. The Steering Committee will review these findings before drafting recommendations for the Wide Track activities. Among other things, this means that during the implementation of the Agreement, lessons learned in the Deep Track will be incorporated into the toolbox and/or its application.

13. Roles of the Pension Funds, the Federation of the Dutch Pension Funds, Government, NGOs and Trade Unions

- 13.1 If so requested, the Parties will undertake to support the Participating Pension Funds in implementing the steps described in Articles 3 and 4 in a meaningful and practical manner.
- 13.2 The Parties participating in the Deep Track will pursue a joint objective and strategy in their cooperation in the Cases, as set out in the Cooperation Plan described in Article 11. The Participating Pension Funds are and will remain responsible for the Engagement with the relevant companies and for the choices that individual Participating Pension Funds make in that regard. The other Parties will undertake complementary activities to increase the leverage of Participating Pension Funds over the relevant companies.
- 13.3 The Parties participating in the Deep Track will share any information available to them that has relevance for the selection of and/or Engagement in Cases, in so far as such information can be shared publicly or confidentially. All Parties involved will furthermore do their utmost to trace any missing and/or additional information.

14. The role of the Participating Pension Funds

- 14.1 The boards of the Participating Pension Funds will ensure that there is support among participants for the choices made regarding responsible investment. This has also been stated as such in the Code of the Dutch Pension Funds.
- 14.2 The role and responsibilities of Participating Pension Funds in the context of this Agreement should be aligned with the due diligence process as described in the UNGPs, the OECD Guidelines and the provisions of this Agreement.

15. The role of the Federation of the Dutch Pension Funds

- 15.1 The Federation of the Dutch Pension Funds represents its affiliates. The Federation cannot impose binding obligations on its affiliates and its role in this Agreement is to facilitate and encourage.
- 15.2 The Federation of the Dutch Pension Funds will make every effort to ensure that as many of the pension funds affiliated to the Federation as possible sign the Agreement. To this end, the Federation will undertake initiatives that include communication and providing information about the Agreement.
- 15.3 The Federation of the Dutch Pension Funds will encourage Participating Pension Funds to comply with the provisions of the Agreement within the time limits set out herein.

16. The role of the Trade Unions

- 16.1 The information provided by the Trade Unions and their local partners can help Participating Pension Funds to detect and mitigate possible abuses.
- 16.2 The Trade Unions possess specific knowledge about and have information on fundamental labour rights (including freedom of association, collective bargaining and living wages) in the local context in which abuses may occur.
- 16.3 The Trade Unions can therefore provide significant support to Participating Pension Funds in their efforts to prevent, detect, mitigate and remediate possible labour rights abuses.
- 16.4 The Trade Unions involved in this Agreement will share the knowledge and information retrieved from their global partner organisations and international chapters with the other Parties. They will also make active use of global partner organisations and, where possible, coordinate activities.
- 16.5 They will make use of the knowledge and information provided by the CWC (Committee on Workers' Capital), an association of international trade unions (chapters) involved in managing invested funds.
- 16.6 With regard to the Deep Track, they will, where possible, play an active role in involving local stakeholders, mediating (informally) on sensitive or complex issues and/or carrying out public or other activities aimed at building joint leverage over companies. In the interests of close cooperation, Trade Unions that cooperate on a selected Case will not undertake any activity during that cooperation (such as public campaigns or media publicity) directed towards and/or regarding a Participating Pension Fund that is taking part in the same sub-working group.
- 16.7 With respect to their invested assets, Trade Unions will be subject to a best-efforts obligation vis-à-vis external asset managers in line with Articles 3 and 4 of the Agreement. Trade Unions will report accordingly, in line with the provisions of the Agreement.

17. The role of the NGOs

- 17.1 The participating NGOs possess specific knowledge of and information on human rights (including children's rights, gender equality and land rights), climate change, nature conservation, the fight against corruption, health (including access to medicines) and animal welfare in the local context in which abuses may occur.
- 17.2 The participating NGOs will play an independent, critical and constructive role in the implementation of the Agreement. The NGOs will contribute as follows:
 - 17.2.1 Where relevant to their field of activity, by sharing their available expertise with the Parties, for example in connection with:
 - contact with local stakeholders and sister and partner organisations;
 - building a civil society in developing countries;

- ESG risks and impacts, general ESG policies, and ESG due diligence procedures;
 - contacts with governments in unstable, conflict-stricken or semi-ungoverned territories;
 - contacts with the governments of states where there are frequent severe impacts;
 - protection of human rights activists;
 - collection of local evidence of ESG violations;
 - help in prioritising risks based on a knowledge of existing and future international standards and the associated worldwide and international oversight, line of approach and network;
 - improving the situation of disadvantaged groups.
- 17.2.2 By helping to improve the empowerment of civil society worldwide by assisting and, where necessary, building the capacity of NGOs abroad so that they can hold their own government and relevant companies/investors accountable. One approach would be to involve the Dutch NGOs in the Dutch government's 'Assent and Dissent' [*Samenspraak en Tegenspraak*] policy framework.
- 17.2.3 In sensitive or complex issues, by acting as an informal sounding board and suggesting possible solutions to obstacles faced by the Parties.
- 17.2.4 With regard to the Deep Track, where possible by playing an active role in involving local stakeholders, mediating (informally) on sensitive or complex issues and/or carrying out public or other activities aimed at increasing the joint leverage over companies. In the interests of close cooperation, NGOs that cooperate on a selected Case will not undertake any activity during that cooperation (such as public campaigns or media publicity) directed towards and/or regarding a Participating Pension Fund that is taking part in the same sub-working group.
- 17.3 With regard to their invested assets, NGOs will be subject to a best-efforts obligation vis-à-vis external asset managers in line with Articles 3 and 4 of the Agreement. NGOs will report accordingly, in line with the provisions of the Agreement.

18. The role of the Government

- 18.1 In addition to the provisions of the Agreement to which all the Parties commit themselves, the Government will:
- use the network of diplomatic missions and economic diplomacy to assist the Parties to this Agreement in implementing their IRBC policy, for example by providing information on IRBC in the local context and by focusing on economic IRBC diplomacy within the context of economic relations;
 - as a component of the Netherlands' policy in bilateral and multilateral relations, promote the Agreement proactively at international level (within the EU, OECD, ILO, UN) in order to create a level playing field for the Participating Pension Funds, among other things;
 - facilitate the (local) provision of information and contact with (local) governments;
 - call on all countries to work in accordance with the OECD Guidelines and UNGPs;
 - promote awareness in the Netherlands about the OECD Guidelines and UNGPs;
 - encourage IRBC broadly through trade missions, government funding measures and procurement policy;
 - actively promote a public platform for citizens and their organisations where they can speak out about the social and economic policy that affects their lives.

- 18.2 In addition to the provisions of the Agreement, the Government will continue to fulfil its 'duty to protect' in accordance with international human rights conventions,²¹ the UNGPs, the Dutch National Action Plan on Human Rights, the Council of Europe's Recommendation on Human Rights and Business of 2 March 2016²² and the commitment to promote human rights internationally, as described in the policy documents 'Investing in Global Prospects – For the World, For the Netherlands',²³ 'Justice and Respect for All'²⁴ and '*Maatschappelijk verantwoord ondernemen loont*' [Corporate Social Responsibility Pays Off].²⁵
- 18.3 With regard to the additional arrangements set out in Articles 9 to 12 (the Deep Track), the Government will:
- 18.3.1 investigate per Case whether it has means at its disposal to support the Cooperation Plan, and if so, which ones;
- 18.3.2 Use the means that it has at its disposal in this regard to support the Cooperation Plan.

19. Governance

- 19.1 A Steering Committee will guide the implementation of the Agreement.
- 19.2 The Steering Committee will be responsible for governance tasks associated with the Agreement's implementation. The Steering Committee's responsibilities will include the following:
- Monitoring progress on implementing the arrangements made under the Agreement and offering guidance towards the results to be attained.
 - Adopting the toolbox as identified in Article 7.
 - Entering into new and extending existing cooperation with third parties that support or improve the implementation of the Agreement.
 - Organising an annual meeting to inform the Parties about the steps that have been taken to implement the provisions of this Agreement and, where necessary, to make recommendations to the Parties regarding improvements. The Steering Committee can also make recommendations to Parties to promote their compliance with the Agreement.
 - Publishing the annual report and other documents arising from the implementation of the Agreement.
 - Overseeing the budget.
 - Making arrangements about external communication.
- 19.3 The Steering Committee will consist of four (4) Delegations (Pension Funds and the Federation of the Dutch Pension Funds, the Government, the Trade Unions, and the NGOs). The Pension Funds and the Federation of the Dutch Pension Funds will appoint three (3) Steering Committee members. The remaining Delegations will

²¹ Such as: International Covenant on Economic, Social and Cultural Rights, the Convention on the Rights of the Child and the Convention on the Elimination of All Forms of Discrimination against Women.

²² Recommendation of the Committee of Ministers to Member States on human rights and business, adopted on 2 March 2016,

[https://wcd.coe.int/ViewDoc.jsp?p=&Ref=CM/Rec\(2016\)3&Language=lanEnglish&Ver=original&BackColorIntranet=DBDCF2&BackColorIntranet=FDC864&BackColorLogged=FDC864&direct=true#RelatedDocuments](https://wcd.coe.int/ViewDoc.jsp?p=&Ref=CM/Rec(2016)3&Language=lanEnglish&Ver=original&BackColorIntranet=DBDCF2&BackColorIntranet=FDC864&BackColorLogged=FDC864&direct=true#RelatedDocuments)

²³ Policy note by the Minister for Foreign Trade and Development Cooperation to the Dutch Government: <https://www.government.nl/documents/policy-notes/2018/05/18/investing-in-global-prospects>

²⁴ Policy note by the Minister for Foreign Trade and Development Cooperation to the Dutch Government: <https://www.government.nl/documents/policy-notes/2013/06/14/justice-and-respect-for-all>

²⁵ Policy note by the Minister for Foreign Trade and Development Cooperation to the Dutch Government: <https://www.rijksoverheid.nl/documenten/beleidsnota-s/2013/06/28/beleidsbrief-maatschappelijk-verantwoord-ondernemen-loont>

- appoint two (2) Steering Committee members. Each Delegation will have one (1) vote. Each Delegation may appoint one (1) permanent deputy.
- 19.4 The Steering Committee will be chaired by an independent chairperson appointed jointly by all the Parties in the Steering Committee.
- 19.5 The Steering Committee will determine its own working methods.
- 19.6 The Steering Committee and working groups will take decisions on the basis of unanimity. The absence of unanimity within a Delegation of the Steering Committee and working groups will lead to an abstention for that Delegation. Abstention will not prevent unanimity. The Steering Committee may take decisions regarding topics for which no provision has been made.
- 19.7 All of the Delegations except for the Government will ask the SER to maintain an independent secretariat and to assist the Steering Committee and the Monitoring Committee.
- 19.8 Each Delegation is entitled to ask the Steering Committee to place an item on the agenda in relation to this Agreement.
- 19.9 The Steering Committee will set up working groups tasked with implementing the provisions of this Agreement. In principle, all Delegations will be represented in these working groups. Working groups will report to the Steering Committee.

20. Monitoring

- 20.1 Each year, an independent Monitoring Committee will monitor the progress made by the Parties in implementing the agreed activities, based on the principles of reasonableness and fairness.
- 20.2 The Monitoring Committee will monitor compliance with the provisions of the Agreement. For the purposes of monitoring, the Delegations will, in so far as necessary, translate these provisions into useful, quantifiable and transparent criteria. The Delegations may call in external expertise for this purpose.
- 20.3 The members of the Monitoring Committee will be appointed by the Steering Committee no later than three (3) months after the Agreement comes into effect. Each Delegation will have the right of consent regarding the nomination of each member of the Monitoring Committee. Pursuant to Paragraph 19.5, the members of the Monitoring Committee must be nominated and appointed unanimously, with no abstentions being permitted. The Monitoring Committee will consist of three (3) members, including an auditor with certification authorization and experience in verifying non-financial information.
- 20.4 The Monitoring Committee will have a Baseline Assessment of the Participating Pension Funds carried out, preferably in the first (1st) quarter but no later than in the second (2nd) quarter after the Agreement comes into effect. The purpose of this Baseline Assessment is to determine the extent to which the Participating Pension Funds are complying with the Wide Track agreements at that point. For the purposes of the Baseline Assessment, the Monitoring Committee will, as far as possible, adhere to the provisions concerning the preparation of an annual monitoring report set out in Paragraph 20.5.
- 20.5 The Monitoring Committee will report its findings to the Steering Committee confidentially, through the Secretariat, by means of an annual monitoring report. The annual monitoring report will always be issued in the fourth (4th) quarter of each year, with the first such report being issued in the year following the Baseline Assessment.
- 20.6 The Monitoring Committee will base the annual monitoring report on the data that the Parties will deliver to the secretariat for this purpose. The secretariat will collect these data and send them to the Monitoring Committee.

- 20.7 In the interests of monitoring the progress of the Agreement as a whole and across both the Wide and Deep Track, the Delegations will develop KPIs (Key Performance Indicators) in addition to the aims and arrangements set out in this Agreement. Based on the Baseline Assessment, the KPIs will set the target percentages for policy (year 1), outsourcing (year 1 and 2), monitoring (year 1 and 2) and transparency (year 1, 2 and 3), following the formulas described in Appendix II. De KPIs may be amended if the Steering Committee so decides.
- 20.8 The Delegations will have a digital tool developed to support the delivery of information by the Parties. Similar tools developed for other IRBC agreements will be used as much as possible for this purpose. The Parties will use the tool to report to the secretariat on the extent to which they are complying with the arrangements.
- 20.9 The Participating Pension Funds will in any event report on the KPIs using the digital tool, pursuant to Paragraph 20.7.
- 20.10 The working group or groups and the Parties participating in the Deep Track will also report to the Monitoring Committee on the procedural progress of the Cases taken up by the Parties within the framework of Articles 9 to 12 of the Agreement.
- 20.11 The information provided annually by the Parties to assess the individual progress made in implementing this Agreement will be sent by the secretariat to the Monitoring Committee in the third (3rd) quarter of each year, for the first time in 2020.
- 20.12 The Monitoring Committee will monitor the quality and quantity of the input from the Parties. Where deemed necessary by the Monitoring Committee, it may ask the Parties to clarify the information provided and/or to send missing information, in so far as this information has not already been validated externally. In exceptional cases, if the Monitoring Committee deems such action to be necessary to assess the credibility of this information, it may request the Participating Pension Fund to provide additional information that the pension fund has had verified by an independent party and that is essential for obtaining a truthful picture of the overall information furnished.
- 20.13 The Steering Committee will use the Monitoring Committee's monitoring report to inform the Delegations during the annual meeting about the measures taken to implement the provisions of this Agreement and, if necessary, to make recommendations to the Parties for improvement. The list of possible recommendations will be issued in the fourth (4th) quarter. In so far as the recommendations concern matters that fall beyond the remit of the agreed reporting, the Parties will describe how they are addressing the recommendations in the subsequent report.
- 20.14 The Steering Committee will publish a summary of the monitoring report (including recommendations) in the annual report.
- 20.15 Acting through the secretariat, the Monitoring Committee will submit a final monitoring report to the Steering Committee on the overall progress made in implementing this Agreement over its entire term in the fourth (4th) quarter of 2022. This report will be based on the information provided by the Parties and on the progress made by the Parties during the term of the Agreement. The Steering Committee will publish the report, accompanied by an explanation.
- 20.16 The final monitoring report will form the basis for evaluating the Agreement. This evaluation will consist of consultation between the Parties on at least the following:
- a. the results of the Agreement;
 - b. possible obstacles to implementation;
 - c. solutions;

- d. the contribution that the Agreement has made to compliance with the OECD Guidelines and UNGPs;
- e. with regard to the Deep Track, the contribution that the Agreement has made to preventing, mitigating and remediating adverse impacts and, consequently, to achieving the objectives of the OECD Guidelines and UNGPs.
The Steering Committee will organise the evaluation.

21. Funding

- 21.1 The Agreement will be funded by means of a budget agreed between the Parties.

22. Resolution of disputes

- 22.1 If a dispute arises between two or more Parties with regard to compliance with the provisions of this Agreement, these Parties will first attempt to resolve their dispute by mutual consultation.
- 22.2 If they are unable to reach consensus, they may refer the dispute to the Steering Committee in writing. The Steering Committee will mediate and seek to arrive at a solution satisfactory to both Parties. The Steering Committee is competent to rule on disputes between the Parties concerning the Agreement. The Steering Committee's rulings will be binding but not enforceable by law.
- 22.3 Before mediating, the Steering Committee will decide whether the dispute submitted constitutes a dispute concerning compliance with the Agreement. If the Steering Committee determines that it is not a dispute concerning compliance with the Agreement, the Steering Committee will explain the reasons for its decision to the Parties. If a Party submits a dispute, the Steering Committee will notify the other Party that is the subject of the dispute at the earliest opportunity.
- 22.4 The Steering Committee will invite the Parties involved in the dispute to present their views orally or in writing and to advise the Steering Committee of their positions. The Parties involved in the dispute are part of the dispute settlement mechanism but, by derogation from Paragraphs 19.3 to 19.5, have no vote in the Steering Committee's final unanimous decision on the dispute. The Steering Committee must be free to form its opinion and may also organise a meeting to arrive at its opinion without inviting the Parties involved in the dispute.
- 22.5 The Parties involved in the dispute will furnish the Steering Committee with the necessary information as soon as possible, but in any event within three (3) weeks after the Steering Committee has been notified of the dispute, so that it can prepare itself properly. If one of the Parties is unable to provide the necessary information within this time limit, that Party may request a postponement from the Steering Committee. That disputing party will then be granted an extension of no more than three (3) weeks to provide the necessary information, unless the Steering Committee decides otherwise.
- 22.6 As soon as the Steering Committee has been notified of the dispute, the Parties may not pass on factual and/or confidential information concerning the dispute to third parties. However, the Parties are free to report that the case is being considered by the Steering Committee and to communicate in general terms about the issue or issues underlying the dispute.
- 22.7 Within three (3) weeks of receipt of the requisite information, the Steering Committee will consult with and mediate between the Parties involved in the dispute. The Steering Committee may choose to allow the Parties and third parties to participate in this dialogue.
- 22.8 The Steering Committee must do its utmost to arrive at a solution that is satisfactory to the Parties involved in the dispute and that accommodates their interests in an acceptable manner within three (3) months.

- 22.9 The Steering Committee must do its utmost to reach a unanimous decision. If the Steering Committee cannot find a solution, it may, after consulting the Parties concerned, engage an independent mediator. This will be subject to the same procedure as for the Monitoring Committee (see Paragraph 20.3). The mediator will issue an authoritative opinion to the Steering Committee to resolve the dispute in question.
- 22.10 If the Steering Committee succeeds in securing consensus between the Parties involved in the dispute, it will prepare an internal report on the dispute and on the proposal for its resolution. If an independent mediator is involved, the Steering Committee will prepare an internal report of the independent mediator's opinion, if any. The Steering Committee will also set a time limit within which the disputing party or parties must comply with the decision.
- 22.11 The decision and communication by the Steering Committee will include:
- A reasoned explanation of the Steering Committee's findings and conclusions regarding the dispute.
 - Where applicable, a reasoned request to put an end to a Party's non-compliance with a provision of the Agreement.
 - Where applicable, an indication of a reasonable period of time within which the relevant Party must bring the non-compliance to an end, bearing in mind the severity of the non-compliance, but in principle within six (6) months.
- 22.12 The Parties involved in the dispute will abide by the Steering Committee's proposal.
- 22.13 If a Party fails to comply with the decision after expiry of the period referred to in Paragraph 22.11, the Steering Committee will ask the other Parties to cancel the Agreement vis-à-vis the non-compliant Party. If the majority of the Parties consent, the Steering Committee will inform the non-compliant Party that the other Parties are cancelling the Agreement with that Party and that it can no longer assert any rights under this Agreement. The Steering Committee will be responsible for communicating publicly about this.
- 22.14 If the Steering Committee fails to secure consensus between the two Parties or if, in the opinion of the Steering Committee, one of the Parties fails to demonstrate compliance in its practices, the Steering Committee will publish a report on the dispute, including the position of the two Parties in the dispute, the procedure followed, and the opinion of any experts.
- 22.15 The disputes resolution procedure described in this Article is without prejudice to the task of the OECD-NCP to assist in resolving issues that arise in specific cases involving the application of the OECD Guidelines.

23. Final provisions

- 23.1 If and when signed by the Parties, this Agreement will come into effect on 1 January 2019 and will expire on 31 December 2022.
- 23.2 The substance of the Agreement will be published in the Government Gazette of the Netherlands within one (1) month of its being signed. The Government Gazette will also announce that the Social and Economic Council of the Netherlands (SER) will make the Agreement available for perusal for the first six (6) months after it comes into effect. The Agreement will also be published on the Social and Economic Council's IRBC website.
- 23.3 This Agreement will be valid for four (4) years.
- 23.4 All Parties will inform their relevant stakeholders that this Agreement has been concluded, that they endorse its objectives, and that they will carry out the activities described herein.

- 23.5 The Parties may withdraw from this Agreement by notifying the Steering Committee, stating the reason or reasons for doing so and giving three (3) months' notice. The Steering Committee will make the withdrawal public.
- 23.6 If a Party withdraws from this Agreement, the commitments contained herein will lapse three (3) months after the date of such withdrawal. Information provided in the reporting tool will be removed from the tool within six (6) months of the date of withdrawal, provided that such information is not relevant for the evaluation of the Agreement. The Party that withdraws from the Agreement will observe confidentiality with respect to information shared in confidence, as referred to in Paragraph 23.14. Conversely, this also applies to the Parties that continue their participation in the Agreement with regard to information shared confidentially by the withdrawing Party.
- 23.7 If a Party withdraws from this Agreement, the Agreement will remain in full force and effect for the other Parties.
- 23.8 The Agreement is open to accession by other parties. Organisations may become a party to and join one of the Delegations in the Steering Committee by signing this Agreement, provided that their identity is similar to that of the other Parties in that Delegation. The Steering Committee will decide on the accession of new Parties.
- 23.9 The provisions of this Agreement will be implemented by all Parties in accordance with applicable international, European and national law. As such, all arrangements between the Parties are limited by applicable laws and regulations, statutory provisions, government decisions, stock exchange regulations and – in the event of disclosure – confidentiality obligations. The conclusion of this Agreement is not an attempt by the Parties to distort the market or restrict competition.
- 23.10 When signing the Agreement, the Parties will also sign a confidentiality protocol (the Confidentiality Protocol), which will provide for the confidentiality of shared information and the correct sharing of information during the term of the Agreement. The Parties, the SER, the Monitoring Committee and any other actors involved in implementing the Agreement must act in accordance with the Confidentiality Protocol.
- 23.11 This Agreement is governed exclusively by the laws of the Netherlands.
- 23.12 If any provision of this Agreement is found to be null and void, invalid, unlawful or otherwise non-binding to any extent, that provision will be deleted from this Agreement to the extent necessary and replaced by a provision that is binding and legally valid and that approximates the substance of the invalid provision as closely as possible. The remaining provisions of the Agreement will not be affected in such a situation. The Steering Committee will decide on the replacement provision.
- 23.13 The Parties agree that compliance with the provisions of the Agreement cannot be enforced by law.
- 23.14 All information shared in confidence by the Parties during the term of the Agreement and relating to its implementation will remain confidential even after the Agreement has expired. This does not apply to information that has been made public through other channels.
- 23.15 The Parties will endeavour to have other Dutch pension funds sign the Agreement as well.
- 23.16 The Parties will promote this Agreement externally, for which purpose they will make joint communication arrangements. In the first year of the term of the Agreement, the Parties will draw up a plan setting out the activities that they will undertake either individually or jointly to promote the objectives of the Agreement, both in the Netherlands and internationally.
- 23.17 Given that data, including personal data and confidential (market) information, will be processed and discussed within the framework of this Agreement, Parties

participating in its implementation will make relevant arrangements to ensure that the applicable legal and regulatory requirements are met.

Appendix I: Definitions

This Agreement uses a number of terms that are common in the context of pension funds and/or the OECD Guidelines and UNGPs. To avoid discrepancies in interpretation, the following text explains how these terms should be interpreted in the context of this Agreement.

Access to remediation

Where a company has caused or contributed to an adverse impact, it should provide for or contribute to its remediation, pursuant to the OECD Guidelines and UNGPs. This is described in UNGPs 22, 29, 30 and 31. Access to remediation means in any case: effective access to a legal system, adequate, effective and immediate remediation of damage suffered, and access to relevant information concerning violations and remedial mechanisms.

Asset Classes

'Asset Classes' refers to listed equities, loans to governments (government bonds), loans to companies (corporate bonds), real estate, private equity and infrastructure, in accordance with the OECD guidance for institutional investors (Annex 3, p. 57-61).

Case

'Case' is understood to mean: one or more listed investee companies that may cause adverse impacts on third parties and/or that contribute to these impacts and that the Parties have prioritised in accordance with the agreed selection criteria. A Case may be an individual company, a cluster of companies, and/or sub-sector of companies in a country. The entity of the Case must be defined in such a way that specific objectives can be formulated about the expected business practices and their impact on third parties. Given the Parties' focus on cooperation in support of Engagement by the Participating Pension Funds, other (local) Parties, including government, trade unions and civil society, will have a role to play or will share responsibility.

Caused, contributed, directly linked

The OECD Guidelines and UNGPs refer to 'those adverse impacts' that a company has:

- caused*
- contributed to**
- or that are directly linked to its activities, products or services***

* *Caused*: for a pension fund, this refers to the adverse impacts of its own business operations (e.g. adverse impacts on its own employees).

** *Contributed to*: should be interpreted as a significant contribution, such as an action that causes or facilitates the adverse impact of another entity, or induces that entity to have such an impact, and not a minimal or insignificant contribution (for a pension fund, under exceptional circumstances through its investments, see Article 8.3).

*** *Directly linked*: concerns cases where a company has not contributed to an adverse impact on third parties, but where that impact is nevertheless directly linked to its activities, products or services by way of a business relationship with another entity (for a pension fund, through its investments). This is not intended to shift responsibility from the entity causing the adverse impact on third parties to the company with which it has a business relationship; rather, this means that a company (for a pension fund, through its investments), acting alone or in collaboration with other entities where appropriate, uses its leverage to influence the entity causing or contributing to the adverse impact on human rights, with the aim of preventing or mitigating that adverse impact.

Cooperation Plan

The Cooperation Plan describes the joint objectives, strategy and responsibilities of the cooperation between the Parties in a Case. The form of Engagement undertaken with the company or companies and the associated selection of Engagement aims and Asks are the responsibility of the pension fund. Other parties provide expertise and input, and perform additional activities to build the leverage of the Participating Pension Funds over the company or companies. The Cooperation Plan describes the joint objectives and strategy, the Engagement aims and Asks of the Participating Pension Funds, the responsibilities and activities of Parties, and the planning and resources.

Delegation

References in the text to 'Delegation' are understood to mean the representatives of the Parties to the Agreement within four groups (Delegations), i.e.: 1. the Participating Pension Funds and the Federation of the Dutch Pension Funds; 2. the Government; 3. the Trade Unions; and 4. the NGOs.

Engagement

In accordance with the OECD Guidelines and UNGPs, 'Engagement' means: exercising leverage by Participating Pension Funds over companies (listed shares and corporate bonds) included in their investment portfolios with a view to preventing, mitigating and/or remediating the actual or potential adverse impacts that these companies cause to third parties. Engagement with companies is and will remain the responsibility of the Participating Pension Funds. Other Parties can help them build their leverage by undertaking additional activities. A Participating Pension Fund can undertake Engagement itself, outsource Engagement, or collaborate directly or indirectly with other investors. A wide range of (time-limited) actions and different levels of escalation can be applied in this context.

ESG policy

Policy setting out responsibilities, commitments and expectations with regard to environmental and social considerations and good corporate governance (ESG).

ESG risks

ESG risks are the same as RBC risks, as described in the OECD Guidelines, where reference is made to the existence of actual or potential 'adverse impacts' on all topics discussed in the OECD Guidelines (the risks to society and the environment).

External Service Provider

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.

Increasing leverage

By cooperating effectively on Cases within the context of the Agreement, the Parties aim to increase the leverage of Participating Pension Funds over listed companies. In this cooperation, the Parties work on the basis of a joint objective and strategy and fulfil specific roles in accordance with their individual capacity and expertise. This could include activities such as diplomacy and policy support by the government and (public) activities and (local) research by NGOs, trade unions and/or their partner organisations. The use of leverage over a company pursuant to the OECD guidance remains the responsibility of the Participating Pension Funds.

IRBC

Other agreements often refer to International Responsible Business Conduct (IRBC), a term also used in this Agreement in that context.

Leverage

Pursuant to the OECD Guidelines and the UNGPs, pension funds, as investors and acting on the basis of Proportionality and prioritisation, have a responsibility to exercise leverage on companies in which they invest so as to prevent, mitigate and/or remediate actual or potential adverse impacts by these companies.

Participating Pension Funds

Where the text refers to 'Participating Pension Funds', this is taken to mean the pension funds that have signed the Agreement as a Party.

Parties

Where the text refers to 'the Parties', this is understood to mean the individual organisations that have signed the Agreement. Where Articles 9 to 12 concerning the Deep Track refer to 'Parties', this is understood to mean the individual organisations that have indicated their intention to participate in the Deep Track.

Proportionality

The process of implementation will allow for diversity within the pension sector, based on the capabilities of each pension fund. Without prejudice to the responsibility of pension funds to respect the OECD Guidelines and UNGPs, this means taking into account the specific features and leverage of different pension funds (small, medium-sized and large) and the different Asset Classes.

RBC (Responsible Business Conduct) Risks

This Agreement refers to ESG risks. ESG risks are the same as RBC risks, as described in the OECD Guidelines, where reference is made to the existence of actual or potential 'adverse impacts' on all topics discussed in the OECD Guidelines (the risks to society and the environment).

RBCI

This Agreement refers to Responsible Business Conduct for Investors. This term was chosen because the Agreement focuses on the responsible investment policy of pension funds.

Third parties

Third parties are understood to mean all experts, organisations, institutions or companies not participating in the Agreement.

Appendix II: KPI proposals

KPIs for the Wide Track

The Key Performance Indicators (KPIs) have been developed in anticipation of the Agreement's monitoring tool and may be adapted where necessary. The Parties have agreed on the following principles and KPIs, bearing in mind the possible need for further improvements by the Steering Committee.

Three different types of indicators are used to measure the progress of the Agreement:

1. The KPIs: key indicators used to ascertain the progress of the Agreement.
2. Sub-indicators: underlying indicators needed to measure a KPI.
3. Tracking indicators: supportive indicators for measuring the progress of the Agreement, but with no associated objective.

The following KPIs will be used to monitor the Wide Track:

1. Number of Participating Pension Funds that have incorporated the Agreement into their policy (# number of funds).
2. Number of Participating Pension Funds that have incorporated the Agreement into their outsourcing (# number of funds).
3. Number of Participating Pension Funds that have incorporated the Agreement into their monitoring (# number of funds).
4. Number of Participating Pension Funds that have incorporated the Agreement into their reporting (# number of funds).

These KPIs are further fleshed out in sub-indicators derived from the text of the Agreement and included in the table below. The percentage should increase over the years of the Agreement (target = $\text{year 0} + (100 - \text{year 0}) * (\text{year}/(\text{number of years up to 100\%}))$), with year 0 being derived from the baseline assessment. The percentages in year 1 and in the intervening years depend on the baseline assessment (possibly more than 0%).

A number of other variables are also measured, as a tracking indicator:

- The KPI targets are measured in terms of the number of funds, and the assets managed by these funds are also monitored for each KPI, as a tracking indicator.
- The number of Participating Pension Funds relative to the total number of Dutch pension funds, both in number and in assets under management.
- The number of Participating Pension Funds that have signed the Agreement may increase (or decrease as a result of consolidation) after the start of the Agreement.

The number of Participating Pension Funds (in number and percentage of assets under management) is therefore calculated each year, as a tracking indicator. The use of the toolbox in year 2 and beyond is monitored (as a tracking indicator).

KPIs: main indicators

- T = target/ R = result

KPIs	Year 1		Year 2		Year 3		Year 4	
	T	R	T	R	T	R	T	R
1. Number of Participating Pension Funds that have incorporated the Agreement into their policy	x%		100%		100%		100%	
2. Number of Participating Pension Funds that have incorporated the Agreement into their outsourcing	x%		x%		100%		100%	
3. Number of Participating Pension Funds that have incorporated the Agreement into their monitoring	x%		x%		100%		100%	
4. Number of Participating Pension Funds that have incorporated the Agreement into their reporting and transparency	x%		x%		X%		100%	

KPIs: sub-indicators

KPI	Baseline assessment (%)	End of Year 1 (%)		End of Year 2 (%)		End of Year 3 (%)		End of Year 4 (%)	
		T	R	T	R	T	R	T	R
<i>Main indicator for policy</i>	R								
1. All applicable sub-indicators implemented				100		100		100	
<i>Sub-indicators, does policy contain:</i>									
1a. A text pursuant to the OECD Guidelines and UNGPs.				100		100		100	
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.				100		100		100	
1c. An explanatory text addressing specific themes, including the use of standards, which the Participating Pension Funds deem to be risky based on information resulting from an ESG due diligence procedure, as well as specific themes arising from the priorities identified by the participants of the relevant pension fund.				100		100		100	
1d. Information on the activities in which the individual pension funds will not invest.				100		100		100	
1e. The approach towards/policy on voting for listed companies and Engagement for listed companies and corporate bonds, directly or through outsourcing, aimed at encouraging long-term value creation in companies.				100		100		100	
1f. A description of how (social) value				100		100		100	

creation will be used as a guiding principle in the longer term.									
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KPI	Baseline assessment (%)	End of Year 1 (%)		End of Year 2 (%)		End of Year 3 (%)		End of Year 4 (%)	
		T	R	T	R	T	R	T	R
<i>Main indicator, outsourcing</i>									
2. All applicable sub-indicators implemented						100		100	
<i>Sub-indicators, incorporated into new contracts with External Service Providers:</i>									
2a. Implement ESG in policy and management systems and uses long-term value creation as a guideline principle.						100		100	
2b. Identifies and prioritises the actual and potential adverse impact of activities undertaken in the Participating Pension Fund's Asset Classes, while involving relevant stakeholders in this effort.						100		100	
2c. Uses and, where possible, increases leverage to prevent or mitigate the adverse impact of activities in the Asset Classes.						100		100	
2d. Uses and, where necessary and possible, increases 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 remediation pursuant to Paragraph 8.2.						100		100	
2e. If Paragraph 8.3 applies, sets up processes to provide access to remediation.						100		100	
2f. When (temporarily) 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 disadvantaged groups.						100		100	
2g. Renders accountability by monitoring results and reporting to the Participating Pension Fund, with due observance of the reporting requirements as described in Article 5 of this Agreement.						100		100	

KPI	Baseline assessment (%)	End of Year 1 (%)	End of Year 2 (%)	End of Year 3 (%)	End of Year 4 (%)
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	R	T	R	T	R	T	R	T	R
<i>Main indicator, monitoring outsourcing</i>									
3. All applicable sub-indicators implemented						100		100	
<i>Sub-indicators, reporting requirements incorporated into new contracts with External Service Providers:</i>									
3a. Progress made by the relevant External Service Provider in implementing its own and/or the relevant Participating Pension Fund's ESG policy.						100		100	
3b. The External Service Provider's ESG risk-identification methodology and its findings concerning the adverse impact identified in the Asset Classes.						100		100	
3c. 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.						100		100	
3d. 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.						100		100	

KPI	Baseline assessment (%)	End of Year 1 (%)		End of Year 2 (%)		End of Year 3 (%)		End of Year 4 (%)	
	R	T	R	T	R	T	R	T	R
<i>Main indicator, reporting and transparency</i>									
4. All applicable sub-indicators implemented								100	
<i>Sub-indicators, the reporting by the Participating Pension Funds contains:</i>									
4a. 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.								100	
4b. The Participating Pension Fund's								100	

approach to due diligence pursuant to the OECD Guidelines and the UNGPs (whether or not pursued through External Service Providers).									
4c. 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.								100	
4d.I. Companies with which a form of Engagement has been pursued on behalf of the Participating Company and to what end.								100	
4d.II. The results of Engagement pursued on behalf of the Participating Pension Fund in specific companies.								100	
4d.III. Decisions taken by the Participating Pension Fund when Engagement has been unsuccessful.								100	
4e. 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.								100	
4f. Where valuable, future ESG policy and ESG objectives.								100	

KPIs for the Deep Track

The Key Performance Indicators (KPIs) have been developed in anticipation of the Agreement's monitoring tool and may be adapted where necessary. The Parties have agreed on the following principles and KPIs, bearing in mind the possible need for further improvements by the Steering Committee.

Outputs	In progress	Attained
Number of Cases		
Number of Engagement objectives		
Number of Engagement demands		
Outcomes / impacts	Description	
Changes 'on the ground'		
Changes in companies' practices		
Changes at sector/ policy level		
Lessons learned	Description	
Issue		
Cooperation		
Policy		

Appendix III: Composition of the Working Group

This agreement has been developed through dialogue by Pension Funds and the Federation of the Dutch Pension Funds, Trade Unions, NGOs and the Dutch Government. The Social and Economic Council of the Netherlands (Sociaal-Economische Raad, hereafter "the SER") has facilitated the process. The process was guided by an independent chair.

During and in preparation of the process parties have spoken to and consulted several organisations, amongst others through a stakeholder meeting. We would like to thank all organisations and people that contributed with their expertise and advice throughout the development phase and its preparatory phase (the so-called information phase).

Members of the Working Group

Substitute Members

Independent Chair

Jacqueline Cramer (development phase)

Veronique Timmerhuis (information phase)

Pension Funds and Federation of the Dutch Pension Funds *

Henk Groot (Pensioenfondsen Detailhandel)

Marcel Jeucken (Federation of the Dutch Pension Funds)

Rob Kragten (Unilever APF)

Louise Kranenburg (MN on behalf of PME en PMT)
(development phase)

Melanie Meniar (Federation of the Dutch Pension Funds)

Anna-Sterre Nette (MN on behalf of PMT and PME)
(information phase)

Lucian Peppelenbos (APG on behalf of ABP and bpfBOUW)

Cedric Scholl (PGGM on behalf of PFZW)

André Snellen (Federation of the Dutch Pension Funds
and Pensioenfondsen Detailhandel)

Jelena Stamenkova-van Rumpt (PGGM)

Frank Wagemans (Achmea Investment Management)

Eduard Wijnoldij Daniels (TKP)

Non-governmental organisations **

Jaap Bartels (Save the Children)

Thijs van Brussel (Pax)

Peter Soonius (Natuur & Milieu)

Dirk-Jan Verdonk (World Animal Protection)

Francis Weyzig (Oxfam Novib)

Martine van Zijl (Amnesty International Netherlands)

Riekje Camara

Cor Oudes

Jeanet van der Woude

Trade Unions

Willem Jelle Berg (CNV)

Klaartje de Boer (VCP)

Gerard Roest (FNV)

Karen Bouwsma

Vivian Vaessen

Government

Jeroen Braaksma (Ministry of Finance)

Filip Clevers (Ministry of Foreign Affairs)

Tessel van Westen (Ministry of Foreign Affairs)

Andries Bakker

Lennart Janssens (Ministry of Social
Affairs and Employment)

Koosje Nijendijk (Ministry of Social
Affairs and Employment)

Secretariat

Nadia Cicek
Pascalie Langereis
Jeroen Visser
Hansje van der Zwaan

*And several members of the CSR-Committee of the Federation of the Dutch Pension Funds that regularly have joined the meetings:

Marcel Andringa (PME)
Leonne Jansen (Pensioenfonds Zoetwaren)
Reinout de Jonge (bpfBOUW)
Patrick Koimans (ABP)
Annette van der Krogt (Achmea Investment Management)
Claudia Kruse (APG)
Karlijn van Lierop (MN)
Hartwig Liersch (PMT)
Jan Willem van Oostveen (PFZW)
Bob Puijn (Pension Fund DSM)
Robin Schouten (Kempen Capital Management)
Toine van der Stee (Blue Sky Group)
Wouter Thalen (PFZW)
Roelie van Wijk (TKP)

** *During the information phase Carina Bos, on behalf of Wo=Men Dutch Gender Platform was also involved.*