



Engagement collaboration  
for the protein transition

## Introduction

Case 6 is a special case in the Deep Track section of the Pension Fund Agreement.

This is the only case whereby the focus is not primarily set on social risks, but is instead directed towards environmental risks, and specifically with respect to the loss of biodiversity. For more information on the Responsible Business Conduct Agreement on responsible investment by Pension Funds, see the 'background' section.

Biodiversity was chosen as a topic because biodiversity is very much a concern for pension funds. The urgency of the loss of biodiversity is felt and the overlap between financial and societal risks is substantial. In addition, work on this theme was already underway as part of the Insurance Agreement by way of a collective engagement with three food manufacturers. Five pension funds joined the collective engagement.



Ultimately, from within the Pension Agreement, the desire to build on this engagement trajectory and thus have a concrete impact on the real economy triggered the decision to start acting on biodiversity.

The existing collective engagement from the Insurance Agreement focused on combating deforestation in Brazil, one of the world's most crucial forest areas that is at the same time under serious threat from cattle ranching and soy production. The knife cuts both ways when it comes to deforestation, in a negative sense:

- Deforestation accelerates the release of greenhouse gases that are stored in the wood of trees, among other things (as forests are burned down);
- It reduces the absorption capacity of CO<sub>2</sub> that intact trees and vegetation fulfil;
- It drastically lowers biodiversity in deforested areas because these are commonly replaced by a monoculture crop where flora and fauna that are native to the forest area are either not given any space or do not thrive;
- Furthermore, there are all kinds of negative repercussions for ecosystem services that forest areas provide, such as clean water, medicine and food, for e.g. (indigenous) communities that live in and depend on these forest areas;
- Forest areas like the Amazon have a major influence on weather patterns and precipitation. And not just in the immediate vicinity. For example, research has shown that rainfall in California is dependent on the Amazon<sup>1</sup>.

The production of soy is a major driver of deforestation. The bulk of soy produced is used as raw material for animal feed. Brazil (especially coming from the Amazon and Cerrado) is responsible for more than half of the total global soy production. The EU ranks second after China as the largest importer of soy from Brazil. The Netherlands is the largest soy importer coming from the EU, and out of all EU countries, it is also the country that imports the most from Brazil. A quarter of this soy is exported to other countries in Europe and the vast majority is processed in the Netherlands into soybean meal (animal feed) or oil<sup>2</sup>.

<sup>1</sup> <https://carnegieeurope.eu/2020/09/28/one-answer-to-california-s-fires-lies-in-amazon-pub-82799>

<sup>2</sup> <https://www.cbs.nl/en-gb/news/2020/40/soybean-imports-from-brazil-up-by-40-percent>.



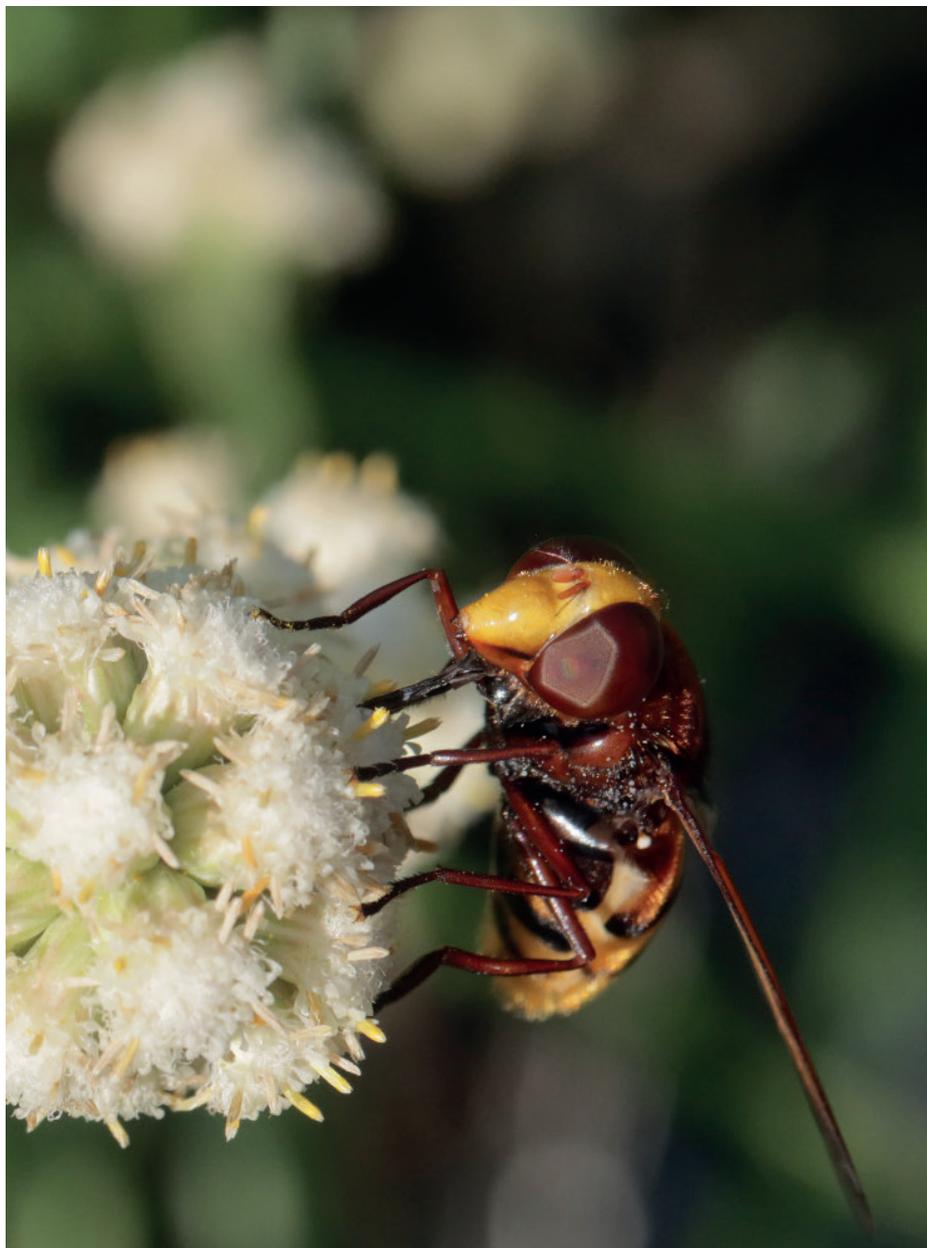
The working group that has tasked itself with the collective engagement trajectory contained in the Insurance Agreement previously investigated the soy chain and came to the conclusion that with a growing world population and a growing demand for animal protein from emerging economies in particular, the current soy production model for animal feed is unsustainable in terms of planetary limits as far as both climate and biodiversity are concerned. The key to stopping deforestation in e.g. the Amazon is therefore not (only) found in ensuring 100% traceable, sustainable soy, but mainly in reducing the demand for soy.

Part of that drop in demand entails a different, more efficient use of protein where livestock no longer serves as an intermediate step, ultimately culminating in a transition from animal to plant-based protein. However, even with a fundamentally different ratio between animal and plant-based protein, there is still not enough fertile

arable land available to feed the world's growing population. Especially now that less arable land is available as a consequence of climate change. In addition, a reduction in protein consumption also forms part of the solution; protein consumption has almost doubled worldwide over the past decades. By way of illustration: on average, people in the Netherlands eat 37% more protein than the recommended amount, which has consequences for both the environment and public health.<sup>3</sup>

As a complement to the ongoing engagement trajectory stemming from the Insurance Agreement, it was therefore decided to adopt an approach where the focus is on accelerating the protein transition. Apart from food producers, major supermarkets constitute an important link in the chain that influences the demand for soy given that they sell protein in products to consumers and at the same time have a lot of market power towards food products (including farmers).

<sup>3</sup> <https://edepot.wur.nl/8187>.



## Approach

The choice was made to start a collective engagement trajectory with a large publicly listed retailer that operates globally. Retailers have an important role in accelerating the protein transition for the sake of biodiversity conservation, and have the capability to make different choices in their range of products. They can also leverage targeted marketing instruments to influence consumer behaviour.

The following goals are central to the engagement efforts:

- A commitment to shifting the ratio of plant-based versus animal-based protein on supermarket shelves by 2030 with a transition path as well as related intermediate targets;
- A commitment to eliminating perverse price incentives in the range on offer to make plant-based more attractive compared to products with high(er) adverse impacts;
- A commitment to utilising marketing budgets and shelf space in favour of plant-based and sustainable products.

Based on the idea that a single frontrunner can also influence the rest of the sector, especially in the competitive retailer market, the above-mentioned targets will be conveyed to other publicly listed retailers through other institutional investors wherever possible.

## Engagement steps

The following steps formed part of the set-up and implementation of the engagement:

### 1. Sending the engagement letter with a request for an initial meeting

On behalf of affiliated insurers and pension funds, the lead investor in collaboration with NGOs drafted a letter outlining the issues at stake and engagement goals. The letter emphasised the role and responsibility of retailers in accelerating the protein transition, and requested a discussion with the retailer concerning the engagement goals.

### 2. Background research and defining the focus of the first discussion

After receiving a positive response to the letter and a commitment from the retailer to organise an initial meeting, the focus of the discussion was further narrowed down by the biodiversity working group of the Pension Fund Agreement. Background research was carried out on the business activities of the selected retailer in different regions, and to what extent commitments to the protein transition have been made by its subsidiaries in each region. Considering the substantive knowledge of the NGOs within the working group, they were instrumental in preparing for the initial meeting and determining the focus.

### 3. Engagement discussion

After receiving a favourable response to the engagement request, an initial meeting was set up with the retailer, which mainly focused on getting to know each other and gathering information. The significant differences between its subsidiaries provided an opportunity during the first meeting to discuss the company structure in more detail and the extent to which the retailer, as an umbrella company, can provide leadership on the commitments issued by the regions. The retailer also explained the 'key performance indicators' that are linked to the remuneration structure of the

management. The protein transition is not, as yet, a matter that factors into this structure. The retailer also indicated that currently the setting of targets is mainly left up to the subsidiaries, and that there are vast differences between markets where the protein transition is concerned, which makes it a complex task to set overarching targets. During the discussion, the retailer stated that the protein transition is recognised as relevant and important, especially in the context of climate change and biodiversity loss, and that it is currently being explored how the retailer will act on this. After the initial discussion, the investor group is cautiously optimistic about the willingness of the retailer to engage in discussions, although it is worth noting that there are no signs yet that the most important engagement goals will be met in the short term. At the time of writing this Lessons Learned document, a second engagement meeting took place in which the group mainly set out its wishes and requirements vis-a-vis the retailer, and asked for a concrete response.

### 4. Follow-up steps

After the first discussion, a report was shared that contained the key conclusions and follow-up questions, as a confirmation for the retailer. In the second discussion, the extent to which the retailer is willing to take steps on the points raised was further explored. The group is contemplating follow-up steps, which may take the form of a third meeting or a written response notifying the retailer of any follow-up steps. In light of the relevance of the theme of protein transition within discussions on climate and biodiversity, the pension funds and NGOs are open to continuing discussions after the completion of the Agreement, conceivably in an alternative collaborative partnership.

## Most important lessons learned

**Joining forces with other parties to focus on a new topic.** Although biodiversity and biodiversity loss is attracting more and more attention from institutional investors, it is still a relatively new topic in the investor world. At this stage, international frameworks and standards are being developed and there is an ever-increasing amount of data available about impacts on biodiversity due to investments and the risks of biodiversity loss. Nevertheless, the levers to address biodiversity in a structural way, also in view of interrelated topics such as climate change, are still in their infancy. The topic of biodiversity can definitely be expected to substantially develop into an important agenda item for institutional investors over the coming years, in conjunction with the climate. For investors who seek to pursue effective engagements on a new dynamic topic, it can help at this stage to join forces with other investors and with knowledge partners and experts such as NGOs or think tanks that already have experience with or knowledge of the topic. This way, institutional investors are able to assimilate expertise and information and use it to develop targeted engagement strategies that tackle the core of the problem.

**Biodiversity is a vast topic which brings opportunities and risks.** Biodiversity is incredibly diverse and encompasses dozens of subtopics and aspects. The topic is almost like a “multi-headed monster”. The topic is multifaceted and in order to develop an effective engagement strategy, the formulation of a specific engagement focus is essential (e.g. deforestation of the Amazon for the production of soy for cattle feed). Clear, measurable engagement goals within a set timeframe are also crucial for undertaking successful engagements with companies. Moreover, investors will need to be aware of interdependencies with other issues. For instance, protein transition and carbon emissions are closely linked to each other. By adopting a more holistic approach to an issue, investors will be more effective in the way they deal with it. Last but not

least, investors will need to be prepared that the chosen engagement strategies may need to be modified regularly. Biodiversity is a new topic for investors and approaches to it are still undergoing significant development. Today’s knowledge of biodiversity may be outdated after just one year.

**Mutual cooperation sends a strong signal to a company.** Collective engagements involving various stakeholders send a clear and powerful signal that an issue is important. It is not often that investors, NGOs and government work together to hold companies accountable and that consensus on “a plan of approach” is reached. Through collaborative efforts by a large group that has substantial assets under their management and with parties that do not ordinarily seek such collaboration, the urgency of an issue and the scope of influence on the company concerned is increased.

**Preparing the cooperation partners.** The added value of working with a group of investors and NGOs or experts helps in the analysis of the issue, which enables the engagement strategy to be started up more thoroughly. For a topic like biodiversity, an extensive analysis of the subject matter is called for: sifting through scientific insights, statistics, company policy papers and documents to be able to pierce through a (potential) corporate marketing story. For investors who are more removed but who need a deeper understanding of the issue to be able to pursue engagements that have impact, the knowledge of NGOs and think tanks is consequently extremely important. Getting NGOs involved is of great help particularly when it comes to preparing and shaping engagements. For some investors, working in partnership with NGOs can be sensitive, and vice versa, but the pooled knowledge and expertise has proven added value, as this trajectory has also demonstrated. Sometimes, the separation of the role NGOs fulfil in a collaborative partnership versus the role they fulfil in the public debate – which is also part of their core mission – can be jarring. Mutual understanding about those roles is indispensable for a collaboration to succeed.

## Background information on the Agreement (SER)

About the Agreement: The Dutch Pension Funds Agreement on Responsible Investment was signed on 20 December 2018 by 73 pension funds, the Federation of the Dutch Pension Funds, six NGOs, three trade unions and three government ministries. The objective of the Agreement is for the Parties to prevent and tackle the adverse social and environmental impacts of investments by pension funds. The number of signatory pension funds is 84 with EUR 1600 BLM AUM. This is 94% percent of the total assets invested by Dutch pension funds.



In this agreement, the signatory pension funds have chosen an approach to identifying, prioritising and addressing risks for society and the environment based on the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights (UNGPs).

Under the agreement, the funds cooperate with the Dutch government, NGOs and trade unions, which in turn share their knowledge and experience and the knowledge and experience of the parties' local partners. This gives the pension funds a better understanding of where risks may occur – for example, human rights violations or environmental damage – and enables them to use their leverage to solve problems and mitigate risks. The ultimate aim is to have a positive impact on the practices of the companies in which they invest. For more information on the Agreement, please visit the [website](#).

### Collaboration in cases

The agreement has a 'Wide Track' and a 'Deep Track'. The Wide Track concerns all signatories. Its aim is for all the Dutch pension funds to adopt an approach that will speed up implementation of the OECD Guidelines and the UNGPs in their investment policy and practice.

In the Deep Track, the pension funds work with the Dutch government, trade unions and NGOs on specific cases. They select cases on the basis of the selection criteria specified in advance in the Agreement:

- The adverse impact of the case must be severe.
- The joint investigation should provide added value for the case and allow different parties to contribute their specific expertise.
- The case must address actual and potential adverse impacts on fundamental labour rights and human rights, such as freedom of association, forced labour and children's rights. Cases must act as examples and be instructive, so that the investigation has a broader relevance for the entire pension sector and other Delegations.

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