Benchmark **Responsible Investment by Insurance Companies** in the Netherlands 2013

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A research paper by the VBDO (Dutch Association of Investors for Sustainable Development)

VBDO:

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Foreword

Dear reader,

Welcome in the fifth edition of the Benchmark Responsible Investment by Dutch Insurance Companies. The VBDO launched this benchmark together with the Benchmark Pension Funds in order to increase awareness of the importance of responsible investments in the sector, create uniformity of definitions and monitor progress. Insurance companies get feedback on where they stand, share best practices and get a fair idea how to improve the level of responsible investments.

This year we were interested to see whether there were any effects visible of the introduction of the Principles of Sustainable Insurance last year. Indeed we observed that Dutch signatories made clear progress. The VBDO will actively help insurance companies to progress on the path of sustainability, for example with studies on ESG-Integration, the impact of engagement and with our analyst network. This year we have also seen the launch of the Eerlijke Verzekeringswijzer. Where this instrument aims at informing consumers on the score of insurance companies regarding certain topics and sectors, our benchmark focuses on the generic investment process.

I would like to encourage those insurance companies that yet have to start their journey in the field of responsible investment and offer them our assistance.

I would like to thank Oxfam Novib without whom this benchmark would not have been possible and wish the readers much inspiration reading this study.

Giuseppe van der Helm
Executive Director VBDO

Executive Summary

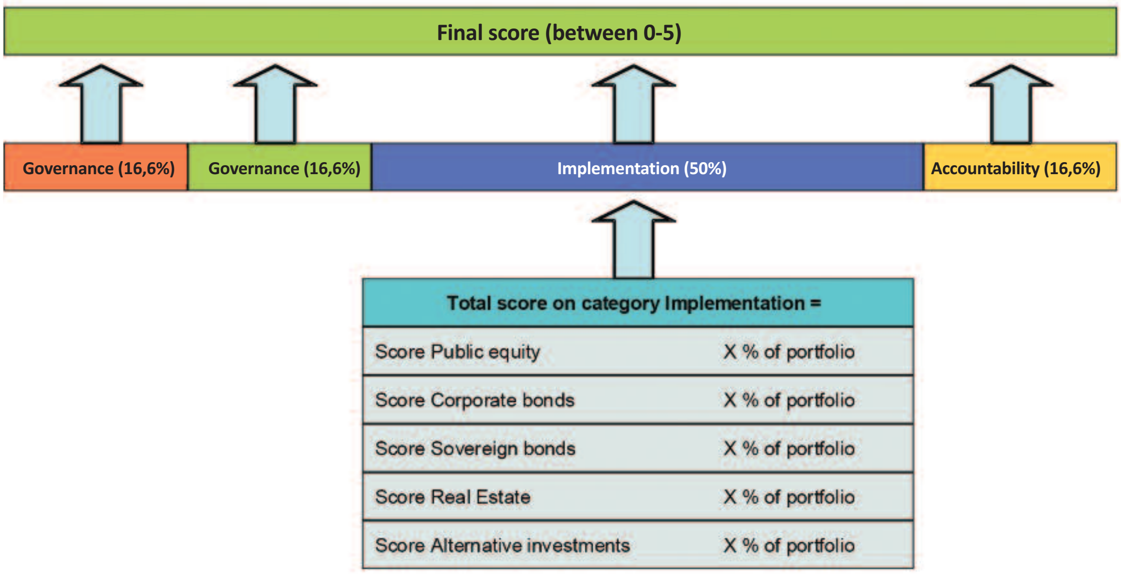
This is the fifth edition of the annual VBDO Benchmark Responsible Investment by Insurance Companies in the Netherlands. This report, published by the Dutch Association of Investors for Sustainable Development (VBDO), provides a detailed overview of the current status and trends of Dutch insurance companies regarding responsible investment. Research consultancy Profundo has provided the background chapter and performed an external consistency check on the results.

New methodology: ***Governance*** **and** ***Alternative investments*** **added**

As in the previous editions the insurance companies were sent a questionnaire, which are analysed and checked by the VBDO. When needed the insurance companies were asked to provide additional evidence. Similar to the previous editions, questions were asked on the themes; policy, implementation and accountability.

For this fifth benchmark, several additions to the methodology are made. The new category 'governance' is added to get a better view on how executive boards of insurance companies manage their influence on responsible investment and how clients are consulted on this topic. More detailed questions are added regarding investments in private equity, hedge funds and commodities. In the analysis more attention is paid to describing best practices, analysing the reasons for the difference in scores and explaining trends in the score(s).

The new methodology can be depicted as follows:



Overall conclusions

- 9 of the 29 insurance companies that have been included in this benchmark study, have not published any information on their website regarding responsible investment nor have responded to the requests of the VBDO. These are either Dutch branches of large international insurance companies (Chartis Europe, HDI-Gerling, and Swiss RE), or small Dutch insurance companies (ARAG Rechtsbijstand, Bovemij, DAS, and DSW).
- The response rate of this study being 69%, is somewhat lower than the 72% of last year's benchmark. Moreover,

in comparison to the VBDO Benchmark Pension Fund 2013 the response rate is very low, as this study achieved a 100% response rate.

- The top 10 of the benchmark insurance companies 2013 is as follows. Interesting to note that the maximum score is 5 points):

	Insurance company	Overall score	Position in 2012
1	Zwitserleven	4,1	1
2	REAAL	3,8	2
3	ASR Nederland	3,4	3
4	Achmea	3,4	8
5	Aegon (Nederland)	3,2	4
6	Nationale-Nederlanden	3,1	5
7	Loyalis	2,5	6
8	Menzis Zorgverzekeraar	2,5	7
9	CZ Groep	2,0	11
10	BNP Paribas Cardif	1,9	15

- Due to methodological changes it is difficult to compare this year's results with the results of previous editions. However, improvements can be seen on several aspects regarding responsible investment practices of the insurance companies.
- There is a correlation between the size of an insurance company and its performance on responsible investment. Larger companies perform better than medium sized companies, and these subsequently perform better than the smaller ones. This has also been the case in previous editions of the benchmark study. However, there are a few notable examples showing smaller insurance companies can achieve relatively high scores, such as BNP Paribas Cardif and ONVZ Zorgverzekeraar. Therefore the size of an insurer cannot be seen as an impediment to successful formulation and implemention of a responsible investment policy.
- On average, insurers lagg behind in comparison with pension funds on the categories policy, implementation and accountability.

Recommendations:

- Insurance companies that are not active in the field of responsible investment are urged to take up this challenge, both by setting up and implementing a responsible investment policy and by increasing their transparency. A good first step would be to participate in this and other studies regarding responsible investment.
- For many of the other insurance companies there is room for improvement as well. Insurance companies are advised to look closely at best practices in this field, both from insurance companies and pension funds.

Pillar 1: *Governance*

- The diversity of both the workforce of insurance companies and of the boards has been researched. The workforce is rather equally divided, with 53% male and 47% female. However, this is not the case for the diversity within the board, being 91% male and 9% female. This is even more unequal than the division within pension fund boards (86% male, 14% female). The VBDO strongly believes that diversity at the top benefits a company, since it allows for a plurality of views to be heard, thereby minimalizing the risk of a tunnel vision. Diversity is a source of creativity and innovation that can be translated into more sustainable growth.
- It is positive to note that majority of the insurance companies discusses the topic of responsible investment at board level, and in 41% of the cases more than once a year. Most insurance companies place the responsibility of their responsible investment strategy at either board level or one level below board level. The VBDO is convinced that responsible investment should be monitored and evaluated at, or close to board level.
- Board members and asset managers should be incentivized to promote sustainability and to have a long-term focus. Several insurers have established the link towards a long-term focus, yet the link towards sustainability targets is limited.
- Finally, the insurance companies in the Netherlands do not seem to communicate two-way with their clients and society in general. The majority uses their website to publish information (one-way). Only a small group lets their clients play a role in the establishment of the responsible investment policy or consults other parties, such as NGO's.

Recommendations:

- All of the insurance companies (that are included) have a responsible investment policy. However, the quality of qthese policy documents differs greatly. Also, the percentage of the investment portfolio to which the responsible investment policy applies differs.
- Performance indicators to improve the responsible investment policy are mostly qualitatively described. None of the insurance companies have included performance indicators measuring the actual impact on corporate, social and environmental policies.

Pillar 2: *Responsible investment policy*

- All of the insurance companies (that are included) have a responsible investment policy. However, the quality of these policy documents differs greatly. Also, the percentage of the investment portfolio to which the responsible investment policy applies differs.
- Performance indicators to improve the responsible investment policy are mostly qualitatively described. None of the insurance companies have included performance indicators measuring the actual impact on corporate, social and environmental policies.

Recommendations:

- The VBDO encourages the insurance companies to set up a well-articulated responsible investment policy that applies to the entire investment portfolio of the company.
- Clear goals that also measure actual impact of responsible investment should be included in the responsible investment policy. This also facilitates the monitoring and periodical evaluation of the responsible investment policy.

Pillar 3: *Implementation of the responsible investment policy*

- Exclusion remains the most widely used instrument. This is also the case at the VBDO Benchmark Pension Funds 2013. The number of insurers that use the instrument exclusion has increased, which can (for the corporate bonds and equity) largely be attributed to new legalization regarding cluster ammunition. However, it is not clear whether all insurers comply to the new legislation regarding the prohibition of investments in cluster ammunition producers. In the government bond domain, more insurance companies start to implement exclusions as well.
- It is positive to note that the incorporation of ESG-criteria in the investment decisionhas shown a strong increase compared to last year. However, none of the insurers has been able to provide evidence that the implementation of this instrument has a demonstrable, systematical and verifiable impact on the investment decision for either public listed equity, corporate bonds or government bonds. The VBDO Benchmark Pension Funds 2013 does include these cases.
- Engagement and voting, the active ownership instruments, are being implemented at approximately one-third of the insurance companies. Since these are ways to change the behavior of companies, insurance companies should focus more on implementing these instruments.
- The instruments positive selection and impact investment are less frequently used in the different asset classes. This is unfortunate, as it is often argued that especially these instruments have a large positive effect on society and environment. Also, in the VBDO Benchmark Pension Funds 2013 these instruments are relatively underused, yet not as much as within the insurance sector. Since the questions for the asset classes real estate and alternative investments changed, a comparison with last year is difficult. However, it can be stated that there is much room for improvement in both asset classes.

Recommendations:

- The VBDO advocates that pension funds should apply the full range of methods at their disposal, from exclusions and ESG-integration to voting and engagement in the different asset classes, especially real estate and alternative investments. In this way the responsible investment policy will be implemented in an integral way.
- Regarding ESG-integration, the VBDO advises the insurance companies to learn from the best performing pension fund asset managers.

Pillar 4: *Accountability*

- In general it can be said that insurance companies have become somewhat more transparent . Instruments such as exclusion, ESG-integration and engagement are more often reported.
- Even when information regarding responsible investment policies and their implementation is available, it is not always easy to find for clients and other stakeholders.
- Only 35% of the insurers publish a part of their investments and none of them publish all their investments. Also, the publication of the annual report and the verification of the information included in this report is lagging.

Recommendations:

- The VBDO advises the insurance companies to become more transparent. Although some insurers have become more transparent about certain instruments, it cannot be said that the sector as a whole is very transparent.
- More efforts should be made to explain the responsible investment practices in a way that is easy to find and comprehend by clients and stakeholders. In addition, this can be used as a unique selling point from a commercial point of view.

Samenvatting

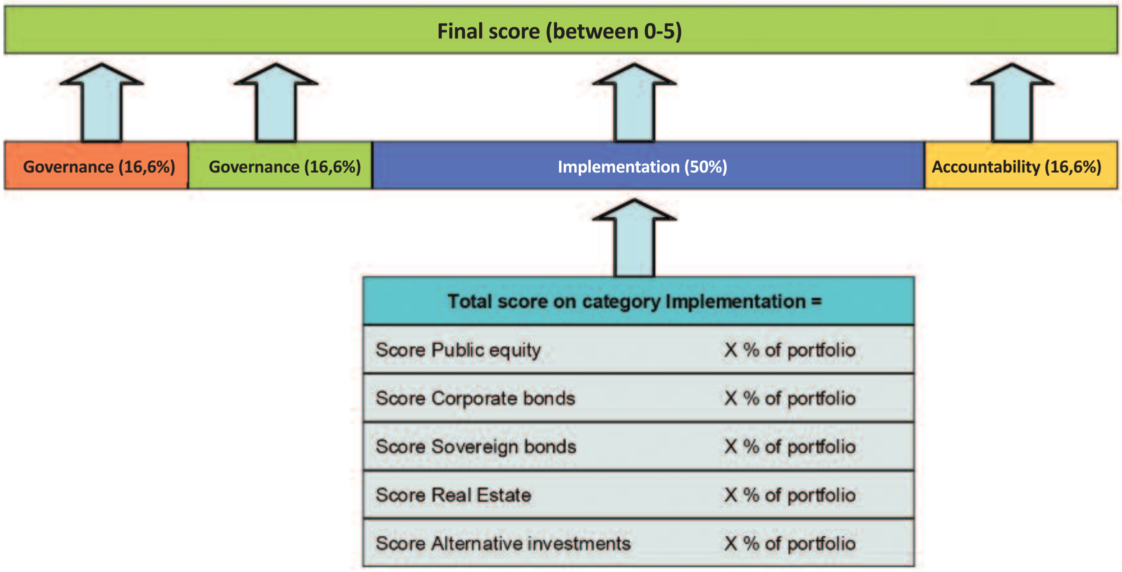
Dit is de vijfde jaarlijkse editie van de VBDO Benchmark Verantwoord Beleggen door Verzekeraars in Nederland. Dit rapport is een uitgave van de Vereniging van Beleggers voor Duurzame Ontwikkeling (VBDO). Onderzoeksbureau Profundo heeft het achtergrond hoofdstuk aangeleverd en voerde een externe controle uit op de door de verzekeraars aangeleverde informatie.

Nieuwe methodologie: *Governance* en *Alternative Investments* toegevoegd

Net als bij de vorige edities kregen de verzekeraars een vragenlijst toegestuurd en controleerde en analyseerde de VBDO vervolgens de antwoorden. Waar nodig werd de verzekeraars gevraagd om extra bewijs aan te leveren. Net als in de voorgaande edities werden er vragen gesteld over beleid, implementatie en verantwoording.

In deze vijfde benchmark zijn een aantal wijzigingen aan de methodiek aangebracht. Er is een nieuwe categorie 'governance' aan de vragenlijst toegevoegd om een beter zicht te krijgen op de manier waarop besturen van verzekeraars hun invloed op verantwoord beleggen uitoefenen en hoe klanten en andere belanghebbende worden geconsulteerd over dit onderwerp. Daarnaast zijn er meer gedetailleerde vragen toegevoegd ten aanzien van investeringen in private equity, hedgefondsen en grondstoffen. Ook is in de analyse meer aandacht besteed aan het beschrijven van best-practices, het analyseren van de redenen voor verschillen in scores en het verklaren van trends.

In het kort kan de nieuwe methodologie als volgt worden uitgelegd:



Belangrijkste conclusies

- Van de 29 verzekeraars die opgenomen zijn in deze bechmarkstudie, hebben er 9 geen enkele informatie op hun website gepubliceerd met betrekking tot duurzaam beleggen. Daarnaast hebben deze partijen niet gereageerd op verzoeken tot informatie van de VBDO. Het betreft hier of Nederlandse takken van grote internationale verzekeraars (Chartis Europe, HDI-Gerling en Swiss RE), of kleine Nederlandse verzekeraars (ARAG, Rechtsbijstand, Bovemij, DAS en DSW).
- De respons rate van deze studie is met 69% wat lager dan die van de benchmark van vorig jaar (72%). Als het

echter vergeleken wordt met de respons van de VBDO Benchmark Pensioenfondsen 2013, is het respons erg laag, aangezien in deze studie er een respons rate was van 100%.

- Dit jaar bestaat de top 10 uit (met een maximaal mogelijke score van 5 punten):

	Verzekeraar	Totale score	Positie in 2012
1	**Zwitserleven**	**4,1**	**1**
2	**REAAL**	**3,8**	**2**
3	**ASR Nederland**	**3,4**	**3**
4	**Achmea**	**3,4**	**8**
5	**Aegon (Nederland)**	**3,2**	**4**
6	**Nationale-Nederlanden**	**3,1**	**5**
7	**Loyalis**	**2,5**	**6**
8	**Menzis Zorgverzekeraar**	**2,5**	**7**
9	**CZ Groep**	**2,0**	**11**
10	**BNP Paribas Cardif**	**1,9**	**15**

- Als gevolg van methodologische veranderingen is het moeilijk om de resultaten van dit jaar te vergelijken met de resultaten van eerdere edities. Op meerdere fronten zijn echter verbeteringen te zien ten aanzien van het verantwoord beleggen van Nederlandse verzekeraars.
- Deze studie laat zien dat er een relatie is tussen de grootte van de verzekeringsmaatschappij en prestaties op het gebied van duurzaam beleggen. Grotere verzekeraars presteren beter dan medium-grote verzekeraars, en deze op hun beurt presteren weer beter dan kleine verzekeraars. Er zijn echter een aantal duidelijke voorbeelden, waarbij kleinere verzekeraars relatief hoge scores krijgen, zoals BNP Paribas Cardif en ONVZ Zorgverzekeraar. De grootte van een verzekeraar kan dus niet worden gezien als een belemmering voor succes bij het formuleren en implementeren van een verantwoord beleggingsbeleid.

Aanbevelingen:

- Verzekeraars die nog niet begonnen zijn met duurzaam beleggen worden aanbevolen om deze handschoen op te pakken. Zowel door een verantwoord beleggingsbeleid op te zetten en te implementeren als door de transparantie rondom dit onderwerp te vergroten. Bijvoorbeeld door te participeren in deze en andere studies op het gebied van duurzaam beleggen.
- De andere verzekeraars hebben echter ook nog voldoende ruimte tot verbetering. Deze worden geadviseerd om goed te letten op de best practices op dit vlak, zowel uit de verzekeraars- als de pensioenfondsensector.

Pilaar 1: *De governance van verantwoord beleggen*

- Met betrekking tot de diversiteit van de verzekeraars is zowel de man-vrouwverhouding van het werknemersbestand en van het bestuur onderzocht. Het werknemersbestand is relatief gelijk verdeeld, met 53% man en 47% vrouw. Dit is echter niet het geval bij de besturen van de verzekeraars, aangezien deze voor 91% uit mannen en 9% uit vrouwen bestaan. Dit is nog ongelijker dan bij de Nederlandse pensioenfondsen (die voor 86% uit mannen en 14% uit vrouwen bestaan). De VBDO is van mening dat diversiteit aan de top goed is voor een bedrijf, omdat het de mogelijkheid biedt dat er een pluraliteit aan visies wordt gehoord, waardoor het risico van een tunnelvisie beperkt wordt. Diversiteit is een bron van creativiteit en innovatie, wat zich vertaalt in een meer duurzame groei.

- Het is goed om te merken dat verantwoord beleggen een thema is binnen de meeste raden van besturen van verzekeraars, in 41% van de gevallen zelfs meerdere keren per jaar. De meeste verzekeraars plaatsen de verantwoordelijkheid over de verantwoord beleggen strategie of op het niveau van de raad van bestuur of één niveau daaronder. De VBDO heeft de overtuiging dat verantwoord beleggen gemonitord en geëvalueerd dient te worden op (of dicht bij) het niveau van de raad van bestuur.
- Leden van de raden van bestuur en de vermogensbeheerders zouden beloond dienen te worden wanneer ze duurzaamheid promoten en een meer lange termijn focus zouden hebben. Verschillende verzekeraars hebben in hun beloningsbeleid de link gemaakt naar een langer-termijn focus, maar de connectie met duurzaamheids-doelstelling is redelijk beperkt.
- Ten slotte lijken verzekeraars in Nederland niet veelvuldig hun klanten en de maatschappij te consulteren op het gebied van verantwoord beleggen. De meerderheid gebruikt hun website om hierop informatie te publiceren (informeren), maar slechts een klein gedeelte laat of hun klanten een rol spelen in het vaststellen of aanpassen van het verantwoord beleggingsbeleid of consulteert hiervoor andere partijen, zoals NGO's.

Aanbevelingen:

- Verzekeraars zouden de diversiteit in hun raad van bestuur moeten verhogen.
- De beloningssystematiek van verzekeraars zou verder verduurzaamd dienen te worden, door enerzijds meer te richten op een langer termijn focus en anderzijds door duurzaamheidsdoelstellingen mee te nemen.
- De VBDO adviseert verzekeraars om zich meer open op te stellen voor de meningen van klanten en het maatschappelijk middenveld op het gebied van verantwoord beleggen.

Pilaar 2: *Verantwoord beleggingsbeleid*

- Alle verzekeraars (die meegenomen zijn in de analyse) hebben een verantwoord beleggingsbeleid. Echter de kwaliteit van deze beleidsstukken varieert erg. Ook de reikwijdte waar het verantwoord beleggingsbeleid op van toepassing is, varieert.
- Verzekeraars beschrijven de prestatie indicatoren waarmee het beleid verbeterd kan worden vooral kwalitatief. Prestatie-indicatoren die de daadwerkelijke impact op het sociaal en milieubeleid van bedrijven meten, worden nauwelijks door verzekeraars toegepast.

Aanbevelingen:

- De VBDO moedigt de verzekeraars aan om een gedegen verantwoord beleggingsbeleid op te stellen die van toepassing is op alle beleggingen in de portefeuille.
- In het verantwoord beleggingsbeleid zouden duidelijke doelen, die de impact van het beleid op het sociaal en milieubeleid van bedrijven meten, moeten worden opgenomen. Dit bevordert het monitoren en periodiek evalueren van het verantwoord beleggingsbeleid.

Pilaar 3: *Implementatie van het verantwoord beleggingsbeleid*

- De meest toegepaste instrument blijft, net als voorgaande jaren, uitsluiting. Dit is ook het geval bij de VBDO Benchmark Pensioenfondsen 2013. Het aantal verzekeraars dat dit instrument toepast is afgelopen jaar toegenomen, wat (voor aandelen en ondernemingsobligaties) grotendeels kan worden verklaard doordat er een nieuwe wet is aangenomen die investeringen in de productie van clustermunitie verbiedt. Van sommige verzekeraars is het niet duidelijk of ze de nieuwe wet naleven. Op het gebied van staatsobligaties, beginnen de meeste verzekeraars ook uitsluitingen te implementeren.

- Het meenemen van ESG-criteria in de beleggingsbeslissing (ESG-integratie) heeft een stijging laten zien in de laatste jaren, wat een positieve ontwikkeling is. Het is interessant om op te merken dat geen enkele verzekeraar heeft weten aan te tonen dat de implementatie van het instrument een aantoonbare, systematische en verifieerbare invloed heeft op de beleggingsbeslissingen in zowel de aandelen, ondernemings- en staatsobligaties, wat wel het geval is geweest in de VBDO Benchmark Pension Funds 2013.
- Engagement en stemmen, de instrumenten rondom actief aandeelhouderschap, worden toegepast door ongeveer een derde van de verzekeraars. Omdat dit manieren zijn om het gedrag van bedrijven te veranderen, zouden verzekeraars meer aandacht besteden aan het implementeren van deze instrumenten.
- De instrumenten positieve selectie en impact investeringen worden beperkt toegepast door verzekeraars in de verschillende beleggingscategorieën. Het kan worden betoogd dat juist deze instrumenten een groot positief effect zouden kunnen hebben op het milieu en de maatschappij en daardoor opgenomen zouden moeten worden in het verantwoord beleggingsbeleid van een verzekeraar. Dit is overigens vergelijkbaar met pensioenfondsen, waar ook deze instrumenten relatief onderbenut blijven, maar bij verzekeraars is dit zelfs in grotere mate het geval.
- Aangezien bij de beleggingscategorieën vastgoed en alternatieve investeringen de vragen erg gewijzigd zijn, is een vergelijking lastig. Er kan wel worden opgemerkt dat in deze beleggingscategorieën nog een hoog verbeterings-potentieel is.

Aanbevelingen:

- De VBDO pleit ervoor dat verzekeraars het volledige scala aan methoden dat er ter beschikking is zou moet gebruiken. Van uitsluitingen tot ESG-integratie, voting en engagement in de verschillende beleggingscategorieën, in het specifiek vastgoed en alternatieve investeringen. Op deze manier zal het verantwoord beleggingsbeleid op een integrale wijze worden geïmplementeerd.
- Met betrekking tot ESG-integratie adviseert de VBDO de verzekeraars om te leren van de beter presterende vermogensbeheerders van pensioenfondsen.

Pilaar 4: *Verantwoording*

- In het algemeen valt het op dat verzekeraars een stuk transparanter zijn geworden gedurende het laatste jaar. Instrumenten zoals uitsluiting, ESG-integratie en engagement worden beter gerapporteerd.
- Verschillende verzekeraars hebben de informatie wel gepubliceerd op de website, maar dit betekent niet dat dit altijd eenvoudig toegankelijk is voor de klanten en andere stakeholders.
- Slechts 35% van de verzekeraars publiceren een gedeelte van hun investeringen en geen enkele publiceren alle titels waarin ze geïnvesteerd zijn. Het aantal partijen dat een jaarverslag publiceert en (externe) verificatie op de informatie in dergelijke rapporten toepast is beperkt.

Aanbevelingen:

- De VBDO adviseert verzekeraars om transparanter te zijn. Hoewel bij sommige instrumenten de transparantie verbeterd is, kan dit niet gesteld worden dat de gehele sector transparant is.
- Er zou meer inspanning gedaan dienen te worden om de verantwoord beleggen inspanningen toe te lichten, zodat deze goed te begrijpen en te vinden is voor klanten en andere stakeholders. Dit kan ook worden gebruikt als unique selling point vanuit een commercieel perspectief.

Chapter 1 **Introduction**

This is the fifth annual edition of the VBDO Benchmark Responsible Investment by Insurance Companies in the Netherlands. This report is published by the Dutch Association of Investors for Sustainable Development (VBDO). The report presents the development of the Dutch insurance companies on formulating, implementing and reporting on their responsible investment policy. For the first time, also the governance of responsible investment by the boards of the insurance companies has been taken into account. Research consultancy Profundo has provided the background chapter and performed an external consistency check on the results.

A research on the responsible investment policies of insurance companies is of great importance because of the large sums invested, more than €312 billion in total. It is very important that all the stakeholders of the Dutch insurance companies gain insight into if and how the money is invested in a sustainable way. This study focuses on the 29 biggest insurance companies in the Netherlands. With a response rate of 69%, we are proud to provide this insight and give a detailed and general overview of the current status and trends within Dutch insurance companies regarding responsible investment.

For this fourth benchmark several changes have been made to the methodology. This year, 'governance' was added an extra category to the questionnaire in order to get a better view on how insurance company boards manage their influence on responsible investment and how clients and client councils are consulted on this topic. More detailed questions were added regarding investments in private equity, hedge funds and commodities. In the analysis more attention is paid to describing best-practices, analysing the differences in scores and explaining trends in the score(s).

The contents of this research report are as follows: chapter 2 is a background chapter that provides an introduction to the Dutch insurance sector, motivations for insurance companies to implement responsible investment and recent developments in this field. The subsequent chapter, chapter 3, describes the research objectives and the methodology used. This chapter also provides insight into the scoring model and the way in which the information for this benchmark was gathered. Chapter 4 details the results of the research process, starting with the research group and response rate. The detailed results for the four categories (governance, policy, implementation and accountability) are presented subsequently in this chapter. This is followed by the overall results and an analysis of the average scores according to a number of different variables such as size and different types of insurance companies. Finally, in the last chapter, a number of concluding remarks and recommendations are made based on the results.

A breakdown of the individual scores of the insurance companies, the questionnaire and background information on the different asset classes and methods used in responsible investment can be found in the appendices.

Chapter 2 **Background Chapter**

This chapter provides the backgrounds for this study and describes the different motivations for insurance companies, as well as the information regarding the governance of the responsible investment strategy within insurance companies; the responsible investment policy; its implementation and accountability.

2.1. Motivations for insurance companies to invest responsibly

Responsible investment instruments do not need to be universal to every organisation - they should closely reflect the identity and the unique character of the insurance company. This paragraph looks at the various motivations which insurance companies can have to apply responsible investment instruments. The motivations to adopt responsible investment strategies can be divided in five main, interrelated categories: fiduciary duty, risk management, financial performance, expectations from stakeholders and universal ownership.

2.1.1 Fiduciary duty

One of the issues disputed most with regard to the adoption of responsible investment policies by insurance companies is the issue of fiduciary duty or fiduciary responsibility. Until recently, many in the pension and insurance sector took the viewpoint that a socially responsible investment policy would be incompatible with the sector's primary task, meaning the guarantee of a stable and inflation-proof pension or life insurance for its insurers or premium-payers. This so-called fiduciary responsibility was supposed to be at odds with any socially responsible investment policy, which was believed to yield a lower return on investment. This argumentation can be disputed for a number of reasons.

In October 2005, one of the largest law firms in the world, *Freshfields Bruckhaus Deringer*, compiled a report for the *UNEP Finance Initiative* (UNEP FI). It demonstrated that different jurisdictions have different interpretations of the fiduciary responsibility of insurance companies. This responsibility, however, does not force insurance companies to merely consider financial criteria: '*…integrating ESG considerations into an investment analysis so as to more reliably predict financial performance is clearly permissible and is arguably required in all jurisdictions.*' [1]

In July 2009 the UNEP FI's Asset Management Working Group (AMWG) published a follow-up report to the 2005 Freshfields report. This report, often called *Fiduciary II*, articulates the evolving nature of fiduciary duties and ESG issues. According to the legal advice of, amongst others, Paul Watchman, it is now broadly recognised that insurance companies have the duty to have regard for ESG considerations. Merely, they have an obligation to state what the fund's guidelines are on responsible investment and to what extent social, environment or ethical considerations are taken into account. [2]

Likewise, investment management agreements should include language in order to clarify the expectations of the parties (i.e. institutional investors and asset managers) and to make clear that ESG is regarded as a mainstream consideration. *Fiduciary II* also highlights that institutional investment consultants and asset managers have a professional duty of care to proactively raise ESG considerations with their clients. Failure to do so may have serious consequences because there is a very real risk that they will be sued for negligence. To this extent *Fiduciary II* shows how an insurance company can operationalize ESG integration in investment mandates. [3]

In March 2011, the FairPensions campaign in the United Kingdom released a report with its vision on fiduciary duties of investors, discussing its implications in todays' changing pension and investment landscape. One of the questions was whether fiduciary obligation presents a barrier to the consideration of social environmental and ethical issues - a potential other 'best interest' of beneficiaries besides securing financial return. Because the legal position of fiduciary obligation is murky, partly due to lack of authority, "statutory clarification may be needed to free trustees from perceived restrictions on their exercise of judgement". Moreover, the increasing acceptance that serving the best interest of beneficiaries requires consideration of ESG issues is not fully reflected in mainstream investment practice. FairPensions' report suggests that this might be connected to a perception of ESG as client-driven ethical preference instead of an integral part of financial analysis. [4]

A 2011 survey of Novethic demonstrates that the majority of European institutional investors do not believe that the integration of extra-financial criteria is in contradiction with fiduciary responsibility.[5]

2.1.2 Risk management

Improving their risk management is often the main, or at least an important, reason for insurance companies to adopt a responsible investment policy: pro-actively identifying, preventing and mitigating impacts reduces the risk of getting involved in disputes or being accused of not involvement of ESG violations.[6] Implementing a responsible investment strategy in this view means to reduce potential reputational, regulatory and financial risks.

Besides a professional duty to invest responsible, the financial sector also considers responsible investment activities as a matter of risk management, which may eventually even yield higher returns. In January 2010, the Dutch Committee on Investment Policy and Risk Management (also referred to as *Committee Frijns*) recommended that insurance companies should include objectives in the field of sustainable development and corporate social responsibility in their risk and investment policies. Such recommendations are increasingly being put into practice, with more and more investors that want companies to include information about their impact on the environment in their annual reports, to help judge potential risks.[7]

The Penrose Financial Survey 2010, about the future of the investment industry in the United Kingdom, asked 100 organizations (60% asset managers, 14.2% insurance companies, 16.0% consultants/advisory and 9.4% other) about their reasons for including environmental factors in their investment strategy. The results showed that a significant part of the respondents sees environmental factors both as a risk and an opportunity. The major part (43.6%) of the respondents answered that "Environmental factors pose a significant risk to investment portfolios, so these non-financial factors must be taken into consideration" and 23.6% thought that it is a "growth sector with potential for outperformance".[8]

In 2011, Trucost calculated the cost of global environmental damage and examined the importance of the matter for capital markets, companies and institutional investors. Therefore it assessed the financial implications of unsustainable natural resource use and pollution by business. According to their report, annual environmental costs from global human activity amounted to US$ 6.6 trillion in 2008, equivalent to 11% of GDP and are increasing. Of these costs the top 3000 public companies cause over US$ 2.15 trillion. Such externalities can reduce returns to investors.[9]

The consultancy firm Mercer in February 2011 reported on a project on the investment implications of climate change impact on economies and financial markets at total-portfolio level. This is especially important for strategic asset allocation because traditional approaches to modelling, mostly based on historical quantitative analysis, fail to take account of climate change risk. The report models climate change risks using the TIP-framework (Technology, Impact, Policy) that suggests climate policy could contribute 10% to overall portfolio risk. To manage this and other risks, investors need to think about diversification across asset classes.[10]

Many respondents to Eurosif 's SRI Study 2010 said the financial crisis had made them more aware of the need to integrate ESG risks into their investment decisions. [11] A joint report by the UNEP Finance Initiative, the International Institute for Sustainable Development, and the Blended Capital Group published in June 2012, looks for the link between financial stability and systemic risk. It says that post-financial crisis efforts to shield the economy from volatility must be extended to include emerging sources of instability in the environmental, social, and governance realms. Long-term risks such as climate change, resource depletion and social upheaval are seldom identified and assessed by financial analysts, while understanding these threats will inform the choices we make to benefit from the opportunities in the future.[12]

2.1.3 Financial performance

There is a growing recognition in the financial community that effective research, analysis and evaluation of Environmental, Social and Governance (ESG) issues is a fundamental part of assessing the value and performance of an investment, and that ESG issues have the potential to materially impact the valuation of investments over the longer term. Indeed, for some investors, this has been the key catalyst for adopting a responsible investment strategy. Return on investment can, among other things, be increased by performance improvements and operational efficiencies. Furthermore, companies that are pro-active in respecting human rights save on costs resulting from disputes with dissatisfied stakeholders (employees and communities).[13]

While investors have long acquaintance with the financial materiality of environmental and social disasters, many still need to be convinced of the materiality of ESG issues and their link to financial value. In 2006, the UNEP FI concluded that there is robust evidence that ESG issues affect shareholder value in the short and long term, and the impact on share price can be valued and quantified, and key material ESG issues become apparent but their importance varies between sectors. [14]

A study of Risklab focused on the connection of ESG to strategic asset allocation and the portfolio context. This had been missing in earlier research on ESG risk, while strategic asset allocation could be the main factor driving long-term portfolio returns, says Risklab. Its study, published in March 2010, pointed out that the integration of ESG factors into portfolio construction could significantly reduce long-term investment risk and potentially boost returns because of the high probability that companies that do not manage ESG issues will be more volatile. The study involved building a quantitative model of ESG risk factors in a portfolio to determine their influence on equity risk over a 20-year horizon. According to Risklab, investors should strive to optimize their global equity investments and minimize exposure to ESG risks.[15]

Life-Insurance companies traditionally have long-term investment horizons. This longer-term perspective fits well with the growing evidence that responsible investment approaches can lead to enhanced long-term returns. The long-term financial implications of extra-financial risks such as good governance, resource scarcity and labour standards are becoming increasingly apparent and are therefore of particular relevance to long-term investors.[16]

2.1.4 Expectations from stakeholders

Another driver for the adoption of responsible investment by insurance companies is the increasing acknowledgment by investors that that they are corporate citizens and that they share an ethical or moral responsibility for the external (social and environmental) consequences of their investment choices.

Sustainable investors can be motivated by the believe that investors should play a critical role in the transition towards a more sustainable economy. Therefore social and ecological criteria must play a critical role in the creation and use of financial products. Public attention for responsible investment by institutional investors (insurance companies, pension funds and fund managers) is increasing globally since the turn of the century. In the Netherlands, most attention was initially focussed on corporate governance issues instead of social and environmental issues, as revealed by a 2006 VBDO report into insurance company annual reporting.[17]

2.1.5 Universal ownership

The examples in the previous paragraph make clear that (public) attention for the role of institutional investors in society is increasing and that society expects social and environmental issues to be part of their responsible investment practices. Institutional investors should use their position as capital providers to deny notorious polluters and human rights offenders access to capital, stimulate the large majority of companies to invest in sustainable development and production methods and grant smaller, truly innovative companies easier access to capital. This expectation can be traced back to the role of insurance companies as 'universal owners'.

Such investors invest in a broad cross-section of the economy, often holding a portfolio that is a representative sample of the total universe of available investment options and, as a consequence, 'own' a stake in the entire economy. As shareholders, universal owners are able to influence thousands of companies through participation at annual meetings and by engaging. And they have two other particular characteristics: very long time horizons and a large number of beneficiaries.[18] This is especially the case for life insurance companies that only pay out an agreed amount in the event of the death of the insured before or on the maturity date.

Because universal owners have a clear financial interest in the enduring health of capital markets and the economy, these markets and companies listed thereof will increasingly be shaped by their long-term interests that are increasingly aligned by the interests of their beneficiaries and of the general public. This makes institutional investors an important driver of corporate social responsibility.[19]

2.2. Responsible investment strategy

2.2.1 Governance

Implementing a responsible investment strategy is a complicated task. To be sure that that a responsible investment strategy becomes a core element of the insurance company, power of decision and strong leadership are needed to implement the strategy down throughout the organization. The board can set the tone from the top by creating a sense of urgency internally as well as externally and by showing leadership on this important topic.

Governance relates to how the board is constituted and how it performs its role. Governance lies at the heart of the way an insurance company is run. Good governance helps insurance companies to improve performance, drive growth, better manage risks, and better weather financial crises.

There is a reason why the board is the focus of many good governance procedures. It is up to the board and the executive management of the insurance company to govern the conduct of the funds activities, the behaviour of its employees and to ensure the implementation of a responsible investment strategy.[20] Boards take decisions, which have far-reaching consequences and directly affect the lives of millions of people.[21] Conversely, a lack of decisive action may have equally significant consequences. A lack of strong and clear leadership from the board will generally result in isolated practices, a lack of incentive to support the responsible investment strategy and inconsistencies in ways of behaving by employees and execution of the responsible investment strategy.

Questions on the "right way to run a business" are inherent in all aspects of corporate governance and in every board decision and action. Important governance issues include board composition and structure, the board's remit and the discretionary decisions a board takes to deliver on its duties as set down in law, and demanded by shareholders, employees and insurers.[22] For an insurance company board, the right way to run a business should at least include being responsive to stakeholders expectations, being capable of performing its responsibilities, showing leadership and defining and embedding ESG expectations throughout the business.

Furthermore, in terms of the allocation of day-to-day responsibility for managing the responsible investment strategy various skills and forms of expertise are needed. Without enough skills and expertise, it is unlikely that an investor will be able to effectively implement a responsible investor strategy. To be able to implement a proper responsible investment strategy, there should be someone in the board with related knowledge and/or experience. A board should strive to be a rich mix of attributes, experiences, cultures, viewpoints, diverse perspectives and skill sets that can best contribute to the diverse set of responsibilities of insurance companies.[23]

Furthermore, it is assumed that a board that lacks diversity lacks the ability to critically review its own behaviour.[24] Moreover, insurance companies should strive towards, more gender equality as a growing body of research shows a broad set of business benefits associated with gender diversity on corporate boards: improved financial performance and shareholder value, increased customer and employee satisfaction, rising investor confidence, and greater market knowledge and reputation.[25]

Regular contact and a good dialogue between the insurance company board, management, employees and participants are important to raise awareness about the ESG needs, requirements and possibilities and are valuable in building trust and understanding.[26]

Questions from customers must be answered in writing, by telephone or online. A survey may be used to test the judgment of customers with respect to the responsible investment strategy.[27] Including the customers and other stakeholders in a more systematic manner, and including them in the decision-making process remains a point of future attention and possible development. Also seeking constructive dialogue with NGOs on how the insurance company can assume its responsibilities can be regarded an effective way of staying informed on recent developments.

Ideally, the insurance company board should set the tone from the top by defining the common values and principles that should govern the conduct of the insurance company investment strategy. Furthermore, those values should be clearly determined, articulated and communicate throughout the business. To actively steer and evaluate the responsible investment policy and implementation it is important that responsible investment should not be considered as static but as a dynamic policy within boardrooms.[28] Setting targets on responsible investment enables the board to successfully improve, evaluate and shape the responsible investment strategy.

Given the complexity of asset management, special expertise and good systems are needed and several insurance companies have outsourced part of their asset management tasks to external providers. For the insurance company to be able to stay in control in this relationship the governance and control framework of the asset manager should become an extension of that of the insurance company; Each insurance company should have a manager selection, monitoring and evaluation approach that is suitable to their investment strategy. Furthermore, insurance companies should make sure that the asset managers they hire acts in line with the insurance companies' risk management procedures as well as with insurers expectations. To create a shared vision of ESG risks and possibilities, the insurance company should communicate a coherent set of ESG expectations to agents acting on their behalf.[29]

Also with regard to the screening efforts and the active ownership approach of the insurance company, it is important that regardless of who is actually doing the actual work, be it the asset managers or an external service provider, the work is done in line with the insurance company responsible investment strategy. [30]

2.2.2 Responsible Investment Policy

A comprehensive ESG policy can help insurance companies to translate their beliefs into operational procedures and practical expectations that are communicated throughout the organisation.

The implementation of a socially responsible investment policy requires in the first place that it is defined in a publicly available document. A way of strengthening intentional statements is by basing the defined criteria on internationally agreed conventions or standards defined by multi-stakeholder initiatives. The main initiatives in this field are:

- **Universal Declaration of Human Rights**
- **Convention on the Rights of the Child**
- **ILO Declaration on the Fundamental Principles and Rights to Work**
- **Rio Declaration on Environment and Development**
- **OECD Guidelines for Multinational Enterprises**
- **OECD Principles of Corporate Governance**
- **UN Convention on Biological Diversity** [31]

Presently many investors refer to the Principles for Responsible Investment (PRI) or the UN Global Compact. Financial institutions that adhere to the Principles for Responsible Investment or the UN Global Compact inherently already make an intentional statement on ESG issues. This shows their awareness on the subject and intention to apply responsible (financing) policies to their investment decisions. Being a member of the PRI or adhering to the Global Compact, however, is not a guarantee for sustainable practices. Although the six principles of the PRI or the ten principles of the UN Global Compact provide direction, they have not been elaborated in a very practical way. To add more meaning to their policy, several investors explain how (some of the) PRI and global principles are dealt with in the investment practice.

To be able to use the policy as proper basis for investment decisions it is important to provide a clear description of the policy objectives and include clear and measurable criteria. To exceed the level of intentional statements, the policy criteria should leave no room for interpretation. More advanced investor polices are well-defined and contain verifiable social and environmental criteria. Such a specific policy can be used to evaluate the proposed investment and to set up engagement targets and trajectories.

A clear policy represents a funds perspective and/or strategy regarding responsible investment. Several investors opt for norm-based exclusion in order to improve their risk management and avoid investing in “controversial” securities like tobacco, alcohol, gambling and defence contractors. In this case, they want to exclude companies with controversial ESG practices that could have a significant impact on their reputation and their licence to operate.

Investors that are (partly) motivated to create a positive impact generally have more elaborated policies that not only describe no-go areas, but also the sustainable practices they want to help achieve. Often separate policies are set up for specific sectors or themes most relevant to them. In this case for each client, several criteria enable investors to rank, with help of measurable criteria, the seriousness of the violation involved or the sustainability of its practices: its temporal proximity, its extent (financial and ecological impact, etc.), the credibility of the information source, its repetitiveness, as well as the solutions provided by the company in order to ensure that such a violation does not reoccur.[32]

Investors focussed on materiality of ESG issues often put more focus on corporate governance aspects in their policy, like company's management, culture, risk profile and related characteristics, as they find this enhances long-term shareholder value.

Furthermore, while responsible investor' policies on paper can look identical, in practice there are often big differences in the scope and reach of investor policies with regard to:

- Criteria: While for some responsible investor' policies criteria are absolute, others have a more flexible, case-by-case approach. Some investors add provisional criteria or exceptions to the rule, which make a policy statement vaguer.
- Asset under Management: the assets under management a policy applies to differ greatly. Often there are minimal criteria to cover all investments, while more strict criteria are applied to only a small portion of asset under Management.
- Asset classes: While some investors apply their policies to all investments, most investors do not cover all relevant financial services or asset classes under their ESG policies. In this way, the policy might cover only a small part of the investments made.
- Scope: While some investors exclude all (potential) investments that do not apply to their policy, others exclude only clients with for example more than 50% involvement in controversial activities. In that case the process involves an evaluation of how much company revenue, profit or other metric derives from the controversial product or activity.
- This evaluation may also extend to affiliated companies and joint ventures.37 While some investors exclude only the specific company involved in a breach of their policies, other investors are more rigorous and will also exclude its parent company and all other subsidiaries of this parent company. A lack of openness about the scope of investor policies might be misleading. As such a good policy should address both content and scope of an investor policy.

2.2.3 Responsible Investment Implementation

Screening

Screening involves the evaluation of a company, country or project against certain minimum standards of business conduct, which in most cases are based on international norms or a sustainable policy. Screening can result in an investor decision to exclude a company from investment or start an engagement process with it.

The responsible analyst, be it internal or external, will analyse a potential investment based on the available screening criteria as defined by an internal or external investment policy. The person(s) responsible will do this based on their fields of expertise and one or several sources. Depending on the available time and background of the person(s) responsible, the sources used will differ, as will be the interpretation and assessment of those sources. As such, differences in use of resources and assigned responsibilities have an important influence of screening methods and results.

Depending on the content of the policy, company screenings can be executed only after one or several incidents with a (potential) client have taken place, but can also be the result of a systematic approach in which all potential investments are screened regularly. Depending on the decision making power of the person(s) responsible, the decision to exclude a company or start engagement will be made by an internal or external analyst, an ethics committee or the board of directors.

Some investors apply a two-step approach, which involves the extra-financial research team or analyst identifying problematic companies, and a rating committee that includes insurers from the research, investment and risk management teams taking exclusion decisions on a case-by-case basis.[33]

As screening an entire portfolio on ESG issues is a time intensive job, institutional investors with limited capacity might focus on specific sectors or themes most relevant to them. Investors focussed on materiality of ESG issues often put more focus on corporate governance aspects and on identifying potential ESG risks and opportunities (across their portfolio of companies).

A number of investors also explain responsible investment as choosing the best performing organisation out of a group of corresponding organisations (sector, industry, class) with the use of ESG-criteria. In this case, ESG-criteria do not guide the investment decision process, but form the basis for selecting companies that perform above average on ESG issues.[34] This strategy is especially used by investors that are motivated to work towards sustainable targets.

Common motivation for integrating ESG into the investment process is to actively manage key factors that are believed to be important drivers of risk and returns. In this context, ESG factors can be used to select better - managed companies that can mitigate risks and exploit opportunities stemming from the key environmental and social issues.[35]

Even when the excluded companies are left out, large differences in terms of corporate responsibility sometimes remain between companies in which insurance companies or insurance companies (may) invest. Where one company may only abide by the current environmental and social laws of the country in which it operates, the other may pursue high social and environmental standards in every country in which it is active.

Therefore, mitigating risks due to exposure to ESG factors and dealing with externalities in order to produce higher sustainable long - term returns has become an integrated part of the portfolio management process for many investors/asset owners. For asset owners, integration of ESG factors into the investment process helps to address the disconnect between the long - term nature of their investments (30 years and longer for certain insurance companies) and the short - term behaviour of their agents. For asset managers, integration of ESG factors into the investment process aims to better assess long - term risks or risks that have high impact but low frequency of occurrence.[36] The VBDO defines ESG-integration as the process by which ESG-criteria are incorporated into the investment process. This involves more than screening the portfolios against exclusion criteria but does not necessarily mean that an investor selects the best-in-class companies. ESG-integration can go one step further by identifying and weighing ESG-criteria, which may have a significant impact on the risk-return profile of a portfolio. Those with a more systematic approach tend to have a process in place which:

- identifies potential ESG risks and opportunities across their portfolio of companies
- establishes action plans and targets to realise opportunities or mitigate risks, and
- monitors ESG performance (or progress against action plans) on an on-going basis.[37]

For ESG analysis can only be as good as the data it relies on, increasingly investors are putting an effort in putting qualitative information into quantitative form to be able to make us of spread sheets. PRIs Integrated Analysis document published in March 2013 both brokers and investment managers explain how they are using ESG information in the fundamental equity analysis to make more accurate evaluations of listed companies.[38]

Active ownership

A person who owns shares in a corporation is called a shareholder. Active ownership is used to describe activities done by shareholders to influence the companies they invest in. Generally, active ownership can be divided in voting and engagement activities.

Insurance companies, or external managers working for those insurance companies, can exercise the voting rights attached to insurance companies' holdings to express their responsible investment expectations. Generally speaking each share in the corporation entitles the holder to one vote. The larger the number of shares a shareholder holds, the larger the number of votes the shareholder, in this case the insurance company can exercise through the casting of votes. The PRI defines engagement activities as "All interactions held by institutional investors with investee companies to address ESG issues and business strategy".[39] Engagement, or enter into a dialogue with a business relationship, can be proactive or reactive used by a single financial institution or by a collaboration of several financial institutions.

Eurosif, in its latest study on shareholders stewardship, defines five phases of engagement:[40]
Define: Producing a policy on engagement, including the aims and topics for engagement;

- ***Monitor***: Observing portfolio companies to identify companies at risk, and selecting targets for engagement;
- ***Act***: Deciding on achievable objectives from engagement and an actionable strategy for engagement with each target, then initiate strategy;
- ***React****:* Evaluating the outcomes of first engagement and assessing the need for escalating the activity or adjusting the strategy;
- ***Communicate***: Measuring the impact and value creation from engagement and communicating outcome to beneficiaries and other stakeholders.

The reasoning behind engagement activities is to solve problems in partnership with the company and to meet challenges for the future. Those dialogues and discussions can have multiple goals, from monitoring performance to influencing corporate practice and/or performance on ESG issues. Engagements might have the intent of monitoring and/or influencing investees' ESG processes, outputs and outcomes and/or their transparency on ESG issues.

A poor ESG track record of an investment in that case does not always mean a "no go" decision. This approach will enable investors to gradually exclude certain undesired operational practices and to motivate companies whenever possible to work towards realizing more sustainable business operations, improve the reputation and marketability of the investment and reduce compliance costs. There are two main options in engagement processes:

- In case of reactive or responsive engagement an investor will only engage with companies after companies are in violation of their policies. This approach will enable investors to gradually exclude certain undesired operational practices without having to exclude the company from investment.
- In case of pro-active engagement investors also enter into a dialogue with less controversial clients with the aim of preventing incidents, mitigating risk and improving sustainable or financial results.

There is however a limit to the influence that financial institutions can influence the companies in which they invest. The degree of influence is determined by an interaction of several factors, including the nature and reputation of the financial institution, the nature of the relationship with the company, the extent to which the company is also addressed by other financial institutions on its human rights performance the extent and duration of funding and the potential impact of poor ESG performance on profit and reputation of the company. Ultimately, it is the company that determines how much priority to certain responsible practices is given. Not all businesses are open to 'interference' of their shareholders. Whether an engagement process is successful, is thus largely determined by the degree of influence of a financial institution, the nature, frequency and context of violations and the goodwill of a company to communicate with its stakeholders and to improve its responsible practices.

Exclusion

Exclusion, in simplified terms, is a process of avoiding investments in certain companies or projects based on the avoidance of certain products, services or activities. For most investors, exclusion is a direct result of their investment policy and screening process. When a financial institution is aware of serious and structural violations by a company and everything indicates that corrective measures are unlikely to succeed, or willingness of the company is lacking, the financial institution will probably decide to no longer invest in this businessOthers may not have implemented a screening process themselves, but follow the exclusion decisions of some high-profile investors, like the Norwegian Government Insurance company - Global. [41]

As became clear from the last *Benchmark Responsible Investment by Insurance companies in the Netherlands 2011* of the VBDO, there is limited convergence among investor exclusion lists.[42] This conclusion is reaffirmed by a 2012 Novethic report.[43] In this report, Novethic drew up a comparative analysis of the main European practices with regard to norm-based screening. In a statistical study on companies excluded by 32 investors Novethic combined the lists of companies that are currently excluded by about thirty asset owners or asset managers, in order to identify those that appear mostly on exclusion lists.[44] To this end the exclusion lists (excluding anti-personnel mines and cluster bombs) of 15 investors have been gathered, either from data published on their websites (60%), or from data directly forwarded to Novethic (40%).[45]

A compilation of the exclusion lists of the fifteen investors led to identify no fewer than 120 different companies. Almost three quarters of them are excluded by only one member of the panel, and only 16 companies are excluded by at least 20% of them. So although most investors rely on the same body of international norms, especially the UN Global Compact principles, consensus among investors on which companies to exclude remains rare.[46]

2.2.4 Accountability

One of the basic principles of corporate social responsibility (CSR) is transparency. According the OECD Guidelines for Multinational Enterprises and ISO 26000 standards on CSR, companies must open and clear about the policies and activities of the company, including the implementation of CSR.

In ethics and governance, accountability is about the board being answerable to stakeholders for performance, both financial and non-financial, and for the way that performance is achieved. There is an expectation by society that as a whole that it is right for companies to account for their action and particularly for their social and environmental impacts. This is key to fostering trust and demonstrating respect, and issues of stakeholder accountability have been highlighted in particular by reactions to the economic crisis of 2008. This certainly applies to financial institutions, for whom the trust of society is of great importance.[47] According to UNCTAD both communications on social responsibility by corporations and ESG analyses by investors must be improved to better indicate the contributions and impacts of business. Better reporting practices should start with generating more consistent, coherent and comparable information. Although about half of institutional investors disclose some information regarding responsible investment, only 13 of the 100 largest insurance companies worldwide had an explicit annual report on responsible investment practices, said UNCTAD in August 2010. It is also worth mentioning that 10 of those funds are signatories of the Principles for Responsible Investment.[48]

The call for transparency in the financial sector is increasing among consumers, civil society and the government. People expect insurance companies to communicate openly and offer insight into their doings. By being transparent, insurance companies can be hold accountable for the investment choices they make and to be able to align their strategies with stakeholders' expectations. For an insurance company, whose clients are representatives of society; this is a call not to be ignored. There are several subjects that require transparent reporting towards their insurers and other stakeholders: transparent reporting on ESG policies and procedures, transparent reporting on investment portfolio and transparent reporting on active ownership.

Transparent reporting on responsible investment policies and procedures

A sustainability report should be a balanced and reasonable representation of the performance of an insurance company in the field of CSR. This means an insurance company should disclose a statement in their annual report including material information relating to at least environmental, social and employee-related matters, respect of human rights, anti-corruption and bribery aspects. The insurance company should communicate on its responsible investments policy through the website, the annual report and/ or brochures, including non-financial information relating to at least environmental, social and employee-related matters, respect of human rights, anti-corruption and bribery aspect.

Transparent reporting on the portfolios of the insurance company

A well-founded responsible investment policy is important, but does not guarantee that in practice the fund does not invest in companies that do not meet the policy requirements. In society in general, and in particular by civil society organizations and insurers of the fund, there exists a growing need for specific information about the companies and governments that insurance companies financially support. [49] By being transparent about their actual investments, insurance companies strengthen the implementation of their responsible investment policies. Furthermore, by being more transparent about in which companies and governments investments take place they offer stakeholders the opportunity to assess whether the investments of the fund are in line with the agreed socially responsible investment strategy of the fund. This being the case will increase trust in the insurance company.

Transparent reporting on active ownership performance

Insurance companies should report about the number of companies with which they have been interacting on social and environmental issues. Insurance company insurers are starting to ask questions about the outcomes that result from active ownership and, more widely, stakeholders are starting to challenge investors to demonstrate that responsible investment (in particular, investment integration and active ownership) provide real benefits in terms of ESG outcomes. To fulfil this demand, it is possible for insurance companies to gather and report information on:

- Their own processes and actions. This can include information on, for instance, the resources they have committed to engagement and the activities they have conducted (e.g. the number of meetings they have had with companies, the issues they have raised).
- The changes that have occurred in corporate practice or performance. For example, it is often possible to point to companies taking certain actions (e.g. adopting a policy, starting to report on performance) and achieving certain outcomes (e.g. reductions in reported emissions).[50]

One of the key challenges in this area is demonstrating that the actions taken by investors have had an impact on corporate practices or performance. The challenge is one of attribution. It is extremely difficult for investors to claim that it was their actions or interventions that were critical in companies' decisions to take these steps. There are various reasons: companies are reluctant to acknowledge that outside parties drove them to act in a particular way, there are generally multiple pressures for companies to take action (e.g. it is often the case that other investors and other stakeholders have also been pressing the company to take action), the company may well have been in the process of taking action anyway, or the outcomes may have resulted simply as a result of the normal evolution of the business.

Although transparent reporting will not immediately solve this challenge of attribution, merely by reporting transparently on active ownership activities stakeholders can develop a clearer and realistic understanding on the possibilities of active ownership and hold insurance firms accountable when they are lagging behind.

Chapter 3 Methodology

In this chapter the methodology of this study will be explained. First the objectives of this research and a description of the insurance companies of interest will be put forward. Subsequently the research period and process will be explained. Then, in section 3.5 the division of tasks and responsibilities will be described followed by the scoring model, used to assess the insurance companies. Finally the main suggestions of the advisory panel are put forward.

3.1 Research objectives

The objective of this benchmark study is to provide insurance companies and their clients insight into the current status of responsible investment among the 29 largest Dutch insurance companies. This comparative research offers insurance companies an impartial instrument which enables them to assess to what extent their responsible investment policy adequately reflects their social responsibilities and how it compares to their the policies of their peers. The report is of special value to the clients of insurance companies, who are, in contrary to participants of pension funds, able to switch. This research can inform clients on the often unclear aspects of how insurance companies invest their assets under management.

3.2 Research period & insurance companies surveyed

The period to which this research applies is the year 2012. The different general figures of the insurance companies, such as the asset allocation, cover the period up to the end of 2012. The information about the implementation of responsible investment instruments was related to the first half of 2013 as well.

For this edition of the benchmark, the 29 largest insurance companies in assets were surveyed, which is the same amount as in 2012. The list of researched insurance companies is the same as in the 2012 study. In section 4.1 the characteristics of the researched group can be found.

3.3 Research process

It is important to stress that the research process has changed in comparison with previous years. This year, the questionnaire was integrated in excel and sent to the insurance companies. This automatically provided a profile and score, when filled in. Similar to the benchmark of 2012, the profile of last year's benchmark was sent to the selected insurance companies to facilitate filling in the questionnaire.

The first step of the analysis was to review the filled-in questionnaire of the insurance companies and match these with their supplied proof and publicly available information (which consists of annual reports and websites). Subsequnetly, the VBDO sent the reviewed profile back with potential additional questions. On the basis of the reply, the VBDO assigned the draft scores to the insurance companies for all assessment issues and criteria. Finally, research consultantant Profundo provided the VBDO with an independent review of the scores of a sample of insurance companies, to enhance the integrity of the results. As stated before, Profundo was also responsible for writing the background chapter, which can be found in chapter 2.

3.4 Methodology & scoring model

3.4.1 Adaptations to the methodology

This report is the fifth edition and a new methodology has been implemented in which:

- The governance of responsible investment by (the board of) the insurance company is included in the methodology. For example, is the responsible investment policy discussed in the board and are clients and stakeholders consulted?
- The questions focusing on implementation were improved and expanded, especially regarding real estate and alternative investments.
- Within the former methodology an insurance company could theoretically score over 100% for certain categories. The scoring model is adjusted to prevent this.
- Special attention is paid to the actual impactresponsible investment has on corporate, social and environmental performance. For example: what is the impact engagement cases have on CSR policies measured by the insurance company?
- More attention is paid to best-practices in the sector in order to provide the laggards with concrete examples how to set up and implement responsible investment.
- The VBDO has zoomed into the differences between categories insurance companies The final results provea ranking of the separate categories. An analysis is made why there are differences between different types of insurance companies and recommendations are given on how these differences can be diminished.

With these changes the benchmark provides a more accurate assessment of the changes in responsible investment policy, implementation and accountability in the Dutch insurance company sector and of the governance of this process. The VBDO plans to maintain this updated methodology for the next three years.

3.4.2 Categories assessed

To compare the policy and the implementation practices of the insurance companies, a number of assessment issues were defined based on literature, the former benchmark studies on responsible investments by Dutch pension funds and insurers and on conversations with institutional investors. The assessment issues have been divided into four pillars. Not all assessment issues have been weighted equally. The individual weighting percentages of all assessment issues add up to a total of 100%. The weighing percentages for governance, policy and accountability are all 16%. Implementation weights 50% as especially this category defines the final output and quality of the responsible investment practices of an insurance company. For an overview of all the questions asked and possible answers per pillars, we refer to the appendix. In short per pillar the following weighing factors are applied and the following themes are discussed:

The assessment issues have been divided into four categories. For an overview of all the questions asked and possible answers per category, we refer to the appendix. In short per category the following weighing factors are applied and the following themes are discussed:

***Governance* (16,6%)**

This pillar focuses on the governance of the insurance companies and the role the board and stakeholders, such as clients, pro-actively play in shaping and monitoring the responsible investment policy.

***Policy* (16,6%)**

This focuses on the responsible investment policy in place. Its reach, depth and quality are surveyed. Does the policy, for example, cover all the asset classes and are indicators mentioned on which the policy can be evaluated?

Implementation **(50%)**
Focuses on the actual implementation of the responsible investment policy. What are the methods used and are they effective and thoroughly implemented throughout all the asset-classes? The included asset classes are: public listed equity; corporate bonds; government bonds; real estate and alternative investments. A complete overview and description of the asset classes is given in appendix.

Accountability **(16,6%)**
In this pillar attention is given on how the communication and transparency on the responsible investment takes place. It illuminates whether the results of the responsible investment policies are reported for all asset-classes and whether all actors, such as board and clients, have access to the information they need.

3.4.3 Asset-classes and score

The past years have shown major developments in implementing a responsible investment policy. Various different types of instruments have been developed and applied to a broader range of asset classes, despite the limitations of some of these asset classes. Because the instruments are complementary to each and investors tend to find different solutions for each asset class, the implementation practices between asset classes may vary substantially. Hence, itcan be difficult to single out one best solution.

This methodology tries to take into account the available instruments, and their possibilities and limitations, for each asset class.This provides room for each investor to implement its responsible investment policy in the way it fits best to its organisation, investment mix and decision process. For each asset class a number of assessment issues have been identified, based on the instruments.

The final score for the category implementation is determined by multiplying the score of each asset class by the percentage of the portfolio invested in this asset class. For example, if an investor does not invest in a particular asset class, it is not necessary to have detailed policies and implementation procedures. Therefore, these scores will not be taken into account in the final score. Similarly, when an insurance company invests for 70% in public equity, the implementation score for public equity also weighs for 70% in de category Implementation.

The overall score is calculated using the score and weighting factor of each category. This overall score lies between 0 and 5 points. More background information on the different asset classes and the instruments used can be found in the appendix.

3.4.4 Scoring Model

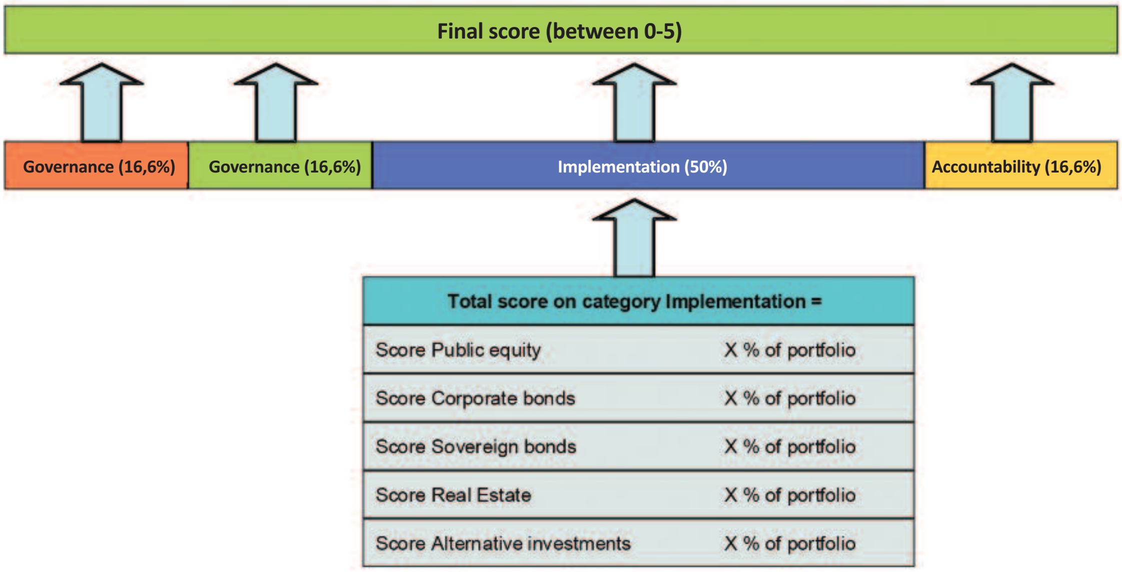
To compare the policy and the implementation practices of institutional investors, a number of assessment issues were defined based on literature, the former benchmark studies on responsible investments by Dutch pension funds and insurers and on conversations with institutional investors. The scores of the assessment issues were added up using weighted percentages, to reach an overall score for all insurance companies included in this research. Not all assessment issues have been weighted equally, but the individual weighting percentages of all assessment issues add up to a total of 100%. The overall score of each insurance company lies between 0 and 5 points.

The assessment issues have been divided into four pillars:

- **Governance (16,6%)**
- **Policy (16,6%)**
- **Implementation (50%)**
- **Accountability (16,6%)**

Within the category Implementation the score is dependent and the asset allocation of the specific insurance company. In short this means that the score of an insurance company which has a large share of public equity in its portfolio is also more dependent on its score on public equity. This is discussed in more detail in previous paragraph 3.4.3. Figure 3.1 gives a general overview of the scoring model.

Figure 3.1: General overview of the scoring model



3.5 Advisory panels

3.5.1 Advisory panel April 2013

Before the start of the benchmark study a meeting was planned with insurance companies, asset-managers and experts to discuss the methodology used. Several points were raised on how to improve the methodology. Although the individual members did not agree on all topics with each other, the main opinions are described here:

The most prominent:

- Provide insight in the reasons why there are differences in the scores between insurance companies and give the comparison of similar insurance companies a more prominent place in the report.
  Added in this version of the benchmark
- Give more emphasis on best-practices in the sector.
  Added in this version in the benchmark
- Present the results in a more visual and transparent way.
  Several graphs are added
- Adapt the scoring model in the category implementation to prevent scores over 100%.
  Scoring model is adapted accordingly.

3.5.2 Advisory panel November 2013

Before the publication of the research report, it is standard practice for the VBDO to organize a final advisory panel. In this panel different representatives from the insurance sector are given the possibility to provide feedback on the research process, the preliminary results and the conclusions. By organizing an advisory panel, the VBDO ensures that the findings in the research correspond to the common beliefs within the sector and reveals possible flaws in the research methodology.

The most prominent issues raised:

- The user-friendliness of the questionnaire should be improved. Most importantly, participants experienced troubles with the format of the questionnaire (in excel).
- Send out the questionnaire earlier in the year. Preferably April or May, just after the annual reports are published.
- Important to add an explicit question on how insurance companies can select, monitor and evaluate their asset manager regarding responsible investment
- Elaborate on the actions smaller insurance companies can take concerning sustainability, also if they outsource their equity to an asset manager.
- Try to make the KPIs more qualitative by adding a question on the impact on society.
- Benchmark needs to continue the emphasis on processes and effects rather than implementing box ticking questions. E.g. question on sustainable remuneration.
- Make a clear distinction in the analysis between the insurance companies who did not respond on a certain question and the ones who did respond, but were not awarded any points.
- Try to include peer group reviews by analyzing the insurance companies according to their size and type of insurance products they offer.
- A nuanced explanation is needed when comparing the scores of this benchmark to the scores of previous benchmarks.
- Try to use the already available information from PRI signatories to answer part of the benchmark questions.

These issues will be taken into account either in this, or in the next edition of the benchmark. The VBDO would like to thank the participants for their efforts to improve the benchmark.

Chapter 4 **Results**

This chapter presents the results of the research. First, the research group characteristics are described. This is followed by a breakdown of the results for the categories; governance, policy, implementation subdivided per asset class, and accountability. Finally, the overall results and an analysis of these results are presented.

4.1 Research group characteristics

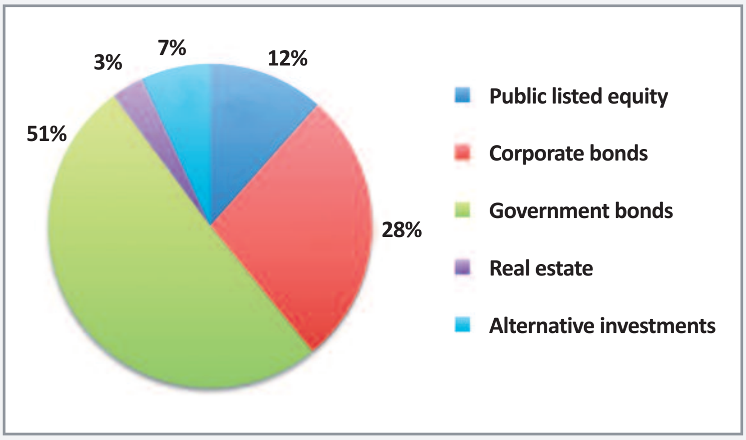
4.1.1 Description of researched group

This study includes 29 insurance companies . All of the covered insurance companies together have €312 billion in assets under management (AuM). The largest insurance company its AuM amounts to almost €68 billion, whereas the smallest has €18 million in AuM. When looking at the gender division within the executive boards of the insurance companies, on average 91% are male and 9% are female. The gender division among the other employees is more equal, with 53% being male and 47% being female.

The investigated insurance companies indicated that 58% of their assets are managed internally and 42% externally, but there are great differences between insurers. Most insurers manage their assets either 100% internally or 100% externally. One insurance company indicated that their externally managed assets are managed via a fund, while four insurers indicated that it was managed via a segregated account (mandate). Eight insurance companies stated that these assets are managed via both funds and segregated accounts.

On average, insurance companies have 12% of their assets in public listed equity, 28% in corporate bonds, 51% in government bonds, 3% in real estate and 7% in alternative investments (not including cash and other asset classes that are not covered by the benchmark). This can be seen in figure 4.1 below.

Figure 4.1: Average asset allocation



4.1.2 Response rate

As described in the previous chapter, the insurance companies were given two opportunities to provide feedback on the profiles. Firstly, they had the opportunity to fill in the questionnaire. On the basis of this questionnaire, the VBDO responded with questions and, when needed, a request to provide additional information. Table 4.1 provides insight into how the insurance companies responded to the two feedback opportunities.

[1] *It should be noted that 7 insurance companies did not provide any information, either via the VBDO-questionnaire or via publicly available information. Because including these insurers in the analyses would dilute the results, these have been not been included in the analyses, both in this section and in the subsequent sections.*

Table 4.1 Response rate

Name Insurance Companies	Update profile 2012	Feedback profile 2013	Overall Respons
Achmea	x	x	x
Aegon (Nederland)	x	x	x
Allianz Nederland	x		x
ARAG Rechtsbijstand			
ASR Nederland	x	x	x
BNP Paribas Cardif	x	x	x
Bovemij verzekeringen			
Chartis Europe			
CZ Groep	x	x	x
DAS			
De Goudse Verzekeringen	x	x	x
Delta Lloyd	x	x	x
DSW			
Generali Verzekeringsgroep	x	x	x
HDI Gerling			
Klaverblad Verzekeringen	x	x	x
Legal & General Nederland	x	x	x
Loyalis	x	x	x
Menzis Zorgverzekeraar	x	x	x
Nationale-Nederlanden	x	x	x
Ondelinge 's-Gravenhage U.A.			
ONVZ Zorgverzekeraar	x	x	x
REAAL	x	x	x
SWISS RE			
TVM		x	x
Unigarant			
VGZ U.A.	x	x	x
Zorg en Zekerheid	x		x
Zwitserleven	x	x	x
	19	18	20
			69%

Not all of the 29 surveyed insurance companies have filled in the questionnaire or reacted on the draft profile; the response rate was 69% (20 companies). This is a slight decrease compared to 2012, when the response rate was 72%.

The insurance companies that have not responded to the questionnaire and have not published any information about responsible investment on their website, have not been included in the analyses, and are labelled as ‘no info’ in the subsequent tables and graphs.. This because including them would give an overly negative perception of the insurance sector in the Netherlands, mainly because these parties are either foreign insurers with a small Dutch business unit or a small Dutch insurance company.

4.2 Pillar 1: *Governance*

4.2.1 Results

For the first year insurance companies were asked questions regarding the role of the board and general company governance in relation to responsible investment. This has led to some interesting results.

Ownership: develop and approve responsible investment policy

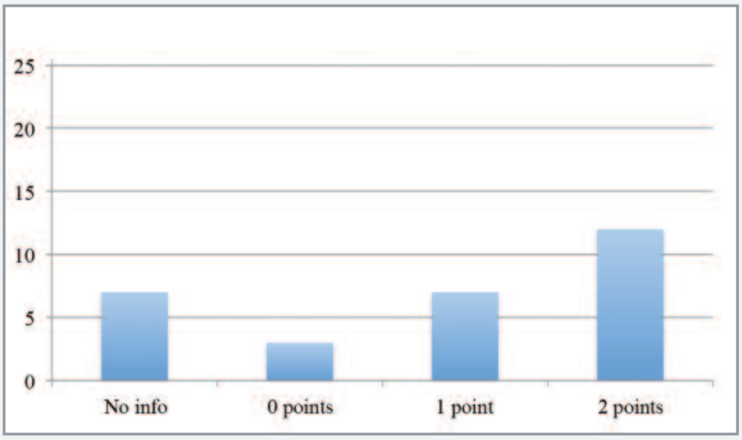
No info: **7** insurance companies **(24%)** did not provide information.

0 points: **3** insurance companies **(10%)** stated that responsible investment has not been discussed in the senior management (executive) board.

1 point: **7** of the insurance companies **(24%)** the responsible investment policy has been discussed once at a senior management (executive) board meeting in 2012.

2 points: **12** of the insurance companies **(41%)** the responsible investment policy was discussed more than once a year at a senior management (executive) board meeting in 2012.

Figure 4.2: ***Ownership develop and approve responsible investment policy***



Ownership implementation responsible investment policy

No info: **7** insurance companies **(24%)** did not provide information.

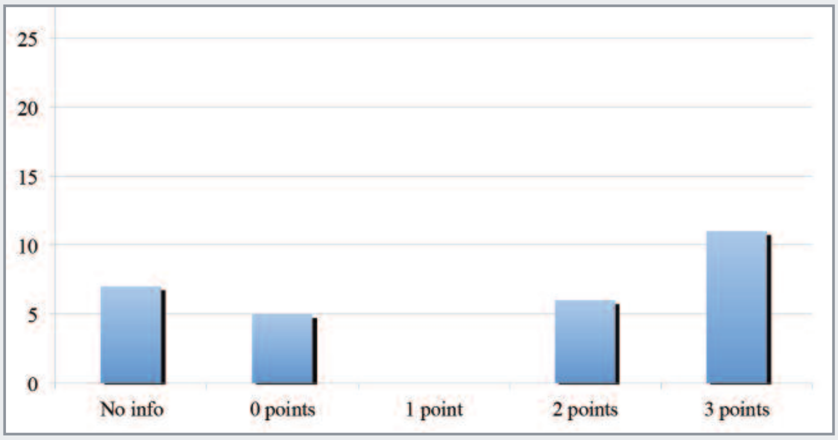
0 points: **5** insurance companies **(17%)** stated that nobody is formally responsible for the responsible investment policy.

1 point: **0** insurance companies **(0%)** have a person who reports to a lower management regarding responsible investment.

2 points: **6** insurance companies **(21%)** have a person who directly reports to the senior management (executive) board regarding the responsible investment policy.

3 points: **11** insurance companies **(38%)** have a senior management (executive) board that is responsible for their responsible investment policy.

Figure 4.3: ***Ownership implementation responsible investment policy***



Sustainable remuneration of executive board members

To actively steer and evaluate the responsible investment policy and implementation it is important that this topic and therefore sustainability targets have a proper place in the remuneration.

No info: **7** insurance companies **(24%)** did not provide information.

0 points: **11** of the insurance companies **(38%)** do not have a (variable) remuneration of the senior management (executive) board dependent on sustainability targets.

1 point: **9** Insurance companies **(31%)** have (variable) remuneration for at least 60% based on long-term goals.

2 points: **1** insurance company **(3%)** has (variable) remuneration for at least 33% based on sustainability (or ESG)-targets.

3 points: **1** insurance company **(3%)** has (variable) remuneration that is at least for 60% based on long-term goals and for 33% based on sustainability targets.

Remuneration of asset managers

No info: **7** insurance companies **(24%)** did not provide information.

0 points: **18** of the insurance companies **(62%)** stated that the (variable) remuneration of the asset manager is not dependent on sustainability targets.

1 point: **4** insurance companies **(14%)** state that the (variable) remuneration is dependent on targets on responsible investment and sustainability.

Best practices Governance: **Board Responsibility & information**

The board and higher management has an important role to play in shaping the responsible investment policy and evaluating the implementation done by the, internal or external asset manager. First and foremost, the management needs to be informed about the progress of the implementation. Furthermore, the board should have sufficient information and independent information to carry out its role.

Some insurance companies, which are considered to be best practices, are adding external experts on responsible investment in the investment committee or organising thematic sessions on responsible investment such as Menzis does or having a specific ESG committee such as Nationale Nederlanden has. It is also recommendable to work together with NGOs to share knowledge and to be aware of new topics. A best practice in this field is Zwitserleven who developed a policy on landgrabbing in co-operation with Oxfam-Novib.

The VBDO advises boards and higher management to take more responsibility on the governance of the responsible investment policy and implementation and to make sure that enough input and expertise is available to fulfil this task. This can be done by discussing this topic regularly at meetings, being informed by external experts and to work in co-operation with NGOs.

Communicating and consulting clients and stakeholders

No info: **7** insurance companies **(24%)** did not provide information.

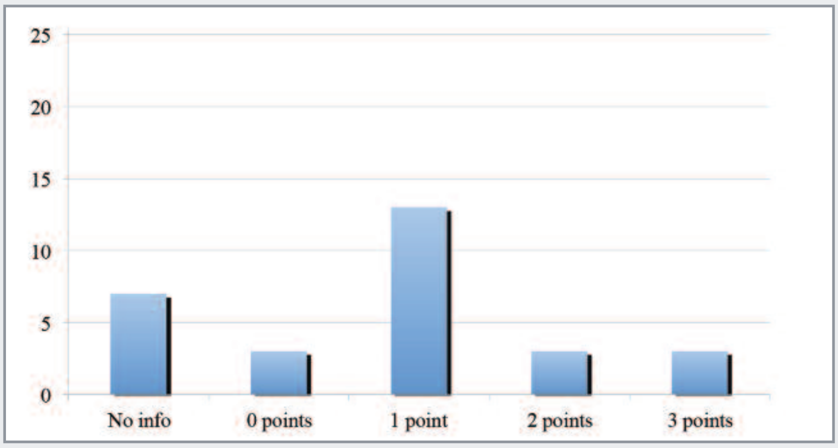
0 point: **3** of the insurance companies **(10%) i**nform their policyholders regarding responsible investment, for example on the website or in newsletters.

1 point: **13** insurance companies **(45%)** inform (potential) policy holders about the responsible investment policy using the website, newsletters and/or information packages

2 points: **3** insurance companies **(10%)** consult or survey their clients' councils regarding the responsible investment policies.

3 points: **3** of the insurance companies **(10%)** consult also other stakeholders such as NGOs, besides their policyholders.

Figure 4.4: Communication with participants and stakeholders



Best practices Governance: **Selecting asset managers**

Especially smaller insurance companies are for their responsible investment implementation largely dependent on external asset managers. It is therefore important to integrate demands on the implementation of responsible investment in the selection and evaluation procedures of asset managers. Make sure that an asset manager is at least a signatory of the PRI and is following the UN Global Compact, which should be a threshold. But preferably an asset manager should do (much) more, for example should It be recommendable to ensure that the asset manager itself is practicing engagement or that it is possible to hire an additional engagement service provider.

Furthermore, it is worthwhile for a insurance company to assess if the asset manager has an 'own' responsible investment policy that applies to all its investments. This can be an indicator how responsible investment has been integrated in their asset management. Other aspects that are interesting to find out are if the asset manager incorporates long-term and sustainability criteria in their remuneration schemes and if they have key performance indicators to improve their responsible investment policy. Finally, it is interesting to note how transparent the asset manager is regarding the implementation of their responsible investment instruments.

When an insurance company it too small to influence their asset manager to invest more responsibly, it is recommended to work together with other clients of this asset manager to push it towards a stronger implementation of responsible investment.

4.2.2 Analysis

It is positive to note that the majority of the insurance companies discusses the topic of responsible investment at board level. In 41% of the cases this occurs more than once a year. Most of the insurance companies place the responsibility for their responsible investment strategy either at board level or one level below board level. The VBDO has the conviction that responsible investment should be monitored and evaluated at (or close to), board level. Board members and asset managers should be incentivized to promote sustainability, and to have a long-term focus. However, this practice does not seem to be common at everyinsurance company. Several insurers have established the link towards a long-term focus, but the link towards sustainability targets is hardly present.

Another finding is that the Dutch insurance companies do not seem to communicate two-way with their clients and with society in general. The majority uses their website to publish information one-way. Only a small group lets their customers play a role in the establishment of the responsible investment policy or consults other parties, such as NGOs. The VBDO advices insurance companies to become more open to the input of customers and civil society regarding responsible investment.

4.3 Pillar 2: ***Policy***

4.3.1 Results

The policy component consists of three criteria that investigate the qualitative, quantitative and communication aspects of the responsible investment policy of the insurance companies.

Of the 29 insurance companies surveyed in this research, 22 were able to show that they have a responsible investment policy in place, This corresponds to 76%, which is better compared to last year's results. When looking into the content of the policy, it can be seen that:

No info: **7** insurance companies **(24%)** did not provide information.

1 point: **4** insurance companies **(14%)** showed that they have a responsible investment policy and base it on at least two of the themes covered in the UN Global Compact.

2 points: **8** insurance companies **(28%)** have a responsible investment policy based on the four themes of the UN Global Compact.

3 points: **10** insurance companies **(35%)** have a responsible investment policy based on the four themes of the UN Global Compact and explain how (some of the) principles are dealt with in the investment practice.

Last year, 35% of the insurance companies with a policy covered less than 50% of their assets.
This year the results are as follows:

No info: **7** insurance companies **(24%)** did not provide information.

1/2/3 points: **7** insurance companies **(24%)** have a policy that covers less than 50% of their assets.

3 points: **1** insurance company **(3%)** has a policy that covers between 50% and 75% of its assets.

4 points: **14** insurance companies **(48%)** have a policy that covers more than 75% of their assets.

Policy performance indicators

No info: **7** insurance companies **(24%)** did not provide information.

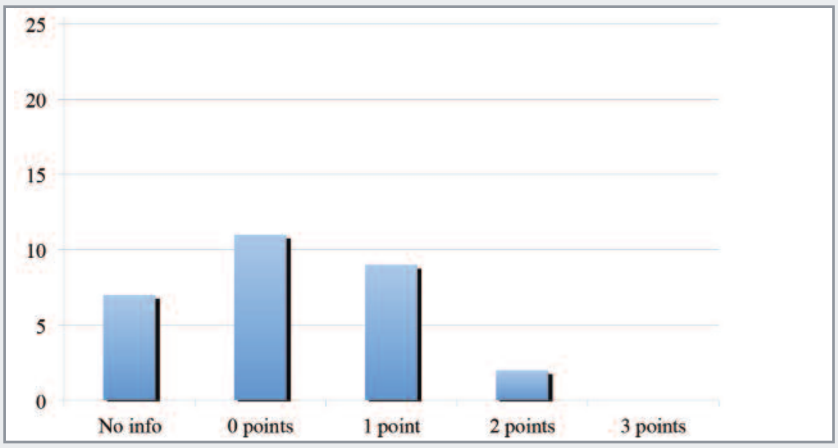
0 points: **11** insurance companies **(38%)** do not have any policy performance indicators on which the policy can be monitored.

1 point: **9** insurance companies **(31%)** have qualitative indicators.

2 points: **2** insurance companies (**7%)** have quantitative indicators.

3 points: **0** insurance companies **(0%)** have quantitative indicators and also measure the actual impact of corporate social and environmental policies.

Figure 4.5: Performance indicators



4.3.2 Analysis

All of the insurance companies (that are included), have a responsible investment policy, yet the quality of these policy documents differs greatly. Some included only one section in their annual report or investment statute (beleggingsstatuut) on responsible investment. The VBDO prefers to see extensive policies indicating how insurance companies plan to put responsible investment into practice in the different asset classes, using different instruments. Moreover, the volume to which the responsible investment policy applies differs. The VBDO encourages the insurance companies to set up a well-articulated responsible investment policy that applies to the entire investment portfolio of the company.

Performance indicators to improve the responsible investment policy are mostly qualitatively described. None of the insurance companies have included performance indicators that also measure the actual impact of corporate social and environmental policies have. The VBDO strongly recommends all insurance companies to use performance indicators.

4.4 Pillar 3: *Implementation*

4.4.1 Results

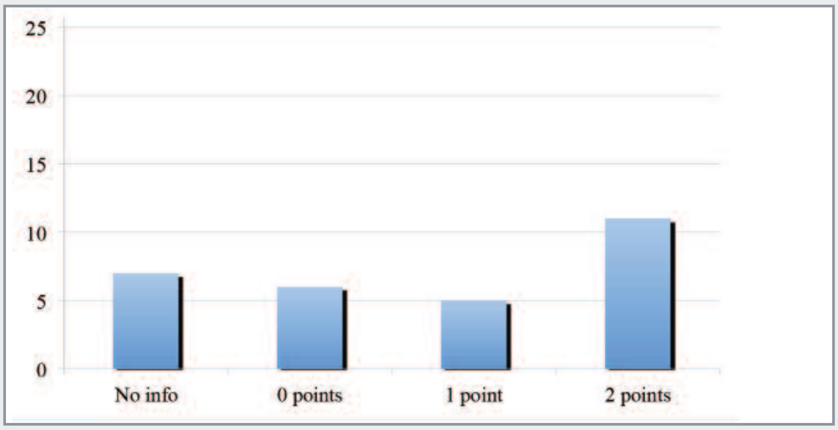
The third pillar of the benchmark research is the implementation of the responsible investment policy. As can be seen in the methodology chapter, five asset classes have been identified; public listed equity, corporate bonds, government bonds, real estate and alternative investments.

Public listed equity

A number of different instruments can be used when implementing a responsible investment policy in the public equity class. These are listed below with a description of the results.

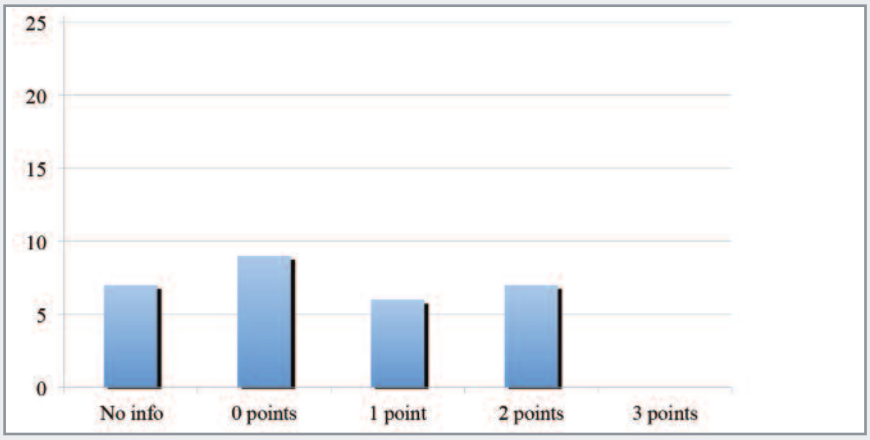
- **Exclusion:** 16 companies (55%) have adopted an exclusion policy. This is a small increase in comparison with last year. This increase is related to the legal obligation to exclude producers of controversial weapons. Of these insurance companies, 11 companies (38% of total) have adopted a policy based on multiple criteria (2 points), which mostly indicates that an exclusion policy is adopted on controversial weapons and one or more themes of the UN Global Compact. This is a small increase in comparison with last year as well.

Figure 4.6: Exclusion in public listed equity



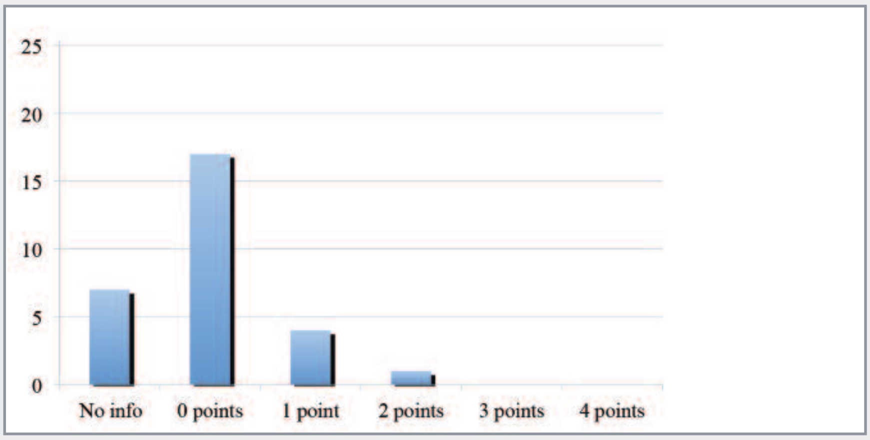
- **ESG-integration:** 13 insurance companies (45%) have demonstrably integrated ESG-criteria into the investment decision (1 or 2 points). Of these, 7 companies (24% of total) have integrated ESG in a systematic manner (2 points). None of the insurance companies has implemented a systematic ESG-integration, which accounts for a demonstrable and verifiable impact on individual holdings (3 points). Most insurance companies that use ESG-integration (10 out of 13) have applied this on 75%-100% of their equity investments.

Figure 4.7: ESG-integration in public listed equity (extent)



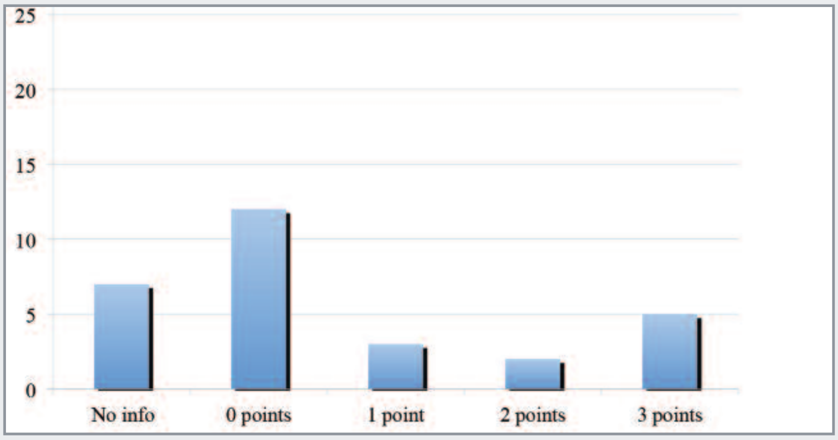
- **Positive selection:** 17 insurance companies (59%) do not demonstrably make use of positive selection. From the 5 insurance companies applying positive selection, 4 insurance companies invest less than 10% of their total public equity portfolio making use of positive selection (1 point). Only 1 insurance company invests between 25% and 50% of their public equity portfolio (2 points) making use of positive selection. None of the insurance companies invest over 50% using positive selection (3 or 4 points).

Figure 4.8: Positive selection in public listed equity



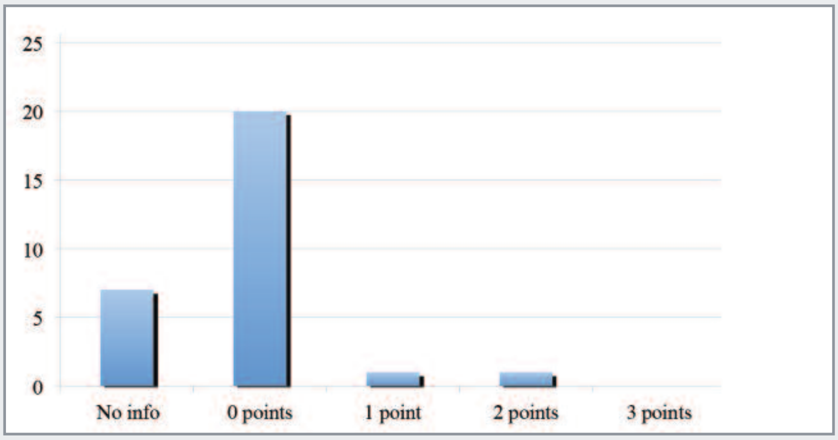
- **Engagement:** 10 insurance companies (34%) are actively engaging with companies on the basis of ESG-criteria (1/2/3 points). 5 of these show demonstrable results and provide specific details (3 points). This is approximately the same as last year.

Figure 4.9: Engagement in public listed equity



- **Voting:** 11 insurance companies (38%) demonstrably on (a part of) their public equity holdings. 7 do so while paying explicit attention to ESG-issues (24% of total) and only 1 of these publicly initiates and/or supports shareholder resolutions promoting CSR. The majority of the insurance companies (21% of the total) voted on 75% - 100% of their equity portfolio. These numbers are comparable to last year.
- **Impact investing:** only 3 insurance companies (10%) used impact investing to implement their responsible investment policy. 2 companies allocated less than 1% of its equity holdings to impact investing, 1 insurance company allocated between 1% and 2% none of the companies allocated 2% or more to impact investing.

Figure 4.10: Impact investing in public listed equity



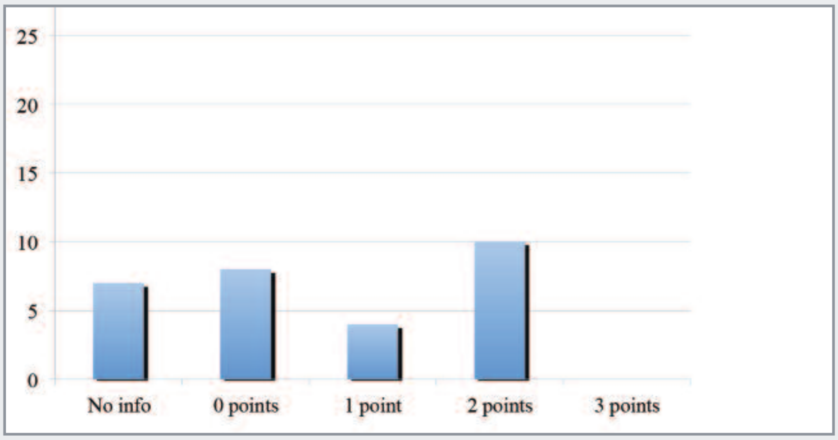
Corporate Bonds

For corporate bonds fewer instruments are available to implement the responsible investment policy. The available instruments are; exclusion, ESG-integration, positive selection and engagement. The different instruments are listed below:

- **Exclusion:** Of all the companies that provided information, 6 companies (27% of the respondents) do not have any exclusion regarding corporate bonds. Of the 16 insurance companies that do exclude the majority (12 companies; 41%) used multiple criteria to exclude.

- **ESG-integration:** 14 insurance companies (48%) integrate ESG-criteria into the investment decision, when investmenting in corporate bonds (1/2 points). Only 10 of these insurance companies did this demonstrably in a systematic way (2 points). None of the insurance companies have implemented a systematic ESG-integration that accounts for a demonstrable and verifiable impact on individual holdings (3 points). This ESG-integration within the corporate bonds portfolio is a positive, noticeable development over the past years, with each benchmark showing a steady increase. Except for one, all insurance companies that use ESG-integration have applied this on 75%-100% of their corporate bond portfolio.

Figure 4.11: ESG-integration in corporate bonds (extent)



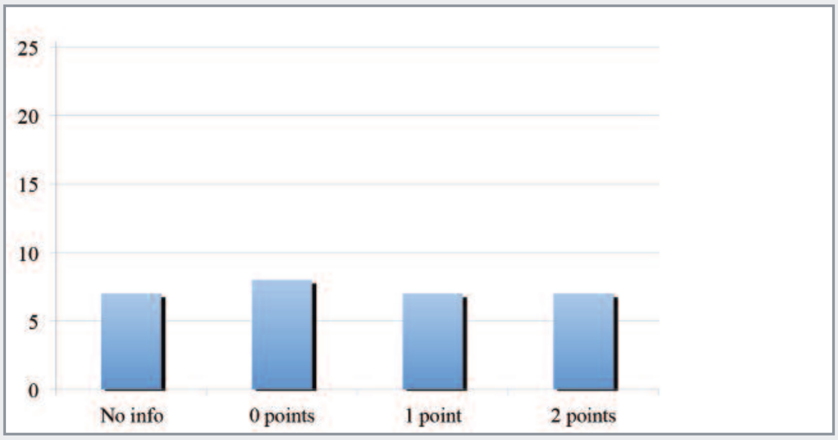
- **Positive selection:** This year 4 insurance companies used the instrument of positive selection in the corporate bond portfolio, of which one uses this on their entire corporate bond portfolio. Last year the number of insurance companies that use positive selection was 2.
- **Engagement:**Concerning the engagement instrument for the corporate bond portfolio, 10 companies (34%) engaged with companies in their corporate bonds portfolio. 2 of these report on their activities in a rather limited manner (1 point), whereas 5 (17%) showed demonstrable results and specific details (3 points).

Government Bonds

The instruments available for the government bonds portfolio are exclusion, ESG-integration and positive selection.

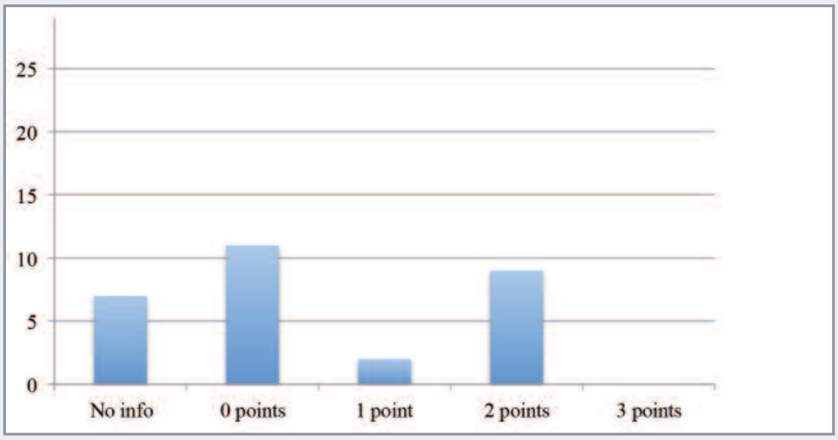
- **Exclusion:** 8 insurance companies (28%) do not have any exclusion policy regarding government bonds. The insurance companies that did have an exclusion policy can be equally divided between those that maintain exclusion criteria for governments bonds although these are not commonly traded (1 point) and those that exclude countries with commonly traded bonds (2 points).

Figure 4.12: Exclusion in government bonds



- **ESG-integration:** This year, 11 insurance companies in some way integrated ESG-criteria into the investment decision for government bonds, for example by having asset managers who have signed the PRI (1 point). 9 insurance companies systematically included ESG-criteria in their portfolio managers (2 points) and none of the companies implemented ESG-integration in such a way that it had a verifiable impact on individual holdings (3 points). Regarding the volume on which the ESG-integration policy is applied, for almost all insurance companies this is 75%-100% of their government bond portfolio.

Figure 4.13: ESG-integration in government bonds (extent)



- **Positive selection:** Only 1 insurance company uses the instrument of positive selection in their government bond portfolio. This is a decline compared to last year, when three insurers used this instrument.

Best practices: **ESG-Integration**

The integration of (material) environmental, social and governance criteria into the investment decision (ESG-integration) has become more popular in recent years and can be done in several ways. ESG-integration can be implemented in different asset classes (public listed equity, corporate, government bonds and alternative investments); and can be implemented in both active and passive investments.

Insurance companies can learn from some pension funds that have incorporated ESG-criteria in a demonstrable, systematically and verifiable manner, as described in the VBDO Benchmark Pension Funds 2013.

***Pensioenfonds Zorg en Welzijn** has constructed a passive ESG-index that selects the top 90% of companies in each sector in the equity portfolio. The companies are selected from a set of over 70 indicators measuring performance in terms of ESG factors. **BPF Landbouw, Unilever Pension Fund** and* **Shell Pension Fund** *are examples of funds that have set up quantitative models in which they calculate the ESG-risk of a government bond, and use this data to evaluate their government bond holdings, which (automatically) results in an overweight or underweight position.*

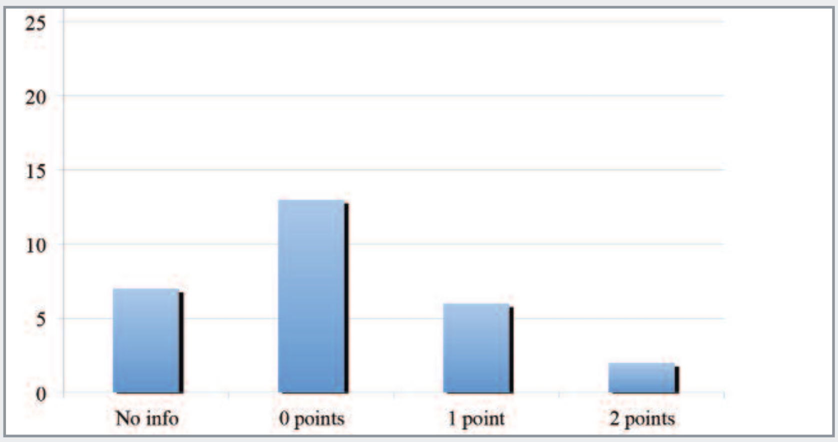
Whether from a return seeking opportunity, to better assess the risks or from a sustainable development perspective, the VBDO advises pension funds to use ESG-integration at the different asset classes, regardless whether the pension fund is using an active or a passive strategy.

Real Estate

The asset class real estate is divided into direct and indirect real estate. Direct real estate focuses on the selection and maintenance of holdings, while indirect real estate focuses on the selection of real estate managers and the dialogue with these managers on the topic of sustainability.

- **Direct real estate selection:** 6 companies consider ESG-issues in either the selection /development of new real estate objects or in the maintenance of real estate objects. Of these 6, 4 consider ESG-issues in both the selection/ development of new real estate objects and in the maintenance of real estate objects (which is 24% of the insurers for which this question is applicable).
- **Indirect real estate:** This year, 8 insurance companies (28%) incorporated ESG-criteria into the selection of real estate managers or publicly listed real estate companies (1/2 points). From these 8 insurance companies, 2 insurance companies (7%) only select the most sustainable ones (2 points).

Figure 4.14: Implementation of indirect real selection and evaluation



- **Real estate engagement:** 9 insurance companies (31%) used engagement and entered into dialogue with their real estate company manager, from which 4 showed demonstrably results over 2012.

Alternative investments

The final asset class is alternative investments, which comprises different types of investing strategies including private equity, hedge companies, infrastructure and commodities. The two instruments identified in this asset class are the integration of ESG-criteria and impact investing.

- **Private equity:** 7 of the insurance companies (24%) have some form of responsible investment policy in place regarding private equity.
- **Hedge Funds:** 4 insurance companies (7%) have some form of responsible investment policy and implementation regarding their investments in hedge companies.
- **Commodities:** 1 insurance company (3%) has some form of responsible investment policy and implementation regarding their investments in commodities.
- **Other alternative investments:** None of the insurance companies (0%) has some form of responsible investment policy and implementation regarding their investments in other alternative investments
- **Impact investment:** 7 insurance companies made investments in companies, which promote sustainable investments (such as microfinance institutions, renewable energy etcetera). 1 of them invested less than 1% of their assets in alternative investments to impact investments and five 2% or more, which is rather comparable with last year.

4.4.2 Analysis

Due to the change in methodology it is difficult to compare the results of last year's benchmark with the results of this year.

Public listed equity

Comparable with last year, the most used instruments for implementing responsible investment at the equity portfolio are exclusion, ESG-integration, engagement and voting. This is also the case within the Dutch pension fund sector. The instruments positive selection and impact investment are less frequently used (by 17% and 10% of the insurance companies). The number of insurers that use the instrument exclusion has increased, which can largely be attributed to new legislation regarding cluster ammunition.

Corporate bonds

As in public listed equity, positive selection is the most underused instrument for corporate bonds, being used by only 13% of the insurance companies. Due to the new legislation, an increase can be seen in insurers that exclude companies. The incorporation of ESG-criteria in the investment decision has shown a steadily rise in last years, which is positive. Last year only 10 insurance companies used ESG-integration in the corporate bond domain, which increased to 14 this year.

Government bonds

The exclusions and ESG-integration has increased compared to last year, the former by 3 insurers and the latter by 2. Positive selection however has shown a decline compared to last year.

Real estate

For this category, it is difficult to make a comparison with last year, as some of the questions have been altered in this year's methodology. Generally, the insurance companies that invest in real estate should adopt ESG-criteria to make these investments more responsible.

Alternative investments

Also for this category questions are adjusted, making it is difficult to compare the findings with last year's benchmark. However, it can be said that for each of the topics questioned improvement is necessary.

The VBDO advises insurance companies to look at all instruments that are available to implement the responsible investment policy in the different asset classes. It can be argued that especially impact investment and positive selection have a large positive effect on society and environment and therefore should be included in the responsible investment strategy

It is interesting to note that none of the insurers received full score on the extent of ESG-integration neither on either public listed equity, corporate bonds nor government bonds. These full scores has been the reached in the benchmark pension funds. The VBDO advises the insurance companies to learn from the best performing pension fund asset managers.

4.5 Pillar 4: ***Accountability***

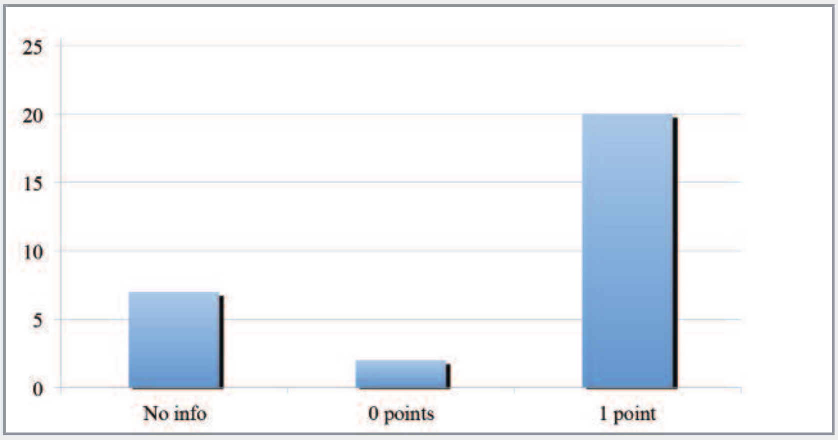
4.5.1. Results

The last component of responsible investing is how the insurance companies report on their responsible investment policies and implementation. This is of paramount importance, because only when insurance companies are transparent participants and other stakeholders can see how responsible the insurance company invests.

Accountability and the responsible investment policy

Of the 29 insurance companies, 20 (69%) have publicly available information about their responsible investment policy. The information varies from a well-developed policy based on international standards to a brief reference in the annual report of the organization. Last year, only 15 insurance companies published their policy.

Figure 4.15: Publication of a responsible investment policy



List of investments

When an insurance company publishes a list of its investments, it becomes possible for clients and other stakeholders to see what kind of investments are done by the company. This improves the transparency of the company, because different parties can verify in what companies and countries is invested, and can see if the responsible investment policies have been implemented.

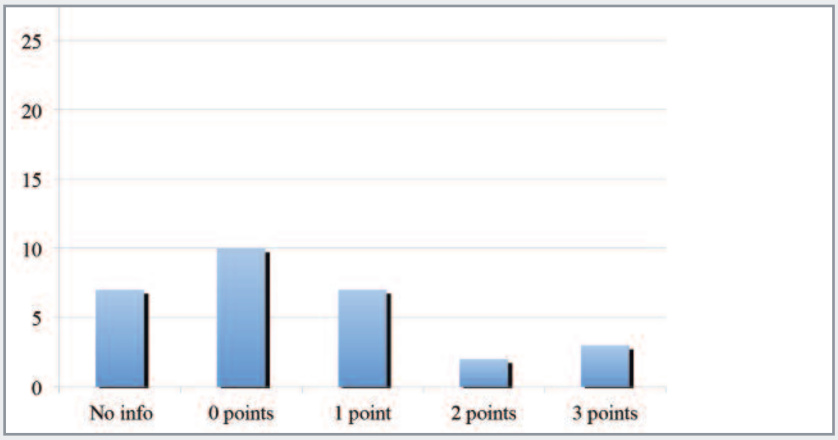
No info: **7** insurance companies **(24%)** did not provide information.
0 points: **12** insurance companies **(41%)** have not published a list of their investments.
1 point: **6** insurance companies **(21%)** have a list that covers 0-25% of the total investment portfolio.
2 points: **0** insurance companies **(0%)** have a list that covers 25-50% of the total investment portfolio.
3 points: **4** insurance companies **(14%)** have a list that covers 50-75% % of the total investment portfolio.
4 points: **0** insurance companies **(0%)** have a list that covers 75-100% of the total investment portfolio.

Accountability on responsible investment instruments

The level of reporting on the instruments to implement responsible investment has less developed than the policy itself. This was also the case in last year's benchmark.

- **Exclusion:** 16 insurance companies (55%) publicly report about exclusion. All 16 describe their exclusion policy. In addition 9 publish a list with excluded countries and companies. This is an increase compared to last year, when only 12 insurers published information concerning exclusions. This increase can be explained by the increase of the implementation of the instrument exclusion at the different asset classes.
- **ESG-integration:** This year, 13 insurance companies (45%) explained their methodology for ESG-integration, whereas last year this was only 11.
- **Positive selection:** 4 insurance companies (14%) describe their positive selection methodology, whereas last year only one company did.
- **Engagement:** 12 insurance companies provide information on their engagement activities, of which 5 explain their engagement policy, the undertaken engagement activities and concrete results. This as well is a sharp increase with last year, when only 9 insurance companies published information regarding engagement.

Figure 4.16: Accountability on engagement



- **Voting:** 10 insurance companies provide information on their voting activities, Only 5 of these also published a detailed voting report.
- **Impact investing:** 7 insurance companies report on their impact investments. This is the same as last year.

Annual report

Stakeholders need to be kept informed on the progress of the insurance company on the development of their responsible investment policy and of the implementation of this policy. Therefore insurance companies should publish a report to inform participants and other stakeholders on a yearly basis. This can be a dedicated report as well as a substantial part of the general annual report.

No info: **7** insurance companies **(24%)** did not provide information.

0 points: **10** insurance companies **(34%)** have not published a responsible investment report or have not given substantial attention to this theme in the annual report.

1 point: **12** insurance companies **(41%)** have published a dedicated report or have given substantial attention to this theme in the annual report.

Regarding external verification of the responsible investment report or the part on responsible investment in the annual report:

No info: **7** insurance companies **(24%)** did not provide information.

0 points: **14** insurance companies (48%) did not have any form of verification on their responsible investment policy and implementation.

1 point: **2** insurance companies **(7%)** the reporting was checked by an internal auditor.

2 points: **1** insurance company **(4%)** some parts of the report were checked by an external auditor.

3 points: **5** insurance companies **(17%)** the entire responsible investment report was audited by an external auditor.

Best practices: **Accountability**

The VBDO sees it as a positive development that the transparency on the responsible investment policy and implementation is improving.

During the research it however became clear that when information on responsible investment is available, that does not mean that it is easy to find for clients and other stakeholders. For many insurance companies not all information is publicly available or only possible to find when clients clearly know where to look. Achmea is a positive example in this respect. From the homepage on clients can easily find more information on responsible investment.

4.5.2. Analysis

Overall,insurance companies have become somewhat more transparent . They report more extensively on instruments such as exclusion, ESG-integration and engagement. However, the new question on the publication of the list of investments reveal only 35% of the insurers publish a part of their investments and none of them publish all their investments. Moreover, the publication of the annual report and the verification of the information included in this report are lagging. The VBDO advises the insurance companies to become more transparent.

4.6 Overall Results

4.6.1. Analysis of overall results

This year's average scores are shown in Table 4.2 Due to an update in the methodology comparisons to last year are hard to make. The VBDO is planning to keep this particular methodology during the upcoming two years to be able to make comparisons again. The table illuminates that insurance companies are especially lagging behind in the category implementation, for which, on average, 1,5 out of 5 point is scored. Simultaneously, the average scores of the categories governance and accountability do not exceed half of the maximum points. As stated before, the insurance companies that have not responded to the VBDO and have not published anything about responsible investment on their website have not been included. When these had been included the figures on the four pillars and the overall scores would be even lower, as can be seen in the same table.

Furthermore, it can be seen that there is a correlation between the size of the insurance companies and the level of responsible investment. The biggest insurers have an average score of 3.3; the medium sized insurers score 1.7; and the smaller ones have an average score of 1.0. This has been further explained in table 4.2 and figure 4.17. The only two insurance companies that are above the trend line, are Zwitserleven and REAAL. In section 4.6.2. the scores of the different insurance companies is displayed, also according to their sizes.

Table 4.2: Average scores

	Governance	Policy	Implementation	Accountability	Overall score
Overall average score	2,2	2,8	1,5	2,3	2,0
Overall average score (including 0-scores)	1,7	2,1	1,1	1,7	1,5
Average scores VBDO Benchmark Pension Funds	2,2	3,3	1,9	2,7	2,3
Size of insurance company (AuM)					
Average big (>10 bln)	3,5	3,7	2,9	3,7	3,3
Average medium (1 bln < 10 bln)	2,2	2,8	1,1	2,0	1,7
Average small (< 1 bln)	1,1	2,2	0,6	1,1	1,0

Best practices: **Responsible Investment by Insurance Companies and "Eerlijke Verzekeringswijzer"**

During the research process several questions came up regarding the differences and similarities between the Benchmark Insurance Companies and "Eerlijke Verzekeringswijzer". The main similarity is that both are focusing on how sustainability is integrated in the insurance and investment process.

The main difference is, is that the Benchmark Insurance Companies focuses on the process of responsible investment. This study assesses the responsible investment policy, the implementation of this policy (via responsible investment instruments) and the transparency of the responsible investment strategy. Finally the study looks as well at the governance of the responsible investment strategy.

The "Eerlijke Verzekeringswijzer", however, assesses the responsible investment of insurers on specific themes and sectors. Some examples of these themes are human rights and climate change, and examples of sectors are fishery and manufacturing. It conducts both policy and case studies.

Both studies therefore have the same goal; give insight on how sustainability is integrated in the insurance sector, but both are taking another, complementary, approach. The VBDO taking a more process based approach and the Eerlijke Verzekeringswijzer taking a more thematic and sector based approach.

Figure 4.17: Score and size insurance companies

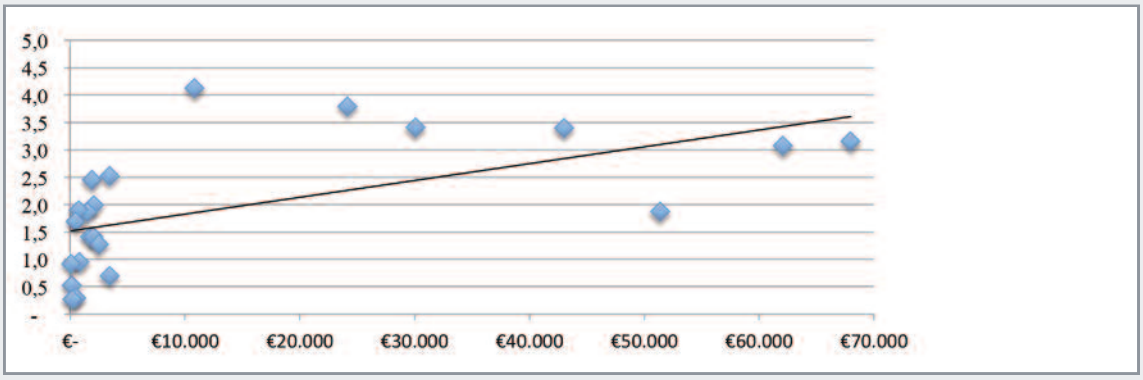


Table 4.3 shows that the average scores for the different asset classes are in general rather low. Due to the changes in methodology a comparison with last years results in not possible. However, it might be interesting to note that last year the asset class public listed equity scored highest as well. None of the asset classes receive a score that is close to half of the maximum achievable points, and therefore it can be concluded that there is much room for improvement.

Table 4.3: Average scores across asset classes (excluding 0-scores)

Asset class	
Public listed equity	1,3
Corporate bonds	1,8
Government bonds	1,3
Real estate	1,4
Alternative investments	1,3

Themes in responsible investment

Table 4.4: Adoption of themes in the responsible investment policy

Amount of companies adopting theme in the investment policy	
Controversial weapons	50
Human rights	39
Corruption	33
Environment	34
Climate change	23
Equal opportunities	25
Nuclear power	10
Animal testing	7
Intensive farming	6
Alcohol	7
Genetic engineering	3
Fur	4
Tobacco	7
Pornography	4
Gambling	2

Table 4.4 shows the number of references from different insurance companies to certain themes in the responsible investment policy. Especially the themes of the UN Global Compact and controversial weapons are mentioned.

Even though, it would be expected that all insurance companies have a policy on controversial weapons, it is unclear whether all insurance companies comply with the new legislation regarding the prohibition of investments in cluster ammunition producers.

4.6.2 Results per insurance company

Table 4.5: Scores and ranking per insurance company

	2013	2012	Insurance Company	Overall score	Governance	Policy	Implementation	Accountability
=	1	1	Zwitserleven	4,1	4,0	3,9	4,1	4,8
=	2	2	REAAL	3,8	3,3	3,9	3,7	4,4
=	3	3	ASR Nederland	3,4	5,0	3,3	3,0	3,2
▲	4	8	Achmea	3,4	3,7	4,4	2,9	3,5
▼	5	4	Aegon (Nederland)	3,2	3,0	3,9	2,8	3,6
▼	6	5	Nationale-Nederlanden	3,1	3,7	3,9	2,6	3,1
▼	7	6	Loyalis	2,5	1,5	3,3	2,5	2,8
▼	8	7	Menzis Zorgverzekeraar	2,5	2,7	4,4	1,6	2,8
▲	9	11	CZ Groep	2,0	2,2	3,9	1,1	2,4
▲	10	15	BNP Paribas Cardif	1,9	1,3	3,3	1,6	2,1
▼	11	9	Delta Lloyd	1,9	2,2	3,0	0,8	3,5
✱	12	21	Legal & General Nederland	1,9	2,7	2,8	1,2	2,1
▼	13	10	ONVZ Zorgverzekeraar	1,7	2,0	2,8	1,1	2,1
▼	14	13	Allianz Nederland	1,4	1,8	1,9	1,3	1,0
▼	15	12	De Goudse Verzekeringen	1,4	2,3	2,8	0,7	1,2
▼	16	14	Generali Verzekeringsgroep	1,3	2,7	1,5	0,3	2,5
▼	17	16	Klaverblad Verzekeringen	0,9	0,8	2,9	0,3	1,2
▲	18	21	Ondelinge 's-Gravenhage U.A.	0,9	0,0	2,2	0,6	1,3
=	19	19	VGZ U.A.	0,7	1,5	1,5	0,0	1,1
▼	20	17	Zorg en Zekerheid	0,5	2,2	1,0	0,0	0,0
=	21	21	TVM	0,3	0,0	1,1	0,2	0,0
▼	22	18	Unigarant	0,3	0,0	0,6	0,0	1,0
▼	23	21	ARAG Rechtsbijstand	0,0	0,0	0,0	0,0	0,0
▼	23	21	Bovemij verzekeringen	0,0	0,0	0,0	0,0	0,0
▼	23	21	Chartis Europe	0,0	0,0	0,0	0,0	0,0
▼	23	21	DAS	0,0	0,0	0,0	0,0	0,0
▼	23	21	DSW	0,0	0,0	0,0	0,0	0,0
▼	23	21	HDI Gerling	0,0	0,0	0,0	0,0	0,0
▼	23	21	SWISS RE	0,0	0,0	0,0	0,0	0,0

The overall results and ranking of the benchmark are shown in Table 4.5. The top 3 has remained the same, being Zwitserleven, REAAL and ASR Nederland. New on the 4th position is Achmea, which has been on the 8th position in last year's benchmark. Due to the increase of Achmea, the insurers previously placed position 5 to 8 all descended one position. Position 9 and 10, CZ and BNP Paribas Cardif have entered the top 10 this year, while Delta Lloyd and ONVZ have moved to position 11 and 13. The insurance company that has shown the largest improvement in position is Legal and General Nederland, which has increased from number 21 to number 12 position.

Table 4.6: Scores and ranking per insurance company (big)

	Average big (>10 bln)	Assets under management	Gover-nance	Policy	Implemen-tation	Account-ability	Overall score
1	Zwitserleven	€ 10.831,00	4,0	3,9	4,1	4,8	4,1
2	REAAL	€ 24.162,00	3,3	3,9	3,7	4,4	3,8
3	ASR Nederland	€ 30.100,00	5,0	3,3	3,0	3,2	3,4
4	Achmea	€ 43.003,00	3,7	4,4	2,9	3,5	3,4
5	Aegon (Nederland)	€ 67.984,00	3,0	3,9	2,8	3,6	3,2
6	Nationale-Nederlanden	€ 62.072,00	3,7	3,9	2,6	3,1	3,1
7	Delta Lloyd	€ 51.400,00	2,2	3,0	0,8	3,5	1,9
	Average Big	€ 41.364,57	3,5	3,7	2,9	3,7	3,3

Table 4.7: Scores and ranking per insurance company (medium)

	Average medium (1 bln < 10 bln)	Assets under management	Gover-nance	Policy	Implemen-tation	Account-ability	Overall score
1	Loyalis	€ 3.474,00	1,5	3,3	2,5	2,8	2,5
2	Menzis Zorgverzekeraar	€ 1.918,00	2,7	4,4	1,6	2,8	2,5
3	CZ Groep	€ 2.065,00	2,2	3,9	1,1	2,4	2,0
4	Legal & General Nederland	€ 1.526,00	2,7	2,8	1,2	2,1	1,9
5	Allianz Nederland	€ 1.735,00	1,8	1,9	1,3	1,0	1,4
6	De Goudse Verzekeringen	€ 2.021,00	2,3	2,8	0,7	1,2	1,4
7	Generali Verzekeringsgroep	€ 2.510,00	2,7	1,5	0,3	2,5	1,3
8	VGZ U.A.	€ 3.445,55	1,5	1,5	0,0	1,1	0,7
	Average Medium	€ 2.336,82	2,2	2,8	1,1	2,0	1,7

Since the size of an insurance company seems to play an important role in the level of responsible investment, table 4.6, 4.7 and 4.8 show the position of the insurance companies within their peer group. This shows some interesting results; Loyalis, Menzis and CZ perform as best medium-sized insurance company and BNP Paribas Cardif, ONVZ Zorgver-zekeraar and Klaverblad are the best performing small insurance companies.

Finally, it is interesting to look at which insurance companies are best performing at the different types of insurances. For accident insurance, building insurance, car insurance, disability insurance, fire insurance, home contents insurance, legal assistance, liability insurance, term life, and travel insurance the top 5 is as follows: 1) REAAL, 2) ASR Nederland, 3) Achmea, 4) Aegon (Nederland), and 5) Nationale-Nederlanden.

Table 4.8: Scores and ranking per insurance company (small)

	Average small (< 1 bln)	Assets under management	Gover-nance	Policy	Implemen-tation	Account-ability	Overall score
1	BNP Paribas Cardif	€ 754,20	1,3	3,3	1,6	2,1	1,9
2	ONVZ Zorgverzekeraar	€ 473,90	2,0	2,8	1,1	2,1	1,7
3	Klaverblad Verzekeringen	€ 828,00	0,8	2,9	0,3	1,2	0,9
4	Ondelinge 's-Gravenhage U.A.	€ 97,00	0,0	2,2	0,6	1,3	0,9
5	Zorg en Zekerheid	€ 165,00	2,2	1,0	0,0	0,0	0,5
6	TVM	€ 546,00	0,0	1,1	0,2	0,0	0,3
	Average small	€ 477,35	1,1	2,2	0,6	1,1	1,0

Concerning health insurances it is somewhat different: 1) ASR Nederland, 2) Achmea, 3) Menzis Zorgverzekeraar, 4) CZ Groep, 5) Delta Lloyd. Finally, regarding funeral insurance, the top 5 is: 1) REAAL, 2) ASR Nederland, 3) Achmea, 4) BNP Paribas Cardif, 5) De Goudse Verzekeringen. Unfortunately, the category pension insurance has not been included in this research and therefore Zwitserleven (the number 1) is not included in these lists.

Chapter 5: **Conclusions and recommendations**

This section is divided along the overall conclusions; the four categories (governance, policy, implementation and accountability), and the conclusions per insurance company. In contrast to chapter four, which shows a detailed overview per question, in this chapter we focus on the highlights and main conclusions of this year's benchmark study.

5.1 Overall conclusions

- Nine of the 29 insurance companies that have been included in this benchmark study have not published any information regarding responsible investment on their website nor have responded to the requests of the VBDO. These are either Dutch branches of large international insurance companies (Chartis Europe, HDI-Gerling, and Swiss RE), or small Dutch insurance companies (ARAG Rechtsbijstand, Bovemij, DAS, and DSW). These insurance companies are lagging behind and the VBDO advises them to start implementing a responsible investment policy and try to catch up with the competitors.[1]
- The response rate of this study is with 69% somewhat lower than of last year's benchmark (72%). However, in comparison with the VBDO Pension Fund Benchmark 2013 the response rate is rather low, since in the 2013 edition all pension funds responded to the VBDO questionnaires, resulting in a 100% response rate.
- The top 10 of the benchmark insurance companies 2013 is (with a maximum possible score of 5 points):

2013	Insurance company	Overall score
1	Zwitserleven	4,1
2	REAAL	3,8
3	ASR Nederland	3,4
4	Achmea	3,4
5	Aegon (Nederland)	3,2
6	Nationale-Nederlanden	3,1
7	Loyalis	2,5
8	Menzis Zorgverzekeraar	2,5
9	CZ Groep	2,0
10	BNP Paribas Cardif	1,9

- Due to methodological changes it is difficult to compare this year's results with the results of previous editions. However, on several fronts improvements can be seen regarding the responsible investment practices of the insurance companies.
- This study shows that there is a correlation between the size of an insurance company and its performance on responsible investment. Larger companies perform better than medium sized companies and these perform better than the smaller ones. This has also been the case in previous editions of the benchmark study. However, there are a few notable examples showing smaller insurance companies can achieve relatively high scores regarding responsible investments, such as BNP Paribas Cardif and ONVZ Zorgverzekeraar. Therefore the size of an insurer cannot be seen as an impediment to successfully formulating and implementing a responsible investment policy.

[1] *In this study these insurance companies have not been included in the calculation of the averages, since this would provide a distorted image of the Dutch insurance sector.*

- On average, insurers are lagging behind in comparison with pension funds on the categories policy, implementation and accountability.

Recommendations:

- Insurance companies that are not active in the field of responsible investment are recommended to take up this challenge, both by setting up and implementing a responsible investment policy and by increasing their transparency. For example by participating in this and other studies regarding responsible investment.
- For many of the other insurance companies there is room for improvement as well. Insurance companies are advised to look closely at best practices in this field, both from insurance companies and pension funds.

5.2. Pillar 1: *Governance*

- The diversity of both the workforce of insurance companies and of the boards has been researched. The workforce is rather equally divided, with 53% male and 47% female. This is, however, not the case with the board diversity, with 91% male and 9% female, which is even more unequal than the pension fund board members (86% male, 14% female). The VBDO strongly believes that diversity at the top benefits a company, because it allows for a plurality of views to be heard, thereby minimalizing the risk of a tunnel vision. Diversity is a source of creativity and innovation, which translates into more sustainable growth.
- It is positive to note that the majority of the insurance companies disucces the topic of responsible investment at board level, and in 41% of the cases more than once a year. Most insurance companies place the responsibility of their responsible investment strategy at either board level or one level below board level. The VBDO has the conviction that responsible investment should be monitored and evaluated at, or close to, board level.
- Board members and asset managers should be incentivized to promote more sustainability ?and to have a long-term focus. Several insurers have established the link towards a long-term focus, yet the link towards sustainability targets is limited.
- Finally, the insurance companies in the Netherlands do not seem to communicate two-way with their clients and society in general. The majority uses their website to publish information (one-way) and a small part lets their clients play a role in the establishment of the responsible investment policy or consults other parties, such as NGO’s.

Recommendations:

- Insurance companies are advised to raise the diversity of the boards.
- Remuneration schemes should be made more sustainable, by focusing more on sustainable and long-term targets.
- The VBDO advices insurance companies to become more open to the opinions of customers and civil society regarding responsible investment.

5.3. Pillar 2: *Responsible investment policy*

- All of the insurance companies (that are included) have a responsible investment policy, yet the quality of these policy documents differs greatly. Also the volume to which the responsible investment policy applies differs.
- Performance indicators to improve the responsible investment policy are mostly qualitatively described. None of the insurance companies have included performance indicators that also measure the actual impact of corporate social and environmental policies.

Recommendations:

- The VBDO encourages the insurance companies to set up a well-articulated responsible investment policy that applies to the entire investment portfolio of the company.
- Clear goals that also measure actual impact of responsible investment should be included in the responsible in vestment policy. This also facilitates the monitoring and periodical evaluation of the responsible investment policy.

5.4. Pillar 3: *Implementation of the responsible investment policy*

- Exclusion remains the most widely used instrument. This is also the case at the VBDO Benchmark Pension Funds 2013. The number of insurers that use the instrument exclusion has increased, which can (for the corporate bonds and equity) largely be attributed to new legalization coming in place regarding cluster ammunition. However, for some insurers it is not clear if they comply with the new legislation regarding the prohibition of investments in cluster ammunition producers. In the government bond domain, also more insurance companies start to implement exclusions.
- The incorporation of ESG-criteria in the investment decision has shown a steadily rise in last years, which is positive. It is interesting to note that none of the insurers has been able to provide evidence that the implementation of this instrument has a demonstrable, systematical and verifiable impact on the investment decision on either public listed equity, corporate bonds or government bonds, which has been the case in the VBDO Benchmark Pension Funds 2013.
- Engagement and voting, the active ownership instruments, are being implemented at approximately one-third of the insurance companies. Since these are ways to change the behavior of companies, insurance companies should focus more on implementing these.
- The instruments positive selection and impact investment are less frequently used in the different asset classes. It can be argued that especially these instruments can have a large positive effect on society and environment and therefore should be included in the responsible investment strategy. This is comparable to the VBDO Benchmark Pension Funds, where these instruments are relatively underused, but seems even more the case for the insurance companies.
- Since the questions for the asset classes real estate and alternative investments has been changed, a comparison with last year is difficult. However, it can be stated that there is sufficient room for improvement in both asset classes.

Recommendations:

- The VBDO advocates that pension funds should apply the full range of methods at their disposal, from exclusions and ESG-integration to voting and engagement in the different asset classes, especially real estate and alternative investments.
- Regarding ESG-integration, the VBDO advises the insurance companies to learn from the best performing pension fund asset managers.

5.5. Pillar 4: *Accountability*

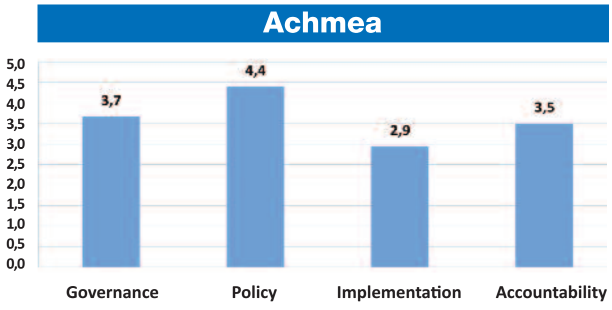
- In general it can be said that insurance companies have become somewhat more transparent last year. Instruments such as exclusion, ESG-integration and engagement have shown an increase in reporting.

- When information is available regarding responsible investment policies and implementation, it is not always easy to find by clients and other stakeholders.
- It can be seen that only 35% of the insurers publish a part of their investments and none of them publish all their investments. Also the publication of the annual report and the verification of the information included in this report are lagging.

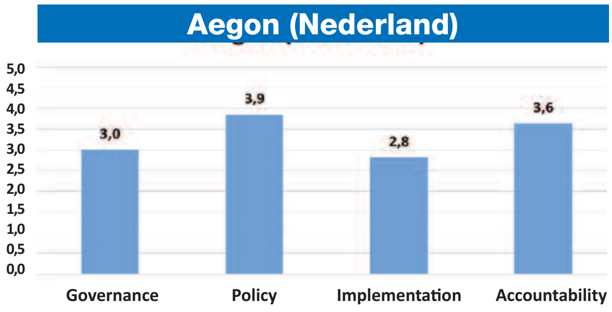
Recommendations:

- The VBDO advises the insurance companies to become more transparent. Although at some instruments more insurers have become more transparent, it cannot be said that the sector as a whole is very transparent.
- More effort should be made to explain the responsible investment practices in a way that is easy to comprehend and find by clients and stakeholders. This can also be used as a unique selling point from a commercial point of view.

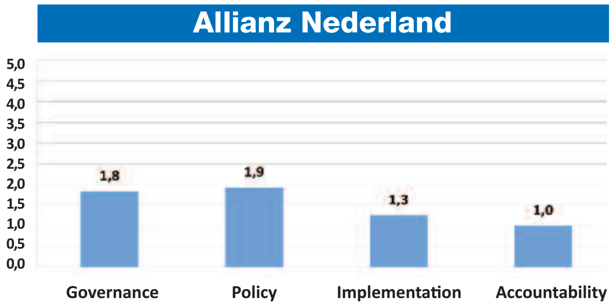
Appendix 1: Overview per pension fund



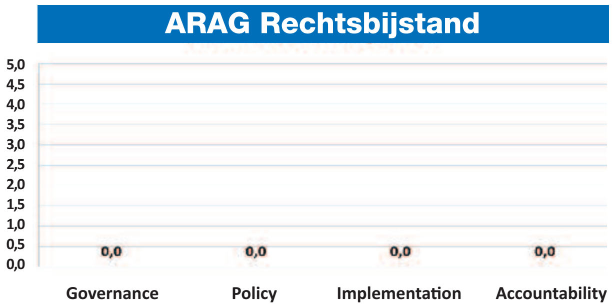
Implementation	
Public listed equity	2,6
Corporate bonds	3,3
Government bonds	2,8
Real estate	3,3
Alternative investments	3,1
Overall score	3,4
Position in Benchmark 2013	4



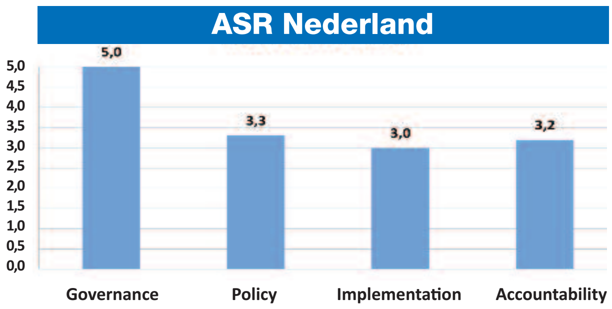
Implementation	
Public listed equity	2,6
Corporate bonds	3,3
Government bonds	2,8
Real estate	4,2
Alternative investments	2,5
Overall score	3,2
Position in Benchmark 2013	5



Implementation	
Public listed equity	0,8
Corporate bonds	1,0
Government bonds	1,4
Real estate	0,0
Alternative investments	0,0
Overall score	1,4
Position in Benchmark 2013	14

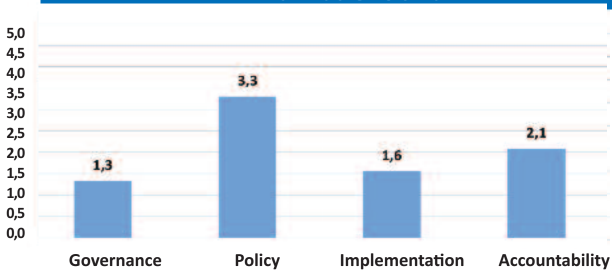


Implementation	
Public listed equity	0,0
Corporate bonds	0,0
Government bonds	0,0
Real estate	0,0
Alternative investments	0,0
Overall score	0,0
Position in Benchmark 2013	23



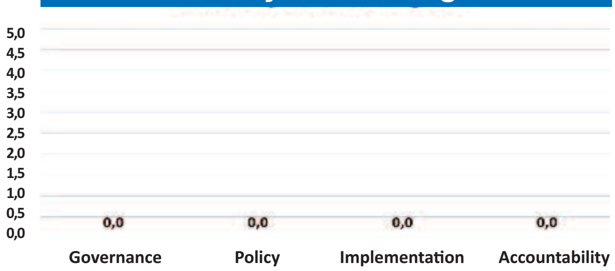
Implementation	
Public listed equity	2,5
Corporate bonds	2,9
Government bonds	2,8
Real estate	4,2
Alternative investments	5,0
Overall score	3,4
Position in Benchmark 2013	3

BNP Paribas Cardif



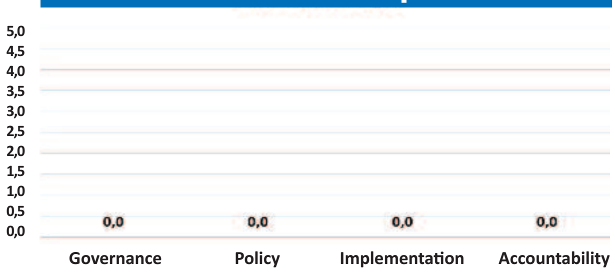
Implementation	
Public listed equity	0,4
Corporate bonds	0,8
Government bonds	2,8
Real estate	0,0
Alternative investments	0,0
Overall score	**1,9**
Position in Benchmark 2013	**10**

Bovemij verzekeringen



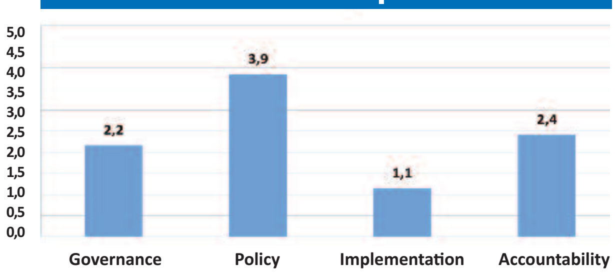
Implementation	
Public listed equity	0,0
Corporate bonds	0,0
Government bonds	0,0
Real estate	0,0
Alternative investments	0,0
Overall score	**0,0**
Position in Benchmark 2013	**23**

Chartis Europe



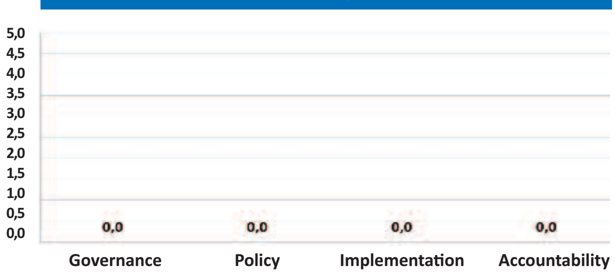
Implementation	
Public listed equity	0,0
Corporate bonds	0,0
Government bonds	0,0
Real estate	0,0
Alternative investments	0,0
Overall score	**0,0**
Position in Benchmark 2013	**23**

CZ Groep



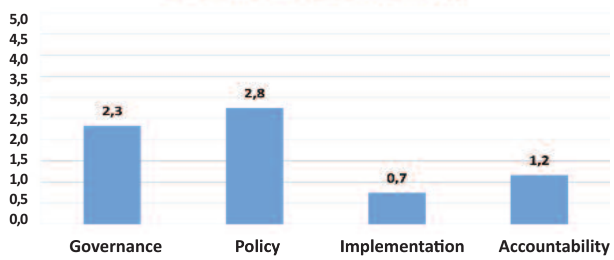
Implementation	
Public listed equity	1,2
Corporate bonds	2,5
Government bonds	0,8
Real estate	1,3
Alternative investments	0,0
Overall score	**2,0**
Position in Benchmark 2013	**9**

DAS



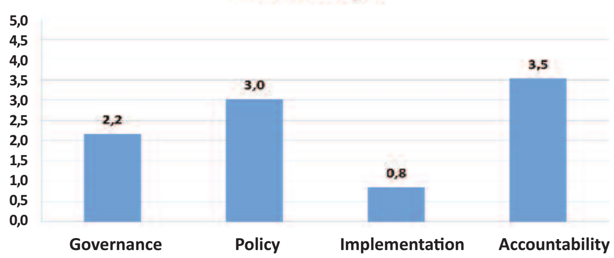
Implementation	
Public listed equity	0,0
Corporate bonds	0,0
Government bonds	0,0
Real estate	0,0
Alternative investments	0,0
Overall score	**0,0**
Position in Benchmark 2013	**23**

De Goudse Verzekeringen



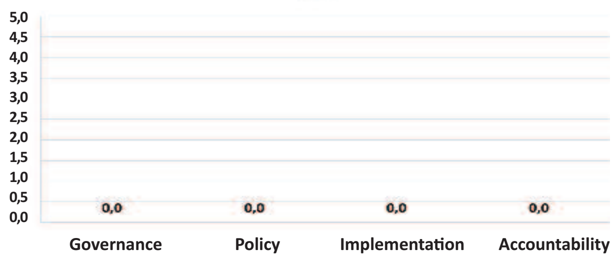
Implementation	
Public listed equity	0,4
Corporate bonds	0,6
Government bonds	0,8
Real estate	1,7
Alternative investments	0,0
Overall score	1,4
Position in Benchmark 2013	15

Delta Lloyd



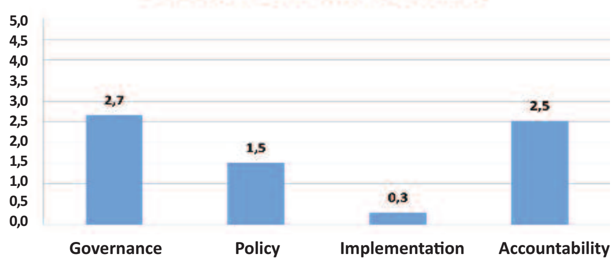
Implementation	
Public listed equity	2,3
Corporate bonds	2,1
Government bonds	0,0
Real estate	2,5
Alternative investments	0,0
Overall score	1,9
Position in Benchmark 2013	11

DSW



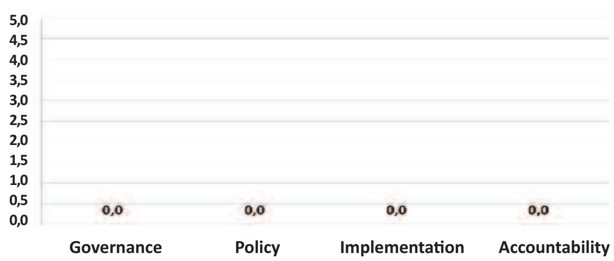
Implementation	
Public listed equity	0,0
Corporate bonds	0,0
Government bonds	0,0
Real estate	0,0
Alternative investments	0,0
Overall score	0,0
Position in Benchmark 2013	23

Generali Verzekeringsgroep



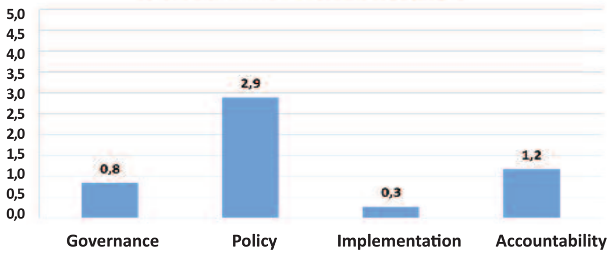
Implementation	
Public listed equity	1,1
Corporate bonds	1,7
Government bonds	0,0
Real estate	0,0
Alternative investments	0,0
Overall score	1,3
Position in Benchmark 2013	16

HDI Gerling



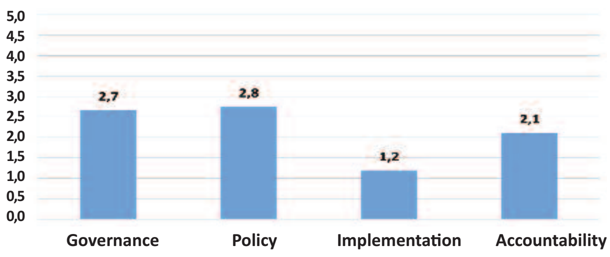
Implementation	
Public listed equity	0,0
Corporate bonds	0,0
Government bonds	0,0
Real estate	0,0
Alternative investments	0,0
Overall score	0,0
Position in Benchmark 2013	23

Klaverblad Verzekeringen



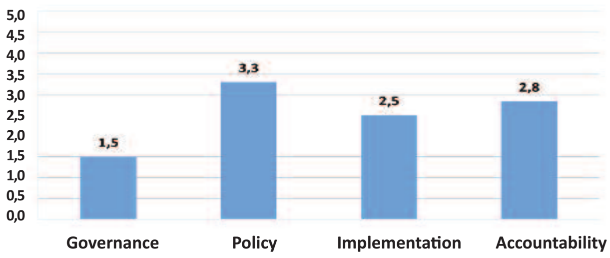
Implementation	
Public listed equity	0,4
Corporate bonds	0,6
Government bonds	0,0
Real estate	0,0
Alternative investments	0,0
Overall score	0,9
Position in Benchmark 2013	17

Legal & General Nederland



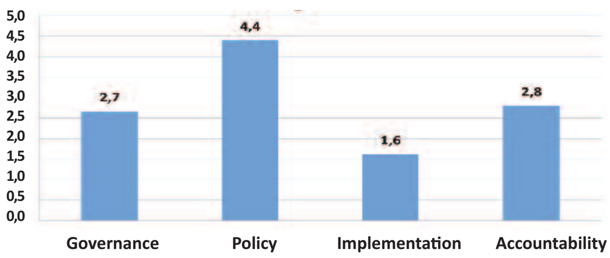
Implementation	
Public listed equity	0,0
Corporate bonds	2,1
Government bonds	0,8
Real estate	0,0
Alternative investments	0,0
Overall score	1,9
Position in Benchmark 2013	12

Loyalis



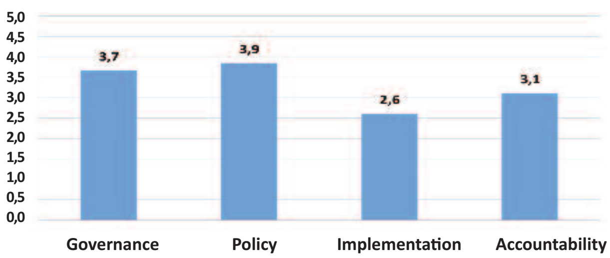
Implementation	
Public listed equity	1,9
Corporate bonds	2,9
Government bonds	1,9
Real estate	2,5
Alternative investments	1,4
Overall score	2,5
Position in Benchmark 2013	7

Menzis Zorgverzekeraar



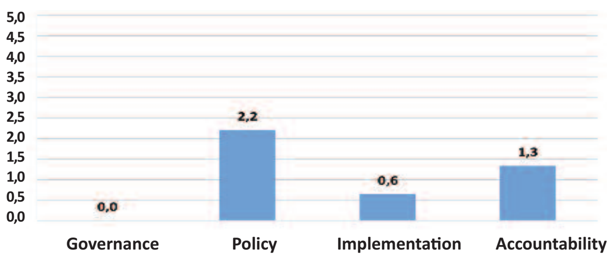
Implementation	
Public listed equity	1,8
Corporate bonds	2,5
Government bonds	1,4
Real estate	0,0
Alternative investments	5,0
Overall score	2,5
Position in Benchmark 2013	8

Nationale-Nederlanden



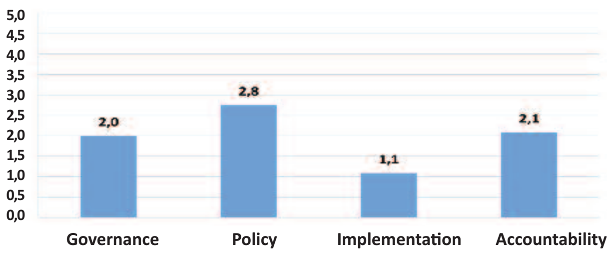
Implementation	
Public listed equity	3,0
Corporate bonds	2,8
Government bonds	2,5
Real estate	4,2
Alternative investments	0,8
Overall score	3,1
Position in Benchmark 2013	6

Onderlinge 's-Gravenhage U.A.



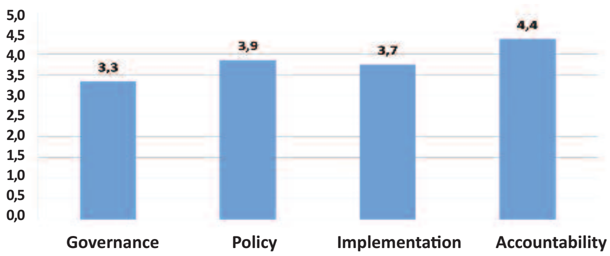
Implementation	
Public listed equity	0,4
Corporate bonds	0,6
Government bonds	0,8
Real estate	0,0
Alternative investments	0,0
Overall score	0,9
Position in Benchmark 2013	18

ONVZ Zorgverzekeraar



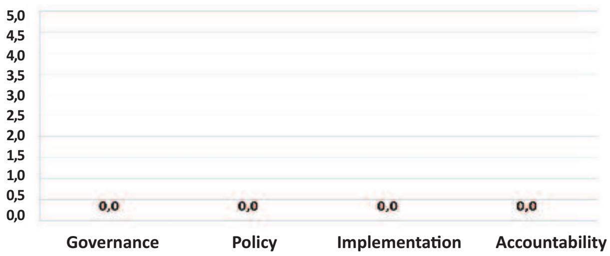
Implementation	
Public listed equity	0,1
Corporate bonds	1,7
Government bonds	1,1
Real estate	0,0
Alternative investments	0,0
Overall score	1,7
Position in Benchmark 2013	13

REAAL



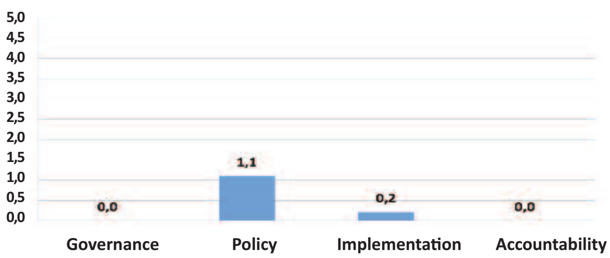
Implementation	
Public listed equity	3,0
Corporate bonds	3,6
Government bonds	2,8
Real estate	3,8
Alternative investments	5,0
Overall score	3,8
Position in Benchmark 2013	2

SWISS RE



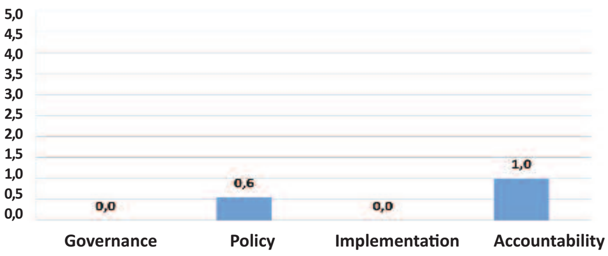
Implementation	
Public listed equity	0,0
Corporate bonds	0,0
Government bonds	0,0
Real estate	0,0
Alternative investments	0,0
Overall score	0,0
Position in Benchmark 2013	23

TVM



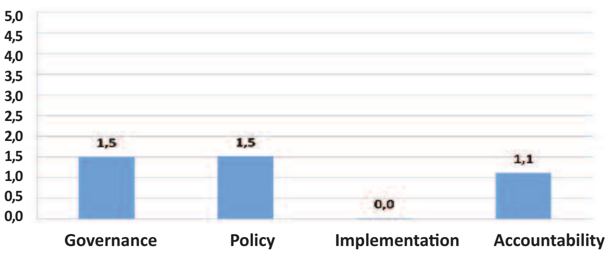
Implementation	
Public listed equity	0,6
Corporate bonds	0,0
Government bonds	0,0
Real estate	0,0
Alternative investments	0,0
Overall score	0,3
Position in Benchmark 2013	21

Unigarant



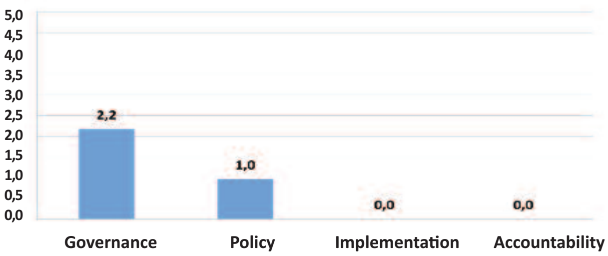
Implementation	
Public listed equity	0,0
Corporate bonds	0,0
Government bonds	0,0
Real estate	0,0
Alternative investments	0,0
Overall score	0,3
Position in Benchmark 2013	22

VGZ U.A.



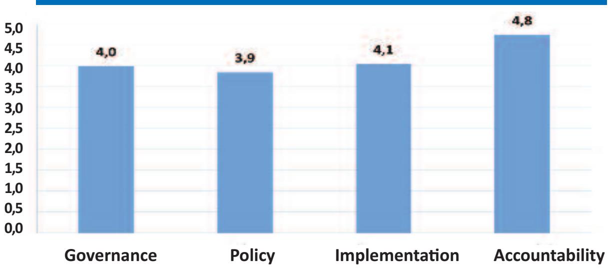
Implementation	
Public listed equity	0,3
Corporate bonds	0,0
Government bonds	0,0
Real estate	0,0
Alternative investments 0,0	
Overall score	0,7
Position in Benchmark 2013	19

Zorg en Zekerheid



Implementation	
Public listed equity	0,0
Corporate bonds	0,0
Government bonds	0,0
Real estate	0,0
Alternative investments	0,0
Overall score	0,5
Position in Benchmark 2013	20

Zwitserleven



Implementation	
Public listed equity	3,3
Corporate bonds	3,6
Government bonds	4,0
Real estate	3,8
Alternative investments	5,0
Overall score	4,1
Position in Benchmark 2013	1

Appendix 2: Responsible investment strategies & asset classes

Responsible investment strategies

Based on reviews of implementation practices by investors worldwide and its own vision on responsible investment, the VBDO has identified a range of instruments or strategies, applicable to one or more asset classes:

- ### Exclusion

  Some products and processes or behaviour of some companies are at such odds with international agreements and treaties that they should be excluded from the investment portfolio. Merely taking general issues such as human rights violations into consideration offers insufficient means of judgment for the exclusion of specific companies. It is important to specify these issues and use well defined Environment, Social and Governance (ESG) criteria or international guidelines.

  While some investors do take more than one criterion into account for the exclusion of companies from their investment portfolio, their list of excluded companies only shows (controversial) weapon producers which raises questions about the use of ESG-criteria. Especially because of January 2013 the legal ban of investments in cluster munition came into force in the Netherlands. In the opinion of the VBDO responsible investments should be a practice which goes beyond only following legal obligation. Therefore the standards on exclusion will be raised accordingly in the benchmark of 2014. From then on, only using more than two criteria for exclusion will lead to a score on the related questions.

  An exclusion policy can at least be applied to publicly listed equity, corporate bonds and government bonds.

- ### ESG-integration

  Even when the excluded companies are left out, large differences in terms of corporate responsibility sometimes remain between companies in which pension funds or insurance companies invest. Where one company may only abide by the current environmental and social laws of the country in which it operates, the other may pursue high social and environmental standards in every country in which it is active. Pension funds should consider this in developing their investment policy and should give preference to companies that perform well in relation to corporate responsibility.

  The VBDO defines ESG-integration as the process by which ESG-criteria are incorporated into the investment process. This involves more than screening the portfolios against exclusion criteria but does not necessarily mean that an investor selects the best-in-class companies. ESG-integration can go one step further by identifying and weighing ESG-criteria, which may have a significant impact on the risk-return profile of a portfolio. Therefore, the VBDO distinguishes between investors making ESG-information available to the portfolio manager on the one hand and investors systematically incorporating ESG-criteria into each investment decision on the other hand. The latter is rated higher because this truly meets the idea behind ESG-integration.

  Integration of ESG-criteria in the investment selection can be applied to all the selected asset classes in this research. Regarding publicly listed equity and bonds, the assessment in this benchmark takes into account both the extent and the volume of ESG-integration.

- ### Positive selection

  A number of investors also explain responsible investment as best-in-class or –sector selection, stock picking, or

[1] Ness, A., "ESG-progress in emerging markets", *Investments & Pensions Europe*, February 2010.

[2] Carter, D., "ESG-factors make inroads in fixed-income portfolios. As bond assets grow so does the demand for ESG-related product", *Responsible Investor,* 10 September 2010.

investments in SRI funds. In this case, ESG-criteria do not guide the investment decision process, but form the basis for selecting companies that perform above average on ESG-issues. Positive selection can be a result of ESG-integration but can also be an instrument on its own. Therefore, VBDO identified this as a separate instrument within the range of responsible investment possibilities. Positive selection is defined as choosing the best performing organisation out of a group of corresponding organisations (sector, industry, class) with the use of ESG-criteria.

Positive selection is examined at the asset classes publicly listed equity, corporate and government bonds.

- **Voting**

  Pension funds and insurance companies can actively exert influence on companies in which they invest by voting during shareholder meetings. Many pension funds have been voting at shareholder meetings, but their voting policy is limited to subjects regarding corporate governance. This might push companies towards a better sustainability policy, but that is in itself not enough. A clearly defined voting policy is required, one that explicitly emphasizes social and environmental issues. By pro-actively introducing or supporting resolutions about sustainable development and corporate social responsibility, companies can be pushed towards improvement and corrective action.

  Obviously, voting is examined only at the asset class publicly listed equity.

- **Engagement**

  Pension funds can actively exert influence on companies in which investments are made by entering into dialogue with them. If the policy and behaviour of a company are at odds with responsible investment policy, they should to some extent use their influence to alter the conduct of companies in which investments are made. Institutional investors that have formulated an engagement policy, actively seek dialogue with companies outside shareholder meeting, monitor and report positive changes in corporate social and environmental management receive higher scores.

  Engagement can be used to publicly listed equity as well as corporate bonds.

- **Impact investing**

  Impact investing implies active investments that are made in companies or projects which are leaders in the field in terms of sustainability or clearly offer added value for sustainable development. Examples are investments in sustainable energy sources, innovative clean technology, cheap medicine against tropical diseases, microcredit and sustainable forestry. Although such initiatives can yield considerable profits, they are not considered for regular financing because investment return time horizon is considered by banks to be too long. Institutional investors, with their longer time horizons, are very well equipped to make such investments, enabling them at the same time to fulfil their social responsibility.

  Impact investing might look like positive selection, because it may be using the same positive ESG-criteria and can be done by investing in specially constructed funds, but it is not a best in class approach. Rather, investors choose a specific theme or development and searches for companies or projects that contribute to this development and thus create added value for society in a way that can hardly be compared with mainstream industry or solutions.

  A well-balanced investment mix should allow between 2 and 5% of their equity and/or alternative investments portfolio to be used for financing sustainable projects and companies. The instrument is applicable to publicly listed equity and private equity. The latter is assessed in this research' asset class category 'alternative investments'.

[3] Wood, D., "Handbook on Responsible Investment across Asset Classes", *Boston College Center for Corporate Citizenship*, November 2007.

Asset Classes

- ### Publicly listed equity

The public equities market consists of the publicly traded stocks of large corporations. The risks and opportunities connected to ESG-issues are important for the analysis and adjustments of an equity portfolio. Both exclusion and selection of companies within the portfolio, as well as voting and engagement gives the investor many ways to integrate ESG-issues into its investment decisions.

Emerging markets deserve special attention from investors, since these are increasingly reported as interesting opportunities because of their economic growth. Due to the growing demographic and resource challenges, and the potential dangers for the environment, a more sustainable approach to economic development is crucially for emerging markets. In many sectors economic development show that these countries are already responding to the above mentioned challenges (think of, for example, the leading role in solar power of China). Nevertheless, ex tracting the relevant ESG-data on emerging market companies can require a large amount of research.[1]

It is also possible to take ESG-criteria into account with passive investments, by following a sustainable index or by using an engagement overlay.

- ### Corporate (including covered) bonds

For corporate bonds responsible investment activities can be much the same as for equities, with the difference those corporate bonds do not have voting rights and bring a fixed return. This reduces the financial risk, but also offers fewer opportunities to take advantage of high returns and to influence the policies of a company.

Because bondholders lack the voting power shareholders have, most ESG-integration activity has been in equities. But with growing client demand, bond managers are working to integrate ESG-factors in fixed-income portfolios. Still, according to some pension funds “it will be months, even years, before responsible investment in bonds reaches the level it has in equities”, but it does not mean it is not possible at all. This also counts for engagement, which can be done at the time of issuance.[2]

- ### Government / sovereign bonds

Like corporate bonds, government bonds (together often referred to as fixed-income) are generally regarded as one of the safer, more conservative investment opportunities. They are issued to fund public services, goods or infrastructure.

The first association about responsible investment and this asset class may often be exclusion of countries with dictatorial regimes, because of their human rights violations. This is a clear example of the results of an ESG-risk analysis. ESG-rating agencies increasingly offer products to screen bonds portfolios on corporate governance regulatory practices, environmental policies, respect for human rights and international accords and there are sustainable government bond funds. Investors can also seek those government bonds that support the creation of public goods, such as needed infrastructural improvements, support for schools, or the development of sustainable energy sources and purchase government debt targeted to a specific activity. ESG-analysis for sovereign bonds, let alone positive selection, is not practiced often. This also means that by using ESG-analysis investors can use information which is not yet totally integrated in the market prices.

- ## Real estate

Real estate investments encompass a wide range of products, including home ownership for individuals, direct investments in rental properties and office and commercial space for institutional investors, publicly traded equities of real estate investment trusts, and fixed-income securities based on home-loans or other mortgages. This assessment is limited to direct investments in buildings and indirect investments via real estate funds.

Investors could screen their portfolio by developing ESG-criteria for the construction of new buildings, their locations and the maintenance of existing buildings, machines and other facilities within buildings, such as environmental efficiency, sustainable construction and materials and fair labour practices. For real estate (investment) that is managed externally, selection of fund managers based on experience with and implementation of ESG is an important tool. Additionally the managers of real estate funds can be engaged to improve their social and environmental performance.

- ## Alternative investments

Depending on the asset allocation and definitions of an investor, alternative investments can include many kinds of assets, while at the same time experiences with and strategies for responsible investments are in their infancy. Also because the investments are a small part of total investments, this research limits this asset class to private equity, hedge funds, commodities and the category "other alternative investments". Information provided on other asset classes will not be taken into account. The following opportunities were derived from literature:[3]

With regard to private equity an institutional investor can stimulate innovative and sustainable companies because it can directly influence management, encourage entrepreneurs to focus on developing business with high-impact social and/or environmental missions, especially in regions and communities that are underserved, and promote creation of local business and jobs. Also integrating the responsible investment policies in the selection process can be an important tool for institutional investors.

Although hedge funds are often handled as a separate asset class, the underlying assets are generally publicly listed securities (stocks and bonds) and their derivative products. Thus, investors could consider an ESG-analysis of underlying assets and theoretically use the same tool for ESG-management as for public equity and fixed income. Also integrating the responsible investment policies in the selection process can be an important tool.

Regarding commodities investors could direct capital to commodities with better ESG-profiles and consider the source (region) of the commodity. As there are few ways to foster positive ESG-changes, investors may advocate change on a broader level within commodities exchanges. Also integrating the responsible investment policies in the selection process of commodity investments or asset managers can be an important tool for this category.

Appendix 3: Questionnaire

Pillar 1: *Governance* (16,6%)

The governance of the responsible investment policy within the insurance company is an important factor in its success. On what level are the key decisions on responsible investment for example made? Does the management evaluate responsible investment performance, discuss responsible investment issues and evaluate the mandate the (inhouse or external) asset manager has on this issue?

Ownership develop and approve responsible investment policy

Has the responsible investment policy been discussed and approved by the senior management (executive) board?

- Responsible investment has not been discussed in the senior management (executive) board. (0/2)
- The responsible investment policy has been discussed once at a senior management (executive) board meeting in 2012. (1/2)
- The responsible investment policy has been discussed more than once a year at a senior management (executive) board meeting in 2012. (2/2)

Ownership implementation responsible investment policy

Who is the most senior employee dedicated to the responsible investment policy?

- Nobody is formally responsible. (0/3)
- A person who reports to a lower management. (1/3)
- A person who directly reports to the senior management (executive) board meeting. (2/3)
- The senior management (executive) board. (3/3)

Sustainable remuneration of executive board members

To actively steer and evaluate the responsible investment policy and implementation it is important that this topic and therefore sustainability targets have a proper place in the remuneration. Is the (variable) remuneration of the senior management (executive) board dependent on sustainabilty targets?

- No. (0/1)
- Yes, the (variable) remuneration is at least for 60% based on long term goals. (1/3)
- Yes, from the (variable) remuneration is at least 33% based on sustainability (or ESG)-targets. (2/3)
- Yes, the (variable) remuneration is at least for 60% based on long term goals and for 33% based on sustainability targets. (3/3)

Sustainable remuneration of asset managers

To actively steer and evaluate the responsible investment policy and implementation it is important that this topic and therefore sustainability targets have a proper place in the remuneration. Is the (variable) remuneration of the asset manager dependent on sustainability targets?

- No. (0/1)
- Yes, the (variable) remuneration is also dependent on targets on responsible investment and sustainability. (1/1)

Note: *When the insurance company did not have a remuneration policy and could therefore also not have a sustainable remuneration policy, points could still be awarded when the board had clear control over the efforts of the fiduciary/asset manager regarding responsible investment.*

Communication with stakeholders

Responsible investment is based on acknowledging the responsibility an institutional investor has to decrease negative, and improve positive effects on society. Therefore an institutional investor not only has to be aware of economic developments, but also has to be aware of the preferences of their stakeholders, such as policy holders and developments regarding sustainability in general. Seeking constructive dialogue with for example policy holders or NGOs on how the insurance company can assume its responsibilities is therefore viewed positively. How does the insurance company communicate with their policyholders and society in general?

- No communication. (0/4)
- The insurance company informs (potential) policy holders about the responsible investment policy using the website, newsletters and/or information packages. (1/3)
- The insurance company consults (potential) policy holders on a regular basis (such as in a customer council) in the formulation and adaptation of the responsible investment policy. (2/3)
- Besides with policy holders, the insurance company also consults with society in general (such as NGO's) about the formulation and/or adaption of the responsible investment policy. (3/3)

Best Practices governance

Are there any best-practices regarding the governance of RI in your fund you would like to mention (no points, but processed in report)?

Pillar 2: ***Responsible investment policy* (16,6%)**

The implementation of a socially responsible investment policy requires in the first place that it is defined as clearly as possible in a publicly available document. In doing so, it is important to provide a clear description of the policy objectives and basic principles by referring to recognized legislation and international treaty standards, such as the UN Declaration on Human Rights and ILO conventions.

Policy content

VBDO selected the widely accepted themes from the UN Global Compact (human rights, labour standards, the environment and anti-corruption), as a basis for assessing the content of the policies. This means that the policy should explain which themes are important to the investor and form the basis for its investment decisions, but does not necessarily have to refer to the Global Compact itself.

- No policy. (0/3)
- The responsible investment policy is mentioned on website and/or annual report AND/OR covers at least two of the themes included in the UN Global Compact. (1/3)
- The responsible investment policy covers all four themes included in the UN Global Compact. (2/3)
- The responsible investment policy covers at least all four themes in the UN Global Compact and details how it deals with (some of the) ten principles in the investment practice. (3/3)

Policy: volume

As insurance companies spread out their investment capital over various asset classes, a responsible investment policy should relate to all these asset classes, and specific criteria and instruments per category should be defined. Practical experience shows that insurance companies more often have a policy for equity investment than for other categories, and does not cover the whole investment portfolio. VBDO appreciates a policy that can and will be applied to the whole portfolio.

- No policy (0/4)
- Policy covers 0-25% of total investment portfolio (1/4)
- Policy covers 25-50% of total investment portfolio (2/4)
- Policy covers 50-75% of total investment portfolio (3/4)
- Policy covers 75-100% of total investment portfolio (4/4)

Policy performance indicators

The responsible investment policy should not be a static policy document and therefore indicators should be included which enable the evaluation and improvement of the responsible investment policy. Clear key performance indicators should be part of the responsible investment policy.

- No goals mentioned. (0/3)
- Yes, qualitative key performance indicators have been mentioned concerning the output of the responsible investment policy. (1/3)
- Yes, quantitative key performance indicators have been mentioned concerning the output of the responsible investment policy. (2/3)
- Yes, these key performance indicators are quantitative and also measure actual impact corporate social and environmental policies. (3/3)

Themes that have been included in the responsible investment policy

Indicate which themes have been included in the responsible investment policy. If yes, please mention if this theme is excluded from investments. No points can be received for this question, but aggregated results will be used in the research report.

	Is the theme included in the responsible investment policy?	Is this theme excluded from investments?
Alcohol	Yes / No	Yes / No
Animal testing	Yes / No	Yes / No
Climate change	Yes / No	Yes / No
Controversial weapons	Yes / No	Yes / No
Corruption	Yes / No	Yes / No
Environment	Yes / No	Yes / No
Equal opportunities	Yes / No	Yes / No
Fur	Yes / No	Yes / No
Gambling	Yes / No	Yes / No
Genetic engineering	Yes / No	Yes / No
Human rights	Yes / No	Yes / No
Intensive farming	Yes / No	Yes / No
Labour rights (ILO conventions)	Yes / No	Yes / No
Nuclear power	Yes / No	Yes / No
Pornography	Yes / No	Yes / No
Tobacco	Yes / No	Yes / No
Other, please specify	Yes / No	Yes / No

Best practices 'Responsible Investment Policy'

Are there any best-practices regarding the responsible investment policy in your fund you would like to mention (no points, but processed in report)

Pillar 3: ***Implementation* (50%)**

The past years have shown major developments in implementing a responsible investment policy. More different types of instruments have been developed and they have been applied to a broader range of asset classes, despite the limitations of some of these asset classes. Because the instruments are complementary to each and investors tend to find different solutions for each asset class, the implementation practices between asset classes may vary a lot. It is also difficult to single out one best solution.

For each asset class a number of assessment issues, based on the instruments, is identified. If an investor does not invest in a particular asset class, it is not necessary to have detailed policies and implementation procedures, and as a result, these scores will not be taken into account in the final score.

The final score for the category implementation is determined by multiplying the score of each asset class by asset allocation, and contributes for 50% to the overall score.

Asset class: **Publicly listed equities**

The score of this asset class is multiplied by asset allocation to create a final score for the category implementation.

Exclusion policy

Exclusion is identifying specific, preferably multiple, ESG-criteria for exclusion of companies from the investment universe. Investors can demonstrate their use of exclusion by providing a list of excluded companies, preferably based on multiple criteria. How is exclusion practiced in your fund?

- No. (0/2)
- Yes, companies are demonstrably excluded based on 1 criterion. (1/2)
- Yes, companies are demonstrably excluded based on multiple criteria. (2/2)

Note: a criterion is defined by the VBDO as a specific theme such as controversial weapons, human rights or exclusion due to failed engagement.

ESG-integration (extent)

ESG-integration is the process by which ESG-criteria are incorporated into the investment process. In practice this ranges from making ESG-information available for fund managers to systematically incorporating ESG-criteria into each investment decision (being passive or active), which is rated highest in this methodology.

- No. (0/3)
- ESG-information is used in evaluation of investments in equity (eg. asset managers required to be PRI signatory). (1/3)
- ESG-information is systematically and demonstrably part of the equity selection process (eg. by using onepagers) (or in the composition of the ESG-index). (2/3)
- ESG-information is systematically and demonstrably part of the equity investment selection process and has a systematic, ongoing and verifiable impact on individual holdings. (3/3)

ESG-integration (volume)

As this strategy may be applied to part of the portfolio, the volume of implementation is also taken into account. Please take your active as well as your passive investments into account when choosing your answer. The two scores for ESG-integration are multiplied and end up as one score.

- No. (0/4)
- Yes, ESG-integration is implemented for 0-25% of the equity portfolio. (1/4)
- Yes, ESG-integration is implemented for 25-50% of the equity portfolio. (2/4)
- Yes, ESG-integration is implemented for 50-75% of the equity portfolio. (3/4)
- Yes, ESG-integration is implemented for 75-100% of the equity portfolio. (4/4)

Positive selection

Positive selection is choosing the best performing organisation out of a group of corresponding organisations (sector, industry, or class) with the use of ESG-criteria. The extent to which positive selection is implemented in a portfolio differs amongst investors and is generally low (not more than 15%). This assessment issue is therefore corrected after data collection to ensure it distinguishes innovators from laggards. Please consider your passive as well as your active investments in public equities in calculating your percentage.

- No. (0/4)
- Yes, positive selection is implemented for 0-10% of the equity portfolio. (1/4)
- Yes, positive selection is implemented for 10-25% of the equity portfolio. (2/4)
- Yes, positive selection is implemented for 25-50% of the equity portfolio. (3/4)
- Yes, positive selection is implemented for more than 50% of the equity portfolio. (4/4)

Engagement

Engagement is exerting influence on companies by entering into dialogue, preferably besides shareholder meetings. Reporting the results will stimulate companies to respond to this dialogue and the requested actions, which is therefore rated higher.

- No. (0/3)
- Yes, engages or participates in engagement activities on ESG-criteria issues. (1/3)
- Yes, demonstrably engages or participates in engagement activities on ESG-criteria and reports on activities (vague reporting, no names named). (2/3)
- Yes, demonstrably engages or participates in engagement activities on ESG-criteria and shows demonstrable results over 2012 (evidence of positive changes in corporate policies regarding ESG-topics/company excluded). (3/3)

Voting

Voting (extent)

Voting is exerting influence on companies by voting during shareholder meetings and by introducing or supporting resolutions about sustainability and corporate social responsibility (CSR). Both the extent and volume of the voting policy are taken in to account. Highest points are accredited to investors that also publicly initiate and/ or support shareholder resolutions on CSR.

- No. (0/3)
- Yes, demonstrably votes at annual shareholder meetings of companies in portfolio. (1/3)
- Yes, demonstrably votes at annual shareholder meetings of companies in portfolio, paying explicit positive attention to ESG-issues. (2/3)
- Yes, demonstrably votes at annual shareholder meetings of companies in portfolio, paying explicit attention to ESG-issues and publicly initiates and/or supports shareholder resolutions promoting CSR. (3/3)

Voting (volume)

As this strategy may be applied to part of the portfolio, the volume of implementation is also taken into account. The two scores for volume and extent are multiplied and end up as one score. Please consider your active as well as your passive public equity portfolio in calculating the percentage.

- No. (0/4)
- Yes, voting is implemented for 0-25% of the equity portfolio. (1/4)
- Yes, voting is implemented for 25-50% of the equity portfolio. (2/4)
- Yes, voting is implemented for 50-75% of the equity portfolio. (3/4)
- Yes, voting is implemented for 75-100% of the equity portfolio. (4/4)

Impact investing

Impact investing can be defined as active investments in companies or projects that contribute to innovative technological development and create added value for society that can hardly be compared with mainstream solutions. Within public equity the selection of publicly traded sustainable companies is assessed based on the volume of investments.

- No. (0/3)
- Yes, investments are demonstrably made in publicly traded companies to promote sustainable development (eg. microfinance institutions, renewable energy, etc.), <1% of the total equity portfolio. (1/3)
- Yes, investments are demonstrably made in publicly traded companies to promote sustainable development (eg. microfinance institutions, renewable energy, etc.), <2% of the total equity portfolio. (2/3)
- Yes, investments are demonstrably made in publicly traded companies to promote sustainable development (eg. microfinance institutions, renewable energy, etc.), >2% of the total equity portfolio. (3/3)

Asset class: **Corporate (including covered) bonds**

Exclusion

Exclusion is identifying specific, preferably multiple, ESG-criteria for exclusion of companies from the investment universe. Investors can demonstrate their use of exclusion by providing a list of excluded companies, preferably based on multiple criteria. Controversial weapons count as one point, and other criteria such as violation of human right or unsuccessful engagement can each provide one more point.

- No. (0/2)
- Yes, companies are demonstrably excluded based on 1 criterion. (1/2)
- Yes, companies are demonstrably excluded based on multiple criteria. (2/2)

ESG-integration

The following two scores for ESG-integration are multiplied and end up as one score:

ESG-integration (extent)

ESG-integration is the process by which ESG- criteria are incorporated into the investment process. In practice this ranges from making ESG-information available for fund managers to systematically incorporating ESG-criteria into each investment decision (being passive or active), which is rated highest in this methodology.

- No. (0/3)
- ESG-information is used in evaluation of investments in corporate bonds (eg. asset managers required to be PRI signatory). (1/3)
- ESG-information is systematically and demonstrably part of the corporate bond selection process (eg. by using onepagers) (or in the composition of the ESG-index). (2/3)
- ESG-information is systematically and demonstrably part of the corporate bond investment selection process and has a systematic, ongoing and verifiable impact on individual holdings. (3/3)

ESG-integration (volume)

As this strategy may be applied to part of the portfolio, the volume of implementation is also taken into account. The two scores for ESG-integration are multiplied and end up as one score. Please consider your passive as well as your active investments in calculating your percentage.

- No. (0/4)
- Yes, ESG-integration is implemented for 0-25% of the corporate bond portfolio. (1/4)
- Yes, ESG-integration is implemented for 25-50% of the corporate bond portfolio. (2/4)
- Yes, ESG-integration is implemented for 50-75% of the corporate bond portfolio. (3/4)
- Yes, ESG-integration is implemented for 75-100% of the corporate bond portfolio. (4/4)

Positive selection

Positive selection is choosing the best performing organisation out of a group of corresponding organisations (sector, industry, or class) with the use of ESG-criteria. The extent to which positive selection is implemented in a portfolio differs amongst investors and is generally low (not more than 15%). This assessment issue is therefore corrected after data collection to ensure it distinguishes innovators from laggards. Please consider your passive as well as your active investments in corporate bonds in calculating your percentage.

- No. (0/4)
- Yes, positive selection is implemented for 0-10% of the corporate bond portfolio. (1/4)
- Yes, positive selection is implemented for 10-25% of the corporate bond portfolio. (2/4)
- Yes, positive selection is implemented for 25-50% of the corporate bond portfolio. (3/4)
- Yes, positive selection is implemented for more than 50% of the corporate bond portfolio. (4/4)

Engagement

Engagement is exerting influence on companies by entering into dialogue, preferably besides shareholder meetings. Reporting the results will stimulate companies to respond to this dialogue and the requested actions, which is therefore rated higher.

- No. (0/3)
- Yes, engages or participates in engagement activities on ESG-criteria issues. (1/3)
- Yes, demonstrably engages or participates in engagement activities on ESG-criteria and reports on activities (vague reporting, no names named). (2/3)
- Yes, demonstrably engages or participates in engagement activities on ESG-criteria and shows demonstrable results over 2012 (evidence of positive changes in corporate policies regarding ESG-topics/company excluded). (3/3)

Asset class: **Government bonds / Sovereign bonds**

Exclusion policy

Exclusion is identifying specific ESG-criteria for exclusion of countries from the investable universe. Investors can demonstrate their use of exclusion by providing a list of excluded countries.

- No. (0/2)
- Yes, countries are demonstrably excluded, but it is unlikely that it is commonly traded. (1/2)
- Yes, countries are demonstrably excluded, including readily available government bonds. (2/2)

ESG-integration

The following two scores for ESG-integration are multiplied and end up as one score:

ESG-integration (extent)

ESG-integration is the process by which ESG-criteria are incorporated into the investment process. In practice this ranges from making ESG-information available for fund managers to systematically incorporating ESG-criteria into each investment decision (being passive or active), which is rated highest in this methodology.

- No. (0/3)
- ESG-information is used in evaluation of investments in government bonds (eg. asset managers required to be PRI signatory). (1/3)
- ESG-information is systematically and demonstrably part of the government bond selection process (eg. by using onepagers) (or in the composition of the ESG-index). (2/3)
- ESG-information is systematically and demonstrably part of the government bond investment selection process and has a systematic, ongoing and verifiable impact on individual holdings. (3/3)

ESG-integration (volume)

also taken into account. The two scores for ESG-integration are multiplied and end up as one score. Please consider your passive as well as your active investments in calculating your percentage.

- No (0/4)
- Yes, ESG-integration is implemented for 0-25% of the government bond portfolio. (1/4)
- Yes, ESG-integration is implemented for 25-50% of the government bond portfolio. (2/4)
- Yes, ESG-integration is implemented for 50-75% of the government bond portfolio. (3/4)
- Yes, ESG-integration is implemented for 75-100% of the government bond portfolio. (4/4)

Positive selection

corresponding organisations (sector, industry, or class) with the use of ESG-criteria. The extent to which positive selection is implemented in a portfolio differs amongst investors and is generally low (not more than 15%). This assessment issue is therefore corrected after data collection to ensure it distinguishes innovators from laggards. Please consider your passive as well as your active investments in government bonds in calculating your percentage.

- No. (0/4)
- Yes, positive selection is implemented for 0-10% of the government bond portfolio. (1/4)
- Yes, positive selection is implemented for 10-25% of the government bond portfolio. (2/4)
- Yes, positive selection is implemented for 25-50% of the government bond portfolio. (3/4)
- Yes, positive selection is implemented for more than 50% of the government bond portfolio. (4/4)

Asset class: **Real estate**

Direct real estate - ES(G)-criteria

- Direct real estate ES(G)-criteria

The use of ESG-criteria ranges from making ESG-information available for fund managers to systematically incorporating ESG-criteria into each investment decision for the selection of real estate objects. Additionally, ESG-criteria could be used for the maintenance of real estate objects by taking active steps to reduce CO2 emissions, energy usage and waste production.

- Not applicable. (N/A)
- No. (0/2)
- Yes, investor demonstrably considers ES(G) issues in selection/development of new real estate objects or in the maintenance of real estate objects. (1/2)
- Yes, investor demonstrably considers ES(G) issues in selection/development of new real estate objects and in the maintenance of real estate objects. (2/2)

Indirect real estate - selection & evaluation

The investor enters into dialogue with the real estate fund manager to improve its ESG-performance.

- No. (0/2)
- Yes, the insurance company demonstrably engages with real estate fund managers on ESG-criteria. (1/2)
- Yes, the insurance company demonstrably engages with real estate fund managers on ESG-criteria and shows demonstrable results over 2012. (2/2)

Indirect real estate - engagement

The investor enters into dialogue with the real estate fund manager to improve its ESG-performance.

- No. (0/2)
- Yes, the insurance company demonstrably engages with real estate fund managers on ESG-criteria. (1/2)
- Yes, the insurance company demonstrably engages with real estate fund managers on ESG-criteria and shows demonstrable results over 2012. (2/2)

Asset class: **Alternative investments**

Private equity

Despite private equity's controversial reputation, the VBDO believes that the private equity business model is perfectly suited to act as an enabler in the transition towards a more sustainable society. Does the insurance company use ESG-criteria and/or international standards in this field in the selection and evaluation of the private equity house? Impact investments are not included in this question.

- Not applicable. (N/A)
- No. (0/2)
- Yes, investor demonstrably considers ES(G) issues in selection/evaluation of some of the private equity investments. (1/2)
- Yes, investor demonstrably considers ES(G) issues in selection/evaluation of all of the private equity investments. (2/2)

Hedge funds

Does the insurance company use ESG-criteria and/or international standards in this field in the selection and evaluation of the hedge funds? Impact investments are not included in this question.

- Not applicable. (N/A)
- No. (0/2)
- Yes, investor demonstrably considers ES(G) issues in selection/evaluation of some of the investments in hedge funds. (1/2)
- Yes, investor demonstrably considers ES(G) issues in selection/evaluation of all of the investments in hedge funds. (2/2)

Commodities

Does the insurance company use ESG-criteria and/or international standards in the selection and evaluation of their commodities investments? Impact investments are not included in this question.

- Not applicable. (N/A)
- No. (0/2)
- Yes, investor demonstrably considers ES(G) issues in selection/evaluation of some of the investments in commodities. (1/2)
- Yes, investor demonstrably considers ES(G) issues in selection/evaluation of all of the investments in commodities. (2/2)

Other alternative investments

Does the insurance company use ESG-criteria and/or international standards in this field in the selection and evaluation of other alternative investments? Impact investments are not included in this question.

- Not applicable. (N/A)
- No. (0/2)
- Yes, investor demonstrably considers ES(G) issues in selection/evaluation of some of the investments in other alternative investments. (1/2)
- Yes, investor demonstrably considers ES(G) issues in selection/evaluation of all of the investments in other alternative investments. (2/2)

Impact investments for alternative investments

Does the insurance company use ESG-criteria and/or international standards in the selection and evaluation of other alternative investments? Impact investments are not included in this question. Choose the most appropriate option.

- No. (0/3)
- Yes, investments are demonstrably made in alternative investments to promote sustainable development (eg. microfinance institutions, renewable energy, etc.), <1% of total alternative portfolio. (1/3)
- Yes, investments are demonstrably made in alternative investments to promote sustainable development (eg. microfinance institutions, renewable energy, etc.), <2% of total alternative portfolio. (2/3)
- Yes, investments are demonstrably made in alternative investments to promote sustainable development (eg. microfinance institutions, renewable energy, etc.), >2% of total alternative portfolio. (3/3)

Pillar 3: ***Accountability* (16,6%)**

Clients and stakeholders have a right to information on companies' and organizations' involvement in society so that it can be taken into account when making decisions. Institutional investors such as insurance companies must offer insight into the basis and criteria of their responsible investment policy as well as the applied instruments and results.

Responsible investment policy

The responsible investment policy, or at least a summary of it, should be publicly available, for example on the website.

- No. (0/1)
- Yes, website provides information on responsible investment policy. (1/1)

List of investments

There should be a publicly available overview of the investments made.

- No list. (0/4)
- List covers 0-25% of total investment portfolio. (1/4)
- List covers 25-50% of total investment portfolio. (2/4)
- List covers 50-75% of total investment portfolio. (3/4)
- List covers 75-100% of total investment portfolio. (4/4)

Instruments

Exclusion

How does the insurance company report on exclusion policy and excluded companies and/or countries?

- No information concerning exclusion policy. (0/2)
- Exclusion policy is explained. (1/2)
- Exclusion policy is explained and list with excluded countries and companies and reason for exclusion is available. (2/2)

ESG-integration

How does the insurance company report on ESG-integration?

- Methodology for ESG-integration is not explained. (0/1)
- Methodology for ESG-integration is explained. (1/1)

Positive selection

How does the insurance company report on positive selection.

- Methodology for positive selection is not explained. (0/1)
- Methodology for positive selection is explained. (1/1)

Engagement

How does the insurance company report on engagement?

- No reporting on engagement. (0/3)
- Engagement policy has been published. (1/3)
- Engagement policy is explained, general overview of activities is available. (2/3)
- The engagement policy, the undertaken engagement activities and concrete results are reported. (3/3)

Voting

How does the insurance company report on the voting policy and implementation?

- No policy can be found. (0/2)
- Voting activity overview report can be found. (1/2)
- Detailed voting activity report is available. (2/2)

Impact investing

How does the insurance company report on impact investing?

- No reporting on impact investing. (0/2)
- Impact investment strategy is explained. (1/2)
- Impact investment strategy is explained, an overview of impact investments is given. (2/2)

Responsible investment report

Publication

Stakeholders need to be kept informed on the progress of the insurance company on the development of their responsible investment policy and of the implementation of this policy. Therefore insurance companies should yearly publish a report to inform participants and other stakeholders. Does the insurance company publish a yearly responsible investment report?

- No. (0/1)
- Yes, in 2012 a report has been published. (1/1)

Note: the VBDO has also awarded points on this question when the general annual report clearly and extensively explained the responsible investment policy and the progress made regarding implementation.

(External) verification

auditor, the information within the responsible investment report becomes more reliable for the different stakeholders. Has the responsible investment report been verified by an (independent and external) auditor?

- No. (0/0)
- Yes, the report has been audited, by an internal auditor. (1/3)
- Yes, parts of the responsible investment report have been audited by an external auditor. (2/3)
- Yes, the entire responsible investment report has been audited by an external auditor. (3/3)

Best practices 'Accountability Responsible Investment'

Are there any best-practices regarding the accountability of the responsible investment policy in your fund you would like to mention (no points, but processed in report)

Appendix 4 References

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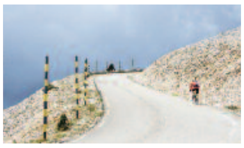

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