Benchmark **Responsible Investment by Insurance Companies**

in the Netherlands 2012

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

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In cooperation with
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Executive summary

Insurance companies cushion the blow when negative things happen to us or our possessions. But they are also institutional investors, and invest the premiums that their policyholders pay, not just in the Netherlands, but also internationally. Because these investments in public equity, bonds, real estate and alternative investments such as private equity and hedge funds, have an impact on the environment and the lives of people around the world, the Dutch Association of Investors for Sustainable Development (VBDO), in association with research consultancy Profundo, has put together a benchmark report. This report surveys and ranks the responsible investment policies of 29 insurance companies active in the Netherlands and the impact of their investments on the world around us.

This fourth annual edition of the benchmark is the third time with the revised methodology focused on multiple asset classes. The responsible investment policies of 29 Dutch insurance companies were scored and ranked using 29 assessment issues divided into three elements: Policy, Implementation, and Accountability.

Conclusions

Twenty out of 29 insurance companies, up from 16 a year ago, have a demonstrable responsible investment policy. This does not necessarily mean that 9 insurance companies do not have a responsible investment policy. All the same, these companies were unable or unwilling to share it with the VBDO and therefore could not scored and ranked.

The top 3 insurance companies have remained the same as last year, with the only difference being that REAAL and Zwitserleven having switched the first 2 positions. New to the 4th and 5th positions are AEGON and Nationale Nederlanden. All of the top 10 insurance companies listed below score above 2.5, or more than 50%:

- Zwitserleven
- REAAL
- ASR Nederland
- AEGON
- Nationale Nederlanden
- Loyalis Verzekeringen
- Menzis
- Achmea Holding
- Delta Lloyd
- ONVZ Zorgverzekeraar

When comparing the results to last year's scores, 16 of the 29 insurance companies have improved their scores. In some cases, insurance companies received a score for the first time. This applies to, for example, ARAG Rechtsbijstand, BNP Paribas Cardif, Klaverblad Verzekeringen and Zorg en Zekerheid. Other insurance companies made significant leaps in improving their scores: AEGON and Nationale Nederlanden both increased their scores by more than 1.5 points.

It is interesting to note that insurance companies recently providing evidence of their responsible investment activities tend to focus on implementing the responsible investment policy, and are less concerned about formulating a proper policy and communicating this effectively.

For the corporate bonds asset class, a significant increase can be seen, suggesting that insurance companies have taken significant strides in incorporating responsible investment into their corporate bond portfolio. This is an important development, given that insurance companies are relatively heavily invested in (corporate) bonds. This seems to suggest that insurance companies have heeded the VBDO's advice by focusing on the asset classes with the most assets, thereby also having the most impact on sustainable development.

The VBDO is pleased with the progress that insurance companies have booked in 2011 and the first half of 2012. It seems that the Code Duurzaam Beleggen, introduced by the Verbond van Verzekeraars (the umbrella organization of insurance companies in the Netherlands) in 2011 and effective from the beginning of 2012 has stimulated insurance companies to (further) develop and implement their responsible investment policies. This report does, however, make clear that further steps must continue to be taken. Many insurance companies are at the beginning of the process towards responsible investment. It is now up to them to continually strive to improve and update their policies.

The VBDO must continually strive to improve and update its methodology as well. It will update this methodology in partnership with insurance companies and other stakeholders in the coming year to reflect current issues and recent best practices.

1 Introduction

This is the fourth 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), in association with research consultancy Profundo, and presents the development of Dutch insurance companies in formulating, implementing and reporting on their responsible investment policies.

Last year's edition of the benchmark revealed that there were two distinct groups of insurance companies in the Netherlands. The first group of insurance companies, 16 in total, is active in responsible investment. All these insurance companies improved (or in one case maintained) their scores in comparison to last year. The second group of insurance companies, however, was not taking any noticeable steps in the area of responsible investment. Some of these insurance companies are part of international groups that do have responsible investment activities. Other insurance companies simply do not provide any information, in annual reports, on websites or completed questionnaires.

In January of this year, the national umbrella organization of insurance companies, the Verbond van Verzekeraars, introduced a Code Duurzaam Beleggen (Sustainable Investment Code) that requires their members to report on their responsible investment activities on a 'comply or explain' basis. It will be interesting to see if this significant development has an effect on the scores.

This year, the methodology remained largely unchanged to maintain the comparability of the benchmark research. The responsible investment policies of 29 Dutch insurance companies have been scored and ranked using 29 assessment issues divided into three categories with the following weightings:

- Policy (3 assessment issues) 25%
- Implementation 50%
  - o Public equity (6 assessment issues)
  - o Corporate bonds (4 assessment issues)
  - o Government bonds (3 assessment issues)
  - o Real estate (3 assessment issues)
  - o Alternative investments (2 assessment issues)
- Accountability (8 assessment issues) 25%

Based on these 29 assessment issues, scores were assigned to the different insurance companies and the final scores tabulated.

The contents of this research report are as follows: chapter 2 provides an introduction to the Dutch insurance sector and states the different developments in this sector throughout the years. Furthermore, it summarizes the developments in the field of responsible investment and describes the relevant initiatives in this field. The subsequent chapter, chapter 3, describes the research objective and the methodology used. This chapter also provides insight into how the information was gathered, and how the scoring model used to assess the insurance companies is put together.

Chapter 4 details the results of the research process, starting with the research group and response rate. This is followed by the overall results and an analysis of the average scores according to a number of different variables such as size. The results of the three categories (policy, implementation and accountability) are also presented. Finally, a number of concluding remarks are made based on the results.

A breakdown of the individual scores of the insurance companies can be found in the first appendix and the profiles of all 50 insurance companies can be found on the VBDO website (www.vbdo.nl).

2 Towards responsibly invested insurance premiums

2.1 Introduction

This chapter provides background to the benchmark Responsible investment by Dutch insurance companies. Paragraph 1.2 portrays the Dutch insurance sector, describing the types of companies, the regulatory regime and the branch organisations. Figures on incomes and investments of Dutch insurance companies are also provided.

Paragraphs 1.3 summarize the public discussion on whether insurance companies should or should not invest responsibly. Paragraph1.4 then summarizes figures on the size of responsible investments and instruments to invest responsibly. Finally, paragraph 1.5 discusses initiatives and standards on responsible investment which are relevant for insurance companies.

2.2 The Dutch insurance sector

2.2.1 Types of insurance companies

De Nederlandsche Bank (DNB) distinguishes three types of insurers, broken down by license: life insurers, non-life insurers (including healthcare) and funeral in-kind insurers. In the second half of 2012 a total of 249 insurers were operating in the Netherlands, divided by type as follows: 44 life insurers, 173 non-life insurers and 28 funeral in-kind insurers. Overall, the number of insurers in the Netherlands is decreasing, mainly because of mergers and take-overs. The net premium income earned by life insurers in 2011 was € 21.5 billion and by non-life insurers € 51.6 billion[1].

Life insurance companies pay out an agreed amount in the event of the death of the insured before or on the maturity date. Non-life insurance companies provide protection against specific losses of either material kind – a car or fire insurance – or non-material kind, as in the case of health or legal expenses insurance.[2] Within the non-life insurance sector various market segments can be differentiated: healthcare, motor, transport, fire and other (for example travel and legal insurances). Especially the healthcare insurers are commonly seen as a separate group of non-life insurers. The difference between life and non-life insurers on the one hand and funeral in-kind insurers is that the last group pays out in kind rather than cash. When the policyholder dies, the insurer takes care of the funeral arrangements.[3]

Based on their organisation structures, two forms of insurance companies are allowed by insurance regulations: limited companies (naamloze vennootschappen) and mutual insurance associations (onderlinge waarborgmaatschappijen):[4]

- A limited company is a legal form in which external investors provide the necessary financial resources to the company. Obviously these investors expect to receive a remuneration (dividends) on their invested capital.
- A mutual insurance association is an association of members (insured persons) who have decided to provide each other the required reassurance on a reciprocal basis. The capital of the mutual insurance association is no more than the combined members' capital and the members have control over their association.

Finally, the distribution channels used differ between various types of insurers. An insurance company may offer its products via branch offices, intermediaries or through 'direct writing': direct contact between client and company. Increased use of the internet has strengthened direct writing in the past decade.

2.2.2 Regulation of insurance companies

The main supervisor for the Dutch insurance sector is the Dutch Central Bank (De Nederlandsche Bank, DNB). The DNB grants licenses to those insurers with regulatory requirements and monitors compliance with the regulations of the Financial Supervision Act (Wet financieel toezicht, Wft). This law is in force since January 2007 and sets requirements for financial service providers in the areas of competence and due care. Foreign insurance companies (from Europe) may offer products via their insurance branches in The Netherlands, based on a license obtained in another European country. These insurers are not supervised by DNB, but by a supervisory body in the country where they have their headquarters.

Intermediaries, that offer products of insurance companies, are supervised by the Financial Markets Authority (Autoriteit Financiële Markten, AFM), that has been responsible for supervising the operation of the financial markets since 1 March 2002. The AFM also oversees the Financial Information Leaflet (Financiële Bijsluiter) that explains the complex agreements behind insurance and other financial products to customers. Such information is mandatory with investment insurances.

Both pension funds and life insurers that execute collective pension contracts are under supervision of the AFM. Besides the Wft these pension insurers are also regulated by the Pension Act (Pensioenwet, PW).[5]

Finally, healthcare insurers have to comply with the Health Insurance Act (Zorgverzekeringswet, ZvW), in force since January 2006. Anyone living in the Netherlands and/or paying tax is required to have a basic healthcare insurance. Private health insurance companies are obliged to provide a package with a defined set of insured treatments. Insurers negotiate with healthcare providers about proper care at competitive prices. Monitoring health insurance is the responsibility of the Dutch Healthcare Authority (Nederlandse Zorgautoriteit, NZA). NZA also supervises the agencies that perform the Exceptional Medical Expenses Act (Algemene Wet Bijzondere Ziektekosten, AWBZ).[6]

Solvency II, also called Basel for insurers, is the updated set of regulatory requirements for insurance firms that operate in the European Union and intents to make companies comparable, transparent and more safe for investors and customers. The directive is scheduled to come into effect on 1 January 2014.

Solvency II assigns capital weightings to different asset classes, based on their perceived risks. Various financial institutions criticise the rules after they explored how these would affect their investment strategies. According to the London Evening Standard “Solvency II could sound the death knell for investing in equities, it will be bad news for long-dated corporate bonds and it would force insurance companies to commit themselves even more to buying government debt. This is a direct consequence of the capital weighting - or the perceived risk the different asset classes have in the new system”. The Chief Investment Officer of APG expects that investors like pension funds will be limited in their possibilities to buy shares.[7] Rating agency Fitch said in June 2011 that the requirement would reduce insurers’ allocations to long-dated and low-rated corporate bonds, property, equity and some alternative investments.[8] In December 2011, a group of large insures was calling on policy makers to relax regulation such as Solvency II, as it is one of the barriers for investment in assets such as green bonds.[9]

As a response to this criticism, the European Insurance and Occupational Pensions Authority (EIOPA) conducted various quantitative impact studies. An impact study that has been published in March 2011 concludes that the approach that has been proposed and tested is a workable proposition. According to Michel Barnier, the Commissioner for Internal Market and Services, the criticism against Solvency II has not been confirmed by evidence: "The results so far show that the insurance industry is well-positioned to meet the new Solvency criteria".[10] The Dutch Association of Insurers mentioned in its Annual Report 2010 that especially Dutch insurers had good results in the tests, "which is good news as it will eventually contribute to better protection of consumers".[11]

2.2.3 Branch organisations

Most Dutch insurance companies are organised in the Verbond van Verzekeraars, the Dutch Association of Insurers. The Association represents the interests of 95% of the insurers operating in the Netherlands, both limited companies and mutual insurance association, but no health care insurers.[12]

The Association works with a Code of Conduct since 2002, which was reviewed in 2011 and defines a base reference for corporate social responsibility of insurance companies.This Code includes the intention to avoid doing business with persons, institutions or companies that practice activities prohibited by law or are generally considered as socially unacceptable. By signing the Code, insurers also promise to carefully and responsibly manage the entrusted premiums. With regard to their role as institutional investors, insurers promise to involve their social responsibility in their investment policy: "We do not only include economic, but also social and ecological interests in our corporate governance and investment policy and are accountable in this context.".[13]

Details of these principles are laid down into the Responsible Investment Code, that came into effect in January 2012. This Code explains which guidelines the members of Verbond van Verzekeraars are obliged to follow: UN PRI and UN Global Compact. It should be applied to all asset classes[14].

The Federatie van OnderlingeVerzekeringsmaatschappijen (FOV) is the umbrella organization of mutual insurance companies in the Netherlands. In 2011, 107 companies were affiliated to the federation, which together generated a premium income of € 5 billion. The FOV is an associate member of the Verbond van Verzekeraars.[15]

The trade association of health insurers is Zorgverzekeraars Nederland (ZN) and has 13 members.[16] With the establishment of the Health Insurance Governance Committee, ZN pays special attention to corporate governance. It developed a Health Insurance Governance Code with 10 recommendations regarding responsibility and accountability of the board of directors and supervisors.[17]

2.2.4 Income and investments

The global premium income of the insurance sector again increased from US$ 4.3 trillion in 2010 to US$ 4.6 trillion in 2011. With an estimated 2.41 per cent (US$ 110 billion) of global direct premium income, the Dutch insurance market ranks 10th after United States, Japan, United Kingdom, France, Germany, China, Italy, South Korea and Canada. After Taiwan, the Netherlands has the highest share of premiums calculated as part of the gross domestic product: 13.2%.[18]

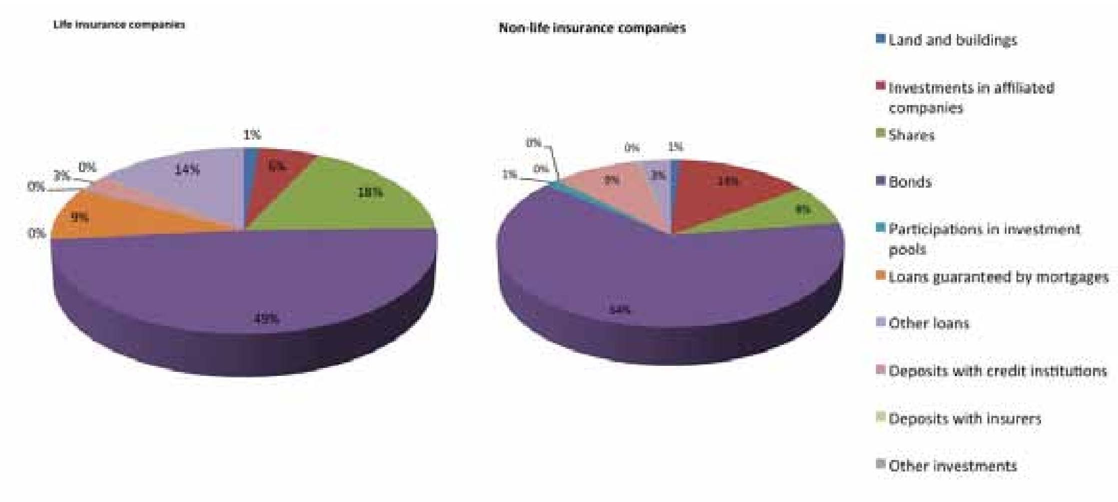
Dutch consumers spend relatively more on insurance and health premiums than consumers in other countries. They do not pay a higher premium, but buy more insurance products. One reason for this is that a life insurance is often required to obtain a mortgage in the Netherlands. But according to the Dutch Centre for Insurance Statistics (Centrum voor Verzekeringsstatistiek), the insurance density in the Netherlands is also high because “we are a risk-averse nation. Moreover, our health insurance market is fully privatized. The premium revenue of health insurance companies accounts for nearly half of the total.”[19]

If all these insurance premiums are well-spent is doubted by some experts. “Besides a life and health insurance Dutch consumers still pay a few thousand euro’s per year for unnecessary insurance products”, says Henk Keuzenkamp of the University of Amsterdam. “These product just cover events that are not very rare (bike stolen) and can easily be paid by the consumer itself.”[20]

Besides insurance premiums, insurers’ revenues also come from their return on investments. In the second half of 2012, supervised insurers[a] in the Netherlands had a net premium income of € 37.8 billion and return on investments of € 11 billion. The total value of the outstanding investments of Dutch insurance companies amounted to € 405,3 billion.[21]

According to the Dutch Association of Insurers, insurance companies invest a relatively small portion of their investments in shares, to limit the risk of large losses. The majority of insurers’ investments consist of fixed income securities such as government (preferably Dutch and German) and corporate bonds, receivables from (mortgage) loans and real estate.[22] The following figure confirms this, but also shows major differences between life and non-life insurers. Life insurers still invest 18% in shares, while this is only 8% of non-life insurers’ investments. Furthermore, non-life insurance companies invest a large part in deposits (9%) compared to life insurers (1.1%).

Figure 2.1: Investments of Dutch insurance companies in 2nd quarter of 2012



Source: DNB, “Supervisory data on insurers - Table 7.2 Balance sheet and current value of investments of supervised insurers”, De Nederlandsche Bank, 10 September 2012.

a These statistics do not cover the entire Dutch market, as they exclude the data from foreign insurers that have taken out insurance in the Netherlands, directly or through a branch-office. Smaller-sized mutual insurance corporations that are exempt from supervision are not included either. The statistics do include the foreign operations of Dutch insurers.

For healthcare insurers, the income is more diverse than for other types of insurers. Premium income partly comes from the insured (nominal premium) and partly from the health insurance fund (income-based premium and government funding). The insurer determines the level of the nominal part of the premium, which can vary by the selected insurance type (in kind or by reimbursement), the level of excess, group discount, and since 2009 by rewarding loyal customers through a discount on the premium. There is fierce price competition among health insurers, although this hardly leads to switchers.[23]

2.2.5 Financial crisis

After the credit crunch struck in 2008 and the recession that followed thereafter, the equity portfolio of insurers decreased. The financial crisis had a greater impact on life insurance corporations than non-life insurers, because they have a huge amount of investments compared to their equity capital (high leverage) and limited resources to respond to a crisis than non-life insurers.[24] The crisis also hit Dutch insurance companies harder than European. This is because the business mix of Dutch insurance companies is much more focused on life insurance and because they often have banking activities as well.[25]

The branch organisations concluded that the Dutch insurance sector proved healthy enough to survive an event such as the financial crisis in 2008. Although insurance companies' equity capital was under pressure, it was never below the required solvency level. With the recovery of the economy and improving stock exchanges in 2009, also the solvency of insurers increased and at the start of 2010 their initial position was considerably better than the year before. The credit spread decreased and the value of government bonds increased, which gave return on investments of insurers a major impulse.[26]

But then, further into 2010, it appeared that the value of government bonds proved uncertain as well. For life-insurersalso the competition from bank saving schemes was fierce, resulting in a drop in production of individual policies, and the fuss about investment-linked insurance and stock exchange sentiment also affected these products adversely. Trust in insurance companies has decreased significant and both premium income and results fell. Despite these developments, Dutch insurers succeeded in maintaining solvency levels.[27] In 2011, premium income and sales of new products are under pressure and results deteriorate even more. Insures react by reducing the costs, amongst others by lowering employees. Solvency levels are maintained but, compared to 2010, are decreasing as well.[28]

2.3 Motivations for investing responsibly

2.3.1 Expectations from society

Public attention for responsible investment by institutional investors (pension funds, insurance companies 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 the first VBDO report into pension fund annual reporting.[29] But gradually attention for social and environmental issues increased. This can be derived from publications such as:

- "Toekomstagenda Milieu" (Environmental Future Plan), April 2006;[30]
- "De Kracht van Pensioenfondsen" (The Strength of Pension Funds), April 2007;[31]
- Zembla documentary "Het Clusterbomgevoel" (The Cluster Bomb Sensation), March 2007;
- "Maatschappelijke belangenafweging en transparantie in het beleggingsproces" (Societal interests and transparency in the investment process), April 2007;[32]
- "De gearriveerde Toekomst" (The Future has arrived),November 2007 (to be reviewed in 2012);[33]

- "Stille kapitalisten: een sociologisch onderzoek over de invloed en controle van deelnemers op het beleggingsbeleid van hun pensioenfonds" (Silent capitalists: a social science research about the influence and control of participants on the investment policy of their pension funds), July 2008.[34]

According to Eurosif, the European SRI market's growth is still driven by external pressure from NGOs and media and an increasing demand from institutional investors, but also by a growing interest from retail investors.[35] A Dutch pension savers survey amongst 518 people found that 70% of the savers wanted their retirement assets invested in a socially responsible manner, while only 43% said they wanted the highest possible returns for their assets. The survey was carried out by independent Dutch polling group Motivaction on behalf of Natuur & Milieu.[36]

These examples make clear 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 pension funds 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.[37]

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.[38]

2.3.2 Fiduciary responsibility

Many in the pension and insurance sector for too long 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 participants 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.

But 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 pension funds. This responsibility, however, does not force pension funds 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.'*[39]

The same applies to the Dutch Pensioenwet (Pension Act), although it does not specifically mention the subject of responsible investment. Article 135 of the Pension Act does demand from pension funds that they follow an investment policy that is in accordance with the 'prudent person' principle. The 'prudent person' principle implies that pension funds are to invest their capital with due regard to the interests of entitled and pensionable persons. No pension fund may pursue interests that are not related to the pension rights and claims of participants. This restriction does not mean, however, that pension funds may not consider non-financial issues. They may do so, as long as non-financial interests do not dominate to the extent that the fund's investment policy no longer leads to an acceptable risk-profit profile.[40]

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 pension funds 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.[41]

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 a pension fund can operationalize ESG integration in investment mandates.[42]

In March 2011, the FairPensions campaign in the United Kingdom released a report with its vision on fiduciary duties of investors, discussingitsimplications 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 issuesis 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.[43]

On the other hand, pension fund members that provide the capital to be invested should be given more of say in the management of their money. Furthermore, it appears that the actors exercising fiduciary responsibilities are no longer those making many of the key decisions affecting beneficiaries, which results in the undermining of the effectivenessof fiduciary accountability. Based on these and other issues, FairPensions pleads for a fundamental review of the fiduciary obligation. "Its goals should be to ensure the legal framework is serving its purpose: to protect us all from irresponsible, short-sighted or self-serving behaviour by those on whom we depend to act on our behalf." Such a review would not only encourage a responsible long-term approach to serving beneficiaries' interests but would also contribute to great policy challenges, such as providing for an ageing society and ensuring that financial systems acts on behalf of the people whose money is at stake.[44]

2.3.3 Risk management

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 pension funds 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.[45]

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. The UNEP FI concluded in 2006 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.[46]

A UNEP FI survey amongst insurance companies in 2009 revealed that ESG factors are judged as a substantial influence in risk underwriting. Many of the respondents also believe that "an insured's superior management of ESG factors signals better overall risk management philosophy and practice, and is a key consideration in the underwriting process that determines the price and coverage of insurance" and that "underwriting the ESG performance of their insured's is an important part of their company's own risk management, and that they seek to manage or avoid the reputational risk associated with having asclients those known for performing poorly on ESG factors".[47] The report was the basis for developing 'Principles for Sustainable Insurance', see also paragraph 1.4.2.

A study of Risklab, published in March 2010, 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. Risklab 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.[48]

The Penrose Financial Survey 2010, about the future of the investment industry in the United Kingdom, asked 100 organizations (60% asset managers, 14.2% pension funds, 16.0% consultants/advisory and 9.4% other) in August 2010 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".[49]

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.[50]

In February 2011, the consultancy firm Mercer reported about a project on 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 (Technoloy, 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.[51]

Many respondents to Eurosif's annual study said the financial crisis had made them more aware of the need to integrate ESG risks into their investment decisions.[52] 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.[53]

2.3.4 Financial performance

The financial performance resulting from the implementation of any responsible investment policy is determined by a number of different factors. It is fully clear that a number of the instruments used to implement a responsible investment policy, such as voting and engagement policies, do not have any negative effect on returns whatsoever. Other instruments, such as the inclusion of the ESG criteria in the selection of shares might have that effect. In theory, any restriction of the investment universe could lead to a lower return. But at the other hand, there are also sufficient theoretical reasons to believe that companies paying more attention to social and environmental issues will reach better financial results, because better investment choices are made. The question therefore remains: which effect on returns will outweigh the other?

Research by financial specialists has not yet lead to a simple conclusion on the question whether non-financial criteria have an effect on returns, particularly where long-term effects are concerned. In 2007 a joint report of the UNEP FI Asset Management Working Group and Mercer highlighted that the belief that responsible investment will automatically limit the investment universe and thereby limit returns, is narrow in its focus and conclusion. A number of tools are available for integrating ESG into the investment process and a full assessment of their merits needs to consider the relative merit of each approach and the preferences of the beneficiaries that asset owners represent, and then balance those considerations against available evidence on the performance indication of each approach.[54]

Since then, the breadth and depth of academic research measuring the relationship between responsible investment and financial performance have expanded. In November 2009, a review by the consultancy firm Mercer of 36 academic studies (from which 16 were released since 2007) concluded that:[55]

- 20 studies showed evidence of a positive relationship between ESG factors and financial performance;
- two studies showed evidence of a neutral-positive relationship
- eight studies reported a neutral relationship;
- three found a negative-neutral relationship; and
- three studies showed evidence of a negative relationship.

Because a variety of factors determines how ESG factors influence investment performance it is not certain that taking ESG criteria into account will have a uniform impact on portfolio performance. The results of the Mercer review also show significant variations in ESG materiality across industrial sectors and may be misleading at aggregate level. Many of the academic studies relied on specialist ESG research firms and focus on the link between ESG and listed equity investments. Academic studies are beginning to broaden their scope, so that forthcoming papers will focus on other asset classes as well.[56]

So far, most research on corporate sustainability was grounded in the context of equity, despite the fact that the market for corporate bonds is considerably larger. This gap is filled by a paper published by the Dutch researchers Bauer and Hann in November 2010. The paper investigates the credit risk implications of corporate environmental management for bond investors. The research is based on the view that "environmental practices influence the solvency of borrowing firms by determining their exposure to legal, reputational, and regulatory risks", and aims to provide a better understanding of how the different corporate environmental activities relate to credit risk. Such understanding is required for investors who want to protect themselves against environmental performance related losses. The study finds that corporations with limited sustainability policies and bad environmental management already pay higher interest rates. Apparently, investors already take the quality of a company's environmental management into account when investing in bonds.[57]

A study by RCM tested the impact of ESG issues over the period 2006-2010 and found evidence that there is a probability of outperformance over the longer term. Investors could have added over 1.6% a year over five years to their returns if they had allocated to portfolios that invest in companies with above-average ESG ratings.[58]

The Carbon Disclosure Project (CDP, see paragraph 1.5.2) says that companies leading on climate change generate superior returns for investors. CDP research compared the companies reporting within CDP's Carbon Disclosure Leadership Index (CDLI) with the Global 500. The CDLI is not an investable index, but investments in companies in the CDLI would have generated average total returns of 15.9% since 2010, more than double the 6.4% return of the Global 500.[59]

As can be drawn from the reports above, calculating the sustainability 'value' of ESG related investments has become increasingly important to institutional investors. They look to justify both the financial and social benefits of responsible investing strategies. Therefore, in 2010, Dutch asset manager PGGM, together with Rotterdam University, started to measure the 'social impact' of its growing portfolio of targeted ESG (environmental, social and governance) investments. This way, PGGM hopes to determine for which investments sustainability is a clear potential driving factor of returns.[60]

2.4 Responsible investment

2.4.1 Market volume

SRI funds in Europe have grown considerably in number and size over the past years, in spite of the fall-out from the financial crises. The 2010 European SRI Study by Eurosif, the European Sustainable Investment Forum, in October 2010 estimated total SRI assets under management have increased from € 2.7 trillion in 2009 to € 5 trillion in 2007, a growth of 87%.[61]

Not all these assets are managed at the same level of responsible investment practices. Eurosif distinguishes Core SRI activities, which consists of norms- and values based exclusions and different types of positive screens (estimated at €1.2 trillion), and Broad SRI, which encompasses simple exclusion, engagement and integration approaches (estimated at €3.8 trillion). In 2010, bonds were the favoured asset class of SRI investors in Europe at 53% of assets, while equities have dropped to 33%. Microfinance is starting to interest investors and Eurosif said it expected alternative asset classes to rise in the future. Eurosif's report is based on self-reporting of asset managers and asset owners operating in European countries.[62]

Globally the PRI Report on Progress 2011 gives an indication of the volume of SRI assets under management. This report, published in September 2011,is based on a mandatory assessment survey of PRI signatories, which asks organisations how they are putting the six Principles for Responsible Investment (PRI) into practice. In 2011, the survey covered 539 respondents (of 765 asset owners and managers that have signed the PRI), managing assets of US$ 29.6 trillion. To what extent these assets are management responsible can be derived from the instruments the investors use.[63]

2.4.2 Instruments

The PRI report in September 2011 found that 95% of the asset owners and 93% of the investment managers have a responsible investment policy that addresses ESG issues. Growth in the percentage of signatories with a RI policy is merely found in Brazil (from 84% to 96%) and Asia(from 71% to 81%). Almost half of the respondents have an internal management process in place to a large extent in relation to listed equities in developed markets (47%). For other asset classes this varies from 11% (hedge funds) to 36% (non-listed real estate investments).[64]

With regard to active ownership, all respondents have a voting policy that covers corporate governance issues, although fewer policies include environmental and social issues. Almost 90% of signatories vote at company meetings, and 61% of asset owners monitors to a large or moderate extent whether their external managers vote in accordance with their RI policy.[65]

Besides voting, 67% of the asset owners and 61% of the investment managers have a shareholder engagement policy in place for listed equities. For corporate fixed income only around 40% of the signatories have such a policy in place. Investors reported a significant amount of engagement on ESG issues, but they vary in intensity from sending a letter to having multiple interactions at high levels. Investment managers generally manage engagements internally while asset owners report that only 41% of engagement is run by internal staff. The remaining is run by external investment managers or specialist services providers.[66]

UNCTAD’s review, published in August 2010, about social responsibility and responsible investment amongst the 100 largest institutional investors and the 100 largest transnational corporations worldwide, had set up 6 indicators, based on the PRI, for measuring responsible investment practices and analysed the social responsibility reports of the largest institutional investors. It appears that almost half of the world’s largest pension funds are disclosing information on one or more of the 6 indicators and the other half report no activity at all. As the research shows two distinct groups, UNCTAD gives a recommendation for regulators to strengthen the mechanisms through which institutional shareholders are able to influence the ESG practices of the companies in which they invest and to encourage investors to formally articulate their stance on ESG issues in public reports.[67]

The UNCTAD report shows two other interesting outcomes. While only 27 funds disclosed four or more of the responsible investment indicators, these 27 funds accounted for 42%, or US$ 3.7 trillion, of the total assets of the top 100 funds. This makes clear that the larger funds tend to be the early and more active adopters of responsible investment practices. Furthermore, the relative proportion of PRI signatories disclosing on each of the responsible investment indicators is much higher than the proportion of non-signatories. The majority of the 25 UN PRI signatories in this research are disclosing each of the indicators.[68]

A study of the UNEPFI Insurance Working Group in 2009 showed that there is increasing awareness in the insurance industry of the importance of ESG factors but as procedures to report ESG performance by insured companies are still underdeveloped, it is challenging for insurers to take these factors into account in the underwriting process. Other obstacles for insurers to effectively adopt integrated ESG risk management are amongst others lack of communication between insurers and investment managers, and between underwriters and corporate social responsibility managers, and material ESG factors have not been formally documented in underwriting guidelines. The report concludes that "in order to sustain the long-term economic health and resilience of the insurance industry—and unleash its immense capacity to tackle ESG factors as risk managers, risk carriers and institutional investors—material ESG factors must be systematically integrated into underwriting guidelines and product development, and other core insurance processes."[69]

The search for positive examples of sustainable investments with a positive impact on social and economic development has resulted in a new PRI report, published in cooperation with Responsible Investor magazine. The report demonstrates practical examples of investments made in, for example, renewable energy, energy efficiency, microfinance and sustainable agriculture and forestry and highlights the challenges around risk and return, asset allocation and length of investment long-term investors face. These investments, often called 'impact investments', 'sustainability-themed investments' or 'ESG – targeted investments' are increasingly popular with PRI signatories. They are attractive opportunities for asset owners wishing to match long term risk/return needs while contributing to solutions for sustainability challenges. Because many barriers and difficulties exist these investments remain relatively small. The case studies also show that investors and public policy makers are finding ways to overcome them.[70]

2.4.3 Services of third parties

The Fiduciary II report of UNEP FI in July 2009 highlighted the crucial role of investment management consulting firms in the investment chain. Because they help insurers with selecting asset managers they shape and transmit client demand to asset managers, so have significant influence over what asset managers do. Whether asset managers use their influence on companies they own on behalf of their clients, the pension funds and insurers, depends on whether investment consultant assess an asset managers performance in this area.[71]

But in the consultancy industry there seems to be a lack of ESG integration and confusion between ESG integration and traditional ethical investment approaches. Consultants have not sufficiently developed measures to assess asset managers' competence on ESG integration and engagement. Consultants also don't see their responsibility to raise ESG consideration with trustees and have not embedded this in their investment management contracts.[72] However, ESG issues begin to form a piece of the investment consultants' agenda due to growing investor demand. A Eurosif study on the integration of ESG issues by investment consultancies found that 89% of investment consultants anticipate an increase of client interest when it comes to environmental, social and governance issues.[73]

Pension fund executives have made clear that institutional investors highly depend on the information of specialised research providers, and are not always satisfied with their services. Some have called on SRI/ESG service and product providers to come up with innovative and customized products to help pension funds adapt their investments responsibly. Others think that ESG research providers have to be more transparent about their methodology for ratings, which sometimes looks like a 'black box' to pension funds and is hard to trust.[74]

In 2011, SustainAbility concluded its research programme Rate the Raters with a presentation of their vision for the future of sustainable, responsible or ethical ratings. The rating agencies and service providers should be more financially viable, fewer and of higherquality, competing on analysis, value-adding to all parties, focused on core issues, consistent yet adaptive, and transparent. The insight is based on an exploration of key trends and changes in ratings over the last decade, an inventory over 100 ratings globally, and a thorough study of 21 prominent ratings work in practice.[75]

2.4.4 Reporting

Although about half of institutional investors disclose some information regarding responsible investment, only 13 of the 100 largest pension funds 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 (see paragraph 2.4.2).[76]

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. Voluntary initiatives for encouraging reporting on CSR and RI, such as ISO, GRI, and AccountAbility, deliver different levels of disclosure and will need to continue to transition from merely mentioning ESG issues, to measuring actual impacts, which is necessary for investors and regulators to shift from commentary on, to comparability of corporate performance.[77]

The International Integrated Reporting Committee (IIRC), established in August 2010 by the Prince of Wales, might be a first step in that direction. The organization explores new ways for integrating social responsibility reports and financial annual reports. This is good news for investors and analysts who have to assess both reports to get a complete picture of an enterprise. Further integration of sustainability information in financial reporting guidelines would strongly promote sustainability in business and create a level playing field that allows a full sustainability assessment of any company. Moreover, the reporting process will be more efficient, as producing two separate reports always lead to inefficiencies.[78] The IIRC held a convention in June 2011 and released a Discussion Paper on Integrated Reporting (IR) for public consultation in September 2011. In 2012 a Pilot Programme will be developed in order to provide input for further development of the IR Framework.[79]

In Australia two groups of investors, the Australian Council of Superannuation Investors (ACSI) and the Financial Services Council, in August 2011 published a guide to help companies to identify and report their ESG risks. It outlines the essential information and data that investors require to accurately analyse ESG information so that companies can understand the form that information should take. If companies use the same method, it would make analysis and comparison much simpler.[80]

In July 2012, the European Commission presented a proposal for a Regulation making it mandatory for retail investors to be informed about how ESG concerns are taken into account in their investment, whether in a mutual fund or other investment-linked products. This counts for all packaged retail investment products, including those not portraying themselves explicitly as “ESG or SRI products”. Eurosif strongly supports the proposal because it “represents a major milestone in terms of developing sustainability through European financial markets”.[81]

2.5 Relevant international standards and initiatives

2.5.1 International standards

International directives, guidelines and principles that institutional investors can refer to in their responsible investment policy, include:

- 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

2.5.2 Initiatives

In order to encourage institutional investors to develop (better) responsible investment policies, this paragraph will discuss international initiatives concerning responsible investment. We will discuss initiatives developed by the government, the sector itself and social institutions. The overview is non-limitative, but does include the best-known global examples.

- **United Nations Global Compact**

The United Nations Global Compact was founded in July 2000 as a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption. The main purpose is the worldwide integration of the principles in industry and the promotion of all activities that aim to support broader UN goals, such as UN resolutions and the Millennium Development Goals. Global Compact principles are observed voluntarily and considered as complement rather than substitute for regulatory regimes. It has over 8,700 corporate participants and other stakeholders in 130 countries.

- **UN Principles for Responsible Investment**

In May 1992, the UNEP (United Nations Environmental Programme) launched the UNEP Finance Initiative, that organizes all kinds of supportive meetings and work groups for the signatories to effect the objective to “consider environmental, social and governance issues in their investment policy”. One of these working groups in July 2004 focused explicitly on players in the investment sector: asset managers, investment funds and pension funds. The result was the Principles for Responsible Investment (PRI), launched by UN Secretary Kofi Annan in April 2006.[83]

The PRI reflect the view that environmental, social and corporate governance (ESG) issues can affect the performance of investment portfolios and therefore must be given appropriate consideration by investors if they are to fulfil their fiduciary (or equivalent) duty. The PRI Initiative was created to help investors to implement the Principles and is funded by an annual subscription fee of the signatories.[84]

The PRI is a voluntary framework, but participation in the annual survey (after an optional one year grace period) is the one mandatory requirement for all signatories. Those that do not fulfil this requirement will be publicly delisted from the Initiative.[85] The results of the Report on Progress 2011 can be found in paragraph 1.3.

PRI signatories can join collaborative engagements that seek to improve company behaviour, policies or systemic conditions. The PRI Clearinghouse is specifically designed to facilitate joint initiatives of signatories, and supports over 50 collaborative engagements each year.[86]

As of September 2012, the PRI has been signed to by a total of 1107 organizations and the value of assets under management stands at € 30 trillion. The signatories include 260 asset owners, 662 investment managers and 181 professional service partners. Of these signatories 38 asset owners, 25 investment managers and 6 professional service partners come from the Netherlands.[87]

- **UN Principles for Sustainable Insurance**

The UNEP FI Insurance Commission has developed the *Principles for Sustainable Insurance (PSI)*. As part of a pioneering global process amongst insurers the Commission held 7 consultation meetings in various regions worldwide.[88] The Principles were signed in the beginning of December 2011 and officially launched at the United Nations' conference on sustainable development in Rio de Janeiro in 2012.

The insurance principles are almost similar to the PRI, but differ from them in looking at insurance-specific areas such as casualty and property insurance risk and at areas for insurance premium development such as for project financing in the environmental space. Regarding responsible Investment the PSI refer directly to the PRI.[89] As of September 2012 27 companies, of which 5 come from the Netherlands, have signed the Principles.[90]

- **Carbon Disclosure Project**

The Carbon Disclosure Project was launched in 2000 with the aim of accelerating "solutions to climate change by putting relevant information at the heart of business, policy and investment decisions".[91] About 8,000 organisations in 60 countries now measure and disclose their and climate change strategies through CDP. This data is made available for use by a wide audience including institutional investors, corporations, policymakers and their advisors, public sector organizations, government bodies, academics and the public. CDP acts on behalf of 655 institutional investors, holding US$ 78 trillion in assets under management and some 50 purchasing organizations.[92] According to a recent report by CDP companies integrating measures and reporting on climate change, generate higher return on investments, than companies not paying attention to the risks caused by climate change.[93]

Institutional investors can become a CDP signatory and enjoy access to over 8,000 corporate responses to CDP, by signing the CDP questionnaire. Signatories also can become a member which offers a number of other benefits such as exclusive access to the DP database and member reports.[94]

- **Institutional Investor Group on Climate Change (IIGCC)**

The Institutional Investor Group on Climate Change (IIGCC) is a network of European institutional investors that stimulates research which contributes towards climate change awareness, and also stimulates investment markets and companies to reduce CO_2 emissions. There are currently over 75 members, including some of the largest pension funds and asset managers in Europe, representing around € 7,5 trillion of assets under management.[95]

- **International Corporate Governance Network**

The ICGN is a global membership organisation of over 500 leaders in corporate governance based in 50 countries, representing funds under management of over US$ 18 trillion. Its mission is to raise standards of corporate governance worldwide. It organises conferences and offers a range of publications such as best practice guidance and discussion papers.[96] ICGN has developed a set of principles, the Global Corporate Governance Principles, that are intended to be of general application around the world, irrespective of legislative background or listing rules.[97]

- **Global Reporting Initiative (GRI)**

Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework for the preparation of annual sustainability. The framework contains general principles to define report content, but also Protocols and Sector Supplements, including a Financial Sector Supplement, which concentrate on the transparency requirements for specific types of companies and sectors.[98] GRI's fourth generation of Sustainability Reporting Guidelines (G4) is now in development.

- **Integrated Reporting**

GRI's vision is that disclosure on economic, environmental, and social performance become as commonplace and comparable as financial reporting. Therefore, GRI is involved in the establishment of the International Integrated Reporting Committee (IIRC), that explores new ways for integrating social responsibility reports and financial annual reports.[99] In September 2011 the IIRC published the first draft of its Discussion Paper Toward Integrated Reporting: Communicating Value in the 21st Century offering initial proposals for the development of an International Integrated Reporting Framework. The IIRC welcome comments and responses to the discussion questions.[100] It is further developing a Pilot Programme.[101]

- **EFFAS Commission on ESG (CESG)**

As part of the search for measuring a companies' performance on social responsibility, the EFFAS (the umbrella organisation of all European analyst associations with a total of more than 16,000 members in Europe) founded a Commission on Environmental, Social & Governance (CESG) in October 2007 in Vienna. Its objective is to facilitate the integration of ESG aspects of corporate performance into investment processes. The Commission consists of investment professionals from leading European fund managers, financial analysts, and equity sector specialists.[102]

In order to gain meaningful data for investment analysis and decision-making, corporates need to report all aspects relevant to understanding risk – be it environmental, social, governance issues or data which help to understand market impacts, drivers and product development. To support companies in providing such data the Commission defined Key Performance Indicators (KPIs) on extra-financials. In September 2010 it released the draft KPIs for ESG 3.0, a standard reporting framework for ecological, social and corporate governance aspects built on the requirements of investment professionals, which is available to the public.[103]

3 Research objective and methodology

3.1 Research objective

The objective of the VBDO 'Benchmark Responsible Investment by Insurance Companies in the Netherlands 2012' is to provide insurance companies, their policyholders and all interested in this matter insight into the current status of responsible investment among the 29 largest Dutch insurance companies. This comparative research offers insurance companies an impartial instrument with which they are able to assess the extent to which their responsible investment policy adequately reflects their social responsibilities and how this policy compares to their peers' policies. The report is of equal value to the policyholders that are able to assess the various insurance companies and can determine whether to choose for or to change an insurance company on the basis of their responsible investment policy. Furthermore, it provides policyholders and others that are interested with the means to engage with the boards of the insurance companies.

In 2007, the VBDO published the first 'Benchmark Responsible Investment by Dutch Pension Funds and Pension Insurance Companies'. This report is the fourth edition, focusing only on insurance companies after the VBDO started publishing a separate benchmark report on pension funds in September 2009. In essence, the VBDO aims to ensure that as many Dutch insurance companies as possible develop a sound responsible investment policy, that they implement this policy in a consequent manner using various instruments and account for it in a clear and transparent manner. The methodology and scope is maintained in this edition of the benchmark research. The VBDO does plan to update the methodology next year in order to stay abreast of the latest developments in terms of responsible investment and keep providing an accurate assessment of the changes in responsible investment policy, implementation and accountability in the Dutch insurance company sector.

3.2 Selection of organizations

For the selection of the insurance companies, the VBDO maintained last year's list, with one change. De Friesland Zorgverzekeraar has become a full subsidiary of Achmea Holding, and is therefore not considered separately anymore. The selection is given below:

Table 3.1: Selection of organizations

Achmea	De Goudse	Onderlinge 's-Gravenhage
AEGON	Delta Lloyd	ONVZ
Allianz Nederland	DSW	REAAL
ARAG Rechtsbijstand	Generali verzekeringsgroep	Swiss Re Nederland
ASR	HDI-Gerling	TVM
Bovemij	Klaverblad Verzekeringen	Coöperatie VGZ U.A.
Cardif	Legal & General Nederland	UVM
Chartis	Loyalis	Zorg en Zekerheid
CZ	Menzis	Zwitserleven
DAS	Nationale-Nederlanden	

3.3 Research period

The VBDO Benchmark Responsible Investment by Insurance Companies 2011 covers the period January to December 2011 in terms of assets under management. The VBDO does, however, consider developments in the responsible investment policies of insurance companies up until the end of June 2012.

3.4 Research process

The research process differed from previous years. While in previous years a questionnaire was sent to the contacts of the insurance companies, this year the profile of last year's benchmark was sent to the insurance companies. This was mainly because different sources within the sector indicated that there was a certain element of 'questionnaire fatigue' within sector. Therefore the profile of last year was sent with the question to update it with more recent data. After receiving input from the insurers and publicly available information (which consisted of annual reports, websites and other website), the VBDO composed a profile for each of the insurance companies in which all assessment criteria are covered. These profiles were returned to the insurers for verification and, where necessary, for corrective purposes. On the basis of these profiles, the VBDO assigned scores for all assessment issues and criteria.

3.5 Division of tasks and responsibilities

The VBDO cooperated with different organizations in compiling this research. This section describes the division of tasks and responsibilities. In contrast to earlier benchmark studies, Profundo was not involved in gathering information from the insurance companies, nor in the composing or scoring of the profiles. Profundo provided the VBDO with an independent review of the scores of a sample of insurance companies, to enhance the integrity of the results. Profundo also was responsible for writing the background chapter 2.

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 insurance companies and insurers and on conversations with institutional investors. The scores of the assessment issues were added up using weighting 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.

This year, the VBDO made two (minor) changes to the methodology. The first change has to do with the volume of the responsible investment policy in terms of government bonds. Some institutional investors maintain an exclusion list of countries that are not readily available to be invested in. Even though it is a positive signal that investors consider ESG issues in their government bond portfolio, the VBDO does not want to disproportionally reward investors for an exclusion policy that, in practice, does not have an effect on the investment portfolio. It has, therefore, chosen not to reward investors that only exclude government bonds not readily available in the policy category and therefore the government bond asset allocation is not counted towards the extent of the responsible investment policy.

The second change to the methodology is related to ESG-integration. In previous editions of the benchmark, the VBDO distinguished between two forms. This year, a significant of institutional investors have taken steps to integrate ESG into their investment process. In order to better reflect these positive changes, the VBDO has amended the methodology. Distinction is now made between systematic ESG-integration and systematic ESG-integration that has a verifiable and systematic impact on individual holdings. In this way, the VBDO works to keep its methodology as up-to-date as possible.

3.5.1 Asset classes

Although bonds are now the favoured asset class among SRI investors, representing 53% of total European SRI assets , there are many other possibilities for investment described by amongst others the Boston College Center for Corporate Citizenship. This research takes into account the most common asset classes, for which responsible investment strategies and instruments are already well developed. The list below also represents more than half of the average total investments of pension funds.

- **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, extracting the relevant ESG data on emerging market companies can require a large amount of research.

  It is also possible to take ESG criteria into account with passive investments, by following a sustainable index.

- **Corporate (including covered) bonds**
  For corporate bonds responsible investment activities can be much the same as for equities, with the difference that 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.

- **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.

- **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.

  The Dutch Green Building Council develops labels for an independent evaluation of new and existing buildings in the area of sustainability, which can be used as a condition for investment. Additionally, developers, architects, brokers, etc. will soon be offering sustainable real estate through a dedicated website, where an expert panel determines that the property offered meets the sustainability requirements. Finally, investors can track indices like the Global Environmental Real Estate Index.

- **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 infrastructure. Information provided on other asset classes will not be taken into account. The following opportunities were derived from literature:

  - 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.

  - 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.

  - 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.

3.5.2 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 and issues such as human rights violations and damage to the environment into consideration offers insufficient means of judgment for which companies should be excluded. It is important to specify these issues and use well defined Environment, Social and Governance (ESG) criteria.

  While some investors do take more than one criterion into account, their list of excluded companies only shows (controversial) weapon producers and raises questions about the use of ESG-criteria. Thus, using more than one criterion for exclusion is rated positively, only if the investor can demonstrate how the ESG-criteria are applied and have resulted in the list of exclusions.

  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 (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. Insurance companies 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 scoring methodology distinguishes three steps, from a general inclusion of ESG-information to steps taken to include ESG-information in the investment selection process.

  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 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 investments in SRI funds. In this case, ESG-criteria do not guide the investment decision process, like ESG-integration, 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. Thus, VBDO defines positive selection 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 taken to actively 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 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**
  Insurance companies can actively exert influence on companies in which investments are made by entering into dialogue with them. If a companies' policies and behaviour 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, all depending on the size of investment. Institutional investors that have formulated an engagement policy and actively seek dialogue with companies outside shareholder meetings 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 that 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, affordable 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 as well.

  Impact investing may 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'.

3.5.3 Category 1: Responsible investment policy

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.

- **Responsible investment policy: content (50%)**
  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 decision, but does not necessarily have to refer to the Global Compact itself.

  - No policy (0/4)
  - Policy is mentioned on website and/or annual report AND/OR covers at least two of the themes included in the UN Global Compact (1/4)
  - Policy covers all four themes included in the UN Global Compact (2/4)
  - 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 (3/4)
  - Policy covers at least all four themes/ten principles in the UN Global Compact and sets measurable targets for better adherence to the ten principles in the investment practice. (4/4)

- **Responsible investment policy: volume (50%)**
  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.[1] VBDO appreciates a policy that can and will be applied to the whole portfolio. For the government bond portfolio, the VBDO only includes this portfolio as being covered by the responsible investment portfolio if countries are excluded that are readily available to be invested in.

  - 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)

The final score of this category contributes for 25% to the overall score.

3.5.4 Category 2: Implementation

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.

Therefore, this methodology tries to take into account the possibilities and limitations of both the asset classes (paragraph 1.1.1) and the instruments (paragraph 1.1.2) and 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, based on the instruments, is identified. The individual assessment issues within the as-set classes may add up to a score of more than 100%, while the score is capped at 100%. If an

1 For government bonds, points are only awarded for this criterion if the score for Exclusion is 2/2. This avoids insurance companies receiving a higher score for policy for the implementation of an exclusion policy that in practice has no impact on the portfolio.

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 ca-tegory implementation.

- **Exclusion policy (25%)**
  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.

  - 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 (25%)**
  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, which is rated highest in this methodology. As this strategy may be applied to part of the portfolio, the volume of implementation is also taken into account.

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

  - **Extent**
  - 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 (2/3)
  - ESG-information is systematically and demonstrably part of the equity investment selection process and has an explicit and verifiable impact on individual holdings (3/3)

  - **Volume**
  - 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 (25%)**
  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.

- 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 (25%)**
  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 (evidence of progress towards resolution/company excluded) (3/3)

- **Voting (25%)**
  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 volume of the voting policy and inclusion of ESG issues are taken in to account. Highest points are given to investors that also publicly initiate and/or support shareholder resolutions on CSR.

  The two scores for voting are multiplied together and end up as one score:

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

  - **Issues**
  - Yes, demonstrably votes on companies in portfolio (1/3)
  - Yes, demonstrably votes at companies in portfolio, paying explicit positive attention to ESG issues (2/3)
  - Yes, demonstrably votes at companies in portfolio, paying explicit attention to ESG issues and publicly initiates and/or supports shareholder resolutions promoting CSR (3/3)

- **Impact investing for equity (10%)**
  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 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% or in excess of €1 billion of total equity portfolio (2/3)
- Yes, investments are demonstrably made in publicly traded companies to promote sustainable development (eg. microfinance institutions, renewable energy, etc.), <5% or in excess of €2.5 billion of total equity portfolio (3/3)

Asset class: Corporate (including covered) bonds
The score of this asset class is multiplied by asset allocation to create a final score for the ca-tegory implementation.

- **Exclusion (35%)**
  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.

  - No (0/2)
  - Yes, companies are demonstrably excluded based on 1 criterion (list of excluded companies is based on only 1 criterion) (1/2)
  - Yes, companies are demonstrably excluded based on multiple criteria (2/2)

- **ESG-integration (30%)**
  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, which is rated highest in this methodology.

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

- **Extent**
- 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 (2/3)
- ESG-information is systematically and demonstrably part of the equity investment selection process and has an explicit and verifiable impact on individual holdings (3/3)

- **Volume**
- 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 (30%)**
  Positive selection is choosing the best performing organisation out of a group of corresponding organisations (sector, industry, 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.

- 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 (35%)**
  Engagement is exerting influence on companies by entering into dialogue. Reporting the activities and 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, cannot determine ambition le-vel) (2/3)
  - Yes, demonstrably engages or participates in engagement activities on ESG-criteria and shows demonstrable results (evidence of progress towards resolution/company excluded) (3/3)

Asset class: Government bonds / Sovereign bonds
The score of this asset class is multiplied by asset allocation to create a final score for the ca-tegory implementation.

- **Exclusion policy (50%)**
  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 (50%)**
  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, which is rated highest in this methodology.

  Two scores for ESG-integration are multiplied and end up as one score:

  - **Extent**
  - 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 (2/3)
  - ESG-information is systematically and demonstrably part of the equity investment selec-tion process and has an explicit and verifiable impact on individual holdings (3/3)

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

- **Positive selection (50%)**
  Positive selection is choosing the best performing country out of a group of corresponding countries (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.

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

Asset class: Real estate
The score of this asset class is multiplied by asset allocation to create a final score for the ca-tegory implementation.

- **Direct real estate ES(G)-criteria for the selection of real estate objects (30%)**
  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:

  - No (0/1)
  - Yes, investor demonstrably considers ES(G) issues in selection/development of new real estate objects (1/1)

- **Direct real estate ES(G)-criteria for the maintenance of real estate objects (30%)**
  Additionally, ESG-criteria could be used for the maintenance of real estate objects:

  - No (0/1)
  - Yes, investor demonstrably considers ES(G) issues in maintenance of real estate objects and takes active steps to reduce CO2 emissions, energy usage and waste production (1/1)

- **Indirect real estate - Selection of managers (60%)**
  For indirect investments an investor could consider ES(G) issues during its selection of fund managers and by entering into dialogue with real estate fund managers:

  - No (0/2)
  - Yes, the pension fund demonstrably considers ES(G) issues in selection of real estate fund managers/publicly listed real estate companies (1/2)
  - Yes, the pension fund demonstrably considers ES(G) issues in selection of real estate fund managers/publicly listed real estate companies and actively seeks the dialogue with real estate fund managers/publicly listed real estate companies on the topic of ES(G) (2/2)

Asset class: Alternative investments
The score of this asset class is multiplied by asset allocation to create a final score for the ca-tegory implementation.

- **Use of ESG-criteria (60%)**
  Both the extent to which ESG-criteria are incorporated into the investment process and the level of transparency are taken into account for the assessment of alternative investments:

  - No (0/2)
  - Yes, ESG-criteria are demonstrably used in the selection of alternative investments (1/2)
  - Yes, ESG-criteria are demonstrably used in the selection of alternative investments and these investments publicly available (eg. commodities, private equity, etc.) (2/2)

- **Impact investing for non-public investments (60%)**
  Impact investing can be defined as active investments in companies or projects that contribute to innovative technological or social development and create added value for society that can hardly be compared with mainstream solutions.

  Investors can provide reports about the projects or funds they invest in and present the numbers of their investment. Insurance companies that invest on a structural base and with significant amounts of money in projects and companies are rated higher. If they leave the invested amount unspecified only one point will be accredited:

  - No (0/3)
  - Yes, investments are demonstrably made in companies to promote sustainable development (eg. microfinance institutions, renewable energy, etc.), <1% of total alternative portfolio (1/3)
  - Yes, investments are demonstrably made in companies to promote sustainable development (eg. microfinance institutions, renewable energy, etc.), <2% of total alternative portfolio (2/3)
  - Yes, investments are demonstrably made in companies to promote sustainable development (eg. microfinance institutions, renewable energy, etc.), <5% of total alternative portfolio (3/3)

  The final score of the category implementation contributes for 50% to the overall score.

3.5.5 Category 3: Accountability

Consumers and citizens 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.

- **Publicly available information on responsible investment policy (25%)**
  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)

- **Publicly available information on implementation (75%)**
  All strategies should be explained in either the responsible investment policy or in a separate document and be available on the website. For some strategies a report of the results is required as well. There should be a publicly available overview of the investments made.

- (Up-to-date) list of investments (40%)
- 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)

Furthermore, the investor should publish information on the following six strategies:

- **Exclusion (15%)**
  Exclusion is identifying specific, preferably multiple, ESG-criteria for exclusion of companies from the investment universe.
  - 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 (15%)**
  ESG-integration is the process by which ESG- criteria are incorporated into the investment process.
  - Methodology for ESG-integration is not explained (0/1)
  - Methodology for ESG-integration is explained (1/1)

- **Positive selection (15%)**
  Positive selection is choosing the best performing company or country out of a group of corresponding companies or countries (sector, industry, class) with the use of ESG-criteria.
  - Methodology for positive selection is explained (0/1)
  - Methodology for positive selection is explained (1/1)

- **Engagement (15%)**
  Engagement is exerting influence on companies by entering into dialogue, preferably besides shareholder meetings.
  - No engagement policy found (0/2)
  - Engagement strategy is explained (1/2)
  - Engagement policy is explained, results are also available (2/2)

- **Voting (15%)**
  Voting is exerting influence on companies by voting during shareholder meetings and by introducing or supporting resolutions about sustainability and corporate social responsibility (CSR).
  - 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 (15%)**
  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.
  - Strategy for impact investing cannot be found (0/1)
  - Strategy for impact investing can be found (1/1)

The final score of the category accountability contributes for 25% to the overall score.

4 In this chapter, the results of the 2012 benchmark research among insurance companies are presented and analyzed. This is followed by a section that provides recommendations to insurance companies on further developing their responsible investment policies.

4.1 Response rate

This year, 29 insurance companies were reviewed in terms of their efforts on responsible investment. Of these 29 companies, 21 insurance companies participated in the research process, as can be seen by Table 4.1 below.

Table 4.1: Response rate 2012 and 2011

Name	Response 2012	Response 2011
Achmea Holding	x	x
AEGON	x	x
Allianz Nederland	x	x
ARAG Rechtsbijstand	x	
ASR Nederland	x	x
Bovemij Verzekeringen		
BNP Paribas Cardif	x	x
Chartis		
CZ	x	x
DAS Rechtsbijstand		
De Goudse	x	x
Delta Lloyd	x	x
DSW Zorgverzekeraar		
Generali Verzekeringsgroep	x	x
HDI-Gerling Verzekeringen		
Klaverblad Verzekeringen	x	
Legal & General Nederland	x	x
Loyalis Verzekeringen	x	x
Menzis	x	x
Nationale Nederlanden	x	x
Onderlinge ‘s-Gravenhage		
ONVZ Zorgverzekeraar	x	x
REAAL	x	x
SwissRe NL (ALHM)		
TVM Verzekeringen		
Coöperatie VGZ U.A.	x	x
UVM Verzekeringsmaatschappij	x	
Zorg en Zekerheid	x	
Zwitserleven	x	x
Total	**21**	**17**

This is a response rate of 72%, and is a clear improvement on last year, when 57% of the survey population responded. The VBDO also had contact with 3 other insurance companies that indicated that they had a responsible investment policy. Unfortunately, these insurance companies, for various reasons, were unable or unwilling to provide a response to their profiles. This seems to indicate that there is still a significant group of insurance companies that do have some sort of a responsible investment policy but are unwilling or unable to communicate this.

4.1 Overall results

The overall results for the 29 insurance companies are presented in Table 4.2 below. All the overall scores are out of 5.

Table 4.2: Overall results per insurance company

No.	Name	Policy	Implementation	Accountability	Overall score
1	Zwitserleven	4,4	4,9	5,0	4,8
2	REAAL	4,4	4,9	4,6	4,7
3	ASR Nederland	4,4	5,0	3,5	4,5
4	AEGON	4,4	4,1	5,0	4,4
5	Nationale Nederlanden	4,4	4,2	4,3	4,3
6	Loyalis Verzekeringen	3,8	3,4	5,0	3,9
7	Menzis	4,4	2,6	4,3	3,5
8	Achmea Holding	4,4	2,5	4,3	3,4
9	Delta Lloyd	3,8	1,6	4,6	2,9
10	ONVZ Zorgverzekeraar	3,8	2,1	2,8	2,7
11	CZ	2,5	1,6	2,8	2,1
12	De Goudse	2,1	1,9	1,6	1,9
13	Allianz Nederland	3,1	1,8	0,0	1,7
14	Generali Verzekerings-groep	1,9	0,5	2,4	1,3
15	BNP Paribas Cardif	1,9	0,7	1,3	1,1
16	Klaverblad Verzekeringen	2,5	0,8	0,0	1,0
17	Zorg en Zekerheid	1,9	1,0	0,0	1,0
18	UVM Verzekerings-maatschappij	1,9	0,0	1,3	0,8
19	Coöperatie VGZ U.A.	1,9	0,1	0,0	0,5
20	ARAG Rechtsbijstand	1,3	0,0	0,0	0,3
21	Bovemij Verzekeringen	0,0	0,0	0,0	0,0
22	Chartis	0,0	0,0	0,0	0,0
23	DAS Rechtsbijstand	0,0	0,0	0,0	0,0
24	DSW Zorgverzekeraar	0,0	0,0	0,0	0,0
25	HDI-Gerling Verzekeringen	0,0	0,0	0,0	0,0
26	Legal & General Nederland	0,0	0,0	0,0	0,0
27	Onderlinge 's-Gravenhage	0,0	0,0	0,0	0,0
28	SwissRe NL (ALHM)	0,0	0,0	0,0	0,0
29	TVM Verzekeringen	0,0	0,0	0,0	0,0

The top 3 insurance companies have remained the same, with the only difference being that REAAL and Zwitserleven switching the first 2 positions. New to the 4th and 5th positions are AEGON and Nationale Nederlanden. All of the top 10 insurance companies scores above 2.5, or more than 50%.

When comparing the results to last year's scores, 16 of the 29 insurance companies have improved their scores. This can be seen in Table 4.3 below.

Table 4.3: Overall scores in 2012 and 2011

No.	Name	Overall score 2012	Overall score 2011	Change
1	Zwitserleven	4,8	4,3	↑
2	REAAL	4,7	4,5	↑
3	ASR Nederland	4,5	4,0	↑
4	AEGON	4,4	2,5	↑
5	Nationale Nederlanden	4,3	2,0	↑
6	Loyalis Verzekeringen	3,9	3,3	↑
7	Menzis	3,5	3,1	↑
8	Achmea Holding	3,4	3,3	↑
9	Delta Lloyd	2,9	2,6	↑
10	ONVZ Zorgverzekeraar	2,7	2,4	↑
11	CZ	2,1	2,2	↓
12	De Goudse	1,9	1,8	↑
13	Allianz Nederland	1,7	1,7	→
14	Generali Verzekeringsgroep	1,3	1,5	↓
15	BNP Paribas Cardif	1,1	0,0	↑
16	Klaverblad Verzekeringen	1,0	0,0	↑
17	Zorg en Zekerheid	1,0	0,0	↑
18	UVM Verzekeringsmaatschappij	0,8	0,7	↑
19	Coöperatie VGZ U.A.	0,5	0,5	→
20	ARAG Rechtsbijstand	0,3	0,0	→
21	Bovemij Verzekeringen	0,0	0,0	→
22	Chartis	0,0	0,0	→
23	DAS Rechtsbijstand	0,0	0,0	→
24	DSW Zorgverzekeraar	0,0	0,0	→
25	HDI-Gerling Verzekeringen	0,0	0,0	→
26	Legal & General Nederland	0,0	0,0	→
27	Onderlinge 's-Gravenhage	0,0	0,0	→
28	SwissRe NL (ALHM)	0,0	0,0	→
29	TVM Verzekeringen	0,0	0,0	→

In some cases, insurance companies received a score for the first time. This applies to, for example, BNP Paribas Cardif, Klaverblad Verzekeringen and Zorg en Zekerheid. Other insurance companies made significant leaps in improving their scores: AEGON and Nationale Nederlanden both increased their scores by more than 1.5 points. In fact, all of the top 10 insurance companies improved their individual scores.

At the same time, 9 insurance companies remain unable or unwilling to show their responsible investment activities. A zero score does not necessarily mean that there is no responsible investment policy. As mentioned earlier, 3 insurance companies with a self-described responsible investment policy did not participate this year. Some insurance companies are part of international groups that do have responsible investment activities, but it is unclear if these activities also apply to the Dutch division of the company. The fact remains, however, that it is impossible for premium holders and other stakeholders to gain insight into the sustainability of the investments.

A further analysis of the cumulative results can be made when comparing the average results to last year's results. This is done in Table 4.4 below.

Table 4.4: Analysis of results according to size and including/excluding zero scores

2012	Policy	Implementation	Accountability	Overall score
Average score (including zero scores)	2,2	1,5	1,8	1,7
Average scores (excluding zero scores)	3,1	2,2	2,6	2,5
2011				
Average score (including zero scores)	1,8	1,1	1,5	1,4
Average scores (excluding zero scores)	3,4	2,0	2,8	2,5
Size of insurance company (invested capital)				
Up to €1 billion	1,2	0,4	0,5	0,6
€1 to €10 billion	2,2	1,3	1,8	1,6
From €10 billion	4,3	3,9	4,5	4,1

When comparing scores (including the zero scores) for the three elements as well as the overall score, a significant improvement can be seen. This should come as no surprise, considering that the majority of insurance companies improved their scores and more insurance companies were able to show evidence of having and implementing a responsible investment policy. As in previous editions, the scores are the highest for the 'Policy' element, while the 'Implementation' element remains the greatest challenge.

When looking at the average scores (excluding zero scores), it is interesting to note that the overall average score remains the same. This seems to indicate that the improvements made by insurance companies included last year are balanced out by the generally lower scores for the insurance companies included for the first time. This can also be expected, as insurance companies relatively new to responsible investment gradually deepen and broaden their responsible investment activities.

A new trend can be detected when looking at the scores for the different elements (excluding zero scores). While the average score for 'Implementation' has increased from 2.0 to 2.2, the average scores for 'Policy' and 'Accountability' actually decreased. As it was shown earlier that almost all the scores for insurance companies previously participating have increased, this seems to indicate that insurance companies that have recently provided evidence of their responsible investment activities tend to focus on implementing the responsible investment policy, and are less concerned about formulating a proper policy and communicating this effectively.

The insurance companies can also be analyzed according to size. Similar to previous years, the results of this benchmark are highly correlated with the size of the insurance companies. The larger the insurance company, the more active the company tends to be in terms of responsible investment.

Focussing in on 'Implementation', Table 4.5 provides the average score of insurance companies for the 5 asset classes that are distinguished in this benchmark, in 2012 as well as 2011.

Table 4.5: Average scores across asset classes, 2011 and 2012

Asset class	Average score 2012	Average score 2011
Public equity	2,3	2,3
Corporate bonds	2,5	2,1
Government bonds	1,9	1,8
Real estate	1,6	1,7
Alternative investments	1,4	1,4

The average scores for the various asset classes remain fairly unchanged, with the scores moving up or down by 0.1, with one exception. For the corporate bonds asset class, a significant increase of 0.4 can be seen, suggesting that insurance companies have taken significant strides in incorporating responsible investment into their corporate bond portfolio. This is an important development, given that insurance companies are relatively heavily invested in (corporate) bonds. Given last year's similar development where government bonds was the most improved asset class, it seems to suggest that insurance companies have heeded the VBDO's advice by focusing on the asset classes with the most assets, thereby also having the most impact on sustainable development.

In the following sections, the results of the 29 criteria across the three elements of responsible investment as defined by the VBDO are summarized.

4.3 Policy results

The policy section of the benchmark is composed of 2 criteria that evaluate both the qualitative as well as the quantitative aspects of the responsible investment policy.

Nine of the 29 insurance companies were unable to provide evidence of a responsible investment policy, meaning that 20 insurance companies have a demonstrable responsible investment policy. This is a significant change from last year, when 14 insurance companies were unable to do so. Four insurance companies were able to show that they have some sort of policy, but the policy was not very specific. Seven insurance companies have a responsible investment policy that covers all four themes of the UN Global Compact (human rights, labour standards, environment, corruption), while 9 insurance companies provided some detail as to how they went dealt with some of the 10 principles falling under the 4 UN Compact Compact themes. None of the surveyed insurance companies were able to show that they set measurable targets for better adherence to their responsible investment policies.

Of the 20 insurance companies with a responsible investment policy, 7 insurance companies had their policy cover less than 50% of their assets. This leaves 13 insurance companies that have a policy that covers more than 50% of their assets. This is a slight improvement from last year, when 12 policies covered more than 50%, and means that the insurance companies new to responsible investment have a ways to go yet to implement their responsible investment policies across the asset classes.

It is unfortunate that no insurance companies have as yet set measurable targets for better responsible investment performance, and the VBDO hopes that this can change in the near future.

4.4 Implementation results

The second and arguably the most important element of the VBDO benchmark investigates the extent to which responsible investment is implemented across the various asset classes. Whereas in section 4.2 the average scores for the 5 asset classes are shown, this section provides information on the various instruments available to investors within each asset class. Further explanation of these instruments can be found in chapter 3.

4.4.1 Public equity

Within the public equity asset class, a wide variety of instruments can be used to implement the responsible investment policies. This section investigates the extent to which these instruments are actually used.

- Exclusions: Fifteen insurance companies maintain an exclusion policy, with 14 of them excluding companies based on multiple criteria. This is an improvement of 2 in comparison to last year.
- ESG-integration: Twelve insurance companies, 3 more than last year, were able to show that they integrate ESG factors into their responsible investment practice in the public equity asset class. Six of these insurance companies were also able to show that it is systematically and demonstrably part of the equity selection process. This is also a significant improvement in comparison to last year. One insurance company, ASR Nederland, was also able to show that this had a verifiable impact on individual holdings. This policy applied to 75% or more of the asset class for 8 of the 12 insurance companies.
- Positive selection: Five insurance companies invest a portion of their public equity portfolio using positive selection, with the majority investing less than 10% of the public equity portfolio.
- Engagement: Twelve insurance companies, an increase of 1 from last year, conduct engagement activities with companies that they invest in. Eight of these insurance companies were able to show demonstrable results of these engagement activities as well.
- Voting: Eleven insurance companies, the same amount as last year, exercise their voting rights. Eight of these companies pay positive attention to ESG issues. In terms of the extent to which all the voting rights are exercised, 5 insurance companies do this for more than 50% of their public equity portfolio.
- Impact investing: Four insurance companies, similar to last year, make use of impact investing in the public equity asset class. The 4 insurance companies are: ASR Nederland, Delta Lloyd, Loyalis Verzkeringen and Menzis.

4.4.2 Corporate bonds

In section 4.2, the average results per asset class showed that insurance companies made the most progress on responsible investment in their corporate bond portfolio. The details of this process are found below:

- Exclusions: Fifteen insurance companies maintain an exclusion policy, with 14 of them excluding companies based on multiple criteria. This is an improvement of 6 in comparison to last year, and demonstrates significant progress.
- ESG-integration: Ten insurance companies were able to demonstrate that they incorporate ESG into their investment practice in the corporate bond asset class. Seven of these insurance companies do this in a systematic and demonstrable manner. This is an improvement in comparison to last year, when 7 insurance companies did this. The vast majority of these companies do this for more than 75% of their assets.
- Positive selection: Two insurance companies, 1 more than last year, were able to show that they make use of positive selection. These companies are REAAL and Zwitserleven.
- Engagement: Nine insurance companies, two more than last year, make use of engagement for their corporate bond holdings as well. These engagement activities often occur together with the public equity holdings, but are some also done separately or before acquiring the bond.

4.4.3 Government bonds

Last year, the implementation of responsible investment in the government bond portfolio was greatly improved. Unfortunately, it still lags behind the implementation of responsible investment in the corporate bond asset class.

- Exclusions: Eleven insurance companies, 2 more than last year, exclude investments in government bonds based on sustainability criteria. Seven of these insurance companies also exclude companies that are readily available.
- ESG-integration: Nine insurance companies, 2 more than last year, were able to demonstrate that they incorporate ESG criteria into their selection of investments. Two of these companies, ASR Nederland and ONVZ Zorgverzekeraars, were able to show that this is done in a systematic and demonstrable manner. This also applied more than 75% of the portfolio for the vast majority of these insurance companies.
- Positive selection: Three insurance companies, 1 more than last year, make use of positive selection for a portion of their government bond portfolio.

4.4.4 Real estate

When it comes to real estate, the VBDO benchmark distinguishes between direct and indirect real estate. For direct investment in real estate, the selection and maintenance of real estate objects are important. Indirect real estate and sustainability focuses on the selection and dialogue with real estate fund managers. A number of insurance companies indicated that they did not invest in real estate.

- Direct real estate selection and maintenance: Four insurance companies, 1 more than last year, were able to show that they make use of sustainability criteria in the selection and maintenance of direct real estate objects. These are: Achmea, AEGON, ASR Nederland, Delta Lloyd and Nationale Nederlanden.
- Indirect real estate: Seven insurance companies, 1 more than last year, were able to show that they include ESG-criteria in their selection of real estate investment managers.

4.4.5 Alternative investments

The alternative investment asset class includes a wide range of different investment opportunities, such as private equity, hedge funds, commodity and infrastructure investments. Each of these investment opportunities requires unique responsible investment approaches. Many insurance companies also indicated that they did not invest in alternative investments.

- ESG-criteria: Seven insurance companies, three more than last year, make use of ESG-criteria for their alternative investments. One insurance company, Zwitserleven, was also able to provide information on these investments.
- Impact investing: Seven insurance companies, one less than last year, make use of impact investment opportunities within the alternative investment asset class. The investment level of these impact investments varies widely for the insurance companies.

4.5 Accountability results

The third and final element of this benchmark is accountability. In addition to having a responsible investment policy and implementing it across various asset classes, insurance companies should also communicate their activities in an effective manner. This means providing easy-to-find publicly available information to relevant stakeholders.

- Fifteen insurance companies provide publicly available information on their responsible investment policy. This means that 5 insurance companies have a demonstrable responsible investment policy but do not communicate this policy to their external stakeholders.
- Exclusions: Twelve insurance companies also have an exclusion policy, with half of the insurance companies also having a publicly available list of excluded companies/countries.
- ESG-integration: Eleven insurance companies, 4 more than last year, provide publicly available information on how they implement ESG-criteria into their investment process. It must be said, however, that the quality of this information varies considerably.
- Positive selection: Three insurance companies provide publicly available information on their positive selection methodology.
- Engagement: Nine insurance companies, 1 more than last year, provide information on their engagement policy and/or activities, with 4 of these insurance companies providing further information on the results of this engagement.
- Voting: Nine insurance companies, 2 more than last year, provide publicly available information on their voting policy. Eight of these also provide detailed voting behaviour.
- Impact investing: Seven insurance companies, 1 more than last year, provide publicly available information on their impact investment strategies.

4.6 Concluding remarks

The VBDO is pleased with the progress that insurance companies have booked in 2011 and the first half of 2012. When comparing the results to last year's scores, 16 of the 29 insurance companies have improved their scores. A number of these improvements are also significant. Four more insurance companies were able to demonstrate that they have a responsible investment policy. Finally, the response rate also improved significantly, from 57% in 2011 to 72% in 2012.

It seems that the Code Duurzaam Beleggen, introduced by the Verbond van Verzekeraars (the umbrella organization of insurance companies in the Netherlands) in 2011 and effective from the beginning of 2012 has stimulated insurance companies (further) develop and implement their responsible investment policies. This report does, however, make clear that further steps must continue to be taken. Many insurance companies are at the beginning of the process towards responsible investment. It is now up to them to continually strive to improve and update their policies.

The VBDO must continually strive to improve and update its methodology as well. This is the third year that the methodology has remained (relatively) unchanged, and is a conscious decision in order to maintain the comparability of the results over the span of a few years. It is time, however, to update the methodology once again, to reflect current issues and recent best practices. A few of these issues are identified below.

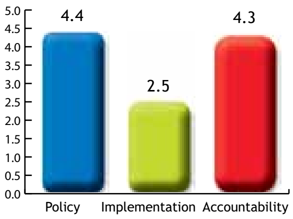
In the first place, ESG integration has become a very important instrument in implementing responsible investment. It remains a challenge, however, to define exactly what is meant by ESG integration and to measure its impact. Together with institutional investors and other stakeholders, the VBDO wants to further define how this instrument can be integrated into an effective way of contributing to sustainable development. This contribution to sustainable development must be better defined. The impact of responsible investment on achieving sustainable development will have to be presented in a much clearer way. In what ways do, for example, exclusions and active ownership lead to sustainable development? How the investments of institutional investors contribute to sustainable development? Finally, the responsible investment policies themselves must be improved. This report showed that the insurance companies that recently developed a responsible investment policy focussed much more on implementing their policies than on developing a wide-ranging and detailed approach and vision on responsible investment. This also provides the investor with an opportunity to define what values are important to them and how these can be integrated into their investment strategy. It is backwards to focus on the implementation of a policy that has not (yet) been clearly defined and articulated.

The VBDO hopes to continue working together with the Dutch insurance sector to achieve that their considerable investments are able to contribute to growth and development that is sustainable.

Appendices

1 Results per insurance company

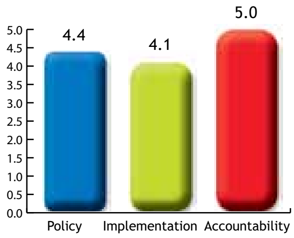
Achmea Holding



IMPLEMENTATION	
Public listed equity	4.0
Corporate bonds	4.5
Sovereign bonds	1.7
Real estate	5.0
Alternative investments	5.0

Overall score: 3.4

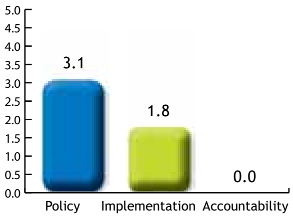
AEGON



IMPLEMENTATION	
Public listed equity	3.9
Corporate bonds	4.5
Sovereign bonds	4.2
Real estate	3.0
Alternative investments	4.5

Overall score: 4.4

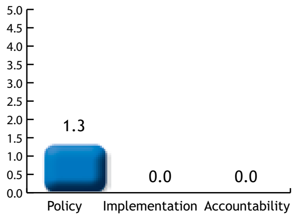
Allianz Nederland



IMPLEMENTATION	
Public listed equity	0.7
Corporate bonds	0.9
Sovereign bonds	2.5
Real estate	0.0
Alternative investments	0.0

Overall score: 1.7

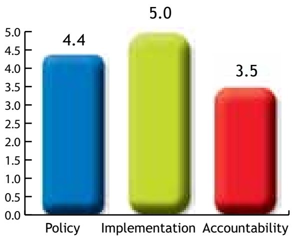
ARAG Rechtsbijstand



IMPLEMENTATION	
Public listed equity	0.0
Corporate bonds	0.0
Sovereign bonds	0.0
Real estate	0.0
Alternative investments	0.0

Overall score: 0.3

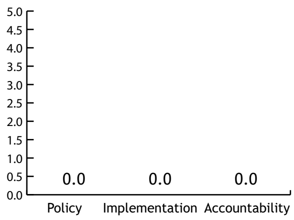
ASR Nederland



IMPLEMENTATION	
Public listed equity	4.7
Corporate bonds	5.0
Sovereign bonds	5.0
Real estate	5.0
Alternative investments	4.5

Overall score: 4.5

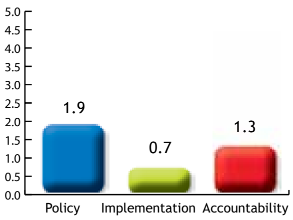
Bovemij Verzekeringen



IMPLEMENTATION	
Public listed equity	0.0
Corporate bonds	0.0
Sovereign bonds	0.0
Real estate	0.0
Alternative investments	0.0

Overall score: 0.0

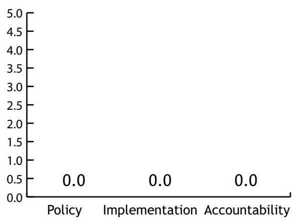
Cardif Verzekeringen



IMPLEMENTATION	
Public listed equity	0,3
Corporate bonds	0,0
Sovereign bonds	1,7
Real estate	-
Alternative investments	-

Overall score: 1.1

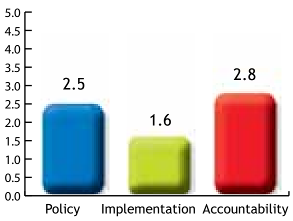
Chartis



IMPLEMENTATION	
Public listed equity	0.0
Corporate bonds	0.0
Sovereign bonds	0.0
Real estate	0.0
Alternative investments	0.0

Overall score: 0.0

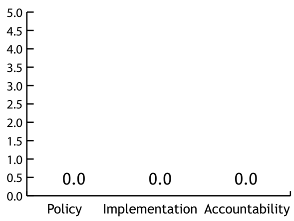
CZ



IMPLEMENTATION	
Public listed equity	2.2
Corporate bonds	2.7
Sovereign bonds	1.3
Real estate	-
Alternative investments	-

Overall score: 2.1

DAS Rechtsbijstand



IMPLEMENTATION	
Public listed equity	0.0
Corporate bonds	0.0
Sovereign bonds	0.0
Real estate	0.0
Alternative investments	0.0

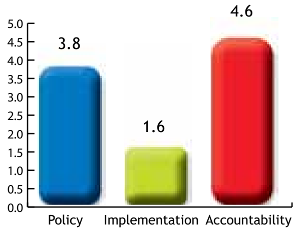
Overall score: 0.0

De Goudse

IMPLEMENTATION	
Public listed equity	1.7
Corporate bonds	2.3
Sovereign bonds	1.3
Real estate	2.5
Alternative investments	-

Overall score: 1.9

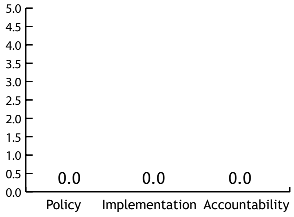
Delta Lloyd



IMPLEMENTATION	
Public listed equity	2.5
Corporate bonds	2.2
Sovereign bonds	0.0
Real estate	4.5
Alternative investments	2.5

Overall score: 2.9

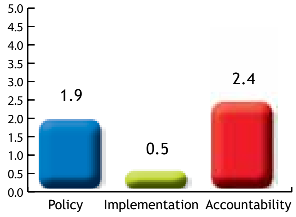
DSW Zorgverzekeraar



IMPLEMENTATION	
Public listed equity	0.0
Corporate bonds	0.0
Sovereign bonds	0.0
Real estate	0.0
Alternative investments	0.0

Overall score: 0.0

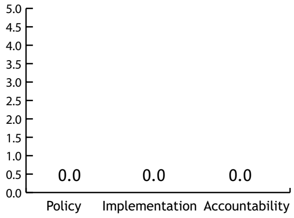
Generali Verzekeringsgroep



IMPLEMENTATION	
Public listed equity	1.7
Corporate bonds	2.2
Sovereign bonds	0.0
Real estate	0.0
Alternative investments	-

Overall score: 1.3

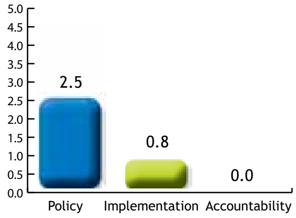
HDI-Gerling Verzekeringen



IMPLEMENTATION	
Public listed equity	-
Corporate bonds	0.0
Sovereign bonds	0.0
Real estate	0.0
Alternative investments	-

Overall score: 0.0

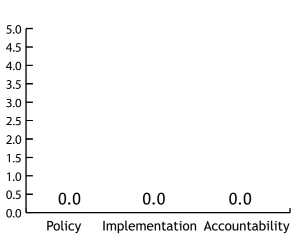
Klaverblad Verzekeringen



IMPLEMENTATION	
Public listed equity	1.3
Corporate bonds	1.8
Sovereign bonds	0.0
Real estate	0.0
Alternative investments	-

Overall score: 1.0

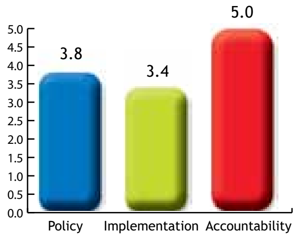
Legal & General Nederland



IMPLEMENTATION	
Public listed equity	0.0
Corporate bonds	0.0
Sovereign bonds	0.0
Real estate	0.0
Alternative investments	0.0

Overall score: 0.0

Loyalis Verzekeringen



IMPLEMENTATION	
Public listed equity	4.2
Corporate bonds	4.0
Sovereign bonds	1.9
Real estate	5.0
Alternative investments	2.5

Overall score: 3.9

Menzis

IMPLEMENTATION	
Public listed equity	3.3
Corporate bonds	3.5
Sovereign bonds	2.5
Real estate	-
Alternative investments	-

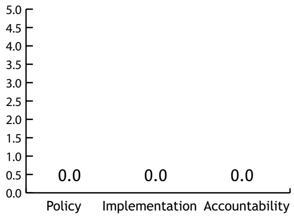
Overall score: 3.5

Nationale Nederlanden

IMPLEMENTATION	
Public listed equity	4.5
Corporate bonds	4.5
Sovereign bonds	4.4
Real estate	5.0
Alternative investments	0.0

Overall score: 4.3

Onderlinge 's-Gravenhage



IMPLEMENTATION	
Public listed equity	0.0
Corporate bonds	0.0
Sovereign bonds	0.0
Real estate	0.0
Alternative investments	0.0

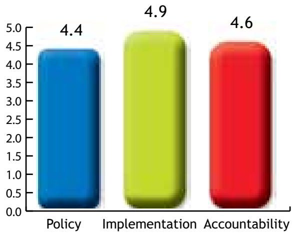
Overall score: 0.0

ONVZ Zorgverzekeraar

IMPLEMENTATION	
Public listed equity	0.1
Corporate bonds	1.1
Sovereign bonds	2.5
Real estate	-
Alternative investments	-

Overall score: 2.7

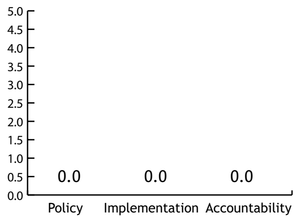
REAAL



IMPLEMENTATION	
Public listed equity	5.0
Corporate bonds	4.9
Sovereign bonds	5.0
Real estate	0.0
Alternative investments	1.5

Overall score: 4.7

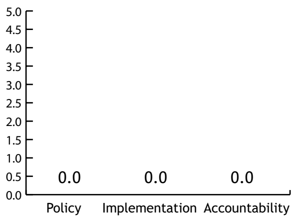
SwissRe NL



IMPLEMENTATION	
Public listed equity	0.0
Corporate bonds	0.0
Sovereign bonds	0.0
Real estate	0.0
Alternative investments	0.0

Overall score: 0.0

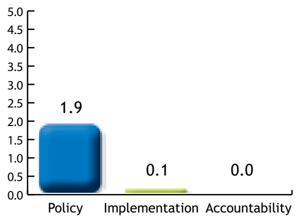
TVM Verzekeringen



IMPLEMENTATION	
Public listed equity	0.0
Corporate bonds	0.0
Sovereign bonds	0.0
Real estate	0.0
Alternative investments	0.0

Overall score: 0.0

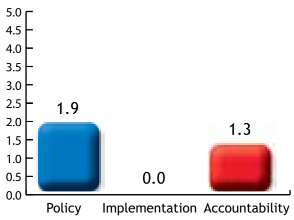
Coöperatie VGZ U.A.



IMPLEMENTATION	
Public listed equity	0.4
Corporate bonds	0.0
Sovereign bonds	0.0
Real estate	0.0
Alternative investments	1.0

Overall score: 0.5

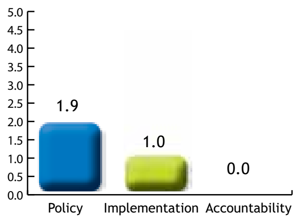
UVM Verzekeringsmaatschappij



IMPLEMENTATION	
Public listed equity	0.0
Corporate bonds	0.0
Sovereign bonds	0.0
Real estate	-
Alternative investments	0.0

Overall score: 0.8

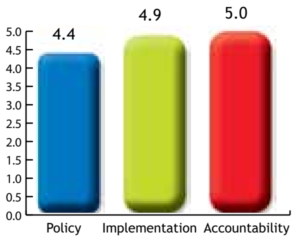
Zorg en Zekerheid



IMPLEMENTATION	
Public listed equity	1.6
Corporate bonds	1.8
Sovereign bonds	0.0
Real estate	-
Alternative investments	1.0

Overall score: 1.0

Zwitserleven



IMPLEMENTATION	
Public listed equity	5.0
Corporate bonds	4.5
Sovereign bonds	5.0
Real estate	5.0
Alternative investments	4.9

Overall score: 4.8

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The VBDO (Dutch Association of Investors for Sustainable Development) aims at generating a sustainable capital market, a market that brings together supply and demand, not just based on financial criteria, but also on social and environmental aspects. VBDO focuses its activities on actors in the Netherlands, with the international context.