VBDO

WHITEPAPER

International Responsible Investment Benchmarks

Measuring, mobilizing and moving the market

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Forum per la Finanza Sostenibile

riaa Responsible Investment Association Australasia

ShareAction»

VBDO

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Summary

Benchmarking has proven to be an effective instrument in driving responsible investment in the financial sector. An effective benchmark creates a race to the top; provides comparative insight into the performance of financial institutions and sustainability topics; and stimulates sector-wide learning and sharing of leading practices. The VBDO in the Netherlands, ShareAction in the UK, the Responsible Investment Association Australasia (RIAA) and the Italian Forum per la Finanza Sostenibile (FFS) have all successfully implemented benchmarks which have proven to raise awareness and stimulate responsible investment performance.

The benchmarks of these organisations were explored, among others, in terms of their similarities and differences. The goals of the different benchmarks align, this is illustrated by their aims to promote leading practices, catalyse change or promote awareness. All the described benchmarks have chosen a co-operative theory of change; avoiding naming-and-shaming and helping institutional investors gaining insight and identifying ways to improve in the field of responsible investment. Moreover, all benchmarks work closely with the institutional investors, while maintaining an independent scoring process. However, there were also some differences found. Differences are present in the target groups of the individual organisations and within the different methodologies. Differences between methodologies are, for example, caused by different maturities of the responsible investment markets and different regulatory frameworks. Target groups range from single to a selection of groups; asset managers, asset owners, civil society or retail investors. And while FFS, RIAA and VBDO focus explicitly on their own market, ShareAction's benchmark focuses on European asset managers.

The methodological cores are roughly similar, i.e.: they all capture the extent of responsible investment through governance, policy, implementation and accountability. Furthermore, benchmarks are deemed a success if they are constituted upon a set of relevant underlying research principles. The organisations in this whitepaper underpin the necessity of the following principles for launching a successful benchmark on responsible investing:

- Knowledge of the local market and state-of-play of the responsible investment market;
- Buy-in from the sector and relevant stakeholders in relation to the benchmark and its methodology;
- A verifiable scoring process that treats all investors being benchmarked in a fair and equal way;
- An governance structure that ensures the benchmark is independent from the investors that are being benchmarked;
- A solid verification process of the results;
- The ability to report trends over time by producing multiple, regularly-spaced benchmark editions;
- The benchmark is a useful tool for investors to identify how they can improve, for example by highlighting best-practices.

The organisations writing this whitepaper deliberated on the value for, and potential scenarios for an international benchmark on responsible investment.

The existing benchmarks already enable the option to make a study that merges the results of the different benchmarks. The study could provide an overview of the different markets, identify best-practices and frontrunners and share lessons learned across markets.

Also, a joint benchmark is an option; however, methodologies differ due to different regulations and maturities of the markets in respect to responsible investment. This could be solved by identifying a core part of the methodology that is present in each benchmark, and also leaves room for questions that are specific for the different jurisdictions and development of the responsible investment market.

Co-operation and sharing of knowledge between the organisations implementing responsible investing benchmarks has many potential upsides, both for improving organisation's own benchmark methodologies and outcomes and creating a truly international picture of responsible investing in the financial sector.

Foreword FFS

The Italian SIF (Forum per la Finanza Sostenibile - FFS) launched in 2015 a survey on sustainable and responsible investments by pension plans, based on VBDO's methodology.

The main goal was to increase public awareness on the importance of including sustainable criteria into investment decisions. Moreover, FFS thought that the introduction of a benchmark could help promoting the adoption of SRI policies by those actors which, by mission, act within a long-term horizon. Italian pension plans are not fully expressing their potentialities yet, but their development is promising, in particular in what concerns their inclination to sustainable finance. Indeed, the benchmark can contribute to nudge the surveyed organisations to be more active in integrating ESG criteria, also becoming a tool to improve and enrich the dialogue with asset managers.

International collaboration, as the one established with VBDO, is a crucial driver to further foster sustainable investments, while under-standing both cross-countries trends and national peculiarities.

Francesco Bicciato | Secretary General
FFS

Foreword RIAA

Since 2002, RIAA has been benchmarking responsible investing across Australia and New Zealand, measuring the size, growth and dynamics of this important developing area of financial markets. Beyond mapping the trends in responsible investing, benchmarking has become a principal means by which we have established the components of leading practice ensuring that not only is responsible investment broadly taken up, but also deeply implemented.

For the first time in 2016 (and with support from Amundi Asset Management) RIAA undertook an in-depth benchmarking of the nature and quality of responsible investing by Australia's largest pension funds. It's early days, but having mapped out the benchmark of leading practice in responsible investing and celebrated leaders in the field, this has already resulted in positive progress in the industry; key players have sought feedback on how they can strengthen their performance and move to improve their approach to responsible investing.

This is the power of benchmarking in action – providing a mirror on performance, comparability against peers and a framework on leading practice.

RIAA welcomes the opportunity to work collaboratively with the VBDO and through the Global Sustainable Investment Alliance – an alliance of the leading sustainable investment organisations from across the globe. We welcome a chance to share key insights and outcomes to continue to deepen the way responsible investment is enacted, for the benefit of the society, environment and financial returns of beneficiaries.

Simon O'Connor | CEO
RIAA

Foreword ShareAction

ShareAction's vision is of an investment system that is a positive force – working for its investors, savers and the environment. Our purpose as an organisation is to rewrite the rules so the investment system tackles environmental and social problems by unlocking the power of global investors. Our tools include targeted research which encourages institutional and individual savers to challenge the status quo; influences policy developments; and importantly ranks asset owners and asset managers. Surveys and rankings are a key part of this.

We have over ten years' experience in organising and publishing surveys and rankings on asset owners, pension funds and asset managers in the UK and overseas. In two chapters of this report we outline the process we undertook in the 2016/17 European responsible investment survey and the 2015/16 Swiss pension fund survey (jointly with WWF Switzerland). The chapters detail some of the things we learned from these surveys and how aim to improve next time.

As with all ShareAction surveys, we see them as a process that extends beyond the analysis and publication of the results. We think it is important to work with participants after publication to help them improve their performance in subsequent surveys. For ShareAction, this is integral to a successful survey and allows us to move towards our broader vision.

Catherine Howarth | CEO
ShareAction

Foreword VBDO

For the eleventh year in a row the VBDO presents its extensive benchmark study 'Responsible Investment by Pension Funds in the Netherlands'. A benchmark with a response rate of 100% among the 50 largest pension funds in the Netherlands. Also the VBDO will publish the seventh edition of the 'Benchmark Responsible Investment by Insurance Companies in the Netherlands'. Both studies have been a driving force to raise awareness and to share knowledge and best-practices among institutional investors in the field of responsible investing.

With support of the Dutch Ministry of foreign affairs the VBDO is developing international responsible investment benchmarks. This whitepaper has the goal to give an overview of the already existing initiatives, identify the lessons learned concerning benchmarks and to identify possible next steps for benchmarking responsible investment performance.

I want to take the opportunity to thank RIAA, ShareAction and FSS for jointly writing this whitepaper and for the pleasant co-operation. By sharing our experiences we together have learned important lessons and explored the future of responsible investment benchmarks.

Angélique Laskewitz | Executive director
VBDO

Introduction

Table of content

Benchmarking has proven to be an effective instrument in driving responsible investment in the financial sector. An effective benchmark creates a race to the top, provides comparative insight into the performance of financial institutions and sustainability topics and stimulates sector-wide learning and sharing of leading practices. The VBDO in the Netherlands, ShareAction in the UK, the Responsible Investment Association Australasia and the Italian Forum per la Finanza Sostenibile have all successfully implemented benchmarks which have proven to raise awareness and stimulate responsible investment performance.

This whitepaper has the following goals:

- Explore the already existing benchmarks on responsible investing in Australia, the UK, Italy, the Netherlands and Switzerland;
- Analyse the differences and similarities between the benchmarks;
- Identify the lessons learned in relation to responsible investing benchmarking; and
- Discuss any potential next steps in relation to setting up international responsible investing benchmarks.

In the following chapters, each benchmark is described to a common format that enables comparison between the benchmarks; both of similarities and differences. In the final chapter, the conclusion, lessons learned and next steps, are put forward.

1. FFS ‘Le politiche di investimento sostenibile e responsabile degli investitori previdenziali’

1. Introduction

a. Market description

According to the *European SRI Study 2016*[1] by Eurosif, in the last two years, and especially in 2015, the Italian financial market has benefited from the start of a slow economic recovery and an expansionary monetary policy.

Indeed, the value of corporate shares and bonds increased while yields on government bonds decreased. At the end of 2015, the total assets managed by institutional investors in Italy (insurance companies, pension funds, mutual funds and wealth management) amounted to about €1,400 billion. The Italian financial market is mainly driven by a few big players, in particular insurance companies. Indeed, Italy represents one of the top four insurance markets by GWP at European level. Concerning in particular Sustainable and Responsible Investments in Italy, there has been a slow but steady growth over the last years.

b. Why is your organisation involved in benchmarking?

In order to increase public awareness on the importance of including sustainable criteria into investment decisions, especially with respect to actors with long-term perspectives, the Italian SIF (Forum per la Finanza Sostenibile - FFS) launched in 2015 a survey on sustainable and responsible investments by pension plans.

The study has been designed on the basis of VBDO’s methodology and in partnership with Mefop SpA. Funded in 1999, Mefop is the organisation designated to foster the development of pension funds’ market in Italy. Moreover, Mefop is an FFS affiliate and the two organisations had already cooperated on previous projects before launching the benchmark[2].

Since 2016, MondoInstitutional has taken part in the survey, proving assistance both in the design and data collection phase. Mondo-Institutional is a research and analysis company, and also an FFS Member.

c. Italian pension system: an overview

The Italian pension system is made of two main pillars. The first pillar is compulsory, based mainly on public, unfunded, pay-as-you-go schemes run by the Italian Social Security Agency (INPS). This covers the overwhelming majority of the workforce. For most categories of self-employed professionals, the first pillar includes dedicated pension plans (so-called “Enti di Previdenza” - EP), run as partially-funded plans. According to data published by the Italian Supervisory Commission on Pension Funds and Plans (COVIP), the assets represented by Enti di Previdenza amount to €71.9 billion (UN Environment Inquiry and MATTM 2017, pp. 63-64) .

A comprehensive framework for developing the second pillar was introduced in 1993, encouraging the establishment of private, voluntary schemes operating through a collective funded system (UN Environment Inquiry and MATTM 2017, p. 64).

Regarding the second pillar, as of December 2015, there are 469 voluntary schemes operating in Italy:

- 304 Fondi Pensione Preesistenti (FPP) - pension plans that exist before the 124/1993 decree and established within large companies;
- 36 Fondi Pensione Negoziali (FPN) - collective agreements between the relevant employers’ representatives and labour unions;
- 50 Fondi Pensione Aperti (FPA)- pension funds allowed to collect members from both individuals and groups (e.g. employees of a given company); and
- 78 Piani Individuali di Previdenza (PIP) - established by insurance undertakings in the form of life-insurance policies (UN Environment Inquiry and MATTM 2017, p.64).[3]

The total assets amount approximately €140 billion, of which €55 billion are represented by FPP and €42.5 billion by FPN. Following the introduction of Legislative Decree 252/2005, all pension schemes in Italy are obliged to include in their annual report and to communicate to members whether, and to what extent, socio-environmental criteria are incorporated in the management of their assets (UN Environment Inquiry and MATTM 2017, p.64).

While describing the Italian Pension System, it should also be noted that it is challenged by trends such as increasing life expectancy, longer retirement periods, decreasing birth-rates and the growing phenomenon of young workers’ migration.

1 Eurosif, 2016, “European SRI Study 2016”, p.79.
2 For instance, FFS’ database on SRI pension products in Italy is based on Mefop’s data: http://investiresponsabilmente.it/tipologia-prodotto/prodotti_previdenziali/
3 UN Environment Inquiry and MATTM 2017, *Financing the future - Report of the Italian National Dialogue on Sustainable Finance*, pp.63-64: http://finanzasostenibile.it/wp-content/uploads/2017/01/Financing_the_Future_EN.pdf

2. Benchmark characteristics

a. Goal / theory of change

Before launching the benchmark, FFS has been monitoring the SRI market in Italy through its involvement in the Eurosif Study. However, the Italian SIF thought it crucial to disclose more information regarding sustainable investment policies adopted by the biggest actors in the pension system.

Unlike other countries in Europe, the Italian SRI market is not mainly driven by pension plans, although some of them are very active. Therefore, the introduction of a benchmark represents a good opportunity to promote the sustainable investments among those organisations which, by mission, act within a long-term horizon. Even though the benchmark only embraces the biggest pension plans, it should be noted that a few smaller pension funds are systematically integrating ESG criteria into their investment decisions.

b. Target group

The sample has been defined according to the size of assets under management, selecting the 10 largest Italian pension plans in each of the above-mentioned categories: EP, FPP, FPN, FPA, PIP.

c. Number of editions

FFS' survey is quite new: 2017 will be the third edition of this research on pensions plans and sustainability in Italy.

d. Methodology

The questionnaire includes 34 questions grouped into four sections on the following themes:

1. **Governance:** how often the Board assesses the performances evaluating ESG aspects; quality of the ESG information collected; sustainability goals for managers and employees; involvement of ESG advisors;
2. **Investment policy:** adoption of a sustainable investment policy according to international standards; coverage rate of the SRI policy; themes, principles and goals of the SRI policy; carbon footprint measurement;
3. **Implementation of the investment policies:** SRI strategies implemented across different asset classes; and
4. **Accountability:** issuance of a publicly accessible document clearly describing the SRI policy; publication of an annual report on SRI strategies and results; promotion of sustainable investments to members and other stakeholders.

e. Research process

The questionnaire is integrated in an Excel file and sent via email to each pension plan included in the sample. On receiving the returned questionnaires, FFS starts the reviewing the data. On the basis of all the information collected, the Italian SIF assigns the final scores and publishes a report which is presented in a dedicated event during the SRI Week, the main initiative in Italy on sustainable finance promoted by the Italian SIF (usually held in November).

3. Results

a. Main findings

The results of both the first and the second edition of the study have been published in aggregated form only, without therefore disclosing each pension plan's score. Given the still not-fully-mature development of the SRI market, FFS chose to make public only an analysis at "pension plan category" level (the five above-mentioned typologies of pension plans) – as a consequence, FFS' research is more a survey than a benchmark.

Nevertheless, FFS sent an anonymous ranking to each respondent having reached a positive score (zero score questi0onnaires were excluded as they implied no adoption of SRI strategies). The rankings were of great interest to several pension funds who mentioned that they would have served as a basis of their dialogue with asset managers, with the aim of improving their performance and score.

In the coming years, FFS hopes to be able to make the ranking public, but it is also crucial to wait until the Italian SRI pension market grows as well as general awareness on the importance of transparency and public accountability. Indeed, some resistance was to observe in 2015 regarding the disclosure of "respondent" and "non-respondent" list, which has been included in the first edition of the survey.

The main results of the last edition (2016) were the following:

- The **response rate** was last year 72% (36/50), which implied a growth rate of 20% compared to 2015. In particular, FPA has shown an increasing interest in the survey: 9 out of 10 took part in the study, while in 2015 only 5 filled in the questionnaire.
- Although more than a **half of the questionnaires** (20/36) achieved a **score equal to zero** (this means that they do not implement any SRI strategy), the 2016 edition underlined a growing activism among the pension plans monitored, **as the ones that do adopt ESG criteria** in their investment policies **increased by 33%**. This growth can be explained not only through the augmentation in the number of respondents, but also through the fact that a fund that did not adopt ESG criteria introduced a sustainable investment policy.
- The **arithmetic mean** still shows a low inclination to apply SRI strategies. Considering only the questionnaires whose score is other than zero, the arithmetic mean was 2,572 out of 5. The highest score was 3,922 while the most active categories are FPP and FPN, consistently with the 2015 edition of the study.
- In 2016 again the highest scores were reached in the section focused on Investment policy, which gathered questions on the adoption of international standards and on the SRI Policy's coverage rate.

With respect to the SRI strategies implemented, the most common resulted to be **Norm-based Screenings** and **Exclusions** – coherently with the 2016 *European SRI Study* released by Eurosif.

Also **Engagement** was a quite successful strategy among the monitored investors. In this regard, two interesting "collective engagement" actions have been launched in Italy: the first, promoted in 2014 by Fondo Cometa (the Italian biggest pension fund) and coordinated by Assofondipensione was aimed at asking a group of international banks to disclose more information about climate-related risks.

The second initiative, launched in 2015 by a coalition of institutional investors (mainly pension funds but also asset managers) led by Fondo Cometa, focused on children's rights within the supply chain of 40 listed companies, including 20 corporations part of FTSE MIB index.

b. Trends

The growing interest in SRI expressed by Italian investors has been reflected in the recent choices of some pension funds and professional pension schemes which introduced sustainability criteria in the selection process of their asset managers. This trend was also confirmed by a survey conducted by State Street[4] that found, on a global scale, 76% of pension funds would be inclined to prefer asset management companies with expertise in sustainability; this figure stands at 95% for Italy.

[4] http://www.statestreet.com/pensionswithpurpose

4. Vision

a. Lessons learned in relation to benchmarking as a tool / next steps

Concerning the adoption of SRI policies among Italian pension plans, the room for improvement is undoubtedly significant. First, the RI strategies are neither extended to all assets nor applied consistently across the different asset classes. Furthermore, the second edition of the survey confirmed that some investors do integrate ESG criteria but do not adequately communicate their SRI policies to their stakeholders. Benchmarking can be an important tool to improve this aspect. The main lesson learned is the importance of adopting a cooperating approach as well as to wait until SRI pension market grows before disclosing each pension plan's score.

Concerning disclosure, Italian pension plans could be intensively driven towards communication and transparency efforts by evolutions within the European regulatory framework, such as the revision of both Institutions for Occupational Retirement Provision (IORP) II Directive and Packaged Retail and Insurance-based Investment Products (PRIIPS regulation bracket. In particular, under the recently approved IORP II Directive, member States should require Institutions for Occupational Retirement Provision to explicitly disclose where ESG factors are considered in investment decisions and how they are part of their risk management system. These changes will certainly contribute to the growth of sustainable investments in Italy. Nevertheless, since SRI becomes a major choice, it will be necessary to overcome the main obstacles to its development including governance models (BoD with limited awareness and knowledge about sustainability and short-term horizon) and the preconception that sustainable investments imply lower returns.

In conclusion, the undisputed improvement margins recorded in the second edition of the survey still leave encouraging signs for the future; increase in assets managed according to sustainable criteria could also benefit from the international (especially European) context, where SRI is continuously growing.

b. International Collaboration

In 2016, a questionnaire's evaluation sheet was added in the Excel file FFS sent to the pension plans included in the scope. With respect to the question precisely focused on the opportunity to make the survey more international, most respondents showed an interest in further developing the research, involving other countries in addition to Italy and the Netherlands. However, while making comparisons among different pension markets, it is crucial these actions encourage, rather than dampen Italian pension plans' efforts and progress towards better integrating ESG issues in investment decisions.

3. RIAA ‘Superfund Responsible Investment Benchmark Report’

1. Introduction

a. Market description

Funds managed by superfunds (pension) in Australia are now larger than the value of the Australian economy. Nearly half of the largest 50 superfunds are signatories to the PRI across industry, retail, corporate and public superfunds. Many large superannuation funds now have in place sophisticated responsible investment strategies that often employ multiple tools of active ownership, screening, ESG integration, impact investment, corporate engagement, voting, sustainability-themed allocations etc. According the RIAA's annual Responsible Investment Benchmark Report 2016 47% of all professionally managed funds integrate ESG considerations into their investment decisions.

b. Why is your organisation involved in benchmarking?

Each year, for 15 years, RIAA has undertaken research of the size, growth and performance of the responsible investment market across Australasia – this is the Responsible Investment Benchmark Report. In 2016 and for the first time, RIAA undertook research focused on pension funds – the annual Superfund Responsible Investment Benchmark Report. From the latter, we hope to discover and promote leading practices, so that both the industry and consumers can gain insights to the many and varied approaches to responsible investment.

2. Benchmark characteristics

a. Goal / theory of change

By researching and capturing the set of behaviours by superfunds and mapping this on a framework of leading practice, it is RIAA's aim is to provide:

1. A high-level framework for superfunds in Australia to be assessed of their degree of implementation of responsible investment strategies and processes;
2. Superfunds with the ability to measure and report on their own improved performance year on year;
3. Superfunds with the tools to compare and contrast their performance against industry peers (and potentially in time against international industry peers);
4. The broader market a more objective assessment of superfunds covering the full spectrum of responsible investment, contrasting with current activist rankings based on narrow measure; and
5. The ability for RIAA to report on the progress of the entire superfund industry against key metrics to demonstrate to superfund stakeholders the progress being made in responsible investment.

b. Target group

In 2015, Australia's largest 50 regulated superannuation funds managed around AUD$1.3 trillion out of a total of $2.3 trillion of the superfund capital in Australia. Just over a third (34%) are RIAA members and already proactively seeking to improve responsible investment behaviours; some of the target group are not RIAA members yet are well progressed on RI; and a majority provide no public disclosures indicating any commitment to improving ESG or RI practices. In its research process RIAA leveraged its membership relationships to guide and develop the methodology ahead of issuing the information request, and wrote formally to non-member Trustees to seek their support for the research six weeks ahead of issuing the information request.

The primary user of this data is the superannuation funds themselves, to understand how they perform relative to peers and against the framework for leading practice. The secondary user of this data is civil society groups and retail investors seeking to understand how the superfunds compare with respect to responsible investing. The Australian Prudential Regulation Authority (APRA) publishes a list of the largest regulated superfunds on an annual basis.

c. Number of editions

RIAA published the first edition of this report in November 2016. The next edition is due out in the first half of calendar year 2018 to realign the data collection and reporting period with the PRI's Transparency Reporting. It is intended that this research be published annually.

d. Methodology

The research methodology and assessment framework was modelled from similar initiatives globally, particularly the VBDO. For consistency across global definitions of responsible investment practice, the language and assessment approach was reviewed and aligned in parts to other global frameworks including the *PRI Reporting Framework 2016 Overview and Guidance* and the Global Sustainable Investment Alliance set of responsible investing approach definitions. The assessment framework was then further refined in consultation with RIAA superfund members. The result was RIAA's framework of good RI governance (the Framework) and comprises five pillars.

1. **Governance and Accountability** – board-level buy-in to RI supported by formal accountability processes

2. **Responsible Investment Commitment** – extent and breath of RI approach and coverage aligned with investment and RI beliefs; involvement in industry collaborations
3. **Responsible Investment Implementation** – widely used quality systems for delivering RI consistent with commitments and RI approaches
4. **Measurement and Outcomes** – systems and metrics to track and manage performance internally and externally; ways for measuring success
5. **Transparency and Responsiveness** – disclosures that build member confidence and broader stakeholder trust in the fund's governance.

The Framework is agnostic to the style of RI undertaken by the super-fund and invites funds to describe their own way of doing RI, guided along the Five Pillars of good governance. This is key to the value of this Framework; it allows Australian superfunds to reflect the many different approaches, appropriate to different styles of funds with different beneficiaries.

e. Research process

As it was the first year, there were many additional steps required to establish the research methodology as well as buy-in from key stake-holders. From inception to publication, the process spanned five months.

The first stage involved notifying RIAA members and target super-funds of RIAA's intent and undertaking the research; to build the case for its value and to outline the process for how we would develop the research methodology in this first year.

The second stage centred around establishing a clear intent for the research and its methodology to maximise the likelihood of survey participation. From these consultations, we formed a picture of how our draft research brief needed to be revised so that we secured buy-in from the major superfunds. This involved not scoring the performance of funds in this first year, but rather mapping the range of activities and providing these in a way to help explain that nature of RI by superfunds in 2016 – or a baseline/benchmark. We also de-signed the IT platform for requesting, collecting and analysing data. Stage three was research administration which involved RIAA pre-filling participant surveys with publicly available data obtained from desk top review; particularly from PRI Transparency Reports, ESG Reports and funds' own corporate websites. Partially-prefilled information requests were then issued to the survey universe inviting funds to check the information provided by RIAA and to provide data for where there were data gaps. RIAA was especially keen to ensure that it collected information relating more to the quality of implementation of RI by way of evidence of how it's integrated across the fund, rather than just proxies for this in published statements or formal policies.

Stages four and five involved manually analysing the data (105 questions over 50 different funds; with multiple choice and open text results) and writing up key findings against the five pillars of the Framework. In assessing each of the 50 funds on their RI disclosures against the Framework, a scaling system was adopted and applied. The scale (limited, basic, broad, comprehensive) describes the RI data quality in disclosures for which RIAA considered all fund data for each aspect of the Five Pillars. The data was then categorised into these four points on the scale for each fund. Only the funds achieving the highest rating were published by name; although the performance of funds against Framework was discussed in an aggregate form.

The report was launched at RIAA's annual conference in November 2016.

3. Results

a. Main findings

1. RI Commitments, governance and accountabilities are embedded and articulated by the majority of the superfund industry (70%).
2. Implementation of RI takes a broad array of approaches across funds, with many using multiple approaches guided by investment beliefs and an understanding of beneficiaries
   a. ESG Integration and Active Ownership were the most cited RI approaches followed by Negative/Exclusionary Screening and Sustainability-themed Investing
   b. Whole-of-fund exclusions are emerging as a more popular approach for funds (34%) with tobacco the most common, followed by armaments/controversial weapons.
   c. Almost half of the largest 50 funds offer a combined total of 54 dedicated RI investment options and eight funds had their RI investment option/s certified by RIAA. The most common exclusions offered across the RI investment opti ons were tobacco and uranium.
3. Measurement of outcomes is challenging but emerging as a key area for funds
   a. 14% can clearly define how RI outcomes are measured and recorded (e.g. via portfolio carbon reporting).
4. Transparency through reporting and disclosure is an

increasingly important area for funds

   a. 44% disclose annually on their RI activities
   b. 60% disclose voting records to varying degrees with one fund providing voting disclosure before voting had occurred which appears to be an emerging practice for voting disclosure in other jurisdictions.
   c. 10% provided full disclosure of all portfolio holdings; 60% provided disclosure of all external fund managers.

5. 12 of the 50 funds were rated as being comprehensive in their approach to articulating their approaches to responsible investing.

b. Trends

None to report; only first year baseline data available.

c. Impact on the sector

Despite a medium level of apprehension about whether RIAA could obtain the data it needed from primarily public sources, the final report was well received. At the time of writing, the opportunities that followed - to better inform and educate superfunds - have not been pursued to their fullest extent. Immediately following the report launch, RIAA was approached by several funds not on the leadership list, seeking feedback on areas where they didn't score well with a view to making this part of their work plan for this and future years. The data from the report has been used by industry, government and NGO in the shaping of new business opportunities, investment products as well as framing public policy. By way of illustration the Australian Human Rights Commission quoted RIAA's benchmark report data in building the case for asset owner trustees and their underlying investee companies to consider human rights as part of fiduciary duties.

4. Vision

a. Lessons learned in relation to benchmarking as a tool

The main lesson learned was that it's important that initial attempts at benchmarking are not punitive, but rather illustrative and supportive. Not all survey participants want to be involved if they believe they wouldn't at least be in the top half of the performing superfunds. We provided a leader board of the best performing superfunds. This didn't single out those that are performing poorly but did set a performance expectation and a goal for superfunds to meet in time.

b. Next steps

RIAA is undertaking a formal review of the learnings from the research process with participant superfunds over the course of 2017. Before RIAA repeats the process in early 2018, we will run workshops with participants to more fully explain and engage on the Framework.

c. (International) Collaboration

RIAA supports the international SIF community to use RIAA's Framework (or version of it) in their own markets so that we can undertake a biennial benchmark of RI performance by superfunds much like the SIFs already do with biennial benchmarking the growth of RI (i.e. via GSIA). Key to successful collaboration is the SIFs applying core questions across their respective jurisdictions, to enable comparability across markets of key metrics. Equally, it is important that SIFs seek to understand jurisdiction-specific data and trends as well as narratives around why these are happening. Activities focused on internationally relevant questions would need to be well resourced, as would a project secretariat to effectively coordinate an international-level benchmarking exercise.

4. ShareAction
‘Lifting the lid 2017 - Responsible Investment Performance of European Asset Managers”

1. Introduction

a. Market Description

Approaches to responsible investment varies by geography, client type and investment manager. Industry terminology and definitions are not consistent which makes describing the market difficult and sometimes misleading. As measured by AUM, the leading European socially responsible investment markets are UK, France, Switzerland, the Netherlands and Scandinavia though market size analysis is difficult due to patchy data and inconsistent definitions.

Asset types also differ within geography. Our data shows that fixed interest and SRI index products are popular in France compared to the UK where equity products are more prevalent.
European regulation is also playing a key role in increasing focus on the industry in different ways such as EU regulations on cluster munitions and French regulation around an SRI ‘label’.

In Europe, but also globally, AUM under ESG or SRI strategies has continued to grow above market rates though the most significant areas of recent growth has been in ESG integration which has tended to be led by the institutional market and is related to UNPRI signatories and not necessarily to specific investment strategies or funds. The only real source of market data is from UKSIF, EUROSIF and the Global Sustainable Investment Alliance on a macro level though various data providers track in and out flows from specific funds. Our survey reflected some of the diversity within the RI market and some of the different approaches taken by asset managers.

b. Why is your organisation involved in the benchmarking?[5]

ShareAction’s vision is of an investment system that is a positive force - serving savers and communities whilst protecting our environment for the long-term. Our theory of change is to build an inclusive movement for responsible investment; reforming the rules, governance and incentives inside the investment system; and tackling social and environment problems by unlocking the power of investors to influence companies across the world. Surveys and rankings are an integral and key tool in this process.
ShareAction has a long history of organising and managing surveys and public rankings to assess specific aspects of the investment community’s activity in relation to environmental, employee and social issues. The organisation has been involved in this area to support advocacy work with the investment industry. We now have over 10 years’ track record in this area.

For ShareAction, an integral part of the survey process is to have an ongoing dialogue and engagement with the participants. Due to the high profile nature of these surveys they often result in ShareAction gaining access to senior members of the participants’ management team. The survey results can also be used by internal champions to push for change and the results have been used as marketing material by companies that have performed well. These surveys are highly respected within the industry and we have extensive documented evidence of their impact in driving behavioural change by some of the world’s largest asset owners and asset managers. Something ShareAction is justifiably proud of.

This section covers the recent surveys reviewing the European asset management industry. This UK survey has been run since 2006/7 though has only recently extended to cover European asset managers[6].

2. Benchmark characteristics

a. Goal

As with all of ShareAction’s surveys of the investment industry, the goal is to provide a catalyst for either ShareAction or retail or institutional asset owners to encourage change among asset managers.

b. Target group

For the 2017 survey, we targeted 40 of the largest asset managers across 10 European countries. These managers generally have a strong European presence and are the largest managers within their domestic markets. In total these 40 firms manage €21 trillion of assets on behalf of retail and institutional clients. Past surveys focused on UK asset managers and this was the first time this survey was extended to European asset managers.

c. Number of editions

Previous UK asset manager focused surveys took place in 2007, 2008, 2010, and 2015. ShareAction has a long history of running similar surveys.

d. Methodology

The survey consists of three sections:

i. Section 1 is a thorough review of asset managers’ publicly available information on responsible investment.
ii. Section 2 involves the distribution and analysis of a detailed questionnaire on RI practices that in 2017 was sent out to

5 This section also applies to the subsequent chapter.
6 The study can be found on: https://shareaction.org/wp-content/uploads/2017/03/Survey-LiftingTheLid.pdf

40 asset managers. Thirty-one of the asset managers responded to the survey.

iii. Section 3 involves an active process of engaging, monitoring and challenging investors.

There were four topics in this survey: 1) Transparency, 2) ESG, 3) Internal governance of RI, and 4) Stewardship. Transparency was analysed by desk-based research. ESG, internal governance of RI and stewardship were analysed through the survey responses.

e. Research process

The research was conducted between November 2016 and February 2017. After analysis of the public information and survey responses, draft scorecards were sent to all participants. Once feedback was received and incorporated, ShareAction published a final scorecard and recommendations.

3. Results

a. Main rankings

No firm achieved the maximum 90 points, but the five top performers were Schroder Investment Management (82), Robeco Group (81), Aviva Investors (80), Amundi (77.5), and Standard Life Investments (76.5). The worst performers, were Deutsche Asset Management (15), KBC Asset Management (14), Union Investment (14), SEB (13), and BBVA Asset Management (10). The worst performers did not submit a response to the questionnaire and were also weak on public disclosures.

The full results are published at:
https://shareaction.org/wp-content/uploads/2017/03/Survey-LiftingTheLid.pdf

Although the report found pockets of strong RI practice in Europe's largest asset management firms, the research also uncovered significant room for improvement across the sector. Areas of particular weakness included: 1) proxy voting, company engagement and subsequent disclosure; 2) impact measurement; and 3) transparency of fees and charges.

Key findings:

1) **Responsible Investment** - All 40 firms claim a commitment to responsible investment and are participating in country-level sustainable investment forums. 39 asset managers (98%) have a publicly available policy document on their RI approach. Despite this public commitment, the actual quality of RI performance and disclosures varies widely. The quality demonstrated does not depend on the size, geography or ownership.
2) **Conflict of interest** - 34 asset managers (85%) have a conflicts of interest policy available on their website though only 21 of the 31 respondents (67%) were able to provide clear examples of how they manage conflicts in practice.
3) **Reporting** - 7 asset managers (17.5%) do not include any information on environmental and/or social impacts in regular reports to clients or publicly. Only 8 asset managers (20%) provide a full list of companies engaged with over the year.
4) **Fees and charges** – This was a new section in the 2017 survey. Only 7 asset managers (17.5%) go beyond what ShareAction believes is the minimum legal requirement.

b. Trends

As mentioned previously, this survey was the first survey to extend to European asset managers. This change also meant the survey focused on larger asset managers across Europe rather than a broader cross-section of UK asset managers. Accordingly, only general conclusions can be drawn from the 2017 survey. However, ShareAction has noted a number of trends within the investment community which are worth highlighting:

1) There continues to be a wide spread in how asset manager behave and act in relation to RI.
2) RI performance has increasingly been seen as a competitive aspect of winning mandates from specific groups of clients and asset owners.
3) Senior management at asset managers have become increasingly aware and sensitive to the results of ShareAction's surveys.

c. Impact on the sector

This survey was published March 13, 2017 and, at the time of publication are undertaking an ongoing engagement process. As part of this process we provided both public recommendations (based on the desk-based research) and private recommendations (based on the survey). The results and impact of the 2017 research is too early to determine however we have captured the impact of previous surveys.

In 2015 we surveyed 33 UK Asset Managers and undertook 28 follow up meetings. Twenty-two asset managers 'expressed support for our recommendations' and there are a number of specific examples of changes resulting from these meetings.

	Outcomes from engagement after the 2015 survey
Leading European Insurance company	Significantly increased the disclosure of their voting decisions including rationale for voting with, or against, management on share-holder resolutions/controversial votes. *They attributed this decision on a webinar hosted by proxy voting firm ISS to ShareAction.*
Leading UK Asset Manager	Developed a more robust strategy for stranded assets. Refreshed their RI policy in 2015 but did not include recommendations. Planning another refresh and have agreed to include recommendations.
Leading US/ UK fund manager	Now disclose stewardship and voting activities on their website for the past year.
Top 3 UK private client asset manager	Updated their Stewardship Policy which now incorporates our recommendations. Also working on updating their policies on Conflicts of Interest, Environmental Policy Integration, Rationale of Controversial Voting Decisions and a more detailed Collective Action policy.
Leading UK Asset manager	Have implemented all recommendations, including increased transparency, disclosure of rationale for controversial voting decisions and articulated their strategy on stranded assets. Have also refreshed their UK Steward-ship compliance as at January 2016.
Leading UK asset manager and pension provider	Updated their Responsible Investment policy to include more details in-line with our re-commendations including a more detailed Conflicts of Interest Policy. Their quarterly engagement RI review includes rationale for their voting decisions.
Asset manager of UK high street bank	Have implemented the recommendations of our 2015 Asset Manager survey and, as a result, increased their ranking on the UK Financial Reporting Council's Stewardship Code to Tier 1.
Leading UK asset manager and insurance company	Published a report on consideration of environmental factors in the investment process. Also published a note on stranded assets. Addressed our recommendations.
Top 5 US fund manager	Published a more detailed Conflicts of Interest Policy on website.

4. Vision on

a. Lessons learned in relation to benchmarking as a tool

A) **High participation rates requires follow up** - The 2017 European Asset Managers RI ranking was ShareAction's most ambitious survey in terms of geography and number of participants (40). We were pleased with the participation rate however this did require significant follow up. ShareAction has always tried to ensure a high response rate to surveys so that the results and ranking are based on relevant primary information.

B) **Systematic topic prioritization** – Our next survey will work on a more rigorous system to identify and prioritise key topics involving feedback from previous surveys and participants.

C) **External advice** – We felt that the involvement of external experts strengthened the survey design process. In 2017, we received feedback from various foundations, partners and industry experts.

D) **Balance of specific and general questions** – In this survey we utilized a balance of open and specific (Y/N answers) questions; this was a successful combination. In the 2017 survey, we included an "other" option and a "comments" section in the questions and answers. This provided the respondents with flexibility in responses and tried to address criticism that the survey maybe overly prescriptive. This did introduce some logistical issues with respect to scoring.

E) **Scoring** – The ranking system awarded more points for questionnaire responses than public information. In future, ShareAction may consider making the difference even wider to award performance rather than transparency alone.

F) **Company contacts** – Identifying the correct corporate contact is a key early stage action. During this survey, ShareAction's initial contact with the company included a letter notifying the CEO of the forthcoming survey. This possibly translated into the RI contact paying even more attention to the survey.

G) **Extending to European asset managers** – The survey has recently expanded to include European asset managers; this has meant that we have not covered a number of smaller asset managers in the UK from the current survey. Some of the asset managers have expressed disappointment that they have been removed from the 2017 survey.

b. Next steps

As mentioned, we are currently in the middle of our engagement process. In principle, the idea is to do asset manager or asset owner surveys bi-annually.

5. ShareAction & WWF Switzerland ‘Swiss Pension Funds and Responsible Investment 2015/16 Report’

1. Introduction

a. Market Description

At the time of this study, the Swiss occupational pension fund market had AUM in excess of US$804bn – equivalent to 119% of Swiss Gross Domestic Product. Pension funds are one of the largest and most influential investor groups in Switzerland and, as long-term shareholders, have the power to impact and guide corporate behaviour at their investee companies. The 20 largest pension funds surveyed in this report represented in excess of €250bn or approximately 36% of all Swiss occupational pension fund assets.

b. Why is your organisation involved in Benchmarking?

See Chapter 4 ShareAction for Theory of Change.

2. Benchmark characteristics

a. Target group

For this survey, we targeted the 20 largest occupational pension funds in Switzerland. It was the first survey ever carried out on Swiss pension funds and responsible investment.

b. Number of editions

This was the first survey of its type and was a collaboration between ShareAction and WWF Switzerland. At present and since the publication, this survey has not been repeated[7].

c. Methodology

The survey methodology is based on ShareAction’s previous surveys of pension funds in the UK, but has been adapted to the Swiss context. The methodology was developed in conjunction with WWF Switzerland and with the assistance of an expert advisory group. The survey included a mix of questions on transparency and implementation which were each attributed a 50% weighting in the final score. Some sections of this survey focused specifically on risks related to climate change and their integration into the pension funds’ investment strategies. For those pension funds that participated in the survey ShareAction distinguished between, whether information is available publicly or only internally. The pension funds were grouped into quintiles, ranging from ‘Best practice’ to ‘Underperformers’ or ‘No scoring possible’.

d. Research process

The survey was carried out using desk-based research and questionnaires. The methodology was developed between September and October 2015. A prefilled questionnaire based on publicly available information was sent to the pension funds in October 2015. Responses were requested within four weeks. Throughout the process, consultation and dialogue with the participants was encouraged. Once the survey results were received they were combined with the publicly available information. In the first three months of 2016, the participants were provided with the opportunity to make corrections and provide additional information on the draft rankings and report. ShareAction then published the full report including rankings and public and private recommendations for each participant.

3. Results

a. Main findings

It is clear that all the pension funds that took part in this survey are engaging with the topic of Responsible Investment on some level. None of the participating pension funds were classed in the bottom quintile (‘Underperformers’). Overall, the assets under management and the ownership of the pension fund were not correlated with survey results or rankings.

However, the overall results illustrate that there is likely to be some way to go before the Swiss pension funds reflect international best practice. None of the pension funds were included in the ‘Best practice’ quintile with the average score being 27.9 out of 66. Disappointingly, the industry still seems to view Responsible Investment as an activity that is separate from other aspects of the investment process, rather than fully integrating ESG considerations into investment decisions.

b Trends and Impact on the sector

- WWF Switzerland met with almost all the pension funds that participated to discuss the survey. Many of the pension funds commented that the individual recommendations were useful. Generally, all of the pension funds that WWF Switzerland met were striving to improve. The methodology was taken seriously and analysed in detail.
- Specific actions taken by the pension funds:
  - o Two Swiss pension funds decided to sign the Montreal Carbon Pledge and one of these has adopted a climate strategy.

[5] The study can be found on: https://shareaction.org/wp-content/uploads/2016/05/WWFEnglishReport.pdf

- o A top-3 Swiss pension fund partially divested from coal. ShareAction viewed this as a small but very important first step in Swiss market.
- o One pension fund mentioned the survey in their member newsletters. Despite not having performed well in the survey, this action was designed to increase pressure internally for better performance.
- o The report results were presented at several mainstream finance/investment-related events.

- WWF Switzerland has also reached out to the 7-8 largest pension fund consultants in Switzerland. All of them agreed to meet, and some have commented that they have recently been asked about RI by pension funds we surveyed.
- WWF Switzerland has been working with 2ii. who in turn has worked with participating pension funds to analyse climate risks in equity portfolios. All pension funds took them up on this offer. This will be followed up with fixed income portfolios. More info on 2ii work here.
- WWF Switzerland are planning to publish a short summary outlining the general trends and possibly organising a pension fund and consultant roundtable in 2017.

4. Vision

a. Lessons learned in relation to benchmarking as a tool

a) **Raising the profile of Responsible Investment in the Swiss market** - This was the first ever survey of the Swiss pension fund industry and it received significant media coverage in the industry press.

b) **Instigating changes** - The partners and funders were pleased that the subsequent engagement process had resulted in a number of specific behavioural changes at institutional investors.

c) **Methodology development** – In this survey we found that the developing the methodology overran due to too many rounds of feedback and comment.

d) **Language** – Running a project in multiple languages generated a number of issues surrounding survey translation and incorporation of feedback. Clearly this is inevitable in a multi jurisdiction project however its impact needs to be incorporated in future surveys.

e) **'Transparency' score weighting** – A number of the respondents raised the issue of the weighting of transparency in the scoring system. These respondents highlighted that 'transparency' was given a higher a weighting that 'actions' within the survey.

F) **Engagement** – ShareAction rated pension funds who undertook in-house engagement initiatives higher than outsourced or collaborative initiatives. Some pensions funds thought this 'discriminated' against collaboration.

Next steps

- **Repeating the survey** – ShareAction's previous experience shows that repeating surveys increases the profile of RI within the domestic market and allows groups to report improvements to both clients and other bodies. However, ShareAction has found that repeating the same survey on an annual basis is probably too frequent.
- **Future surveys** – Future surveys may include a specific focus on a certain relevant topic. For example, the 2017 European Responsible Investment survey included a new element on fees and charges.
- **Activitating participants** - As with all of ShareAction's surveys and ranking exercises, a key next step after the survey was to meet with participants where this was requested and feasible. The objectives of these meetings was to explain and discuss the results and to outline steps the asset manager or asset owner might under take to improve their ranking in the next survey. This proves of engagement is fundamental to survey process and chimes with our theory of change which is outlined briefly in ShareAction's forward but explained in more detail on our website (www.shareaction.org).
- **Stimulating competition** - ShareAction tries to ensure this survey process results in follow up surveys to show improvement and engender competition. It is currently undecided whether this will be the case for the Swiss survey.

6. VBDO 'Benchmark Responsible Investment by Dutch Pension Funds and Insurance Companies'

1. Introduction

a. Market description

Responsible investing has a long history in the Netherlands, starting back in the 1970s with the first introduction of ethical banks. Since 2007, institutional investors have also turned to responsible investments due to increasing attention to the topic in the media.

Nowadays, the SRI market in the Netherlands has become increasingly mainstream, which is twofold: on the one hand, Dutch consumers enjoy a wide range of sustainable products; on the other, the extent to which ESG is integrated into the institutional sector (i.e. in governance, policy, implementation and accountability) is on a continuous upward trend.

The total number of pension funds in the Netherlands has been decreasing in recent years, mainly due to mergers fuelled by cost reductions. The number of funds has decreased from more than 1.000 in the year 2000 to less than 200 in 2017. Furthermore, a shift from defined benefit (DB) to defined contribution (DC) is taking place in the Netherlands. There are six large insurance companies that have together a large share of the market; two of these have recently decided to merge. The 30 biggest insurance companies and 50 largest pension funds manage assets for over €1,370 trillion in total and therefore have a big impact on the financial services industry.

b. Why is your organisation involved in benchmarking?

The Dutch Association of Investors for Sustainable Development (VBDO) is a not-for-profit multi-stakeholder organisation. Its mission is to make capital markets more sustainable. Benchmarking has been a powerful tool for the VBDO to raise awareness among investors in relation to responsible investment and to give them insight in how they could improve.

2. Benchmark characteristics

a. Goal / theory of change

The objective of both benchmark reports, for the 50 largest Dutch pensions funds and 30 largest insurance companies, is to provide pension funds and their participants and insurance companies, their customers and society in general, insight into the current status of responsible investment. These comparative studies offer pension funds and insurance companies an impartial instrument to assess how their policies and practices regarding responsible investment compare to those of their peers. Besides the pension and insurance companies being ranked, the benchmark reports are also used to stimulate the debate on responsible investment in the media, participants and customers, parliament and among regulators.

Benchmarks are seen as an effective instrument to drive sustainability improvements by harnessing the competitive forces of the market. They create a race to the top by providing comparative insight and identifying frontrunners, thus stimulating sector-wide learning and sharing of good practices. Therefore, this has proven to be an effective tool in raising awareness about responsible investment and stimulating competition amongst pension funds and insurance companies.

b. Target group

VBDO has conducted an annual benchmarking exercise, Responsible Investment by Pension Funds, for the 50 largest pension funds in The Netherlands since 2007. Additionally, it has experience in conducting a responsible investment benchmark amongst the 30 largest Dutch insurance companies. The selection of the largest organisations is done by means of data of the Dutch Central Bank.

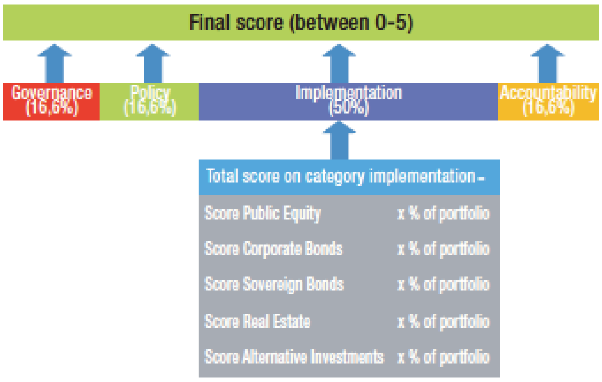
c. Number of editions

The VBDO has extensive experience of developing and conducting benchmarking studies. Last year's edition was the 10th annual edition of the VBDO Benchmark Responsible Investment by Pension Funds in the Netherlands. The latest version of the VBDO Benchmark Responsible Investment by Insurance Companies in the Netherlands was the sixth edition.

d. Methodology

The research and scoring methodologies are based on an iterative process, which has developed and improved over 10 years' of VBDO Benchmarks on Responsible Investment by Pension Funds and Insurance Companies. Every year a review on relevancy of the assessment criteria and necessary additions are discussed with experts and representatives from the insurance and pension sector. Every three years a larger methodology review takes place with these representatives and experts.

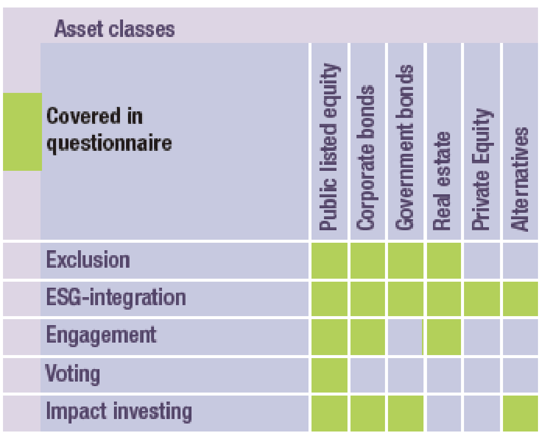
Figure 1 | Overview of VBDO Benchmark scoring methodology



The VBDO Benchmark methodology is based on four elements:

- **Governance**: the governance of pension funds on responsible investment, including the role of the board, its steering capacities, the sources of the information used and the consulting of participants;
- **Policy**: the responsible investment policy in-place, its applicability to the entire portfolio, its depth, and its quality are surveyed.
- **Implementation**: the implementation of the responsible investment policy applies to six different asset classes; Figure 2 shows the asset classes with the corresponding r esponsible investment strategies that are covered in the study.
- **Accountability**: transparency is about responsible investment policies, strategies, results and reports.

Figure 2 | Asset classes and RI-instruments



e. Research process

The research process consists of two phases. In both phases pension funds and insurance companies deliver information which is analysed by the VBDO and complemented by publicly available information. The VBDO has a response rate of 100%, over the last editions. In the second phase VBDO determines the final scores for each pension fund. Through both phases there is close contact with the pension funds, insurance companies and their asset managers on the evidence that has to be delivered.

3. Results

a. Main findings

The results of VBDO's pension fund benchmarks show that since 2007 pension funds have developed a responsible investment policy; have established responsible investment instruments in different asset classes and have become more transparent about their investments. Responsible investment therefore has become more mainstream and an integrated part of investment management.

Overall, the sector has improved concerning responsible investment strategies and impact investments are steadily growing each year. The VBDO is also delighted to observe that the pension funds at the lower levels of the benchmark have made improvements in 2016. This means that responsible investment is becoming more and more mainstream. In the edition of 2016 the following main conclusions were drawn:

- Increased oversight by board of responsible investment;
- Steady increase in the presence of responsible investment policy since 2009;
- Systematic integration of ESG decreased;
- Engagement measured and reported on more thoroughly;
- Transparency about investments could be enhanced further. Regarding the benchmark itself, it can be concluded that the (pension fund) sector has accepted the VBDO benchmark, since it has obtained a 98-100% response rate for in recent years.

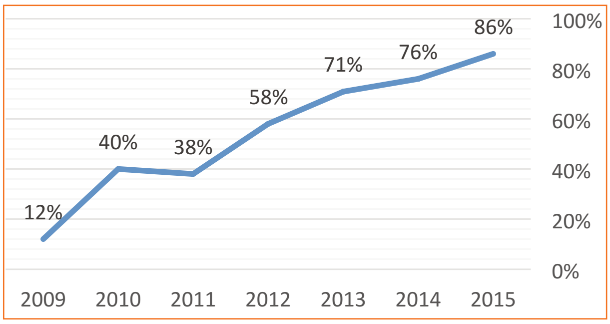
b. Trends

Larger pension funds and insurance companies outperform their smaller peers on responsible investment scores and ranking; and industry-wide pension funds outperform corporate pension funds. Still, examples exist where smaller funds or corporate pension funds achieve high scores and who can serve as examples of best-practices for their peers.

c. Impact on the sector

There are several indicators that show that the VBDO has a significant impact with its benchmarks. By way of illustration, the VBDO benchmark is cited to be included in the KPIs of asset managers or employees. Especially the frontrunners have integrated these KPIs in their investment strategies ("pension fund X should retain a top 3 position in the benchmark" or "pension fund Y should improve to a top 20 position") and discuss the results in board meetings. Furthermore, different pension funds have consulted the VBDO on responsible investment. This could be in a request for a presentation to the board of a pension fund, an invitation for a multi-stakeholder dialogue, or a request to provide the investor with a peer review. Finally, in 2017 the VBDO conducted a survey among pension funds and asked how the benchmark is being used by the pension funds. Every respondent to the questionnaire stated that either in the board or in the investment committee the annual benchmark (and especially the position in the ranking) is being discussed.

Figure 3 | Average percentage of assets under management covered by a responsible investment policy 2009-2015



4. Vision

a. Lessons learned in relation to benchmarking as a tool

In the first years of the VBDO benchmark there was some resistance to the ranking. The sector considered itself not yet ready for the increased transparency. But after a few years the Dutch pension funds started to realise that the VBDO Benchmark is a useful tool to compare their own behaviour against others. The pro-active use of the benchmark and acceptance of the methodology can also be connected to the consultation of the sector in regard to evaluations of the methodology.

Another lesson is that buy-in of the sector is essential. This can be achieved by means that the sector supports the benchmark, but also because other actors, such as participants, media or board members pay explicit attention to the benchmark. A final lesson is that the verifications on the individual scores need to be solid, for example, by the necessity to provide evidence for a certain score, to protect the validity and credibility of the benchmark.

b. Next steps

In the Dutch market the VBDO will continue to publish its benchmark. However, in 2017 a pilot is started to, instead of a ranking, publish a classification based on stars. The goal is to create a standard in the market and to promote collaboration between the different type of pension funds existing in the Dutch market.

c. (International) Collaboration

The VBDO is much in favour of international collaboration and is convinced that this will help to make the capital markets more sustainable globally. One reason is that it enables a sense of competition among international institutional investors, but more importantly, it also enables the sharing of best-practices between different markets. Often perceived obstacles to move forward on responsible investment are already overcome in other markets but are not shared between investors and markets; an international benchmark could therefore be a successful tool. However, to be successful, a strong coalition is needed with sufficient legitimacy, knowledge, resourcing and outreach capacity and close collaboration should be sought with international experts and organisations active in the field of responsible investment.
It would therefore be wise to start with a pilot phase on a selected number of institutional investors or a selected number of markets to have a proof-of-concept and to build further upon the outcomes of the pilot phase.

7. Analysis & Conclusions

Cross benchmark comparisons

Organisation name	Jurisdiction	Sample size	Survey response rate	Timing and frequency of the benchmark	Research style
FFS	Italy	50 pension plans	72% (2016 edition)	Annual	Questionnaire
RIAA	Australia and New Zealand	50 largest pension funds	40% (first year, 2016)	Annual (for at least 3 years)	Desk research | questionnaire
ShareAction	United Kingdom	40 of the largest European asset managers	31 of 40 responded	Annual survey but we alternate between asset owners and asset managers	Questionnaire with desk research for non respondents
ShareAction and **WWF Switzerland**	Switzerland	20 occupational pension funds	16 out of 20 responded	Once only (2015); interest to repeat	Desk research | questionnaire
VBDO	The Netherlands	50 pension funds 30 insurance companies	100% | 63%	Annual | bi-annual; 11th edition | 7th edition	Desk research | questionnaire | (interviews)

Table: Characteristics benchmarks

* First year included additional research methodology activities to anticipated steps of subsequent years

Similarities

When analysing the different organisations involved and comparing the similarities and differences within their individual benchmarking the following most important similarities can be distilled:

- The goals of the different benchmarks align; this is illustrated by their aims to promote leading practices, catalyse change or promote awareness;
- All the described benchmarks have chosen a co-operative theory of change. Going past naming-and-shaming and helping institutional investors to gain insight and identifying ways to improve in the field of responsible investment; and
- All benchmarks work closely with the institutional investors, while maintaining an independent scoring process.

Differences

There are also some differences to be found; those are present in the target groups of the individual organisations and within the different methodologies.

Differences in target groups

The Australasia SIF (RIAA) has superannuation funds as the target group and ShareAction (U.K.) focuses on European asset managers. FFS and the VBDO explicitly focus on asset owners such as pension funds and insurers.

The other noticeable difference is the geographical scope of the individual benchmarks. While all SIFs focus explicitly on their own market, ShareAction benchmarks across different markets with the benchmark on European asset managers.

Differences in methodologies

- Differences exist between the benchmarks in regard to the use of ranking. The choice to either rank the financial institutions or anonymously survey them both have their merits and choice is dependent on the different markets.
- Differences exist in relation to the regulatory frameworks. For example, in regard to questions related to the governance structure of pension funds or legally required exclusions.

What makes a benchmark successful?

Based on the different experiences across markets, that the following factors and features determine the success of a benchmark:

- Buy-in from the sector and relevant stakeholders in relation to the benchmark and its methodology.
- An independent scoring process and an independent governance structure of the benchmark.
- Knowledge of the local market and state-of-play of the responsible investment market.
- A solid verification process of the results.
- The ability to report trends over time by producing multiple, regularly-spaced benchmark editions;

- The benchmark is a useful tool for investors to identify how they can improve, for example by highlighting best-practices.

Possible next steps?

1. The existing benchmarks already enable the option to make a study that merges the results of the different benchmarks. The study could provide an overview of the different markets, identify best-practices and frontrunners and share lessons learned across markets, comparable with the biennial Global Sustainable Investment Review by the Global Sustainable Investment Alliance (GSIA). Also, international responsible investment awards can be launched based on the outcomes of the different benchmarks.

2. Also, a joint benchmark is an option. However, methodologies differ due to different regulations and different maturities of the markets in respect to RI. This could be solved by identifying a core part of the methodology that is present in each benchmark, but also leaves room for questions that are specific for the different jurisdictions and development of the responsible investment market.

3. Co-operation, linking communication strategies and sharing of knowledge between the organisations implementing responsible investing benchmarks has many potential upsides, both for improving organisation's own benchmark methodologies and outcomes and creating a truly international picture of responsible investing in the financial sector.

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