Responsible Investment by Insurance Companies in the Netherlands 2019

Taking Responsible Investment to the next level

Performance Dutch Insurance Companies

This brochure includes a ranking and highlights the performance of responsible investment in the Dutch insurance sector. The largest Dutch insurance companies are assessed on how they govern, formulate, implement and report on their responsible investment (RI) decision making process. This assessment was done across various asset classes, see figure 1.

Harnessing the largest institutional investors in the Netherlands in a race to the top of sustainable investment performance

VBDO has conducted annual benchmarking studies on responsible investment by Dutch institutional investors since 2007. This has proven to be an effective tool in raising awareness about responsible investment and stimulating the sustainability performance of insurance companies and pension funds.

The full report of the benchmark results will be available in our report "Benchmark Responsible Investment by Insurance Companies in the Netherlands 2019". This report provides a comparative overview of the status quo and trends relating to responsible investment practices of the largest Dutch insurance companies.

Leaders

The top performers of this benchmark incorporate all five responsible investment instruments in their policy, integrate ESG in almost all investment decisions and demonstrably take a leadership position in the sector.

Middle performers

The middle performers typically incorporate responsible investment across all asset classes on at least a basic level, but a longterm vision is often not in place.

Laggards

The low performers are still in the process of implementing responsible investment across all asset classes.

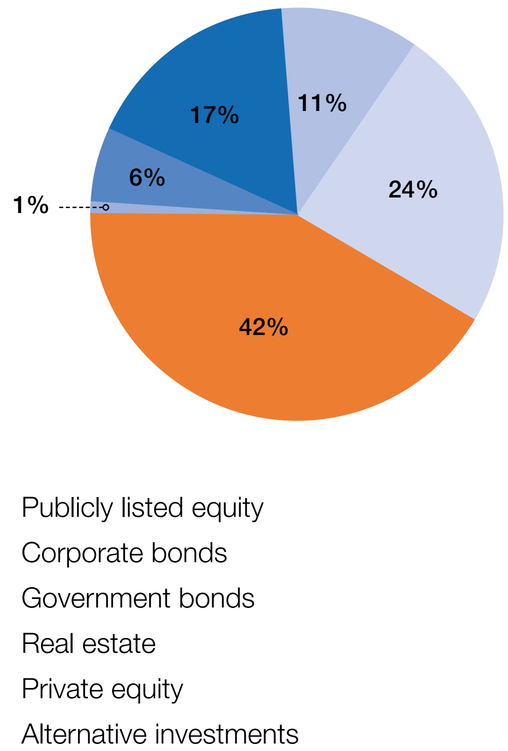


Figure 1: Allocation of assets

VBDO Ranking Insurance Companies 2019

Ranking 2019	Name of insurance company	Overall score 2019	Governance	Policy	Implementation	Accountability
1	a.s.r.	**4,5**	5,0	5,0	4,0	5,0
2	VIVAT	**4,1**	5,0	4,0	3,6	5,0
3	NN	**3,5**	4,0	3,0	3,3	4,3
3	Achmea	**3,5**	4,4	3,0	3,4	3,2
5	Menzis	**2,8**	2,7	2,7	2,9	2,7
6	Dela	**2,3**	1,5	2,0	2,9	1,8
7	CZ Groep	**2,2**	2,3	1,8	2,5	1,7
7	Aegon	**2,2**	1,3	2,3	2,5	2,1
9	Scildon	**2,1**	1,7	2,5	2,2	1,8
10	ONVZ	**2,0**	2,5	1,5	2,2	1,3
10	Allianz	**2,0**	1,5	3,0	1,8	2,1
12	VGZ	**1,8**	2,1	1,3	2,0	1,6
13	ZLM	**1,7**	2,5	2,3	1,5	1,0
13	BNP Paribas Cardif	**1,7**	2,5	2,2	1,6	0,9
15	Klaverblad	**1,3**	2,1	1,3	1,5	0,2
16	Monuta	**1,1**	1,3	1,5	1,3	0,0
16	Onderlinge 's- Gravenhage	**1,1**	1,3	1,0	1,2	0,5
16	De Goudse	**1,1**	0,6	2,7	0,9	0,4
19	DSW*	**0,9**	0,0	1,5	1,1	0,7
20	NV Schade*	**0,7**	0,0	0,5	1,1	0,2
21	TVM*	**0,6**	0,6	0,0	0,7	0,5
22	Iptiq*	**0,5**	0,0	0,0	1,0	0,0
23	NH van 1816*	**0,4**	0,0	0,0	0,8	0,0
23	ARAG*	**0,4**	0,0	0,0	0,7	0,0
25	Eno Zorgverzekeraar*	**0,3**	0,0	0,0	0,5	0,2
26	DAS*	**0,2**	0,0	0,0	0,4	0,0
26	Yarden*	**0,2**	0,0	0,0	0,4	0,0
28	Unigarant*	**0,1**	0,0	0,0	0,1	0,0
29	Leidsche Verzekering Maatschappij*	**0,0**	0,0	0,0	0,0	0,0

* Non-respondent

**The number of points for the overall score and consecutive categories can range from 0-5 with 5 points being the highest.

Main findings

- Sustainability issues are becoming more mainstream in the investment process, which results in a great deal of new information that needs to be retrieved and processed. Collaborating with other insurance companies or experts is necessary to develop new approaches and standards. Besides consulting various stakeholders, it is also important to be transparent on policy, activities and results.
  Only 14% of the insurance companies consults both policy holders and other stakeholders about responsible investment on a regular basis, and 14% of insurance companies actively informs policy holders about the content or results of the responsible investment policy through multiple communication channel.

- Insurance companies are hesitant to set targets that are ambitious, all- encompassing and time bound, as 79% of the insurance companies do not formulate goals to bring responsible investment to the next level.

- Most insurance companies have integrated ESG information in their decision making process on at least a basic level. Responsible investing is, however, more effective when it is fully integrated into existing processes, rather than carried out in parallel. This requires in-depth ESG- integration that impacts all individual holdings and is asset class specific.

- It is widely accepted that climate change effects have a considerable impact on the financial sector, which makes it important for insurance companies to include climate related risks in their investment assessments. However, only 7% of the insurance companies have started investigating the financial risk of global warming scenarios on the investment portfolio.

- This brochure highlights further findings on:
  1) Targets on responsible investment
  2) Responsible investment instruments
  3) In-depth ESG integration
  4) Green bonds
  5) Green infrastructure
  6) Climate scenarios

1 Targets on responsible investment

VBDO encourages insurance companies to define goals and set targets that can be applied to the entire investment portfolio. Setting specific targets helps insurance companies to take concrete actions, and enables asset managers to align investments with the goals. Clear and measurable targets can, in turn, be used to evaluate progress and improve performance.

The benchmark results indicate that insurance companies are hardly defining goals and targets in their RI policy, **21% of insurance companies cover targets in their RI policy.** The targets that are set seem to share a common goal: CO_2 reduction of the investment portfolio with several including a specific timeframe between 2021 and 2050.

The Paris Climate Agreement can help insurance companies to set measurable targets with the goal to keep the increase in global average temperature to well below 2°C above pre-industrial levels. This is especially important when investing in high impact, CO_2 intensive, sectors such as fossil fuels, energy generation, primary industry, transport and agriculture.

2 Responsible investment instruments

The translation of environmental, social and governance (ESG) criteria into responsible investment instruments, such as exclusion, ESG integration, engagement, voting and impact investing, is vital to achieve the goals that are outlined in the RI policy. The figure below shows the percentage of insurance companies that apply each RI instrument.

Exclusion	**86%**	An exclusion policy indicates what type of investment an insurance company chooses not to include in its investment universe. This can be done on legal grounds, from a reputational standpoint, ethical belief or sustainability perspective to exclude companies, sectors and/or countries.
ESG-integration	**72%**	ESG integration refers to the process by which Environmental, Social and Governance (ESG) factors are integrated into the investment decision making process complementary to financial data. This holistic approach ensures that ESG factors are identified and assessed to form an investment decision.
Engagement	**55%**	Engagement is exerting influence on companies by entering into dialogue. By influencing the companies that are invested in, engagement can help optimise long-term value and manage reputational risk.
Voting	**55%**	Insurance companies hold a position in the public listed companies they invest in. Through voting at shareholder meetings, they can influence and steer corporate policies. Shareholder resolutions can also be initiated or supported in this regard.
Impact investing	**41%**	Impact investments are investments made with the intention of achieving a positive societal impact whilst generating a competitive financial return.

3 In-depth ESG integration

The benchmark results show that most insurance companies have integrated ESG information in their decision making process in some form. However, it is still challenging for insurance companies to ensure that ESG criteria have a systematic and ongoing impact on individual holdings, especially for government bonds.

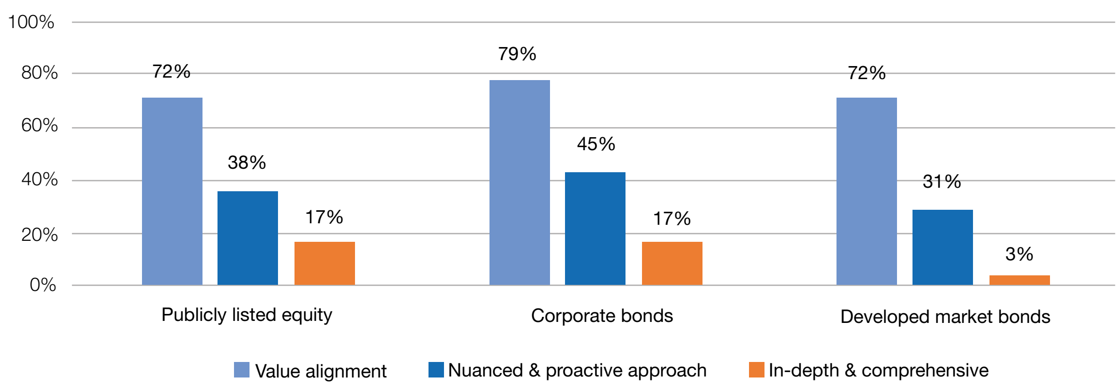
ESG-integration could be seen as the most comprehensive tool to ensure that investments are 'ESG proof'. Thoroughly screening (activities of assets in) the portfolio on ESG criteria ensures that: hidden risks are uncovered, investments are performing well on sustainability related topics, and investment opportunities are exposed. Figure 2 highlights to what extent insurance companies integrate ESG information in the investment decision making process.

ESG integration	The process by which Environmental, Social and Governance criteria are integrated into the investment decision making process, complementary to financial data. ESG information is identified and assessed to form an investment decision, which helps to uncover hidden risks and identify investment opportunities that are likely to outperform competitors.

Approaches of ESG integration

Basic value alignment	ESG information is used in an elementary form by e.g. requiring asset managers to be signatory of responsible investment guidelines (UN Global Compact, UN Principles for Responsible Investment).
Nuanced & proactive approach	ESG information is used in a structured manner, for example, through the use of the company's sustainability performance. This can be done by using an ESG index that shows the performance against key sustainability metrics.
In-depth & comprehensive	ESG information has a systematic and ongoing effect on individual holdings, for example, by an automatic under or overweighing in company stock based on ESG criteria. A best in class approach is the process where only the best performing holdings in a certain ESG index are selected.

Figure 2: Quantification of ESG integration



4 Green bonds

Impact investments are investments made with the intention of achieving a positive, measurable societal impact whilst also generating a competitive financial return.

In line with this definition, **green bonds** are classified as impact investments in fixed income holdings. Green bonds are issued by companies and governmental institutions to finance specific projects that have a positive environmental or social outcome. This gives mainstream investors access to climate-related investment opportunities. Currently, **59%** of the insurance companies do not invest in green bonds. An increasing number of investors have taken on stricter assessments to select and evaluate green bonds in comparison to previous years and are, therefore, demanding greater transparency.

5 Green infrastructure

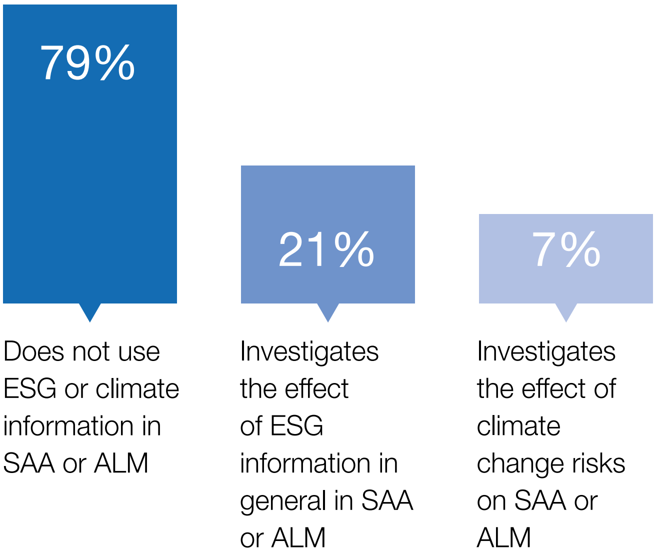
This year, an additional question was added which relates to ESG integration in infrastructure investments. Insurance companies that invest in infrastructure should be aware of climate-related effects (e.g. extreme weather events) that these investments might face over the assets' lifetime. Besides assessing ESG risks, investors should make their portfolio more sustainable and consequently more future-proof through investments in solutions, which in turn contributes to ecological as well as societal benefits.
Green infrastructure investments, for instance, can play a vital part in both mitigating and adapting to climate change effects due to its ability to provide ecosystem services such as water purification and water flow, temperature regulation, biodiversity and, coastal and erosion protection.
The benchmark illustrates that currently no insurance company invests in green infrastructure.

6 Climate scenarios

New benchmarks, metrics and investment solutions are being developed that make ESG investing more accessible across asset classes and regions, and analyse to what extent investments are exposed to ESG risks.

Some insurance companies investigate the effect of ESG information on strategic asset allocation; others also investigate the effect of (physical and transition) climate related risks on strategic asset allocation.

Inclusion of climate change risks is becoming more important for investors. Yet it is still exceptional for insurance companies to actively analyse how a 2°C, 3°C and 4°C climate scenario will each affect the risk/return of their investment portfolio.



Ultimately the question should not only be 'what is the impact of my investment decisions on my investment portfolio?' but also 'what impact do my investments have on the planet?' In this perspective, investment will create real-world resilience on climate change instead of the minimalization of investor's risks.

Green infrastructure:
Infrastructure that carries a broader range of functions than merely the provision of infrastructure services. The infrastructure is a strategically planned network of natural and semi-natural areas with other environmental features to manage and deliver a wider range of ecosystem services. In this, green infrastructure embeds ecological as well as societal benefits.

About VBDO

VBDO is the Dutch Association of Investors for Sustainable Development. Since its inception in 1995, VBDO's mission is to create a sustainable capital market. VBDO offers opportunities for members to enhance their professional expertise by being part of an active community of practitioners, participating in programs including masterclasses, roundtables and quarterly VBDO Platform meetings for institutional members.

Join VBDO to make responsible investment mainstream!

Would you like to be part of a network that leads the field in responsible investment? Then join us and work together with VBDO and our members to make responsible investment mainstream. We pursue robust relationships with our members and value other collaborations that advance our mission.

- VBDO encourages the financial sector and listed companies to perform better in the area of sustainable investment and to make their own business operations more sustainable. It does this in a number of ways including through benchmarking, engagement and knowledge sharing.
- Members include insurance companies, banks, pension funds, asset managers, NGO's, trade unions and individual investors.
- VBDO is a member of the international network of sustainable investment and a board member of Eurosif and of the Global Sustainable Investment Alliance (GSIA).

Dutch Association of Investors for Sustainable Development (VBDO)

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