

E A P S P I

Pensions for the Public Sector

Declaration on ESG by the European Association of Public Sector Pension Institutions (EAPSPI)

As adopted by its general assembly on October 25th, 2019, in Munich

This declaration was prepared by a group of members of EAPSPI – it is not intended as a substitute to the individual SRI and ESG policies of members.

Responsibilities as public sector pension institutions

Our institutions recognise their responsibility to ensure payment of the benefits in accordance with the promises of the pension systems that they manage, while limiting and making it possible to plan the costs incurred by contributors. To that end, the cost efficiency and the affordability of unfunded schemes, and in addition the security, the profitability and liquidity of investments in funded schemes are each a key issue for the members of EAPSPI. This in general is also a requirement of national and European regulation as regards financing, investment and risk management.

At the same time, our institutions believe they have a broader responsibility towards society and the environment, as workplaces and organisations participating in economic life. As regards asset owners' investment process, that translates to a commitment to take into account the impact and sustainability aspects of the activities they finance. Moreover, as European public sector pension institutions, EAPSPI organisations are rooted in the pursuit of the public good and a social Europe. As such, they are led to aim at being exemplary in their field of activity and seek to contribute to the foundations of a liveable environment for present as well as future generations.

Conversely, in the longer-term, an inclusive society, human well-being and stable ecosystems are conditions to a functioning economy and thus of the financial returns on investments. Extra-financial considerations therefore are also a part of risk management and mitigation and are directly linked to fiduciary duty.

Key takeaways for the association

Our institutions try within their means and their business activity, to promote impact and sustainability concerns. EAPSPI members take into account the specific conditions at the level of the institution and the objectives of the public sector background when addressing them.

As for those that manage assets, they foster awareness on those concerns, e.g. by analysing the impact of their investments or engaging investee organisations on their stance toward environmental, social and governance issues.

Together, EAPSPI members vow to continue their exchange of expertise and information in this area where differences of approach or experience further collective understanding and progress. Leading changes in this area is a good way for public sector institutions to demonstrate exemplarity. Among other tools, the implementation of regulations on sustainable finance will be the next ambitious challenge, to which our institutions will readily rise.

About EAPSPI

The pension institutions of EAPSPI are rooted in the public sector managing and investing assets in trust for their nearly 34 million beneficiaries and active members in Europe. They are committed to pay services worth around EUR 40 billion a year. The EAPSPI members who implement funded systems manage around EUR 900 billion in assets. EAPSPI's 24 institutions from 15 European countries working in or close to the public sector wish, in their diversity, to present this declaration as a new step to address their common responsibilities as public sector pension institutions.

Taking responsibility

Every investor is a participant in economic life as well as banks, the state or companies. Therefore, each participant in the economic cycle - including the pension and supplementary pension funds of EAPSPI - not only bears the responsibility for his own actions, but also the responsibility for the impact of his actions on others. Only in this way does social coexistence work.

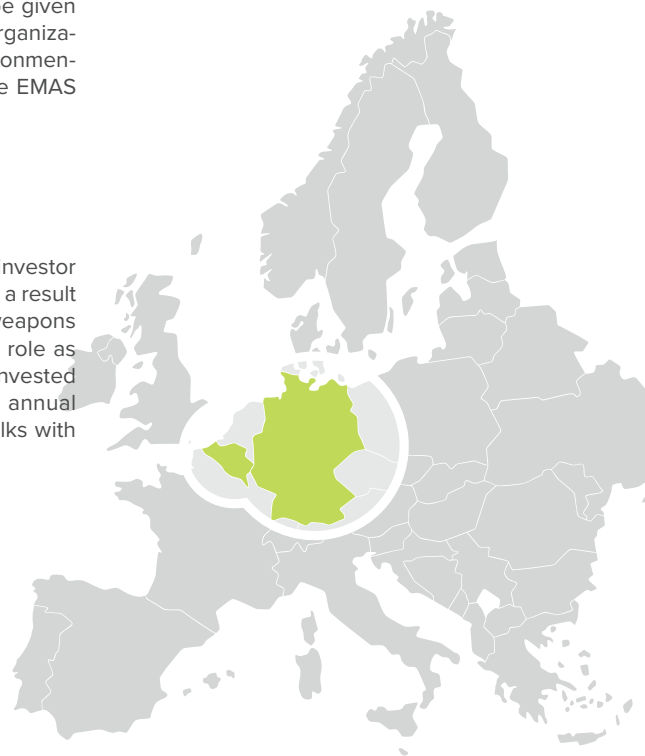


BELGIUM

The Belgian Federal pension has an EMAS certificate. EMAS stands for «Eco Management and Audit Scheme». This is the title of a European Union regulation that obliges Member States to introduce a system whereby organizations can be given the right to use a European «environmental logo». The condition is that an organization has an environmental management system and draws up an annual environmental report. Both must be approved by an EMAS verifier. Participation in the EMAS regulation is voluntary.

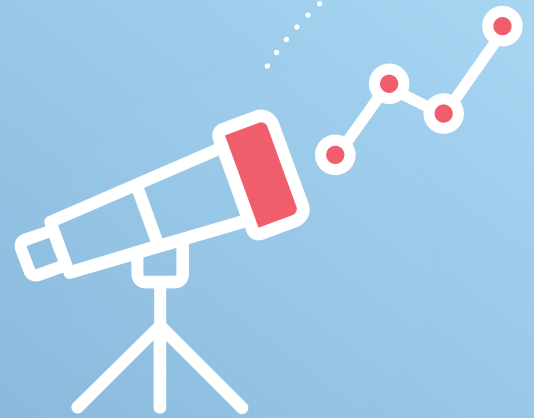
GERMANY

VBL as German public sector pension fund is showing its responsibility as investor by excluding those activities that are banned by international conventions. As a result of these treaties, producers of chemical, biological and other controversial weapons do not qualify as potential investments. In addition to that, VBL is using its role as equity holder to promote sustainable developments in the companies it is invested in. This engagement process includes the exercise of voting rights at the annual general meeting as well as active, constructive discussions and bilateral talks with the management of the companies.



Shaping the future

It is common for beneficiaries that they are linked to EAPSPI's members over several decades through various phases of their lives. Therefore a long-term positive economic development, the preservation of a livable environment and an inclusive society are also in the interest of all current and future beneficiaries.



DENMARK

Sampension Livsforsikring A/S, being a costumer-owned company and part of the Danish labour market pension system, has had a policy on responsible investments as an integrated part of its investment process since 1996. Today, the investment policy is designed on the principles defined in the UN Global Compact, that anchors economic activities in a long-term responsibility. Through active ownership, Sampension engages with investee companies through dialogue and votings and ultimately by exclusion. Socially responsible investments are a main focus for Sampension building on UN as well as ILO's conventions regarding human and labour rights. Another focus point at Sampension is to support the energy transition through an ongoing reduction of the carbon footprint of the investment portfolio as well as an ongoing effort to influence investee companies to commit to the transition to a low-carbon economy.

SPAIN – BASQUE COUNTRY

In the year 2016 Elkarkidetza Employment EPSV approved its own SRI policy aiming to contribute to an ESG improvement, helping to upgrade the long-term risk and return mix at the same time. We aim to achieve that those corporations pursuing social responsibility receive more funds or investments compared to their competitors, thus promoting an incentive towards an SRI-change through a best in class approach. So as to achieve the already mentioned objective we have undertaken an asset analysis on our portfolio, be it equity, fixed income..., executing an ESG rating on them at the same time. This rating is dynamic and reviewed monthly, measuring the evolution and implementing the necessary measures for the achievement of a continuous improvement. Regarding the thematic investments the latest carried out were in 100% renewable corporation or energy projects. They contribute to the clear aim of achieving an environmental improvement more and more asked for by the society as a whole. Elkarkidetza is being more active in the impact investments as well. We are doing it through mutual funds in which we can check their results on the measures they are carrying out by means of their own social reports.



Safeguarding Opportunities, Mitigating Risks

The complex financial statements of companies are analysed and evaluated by financial analysts with regard to numerous key figures. The inclusion of ethical or sustainable aspects permits to analyse additional non-financial parameters that provide pointers to future risks and ultimately help to mitigate them in return.



FRANCE

Since its inception as a French public pension fund, ERAFP has chosen to invest 100% of its assets using ESG criteria, convinced that aiming solely at maximising financial return was ignoring social, economic and environmental consequences. Challenged like all investors with tackling global warming, ERAFP measures climate change-related risks and opportunities in order to assess the exposure of its portfolios. While engaging with companies to ask them for detailed climate action goals, ERAFP now expects them, especially if they face big energy transition stakes, to define a strategy including a path to comply with the targets of the Paris Agreement. This in turn furthers the interests of ERAFP's beneficiaries, by protecting the value of assets from substantial drops in the near future.

GERMANY

KZVK/VKPB are occupational pension schemes in the legal form of an institution under public law for the evangelic church in North Rhine Westphalia. In 2009 KZVK/VKPB implemented ethical aspects in their statutes and started to roll out ESG criteria in their investment process, which now covers all asset classes. KZVK/VKPB is a regular member of a working group that sets up the «Guidelines for Ethically-Sustainable Investment» applicable to investors within the German Protestant Church. It then monitors all of its investments with respect to their conformity with these Guidelines and identifies violations that bear ethical risks. In addition, the guidelines support the search for ethically sustainable investment opportunities in various industries. KZVK/VKPB sees itself as an active investor and believes in engagement as one of the instruments in pursuing their ESG activities. Moreover, in hiring external managers, an integral part of the due diligence process lies in the validation a their credible commitment to ESG. When directly responsible for security selection (e.g. directly held bonds portfolio or real estate) KZVK/VKPB uses negative list to rule out investments or initiate divesting.

