



Agreement

for International Socially Responsible Investment by Dutch Pension Funds



- **Start:** 1 January 2019
- **Duration:** The Agreement has a four-year term and is valid until 31 December 2022
- **Parties to the Agreement:** Dutch Pension funds, the Dutch Pension Funds Federation; the Dutch Government; trade union federations; and NGOs
- **Secretariat:** SER (The Social and Economic Council of the Netherlands)
- **Core tasks for CNV:** Participation in the Steering Committee; sharing its knowledge and its local networks for a good implementation of due diligence; alerting on the greatest risks of human and labour rights abuses; contributing to constructive solutions.



Internationaal



WHY HAS AN IRBC / CSR AGREEMENT FOR PENSION FUNDS BEEN CREATED?

There is considerable diversity among Dutch pension funds. Organizations vary enormously in size and influence. They invest in many sectors, companies and in a large number of countries, including in emerging markets. Pension funds are expected to make a good estimate of the risks of their investments, adjust policy and practice where necessary and work together on solutions for abuses that occur in their investment chains.

Pension funds, by investing their assets, have a huge impact on human rights and the environment worldwide. They can use this power to prevent companies in which they invest from harming people and the environment. Or they can hold companies to account, if damage has already occurred. To make better use of this influence, more insight is needed into the risks and the impact of the international investment chain. But also into the local partnerships, often with various partners, of companies in which pension funds invest.

On 20 December 2018, 73 pension funds signed the Agreement on International Socially Responsible Investment by Pension Funds. These pension funds together account for around 1,180 billion euros in invested capital. Together, they form one of the largest investment portfolios in the world. In this Agreement, these funds join forces to use their global influence in a positive way, together with unions, governments and NGOs. The reason for this Agreement was the advice of the Dutch Social and Economic Council (SER) and the declaration of intent that 75 Dutch pension funds and the Dutch Pension Funds Federation had already signed as early as 30 March 2017.

'With this Agreement, we hope to gain more insight into the pension funds' worldwide investment chain. We do this order to ensure that labour rights are respected for employees throughout this entire chain.'

Arend van Wijngaarden, chairman of the CNV trade union federation

This Pension Funds Agreement is the eighth Dutch sectoral agreement in the field of International Responsible Business Conduct (IRBC, also commonly referred to as International Corporate Social Responsibility (CSR)). It was created under the guidance of the SER, in which representatives of trade unions, employers and the government work together. CNV Internationaal - the federation's branch for international cooperation - has signed the Agreement and is thereby a party to it (*for more information about the other IRBC agreements that CNV has signed, click [here](#) to open the relevant fact sheets*).

Many directors participate in the management of sectoral pension funds on behalf of the CNV. In 1999, the CNV drew up a [Pensions Investment Code](#), which was adjusted in 2012. The representatives of the CNV on the various boards of industry pension funds were involved in the formation of the Agreement and in the decision of those funds to sign the Agreement. They remain informed during the implementation. Sustainable investment is a regular topic of discussion within the CNV working group on pensions, and the CNV-wide pension meeting, with representatives from the boards and accountability bodies of the various funds, has also taken up this Agreement.

WHAT IS THE PURPOSE OF THE AGREEMENT FOR THE PARTICIPATING PARTIES?

With this covenant, Dutch pension funds, trade unions, civil society organisations and the Dutch government join forces to jointly strengthen the international investment chain worldwide, in order to prevent and tackle the negative effects of pension fund investments on society and the environment. All parties contribute their knowledge and expertise.

The signatory pension funds and other parties have each committed themselves to individually take measures against abuses and to jointly seek solutions if abuses occur in the investment chain of pension funds. With this Agreement, frontrunners in the sector can go one step further in the areas where they are now confronted with the limits of their own possibilities. In this way, participating pension funds with fewer resources and possibilities can, through cooperation within the Agreement, still take an important step towards making their investments more sustainable.



'With the Agreement, pension funds show that they take their responsibilities seriously: By prudently managing the pension money of participants (and pensioners), with an eye for returns as well as for human rights and the environment risks.'

Wouter Koolmees, minister of Social Affairs and Employment



WHO ARE THE PARTICIPANTS IN THIS AGREEMENT?

In addition to the pension funds and the pension federation, this Agreement was signed by three ministries, three trade unions and six civil society organisations.

P Pension funds and the Pension Funds Federation: The Agreement concerns 73 participating pension funds. The management of these funds ensures that there is support among the participants for the choices relating to responsible investment (as also included in the Pension Funds Code). The Pension Funds Federation represents its members and primarily has a facilitating and stimulating role. The Pension Funds Federation will make every effort to motivate other pension funds, through good communication and information, to sign the agreement. And the Federation will encourage the funds already participating to adhere to commitments made.

G Government: The Ministries of Foreign Affairs, Trade and Development Cooperation (BHOS, by its Dutch acronym), Finance (FIN) and Social Affairs and Employment (SZW) will support the parties to this Agreement in implementing their policy on International Socially Responsible Investment. At European and international level (OECD, ILO, UN), the government has a role in proactively promoting the Agreement in order to create a level playing field for participating pension funds and to support the importance of human rights in investments. Within the Netherlands, the government will demand more attention for the United Nations' Guiding Principles for Business and Human Rights (UNGP) and the Organisation for Economic Cooperation and Development's Guidelines for Multinational Companies (OECD Guidelines). It will also broadly stimulate IRBC / CSR through trade missions, through government instruments and its own procurement policy. The embassies network will provide information about IRBC and deploy economic IRBC diplomacy in the context of economic relations. The government generally has a duty to protect human rights in accordance with international human rights conventions, the UNGPs, the Dutch National Action Plan on Human Rights, the Council of Europe's recommendations on human rights and business.

T The **trade unions** signatories to this Agreement are: the Christian National Trade Union Confederation (CNV), the Dutch Trade Union Confederation (FNV) and the Trade Union for Professionals (VCP).

N The **NGOs** participating in the Agreement are: Amnesty International the Netherlands, Stichting Natuur & Milieu, Stichting Oxfam Novib, Stichting Save the Children Nederland, Stichting Vredesbeweging PAX Nederland (peace movement) and Stichting World Animal Protection Nederland.

The trade unions and NGOs contribute by sharing available expertise with the other parties, for example: their contacts with local stakeholders, partner organisations and governments; the building of civil society in developing countries; the risks and impacts of investments in terms of the environment and human rights violations; the protection of (human rights) activists; contributing to the prioritisation of risks; and the improvement of the situation of those already affected by abuses.

The organisations will play an independent, critical and constructive role in the implementation of the Agreement. Through participation in the Dutch government's 'Dialogue and Contestation' policy framework, unions and NGOs worldwide contribute to improving the space for civil society by helping and, if necessary, strengthening partners abroad, so that they may held their own government and involved companies or investors to account.

HOW WILL THE IMPLEMENTATION OF THE AGREEMENT BE ORGANISED?

A steering group has been set up to support the implementation of this Agreement. This steering group consists of four sections, namely the Pension Funds and Pension Federation, the government, the trade unions and the NGOs. The CNV is on this steering group. The Steering Committee takes its decisions on the basis of unanimity and is chaired by an independent chairperson who is jointly appointed by all parties in the Steering Committee.

This steering group is responsible for the administrative tasks required for the implementation of the Agreement. It keeps an eye on the activities and results and guides them. The steering group organises an annual meeting to brief parties on progress. It provides the parties with recommendations for improvement. The Steering Committee determines the set of instruments to be developed, monitors the budget, makes agreements on external communication and publishes the annual report and other documents concerning the implementation of the Agreement. The steering group is responsible for any (new) cooperation with third parties necessary for the implementation of the Agreement. For the implementation of the commitments in the Agreement, the Steering Committee sets up working groups that report to the Steering Committee. The SER runs the independent secretariat and assists the Steering Committee.

'I am pleased that, following the example of the banking and insurance sectors, pension funds take their responsibility and have reached this Agreement. This cooperation between pension funds, NGOs, trade unions and the Dutch government contributes to the prevention of negative consequences of investments for people, animals and the environment. I also think it is very important for the financial sector to build a relationship of trust with consumers. Transparency is very important in this respect.'

*Wopke Hoekstra,
Dutch Minister of
Finance*



WHAT DOES 'DUE DILIGENCE' MEAN IN THE CONTEXT OF THIS PENSION FUNDS AGREEMENT?

'Many companies and entire branches of industry are committed to IRBC and sustainable chain management. By virtue of international agreements, Dutch companies have a responsibility to prevent and address human rights and environment risks. This concerns the agreements and guidelines laid down in: The United Nations' Guiding Principles for Business and Human Rights (UNGP) and the Organisation for Economic Cooperation and Development's Guidelines for Multinational Companies (OECD Guidelines). In short: the [OECD guidelines](#) and the [UNGP's](#).

The OECD guidelines require companies, including pension funds, to assess the extent to which they are involved in human rights and environmental abuses. This assessment is called 'due diligence'. It is also referred to as '(International) CSR risk management' or 'IRBC risk management'. The focus is not on risks for the company, but on the possible and actual risks of a negative impact on other stakeholders, such as employees and local communities. This is also central to this Agreement. See the introduction. [See the introduction about the IRBC \(or CSR\) agreements, with more explanation about due diligence on page 5.](#)

The pension funds that have signed the Agreement commit themselves to integrate the OECD guidelines for multinational companies and the UNGPs into policy and practice and to work together on concrete cases. These guidelines serve as a basis for identifying, prioritising and addressing *Environmental, Social and Governance (ESG-)* risks in the conduct of business. In this Agreement, 'ESG risks' are taken to mean risks for society and the environment.

In the first year, the parties develop a set of instruments (a 'toolkit') that should help pension funds to perform *due diligence*. The OECD Guideline on Responsible Business Conduct for Institutional Investors is a guideline for implementation.

A number of developments in legislation and regulations are relevant to this Agreement, such as the *EU Action Plan for Sustainable Finance*, IORP II (Occupational Retirement Provision Directive) and the European Long-term Shareholder Engagement Directive. To the extent possible, these have been reflected in this Agreement.

Dutch pension funds are already actively working on **responsible investment** in various ways:

- Responsible investment is part of the Code Pensioenfondsen (**Pension Funds Code**), which is legally embedded in the Pensions Act and is subject to supervision by the Dutch Central Bank. In accordance with this Code, pension funds explain in their management reports how their investment policy takes into account the environment and the climate, human rights and social rights. And if they have no policy on these matters, they state why that is.
- Dutch pension funds have contributed to the **OECD guideline for institutional investors**.
- Dutch pension funds are involved or are pioneers in a wide range of global activities and initiatives, such as the **UN Principles for Responsible Investment** and the **Sustainable Development Goals**.



WHAT COMMITMENTS HAVE THE PARTIES MADE AMONG THEMSELVES?

The parties to this Agreement have made commitments along two so-called tracks: a **broad track** and a **deep track**.

'Broad' track

The aim of the **Broad Track** is to speed up the implementation of the OECD guidelines and the UNGPs throughout the pension sector. For example, agreements are made on: integrating the OECD guidelines and UNGPs into pension funds' policies, outsourcing to external service providers (such as asset managers) and monitoring and reporting by pension funds. Where sustainability policy has not yet been brought into line with the OECD guidelines and UNGPs, participating funds commit themselves to do so within two years after this Agreement's start.

Although participating pension funds outsource many activities in the investment chain to external service providers, they themselves remain responsible for the implementation of the OECD guidelines and the UNGPs. Within one year after the start, a working group develops a set of instruments for incorporating the OECD guidelines and the UNGPs into policy, into contracts with external service providers, and into monitoring and reporting. This set of instruments consists of sample texts. After three years at the latest, reporting requirements for external service providers will be adjusted to facilitate monitoring by the pension funds.

The invested assets of trade unions and NGOs are subject to a best-efforts obligation towards their external asset manager(s). They will report on this on the basis of arrangements made in the Agreement.

'Deep' track

A number of pension funds have signed for the '**Deep Track**'. The main objective is to develop forms of cooperation geared towards increasing the influence of pension funds in listed companies in which they invest, in order to thus prevent or remedy possible negative forms of impact by these companies. The pension funds themselves come up with a maximum of six concrete cases that they cannot solve themselves and where cooperation between parties might offer a solution.

In this context, learning and innovation are addressed at three levels: the issue level (the effective approach), the cooperation level and the policy level. Each year, working groups and sub-groups reflect on the case in order to identify strategic insights and lessons, document them and translate them into possible policy implications. The parties strive to document the lessons and insights in publications. The working group or subgroup reports its final findings to a monitoring committee and to the steering group. The steering group takes these findings into account when drawing up recommendations for activities in the 'Broad Track'. This means, among other things, that lessons learned from the 'Deep Track' during the implementation of the Agreement will be included in the instruments to be developed and/or in their application.





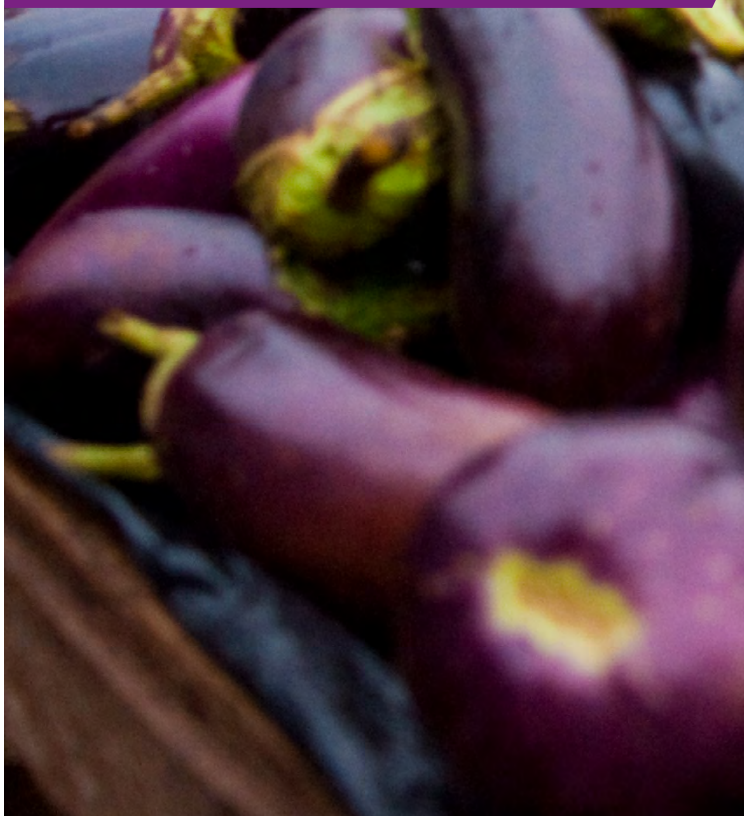
THE 'DEEP TRACK' PROCESS

Process-wise, the cooperation of parties in the 'Deep Track' can be subdivided into three steps, described in a cooperation plan:

STEP 1: NOMINATION AND SELECTION OF CASES AND ADOPTION OF A COOPERATION PLAN

Every party in the 'Deep Track' can propose a case (description) for possible cooperation. Mutual consensus is reached on the cases that will be further worked on. Criteria for the selection of cases are:

- The degree of negative impact (severity, scale and irreversibility) determines the prioritisation.
- The likelihood of (possible) impact.
- Added value through cooperation and diversity.
- Focus on social aspects of labour rights and human rights, such as freedom of association, forced labour and children's rights.
- Aspects of learning, reproducibility and wider relevance for the pensions sector.



STEP 2: IMPLEMENTATION OF CASES

Interested parties work out a plan for their case in a subgroup of the working group. The subgroup follows the steps of the due diligence process (described in the general fact sheet on IRBC / CRS agreements):

- A. *Assessment*: prioritising impact and consulting (local) stakeholders and disadvantaged groups.
- B. *Anchoring and influencing*: through engagement activities, the pension funds exert influence on the listed company (or companies) concerned to prevent or remedy negative impact. From a shareholders' position, individual pension funds can influence a company through contact with the directors; meetings with management and the board; speaking and exercising their right to vote at shareholders' annual meetings (AGM); issuing a public statement; cooperation with other investors; cooperation with policy makers and legislators; requesting to put specific topics on the agenda of the AGM; taking appropriate legal action; cooperation with relevant stakeholders, initiatives and programmes, including trade unions or NGOs. Or a reduction in investment and / or (temporary) divestment.
- C. *Remediation*: recovery and redress.
- D. *Assessing / monitoring progress*: The progress in, and the effectiveness of, the cooperation and the exercise of influence are monitored, as well as the objectives for engagement and questions laid down in the cooperation plan. To this end, recourse is made to internal and external stakeholders and, where possible, to disadvantaged parties. Specific attention is paid to the effectiveness of complaint mechanisms in accordance with the UNGPs.
- E. *Communication*: about progress on the cases and about how to prevent and remedy (publicly and / or confidentially) any (possible) negative impact. Communication is subject to legal restrictions and commercial confidentiality, and explicit consideration is given to possible risks for the engagement goals themselves and/or the disadvantaged groups involved.

STEP 3: CLOSING OF CASES

The four sections of signatories agreed to have an instrument developed to support the provision of information by the parties. To this end, similar tools already developed for other IRBC / CSR agreements will be applied as much as possible.

WHAT IS CNV'S AND CNV INTERNATIONAAL'S CONTRIBUTION TO THIS AGREEMENT, AND HOW CAN OUR LOCAL PARTNERS CONTRIBUTE?

Trade unions, including CNV, CNV Internationaal and its local partners, play a critical and constructive role in the Agreement. The trade unions serve as a sounding board for sensitive issues. In concrete terms, it has been agreed that CNV internationaal:

- will share specific knowledge and information about labour rights, including freedom of association, collective bargaining and living wages, in the local context in which abuses can occur.
- will, with the help of information from local partners worldwide and international departments, actively identify abuses and share them with other parties. This allows trade unions to make an important contribution to the efforts of pension funds signatory to this Agreement to prevent, identify and remedy potential abuses in the field of labour rights.
- will provide, on the basis of its knowledge and network, specific support to the work in the Steering Committee and the working groups that elaborate the selected cases. CNV will involve local partners in their implementation.
- will provide (informal) mediation on sensitive or complex issues,
- will carry out activities aimed at the general public or other activities to increase the joint influence on companies (in the interest of good cooperation this will not be done in the case of companies involved in one of the selected cases).
- will make use the knowledge and information originating from the Committee on Workers' Capital (CWC), a joint venture of (departments) of international trade unions involved in the management of invested funds.





HOW DOES REPORTING AND MONITORING TAKE PLACE?

The Steering Committee monitors compliance with the Agreement on behalf of the parties, supervises its implementation and publishes an annual report on the progress of its implementation and the results achieved. It does this on the basis of the reports that the parties involved provide on the efforts they have made and the results they have achieved.

An independent Monitoring Committee (consisting of 3 members) monitors compliance with the agreements and the number and quality of activities carried out. This starts with a baseline assessment. Key Performance Indicators have been developed for policy, outsourcing, monitoring and transparency. The working group(s) and parties participating in the Deep Track will report to the Monitoring Committee on the procedural progress on the cases. Signatories to the Agreement will, through the Secretariat, provide the Monitoring Committee with annual progress information. The Committee prepares an annual monitoring report. This report will be used to inform the sections of signatories during an annual meeting. The Steering Committee will publish a summary of the monitoring report (including recommendations).

The Monitoring Committee will in 2022 provide a final monitoring report on the overall progress made with the implementation of this Agreement. This report will form the basis for an evaluation of the Agreement, which will be organised by the Steering Committee.

Further information on the individual agreements:
[www.cnvinternationaal.nl/en/business-and-human-rights/
dutch-agreements-responsible-business-conduct](http://www.cnvinternationaal.nl/en/business-and-human-rights/dutch-agreements-responsible-business-conduct)

Information on other agreements will be added in due course.

About CNV Internationaal

CNV Internationaal has been supporting trade union work in developing countries for more than 50 years. Working with counterpart organisations, CNV Internationaal protects and promotes the rights of employees, building on Christian social tradition. This involves social dialogue, a pluralist trade union movement and individual responsibility of employees as core values. CNV Internationaal's mission is to contribute to decent work in developing countries by improving the position of employees in both the formal and informal economy through strengthening social partnership and promoting sustainability in production and supply chains. In the Netherlands, CNV Internationaal works with its CNV confederation and affiliated unions to contribute towards decent work in developing countries through lobbying, policy-making and awareness-raising. In the coming years CNV Internationaal will mainly focus on the themes of social dialogue, labour rights in production chains, and (youth) employment and employability.

CNV Internationaal

PO Box 2475, 3500 GL Utrecht, the Netherlands
www.cnvinternationaal.nl

Photo's: CNV Internationaal, Maarten Schuth and Arenda Oomen
© 2019 CNV Internationaal

cnv Internationaal