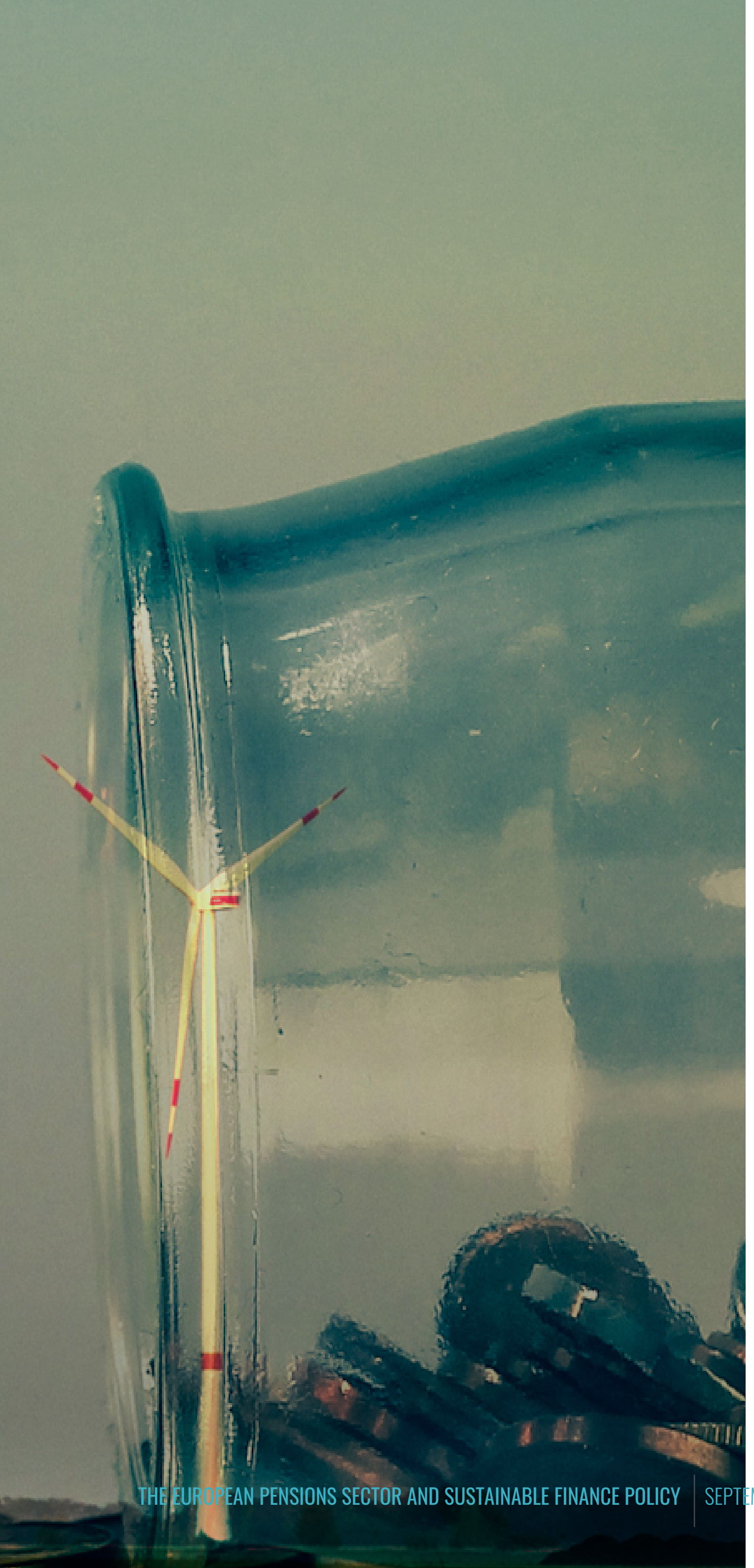
InfluenceMap

The European Pensions Sector and Sustainable Finance Policy

How European pension funds are advocating on sustainable finance policy

September 2022



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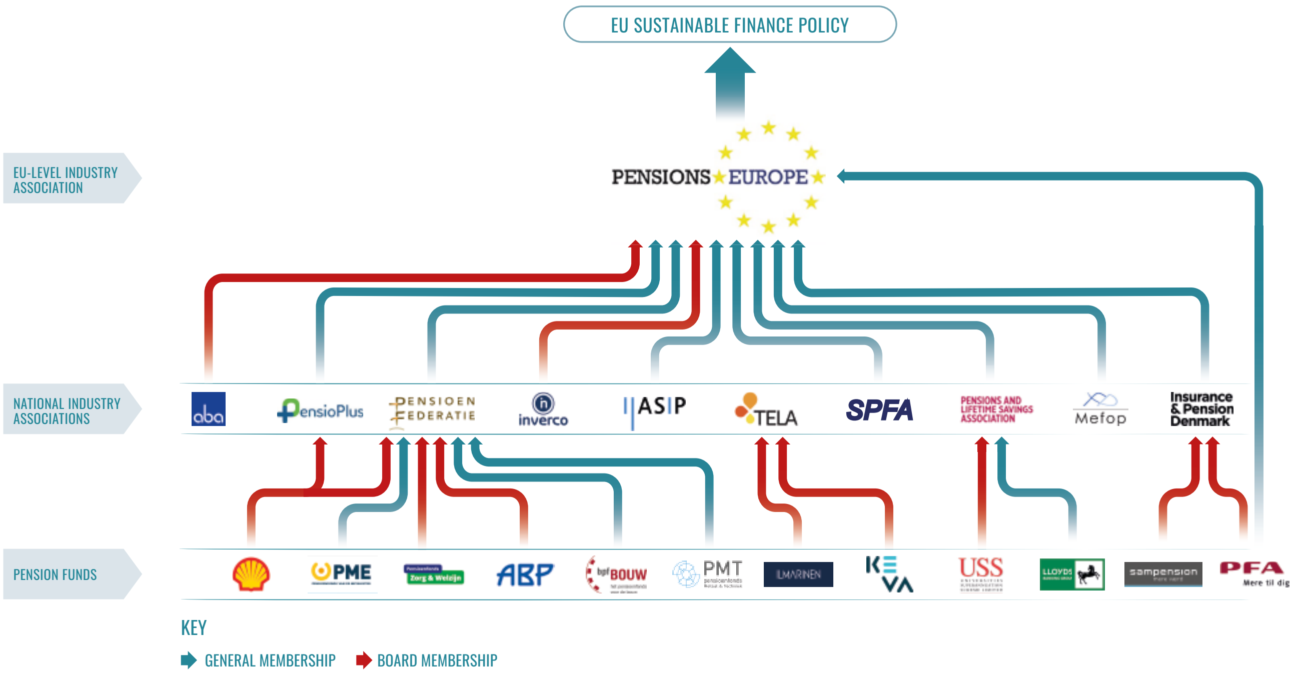
Executive Summary

- Despite many pension funds' leading efforts in climate stewardship of investment portfolio companies, European pension funds do not appear to be engaging proactively on emerging efforts by EU and UK policymakers to create sustainable and climate finance related policy. At the same time, a number of industry associations representing the pensions sector are cautious toward or opposing developing policy. New research maps out the sustainable finance policy engagement of the 25 largest pension funds in Europe (by assets), alongside 10 national pension fund associations and PensionsEurope, which represents the pension fund industry at the EU level.
- InfluenceMap finds that only 4 out of the 25 funds and 5 of the 10 national associations have shown meaningful engagement with sustainable finance policy. Norway's **Norges Bank Investment Management**, the Dutch fund **Pensioenfonds Metaal en Techniek** (PMT), and UK-based funds, **Universities Superannuation Scheme** (USS) and **BT Pension Scheme** (BTPS), stand out as the more positive advocates for ambitious sustainable finance policies; while the UK's **Pension and Lifetime Savings Association** (PLSA) stands out amongst the associations.
- As outlined by the goals of the Paris Agreement and emphasized by the IPCC's sixth assessment released in 2022, transitioning to net-zero and climate-resilient economies requires the shift of capital flows away from carbon-intensive activities. The last few years have seen a significant increase in interest by policymakers globally to implement policies that regulate the financial sector and tackle climate-related financial risk.
- The UN-convened *Net-Zero Asset Owner Alliance* [1] was launched as the sector's commitment to transition its investment portfolios in line with the Paris Agreement. The Alliance has recognized that, in order to meet its fiduciary duty to manage risks and achieve target returns, it needs to advocate and engage on industry action and public policies in support of a low carbon transition.
- The national pension industry associations in Europe demonstrate varied engagement on sustainable finance policy. Some national pension industry associations appear to be highly resistant to ambitious sustainable finance policy, with particularly negative engagement from Germany's **aba** and Belgium's **PensioPlus**. Both have opposed an ambitious approach to the EU's proposed policies on sustainable finance, such as the Sustainable Finance Disclosure Regulation (SFDR).
- InfluenceMap's analysis shows a correlation between industry associations with more corporate fund pension members and more negative positions. **PensioPlus** and aba have a higher proportion of corporate pension fund members than the other associations analyzed. This aligns with previous research from InfluenceMap, which showed has the corporate sector holding highly negative positions on sustainable finance policy, such as *extensive lobbying efforts* from the gas industry on the EU taxonomy in order to accommodate the inclusion of unabated fossil gas.

1 *The NZAOA members (74 as of July 2022) consist of pension funds, insurance companies, foundations, and wealth managers.*

- **PensionsEurope** represents national associations of pensions funds at the EU level. In 2020, **PensionsEurope's** members amounted to 100,000 pension funds in 21 countries, or the equivalent of €4.6 trillion assets. 9 of the 25 funds assessed have links to national industry associations members of PensionsEurope, while an additional 2 funds have hold direct memberships. Generally, PensionsEurope has communicated high-level support for many sustainable finance policies in Europe, but has cautioned against a prescriptive approach to regulatory intervention in the EU, including in relation to IORP II, SFDR and the taxonomy.

The pension sector influencing landscape



Glossary

aba - Arbeitsgemeinschaft für betriebliche Altersversorgung

AP3 - AP Fonden 3

AP4 - AP Fonden 4

AP7 - AP Fonden 7

asset owner - organization that represents holders of long-term retirement savings, insurance and other assets. It includes pension funds, sovereign wealth funds, insurance companies.

ASIP - Association Suisse des Institutions de Prévoyance

ATP - Arbejdsmarkedets Tillaegspension

bpfBOUW - Stichting Bedrijfstakpensioenfonds voor de Bouwnijverheid

BTPS - BT Pension Scheme

BVK - Bayerische Versorgungskammer

CSRD - Corporate Sustainability Reporting Directive

DWP - Department for Work and Pensions

EFAMA - European Fund and Asset Management Association

EIOPA - European Insurance and Occupational Pensions Authority

ESPS - Electricity Supply Pension Scheme

FCA - Financial Conduct Authority

IAPF - Irish Association of Pension Funds

IIF - Institute of International Finance

IIGCC - Institutional Investors Group on Climate Change

IPD - Insurance & Pension Denmark

IORP - Institutions for Occupational Retirement Provision

NBIM - Norges Bank Investment Management

NFRD - Non-Financial Reporting Directive

PLSA - Pensions and Lifetime Savings Association

PFZW - Pensioenfonds Zorg en Welzijn

PMT - Pensioenfonds Metaal en Techniek

NZAOA - Net-Zero Asset Owners Alliance

TCFD - Task Force on Climate-Related Financial Disclosures

SDFR - Sustainable Finance Disclosure Regulation

Background

The United Nations Environment Programme (UNEP) has *highlighted* the critical nexus between the rules governing the financial system, environmentally-sustainable and inclusive economic development, and the need for reform to redirect capital flows in line with this objective. In its 2021 "Pension scheme investments and climate change" briefing, the UK government *highlighted* the pensions sector as the largest single group of institutional investors, "with significant influence over the flow of investments in the economy".

As a result of such recognition there has been growing pressure on the pensions sector to act on global climate objectives, with policymakers and regulators across the European Union and the United Kingdom introducing several sustainable finance policies relevant to the pensions sector since 2018. Additional external pressure includes the UK-based **Make My Money Matter** campaign which, amongst other objectives, has *called* on the pensions industry to agree to net-zero targets for all investments, and engage with trustees and pension providers to explore how their staff pension schemes can align to net-zero before 2050.

In response, the pensions sector appears to have increased its awareness of, and action on, climate and sustainable finance issues. According to the Pensions and Lifetime Savings Association (PLSA) in the UK, there is a universal *appetite* among pension funds to take part in the low-carbon transition and, *according* to a 2021 global survey by DWS, pension funds have increasingly integrated climate change objectives into investment portfolios and stewardship strategies.

Regulatory framework in the European Union

In the European Union, pension funds are regulated by national jurisdictions, however, these regulations also need to comply with the goals set by the EU at the regional level. In 2021, the EU released its *Renewed Sustainable Finance Strategy*, following up from the Commission's 2018 Sustainable Finance Action Plan, which aimed to drive investments towards environmentally sustainable activities and complement the measures taken under the European Green Deal. Key areas under the **Renewed Strategy** included the facilitation of climate transition finance, enhancement of resilience to sustainability risks, and increased ambition for the financial system's contributions to sustainability objectives.

As part of its *2022-2024 strategy*, the European Insurance and Occupational Pensions Authority (EIOPA) will be implementing its sustainable finance action plan, which contributes to the Commission's Sustainable Finance Strategy. This includes, amongst other objectives, integrating ESG risks in the prudential framework for insurers and pension funds, consolidating macro and micro-prudential risk assessments of ESG risks, promoting sustainability disclosures and supporting supervision of ESG risks and supervisory convergence in the EU. During 2022, EIOPA will also *carry out* its first climate stress tests to assess the resilience of European IORPs against a climate change scenario, with results expected to be published in December 2022. Additionally, in June 2022, the Commission called EIOPA to deliver advice on the Institutions for Occupational Retirement Provision (IORP) II by July 2023. The IORP II Directive is the EU's regulatory framework aiming to improve pensions funds' governance, enhance transparency for pension savers and ensure the long-term sustainability of the pensions sector. In particular, the Commission has *called* EIOPA for advice on ways to strengthen the sustainability aspects of the fiduciary duty and stewardship rules of pension funds. EIOPA has previously been *supportive* of the introduction of ESG considerations into the regulation.

Regulatory framework in the United Kingdom

The UK has been ahead of the curve on the implementation of sustainable finance policies for the pension sector, including addressing fiduciary duty and disclosure requirements. Measures have been in place since 2019 for schemes with 100 members or more, including a requirement to disclose and implement policies on stewardship and financially-material ESG considerations in their statement of investment principles (SIP). Additionally, the expectation for occupational pension schemes to incorporate climate change considerations was part of the 2021 Pensions Schemes Act.

Some of the latest regulations proposed since then include TCFD-aligned disclosures and the need for pension schemes to set climate-related targets. These include the Financial Conduct Authority (FCA)'s proposal to enhance *climate-related disclosures* for asset managers and pension funds and the Department for Work and Pensions (DWP)'s proposed action on *climate risk* for occupational pension schemes. Both the FCA and the DWP are working on further proposals throughout 2022, concerning *default investment options* that account for ESG and climate change risks, and an amendment to the Occupational Pension Schemes Regulations 2021 as to require a measure of the extent of the schemes' portfolio *alignment with 1.5 degrees*.

Additionally, the DWP *launched* in 2021 the Occupational Pensions Stewardship Council (OPSC), which aims to provide a space for the UK pension schemes to "promote and facilitate high standards of stewardship of pension assets". In its presentation, the Minister for Pensions Guy Opperman *highlighted* that "the role of pension schemes, trustees and asset managers over the next five to ten years will be utterly vital in the passage of this country, and the entire world, to net zero".

Pension funds as active stewards on climate

Many pension funds have taken action on climate through their asset management and stewardship duties. The relationship between the pension funds and their asset manager varies across the funds assessed. While several funds have in-house asset management and stewardship teams, others fully or partially outsource these activities to external firms. Some examples of leading practice on climate are detailed below:

- In terms of investment strategy, the Dutch pensions industry has shown an active responsible investment approach, *committing* to divest from fossil fuel companies. In September 2021, **PME** divested from all oil and gas upstream and midstream companies, focusing its efforts on downstream companies instead. In October 2021, **ABP** also committed to divest from these companies given the "insufficient opportunity" to push for a rapid transition of these companies. **PFZW** announced in February 2022 that it would tighten its coal and tar sands exclusion policy and would also immediately divest from fossil fuel companies without an emissions reduction target by the end of 2022.
- In June 2022, Finnish pension fund **Varma** also *broadened* the scope of its emission reduction goals to all asset classes as well as exclusions, and cut

the revenue threshold for coal investments. In May 2022, a group of leading UK pension funds, including **USS** and **BT Pension Scheme,** *committed* to work together to consider how to support the climate transition in emerging markets.

- In exercising shareholder rights, UK's pension fund **USS** is amongst a group of investors that *sent* letters to 17 oil and gas companies ahead of the 2022 AGM season, including BP and Shell, critical of their continuous failure on climate accounting. Another clear example of best practice around strong climate-aligned stewardship or company engagement is Sweden's **AP7.** The fund currently leads the space on climate lobbying engagement with investee companies, and is a member of the CA100+ investor group.

Pension funds have also joined international climate initiatives such as the **Climate Action 100+** (CA100+) investor initiative and the **Net-Zero Asset Owners Alliance** (NZAOA).

- 15 of the 25 funds assessed[2] are members of CA100+, a voluntary initiative of investors, including asset managers and asset owners responsible for more than $68 trillion in assets under management, that seek to engage a number of focus companies on transitioning in line with net-zero commitments.
- Five of the 25 funds assessed[3] are members of the NZAOA, a voluntary initiative of asset owners *committed* to transitioning investment portfolios to net-zero GHG emissions by 2050, regularly reporting on this process and establishing mid-term targets. As part of the commitment, the Alliance's signatories commit to advocate and engage with the real economy, as well as with public policies in alignment with net-zero by 2050.

2 *See Appendix A for full list*

3 *See Appendix A for full list*

Box 1. Active engagement approach of AP7 (Seventh AP Fund)

- AP7 has taken an 'active ownership' approach *guided* by the IPCC scenarios and IEA's Net Zero Roadmap 2050. It has further committed to engage and vote in line with these objectives, and has set robust escalation processes in place, such as blacklisting (portfolio exclusion).
- AP7 has supplemented these methods with ongoing in-depth thematic work. During 2015-2017 and 2020-2022, it *selected* 'climate' as a focus theme throughout its engagements.
- More specifically, during 2017-2019, AP7 focused its engagements on the theme of *corporate climate lobbying*. AP7 has stated that it has "first and foremost *promoted* the issue of transparency regarding corporate lobbying and political advocacy, and climate reporting". AP7 has exercised its shareholder rights in line with these objectives. In 2020, AP7 self-reported that it had been supportive of a number of corporate lobbying shareholder resolutions as well as co-filed resolutions on this topic (General Motors and Chevron).
- Other avenues of influence taken by AP7 include pursuing *legal proceedings* through class-actions lawsuits.

Active Stewardship and Policy Engagement

Corporate lobbying (hereafter 'policy engagement'[4]), is defined as the strategy to influence and inform government policy outcomes. In its 2021 *report* "Lobbying in the 21st Century", the OECD highlighted that corporate lobbying can "often restrict governments' scope of action and policy choices". The IPCC's 2022 *AR6 working group three report* identified "opposition from status quo interests" and "incumbent" fossil fuel interests "exerting political influence" over the policymaking process (Mitigation of Climate Change, April 2022') as a key barrier on progress towards delivering the Paris Agreement's goals. International organizations have also identified this impediment, including the OECD in its 2021 *report,* "Lobbying in the 21st Century. ...

Policy engagement has been *identified* by the investment community as both a major company-level and system-wide climate-related risk, demonstrating the need for investors to ensure that their portfolio companies are conducting political engagement responsibly and in line with their commitments and objectives. The need to integrate policy engagement oversight as part of responsible stewardship has been *highlighted* by the Principles for Responsible Investment (PRI) and has increasingly been supported by global investors worldwide through a number of calls for action.

In recent years, several global initiatives have been launched containing explicit references to the importance of disclosing on climate policy engagements with the public sector. Several of these initiatives are led by investor-representative groups, including the *Net Zero Asset Owner Alliance* (NZAOA) and *Climate Action 100+* (CA100+) described above, as well as the *Glasgow Financial Alliance for Net Zero* (GFANZ) and the *Global Standard on Responsible Climate Lobbying*. The UNFCCC *Race to Zero campaign* also recently updated its membership criteria, stating that policy engagement consistent with the Paris Agreement should be part of companies' short and long-term objectives towards net-zero. The new 'persuade' criterion requires Race to Zero entities to align direct and indirect policy engagement with 2030 and 2050 goals consistent with the Paris Agreement.

While many pension funds have shown active involvement on climate, to date there has been limited research on the extent to which pension funds engage with policies that would ensure a transition in the financial system to deliver a sustainable global economy and deliver the goals of the Paris Agreement. This briefing aims to bridge this information gap and identify some commonalities on how the pensions sector engages with sustainable finance policy.

> UK government highlighted the pensions sector as the largest single group of institutional investors, "with significant influence over the flow of investments in the economy"

4 *'Policy engagement' refers to a range of activities defined by a 2013 UN protocol Guide for Responsible Corporate Engagement in Climate Policy which include lobbying, political contributions, the use of legal strategies, PR/advertising, research funding etc., both directly by corporations and indirectly by third party organizations.*

Methodology

This report examines the pensions industry's engagement with emerging sustainable finance policies at European and UK level. The assessment covers some of Europe's largest pension funds and associations.

- The **25 pension funds** are currently located in Norway, Sweden, Netherlands, Germany, Finland and the United Kingdom and have been chosen on the basis of their total assets, according to 2020 data from the Thinking Ahead Institute (see *Annex A* for full list).
- The **10 industry associations** included in this analysis correspond to the 10 national associations from the pensions industry representing countries with the largest total pension fund assets in Europe and the UK, according to publicly available from Statista.com (see *Annex B* for full list).

InfluenceMap's methodology employs seven publicly available data sources to search for evidence of an organization's engagement with sustainable finance policies. While InfluenceMap's

Table 1. InfluenceMap's Content Management System

QUERIES	DATA SOURCES						
	Corporate Website	Social Media	CDP	Direct Legislative Consultation	Media Reports	CEO Messaging	Financial Disclosures
Reforming the Financial Sector	NS	NS	NS	NS	NS	NS	NS
Climate Science Stance	1	NS	NS	NS	NS	NS	NS
Need for Sustainable Finance Regulation	1	NS	NS	NS	NS	NS	NS
Disclosures	1	NS	NS	2	1	NS	NS
Sustainable Taxonomy	NS	NS	NS	0	0	NS	NS
Labels, Standards & Benchmarks	0	NS	NS	-1	NS	NS	NS
Investor Duties	2	NS	NS	2	NS	NS	NS
Prudential Regulation	NS	NS	NS	1	NS	NS	NS
Disclosure on Lobbying	1	NA	NA	NA	NA	NA	NA
Disclosure on Relationships	-1	NA	NA	NA	NA	NA	NA

system does not account for undisclosed information relating to activities such as private meetings and undisclosed advocacy group links, the system does reveal a reliable account of corporate and industry group behavior based on accessible data points. InfluenceMap breaks down sustainable finance policy engagement into a series of subcategories, or 'queries,' designed to cover high-level issues relating to the importance of sustainable finance as well as more specific areas of policymaking. Evidence of engagement is stored in InfluenceMap's data-content management system, shown in Table 1.

InfluenceMap's scoring process is policy neutral. It does not assess the quality of policies but rather the positions of companies and industry associations relative to the policy. This is achieved by using statements, ambitions, and proposed sustainable finance regulations from government bodies as the benchmarks against which corporate and industry association positions are scored. As new sustainable finance policies emerge, InfluenceMap's benchmarks evolve.

Scored evidence is coded along a numerical five-point scale between +2 and -2, where +2 indicates strong support and -2 indicates opposition. InfluenceMap's data-content management system then calculates four core metrics from the scored evidence with weightings to factor in the relative importance of the different data sources and queries. These metrics are:

- The **Organization Score**, which measures an organization's engagement with policy. Above 75 indicates support, below 50 indicates increasing opposition toward 0.
- The **Relationship Score**, which measures the aggregate engagement on sustainable finance policy by the industry associations to which a financial institution is a member. Above 75 indicates broad support, below 50 indicates increasing opposition toward 0.
- The **Performance Band**, which is a full measure of a financial institution's sustainable finance policy engagement accounting for both its own and its industry associations' activity on an A through F scale. For industry associations, the performance band is based on the organization score only.
- **Engagement Intensity** describes the level of engagement on sustainable finance policy, whether positive or negative. Organization Scores are not provided for organizations with an Engagement Intensity below 5%, due to the limited evidence available.

This methodology is closely based on InfluenceMap's *existing methodology* for assessing lobbying on climate change policy, the results of which are used by numerous partners including the *Climate Action 100+* investor engagement process.

Results of the Research

This research has found that the European pensions industry is not engaging proactively on emerging efforts by the EU and UK policymakers to create sustainable and climate finance related policy. These results cover:

- Direct engagement on sustainable finance policy by pension funds
- Indirect engagement on sustainable finance policy via industry groups, including national pension associations, PensionsEurope (which represents national pension associations) and by wider financial industry associations to which the 25 pension funds hold memberships

Overview of Pensions Sector Policy Influencing Landscape

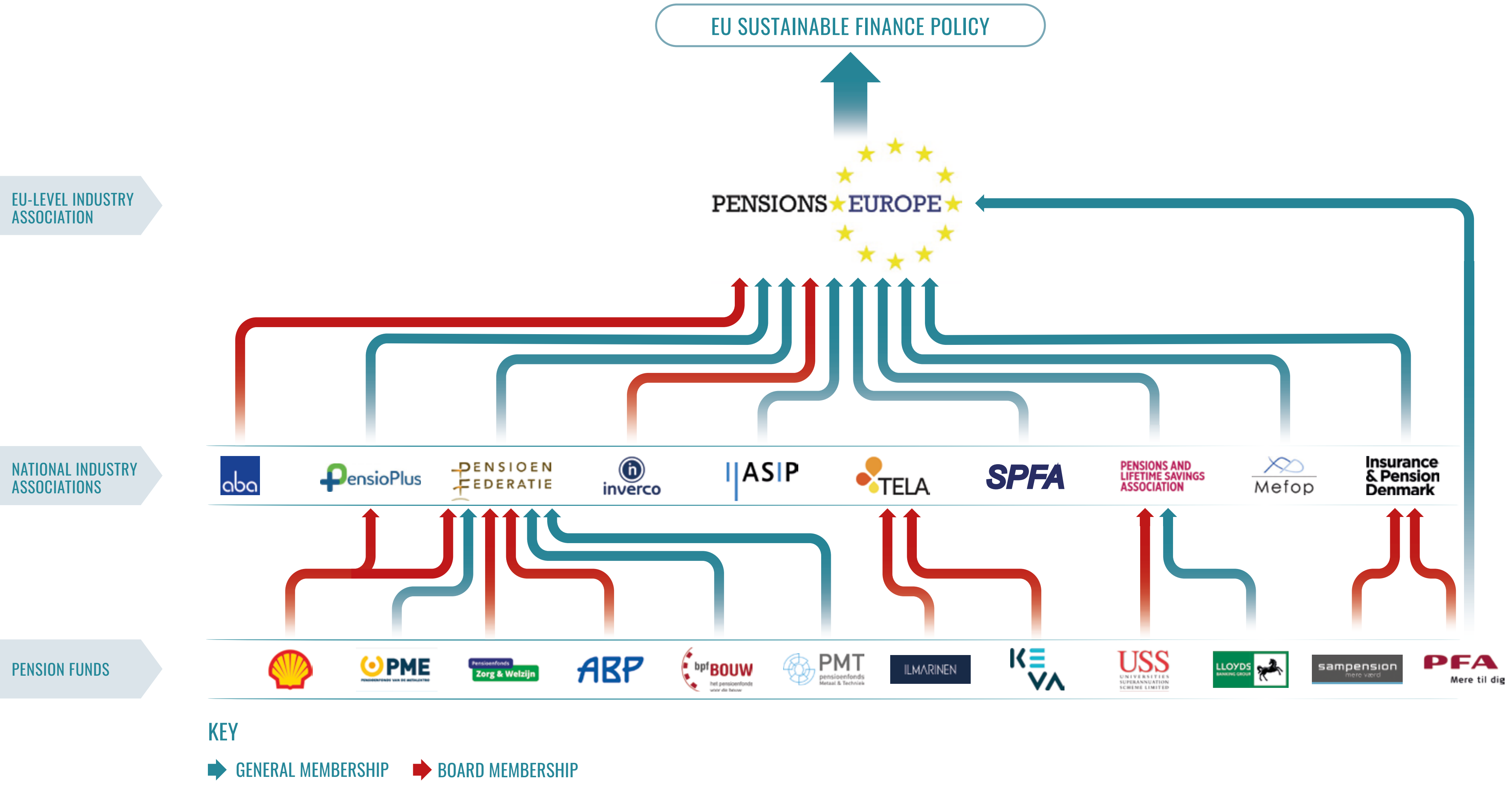
The pension influencing landscape is complex. Generally, pension funds appear to have very limited engagement with most of the sustainable finance policy strands tracked by InfluenceMap. However, 13 of the 25 individual pension funds are members of national pension fund associations which, in turn, are members of **PensionsEurope**, which represents the sector in policy discussions at the EU-level. The graphic below maps out the connections between these pension funds, national associations and **PensionsEurope**, with colors differentiating between general membership (blue) and board membership (red).

Some pension funds have memberships of multiple national associations, leading to several indirect connections to **PensionsEurope**. In addition, **AP3** (one of the main Swedish public pension funds) is a board member of **PensionsEurope** whilst **PFA** (largest commercial pension company in Denmark) is a both a direct member of PensionsEurope and a board member at the Danish national association, **Insurance & Pension Denmark**. The national association for Finnish pension funds assessed, **TELA**, is not a member of PensionsEurope.

> "The European pensions industry is not engaging proactively on emerging efforts by EU and UK policymakers to create sustainable and climate finance related policy"

InfluenceMap

The pension sector influencing landscape



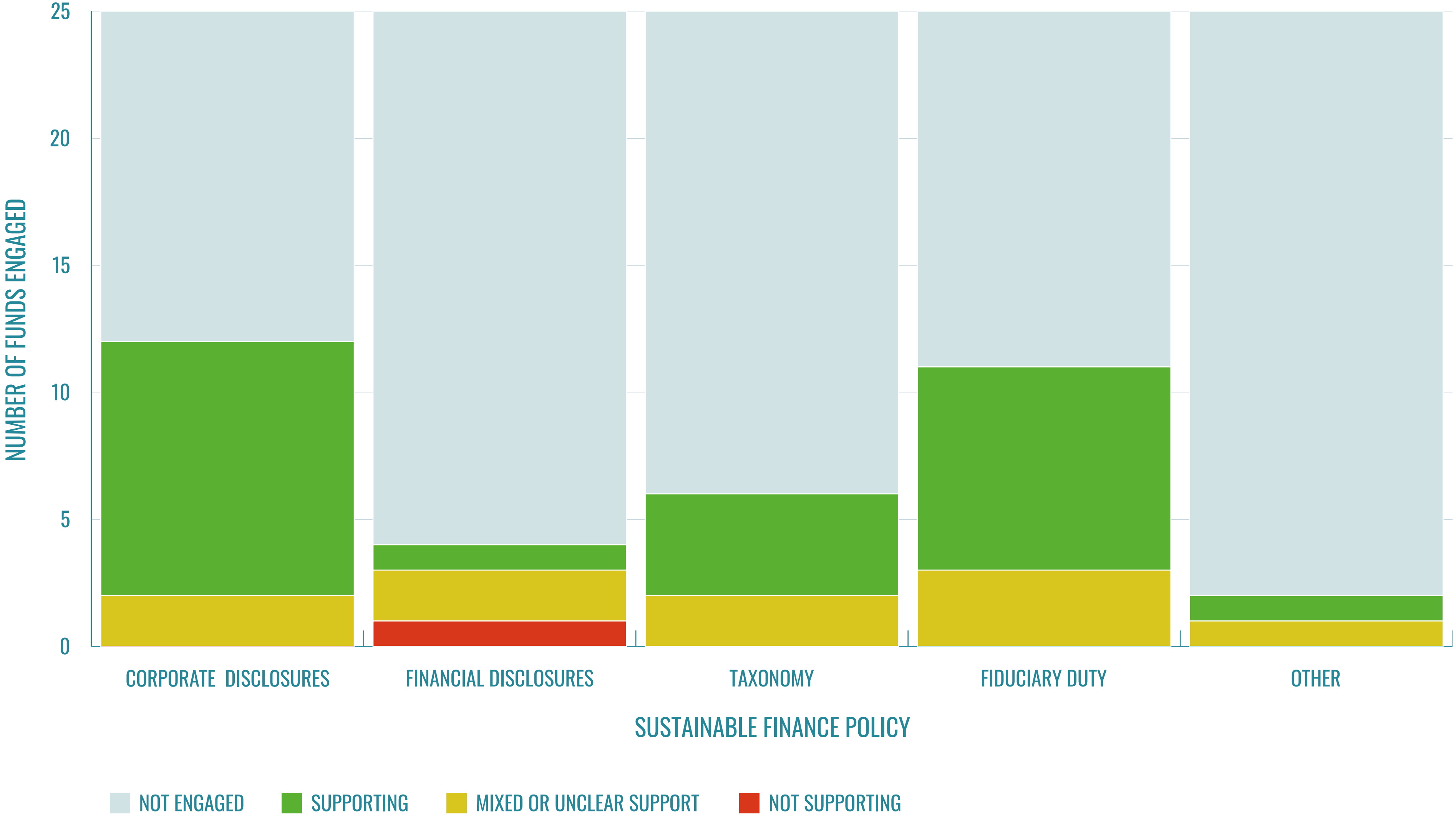
Direct Engagement from Funds on Sustainable Finance Policy

- Almost all pension funds assessed do not appear to meaningfully engage with sustainable finance policy. Only four out of the 25 surpass the threshold defined by InfluenceMap in terms of engagement intensity (see *Appendix A* for full results). These are **Norges Bank Investment Management (NBIM)** (asset management unit of the Norwegian central and manager of the Norwegian Government Pension Fund Global), **Pensioenfonds Metaal en Techniek (PMT)** (occupational pension fund for former employees in the metal and technology sector in the Netherlands), the **Universities Superannuation Scheme (USS)** (UK-based pension scheme for universities academic and academic-related staff) and the **BT Pension Scheme (BTPS)** (UK-based pension scheme for employees of BT Group).

- While engagement with climate policies is not included in this analysis, which specifically assesses engagement on climate and ESG-related financial policy, InfluenceMap has tracked the funds' engagement with high-level commitments around climate including support of a science-based response as specified by the IPCC. Several pension funds have been open in advocating for an ambitious response from policymakers to the climate crisis. For instance, most funds assessed co-signed an investor statement in *2021 and 2022* to governments advocating for action to reach net-zero by 2050 and 1.5=aligned targets for 20.

- However, funds have very limited engagement with most of the sustainable finance policy strands tracked by InfluenceMap. As seen in the graphic, funds have mostly engaged with sustainability-related corporate disclosure and fiduciary duty policies. Very few of these engagements involve direct communications with policymakers (e.g. through consultation responses) and remain very high-level statements in company reporting and press releases. Policies that funds have engaged with the most include the EU's Non-Financial Reporting Directive (NFRD) and the UK's TCFD-aligned corporate disclosures. Although overall engagement is low, it is notable that where funds have engaged, this engagement has generally been supportive of sustainable finance policy, as seen in the graph below.

Policy engagement by pension funds



- Most funds assessed do not appear to be transparent on policy engagement positions and activities carried out. An exception to this is **Norges Bank Investment Management (NBIM)**, (more on **NBIM** in *Box 2*). Other funds have stated they engage with policymakers on sustainable finance policy but have not detailed specific policy positions or outcomes sought, such as **BT Pension Scheme (BTPS)**.
- It should be acknowledged that the sector shows significant variation in business and governance structures, leading to funds facing several different challenges related to policy engagement. Relationships with governments, asset managers and other companies might mean that policy engagement activities are largely outsourced, leaving limited capacity and/or resources with the pension fund itself.

Box 2. Sustainable Finance profile of Norges Bank Investment Management (NBIM)

Norges Bank Investment Management (NBIM) is the in-house asset management unit of the Norwegian central bank, and it fully manages Norway's Government Pension Fund Global. NBIM has had mostly positive but limited engagement on sustainable finance policy, although appears to *support* action to keep global temperature rise to 1.5C.

NBIM also appears to be particularly supportive of policy to improve regulated corporate ESG disclosure. It *supported* the US Securities and Exchange Commission's proposal to increase ambition on climate-related disclosures by issuers in the US in 2022. In February 2020, it also *supported* the European Commission's approach to the Revision of the Non-Financial Reporting Directive (NFRD). In its *response* to the EU Commission on the Renewed Sustainable Finance Strategy in 2020, as well as a *supporting letter* to this response, it again supported an ambitious approach. In 2019, NBIM had further *supported* the Commission's proposal to update the non-binding guidelines on non-financial reporting, with a specific supplement on TCFD-aligned climate-related disclosures.

In response to the EU Commission on the Renewed Sustainable Finance Strategy in 2020, NBIM also stated *support* for regulation that would facilitate the right for shareholders to file proposals as they can be "instrumental in spurring adoption of best practices on environmental and social matters". NBIM has *disclosed* its direct engagement on sustainable finance relevant policy issues through position papers, discussion notes, asset manager perspectives, submissions to the Ministry of Finance and consultation responses. NBIM has also disclosed information on some of its memberships to sustainability and corporate governance organizations, but with no further details on *indirect influence* governance.

Mixed Engagement from National Pension Fund Associations

Previous *research* by InfluenceMap has demonstrated the critical contribution of advocacy via third-party groups in policy engagement strategies, which allows companies to pool resources and take advantage of well-resourced lobbying operations as well as providing public distance between companies and their most regressive policy positions.

Out of the 25 funds assessed, 13 have links to pension-specific industry associations, either at national or European level. However, most funds lack disclosures of memberships to industry associations or related indirect influence, some not disclosing any information (e.g. **Barclays UK Retirement Fund** (UK-based pension scheme for employees of Barclays Bank)**, NatWest Group Pension Fund Fund** (UK-based pension scheme for employees of NatWest Group), **PFZW** (Dutch pension fund for the care and welfare sector)**, bpfBOUW** (Dutch pension fund for the construction sector). **PMT** stands out with *full disclosure* of indirect engagement positions and activities carried out in relation to third-party memberships.

InfluenceMap's assessment of the national associations representing the largest fund markets by country in Europe shows low to moderate engagement on sustainable finance policy. Only five associations out of the 10 have shown meaningful engagement with policy. The remainder of the analysis will be focused on these associations, namely: **aba** (Germany), **PensioPlus** (Belgium), **Pensioenfederatie** (Netherlands), **Insurance & Pension Denmark (IPD)** and **Pensions and Lifetime Savings Association** (United Kingdom) (full details on policy engagement by national associations in *Appendix C)*. The rest have shown little to no engagement across all sustainable finance policies tracked by InfluenceMap in the EU and UK.

- While sustainable finance policy engagement from pension funds has involved few direct communications with policymakers and has generally been limited to high-level statements in company communications, pension industry associations appear to have engaged mostly through direct consultation with policymakers. This indicates that the sector appears reliant on associations to represent its interests directly to policymakers.
- **aba** (InfluenceMap performance band: F) and **PensioPlus** (E)**,** the German and Belgian national associations respectively, have shown particularly negative engagement on sustainable finance regulations in the EU.
- **aba** has *not been supportive* of the EU taxonomy, stating that the approach chosen by the taxonomy's Technical Expert Group and its choice of principles for sustainable investing is "based on beliefs and convictions". The EU Taxonomy, as one of the central components of the EU Action Plan, was developed in response to the need to provide a common, science-based language to identify economic activities that contribute to achieving the EU's sustainability goals. The Technical Expert Group (TEG) was formed of 35 members from civil society, academia, business, and the finance sector in order to develop technical criteria. **aba** *argued* for phased-in requirements and a reduced number of disclosure indicators as part of the Sustainable Finance Disclosures Regulation (SFDR) and against the *requirement* to include ESG factors and risks in investment decisions and risk management, as part of the IORP II Directive .

- **PensioPlus** has stated *cautious support* for EU's sustainable finance regulation, with concerns around implementation and a "one-size-fits-all" approach, emphasizing the need to account for proportionality, particularly *referring* to the EU Green Bond Standard and Benchmarks Regulation. Similarly to **aba**, in response to the consultation on the SFDR, **PensioPlus** *argued* that proposed disclosures were difficult to implement for all pensions funds and suggested a reduction in scope of required disclosure.
- **Insurance & Pension Denmark** (IPD) (D+) has also shown cautious support of sustainable finance policies, particularly around the *EU Taxonomy* and *SFDR*. IPD stated that the EU taxonomy should be proportionate and flexible so that it does not risk excluding potentially green investments, and should include "room for transition", which is contrary to the Commission's proposal. It further argued for a delay in the implementation of the SFDR until the Corporate Sustainability Reporting Directive (CSRD) is in place, and appeared to suggest the inclusion of transitioning activities in the SFDR Article 9 classification (funds with sustainable investment as main objective). It offered *high-level support* for corporate disclosures, but in joint positions with Finans Danmark (Danish Financial Association), it *suggested* more flexibility on certain aspects of the proposed regulation, such as allowing the company to assess its own materiality considerations regarding its business model.
- **Pensioenfederatie** (C+) appears to have broadly *mixed positions* across the board, arguing against ambitious sustainable finance regulation, including *opposing* policy that would discourage investors from financing environmentally harmful activities. It did *support* a rigorous, science-based EU taxonomy and the expansion to include social aspects, however, it raised concerns on how the EU taxonomy and SFDR would lead to an "overflow of information". It *advocated* for an ambitious revision of the Non-Financial Reporting Directive (NFRD) and *supported* the IORP II with some exceptions, however, it did caution against *mandating* engagement with pension fund members on ESG preferences or *considering* the adverse impact of investment decisions on sustainability goals.
- The UK's **Pensions and Lifetime Savings Association (PLSA)** (B) has not disclosed any EU policy positions, engaging mostly on UK policy. However, in its engagement with sustainable finance policies in the UK, it stands out as largely more positive than its EU counterparts with some exceptions. In comments to proposed disclosure regulation aimed at occupational pension schemes by UK's Department of Work and Pensions, PLSA *argued* that the pensions industry is not prepared to comply with the level of disclosure required and welcomed changes for a less stringent policy. It did *support* TCFD-aligned corporate disclosures by public and large private companies.
- As another level of analysis, InfluenceMap has looked at the board compositions of the five associations with meaningful engagement with policy. This analysis appears to indicate a correlation between pension industry associations with a relatively larger representation of the corporate sector and those with more negative positions on sustainable finance policy. The industry associations that appear to be generally more supportive (or slightly less engaged) around sustainable finance policy are mainly composed of financial groups and/or pension funds. For instance, **aba**[5]'s corporate board members include BASF, Bayer, Bosch, and Volkswagen amongst a number of pension funds, while some of **PensioPlus**' members include ExxonMobil, Unilever and Nokia, as well as Shell's Pension

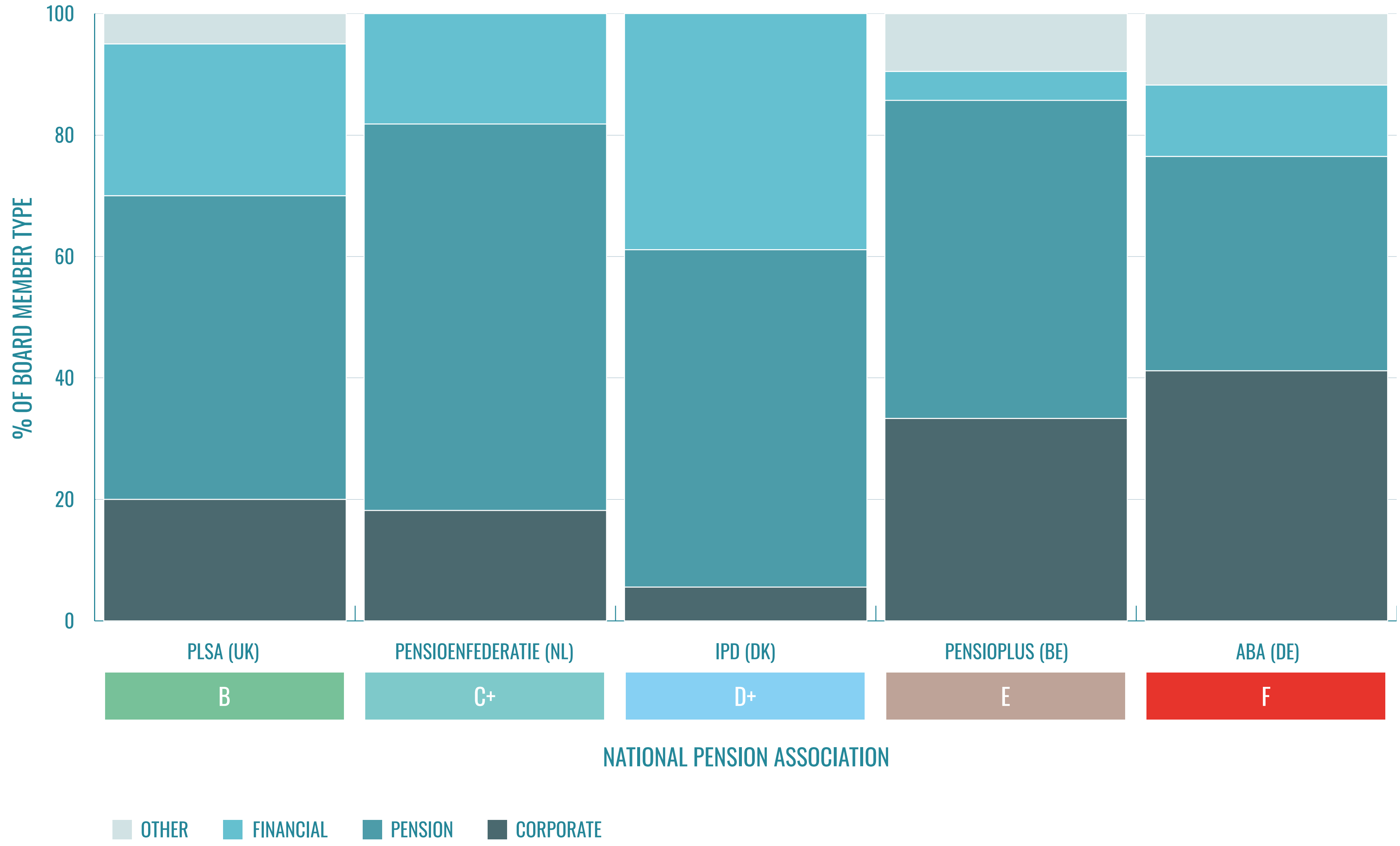
5 *The latest data on aba's board members were disclosed in a 2020 press release with information on its "Composition of the Board in the period 2020-2023". See here for full list and here for more recent changes during 2022.*

Fund. Board composition from **Pensioenfederatie**, **Insurance & Pension Denmark** and **Pensions and Lifetime Savings Association** mainly includes representation from financial groups and/or pension funds. For example, **PLSA**'s board members include asset managers, such as **Legal & General Investment Management** and **HSBC Global Asset Management**, and national and regional pension funds.

- Previous research from InfluenceMap has shown the corporate sector to hold highly negative positions on sustainable finance policy. For instance, InfluenceMap has *tracked* extensive lobbying efforts from the gas industry since 2018 on the EU taxonomy in order to accommodate the inclusion of unabated fossil gas. Oppositely, the IIGCC *released* an open letter in January 2022 in opposition to any inclusion of gas. A similar trend can be found around the Corporate Sustainability Reporting Directive (CSRD), with corporate industry associations, such as *BusinessEurope* or the *International Association of Oil and Gas Producers (IOGP)*, largely opposing ambitious sustainability corporate reporting. Finance industry associations, including *Insurance Europe*, the *European Banking Federation* and *Invest Europe*, instead offered mixed or broadly positive positions, cautioning against certain elements of the proposed disclosure requirements.

> This analysis appears to indicate a correlation between pension industry associations with a relatively larger representation of the corporate sector and those with more negative positions on sustainable finance policy.

Board membership of national pension fund associations



PensionsEurope Appears Cautious Toward Sustainable Finance Policy

At the EU level, **PensionsEurope** (D) is the main representative of the pensions industry, being the "only association that focuses exclusively on pensions" in Europe, where it closely works "together with the EU institutions and relevant stakeholders". It currently represents national associations of pension funds and similar institutions for workplace and funded pensions. This includes 24 member associations in 18 EU member states and three other European countries (including the UK). nine out of 10 of the national pension associations included in this analysis are members of PensionsEurope, nine of the 25 funds assessed have links to national industry associations which are members of PensionsEurope, while an additional two funds have hold direct memberships.

As examples of the relationship between national associations and PensionsEurope, **aba** has disclosed on its website that it is an active and founding member of **PensionsEurope**. As of February 2022, aba's managing director is also vice-chair of the board of directors. More specifically, **aba** publicly *endorsed* PensionsEurope's 2021 position against the expansion of the taxonomy to cover environmentally harmful activities. **PensioPlus** publishes **PensionsEurope's** newsletters on its website, as well as policy positions and events. Similarly, **Pensioenfederatie** publishes some of the group's policy positions and events on its website. **PLSA** has also disclosed its membership to **PensionsEurope** under "Europe & International" section on its website, and has described some of the group's policy positions.

PensionsEurope's Corporate and Supporter members include asset managers, banks, and insurers, amongst others. PensionsEurope has *referred* to these members as having "unparalleled access to the leading players in EU pensions decision-making" as well as opportunities in shaping the sector's future in Europe. Financial groups in particular are widely represented in national pensions associations both as regular members as well as on the boards of directors.

- **PensionsEurope** has actively engaged on sustainable finance policy, mostly offering mixed positions and cautioning against a prescriptive approach to regulatory intervention in this area, as well as cautioning against the *need* for further regulation. For instance, while it has been *supportive* of corporate disclosures such as the EU Corporate Sustainability Reporting Directive, it has *opposed* the level of disclosure required by the Sustainable Finance Disclosures Regulation (SFDR) for pension funds in the EU and has *not been supportive* of policy mandating funds to engage with pension members on their ESG preferences.
- In 2021, **PensionsEurope** secretary general Matti Leppälä, also *warned* against further action to integrate ESG factors or enhance fiduciary duties in IORP II regulation, stating that the "autonomy of pension funds in their investments and the primary fiduciary duty to pay pensions are paramount in importance if the basic investment rules are reconsidered". Additionally, in 2021 **PensionsEurope** *opposed* the expansion of the taxonomy to include environmentally harmful activities. This position appeared to change in 2022, given that **PensionsEurope** stated support for a "general taxonomy" which would classify sectors playing a role in the transition, sectors that do not have significant impact on environmental sustainability and those activities that significantly harm environmental sustainability. However, it did support the inclusion of more sectors into the green taxonomy, which suggests a weakening of the taxonomy criteria.

Pension funds are also members of wider financial industry associations

- In addition to memberships to associations specific to the pensions industry, pension funds have connections to influential financial industry associations[6] worldwide, some of which have advocated for less ambitious sustainable finance policies in Europe. For instance, **AP3** is a member of **Invest Europe** (*D*) and **AP4** is a member of the **Institute of International Finance (IIF)** (*D-*). Funds are also members of national associations representing the asset management and insurance sectors, which have connections to EU-wide sector associations, such as **EFAMA** (*D-*) and **Insurance Europe** (*D*).
- Notably, 11 out of the 25 funds assessed hold memberships to the **Institutional Investors Group on Climate Change (IIGCC)** (B+), which *scores* the highest amongst the industry associations in InfluenceMap's sustainable finance scoring and is a leader in the space, advocating for ambitious sustainable finance policy. Through this membership, a large share of funds are indirectly supporting ambitious action from the financial sector on sustainable finance policy.

6 *InfluenceMap's Sustainable Finance Platform tracks 25+ key European and US industry associations that represent the financial institutions on sustainable finance policy.*

Appendix A: Pension fund results

Pension Fund	InfluenceMap Performance Band	Organization Score	Relationship Score	Engagement Intensity	Country	CA100+	Net Zero Asset Owners Alliance
Pensioenfonds Metaal en Techniek (PMT)	B+	84%	58%	10%	Netherlands	Yes	No
Norges Bank Investment Management (NBIM)	B	78%	n/a	11%	Norway	No	No
Arbejdsmarkedets Tillaegspension (ATP)	B	76%	n/a	5%	Denmark	Yes	Yes
BT Pension Scheme (BTPS)	B	78%	60%	12%	UK	No	Yes
Universities Superannuation Scheme (USS)	C+	71%	64%	8%	UK	Yes	No
AP Fonden 4 (AP4)	C	n/a	58%	3%	Sweden	Yes	No
AP Fonden 3 (AP3)	C-	n/a	62%	3%	Sweden	Yes	No
Lloyds Banking Group Pensions	D+	n/a	68%	1%	UK	No	No
Sampension	D+	n/a	62%	3%	Denmark	Yes	No
Stichting Pensioenfonds ABP	D+	n/a	60%	1%	Netherlands	Yes	No
Pensioenfonds Zorg en Welzijn (PFZW)	D+	n/a	60%	3%	Netherlands	No	No
Keva	D+	n/a	59%	0%	Finland	Yes	No

Bouwnijverheid (bpfBouw)	D+	n/a	58%	1%	Netherlands	No	No
Pensioenfonds van de Metalektro (PME)	D+	n/a	58%	1%	Netherlands	Yes	No
Ilmarinen	D+	n/a	54%	1%	Finland	No	No
Stichting Shell Pensioenfonds	D+	n/a	53%	1%	Netherlands	No	No
PFA Pension	D	n/a	46%	1%	Denmark	Yes	Yes
AMF Pension	D	n/a	45%	3%	Sweden	Yes	No
Alecta Pensionsförsäkring	n/a	n/a	n/a	2%	Sweden	Yes	Yes
AP Fonden 7 (AP7)	n/a	n/a	n/a	4%	Sweden	Yes	No
Barclays UK Retirement Fund (UKRF)	n/a	n/a	n/a	3%	UK	No	No
Varma	n/a	n/a	n/a	2%	Finland	Yes	No
Bayerische Versorgungskammer (BVK)	n/a	n/a	n/a	0%	Germany	No	Yes
NatWest Group Pension Fund	n/a	n/a	n/a	3%	UK	Yes	No
Electricity Supply Pension Scheme (ESPS)	n/a	n/a	n/a	0%	UK	No	No

Appendix B: Industry Association results

Industry Association	Type	Region	InfluenceMap Performance Band	Engagement Intensity
Institutional Investors Group on Climate Change (IIGCC)	Other financial association	Global	B+	36%
Pensions and Lifetime Savings Association (PLSA)	National pension association	UK	B	17%
Pensioenfederatie	National pension association	Netherlands	C+	24%
Insurance & Pension Denmark (IPD)	National pension association	Denmark	D+	11%
Insurance Europe	Other financial association	Europe	D	29%
Invest Europe	Other financial association	Europe	D	16%
PensionsEurope	EU pension association	Europe	D	30%
Institute of International Finance (IIF)	Other financial association	Global	D-	20%
EFAMA	Other financial association	Europe	D-	33%
PensioPlus	National pension association	Belgium	E	6%
Arbeitsgemeinschaft für betriebliche Altersversorgung (aba)	National pension association	Germany	F	8%

Association Suisse des Institutions de Prévoyance (ASIP)	National pension association	Switzerland	N/A	Below 5%
Svenska Pensionsstiftelsers Förening (SPFA)	National pension association	Sweden	N/A	Below 5%
MEFOP (Italian Pension Association)	National pension association	Italy	N/A	Below 5%
Inverco	National pension association	Spain	N/A	Below 5%
TELA (Finnish Pension Alliance)	National pension association	Finland	N/A	Below 5%
Irish Association of Pension Funds (IAPF)	National pension association	Ireland	N/A	Below 5%

InfluenceMap

Appendix C: Detailed positions for pension fund associations

Green	Position in support of the sustainable finance policy stream
Orange	Mixed position on the sustainable finance policy stream
Red	Lack of support of the sustainable finance policy stream
Grey	Not engaged on the sustainable finance policy stream

Industry Association	Corporate ESG disclosures	Financial and pension-specific ESG disclosures	EU Taxonomy	Fiduciary Duties	Other
PENSIONS AND LIFETIME SAVINGS ASSOCIATION	During 2021, it *supported* UK's corporate TCFD-aligned disclosures, although *argued* that the implementation timeline across the investment chain should be accounted for.	Offered low support for disclosure regulation for pension funds in the UK in 2020, due to challenges around the *stringent* level of disclosure, *data availability*, and also *suggesting* incremental implementation.	Stated high-level *support* for the need of a taxonomy in the UK in 2020.	During 2021, it was *supportive* of the incorporation of ESG issues in stewardship duties. Previously, it had *not supported* engaging with pension fund members on ESG preferences, and in 2019 PLSA supported a stewardship policy framework with a minimum threshold combined with a voluntary code.	High-level *support* for integration of ESG into risk management in 2020.
PENSIOEN FEDERATIE	N/A	During 2021, it supported the EU's SFDR with exceptions, such as *challenges* for pension funds, the need for *flexibility* and to *focus* on corporate disclosures before implementation	In 2020, it offered *support* for the expansion of harmful activities. It also stated high-level support with exceptions on usability and *argued* against ambition in 2021.	Supportive of a duty to engage with pension fund members but *warned* against mandatory implementation in 2020. It also *did not support* the need for regulation to clarify ESG inclusion into investment duties.	It was *not supportive* of further regulation on incorporating ESG factors into prudential regulation in 2020, but *endorsed* EIOPA's stress tests on sustainability and systemic risk in 2021.

aba	N/A	It was not supportive of the SFDR in 2020, *arguing* the number indicators should be reduced and implementation phased-in.	*Not supportive* of the EU taxonomy in 2019, arguing against it being science-based, and suggested principles-based instead. It also did *not support* the expansion to cover environmentally harmful activities in 2021.	*Not supportive* of policy integrating ESG into investor duties *beyond disclosure* during 2018 and supporting policy to engage with pension fund members on ESG preferences with *exceptions* in 2019	N/A
PensioPlus	N/A	Not supportive of the SFDR in 2020, *arguing* that disclosures would be difficult to implement for pension funds and suggested reducing ambition.	It stated *concerns* regarding the EU Taxonomy regulation and its 'size-fits-all' approach, suggesting proportionality during 2020.	Supportive of policy to integrate sustainability into investor duties but *argued* for the need of a 'bottom-up' approach in 2018	It stated *concerns* regarding the EU Green Bond Standard and Benchmarks regulations in 2020, suggesting proportionality.
Insurance & Pension Denmark	During 2021, it stated *high-level support* for regulated corporate ESG disclosure. However, in joint responses with the Danish financial industry it *argued* for proportionality and materiality principles to be implemented, and *suggested* the timeline was too ambitious.	Not supportive of the SFDR in 2021, *suggesting* delaying implementation and including more favorable inclusion of transition activities in Article 9 classification.	In 2022, it *suggested the EU Taxonomy* should not be too prescriptive, however, it did *advocated* for an extension of the taxonomy to cover transition activities.	N/A	N/A
PENSIONS EUROPE	Strongly *supportive* of corporate sustainability disclosures and has *called* for improved regulation during 2020-2021.	Not supportive of the SFDR in 2020, *arguing* level of disclosures inappropriate for pension funds and further suggested delayed implementation	*Supportive* of a mandatory taxonomy for products marketed as sustainable in 2019.	*Not supportive* of further legislative action on fiduciary duty during 2020, such as engaging with pension members on ESG preferences.	*Not supportive* of a regulatory framework for the EU GBS in 2019, although *supportive* of European accreditation of green bonds in 2020.