

The 2023 Canadian Pension Climate Report Card analyzes, assesses and ranks the progress made by eleven of Canada's largest pension managers and three international pension managers in their approach to climate risk and investment decisions as they relate to the climate crisis. Information is current to December 31, 2023. View the full report at shifaction.ca/reportcard2023.

STICHTING PENSIOENFONDS ABP (ABP)

ABP is a pension fund for government and education employees in the Netherlands, and is among the five largest pension funds in the world. Around one in six people in the Netherlands currently receive or will receive a pension from ABP. ABP's benefit administration and asset management operations are outsourced to APG Asset Management NV and APG DWS en Fondsenbedrijf NV, which provide executive consultancy, asset management, pension administration, pension communication and employer services. The administration of the pension scheme is placed with APG Groep NV, in which ABP holds 92.16% of shares. ABP's assets represent 85% of APG AM's assets under management.

Assets under management (AUM) by APG: €521 billion (December 31, 2022)¹

ABP's total assets: €459 billion (December 31, 2022)²

OVERALL SCORE	Paris-Aligned Target	Interim Targets	Climate Urgency	Climate Engagement	Climate Integration	Fossil Fuel Exclusions
A-	A-	A	A	B	B	A-

OVERALL CLIMATE SCORE	A-
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Summary

ABP pledges to act in line with the Paris Agreement and clearly acknowledges that its investment decisions can have a positive or negative impact on the world's ability to meet Paris Agreement goals. After setting earlier intensity-based targets, ABP committed to reduce absolute CO2 emissions in all asset classes by 50% below 2019 levels by 2030, including scopes 1, 2 and 3. It has also committed to invest €15 billion in clean and affordable energy by 2025 and €30 billion in the climate transition by 2030, including €10 billion in impact investments.

The fund's *Climate Policy* sets high expectations for owned companies, stating that ABP will "only invest in companies that do not make products or provide services that are inextricably linked to climate damage," and will require companies with a large climate impact to have Paris-aligned targets.

As of October 2021, ABP's investments exclude companies that derive more than 1% of revenue from coal mines or oil or gas extraction. The majority of these companies were divested from ABP's portfolio as of the first quarter of 2023.

FULL ANALYSIS

Paris-Aligned Target

A-

ABP has committed to achieve “net zero greenhouse gas emissions by 2050” related to all ABP investments and including scope 3 emissions (*Climate Policy ABP 2022-2030*, pp.4, 9).

ABP explicitly states: “We base the goals for our climate policy on the principle of a sustainable economy. We want to act in line with the Paris Agreement, which means committing ourselves to limiting the global temperature rise to below 2 degrees Celsius, and preferably to 1.5 degrees Celsius” (*Climate Policy ABP 2022-2030*, p.9).

While ABP does not have an explicit limit on the role of offsets, it states that “Where we say ‘reduction’ of CO₂ (and other greenhouse gases), we mean real reduction, not CO₂ compensation” (*Climate Policy ABP 2022-2030*, p.7).

ABP is a member of the Paris Aligned Asset Owners initiative³, while its asset manager APG is a member of the Net Zero Asset Managers initiative.⁴

Interim Targets

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ABP

Absolute emissions reduction including scopes 1, 2 and 3

ABP has committed to reduce absolute CO₂ emissions related to its investments in “all asset classes, not just our equity portfolios” by 50% by 2030, from a 2019 baseline, including scopes 1, 2 and 3 and across the entire value chain (*Climate Policy ABP 2022-2030*, p.4).

ABP also has a near-term commitment to reduce the carbon intensity of its equity investments by 40% below 2015 levels by 2025 (*Sustainable and responsible investing policy 2020-2025*, p.4).

Climate solutions

ABP has committed to invest €15 billion in clean and affordable energy by 2025 (*Sustainable and responsible investing policy 2020-2025*, p.4) and to invest €30 billion in the climate transition by 2030. This amount includes €10 billion for “impact investments,” defined as investments that “demonstrably make a difference.” ABP actively seeks climate transition opportunities in the Netherlands (*Climate Policy ABP 2022-2030*, p.4).

The pension fund also committed in 2020 to double its investments in projects with green building certification and to strengthen its criteria to better assess companies with regard to climate change by 2025 (*Sustainable and responsible investing policy 2020-2025*, p.4).

APG (APB’s asset manager)

APG is a member of the Net Zero Asset Managers (NZAM) initiative, which requires it to set interim targets to achieve a net-zero portfolio by 2050.

APG is also a signatory to the Climate Commitment of the Financial Sector, through which APG pledges to measure and report on the CO₂ impact of its relevant financing and investment activities and to develop action plans to contribute to the goals set out in the Dutch Climate Agreement and the Paris Agreement, including 2030 targets (*APG Annual Report*, p.48).⁵

Absolute emissions reduction targets

APG aims to reduce the absolute CO2 footprint of its listed equity (32% of AUM) and credit (13% AUM) portfolios by 50% by 2030 compared to 2019, including scopes 1 and 2 emissions, but not yet scope 3 (APG *Climate Action Plan 2022*, p.5). For equity investments, ABP aims for a 40% reduction by 2025, relative to 2015 (*Our policy for 2020 – 2025 Sustainable and responsible investing*, p.2).

As of December 31, 2022, ABP had achieved a total reduction of 57.6% relative to the 2015 baseline (*ABP Annual Report 2022*, p.234).

Real estate

APG uses the Carbon Risk Real Estate Monitor (CRREM) tool to measure climate risk in the real estate portfolio, which represents 8% of APG's AUM. This method has been adopted worldwide to determine whether a building meets the objectives of the Paris Agreement. ABP also aims to have CO2 data for 100% of its real estate assets by 2030 and to require 100% of real estate assets to be aligned with CRREM pathways or have a plan to become more sustainable (*APG Climate Action Plan 2022*, p.7).

Communication of Climate Urgency

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ABP acknowledges double materiality: that the climate crisis poses risks to and opportunities for its portfolio and that "ABP's investments have an impact on our society, on a world in transition" (*Climate Policy ABP 2022-2030*, p.8). ABP also states that despite climate agreements, little global progress has been made, and that "we will not limit global warming to below 1.5 degrees or even 2 degrees Celsius from pre-industrial levels, but we are currently heading for a temperature increase of at least 2.5 degrees Celsius, which is a disastrous scenario" (*Climate Policy ABP 2022-2030*, p.3).

Given that climate change is a "social, political, and economic problem," ABP also acknowledges that it has a role as a "societal financial institution" in addressing the climate crisis and to "invest pension contributions of participants in a sustainable and responsible manner" (*Climate Policy ABP 2022-2030*, p.3).

Sample quotes

"ABP's investments have an impact on our society, on a world in transition. Simultaneously, the world has an impact on ABP's investments. This is why we want to increase the positive impact of our investments and limit the negative impact" (*Climate Policy ABP 2022-2030*, p.8).

"Principles:

- ABP invests the pension contributions of 3.1 million Dutch people. We do this to ensure a good pension in a livable world for our participants now and in the future, at the lowest possible premium. A sustainable economy is a prerequisite for a livable world. This is why a sustainable economy is the guiding principle in our sustainable and responsible investment policy.
- As a pension fund built on the foundations of solidarity and collectivity, we occupy a central position in society. These values make us who we are. They also help define our responsibility which is expressed in our sustainable and responsible investment policy and in this climate policy. In every investment decision, we not only pay attention to return, risk and costs, but also to sustainability performance.
- ABP is a long-term investor. This means that we only invest in activities which fit in with the concept of a long-term sustainable economy. We make conscious choices as to what we want to invest in. We do not have to invest in everything to make a good pension a reality.

- We are aware that our investments have an impact on the world and that the world has an impact on our investments. We want to make a positive impact with our investments and limit negative impact and risks” (*Climate Policy ABP 2022-2030*, p.6.).

Climate Engagement

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SUMMARY

ABP has strong expectations for investee companies to align with the goals of the Paris Agreement and participate in the climate transition. The fund has committed to using its voting power through APG (ABP’s asset manager) to influence owned companies and drive them toward net-zero alignment. While ABP and APG have escalatory processes, these aren’t timebound, and there is no mention of performance targets and measurements for climate engagements. The fund could provide more disclosure on how it evaluates and drives improvement of external managers on climate-related criteria.

DETAILS

Expectations for owned companies

In its *Climate Policy ABP 2022-2030*, ABP states it will:

- “Only invest in companies that do not make products or provide services that are inextricably linked to climate damage;
- Invest in sectors that offer long-term opportunities, in companies that can and want to make the climate transition;
- Require companies with a large climate impact to provide a Paris-aligned climate plan (including):
 - Targets in line with net zero in 2050;
 - Obligation to report on emissions” (p.4).

Through its membership in the Paris Aligned Asset Owners (PAAO) and application of the NZIF (Net Zero Investment Framework), ABP provides some signals to owned companies regarding the pension fund’s climate-related expectations. In its climate action plan, APG states that “If a company does not meet ESG criteria, we can only invest if we believe we can encourage it to improve its sustainability performance” (p.5).

Proxy voting

ABP stated in its *Climate Policy 2022-2030* that “if companies are not taking sufficient action to make the transition, we escalate our dialogue and use our vote at shareholders’ meetings” (p.11).

APG supports climate-related shareholder resolutions, unless there are legal reasons not to do so. If companies put their climate strategy to a shareholder vote, APG will support the strategy if it includes a net-zero ambition, mid-term targets, and a strategy aligned with the goal of limiting global warming to 1.5°C (*ABP Implements Stricter Climate Voting Policy*, p.1).

APG also expects companies in high-impact sectors (which ABP defines as large-scale energy consumers and companies with a major impact, including utilities, transport, iron, steel, cement, chemicals and finance) to have a governance structure that supports their climate strategy, to be transparent about their climate impact and to set clear, science-based targets for reducing scope 1, 2 and 3 emissions. If a company fails to meet one or more of these expectations, APG will vote against reappointment of the Chair of the company’s Board. APG also votes against remuneration proposals at companies in high-impact sectors that do not contain clear and relevant sustainability-linked performance targets, including climate targets (*APG Climate Action Plan 2022*, p.6, 11).

Collaborative engagement

ABP will generally vote in favour of climate-related proposals brought forward by shareholders (*ABP Implements Stricter Climate Voting Policy*, p.1).

ABP is an investor supporter of Climate Action 100+, and its asset manager APG is an investor participant.⁶

Climate Integration

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Accountable Paris-aligned membership

ABP is a member of the Paris Aligned Asset Owners initiative⁷ and has signed the Net Zero Asset Owner Commitment.⁸ ABP's asset manager APG is a member of the Net Zero Asset Managers initiative⁹ and the International Investors Group on Climate Change.¹⁰

Transparency and disclosure of holdings and climate risk

ABP reports using the Task Force on Climate-related Financial Disclosures (TCFD) and publishes an overview of listed investments twice yearly (*Overview listed investments of ABP*). It also implements measures to control climate risks in portfolios, distinguishing between physical risks and transition risks. For example, ABP uses ND-GAIN indicators to determine a country's physical climate risk and provide an indication of how vulnerable the country is to the consequences of climate change. Thus, ABP can assess which part of their government bond portfolio is invested in countries with a high climate risk.

ABP states that it: "monitors the climate risks by means of a dashboard that uses short-term, medium-term and long-term data and scenarios. There is no standardized method just yet for measuring climate risks, but ABP has developed its own method in consultation with APG, with input from external consultants and our investment experts. The dashboard helps us keep track of these crucial risks, both to society and to our investment portfolio, and take targeted action where required." However, no transparency and disclosures are made on precise data quantifying the climate risk of the ABP and APG portfolios (*ABP Annual Report*, p.59).

Scenario analysis

ABP reports that its ambition to reduce absolute emissions by 50% by 2030 is "in line with what is needed, according to the IPCC report, to limit warming to 1.5 degrees Celsius," but does not include further information about scenario analysis (*Climate Policy ABP 2022-2030*). Similarly, APG states that it has "used the 1.5°C scenarios (with limited or no overshoot) developed by the Intergovernmental Panel on Climate Change (IPCC) and the International Energy Agency (IEA) to determine the reduction target for the listed equity and credits portfolios" (*APG Climate Action Plan 2022*, p.5). APG also performs climate stress tests to evaluate the potential effects and implications of strategic asset allocation, using a business-as-usual scenario (IEA Stated Policies Scenario, 3°C) and two climate scenarios with different levels of ambition (IEA Sustainable Development Scenario, 1.65°C, and IEA Net Zero Scenario, 1.5°C) (*APG Summary of climate risk policy, carbon measurement and carbon reduction*, p.5).

Carbon footprinting

ABP is "working toward mapping the footprint of all its investments" (*Climate Policy ABP 2022-2030*, p.12). It has so far mainly targeted reducing the CO₂ footprint of its equity portfolio, has "a rougher idea" of the CO₂ footprint of some other asset classes, and will map the other ones "as soon as possible" (*Climate Policy ABP 2022-2030*, p.12).

The emissions scopes covered vary from one asset class to another. The CO₂ footprint of ABP's equities portfolio, for example, is reported annually for scope 1 and 2, but corporate bonds are reported on a yearly basis for scope 1 and 2 with the commitment to expand to scope 3 (*Climate Policy ABP 2022-2030*, p.13).

Meanwhile, APG has been measuring the carbon footprint of its listed equity portfolio (32% AUM at December 31, 2021) annually since 2013. APG's carbon footprint now includes real estate, credits and private equity, and the asset manager is working towards measuring the carbon footprint of all relevant investments using the Partnership for Carbon Accounting Financials (PCAF) standard (*APG Summary of climate risk policy, carbon measurement and carbon reduction*, p.6).

Board climate expertise and/or fossil fuel entanglement

ABP does not appear to have a public board competency framework and has not identified any Board members as having climate expertise. No climate-specific staff or board training is mentioned.

ABP's board members do not appear to have any fossil fuel entanglements.

Executive and staff compensation and climate

In April 2022 (*Press release: ABP Implements Stricter Climate Voting Policy*) the pension fund stated that "ABP will only agree to remuneration proposals if achieving sustainable targets is part of the process of determining remuneration." But ABP does not appear to have a compensation policy that incentivizes climate targets or emissions reduction for its own staff.

Fossil Fuel Exclusions

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SUMMARY

Companies that derive more than 1% of revenues from coal mines or oil or gas extraction

These companies were excluded as of October 2021 and were mostly divested by the first quarter of 2023.

Thermal coal

These companies will be excluded by 2030 in OECD countries without CO2 capture.

DETAILS

ABP announced in October 2021:

"Pension fund ABP will stop investing in producers of fossil fuels (oil, gas and coal). Reasons for this decision are recently published reports by the International Energy Agency (IEA) and the UN Climate Panel (IPCC). Groups of ABP pension participants and employers have shown broad support for this decision. ABP will divest from the fossil fuel producers in phases; the majority of which is expected to be sold by the first quarter of 2023. This concerns more than 15 billion euros in assets, almost 3% of ABP's total assets. The fund does not expect this decision to have a negative impact on long-term returns" (*ABP stops investing in fossil fuel producers*).

As of June 2021, ABP had already divested of companies that derive more than 30% of revenue from coal mines and companies that derive more than 20% of revenue from oil sands. In October 2021, the policy was strengthened to exclude and divest producers of fossil fuels that generate more than 1% of their revenue from coal mines, oil extraction, and/or gas extraction (*ABP stops investing in fossil fuel producers - facts & figures*, p.1.)

ABP also asks coal power companies to stop the expansion of coal-fired power plants and to develop a strategy for a transition to sustainable energy, but it has so far only sold a few of such companies. The fund will not invest in thermal coal without CO2 capture in OECD countries by 2030, but this is only a partial coal phase-out (*ABP Sustainable and responsible investing policy 2020-2025*, p.4).

ABP's fossil fuel exclusion covers both conventional and unconventional oil and gas, but remains limited to the upstream part of the value chain and allows exceptions for companies "deemed aligned on a 1.5°C pathway." The

Dutch asset owner should address more firmly the issue of expansion in oil and gas activities by stopping new bond purchases from companies with midstream expansion plans, and engaging the companies remaining in the portfolio so that they stop developing new oil and gas midstream projects.

In 2022, ABP implemented its decision to sell investments in producers of oil, gas and coal. At year-end 2021, ABP's investments in equities and bonds of companies in the fossil fuel industry totaled €8.5 billion. By year-end 2022, that figure had decreased to €0.9 billion. The remaining investments are illiquid because APG collectively invests on behalf of several pension funds in investment pools. At the end of 2022, APG still had €5.6 billion in illiquid investments in the fossil fuel industry that cannot be sold as quickly as equities and bonds. By April 2023, all liquid developed market investments had been sold in emerging markets. APG has committed to gradually phase out all fossil fuel investments in illiquid markets (*ABP Annual Report 2022*, p.59).

ABP's assets represent 85% of APG's AUM. There are some minor differences in ABP's and APG's fossil fuel exclusion and climate investing policy. Thus, the Dutch pension fund and its asset manager have additional work to do to harmonize their fossil fuel exclusion policies, and complement them with impactful measures targeting the fossil fuels downstream value chain.

ENDNOTES

- 1 APG. (2023). *Annual Report 2022*. P.41. <https://apg.nl/media/uqkdel01/annual-report-2022.pdf>.
- 2 ABP. (2023). *Annual review ABP 2022*. P.1. <https://www.abp.nl/content/dam/abp/common/documents/Annualreview-ABP-%202022-DEF.pdf>.
- 3 Paris Aligned Asset Owners. (2023). *Signatory Disclosure – ABP*. Retrieved November 29, 2023. <https://www.parisalignedassetowners.org/signatories/abp/>.
- 4 The Net Zero Asset Managers Initiative. (2023). *Signatory Disclosure – APG*. Retrieved November 29, 2023. <https://www.netzeroassetmanagers.org/signatories/apg-asset-management/>.
- 5 The Dutch Climate Agreement legislates the Dutch government to reduce the Netherlands' greenhouse gas emissions by 49% below 1990 levels by 2030 and 95% by 2050. These goals are laid down in the Climate Act on May 28, 2019, while the Netherlands' Climate Plan, National Energy and Climate Plan (NECP) and National Climate Agreement contain the policy and measures to achieve these climate goals. See:
 -Government of the Netherlands (accessed December 2023). *Climate Policy*. <https://www.government.nl/topics/climate-change/climate-policy>.
- 6 Climate Action 100+. (2023). *Investors*. Retrieved December 8, 2023. <https://www.climateaction100.org/whos-involved/investors/>.
- 7 Paris Aligned Asset Owners. (2023). *Signatory Disclosure – ABP*. Retrieved November 29, 2023. <https://www.parisalignedassetowners.org/signatories/abp/>.
- 8 Hall, C. (2021, June 8). *Paris Aligned Asset Owners Group Trebled by ABP et al*. ESG Investor. <https://www.esginvestor.net/paris-aligned-asset-owners-group-trebled-by-abp-et-al/>.
- 9 The Net Zero Asset Managers Initiative. (2023). *Signatory Disclosure – APG*. Retrieved November 29, 2023. <https://www.netzeroassetmanagers.org/signatories/apg-asset-management/>.
- 10 International Investors Group on Climate Change. (2023). *Our members*. Retrieved November 29, 2023. <https://www.iigcc.org/our-members>.

REFERENCES

The following publicly available information was reviewed in the preparation of this analysis.

ABP Reports

- [ABP annual report 2022](#) (2023)
- [APG Annual Report 2022](#) (March 2023)

ABP Documents

- [Overview listed investments of ABP](#) (as per June 30, 2023)
- [APG Statement on principal adverse impacts of investment decisions on sustainability factors](#) (June 2023)
- [APG Climate Action Plan 2022](#) (December 2022)
- [APG Summary of Climate risk policy, Carbon measurement and Carbon reduction](#) (December 30, 2022)
- [Climate Policy ABP 2022 – 2030: Accelerating our efforts with investments that make a difference](#) (December 15, 2022)
- [ABP Sustainable and responsible investing – Our policy for 2020 – 2025](#) (December 2021)
- [ABP stops investing in fossil fuel producers – Facts & Figures](#) (October 26, 2021)
- [ABP's Sustainable and Responsible Investment Policy \(2020-2025\) \(Summary 30 January 2020\)](#) (January 2020)

ABP Webpages and Press Releases

- [ABP Proxy Voting Dashboard](#) (webpage) (accessed November 29, 2023)
- [ABP stops investing in fossil fuel producers](#) (press release) (October 26, 2021)
- [Annual review ABP 2022](#) (press release) (January 26, 2023)
- [ABP implements Stricter Climate Voting Policy](#) (press release) (April 22, 2022)