

DEEP DIVE: FOSSIL FUEL INVESTMENT POLICY PENSIOENFONDS ZORG EN WELZIJN (PFZW)

PFZW is responsible for the pension policy and the pension capital of nearly 3 million current and former employees in the care and welfare sector in the Netherlands. The pension fund manages the invested capital, which amounted to €277.5 billion at the end of December 2021.

The GHG emissions of fossil energy companies represent a large part of the financed emissions in PFZW's listed equities portfolio. Bringing the emissions of these companies down in line with a 1.5°C emissions pathway is an important step towards achieving PFZW's goal of a 50% reduction in tCO_{2e}/EURmln invested.

Time-bound expectations of fossil fuel companies

PFZW sets expectations of fossil fuel companies to commit to the Paris Agreement goals of limiting global warming to well below 2°C and pursuing efforts to limit it to 1.5°C, within the next two years. PFZW will only remain invested in fossil fuel companies that have a convincing and verifiable climate transition strategy in line with the Paris Agreement by 2024. From 2024, PFZW will no longer invest in companies in the fossil fuel sector that do not meet these requirements.

PFZW will apply the following criteria when determining whether investments can be made in companies active in the fossil fuel sector:

- Companies must have a GHG emissions reduction target.
- Companies must make a clear commitment to 'Paris' by the end of 2022 and thus to the 1.5°C temperature target. If they fail to do so, investments in these companies will be sold in 2023.
- Companies that have committed to 'Paris' must draw up a convincing and verifiable climate transition strategy to support their commitment by the end of 2023. This strategy should include short- and medium-term targets in line with 'Paris'. If they do not, they will no longer be eligible for investment in 2024.

Engagement with fossil fuel companies

The timeline above gives companies the opportunity to implement a viable plan to reform their business models. During this period, PFZW will intensify its shareholder dialogue with companies that are willing to make the transition. PFZW will use its voting rights more emphatically in climate-related resolutions and Board proposals. Specific attention will be paid to stopping extraction in Arctic areas and PFZW will insist on stopping investments in new fossil fuel supply.

If necessary, a vote will be taken against the (re) appointment of directors who are making insufficient contribution to the transition of their company. To the extent possible, PFZW will join forces with like-minded parties to strengthen its influence. PFZW will continue intensive shareholder dialogue with the companies in this sector that do qualify for investment in 2024.

Expanding engagement to other materials sectors

PFZW's active ownership program is currently directed at fossil fuel companies in the energy sector. The financed emissions of these companies represent some 20% of total financed emissions of the PFZW listed equities portfolio. However, PFZW recognizes that addressing the demand side of fossil energy is also important. Therefore, it will expand its engagement program towards companies in other material sectors (GICS sectors: energy, utilities, consumer staples, consumer discretionary and materials). Financed emissions of material sectors – including the energy sector – represent some 70% of total emissions in listed equities for PFZW, as shown here.

Figure 10. Percentage of financed emissions by sector

