



---

# Sustainable Investments

A framework for research into third party solutions

March 2022

## A framework for responsible investment research into third-party solutions

---

This document describes ACTIAM's policy regarding third-party solutions. It describes the criteria and considerations used to select external managers and third-party solutions and to assure that third-party solutions are, and will over time remain, in line with the Sustainable Investment philosophy of ACTIAM<sup>1</sup>.

ACTIAM has developed its Sustainable Investment Framework in order to assess the longer-term financial, environmental and social returns of its investments. By this, ACTIAM offers its clients comprehensive investment solutions for responsible investments. However, being a responsible investor with limited scale only, ACTIAM does not produce all of offerings in-house. They can also be sourced from external specialised managers. ACTIAM acknowledges that its sphere of influence and derived responsibility extends to rendering also those investments responsible that are made through third-parties.

ACTIAM adopts concise guiding principles that lead to profound case-by-case driven analyses to assure that third-party solutions adopted are in line with the ACTIAM sustainable investment philosophy. This does not lead to a complex rating model with semi-automated binary choices. Yet, it necessitates informed and in-depth discussions regarding investment decisions, against the background of the large diversity of specialised asset managers, their services and products. In the appendix, an overview of the assessed elements of the third party can be found.

Looking at third-party solutions in their most basic form, ACTIAM identifies two distinct sets:

1. Segregated mandates, where ACTIAM's client remains in full control as asset owner or ACTIAM operate as a delegating asset manager. This puts ACTIAM in a position to implement its responsible overlay on its client's behalf.
2. Pooled funds, where ACTIAM's client becomes a (minority) shareholder. Here, ACTIAM's client participates in a fund that acts as the primary asset owner having to serve all participants' interests on an equal footing. That is, the fund, not ACTIAM, is the prime party responsible for the development and implementation of strategies and policies, possibly including responsible ones.

It should be clear that segregated mandates offer more possibilities to exert influence than pooled funds:

- With segregated mandates, ACTIAM will instruct the external manager, costs admitting in the light of our fiduciary duties, to implement ACTIAM's Sustainable Investment Framework one-on-one (for example, its exclusion list) <sup>2</sup>
- With pooled funds, ACTIAM will prefer selecting responsible investment managers over those that lack a credible and well implemented responsible strategy.

In order to implement the above responsibilities, ACTIAM discerns the following aspects of third-party solutions:

- Clients
- Asset categories
- Third-party managers
- Products and their investments
- Monitoring

---

<sup>1</sup> Within the Sustainable Investment Framework, there are different processes and instruments serving several types of funds. Within ACTIAM, these are labelled as Responsible, Sustainable and Positive Impact. This policy is applicable the complete fund range. For simplicity reasons, the reference is this document made to Responsible.

<sup>2</sup> Please note that the research universe underlying the FIP not necessarily matches the investment universe of the product in question. ACTIAM's research results, e.g. its exclusion list, may be more limited in scope than the product at hand, leading to possible gaps in research coverage. If this occurs, optimal transparency will be granted in depicting these limitations

- **Clients** - With respect to clients, ACTIAM will ensure to thoroughly understand clients' views and preferences on responsible investing throughout a continuing dialogue with the client. In particular, this will address the extent to which responsible investment strategies should be part of external manager selection processes. For example, by addressing which sustainability themes and thresholds are selected as part of the investment strategy. ACTIAM included a section regarding the ACTIAM Sustainable Investment Framework in its investment management agreements explaining. In this, sustainability related themes are described which need to be considered in the mandate and how this will impact selection, weighting and active ownership choices. ACTIAM will not serve clients who do not support the implementation of our basic ethical screening, as explained in the Fundamental Investment Principles (FIP), as a minimum - unless they follow other, stricter criteria - including our FIP-derived approach toward third-party solutions.
- **Asset categories** - Concerning investments in specific asset categories<sup>3</sup> through third-parties for which ACTIAM has not yet formulated a Sustainable Investment Policy, ACTIAM will successively extend its current Sustainable Investment Framework. This includes relevant criteria, research methodologies, the allocation and selection processes and active ownership choices.
- **Third-party managers** - When selecting a manager, ACTIAM will thoroughly investigate that party's responsible investment credentials, see also the Appendix for criteria to be considered. Ceteris paribus, ACTIAM will prefer those parties more advanced in responsible investing than others. If other (e.g. fiduciary) considerations press for a choice for a less advanced party (concerning responsible investing), ACTIAM will engage with that party, striving to help improve the latter's responsible investments strategies and implementation. In doing so, ACTIAM will follow a nondogmatic approach: ACTIAM will be open to any responsible investment strategy, as long as it is credible and consistently implemented and does not conflict with ACTIAM's Sustainable Investment Framework or the underlying vision.
- **Products and their investments** - Looking at products and their investments, ACTIAM will, whenever feasible given fiduciary duties, favour segregated accounts over pooled funds. This is due to the higher degree of influence that can be exerted with the latter. Here, ACTIAM will ask third-parties to implement the ACTIAM Sustainable Investment Framework and related investment decisions, unless such action cannot be justified in economic terms. To do so, ACTIAM will strive to develop the necessary research coverage if not yet present, along with proxy voting for all firms invested in, and engagement activities where applicable.

Where pooled funds are regarded the better solution, ACTIAM will, ceteris paribus, strongly prefer more over less responsible investment strategies, as identified through careful due diligence. Should the strategy (or its implementation) not be fully satisfactory, ACTIAM might also decide to engage with the external party, seeking adaptations through dialogue. Even if the strategy is deemed satisfactory, it could happen for the product to make investments in titles that ACTIAM does, on its own account and based on its FIP and research coverage, exclude from investment.

Given the careful due diligence conducted, and the described non-dogmatic stance toward other managers' (responsible) strategies, ACTIAM would in such a case enter into a dialogue with the party. The objective would be to fully understand that manager's choice and underlying reasoning, and, if opportune, to discuss rebalancing toward titles not excluded by ACTIAM.

- **Monitoring and engagement** - Independent on the nature of the third-party solution, ACTIAM will regularly monitor the third-parties' investments and compare this with the exclusions following the ACTIAM Sustainable Investment Framework. Any deviations will be handled as described above. Also, there are regular meetings with the third-party solution providers to discuss topics related to sustainability, such as the party's internal ESG integration or remuneration linked to responsible KPIs. During these meetings, both the top-down as well as the bottom-up approaches to ESG related practises and processes within third party are discussed. Also, these engagement meetings touch upon current and future sustainability topics and possibility for developments and improvements.

---

<sup>3</sup> E.g. alternative investments like commodities, derivatives, hedge funds, private equity etc.

## Elements addressed in screening and monitoring

During the selection processes as well as in the regular review of third parties, different elements of the third party are assessed. These can be policies, practises or other instruments related to ESG. Below, an overview of several elements and indicators is given. Please note that this list is not exclusive.

### ■ Organisation

- E, S and G elements included in mission, vision, strategy and policies of the (internal) organisation
- Integration of E, S and G elements in remuneration
- Engagement of organisation on ESG with policymakers

### ■ Investments

- E, S and G topics included in instruments
- Manner of including E, S and G elements in investments
- Targets and objectives set for investments related to E, S and G

### ■ Product

- Applicability, scope, objects and underlying factors of Responsible Investment policy for relevant product
- ESG processes and practices applicable, such as voting and screening
- ESG integration into investment process, portfolio construction and risk management
- Alignment with ACTIAM policies and themes
- Regularity labelling of product, for example under SFDR

### ■ Exclusions

- Responsibilities and accountabilities related to exclusion process

### ■ Active ownership and stewardship

- Conduction and scope of stewardship
- Escalation processes and tracking of results
- Integration of active ownership results into investment process, portfolio construction and risk management

### ■ PRI reporting

- Overall PRI score and signatory
- PRI score of relevant assets category
- PRI score for active ownership

**ACTIAM N.V.**

Visiting address

Weena 690, 21st floor  
3012 CN Rotterdam

Postal address

P.O. Box 679  
3500 AR Utrecht



+31-(0)10-206 1300



marcom@actiam.nl



www.actiam.com