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Press release

Sustainable finance action plan is important for pension funds

Today the European Commission published its Action Plan: Financing Sustainable Growth. The Action Plan sets out the EU's agenda to make the financial system more sustainable. Specifically, it aims to:

1. reorient capital flows towards sustainable investment in order to achieve sustainable and inclusive growth;
2. manage financial risks stemming from climate change, resource depletion, environmental degradation and social issues; and
3. foster transparency and long-termism in financial and economic activity.

PensionsEurope welcomes the Action Plan, which contains many recommendations that will improve the scope of sustainable investments and expand the amount of information available to institutional investors on environmental, social and governance aspects of investments.

The Action Plan also foresees a revision to the IORP II Directive to amend the fiduciary duty or 'investor duty'. Pension funds should ensure that they have a sound understanding of the broad range of interests and preferences of their members and beneficiaries, including ESG factors. Pension funds should consult their members and beneficiaries on their sustainability preferences and reflect those in the fund's investment strategy.

Matti Leppälä, Secretary General/CEO of PensionsEurope said:

"Today's Action Plan signals political commitment to an ambitious agenda for a more sustainable financial system. As its end-users, pension funds look forward to those actions that will bolster their responsible investments. This includes a 'taxonomy' for sustainable assets to help create a common language for the markets and measures for better information on ESG factors through improved corporate disclosures.

The Commission also wants pension funds to incorporate ESG factors in investment decision-making as part of a review of the fiduciary duty, so pension fund board members should expect to give even more consideration to the topic in the future. At the same time, the EU proposals should remain sufficiently flexible not to upset the role of trustees or social partners. Pension funds' main purpose will continue to be serving the best interests of their members and to delivering adequate pensions at low costs.

There is a wide variety of responsible investment strategies already employed by pension funds, depending on national traditions, the type and size of the fund, the position of the sponsoring company and the role of the social partners. The number of pension funds that chooses to pro-actively invest according to ESG criteria is growing and will continue to do so."

About PensionsEurope

PensionsEurope represents national associations of pension funds and similar institutions for workplace and other funded pensions. Some members operate purely individual pension schemes. PensionsEurope has **23 member associations** in 18 EU Member States and 3 other European countries[1].

PensionsEurope member organisations cover different types of workplace pensions for over **110 million people.** Through its Member Associations PensionsEurope represents more than **€ 4 trillion of assets** managed for future pension payments. In addition, many members of PensionsEurope also cover personal pensions, which are connected with an employment relation.

PensionsEurope also has **26 Corporate and Supporter Members** which are various service providers and stakeholders that work with IORPs.

PensionsEurope has established a **Central & Eastern European Countries Forum (CEEC Forum)** to discuss issues common to pension systems in that region.

PensionsEurope has established a **Multinational Advisory Group (MAG)** which delivers advice on pension issues to PensionsEurope. It provides a collective voice and information sharing for the expertise and opinions of multinationals.

What PensionsEurope stands for

- A regulatory environment encouraging workplace pension membership;
- Ensure that more and more Europeans can benefit from an adequate income in retirement;
- Policies which will enable sufficient contributions and good returns;

Our members offer

- Economies of scale in governance, administration and asset management;
- Risk pooling and often intergenerational risk-sharing;
- Often "not-for-profit" and some/all of the costs are borne by the employer;
- Members of workplace pension schemes often benefit from a contribution paid by the employer;
- Wide-scale coverage due to mandatory participation, sector-wide participation based on collective agreements and soft-compulsion elements such as auto-enrolment;
- Good governance and alignment of interest due to participation of the main stakeholders.

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[1] EU Member States: Austria, Belgium, Bulgaria, Croatia, Estonia, Finland, France, Germany, Hungary, Ireland, Italy, Luxembourg, Netherlands, Portugal, Romania, Spain, Sweden, UK. Non-EU Member States: Iceland, Norway, Switzerland.