**BF BETTER FINANCE**

The European Federation of Investors and Financial Services Users
Fédération Européenne des Épargnants et Usagers des Services Financiers

# REPORT ON
# "THE REAL RETURN OF LONG-TERM AND PENSION SAVINGS"
# 2022 edition

## Methodology Paper for the ESG consideration

## AIM and OBJECTIVE of the CONTRIBUTION

1. [provide a 2-paragraph executive summary]
2. [explain what non-financial returns, ESG/sustainability risk etc., are and why they are important for the pension saver]
3. [describe, in short, the different types of sustainable investment models – engagement, impact, exclusion etc.]
4. [describe the data sources]
5. [include – for BETTER FINANCE – the links to the data sources]
6. Qualify each pension provider according to their investment styles

We have looked for description according to the definition of investment styles as follows:

- **Exclusion**: Exclusion of companies that violate internationally recognized standards or conventions.
- **Best in class**: Investing in the companies with the most sustainable performance.
- **Sustainability themed**: Investments in companies whose activities contribute to solving societal problems.
- **ESG integration**: Consideration of ESG indicators in asset analysis and for assessing investment decisions.
- **Engagement & Voting**: Direct participation in ESG strategy of investee companies.
- **Impact Investing**: Investing in companies to achieve measurable, beneficial social or environmental impacts

The following points have been attributed:

| ESG in investment policy | Minimal points | Maximal points |
|---|---|---|
| Best in Class | -1 | 0,5 |
| Sustainability themed | -1 | 1 |
| ESG integration | -1 | 0,5 |
| Engagement&Voting | -1 | 1,5 |
| Exclusion | -1 | 0,5 |
| Impact Investing | -1 | 2 |

According to the depth of information given the points are attributed.

Absence of information: -1
Only narrative information: 0
Quantative information:
> -Best in class, ESG integration and Exclusion: 0,5
> -Sustaianbility themed: 1
> -Engagement&Voting: 1,5
> -Impact Investing: 2

The difference in giving points for quantative information is due to the expected impact on the overall ESG strategy.

We only take into account information that is addressed in the CSR reports or equivalent and which are detailed enough.

7. bring a qualitative judgement on the performance information except if more quantitative data is revealed. Based on this, points of transparency are attributed: +1 if information is given in a detailed way (on each category, risks, opportunities and impacts on investment returns), 0 if information is addressed but not detailed (on each category), -1 if no information is given (on each category)

We have described how we proceeded to find the information for each pension provider on the product level. We then checked the following:

| Information type | points |
| --- | --- |
| How easy is it to get ESG information? | -1 difficult 0 with some search 1 easy |
| Were ESG opportunities and risks clearly identified? | -1 no  0 to a certain extent  1 yes |
| Are green investments options available? | -1 no  1 yes |
| Do clients have a say? | -1 no  1 yes |

8. Establish a ranking of the detailed information given

The points are then aggregated and put into a table which produces a ranking.

Aachen, 19th of September

Dr. Carsten Zielke