

## **PGGM builds tool to measure 'social impact' of responsible investment**

NETHERLANDS – PGGM, the pension investor for healthcare scheme PFZW, has developed a tool to measure the social effect of environmental, social and governance (ESG) investments.

Next year, the investor is to launch a number of pilot projects with external asset managers to measure the impact of targeted ESG investments and gain practical experience with the measuring method, according to Marcel Jeucken, head of PGGM developed the tool – based on research into the social effects of philanthropic institutions' activities – in co-operation with the Centre for Strategic Philanthropy at Rotterdam's Erasmus University.

According to Saskia van den Dool, responsible investment adviser at PGGM, the pensions investor drew on a number of academic studies to measure the impact of such things as employment and the environment, as well as the local development of investment in sustainable energy, forestry and micro finance.

She added: "In the case of wind energy, for example, we look, at the difference in CO2 emissions between wind energy and the regular energy mix, as well as the effect on employment."

The measuring system also takes into account health, safety, commodity use, ecosystems and waste.

According to Jeucken, PGGM has selected investments in private markets – such as infrastructure – as pilots, as they can be defined more easily.

"Measuring the added social value of our specific ESG investments in listed companies, for example, would take longer," he said.

"It's a learning curve. We want to improve the measuring tool step by step and ultimately make it applicable to all our targeted ESG investments, which amount to approximately €4bn."

Jeucken said the data collected during the pilot programmes must clarify not only whether an ESG investment had met its target, but also whether it enhanced positive effects while reducing negative impact.

He added that measuring the social impact of investment was an important development for both pension funds and their rank-and-file members.

"We hope our initiative will be followed up by other institutional investors and that we can further improve the measuring tool together with them," he said.