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[finding solutions to big sustainability challenges](#)

Mike Scott talks to Rob Lake of the giant Dutch pension portfolio manager APG about its inclusive approach to ethical investment – and why climate change will be its major focus from now on

Responsible investment is a theme that spreads across the entire portfolio of one of the world's biggest pension portfolios rather than being the focus of particular funds, says Rob Lake, head of sustainability for APG Asset Management, which manages assets of €200bn (£179bn, \$259bn) for Dutch pension funds.

'We strongly believe that SRI will help us achieve our financial objectives and that it contributes to risk-adjusted financial returns,' he says. 'We want to take account of ESG issues as widely as we can in the decision-making process.'

However, except for an exclusion on companies involved in landmines, cluster mines, chemical and biological weapons, 'it is not a way for us to say we will only invest in the greenest companies – we invest in a whole range of companies,' he adds. Indeed, the group's portfolio comprises some 3500 –4000 companies.

'Taking account of ESG is a way of saying we think these issues are important right across the portfolio, from equities to real estate to private equity. We want to understand the risks and opportunities these issues create.'

One of the baseline criteria for APG is that companies should operate in accordance with the requirements of the United Nations Global Compact. 'If not, we will go and have a talk with them and ultimately, if we think it needs to improve but it does not, we can exclude them from our portfolio,' Lake says. The group also has a programme of dialogue and engagement on corporate governance issues, and votes on such matters at as many of its portfolio companies as it can.

Many of the themes and principles behind responsible investment were at the core of the causes of the financial crisis, he points out. 'Corporate governance, risk control, business ethics – getting these things right will be at the heart of solving the problems we face.'

The company's responsible investment approach did not allow it to escape the recent global turmoil, but for a company with a portfolio the size of APG's, performance is driven as much by the state of the global economy as by the success or failure of individual companies. 'That is one reason we are so interested in climate change,' Lake says. 'If you believe the Stern report's assertion that the cost of doing nothing will be higher than the cost of acting now, it is in our long-term interests to do something about it.'

To this end, APG invests in solutions to the big sustainability challenges, including microfinance, sustainable forestry and renewable energy. But rather than have dedicated funds for this purpose, 'we try to look at opportunities to do that within all our funds and across all asset classes'.

The company also recognizes that some issues require engagement on a larger scale than talking to individual companies. As a result, it is one of a network of investors engaging with governments on climate change in the run-up to the Copenhagen climate conference in December. The UN's Principles for Responsible Investment 'are strongly in line with our approach,' Lake adds. 'It helps us to work with other large investors and put together collaborative projects.'

Looking ahead, the big issue in sustainability is clearly climate change, he says, with companies at risk of increasing regulation and damage to their property as a result of global warming. 'But there are also huge opportunities, because if we are going to tackle climate change, huge investments will be needed.'

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