

Research Centre for Sustainable Investments & Insurance

The Research Centre for Sustainable Investments and Insurance (RCSII) is an independent research centre that researches sustainability issues in the financial and the insurance sector.

[About our Research](#)

[About RCSII](#)

An initiative of

Sustainable Investments

Prof. dr. Paul Smeets

1758 Quakers



ZEMBLA





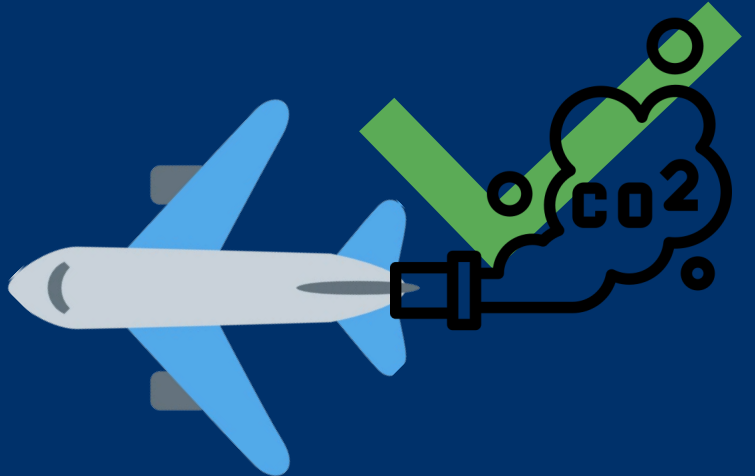
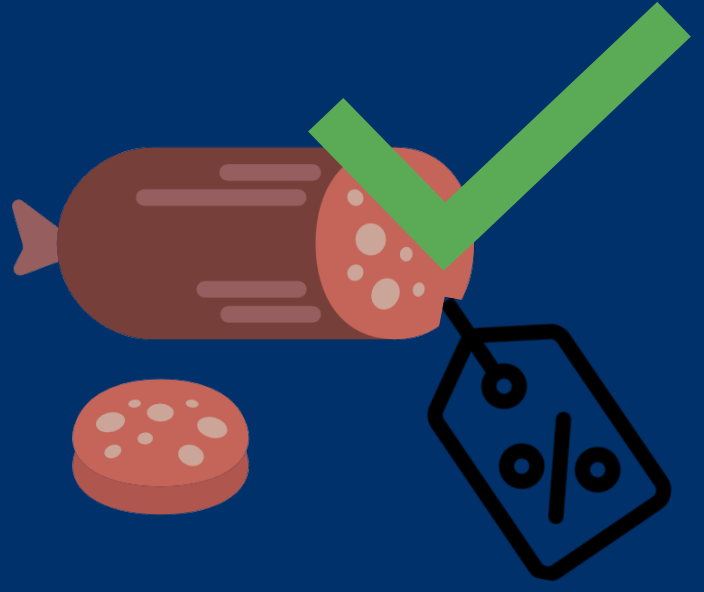


Pensioenfonds Detailhandel

€21 billion AUM

1 million participants





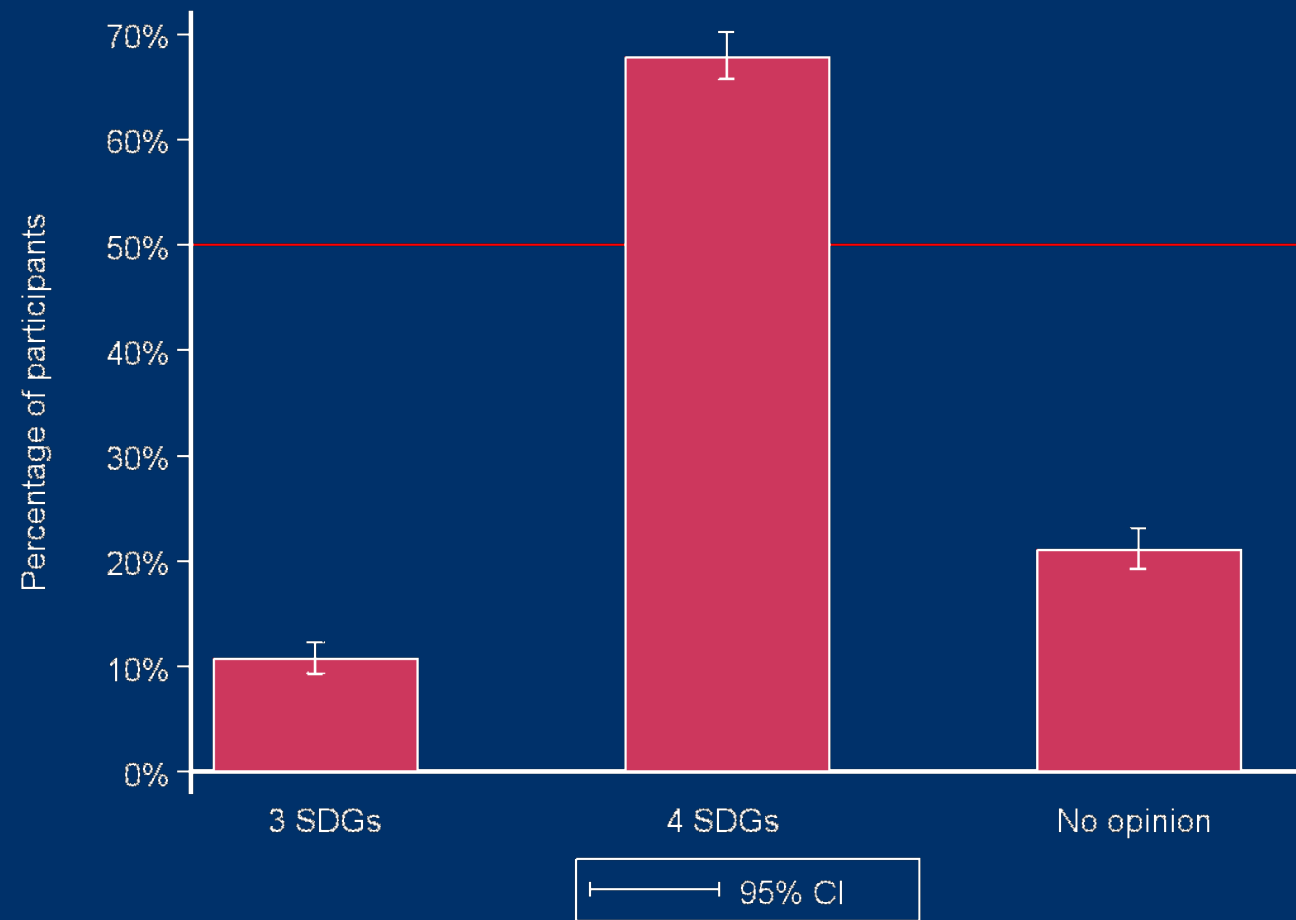
Real choice

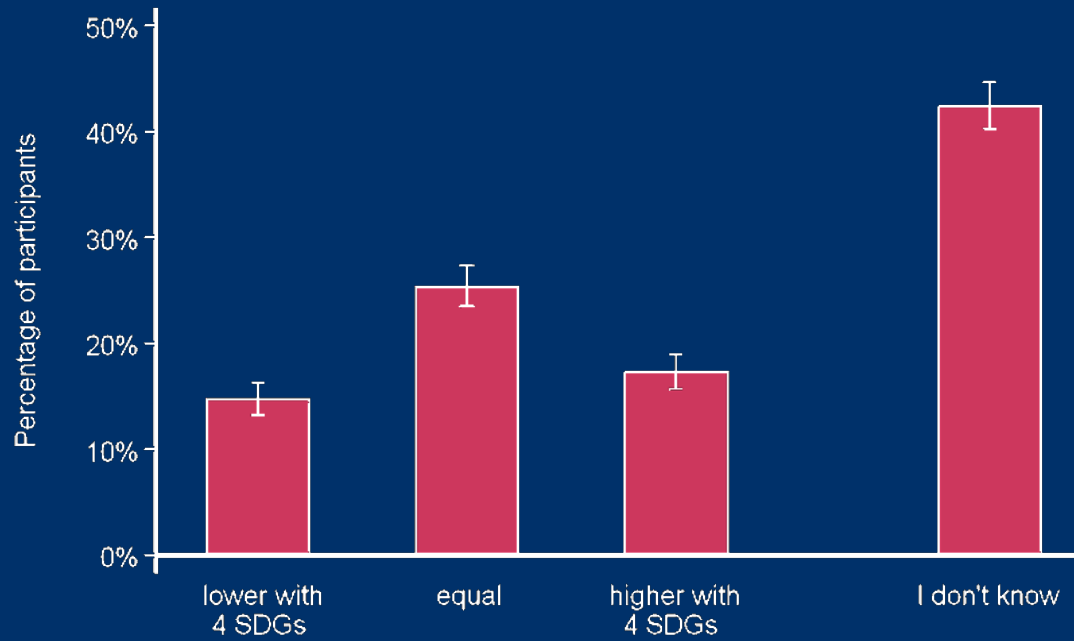


Voting

50% rule

Choice is implemented

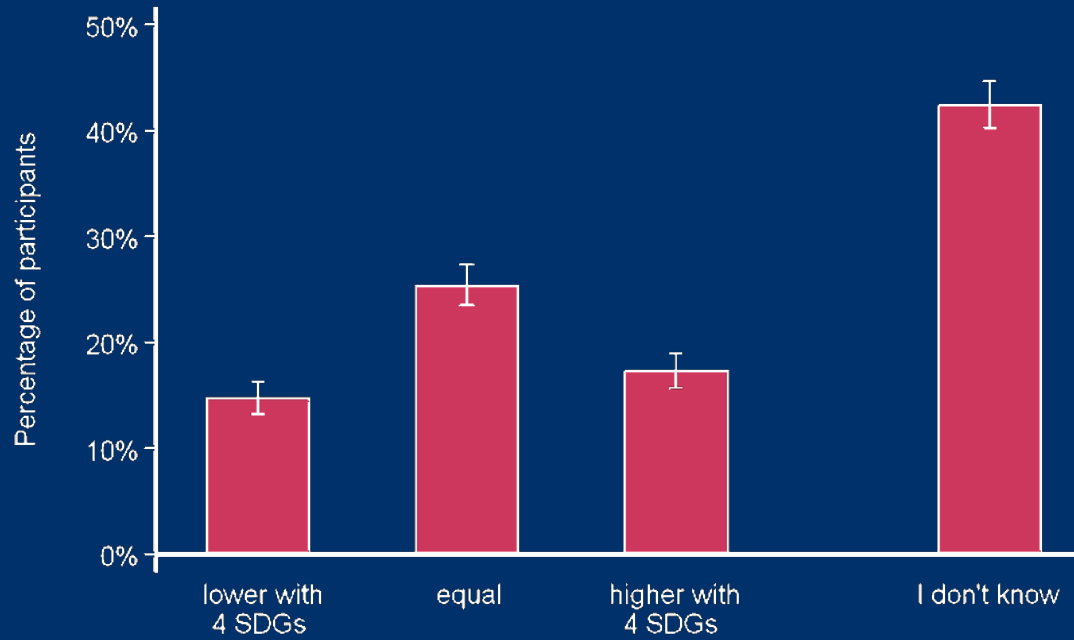




A) Overall investment return is higher with...

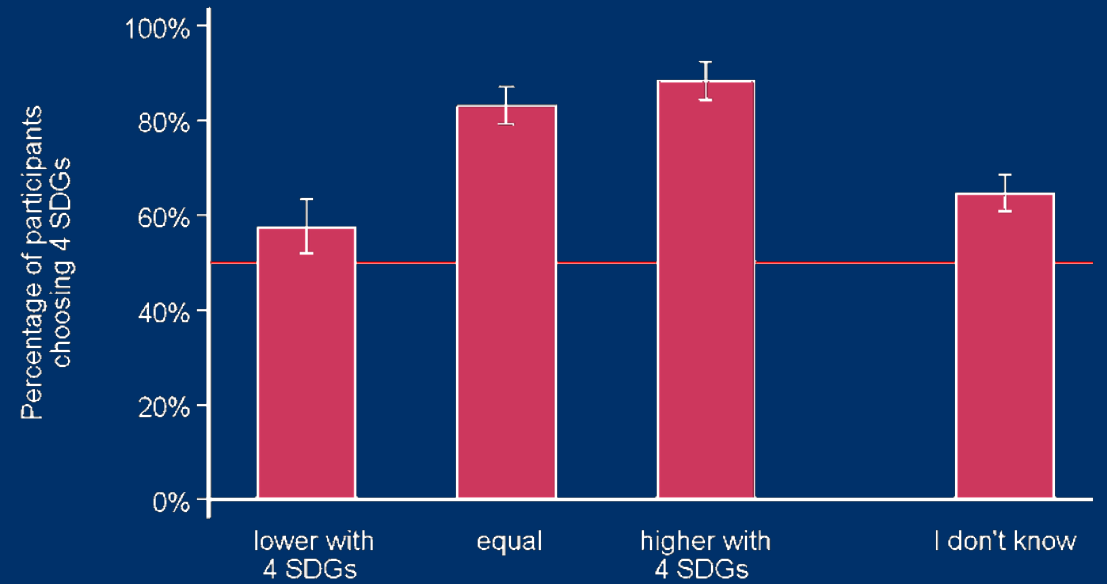
— 95% CI

4 in 5 do not expect lower returns



A) Overall investment return is higher with...

— 95% CI

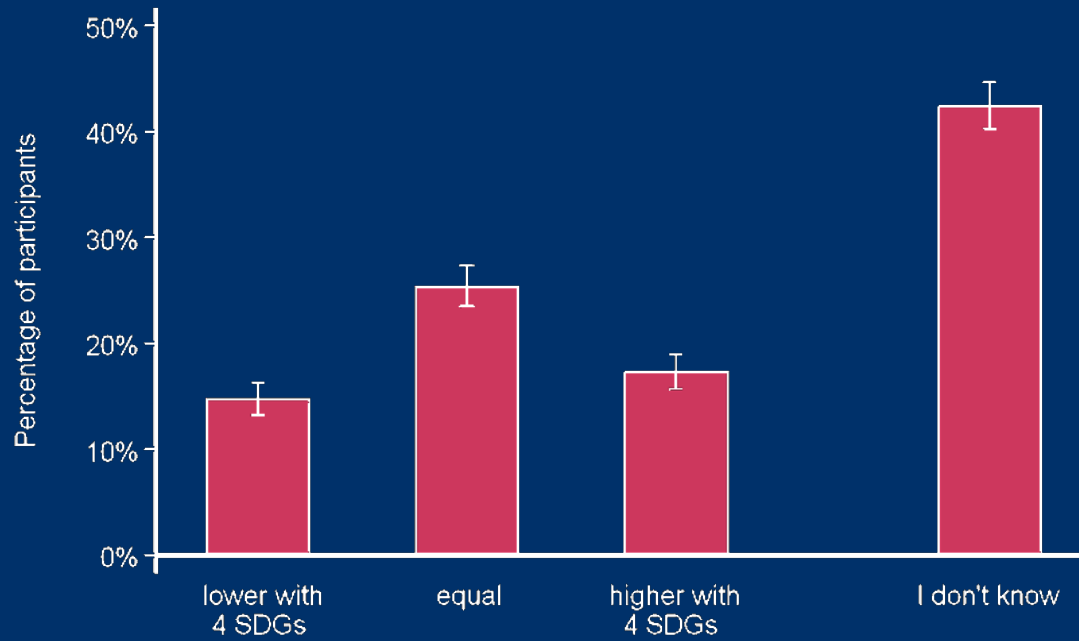


The overall investment return is...

B. Percentage choosing 4 SDGs per belief category

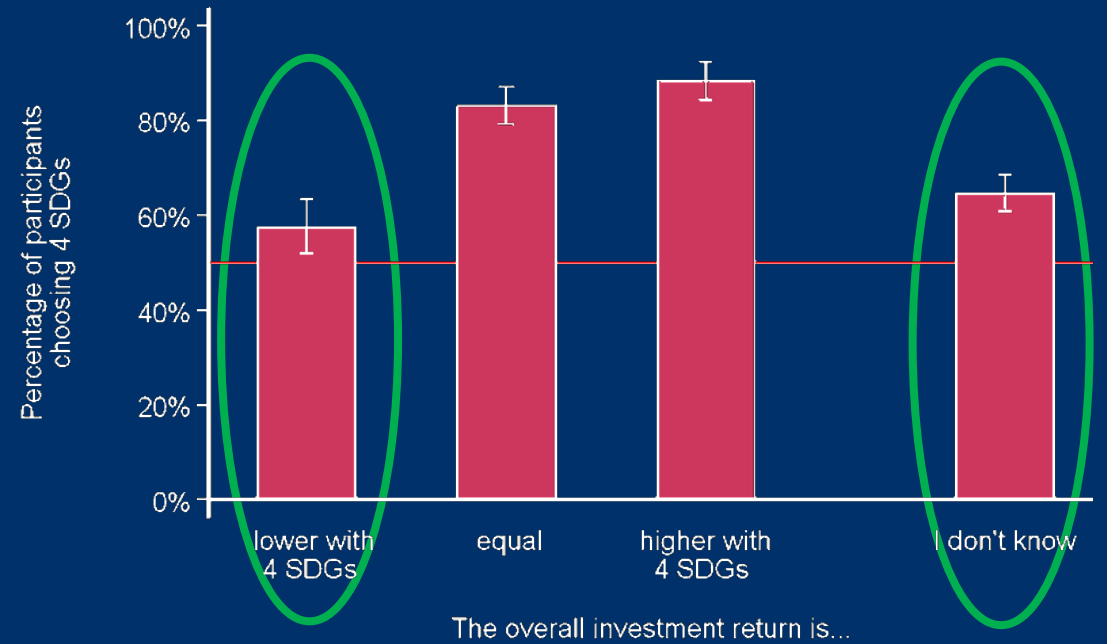
— 95% CI

4 in 5 do not expect lower returns



A) Overall investment return is higher with...

— 95% CI



B. Percentage choosing 4 SDGs per belief category

— 95% CI

4 in 5 do not expect lower returns

**7.5 billion euros more
Sustainable Investments**

Investor Democracy

Rob Bauer, Emmeline Cooper, Bram van der Kroft, Paul Smeets

**DEMOCRATIC DEFICIT!
FINANCIAL INTERMEDIARIES
OPERATE FUNDS ON
BEHALF OF ULTIMATE
BENEFICIARIES WITHOUT
THEM HAVING A SAY IN
THESE INVESTMENTS**



How To Implement Shareholder Democracy

Oliver Hart, Helene Landemore & Luigi Zingales*

Abstract

We propose a novel way to give mutual fund investors a voice, an alternative to the pass-through voting that large mutual fund companies are starting to implement. Based on the experience of citizen assemblies in the political sphere, we propose allocating the power to decide how to cast mutual funds' votes in corporate ballots on environmental, social, and political issues to a randomly drawn assembly of their investors. We analyze the advantages and limitations of such an approach and discuss various implementation issues.

Examples of mini-publics in politics

Citizens' Assembly on biodiversity loss highlights State's failure to address crisis

Members call for a

Expand



Dr Aobhinn Ní Shuilleabháin, chair of the C

Environment

COP26 | INNOVATION > S

The Guardian US

News Opinion Sport Culture Lifestyle

US news US politics World Climate crisis Middle East Ukraine US immigration Soccer Business Environment Tech Science Newsletters Wellness

Radical thinking US politics

This article is more than 2 years old

Citizens' assemblies: are they the future of democracy?



Illustration: Yuanyuan Zhou/The Guardian

A look at the surge in popularity of randomly selected councils that offer an alternative to politics as we know it

When Fauzia Bajwa, a retired software developer who lives in St-Bruno-de-Montarville, Quebec, received an invitation to participate in something called a citizens' assembly, her first impulse was to write the letter off as junk mail. It's a common reaction: most recipients of such a mailing never bother to respond. Then Bajwa looked at it again. The sender was listed as the Canadian Commission on Democratic Expression, a non-profit organization that compiles opinion reports to submit to the Canadian government. Though the mailing's language was vague - the assembly would be on the subject of so-called "online harms" - Bajwa's curiosity was piqued. After all, she'd just read a

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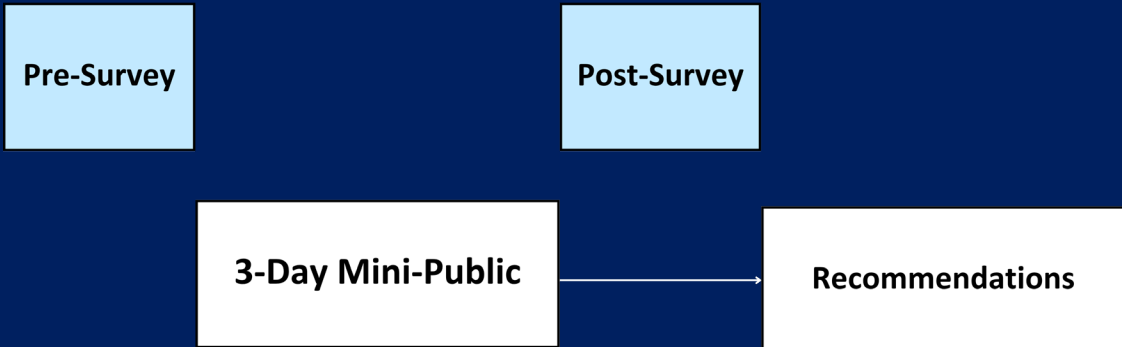
Irish abortion law: Citizens' Assembly recommends unrestricted access to terminations

23 April 2017

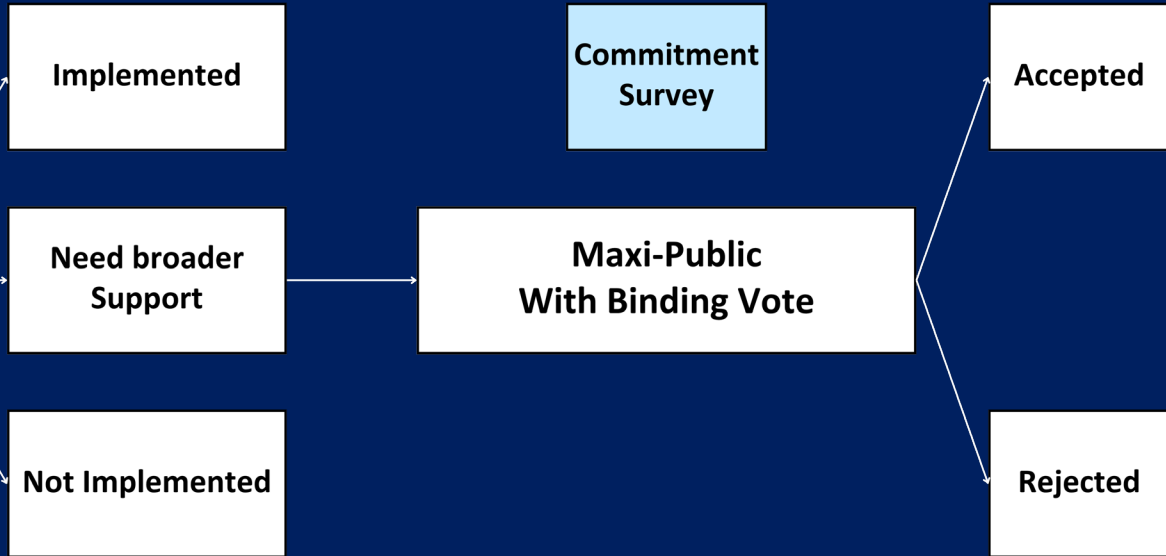


Overview of Investor Democracy

Study 1: Deliberative Mini-public



Study 2: Field Experiment Impact Investing

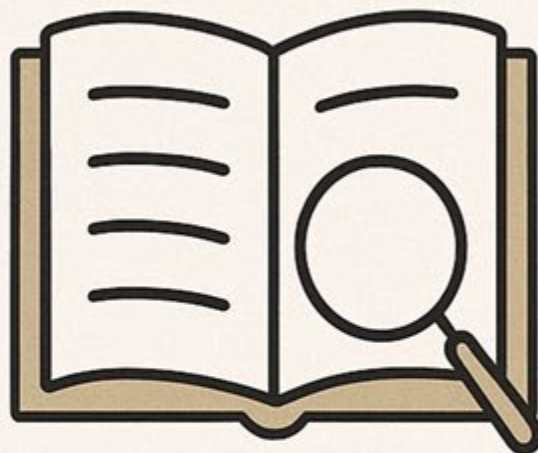


DAY 1



**Investing
Sustainable
investing**

DAY 2



**In-depth
knowledge**

DAY 3



**Draft
recommendations
to the board
Vote**

What information did participants receive?

Participants informed on state-of-the-art knowledge

1. Academic Advisory Group
2. Participants selected 7 experts from a list of 14
3. Guided by external moderators

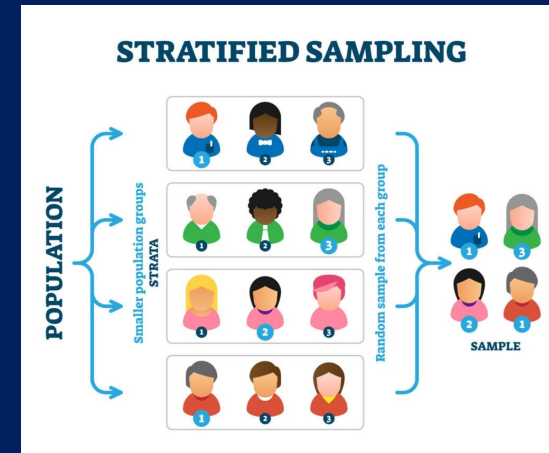


Participant recruitment & representativeness

20,000 email invitations



Sortitioned 49 participants



€360 remuneration + transport
+ food + childcare



Participants met in Utrecht



Sample representativeness Study 1

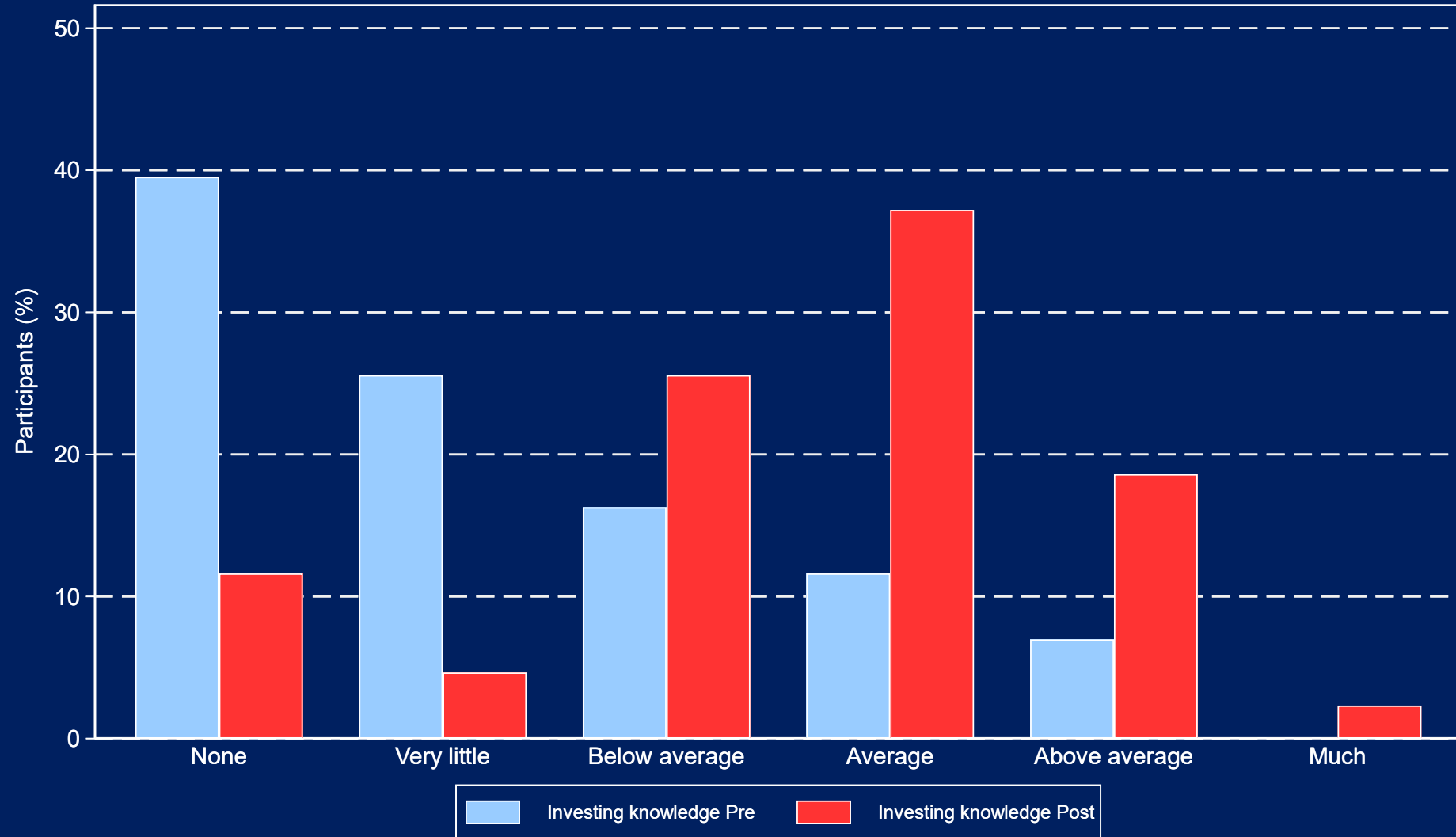
	Population	Mini-public
Age:	45.5 years	47.0 years
Female:	58.6%	58.1%
Monthly net income:	€2,661	€2,282
Immigrant:	14.5%	15.1%
Active contributor:	64.6%	62.3%
Retired:	10.1%	11.3%

A short video impression

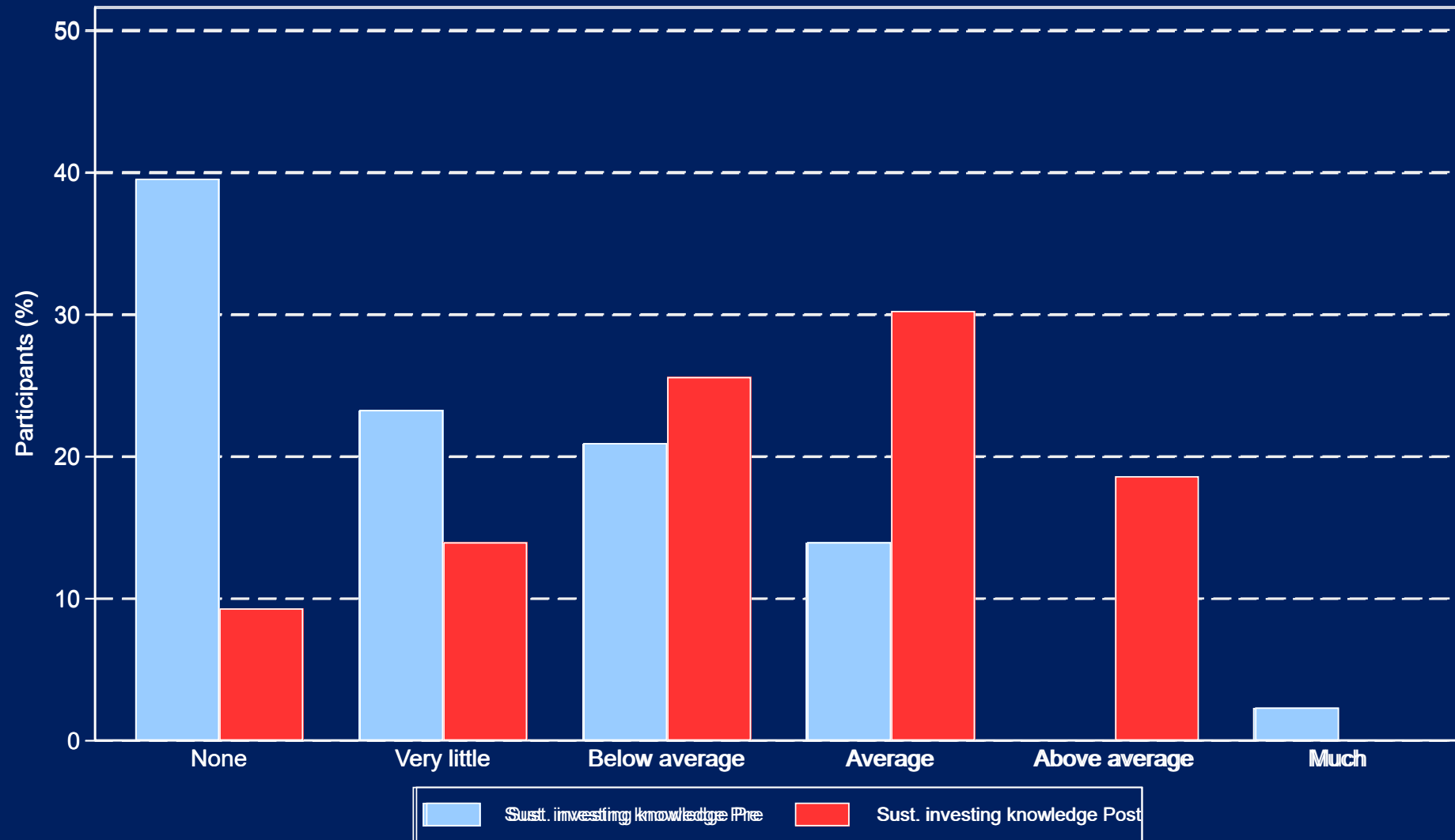


Study 1: Deliberative Mini-public Survey Results

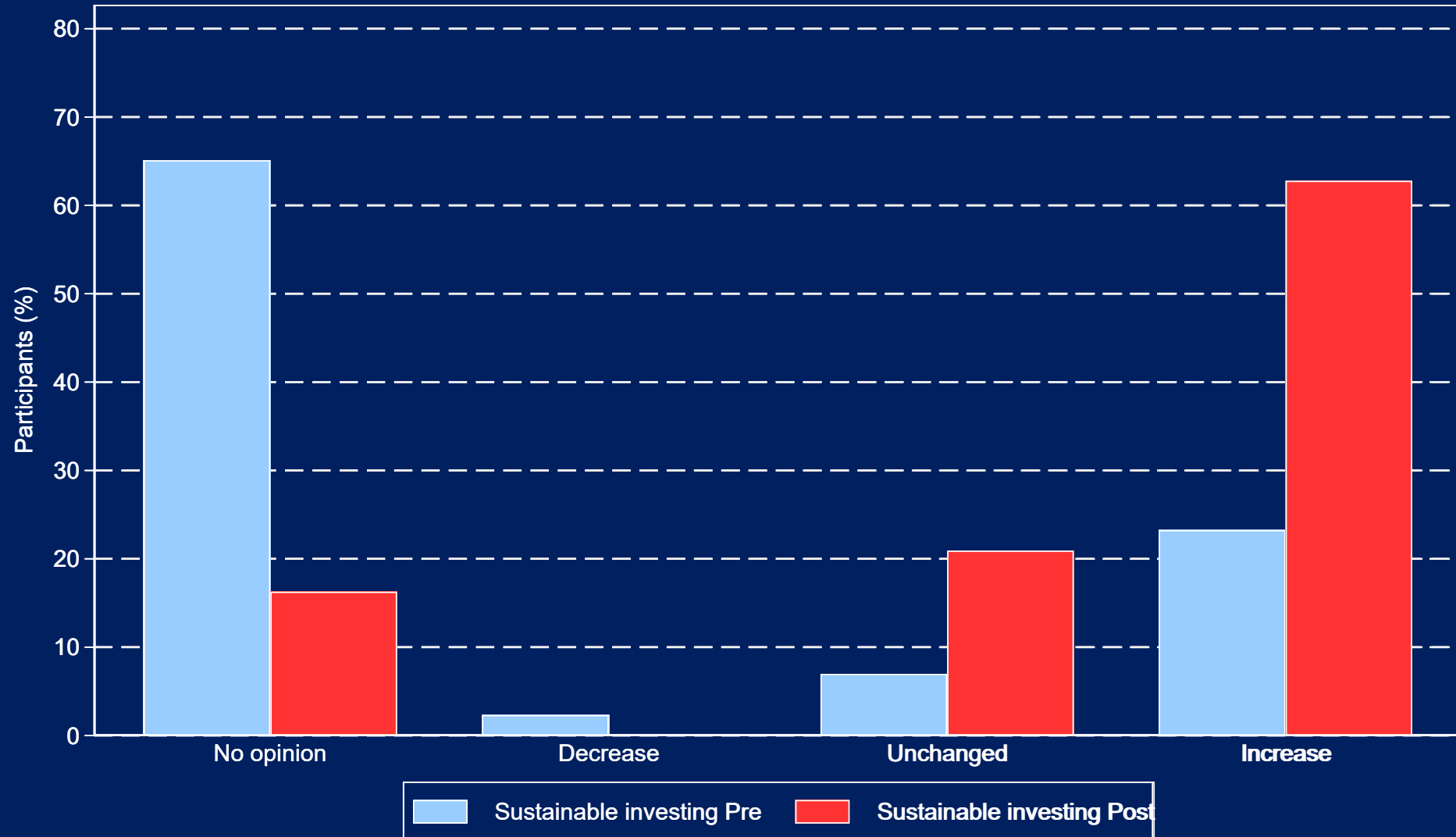
Perceived investment knowledge



Perceived sustainable investment knowledge



Members want more sustainable investments



Sustainable investment motives question

Which of the following statements best reflects your preference regarding sustainable investing?

I would like Pensioenfonds Detailhandel to invest sustainably...

- If this increases my expected pension payments at retirement age
- I do not want Pensioenfonds Detailhandel to invest sustainably
- I have no opinion

Continued...

Sustainable investment motives question

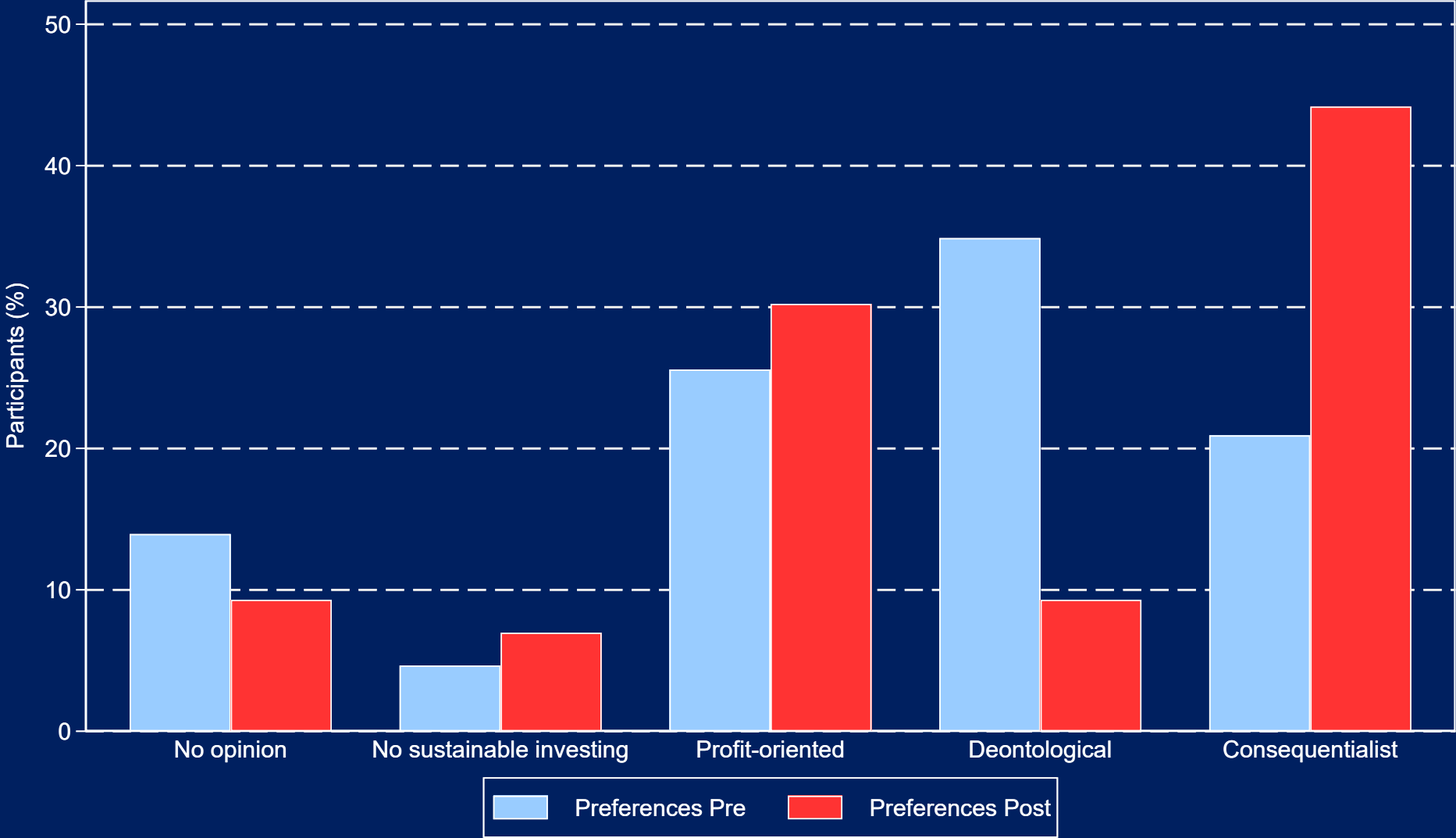
Consequentialist (impact)

- If sustainable investing has a direct positive impact on the environment or society. I don't mind if this potentially leads to a reduction in my pension payments at retirement.

Deontological

- Based on social norms or moral reasons. I am determined not to invest in companies that negatively impact the environment or society. I don't mind whether this affects the impact of my investments or potentially lowers my pension payments at retirement.

Decisions change during mini-public

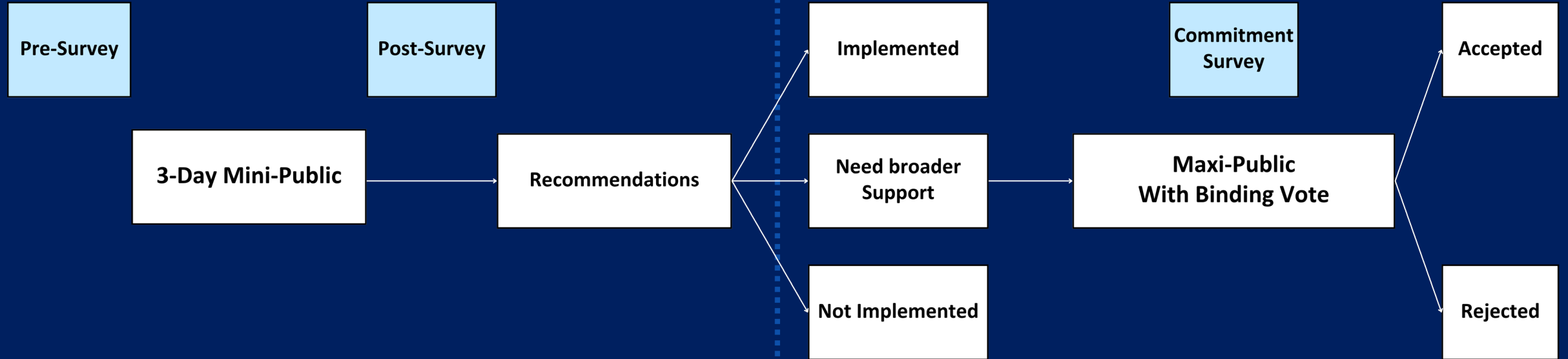


85% Voted for more Impact Investments

Paper Overview

Study 1: Deliberative Mini-public

Study 2: Field Experiment Impact Investing



Study 2: Field Experiment Impact Investing



Do pension members vote to expand impact investing when it comes at a financial cost?

Commitment Survey outline – 6.2% response rate

220,000 personalized emails



Quarterly newsletter



QR code on pension fund website



Retail sector employers nudged



More or less impact investing?

How much should Pensioenfond Detailhandel invest in impact investing?

- Stop (0%)
- Keep unchanged (1%)
- Expand (2%-5%)
- I do not know / prefer not to say



Pre-registered Decision Rule: Most common choice implemented

More or less impact investing?

We highlighted to respondents:

Binding vote

Most chosen answer

Magnitude

1% = €300 million
or
€3/month/person

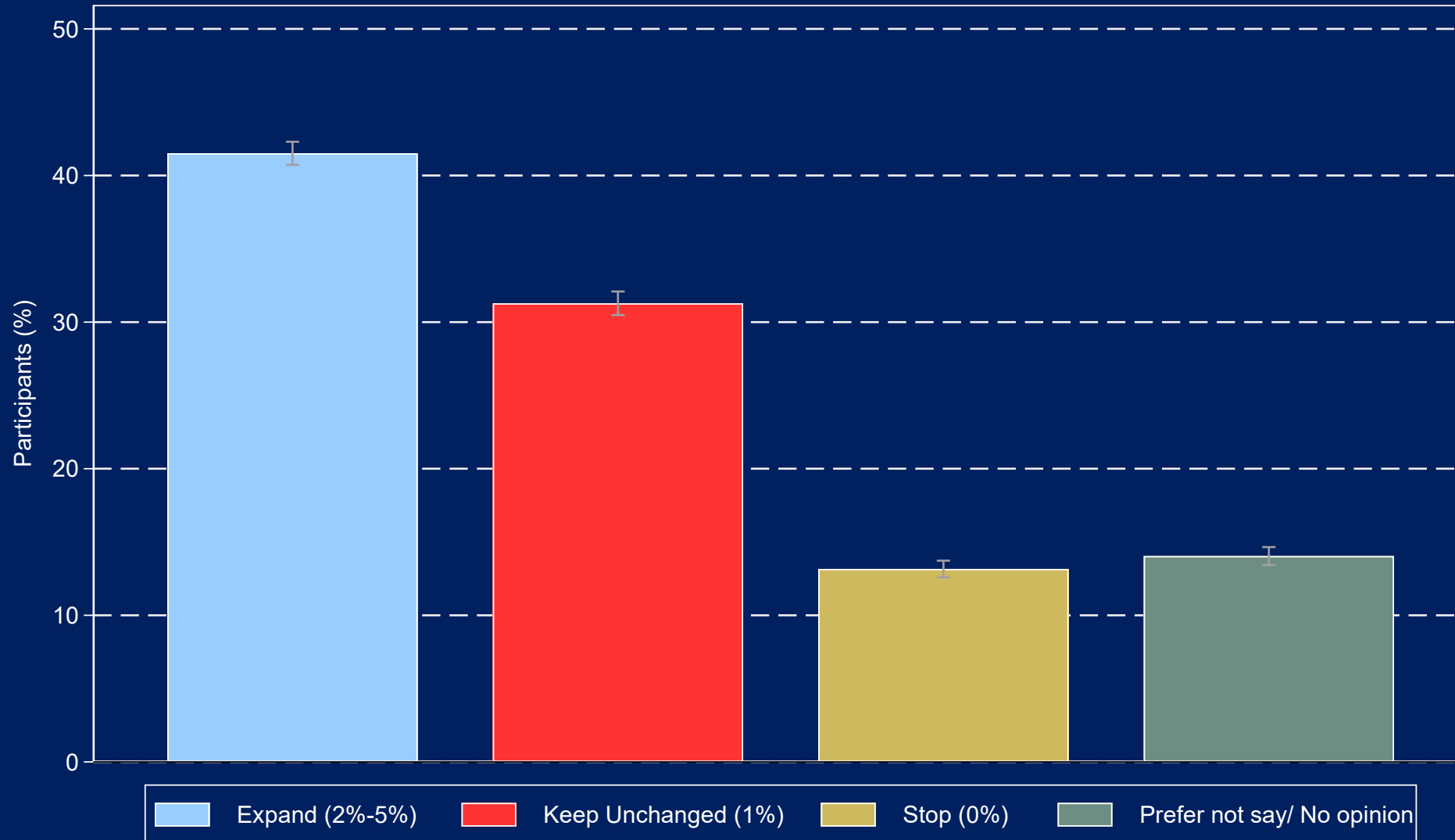
Reweighting

For representativeness

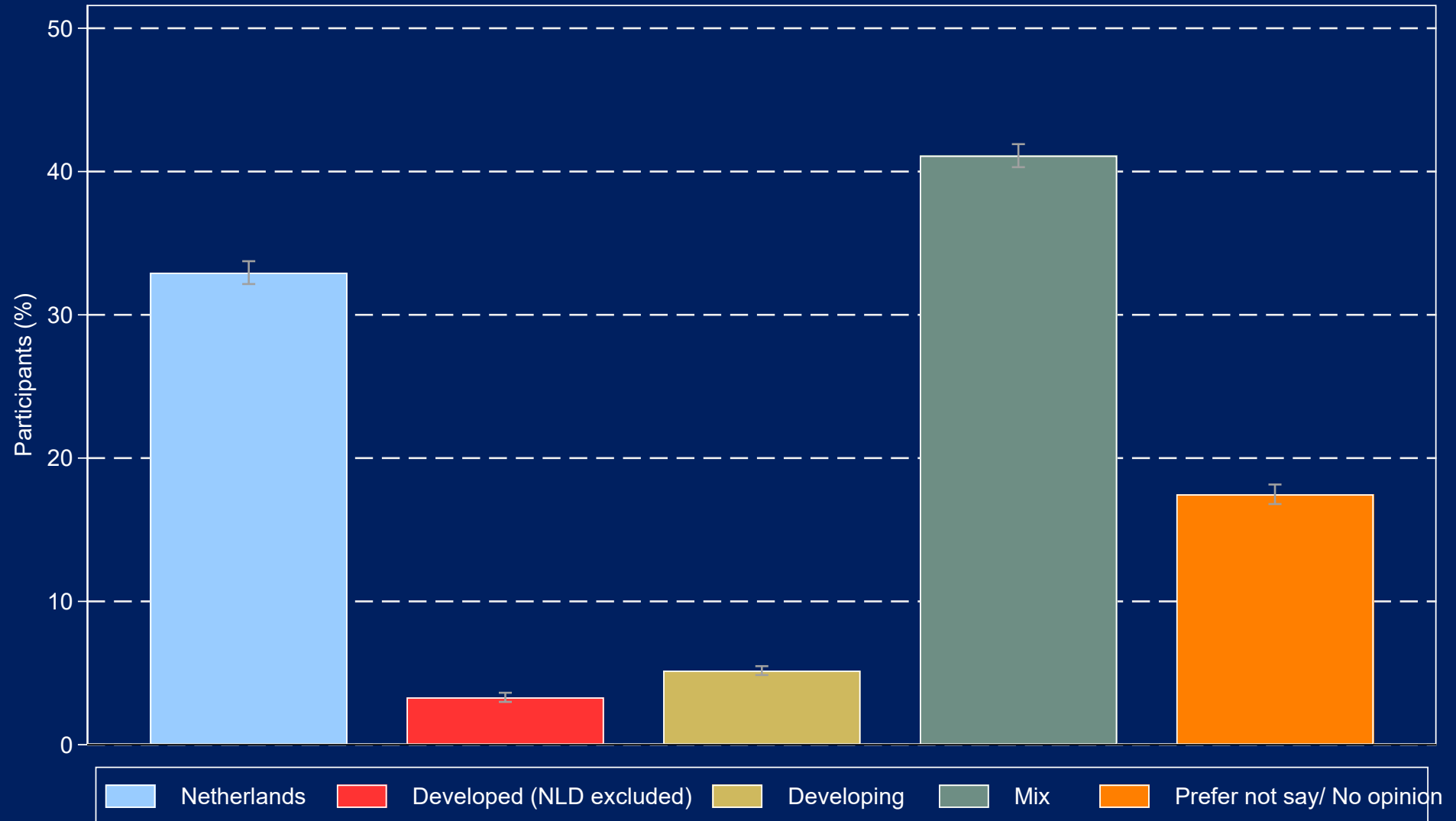
Study 2: Commitment survey impact investing

Results

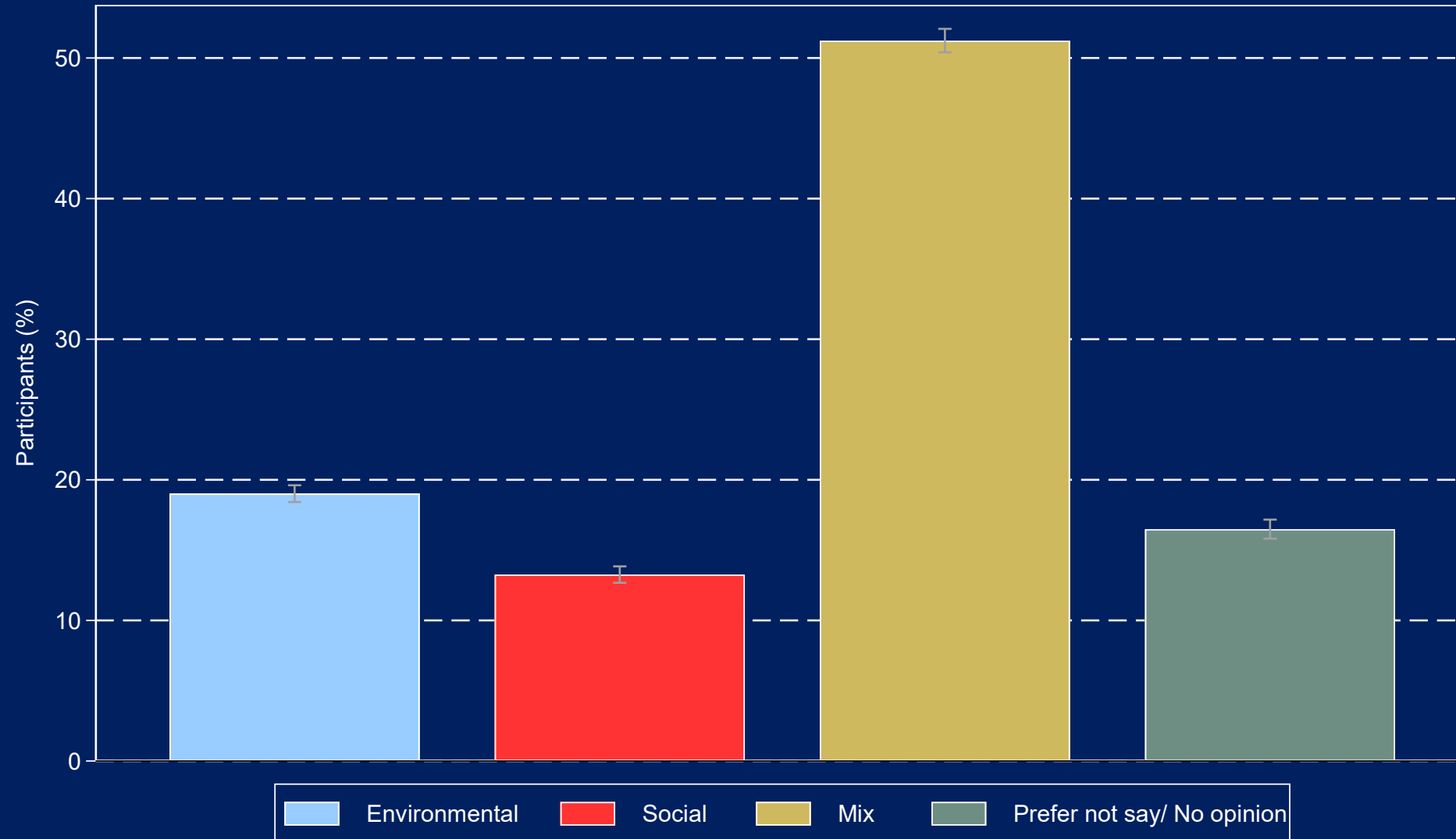
Vote for increasing impact investments



Prefer mixed impact investing location



Preferr mixed impact investing topic



Impact investing is polarized

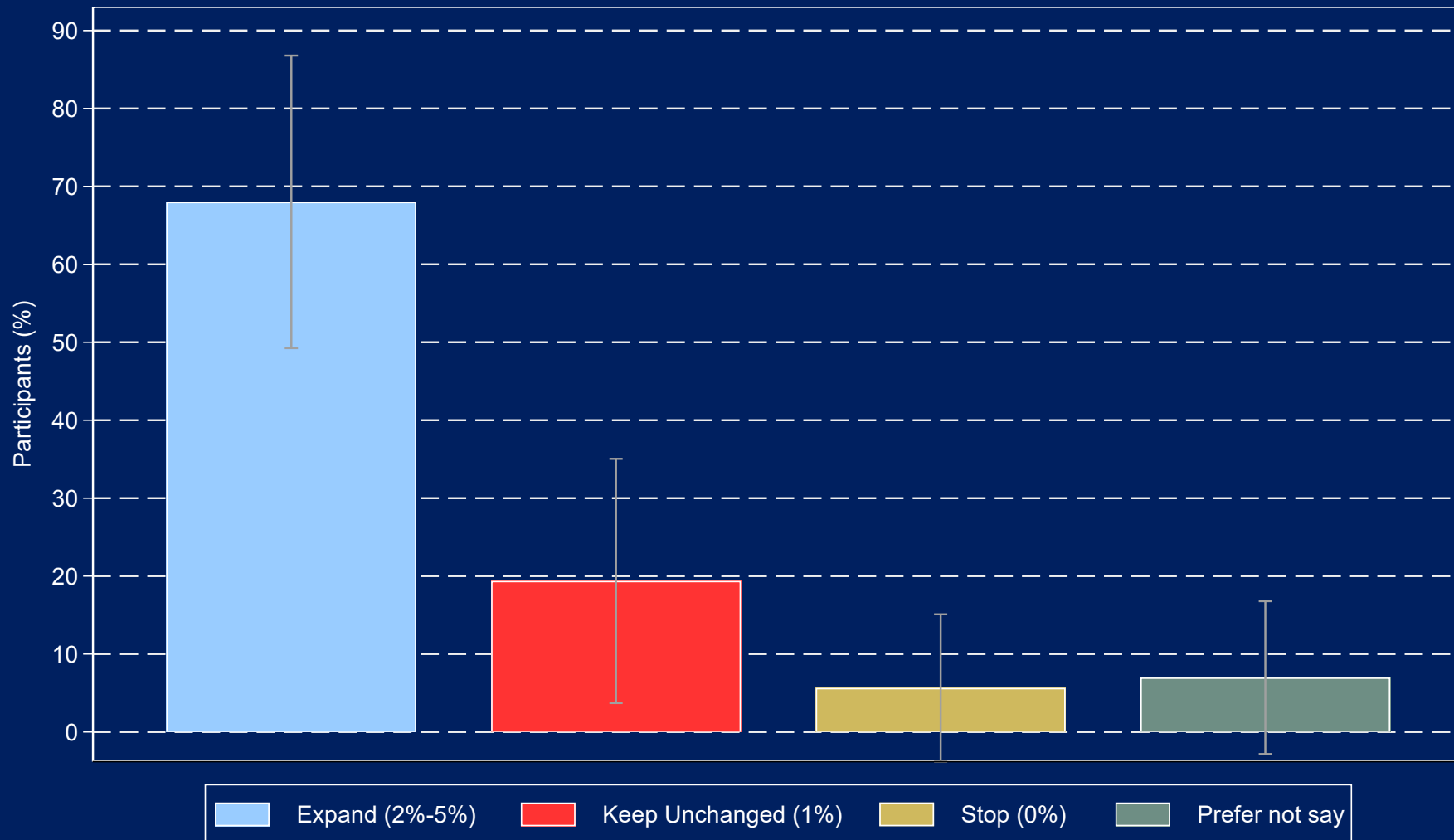
A priori support expansion impact investing

- Right-wing: 26.8%
- Left-wing: 51.4%

Can the mini-public and maxi-public reach both sides of the aisle?

Polarization and the mini-public

Original mini-public participants: 66.7% votes Expand



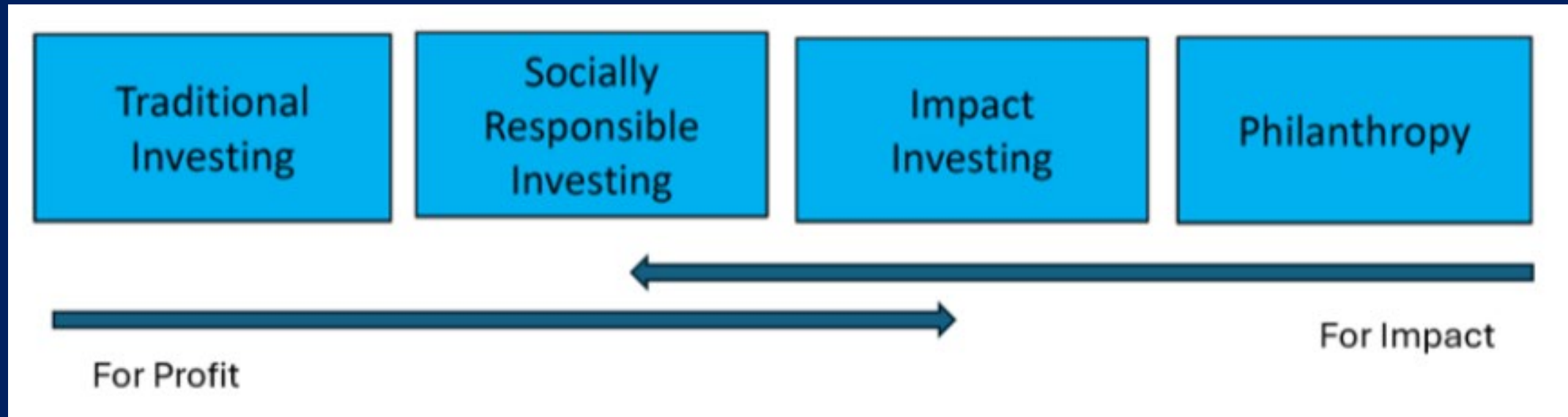
Dutch Pension award for sustainable investing

Pensioenfonds Detailhandel
wint award met
Deelnemersdialogoog



**1 billion euros extra
Impact Investments**

SPECTRUM OF SUSTAINABLE FINANCE





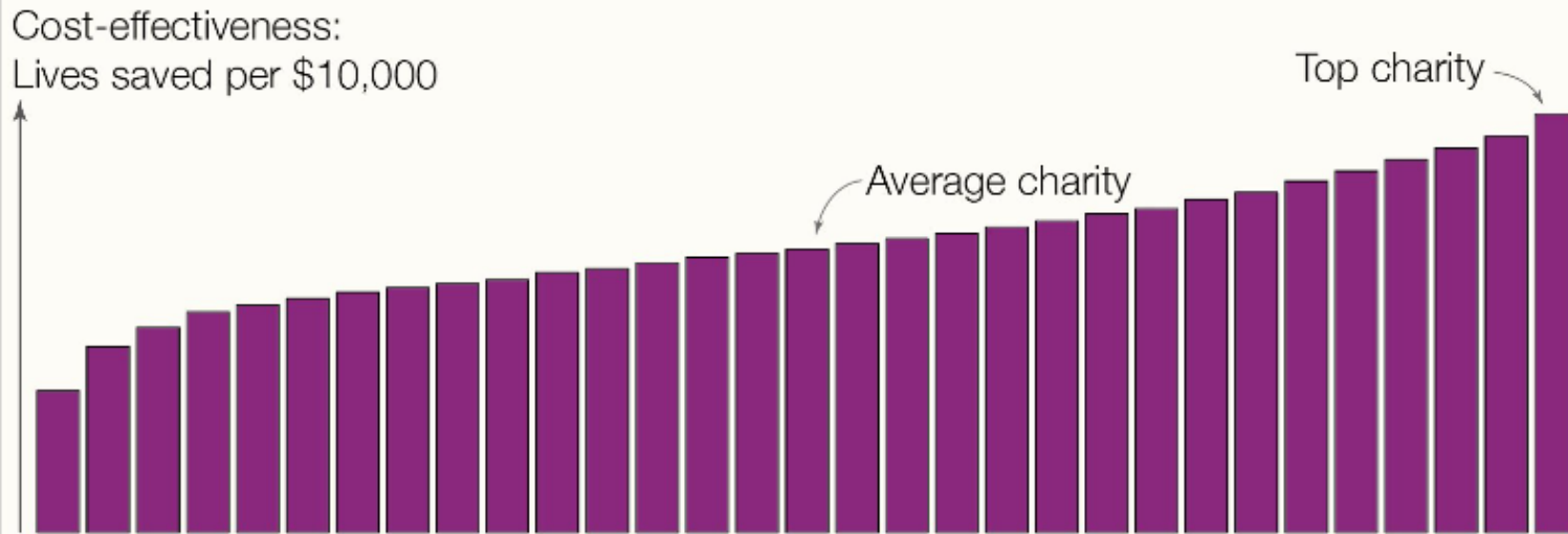
Philanthropy



Difference in intervention effectiveness

This is what laypeople think the distribution looks like

Laypeople think the most effective charity is about **1.5-times** as effective as the average charity.

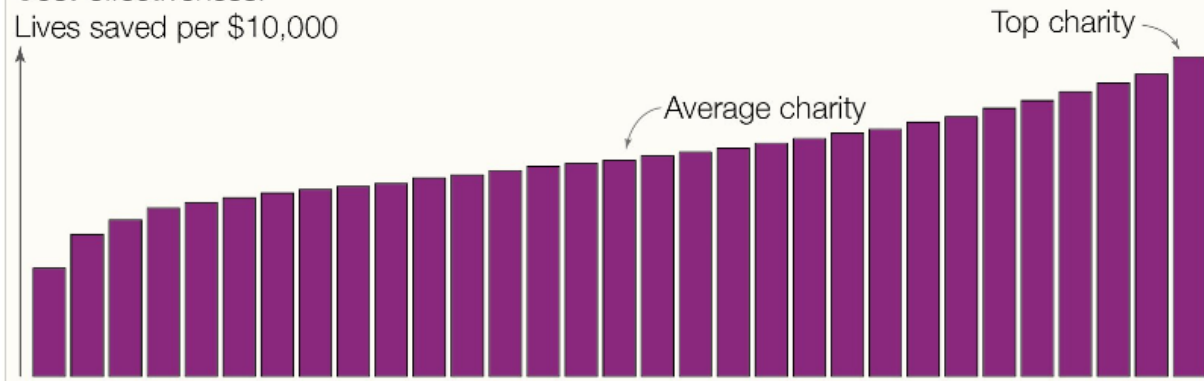


Difference in intervention effectiveness

This is what laypeople think the distribution looks like

Laypeople think the most effective charity is about **1.5-times** as effective as the average charity.

Cost-effectiveness:
Lives saved per \$10,000



What the distribution looks like

Global health experts think the most effective charity is about **100-times** as effective as the average charity.

Cost-effectiveness:
Lives saved per \$10,000

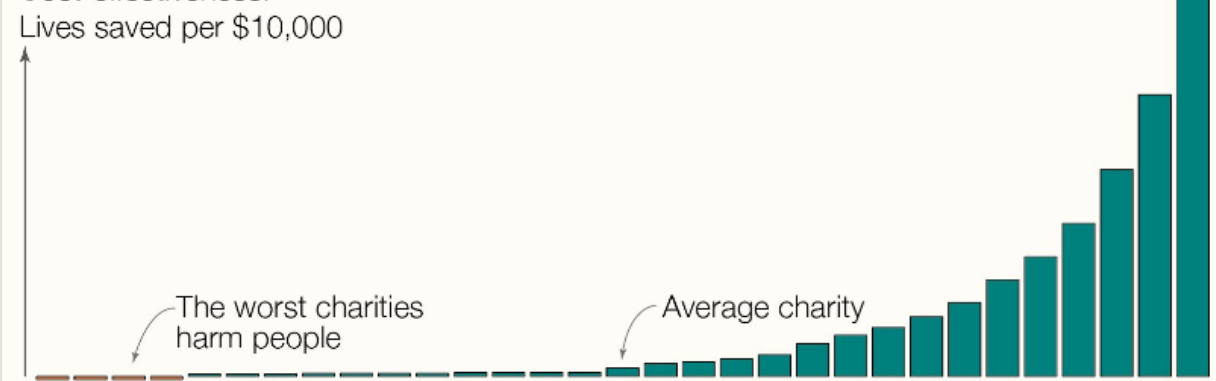


Illustration based on the findings by Caviola et al (2020) – Donors vastly underestimate differences in charities' effectiveness

www.paulsmeets.eu



YouTube

@ProfPaulSmeets

Main Question

**Do you want Pensioenfonds Detailhandel to add
the fourth sustainable development goal
'Responsible consumption and production'?**

Yes, add

No, do not add

No opinion



Adding a SDG means expanding sustainable investing

Not only financial returns count, but also social returns

What motivates SRI Investors?

Riedl and Smeets (2017) Journal of Finance

The Arbitrageur



The Talker



The Giver

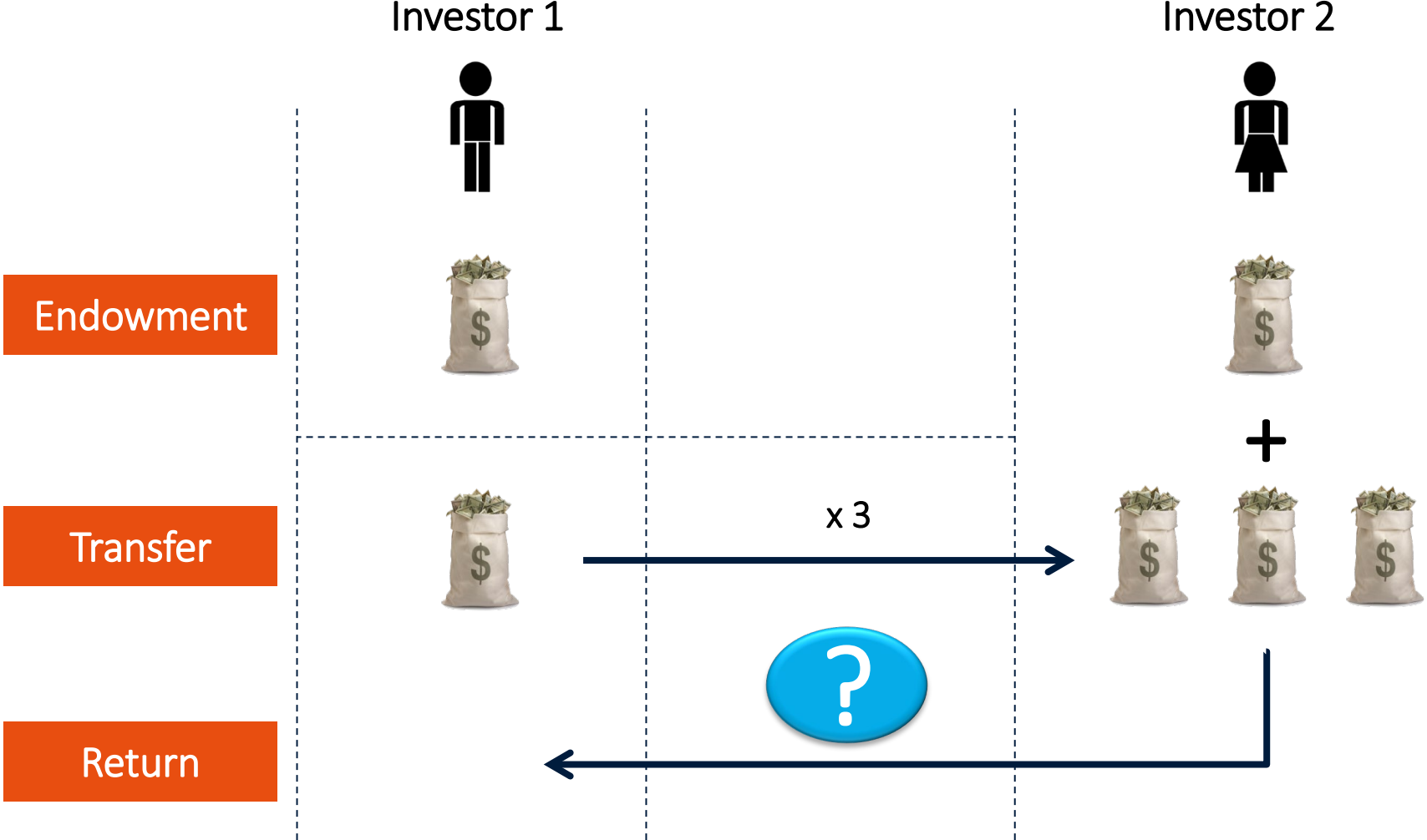


ROBE  **CO**

The Investment Engineers

What motivates SRI Investors?

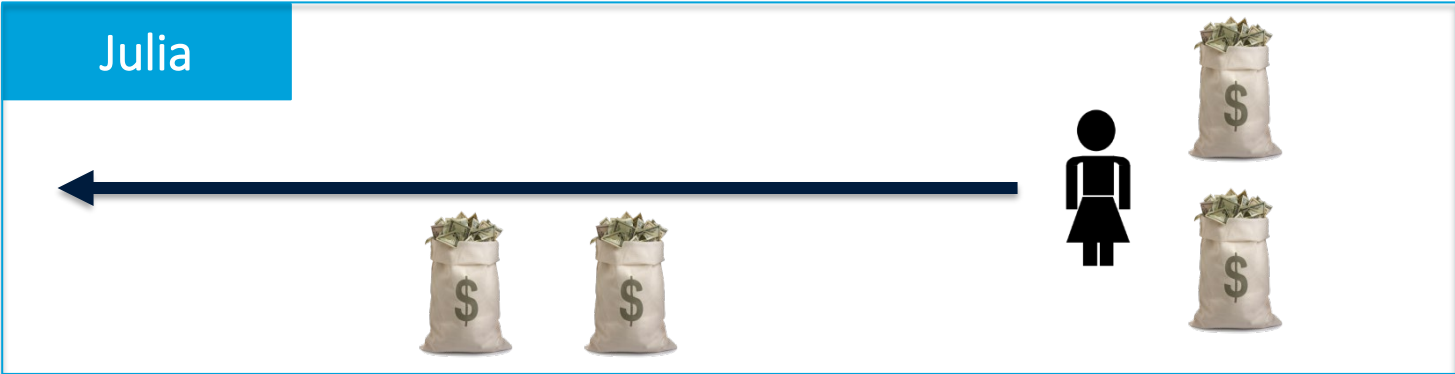
The Trust Game



What motivates SRI Investors?

The Trust Game

Julia is twice as likely to invest sustainably than Barbara



Some Sustainable Investors are Givers!

