

Press release

New Achmea IM model offers insight into ESG effects on financial performance

Zeist, 22 September 2023 - Achmea Investment Management has developed an innovative methodology that measures the performance impact of ESG investing. It provides insights into which ESG choices have resulted in which financial results. In addition to financial criteria, the methodology also makes non-financial criteria identifiable and quantifiable. It also increases transparency in the assessment of asset managers by providing insight into the performance of the various ESG considerations that are made at any point in an investment process.

René Wijnen, Portfolio Manager Equities, explains: *“The rise and growth of ESG investing has significantly changed the world of investing. However, it remains difficult to determine the precise impact of ESG policies and choices on the financial performance of an investment portfolio. And which choice is responsible for which part of the return. At Achmea Investment Management, we now have a methodology that provides insight into which ESG choices have resulted in which financial results.”*

This new approach to performance attribution is based on a well-known technique in the field of machine learning, and can be of great value to portfolio managers, asset managers, institutional investors and regulators. It offers more transparency, making them better able to explain the returns of their investment portfolios in more detail.

Performance attribution

The methodology also makes non-financial criteria identifiable and quantifiable. The energy sector provides a recognizable example. This sector showed excellent financial performance in the past year, but at the same time it's often underweighted in the portfolio of institutional investors. This has resulted in lower returns. But what is missing is insight into why the energy sector is underweighted in the first place. Is this the result of:

- normative exclusions (exclusion of the entire fossil sector)?
- ESG integration (exclusion of worst-in-class ESG ratings)?
- CO₂ reduction targets (using an absolute ceiling to top off CO₂ emissions)?
- active choices in an investment strategy?
- or “all of the above”? In that case, the question is in what proportion?

Machine learning technology offers the solution

The methodology is based on Shapley values, a scientific method developed in the 1950's by Nobel Prize winner Lloyd Shapley. Shapley came up with a theory to achieve a fair distribution of the outcome of a collaborative game. The concept of marginal contribution is central: a player who contributes more to the outcome of the game is rewarded accordingly. Unique to this approach is the way in which complex but very substantial interaction effects are properly included in the distribution. *“It is this property that makes it so suitable for applications in machine learning models, and therefore also for explaining positions and therefore financial returns in investment portfolios,”* explains Portfolio Manager Ralph Sandelowsky of Achmea IM.

The results can be used in performance attribution to obtain an accurate measurement of the financial performance effect of the investment strategy and/or the different ESG choices. This new approach is valuable for portfolio managers and asset managers of both active management strategies and replication strategies of customized ESG indices. It makes performance effects transparent, creating opportunities for adjustments and accountability for sustainable choices that have been made.

You can read more about this innovative methodology in the [research paper](#) on [achmeainvestmentmanagement.nl](https://www.achmeainvestmentmanagement.nl)

For more information:

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About Achmea Investment Management: creating future capital in a better world

Together with clients and our more than 350 committed employees, we create future capital in a better world. Via robust portfolio construction, effective asset management, responsible investing, and thoughtful risk management.

Achmea Investment Management is an independent division of Achmea, a solid, non-listed Dutch insurance group with a cooperative tradition. We have been supporting pension funds in the Netherlands with tailored solutions for over 60 years. We manage assets of over € 180 billion for our clients (*as at the end of Q2 2023*).

More information: <https://www.achmeainvestmentmanagement.nl/institutioneel>