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Article

Changing the Pension Game: A Stakeholder Analysis of Systemic Barriers to Enhancing Sustainable Investing in the Dutch Private Pension Sector

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ABSTRACT

Financial institutions play a crucial role in driving sustainable transformation across various sectors, with both the banking and insurance industries articulating strategies for sustainable investing. This article focuses on the Dutch private pension sector, a key subset of the Dutch financial system. The research aims to identify structural changes that can enhance the sustainable transformation of the Dutch private pension sector.

Using a theoretical framework based on systems analysis and sustainable investment performance, data were collected through focus groups involving sustainability experts and insurance industry professionals, as well as in-depth interviews. The analysis revealed the multifaceted challenges facing the Dutch private pension sector in its pursuit of sustainability. From organizational dynamics to regulatory frameworks, several factors influence the adoption of sustainable investing practices. This study identified 12 rules that dominate collective behavior within the Dutch private pension system. These rules include barriers hindering sustainable investing, such as fears of greenwashing, accusations, and insufficient performance data. If the sector aims to increase sustainable investments, structural changes are needed in relation to these rules. This study recommends establishing a common objective framework for sustainable investments without imposing additional costs on insurance companies. NGOs could facilitate monitoring efforts and consensus-building, while government intervention is necessary to create a framework that incentivizes insurance companies to prioritize sustainability in their investments.

KEYWORDS: financial institutions; sustainable market transformation; Dutch private pension system; sustainable investing; systemic barriers

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INTRODUCTION

The necessity of mitigating climate change and fostering sustainability has become increasingly evident in recent years. As human society recognizes the repercussions of exponential resource exploitation, international agreements such as the Paris Climate Agreement have underscored the urgent need for collective action to limit global warming. Signed by 196 parties in 2015, the Paris Agreement aims to keep the global temperature rise to well below 2 degrees Celsius, ideally to 1.5 degrees Celsius, compared to pre-industrial levels [1]. The Netherlands, in alignment with this global effort, published a climate regulation [2] on June 26, 2019, outlining its national climate plan.

The significance of such agreements cannot be overstated, as failure to meet their objectives carries severe consequences for both humanity and the planet. Given that the private sector is a crucial stakeholder in achieving these goals, financial institutions have been called upon to play a proactive role in financing sustainable initiatives. In response, the Taskforce Finance, comprising pension funds, banks, insurance companies, and Invest-NL, has explored avenues for market-driven financing of sustainability initiatives [2]. However, critiques from NGOs such as Milieudefensie highlight persistent gaps in sustainable investment practices within the financial sector, particularly in the insurance industry. This raises the need to examine the Dutch insurance sector, with a specific focus on the pension system, to understand its role in the sustainable transformation. Therefore, this article seeks to address the following research question.

Which Structural Changes Can Enhance Sustainable Transformation in the Dutch Private Pension Sector?

To investigate this question, we adopt the theoretical framework proposed by [3], which conceptualizes industries as systems comprising interconnected, self-optimizing actors working toward specific objectives. Utilizing this framework, we aim to delineate the rules governing the Dutch private pension sector and identify avenues for structural change that can foster sustainable outcomes, i.e., sustainable investments by insurance companies.

“Rules” is a common term used to describe feedback loops that are always present in complex systems [4]. Feedback loops consist of a series of cause-and-effect relationships that collectively result in the outcome of a system [5]. Feedback loops are key to systems thinking because they combine interconnections between elements in a system [4]. Plate and Monroe [6] argue that systems thinking requires identifying the relevant feedback loops and understanding how they impact the collective behavior in a system. In this article, we study the feedback loops in the Dutch private pension system by identifying the rules that shape the current collective behaviors of insurance companies and, therefore, the extent to which these behaviors result in sustainable outcomes.

The Dutch pension system, characterized by its three-pillar structure encompassing public, occupational, and personal schemes, serves as a vital component of the nation's social security framework [7]. Notably, the prominence of occupational pensions in the Netherlands distinguishes it from other countries, with mandatory participation in industry-wide pension funds accounting for a significant portion of the market [8]. Managing substantial amounts of assets responsibly through a transition period while being held accountable for enabling sustainable business transformation places significant responsibility on all actors in the pension and insurance sectors [9]. This research focuses on the second-pillar pension schemes run by the private sector (insurance companies and Premium Pension Providers, hereafter referred to as Insurance Companies). The study does not distinguish between Defined Benefit Schemes and Defined Contribution Schemes. The structure analyzed excludes pension funds and is therefore referred to as the "Dutch private pension sector".

Within the Dutch private pension sector, the insured pension system occupies a distinct regulatory space, governed by specific frameworks and overseen by regulatory bodies such as the Dutch National Bank (DNB) and the Authority for the Financial Markets (AFM). These regulators play a crucial role in ensuring compliance with prudential and behavioral standards, respectively, thereby shaping the conduct of insurance companies operating within the sector.

The regulatory landscape is evolving to incorporate sustainability considerations, with initiatives such as Solvency II and the Sustainable Finance Disclosure Regulation (SFDR) aiming to integrate sustainability factors into prudential and behavioral frameworks [10]. However, challenges persist in aligning regulatory mandates with sustainability imperatives, highlighting the need for further examination.

Theoretical insights from [3] provide a foundation for analyzing the behavior of actors within the Dutch private pension sector and identifying opportunities for systemic change. By exploring the interplay between regulatory frameworks, industry dynamics, and stakeholder motivations, this study seeks to generate actionable recommendations for enhancing the sustainability performance of the Dutch private pension sector [11].

In addition to theoretical contributions, this research holds practical relevance for stakeholders within the Dutch private pension sector. By clarifying the consequences of current actions and proposing strategies for fostering intrinsic motivation within insurance companies, this study aims to guide industry actors toward sustainable outcomes. Ultimately, this research contributes to the broader discourse on sustainable finance and offers insights into the systemic changes necessary to navigate the transition toward a more sustainable future.

LITERATURE

The transition toward sustainability in the financial sector requires a paradigm shift in investment practices and regulatory oversight. Loorbach et al. [12] define transitions as nonlinear shifts between dynamic equilibria, emphasizing large-scale disruptive changes in societal systems to address societal challenges. Building on this view of transitions, [3] propose a Sustainable Market Transformation (SMT) framework based on structural changes in a value chain that emerge from continuous interactions among various actors in both regimes and niches, eventually leading to a shift from one regime to another. This theory provides a framework for analyzing systemic changes and the roles of different actors in fostering sustainable transformations. The approach to system analysis involves identifying four cause-and-effect loops, which interact to create complex systemic outcomes [11].

Sustainable Market Transformation

The starting point of SMT is the recognition that the sustainability problems we perceive are not necessarily the problems we need to solve [3]. Sustainability problems are the outcomes of collective behaviors that result from current organizational structures—referred to as 'the regime' in the Multi-Level Perspective [13]. The institutionalization process is defined as the normalization over time of collective behaviors that result in more sustainable outcomes for a system [11]. SMT assumes that a different outcome in relation to sustainability challenges is possible by changing the underlying organizational structures that trigger more sustainable collective behaviors and outcomes. These organizational structures are divided into four feedback loops [11]:

- The market-dynamics loop: What does the market reward and compete on that leads to sustainability problems?
- The enabling environment loop: What are the governmental structures that support, strengthen, or fail to correct sustainability problems?
- The externalities loop: Who is affected by sustainability problems, and how powerful are these actors?
- The alternatives loop: How attractive are the alternatives for actors who wish to behave more sustainably?

According to SMT, a different outcome in a system relies on changing underlying organizational structures that trigger more sustainable collective behaviors and outcomes. Such structural change can be triggered by interventions from insurance companies, governments, clients, or other actors within the Dutch private pension sector. Interventions are defined as actions that have the potential to change the organizational structures of a system [11]. Analyzing how and in what way potential actions can change the current organizational structures is therefore a crucial part of developing a transition strategy. Since such interventions can come from many different actors, SMT posits that various actors can contribute to the acceleration of transitions toward a more sustainable private pension sector.

Transition in the Dutch Financial Market System

In the financial markets, there is a distinction between internal and external sustainability issues. While external concerns relate to the potential to influence other industries through investment decisions, internal challenges pertain to the inherent volatility and instability within the financial system, as exemplified by the 2008 financial crisis. Although the latter is beyond the scope of this article, the focus here is on external possibilities concerning other markets.

Lugtigheid and Ganzi [14] analyze the financial sector by investigating the loops that underlie the financial crisis, which led to regulatory interventions aimed at stabilizing the sector and imposing solvency obligations. Moreover, they examine the evolution of sustainable investments, noting a shift from avoiding “sin stocks”, such as those in the tobacco and weapons industries, to active engagement in sustainable investments, employing Environmental, Social, and Governance (ESG) standards as a benchmark.

In investigating the phases of sustainable investment transformation, [14] highlight the transition toward the mainstream adoption of ESG standards, symbolizing an effort to regain trust following the financial crisis. They cite initiatives such as the collaboration between 130 banks and the United Nations, which resulted in the formulation of six principles for Responsible Banking, aimed at fostering a level playing field in sustainable finance.

In summary, the financial market system is undergoing a transformation toward greater sustainability, marked by shifts in investment practices and regulatory frameworks. The emergence of ESG standards as a normative framework underscores the industry’s commitment to responsible finance, although challenges remain in ensuring consistency and transparency across stakeholders.

Sustainable Asset Allocation

Traditionally, insurance companies have operated on a business model centered around insuring risks based on customer premiums and achieving investment outperformance [15]. The Dutch private pension sector serves as a notable example, where insurance companies engage in profit-sharing agreements with employers, driven by the need to generate returns above a specified threshold.

Within the realm of asset allocation, insurance companies operate within regulatory frameworks such as Solvency II, designed to mitigate risks and ensure financial stability. However, discussions surrounding risk-return trade-offs highlight the complex interplay between regulatory mandates and investment strategies [16].

The impact of Environmental, Social, and Governance (ESG) investing strategies on financial performance remains a topic of debate [17]. While proponents argue for a positive correlation between ESG criteria and Corporate Financial Performance (CFP), empirical evidence remains inconclusive. Studies by [18] present varying perspectives: some assert a positive correlation between ESG impact and CFP, while others find a negative correlation, attributing it to factors such as carbon risk and biased indices.

Moreover, discrepancies in ESG ratings across different agencies further complicate the assessment of ESG performance and its implications for financial returns. Berg, Kölbel, and Rigobon [19] emphasize the divergent views among raters, posing challenges for investors in evaluating ESG performance and integrating it into investment decision-making processes.

In conclusion, the relationship between ESG investing and financial performance remains complex, with conflicting evidence and differing opinions on its impact. As such, navigating sustainable asset allocation requires a nuanced understanding of ESG criteria, regulatory frameworks, and market dynamics.

In the following chapters, we will delve into empirical analysis, applying the theoretical insights from the previous discussions to investigate the Dutch private pension sector. Through examination and analysis, we aim to identify the structural changes necessary to foster sustainable transformation within the pension industry, contributing to both theoretical understanding and practical application in sustainable finance.

METHODS

The research aims to evaluate the current state of the Dutch private pension sector and identify potential changes to enhance its sustainability. Saunders, Lewis, and Thornhill [20] describe exploratory research as suitable for describing ongoing phenomena and understanding their underlying causes. This study employs a flexible, exploratory approach, incorporating a literature review, expert interviews, and focus group sessions [21].

Data Collection

Due to the exploratory nature of the research, non-standardized qualitative interviews are recommended [20]. Two focus group sessions were conducted, involving experts and professionals from the insurance industry. Participants for the focus groups were selected based on their significant involvement in sustainability developments within the Dutch private pension sector. Furthermore, all participants were responsible for implementing sustainability in their organization and had at least five years of work experience. In total, nine experts participated in both focus group sessions, which took place over two working days, from 9:00 to 17:00.

The sessions aimed to gather diverse perspectives and explore the current system using the Sustainable Market Transformation model by [3]. The focus group sessions addressed system exploration, identification of interventions, envisioning the future, and formulating strategies within the Sustainable Market Transformation framework.

The focus group sessions provided an initial overview of the structural changes needed to enhance sustainable transformation in the insurance sector. Following this, semi-structured interviews were conducted with employees from Dutch insurance companies, selected based on their roles and expertise. These interviews sought to gather in-depth insights into the system's dynamics and potential strategies for the sustainable transformation of the Dutch private pension sector. The interview protocol is structured around the key concepts from the literature review, and the full text is included in Appendix 1.

The sampling strategy for the interviews involved purposive sampling, based on the role of the interviewees. All interviewees had worked for at least five years at an insurance company and held roles that allowed for interactions with both internal and external actors. The following role categories were selected as appropriate for the interviews: C-level managers, legal counsels involved in implementing legislation, proposition managers, investment managers, and sustainability managers. The sample size depended on the point of saturation, which is when no new themes emerge from the respondents [22]. Once saturation was reached, the sample size was considered adequate. Given the varying levels of expertise among the respondents, 16 interviews were conducted.

Data Analysis

The Grounded Theory approach was adopted for data analysis, allowing themes and connections to emerge from the collected data [23]. Open coding was used to cluster the data into conceptual units and derive themes based on the responses [24]. The analysis was structured around the four feedback loops defined by [3]: market dynamics, enabling environment, externalities, and alternatives. Within each feedback loop, themes were developed through coding based on the respondents' answers. This inductive process resulted in 36 codes for market dynamics, 29 codes for the enabling environment, 15 codes for externalities, and 22 codes for alternatives. These codes were clustered into conceptual units [20]. These conceptual units were labelled as "rules" of the Dutch private pension sector to identify the structural changes needed to enhance the system's resilience and effectiveness in addressing societal challenges. In total, the analysis resulted in four specific rules for market dynamics, four rules for the enabling environment, two rules for externalities, and two rules for alternatives. The next section introduces these rules with contextual quotes from the interviews.

RESULTS

Analyzing the Market Dynamics Loop

The respondents' attitudes toward sustainability within pension schemes reflect a nuanced interplay of intrinsic motivations, financial considerations, and broader societal developments. While the importance of sustainability is generally acknowledged, the degree of individual concern varies, often depending on income levels and proximity to retirement age. Younger cohorts tend to demand sustainable investments more strongly, while older individuals prioritize capital generation. The complexity of pension products, along with consumer inertia, presents challenges in maintaining sustained engagement with sustainability initiatives.

"For younger people, pensions are far off, so it's easier for them to demand sustainable investments. Older people want their pensions now, so it depends on who you ask"—Respondent 2.

Employers and advisors play pivotal roles in shaping pension schemes, yet their approach to sustainability is often limited to meeting minimum standards rather than proactive engagement. Advisors, driven primarily by cost considerations, prioritize compliance over sustainability, reflecting a conservative industry ethos resistant to innovation. Employer motivations, rooted in financial prudence and fiduciary duty, lead to a prevailing reluctance to invest in sustainability initiatives unless financially incentivized.

"We don't have enough conversations with clients on this topic... Advisors only look at costs, not performance or sustainability, or what we add to the world"—Respondent 10.

Within insurance companies, sustainability initiatives are primarily viewed through the lens of financial gain, demonstrating a pragmatic approach driven by market demands. Despite sporadic efforts to align with sustainability benchmarks, intrinsic motivation remains limited, and institutional priorities tend to directed toward compliance and cost reduction. The dominance of short-term financial objectives and regulatory pressures constrains organizational agility, resulting in inertia toward sustainability integration.

"There is a certain cost level that an organization can absorb"—Respondent 13.

While stakeholders acknowledge the importance of sustainability, its integration within pension schemes remains contingent upon financial viability and regulatory imperatives. The lack of intrinsic motivation within institutions highlights the need for systemic reforms that incentivize sustainable investment practices.

"The company reacts to what others say. For example, with coal, we just repeat what others say"—Respondent 2.

Based on these findings, the analysis resulted in four distinct rules that characterize the current dynamics of the market loop in the Dutch private pension sector:

- Rule 1: Employers and employees value the financial aspects of the product.
- Rule 2: Pensions are a complex and low-interest product for employees.
- Rule 3: Minimum sustainability standards do not reward innovation.
- Rule 4: There is no intrinsic motivation for insurance companies to invest more sustainably.

Analyzing the Enabling Environment Loop

In addition to market dynamics, several quotes shed light on the environment surrounding insurance companies. The insurance sector operates within a highly regulated environment, shaped by key regulators such as the Authority for the Financial Markets (AFM) and the Dutch National Bank (DNB).

The AFM plays an essential role in regulating the behavioral aspects of insurance companies, focusing on product approval processes, pension legislation, and compliance with the Sustainable Finance Disclosure Regulation (SFDR). While the AFM's influence is significant, insurance companies often prioritize compliance over proactive engagement with sustainability initiatives, driven by the perceived lack of credible threats and the vagueness of sustainability regulations.

"I think we just do what the AFM asks. If they were stricter, there's a chance we'd act"—Respondent 1.

Despite recognizing the importance of SFDR, insurance companies struggle with the complexity of reporting requirements and question whether detailed disclosures truly foster consumer understanding or drive sustainable investments. The absence of tangible incentives or clear regulatory guidance hinders meaningful progress toward sustainable finance integration.

"With SFDR, you have to show what you really do. The templates are a disaster; they're bureaucratic and not intuitive"—Respondent 9.

DNB's regulatory oversight includes areas like Solvency II and IFRS 17, with growing emphasis on integrating sustainability considerations within prudential frameworks. However, insurance companies highlight the need for a more nuanced approach to assessing climate risk and incorporating sustainable investments within prudential models to drive intrinsic motivation for sustainable finance.

"A new system for Solvency would create more traction than reporting demands... There should be collaboration between prudential and reporting... Climate risk isn't a single risk; if you look at flooding damages, the risks are different for insurers"—Respondent 13.

While regulatory compliance is acknowledged, insurance companies express scepticism about DNB's approach, citing a lack of trust and clarity in regulatory communications.

"With DNB, we always wait for the letter, because it might differ from our feelings after a meeting"—Respondent 1.

Additionally, the sector is influenced by various stakeholders, including industry associations like the Verbond van Verzekeraars, knowledge institutes like Netspar, and non-governmental organizations (NGOs) such as Milieudefensie. The Verbond van Verzekeraars serves as a platform for collective lobbying efforts and setting industry standards. However, divergent interests among member companies create challenges, especially when navigating complex sustainability legislation like SFDR.

"It's almost impossible to get all members aligned... each member has its own systems"—Respondent 5.

Despite recognizing the potential for collaboration in setting minimum standards and engagement strategies, insurance companies struggle with competitive pressures and regulatory constraints, which hinder sector-wide initiatives toward sustainable finance. The dynamics of regulation and stakeholder influence underscore the complexities of fostering sustainable finance within the insurance sector. While regulatory frameworks provide essential boundaries, a lack of clarity, tangible incentives, and intrinsic motivation obstruct proactive engagement with sustainability initiatives.

Based on these findings, the analysis resulted in the following rules within the enabling environment loop:

- Rule 5: The AFM and DNB prioritize enforceable legal frameworks.
- Rule 6: Insurance companies aim for compliance with legal frameworks that are emphasized by regulators.
- Rule 7: The current guidelines on sustainable investing are not enforceable.
- Rule 8: NGOs seek confrontation rather than constructive dialogue with insurance companies.

Analyzing the Externalities Loop

Balancing sustainability objectives with financial imperatives presents a significant challenge for insurance companies. Top management's stance on sustainability profoundly influences organizational behavior. While sustainability is recognized as important, it often remains peripheral to core business objectives. Respondents emphasize the need for leadership commitment to drive meaningful change:

"We can look at AFM or DNB, but the tone at the top is crucial. If the CEO says sustainability is important, it will change the organization"—Respondent 15.

However, the prevailing short-termism culture, driven by shareholder value maximization, inhibits sustained focus on sustainability:

"For our group, the topic is not important. Only shareholder value matters"—Respondent 11.

Incentivizing top management through long-term vision and aligning sustainability with key performance indicators (KPIs) is crucial to fostering intrinsic motivation:

"A long-term vision is necessary because you can't build a short-term business case"—Respondent 3.

Employees' attitudes toward sustainability reflect a generational divide and organizational inertia. While younger employees prioritize sustainability, entrenched corporate norms prioritize financial metrics. The demographic makeup of the workforce complicates this matter:

"The next generation doesn't want to work at our company if we don't prioritize sustainability"—Respondent 6.

Frustration grows among employees seeking to champion sustainability initiatives, only to encounter organizational barriers and budget constraints:

"A lot of people have left the organization frustrated by this issue"—Respondent 1.

Achieving meaningful sustainability integration requires a cultural shift, driven by leadership commitment and employee engagement. Aligning top management incentives with sustainability goals, fostering a culture of accountability, and empowering employees to drive change are key steps:

"It has to be a personal issue for the board. There need to be consequences for them"—Respondent 1.

Insurance companies must recognize sustainability as integral to long-term success, embedding it into corporate culture and strategic decision-making. By fostering leadership commitment, empowering employees, and realigning incentives, companies can move toward sustainable practices, fulfilling their societal and environmental responsibilities while safeguarding long-term value creation.

"As top management, you need to make this a core value; otherwise, all initiatives will just fade out"—Respondent 12.

Based on these findings, the analysis proposes the following rules within the mismatch of benefits and effects loop:

- Rule 9: Top management perceives sustainable investments not as a part of core business objectives.
- Rule 10: Employees of insurance companies are not rewarded for initiatives on sustainable investments.

Analyzing the Alternatives Loop

In the Dutch private pension sector, the lack of alternatives, coupled with a conservative attitude, presents significant barriers to embracing sustainability. Insurance companies operate in a risk-averse environment, shaped by past crises and regulatory scrutiny. Fear of litigation and accusations of greenwashing seem to become more worrisome, constraining the willingness to make bold sustainability claims:

"How do you ensure that you're not accused of greenwashing? Right now, there are uncertainties that could result in fines in the future"—Respondent 3.

Moreover, the unpredictability of asset performance, especially in sustainable investments, adds another layer of complexity. The lack of historical data and the challenge of conveying risk profiles to clients compound these concerns:

"We want to be fair to our clients and inform them about risks. But is it really possible to inform them if we don't know the risks?"—Respondent 13.

Limited availability of green investment opportunities is a significant barrier. Market scarcity makes this even worse, raising questions about the definition of sustainability and the reliability of metrics:

"Our asset manager doesn't have truly green funds. It's even difficult to find lightly green funds"—Respondent 6.

The subjective nature of defining sustainability further complicates matters, as personal agendas and political considerations come into play:

"What's considered correct is not absolute. As a company, it's hard to make political statements"—Respondent 10.

Fear of greenwashing and the perceived financial inefficiency of sustainable investments prevent insurance companies from embracing change. Uncertainties surrounding sustainability definitions and market scarcity only increase these challenges, creating a status quo that inhibits meaningful progress.

Based on these findings, the analysis identified the following rules for the alternatives loop:

- Rule 11: Sustainable investment goals are feared due to the risk of being accused of greenwashing.
- Rule 12: There is insufficient data to justify sustainable investments from a financial perspective.

An overview of the rules in relation to the four feedback loops is presented in Table 1.

Table 1. Summary of rules in the Dutch private pension sector.

Number	Rule of the Game
Feedback Loop 1: Market Dynamics	
Rule 1	Employers and employees value the financial aspects of the product.
Rule 2	Pensions are a complex and low-interest product for employees.
Rule 3	Minimum sustainability standards do not reward innovation.
Rule 4	There is no intrinsic motivation for insurance companies to invest more sustainably.
Feedback Loop 2: Enabling Environment	
Rule 5	The AFM and DNB prioritize enforceable legal frameworks.
Rule 6	Insurance companies aim for compliance with legal frameworks emphasized by regulators.
Rule 7	The current guidelines on sustainable investing are not enforceable.
Rule 8	NGOs seek confrontation rather than constructive dialogue with insurance companies.
Feedback Loop 3: Externalities	
Rule 9	Top management perceives sustainable investments not as a part of core business objectives.
Rule 10	Employees of insurance companies are not rewarded for initiatives on sustainable investments.
Feedback Loop 4: Alternatives	
Rule 11	Sustainable investment goals are feared due to the risk of being accused of greenwashing.
Rule 12	There is insufficient data to justify sustainable investments from a financial perspective.

DISCUSSION AND RECOMMENDATIONS

The findings from the study provides information about the rules governing the Dutch private pension sector, highlighting challenges related to intrinsic motivation, regulatory influence, and investment decisions. This discussion explores the implications of these results in the broader context of previous studies, focusing on the analysis of feedback loops identified in the study. Practical and policy recommendations are provided to support the structural changes needed to stimulate sustainable investing in the Dutch private pension sector.

A central theme emerging from the study is the lack of intrinsic motivation among actors involved in the pension system. This issue is observed not only at the level of boards of directors but also among employees within the organization. Despite recognizing the importance of sustainability, respondents noted a sense of apathy and scepticism toward sustainable investing initiatives. This lack of internal drive is reinforced by competing financial priorities and a conservative organizational culture rooted in decades of experience in a financially driven sector.

The literature supports these findings, suggesting that organizational culture and leadership play pivotal roles in shaping attitudes toward sustainability initiatives [25]. Without strong leadership commitment and a culture that values sustainability, efforts to promote sustainable investing are likely to encounter resistance and inertia within organizations [26].

Respondents overwhelmingly emphasized the necessity of enforceable regulations to drive sustainable investing practices. However, they expressed regret that such regulations were considered necessary, reflecting a broader sentiment that regulatory frameworks are insufficiently incentivizing sustainable behaviors. Despite regulatory efforts such as the Sustainable Finance Disclosure Regulation (SFDR), compliance remains a checkbox exercise rather than a catalyst for meaningful change.

This finding resonates with existing literature, which suggests that while regulations can set minimum standards, they often fall short of fostering genuine commitment to sustainability [27]. Moreover, the study highlights the limited influence of NGOs and public shaming campaigns on market behavior, indicating a disconnect between ethical considerations and financial decision-making within the insurance sector.

The analysis of feedback loops reveals two key loops that perpetuate the status quo of unsustainable investing practices. Both market dynamics and the enabling environment contribute to a risk-averse culture that prioritizes short-term financial gains over long-term sustainability objectives. This reinforces the reluctance of insurance companies to embrace sustainable investments, citing uncertainties surrounding financial performance and the definition of sustainability.

These findings underscore the complex interplay between financial considerations and sustainability goals within the insurance sector. Despite growing awareness of sustainability issues, the lack of clear incentives and regulatory frameworks hinders meaningful progress toward more sustainable investment practices. Moreover, the ambiguity surrounding the definition of sustainability and the perceived risks associated with greenwashing further complicate efforts to transition toward a more sustainable financial system [28].

Overall, the findings highlight the complex interplay between organizational dynamics, regulatory influences, and market dynamics in shaping sustainable investment practices within the Dutch private pension sector. Addressing these challenges requires a multifaceted approach that involves leadership commitment, regulatory reform, and stakeholder engagement to foster a culture of sustainability and drive meaningful progress toward a more sustainable financial system.

Recommendations for structural change encompass actions for multiple stakeholders in the Dutch private pension sector. For industry players like insurance companies, collaboration within industry associations such as the Verbond van Verzekeraars is recommended to collectively pursue sustainable initiatives. Governments should focus on creating enforceable legislation that provides clear incentives for sustainable investing, thereby fostering intrinsic motivation within insurance companies.

NGOs can contribute by facilitating collaboration between insurance companies, creating objective standards to reduce greenwashing fears, and serving as impartial observers. Financial institutions should explore collaborative strategies with NGOs to drive systemic change, while research institutions like Netspar can enhance transparency and provide justifiable frameworks for sustainable investments, thus catalyzing the transformation process.

By implementing these recommendations, stakeholders can collectively contribute to creating a system where sustainable investing is not only financially viable but also inherently motivated, ultimately leading to a more sustainable Dutch private pension sector.

CONCLUSION

In examining the progress of sustainable transformation within the Dutch private pension sector, it becomes evident that the market is in the early stages of a sustainable transition characterized by competitive advantage initiatives. Despite the presence of sustainability-related measures such as exclusion lists and engagement strategies, insurance companies lack the intrinsic motivation to prioritize sustainable investments due to the absence of a compelling business case. The system's rules dictate that initiatives are present, but intrinsic motivation within insurance companies remains elusive.

In conclusion, the analysis of the feedback loops within the Dutch private pension sector reveals a fundamental lack of intrinsic motivation for sustainable investments by insurance companies. Feedback loop 1 demonstrates that market dynamics fail to incentivize sustainable investments, as the market demands only minimal standards in this regard. Similarly, feedback loop 2 highlights the insufficiency of current legislation and regulatory frameworks to drive meaningful change toward sustainability.

Feedback loop 3 underscores the absence of repercussions for unsustainable investments in the performance measures of top management and employees, diverting organizational focus away from sustainability initiatives. Meanwhile, feedback loop 4 explains the reluctance of insurance companies toward communicating sustainability goals due to the fear of greenwashing accusations and the perceived lack of viable investment opportunities.

These dynamics in the Dutch private pension sector's system lead to an unsustainable outcome, indicating the urgent need for structural changes to foster sustainability within the sector. Moving forward, it is imperative for stakeholders to collectively prioritize sustainability, advocate for regulatory reforms, and actively engage in initiatives aimed at fostering a culture of sustainability. By implementing these recommendations, the system can evolve toward a more sustainable trajectory, ensuring long-term financial viability and societal responsibility.

DATA AVAILABILITY

The dataset of the study is available from the authors upon reasonable request.

AUTHOR CONTRIBUTIONS

Conceptualization, MR and AN; Methodology, MR; Software, MR; Validation, MR; Formal Analysis, MR; Investigation, MR; Resources, MR; Data Curation, MR; Writing—Original Draft Preparation, MR and AN; Writing—Review & Editing, AN; Visualization, MR and AN; Supervision, AN; Project Administration, MR; Funding Acquisition, MR.

CONFLICTS OF INTEREST

The authors declare that there is no conflict of interest.

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APPENDIX 1. INTERVIEW PROTOCOL

The interviews will be conducted and recorded via Teams.

Preliminary Instructions

- Description of the recording in Teams, confidentiality, and request for consent on recording: The responses will be anonymized and will not be used in any way that could trace the answers back to an individual.
- Brief introduction on the objective of the research and the roles of the interviewer and interviewee: The interview consists of open-ended questions. I encourage you to be open and detailed in your responses. There are no right or wrong answers. I am interested in your opinion, experience, and perspectives on the subject.
- Clarification request: If anything I say is unclear, please feel free to ask for clarification.
- Final check for questions: Do you have any questions at this moment?

Introduction

- What is your current role within your company?
- How long have you been employed by your company?
- What previous roles have you held within your company?

General Questions on Perception Towards Sustainability

Sustainability is a critical topic for all industries. It focuses on several aspects. This research specifically examines sustainability within the pension business and its impact on assets.

- What is your perspective on the current focus on sustainability in society?
- What is your perspective on the current focus on sustainability in the insurance sector?
- What is your perspective on the current focus on sustainability within your company?

Questions on Sustainability within the Insurance Sector (Model Changing the Game)

I have some questions regarding various stakeholders influencing the insurance sector. Feel free to share or withhold your opinions on these stakeholders.

Market Dynamics

- Do you feel our clients are able to assess our performance on sustainability?
- ▪ Employers?
- ▪ Advisors?
- ▪ Employees?
- Do you feel our clients are supportive of an increased focus on sustainability factors?
- ▪ Why and how?
- ▪ At what cost?
- How would you assess our communication on sustainability factors with our clients?
- ▪ What is your opinion on our reporting obligations (SFDR/Taxonomy)?

Government and Regulators

- What is your opinion on the current role of the authorities in relation to sustainability?
- What is your opinion on the current role of the sector association in relation to sustainability?

Enabling Environment

- What are the limitations to investing more sustainably (for example, the availability of sustainable investment opportunities)?
- What could help remove or raise these limitations?
- What is your vision for innovation within the insurance industry in terms of sustainability?

Questions on Sustainability within Your Company

- Do you believe that innovation in sustainability is a relevant factor in product development?
- What are the boundaries for your entity or department in innovating toward more sustainable investments?
- How could these limitations be overcome?
- Within your role, what limitations exist for creating more sustainability in our products?
- How could these limitations be overcome?

Incentives

- In your opinion, is your company creating the right incentives for innovation in sustainability?
- How could these incentives be improved?

Closing Question

This concludes the interview. Are there any other thoughts or perspectives you would like to share on this matter that we did not touch upon in the questions?

Thank you very much for your time during this interview. I also appreciate the insights and views you have shared on this important topic.

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