

Swiss pension funds insufficiently focused on climate change

Topic of the month October 2016

The majority of the 20 largest Swiss pension funds do not fully consider long-term environmental risks, such as climate change. That can put beneficiaries' savings at risk financially, particularly over the long term, according to a first survey published by WWF and the British Responsible Investment charity ShareAction.

WWF, together with Responsible Investment charity ShareAction, carried out a survey of the 20 largest Swiss pension funds. It analysed how far pension funds invest their beneficiaries' money sustainably and whether they transparently provide them with information. The survey concludes that the majority of the 20 largest Swiss pension funds do not yet systematically consider sustainability criteria, such as climate change, in their investment decisions.

Assessment of the 20 largest pension funds:

<u>Best practice:</u> -	
<u>Good practice:</u>	
Bernische Pensionskasse BVK Kanton Zürich CEPG – Etat de Genève	Pensionskasse Post Pensionskasse Stadt Zürich (PKZH)
<u>Upper midfield:</u>	
Aargauische Pensionskasse comPlan (Swisscom AG) CPEV – Etat de Vaud Migros-Pensionskasse (MPK)	Pensionskasse Basel-Stadt* Pensionskasse Hoffmann-La-Roche AG Pensionskasse SBB PUBLICA
<u>Lower midfield:</u>	
ASGA Pensionskasse Pensionskasse Novartis	Stiftung Auffangeinrichtung VITA Joint Foundation
<u>Underperformers:</u> -	<u>No scoring possible due to lack of information:</u> Pensionskasse der Credit Suisse* Pensionskasse Energie (PKE)* Pensionskasse der UBS*

Table **: Overall results / * This pension fund did not participate in the survey and the questionnaire remained unanswered. Its performance was thus only assessed based on publicly available information which consequently may be incomplete. Therefore, in our evaluation scheme a lack of transparency also led to low scores in the second part of the survey "Implementation" (questions II.a. to II.d.). It has to be noted that a low score does not necessarily mean that the fund in question is not undertaking any relevant Responsible Investment activities.

** Pension funds were arranged in alphabetical order within quintiles.



All 16 of the pension funds that participated in the survey do consider the topic of Responsible Investment, and 13 of those funds also have a relevant policy. However, the survey does show that there is still some way to go before Swiss pension funds exemplify international best practice in Responsible Investment. For example, only one pension fund has developed a strategy on the financial risks related to climate change. Transparency in relation to the actual holdings should also be increased, so that beneficiaries know how their money is invested and can take action when they disagree. Currently it's rare to see information published that goes beyond the allocation of assets to different types of investments such as equities or bonds.

Good for beneficiaries and the environment

“Pension funds should consider environmental risks in their investment decisions”, explains Britta Rendlen, Head of WWF Switzerland’s Department for Sustainable Finance. Environmental risks, such as climate change, are also often important financial risks for pension funds’ assets. “Responsible Investment is not only important for the environment but is also in the interests of beneficiaries”, she emphasises.

Integrating sustainable investments into the strategy

WWF and ShareAction recommend that pension funds should systematically consider Responsible Investment factors when they make investment decisions, and be open about how they do so. Alongside impacts on climate change, this also includes resource management, labour conditions and wage plans, and other factors. Furthermore, WWF recommends that pension funds actively exercise their voting rights at companies in which they invest directly and engage in dialogue with those companies. Voting rights should be exercised in Switzerland, as well as abroad. Such a course of action implies a cultural change within Swiss pension funds.

Pension funds are important

Pension funds in Switzerland manage CHF 767 billion (USD 804 billion). The 20 largest funds represent around a third of this (CHF 281 billion) and were surveyed in this study. Pension funds are among the largest and most influential investor groups in Switzerland. As long-term shareholders they are able to directly influence the decisions of the companies in which they invest. Pension funds thus are among the key players when it comes to creating a more sustainable economy.

Study on investment strategies and transparency

Responsible Investment is an approach which takes into account environmental, social and governance (so-called ESG) factors in the investment process. WWF and ShareAction also looked at the level of transparency of information on Responsible Investment. The study was carried out through desk research, and a questionnaire was sent to the 20 largest pension funds. Pension funds that did not answer the questionnaire were assessed based on publicly available information.

Further information:

The complete study “Swiss Pension Funds and Responsible Investment” with a summary of the results and all detailed information can be found on the WWF Switzerland website: https://assets.wwf.ch/downloads/wwf_shareaction_english_report.pdf



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About WWF Switzerland

WWF Switzerland is the largest environmental organisation in Switzerland and is organised as a charitable foundation. It belongs to the global WWF network, which is present with around 1000 projects in over 100 countries in the world. All projects have one big goal in common: To stop the worldwide destruction of the environment and to create a future in which humans and nature live in harmony. Therefore, animals, plants and their habitats have to be protected and our resource usage has to be steered towards sustainability. Around 260,000 members and supporters make the work of WWF Switzerland possible. www.wwf.ch

About ShareAction

ShareAction is a UK-registered charity that promotes Responsible Investment. ShareAction's vision is of an investment system that is a force for good – serving savers and communities and protecting our environment for the long term. www.shareaction.org



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