

A photograph of a courtyard with a red building, a glass roof, and green plants. The courtyard is paved with gravel and has several colorful chairs and a grill. The red building has a white window and a red door. The glass roof is made of white frames and glass panels. Green plants are growing on the right side of the courtyard.

Swiss Pension Funds and Responsible Investment

WWF Pension Funds Rating 2018/2019
Executive Summary

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WWF Switzerland

The mission of the WWF is to stop the global destruction of the environment and shape a future in which people and nature can live in harmony with one another. In order to fulfil this mission, the WWF is dedicated to preserving global biodiversity. The WWF also fights to reduce the use of natural resources to a sustainable level. In order to meet its objectives, the WWF works on four levels: in the field, with companies, in the political arena and with the population. The WWF regularly performs company ratings and thus assesses the sustainability performance of companies in important sectors.



Inrate

Inrate is an independent sustainability rating agency based in Switzerland. Since 1990, it has offered innovative research solutions and helped its clients – from institutional investors and financial services providers to international organisations – in integrating sustainability in their investment processes. With its innovative service approach, Inrate assesses the environmental and social impact along the entire value chain as well as the various corporate governance practices concerning companies, international institutions, different countries, and financial products. This allows its clients to better understand and optimize the impact of their investments on the environment and society, reduce the risks associated with their investments and identify earnings opportunities. Inrate also supports its clients in considering ethical values in their investment strategies. Through the provision of its services, Inrate contributes to ensuring a more sustainable economy and society.



Foreword from the Board of Trustees



Josef Bieri

Human activity has been transgressing all natural boundaries since the mid-20th century. On average, today's world population consumes the resources and reserves of 1.7 Earths – in Europe, it is around 3. In other words, we are no longer living off nature's natural interest, but for years have been drawing down its capital. Needless to say, this is unsustainable in the long term.

Increasingly, people and companies are feeling the physical effects of pollution and climate change. This analysis is nothing new, although the fact is often ignored. What is new is the political and economic fallout. An example of this paradigm shift is the Paris Agreement on climate change, signed by nearly every country in the world. The agreement envisages the timely rechanneling of financial flows in favour of a low-carbon and thus sustainable economy.

As responsible, long-term managers of occupational pension assets, pension funds play a decisive role in this respect. A targeted focus on sustainability and appropriate allocation opens up additional investment opportunities for pension funds, and systematically integrates risks that have not yet been adequately taken into account.

A timely response is necessary and also makes sense for pension funds from an environmental, social and economic point of view.

The aim of this study is to offer second-pillar decision-makers, their beneficiaries and stakeholder groups alike assistance in demanding and promoting sustainable pension capital investments. The overarching goal is to maintain a stable second-pillar pension system that invests in a common future for humans and nature.

Josef Bieri

Member of the Board of Trustees, WWF Switzerland

Foreword from the CEO



Thomas Vellacott

The sustainability of the financial sector is a strategic priority of the WWF, to which we in Switzerland wish to make a significant contribution. This study marks an important milestone in our engagement with the Swiss finance industry. For the second time since 2015/2016, we are presenting a rating of the largest Swiss pension funds. This is a project of major significance.

Sustainability is becoming increasingly important in the financial sector. With the Paris Agreement on climate change as well as the adoption of the Sustainable Development Goals (SDGs) in 2015, the international community established the groundwork for this and sent an unmistakable signal that sustainability is no longer an option but rather an indispensable prerequisite for successful business activities.

Because of their intergenerational mandate, occupational pension schemes are well suited to incorporating sustainability as an integral part of their activities. The significance of these funds should not be underestimated. The second-pillar pension system constitutes what is probably the most influential group of asset owners in the Swiss financial market. Moreover, these investors invest occupational pension assets globally in the interest of the beneficiaries and thus exert an important influence on the environment and society far beyond our national borders.

Looking beyond Switzerland, a remarkable dynamic is discernible today: the European Commission, for example, is working purposefully to establish a financial system that promotes sustainable growth. Sustainability is already being incorporated into European legislation. With the introduction of the EU's IORP II Directive as well as CSR reporting obligations, consideration of sustainability factors in the areas of reporting and risk management is becoming increasingly important, especially for pension schemes in the EU. In this country, we are not yet that far evolved with respect to the second-pillar pension system. Nonetheless, the importance of sustainability is also growing in Switzerland, as the current study clearly shows.

WWF Switzerland expects pension funds to systematically take all relevant factors into account in the fiduciary management of occupational pension assets, including economic, environmental, and social factors. As shareholders and investors, pension funds represent the overall interests of their beneficiaries. With foresight, Swiss pension funds can serve their beneficiaries even in a rapidly changing environment: as stable partners in all phases of professional life and into retirement.

For a sustainable development of the second-pillar pension system, it is crucial that pension funds anchor consideration of sustainability risks and opportunities in the pension funds' guidelines. This is the only way to ensure comprehensive fiduciary risk management and to exploit future opportunities for the benefit of society and the environment.

In this spirit, we at WWF Switzerland wish you an exciting read. Sustainability provides a robust foundation for a sustainable second-pillar pension system. Help us build a solid foundation for the future!

Thomas Vellacott

CEO WWF Switzerland

Foreword from the Research Partner



Beat Zaugg

Pension funds make a valuable contribution to society through their provisions for retirement, survivor protection, and disability benefits. The social “impact” of a pension fund’s core service is generally positive. But how is the investment activity of pension funds to be assessed from a sustainability perspective? The current WWF study provides important insights by examining how the largest Swiss pension funds handle this issue.

Swiss pension funds manage assets amounting to around CHF 900 billion. As such, they have a fiduciary duty to consider environmentally or socially induced financial risks and opportunities in their investment decisions. Every investment also has indirect environmental and social effects. These do not always have financial consequences in the short term, for example in the area of air traffic, where the external costs of global warming are borne not by the producer but by the general public. However, if these costs are internalized in future, pension funds that invest in these sectors will be exposed to investment and reputational risks.

Furthermore, in the future, beneficiaries will be interested in knowing the impact on the environment and on society of each Swiss franc generated and managed by their pension funds.

Beat Zaugg

Managing Partner, Inrate



Swiss Pension Funds Association (ASIP), Hanspeter Konrad, lic. iur., attorney at law, Director ASIP

“The ASIP welcomes the fact that an increasing number of pension funds are, on one’s own initiative, taking climatic, environmental, social and corporate governance aspects into account in the context of asset management. As long-term investors, they are being guided by the principle of sustainability and are investing the pension assets entrusted to them in a responsible manner. This is in the interest of the beneficiaries.

In its guide to asset investment for pension fund managers (see www.asip.ch) the ASIP has defined principles for implementing a sustainable, responsible investment policy. The ASIP favours voluntary measures.”



PK-Netz, Urban Hodel, Executive Secretary

“The greatest challenge of our generation – to place the economy on a socially and environmentally sustainable footing – can only be overcome by means of policy. Effective measures will have discernible consequences and thus will require strong democratic backing.

However, our pension assets of around 900 billion Swiss francs entail a great deal of responsibility. The agreed climate targets must also be reflected in our investment strategy. Unfortunately, we are still a long way from achieving that. As a network of governing bodies representing employees in the pension funds, we at PK-Netz can make a contribution in conveying the important work of WWF Switzerland and Swiss Sustainable Finance, to name but a few active organizations, to the governing bodies, and thus help them to take bold steps.

Pension fund investment policy is similar to a herd of sheep: outliers live dangerously, especially in terms of external judgement. Risk aversion is understandable. However, as professional partners like WWF Switzerland have shown us, the need to focus on social and environmental issues in restructuring portfolios in no way contradicts the responsible handling of pension capital. The goal therefore must be to lead the entire herd in the right direction.”



Swiss Sustainable Finance, Sabine Döbeli, CEO

“Pension funds manage money for their beneficiaries’ future. Hardly anyone would deny that taking long-term trends into account is part of successful asset management. Although practical implementation is not trivial, together with asset managers investment strategies can be developed that are tailored to the needs of specific pension funds. An active discussion of the topic within the Board of Trustees and at management level forms the basis for this.”

Acknowledgements

WWF Switzerland and Inrate would like to thank all participating pension funds for the time and effort that they have dedicated to this study. We hope that this project was a beneficial experience and that the result will contribute to a strengthening of the sustainability focus, the strategic anchoring of sustainability issues as well as an improvement in the sustainability impact of the operational investment business of the participating pension funds. We very much look forward to the ongoing engagement and collaboration. We thank the pension fund managers for the trust they have placed in us.

Furthermore, we would like to express our gratitude to our expert committee, who contributed their time and provided the research team with valuable advice and active support. Details regarding company or organizational affiliations are provided purely for information purposes; the committee members participated in a personal capacity. The views expressed in this document are those of WWF Switzerland and Inrate and do not necessarily reflect the opinions of the expert committee:

- Nicole Weydknecht (CEO, Actares)
- Sonia Hierzig (Project Manager, ShareAction)
- Ivo Knoepfel (Founder and CEO, onValues GmbH)
- Pierin Menzli (Member of the Board of Directors, Contrast Capital AG)
- Dominique Biedermann (Former Chairman, Ethos Foundation)

Last but not least, we would like to thank Ulla Enne, Head of Operations and Responsible Investing for the Nest Foundation, who in the initial phase of the project reviewed and commented on the rating methodology from the perspective of the pension funds. The Nest Foundation is a pioneer among socially responsible pension funds in Switzerland.

Executive Summary

WWF Pension Funds Rating 2018/2019 – background and objective

The global financial system influences the future of our planet through the control of financial flows. An important part of today's Swiss financial system is the second-pillar pension system, representing around CHF 910 billion under management,¹ or 133%² of Swiss gross domestic product. This makes the second-pillar pension system and its representatives a very influential investor group. By consciously allocating assets to sustainable technologies and activities, the second-pillar pension system, together with the entire finance industry, has the potential to shape markets and economies in a climate friendly and sustainable way. This is why WWF Switzerland has been systematically committed to responsible investment in the Swiss pension funds industry since 2015.

The WWF Pension Funds Rating was carried out for the first time in 2015/2016 as a way of initiating a regular dialogue with the participating pension funds and their stakeholder groups. It is on this basis that the WWF Pension Funds Rating 2018/2019 has been carried out for the second time. The rating analyses

and assesses the 20 largest pension funds in Switzerland (based on assets under management at the end of 2016).³

The objective of WWF Switzerland is to encourage and promote dialogue with respect to responsible investment of the second-pillar pension system on a permanent basis. Furthermore, the rating provides a market overview and orientation aid for Swiss pension funds and their service providers. It is a practical compendium that offers an impartial assessment of the current state of responsible investment in occupational pension plans, the urgent need for action and best practices. Last but not least, the rating also contains clear recommendations for pension funds.

- 1 Willis Tower Watson – Global Pension Assets Study 2018. Covers only independent pension funds; does not take into account the assets of insurance companies.
- 2 Willis Tower Watson – Global Pension Assets Study 2018.
- 3 Investment and Pensions Europe (IPE) (2017) Switzerland.



Overall results

Classification of pension funds based on the WWF Pension Funds Rating assessment categories and changes compared to the WWF Pension Funds Rating 2015/2016

Best practice	Bernische Pensionskasse ↗ Caisse de prévoyance de l'État de Genève ↗ Pensionskasse Stadt Zürich ↗	
Good practice	BVK → Caisse de pensions de l'État de Vaud ↗ Migros-Pensionskasse ↗ Pensionskasse des Bundes Publica ↗	
Upper midfield	Aargauische Pensionskasse → Pensionskasse Basel-Stadt → Pensionskasse comPlan → Pensionskassen Novartis ↗	Pensionskasse Post ↘ Pensionskasse SBB → Vita Sammelstiftungen ↗
Lower midfield	ASGA Pensionskasse → Stiftung Auffangeinrichtung BVG →	
Under-performers	No scoring possible due to lack of information* Basellandschaftliche Pensionskasse** Pensionskasse der Credit Suisse Group (Schweiz) → Pensionskasse der UBS → Vorsorgestiftung Energie und Pensionskasse Energie Genossenschaft →	

Figure 1 / Source: WWF / Inrate 2018

The direction of the arrows shows whether the pension fund assessment has improved (↗), whether it remained the same (→) or whether it worsened (↘) compared to the WWF Pension Funds Rating 2015/2016. The rating methodology considers the fact that on average the pension funds are constantly improving and therefore the standards for the assessment categories must be adjusted on an ongoing basis. A worsening (arrow facing down) may therefore be attributed to a worsening of the pension funds themselves or to a "stricter" rating methodology. More detailed information on the rating methodology can be found in Chapter 3 of the comprehensive study (Rating Focus and Methodology).

* Pension funds in the assessment category "No scoring possible due to lack of information" did not participate in the rating survey and as a result the questionnaire remained unanswered. Their performance was assessed exclusively based on publicly available information, which consequently also may be incomplete. The fact that no publicly available information was found or that the pension funds concerned did not participate in the survey had a negative impact on the assessment (in particular the series of questions under II regarding responsible investment activities). It must be noted here that a below-average score does not necessarily mean that the pension fund in question is not undertaking any responsible investment activities.

** No comparison with WWF Pension Funds Rating 2015/2016 is possible as at the time the Basellandschaftliche Pensionskasse had not yet been assessed.



The WWF Pension Funds Rating 2015/2016 revealed that most of the 20 pension funds are interested in the sustainability aspects of their investments. However, it appears to be the case that still only a few pursue a comprehensive approach to sustainability that integrates environmental, social, and governance-related aspects in their investment processes in a relatively systematic manner.

3 pension funds – Bernische Pensionskasse, Caisse de prévoyance de l'État de Genève and Pensionskasse Stadt Zürich – were classed as “*Best practice*”. These pension funds pursue relatively comprehensive approaches and are moving forward in areas that are important for the industry. 4 pension funds are to be found in the “*Good practice*” category and are thus also above average. The “*Upper midfield*”, which corresponds to the average, comprises 7 (or one-third) of the pension funds surveyed. 2 pension funds were classed as “*Lower midfield*”. There were no “*Underperformers*”.

4 pension funds chose not to participate actively and were assessed solely on the basis of publicly available information. Due to the lack of information, *no overall assessment* was possible for these pension funds. Transparency is, however, of paramount importance. On the one hand, a thorough inventory is a necessary prerequisite for exercising fiduciary due diligence and for making successive and targeted improvements in this regard.⁴ This is because the management of sustainability-related opportunities and risks is already potentially economically significant today and will be even more so in future.⁵ On

the other hand, it is also important to disclose one's own sustainability-related policies and practices to external stakeholders and the critical public.

In this respect, most of the 20 largest Swiss pension funds are still relatively far from proactively contributing to the shift towards a sustainable society in line with the vision of WWF Switzerland for the second-pillar pension system (see Chapter 1.3 of the comprehensive study). Even the pension funds classed as “*Best practice*” require further action, especially in regard to measuring the sustainability impact of their investments as well as the systematic integration of sustainability factors, with the objective of improving these impacts.

4 The fact that 4 pension funds did not actively participate in the WWF Pension Funds Rating and have published little information on responsible investment does not necessarily mean that these institutions do not carry out internal inventories or take appropriate measures. Nonetheless, companies in general and pension providers in particular have a general interest in communicating such activities, where these exist, to the public, in keeping with the motto “Do good and talk about it”. However, there may still be reasons to deviate from this in specific cases.

5 For climate-related risks and opportunities, see e.g. the final report of the 2017 Task Force on Climate-Related Financial Disclosures (TCFD), URL: <https://www.fsb-tcfd.org/wp-content/uploads/2017/06/FINAL-TCFD-Report-062817.pdf>. Examples include climate-related transition risks, such as stranded fossil fuel costs and market opportunities for renewable energies.

Comparison with the WWF Pension Funds Rating 2015/2016

Progress has been made in many areas compared to the WWF Pension Funds Rating 2015/2016. Individual pension funds did have to be downgraded on various rating issues, and 1 pension fund was even downgraded a full rating category lower in the overall assessment. Nevertheless, a positive development is noticeable overall, although in view of the urgent and in some cases time-critical sustainability issues, for example climate protection, it has not yet gained sufficient momentum.⁶

Transparency and documentation – key findings

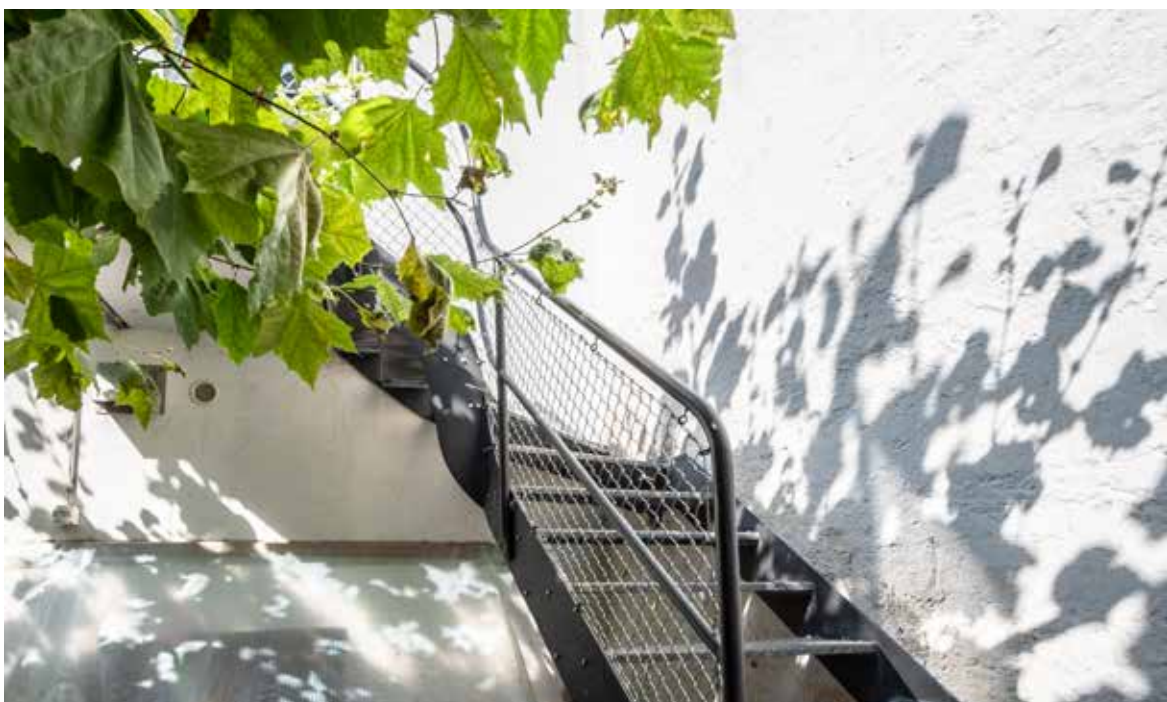
In the area concerning assessment of *transparency and documentation* of the strategy and practice of responsible investment, the pension funds overall are stagnating at a mediocre, unsatisfactory level. One reason for this could be the lack of a legal framework, such as has already been implemented, for example, in neighbouring EU states. Legal framework conditions are useful when voluntary measures

are not sufficient and if the framework conditions are developed in dialogue with the second-pillar actors and its stakeholder groups.

It is to be expected that Swiss pension funds will improve transparency and documentation in future, even in the absence of a legal framework. In fact, for a few years now, the private sector – beneficiaries, private initiatives, NGOs and other important interest groups – has been continuously increasing its sustainability-related requirements.⁷

6 The latest report of the Intergovernmental Panel on Climate Change (IPCC) re-emphasizes the urgent need for effective climate measures, IPCC 2018: Global Warming of 1.5°C, URL: http://report.ipcc.ch/sr15/pdf/sr15_ts.pdf.

7 See e.g. Tagesanzeiger 2018: 128 Professoren heizen der Pensionskasse des Bundes ein, 13.8.2018, URL: <https://www.tagesanzeiger.ch/schweiz/standard/128-professoren-heizen-der-pensionskasse-des-bundes-ein/story/29109809>; Der Bund 2016: Rentengelder für Bomben, 16.4.2016, URL: <https://www.derbund.ch/bern/kanton/rentengelder-fuer-bomben/story/31471706> URL: south pole group/CSSP (2015): Kohlenstoffrisiken für den Finanzplatz Schweiz; the Federal Office for the Environment (FOEN) climate compatibility tests, URL: <https://www.bafu.admin.ch/bafu/en/home/topics/climate/info-specialists/climate-and-financial-markets.html>.



Responsible investment activities and approach – key findings

Implementation of initiatives in the area of responsible investment

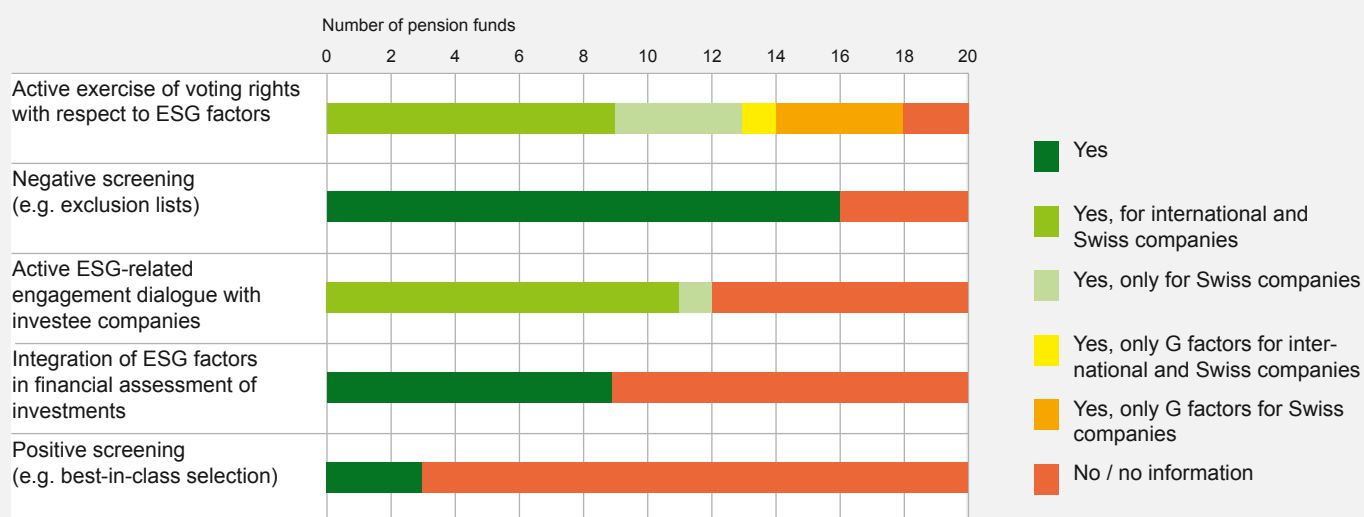


Figure 2 / Source: WWF / Inrate 2018

The pension funds have made considerable progress in regard to their *responsible investment activities and approach* compared to the last WWF Rating. In particular, publicly available *responsible investment methods* are now being used fairly broadly.

- The most prevalent are the *active exercise and documentation of voting rights with respect to ESG factors*, which is not surprising in view of the legal obligations stemming from the Minder initiative. Around 14 pension funds exceeded the legal minimum requirements and also exercise voting rights for international firms (10 pension funds) and for more than just governance aspects (13 pension funds).
- *Negative screening*, for example norm- or values-based exclusion criteria, was also relatively widely used (16 out of 20 pension funds). The pension funds that implemented systematic approaches have essential tools at their disposal for fulfilling their fiduciary duty to ensure minimum social require-

ments in regard to social norms and values and thus the maintenance of their social legitimacy. In this way, pension funds can avoid specific ESG-related financial and reputational risks in particular.

- *Positive screening*, for example best-in-class selection, has thus far been applied by only 3 pension funds. In-depth positive screening is especially appropriate for assessing the actual sustainability impact of investments, taking into account entire value chains. It is therefore well suited for identifying and managing ESG-related opportunities and risks. It is to be hoped that such approaches will henceforth receive more attention on the part of pension funds.
- There is also some catching up to do with the *ESG-related engagement dialogue* that 12 of the 20 pension funds are actively conducting with companies.

Percentage of responsible investment approaches in comparison to assets under management, by asset class

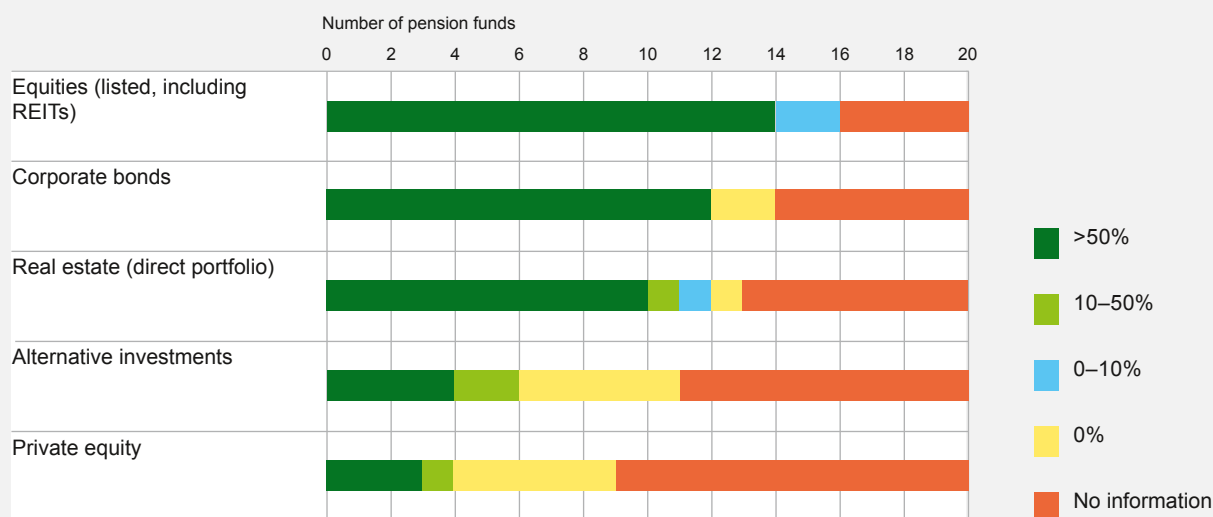


Figure 3 / Source: WWF / Inrate 2018

● 9 pension funds are *integrating ESG factors into the financial assessment* of investments. This approach is particularly crucial in view of the fact that ESG-related opportunities and risks are becoming increasingly important.⁸

It is worth noting that most pension funds utilise a number of sustainable investment approaches in managing their investments. 14 pension funds employ at least three different approaches, and 3 pension funds use between at least one and three approaches. Only 3 pension funds use none of these approaches or do not disclose their use of them.

It is gratifying to see that responsible investments are relatively strongly anchored, predominately in the *asset classes* in which the pension funds invest the greater part – 83% on average – of their assets: equities (14 pension funds use sustainable approaches with this asset class), bonds (12 pension funds) and real estate investments (12 pension funds).

Some pension funds also use sustainability approaches when allocating assets to alternative investment vehicles. This indicates that it is possible in principle to invest sustainably in all the major asset classes.

In addition, the fact that most pension funds quite consistently make use of a number of sustainable investment approaches for a significant portion (over 50%) of their assets under management can be seen as a positive development.

⁸ On climate-related risks see e.g. the Task Force on Climate-related Financial Disclosures (TCFD) 2017: Final Report – Recommendations of the Task Force on Climate-related Financial Disclosures, URL: <https://www.fsb-tcfd.org/wp-content/uploads/2017/06/FINAL-TCFD-Report-062817.pdf>.

Selection and monitoring of asset managers and consultants – key findings

Since the initial rating, considerable progress has been made in the *involvement of asset managers and consultants* in the actual implementation of responsible investment policy. Nonetheless, the current level of involvement is only mediocre, and it is to be hoped that further development on the part of the pension funds will continue.

As important actors in the investment chain, asset managers, investment consultants and other financial service providers are also encouraged to do their part and show more initiative. Their primary function is to provide the pension funds with comprehensive and needs-oriented support in regard to sustainability issues.

Climate impact – key findings

Pension funds are still paying too little heed to the topic of climate, and in particular climate-related risks and opportunities.⁹ Only 4 pension funds currently disclose strategies regarding climate risks related to their investment activities in any detail, whereas 2 additional pension funds have published

summaries of such strategies or made them available to their beneficiaries. Nonetheless, some progress has been made compared with 2015/2016, when only 1 pension fund had its own climate strategy.

In selecting asset managers and investment consultants, only 5 pension funds check whether the candidates are qualified to assess climate risks and opportunities. And following the selection, only 4 of these pension funds in turn check whether managers and consultants regularly assess these risks and opportunities.

Only a minority (7 pension funds) assesses the effects of different asset classes on climate. However, measures for reducing climate-change-related risks are being more frequently applied – by 13 pension funds. 10 pension funds use three or more measures, and 3 pension funds use only one or two measures. Thus two-thirds of the pension funds are already active and gaining experience in incorporating climate issues into their investment decisions. Nonetheless, half of the pension funds still need to seriously improve on this matter. They either employ no measures, or do so only sporadically, and often the necessary methodology in connection with climate risks and opportunities is insufficient.

⁹ Both experts and the Federal Council highlight the importance of climate-related risks for investors. See Task Force on Climate-related Financial Disclosures (TCFD) 2017: Final Report – Recommendations of the Task Force on Climate-related Financial Disclosures, URL: <https://www.fsb-tcfd.org/wp-content/uploads/2017/06/FINAL-TCFD-Report-062817.pdf>, and Federal Council's policy briefing of 5.9.2018, URL: <https://www.parlament.ch/de/ratsbetrieb/suche-curia-vista/geschaefte?AffairId=20183561>.



Measures to reduce anticipated climate-change-related risks

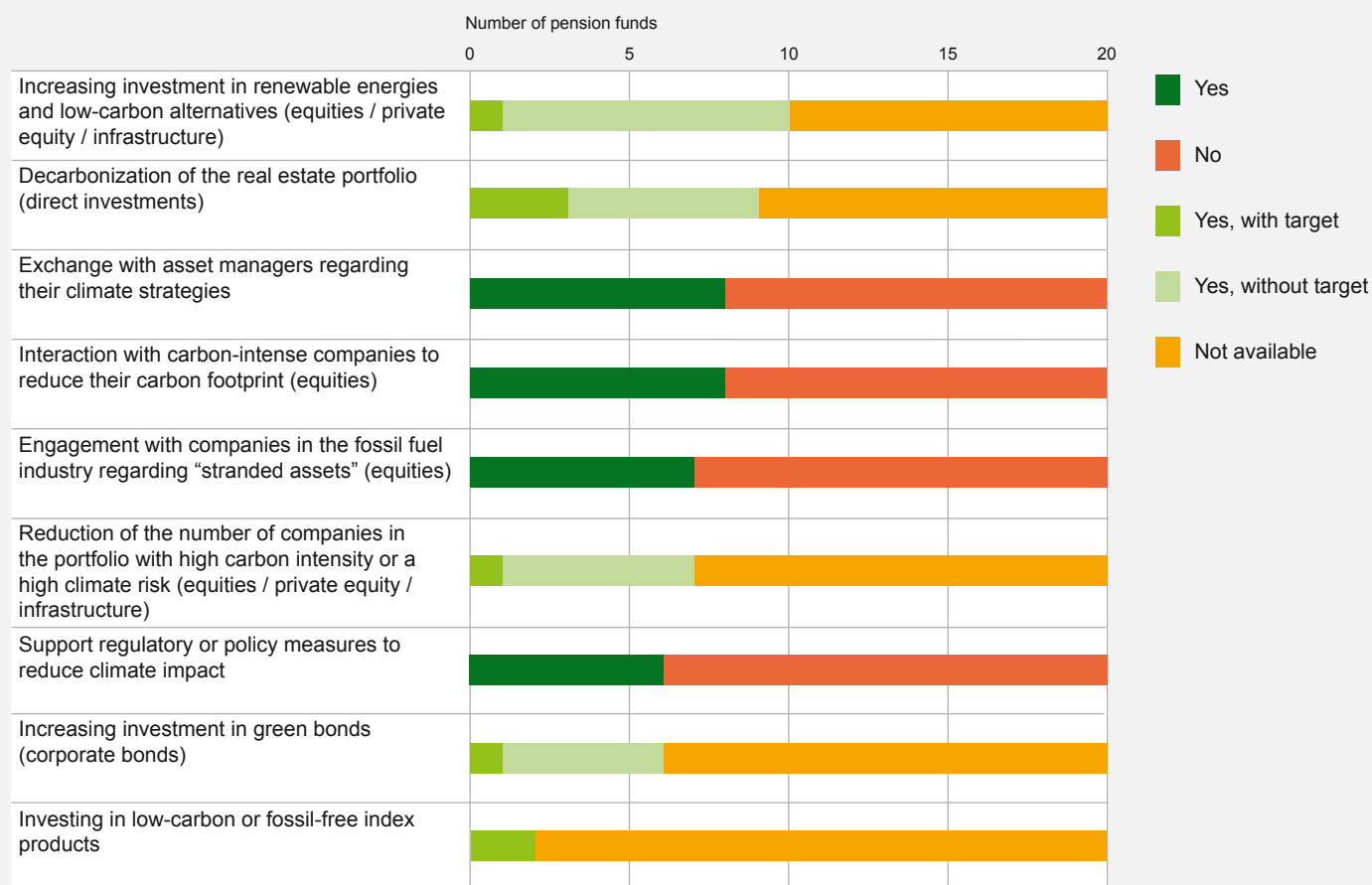


Figure 4 / Source: WWF / Inrate 2018

What are the motivations and barriers to sustainable investment from the perspective of the pension funds?

Motivations to engage in responsible investment in order of importance



Figure 5 / Source: WWF / Inrate 2018

The pension funds were invited to rank the options in order of importance: from 1 (most important) to 8 (least important). Each number could only be assigned once. 16 of the 20 pension funds surveyed answered this question.

A glance at the most important *motivations* for engaging in sustainable investment is revealing:

- By far the most important motivation is fiduciary duty: 13 of 16 pension funds cited it as a very important or important motivation.¹⁰ This indicates that most of the largest Swiss pension providers have come to understand and accept that sustainability is an integral part of their business activity and thus also of their fiduciary duty. Further indicators along these lines include the new edition of the ASIP guidelines for asset investment by pension funds pub-

lished in July 2018¹¹ and a legal opinion rendered by the law firm Niederer Kraft Frey (NKF): “Klimarisiken in der Vermögensverwaltung bei Pensionskassen” (Climate risks related to pension fund investing) (see Chapter 2.4 of the comprehensive study).

- According to 9 of 16 pension funds, *increasing external pressure*, which three years ago played hardly any role,¹² is a very important additional driver. This underscores the effectiveness of the activities of non-regulatory initiatives and critical stakeholders.

- Similarly, 9 pension funds considered the contribution that pension funds can make to *systematic change* towards a sustainable economic system to be a (very) important motivation. This underlines the fact that many large Swiss pension funds consider it their duty to fulfil their responsibility towards a sustainable future.

- Although there is empirical evidence that ESG factors in investment decisions have largely positive or neutral financial implications,¹³ opinions are still divided on the impact of sustainable investment on the *risk-return profile* of their investments. For 5 out of 16 pension funds, the risk-return profile is a

very important, and for 2 other pension funds it is an important motivation. In contrast, 3 pension funds consider the risk-return profile to be a very important barrier and 4 others an important one.

10 The questions regarding the motivations and barriers were answered by 16 of the 20 pension funds surveyed.

11 ASIP – Leitfaden für die Vermögensanlage von Vorsorgeeinrichtungen, new edition 2018.

12 In 2016 increased external pressure was still the least relevant motivation. Source: WWF Pension Funds Rating 2015/2016.

13 Friede/Busch/Bassen 2015: ESG and financial performance: aggregated evidence from more than 2000 empirical studies. *Journal of Sustainable Finance & Investment* 5 (4): 210–233.



Barriers to further engage in responsible investment in order of importance

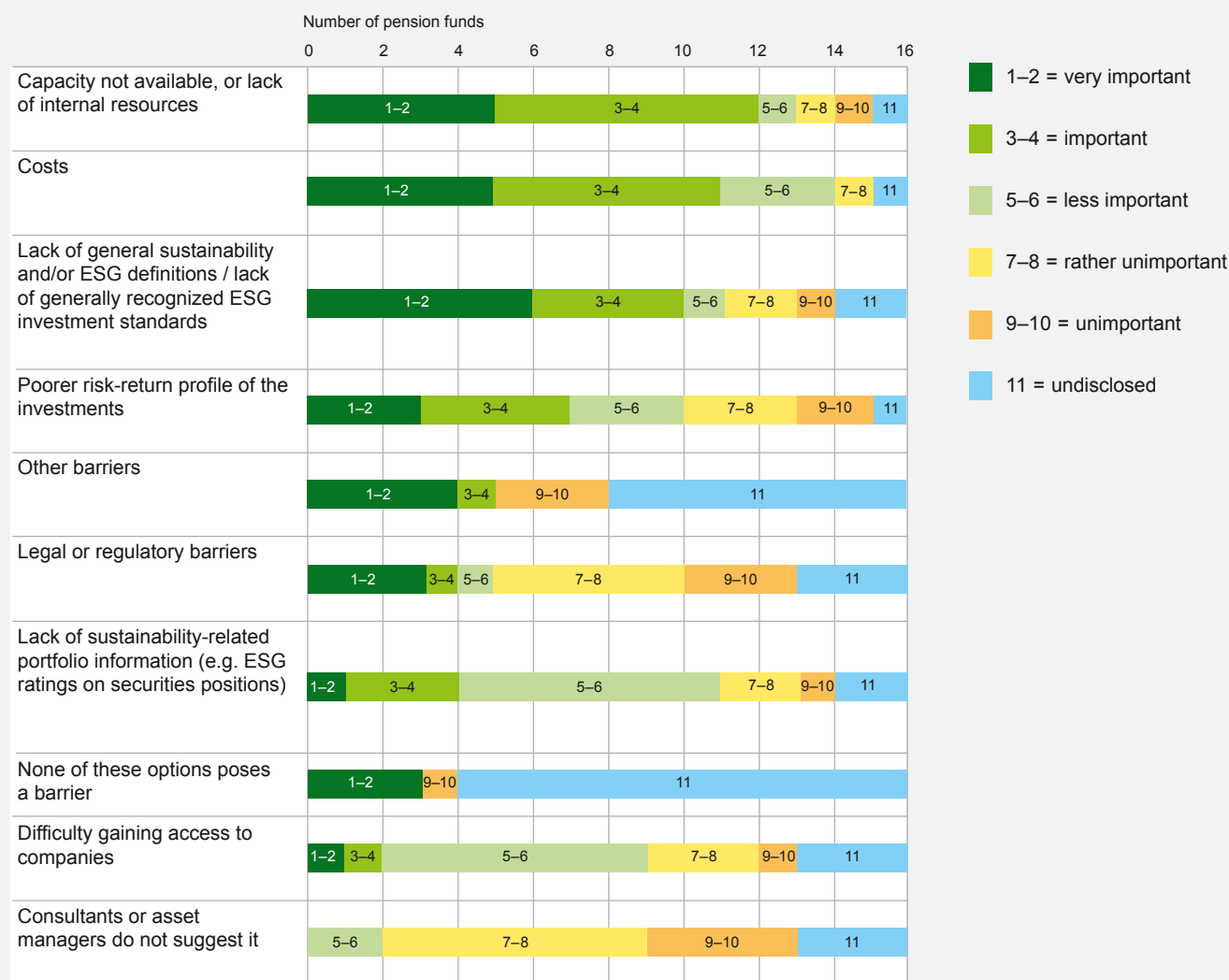


Figure 6 / Source: WWF / Inrate 2018

The pension funds were invited to rank the barriers mentioned in order of importance: from 1 (most important) to 10 (least important). Each number could only be assigned once. 16 of the 20 pension funds surveyed answered this question.

The most significant *barrier* to responsible investment was a lack of existing capabilities or internal resources as well as costs (picked by 12 and 11 of the 16 pension funds, respectively, as important or very important). In addition, according to the pension funds, a lack of general definitions for sustainability and ESG as well as a lack of ESG investment standards (third-highest pick) serve to hamper engage-

ment. This is underscored by 10 out of 16 pension funds and was also identified by an expert report of the FOEN (2015) as a major shortcoming on the part of institutional investors.¹⁴

¹⁴ Federal Office for the Environment (FOEN) 2015: Proposals for a Roadmap towards a Sustainable Financial System in Switzerland.

Next steps for WWF Switzerland

As with the first WWF Pension Funds Rating, WWF Switzerland will also follow up this rating study by proactively and systematically promoting the ongoing dialogue with the largest Swiss pension funds and the most important stakeholder groups.

An important part of the work of WWF Switzerland is to encourage the allocation of Swiss pension fund investments towards global sustainability objectives such as the Paris Agreement on climate change and the Sustainable Development Goals (SDGs). The recommendations formulated in the context of this rating study (see Chapter 6.1 of the comprehensive study) are a further step along this challenging and worthwhile path. On this basis, important measures can already be taken today by pension funds and their service providers.

In order to fully support Swiss as well as foreign pension funds and their stakeholders along this needed transformative development path, WWF Switzerland together with the WWF network is working committedly on preparing industry-specific recommendations for pension funds and other institutional investors. These recommendations provide assistance particularly for dealing with investments in particularly high-risk and environmentally intensive sectors.¹⁵

¹⁵ The WWF provides the following additional publications: WWF Climate Guide to Asset Owners (Spring 2018), Coal Mining (Autumn 2017), Coal and Renewable Power (Autumn 2017), Oil and Gas Extraction (Autumn 2018) and Real Estate (Autumn 2018).





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Our Mission

Together, we protect the environment and create
a future worth living for generations to come.