



TRANSPARENCY  
LONG-TERM PERFORMANCE  
FIDUCIARY DUTY  
ENVIRONMENTAL, SOCIAL AND  
GOVERNANCE FACTORS

2011

# Corporate Pension Funds & Sustainable Investment Study

*Created with the support of*

Deutsche Bank Group  
DB Advisors



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# Foreword from our Sponsors

Deutsche Bank Group  
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DB Advisors is a global institutional asset manager currently managing €158 billion assets for demanding institutional investors. We are part of Deutsche Bank's asset management unit which administers a total of €521 billion of assets worldwide.\*

We offer our clients an exceptional combination of services – a truly global network, a comprehensive product range, outstanding service and commitment to performance – together with the financial strength and resources of the Deutsche Bank Group.

At DB Advisors, we believe that socially responsible investing is an integral part of our fiduciary duty. We are highly committed to integrating environmental, ethical, social and corporate governance (ESG) principles with investors' financial objectives, without compromising investment performance. Our integrated ESG investment research process, combined with the global investment platform of DB Advisors, forms the basis of our investment offering. This is supported by an independent ESG advisory panel made up of well regarded ESG experts from foundations, clergy, academia and industry.

As a signatory of the United Nations Principles for Responsible Investment, DB Advisors is committed to promoting ESG principles both internally and externally. By leveraging many years of experience in developing sustainable investment strategies, we are able to take an active and leading role in professionalizing ESG investments. Though our numerous engagements in the European ESG investment community, we work together with various organizations to establish standards and increase transparency. Our current initiatives include close collaboration with political and private institutions to develop a German sustainability codex, as well as advising the index provider STOXX in the methodological development of the STOXX Global ESG Leaders Index launched in April 2011. We are convinced that standardization and increased transparency are crucial to establish and position this field for further growth.

This year, DB Advisors sponsors the first Eurosif Corporate Pension Funds & ESG Study. Pension funds have been the main driver of ESG investment growth in Europe. The study not only promotes a better understanding of this key investor segment with respect to responsible investing, it also increases awareness and provides valuable insights into the different aspects and issues that will be driving ESG investments for years to come.



**Frank Klein**  
*Head of ESG Europe*  
DB Advisors

**HSBC**   
Global Asset Management

HSBC Group, the parent company of HSBC Global Asset Management, has a corporate identity founded on principles of social responsibility. The Group's long-lasting commitment ranges from participating in working groups, engaging with the United Nations, supporting academic research and building sustainable businesses.

With offices in 86 countries and territories in Europe, Asia-Pacific, Americas, Middle East and Africa, and approximately 300,000 employees and 100 million clients worldwide, it is natural that HSBC provides a suite of responsible product offerings.

In 2005, HSBC launched 'The Future of Retirement' programme, a world-leading independent study on global retirement trends providing insights into the key issues associated with ageing populations and increasing life expectancy around the world. This programme has positioned HSBC at the forefront of retirement thought leadership and raised awareness of HSBC as a leader in the growing retirement services market.

In 2006, HSBC signed the United Nations Principles for Responsible Investment (UNPRI), which promotes the mainstream integration for environment, social and governance (ESG) issues into investment processes.

Through HSBC's long standing experience with corporate pension fund clients and expertise in long term asset management globally, HSBC Global Asset Management is positioned to offer retirement solutions focused on generating performance and rigorous risk management while customising to client ESG criteria.

HSBC was keen to participate in the first comprehensive European-wide study on Corporate Pension Funds and responsible investment and believes that providing retirement solutions is a global priority whilst seeking to integrate local specificities. HSBC endorses the information provided in this study as an excellent tool to increase knowledge of sustainable and responsible investment practices in Europe.



**Melissa McDonald**  
*Global Head of Product*  
*Equity and Responsible Investment*  
HSBC Global Asset Management

\* As of July 31, 2011

# Foreword from Eurosif

For ten years, Eurosif has addressed sustainability through financial markets. It has been doing so on behalf of its eleven member Sustainable Investment Forums (SIFs) in various countries throughout Europe, supported by a multistakeholder coalition of over 85 Member Affiliates.

Asset owners play a fundamental part in changing the financial markets– after all, it is their money and they must achieve a sustainable return for their constituencies. Of all asset owners, pension funds are, at least in theory, the most supportive of sustainable investment policies due to their fiduciary duty. They need to guarantee stable returns in the long run, and will face the consequences of global challenges such as population growth, enormous wealth increase in emerging economies, climate change and the shortage of clean water, raw materials, etc.

Two years ago, Eurosif's Member Affiliates selected this Corporate Pension Funds project as a priority for Eurosif. This report is the result of a close cooperation of SIFs and Member Affiliates. It is a first attempt to take national pension fund studies, like the ones by UKSIF in the UK and by the VBDO in The Netherlands, and apply them on a European level.

The results are revealing. For example, of the 169 pension funds that responded to our survey, 66% feel that having an SRI policy is part of their fiduciary duty. However, only 56% currently have such a policy; and this percentage is probably significantly lower for the total market. The most important ESG factor is Governance. SRI policies focus mostly on equity. The most commonly used instruments are voting, negative screening and integration. In short, this first report provides enough food for thought.

Eurosif recommends that pension funds build their knowledge around SRI, consult with their participants and other stakeholders, and extend their policies to all asset classes. Greater transparency should be given to the actual execution of this policy, for example on the holdings, the engagement undertaken, and the actual voting at Annual General Meetings.

Eurosif would like to thank DB Advisors and HSBC Global Asset Management for their generous support of this project. Without their help we would not have been able to undertake this research.

We hope you find this study helpful and we look forward to your comments and input. These will be used to improve our next survey, planned in 2013.



**Giuseppe van der Helm**  
*President*  
Eurosif

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# Executive summary

The Corporate Pension Funds and Sustainable Investment Study is the first comprehensive European-wide study of corporate pension funds and responsible investment. In this report, Eurosif examines to what extent and in what manner corporate pension funds across Europe have adopted sustainable and responsible investment practices. For this report, corporate pension funds in 12 European countries were approached and this resulted in 169 corporate pension funds responding to the survey. Common reasons for corporate pension funds not participating were time and resource issues as well as the perceived large amount of surveys (on this topic) for which they had been approached. In a number of European countries, legislation exists that requires (corporate) pension funds to report on their SRI policies and implementation.

## SRI POLICY

The number of respondents varied widely among the countries, from a minimum of 6 to a maximum of 27 pension funds. Of the 169 pension funds, a total of 94 indicate that they have a responsible investment policy. This is 56% of the total. A similar amount of respondents (102 or 60%) feel that ESG factors affect the long-term performance of the pension fund. The respondents that have a responsible investment policy are not necessarily the ones that feel that there is a link between ESG factors and long-term investment performance. Moreover, more pension funds (111 or 66%) feel that having an SRI policy is part of their fiduciary duty. This means that there are a number of pension funds that are, in their own estimation, not fulfilling their fiduciary duty by failing to have an SRI policy. The most important ESG factor among surveyed corporate pension funds is governance, followed by social and then environmental criteria.

For the pension funds without an SRI policy, a clear trend as to the reasons why cannot be found. Some of the recurring reasons listed are risk and performance concerns, unfamiliarity with the topic of responsible investment and a lack of resources to create, implement and monitor an SRI policy. These pension funds were also asked if they are planning on implementing an SRI policy in the near future. Of the 68 respondents to this question, a total of 16 pension funds (24%) indicated they are planning to do so within the next twelve months.

## SRI POLICY INPUT

The vast majority of the surveyed corporate pension funds receive the most meaningful input from pension fund boards, followed by the CSR/sustainability policy of the funding company. In fact, 85% of all respondents felt that the CSR/sustainability policy of the funding company was a significant input for the SRI policy.

## SRI POLICY IMPLEMENTATION

Equities and bonds are the most popular asset classes for the application of the SRI policies of corporate pension funds. This is not surprising, given the fact that the equity portfolios have historically been the focus of responsible investment activities, and it is relatively easy to have this policy cover bonds as well. The third most popular asset class is real estate/property. Even though there has recently been a lot of attention paid to the role of investors in the commodity markets, only 6 of the 88

respondents (7%) have an SRI policy that covers this asset class, making it the least covered asset class. When looking at individual countries, some differences in asset classes can be found.

Moving on to the instruments used to implement the SRI policies for the various assets classes among European corporate pension funds, it is clear that a combination of instruments is used. The three instruments most commonly used by the respondents are voting, negative screening, and integration. The instrument that is most consistently implemented across European countries is negative screening. Different approaches can also be distinguished between individual countries. The vast majority of corporate pension funds delegate the implementation of the SRI policy to their fund managers or manage the SRI policy in-house, with 62% and 49% of the respondents making use of fund managers and in-house management, respectively.

## COMMUNICATION

It seems that the majority of pension funds are more willing to communicate their SRI policy and activities internally with the board and their members than externally. In some European countries, legislation requires pension funds to report if and how their SRI policy is put together. The manner in which surveyed European corporate pension funds that do communicate is very diverse, with websites, annual reports, newsletters and mailings being some of the methods employed.

## RECOMMENDATIONS

Based on these results, Eurosif makes the following recommendations to pension funds in the initial stages of composing an SRI policy as well as those pension funds looking to further develop their policy. Finally, it also makes a policy recommendation.

For (corporate) pension funds looking to compose an SRI policy:

- Consult the funding company's CSR/sustainability policy when composing an SRI policy
- Involve pension fund boards and members when composing and implementing an SRI policy
- Educate pension funds boards on the nature of the link between SRI and financial risk and long-term performance
- Consult existing SRI policies from other (corporate) pension funds when composing an SRI policy
- Ask (potential) fund managers for their SRI policies when composing an SRI policy

For (corporate) pension funds looking to further develop their SRI policy:

- Expand the SRI policy into multiple asset classes
- Use a variety of instruments to implement the SRI policy
- Provide increased transparency on the SRI policy, its implementation and results
- Participate in collaborative initiatives such as the UN PRI and the CDP

Policy recommendations to stimulate responsible investment:

- Encourage European-wide legislation requiring (corporate) pension funds to report on their SRI policies.

# Introduction to report and SRI

In this chapter, the scope, methodology and structure of the report are briefly outlined. This is followed by sections defining sustainable and responsible investment (SRI) and identifying motivations for investing responsibly. The chapter concludes with a brief introduction to SRI implementation across asset classes and the different instruments employed.

## REPORT SCOPE

Europe has a wide variety of national pension schemes and systems that are designed to provide its citizens with adequate pensions. A large group of institutional investors have embraced, to various degrees, SRI. Corporate pension funds have their role to play as well, especially when their funding companies are increasingly communicating and disclosing data on their environmental, social, and governance (ESG) performance. These pension fund schemes are institutional investors that invest large amounts in the capital markets on behalf of their members, and as such play an important role.

Technically speaking, corporate pension funds are entities separated from the company's management, therefore the company's approach when it comes to corporate social responsibility (CSR) and ESG issues might differ from that of the corporate pension fund. In practice, however, the corporate pension fund's board/trustees are nominated by the company itself and its trade unions, and those same parties design and implement the CSR strategy of the firm.

In a number of European countries, corporate pension funds combine their funds with other corporate pension funds to create multiple corporate pension funds. This can be a result of mergers and acquisitions or a cost and efficiency move. These pension funds were included in this survey, as they are still linked with the funding companies.

## REPORT METHODOLOGY

This is the first time that Eurosif has undertaken such a study. The methodology is based on existing reports and the input of the national SIF's. In particular, the UKSIF's biannual 'Responsible Business: Sustainable Pension' reports as well as the VBDO's annual 'Benchmark Responsible Investment by Pension Funds in the Netherlands' reports were valuable inputs for the online survey.

### Data gathering

In order to gather the information, Eurosif worked in partnership with its members and with a research organisation in the Nordic region to approach corporate pension funds. These pension funds were asked to complete an online survey focusing on whether or not the pension fund has an SRI policy, what factors are of influence on this policy, and how this policy is implemented and communicated.

Danish corporate pension funds were originally supposed to be included in the survey. However, it became apparent that the structure of Danish corporate pension funds is such that the funding company has no influence at all on the investment strategies of the pension fund and so the decision was taken to exclude Danish corporate pension funds from the survey.

These partners were also asked to write an analysis of their country based on a template provided to them by Eurosif. All the data from the 12 countries has been compiled and presented on a European level in this report.

## REPORT STRUCTURE

This report is, similar to the biannual European SRI Study, organised in a geographical fashion. The first chapter gives the results at a European level, and shows the similarities and differences in the formulation and implementation of SRI policies between various European countries.

The following chapter presents the 12 countries surveyed in the report in alphabetical order, from Austria to the United Kingdom. Each country analysis is structured in the same way, focusing on the prevalence of SRI policies, what factors were of influence on this policy, and how this policy is implemented and communicated. The possible barriers to having an SRI policy for surveyed pension funds without an SRI policy are also covered.

## SRI DEFINITION

In its biannual publication tracking the growth of the sustainable investment market in Europe, Eurosif provides a definition for SRI. This section provides a shortened version of this definition.

Sustainable and responsible investment (SRI) is a concept that continues to evolve as both established and newer financial services players develop new methods and approaches on the valuation and incorporation of environmental, social and governance (ESG) issues into fund management.

The terms 'social', 'ethical', 'responsible', 'socially responsible' and 'sustainable' and others are all used in a multitude of overlapping and competing ways to approach the SRI field. It is this richness of different views that challenges the investor to perfectly define and categorise an area that is not easily 'boxed in'. One analogy that Eurosif uses to help investors define and understand SRI is that of a diamond – dependent on the perspective of the viewer, a diamond has different shades and colours.

Even if different terms are used to describe the field of SRI, there are two constant factors that remain important to investors interested in this form of investment:

- A concern with long-term investment
- Environmental, Social and Governance (ESG) issues as important criteria in determining long-term investment performance.

Within the field of SRI, Eurosif has observed an increasing split into three approaches:

- **Responsible Investment** is an area particularly popular among institutional investors and is currently the most connected to the mainstream financial community. Responsible investors take into consideration the long-term influence of extra-financial factors such as Environmental, Social and Governance (ESG) issues in their investment decision-making. The Principles for Responsible Investment (UNPRI), developed by the United Nations in 2006, offers a framework to investors who are seeking to fulfil their fiduciary duties by integrating ESG issues into their investment processes.



- **Socially Responsible Investment** is more closely affiliated with the retail financial sector and may incorporate ESG issues as well as criteria linked to a values-based approach. For example, it can involve the application of pre-determined social or environmental values to investment selection. Investors may choose to exclude or select particular companies or sectors because of their impact on the environment or stakeholders. Negative screening (such as weapons exclusions) and positive screening (such as Best-in-Class) typically fall in the remit of such investments.
- **Impact Investing** is a growing area where investors look to both adopt SRI strategies and evaluate their outcomes. The emphasis is placed on monitoring and measuring the end results of strategies in portfolio construction with the ex-post assessment of SRI strategies as important as the rationale for strategy selection. One important example of Impact Investing is Microfinance investing, where the investment strategies are increasingly assessed for social and environmental impacts.

For Eurosif, all of these financial expressions of 'sustainability' are valid approaches. To capture these evolving dynamics and terminologies, Eurosif continues to use the term 'SRI' as the most readily acknowledged expression for this field, identified as 'Sustainable and Responsible Investment'. Eurosif's simplified definition for SRI is as follows:

**Sustainable and Responsible Investing (SRI) is a generic term covering any type of investment process that combines investors' financial objectives with their concerns about environmental, social and governance (ESG) issues.**

## MOTIVATIONS FOR SRI

There are various reasons for investing responsibly. A number of these motivations are briefly explained below using recent reports and publications. This section does not pretend to be exhaustive; it merely intends to provide an overview of the different motivations and the on-going research being done on this topic.

### Ethical reasons

Many financial institutions adopt responsible financing policies voluntarily for ethical reasons. More and more financial institutions feel they have a responsibility to contribute to sustainable development in all their business activities. This vision is integrated in their business principles, which guide their operations.<sup>1</sup>

### Public attention for responsible investment

Increasing attention of non-governmental organizations (NGOs) and media on the impacts of financial institutions' investments has increased the possibility of running reputation risks. To avoid damage to their reputation, many investors realize they have to avoid investments that are publicly perceived as (socially) unacceptable or irresponsible.<sup>2</sup>

In the Netherlands, for example, the 2007 Zembla television documentary exposing and detailing the investments of Dutch pension funds in companies involved in the production of controversial weapons received a lot of attention both nationally and internationally. It also led to significant public attention for pension fund investments. As a result, many pension funds composed an SRI policy that explicitly excluded investments in such companies.

### Universal ownership

Institutional investors can use their position as capital providers to deny notorious polluters and human rights offenders access to capital, and stimulate the large majority of companies to become more sustainable. This expectation can be traced back to the role of pension funds as 'universal owners'.

Universal owners invest in a broad cross-section of the economy, often holding a portfolio that is a representative sample of the total universe of available investment options and, as a consequence, 'own' a stake in the entire economy. As shareholders, universal owners are able to influence thousands of companies through participation at annual meetings and engagement activities. And they have two other particular characteristics: long-term time horizons and a large number of beneficiaries.<sup>3</sup>

Because universal owners have a clear financial interest in the enduring health of capital markets and the economy, they increasingly shape these markets and the economy to match their long-term interests. This makes institutional investors an important driver of corporate social responsibility.<sup>4</sup>

### Fiduciary duty

Historically, the idea that an SRI policy was incompatible with the sector's primary task, the stable and inflation-proof pension or life insurance for its participants or premium-payers, was common among investors. This so-called fiduciary responsibility was thought to be at odds with any SRI policy, as it was believed that it led to a lower return on investment.

In October 2005, one of the largest law firms in the world, Freshfields Bruckhaus Deringer, compiled a report for the UNEP Finance Initiative (UNEP FI). It demonstrated that different jurisdictions have different interpretations of the fiduciary responsibility of pension funds. This responsibility, however, does not force pension funds to merely consider financial criteria: '...integrating ESG considerations into an investment analysis so as to more reliably predict financial performance is clearly permissible and is arguably required in all jurisdictions.'<sup>5</sup>

<sup>1</sup> United Nations Environment Programme Finance Initiative (UNEP FI). "About UNEP FI." Accessed August 2011. <http://www.unepfi.org>; UNEP FI Asset Management Working Group, *Show me the money: linking environmental, social and governance issues to company value*. Geneva: UNEP FI, 2006.

<sup>2</sup> Scholtens, B., "Finance as a driver of corporate social responsibility", *Journal of Business Ethics*, 68 (2006): 19–33.

<sup>3</sup> UNCTAD, *Investment and Enterprise Responsibility Review. Analysis of investor and enterprise policies on corporate social responsibility*. Geneva: UNCTAD, 2010; PRI Association and UNEP FI, *Universal Ownership. Why environmental externalities matter to institutional investors*. Geneva: PRI Association and UNEP FI, 2011.

<sup>4</sup> UNCTAD, *Investment and Enterprise Responsibility Review. Analysis of investor and enterprise policies on corporate social responsibility*. Geneva: UNCTAD, 2010; PRI Association and UNEP FI, *Universal Ownership. Why environmental externalities matter to institutional investors*. Geneva: PRI Association and UNEP FI, 2011.

<sup>5</sup> Freshfields Bruckhaus Deringer, *A legal framework for the integration of environmental, social and governance issues into institutional investment - Report for UNEP-FI*. Freshfields Bruckhaus Deringer, November 2005.

In July 2009, the UNEP FI Asset Management Working Group (AMWG) published a follow-up report to the 2005 'Freshfields' report. This report, often called Fiduciary II, articulates the evolving nature of fiduciary duty and ESG issues. According to the legal advice of, amongst others, Paul Watchman, it is now broadly recognised that pension funds have the duty to consider ESG factors.<sup>6</sup>

Likewise, investment management agreements should clarify the expectations of the parties (i.e. institutional investors and asset managers) and make clear that ESG is regarded as a mainstream consideration. Fiduciary II also highlights that institutional investment consultants and asset managers have a professional duty of care to proactively raise ESG considerations with their clients. Failure to do so may have serious consequences because there is a very real risk that they will be sued for negligence.<sup>7</sup>

In March 2011, the FairPensions campaign released a report with its vision on the fiduciary duties of investors, discussing its implications in today's changing pension and investment landscape. One of the questions was whether fiduciary obligations present a barrier to the consideration of ESG issues. Because the legal position of fiduciary obligation is somewhat unclear, partly due to lack of authority, 'statutory clarification may be needed to free trustees from perceived restrictions on their exercise of judgment'. Moreover, the increasing acceptance of the idea that serving the best interest of beneficiaries requires consideration of ESG issues is not (yet) fully reflected in mainstream investment practice. FairPensions' report suggests that this might be connected to a perception of ESG as a client-driven ethical preference instead of an integral part of financial analysis.<sup>8</sup>

Furthermore, it appears that the actors exercising fiduciary responsibilities are no longer those making many of the key decisions affecting beneficiaries. This undermines the effectiveness of fiduciary accountability. Based on these and other issues, FairPensions pleads for a fundamental review of the fiduciary obligation. 'Its goals should be to ensure that the legal framework is serving its purpose: to protect us all from irresponsible, short-sighted or self-serving behaviour by those on whom we depend to act on our behalf'.<sup>9</sup>

### Financial performance and risk management

Many investors still need to be convinced of the materiality of ESG issues and the link to financial value. In 2006, the UNEP FI concluded that there is robust evidence that ESG issues affect shareholder value in the short and long term, and the impact on share price can be valued and quantified. At the same time, material ESG issues are apparent while their importance varies between sectors.<sup>10</sup>

Taking sustainability risks into account can improve an investor's understanding of financial risks and its capacity to deal with these risks. The avoidance of environmental and social risks can reduce the client's reputational risk and its exposure to claims for damages. This will have a positive effect on the company's financial performance and the financial risk profile of the financier: 'Sustainability criteria can be used to predict the financial performance of a debtor and improve the predictive validity of the credit rating process. We conclude that the sustainability a firm demonstrates influences its creditworthiness as part of its financial performance'.<sup>11</sup>

Companies that perform well on social and environmental issues often yield investors more financial return, for various reasons: 'For instance, a credible corporate social responsibility (CSR) strategy can have a positive influence on employee loyalty or strengthen the company's positive reputation in the marketplace'.<sup>12</sup>

Research by financial specialists has not led to a clear conclusion on the question whether non-financial criteria have a positive effect on returns, particularly where long-term effects are concerned. What is clear, however, is that it does not have a negative effect on returns. In 2007, a joint report of the UNEP FI Asset Management Working Group and Mercer stated that the belief that responsible investment will automatically limit the investment universe and thereby limit returns is narrow in its focus and conclusion. A number of tools are available for integrating ESG into the investment process and a full assessment of their merits needs to consider the relative merit of each approach and the preferences of the beneficiaries that asset owners represent, and then balance those considerations against available evidence on the performance indication of each approach.<sup>13</sup>

Since then, the breadth and depth of academic research measuring the relationship between responsible investment and financial performance have expanded. In November 2009, another Mercer study reviewed 36 scientific studies examining the relationship between responsible financing methods and the financial performance of asset managers, and concluded that 20 studies found a positive relationship and only 3 studies showed evidence of a negative relationship.<sup>14</sup>

Because a variety of factors determine how ESG factors influence investment performance, it is not certain that taking ESG criteria into account will have a uniform impact on portfolio performance. The results of the Mercer review also show significant variations in ESG materiality across industrial sectors and may be misleading at aggregate level. Many of the academic studies relied on specialist ESG research firms and focus on the link between ESG and listed equity investments. Academic studies are beginning to broaden their scope, so that forthcoming papers will focus on other asset classes as well.<sup>15</sup>

6 Asset Management Working Group, *Fiduciary responsibility. Legal and practical aspects of integrating environmental, social and governance issues into institutional investment*. Geneva: UNEP FI, July 2009.

7 Asset Management Working Group, *Fiduciary responsibility. Legal and practical aspects of integrating environmental, social and governance issues into institutional investment*. Geneva: UNEP FI, July 2009.

8 Berry, C., "Protecting Our Best Interests. Rediscovering Fiduciary Obligation", *FairPensions*, March 2011.

9 Berry, C., "Protecting Our Best Interests. Rediscovering Fiduciary Obligation", *FairPensions*, March 2011.

10 UNEP FI Asset Management Working Group, *Show me the money: linking environmental, social and governance issues to company value*. Geneva: UNEP FI, 2006.

11 Weber, O., R. W. Scholz and G. Michalik, "Incorporating sustainability criteria into credit risk management", *Business Strategy and the Environment*, 19(1) (2010): 39–50.

12 Schmidt, S. and Weistroffer, C., *Responsible investments: a new investment trend here to stay*. Frankfurt: Deutsche Bank Research, 2010.

13 UNEP FI Asset Management Working Group and Mercer, *Demystifying Responsible Investment Performance – A review of key academic and broker research on ESG factors*. UNEP Finance Initiative and Mercer, October 2007.

14 Mercer, *Shedding light on responsible investment: Approaches, returns and impacts*. London: Mercer, 2009.

15 Mercer, *Shedding light on responsible investment: Approaches, returns and impacts*. London: Mercer, 2009

The financial performance resulting from the implementation of any responsible investment policy is determined by a number of different factors. It is clear that a number of the instruments used to implement a responsible investment policy, such as voting and engagement policies, do not have a negative effect on returns. Other instruments, such as the inclusion of the ESG criteria in the selection of shares might have that effect. In theory, any restriction of the investment universe could lead to a lower return. On the other hand, there are also a number of theoretical reasons to believe that companies paying more attention to social and environmental issues will reach better financial results because better investment choices are made.

A recent study by RCM tested the impact of ESG issues over the period 2006-2010 and found evidence that there is a probability of out-performance over the longer term. It contends that investors could have added over 1.6% a year over five years to their returns if they had allocated capital to portfolios that invest in companies with above-average ESG ratings.<sup>16</sup>

Most research on corporate sustainability has focused on equities, despite the fact that the market for corporate bonds is considerably larger. A paper published by the Dutch researchers Bauer and Hann in November 2010 filled this gap. The paper investigates the credit risk implications of corporate environmental management for bond investors. The research is based on the view that 'environmental practices influence the solvency of borrowing firms by determining their exposure to legal, reputational, and regulatory risks', and aims to provide a better understanding of how the different corporate environmental activities relate to credit risk. Such understanding is required for investors who want to protect themselves against environmental performance related losses. The study finds that corporations with limited sustainability policies and poor environmental management already pay higher interest rates. It seems that investors already take the quality of a company's environmental management into account when investing in bonds.<sup>17</sup>

Besides a professional duty to invest responsibly, the financial sector also considers responsible investment activities as a matter of risk management. In January 2010, the Dutch Committee on Investment Policy and Risk Management (also referred to as Commissie Frijns) recommended that pension funds should include objectives in the area of sustainable development and corporate social responsibility for their risk and investment policies.<sup>18</sup>

A Risklab study focused on the connection of ESG to strategic asset allocation and portfolio construction. Its study, published in March 2010, pointed out that the integration of ESG factors into portfolio construction could significantly reduce long-term investment risk and potentially boost returns because of the high probability that companies that do not manage ESG issues will be more volatile. The study involved building a

quantitative model of ESG risk factors in a portfolio to determine their influence on equity risk over a 20-year horizon. According to Risklab, investors should strive to optimize their global equity investments and minimize exposure to ESG risks. According to Risklab, investors should strive to optimize their global equity investments and minimize exposure to ESG risks.<sup>19</sup>

The annual Penrose Financial Survey 2010, about the future of the investment industry, asked 100 organizations (60% asset managers, 14.2% pension funds, 16.0% consultants/advisory and 9.4% other) about their reasons for including environmental factors in their investment strategy. The results showed that a significant part of the respondents sees environmental factors both as a risk and an opportunity. A large part (43.64%) of the respondents felt that 'environmental factors pose a significant risk to investment portfolios, so these non-financial factors must be taken into consideration'.<sup>20</sup>

In 2011, Trucost calculated the cost of global environmental damage and examined the importance of the matter for capital markets, companies and institutional investors. It assessed the financial implications of unsustainable natural resource use and pollution by business. According to their report, annual environmental costs from global human activity amounted to US \$6.6 trillion in 2008, equivalent to 11% of GDP. The top 3,000 publicly traded companies were responsible for US\$ 2.15 trillion of the US\$ 6.6 trillion. Such externalities can reduce returns to investors.<sup>21</sup>

Mercer also produced a report in 2011 on investment implications of climate change impact on economies and financial markets at a total-portfolio level. This is especially important for strategic asset allocation because traditional approaches to modelling, mostly based on historical quantitative analysis, fail to take account of climate change risk. The report models climate change risks using the TIP-framework (Technology, Impact, Policy), and suggest that climate policy could contribute 10% to overall portfolio risk. To manage this and other risks, investors need to think about their exposure to climate change across asset classes.<sup>22</sup>

As the reports mentioned above illustrate, calculating the sustainability 'value' of ESG related investments has become increasingly important to institutional investors as they look to justify both the financial and social benefits of SRI strategies.

## SRI IMPLEMENTATION ACROSS ASSET CLASSES

This Eurosif survey includes a number of asset classes where SRI can be implemented. The different asset classes and the importance of SRI for each of these classes are briefly introduced below. Many possibilities for responsible investment in these asset classes are described by, amongst others, the Boston College Center for Corporate Citizenship.<sup>23</sup>

16 Panteli, C., "ESG investment more likely to outperform over long term", *Professional Pensions*, 1 August 2011; RCM, *Sustainability: opportunity or opportunity cost? Applying ESG factors to a portfolio does not negatively impact performance and may enhance it*. RCM, July 2011.

17 Bauer, R. and D. Hann, *Corporate Environmental Management and Credit Risk*. Maastricht University and European Centre for Corporate Engagement (ECCE), 30 June 2010; Kleinnijenhuis, J., "Belegger verlangt minder rente van duurzaam bedrijf", *Trouw*, 20 November 2010; Maastricht University, "Poor environmental management penalised by investors", *University Maastricht Research Magazine*, 20 November 2010.

18 Bird, J., "Corporate reports: Investors push to know more about non-financial risks", *Financial Times*, 1 October 2010; Frijns, J.M.G., J.A. Nijssen and L.J.R. Scholtens, *Pensioen: Onzekere zekerheid*. Eindhoven: Commissie Beleggingsbeleid en Risicobeheer, 19 January 2010.

19 Röhrbein, N., "ESG risk in a portfolio context", *Investments & Pensions Europe*, April 2010; Wheelan, H., "Quant study shows significant, long term ESG risk reduction and return boost", *Responsible Investor*, 24 March 2010.

20 Fleming, A. and Morgan, J., *The Future of the Investment Industry Survey*. London: Penrose Financial, August 2010.

21 PRI Association and UNEP FI, *Universal Ownership. Why environmental externalities matter to institutional investors*. Geneva: PRI Association and UNEP FI, 2011.

22 Mercer, *Climate Change Scenarios - Implication for Strategic Asset Allocation. Public Report*. Mercer / Carbon Trust / International Finance Corporation, February 2011.

23 Wood, D., *Handbook on Responsible Investment across Asset Classes*. Boston College Center for Corporate Citizenship, November 2007.

### Publicly listed equity

The public equity market consists of the publicly traded shares of companies. The risks and opportunities connected to ESG issues are important for the analysis and adjustments of an equity portfolio. Historically, the equity asset class has been the focus of SRI policies. These policies can be implemented by applying negative as well as positive screening within the portfolio. Furthermore, voting on the equity holdings and engagement with the corporation whose equity is held provides the investor with many ways to integrate ESG issues into its investment decisions.

Emerging markets deserve special attention from investors, since emerging market equity is becoming increasingly popular due to their higher economic growth prospects. The population growth in these markets is resulting in resource challenges as well as the potential dangers for the environment, so a sustainable approach to economic development is crucial for emerging markets. Obtaining relevant ESG data on emerging market companies, while perhaps requiring more effort, is therefore of critical importance.<sup>24</sup>

In the equity portfolios, it is also possible to take ESG criteria into account with passive investments. This can be done by following a sustainable index or selecting passive index funds that maintain sustainability criteria.

### Bonds

A bond is a loan contract to repay borrowed money with interest at fixed intervals. Bonds are seen as a safer asset class than equities because of the fixed nature of the payments and are also seen as less volatile. Companies issue corporate bonds, and responsible investment activities are much the same as for equities in terms of (negative and/or positive) selection and engagement. Corporate bonds, however, do not provide voting rights.

Many bond managers, as a result of growing demand, are working to integrate ESG factors in fixed-income portfolios. Still, according to some pension funds 'it will be months, even years, before responsible investment in bonds reaches the level it has in equities'. Engagement activities can be done at the time of issuance or is often done in combination with the equity holdings of an investor.<sup>25</sup>

Like corporate bonds, government (or sovereign) bonds are generally regarded as one of the safer, more conservative investment opportunities. They are often issued to fund public services, goods or infrastructure. The first SRI implementation step for government bonds is generally the exclusion of countries under (international or UN) sanctions, often with dictatorial regimes. These sanctions are commonly related to human rights violations. However, fund managers increasingly offer products that screen bond portfolios on issues such as corporate governance regulatory practices, environmental and resource policies, respect for human rights and education levels. Investors can also choose to invest in specific government bonds that support the creation of public services, such as needed infrastructure improvements, schools, or the development of sustainable energy sources.

### Monetary deposits

This asset class consist primarily of liquid (or nearly liquid) interest-bearing instruments or cash and cash equivalents.

According to the aforementioned Boston College report, monetary deposits provide investors with opportunities to support banks, credit unions and other financial institutions whose lending practices integrate ESG analysis into their business practices. An investor can quite easily research the SRI policy that a financial institution maintains.<sup>26</sup>

### Real estate/property

Real estate investments encompass a wide range of products, including home ownership for individuals, direct investments in rental properties, office and commercial space for institutional investors, publicly traded equities of real estate investment trusts, as well as fixed-income securities based on home-loans or other mortgages. This section is, however, limited to direct investments in real estate and indirect investments via real estate funds.

Investors can screen their portfolio by developing ESG criteria for the construction of new buildings, their locations and the maintenance of existing property, machines and other facilities within buildings. This focuses on issues such as environmental efficiency, sustainable construction and materials and fair labour practices. For real estate (investment) that is managed externally, an important tool is the selection of fund managers based on experience with and implementation of ESG. Investors can track indices like the Global Environmental Real Estate Index.<sup>27</sup>

### Alternative investments

Depending on the asset allocation and definitions of an investor, alternative investments cover a wide variety of assets. At the same time, experience with and strategies for responsible investments in this sphere are currently in their infancy. Furthermore, the investments are generally a small part of total investments. In this report, this asset class is limited to private equity, hedge funds, commodities and infrastructure. Information provided on other asset classes will not be taken into account. Once again, the Boston College report was used.<sup>28</sup>

- With regards to **private equity**, an institutional investor can choose to invest in sustainable companies and/or stimulate innovations and change at unsustainable companies. This is possible because the investor can directly influence the management of these companies. Investors can also encourage entrepreneurs to focus on developing business with high-impact social and/or environmental missions, especially in regions and communities that are underserved, and promote creation of local business and jobs.
- Although **hedge funds** are often handled as a separate asset class, the underlying assets are generally publicly listed securities (stocks and bonds) and their derivative products. Thus, investors could consider an ESG analysis of underlying assets and theoretically use the same tool for ESG management as for public equity and fixed income.

24 Ness, A., "ESG progress in emerging markets", *Investments & Pensions Europe*, February 2010.

25 Carter, D., "ESG factors make inroads in fixed-income portfolios. As bond assets grow so does the demand for ESG-related product", *Responsible Investor*, 10 September 2010.

26 Wood, D., *Handbook on Responsible Investment across Asset Classes*. Boston College Center for Corporate Citizenship, November 2007.

27 UNEP FI, *Building responsible property portfolios*. Geneva: UNEP FI, June 2008.

28 Wood, D., *Handbook on Responsible Investment across Asset Classes*. Boston College Center for Corporate Citizenship, November 2007.

- Regarding **commodities**, investors could direct capital to specific commodities with better ESG profiles and consider the source (region) of the commodity. Some precious metals are, for example, mined in conflict areas. Institutional investment in commodities via index funds also have potential ESG issues, as increasing price and volatility levels have serious consequences for the global population. This is especially true for food commodities like rice and grain, where the effect is also much more drastic for the poorer regions of the world.

### INSTRUMENTS USED TO IMPLEMENT SRI POLICY

Within the asset classes listed above, a number of instruments can be applied to implement the SRI policy. The instruments listed in this report are briefly outlined below.

#### Voting

Pension funds and other institutional investors can actively exert influence on the companies they invest in by voting during (annual) shareholder meetings. While many pension funds have taken to actively voting at shareholder meetings, their voting policies are sometimes limited to subjects regarding corporate governance. This can push companies towards a better sustainability policy. However, a clearly defined voting policy that explicitly emphasizes social and environmental issues can have more impact.

Finally, by introducing or supporting shareholder resolutions promoting sustainable development and corporate social responsibility, investors can push companies towards improvement and corrective action. Voting can only be applied to the publicly listed equity asset class.

#### Engagement

Pension funds and other institutional investors can also actively exert influence on companies in which they invest by entering into dialogue with them. If a company's policies and behaviour are at odds with the investor's values or (international) agreements, investors can use their influence to alter the conduct of companies. The level and intensity of the engagement activities vary and is to a certain extent dependent on the size of the investment.

Engagement can be used on publicly listed equities as well as corporate bonds.

#### Positive screening

Investors can select (a portion) of their investments using positive screening. This instrument allows investors to select companies that are frontrunners in the area of sustainability. A common approach is the best-in-class approach, where investors choose the top performing companies in a sector or category based on how they meet selected ESG challenges. For instance, a fund can select the best achieving companies in a specific sector, based on targeted ESG screens such as water efficiency or CO<sub>2</sub> emissions.

Positive selection can take place in publicly listed equity, corporate and government bonds asset classes.

#### Negative screening

The product or production processes of some companies can be at odds with the values of the investor or in violation of (international) agreements and treaties. They can, therefore, be excluded from the investment portfolio. Some investors exclude companies based on their own (ethical) values, and typically exclude investments in companies involved in controversial products such as tobacco, alcohol, gambling or pornography. Others exclude companies based on issues such as human rights violations and damage to the environment or the violation of (international) agreements or treaties. Common issues are controversial weapons, child labour and forced labour, or environmental degradation.

A negative screening policy can be applied to numerous asset classes such as publicly listed equity, corporate and government bonds, and even private equity.

#### Integration

Integration is the explicit inclusion of ESG risks and opportunities in traditional financial analysis. This means that non-financial criteria play a role in the investment selection process. The latest European SRI study identified this instrument as one of the most readily adopted SRI strategies, due in part to it being a very tangible method of considering the fiduciary duty of investors.

A wide variety of approaches can be used for the integration of ESG information. This can vary from having ESG information being made available to the investor making investment decisions to over- or underweighting a company within a portfolio based on ESG information. Integration can take place in all asset classes.

#### Special mandates

Pension funds and other institutional investors can choose to invest in a mandate that focuses on a particular product, process, or theme that contributes to sustainable development in some way. These mandates maintain a wide variety of approaches, but common examples include clean technology, microfinance, or social housing. As such, they can be part of the impact investing strategy of an investor.

These mandates can be in a wide variety asset classes such as publicly listed equity, real estate or private equity.

#### Collaborative initiatives

Aside from implementing SRI instruments in a wide variety of asset classes, investors can also take part in collaborative initiatives. These initiatives also strive to contribute to sustainable development. By joining forces with fellow investors and other stakeholders such as companies, NGOs and governments, investors can leverage the larger scale to more effectively bring about desired change. Examples include the Carbon Disclosure Project, the Principles for Responsible Investment (PRI) Clearinghouse, and the Access to Medicine Index Investor Statement.

# European results

In this chapter, information is first provided on the European pension fund sector in general before delving into the results of the Eurosif survey on a European level. This is comprised of a short introduction on income and investments, followed by information on corporate pension funds.

## EUROPEAN PENSION FUND SECTOR

The most important means of providing financial security in European countries are a combination of a government system of old age social security provision (first pillar), occupational pensions through private pension funds (second pillar) and voluntary household savings for retirement, in the form of, for example, life insurance (third pillar). General household savings are also sometimes used for retirement or for other purposes and so are seen as supplementary.

### Income and investments

The size of the private pension market varies widely between the countries within Europe and is largely determined by the type of pension system in place. Table 1 below shows the pension fund reserves for the 12 countries included in this report.

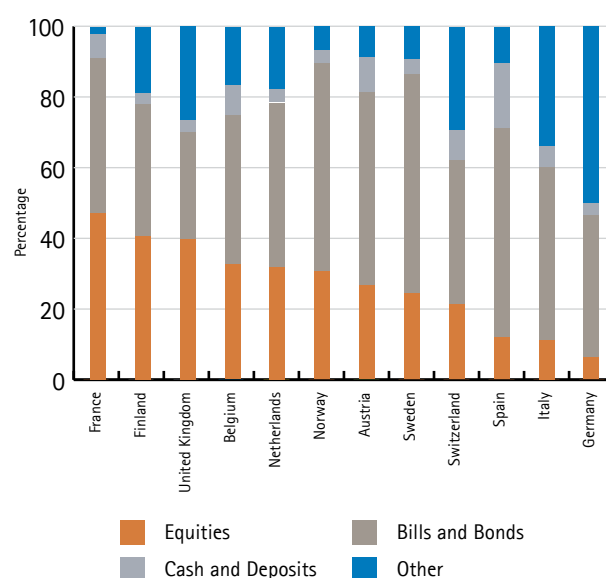
Table 1: Assets in pension funds and public pension reserve funds in selected European countries in 2009

Country	Pension funds		Public pension reserve funds	
	% of GDP	\$ Millions	% of GDP	\$ Millions
Austria	4.9	18,987	n.a.	n.a.
Belgium	3.3	16,677	5,0	23.480
Finland	76.8	182,286	n.a.	n.a.
France	0.8	21,930	4,3	118.669
Germany	5.2	173,810	n.a.	n.a.
Italy	4.1	86,818	n.a.	n.a.
Netherlands	129.8	1,028,077	n.a.	n.a.
Norway	7.3	27,852	5,0	18.963
Spain	8.1	118,056	5,7	83.387
Sweden	7.4	35,307	27,2	108.785
Switzerland	101.2	496,957	n.a.	n.a.
United Kingdom	73.0	1,589,409	3,8	83078,9
Other European countries	n.a.	373,922	n.a.	46.460
Europe		4.170.087		482.823

Based on: OECD, "Assets in pension funds and public pension reserve funds in OECD countries, 2009", *OECD Global Pension Statistics*, 28 January 2011

Figure 1 below shows the asset allocation of pension funds for the 12 countries included in this report. There is clearly a wide variety of asset allocation mixes employed in the various countries.

Figure 1: Asset allocation of pension funds for the 12 countries surveyed



### Best Practice – Italy (Banca Monte dei Paschi di Siena)

Banca Monte dei Paschi di Siena is a primary bank within the Italian banking sector, and is strongly engaged in corporate sustainability. The company's employees fall under one of two pension funds, depending on the hiring date. Both pension funds follow a similar approach to SRI. Adopting an experimental SRI strategy, they have decided to gradually introduce extra-financial analysis into asset management, with a special focus on equities.

This analysis is conducted in the pension funds' portfolio by an external agency that assigns a sustainability rating, on both a portfolio and individual holding level. All qualitative and quantitative information and its impact on the portfolio composition is evaluated by the board of directors and eventually integrated into the equity selection process. The employees' attention to sustainability issues and sound financial performance worked as a stimulus for the implementation of the SRI strategy. However, the opportunity for a formal instrument – such as an SRI policy – still needs to meet a common vision within the pension funds' governance bodies.



### Pension funds

According to the OECD, because of the impact of pension reforms, private (non-public) pension arrangements have been growing in importance in recent years. Private pensions can be voluntary (either because employers or individuals are free to set up or join a pension plan), mandatory or quasi-mandatory (through collective bargaining agreements). Coverage of such pension plans varies across countries.

In countries where the availability and benefits of public pensions are high, the coverage of private pension arrangements tends to be low. In Finland, Iceland, Norway and Switzerland, occupational pensions are mandatory and cover between 70% and 80% of the working age population. The occupational pension systems in Denmark, the Netherlands and Sweden are examples of quasi-mandatory systems that cover 60% or more of the working age population.<sup>29</sup>

Occupational pensions are mostly funded through pension funds, except for in countries like Belgium, Denmark, Norway and Sweden, where pension insurance contracts play a larger role, and Austria, where book reserves – provisions sponsoring employers' balance sheets – are the main type of financing vehicle.<sup>30</sup> All of these pension schemes can be linked to a sponsor company and are known as corporate pension funds.

Information on the size and other characteristics of the European corporate pension fund sector is very difficult to find. The closest estimate, from 2007, is provided by the European Federation for Retirement Provision (EFRP), an association that affiliates associations in 16 EU member states and 5 other European countries. It states that corporate and industry-wide pension had about €3.5 trillion in assets (as of 2007).<sup>31</sup>

## EUROPEAN SURVEY RESULTS

The European survey results that follow are presented in four sections:

- SRI policy
- Inputs to SRI policy
- SRI policy implementation
- Communication

### SRI POLICY

The survey was distributed among corporate pension funds in 12 European countries. In total, 169 pension funds completed the survey online, in written form, or via the telephone. The number of respondents varied widely between the countries, from a minimum of 6 to a maximum of 27 pension funds. Table 2 below shows the distribution of respondents between the countries.

Table 2: Survey respondents, SRI policy, long-term performance per country

Country	Respondents	Respondents with an SRI policy	ESG factors affect long-term performance	SRI policy part of fiduciary duty
Austria	7	6	5	5
Belgium	6	4	4	3
Finland	9	1	4	4
France	12	12	12	6
Germany	11	5	6	6
Italy	18	6	12	16
Netherlands	18	14	16	16
Norway	27	9	11	17
Spain	10	5	8	7
Sweden	18	8	6	8
Switzerland	10	3	10	4
UK	23	21	8	19
Total	169	94	102	111

Figure 1 also shows that of the 169 pension funds, a total of 94 state that they have a responsible investment policy. This is 56% of the total. This percentage, however, cannot be extrapolated to the whole European pension fund sector. There is most likely a positive bias for an SRI policy among the respondents, as pension funds might only have wanted to respond to the survey if they actually have an SRI policy.

At the same time, Figure 1 shows that a similar amount of respondents (102 or 60%) feel that ESG factors affect the long-term performance of the pension fund. The respondents that have a responsible investment policy are not necessarily the ones that feel that there is a link between ESG factors and long-term investment performance. In fact, Figure 1 makes clear that some pension funds with an SRI policy do not believe in this link and vice versa. In Norway and the UK, for example, significantly more pension funds have an SRI policy than believe there is a link between an SRI policy and long-term performance. On the other hand, significantly more Italian and Swiss pension funds believe in the link between SRI and performance than actually have an SRI policy.

What is also surprising is that even more pension funds (111 or 66%) feel that having an SRI policy is part of their fiduciary duty. This means that there are a number of pension funds that are, in their own estimation, not fulfilling their fiduciary duty by failing to have an SRI policy. Looking at the individual countries, less Swiss and French feel that SRI is part of their fiduciary duty than feel that it affects long-term performance. Conversely, more Norwegian pension funds feel that SRI is part of their fiduciary duty than that it affects long-term performance.

<sup>29</sup> OECD, *Pension at a Glance 2011: Retirement-income Systems in OECD and G20 Countries*. OECD Publishing, 2011.

<sup>30</sup> OECD, *Pension at a Glance 2011: Retirement-income Systems in OECD and G20 Countries*. OECD Publishing, 2011.

<sup>31</sup> European Federation for Retirement Provision. "About EFRP". Accessed August 2011. <http://www.efrp.org>

### ESG factors

Respondents were asked to indicate which of the three factors most commonly associated with SRI were of most importance to them. In the country analyses further on in this report, the responses for all three issues (environmental, social, and governance) are presented. Table 3 below shows which issue was most important per country. It is clear that governance issues are most important for half of the surveyed countries.

Table 3: Most important ESG factor per country

Country	Highest ESG
Austria	Social
Belgium	All
Finland <sup>32</sup>	-
France	Social
Germany	All
Italy	Governance
Netherlands	Governance
Norway	All
Spain	Governance
Sweden	Governance
Switzerland	Governance
UK	Governance

For Belgium, Germany and Norway, the ESG factors are of equal importance, while corporate pension funds in Austria and France find that social factors are most important. Even though environmental issues are considered to be of importance to pension funds in most, if not all, of the European countries, it is clearly the least important factor.

### Barriers to an SRI policy

For pension funds without an SRI policy, many reasons are given for not having one, and no clear trend can be identified. A summary of the most common reasons can be found in the country analyses. Some of the recurring reasons mentioned are risk and performance concerns, unfamiliarity with the topic of SRI and a lack of resources to create, implement and monitor an SRI policy. Many of these concerns, also related to risk and performance, have been addressed in a number of publications over the years and are dealt with earlier in this report. Clearly, however, work needs to be done to remove these barriers.

Pension funds without an SRI policy were also asked to indicate whether they were planning to implement one within the next 12 months. Of the 68 pension funds that responded to this question in the survey, a total of 16 pension funds indicated they are planning to do so. This is 24% of the respondents. The willingness to implement an SRI policy in the near future is the most prevalent in the Netherlands, Norway and Spain, with 12 of the 16 pension funds located in these three countries.

### INPUTS TO SRI POLICY

The second part of the analysis focuses on the input that European corporate pension funds with an SRI policy received when putting this policy together. The six input sources listed in the online survey are:

- Alignment with the company's CSR/sustainability policies
- Members' views
- Advice from investment consultants
- Advice from legal advisors
- Fund managers' RI policies
- Board recommendations

Table 4 below shows that the vast majority of the surveyed corporate pension funds receive the most meaningful input from the pension fund boards. Pension funds in 9 of the 12 countries listed this source as the top input. In a further 4 countries, pension funds indicated that the CSR/sustainability policy of the funding company was the most important factor. Finally, the views of the pension fund members or beneficiaries are also a very important input for corporate pension funds in 2 of the countries (Austria and Switzerland).

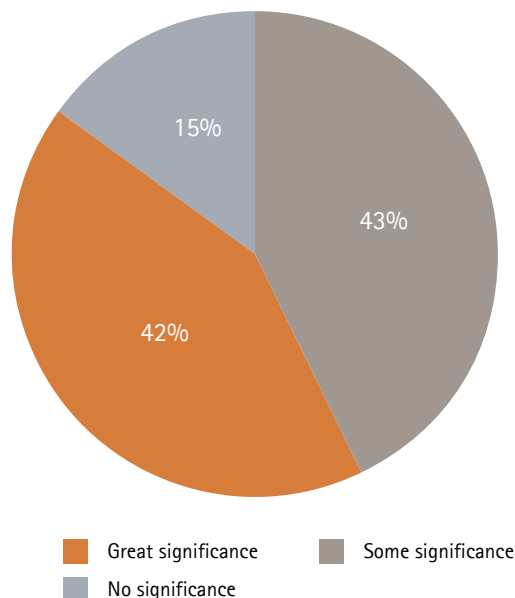
Table 4: Top input factors on SRI policy per country

Country	Top input
Austria	Members' views
Belgium	Board recommendation, CSR policy
Finland	-
France	Board recommendation
Germany	Board recommendation
Italy	Board recommendation, CSR policy
Netherlands	Board recommendation
Norway	Board recommendation
Spain	Board recommendation, CSR policy
Sweden	Board recommendation
Switzerland	CSR policy, members' views
UK	Board recommendation, CSR policy

Focusing in on the influence of the CSR/sustainability policy of the funding company, a total of 89 corporate pension funds responded to this question. Figure 2 below shows that 85% of all respondents feel that the CSR/sustainability policy of the funding company is a significant input for the formulation of the SRI policy.

32 Because only 1 of the Finnish corporate pension funds has an SRI policy, no country level analysis could be conducted in terms of the implementation and communication of this policy.

Figure 2: Significance of the CSR/sustainability policy of the funding company



This means that when working to stimulate SRI among corporate pension funds, gaining the support of the pension fund boards and consulting the CSR/sustainability policies of the funding company can be very useful starting points.

### SRI POLICY IMPLEMENTATION

In this section of the European results, insight is given into how the surveyed corporate pension funds implement their SRI policies. Three topics are covered in this section: which asset classes are covered by the SRI policies, what instruments are used when implementing these policies, and how the implementation is delegated. As mentioned earlier, the responses per country are presented in further detail in the country analyses further on in this report.

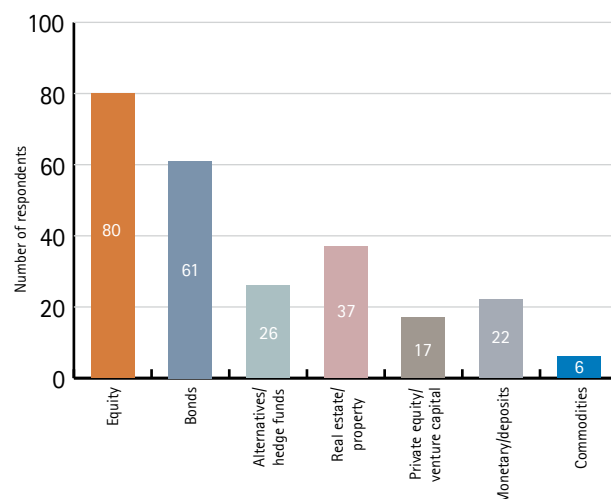
### Asset classes

Corporate pension funds were asked to indicate what asset classes are covered in their responsible investment policies. The asset classes included in the survey were defined earlier on in this report and are listed below:

- Equity
- Bonds
- Alternatives/hedge funds
- Real estate/property
- Private equity/venture capital
- Monetary/deposits
- Commodities

Figure 3 below clearly shows that the equities and bonds are the most popular asset classes for the SRI policies of the 88 corporate pension funds that answered this question. This is not surprising, given the fact that the equity portfolio has historically been the focus of responsible investment activities. It is also logical that the majority of the SRI policies extend to cover the bond portfolio, as many of the SRI instruments in the equity portfolio can very easily be applied to this asset class as well.

Figure 3: Asset classes covered by SRI policy



### Best practice – Germany (MetallRente)

MetallRente was founded by the two social partners Gesamtmetall and IG Metall and is Germany's biggest cross-industry pension scheme. Currently, MetallRente has over 19,000 customer companies, more than 350,000 contracts, and contributions in the amount of €2.3 billion. From the beginning, MetallRente has included sustainability criteria in its investment policy. The shareholders of MetallRente argue that any financial investment obliges the investor to include responsibility – also in terms of interests that concern the society as a whole. Pension institutions also have a fiduciary duty for the 'workers capital' – their beneficiaries. For these reasons, MetallRente favors a long-term investment horizon that includes sustainable aspects.

Initially, MetallRente pursued an approach focusing on negative screening. It subsequently developed an integrated sustainability approach. In terms of investment selection, MetallRente focuses on the Dow Jones STOXX Sustainability Index. Other companies may also be admitted according to a set of criteria.

MetallRente employs a 'best in class' that builds on its negative screening criteria such as nuclear power, tobacco and pornography. Within the many sectors, MetallRente reviews and rates the companies in to a multistage process. It examines areas such as environmental and social policy, management, production methods, products, relationships with employees, suppliers, customers and other stakeholders. Other aspects include growth prospects, profitability and balance sheet structure. Only if a company passes the test and is, additionally, one of the best within its branch or sector, will it be included in the investment universe.

In order to optimise its sustainable investment strategy and to develop a sustainable investment universe, MetallRente is currently re-engineering its investment strategy towards a more global approach to sustainability.

The third most popular asset class covered by SRI policies is real estate/property. Investor attention for sustainability within this asset class is growing rapidly, as can be seen by the founding and ongoing research of the Global Real Estate Sustainability Benchmark and the expected 2011 launch of the Global Reporting Initiative (GRI) Construction and Real Estate Sector Supplement (CRESS) for standardized reporting on sustainability within this sector.<sup>33</sup>

Three asset classes (alternatives/hedge funds, private equity/venture capital and monetary/deposits) are included in approximately 20-25% of the corporate pension funds. This reflects the trend that SRI is slowly being implemented in these asset classes as well.

Finally, even though there has been a lot of media and political attention paid to the role of investors in the commodity markets, only 6 of the 88 respondents (7%) have an SRI policy that covers this asset class.

When the SRI policy and asset classes are listed per country in Table 5 below, a number of interesting observations can be made. For example, when looking at the alternatives/hedge funds asset class, 63% of Swedish corporate pension funds have an applicable SRI policy, while on a European level, only 30% of corporate pension funds have an SRI policy for this asset class.

Similarly, even though only 25% of respondents on a European level have an SRI policy that covers the monetary/deposits asset class, a number of individual countries have a higher focus on this asset class. Austrian, Belgian and German pension funds have the relatively highest concentration of applicable SRI policies but have a relatively low level of responses potentially distorting the analysis. However, Norway and Sweden, with 9 and 8 responses respectively, also have a relatively high concentration of SRI policies applicable to the monetary/deposits asset class.

Table 5: Percentage of pension with an SRI policy in various asset classes per country

Country (pension funds)	Equity	Bonds	Alternatives/ hedge funds	Real estate/ property	Private equity/ venture capital	Monetary/ deposits	Commodities
Austria (5)	100%	80%	0%	20%	20%	80%	0%
Belgium (2)	100%	100%	50%	100%	50%	100%	0%
Finland (0)	-	-	-	-	-	-	-
France (12)	83%	83%	0%	0%	0%	33%	0%
Germany (4)	50%	75%	0%	50%	25%	50%	0%
Italy (6)	100%	67%	17%	0%	0%	0%	0%
Netherlands (14)	100%	50%	29%	64%	14%	0%	14%
Norway (9)	100%	100%	44%	56%	33%	44%	11%
Spain (5)	40%	60%	40%	20%	40%	40%	0%
Sweden (8)	100%	63%	63%	38%	25%	50%	25%
Switzerland (2)	100%	50%	0%	100%	0%	0%	50%
UK (21)	95%	62%	43%	57%	24%	0%	0%
Average (88)	90%	69%	30%	42%	19%	25%	7%

### Best Practice – Austria (VBV Vorsorgekasse AG)

Since its foundation, the VBV Vorsorgekasse AG pursues a very clear ethical and value-based company policy on all company levels. The market leader VBV has 1.9 million customers and manages 1.4 billion Euros. The mission statement includes sustainability targets in multiple aspects of its business operations. Continuous discussions on values led to the decision that ecological, social, cultural and economic aspects should increasingly be taken into consideration in the fields of management and business practice. With its commitment to sustainability, VBV has received a number of awards within different fields. Examples include the 'Environmental Management and Audit Scheme' (EMAS) prize for its environmental management system and the ASRA award for the best sustainability report in Austria.

This mission statement incorporating sustainability also influences VBV's investment policy. This policy contains a clear set of negative and positive screening criteria for the equity and bond portfolios and ensures – as far as funds are included – that these funds carry the Austrian environmental label. In addition, VBV has developed special criteria for real estate and alternative investments such as hedge funds. An independent ethical advisory board meets 3 to 4 times a year to set out and evaluate the criteria.

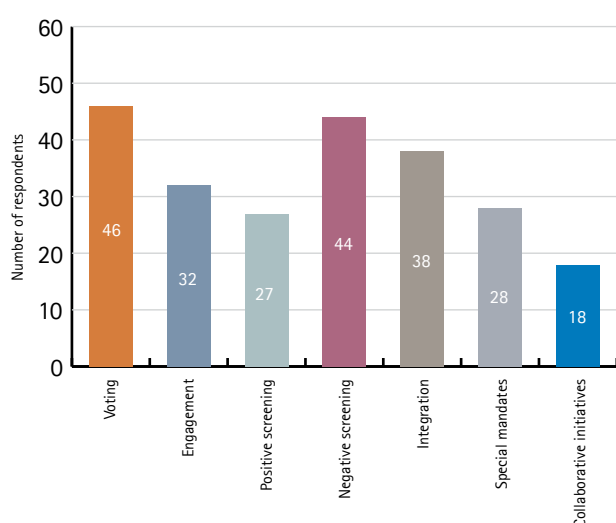
<sup>33</sup> For more information: [www.gresb.com](http://www.gresb.com), [www.globalreporting.org](http://www.globalreporting.org)

Not surprisingly, SRI is most commonly applied to the equity portfolio in the vast majority of the countries. However, both Spanish and German corporate pension funds focus their SRI policies more on their bond portfolios.

### Instruments

When looking at the instruments used to implement the SRI policies for the various assets classes among European corporate pension funds, there is no instrument that is used significantly more than others. Instead, it is clear that the 90 respondents to this question use a combination of instruments to implement their SRI policies. This is shown in Figure 4 below.

Figure 4: Implementation of SRI policy



The frequency of the instruments used can be placed into 3 groups.

The three instruments most commonly used by the respondents are voting, negative screening, and integration. These instruments are used by approximately half of the pension funds. One-third of pension funds make use of engagement, positive screening and special mandates. Finally, approximately 20% of respondents participate in collaborative initiatives with other (institutional) investors.

The different SRI policy implementation approaches listed according to countries are shown in Table 6 below. Similar to the asset classes covered, some percentages may not be completely reliable due to the low number of responses. Some interesting conclusions can nevertheless be drawn of the differences between the European countries.

The instrument that is most consistently implemented across the European countries is negative screening. It is the only instrument that is being applied by corporate pension funds in all of the surveyed countries.

Among the respondents, voting is very prevalent among Dutch, Spanish, Swiss and UK corporate pension funds but virtually non-existent among the Nordic countries as well as Austria, Germany and Switzerland. Engagement is common in Austria, the UK and to a lesser extent the Netherlands, whereas the Nordic countries are also not very active in this regard.

### Best Practice – Switzerland (Beispiel für die Schweiz Pensionskasse der Zürcher Kantonalbank (PKZKB))

The Zürcher Kantonalbank (ZKB), the third largest Swiss bank, looks back on many years of experience with SRI. For this reason, SRI is also implemented in its pension schemes. The PKZKB is responsible for the corporate pensions of the employees of ZKB. It includes approximately 5,200 insured people and more than 1,700 retirees and has assets in the amount of €2 billion.

The PKZKB invests 30% of all bond and equity assets in a sustainable manner. Sustainability among its real estate investments will follow and should rise significantly – the long term aim is to have a sustainability quota of 20% within the PKZKB real estate assets in Switzerland.

In terms of the sustainable research process, PKZKB follows ZKB's multistage process: In a first step, the PKZKB uses negative screening to exclude companies that contribute to the largest environmental problems and social risks worldwide. The second and most important step is the detailed analysis of sector leaders, innovators and debtors. This detailed analysis is based on an ESG approach combined with in-depth product and sector research. The third step, media research, ensures an independent investigation.

The PKZKB uses proxy voting for all of its Swiss equity holdings, and is partly based on the recommendations published by Ethos. For its sustainable assets, ZKB acts as asset manager for PKZKB, and has an environmental advisory board in collaboration with WWF Switzerland that meets 2 times a year to discuss aspects of sustainability. On a monthly basis, the WWF can review the investment universe and veto an investment if it is not sustainable in its point of view.

In addition, the PKZKB is a partner in collaborative initiatives like the CDP, and UN PRI.

Table 6: Percentage of pension making use of various instruments per country

Country	Voting	Engagement	Positive screening	Negative screening	Integration	Special mandates	Collaborations
Austria (6)	17%	67%	67%	83%	33%	67%	17%
Belgium (3)	33%	0%	33%	67%	0%	33%	33%
Finland (0)	-	-	-	-	-	-	-
France (11)	36%	9%	55%	45%	73%	45%	27%
Germany (5)	20%	40%	20%	40%	40%	40%	20%
Italy (6)	0%	17%	50%	67%	0%	0%	17%
Netherlands (14)	86%	50%	29%	64%	43%	50%	43%
Norway (9)	0%	0%	11%	22%	22%	0%	0%
Spain (4)	100%	25%	50%	75%	100%	25%	100%
Sweden (8)	13%	13%	0%	75%	13%	0%	0%
Switzerland (3)	67%	33%	33%	67%	33%	67%	33%
UK (21)	95%	67%	19%	19%	57%	29%	0%
Average (90)	51%	36%	30%	49%	42%	31%	20%

Corporate pension funds in Austria, France, Italy and Spain make relatively more use of positive screening than in the other countries. In terms of integration, France, Spain and the UK are leaders in the implementation of this instrument. Finally, participation in collaborative initiatives such as the UNPRI or the Carbon Disclosure Project is the least used instrument by the respondents. All 4 Spanish corporate pension funds, however, do make use of this instrument.

### Delegation

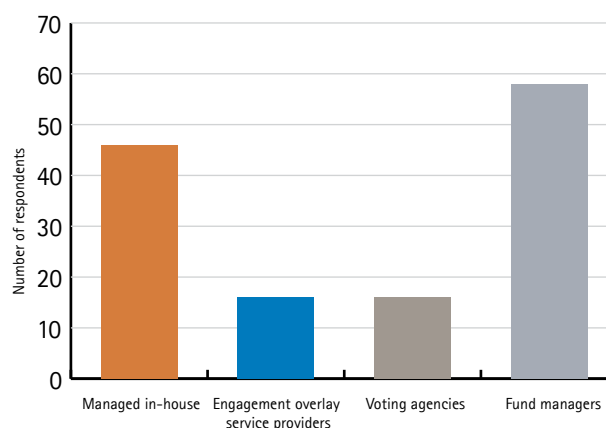
The final element related to the implementation of the responsible investment policy is related to how this implementation is delegated. The available options listed in the survey are as follows:

- Managed in-house
- Engagement overlay service provider
- Proxy voting service provider
- Fund managers

Figure 5 below shows that on a European level, corporate pension funds rely heavily on their fund managers or manage the SRI policy in-house. More specifically, 58 of the 94 respondents (62%) delegated it to fund managers, while 46 (49%) managed it in-house. The remaining two options are much less popular among corporate pension funds, with 16 respondents making use of engagement overlay or proxy voting service providers.

At a country level, this delegation is consistent for each of the individual European countries, with the exception of the Netherlands, where a relatively higher proportion of corporate pension funds make use of engagement overlay or proxy voting services. This should not come as a surprise, as the previous section showed that Dutch corporate pension funds are relatively more active in these instruments.

Figure 5: Delegation of SRI policy, European results



### Best Practice – The Netherlands (Pensioenfonds TNO)

TNO is an independent research organisation specializing in innovations that boost the sustainable competitive strength of industry and well being of society. Its pension fund, Pensioenfonds TNO, has approximately €2 billion in assets under management and approximately 15,000 participants. The pension fund has a responsible investment policy and maintains a negative screening policy that excludes companies based on the UN Global Compact and the avoidance of controversial weapons. It has also recently taken steps to expand its responsible investment policy to include corporate and country bonds.

Another aspect of its responsible investment policy includes engagement activities. Instead of engaging with companies directly, Pensioenfonds TNO focuses its engagement activities on its asset managers. This has led to positive results. In September 2010, Vanguard issued a press release announcing the launch of two SRI pooled funds based on the UN Global Compact and the avoidance of controversial weapons. The asset manager praised the efforts of Pensioenfonds TNO, stating that it started developing these products after the pension fund 'asked Vanguard and its other providers to develop a concept for an equity investment solution that would consider certain exclusions'.



### COMMUNICATION

After creating an SRI policy and implementing it, corporate pension funds must make a decision regarding the extent to and the manner in which they communicate this policy to their members and externally. Because surveyed pension funds provided a wide variety of answers for this question, it is not possible to summarise this in a chart or graph. Further information can be found in the country analyses. Based on the responses, however, a number of conclusions can be drawn.

In terms of the extent to which corporate pension funds report on their responsible investment policy, there is a reluctance to share their SRI activities. It seems that the majority of pension funds are more willing to share their SRI activities internally with the board and their members than externally.

The manner in which surveyed European corporate pension funds communicate their policy varies widely. Some pension funds report on it in the annual/sustainability report of the pension fund or the funding company. Some make use of a website where further information is provided. Finally, newsletters, mailings and other forms of direct communication are also used by a number of pension funds.

The level of detail in the communication regarding the composition of the policy and its implementation (such as a list of excluded companies/countries, voting records, and a summary of engagement activities) is beyond the scope of this report, but could be very interesting to research in future reports.

#### The Board of Trustees of the Co-operative Pension Scheme (United Kingdom)

The Board of Trustees of the Co-operative Pension Scheme recognizes that consideration of ESG factors is appropriate when assessing an investment in the long-term interest of the Scheme and its members. Consideration of specific ESG factors in fund managers' decision-making process is an important element of its SRI policy.

Specific ESG factors may be considered in fund managers' decision-making process where they may affect the financial performance of companies and other investments, and are an appropriate factor to be taken into account when assessing an investment. The Trustee may, from time to time, raise specific ESG issues with fund managers and seek a response or instruct managers in relation to specific ESG issues.

Review reports prepared for presentations and meetings include a section on how each manager is incorporating ESG issues in investment decisions. The Investment Committee also receives an annual report on fund managers' approach to incorporating ESG factors in investment processes. Furthermore, the investment consultant assigns a rating to each manager according to the extent to which ESG issues and active ownership practices are integrated into the managers' investment process. The investment consultant's ESG-related ratings are reported to the Investment Committee each quarter and used as a factor in manager evaluation and selection.

Fund managers' statement on compliance with The UK Stewardship Code and whether they are signatories to the UN PRI will be factors in manager evaluation and selection.

# Recommendations

Based on the results presented, a number of recommendations can be made to corporate pension funds looking to compose and implement an SRI policy, to individuals looking to encourage corporate pension funds to adopt an SRI policy and to policymakers.

**For pension funds looking to compose an SRI policy or those looking to encourage pension funds to adopt an SRI policy:**

- Consult the funding company's CSR/sustainability policy when composing and implementing an SRI policy: CSR/sustainability policies play a significant role in the composition of the surveyed corporate pension funds. This will also allow the SRI policy to be more closely linked to the character and preferences of the funding company and its employees.
- Involve pension fund boards and members when composing and implementing an SRI policy: These are important sources in the composition of an SRI policy and also better reflect the preferences of the members in whose best interests the pension funds is obligated to act.
- Educate pension funds boards on the nature of the link between SRI and financial risk and long-term performance: As the report shows, a number of pension funds indicate that performance concerns keep them from creating an SRI policy and in doing so possibly sidestep their fiduciary duty. This, in spite of numerous (academic) studies that do not support this conclusion and even state that SRI can lead to outperformance.
- Consult existing SRI policies from other (corporate) pension funds when composing an SRI policy: Concerns about lack of resources keep some respondents from putting together an SRI policy. This obstacle can be addressed by consulting the numerous best practice examples found in publicly available resources, thereby reducing the feeling that a pension fund board has to 'reinvent the wheel'.
- Ask (potential) fund managers for their SRI policies when creating an SRI policy: This report has shown that many pension funds rely on fund managers when delegating the implementation of the SRI policy, and thus these policies must be taken into account in the SRI process.

**For pension funds looking to further develop their SRI policy:**

- Expand the SRI policy into multiple asset classes: This report shows that the SRI policies are limited to equities and bonds for the vast majority of pension funds while other investments in other asset classes have a major impact on sustainability as well.
- Use a variety of instruments to implement the SRI policy: Effective SRI policy implementation relies on using a combination of instruments to achieve progress towards sustainable development.
- Provide increased transparency on the SRI policy, its implementation and results: By making more information publicly available, pension funds can learn from each other, collaborate more effectively, and track the results of their efforts.
- Participate in collaborative initiatives such as the UN PRI and the CDP: While this was the least used instrument among surveyed corporate pension funds, implementation of this instrument can have a great impact as it leverages the combined resources of participating investors.

**For policy makers working to stimulate responsible investment:**

- Encourage European-wide legislation requiring (corporate) pension funds to report on their SRI policies.<sup>34</sup> As the country analyses showed, a number of European countries require pension funds to report on their SRI policy and activities. Creating European-wide legislation can increase the number of institutional investors engaged in SRI and expand the market.

34 It has been Eurosif's policy position over the years that institutional investors should be required to disclose how they integrate environmental, social and governance issues into investment practices. To see Eurosif's lobbying papers, please go to: <http://www.eurosif.org/policy/positions>.

## Country introduction

In Austria, the current pension system is based on three pillars. The first pillar is the PAYG (Pay-As-You-Go) state pension. The second pillar is corporate pension funds and the third pillar is private pensions. Company pensions provisions are structured in several different ways. Two types of pension schemes were surveyed in this report:

- Corporate pension institutions (voluntary Pensionskassen)
- Severance payment fund (obligatory betriebliche Vorsorgekassen).

Pension institutions were introduced in Austria in 1990. Two acts constitute the legal basis: the "Pensionskassengesetz" (PKG) contains the regulatory law and the "Betriebspensionsgesetz" (BPG) sets the employment law provisions. The pension institution makes an agreement with one or several employers, which will contribute payments for their employees. The pension institution then manages the assets in investment and risk sharing groups (IRGs) in trust. These collectives ensure the balance of technical risks and consistent investment strategies.

To operate a pension scheme, the pension institutions need to obtain a licence from the Austrian Financial Market Authority (FMA). The licence is granted if the pension institution meets the requirements of the PKG.

Since 2003, employers are obliged to invest 1.53% of the employee's salary as a Severance Payment Fund and contract this with a provision fund. The competent supervisory institution is the FMA. The necessary licence to operate a corporate provision fund is provided by the FMA if the asset management adheres to the requirements of the "Bankwesen-gesetz" (BWG).

There are 17 corporate pension institutions (Pensionskassen), 11 of which being single-employer pension institutions and 6 being multi-employer pension institutions. Furthermore, there are 10 severance payment funds (betriebliche Vorsorgekassen).<sup>35</sup> These pension funds are federated in the Austrian Federation of Corporate Pension Funds (FVPK).<sup>36</sup> At present, all existing pension companies are members of the federation.

In 2010, the pension institutions had €14.9 billion in assets under management (single-employer pension institutions accounted for €1.8 billion) whereas the severance payment funds managed €3.6 billion in assets.<sup>37</sup>

An obligation to report about ESG issues was introduced in 2005 for pension institutions in the PKG in 2005, but only if sustainable issues influenced the assessment. Since 2004 the Austrian Society for Environment and Technology (ÖGUT) evaluates and certifies the investment policies of severance payment funds and pension institutions regarding sustainability issues on a voluntary basis.<sup>38</sup>

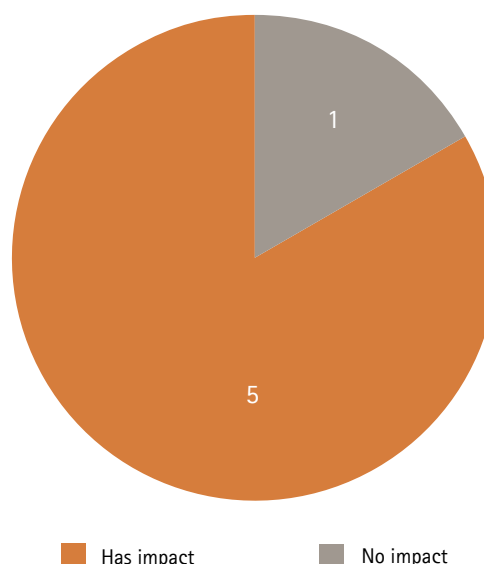
## Response rate

Seven corporate pension funds completed the survey in Austria.

## SRI Policy

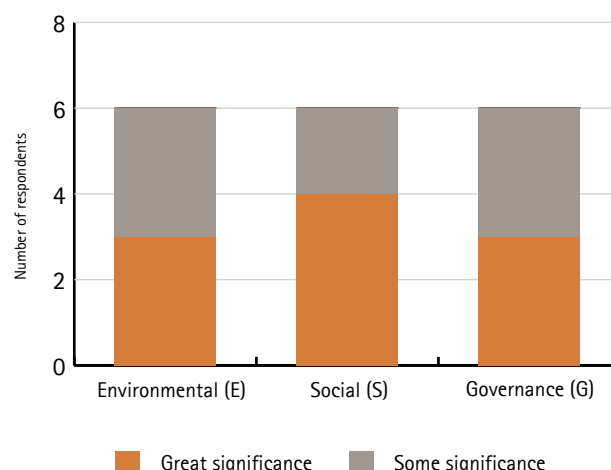
Of the 7 participating pension funds, 6 have an SRI policy and 1 pension fund skipped this question. Of the 6 pension funds, 5 felt that ESG issues play a role in the long-term performance of the fund. This can be seen in Figure 1.

Figure 1: Pension fund view on ESG factors and long-term impact



Looking at the individual ESG elements, most important are social factors (4-great significance and 2-some significance) followed by environmental and governance factors (3-great significance and 3-some significance).

Figure 2: ESG factor significance level



<sup>35</sup> For more information: [www.fma.gv.at](http://www.fma.gv.at), [www.bmf.gv.at](http://www.bmf.gv.at), <http://portal.wko.at>

<sup>36</sup> Fachverband der Pensionskassen (FVPK).

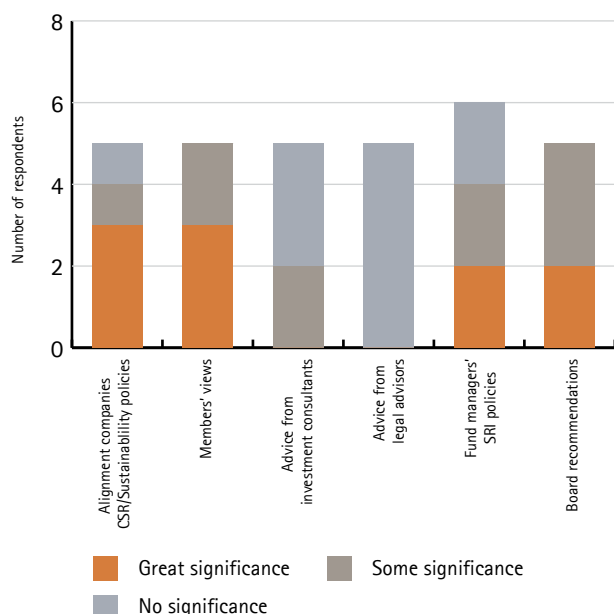
<sup>37</sup> FMA. "Jahresbericht 2010 der Finanzmarktaufsichtsbehörde." Accessed June, 2011. <http://www.fma.gv.at/de/ueber-die-fma/publikationen/fma-jahresberichte.html>

<sup>38</sup> ÖGUT, Systematische Weiterentwicklung des nachhaltigen Finanzmarkts. Statusbericht und Entwicklungsstrategie, Endbericht. Wien: ÖGUT, 2007.

### Input for SRI policy

Austrian corporate pension funds find their members' views to be the most important input for their SRI policies, followed by board recommendations. Four out of 5 pension funds regard the company's CSR policies as being of significant value as well, as shown in Figure 3 below.

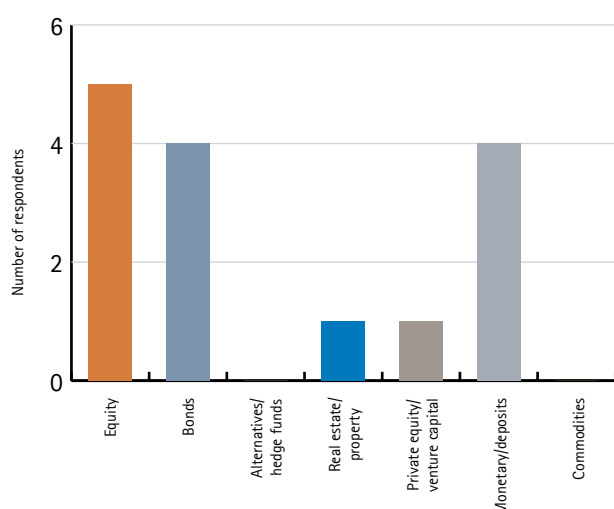
Figure 3: Input for the formulation of SRI policy



### Implementation

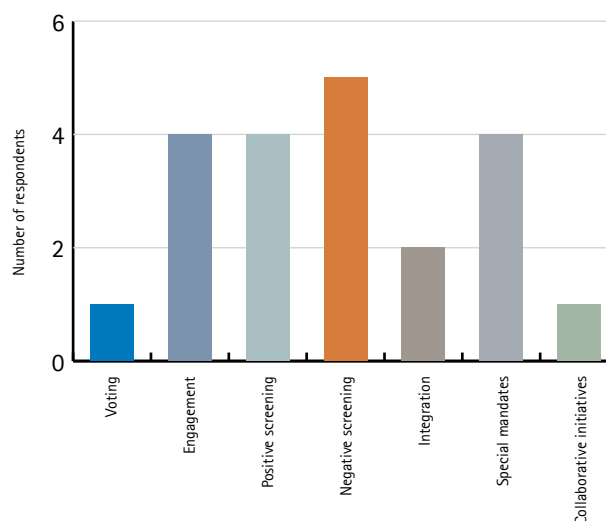
All pension funds implement their sustainable investment strategy in the equity asset class (5 responses), with the majority also making use of bonds and bank deposits (4 responses). This can be seen in Figure 4 below.

Figure 4: Asset classes covered by SRI policy



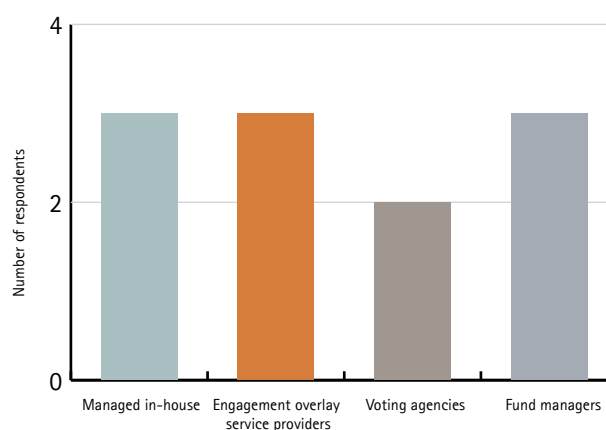
When looking at the instruments used to apply the SRI policy in Figure 5, negative screening is most widespread with 5 responses followed by engagement, positive screening and assets in special mandates with 4 responses each.

Figure 5: Implementation of SRI policy



With the delegation of responsible investment policy, Figure 6 shows that three pension funds manage the policy in-house, delegate the management to an overlay service provider, or delegate the management to the fund managers. Two funds delegate it to proxy voting agencies.

Figure 6: Delegation of SRI policy



### Communication

Five pension funds publish information on their SRI policy in the annual or sustainability report. Three pension funds publish their policy using different media like their website and mailings.

## Country Introduction

The Belgian pension system is based on three pillars. The first pillar is a public PAYG (Pay-As-You-Go) system based on average lifetime salary. The second pillar is a funded occupational system provided by the employer or the social partners. This occupational pension promise has to be funded via an external vehicle; this can be done either via a pension fund (IORP) or insurance. The third pillar consists of earmarked private savings with some tax incentives. This is an individual choice and can be done either via insurance or a bank savings vehicle.

The occupational second pillar pension funds (IORPs) in this report are all regulated by the European IORP directive (2003/41/EC) and the Belgian act on Institutions of Occupational Pension Provision (27 October 2007). They therefore have to invest and manage their assets prudently in the sole and unique interest of the members and beneficiaries (actual/future pensioners). The IORPs have to agree on a financing plan with the sponsor (employer) and a statement of investment principles which has to incorporate a statement on SRI. Both documents have to be submitted to the supervisor and are at the disposal of the members. They need to be revised when necessary and at least once every three years.

In Belgium, there are approximately 250 IORPs, of which a growing number are pan-European pension funds engaging in cross-border activities. Most of these IORPs manage company pension plans. The Belgian IORPs market is relatively small, with approximately €16 billion in assets under management at the end of 2010 (50 times smaller than the pensions market in the Netherlands). The funds are also relatively small: only 22 IORPs manage more than €125 million. Many small IORPs outsource the management to an insurance company (around three quarters of the reserves are in the hands of insurance companies). The BVPI-ABIP ([www.pensionfunds.be](http://www.pensionfunds.be)) is the umbrella organization for sector for the occupational pension sector.

The Belgian disclosure regulation (covering exclusively IORPs) came into effect on January 1, 2004. The law requires pension funds to explain in their annual reports how social, environmental and ethical issues are taken into account in the investment strategy. The annual report is distributed to the organisers of the pension fund, but not to its members. Members can obtain a copy upon request.

There are no specific control mechanisms or special sanctions attached to SRI regulation and no specific reporting guidelines. A study conducted by Forum Ethibel in 2009 about respect for and the impact of this transparency regulation came to the conclusion that the law has the status of a 'zero-impact-law'.

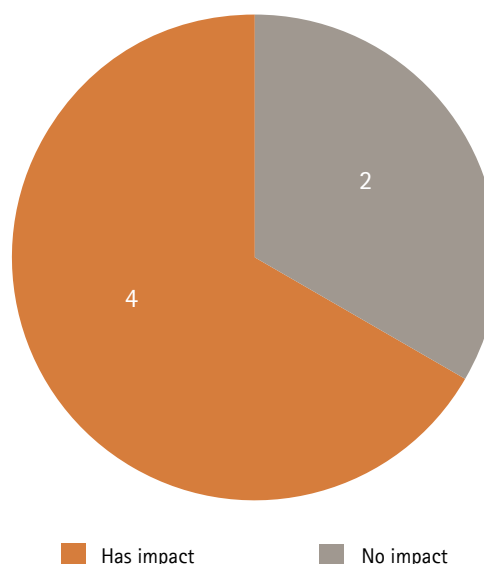
## Response rate

Six Belgian corporate pension funds completed the survey.

## SRI Policy

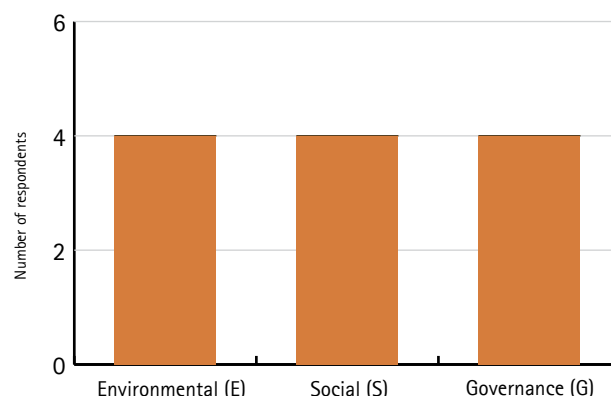
Half of the surveyed pension funds have an SRI policy or strategy. Figure 1 shows that 4 of the 6 pension funds believe that ESG factors have a material impact on the long-term performance of the fund.

Figure 1: Pension fund view on ESG factors and long-term impact



Apart from the 2 pension funds that skipped the question, 4 agree that all ESG factors are of great significance, as shown in Figure 2.

Figure 2: ESG factor significance level



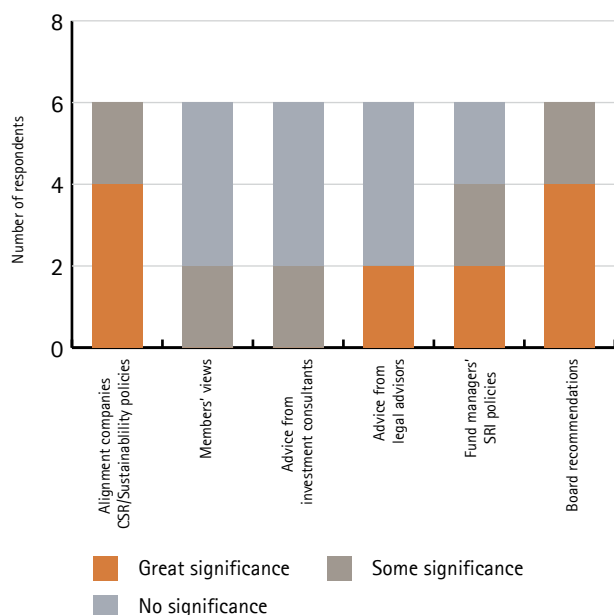
## Barriers to an SRI policy

For the 3 pension funds without an SRI policy, the reasons given are varied. One pension fund is concerned about performance, and another states that the issue is not yet on the agenda. None of the pension funds are planning to implement an SRI policy within the next 12 months.

## Input for SRI policy

The two main inputs are board recommendations and alignment with the company's CSR/sustainability policies. All of the pension funds feel that the CSR/sustainability policy of the funding company was at least of some significance. Fund manager's RI policies and investment training/advice on responsible investment from fund managers are also mentioned as being of significance. This can be seen in Figure 3.

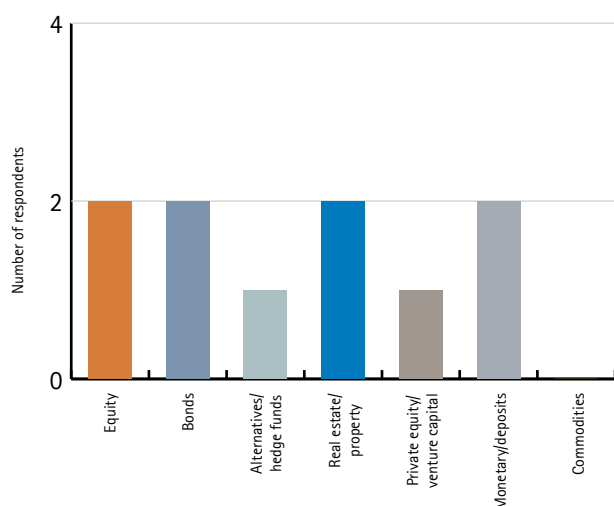
Figure 3: Influencing factors on SRI policy



### Implementation

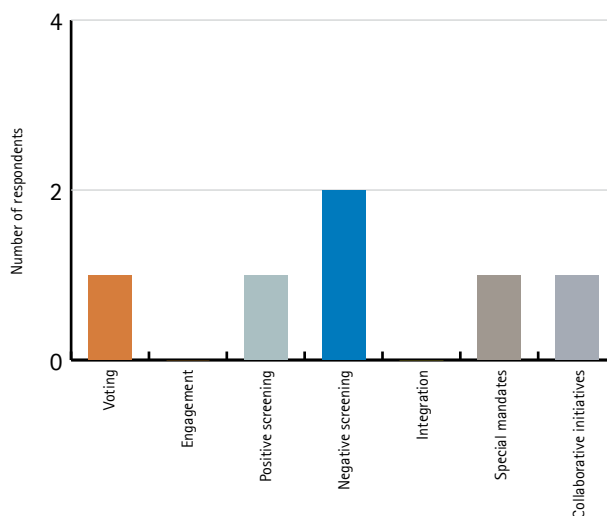
The Belgian pension funds that completed the survey have their SRI policies implemented in their equity, bond, real estate, and monetary/deposit portfolios. Half the respondents have a policy for their private equity/venture capital portfolios. This can be seen in Figure 4 below.

Figure 4: Asset classes covered by SRI policy



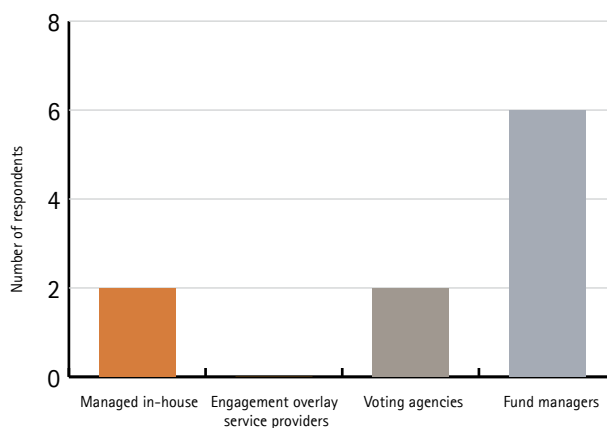
When implementing these policies, Figure 5 shows that Belgian pension funds all make use of negative screening. The other instruments used by half of the pension funds are voting, positive screening, special mandates and collaborative initiatives.

Figure 5: Implementation of SRI policy



When delegating their SRI policy, Figure 6 shows that all pension funds make use of their fund managers. Two pension funds manage a part in-house, while another two have delegated it to proxy voting agencies.

Figure 6: Delegation of SRI policy



### Communication

Most of the pension funds communicate their SRI policy via their annual reports. These are, however, not publicly available.



### Country Introduction

The Finnish statutory pension system consists of an earnings-related pension, a national pension and a guaranteed pension. The last two are for individuals with small or no earnings-related pensions.

How much an individual will receive from the earnings-related system depends on their income level and is regulated. Earnings-related pensions are managed in a decentralised manner and mainly financed by fees. For the private sector, the system is partially funded. For the public sector, the earnings-related pensions are managed by five different pension providers and governed by public law.

One can choose to establish an industry-wide pension fund or a company pension fund. To establish an industry-wide pension fund, the minimum number of insured members must be at least 300 and the fund is regulated by The Act on Insurance Funds. At the end of 2010, there were 15 company pension funds that managed the statutory pensions in Finland.

The 28 largest pension funds in Finland managed total assets of around €130 billion in 2010. The largest pension funds in Finland are Varma Mutual, Ilmarinen, Keva, State Pension Fund, Tapiola Pension Insurance, Fennia and Etera. Among these largest pension funds, approximately half are corporate pension funds, with total assets of more than €7 billion in 2010. VR, Kesko, Neste Oil, Rautaruukki and ABB are large corporates that have established pension funds.

Eläkesäätiöyhdistys is the main interest organisation for the industry-wide and company pension funds.

### Response rate

In Finland, 9 corporate pension funds completed the survey.

### SRI policy

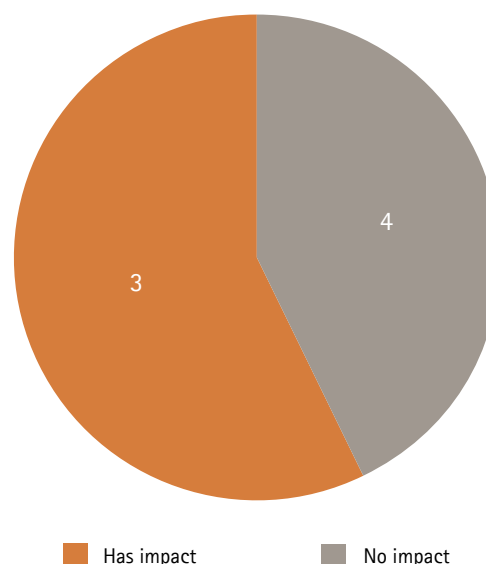
Table 1 shows that only one of the interviewed Finnish corporate pension funds has a written SRI policy. The development of SRI in Finland has not come as far as in other Nordic countries. This may indicate that external pressure from NGOs, regulators, media and investors is still weak.

Table 1: Pension funds and SRI policy

SRI Policy	Pension Fund	Percentage
Yes	1	11
No	8	89

Even though very few organizations have an SRI policy, Figure 1 shows that almost half of the respondents consider ESG factors to have a material impact on the fund's investments in the long term.

Figure 1: Pension funds and SRI policy



Of the 8 corporate pension funds without an SRI policy, only 1 corporate pension fund is planning to implement one in the next 12 months.

Table 2: Barriers to an SRI policy

	Percentage
Lack of knowledge and/or understanding	13
Lack of resources	50
Mistrust	0
Risk concerns	0
Performance concerns	13
Other reason	75

Half of the pension funds indicate that they have insufficient resources to establish an SRI policy. Some of the interviewed corporate pension funds state that their reason for not having established an SRI policy is that external asset managers handle the fund. This, according to them, places the responsibility on the asset managers and not the pension funds. Another reason is that it takes too much time to establish this policy. Another corporate pension fund states that common sense is used, leaving no need for a policy, also because the fund is so small. Finally, 1 corporate pension fund without an SRI policy does not consider it to be important.

## Country Introduction

French corporate pension funds are unique in Europe. Schemes are supplementary to the "Pay-As-You-Go" public pension system that combines two compulsory pillars (a basic system insured by a public administration overseen by the state and additional systems managed by private pension funds).

To complement these pillars, French regulation has allowed additional schemes dedicated to retirement to develop in the private sector. Solutions set up by companies can be 'defined contribution schemes' or 'defined benefit schemes', and these schemes benefit from fiscal advantages.

One of the available solutions is the 'employee savings scheme', which makes up approximately 40% of third pillar pension scheme assets. The philosophy of the employee saving scheme is close to the defined contribution model and seeks to combine employee savings, employee share ownership and retirement. Over the years, it has gained in popularity and assets under management have grown significantly. To better understand how this market has developed and how successful it has been, employee savings schemes were surveyed for this report.

The two main employee saving schemes are the PEE (Company Savings Plan) and the PERCO (Collective Pension Savings Plan). Both schemes provide attractive solutions for employees to build up savings. Under the well-established PEE plan, savings are locked up for a minimum of 5 years (cash can be accessed for specific reasons; eg. purchase of a home, wedding, leaving the company, etc.) whereas under the PERCO, savings are locked up until retirement (there are some exceptions that allow the redemption of cash; eg. purchasing a home). In addition to annual distributions, companies can offer a 'top up' (additional bonus) if employees invest the amount in the plan versus direct payment.

Although employee savings schemes represent only a small percentage compared to the defined benefit public retirement system in France, figures published by the French Association of the Financial Management (AFG) illustrate their continuing popularity thanks to a favourable legal environment. According to AFG's annual survey, 2010 was marked by a strong increase in the number of companies offering savings plans, with some 243,000 companies (+6%) now offering a plan. Assets under management have also increased to a record high with some €90 billion under management (+4.5%). Overall growth was up 47% in 2010 with SRI employee savings making an important contribution: +18.4% (€9.6 billion). Companies are currently obligated by law to offer SRI products.

## Response rate

Twelve employee savings plans completed the survey.

## SRI policy

All of the 12 respondents to the survey have an ESG policy and feel that ESG factors play a role in the long-term performance of their investments. When looking at the importance of the individual ESG elements, Figure 1 makes clear that social criteria are of greatest importance to French employee savings plans. This is followed by environmental and then governance criteria.

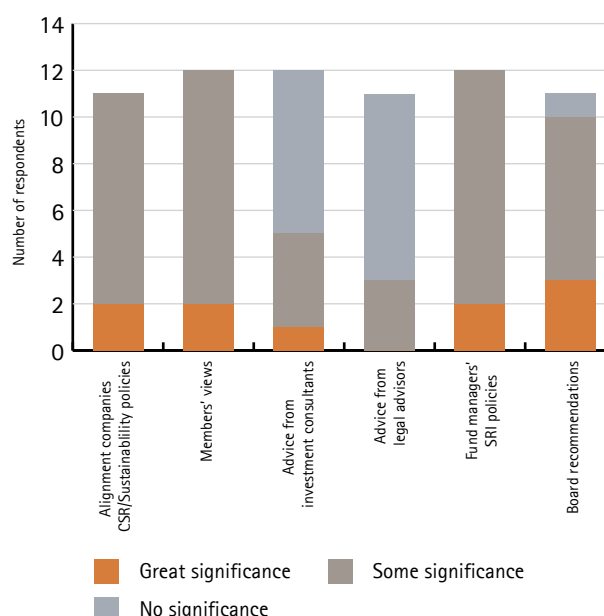
Table 1: ESG factor significance level

	No significance	Some significance	Great significance
Environment	0,0%	83,3%	16,7%
Social	0,0%	58,3%	41,7%
Governance	0,0%	91,7%	8,3%

## Input for SRI policy

A number of factors are important to the employee savings plan, as seen in Figure 1 below. The recommendations of the board are indicated to be the most significant source of input, followed by the views of the members, alignment with the company's CSR/sustainability policies and the fund managers' SRI policies.

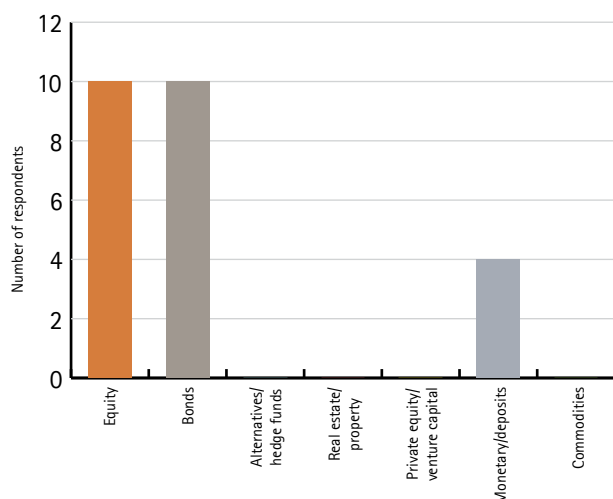
Figure 1: Influencing factors on SRI policy



### Implementation

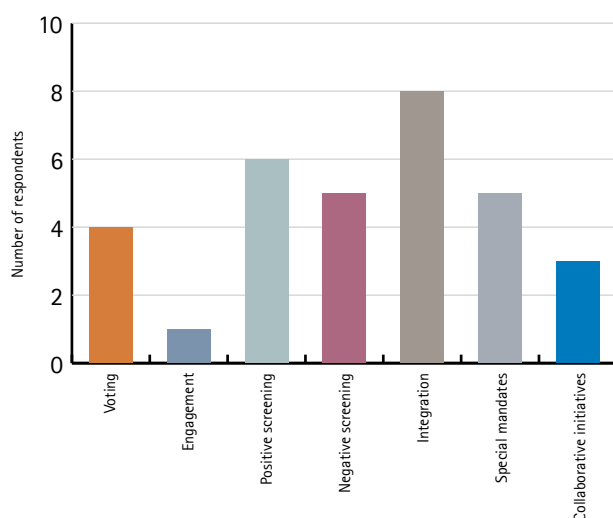
Figure 2 below clearly shows that responsible investment policies are applied to equity and bond portfolios for the vast majority of the respondents. Approximately one-third of the respondents apply it to the monetary/deposit asset class as well.

Figure 2: Asset classes covered by SRI policy



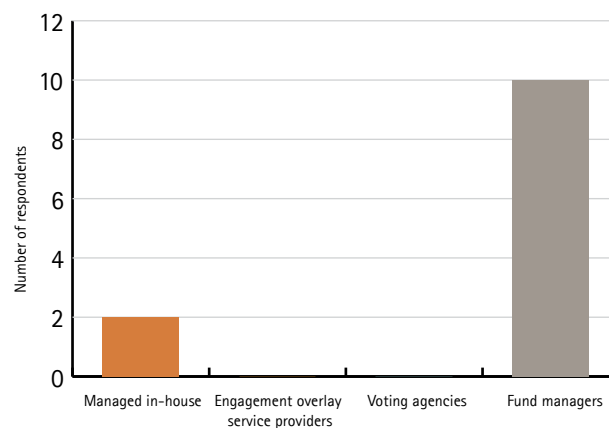
When looking at the instruments used to implement the SRI policy, most respondents make use of integration. This is followed by positive screening, with approximately half of the respondents applying this instrument. A little less than half of the respondents also make use of negative screening and special mandates. This can be seen in Figure 3 below. Finally, the exercise of voting rights is applied by approximately one-third of the respondents.

Figure 3: Implementation of SRI policy



As shown in Figure 4, the implementation of the SRI policy is mostly delegated to the fund manager, with the rest being managed in-house.

Figure 4: Delegation of SRI policy



### Communication

Of the 8 responses to this question, 7 communicate their SRI policies internally with the supervisory boards. Four respondents communicate their SRI policy externally, using various media such as letters to members, biannual manager audits and employee savings schemes.

## Country Introduction

In Germany, the pension system is based on a three-pillar model. The first and most dominant form of pension provision is the statutory PAYG (Pay-As-You-Go) scheme, called the 'gesetzliche Rente'. There are also corporate (second pillar) and private pensions (third pillar). The statutory pension insurance makes up to 81% of all pension benefits in Germany and is the largest social insurance system. The corporate pension system accounts for 6% and the private pension system for 12% of all pension benefits.

The pension obligations of corporate pensions was about €500 billion at the end of 2008. The majority were book reserves (Direktzusagen) (54%), which are found on the company balance and only partly funded by the capital market. About a quarter of corporate pensions went to pension institutions (Pensionskassen) (23.6%) and pension funds (Pensionsfonds) (3.2%). The remainder was spread among support funds (Unterstützungskassen) (8.2%) and direct insurance (Direktversicherungen) (11%).<sup>39</sup>

The relevant legal framework for all insurance companies is the Insurance Supervision Act – 'Versicherungsaufsichtsgesetz (VAG)'.<sup>40</sup> Corporate pension provision in Germany is regulated by the 'Gesetz zur Verbesserung der betrieblichen Altersversorgung' (BetrAVG). It was implemented in 1974 to promote the corporate old-age pension scheme. The German parliament amended the BetrAVG and the VAG in 2002. In doing so, the government introduced pension funds and thereby also the obligation to report on ESG criteria (VAG). Three years later, the obligation to report on ESG criteria was widened to direct insurance companies (Direktversicherungen) and pension companies (Pensionskassen). The companies that are falling under the VAG also have to report on ESG criteria and are obliged to disclose the results to their clients on an annual basis.

With respect to SRI regulation in the range of regulated private pensions – the third pillar – there is the legal framework 'Altersvorsorge-Zertifizierungsgesetz (AltZertG)' – the law for the certification of contracts for private retirement provisions. Among other things, this law determines that companies have to report on whether they include ESG criteria in their products.

Altogether, 30 corporate pension funds and 152 corporate pension institutions companies (Pensionskassen) operate in Germany and are regulated by the BaFin.

The umbrella organisation for the various types of occupational pensions is the 'Arbeitsgemeinschaft für betriebliche Altersversorgung e.V.' (ABA) with currently about 1,500 members. The 'Verband der Firmenpensionskassen e.V.' (VFPK) represents 15 regulated corporate pension institutions with altogether 1.2 million employees and total assets of € 42.2 billion.<sup>41</sup> The GDV (Gesamtverband der Deutschen Versicherungswirtschaft) is the main organisation for insurance companies and also

has 17 pension funds and pension institutions among its members. The supervisory institution is the Federal Financial Supervisory Authority (BaFin) that regulates the corporate pension funds and corporate pension institutions.<sup>42</sup>

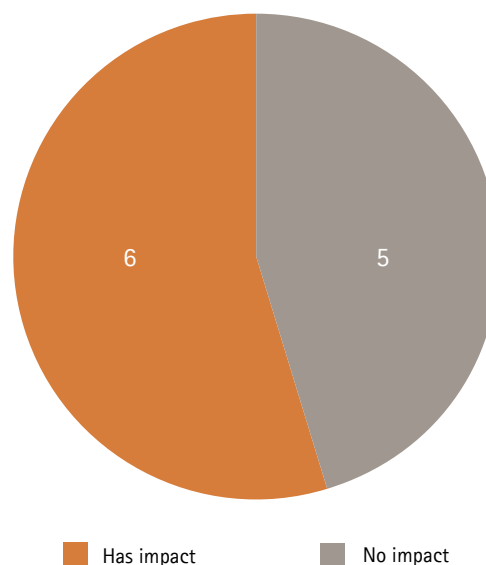
## Response rate

Eleven pension funds took part in the survey distributed by the FNG.

## SRI Policy

Of the 11 participating pension funds, 5 have an explicit SRI policy and 6 pension funds have no SRI policy. Looking at the link between ESG issues and the long-term performance of the fund, 6 of the funds believed in this link and 5 did not, as shown in Figure 1 below.

Figure 1: Pension fund view on ESG factors and long-term impact



In terms of the significance level of the individual ESG factors, no real trend can be determined. The 4 pension funds that answered the question feel that these factors are of equal importance.

## Barriers to an SRI policy

There are various reasons given for not having an SRI policy. The most important reason is the lack of resources, followed by performance concerns and risk concerns. One pension fund found SRI hard to define, and another claimed legal uncertainty. Of the 6 pension funds without an SRI policy, only 1 is planning to implement one within the next 12 months.

39 DAI Deutsches Institut für Alterssicherung. Accessed June 2011. <http://www.dia-vorsorge.de/662-0-Alterseinkommen+aus+den+drei+Saeulen.htm>

40 BMAS, *Ergänzender Bericht der Bundesregierung zum Rentenversicherungsbericht 2008 gemäß § 154 Abs. 2 SGB VI (Alterssicherungsbericht 2008)*. Accessed August 2011. [http://www.bmas.de/SharedDocs/Downloads/DE/alterssicherung/bericht-2008.pdf?\\_\\_blob=publicationFile](http://www.bmas.de/SharedDocs/Downloads/DE/alterssicherung/bericht-2008.pdf?__blob=publicationFile)

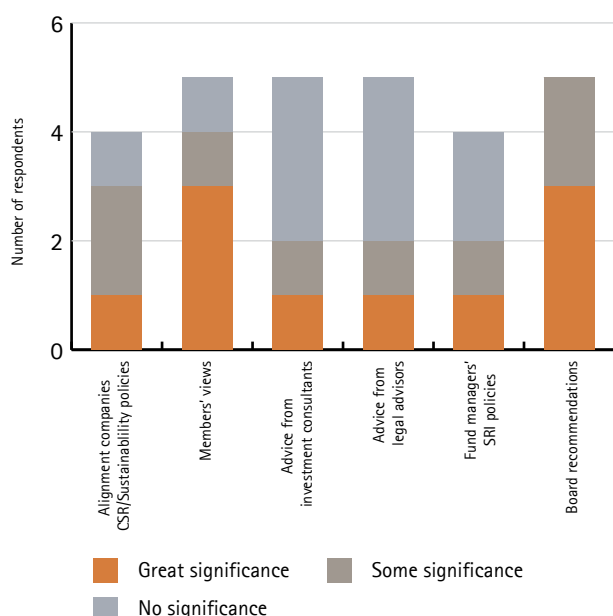
41 For more information: [http://www.bafin.de/cln\\_179/nn\\_724054/DE/Unternehmen/VersichererPensionsfonds/Zulassung/zulassung\\_\\_node.html?\\_\\_nnn=true](http://www.bafin.de/cln_179/nn_724054/DE/Unternehmen/VersichererPensionsfonds/Zulassung/zulassung__node.html?__nnn=true)

42 For more information: [www.vfpg.de](http://www.vfpg.de)

### Input for SRI policy

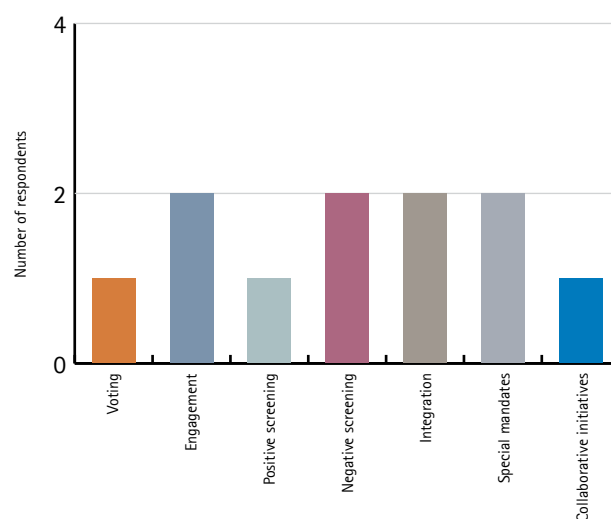
In providing input for the SRI policy, Figure 2 shows that board recommendations are most important followed by the members' views and alignment with the company's CSR/sustainability policies. The other sources of input are less important.

Figure 2: Influencing factors on SRI policy



When implementing the SRI policy, the most commonly used instruments are engagement, negative screening, integration and special mandates with 2 responses each followed by shareholder voting, positive screening and participation in collaborative initiatives with 1 response each.

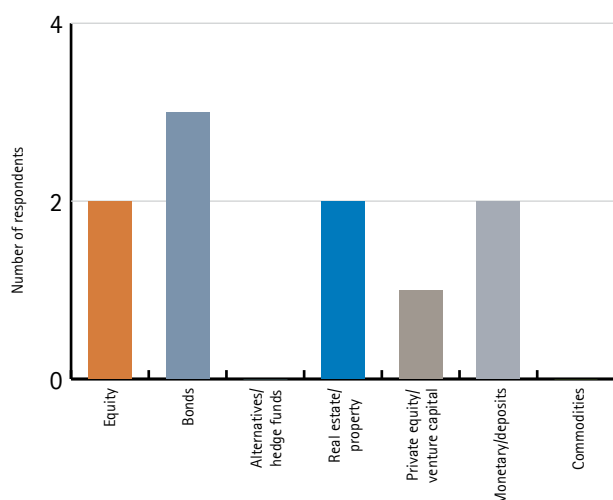
Figure 4: Implementation of SRI policy



### Implementation

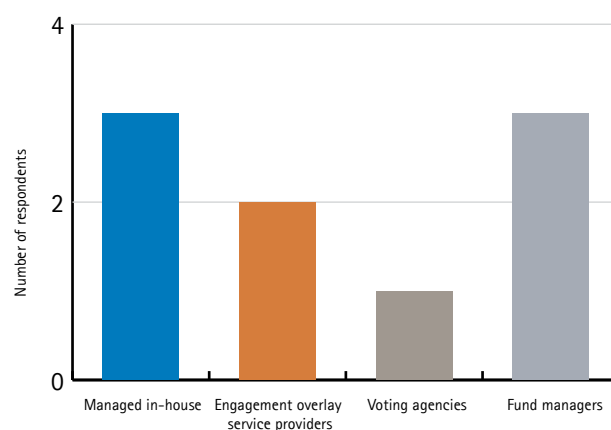
Of the 4 pension funds that responded to this question, most implement their sustainable investment strategy using bonds (3 responses) followed by equity, real estate and monetary deposits (2 responses each). One pension fund implemented its strategy in the private equity/venture capital asset class (1 response). This can be seen in Figure 3 below.

Figure 3: Asset classes covered by SRI policy



Regarding the implementation of the SRI policy, Figure 5 shows that 3 pension funds manage it in-house or delegate the management to fund managers. Two pension funds delegate it to engagement overlay service providers and 1 delegates it to proxy voting agencies.

Figure 5: Delegation of SRI policy



### Communication

One pension fund publishes its SRI policy in its annual report and communicates it during its members' meeting. Another pension fund publishes its SRI policy using an extra factsheet and 2 pension funds communicate their SRI policies solely to their members. Finally, 1 pension fund is still working to improve its communication strategy.

## Country Introduction

The pension system in Italy has been an area subject to major reforms since the early 1990s and always within the priorities of the internal political agenda. Currently, the Italian pension system is organised into three pillars.

The first pillar is a public and mandatory Pay-As-You-Go system. The contributions are collected by two National Social Security Organizations (INPS and INPDAP), which directly provide the payment of public pensions to employees during their retirement period.

The second pillar was introduced in early 1990's and was reorganized afterwards by the Law Decree 252/2005, with the aim of increasing the amount of the pension funds' assets and inflows, while improving the control system, fiscal regulation and disclosure level. It is a private, voluntary and collectively funded system. Private pension institutions can be divided into three categories:

- **Fondi Pensione Negoziati**, or Contractual Pension Funds: Independent legal entities set up as an agreement between employers and trade unions at the industry level (company, group, or regional funds can and have been instituted).
- **Fondi Pensione Aperti**, or Open Pension Funds: Pension funds incorporated by financial intermediaries (fund managers, insurance companies, etc.) as segregated assets. They can host both company as well as personal schemes.
- **Fondi Pensione Preesistenti**: Pension funds instituted before 1993 as an independent legal entity (association or foundation).

The third pillar consists of a special category of financial products offered by insurance companies: **Piani Individuali Pensionistici (PIP)** are personal retirement plans based on individual life insurance policies.

Corporate pension funds are included in the second pillar. The continuous changes in the ownership structure of Italian companies – due to mergers and acquisitions – directly influence the corporate pension funds structure. Hence, the progressive pooling of corporate pension funds within a corporate group is a major trend of the sector. At the end of 2010, approximately 200 corporate pension funds were listed in the Italian register held by COVIP.

Assets under management within the second pillar exceeded €83 billion at the end of 2010. In terms of asset allocation, Italian pension funds traditionally have a conservative investment strategy: 57% of financial resources are invested in bonds, of which 80% are government bonds.

The only legal requirement in the SRI area is included under Decree 252/2005: in their annual reports and communications to the beneficiaries, pension funds are obliged to provide information on whether and to what extent ESG criteria are adopted in the management of assets and in the exercise of voting rights.

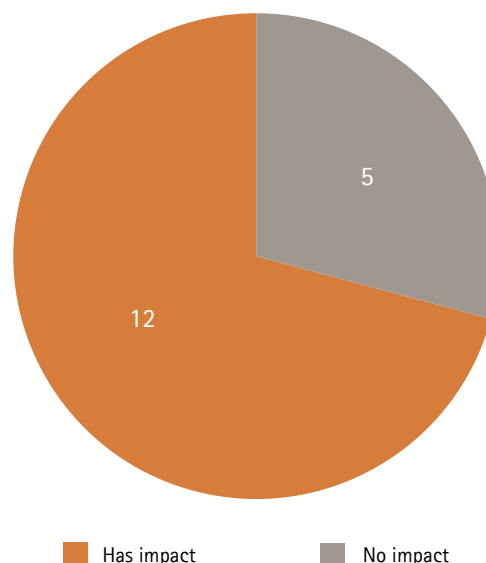
## Response rate

Overall, 18 Italian corporate pension funds completed the survey.

## SRI Policy

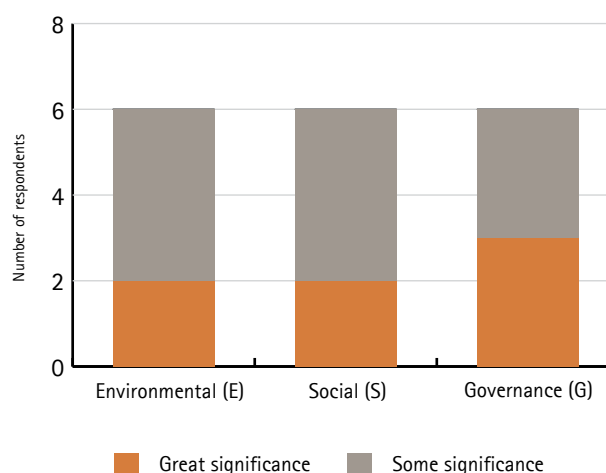
SRI investment is not common practice among Italian corporate pension funds. Among the 18 corporate pension funds participating in the survey, 6 had adopted an SRI policy: one-third of total respondents. However, two-thirds of respondents felt that ESG factors have a material long-term impact on the investments.

Figure 1: Pension fund view on ESG factors and long-term impact



Of the 6 pension funds with an SRI policy, governance criteria were marginally more important than environmental or social criteria, as can be seen in Figure 2 below.

Figure 2: ESG factor significance level





### Barriers to an SRI policy

Table 1 shows that performance concerns still remain one of the main barriers to adopting an SRI policy, demonstrating a lack of knowledge on this subject. Many corporate pension funds also express the need to reach a common view on SRI among board members as an essential condition before adopting a formal instrument such as an SRI policy.

Table 1: Barriers to an SRI policy

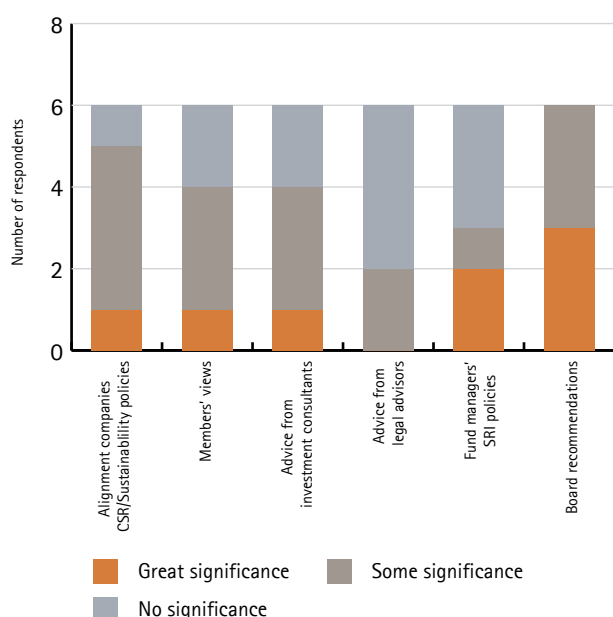
Lack of Knowledge and/or Understanding	33%
Lack of Resources	17%
Mistrust	0%
Risk Concerns	8%
Performance Concerns	33%
Other	42%

Of the 10 respondents to the question whether or not they were planning to implement an SRI policy within the next 12 months, only 1 pension fund was planning to do so, with the other 9 having no plans.

### Input for SRI policy

The progress of Italian corporate pension funds toward SRI is a result of an internal decision-making process – mainly within corporate governance bodies. Board recommendations play a pivotal role in the definition of the SRI policy. The company's CSR/sustainability policy also influences the respective corporate pension fund policy. Members' views and investment consultants' advice also played a role, albeit smaller. This can be seen in Figure 3 below.

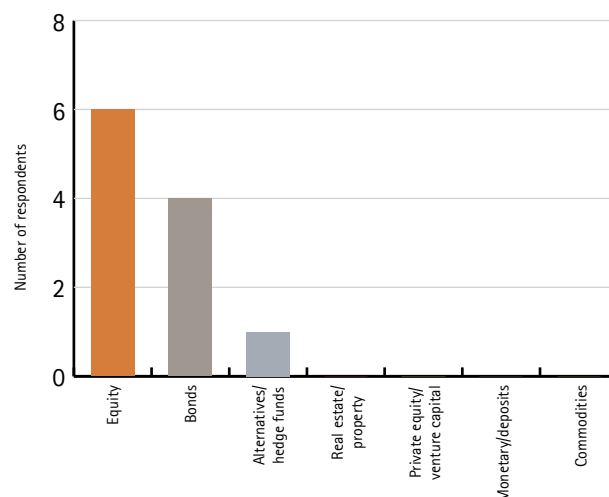
Figure 3: Influencing factors on SRI policy



### Implementation

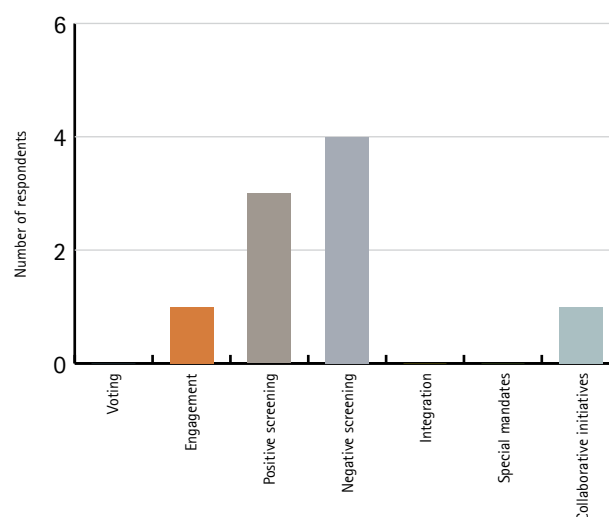
Figure 4 shows that the surveyed pension funds generally apply the SRI policy to the equity and bond asset classes, and somewhat to the alternative/hedge funds asset class. This means that the remaining asset classes are not very well represented in the SRI policies of the surveyed pension funds.

Figure 4: Asset classes covered by SRI policy



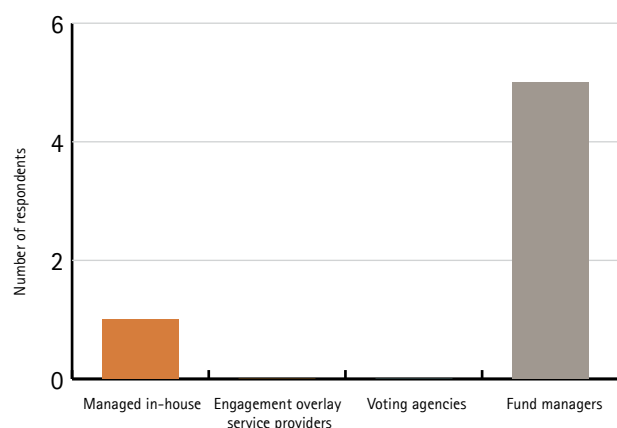
In implementing the SRI policy, there is a tendency to focus on some instruments – such as positive and negative screening – instead of other approaches such as engagement or the integration of ESG risks and opportunities in traditional financial analysis. This is seen in Figure 5 below.

Figure 5: Implementation of SRI policy



Finally, the delegation of SRI activities is clearly at the fund manager level, with 5 of 6 surveyed pension funds doing this. The last pension fund manages its SRI policy in-house. This is in line with the common practice to delegate the pension fund's asset management to external asset managers.

Figure 6: Delegation of SRI policy



### Communication

In communicating their SRI policies to their members and externally, the surveyed pension funds use a wide variety of approaches, ranging from the website to distributing written materials among their members and holding meetings with key representatives of the funding company. The company's social report is another instrument used by Italian corporate pension funds to communicate their SRI policy to stakeholders.

## Country introduction

The Netherlands has a pension fund system that is composed of three pillars:

- The first pillar: the Old Age Pensions Act (AOW) guarantees everyone a basic pension and all Dutch citizens contribute to this fund.
- The second pillar: collective pension schemes that are agreed upon by employees and employers serve as a supplementary pension.
- The third pillar: voluntary pension schemes that are entered into individually with a pension insurance company.

The Dutch central bank (DNB) had 484 pension funds under supervision at the end of the second quarter of 2011. These pension funds have approximately €725.9 billion under management, making the Dutch pension fund sector a very important group of institutional investors. Three hundred and eighty-nine of these pension funds are corporate pension funds.<sup>44</sup> The DNB regulates Dutch pension funds and their investments and is largely focused on investment risk management and enabling them to meet their future obligations.

Dutch pension funds have three main umbrella organisations: the VB, UvB and OPF, that represent the industry-wide, occupational, and corporate pension funds, respectively. The three organizations have in turn federated themselves into the Pensioen Federatie (pension federation) to communicate more effectively with their stakeholders and strengthen the services offered to the individual pension funds.<sup>45</sup> The OPF is the voice of the Dutch corporate pension funds and represents about 1.5 million constituents in contacts with various government bodies and supplying them with a number of services including codes of conduct and reference documents.<sup>46</sup>

There is no Dutch regulation in terms of SRI. In fact, the Dutch House of Representatives has twice passed to a motion to ban investments in cluster munitions, but each time the sitting Cabinet rejected these motions.<sup>47</sup> The pension fund sector itself published a handbook on responsible investment in 2007, and provided an update in 2009.<sup>48</sup> A more detailed annual inventory and analysis of SRI among Dutch pension funds is conducted annually by the VBDO.<sup>49</sup>

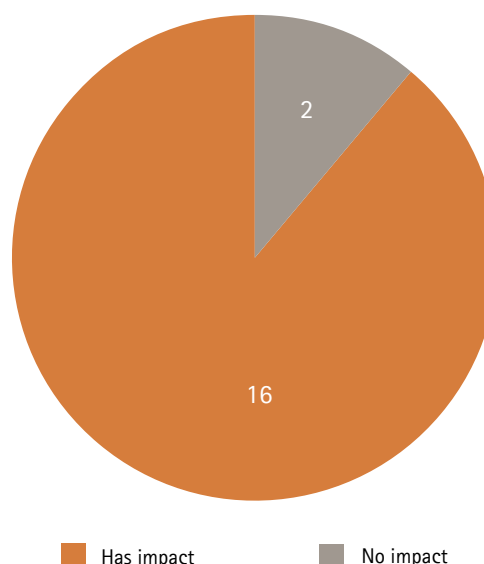
## Response rate

For this report, the VBDO received 18 responses. The vast majority of these pension funds are also included in the aforementioned VBDO Benchmark.

## SRI Policy

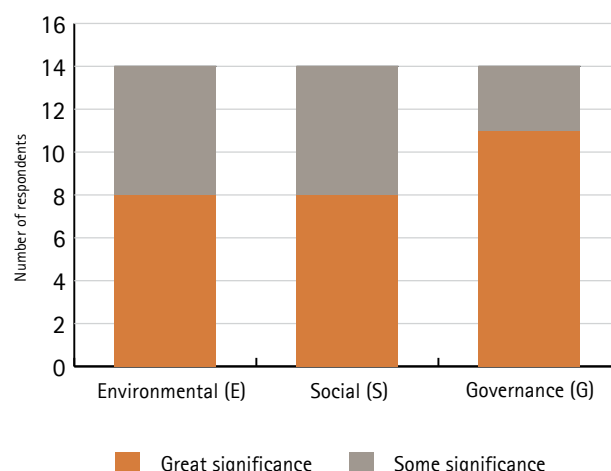
Fourteen corporate pension funds have a responsible investment policy, which is 78% of the 18 participating pension funds. Furthermore, 16 of 18 pension funds feel that ESG factors play in a role in the long-term investments of the fund. This can be seen in figure 1 below.

Figure 1: Pension fund view on ESG factors and long-term impact



When looking at the importance of the individual ESG elements, it is clear that governance factors are the most important for Dutch pension funds, with almost 80% of respondents indicating governance issues as being of 'great significance'. This can be seen in Figure 2 below.

Figure 2: ESG factor significance level



<sup>44</sup> For more information: [www.statistics.dnb.nl](http://www.statistics.dnb.nl)

<sup>45</sup> For more information: [www.pensioenfederatie.nl](http://www.pensioenfederatie.nl)

<sup>46</sup> For more information: [www.opf.nl](http://www.opf.nl)

<sup>47</sup> For more information: [www.rijksoverheid.nl/documenten-en-publicaties/kamerstukken/2011/03/21/kabinetsstandpunt-verbod-investeren-in-clustermunities.html](http://www.rijksoverheid.nl/documenten-en-publicaties/kamerstukken/2011/03/21/kabinetsstandpunt-verbod-investeren-in-clustermunities.html)

<sup>48</sup> For more information: [www.vb.nl](http://www.vb.nl)

<sup>49</sup> For more information: [www.vbdo.nl](http://www.vbdo.nl)

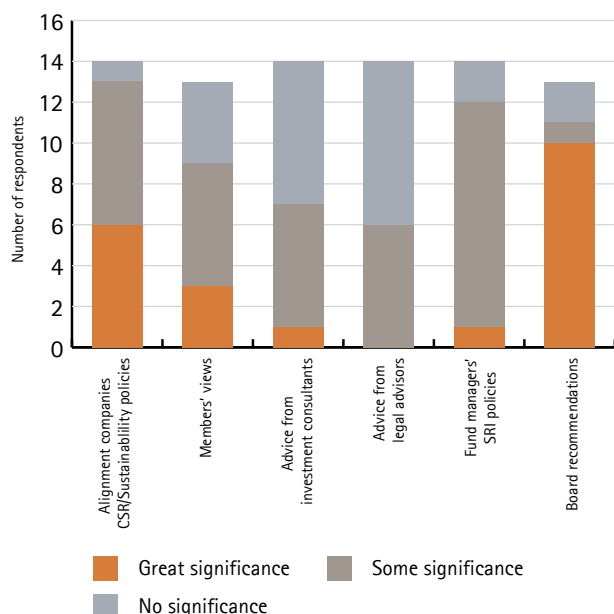
### Barriers to an SRI policy

As mentioned earlier, 4 pension funds indicate that they currently do not have a responsible investment policy. Two of these funds provide insight into the reasons for not doing this and indicate that risk and financial performance concerns are the main reasons for not having a responsible investment policy. Interestingly enough, all four respondents are, however, planning to develop a responsible investment policy within 12 months, indicating that the risk and performance concerns are not insurmountable.

### Input for SRI policy

When developing a responsible investment policy, Dutch pension funds mainly relied on the recommendation of the board. The CSR policy of the funding company also plays a significant role, with 13 of 14 respondents indicating that it is of some or great significance, as shown in Figure 3. This is an encouraging fact, given that many companies are paying more attention to CSR issues.

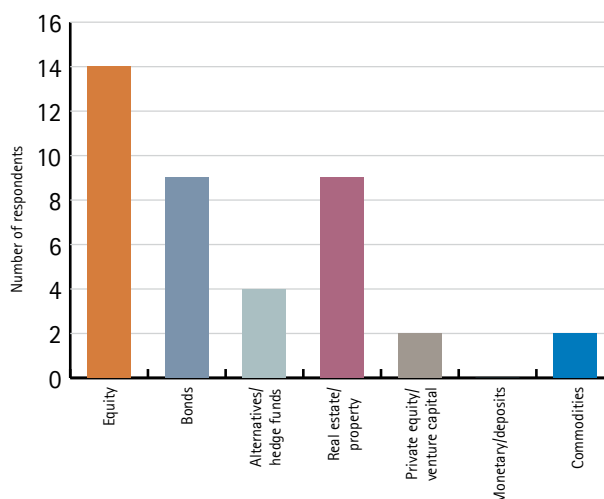
Figure 3: Influencing factors on SRI policy



### Implementation

As can be seen by Figure 4, all of the respondents' SRI policies cover public equity. In addition to this, more than half of the respondents also include the bond and real estate asset classes. SRI is much less implemented for the other asset classes.

Figure 4: Asset classes covered by SRI policy



When looking at the implementation of the SRI policy, it becomes clear that pension funds use a combination of voting and exclusion, followed by shareholder engagement and special sustainable investment mandates. This is shown in Figure 5.

Figure 5: Implementation of SRI policy

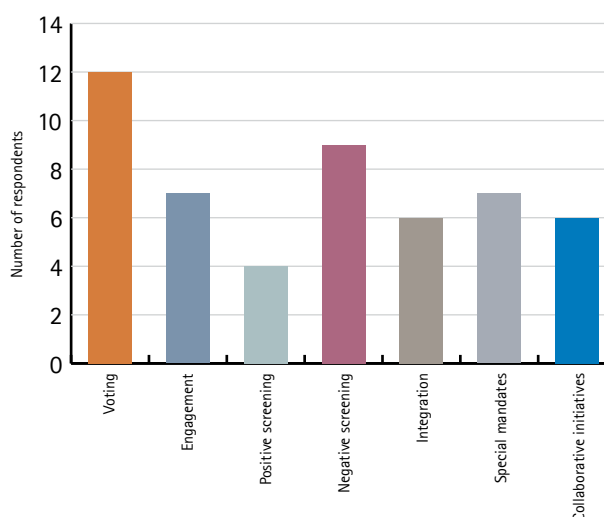
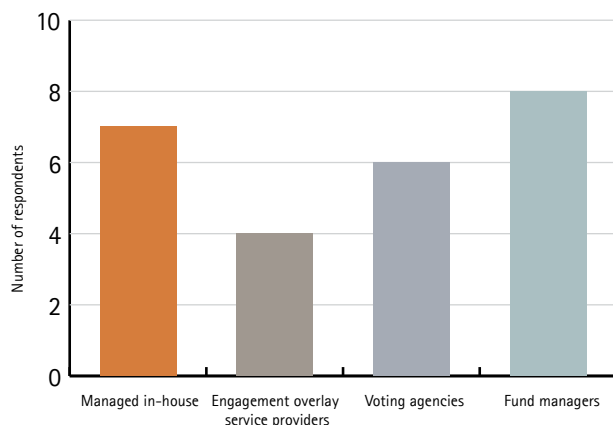


Figure 6 shows that the delegation of the SRI policy is in a slight majority of cases left to the fund managers. A little more than half of the respondents also manage it in-house, while the same amount makes use of proxy voting agencies. Finally, about one-third of the respondents delegate engagement to an engagement overlay service provider.

Figure 6: Delegation of SRI policy



### Communication

When communicating their responsible investment policy and its implementation, the vast majority of pension funds publish information on their website and/or their annual report. Some pension funds provide detailed data on, for example, the excluded companies, voting activity, or the holdings for (a part of) the portfolio. A smaller number inform their members directly by means of a regular newsletter. One pension fund actively seeks the input of their members by organising a workshop with a group of its members.

## Country Introduction

The pension system in Norway is based on three pillars: the state old-age pension system (Folketrygd), the contractual supplementary occupational pension system (AFP) and the private pension system. Folketrygd is the primary system and is financed by taxes and fees. There is one guaranteed pillar, which guarantees basic safety in the future for people with either low or no pension earnings. The pension system in Norway is currently undergoing reform. Changes have been made to ensure a new and flexible pension system and get people to work for a longer period.

The 18 largest pension funds in Norway managed total assets of around €400 billion in 2010. By far the largest pension fund in Norway is the Government Pension Fund Global. Among the 18 largest pension funds, around one-third are corporate pension funds with total asset of around €8 billion in 2010. Statoil, Hydro, Telenor, ConnocoPhillips, Aker, Esso, Mesta, Tine and Norske Shell are large corporates with their own pension funds.

The contractual supplementary occupational pension system covers both the public sector and the private sector and is based on collective agreements between the employers and the employee organisation. Norwegian companies can choose either to establish their own pension fund or choose collective pension insurance at a life insurance company.

Pensjonskasseforeningen is the interest organisation for all pension funds in Norway.

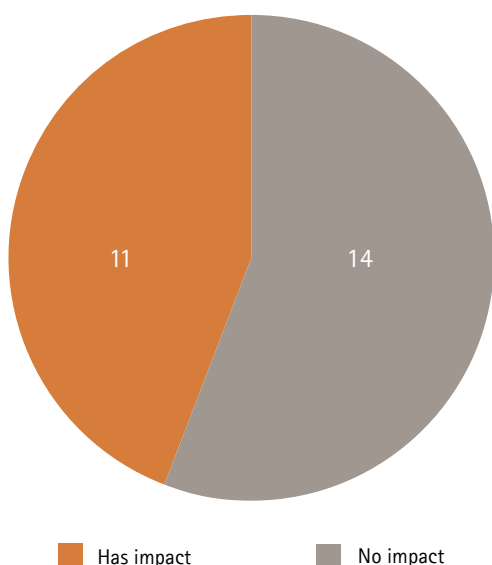
## Response rate

In total, 27 corporate pension funds responded to the survey.

## SRI policy

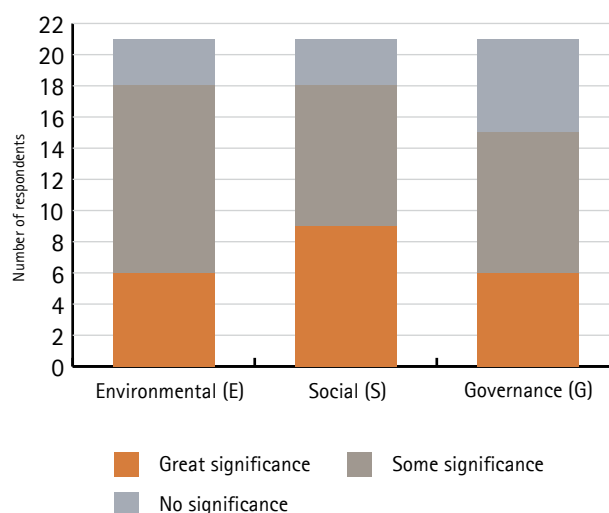
While 11 of the 27 surveyed pension funds, or 41%, state that SRI can have a material impact on the fund's investments in the long term, only 9 (33%) have an SRI policy.

Figure 1: Pension fund view on ESG factors and long-term impact



The majority of the interviewed pension funds feel that ESG factors all have significance for the pension board. Environmental and social factors are slightly more significant than governance factors, but this difference is negligible, as seen below in Figure 2.

Figure 2: ESG factor significance level



## Barriers to an SRI policy

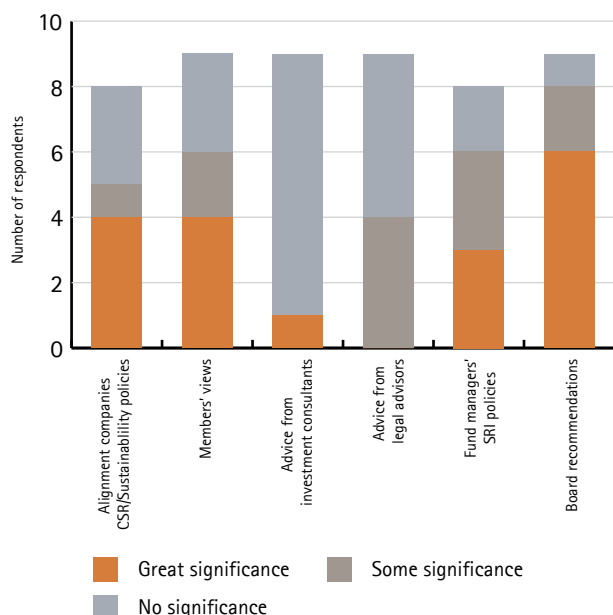
Of those organisations without a policy for SRI, 28% state that their main reason is lack of resources. Insufficient knowledge and performance concerns are other reasons mentioned by more than one organisation. A wide variety of other reasons are raised as well. For example, one fund mentions that it is managed externally and the investment policies are therefore determined by the external manager. Others state that they only invest in assets they understand or with low risk. One pension fund states that it can make ethical decisions without a written policy. Finally, some mention that they invest relatively little, and therefore do not see the need for an SRI policy.

Three of the 18 pension funds without an SRI policy plan on introducing a policy within the next 12 months, leaving the vast majority of pension funds unwilling to do so.

### Input for SRI policy

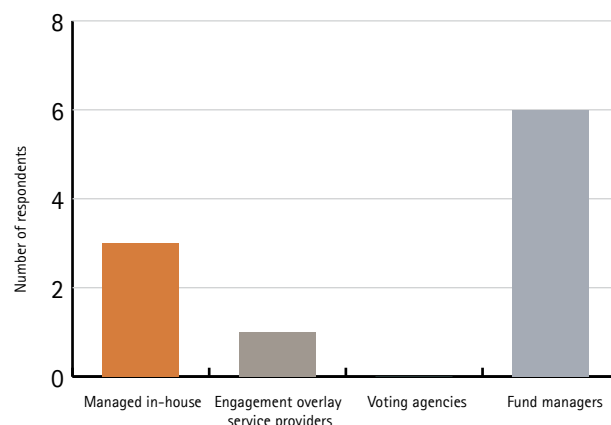
Figure 3 below shows that the most significant input for the formulation of the SRI policy is board recommendation, with over 60% of surveyed pension funds seeing this as significant. This is followed by members' views and the pension fund's alignment with the company's CSR/sustainability policies. The advice of investment consultants is believed to have no significance for over 80% of the surveyed pension funds.

Figure 3: Influencing factors on SRI policy



Negative screening and integration are the two most commonly used instruments for the implementation of the SRI policy, followed by positive screening. Sixty-seven percent of the organisations use fund managers for the implementation of the SRI policy while none of the organisations use proxy voting. This can be seen in Figure 5 below.

Figure 5: Delegation of SRI policy



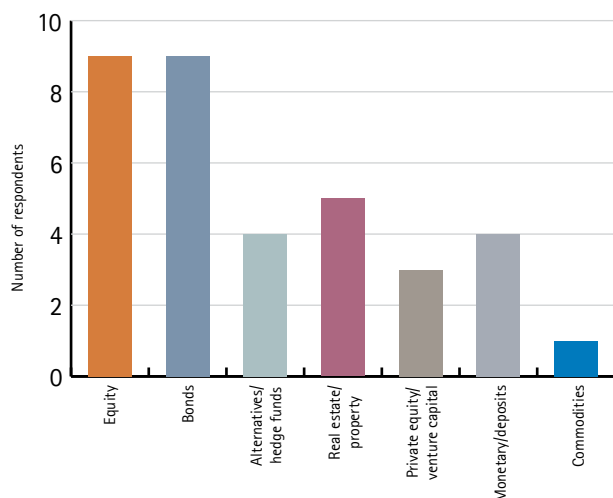
### Communication

Looking at how the policies are communicated, it becomes clear that little information is publicly available. Two of the corporate pension funds state that they communicate their policy and implementation using intranet sites, another pension fund communicates it in written statutes and another presents its policy when new investments are being made.

### Implementation

All corporate pension funds have their equity and bond portfolios covered by their SRI policies and 56% also cover the real estate/property portfolio. Very few pension funds cover other asset classes.

Figure 4: Asset classes covered by SRI policy





## Country Introduction

In Spain, there are three types of pension plans. The first type, employment plans, are comparable to corporate pension funds. The second type is the associated collective plans for associations and unions, and the final type is the individual plan. These three pension plans have various structures, ranging from defined benefit to defined contribution and a mix of the two.

In Spanish legislation, pension plans and pension funds in the employment system are not legal entities. They are structured as follows:

- Control committee of the pension plan: made up of representatives of the sponsor (employer) and participants (active workers and beneficiaries of the plans).
- Control committee of the individual fund: composed of representatives of the integrated pension plan in proportion to their entitlements and pension funds as a single plan. The Supervisory Board of the plan provides the Supervisory Board of the individual pension fund.
- Managing body: responsible for the administration and management of the investment, according to the guidelines set by the Control Committee.
- Depositary: custody fund assets and operations related to them.

The assets of pension funds are invested in accordance with criteria such as security, profitability, diversification and the proper time horizon. A minimum of 70% must be invested in financial assets in regulated markets, bank deposits, mortgage loans or real estate.

There are a little more than 2.1 million participants in employment plans. At the end of 2010, employment plans accounted for €31.7 billion, or 37%, of the total Spanish pension fund investments of €85.1 billion.<sup>50</sup> The vast bulk of the remaining capital can be found in the individual plans.

The pension fund sector is regulated by the Directorate General of Insurance and Pension Funds.

In terms of SRI, the regulation of funds and pension plans obliges mandatory control committees of pension funds to exercise their voting rights and to report in the annual report how this is done.

In July 2011, the Senate and the Deputies Congress adapted and modernised the Social Security system. This amendment includes the requirement to report on the risks affecting the non-financial assets of the pension fund in the comprehensive investment policy statement of principles. Also, the annual management report must contain the procedure for implementation, management and monitoring of the investment policy.

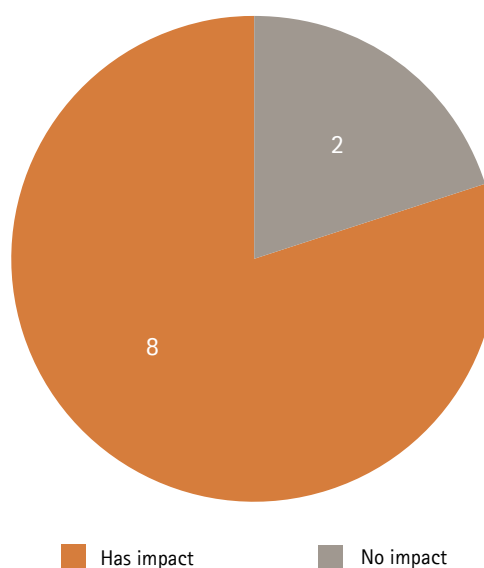
## Response rate

Ten corporate pension funds completed the survey in Spain.

## SRI policy

Five of the 10 respondents to the survey, or 50%, indicate that they have a responsible investment policy. When comparing this to the amount of respondents that feel that ESG issues play a role in the long-term performance of the fund, it is clear that there are more pension funds that believe this than are actually taking the step of developing an SRI policy. This can be seen in Figure 1, where 8 of out 10 respondents feel that there is a link.

Figure 1: Pension fund view on ESG factors and long-term impact



When looking at the individual ESG elements, respondents feel that governance criteria are most important (7/10 feel it is significant), followed by social criteria (6/10: significant), and environmental (5/10: significant).

## Barriers to an SRI policy

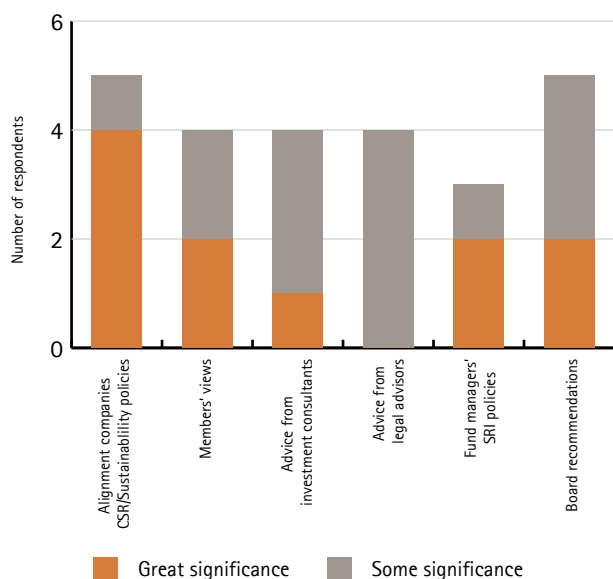
For pension funds without an SRI policy, no clear reason can be found. Instead, the respondents provide a number of different reasons why. Two feel that their lack of knowledge/understanding is an impediment. Lack of resources, risk and performance concerns were also all cited among the pension funds. Despite this, 3 of the 5 pension funds without a policy are planning to implement one in the near future.

<sup>50</sup> Dirección General de Seguros y Fondos de Pensiones.

### Input for SRI policy

Pension funds use a variety of inputs when deciding on their SRI policies. This can be seen in Figure 2 below. The most important input is the alignment with the company's CSR policy, followed closely by board recommendations. Members' views and advice from investment consultants are also important. Of least importance are the fund managers' SRI policies and advice from legal advisors.

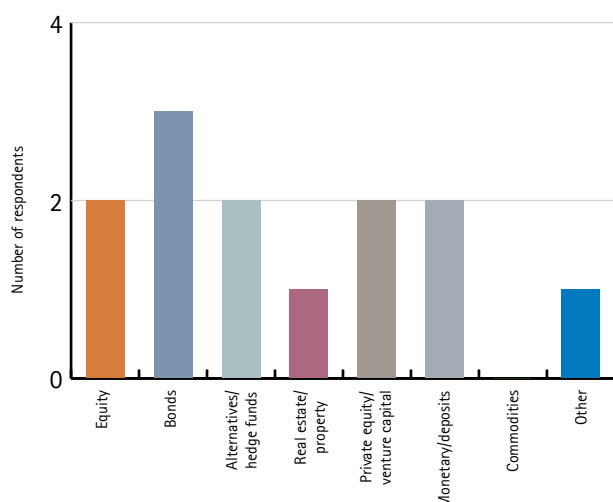
Figure 2: Influencing factors on SRI policy



### Implementation

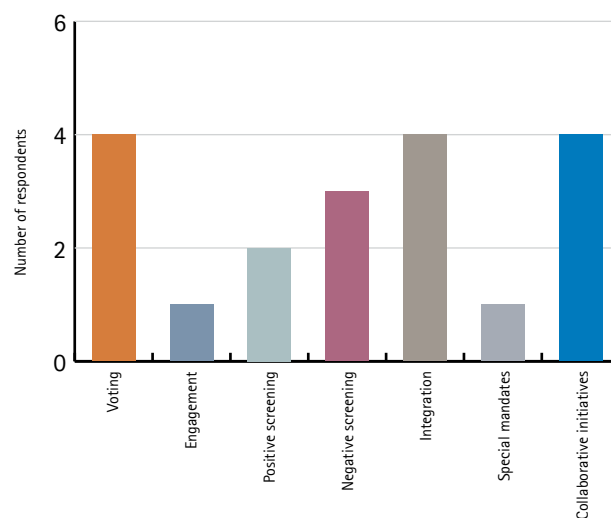
As Figure 3 shows below, the SRI policy is most commonly implemented in the bond asset class, followed by the equity, monetary (cash), alternatives/hedge fund and private equity asset classes. Compared to other countries, it is surprising that only 2 of the 5 pension funds have their SRI policy implemented in the equity portfolio.

Figure 3: Asset classes covered by SRI policy



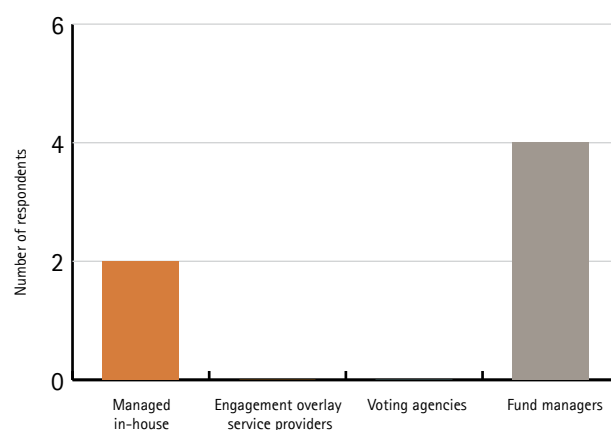
The instruments used to implement the SRI policy are shown in Figure 4. The most common instrument is the exercise of voting rights, with 4 of the 5 pension funds with an SRI policy using this instrument. Integration of sustainability criteria into the analysis process and participation in collaborative initiatives is also used by 4 of 5 pension funds, followed negative screening. Engagement and special sustainability mandates are not very popular among Spanish SRI investors.

Figure 4: Implementation of SRI policy



Even though the majority of respondents make use of their voting rights, proxy-voting agencies are not used. Two fund managers delegate their SRI policy to the fund manager and in one case it is managed in-house, as seen in Figure 5 below.

Figure 5: Delegation of SRI policy



### Communication

Of the 5 pension funds with an SRI policy, 2 of these pension funds communicate this policy with both their participants as well as to society in general.

## Country Introduction

The Swedish pension system is divided into three pillars: the national public pension, an occupational pension and a possible private pension. In recent years, Sweden has made some structural changes to its pension system with the establishment of the Swedish Pensions Agency.

The national public pension system consists of an income pension, a premium pension and a guaranteed pension. The system is administered and controlled by the Swedish Pensions Agency.

Eighteen and a half percent of each tributary pension-qualifying amount is reserved for the national public pension. Of this, 16% is used to finance the income pension that is managed through the national pension funds. The remaining 2.5% is for the individual's premium pension account. The guaranteed pension is a basic safety net for those individuals that lack or have a low income.

As a complement to the national public pension, employees also have an occupational pension. This is the pension coverage provided to employees by their employers. This system is normally regulated through collective agreements between unions and the employers.

The 30 largest pension funds in Sweden managed total assets of over €230 billion in 2010. The largest pension funds in Sweden are most of the national pension funds (AP1, AP2, AP3, AP4, AP7) along with Alecta, AMF Pension, Länsförsäkringar and Folksam. About 25% of the 30 largest pension funds are corporate pension funds. Ericsson, Posten, Telia-Sonera, Apoteket, Vattenfall and Volvo are large corporations who have established pension funds.

Employers can also choose to create their own pension funds to secure their employees' pension. These funds are under shared supervision of the Swedish Financial Supervisory Authority and The County Administrative Boards. Large pension funds with over 100 employees fall under special regulations that also cover the investments.

## Response rate

In Sweden, 18 corporate pension funds responded to the survey.

## SRI policy

Of these 18 pension funds, a total of 8 or 44% of the surveyed funds have an SRI policy. This percentage is slightly lower compared to other types of institutional investors in Sweden. In Sweden it is more common for larger investors to have an SRI policy than smaller investors.

Only 33% of the pension funds interviewed feel that ESG issues will have a material impact on the fund's investments in the long term. The figure is, however, higher among organisations with a SRI policy, as shown in Figures 1 and 2.

Figure 1: Pension fund view on ESG factors and long-term impact  
Long term ESG influence, all organisations

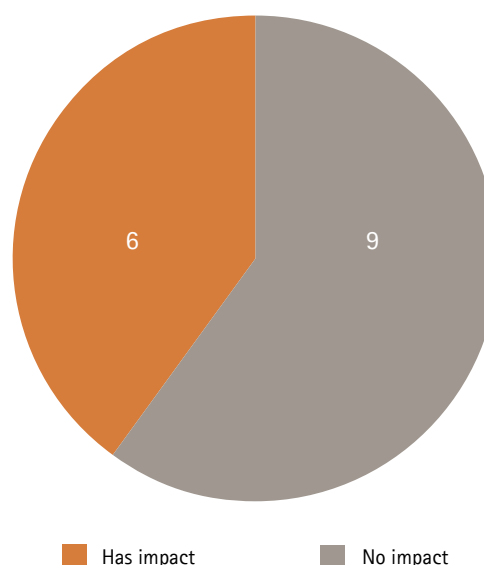


Figure 2: Long term ESG influence, all with SRI policy

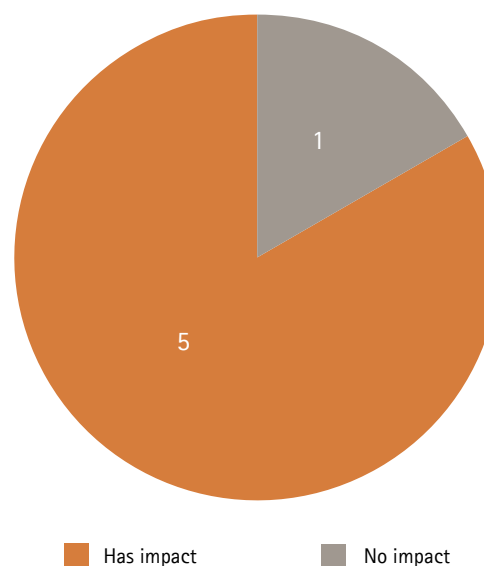


Table 1 below shows that a clear majority of those interviewed feel that ESG factors all have significance for the pension board. Interestingly, environmental and social criteria are considered to be a little more important than governance criteria.

Table 1: Significance of ESG factors

	Great significance	Some significance	No significance	N/A
Environmental	25%	62%	0%	13%
Social	25%	62%	0%	13%
Governance	37%	37%	13%	13%

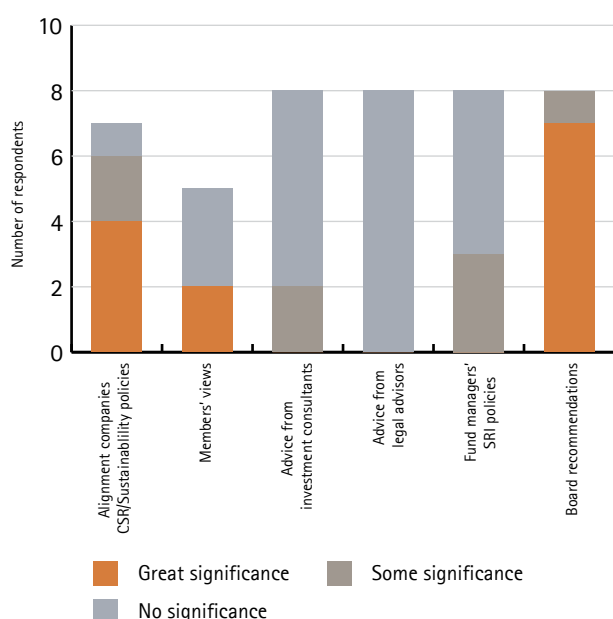
### Barriers to an SRI policy

Of those funds that do not have an SRI policy, 50% state that they lack resources and 30% state that they have insufficient knowledge. None of the Swedish pension funds state that they have risk or performance concerns regarding SRI. Other reasons mention that it takes time and that SRI is not in line with their investment or allocation policy. Another corporate pension fund states that all the contracts with the asset managers need to be revised in order to implement an SRI policy. Only one corporate pension fund intends to develop a SRI policy within the next 12 months.

### Input for SRI policy

Over 80% of the pension funds consider the board recommendations to be of great significance for the formulation of the SRI policy. In addition, almost half of the organisations believe that the policy of the pension fund must be in alignment with the company's CSR/sustainability policies. None of the interviewed pension funds believe that advice from legal advisers is important as input for the SRI policy. This can be seen in Figure 3 below.

Figure 3: Influencing factors on SRI policy



### Implementation

All corporate pension funds have their equity portfolios covered by their SRI policy, whereas 6 out of 10 policies cover the bond and/or alternative investments/hedge funds asset classes. Fewer cover real estate/property, private equity and commodities, as seen in Figure 4 below.

Figure 4: Asset classes covered by SRI policy

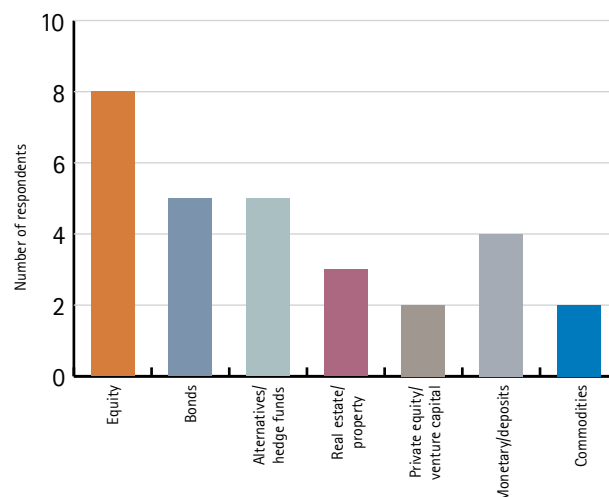


Figure 5 shows that negative screening is by far the most common instrument used to implement an SRI policy, with 75% of respondents making use of this instrument. This is no surprise as in Sweden negative screening has historically been the most common instrument among investors.

Figure 5: Implementation of SRI policy

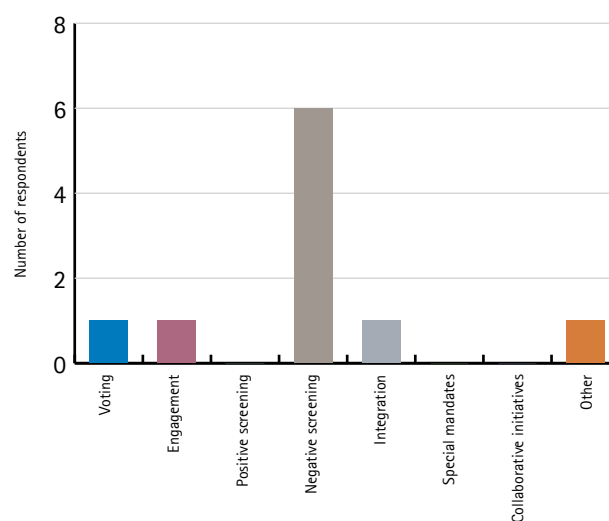
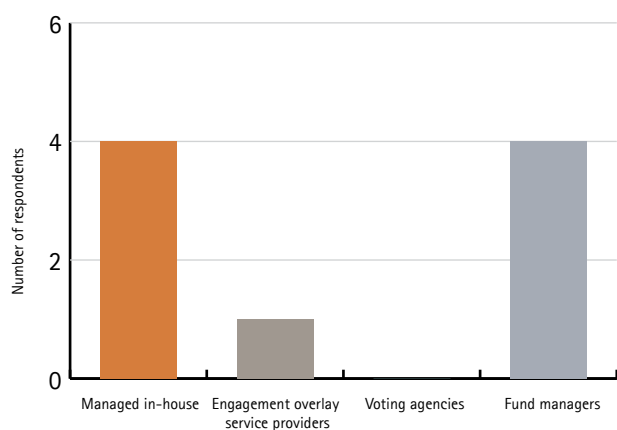


Figure 6 below shows how the SRI policy is delegated. Most of the organisations implement the policy in-house or through fund managers. Few organisations use engagement overlay service providers for the implementation of the SRI policy, and none use proxy-voting agencies.

Figure 6: Delegation of SRI policy



### Communication

The communication of the investment policy differs from pension fund to pension fund. However, a few of them mention that they communicate using the unions or union representatives. Few organisations seem to communicate with society in general.

### Country Introduction

In Switzerland, there is a three-pillar system for pensions. It consists of the legal pension (first pillar), company pension schemes (second pillar) and private pensions (third pillar).

The second pillar, the company pensions, consists of over 2,000 pension funds with a volume of over €400 billion at the end of 2009.<sup>51</sup> In Switzerland, a mandatory corporate pension system was established in 1985. This system mandates that each employee whose annual salary exceeds the amount of CHF 19,350 contributes to a pension fund. The employer contributes the same amount.<sup>52</sup> The 'Bundesamt für Sozialversicherungen' (BSV) supervises the implementation of the base pension plan (first pillar). In addition, there is the 'Eidgenössisches Departement des Innern' (EDI) that provides general supervision and regulation.

The Central Association of Swiss pension funds is the ASIP and was created in 1997 with the merger of five pension fund associations. More than 1,000 pension funds are organized within the ASIP. The top priorities of the organisation are to ensure the security of occupational pensions and address the sector's concerns.

The corporate pension funds in Switzerland are regulated by the "Bundesgesetz über die berufliche Alters-, Hinterlassenen und Invalidenvorsorge" (BVG). The supervision of insurance companies is regulated by the "Versicherungsaufsichtsgesetz" (VAG).

In Switzerland there is no obligation for pension funds to report on their ESG policy. Since 2002, however, the BVV 1 regulation mandates Swiss pension funds to establish rules on exercising shareholder rights (to develop an voting/engagement strategy). Pension funds are not required to vote, but with the BVV there is a legal basis for engagement.<sup>53</sup> For this regulation, it is sufficient to report either that the pension fund does not exercise its voting rights and or that it always follows the board's proposals.

### Response rate

Ten corporate pension funds completed the survey in Switzerland.

### SRI policy

Among the 10 participating pension funds, 3 have an explicit SRI policy and 7 pension funds do not. All respondents, however, feel that ESG issues play a role in the long-term performance of a fund. For the 3 respondents with an SRI policy, governance factors are judged to be the most important issues, followed by environmental and social factors.

### Barriers to an SRI policy

There are multiple reasons for not having an SRI policy. The most important reason is performance concerns (4 pension funds), followed by a lack of resources (3 pension funds) and lack of knowledge (2 pension funds). One of the 7 pension funds without an SRI policy is planning to implement an SRI policy within the next 12 months.

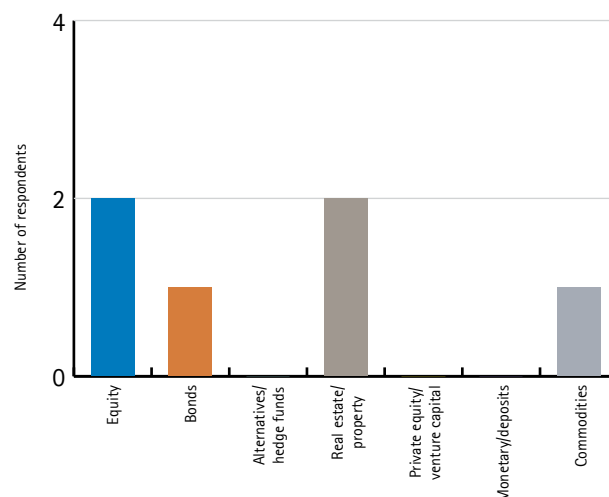
### Input for SRI policy

In terms of the input for the SRI policy, alignment with the company's CSR/sustainability policy and members' views are slightly more important than board recommendations for the pension funds with an SRI policy.

### Implementation

Two of the 3 pension funds with an SRI policy answered this question. They implement their sustainable investment strategy within the equity and real estate portfolios, and one applies it in its bond and commodity portfolios as well. This is shown in Figure 1 below.

Figure 1: Asset classes covered by SRI policy



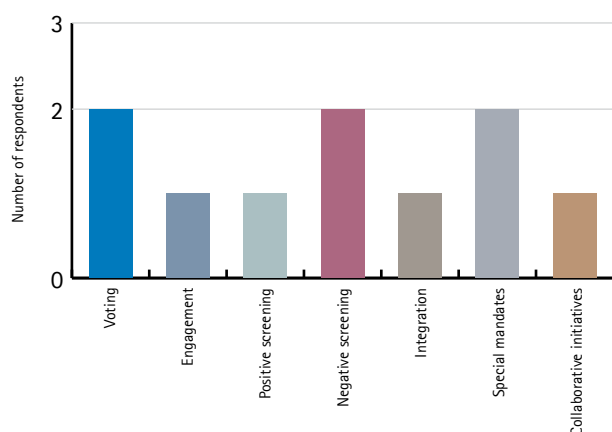
<sup>51</sup> Bundesamt für Statistik, *Die berufliche Vorsorge in der Schweiz. Pensionskassenstatistik 2009*. Accessed July 2011. <http://www.bfs.admin.ch/bfs/portal/de/index/news/publikationen.Document.142317.pdf>

<sup>52</sup> OECD, *Pension Country Profile: Switzerland* (Extract from the *OECD Private Pensions Outlook 2008*). Accessed July 2011. <http://www.oecd.org/dataoecd/63/34/42565638.pdf>

<sup>53</sup> Wilhelm, Axel, "Pensionskassen und Nachhaltige Geldanlagen". In *Nachhaltige Geldanlagen, Produkte, Strategien und Beratungskonzepte*, edited by Faust, M. and Scholz, S. Frankfurt: Frankfurt School Verlag, 2008: 223-246.

In terms of the instruments used, the exercise of shareholder voting rights, negative screening and asset invested in special mandates are the most common with 2 responses each followed by engagement, positive screening, integration and participation in collaborative initiatives with one response each. This can be seen in Figure 2 below.

Figure 2: Implementation of SRI policy



Regarding the implementation of the responsible investment policy, 2 pension funds manage it in-house management or delegate the management to fund managers. An engagement overlay service provider or a proxy voting agency are each used by 1 pension fund.

### Communication

Two pension funds publish their SRI policy in their annual report. One pension fund publishes its policy using different media like its website and newsletters and is also working to improve its communication strategy.



### Country Introduction

Pension funds are legally a form of trust controlled by trustees who have an overriding duty to act prudently in the interests of their beneficiaries. Even where they delegate daily decision-making to a fund manager, trustees need to ensure their investments are managed appropriately and prudently in the interests of the fund's beneficiaries. These existing common law duties of pension fund trustees are subject to statutory regulations and government oversight.

In its September 2010 report, the Pensions Policy Institute estimated the total value of UK pension funds to be approximately €1,780 billion. This total is split between funds administered by corporate pension funds (saving money for future liabilities), with the remainder managed by insurance companies (paying out annuities).

The Pensions Act 1995 (Ch 26 19 July 1995, as amended) established a comprehensive statutory framework for the administration of occupational pension schemes. This included a requirement that pension funds with at least 100 members must maintain a statement of investment principles (SIP) formally setting out the funds' investment policy and the principles governing decisions about the investment of its assets. This Act has been supplemented by provisions in the Pensions Act 2004 and the Pensions Act 2008.

Since July 2000, the SIP regulation has required occupational pension funds to indicate in their Statement of Investment Principles their policies in relation to:

- the extent (if at all) to which social, environmental or ethical (SEE) considerations are taken into account in the selection, retention and realisation of investments; and
- the policy (if any) in relation to the exercise of the rights (including voting rights) attaching to the investments.

Similarly, UK Local Authority pension funds must adhere to the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.

The National Association of Pension Funds is the main umbrella body for UK corporate pension schemes. Its members provide retirement income to nearly 15 million people via almost 1,200 separate pension schemes with combined assets of nearly €700 billion. The UK Financial Services Authority (FSA) has oversight of all financial institutions.

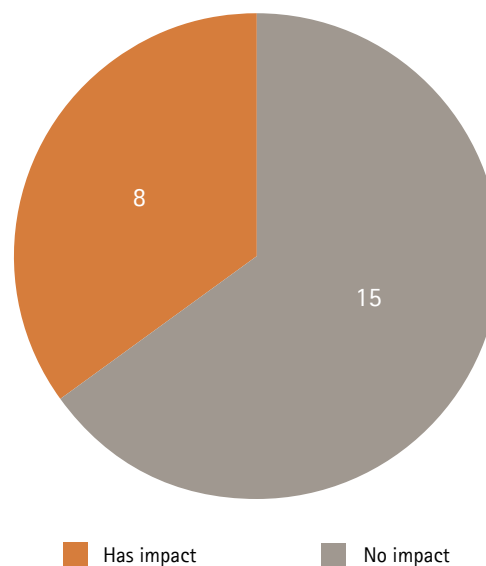
### Response rate

In 2011, UKSIF approached 298 major UK corporate pension funds whose plan sponsors featured in the FTSE4Good Index and/or the Carbon Disclosure Leadership Index (CDLI) for its biannual 'Responsible Business: Sustainable Pension' report. Of the 298 pension funds, 58 pension funds (19%) responded to the questionnaire, (compared to 32 responses representing 13% in 2009 and 12% in 2007). Based on this survey, UKSIF provided the responses to Eurosif for the 23 largest pension funds with assets of over €875m.

### SRI policy

Of the 23 surveyed pension funds, 21 or 86% have an SRI policy. Interestingly, only 8 or 35% of these same pension funds feel that ESG issues play a role in the long-term performance of the fund (all of whom have an SRI policy). This can be seen in Figure 1 below.

Figure 1: Pension fund view on ESG factors and long-term impact



In terms of the individual ESG element that is most important, governance is clearly the single most important issue for UK corporate pension funds, with 87% finding it of significance and 52% feeling that it is of great significance. This is in contrast to the environmental and social issues that are also of significance, but much less so. This is clearly shown in Table 1 below.

Table 1: ESG factor significance level

	Great significance	Some significance	No significance
Environment	3	15	5
Social	3	15	5
Governance	12	8	3

### Barriers to an SRI policy

For the two pension funds that do not have an SRI policy, one pension fund is concerned that it would reduce the risk-adjusted return on its portfolio. The other pension fund is planning to formalise an SRI policy within the next 12 months.

### Input for SRI policy

When looking at the input for the SRI policy, two sources are of great importance, as shown in Table 2 below. The most important input is the trustees' (board) recommendations. This is followed by the funding company's CSR/sustainability policy. The fund managers' RI policies also play an important role. The other sources of input are of some importance as well, but much less so.

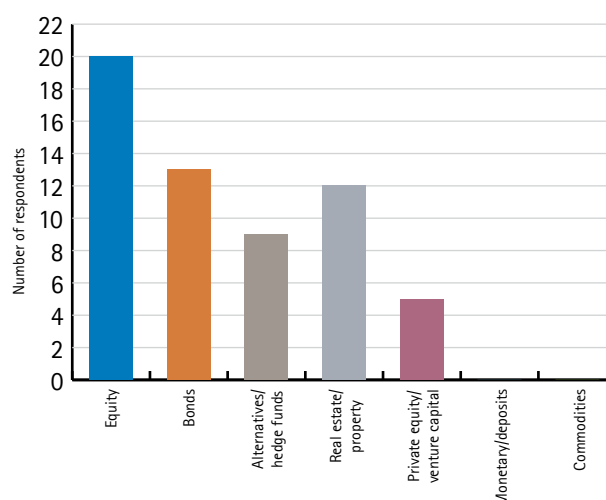
Table 2: Influencing factors on SRI policy

Inputs	Great significance	Some significance	No significance
Alignment with the plan sponsor's CSR/sustainability policies	8	8	7
Members' views (eg. through consultation/survey or other)	1	11	11
Advice from investment consultants	2	14	7
Advice from legal advisers	1	8	14
Fund managers' RI policies	7	9	7
Trustees' recommendations	10	8	5

### Implementation

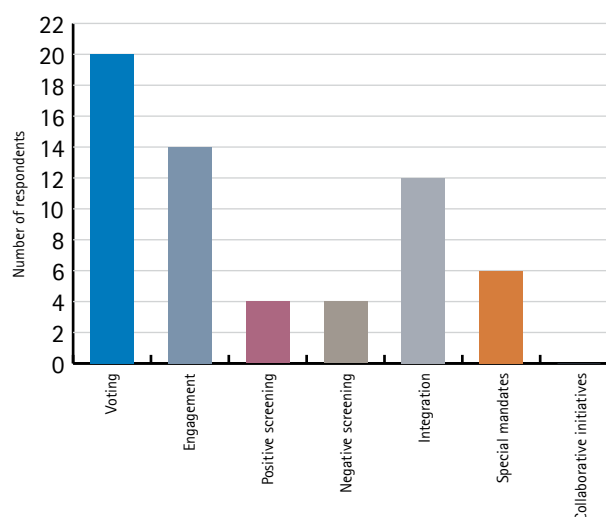
Looking at Figure 2, it is clear that the implementation of the SRI policy is most common in the equity asset class, accounting for more than 95% of respondents. This asset class is followed by the bond and real estate asset classes, both with approximately 60% of the respondents. The three remaining asset classes are covered by approximately 20% of the surveyed pension funds.

Figure 2: Asset classes covered by SRI policy



In terms of the instruments used to implement the policy, the most common instrument is the exercise of voting rights, with more than 95% of the pension funds doing this. This is followed by engagement and integration of ESG issues, with approximately 60% of pension funds making use of these instruments. In contrast to other countries, a relatively small percentage of UK corporate pension funds make use of negative screening. This is shown in Figure 3 below.

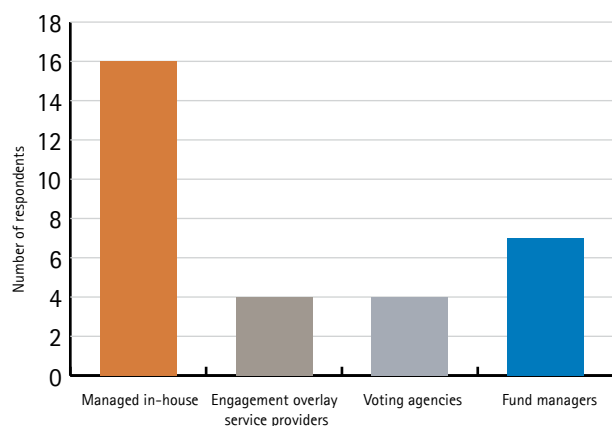
Figure 3: Implementation of SRI policy



Exercise of shareholder voting rights	95.24%
Engagement with investee companies to encourage better performance	66.67%
Positive screening	19.05%
Negative screening / Exclusion	19.05%
Integration (i.e., integrating analysis of material ESG risks and opportunities in traditional financial analysis)	57.14%
Assets invested in specialist mandates	28.57%
Screened ethical investment option(s) available to members	23.81%

Three quarters of UK corporate pension funds delegate the SRI activities to their fund managers. One-third manage it in-house and a little less than 20% of respondents make use of engagement overlay providers and proxy voting agencies.

Figure 3: Delegation of SRI policy



### Communication

Nine out of 21, or 43% of pension funds communicate to their SRI policies to their members only or upon request. The same number, 43%, make their policy publicly available, primarily via websites.

# List of Surveyed Organisations

(This list is not exhaustive as some respondents preferred not to have their organisation's name disclosed)

Aibel • Ahold Pensioenfonds • Akzo Nobel Pension Fund The Netherlands (APF) • Alcatel Lucent • Alcatel Norway • Altersversorgungskasse des Kaiserswerther Verbandes deutscher Diakonissen-Mutterhäuser VVaG • Areva • Bayer • Banco Santander • Bankia (Caja Madrid) • BBVA • Bridgestone Hispania • Belships • BKK • BONUS Pensionskassen AG • Belgacom Pension Fund • Cajasol • Carrefour • Cassa di Previdenza Aziendale per il Personale del Monte Paschi di Siena • CHC Norge • Computer Associates • Coop Norge • Dassault Systèmes • E-CO Energi • EDF • Elektrolux • Endesa • Eniro • Fair-Finance • Vorsorgekasse AG • Fernley • Fondo Pensione Complementare dei Lavoratori di Società del Gruppo UBI Aderenti • Fondo Pensione Complementare per i dipendenti della Banca Monte dei Paschi di Siena SpA divenuti tali dall' 1/1/1991 • Fondo Pensione Complementare per il Personale del Banco di Napoli • Fondo Pensione dei Dipendenti delle Imprese del Gruppo Unipol • Fondo Pensione dei Lavoratori Unipol Banca • Fondo Pensione Dipendenti Gruppo Axa • Fondo Pensione Nazionale a Capitalizzazione per i Lavoratori delle Ferrovie dello Stato – EUROFER • Fondo Pensione Nazionale per il Personale delle Banche di Credito Cooperativo/Casse Rurali ed Artigiane • Fondo Pensione per i Dipendenti della Banca Regionale Europea • Fondo Pensione per il Personale Cariplo • Fondo Pensione per il Personale della Deutsche Bank S.p.A. • Fondo Pensioni per il Personale del Gruppo Banco Popolare • Fondo Pensioni per il Personale della Banca Nazionale del Lavoro • France Telecom • Hannoversche Alterskasse VVaG • Hålogaland Kraft • Hydro • HypoVereinsbank/Unicredit Bank AG • Leif Hoegh & Co • LVM Pensionsfonds • Manor AG, Basel • Mesta • MetallRente GmbH • Nexans • NV Bekaert SA • Pages Jaunes • Pensioenfonds KLM Cabine • Pensioenfonds UWV • Pensionskasse der technischen Verbände SIA STV BSA FSAI USIC (PTV) • Pensionskasse der Zürcher Kantonalbank • Pensionskasse Post • Praktikertjänst • Previs Personalvorsorgestiftung Service Public • Repsol YPF • SAAB • Sanofi • SCA Scania • Spanish State Administration • Statkraft Forsikring • Stichting Pensioenfonds ING • Stichting Pensioenfonds SNS REAAL • Stichting Pensioenfonds Wolters Kluwer Nederland • Stichting Philips Pensioenfonds • Stichting Shell Pensioenfonds • Swisscanto Holding AG • Swedish Match • Systembolaget • Telefónica • Total • TrønderEnergi • VBV Vorsorgekasse AG • Versorgungswerk der Landesärztekammer Hessen • Vodafone • Yara





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