Sustainable investments in pension funds - international comparison

Zurich, September 2007

Structure

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Intergenerational justice

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Introduction:
Pension funds as the "ideal sustainable owner"

Sustainable financial investments means that investors take into account the prevailing trend of the 21st century, "sustainable development", when they make their investment decisions.

The World Commission on Environment and Development defined "sustainable development" as a development which meets the needs of the present without compromising the ability of future generations to meet their own needs. In this context, two key concepts are important:

- the concept of "needs", in particular the essential needs of the world's poor, to which overriding priority should be given; and
- the idea of limitations imposed by the state of technology and social organization on the environment's ability to meet present and future needs.

Social, ecological and ethical criteria are thus added to the purely financial investment goals and/or are integrated in the financial considerations in an even more optimized way, as sustainability-related criteria seem to have a growing influence on the financial performance of companies.

Institutional investors are the largest group of investors in sustainable capital investments on an international level. In this context, especially the pension funds must be named, which, according to their goals, think in a intergenerational manner and whose investments are long-term, whose investment volume and influence on companies invested in is very high and will continue to grow due to the increasing importance of the occupational pension schemes.

Pension funds can be called "ideal sustainable owners", as companies are interested in long-term investors, and long-term investments match the also long-term task of sustainable development.

The intense discussion about the climate change in the media and in society offers the providers of services related to occupational pension schemes the opportunity to gain a positive competitive position by integrating sustainable investment approaches. The six most important global challenges for sustainable development, the "big six", will increasingly leave their mark on this century. The big six include climate change, freshwater scarcity, deforestation, poverty, loss of biodiversity and the global population growth.

Basically, we distinguish between the following sustainable investment approaches:

- negative screening: if disqualifying criteria apply (e.g. violation of human rights), investments in individual companies, sectors or countries are not effected or there will be a
- disinvestment from companies in which investments were made - based on new findings of the negative screening;
- sustainable subject-specific investments: such investments include individual issues for which specific investment strategies have been developed, such as investments in the renewable energy sector, low-carbon companies or water supply and distribution; however, as a general rule, these individual strategies do not lead to a comprehensively sustainable investment;
- positive screening: within an investment universe, those companies are selected which show positive results in areas such as environmental protection or work standards in developing countries, this means that for example, pioneer companies in environmental technology are identified. A frequently applied special form of positive screening is called:
- best-in-class: for this procedure, the most sustainably acting companies are chosen for an investment - in most cases from sectors contained in a stock index - in order to maintain sector diversification;
- passive investments: meanwhile, there is a large number of sustainability-related stock indices formed by negative and/or positive screening and - in most cases - adapted on an annual basis. These indices can be illustrated with passive investments;
- engagement: active dialogues are maintained with companies in which investments were made in order to demand, among other things, more sustainable goals and strategies or a more transparent reporting on "sustainable development key performance indicators" (SD-KPIs). Widespread engagement practices also include the support of sustainability-oriented applications in shareholders' meetings and a corresponding exercise of voting rights;
- integration in mainstream research: For a long time, sustainable investments have been managed separately from conventional investments. However, there is an increasing integration of important factors such as SD-KPIs into the mainstream research and into portfolios based thereon.

Combinations of the individual approaches are possible and often used in practice. As a rule, most of them are suitable for all asset classes.

The trend among pension funds towards increased sustainable investments is clear and irreversible.

The following three important examples shall show this trend in more detail:

- In 2005, a leading international law firm, Freshfields Bruckhaus Deringer investigated for the sector of institutional investments worldwide, whether the integration of issues related to environmental, social and governance subjects into investment policies is permitted, legally required or maybe even legally restricted. Freshfields' result showed that institutional investors should at least consciously and demonstrably verify the consideration of sustainability-related aspects in the investment process in order to fulfill their fiduciary duties concerning an optimized (long-term) performance.
- Recently, the "Stern-Review" calculated the global ecological consequences of the climate change for the first time to date. While the worst consequences can be limited by investments of 1 percent of the world economic product per year, the omission thereof would irreversibly amount to 5 - 20 percent per year in the long term. For value-oriented long-term investors such as pension funds, this means that they should - in order to fulfill their fiduciary duties - take a closer look at the consequences of their investment activities, as Mercer Investment Consulting recommended in its report: "A climate for change: a trustee's guide to understanding and addressing climate risk" as early as 2005. This report was prepared on behalf of the "Institutional Investors Group on Climate Change" (IIGCC) and of "Carbon Trust".
- The "UN Principles of Responsible Investment" (PRI) were launched in April 2006 and have so far been ratified by more than 200 institutional investors with total assets amounting to more than USD 11 trillion. The PRI consist of six outstanding principles which are described in more detail by 25 options of institutional investors concerning sustainable investments in order to reach both a sustainable development and a long-term return for the beneficiaries.

In this context, this study shows progressive, sustainable investment practices of selected pension funds on the basis of 11 countries in order to show the variety of options and the dynamics, to encourage the managers of occupational pension schemes to take further steps and to support international best practice.

Australia: 122 superannuation funds offer 350 sustainable investment options

In 1992, the voluntary superannuation arrangements of the Australian pension system were complemented by the implementation of a compulsory system. Employers have to pay tax-favored, statutory employer pension contributions for the benefit of their employees. Between 1985 and 2006, the pension assets rose from AUD 40 billion (EUR 24 billion) to approx. EUR 400 billion; this corresponds to the - by far - largest part of the Australian institutional assets, which were invested in the following investment classes: 48 percent in stocks, 11 percent in fixed income securities, 7 percent cash and deposits, 3 percent loans, 27 percent other financial investments and 4 percent non-financial assets. The pension assets are held by a few hundred larger funds and more than 200,000 smaller funds.

In 2001, the Australian government decided to implement extensive reforms in the Corporations Act including the worldwide most extensive reporting obligation on sustainability for all investment products, which is thus also applicable to the pension assets. The product prospectuses must indicate if and to what extent working standards or social or ethical issues are taken into consideration when selecting, holding or selling the investments. The Australian Securities and Investments Commission prepared explanatory regulations according to which information on used methodologies (such as engagement, negative/positive screening, best-in-class, index-based investments) etc. must be provided. The Association of Superannuation Funds of Australia welcomed these regulations.

In surveys, 87 percent of the potential customers stated that they consider sustainable investment options. 73 percent of the trustees of these funds thought they were a legitimate investment class. Since mid-2005, 4.8 million of the 9.8 million Australian employees have been able to freely select their superannuation fund. In 2006, as many as 122 superannuation funds offered a total of 350 sustainability options. The 20 largest publicly offered funds all offered at least one sustainable investment option. The five largest funds with corresponding options are „Australian Super" (total assets AUD 20 billion = EUR 12 billion), „UniSuper" (EUR 11.5 billion), „AMP Flexible Lifetime Super" (EUR 11 billion), „MLC MasterKey Superannuation" (EUR 9.5 billion) and „HESTA Super Fund" (EUR 5.8 billion). The funds offer between one and three sustainability options, the Master Fund ASGARD Superannuation Account with total assets amounting to EUR 3.5 billion even offers 10 corresponding options, thus enabling the customers to pursue a sustainability strategy for their entire pension assets.

Special emphasis should be placed on the innovative development of sustainable real estate investments. In 2006, VicSuper increased its investments in sustainable real estate funds and also includes this in a separately published sustainability report. In 2005, the Industry Superannuation Property Trust (ISPT) introduced an environmental protection-oriented policy for its AUD 4 billion real estate portfolio. This, too, is included in a separate report.

The two engagement providers BT Governance Advisory Service and Responsible Engagement Overlay (sold by State Street Global Advisers in Australia) apply a sustainability-oriented approach for selected assets on behalf of a number of superannuation funds. In 2006, the corresponding volumes amounted to a total of AUD 8.6 billion (EUR 5.1 billion). The two largest principals are the Commonwealth Superannuation Scheme (CSS) with assets amounting to a total of AUD 6.3 billion and the Public Sector Superannuation Scheme (PSS, AUD 4 billion). The Board of CSS commissioned BT as early as at the end of 2001. In the following years, other funds followed suit, such as Northern Territory Government and Public Authorities Superannuation Scheme, Catholic Superannuation Fund, VicSuper and Emergency Services Superannuation Fund.

However, the sustainable options from which the customers can choose are the most common form of sustainability orientation among Australian retirement funds. In comparison thereto, engagement practices are used rather rarely at present.

Assets under management:
122 superannuation funds (industry super funds and master funds) offer 350 sustainable investment options. Options to choose only available since mid-2005, comprehensive volume-related data not yet available.

Engagement volume: EUR 5.1 billion

Sustainability:
Investment options available for stocks, mixed, bond-based, real estate and money market portfolios.

Engagement only requested by a small number of superannuation funds.

Germany: Pension funds still in need to catch up in terms of sustainable know-how and investment

In Germany, the 2nd column of the occupational pension schemes is increasingly gaining in importance, especially since the German Retirement Savings Act (AVmG) 2002 came into effect, which grants employees the right to income conversion. In 2005, pension funds (157 "Pensionskassen" and 24 "Pensionsfonds") managed assets amounting to EUR 82 billion, in which the 10 largest funds held a share of approx. 64 percent. By international standards, the direct investment in stocks is insignificant, instead, roughly 34 percent of the capital interest is invested in investment funds. With a share of 57 percent, fixed-interest securities and bonds as well as claims from notes and loans play a more important role. A.T. Kearney forecasts that in 2030, the total assets in the entire occupational pension schemes will amount to EUR 4 trillion.

In comparison to other countries, Germany is still in need to catch up in terms of sustainability criteria for pension funds, despite the integration of a sustainability reporting obligation for pension funds into the Act on the Supervision of Insurance Companies (VAG) 2005. This regulation has applied to the comparatively insignificant Pensionsfonds since 2002. A survey by "scoris" in September 2005 showed the following results, representing approx. 42 percent of the total premium reserves: Only one of the 20 pension funds which answered the questions described its know-how on sustainable investments as "very good", four described it as "rather good", nine as "mediocre" and six as "rather poor". This means the level of know-how is even lower than indicated by the findings of the previous survey by scoris in 2003. Therefore, the transfer of know-how should definitely be pushed ahead, also by means of studies like this one. Basically, the pension fund managers consider the following options as distinctive features for sustainable investments: 54 percent best-in-class and positive screening, 40 percent negative screening, only 6 percent engagement-related aspects which are really of only minor significance in Germany as of yet. 65 percent estimated that the return potential of sustainable investments is similar to that of conventional investments, however, 30 percent expect disadvantages due to a possible restriction of the investment universe. Another evidence for the poor and/or outdated level of know-how is the fact that only one answer indicated the expectation of a higher return potential from sustainable investments. Nevertheless, 30 percent of the interviewees stated that sustainability-related criteria play a medium-level (4 answers) or an important (2 answers) role. However, for 70 percent, such criteria does not play any role at all (11) or only a minor one (3). In accordance with the anonymous survey, five pension funds invested in sustainable investments, two of them at a quota of 90 or 93 percent respectively, the other ones at a lower rate. As the reasons for expected additional growth of sustainable pension investments, 66 percent stated the worldwide economic activities (oil prices, climate change, etc.), an increasing professionalization of the market segments and the offered solutions (57 percent), the marketing opportunities (3 percent) and the increasing pressure of the public opinion (56 percent) as well as of the insured people (24 percent).

Examples for sustainable investment practices of German pension funds are currently (capital investments as of the end of 2005): In the share-linked variation of the Gothaer pension fund (EUR 260 million), a sustainability fund can be chosen. The Gerling pension fund (EUR 134 million) takes into consideration negative criteria such as nuclear energy, armament and the violation of human rights when selecting its investments. The Hannoversche pension fund (EUR 49 million) which is only available for "Waldorfschulen" (≈ Steiner Schools) and institutions or companies with particularly sustainable engagement, stipulates in its investment regulations that it refrains from investing in anonymous securities to the extent legally possible,if there are alternatives providing awareness on the social, cultural and ecological consequences of the investment and information on the debtors. The Hamburg Mannheimer pension fund (EUR 212 million) and the Victoria pension fund (EUR 368 million) mostly invest in companies which are included in the indices Dow Jones Sustainability (DJSI), FTSE 4 Good, ASPI or ESI. The Nuremberger pension fund (EUR 19 million) offers an investment of the surplus return in a portfolio "Ecology" consisting of three sustainability funds. The share-linked variation of Pro bAV pension fund (EUR 229 million) offers the possibility of considering a sustainability fund. The West pension fund (EUR 14 million) offers an investment in funds. For this purpose, the WestAM Pension Dynamic Fund is issued as a sustainable investment fund which is open to the general public; it fulfills the specific requirements for pension schemes. The fund concentrates its investment activities on stocks of European companies included in the DJSI. Metallrente offers a pension fund (EUR 28 million). Its investments in stocks are also based on DJSI-listed companies. Germany's largest pension fund, BVV (EUR 18 billion) wrote in its pension information 2005/2006 without further explanation: While ethical, social and ecologic issues were taken into account, they came in second after the goals security and profitability.

Assets under management:
Pension funds: Euro 82 billion (2005)

Sustainability:
1. Best-in-class and positive screening
2. Negative screening
3. Sustainability-index-oriented
4. Sustainable real estate asset management

France: FRR and ERAFP - goal: 100 percent sustainability

In addition to the occupational and individual pension schemes, the French pension system is mainly based on the state pension. In 1999, the state pension was complemented by the state reserve fund "Fonds de Réserve pour les Retraites" (FRR). As a state administrative body, the FRR is to invest funds from taxes, sales of state-owned goods and other sources until 2020. Its capital is intended for the benefit of the state pension policy. As of the end of 2006, the FRR had accumulated reserves amounting to EUR 29 billion. In 2001, a law was enacted, subjecting the FRR to a sustainability reporting obligation. In 2003, the fund stated its intention to maximize its return in the long term and with utmost security in its investment goals. In addition, the investment policy must be consistent with common values supporting an economic, social and environmentally friendly sustainable development. An interesting detail in this context is the fact that the FRR decided not to invest in hedge funds, as their rather short-term advantages do not match the fund's long-term investment goals.

In the middle of 2006, FRR allocated EUR 600 million to sustainable investment accounts for a period of five years. The five chosen asset managers will concentrate on European stock investments. Provided the performance is good, the sustainability-related investments might be increased.

At the end of 2006, the FRR commissioned the French sustainability agency "vigeo" and/or the British "EIRIS" to verify whether the companies in its European and/or global stock portfolio complied with international treaties with a focus on human rights and employees' rights. In addition, the British "Trucost" will investigate the carbon footprint as well as risks and opportunities of the companies invested in worldwide.

The governmental additional insurance for civil servants „Etablissement de Retraite Additionelle de la Fonction Publique" (ERAFP) is responsible for pension reserves of 4.6 million French civil servants and had a fund volume of EUR 1.5 billion as of the end of 2006, which is intended to increase to EUR 8 billion by 2010.

At the end of 2006, ERAFP commissioned the German sustainability rating agency "oekom research" and "vigeo" to integrate sustainable stock and bond analyses for the entire fund volume.

ERAFP's ambitious goal is to implement a sustainability strategy for the entire assets under management. Philippe Caïla, Director of ERAFP, says: "The values directing this strategy are adjusted to the values of public welfare. The principles stated therein are based on the rule of law, human rights, social dialogue and progress, environmental protection, good governance and transparency.

In this context, the German-French consortium consisting of oekom and vigeo will assume the following tasks:

- development of a sustainability reference model for stocks and government bonds;
- implementation and monitoring of the strategy;
- monitoring and sustainability research for all investments;
- oekom provides expertise in the domain of bonds, vigeo in the domain of stocks.

ERAFP's goal to consider sustainability criteria for all investments is a forward-looking step which will surely be followed by other institutional investors. This shows a clear development of investors towards their responsibility to also include sustainable aspects in the management of their accounts, says Nicole Notat, CEO of vigeo.

While ERAFP manages investments in government bonds itself, euro-dominated stock accounts were awarded to BNP Paribas, Integral Development, as well as to Robeco and SAM Group in 2007. The volume with a potential of more than EUR 1.2 billion in the next four years was at the same time the largest sustainable equity tender in France to date. Another tender for sustainable corporate bonds will be effected in the second half of 2007.

Assets under management:
FRR: EUR 29 billion
ERAFP: EUR 1.5 billion (2006), EUR 8 billion (2010)

Sustainability:
1. Positive screening for investments in stocks and bonds
2. Negative screening for investments in stocks and bonds
3. Best-in-class
4. Determination of the carbon footprint of the companies invested in.

Great Britain: Pension funds as global driving forces for sustainable investment and engagement

Great Britain is one of the leading countries in Europe and/or worldwide concerning the integration of sustainability aspects in pension investments. Its development activities are so extensive that this study can only select some important past and current issues, whereby this selection is not exhaustive.

Since the creation of occupational pension funds in Great Britain in 1978, regulations for improved consumer protection have been laid down due to misselling scandals and cases of fraud. With the Pension Act 1995, the reporting obligation in connection with the Statement of Investment Principles (SIP) was established. In 1997, New Labor commenced the pension review. As a result thereof, the SIP must also include a report showing to what extent social, environmental or ethical considerations form part of the investment decisions and the exercise of the voting rights. The Act was enacted in 2000 and was the role model for numerous similar regulations worldwide. The sustainability reporting obligation applies to private and public occupational pension funds as well as to stakeholder pensions of the individual pension provisions. At the beginning of 2000, the second largest pension fund University Superannuation Scheme (USS, assets amounting to more than £ 20 billion / EUR 30 billion) and the largest BT Pension Scheme (BTPS, assets amounting to more than £ 29 billion / EUR 44 billion) commenced sustainable investment activities and were the role models for other pension funds. As early as July 2000, 21 of the 25 largest British pension funds (half of the entire British pension fund assets) intended to integrate sustainability.

At the end of 2005, a total of 79 UK pension fund trustees answered that 11 percent of them intensively used negative screening (five times more than the 2 percent in 2003). 15 percent intensively used positive screening. Engagement was materially more significant: 40 percent used their influence intensively, in 2003 this applied only to 26 percent.

In 2001, the Association of British Insurers (ABI) asked companies to integrate into their management reports sustainable risks and opportunities as well as their consequences on the short-term and long-term goodwill. With more than 400 members representing more than 20 percent of the stock investments at the London Stock Exchange, ABI is a very influential association. Recently, an update of the „Responsible Investment Disclosure Guidelines" was published.

The „Local Authority Pension Fund Forum" (LAPFF), a group of pension funds with assets amounting to £ 60 billion / EUR 89 billion, recently published the report: "Shareholder Engagement: Holding Fund Managers to Account" which contains guidelines for trustees for dialogues with fund managers and effective engagement of companies invested in for a long-term increase in value. In 2007, LAPFF published "Labour Standards in China: Best Practice Guidelines" which contain indicators for effective management of work-related risks and opportunities of Chinese companies invested in.

The Trades Union Congress (TUC) recently announced that 93 percent of the members of the TUC's Member Trustee Network, which manages pension funds amounting to more than £ 300 billion / EUR 453 billion, think that fund managers should publicly report on their voting at shareholders meetings, similar to the usual practice in Switzerland.

The pension fund of Environment Agency - worth £ 1.5 billion - instructed the fund managers to insist that companies apply DEFRA's Guidance on Environmental Reporting and the corresponding Sustainable Development Key Performance Indicators (SD-KPIs). The fund also awarded a £ 50 billion emerging market account for an actively managed stock portfolio to Scottish Widows Investment Partnership. SWIP is sustainably supported by Trucost and Global Ethical Standards in the implementation of the Fund's Environmental Overlay and corporate governance strategies. The fund also awarded accounts for all other asset classes, also financing land regeneration and renewable energies and obtaining IPE awards.

The pressure on pension funds continues to be material. In 2006, FairPensions found that there were considerable differences between the largest pension funds worth £ 250 billion and issued a "Responsible Investment Guide for Pension Fund Trustees". Until June 2007, the UK Social Investment Forum investigated the pension funds of all FTSE4Good companies as to their sustainable pension provision practices. The pensions regulator trustee toolkit explains what is to be required from fund managers concerning corporate governance, including shareholder activism and ethical investment considerations. The government explicitly provides for sustainable investment options in the new Pensions Reform for Personal Accounts.

Assets under management:
Environment Agency Pension Fund: EUR 2.3 billion
USS: EUR 30 billion; BTPS: EUR 44 billion
LAPFF: EUR 89 billion

Sustainability:
1. Engagement
2. Positive screening / best-in-class
3. Negative screening
each for all asset classes

New Zealand: New Zealand Superannuation Fund:
Engagement for environmental, work and human right standards

In 2001, in New Zealand two new state pension funds were established in order to cover the pension costs during the coming decades: the Government Superannuation Fund for the pensions of the civil servants and the tax-financed New Zealand Superannuation Fund for pension payments to all future pensioners in New Zealand. The initial funds of the latter - considerably larger - fund were 1.46 billion New Zealand Dollars (EUR 0.77 billion). The fund receives another NZD 35 million (EUR 18.5 million) per week from the New Zealand government, that is roughly EUR 1 billion per year. In 2025, the fund volume is to amount to NZD 120 billion (EUR 63.3 billion), in 2043 roughly NZD 230 billion (EUR 121.4 billion). By mid-2006, the fund volume amounted to NZD 10.1 billion (EUR 5.3 billion).

In 2003, statutory sustainability criteria were established for both funds. These criteria require ethical investment, including policies, standards or processes to avoid damage to the reputation of New Zealand as a responsible member of the global community. At the same time, the funds aim to maximize returns without taking excessive risks. As early as 2003, the ethical investment regulations were specified in more detail: One of the seven guardians of the fund, Glen Saunders, is an expert in sustainable investments. The guardians can take the following issues into account: court decisions or corresponding information in case a company violates international laws and conventions concerning human rights, employees, environmental protection and arms trade. Securities of countries subject to international sanctions or securities of irresponsible members of the global community can be avoided. Traditional negative criteria such as tobacco or alcohol production are not to be applied for the time being.

The fund management of the New Zealand Superannuation Fund expects that sustainability criteria as a whole will have a positive influence on the long-term performance of the fund and on sustainable markets.

The fund is one of the first to sign the Principles for Responsible Investment (www.unpri.org) of the United Nations. In order to be able to make a more uniform assessment of the sustainability performance of the approx. 300 companies invested in, the Standards of the United Nations Global Compact (ww.unglobalcompact.org) were included as an additional criterion. The Global Compact covers in particular human rights, working conditions, environmental protection and economic corruption.

If companies invested in are found to violate corresponding standards or conventions, constructive dialogues are held with the management of the companies, also with other institutional investors. Disinvestments are also possible.

In addition, the International Shareholder Service (ISS) was commissioned to coordinate, analyze and exercise international voting rights.

In 2006, the New Zealand Superannuation Fund joined the Australian Ethical Investment Association and the experienced expert for sustainable investments, Anne-Maree O'Connor was hired as Head of Responsible Investment. In 2007, the fund signed the Carbon Disclosure Project (ww.cdproject.net).

Assets under management:
EUR 5.3 billion (mid of 2006)
approx. EUR 121.4 billion in 2043

Sustainability:
Engagement concerning violations of international conventions and standards relating to environmental protection, human rights, employment rights and corruption.
Disinvestment

**The Netherlands: ABP and PGGM,
Europe's #2 and #3 as global role models for sustainability**

The pension funds ABP and PGGM lead the way for a sustainable investment policy in the Netherlands and worldwide. As of September 2006, ABP, with assets worth EUR 179 billion, was the second largest pension fund in Europe, second only to the Norwegian Government Pension Fund - Global and the third largest in the world behind Japanese Government Pension Investment with assets of EUR 686 billion. ABP has 2.5 million clients from the education sector and the Dutch government. PGGM is the third largest pension fund in Europe - in 2006, its investment portfolio exceeded the EUR 80 billion benchmark. PGGM is a public pension fund for the health sector. ABP invests 55 percent of its portfolio in shares and alternative investments, 43 percent in fixed-interest investments and 2 percent in other investments. 80 percent of its portfolio is managed internally, 20 percent externally.

ABP's number one priority is achieving the highest possible long-term return. According to ABP, there is a clear connection between sustainability, good corporate governance and above-average company performance. Currently, the sustainable investment strategy is mainly applied to the investment in Dutch and global stocks, an extension to all asset classes is currently under review.

The sustainability strategy includes in particular:

- Engagement: ABP employs three full-time employees for the exercise of the voting rights and engagement. These employees assess the corporate governance of the companies invested in on the basis of relevant codes and the UN Principles for Responsible Investment. ABP uses the voting rights for all Dutch equity interests. The voting right for participations in international stock corporations is exercised only if at least US$ 13 million and/or 1 percent of the outstanding capital is held by ABP; this applies to roughly 1,000 companies in Europe, the USA, Canada and Australia. The voting rights are exercised personally or by proxy and all decisions are published on the internet. At the same time, there are active dialogues with companies. So far, sustainability-related contents have not played a role in this context, however, they will be taken into consideration during the current review of the engagement strategy.
- Disqualifying criteria: ABP applies negative screening to companies which violate international standards and support illegal and immoral behavior and the investment is directly connected with the violation of human rights and personal liberty rights.
- Sustainability research is to be integrated into the mainstream investment for materially important issues, as such issues influence the securities prices. In order to generate sustainability information which is partially still incomplete, ABP (and PGGM) finances the Enhanced Analytics Initiative (EAI) and the European Center for Corporate Engagement (ECCE), which published the study "Use of extra-financial information by research analysts and investment managers" - which is quite recommendable - in March 2007.

- Sustainability accounts: On the one hand, a one-time amount of US$ 190 million was awarded to Loyalis Global in 2002. The Loyalis Global Sustainability Fund invests in companies creating financial assets with a clear emphasis on sustainability management. The best-in-class portfolio is an experiment for future activities. The research is done by Innovest, followed by traditional financial management with a weighting corresponding to the MSCI World Index. Analyses on how ABP's mainstream managers can use the generated know-how are presently ongoing. ABP encourages pension funds to invest in the fund. On the other hand, in 2006, US$ 363 were invested in the private equity fund Carbon II by Climate Change Capital's (CCC), which invests in renewable energies and a low-carbon economy, especially in developing countries.
- Initiatives: In addition, ABP cooperates with CalPERS, Hermes, Carbon Disclosure Project, Eurosif and corporate governance networks.

In 2003, ABP received the IPE Award as best European pension fund for sustainable investments. Since 2007, Rob Lake has been Senior Portfolio Manager for environmental, social and governance issues. He is driving forward the integration of these contents into the mainstream investment process.

At the end of 2006, Marcel Jeucken became the new head of responsible investments of PGGM. The PGGM strategy contains disqualification, best-in-class (2 pilot portfolios for European and US stocks) and engagement (for European and US stocks through Responsible Engagement Overlay by F&C) and is to be extended to all investments. PGGM recently also invested in the Carbon II Private Equity Fund and invested EUR 250 million in a sustainability fund for emerging markets by Albright Capital.

Assets under management:
ABP: EUR 179 billion
PGGM: EUR 80 billion

Sustainability:
1. Engagement
2. Negative screening / disinvestment
3. Integration into mainstream research
4. Best-in-class
5. Private equity

Norway: Government Pension Fund - Global: Engagement, negative screening and disinvestment

Since 2004, there have been comprehensive sustainability-oriented statutory provisions for the Government Pension Fund - Global. This fund was originally issued by the Norwegian parliament as the "Government Petroleum Fund" in 1990. The net returns from the Norwegian oil and gas production as well as the returns from the fund's investments flow into the fund. Annual transfers of a maximum of 4 percent to the Norwegian national budget are effected as an outflow. The transferred amounts correspond to the national deficit which would occur without the income from oil and gas. The Treasury Department obtained the responsibility for the management of the fund by act of law, and delegated the operational fund management to the Norwegian Central Bank (Norges Bank). The Department informs the bank of management guidelines by way of regulations, rules and decisions. In 2006, 78 percent of the fund's assets were managed internally by Norges Bank Investment Management (NBIM) (91 percent in 2005), the remainder was managed by external managers whose long-term performance will be assessed. 60 percent of the fund's assets are invested in bonds and 40 percent in stocks of more than 3,500 companies in 27 countries worldwide, however, for fear of overheating, not in Norwegian companies. The maximum investment amount is 3 percent.

The Government Pension Fund is not a pure pension fund, however, it is often named in connection with other pension funds and the Norges Bank stated that future increases in pension payments by the government might be partially paid by the fund. The oil price increases in the past few years led to a material increase in the volume of the fund. As of the end of 2006, the fund was the largest pension fund in Europe with a volume of NOK 1.78 trillion (EUR 221 billion), an increase of NOK 384.6 billion (EUR 47.8 billion) compared to the end of 2005. The transfers of the Treasury Department amounted to NOK 288.3 billion, market returns of NOK 124.1 and NOK 27.8 billion were lost as a consequence of currency losses due to the strong Norwegian krone. The Norwegian population consists of roughly 4.6 million people, that means the fund's assets were at approx. NOK 380,000 (EUR 47,000) per capita.

The sustainability-oriented Ethical Guidelines for the fund came into force in 2004. At the same time, an Advisory Council on Ethics was established, which is to give advice to the Treasury Department. Basically, this is to prevent the fund from making and/or holding investments entailing unacceptable risks due to unethical acts or offences such as violations of fundamental humanitarian principles or human rights, corruption or severe degradation of the natural environment.

The following three methods are used:

1. exercise of ownership rights - also by proxy by external third parties - in order to reach long-term returns on the basis of the UN Global Compact and the OECD Guidelines for Corporate Governance and for Multinational Enterprises;
2. negative screening of the investment universe of companies which produce weapons or have weapons produced by other organizations, if the normal use of such weapons violates fundamental humanitarian principles. The Treasury Department is responsible for these decisions, based on the recommendations made by the Council on Ethics. This also applies to:
3. disinvestment of companies from the investment universe, if such companies contribute material risks as to:
   - violation of human rights such as murder, torture, unlawful detention, forced labor, child labor and other abuse of children;
   - violation of individual rights in wars or other conflicts;
   - severe degradation of the natural environment;
   - corruption;
   - other material violations of fundamental ethical standards.

If the Council on Ethics wishes to recommend disinvestments, it should communicate its considerations and reasons to the relevant companies. From 2002 - 2006, disinvestments were effected from 20 companies (NOK 14.2 billion, EUR 1.76 billion), such as EADS, Lookhead (components for cluster bombs), Boeing, Honeywell (nuclear weapons), Wal-Mart (violation of human and employment rights).

In 2006, the fund complained about fundamental ethical gaps in companies invested in, about their short-term orientation and that they do not sufficiently consider public goods. In future, this will be expected in the course of good corporate governance which will lead to synergies for long-term investors.

Assets under management:
EUR 221 billion

Sustainability:
1. Engagement
2. Negative screening
3. Disinvestment

Austria: Pension funds for employees:
A great variety of sustainable investment approaches

In 2002, the Company Pension Fund Act (BMVG, "New severance pay scheme") came into force. Each employer must pay 1.53 percent of any employee's monthly income into an employee pension fund (MVK), which was created specifically for this purpose. Currently, there are nine authorized MVKs managing the funds paid by the employers.

In the run-up to this change of law, the Austrian Association for Environment and Technology (Österreichische Gesellschaft für Umwelt und Technik" (ÖGUT)) requested a sustainability reporting obligation for MVKs, which was, however, not included in the law due to the quite narrow time frame for the enactment procedure. However, 7 of 9 MVKs voluntarily declared that their investment activities are oriented to sustainable criteria. ÖGUT prepared a standard for declaration and reporting concerning the sustainability of the investment policy. On the basis of this standard, a concept for the sustainability certification of pension funds and retirement funds was developed. So far, four employee pension funds and one investment and risk association (VRG) of a pension fund have undergone the certification process: BAWAG Allianz MVK, BONUS MVK, BUAK MVK, VBV MVK and BONUS Pensionskasse. - 2006 was the third consecutive year in which the audit was effected. The following information contained in the positive certification concerning sustainability as well as contained in the annual reports refers to the business year 2005. On 29 June 2006, the certificates were submitted in an publicity-effective manner by the Federal Ministry of Agriculture, Forestry, Environment and Water Management. For (new) customers and institutional investors, they are an indicator for a pioneer role concerning the consideration of sustainability criteria and are easy to communicate. The summaries of the audit reports of ÖGUT are publicly available.

As of 1 December 2005, the 9 MVKs managed approx. EUR 700 million for more than 1.7 persons entitled to a pension; compared to 2004, this means an increase of approx. 91 percent, especially due to current premiums. The volumes of the MVKs certified by ÖGUT were: BAWAG Allianz MVK (EUR 100 million), BONUS MVK (EUR 45 million), BUAK MVK (EUR 38 million), VBV MVK (EUR 221 million). BAWAG Allianz MVK applies a high-quality sustainability index (SI) procedure with numerous sustainable criteria for government issuers. The entire stock component of the portfolio (approx. 9 percent) consists of high-quality sustainability funds only. The stock component of BONUS MVK's portfolio consists of a high-quality sustainability fund. A "satisfactory sustainability profile" is to be achieved for the bonds due to a focus on European and/or government issuers. The latter also applies to BUAK MVK, whose stock component consists of high-quality sustainability funds only. VBV MVK clearly structured its negative and disqualifying criteria and these criteria are illustrated in comprehensive detail. The sustainability council of VBV MVK is independent, has active planning competence and is supported by an external, internationally recognized research agency. The stock component (15.5 percent) is covered by four sustainability funds which can all evidence their sustainability-related quality by means of the Austrian Eco Label.

The bonds (82 percent) are invested in more than 10 funds, one of which is explicitly sustainability-oriented and obtained the Eco Label. The other funds are focused towards Europe (see above). The ÖGUT audit team occasionally recommended disinvestments; such recommendations were often complied with in whole or in part.

In 2005, in the course of implementation of the EU Directive on the activities and supervision of institutions for occupational retirement provision 2003/41/EC, a sustainability reporting obligation "for the selection of assets, if any, in accordance with ethical, ecologic and/or social criteria" was implemented for the pension funds for the declaration of the investment policy in Austria.

The invested assets of BONUS Pensionskasse (PK) were EUR 205 million at the end of 2005. The smallest of the 6 multi-company PKs was chosen by the Investment & Pensions Europe Magazine (IPE) as the best PK in 2006. Special emphasis was placed on the sustainable investment and corporate culture. High performance and sustainability are not in conflict with each other: Especially in the very difficult year 2006, the performance of BONUS PK as of October was 5.33 percent, 1 percent more than its competitors. BONUS PK defined sustainable disqualifying criteria. The benchmark for the stock portfolio is the Dow Jones Sustainability Index. The VBV Pensionskasse, a pension fund with assets amounting to EUR 4 billion, established VINIS, its own company for a sustainable asset structure within the group and integrates screening, best-in-class and engagement aspects. The goal is to extend this to all assets.

Assets under management:
2 penison funds: EUR 4.2 billion
4 employee pension funds (MVKs): EUR 404 million

Sustainability:
1. Positive screening for stock investments
2. Negative screening for stock investments
3. each partially also for bonds
4. Sustainability indices as stock benchmark
5. Best-in-class
6. Engagement

Sweden: AP1 to AP4, AP7:
Engagement for environmental, work and human right standards

Sustainability-related aspects have been included in two of the three columns of the Swedish statutory pension system since a reform came into effect in 2001.

Although the income pension is premium-based, there are four capital-based buffer funds which were originally issued by the state, namely the First, Second, Third and Fourth Swedish National Pension Fund AP1 to AP4. The independent Boards of all AP funds are appointed by the Swedish government. In 2001, the Swedish Government invested 134 billion Swedish krones (roughly EUR 14 billion) in each fund; By the end of 2003, another EUR 1.3 billion each followed. The assets are managed internally as well as externally. The formerly strongly regulated investment regulations were loosened in the hope that this would lead to higher returns at a lower risk level. The funds may invest in all stock exchange-listed, liquid capital market instruments.

The premium-based pension is a reserve system into which part of the regular payments for the individual pension capital formation are paid. Investments are made either in the AP7, which was recently established by the government, or in up to five of the more than 600 purely private funds which are registered with the Premium Pension Authority (PPM) for this purpose. Should no selection be made, the monies automatically flow into the AP7. AP7's top priority goal is a return which is at least equal to the average return of the private PPM funds - with very low management fees of only approx. 0.2 percent. At the end of 2005, AP7 was by far the largest PPM fund with assets amounting to 55 billion Swedish krones (EUR 6 billion).

AP1-4 and AP7 make their decisions independently from the state and from each other - this is to increase competition. In 2000, a reporting obligation and investment recommendation for sustainability-related aspects was adopted by the parliament with an 80 percent majority from five parties. The funds are to consider ethical and environmental aspects without giving up their priority goal of a high return on investment. In addition, annual reports on the consideration of sustainability are to be prepared.

In 2004, the Swedish sustainability rating agency GES Investment Services effected a survey among institutional investors which were clients of Nordic Investor Services (NIS) and found out that 65 percent did not expect any differences in performance between sustainable and conventional benchmarks. 15 percent were of the opinion that sustainability would lead to higher performance in the long run, only 20 percent expected lower performance. This means that 80 percent of the institutional investors forecast better or at least equal performance. This might be one of the reasons why all AP funds now include sustainability-related aspects in their investment decisions despite the apparent restriction, "without giving up the overall goal of a high return on investment". In addition, the words "should be taken into consideration" contained in the wording of the law can rather be interpreted as "must".

Had the managers of the AP funds ignored this subject they would have been under high pressure.

In February 2007, AP1 to AP4 agreed upon a cooperation in the newly founded Ethical Council, which is to increase the already great influence of the four funds with total assets of more than EUR 80 billion. As a result of a tender, GES Investment Services was selected to investigate the 3,500 foreign companies invested in as to violations of international standards and conventions relating to environmental protection, human rights, employment rights as well as corruption. The Swedish government supports these investigations. Each year, there are active dialogues with approx. 10 to 20 of these companies due to identified violations. In addition, further engagement activities are effected with other institutional investors, especially in the course of shareholders' meetings. Disinvestments are the very last measure the individual funds take. The cooperation does not extend to Swedish companies invested in, for which the four funds will continue to effect own dialogues and analyses, often in the course of individual corporate governance policies. In addition, AP2 for example invested EUR 76 million in the SAM Sustainable European Equity Fund in 2004.

AP7 reacts with disinvestments to violations of above-stated standards; in 2005-2006 companies such as BASF, Bayer, Coca Cola, Unilever and Wal Mart were affected. In contrast to frequently voiced fears, the fund's performance even improved. The sustainability criteria are also to be applied to the hedge funds and private equity.

Assets under management:
AP1 to AP4: more than EUR 80 billion total
AP7: EUR 6 billion

Sustainability:
Engagement concerning violations of international conventions and standards relating to environmental protection, human rights, employment rights and corruption.
Disinvestments

Switzerland: Pension funds with a 8.6 percent share of sustainable investments and obligation to report on voting

In Switzerland, the domain of old age provision is covered by approx. 8,000 pension funds with total assets of approx. CHF 660 billion (EUR 408 billion), which are managed for 3.3 million actively insured people and 0.8 million people receiving pension payments. During the past years, the weighting of the asset classes has remained almost constant; the most important classes as of the end of 2005 were: bonds 38 percent, stocks 29 percent, real estate 18 percent.

The pension funds play an important role in sustainable investments in Switzerland; according to onValues, these amounted to a total of CHF 10.6 billion (EUR 6.6 billion) as of the end of 2005, 67 percent of which investments of institutional investors, 76 percent were sustainable stocks, 12 percent bonds and 4 percent private equity investments. The remaining percentage values could not be accurately determined. The most frequently applied sustainable investment approach is best-in-class (81 percent), followed by negative screening (61 percent), sustainable subject-specific investments (36 percent) and engagement practices (systematic voting: 22 percent, active engagement with companies invested in: 16 percent) (multiple selections possible).

In the course of its annual pension fund studies of 2005 and 2006, Swisscanto found out that the share of sustainable investments in pension funds amounted to more than CHF 5 billion and 8.6 percent. A target of up to 30 percent was stated. The larger pension funds are basically in a better position to deal with the issues of sustainable investments. 47 percent (22 of 47) of the answering pension funds in the public law and/or church-related sector stated that they make sustainable investments. In these sectors, the pressure seems to be particularly high. In private law pension funds the quota was considerably lower: 14 percent (23 of 163).

In Switzerland, there is no reporting obligation concerning sustainable investments, however, starting in 2002, the pension funds had to establish regulations to be applied when exercising their shareholders' rights. A motion to amend by the Swiss Federation of Trade Unions was rejected at that time. The Federation's intent was that the pension funds should at least think about whether they wish to consider social and ecologic criteria or not and to publish this basic decision. The voting right decisions must always be made by the higher bodies composed of members with equal representation. The reason for this law was a survey effected from 1998 to 2000 concerning the investments made by the pension funds which showed that more than 50 percent of the pension funds did not exercise their voting rights. Only 5 percent of the funds systematically cast their votes at general meetings. "In view of the numerous difficulties connected therewith", the Swiss Federal Council did not enact any social and ecological criteria for the exercise of voting rights as it is almost impossible to determine common and general criteria for the pension funds of different kind, size and circles of insured. In 2001, the Federal Council amended section 49a, paragraph 2 of the Regulation on the Occupational Old Age, Survivors' and Disablement Pension:

The pension fund shall establish the regulations to be applied when exercising its shareholders' rights.

However, according to the prevailing opinion, this law does not impose on the funds a binding obligation to exercise their voting rights as is the case in the USA, for example. The funds can still elect not to exercise their voting rights. However, the Council on Foundations must state in a report if and if so, how the voting rights are to be exercised. In this context, especially the following items must be clarified:

- Is the voting right to be exercised at all general meetings, if possible, or only in cases an exercise of the voting right is required in order to protect the insured persons' economic interests?
- Who is to vote?
- In case of voting by proxy: which guidelines and/or criteria for the voting are to be established?
- Which resolutions shall remain the Council on Foundation's own responsibility?

Thus, a statutory basis for engagement approaches was established. The above-stated engagement shares are the highest of the German-speaking countries.

Leaders in the area of sustainable fund products and accounts in Switzerland are Pictet, SAM Sarasin, Swisscanto (i.a. Anlagestiftung AST BVG Oeko 3) and UBS. The Swiss Foundation for Sustainable Development Ethos which has approx. 75 pension fund members and manages a total of CHF 2.3 billion in accordance with sustainability criteria, has been and still is the pioneer among the pension funds.

Assets under management:
EUR 408 billion; EUR 4.4 billion institutional sustainable investments

Sustainability:
1. Best-in-class
2. Negative screening
3. Sustainable subject-specific investments
4. Engagement
5. Private equity

USA: CalPERS - largest pension fund with a comprehensive sustainability strategy

The largest pension fund in the US, California Public Employees' Retirement System (CalPERS) has approx. US$ 232.5 billion (EUR 174.8 billion) assets under management - allocated to four asset classes - for more than 1.4 million public employees of the state of California, pensioners and their families: global stocks, global fixed-interest bonds, real estate and alternative investments. Sustainable investments play an increasingly important role. CalPERS considers such activities as one of its obligations as trustee for the insured people as all of the investment managers are of the opinion that this helps to avoid relevant risks and to take advantage of the corresponding opportunities.

As early as 2004, the third largest pension fund in the US, California State Teachers' Retirement System (CalSTRS, US$ 144 billion, EUR 108 billion) invested US$ 1.5 billion (EUR 1.1 billion) in individual sustainable investments. Since 1999, CalPERS and CalSTRS have been considered leading sustainable investors and trendsetters for the entire asset management sector. In 2004, in addition to the pension fund of the United Nations (US$ 36.6 billion), Innovest identified at least 6 other pension funds in the US which followed this example. There are also other institutional long-term investors such as foundations which follow the sustainable investment trends set by CalPERS.

In 2004, CalPERS announced the Green Wave Initiative. Since then, several concrete sustainable investments have been made.

In the asset class private equity, US$ 200 million were allocated to six venture capital funds in the area of environmental protection technologies. In addition, CalPERS established the California Initiative Program for underserved communities with US$ 475 million in ten private equity funds as early as May 2001. The initiative led to economic stimulations and created jobs in underserved geographic areas, especially in California, and to a strong financial performance for CalPERS.

Five public equity managers received accounts amounting to a total of US$ 500 million for portfolios with a positive screening as to environmental friendliness. In addition, US$ 75 million were invested in passive investments in sustainable indices in 2005. CalPERS also sometimes uses negative screening, for example in 2007 concerning an involvement of companies in the crisis region Darfur in Sudan.

CalPERS promised to reduce the energy consumption for its real estate portfolio amounting to US$ 18 billion in 22 countries by 20 percent within a period of 5 years by using renewable energies, energy efficiency and ecological building standards; an important pioneer measure for the real estate asset management as a whole. After only one year, energy savings of 6.9 percent were achieved. Moreover, investments in sustainable real estate funds are taken into consideration.

In addition, CalPERS announced as early as 2003 that the affordable housing program in the USA had the best ten-year-performance with more than 20 percent. Even investments in timber could be an option for CalPERS in future. They hardly correlate with the financial markets and could lead to additional income from the function as carbon reducers.

For the asset class of fixed-interest securities, the financing of renewable energy projects is planned, especially for California. By 2017, California intends to cover 20 percent of its energy from renewable energies.

CalPERS is also of considerable assistance in the integration of important sustainability-related contents into the interface to a good corporate governance. In order to do so, more transparency and reporting on sustainability-related risks and opportunities is requested from the companies invested in, in recent times in particular as to greenhouse gas emissions and related reduction strategies. CalPERS signed the UN Principles for Responsible Investment and the Carbon Disclosure Project which, in its fourth year, included 211 institutional investors with assets worth US$ 31 trillion (EUR 23.3 trillion) in 2006. Concrete engagement activities are also part of this process. CalPERS consistently supports corresponding shareholders' resolutions. A scientific study by professor Barber at the University of Califonia in Davis evaluated that CalPERS' shareholders' activism between 1992 and 2005 resulted in an increase in value of US$ 3.1 billion (EUR 2.3 billion) for the investors.

Assets under management:
CalPERS: EUR 174.8 billion

Sustainability:
1. Private equity for environmental technology and underserved communities
2. Positive screening for stock investments
3. Negative screening
4. Passive stock index investments
5. Sustainable real estate asset management
6. Financing of renewable energy projects
7. Engagement

Summary

A sustainability-oriented investment of occupational pension assets can lead to an above-average performance for the long-term investment horizon of pension funds. At the same time, a positive, content-related differentiation in comparison to competitors can be achieved even if - or maybe just because - the California State Treasurer Angelides (CalPERS/CalSTRS) admitted as early as 2002 that such a change cannot be achieved quickly and easily:
„Angelides admits that pushing for change hasn't always been easy. He says there has always been and will be nay-sayers. But, in the final analysis, he argues, pension funds are long-term investors and they need to be looking beyond the next quarter because their long-term financial viability depends on the long-term financial strength of society." (no author: Profile Philip Angelides - California leading, in: Environmental Finance, September 2002, P. 32.)

During the past five years, many international pension funds effected considerable activities in the area of sustainable investments, a fact that is shown by this study in an impressive manner. Examples for best practice were analyzed in the following eleven countries.

- Australia
- Germany
- Great Britain
- France
- New Zealand
- The Netherlands
- Norway
- Austria
- Sweden
- Switzerland
- USA

These analyses revealed that there are considerable differences in the approaches of sustainable investments between the individual countries but also within these countries. This means, that - for the purpose of a creative asset management - different methods are applied in order to achieve responsibly generated high performance for the beneficiaries. The following approaches are applied, often a combination thereof:

- Negative screening
- Disinvestment
- Sustainable subject-specific investments
- Positive screening
- Best-in-class
- Passive investments
- Engagement
- Integration in mainstream research / mainstream investments

Examples for sustainable investments could be identified in all asset classes, there are even sustainable investments in private equity and hedge funds, however, the latter are not used by funds like the French reserve fund FRR, as the FRR considers hedge funds as being contradictory to its long-term investment strategy.

The pioneers in terms of sustainability are mostly public, church and university pension funds, however, examples for best practice were also found among private funds. In future, the private pension funds will benefit from the public funds' experience and catch up sustainably.

Especially the large pension funds worldwide have already made sustainable investments. It is easier for them to include these new aspects in their investment strategy in a comprehensive and professional manner. However, external providers also offer sustainable investment services for smaller volumes. In addition, a restriction to the most important sustainability-related issues such as the "big six" (pls. see the introduction) and/or to the sustainable development key performance indicators (SD-KPIs) can facilitate the focus on the most important issues from a material point of view.

According to Freshfields Bruckhaus Deringer, a demonstrable verification of such materially important sustainability-related aspects in connection with the investment strategy is the obligation of the respective pension provision providers as trustees, as this helps to avoid risks and to take advantage of opportunities. Mr. Jakubowski, the board chairman of one of the largest German pension funds, BVV, for example stated in a dpn interview in 2007 that sustainable investments play an important role for BVV, as the return potential of such approaches grows with the number of investors applying such approaches. This is why such approaches were closely monitored.

As a general rule, however, on an international level, the German pension funds bring up the rear in this study concerning the integration of sustainability aspects. Many of the decision-makers in Germany seem to lag far behind the internationally widespread opinion that sustainability is increasingly integrated into the mainstream of institutional investment. However, the incentive to consider sustainable investments and to develop an individual view will be growing stronger, and with traditional German thoroughness, there will soon be more international examples for best practice within Germany, a country with a high ecological awareness, while the second column of the pension scheme will be strengthened at the same time.

Concerning the governmental framework conditions for sustainable pension provision investments, examples for best practice can be observed internationally:

- on a voluntary basis (i.e. without any specific framework conditions); or
- on the basis of a reporting obligation on sustainability (concerning the investment policy or voting); or
- in case of an existing obligation to sustainable investment activities.

The most recent example is Belgium, a country not included in this study. There, a reporting obligation on sustainability aspects of the investment policy has been effective since 2004 and has already been a driving force for corresponding investments. Due to a decision made by the government in the middle of 2006, public institutions are now obliged to invest at least 10 percent of their pension assets in sustainable investments.

Transfer of know-how and provision of information, e.g. by way of this study, is currently one of the most important approaches for the promotion of sustainable investments in the occupational pension schemes. Sustainable investment practices will gain in importance both on a voluntary and on a governmentally regulated basis.

The goal for several of the examples for best practice contained in this study is a 100 percent coverage of assets with sustainability aspects.

As an outlook the author ventures to predict that - in the medium as well as in the long term - the enormous and still growing investment volumes of the occupational pension schemes will be the most important driving force for a sustainable development on the financial markets and thus also in the companies invested in. At the same time, the beneficiaries will benefit from the performance of these long-term, sustainable investments which will be significantly better than the performance of conventional investments.

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