

Stewardship, voting duties and ESG

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Pension funds are among the largest shareholders of Swiss listed companies, which gives their voting behaviour considerable weight. After the popular initiative "against rip-off salaries" was accepted on 3 March 2013, the Federal Council issued the Ordinance against Excessive Compensation in Listed Companies (VegüV), which obliged pension funds to exercise their voting rights in Swiss listed companies in the interest of their insured persons and to disclose how they had voted. Since the corporate law reform entered into force on 1 January 2023, these duties have been set out in Articles 71a and 71b BVG.¹ The duty applies to directly held shares of Swiss companies. It does not extend to shares held through collective investment schemes, although many funds also influence the voting policies of their asset managers.

To fulfil these duties, pension funds rely on proxy advisers. The most important Swiss provider is the Ethos Foundation in Geneva, founded in 1997 by two Geneva pension funds. Ethos advises pension funds on voting, conducts dialogue with companies on behalf of an engagement pool and publishes voting recommendations that are often followed by its members.² Other Swiss and international proxy advisers are also active in the market. The voting results at the general meetings of Roche, Novartis and Baloise, on remuneration and on the election of directors, regularly reflect the positions of these advisers and of the pension funds that follow them, as Part G described.

The Swiss pension fund association ASIP has published a charter and professional rules that its members are expected to observe. They cover integrity, loyalty, the avoidance of conflicts of interest and the disclosure of financial benefits received in connection with the management of pension assets.³ ASIP has also issued guidance on environmental, social and governance criteria, in which it states that pension funds should consider these risks as part of their fiduciary duty. The Swiss Association for

Responsible Investments of Pension Funds (SVVK-ASIR), founded in 2015 by several large public pension funds, publishes exclusion lists and conducts engagement on behalf of its members.⁴

Fiduciary duty remains the decisive standard for ESG questions in Swiss pension funds. The board must invest in the interest of the insured persons, which means that criteria unrelated to financial risk and return require justification. The BVV 2 does not prescribe sustainability criteria, although the Federal Council has addressed the topic in reports on sustainable finance. Funds such as the Stiftung Abendrot in Basel and several public-law funds have adopted policies that exclude certain sectors or aim at a reduction of the carbon intensity of their portfolios, while other funds limit themselves to integrating ESG risks into their financial analysis.⁵ Climate-related reporting requirements for large companies have increased the data available for such policies.

1 Notes

1. On the voting duties of pension funds under the Ordinance against Excessive Compensation in Listed Companies (VegüV) of 20 November 2013, based on the popular initiative accepted on 3 March 2013, and their transfer into Art. 71a and 71b BVG by the corporate law reform in force on 1 January 2023, see the federal legislation. To be verified. ↩
2. On the Ethos Foundation for Sustainable Development, founded in Geneva in 1997 by two pension funds, its voting recommendations and the Ethos Engagement Pool, see its publications. Founding details to be verified. ↩
3. On the ASIP Charter and its professional rules on integrity, loyalty and conflicts of interest, together with the legal requirements of Art. 51b and 51c BVG and Art. 48f–48l BVV 2, see the publications of the Swiss Pension Fund Association ASIP and the federal legislation. To be verified. ↩
4. On the ASIP guidance on ESG and the Swiss Association for Responsible Investments (SVVK-ASIR), founded in 2015, its exclusion recommendations and engagement activities, see their publications. Membership to be verified. ↩

5. On the treatment of ESG criteria under the fiduciary duties of Swiss pension funds (Art. 51b BVG and Art. 50 BVV 2), the reports of the Federal Council on sustainable finance and the policies of individual pension funds, see the official publications and the annual reports of the funds. To be verified. ↩

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