

# Defining Sustainable Investment Strategies for Pension Funds

**United Nations Environment Programme**

**UNEP FI Global Roundtable**

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*Richard Gröttheim, Executive Vice President*

*The Seventh Swedish National Pension Fund, AP 7*

# Agenda

- AP 7 brief description
- How did the SRI policy for AP 7 evolve?
- Legal framework- government involvement
- Going practical- external advice
- General public reactions
- The policy- the usage of UN conventions

# AP 7 - The Seventh Swedish National Pension Fund

- Acts within the defined contribution system which is a part of the newly reformed government pension plan
- Manage premium pension means, mainly for those that do not appoint a private fund manager “The default fund”
- AP 7 has been invested since September 2000
- Global equity fund
- Has the same investment rules as a private mutual fund

# Asset Allocation

	Per cent
<b>Swedish equity</b>	17 %
<b>Global equity</b>	65 %
<b>Swedish Index linked Bonds</b>	9 %
<b>Cash</b>	1 %
<b>Private equity</b>	4 %
<b>Hedge funds</b>	4 %

# How did it all started ?

- Government involvement

**Law:** "The fund should undertake ethical and environmental concerns without jeopardizing the ultimate target of high performance"

- No political pressure on the details in an SRI policy

## ...How did it all started ?

- Managements involvement
  - Did view the SRI issue as a priority
  - Found transparency as crucial
  - Did not view the tobacco, alcohol and weapon as a route forward
  - Important with a policy that could be explained and accepted of the general public
  - Did seek outside advice

## ...How did it all started?

- **The boards involvement**
  - Shared the managements commitment to the issue
  - Did discuss the issue on several occasions
  - Gave the guidelines to use Un conventions
  - Decided on the AP 7 SRI policy on December 2000
  - Delegated to the management to practically implement the policy

## Ap 7 Socially responsible investment Policy

- **In line with Swedish government "ethics"**
- **The Majority of savers in our fund should feel comfortable with the policy**
- **Two principles**
  - Swedish law
  - International treaties or UN conventions signed by the Swedish government

# How has the policy been received ?

- The Government, Labour unions and general public has been positive
- Many other fund managers and pension funds have followed
- Savers in the fund has been reacting positively through direct contact with AP 7
- The weapon issue has been sensitive
- The transparency has been working

# Global ethics

**UN Declarations,  
Covenants and Conventions  
adopted by General Assembly  
ILO Core Conventions**

Child  
labour

Anti  
personell  
mines

Forced  
Labour

Right to  
life

Right to organize

Environment

ABC  
weapons

Bribery

Discrimination

# Process

- UN documents are scanned twice a year
- All companies in our universe are examined
- If companies do not pass the scanning process – they are excluded for five years
- If companies improve substantially they might return to the portfolio earlier than five years
- Transparency

# Chartered Semiconductor Manufacturing, Singapore

- Production of anti-personnel landmines within the business group (Singapore Technologies), which Chartered Semiconductor Manufacturing is part of.

# PETRELEO BRASILEIRO

## S.A. (Petrobras)

- July 2000: Petrobras spilled 1 million gallons (4 million liters) of oil into Iquacu river, in Parana state
- January 2001: Two workers died from a fire on a Petrobras offshore natural gas platform P 37 in Campos Basin
- February 2001: Petrobras spilled 13,300 gallons (50,000 liters) of diesel fuel near Parana state capital Curitiba
- March 2001: Blasts tear through the world's biggest offshore oil rig owned by Petrobras killing 10 people

# Sears Roebuck & Co, USA

- The employees of one of Sears Roebuck's suppliers have been working under conditions of indentured servitude sewing clothes for Sears. The employees were not paid their wages, they were beaten and starved, and women were sexually harassed