



# Schindler Pension Fund

## Annual Report and Financial Statements as at December 31, 2019



**Schindler**



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# An Overview of the 2019 Financial Year

## 1. Financial Position of the Schindler Pension Fund / Cover Ratio

The Pension Fund achieved a pleasing performance of +9.8% in 2019 (2008: -1.91%). This resulted in an income surplus of CHF 78.3 million for the financial year as a whole (2018: expenditure surplus of CHF 77.5 million). This surplus income as a result of the performance of the Fund's assets

The *actuarial* cover ratio in accordance with OPO 2 increased from 111.56% to 115.17% over the year. In view of the persistently low level of interest rates, the Board of Trustees has decided to reduce the actuarial interest rate from 2.5% to 1.5%, and at the same time to create a provision for a potential further reduction to 1.0%. These charges have already been factored in to the coverage ratio.

The *financial* cover ratio also rose significantly, from 98.17% to 104.28%. This is calculated by discounting financial liabilities, i.e. pensioners' retirement capital and provisions, by the 'risk-free' rate of return. The reference point for the risk-free rate of return is the yield on 10-year Confederation bonds. This interest rate was -0.45% as at the end of 2019. The lower interest rate increases pensioners' retirement capital and actuarial provisions by CHF 193 million, resulting in a financial cover ratio of 104.28%.

## 2. Interest on Retirement Assets in 2019 / Pension Payments in 2020

In view of the performance achieved by the Pension Fund, and the cover ratio, the Board of Trustees has decided to pay interest on retirement assets at the rate of 2.5% for 2019.

Since the actuarial interest rate at the beginning of 2019 was also 2.5%, the Board of Directors has decided not to adjust pensions in 2020. This move ensures that active insureds and pensioners are treated equally with regard to the interest on their capital.

## 3. Key Figures for the Past 5 Years

	2019	2018	2017	2016	2015
Number of active insured	4579	4566	4439	4358	4376
Number of pensioners	2499	2470	2531	2568	2594
Balance sheet total	2162 Mio	1983 Mio	2031 Mio	1863 Mio	1790 Mio
Performance	9.83%	-1.91%	8.55%	4.57%	2.71%
Cover ratio	115.17%	111.56%	116.24%	113.49%	114.44%
actuarial interest rate	1.50%	2.50%	2.50%	2.50%	3.00%
financial cover ratio	104.28%	98.17%	101.44%	96.71%	98.80%
act.interest rate financial cover ratio	-0.45%	0.00%	0.00%	0.00%	0.00%
Interest on retirement assets	2.50%	1.00%	2.50%	1.55%	2.05%
Conversion rate at age 65	5.19%	5.20%	6.00%	6.05%	6.10%

#### **4. Actuarial Performance**

The Pension Fund recorded four deaths and three new disability cases among active insureds during the year under review. A further three disability cases are still outstanding, because the federal disability insurance authority has not yet issued any rulings for them.

The costs associated with these risk cases are in the region of the CHF 5.2 million in risk contributions received.

#### **5. Investment Climate**

Having come under heavy pressure in the final quarter of 2018, the international stock markets headed in only one direction during 2019, repeatedly reaching new highs and suffering only a few minor setbacks. These significant share price increases were driven by even lower interest rates, a possible tariff agreement between the USA and China, and the postponement of Brexit into 2020. The MSCI World index advanced by a strong 25%, while gains on the Swiss SPI were as high as 30%.

In contrast to market opinion at the beginning of the year, there was no global increase in interest rates. Indeed, the Federal Reserve's three rate cuts in early 2019 came as something of a surprise. Interest rates in Switzerland also settled back further, with yields on 10-year Confederation bonds bottoming out at -1.1% in the middle of the year. They have edged up since, but still remain very much in negative territory.

The USD fluctuated within a narrow corridor of 0.97 to 1.02 against the Swiss franc in the course of the year, but lost 1.5% in total over the 12-month period. At 1.14, the EUR reached its highest point for the year in February, gradually losing value thereafter. Compared with the beginning of 2019, it closed 3.6% down on the Swiss franc overall.

### **5.1 Securities**

#### **Equities**

Swiss equities made a total gain of 29.1% during the year under review, with foreign equities recording 21.1%, or a slight shortfall compared with the benchmark.

#### **Bonds**

With interest levels in Switzerland having fallen, CHF-denominated bonds produced a performance of 1.4%. Thanks to longer durations, the performance of foreign currency (hedged) bonds came to 8.5 %.

Of the four portfolio managers who manage our equity and bond investments under 'balanced' mandates, three succeeded in beating the benchmark.

## **5.2 Alternative Investments**

### **Private Equity**

At 4.2 %, private equity failed to match the performance recorded by listed equities. That said, our Pension Fund generated a positive performance for the tenth year in a row. Overall, over CHF 15 million was called up and repaid by the various funds during the year under review. In 2019, the Pension Fund also entered into a new commitment with a fund investing primarily in Swiss companies displaying high growth.

### **Infrastructure**

Investments in infrastructure facilities such as solar and wind power plants, hydroelectric power plants, pipelines, port facilities, etc. produced a below-average result of 0.5%. Two older funds which invest primarily in energy and port facilities in the USA reported negative results.

### **Hedge Funds**

At 5.3%, hedge funds produced their best result in the past five years. A variety of shifts within the funds we use contributed to this improved outcome. In 2019, the Pension Fund invested in a litigation finance fund for the first time. This fund supports primarily US-based parties to legal proceedings in asserting their legal claims in court, and thereby assumes the cost-related risk. In return, the fund receives a percentage of any award made by the court.

### **Insurance-Linked Securities**

At -5.4%, this asset class returned a very disappointing result for the third successive year. Hurricanes, typhoons and bush fires continued to weigh on the result in 2019. Of the three funds we use, one was the primary factor in these three discouraging years, and we have since terminated our investment in it.

### **Alternative International Real Estate**

Despite the softness in the EUR and USD against the Swiss franc, alternative international real estate investments were still able to generate a performance of 4.0%.

### **Alternative Bonds**

As an alternative to 'normal' bonds, the Pension Fund invests in private corporate debt via broadly diversified funds. Performance was once again in line with expectations, at 3.4%.

### **5.3 Real Estate**

Real estate produced a positive performance of 7.5% on the back of both our own properties and our indirect real estate investments (investment foundations, funds and investment companies).

#### **Mooshüslistrasse 6 and 14 Real Estate Project in Emmen**

The first building was ready to move into in September 2019, with the second following in February 2020. At the end of 2019, around 2/3 of the 75 apartments had been rented or reserved. Furthermore, over half of the commercial space could be rented to the central Switzerland branch of the *Lungenliga* respiratory diseases charity on a ten-year lease. The apartments and commercial spaces are being marketed at [www.moosaic-emmen.ch](http://www.moosaic-emmen.ch).

#### **Real Estate Project in Schlieren**

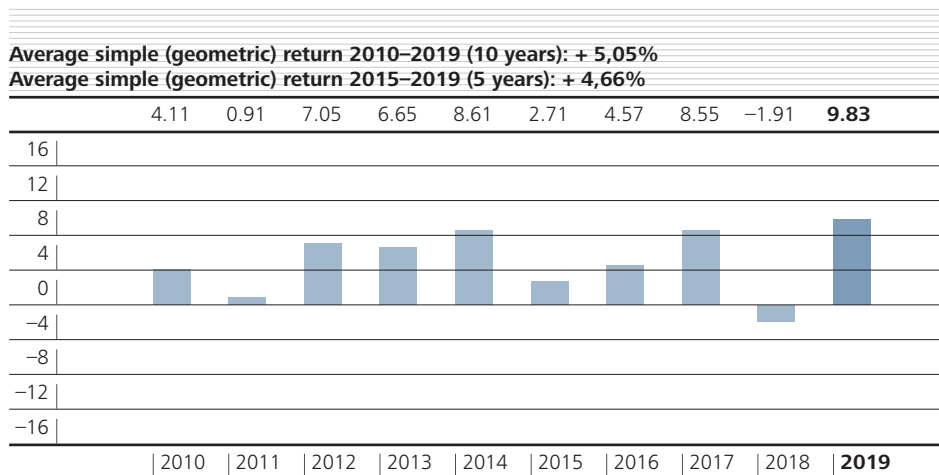
Schlieren City Council approved the private development plan at the beginning of December 2019. Following the end of the referendum period, the Pension Fund is now awaiting the decision of the Canton of Zurich. We expect the plan to become legally enforceable in the spring of 2020.

#### **Purchase of the 'Libelle' Property in Lucerne**

At the end of 2019, the Pension Fund was able to purchase the fully-rented Maihofstrasse 61/ Libellenstrasse 69 property in Lucerne. The complex, which contains 22 apartments and the local 'Libelle' restaurant on the ground floor, underwent a complete renovation in 2009 under the leadership of GKS Architekten Generalplaner AG, after which it was awarded listed building status.

## 6. Pension Fund Performance

### Performance 2010 – 2019



Performance on total assets (=net investment income + price gains ./ price losses) came to 9.8% for 2019 (benchmark 16.8%).

This clear shortfall last year is attributable primarily to Swiss real estate (7.5% vs. benchmark 20.7%). Real estate funds (=benchmarks) gained considerable value in 2019 as a result of strong investor demand. The valuations of our own properties and our investments in lower-risk investment foundations were unable to keep pace here. Private equity investments also fell significantly short of the benchmark (4.2% vs. benchmark 26.2%), as the booming equity markets fuelled the rise in the latter. The same was true of infrastructure and international real estate, where our unlisted investments couldn't keep up with their listed counterparts (=benchmarks).



The following results were achieved in the individual investment segments:

### Results of the Individual Investment Segments

In %	<b>Schindler PF 2019</b>	Benchmark 2019	Schindler PF 2018
CHF bonds	<b>1.37%</b>	0.90%	-0.04%
Foreign currency bonds (hedged as from 1.10.2105)	<b>8.53%</b>	8.41%	-4.30%
Swiss equities	<b>29.08%</b>	30.30%	-9.59%
Foreign equities	<b>21.11%</b>	24.20%	-8.94%
Swiss real estate	<b>7.51%</b>	20.67%	2.25%
Private equity	<b>4.21%</b>	26.20%	10.83%
Hedge funds	<b>5.14%</b>	3.11%	-2.80%
Insurance-linked securities	<b>-5.36%</b>	3.05%	-6.97%
Infrastructure	<b>0.51%</b>	14.29%	3.20%
Alternative internat. real estate	<b>4.61%</b>	20.88%	-2.25%
Alternative bonds	<b>3.44%</b>	4.95%	2.36%

### Performance Comparison

With a result of 9.8%, the Schindler Pension Fund was slightly below the average when compared with other pension funds. The performance figures for pension fund clients that are calculated and published by Switzerland's two major banks came to 11.1% (UBS) and 11.5% (CS) for 2019. Our result nonetheless reflects the pattern of the past, in which our performance has fallen a little short of the benchmark in very good investment years, but has regularly beaten it during difficult periods. We can be proud of our long-term outperformance.

## 7. Investment Strategy and Changes in Asset Structure

In 2019, the Board of Trustees had the investment strategy reviewed by an external provider, after which it decided to continue pursuing it unchanged. With a strategic equity allocation of 26.5% and a real estate allocation of 33%, the Pension Fund's positioning is relatively defensive. We expect the strategy to generate an annual performance of approximately 2.4% in the medium term.

### Investment Strategy

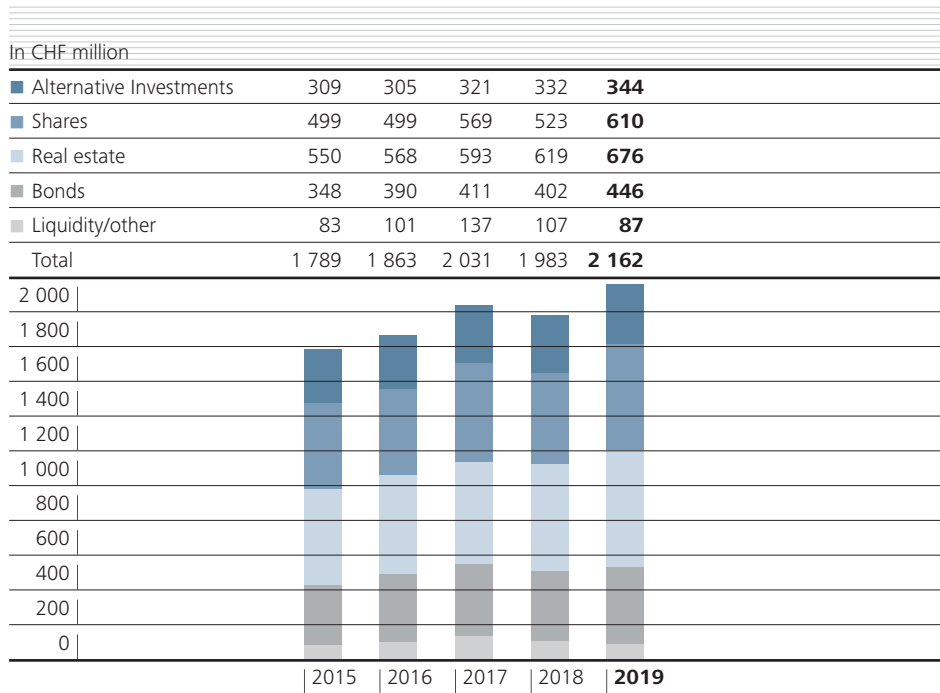
In %	Strategy as from	
	1.10.2015	Bandwidths
Liquidity	1.0%	0–15.0%
CHF bonds	16.5%	+/-10.0%
Foreign currency bonds (hedged as from 1.10.2105)	4.0%	+/-2.5%
Foreign currency bonds	0.0%	0–4.0%
Swiss equities	10.0%	+/-2.5%
Foreign equities	16.5%	+/-2.5%
Swiss real estate	33.0%	+/-7.0%
Private equity	6.0%	+/-2.0%
Hedge funds	2.0%	+/-2.0%
Commodities	0.0%	0–2.0%
Insurance-linked securities	4.0%	+/-1.0%
Infrastructure	3.0%	+/-2.0%
Alternative internat. real estate	2.0%	+/-1.0%
Alternative bonds	2.0%	+/-2.0%
	100.0%	

#### The investment strategy gives the following distribution across the four basic sectors:

Par-value investment /bonds	21.5%
Shares	26.5%
Swiss real estate	33.0%
Alternative investments	19.0%
	100.0%

The following chart illustrates how the Pension Fund's assets, and their composition, have changed over the past five years.

### Asset Performance / Asset Structure



### 8. Exercise of Shareholder Voting Rights

The Pension Fund exercised the shareholder voting rights attached to around 30 individual stocks in 2019. The Board of Trustees is supported in this by Inrate Ltd, as proxy advisor. The Pension Fund publishes the way in which it votes on the website.

## 9. Changes to the Board of Trustees

Our long-serving Chairman, Heinz Risi, stepped down from the Board of Trustees with effect from his retirement on April 30, 2019.

Georg Jenni, CFO of Schindler Switzerland, was appointed as the new employer representative. Meanwhile, the Board of Trustees elected Adrian Boutellier to serve as its new Chairman from May 1, 2019 onwards.

On behalf of the Board of Trustees and the Management

Schindler Pension Fund



**Adrian Boutellier**  
Chairman of the Board of Trustees



**Mario Passerini**  
Managing Director

Ebikon, April 2020

# Balance Sheet

## Assets

In CHF	31.12.2019	in %	31.12.2018	in %
<b>Investments</b>	<b>2 161 700 575.00</b>	<b>100.0</b>	1 983 126 160.82	<b>100.0</b>
Cash and cash equivalents	38 350 410.45	1.8	62 440 125.51	3.1
Assets with employer/Alfred Schindler-Fonds	5 973 211.18	0.3	7 358 883.04	0.4
Current assets	2 061 361.95	0.1	2 187 801.60	0.1
<b>Total liquid assets</b>	<b>46 384 983.58</b>	<b>2.1</b>	71 986 810.15	<b>3.6</b>
CHF-denominated bonds	352 183 503.79	16.3	320 318 241.85	16.2
Foreign currency bonds (hedged)	77 008 730.84	3.6	70 292 120.40	3.5
Foreign currency bonds	16 764 226.68	0.8	11 636 087.56	0.6
<b>Total bonds</b>	<b>445 956 461.31</b>	<b>20.6</b>	402 246 449.81	<b>20.3</b>
Real estate, property in co-ownership	412 830 314.80	19.1	387 221 400.00	19.5
Construction accounts	34 241 158.75	1.6	25 467 225.50	1.3
Indirect real estate, CH	228 706 229.96	10.6	206 666 258.77	10.4
<b>Total real estate</b>	<b>675 777 703.51</b>	<b>31.3</b>	619 354 884.27	<b>31.2</b>
Swiss equities	236 323 607.58	10.9	210 030 750.55	10.6
Foreign equities	373 674 223.53	17.3	312 580 627.05	15.8
<b>Total equities</b>	<b>609 997 831.11</b>	<b>28.2</b>	522 611 377.60	<b>26.4</b>
Private equity	101 741 038.43	4.7	98 300 429.89	5.0
Hedge funds	32 953 299.76	1.5	26 575 763.45	1.3
Commodities	122 711.05	0.0	217 310.74	0.0
Insurance-linked securities	63 482 731.70	2.9	68 194 920.60	3.4
Infrastructure	58 823 842.68	2.7	54 231 430.50	2.7
Alternative internat. real estate	33 177 492.38	1.5	32 636 408.85	1.6
Alternative bonds	53 205 787.50	2.5	51 681 797.45	2.6
<b>Total alternative investments</b>	<b>343 506 903.50</b>	<b>15.9</b>	331 838 061.48	<b>16.7</b>
<b>Mixed funds</b>	<b>40 076 691.99</b>	<b>1.9</b>	35 088 577.51	<b>1.8</b>
<b>Accrued income</b>	<b>268 550.95</b>	<b>0.0</b>	96 940.00	<b>0.0</b>
<b>Assets from insurance contracts</b>	<b>55 249.00</b>	<b>0.0</b>	62 921.00	<b>0.0</b>
<b>Total assets</b>	<b>2 162 024 374.95</b>	<b>100.0</b>	1 983 286 021.82	<b>100.0</b>

## Liabilities

In CHF	31.12.2019	in %	31.12.2018	in %
<b>Accounts payable</b>	<b>11 615 638.67</b>	<b>0.5</b>	8 766 930.67	<b>0.4</b>
Vested benefits and pensions	5 434 094.17	0.3	8 448 541.12	0.4
Mortgages	5 800 000.00	0.3	0.00	–
Other liabilities	381 544.50	0.0	318 389.55	0.0
<b>Accrued liabilities</b>	<b>1 011 392.62</b>	<b>0.0</b>	4 305 154.21	<b>0.2</b>
<b>Employer contribution reserve</b>	<b>22 000 000.00</b>	<b>1.0</b>	22 000 000.00	<b>1.1</b>
<b>Retirement capital and actuarial provisions</b>	<b>1 847 207 512.25</b>	<b>85.4</b>	1 746 348 301.40	<b>88.1</b>
Retirement capital, active insureds	922 550 341.25	42.7	891 284 436.40	44.9
Pensioners' retirement capital	845 837 171.00	39.1	772 673 865.00	39.0
Actuarial provisions	78 820 000.00	3.6	82 390 000.00	4.2
<b>Fluctuation reserves</b>	<b>280 189 831.41</b>	<b>13.0</b>	201 865 635.54	<b>10.2</b>
<b>Foundation capital</b>	<b>0.00</b>	<b>–</b>	0.00	<b>–</b>
Balance at beginning of period	0.00	–	0.00	–
Income / expenditure surplus	0.00	–	0.00	–
<b>Total liabilities and equity</b>	<b>2 162 024 374.95</b>	<b>100.0</b>	1 983 286 021.82	<b>100.0</b>

# Operating Account

## Operating Account

In CHF	2019	2018
<b>Ordinary and other contributions and deposits</b>	<b>85 761 710.60</b>	83 503 184.55
Employee savings contribution	32 859 930.60	31 920 062.05
Employee risk contribution	1 919 195.05	1 877 088.55
Employee contributions to administrative costs	766 880.20	749 768.15
<b>Total employee contributions</b>	<b>35 546 005.85</b>	34 546 918.75
Employer savings contribution	40 821 048.20	39 658 774.85
Risk contribution/cont. for early retirement Employer	3 256 628.10	3 181 910.70
Employer contribution to administrative costs	767 027.35	749 231.55
<b>Total employer contributions</b>	<b>44 844 703.65</b>	43 589 917.10
Third-party contributions	1 378 070.80	1 789 628.55
Lump-sum deposits and AVCs	3 992 930.30	3 576 720.15
<b>Benefits brought in</b>	<b>18 528 407.40</b>	21 565 767.50
Vested benefits deposited	17 384 999.90	20 683 783.70
Inpayment of advances rel. to home ownership/divorce	1 143 407.50	881 983.80
<b>Inflow from contribs and vested benefits brought in</b>	<b>104 290 118.00</b>	105 068 952.05
<b>Benefits under regulations</b>	<b>-77 455 120.65</b>	-75 821 439.70
Retirement pensions	-45 968 233.20	-46 317 379.20
Survivors' pensions	-12 477 690.20	-12 561 995.25
Disability pensions	-1 998 067.25	-1 891 844.85
Misc. benefits under regulations	-1 688 014.50	-2 006 682.95
Lump-sum retirement benefits	-14 847 009.10	-13 043 537.45
Lump-sum death/disability benefits	-476 106.40	0.00
<b>Withdrawal benefits</b>	<b>-36 556 597.60</b>	-38 881 397.32
Vested benefits upon withdrawal	-31 597 933.95	-34 682 081.97
Advance withdrawals: home purchase/divorce	-4 958 663.65	-4 199 315.35
<b>Outflows for benefits and advance withdrawals</b>	<b>-114 011 718.25</b>	-114 702 837.02
<b>Write back/additions to retirement cap., actuarial provs.</b>	<b>-100 859 210.84</b>	-25 974 050.25
Additions to/write-back of ret. cap., active insureds	-10 195 754.50	-101 544 379.90
Additions to/write-back of ret. cap., pension recipients	-73 163 305.99	14 028 712.00
Addition to/write back of actuarial provisions	3 570 000.00	69 999 000.00
Interest on savings capital	-21 070 150.35	-8 457 382.35
<b>Income from insurance benefits</b>	<b>22 628.20</b>	24 176.00
<b>Insurance expense</b>	<b>-369 470.00</b>	-317 460.00
Insurance contract	-7 672.00	-11 381.00
Contributions to the Guarantee Fund	-361 798.00	-306 079.00
<b>Net result from insurance portion</b>	<b>-110 927 652.89</b>	-35 901 219.22

## Operating Account

In CHF	2019	2018
<b>Net investment income</b>	<b>190 221 306.07</b>	-40 371 168.72
Income from liquid assets	-1 138 468.71	-547 555.49
Income from CHF bonds	4 698 081.29	-84 444.62
Income from foreign currency bonds (hedged)	5 832 923.30	-2 917 970.16
Income from foreign currency bonds	699 556.29	-324 051.88
Income from real estate, property in co-ownership	23 893 188.56	13 875 128.55
Income from indirect Swiss real estate	26 000 695.72	3 229 351.59
Income from Swiss equities	58 527 245.27	-21 212 627.38
Income from foreign equities	69 152 053.37	-27 727 918.27
Income from private equity	8 802 972.34	16 181 059.66
Income from hedge funds	1 977 740.43	-419 940.24
Income from commodities	-94 599.69	-12 107.38
Income from insurance-linked securities	-2 963 065.38	-3 669 103.42
Income from infrastructure	1 454 108.21	2 290 756.50
Income Alternative internat. real estate	469 941.44	-1 400 102.95
Income Alternative bonds	3 225 986.41	1 924 707.36
Income from mixed funds	5 417 627.37	-2 344 650.46
Income from securities lending	50 994.45	64 960.65
Interest on vested benefits (arrear) / misc.	-25 398.50	-38 124.68
Portfolio management expense	-15 760 276.10	-17 238 536.10
<b>Other income</b>	<b>242 268.34</b>	172 958.39
Management fee revenue	170 175.70	166 515.25
Other revenue	72 092.64	6 443.14
<b>Administrative expense</b>	<b>-1 211 725.65</b>	-1 423 007.87
General administrative expense	-1 137 474.10	-1 342 798.37
Occupational pensions expert	-28 391.35	-32 225.45
Auditors	-35 603.70	-36 522.35
Supervisory authorities	-10 256.50	-11 461.70
<b>Surplus income / expense before addition to FR</b>	<b>78 324 195.87</b>	-77 522 437.42
<b>Write back/additions of fluctuation reserve</b>	<b>-78 324 195.87</b>	77 522 437.42
<b>Surplus income / expense</b>	<b>0.00</b>	0.00



## I Principles and Organization

### Legal Form

Foundation

### Foundation Objectives

The object of the Schindler Pension Fund is to provide occupational pension provision within the framework of the deed of foundation, the Pension Fund Rules and the provisions of the Swiss Occupational Pensions Act (OPA) for employees and their families and survivors, insuring them against the financial consequences of old age, disability and death.

### Registered Under the Occupational Pensions Act (OPA)

Yes, reg. no.: LU 0144

### Deed

December 11, 1990

### Pension Fund Rules

January 1, 2018

### Organizational and Election Regulations

December 1, 2018

### Investment Regulations

January 1, 2015

### Regulations on the Creation of Provisions and Reserves

December 31, 2019 (previously December 31, 2017)

### Regulations Relating to Partial Liquidation

December 1, 2009

### Rules on the Exercise of Shareholder Voting Rights

January 1, 2015

### Board of Trustees for the 2019 – 2021 Period of Office

Employer representatives	Employee representatives
Heinz Risi*, Chairman, until 30.4.2019	Martin Allgäuer, SDB
Adrian Boutellier*, Chairman, as from 30.4.2019	Hugo Baumann*, Ebi off.
Peter Bergsma	Moritz Blum, LWF
Bernhard Gisler	Adriano Linguanotto*, S-ZH
Erika Neumann	Bernhard Megert, S-BE
Günter Schäuble*	Angela Schmidlin, SSC
Sabine Schibli	Mike Weidlich, ASZ

\* Member of the Investment Committee

## Management

Mario Passerini, Managing Director  
Antonietta Despeaux, Dep. Managing Director

## Signing Authority

Joint with a minimum of two signatures. Only trustees who are members of the Investment Committee are authorized to sign. One signature must come from among the employer representatives, one signature from among the employee representatives.

## Accredited Pensions Actuary

Toptima AG, Aarau (contracting partner), Pascal Renaud (actuary-in-charge)

## Auditors

Ernst & Young

## Supervisory Authority

Zentralschweizer BVG- und Stiftungsaufsicht (ZBSA) (office of occupational pension provision and foundation supervision for central Switzerland), Lucerne

## Affiliated Companies

Company	Number of insured 31.12.2019	Number of insured 31.12.2018	Change
Schindler Elevator Ltd., Ebikon	2 657	2 652	5
Schindler Management Ltd., Ebikon	326	334	-8
Building Minds Technology AG	4	0	4
Schindler IT Services AG, Ebikon	138	159	-21
Schindler Digital Group AG, Ebikon	39	8	31
Inventio AG, Hergiswil	33	32	1
Schindler Supply Chain Europe AG, Hergiswil	470	485	-15
AS Elevators Ltd., Küsnacht	776	765	11
Schindler Repro AG, Ebikon	19	16	3
Schindler Berufsbildung, Ebikon	93	88	5
Schindler Pension Fund, Ebikon	6	5	1
Schindler Vorsorge AG, Ebikon	2	2	0
Schindler Holding AG, Hergiswil	15	18	-3
External insureds	1	2	-1
<b>Total</b>	<b>4 579</b>	<b>4 566</b>	<b>13</b>

## II Active Insureds and Pensioners

### Active Insureds

	31.12.2019	31.12.2018	Change
Men	3 860	3 851	9
Women	719	715	4
<b>Total</b>	<b>4 579</b>	<b>4 566</b>	<b>13</b>
<b>Status at 1.1.2019/2018</b>	<b>4 566</b>	<b>4 439</b>	
New members	471	559	
Withdrawals	-389	-370	
Retirements	-62	-55	
Disability cases	-3	-5	
Deaths	-4	-2	
<b>Status at 31.12.2019/2018</b>	<b>4 579</b>	<b>4 566</b>	

### Pensioners

	31.12.2019	31.12.2018	Change
Retirement pensions	1 612	1 558	54
Disability pensions	71	72	-1
Surviving spouse's pen.	757	774	-17
Divorcing pen.	6	5	1
Children's / orphans' pen.	53	61	-8
<b>Total</b>	<b>2 499</b>	<b>2 470</b>	<b>29</b>

## III How the Objective is Fulfilled

### Organizational Structure

Autonomous pension fund

### Insured benefits

	2019	2018
Maximum pensionable salary	169 200	169 200
Coordination deduction	-14 100	-14 100
Maximum insured salary	155 100	155 100
Max. disability pension (60%)	93 060	93 060
Max. surv. spouse's pen. (36%)	55 836	55 836
Max. children's / orphans' pen.	18 612	18 612
Retirement pension	Division of contributions (standard plan)	
Distribution of contributions		
Employer	55.8%	56.5%
Employee	44.2%	43.5%

## IV Valuation and Accounting Policies / Consistency

### Valuation Policies

**Listed securities** are carried at their market value as at December 31, 2019 and **alternative investments** at their last reported values. Real estate is valued by Wüest Partner using the DCF method and an average discount rate of 3.13% (2018: 3.25%).

The DCF method is also used to value properties held in co-ownership (valuers: PRIVE-RA, Wüest Partner). The Mooshüslistrasse 6 and 14 construction project in Emmen is recognized at its accrued construction costs. It will first be valued at market value upon its completion in August 2020.

### Consistency

Portfolio management expense (the TER cost ratio) is recognized in accordance with Directive 02/2013 issued by the Occupational Pension Supervisory Commission. Details of portfolio management expenses are given in the Notes.

## V Actuarial Risks / Risk Cover / Cover Ratio

### Actuarial Risks

Actuarial risks are borne independently by the Pension Fund.

### Retirement Assets, Active Insureds

In CHF million	31.12.2019	31.12.2018	Change
Retirement assets	922.6	891.3	31.3
of which			
BVG retirement assets	386.4	378.4	8.0

### Changes in Retirement Assets

In CHF million	2019	2018
Retirement assets as at 1.1	891.3	781.3
Vested benefits brought in	16.9	20.7
Purchased benefits (AVCs)	4.0	3.5
One-off credits	0.0	85.2
Retirement credits	73.6	71.5
Advances: home ownership and divorce (net)	-3.8	-3.3
Vested benefits paid out	-31.6	-34.7
Lump-sum retirement benefits	-14.8	-13.0
Reclass. ret. assets, retirement pensions	-31.4	-26.2
Reclass. ret. assets, disability / death	-2.7	-1.9
Interest on retirement assets	21.1	8.4
Adjustment to FZG 17	0.0	-0.2
<b>Retirement assets as at 31.12</b>	<b>922.6</b>	<b>891.3</b>

### Interest on Retirement Assets

In %	
2004	2.25%
2005	2.50%
2006	3.25%
2007	4.00%
2008	1.50%
2009	2.00%
2010	2.00%
2011	2.00%
2012	1.50%
2013	1.80%
2014	5.80%
2015	2.05%
2016	1.55%
2017	2.50%
2018	1.00%
<b>2019</b>	<b>2.50%</b>

### Pensioners' Cover Capital

In CHF million	31.12.2019	31.12.2018	Change
Cover capital	845.8	772.7	73.1

### Pension Adjustments

Pensions were not increased in the period from 2003 to 2019.

### Actuarial Report

Last produced: December 31, 2019

Actuarial basis: OPA 2015 generational table

Actuarial interest rate: 1.5% (previously 2.5%)

## Cover Ratio Pursuant to Art. 44 OPO 2

In %	
31.12.2006	115.77%
31.12.2007	115.95%
31.12.2008	99.40%
31.12.2009	104.92%
31.12.2010	106.49%
31.12.2011	102.99%
31.12.2012	107.34%
31.12.2013	111.39%
31.12.2014	115.55%
31.12.2015	114.44%
31.12.2016	113.49%
31.12.2017	116.24%
31.12.2018	111.56%
<b>31.12.2019</b>	<b>115.17%</b>

### Changes to Actuarial Basis and Assumptions

As in 2018, pensioners' retirement capital was calculated according to the actuarial basis of the OPA 2015 generational table. In view of the persistently low level of interest rates in Switzerland, the actuarial interest rate was reduced from 2.5% to 1.5%. In addition, a provision of CHF 44 million was made for a potential further reduction in the actuarial interest rate. This provision is sufficient to reduce the actuarial interest rate to 1.0%.

## VI Notes Pertaining to the Investments and the Net Investment Result

### Investment Regulations

January 1, 2015

### Board of Trustees

The Board of Trustees takes primary responsibility for the investment of assets.

### Investment Committee

The Investment Committee comprises five members. Its task is to supervise the investment activities of the portfolio managers. It is also responsible for transactions in the Satellites portfolio (mainly alternative investments, indirect real estate holdings, and special foreign equity funds).

### Global Custodian

The depository for the safekeeping of securities is Credit Suisse

## Securities

Manager	Portfolio type
Credit Suisse	Mixed mandate
SwissLife Asset Management	Mixed mandate
Bank Vontobel	Mixed mandate
Zürcher Kantonalbank	Mixed mandate (passive)
UBS (investment funds)	Foreign equities

## Swiss Real Estate

The Pension Fund's own properties are managed externally by HIG Asset Management AG. Indirect real estate investments are effected via investment companies, investment funds and investment foundations.

## Alternative International Real Estate

Investments are made via listed or unlisted funds.

## Private Equity

Investments are made primarily via unlisted funds.

## Infrastructure

Investments are made via unlisted funds.

## Hedge Funds

Investments are made via funds of funds.

## Commodities

No further new investments will be made in the commodities segment.

## Insurance-Linked Securities

Investments are made via unlisted funds.

## Alternative Bonds

Investments are made primarily via unlisted funds.

## Open Commitments

The Schindler Pension fund has the following open commitments in the private equity, hedge funds, infrastructure, international real estate and alternative bonds segments (in CHF millions):

\*= the figures given here are the last reported values (see Valuation Policies)

## Private Equity

Programme	Provider	Start of investment	Commitment			Value at
			Total	Outst.	31.12.2019*	31.12.2018*
Avadis World II	Avadis Anlagestiftung	2000	5.0	0.0	0.2	0.3
Partners Group Secondary 2004	Partners Group	2004	8.6	0.0	0.1	0.1
Blackrock PEP III USD	Blackrock	2005	2.9	0.0	0.0	0.1
Blackrock PEP III EUR	Blackrock	2005	2.7	0.0	0.2	0.2
PineBridge PEP IV	Pinebridge	2005	12.6	2.1	0.6	0.7
Partners Group Secondary 2006	Partners Group	2006	8.6	0.6	0.1	0.7
Avadis World VI	Avadis Anlagestiftung	2007	3.9	0.7	1.0	1.3
Paul Capital Secondary IX	Paul Capital	2007	9.7	1.0	2.0	2.1
PineBridge Secondary II	Pinebridge	2007	9.7	0.8	0.5	0.7
Partners Group Secondary 2008	Partners Group	2008	17.3	2.3	1.9	2.9
Akina Euro Choice IV	Akina	2008	5.4	0.8	2.4	3.4
Blackrock Growth Markets I	Blackrock	2008	7.8	0.5	2.0	2.9
Schroder Adveq Asia II	Schroder Adveq	2010	5.8	0.1	6.0	7.4
Unigestion Secondary II	Unigestion	2010	6.5	0.5	0.3	0.6
AXA Secondary V	Ardian	2011	9.7	1.7	0.2	2.2
Blackrock Growth Markets II	Blackrock	2011	9.7	1.5	10.0	10.3
Unigestion Secondary III	Unigestion	2013	13.0	0.6	9.8	11.6
Schroder Adveq Opportunity III	Schroder Adveq	2013	8.7	0.9	7.7	6.8
Blackrock POF III	Blackrock	2015	9.7	1.0	11.9	10.2
Ardian Secondary VII	Ardian	2015	9.7	4.6	4.4	4.0
Akina Euro Choice VI	Akina	2016	8.1	3.7	4.9	3.9
Unigestion Secondary IV	Unigestion	2016	10.8	3.3	7.1	3.2
Schroder Adveq Asia IV	Schroder Adveq	2017	9.7	3.0	7.8	6.2
Blackrock POF IV	Blackrock	2018	9.7	4.8	5.2	3.7
Schroder Adveq US V	Schroder Adveq	2018	9.7	8.4	1.4	0.6
Digital Transformation Fund	Swisscom	2018	10.0	7.2	2.5	1.2
Crown Co-Investment Opp. II	LGT Capital Partners	2018	9.7	4.2	5.8	4.2
Partners Group Direct Equity 2019	Partners Group	2019	10.8	10.3	0.4	0.0
Swisscanto Private Equity CH I	Swisscanto	2019	5.0	4.1	0.9	0.0
<b>Total Private Equity</b>			<b>250.5</b>	<b>68.6</b>	<b>97.3</b>	<b>91.5</b>

## Infrastructure

Programme	Provider	Start of investment	Commitment			Value at
			Total	Outst.	31.12.2019*	31.12.2018*
Highstar III	Highstar	2007	7.3	0.1	1.2	3.0
PartnersGroup Infrastructure	Partners Group	2010	5.4	0.6	2.2	2.6
Highstar IV	Highstar	2011	9.7	0.7	4.2	5.5
PartnersGroup Infrastructure	Partners Group	2016	8.6	3.9	5.5	3.8
Reichmuth Infrastruktur Schweiz	Bank Reichmuth	2016	10.0	1.6	8.5	8.7
UBS CEIS 2	UBS	2018	10.0	5.8	4.3	0.0
IST3 Infrastruktur Global	IST Anlagestiftung	2018	10.0	6.6	3.4	0.0
<b>Total Infrastructure</b>			<b>61.0</b>	<b>19.3</b>	<b>29.3</b>	<b>23.6</b>



## Hedge Funds

Programme	Provider	Start of investment	Commitment			Value as at
			Total	Open	31.12.2019*	31.12.2018*
PG 3 Litigation Finance II	PG 3	2019	9.7	7.2	2.6	–
<b>Total Hedge Funds</b>			<b>9.7</b>	<b>7.2</b>	<b>2.6</b>	<b>–</b>

## International Real Estate

Programme	Provider	Start of investment	Commitment			Value at
			Total	Outst.	31.12.2019*	31.12.2018*
4IP European Property	4IP Management AG	2007	5.5	0.0	2.0	2.5
Partners Group Real Estate 2008	Partners Group	2008	6.9	0.5	0.8	1.7
Partners Group Real Estate 2011	Partners Group	2011	6.9	0.8	2.5	3.2
Partners Group Real Estate 2013	Partners Group	2013	7.6	2.3	6.3	5.6
Partners Group Real Estate Sec. 2017	Partners Group	2017	10.8	6.2	6.1	2.5
<b>Total International Real Estate</b>			<b>37.7</b>	<b>9.7</b>	<b>17.7</b>	<b>15.5</b>

## Alternative Bonds

Program	Provider	Start of investment	Commitment			Value at
			Total	Outst.	31.12.2019*	31.12.2018*
Partners Group Mezzanine 2005	Partners Group	2005	5.4	0.0	0.1	0.1
Partners Group Mezzanine 2008	Partners Group	2008	5.4	0.3	1.1	1.8
LGT Crown CDCO II	LGT	2014	9.7	0.8	4.3	5.9
Swiss SME Credit Fund I	Tavis Capital AG	2015	5.0	1.1	2.6	2.8
LGT Crown CDCO III	LGT	2016	9.7	3.3	5.8	5.2
Access Capital Private Debt Fund II	Access	2016	5.4	0.3	3.3	4.1
Partners Group Private Loans S.A.	Partners Group	2016	20.0	0.0	20.1	20.3
Private Debt Allocator V	Swiss Capital Anlagestiftung	2018	14.6	4.7	10.6	7.9
<b>Total alternative bonds</b>			<b>75.2</b>	<b>10.5</b>	<b>47.9</b>	<b>48.1</b>

## Investment Strategy

In %	Strategy 2019	Bandwidths	Status at 31.12.2019	Status at 31.12.2018
Liquidity / other	1.0%	+14.0/-1.0%	2.1%	3.7%
CHF bonds	16.5%	+/-10.0%	16.3%	16.2%
Foreign currency bonds (hedged)	4.0%	+/-2.5%	3.6%	3.5%
Foreign currency bonds	0.0%	+5.0%	0.8%	0.6%
Swiss real estate	33.0%	+/-7.0%	31.3%	31.2%
Swiss equities	10.0%	+/-2.5%	10.9%	10.6%
Foreign equities	16.5%	+/-2.5%	17.3%	15.8%
Private equity	6.0%	+/-2.0%	4.7%	5.0%
Hedge funds	2.0%	+/-2.0%	1.5%	1.3%
Commodities	0.0%	+/-2.0%	0.0%	0.0%
Ins.-linked securities	4.0%	+/-2.0%	2.9%	3.4%
Infrastructure	3.0%	+/-2.0%	2.7%	2.7%
Alternative internat. real estate	2.0%	+/-1.0%	1.5%	1.6%
Alternative bonds	2.0%	+/-2.0%	2.5%	2.6%
Infrastructure	0.0%	+2.0%	1.9%	1.8%
<b>Total</b>	<b>100.0%</b>		<b>100.0%</b>	100.0%

## Performance

Performance on total assets was 9.8% in 2019 (2020: -1.9%); this figure was calculated by the global custodian (Credit Suisse).

Net investment income is composed as follows (CHF):

### Investment Income

In CHF	2019	2018
Income from liquid assets	-1 138 469	-547 555
Income from CHF bonds	4 698 081	-84 445
Income from foreign currency bonds (hedged)	5 832 923	-2 917 970
Income from foreign currency bonds	699 556	-324 052
Income from real estate, property in co-ownership	23 893 189	13 875 128
Income from indirect Swiss real estate	26 000 696	3 229 352
Income from Swiss equities	58 527 245	-21 212 627
Income from foreign equities	69 152 053	-27 727 918
Income from private equity	8 802 972	16 181 060
Income from hedge funds	1 977 740	-419 940
Income from commodities	-94 600	-12 107
Income from insurance-linked securities	-2 963 065	-3 669 103
Income from infrastructure	1 454 108	2 290 756
Income Alternative internat. real estate	469 941	-1 400 103
Income Alternative bonds	3 225 986	1 924 707
Income from mixed funds	5 417 627	-2 344 651
Income from securities lending	50 994	64 961
Interest on vested benefits (arrears) / miscellaneous	-25 399	-38 125
Portfolio management expense	-15 760 276	-17 238 536
<b>Net investment income</b>	<b>190 221 306</b>	<b>-40 371 168</b>

### Portfolio Management Expense

In CHF	31.12.2019	31.12.2018
<b>Investments</b>	<b>2 162 024 375</b>	<b>1 983 286 022</b>
of which		
cost-transparent investments	2 132 276 179	1 939 479 968
non-transparent investments	29 748 196	43 806 054
% of cost-transparent investments	98.6%	97.8%
	2019	2018
<b>Portfolio management expenses</b>		
Portf. mgmt. expenses booked directly	3 239 303	3 084 314
Indirect TER costs	12 520 973	14 154 222
Book portfolio management expenses	15 760 276	17 238 536
as % of cost-transparent investments	0.74%	0.89%

The expenses of CHF 15.8 million (2018: CHF 17.2 million) reported in the 2019 operating account comprise direct costs (custody fees, portfolio manager costs, property management, stamp duty, etc.) and the additional TER (Total Expense Ratio) costs for the funds used. TER costs were generally calculated in accordance with the require-

ments of the Occupational Pension Supervisory Commission, on the basis of year-end holdings. These costs therefore represent a rough estimate. Although the Pension Fund succeeded in reducing its cost ratio over the year in review, costs are still relatively high in comparison with other pension funds. This is mainly due to the investment strategy, which includes a high proportion of real estate and alternative investments.

No TER costs can be calculated for the following investments. They are therefore classified as 'non-cost-transparent collective investment schemes'.

### Non-Cost-Transparent Collective Investment Schemes

In CHF			
Investment instrument	Provider	ISIN number	31.12.2019
FRM Commodity Strategies	FRM	KYG579841829	124 529
FRM ARS I	FRM	KYG580005901	419 677
Aviva Real Estate Euop.Property FoF	Aviva	LU02062899395	78 909
Pinebridge PEP IV	Pinebridge	n.a.	566 446
Pinebridge Secondary II	Pinebridge	n.a.	540 299
Paul Capital Secondary IX	Paul Capital	n.a.	2 033 141
Highstar III	Highstar	n.a.	1 232 170
Highstar IV	Highstar	n.a.	4 222 818
JP Morgan Infrastructure	JP Morgan	n.a.	12 161 813
EIP Europ. Property FoF	4IP Mangement	n.a.	2 006 183
JP Morgan Europ. Properties	JP Morgan	n.a.	48 375
Partners Group Direct 2019	Partners Group	n.a.	369 006
PG3 Litigation Finance Sub-Fund	PG3	n.a.	2 615 460
Access Capital Private Debt Fund II	Access	n.a.	3 329 370
<b>Total</b>			<b>29 748 196</b>

Continued investment in non-transparent collective investment schemes is approved as part of the annual investment policy adoption process.

### Fluctuation Reserves

The fluctuation reserves are used to offset price losses on investments. A target bandwidth of 116% to 124% has been determined on the basis of the current investment strategy and the low level of interest rates. The Board of Trustees believes that, if the upper bandwidth target is met, there will be sufficient cover for two poor investment years, without the Pension Fund having a shortfall in cover.

### Status of Fluctuation Reserves

In CHF million	31.12.2019	31.12.2018
Ret. capital and actuarial reserves	1 847.2	1 746.3
Fluctuation reserves target for 124% coverage	443.3	419.1
Fluctuation reserves as per balance sheet	280.2	201.9
Reserve deficit	163.1	217.2

### **Expansion of Investment Options in Accordance with Art. 50 para. 4 OPO 2**

With real estate investments in Switzerland accounting for 31.3% of total assets, we exceed the ceiling of 30% laid down in Art. 55 OPO 2. Furthermore, at 15.9% alternative investments also exceed their allotted limit of 15%.

This is the result of the investment strategy approved by the Board of Trustees. Alternative investments are distributed across a total of seven different asset classes and are thus broadly diversified.

Even with these expanded investment options, the Pension Fund continues to comply with the principles of Art. 50 paras. 1 to 3 OPO 2.

### **Retrocessions**

The Pension Fund received retrocessions totalling CHF 151,284 from a variety of fund providers during the year under review. This amount was set off against portfolio management expense.

### **Depository**

Credit Suisse has been appointed as the Pension Fund's central depository (global custodian).

### **Financial Controlling**

Controlling is carried out by the Global Investment Reporting department at Credit Suisse (compliance with bandwidths and quality requirements), as well as by the Treasury department at Schindler Management Ltd (results analysis). The Investment Committee meets at least four times a year. The Board of Trustees meets at least three times a year and, at each meeting, receives a detailed briefing on the results that have been achieved. It also receives monthly reports from the Management, and the annual Financial Controller's report.

The portfolio managers present results to both the Board of Trustees and the Investment Committee on a regular basis.

### **Derivative Financial Investments**

The use of derivatives is governed by the Investment Regulations and the agreements with portfolio managers. It complies with OPO 2 provisions. The use of derivatives is permitted if the Fund holds the corresponding liquidity or underlying investments and the use of derivatives will not result in the predetermined bandwidths being exceeded. Short selling is forbidden. There were no hedging transactions outstanding as at December 31, 2019.

### **Securities Lending**

The lending of securities is capped at a countervalue of CHF 150 million. As collateral, Credit Suisse deposits equities and/or bonds corresponding to 105% of the value of the loaned securities in a safekeeping account in the name of the Schindler Pension Fund.

- Loaned securities as at Dec. 31, 2019      Counterval. CHF 7.0 million
- Contracting partner                              Credit Suisse
- System    Collateral

### **Investments in the Employer**

The Pension Fund does not make any investments in employer companies. External portfolio managers may, however, buy and sell the shares/participation certificates and bonds issued by Schindler Holding AG. No such securities were held in the investment portfolio of the Pension Fund as at December 31, 2019, however.

The Pension Fund has a current account with Schindler Holding AG that is used to collect contributions. As at December 31, 2019, there was a credit balance of CHF 6.0 million (balance of Schindler Holding AG account plus contributions for December 2019) in favour of the affiliated companies. The rate of interest paid on the account with Schindler Holding AG as at December 31, 2018, was 0.00% p.a. Outstanding contributions were paid in January 2020.

### **Pension Fund Governance**

The Pension Fund is voluntarily subject to the ASIP Charter. The members of the Board of Trustees and the Managing Director are required to confirm in writing once a year that they have complied with both the ASIP Charter and the specific Schindler Code of Conduct.

### **Exercise of Shareholder Voting Rights**

In accordance with the Ordinance Against Excessive Remuneration in Listed Companies Limited by Shares (ERCO), the Board of Trustees has adopted rules on the exercise of shareholder voting rights. The Pension Fund exercises the voting rights attached to shares in Switzerland that it holds directly. The Board of Trustees is supported in this by Inrate Ltd, as proxy advisor. The Pension Fund publishes the way in which it has voted on the website.

### **Offices Held with External Companies**

The following external offices were held by the Pension Fund's Trustees and officers during the year under review:

- Heinz Risi, Trustee of the CS Investment Foundation
- Mario Passerini, Trustee of the HIG Anlagestiftung

## VII Notes Pertaining to Other Balance Sheet and Operating Account Items

### Third-Party Contributions

This item contains contributions from companies of CHF 1.4 million, related to compulsory retirements during the year under review.

### Administration Costs

In CHF	2019	2018
<b>Administration costs</b>		
Salary costs	841 096	889 007
Rent	29 079	29 079
IT	182 834	353 115
Printed matter, training, etc.	84 466	71 595
Supervisory authority	10 256	11 462
Accredited pensions actuary	28 391	32 225
Auditors	35 604	36 522
Management fee revenue	-170 176	-166 515
<b>Total administration costs</b>	<b>1 041 550</b>	<b>1 256 490</b>
Number of insureds	7 078	7 036
Administration costs per insured	147	179

### Employer Contribution Reserve

The employer contribution reserve of CHF 22.0 million formed by Schindler Elevator Ltd in 2005 does not earn interest from the Pension Fund.

### Actuarial Provisions

In CHF	31.12.2019	31.12.2018
Prov. outstanding pension cases	4 830 000	5 370 000
Prov. risk fluctuation fund	13 000 000	10 000 000
Prov. retirement losses	16 990 000	20 000
Prov. reduction actuarial int. rate	44 000 000	67 000 000
Prov. for Measures to Comp.Lower Conv. Rate	0	0
	<b>78 820 000</b>	<b>82 390 000</b>

### Provision for Outstanding Pension Cases

This provision contains the retirements assets and potential retirement capital required for pension cases that have not yet been resolved.

### Provision for the Risk Attached to Active Insureds

According to the risk analysis conducted by the accredited pensions actuary, there is a 90% probability that anticipated total risk will amount to less than CHF 18.1 million. Once the risk premiums under the Pension Fund Rules of approx. CHF 5.1 million have been deducted, CHF 13 million is required according to the actuarial basis that we apply.

### **Provision for Retirement Losses**

Conversion rates are too high in comparison with the actuarial base and therefore require a provision of CHF 17.0 million.

### **Provision for the Reduction in the Actuarial Interest Rate**

The actuarial interest rate was reduced from 2.5% to 1.5% with effect from December 31, 2019. Furthermore, the Regulations on the Creation of Provisions and Reserves provide for a variable provision for a potential further reduction in the actuarial interest rate. Its target level is based on an actuarial interest rate calculated according the following formula: yield on 10-year Confederation bonds plus a minimum risk premium of 1.5 percentage points. This means that if the general interest level were to rise again, the provision would be trimmed back. As at December 31, 2018, this provision stood at CHF 44 million.

### **Mortgages**

As part of the acquisition of the Libelle property, the Pension Fund took over two mortgages totalling CHF 5.8 million. Of these, one mortgage for CHF 1.8 million was transferred to the Winkelriedstrasse 58 property in Lucerne. The mortgages run until 2025 and 2028.

### **VIII Conditions Imposed by the Supervisory Authority**

The annual financial statements up to the 2018 financial year were approved without any conditions being imposed.

### **IX Additional Information Regarding the Foundation's Financial Position**

Some securities – up to a maximum of CHF 15 million – are pledged to Credit Suisse as collateral for forward foreign exchange transactions.

### **X Events Following the Balance Sheet Date**

None.



# Auditor's Report



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To the Foundation Board of

**Schindler Pensionskasse, Ebikon**

Berne, 8 April 2020

## **Report of the statutory auditor on the financial statements**

As statutory auditor, we have audited the accompanying financial statements of Schindler Pensionskasse, which comprise the balance sheet, operating account and notes, for the year ended 31 December 2019.

### **Foundation Board's responsibility**

The Foundation Board is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and with the foundation's deed of formation and the regulations. This responsibility includes designing, implementing and maintaining an internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Foundation Board is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

### **Responsibility of the expert in occupational benefits**

In addition to the auditor, the Foundation Board appoints an expert in occupational benefits to conduct the audit. The expert regularly checks whether the occupational benefit scheme can provide assurance that it can fulfil its obligations and that all statutory insurance-related provisions regarding benefits and funding comply with the legal requirements. The reserves necessary for underwriting insurance-related risks should be based on the latest report provided by the expert in occupational benefits in accordance with article 52e paragraph 1 of the Occupational Pensions Act (OPA) and article 48 of the Occupational Pensions Ordinance 2 (OPO 2).

### **Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal controls relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements for the year ended 31 December 2019 comply with Swiss law and with the foundation's deed of formation and the regulations.

### Report on additional legal and other requirements

We confirm that we meet the legal requirements on licensing (article 52b OPA) and independence (article 34 OPO 2) and that there are no circumstances incompatible with our independence.

Furthermore, we have carried out the audits required by article 52c paragraph 1 OPA and article 35 OPO 2. The Foundation Board is responsible for ensuring that the legal requirements are met and that the statutory and regulatory provisions on organization, management and investments are applied.

We have assessed whether:

- ▶ organization and management comply with the legal and regulatory requirements and whether an internal control exists that is appropriate to the size and complexity of the foundation
- ▶ funds are invested in accordance with legal and regulatory requirements
- ▶ the occupational pension accounts comply with legal requirements
- ▶ measures have been taken to ensure loyalty in fund management and whether the Governing Body has ensured to a sufficient degree that fund managers fulfill their duties of loyalty and disclosure of interests
- ▶ the legally required information and reports have been given to the supervisory authority
- ▶ the pension fund's interests are safeguarded in disclosed transactions with related entities

We confirm that the applicable legal and statutory requirements have been met.

We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd



Patrick Schaller  
(Qualified  
Signature)

Licensed audit expert  
(Auditor in charge)



Raymond Frey  
(Qualified  
Signature)

Licensed audit expert

### Enclosure

- ▶ Financial statements (balance sheet, operating account and notes)



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