



Sustainability Report 2022



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1. Introduction

1.1 Foreword

The Schindler Pension Fund takes its responsibility for asset management seriously. In recent years it has been looking in depth at developments surrounding sustainability targets. The Board of Trustees has adopted principles for how it integrates ESG (Environment, Social and Governance) factors into its investment decisions. It based these on the 17 United Nations Sustainable Development Goals (SDGs) shown below.

The Schindler Pension Fund Investment Regulations now state that ESG criteria must be considered alongside financial aspects when selecting investments. Furthermore, the Schindler Pension Fund ESG Regulation that has been in force since January 1, 2022, sets out important environmental, social and governance rules to secure not only the Fund's assets, but also returns on the capital we invest for others, in the long term. Where the environment is concerned, additional attention is paid to the carbon intensity of investments, and the associated risks to the climate.

Figure 1: The 17 UN Sustainable Development Goals



1.2 Purpose of this Report

This first Sustainability Report documents the main ways in which the Schindler Pension Fund puts its principles into practice and acknowledges the growing importance of and interest in ESG as an issue.

2. Total Assets

2.1 Sustainability Overview by MSCI rating

The Schindler Pension Fund had sustainability specialists at Credit Suisse (Switzerland) assess the overall portfolio according to ESG criteria as at September 30, 2022. The scope of this ESG assessment is shown below, weighted by volume.

Figure 2: Scope of ESG assessment

Scope as % and in CHF m of total assets		
Total assets	100%	2,186
Of which assessed		
- CS ESG securities solution	37.88%	828
- ESG integration, alternative investments	18.34%	401
- CO ₂ reduction pathway, own properties	21.36%	467
Total subject to ESG assessments	77.58%	1,696
Of which not assessed		
- CH real estate (indirect holdings)	10.50%	230
- Traditional investments	9.20%	201
- Liquidity	1.29%	28
- Other alternative investments	1.42%	31
Total not subject to ESG assessments	22.41%	490
TOTAL	100.0%	2,186

In total, 77.58% or CHF 1.696 billion of the overall portfolio was subject to an ESG assessment. The remaining assets, accounting for 22.41% of the portfolio, or some CHF 490 million, consist mainly of indirect real estate holdings and traditional investments that are not valued.

Of the securities that were assessed, 98.69% satisfy the sustainability standard (2021: 96.1%), and 1.31% (2021: 3.9%) are classified as not sustainable. ESG issues have become a fixed part of the investment decision-making process for certain alternative asset classes (see Section 5), and the Pension Fund has defined the carbon reduction pathway for its own real estate holdings (see Section 4). The total proportion of Pension Fund assets that are not ESG-rated currently stands at 22.41%, or CHF 490 million.

The following figure offers a summary of the overall portfolio breakdown by asset class and ESG rating.

Figure 3: Breakdown by asset class and ESG rating

(in % and CHF m)

	AAA	AA	A	PSS	BB	B	CCC	Not rated	Total
Liquidity	0.01%	0.22%	0.12%	0.02%	0.00%	0.00%	0.00%	1.29%	1.66%
	0.25	4.74	2.69	0.47	0.00	0.00	0.00	28.15	36.31
CHF-denominated bonds	0.79%	2.82%	4.05%	0.67%	0.20%	0.16%	0.00%	4.66%	13.37%
	17.33	61.72	88.62	14.74	4.47	3.42	0.04	101.86	292.20
Foreign currency bonds	0.20%		0.29%						0.49%
	4.40		6.31						10.71
Foreign currency bonds (hedged)	0.22%	0.65%	0.78%	0.37%	0.18%	0.06%	0.01%	1.41%	3.69%
	4.90	14.21	17.02	7.99	4.04	1.36	0.27	30.86	80.65
Swiss equities	1.12%	5.28%	2.83%	0.39%	0.28%	0.01%	0.00%	0.26%	10.17%
	24.41	115.43	61.82	8.47	6.13	0.28	0.00	5.69	222.23
Foreign equities	2.38%	4.33%	4.22%	2.48%	0.49%	0.20%	0.04%	2.21%	16.34%
	51.94	94.59	92.18	54.25	10.69	4.47	0.77	48.35	357.23
Swiss real estate	0.32%	0.22%	0.25%					32.05%	32.85%
	7.04	4.71	5.53					700.74	718.02
Alternative international real estate								2.77%	2.77%
								60.49	60.49
Private equity								8.30%	8.30%
								181.43	181.43
Hedge funds								1.52%	1.52%
								33.21	33.21
Insurance-linked securities								1.54%	1.54%
								33.56	33.56
Infrastructure		0.01%	0.00%	0.16%	0.00%			3.21%	3.39%
		0.28	0.1	3.51	0.02			70.14	74.05
Alternative bonds								2.38%	2.38%
								52.03	52.03
Remainder / AXA fund	0.13%	0.43%	0.36%	0.08%	0.03%	0.00%	0.00%	0.65%	1.68%
	2.81	9.5	7.83	1.75	0.55	0.07	0.01	14.3	36.83
Currency overlay								-0.13%	-0.13%
								-2.86	-2.86
Total	5.17%	13.96%	12.90%	4.17%	1.18%	0.44%	0.05%	62.12%	100.00%
	113.08	305.17	282.1	91.19	25.89	9.6	1.1	1357.94	2186.07

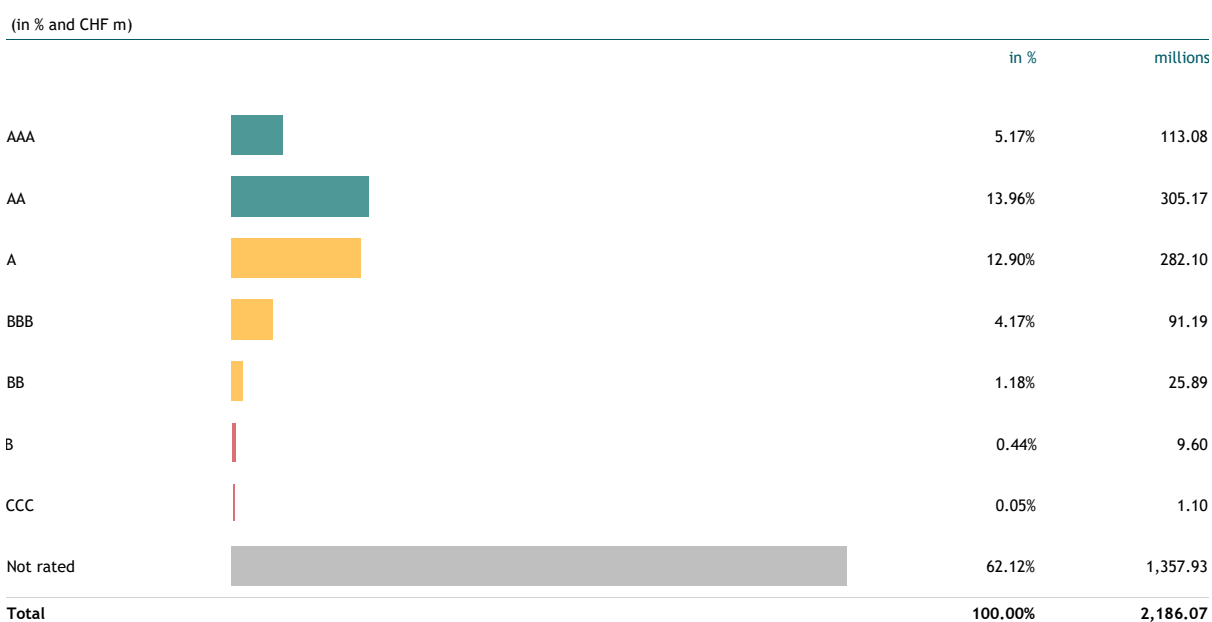
The analysis also shows that the assessed part of the portfolio already has a good ESG rating,¹ scoring AA in comparison with A in 2021. The upgraded ESG rating was earned by asset managers being instructed to make greater use of ESG-compliant investment funds.

¹ The MSCI ESG rating measures a portfolio's resilience to long-term environmental, social and governance risks to the sector in question. It is calculated on the basis of a score of one to ten, which is then converted into a rating on a scale of AAA to CCC. Leaders are rated AAA or AA, average investments between A and BB, and laggards from B to CCC.

Figure 4: Breakdown by MSCI ESG rating

Securities portfolio	30.09.2022	30.09.2021
ESG rating	AA	A
ESG score	8.18	7.06

As part of this process, the equity and bond asset classes were reviewed through the lens of environmental conservation, social responsibility, and responsible corporate governance. Together, these asset classes account for 44%, or around CHF 900 million, of the Schindler Pension Fund's total assets. The decision to align our equity and bond portfolios with ESG criteria is reflected in a good combined ESG score of 8.18, compared with 7.06 in 2021. The portfolio fares well because of its higher proportion of investments rated at least A (12.90%), and AA (13.96%).



3. Securities

The Schindler Pension Fund uses a mix of best in class, controversy screening and exclusion approaches when analysing and selecting direct and collective investments. Based on this analysis, the key outcomes of this study are disclosed below.

3.1 Investments by MSCI ESG Rating and Best in Class

The best-in-class rating ranks companies on their ESG performance in several categories against competitors in the same industry. These ratings are comparable to bond creditworthiness ratings, i.e. AAA is the best sustainability rating, and CCC the poorest. The Schindler Pension Fund portfolio is concentrated primarily on companies rated A and above, see Figure 4.

As at September 30, 2022, the proportion of equities and bonds that did not fulfil the Fund's sustainability criteria per this analysis stood at 0.63% (2021: 1.9%). This marks a further year-on-year reduction.

Some of the investment funds used cannot be classified in ESG terms because no official ESG ratings are yet available for them.

Figure 5: Breakdown by bond and equity type and MSCI ESG ratings

(as % and in CHF m)

	AAA	AA	A	BBB	BB	B	CCC	Not assessed	Total
CHF bonds	1.80%	6.42%	9.22%	1.53%	0.46%	0.36%	0.00%	10.59%	30.39%
	17.33	61.72	88.62	14.74	4.47	3.42	0.04	101.86	292.20
Foreign currency bonds	0.46%		0.66%						1.11%
	4.40		6.31						10.71
Foreign currency bonds (hedged)	0.51%	1.48%	1.77%	0.83%	0.42%	0.14%	0.03%	3.21%	8.39%
	4.90	14.21	17.02	7.99	4.04	1.36	0.27	30.86	80.65
Swiss equities	2.54%	12.00%	6.43%	0.88%	0.64%	0.03%	0.00%	0.59%	23.11%
	24.41	115.43	61.82	8.47	6.13	0.28	0.00	5.69	222.23
Foreign equities	4.82%	8.86%	8.51%	4.89%	0.98%	0.36%	0.08%	3.95%	32.44%
	46.35	85.15	81.78	47.02	9.44	3.44	0.77	37.94	311.90

Specifically, from the sustainability perspective a total of 13.11% of the share portfolio is invested in ESG leaders (AAA–AA), and only 0.25% in laggards (B–CCC). Meanwhile, 4.68% overall of the bond portfolio consists of sustainability leaders, and 0.23% of laggards.

3.2 Exclusions and Controversies

The Schindler Pension Fund excludes from its investment universe companies which report sales from controversial weapons (including cluster bombs, land mines and weapons of mass destruction) or violate human rights. Also excluded are companies that generate more than 30% of their revenues from thermal coal (power generation and extraction, cumulated), or more than 5% from conventional weapons, nuclear energy, tobacco, pornography or gambling. These exclusions apply at individual security level and are applied as far as possible to collective investments. Further exclusions may apply to businesses involved in serious controversies. Over and above its own provisions, the Schindler Pension Fund applies the exclusion list published by the SVVK-ASIR Swiss Association for Responsible Investments.

3.4 Carbon Intensity







The parties at the United Nations Climate Change Conference in Paris in 2015 adopted the goal of limiting global warming to 1.5 degrees Celsius compared to pre-industrial levels. This also applies to Switzerland, where the Energy Strategy 2050 sets the target of net-zero emissions for sustainable energy supplies.

In line with these climate initiatives, the Schindler Pension Fund also pays close attention to climate risks, because these can affect the value of investments. Prompted by the ESG assessment, the carbon intensity of the equity and bond portfolios was also calculated.

The weighted carbon intensity of securities investments, in other words the portfolio's exposure to carbon-intensive businesses (tonnes of CO₂e per CHF million in turnover), has contracted with a year from 135.8 to 112.41 tonnes. This difference has been achieved by an active carbon exclusion policy.

Figure 6: Breakdown by carbon intensity²

(in % and CHF m)

		in %	millions
Very low		7.28%	159.09
Low		17.03%	372.39
Moderate		14.98%	327.42
High		0.99%	21.73
Very high		0.76%	16.71
Not rated		58.95%	1,288.73
Total		100.00%	2,186.07
Average carbon intensity		Moderate	112.41
(In tonnes)			

4. Real Estate

4.1 Climate Impact of the Pension Fund's Own Properties

The Schindler Pension Fund has recognized the need to cut carbon emissions from the properties that it holds directly. The real estate portfolio will have emitted significant volumes of carbon dioxide from their heating and hot water systems in 2022. Looking at shares of useful energy, around 94% of heat is generated using fossil fuels. Relative carbon emissions, i.e. emissions per square metre of energy reference area, come to 18.9 kg CO₂e/m², which is around 20% higher than the average figures for institutional investors in Switzerland (15.2 kg/m²).

² In tonnes of CO₂-equivalent per million US dollars of revenue: 0 to <15 very low, 15 to <70 low, 70 to <250 moderate, 250 to <525 high, >=525 very high

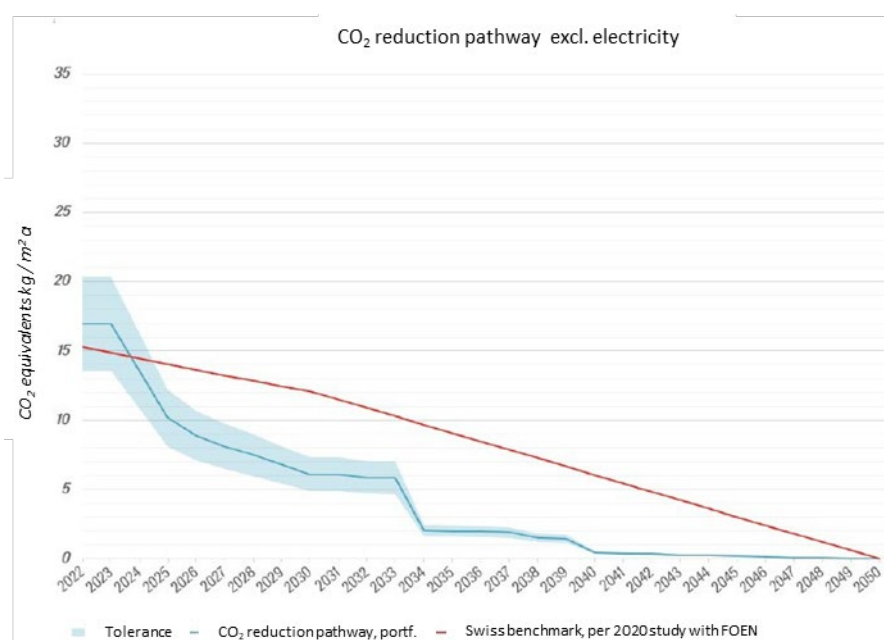


Climate indicators, own properties

Fossil fuels as % of heating systems / Ø CH	94% / 60%
Rel. CO ₂ e emissions from heating & hot water (kg CO ₂ e/m ²)/Ø CH	18.9 / 15.2

Energy-saving renovations have been made to the Schindler Pension Fund portfolio, so that the 26 properties held directly will now be managed with the aim of achieving net zero emissions by 2040 at the latest. Initial analyses have already been conducted, and the reduction pathway shown below adopted on the basis of the resulting data. Planned investments will reduce the proportion of oil and gas heating systems over time, as heat pumps and district heating become correspondingly more important.

Figure 7: CO₂ emissions of the Pension Fund's properties



The Schindler Pension Fund has been cutting carbon emissions in various ways since 2009 as part of renovation work and new construction projects. Additional action is already planned in this regard.

Completed and ongoing projects

Property	Year	Projects
Am Suteracher, Zurich	2009	Solar system for hot water
Ave. Du Galicien, Prilly	2012	Solar system for hot water
Fratello und Sorella, Emmen	2016	Minergie standard Heating with groundwater heat pump
	2022	Solar system in operation from autumn 2022
Moosaic, Emmen	2020	Minergie standard, incl. solar system Heating with groundwater heat pump
Various properties	2022	Start of planning for 3 solar systems in Aigle, Zurich and Lucerne
Schindler Areal complex, Schlieren	2024 - 2027	Minergie P standard Geothermal heating Solar systems

4.2 Indirect Real Estate

Real estate investment funds and investment foundations worth CHF 230 million, or around 10.5% of the total portfolio, were assessed in accordance with GRESB³ or similar, via the global custodian. This ESG rating is not currently available owing to a lack of ESG data.

5. Alternative Investments

The standards that we set for external portfolio managers are aligned with the United Nations Principles for Responsible Investment. In essence, the Schindler Pension Fund requires that:

- the fund manager has signed the UN Principles for Responsible Investment (UN PRI), and
- ESG criteria form an integral part of the investment process.

In new calls for tenders, preference is given to managers or products that best fulfil these criteria. Existing external portfolio managers are audited to ensure that they comply with the stated requirements.

Portfolio manager selection – alternative investments

Total alternative investments in m / % of total volume	435 m	20%
No. of UN PRI signatories / total no. of portfolio managers		17 / 22
No. of UN PRI signatories / % of total volume	401 m	18%

Of the assets managed by the Schindler Pension Fund, 20% are allocated to alternative asset classes. These alternative investments are spread across a total of 22 portfolio managers. Of these, 17 are signatories to the UN PRI. Below the line, these 17 external asset managers achieve the top mark of A+ in the PRI assessment. The five who are not signatories to the UN PRI are mainly older funds that are in the redemption phase.

6. Engagement

6.1 Exercise of Shareholder Rights

The Schindler Pension Fund exercises its voting rights in Switzerland systematically and on a fiduciary basis in the interests of the insureds. In doing so it is led by the guidelines, analyses and voting recommendations of Inrate AG as proxy advisor.

³ Global ESG benchmark for real estate

7. Conclusions and Further Action

As this Sustainability Report shows, the Schindler Pension Fund comprehensively factors climate and sustainability considerations into its investment policy. Sustainability criteria are an integral part of the investment process and of risk management. ESG ratings for traditional investments improved markedly within the space of a year.

The Schindler Pension Fund will continuously track developments in sustainability issues and take further action as appropriate. We are planning to pursue the following steps further in 2023:

- Analyse the results and ESG integration of the new Finreon equity fund. The fund's CO₂ exposure is negative, so the investment will further reduce the Pension Fund's overall carbon exposure.
- Integrate ESG assessments into indirect real estate
- Expand the scope of ESG ratings for traditional investments
- Vigorously pursue the Pension Fund's carbon reduction pathway.

8. Partners

To enable it to fulfil its responsibility efficiently and successfully, the Schindler Pension Fund works with Swiss Sustainable Finance.

SSF Swiss Sustainable Finance

The Schindler Pension Fund has been a member of SSF Swiss Sustainable Finance since autumn 2022. Founded in 2014, SSF's aim is to promote sustainability in the Swiss financial marketplace and to position Switzerland as a leading global centre of sustainable finance. It brings together round 170 members and network partners, including financial services providers, investors, universities and other higher education institutions, and public institutions.

This report was approved by the Board of Trustees at its meeting on November 24, 2022.