



# **Sustainability Report 2023**



**Table of Contents**

- 1. Introduction..... 3**
- 1.1 Foreword ..... 3
- 1.2 Key ESG Activities During the 2022/2023 Reporting Period ..... 3
- 2. Total Assets ..... 4**
- 2.1 Sustainability Overview by ESG Rating ..... 4
- 3. Securities..... 5**
- 3.1 Exclusions and Controversies ..... 6
- 3.2 Carbon Intensity..... 7
- 4. Real Estate ..... 8**
- 4.1 Climate Impact of the Pension Fund's Own Properties ..... 8
- 4.2 Indirect Real Estate Holdings ..... 9
- 5. Alternative Investments ..... 9**
- 6. Engagement .....10**
- 6.1 Exercise of Shareholder Rights .....10
- 7. Memberships.....10**
- 8. Conclusions and Further Action .....10**

## 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 Pension Fund Investment Regulations 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, further attention is paid to the carbon intensity of investments, and the associated risks to the climate.

#### The 17 UN Sustainable Development Goals



### 1.2 Key ESG Activities During the 2022/2023 Reporting Period

The Pension Fund completed the following ESG activities over the past 12 months:

- Installation of two solar power systems in Aigle and at Abendweg in Lucerne, including basic e-mobility infrastructure
- Basic e-mobility infrastructure at the St. Karli-Strasse property in Lucerne
- Significant increase in ESG coverage for traditional asset classes
- Indirect real estate holdings integrated into ESG coverage

## 2. Total Assets

### 2.1 Sustainability Overview by ESG Rating

The Pension Fund had global custodian Credit Suisse analyse its total assets through the lens of ESG criteria (MSCI ratings) as at September 30, 2023. Where Credit Suisse was unable to conduct an analysis on the basis of MSCI ratings, the Pension Fund undertook its own assessment. This applied in particular to real estate and alternative investments. The scope of this ESG assessment is shown below, weighted by volume.

	in CHF m	ESG analysis	
		Yes	No
Liquidity	46.7	21.2	25.5
CHF-denominated bonds	317.8	298.0	19.8
Foreign currency bonds (hedged)	82.0	76.6	5.4
Foreign currency bonds	7.2	7.2	0
Swiss equities	231.4	226.1	5.3
Foreign equities	394.1	349.4	44.7
Own real estate / co-ownership	469.1	412.4	56.7
Indirect real estate	306.7	206.5	100.2
Private equity	178.2	177.5	0.7
Hedge funds	29.1	10.5	18.6
Insurance-linked securities	32.3	22.4	9.9
Infrastructure	86.8	86.5	0.3
Alternative bonds	49.6	49.6	0
Other / miscellaneous	38.5	27.9	10.6
<b>Total assets as at Sept. 30, 2023</b>	<b>2,269.5</b>	<b>1,971.8</b>	<b>297.7</b>
<b>as % as at 30.9.2023</b>		<b>86.9%</b>	<b>13.1%</b>
<b>as % as at 30.9.2022</b>		<b>77.6%</b>	<b>22.4%</b>

ESG coverage was expanded by around ten percentage points compared with 2022. This is primarily the result of integrating GRESB ratings for indirect real estate holdings.

Of the securities that were assessed, 99.2% satisfy the sustainability standard (AAA–BB) (2022: 98.7%) and 0.8% (2022: 1.3%) are classified as not sustainable (B–CCC). ESG issues have become a fixture of the investment decision-making process for alternative asset classes (see Section 5), and the Pension Fund has defined the carbon reduction pathway for its own property portfolio (see Section 4). Where available, GRESB ratings have been incorporated for indirect real estate holdings.

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

**Vermögensaufteilung nach Anlagestruktur und MSCI ESG-Ratings (mit MSCI-Fund Splitting)**

(in % und Mio CHF)

	AAA	AA	A	BBB	BB	B	CCC	Nicht bewertet	Total
Liquidität	0.05%	0.48%	0.35%	0.05%	0.00%	0.00%	0.00%	1.35%	<b>2.28%</b>
	1.08	10.90	7.98	1.18	0.00	0.00	0.00	30.64	<b>51.79</b>
Währungsoverlay								-0.23%	<b>-0.23%</b>
								-5.14	<b>-5.14</b>
Obligationen CHF	1.01%	7.65%	3.35%	0.83%	0.21%	0.08%	0.00%	0.87%	<b>14.00%</b>
	22.86	173.60	76.09	18.90	4.75	1.80	0.00	19.78	<b>317.78</b>
Obligationen FW (hedged)	0.24%	1.69%	0.90%	0.40%	0.11%	0.03%	0.01%	0.24%	<b>3.61%</b>
	5.37	38.31	20.44	9.09	2.57	0.60	0.23	5.42	<b>82.03</b>
Obligationen FW	0.01%	0.06%	0.25%						<b>0.32%</b>
	0.26	1.37	5.58						<b>7.22</b>
Aktien Schweiz	2.15%	5.01%	2.27%	0.33%	0.19%	0.02%	0.00%	0.23%	<b>10.19%</b>
	48.71	113.66	51.47	7.41	4.40	0.41	0.03	5.26	<b>231.36</b>
Aktien Ausland	3.45%	4.98%	3.71%	2.69%	0.35%	0.15%	0.07%	1.97%	<b>17.36%</b>
	78.25	113.01	84.27	60.99	7.85	3.42	1.62	44.68	<b>394.10</b>
Immobilien CH	0.58%		0.26%					30.82%	<b>31.66%</b>
	13.19		5.87					699.50	<b>718.57</b>
Alternative Immobilien Ausland								2.52%	<b>2.52%</b>
								57.18	<b>57.18</b>
Private Equity								7.85%	<b>7.85%</b>
								178.17	<b>178.17</b>
Hedge Funds								1.28%	<b>1.28%</b>
								29.06	<b>29.06</b>
Insurance Linked Securities								1.42%	<b>1.42%</b>
								32.29	<b>32.29</b>
Infrastruktur	0.00%	0.01%	0.00%	0.15%	0.00%	0.00%	0.00%	3.66%	<b>3.83%</b>
	0.00	0.27	0.09	3.41	0.02	0.00	0.00	83.10	<b>86.88</b>
Alternative Obligationen								2.19%	<b>2.19%</b>
								49.68	<b>49.68</b>
Rest / Axa-Fonds	0.22%	0.52%	0.36%	0.10%	0.02%	0.00%	0.00%	0.47%	<b>1.70%</b>
	5.02	11.90	8.15	2.29	0.46	0.09	0.00	10.62	<b>38.53</b>
<b>Total</b>	<b>7.70%</b>	<b>20.40%</b>	<b>11.45%</b>	<b>4.55%</b>	<b>0.88%</b>	<b>0.28%</b>	<b>0.08%</b>	<b>54.65%</b>	<b>100.00%</b>
	<b>174.74</b>	<b>463.03</b>	<b>259.96</b>	<b>103.27</b>	<b>20.06</b>	<b>6.32</b>	<b>1.88</b>	<b>1240.25</b>	<b>2269.51</b>

### 3. Securities

Equities and bonds account for approximately 45% of total assets. According to MSCI ESG ratings, they achieved the following key values:









#### Securities portfolio

	30.09.2023	30.09.2022	30.09.2021
ESG rating	AA	AA	A
ESG score	7.28	8.18	7.06

The contraction in the ESG score from 8.18 to 7.28 is explained by a one-off change to MSCI rules which means that its previous adjustment factor is no longer applied.

MSCI now assesses individual holdings in terms of issues relating to environmental conservation, social responsibility, and responsible corporate governance. Some 60% of the holdings that were analysed achieved an ESG rating of AAA or AA.

**Vermögensaufteilung nach MSCI ESG-Ratings (mit MSCI-Fund Splitting)**  
(in % und Mio CHF)

		in %	in Mio
AAA		7.70%	174.74
AA		20.40%	463.03
A		11.45%	259.96
BBB		4.55%	103.27
BB		0.88%	20.06
B		0.28%	6.32
CCC		0.08%	1.88
Nicht bewertet		54.65%	1'240.25
<b>Total</b>		<b>100.00%</b>	<b>2'269.51</b>

The different categories used by MSCI can be illustrated as follows:

Leader	AAA   AA	Leader
Durchschnittlich	A   BBB   BB	Average
Nachzügler	B   CCC	Laggard
Nicht bewertet	NR	Not rated

### 3.1 Exclusions and Controversies

The Schindler Pension Fund excludes from its investment universe companies that 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 also used as far as possible for collective investments. Further exclusions may apply to businesses involved in serious controversies. The Schindler Pension Fund also applies the exclusion list issued by the SVVK ASIR Swiss Association for Responsible Investments.

### 3.2 Carbon Intensity

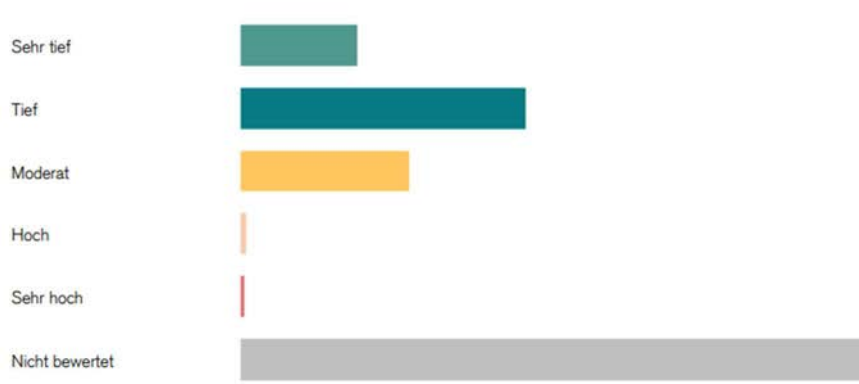
The parties at the United Nations Climate Change Conference in Paris in 2015 adopted the goal of limiting global warming to 1.5 degrees Celsius compared to pre-industrial levels. This also applies to Switzerland, where the Energy Strategy 2050 sets the target of net-zero emissions for a sustainable energy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

In line with these climate initiatives, the Pension Fund also pays close attention to climate risks, because these can affect the value of investments. Following the ESG assessment, it went on to calculate the carbon intensity of the equity and bond portfolios.

The weighted carbon intensity of securities investments, in other words the portfolio's exposure to carbon-intensive businesses (tonnes of CO<sub>2</sub>e per CHF million in turnover), contracted considerably within a year from 112.41 to 80.79 tonnes. This positive change is due principally to the greater use of ESG investment funds.

#### Vermögensaufteilung nach Kohlenstoffintensitätskategorie

(in % und Mio CHF)

		in %	in Mio
Sehr tief		9.63%	218.48
Tief		23.53%	534.09
Moderat		13.86%	314.64
Hoch		0.55%	12.45
Sehr hoch		0.36%	8.10
Nicht bewertet		52.07%	1'181.74
<b>Total</b>		<b>100.00%</b>	<b>2'269.51</b>
<b>Durchschnittliche Kohlenstoffintensität (in Tonnen)</b>		<b>Moderat</b>	<b>80.79</b>

#### Use of Finreon Equity Fund

The Pension Fund has invested CHF 10 million in the Finreon Carbon Focus<sup>®</sup> equity fund since mid-2022. A Carbon Focus swap means that this equity fund has a negative carbon footprint, which further shrinks the Pension Fund's own footprint by approximately eight tonnes.

## 4. Real Estate

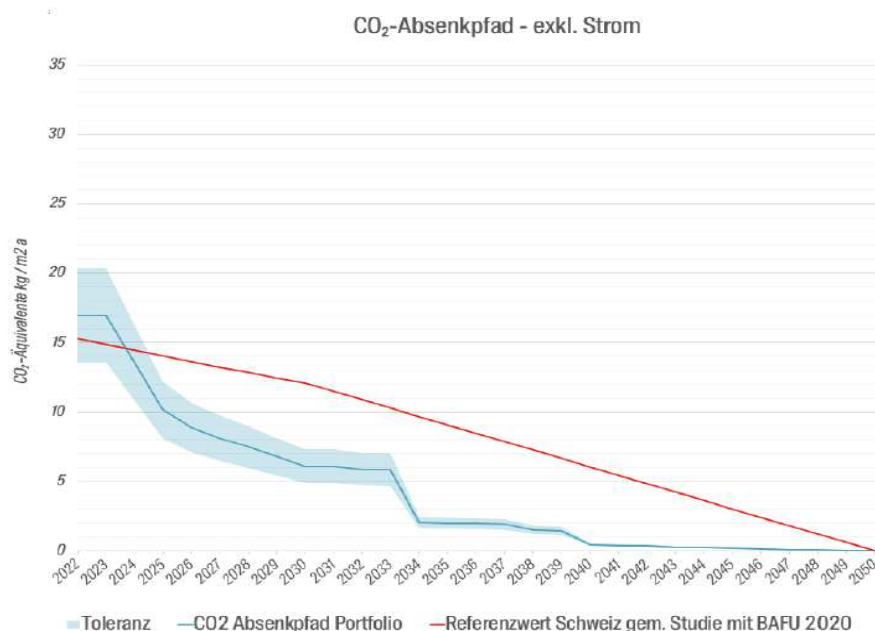
### 4.1 Climate Impact of the Pension Fund's Own Properties

The Schindler Pension Fund has recognized the need to cut carbon emissions from the properties that it holds directly. The real estate portfolio emitted significant volumes of carbon dioxide from 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, were 18.9 kg CO<sub>2</sub>e/m<sup>2</sup>, which is around 20% higher than the average for institutional investors in Switzerland, at 15.2 kg/m<sup>2</sup>.

#### Climate indicators, own properties

Proportion of fossil fuel heating systems/Swiss ave.	94% / 60%
Rel. CO <sub>2</sub> e emissions from heating & hot water (kg CO <sub>2</sub> e/m <sup>2</sup> ) / Swiss ave.	18.9 / 15.2

With its programme of energy-saving renovations, the Pension Fund aims to achieve net-zero emissions from its own properties 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. With these measures in mind, the reduction pathway for the Pension Fund's own real estate portfolio is as follows:



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 has already been taken here, such as the installation of two solar power systems at the properties in Aigle and at Abendweg in Lucerne. Their key figures are as follows:

- Installed power: 177 kWp
- Expected power generation: 173,000 kWh/year
- Carbon savings per year: 13.87 t CO<sub>2</sub>/year



#### 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 and Sorella, Emmen	2016	Minergie standard Heating with groundwater heat pump
	2021	Installation of EV charging stations in underground car parks
	2022	Solar system in operation since autumn 2022
Moosaic, Emmen	2020	Minergie standard, incl. solar system and EV charging stations Heating with groundwater heat pump
Property in Aigle	2023	Solar system in operation from winter 2023, incl. EV charging stations
Property on Abendweg, Lucerne	2023	Solar system in operation from winter 2023, incl. EV charging stations
Property on Am Suteracher, Zurich	2024	Solar system, incl. EV charging stations
Schindler Areal complex, Schlieren	2024 –	Minergie P standard
	2027	Geothermal heating Solar system, EV charging stations in underground car park

#### 4.2 Indirect Real Estate Holdings

Real estate investment funds and investment foundations account for CHF 287 million, or around 12.6%, of total assets. Of this figure, CHF 187 million is GRESB<sup>1</sup>-rated. These investments achieve a weighted rating of 78.2, giving them an average of 3.07 stars out of a maximum five.

No GRESB rating is yet available for funds and foundations representing investments of CHF 100 million.

### 5. Alternative Investments

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

- The fund manager has signed the 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	372	16%
No. of UN PRI signatories/total no. of portfolio managers	16 / 19	
No. of UN PRI signatories in m/% of total volume	342	15%

<sup>1</sup> Global ESG Benchmark for Real Estate

Of the assets managed by the Pension Fund, 16% are allocated to alternative asset classes. These alternative investments are spread across a total of 19 portfolio managers. Of these, 16 are signatories to the UN PRI. Below the line, these 16 external asset managers achieve the top mark of A+ in the PRI assessment. The three 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 Pension 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. Where foreign equities are concerned, the Pension Fund is invested mainly through investments funds for which voting rights are exercised by the fund management company.

## 7. Memberships

---

The Pension Fund is a member of Ethos, the Swiss Foundation for Sustainable Development, and of SSF Swiss Sustainable Finance, and supports their aims relating to the promotion of sustainable investments.



## 8. Conclusions and Further Action

---

As this Sustainability Report shows, the 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.

The Pension Fund will continuously track developments in sustainability issues and take further action as appropriate. The following steps are planned for 2024:

- The installation of solar systems at the property on Am Suteracher in Zurich
- Start of the Schlieren construction project to Minergie P standard
- Engagement to further improve ESG coverage for indirect real estate holdings.

This report was approved by the Pension Fund's Board of Trustees at its meeting on November 23, 2023.