

Excellent Investment Year for the Schindler Pension Fund

Dear Colleagues, dear Schindler Pension Fund Beneficiaries

Below please find our year-end report on our excellent investment result for 2021, interest on retirement assets, and a supplementary pension for pensioners, in addition to various other matters. The key figures for 2021 are as follows:

- **Performance of 10.8%**
- **Interest on retirement assets in 2021 8.0%**
- **Payment of a one-off supplementary pension amounting to two monthly pensions in the spring of 2022**
- **Improvement in the cover ratio from 118.5% to approx. 123%**

1. Investment Climate and Performance in 2021

Investment Climate

With the exception of the Emerging Markets, the persistently low interest climate generated another surge on the equity markets in 2021. Many share indices closed the year at new highs or thereabouts, the markets having dipped only slightly in response to each new COVID-19 variant. Sharp rises in raw materials costs in combination with supply and skills shortages fuelled inflation in the USA and Europe. Up to the autumn of 2021 this also pushed interest rates higher, although they settled back again towards the end of the year. In Switzerland, yields on 10-year Confederation bonds remained stubbornly negative.

In the course of the year, the USD advanced from 0.88 to 0.92 against the CHF, while the EUR softened continually to end 2021 close to parity at 1.03.

Performance

The Pension Fund recorded a very good result of +10.8% for the year, significantly outperforming the UBS pension fund barometer figure of +8.1%. The Fund has beaten this index ten times in the past eleven years.

Details of Investment Performance

With the exception of bonds, all of the major asset classes achieved a pleasing performance. Private equity came out best of all, at 38.7%. Various funds that we hold profited from the favourable investment and IPO climate. Swiss and foreign equities both reported gains of around 22%. Meanwhile, our most heavily weighted asset class – Swiss real estate – produced another robustly positive performance of 6.4%.

2. Real Estate Projects

Mooshüslistrasse 6 + 12 in Emmen / www.moosaic-emmen.ch

The remaining commercial space found long-term tenants in 2021 in the form of a new veterinary practice and a new health centre. Both buildings are now fully occupied.

Schlieren Construction Project

The building application for the Schlieren construction project was submitted in mid-2021. We expect the construction permit to be granted in the first quarter of 2022 at the latest. Work is scheduled to begin in the spring of 2023.

3. Cover Ratio as at December 31, 2021

The cover ratio rose within the year from 118.45% to approx. 123%. Even taking the high level of interest and the supplementary pension into account, it now sits at the upper end of its target bandwidth of 116–124%.

4. Miscellaneous Actuarial Information

a) Interest on Retirement Assets in 2021

In view of the Pension Fund's pleasing investment performance and its high cover ratio, the Board of Trustees has decided to pay interest on retirement assets at 8.0% for 2021. This is the highest annual rate paid since the defined contribution system was introduced in 2000.

b) Interest on Retirement Assets for Withdrawals up to November 30, 2022

In 2022, interest on retirement assets belonging to persons withdrawing from the Fund or drawing benefits as the result of a claim before November 30, 2022, will be paid at the minimum BVG interest rate of 1.0%.

c) One-Off Supplementary Pension in 2022

Like active insureds, pensioners will also benefit from our investment result and healthy coverage ratio. All pensioners who were already in receipt of a pension in December 2021 will receive a one-off supplementary pension of two times the regular monthly pension in February 2022.

d) Conversion Rate

The current conversion rate of 5.16% (at age 65) factors in 2.5% interest on retirement capital. This figure is relatively high given the interest climate and an actuarial interest rate of 1.5%. With this in mind, during 2021 a working group set up by the Board of Trustees looked into possibly reducing the conversion rate. The Board of Trustees has also created a provision of CHF 62.5 million for any measures to cushion the effects of a reduction. It will decide in 2022 whether or not to go ahead.

5. Exercise of Shareholder Rights in 2021

The Pension Fund exercised its shareholder voting rights at more than 30 annual general meetings of companies in which shares are held directly, in accordance with ERCO (the Ordinance Against Excessive Remuneration in Listed Companies Limited by Shares). Details of the way in which these rights were exercised can be found on the Pension Fund website (www.schindler-pk.ch).

6. Investment Strategy 2022

The Board of Trustees has again made minor adjustments to the investment strategy for the year ahead. With interest rates remaining low, the bond allocation has been trimmed by a further 1.5 percentage points, and foreign equities increased correspondingly. Among alternative investments, insurance-linked securities have been scaled back, and private equity boosted, by one percentage point each. The foreign currency allocation has also been cut from approximately 32% to 25%.

The Pension Fund expects this investment strategy to generate an annual performance of approximately 2.4% in the medium term.

in %	Status at 31.12.2021	Strategy 2021	Strategy 2022	Bandwidths
Liquidity	1.4	1.0	0.5	0 - 15%
CHF Bonds	15.0	15.5	14.5	+/-10%
Foreign currency bonds (hedged)	3.8	4.0	4.0	+/-3.0%
Foreign currency bonds	0.5	0.0	0.0	0 - 5%
Swiss equities	13.0	11.0	11.0	+/-3.0%
Foreign equities	18.7	16.5	18.0	+/-3.0%
Swss real estate	29.8	33.0	33.0	+/-5.0%
Alternative internat.real estate	2.5	3.0	3.0	+/-2.0%
Private Equity	6.6	6.0	7.0	+/-2.0%
Hedge funds	1.3	2.0	2.0	+/-2.0%
Insurance-linked securities	2.4	3.0	2.0	+/-2.0%
Alternative bonds	2.2	2.0	2.0	+/-2.0%
Infrastructure	2.8	3.0	3.0	+/-2.0%
	100.0	100.0	100.0	

7. New ESG Regulation

The Board of Trustees also examined the issue of sustainable investment policy in 2021. The result was a new ESG (Environment, Social and Governance) Regulation that entered into force as of January 1, 2022. It governs how the Pension Fund will apply ESG criteria to traditional investments, alternative investments and its own real estate in the future. The Regulation can be found on our website at www.schindler-pk.ch. In fact, the Pension Fund has been examining ESG matters for some time now. For many years we have made cutting carbon emissions a priority, especially where our own real estate is concerned. For example, during renovations as long ago as 2009 and 2012 we installed solar panels to provide hot water, and the new construction projects in Emmen and Schlieren have been/will be built to Minergie standards. The Board of Trustees will continue to monitor ESG issues closely, and the Pension Fund will produce an annual ESG report in future that sets out the individual measures that have been taken.

8. Revision of Pension Fund Rules Effective January 1, 2022

The Pension Fund Rules have been revised in accordance with the new legal provisions that apply to invalidity insurance. They have also been amended in all languages to ensure the consistent use of gender-neutral language.

9. Launch of Portal for Insureds

A year ago we reported on the introduction of a portal for insureds that will allow them to view insurance certificates and conduct a range of calculations online. The Pension Fund continued to develop the portal during 2021, and will pilot it in the spring of 2022. It is expected to go online fully next summer.

10. Information from the Board of Trustees/ Elections to the Board of Trustees

The Investment Committee and Board of Trustees met seven times in total in 2021. All of these meetings took place online. One training course was held on the subject of sustainable investing. The priority areas for the Board of Trustees' work in 2022 will be data privacy and alternative investments.

Elections to the Board of Trustees for the 2022–2024 period were held in autumn 2021. All serving trustees were confirmed in office.

Should you require any further information, please do not hesitate to contact members of the Board of Trustees or the Management.

Yours sincerely

Schindler Pension Fund



Adrian Boutellier
Chairman of the Board of Trustees



Mario Passerini
Managing Director

Ebikon, January 2022