

Schindler Pension Fund Stable Despite Demanding Investment Climate

Dear Colleagues, dear Schindler Pension Fund Beneficiaries

Below is a review of performance over the past year, the interest to be paid on retirement assets, and important news from the Schindler Pension Fund. In brief:

- **Performance of -7.1% is significantly better than the UBS pension fund barometer figure of -9.6%**
- **Interest of 1.0% is to be paid on retirement assets in 2022**
- **While the cover ratio has fallen from 123.5% to approx. 116%, the Pension Fund still enjoys a very good level of financial security**
- **The first Pension Fund ESG report was published, showing clear progress**
- **The life partner's pension was introduced, and the marriage penalty for pension recipients scrapped**
- **There will be a change to Pension Fund management in 2023**

1. Investment Climate and Performance in 2022

Investment Climate

Pent-up demand following the COVID-19 pandemic, supply shortages and exploding energy prices in connection with the war in Ukraine sent inflation soaring around the world. This prompted central banks to raise key interest rates decisively, which also resulted in a sharp rise in long-term yields. The negative interest rate phase appears to be very much in the past. Higher rates meant not only a clear correction on the equity markets, but also a drop in bond values. The index that tracks Confederation bonds, seen as risk-free investments, ended the year down around 17%.

The USD advanced considerably against the CHF during 2022, before giving up its gains again at the close, and ending the year unchanged at 0.92. The EUR once more continued to lose value against the CHF, ending 2022 some 5% lower than the previous year, at 0.99.

Performance

In the context of the difficult investment environment, the Pension Fund recorded a relatively pleasing performance of -7.1% for the year. Once again, the result was well above the UBS pension fund barometer figure of -9.6%. The Fund has beaten this index 11 times in the past 12 years.

Details of Investment Performance

The negative result was cushioned to a certain extent by the Pension Fund's broadly diversified portfolio. Real estate (+1.6%), alternative bonds (+1.2%), and private equity (+6.6%) even ended the year in positive territory. Bonds and equities, meanwhile, were in the negative double digits. At approx. -8% each, hedge funds and insurance-linked securities once again failed to live up to expectations.

2. Schlieren Construction Project

Objections from two neighbours will delay the start of construction by at least a year. It had been scheduled for March 2023. The building application has been modified slightly in response to the key points of the complaints. The existing properties in Schlieren remain fully rented out.

3. Cover Ratio as at December 31, 2022

The cover ratio fell within the year from 123.5% to approx. 116%. It is therefore at the lower end of the target bandwidth of 116–124%, and means that the Pension Fund's financial situation is still sound, even after a challenging year for investments.

4. Miscellaneous Actuarial Information

a) Interest on Retirement Assets in 2022

In the light of performance, the Board of Trustees has decided to pay interest on retirement assets at the minimum BVG rate of 1.0% for 2022.

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

In 2023, interest on retirement assets belonging to persons withdrawing from the Fund or drawing benefits as the result of a claim before November 30, 2023, will be paid at the minimum BVG interest rate of 1.0%.

c) No pension adjustment

In view of the performance of the past year, the Board of Trustees has decided not to increase pensions, and also not to pay any one-off supplementary pensions.

d) Conversion Rate

The current conversion rate of 5.15% (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 2022 a working group set up by the Board of Trustees looked into possibly reducing the conversion rate. However, rising interest rates have significantly lessened the pressure to trim this rate further. The Board of Trustees has thus decided to discuss the matter again in 2023. The current provision of CHF 62.5 million for any compensatory measures therefore remains in place.

5. Exercise of Shareholder Rights in 2022

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 2023

The Board of Trustees has again made minor adjustments to the investment strategy for the year ahead. Given their disappointing performance, hedge funds and insurance-linked securities have been reduced by half a percentage point each, while the allocation of infrastructure investments has been increased by one percentage point. With interest rates trending higher, expected medium-term performance has been raised to approx. 3.5% per year.

in %	Status at 31.12.2022	Strategy 2022	Strategy 2023	Bandwidths
Liquidity	1.9	0.5	0.5	0 - 15%
CHF Bonds	14.1	14.5	14.5	+/-10%
Foreign currency bonds (hedged)	3.7	4.0	4.0	+/-3.0%
Foreign currency bonds	0.4	0.0	0.0	0 - 5%
Swiss equities	10.8	11.0	11.0	+/-3.0%
Foreign equities	17.0	18.0	18.0	+/-3.0%
Swiss real estate	32.7	33.0	33.0	+/-5.0%
Alternative internat.real estate	2.7	3.0	3.0	+/-2.0%
Private Equity	8.2	7.0	7.0	+/-2.0%
Hedge funds	1.5	2.0	1.5	+/-1.5%
Insurance-linked securities	1.4	2.0	1.5	+/-1.5%
Alternative bonds	2.2	2.0	2.0	+/-2.0%
Infrastructure	3.4	3.0	4.0	+/-2.0%
	100.0	100.0	100.0	

7. First Pension Fund ESG Report

The Board of Trustees adopted the Pension Fund's first ESG (Environment, Social and Governance) report in fall 2022. The detailed report is available on the website (www.schindler-pk.ch).

Some 78% of total assets could be evaluated against ESG criteria. The assets that were not evaluated are primarily indirect real estate investments, or fund investments that are not assessed.

Among evaluated equities and bonds, the MSCI ESG rating improved from A to AA in the course of the year.

The proportion of fossil fuels used in the Pension Fund's own properties currently stands at a high 94%. To address this, the Board of Trustees has defined a carbon reduction pathway. With renovation and new construction projects (Schlieren), the Pension Fund expects to achieve net-zero emissions by 2040.

8. Revision of Pension Fund Rules as of January 1, 2023 Life Partner's Pension / Surviving Spouse's Pension

Life Partner's Pension

Active insureds who retire on or after January 1, 2023, may now also nominate their life partner as the beneficiary of a life partner's pension. The qualifying criteria are laid down from Article 13.7 onwards in the Pension Fund Rules, and also on the beneficiary nomination form (see website). The form must have been submitted to the Pension Fund prior to retirement.

As has been the case up to now, active insureds may still nominate their life partner as the beneficiary of the lump-sum death benefit, which amounts to the retirement assets accumulated by the insured.

Surviving Spouse's Pension

Up to the end of 2022, recipients of a surviving spouse's pension who remarried lost their entitlement to that pension. This 'marriage penalty' was scrapped as of January 1, 2023, so that the pension will continue to be paid if the recipient marries again.

9. Launch of Portal for Insureds

We expect the portal for insureds to go online fully in summer 2023. All active insureds can use the portal to find out about the current level of their pension provision. They will also be able to request and receive insurance certificates, if necessary. The portal will also offer practical simulations of the most common business cases, such as retirement offers, calculations of the effects of additional voluntary contributions or changing savings plan, or changes to insured benefits if the insured withdraws assets early under the home ownership promotion scheme.

10. Information from/ Elections to the Board of Trustees

The Investment Committee and Board of Trustees met seven times in total in 2022. A training course was held on the subjects of alternative investments and the new Data Protection Act.

Long-standing trustee and employee representative Hugo Baumann stepped down from the Board of Trustees and the Investment Committee at the end of 2022 owing to his retirement. Michael Schmidt, who has served to date as a substitute member of the Board, took his place as employee representative effective January 1, 2023. The Board of Trustees appointed Martin Allgäuer as the new member of the Investment Committee.

11. Changes to Pension Fund Management

Long-serving Managing Director Mario Passerini will step down from this role at the end of April 2023, when he reaches retirement age. He will remain Head of Asset Management for the Schindler Pension Fund on a part-time basis.

The Board of Trustees has appointed Mr Passerini's current deputy, Antonietta Despeaux, as new Managing Director from May 1, 2023. Ms Despeaux joined the staff of Corporate Human Resources at the Schindler Group in 2000. She moved to the Schindler Pension Fund in 2011, and was appointed Deputy Managing Director in 2018. Antonietta Despeaux holds federal PET diplomas in both social security and occupational pension provision, as well as an advanced federal PET diploma in pension fund management. The Board of Trustees is delighted to have found an internal successor to Mr Passerini, and looks forward to working with Ms Despeaux.

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 2023