

Good Year for the Schindler Pension Fund 5.5% Interest on Retirement Assets

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:

- **Good performance of +4.20% in a challenging environment**
- **Interest of 5.50% to be paid on retirement assets in 2023**
- **Cover ratio rises from 116.4% to approx. 121%, i.e. an excellent level of financial security for the Pension Fund**
- **Pension Fund's 2023 ESG Report published; Klima-Allianz Schweiz rating now light green**
- **Amendments to the Pension Fund Rules as of January 1, 2024, in response to AHV 21 reforms and new Data Protection Act**
- **Portal for insureds replaces paper mail**
- **New Board of Trustees members from 1 January 2024**

1. Investment Climate and Performance in 2023

Investment Climate

The 2023 investment year was characterised by key rate hikes by most central banks, falling inflation, and very bullish equity markets. The most significant event in Switzerland was the acquisition of Credit Suisse by UBS. The number of major Swiss banks has shrunk from five to just one over the past 25 years.

In contrast to short-term interest rates, long-term interest rates in Switzerland contracted sharply, inverting the yield curve for the first time in a long while. This shift in the interest climate resulted in adjustments to discount rates on real estate, reducing property values overall.

The CHF gained major ground against the USD and the EUR towards the end of the year as both currencies fell to new lows.

Performance

The Pension Fund recorded a stable result of +4.2% for the year, although it lagged a little behind the +4.92% of the UBS pension fund barometer. This is due mainly to a higher proportion of alternative investments such as private equity, which could not keep up with equity performance.

Details of Investment Performance

A number of asset classes with high forex allocations, such as foreign currency bonds, private equity, and international real estate posted negative returns. These losses were offset to some extent by surpluses on our currency hedges, however. The best performers were foreign and Swiss equities, at +11.6% and +7.2%, respectively.

Swiss real estate turned in +1.1%. A roughly 2% devaluation in the Pension Fund's own real estate portfolio weighed on this result.

2. Schlieren Construction Project

The Pension Fund received the construction permit for the Schlieren Construction Project in the spring of 2023. Work is planned to start on April 1, 2024, and the Pension Fund expects completion after around three years.

3. Cover Ratio as at December 31, 2023

The cover ratio rose from 116.4% to approx. 121% over the year. It is therefore in the middle of its target bandwidth of 116–124%. The considerable increase in the cover ratio is partly due to the write-back of a provision. Please read on for further information.

4. Miscellaneous Actuarial Information

a) Interest on Retirement Assets in 2023

Standard interest

In view of the Pension Fund's relatively positive performance and its higher cover ratio, the Board of Trustees has decided to pay interest on retirement assets at 3.5% for 2023.

Bonus interest (conversion rate)

In view of the higher interest level the Board of Trustees believes that no further reductions in the conversion rate are necessary for the time being. The provision created for any compensatory measures will therefore be written back. Part of this will be paid out to active insureds as bonus interest of 2.0%.

Total interest

The total interest paid on retirement assets for 2023 will be 5.5%.

b) Interest on Retirement Assets for Withdrawals/Claims up to November 30, 2024

In 2024, interest on retirement assets belonging to persons withdrawing from the Fund or drawing benefits as the result of a claim before November 30, 2024, will be paid at the new minimum BVG interest rate of 1.25%, instead of at 1.0%.

c) No pension adjustment

The target figure for the fluctuation reserves was not met. The Board of Trustees has therefore decided not to increase pensions, neither will any one-off bonus be paid.

5. Exercise of Shareholder Rights in 2023

The Pension Fund exercised its shareholder voting rights at just under 30 annual general meetings of companies in which shares are held directly, in accordance with the new law on 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 2024

The Board of Trustees has left the investment strategy unchanged for 2024. An ALM study will be conducted in the spring. This examines the relationship between the return on invested assets and the Pension Fund's liabilities. Any adjustment to the investment strategy will then be decided on the basis of the study's findings.

The current asset allocation and investment strategy are as follows:

in %	Status at 31.12.2023	Strategy 2023/2024	Bandwidths
Liquidity	1.7	0.5	0 - 15%
CHF Bonds	14.4	14.5	+/-10.0%
Foreign currency bonds (hedged)	3.9	4.0	+/-3.0%
Foreign currency bonds	0.3	0.0	0 - 5%
Swiss equities	11.0	11.0	+/-2.5%
Foreign equities	18.4	18.0	+/-2.5%
Swiss real estate	31.2	33.0	+/-5.0%
Alternative internat. real estate	2.5	3.0	+/-2.0%
Private Equity	7.7	7.0	+/-2.0%
Hedge Funds	1.2	1.5	+/-1.5%
Insurance-linked Securities	1.4	1.5	+/-1.5%
Infrastructure	4.2	4.0	+/-2.0%
Alternative bonds	2.1	2.0	+/-2.0%
	100.0	100.0	

7. 2023 ESG Report

The Board of Trustees adopted the Pension Fund's new ESG (Environment, Social, Governance) report in November 2023. The report is available on the website (www.schindler-pk.ch).

The proportion of total assets subject to ESG evaluation rose from 78% to a pleasing 87%.

The Pension Fund's ESG score is now 7.28, compared with its original 8.18. This continues to give us an ESG rating of AA. The lower score this year is the result of an MSCI rule change affecting traditional investments. We also succeeded in reducing the weighted average carbon intensity of our securities from 112.4 to 80.8 tonnes. The small proportion of our assets that were not evaluated are primarily indirect real estate investments, or unrated fund investments.

Solar panels were installed at two of the Pension Fund's own properties in 2023. This takes us further along the Board of Trustees' defined carbon reduction pathway to achieve net-zero emissions by 2040.

Klima-Allianz Schweiz took a very positive overall view of the Pension Fund's ESG activities. Our rating improved by two grades, from red to light green.

8. Revision of Pension Fund Rules as of January 1, 2024 Effects of AHV 21 Reforms and New Data Protection Act

Effects of AHV 21 state pension reforms

The term "final age" is replaced by "retirement age". Retirement age is reached on the first of the month after reaching the age of 65.

If they continue with the company after reaching retirement age, the insured person may apply to maintain their insurance without any employer or employee contributions.

Partial retirement may be taken in a maximum of three steps. The number of possible lump-sum withdrawals increases from two to three. Retirement benefits fall due for payment in full if the applicable annual salary falls below the entry threshold as a result of partial retirement.

New Data Protection Act

The Pension Fund has extended the information on data protection in the Rules to reflect the introduction of the new Data Protection Act.

9. Implementation of the New Data Protection Act

The fully revised Data Protection Act (DPA) came into force on September 1, 2023. At its meeting in August the Board of Trustees Appointed Aurélien Pasquier, Data Protection Officer at Schindler Switzerland, as the Pension Fund's new Data Protection Advisor. Working alongside Mr Pasquier, the Pension Fund implemented all of the new Act's requirements.

10. Portal for Active Insureds Replaces Paper Mail

The Connect! Insured portal for insureds was launched in the summer of 2023. The majority of insureds have already registered and are now receiving Pension Fund documents electronically. The degree of success to date encourages us to pursue digitalisation still further. From 2024 onwards, the Pension Fund will therefore provide all correspondence via the portal. This includes insurance certificates, information for insureds and proposals under the WEF home ownership promotion scheme.

Those insureds who have not yet registered will receive a further registration letter in January 2024. We ask all as-yet unregistered insureds to sign up after receiving this letter, so that they can be certain of receiving their documents.

11. 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 2023. Training and information seminars were held on the following topics:

- The effects of AHV 21 and BVG reforms on the Schindler Pension Fund
- The tasks, responsibilities, and liability of the Board of Trustees
- Flexible pensions
- The link between the conversion rate and the actuarial interest rate

Change to the Board of Trustees employee representatives as of January 1, 2024

Long-standing trustee and employee representative Adriano Linguanotto stepped down from the Board of Trustees and the Investment Committee at the end of 2023. Gregorio Garcia, who has served to date as a substitute member, took his place as employee representative effective January 1, 2024.

The Board of Trustees appointed Mike Weidlich as the new member of the Investment Committee.

Change to the Board of Trustees employer representatives as of January 1, 2024

Erika Neumann left the Board of Trustees as at December 31, 2023, following a change of role. Dominique Widmer has been appointed her successor and new employer representative.

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



Antonietta Despeaux
Managing Director

Ebikon, January 2024