



Stiftung Auffangeinrichtung BVG  
Fondation institution supplétive LPP  
Fondazione istituto collettore LPP

## **Our responsibility**

ESG criteria as the guiding principle  
for our actions and investments

# Table of contents

1	Introduction	3
2	Our responsibility as a company	4
3	Our responsibility as an investor	5
3.1	Voting: exercising voting rights	6
3.2	Commitment: dialogue with companies	8
3.3	Exclusion: companies not taken into account	9
4	Climate indicators	10

## **Substitute Occupational Benefit Institution**

The Substitute Occupational Benefit Institution is unique: on behalf of the Confederation, the non-profit organisation is the only occupational benefits institution in Switzerland to insure all employers and individuals willing to join the mandatory occupational pension scheme (BVG/LPP) and looks after over 1.4 million clients in the area of vested benefits accounts. The foundation under private law, which is supported by employee and employer associations, is thus an important cornerstone in the second pillar and contributes significantly to the stability of the system.

# 1 Introduction

**The Substitute Occupational Benefit Institution assumes its responsibility as a company and investor. Environmental, social and governance (ESG) criteria are taken into account in its actions. These form the basis for the foundation as an employer and for sustainable and responsible investment.**

The Substitute Occupational Benefit Institution is a social employer: certified equal pay for all (SQS Fair Compensation) and transparent functional salary bands are a matter of course for us. The modern offices at the three locations in Zurich-Oerlikon, Lausanne and Bellinzona are located right next to the railway station and allow ecological commuting by public transport. Most employees also work from home on a regular basis. Hybrid work is possible at all levels.

The ESG criteria are an important element of opportunity and risk management in asset management and are defined as a principle in the foundation's investment regulations. The Substitute Occupational Benefit Institution thus aims to make an impact on ESG issues. In order to ensure the long-term success of its equity investments, the foundation actively exercises its shareholder rights. In doing so, it follows the guidelines for exercising voting rights of the Ethos foundation and thus fulfils its fiduciary responsibility towards its beneficiaries.



## 2 Our responsibility as a company

The Substitute Occupational Benefit Institution assumes economic, social and ecological responsibility. Firstly, by making a key contribution to the stability and functionality of retirement planning in Switzerland, and secondly as a social employer in all parts of the country. For us, value-based cooperation is of key importance. When it comes to the environment, we make sure that we keep our energy, water and paper consumption low.



### **We are committed to ensuring the stability and functionality of retirement planning in Switzerland**

Thanks to its special tasks assigned by the federal government, its position in the market and its networking in politics, administration and authorities, the private-law foundation, which is supported by employee and employer associations, is an important cornerstone in the second pillar and significantly supports the stability of the system.



### **We are pushing ahead with digitalisation**

Through the online services that clients and other occupational benefits institutions can use, we contribute to efficiency and the economical use of resources (e.g. less paper consumption).



### **We pay fair wages**

Certified equal pay for all 230 employees (SQS FAIR Compensation) and transparent job descriptions and wage bands are important to us – from apprentices to the managing director.



### **We promote sustainable mobility**

The offices in Zurich-Oerlikon, Lausanne and Bellinzona are close to railway stations, which are among the largest in the respective regions of the country, thus ensuring the best public transport connections. Our business trips are primarily geared towards travelling by train.



### **We enable flexible working**

As far as operationally possible, we support working time models such as working from home, part-time and flexitime.



### **We procure sustainably**

When it comes to procurement, we make sure that there is a low environmental impact. All of the electricity consumed by the Substitute Occupational Benefit Institution is generated from renewable energy sources.

# 3 Our responsibility as an investor

For the Substitute Occupational Benefit Institution, long-term successful capital investment is of key importance due to the statutory [fiduciary obligation of care and diligence](#) where the payment of pensions and the safe management of vested benefits accounts are concerned. In this respect, sustainability factors such as a healthy environment, social issues and responsible governance (ESG criteria) are taken into account.

When defining the investment principles enshrined in the investment regulations, the Board of Trustees of the Substitute Occupational Benefit Institution has formulated a specific [sustainability principle](#). On the basis of this principle, ecological and social aspects are incorporated into the investment process.

Asset management is primarily carried out via asset management mandates that are transferred to external portfolio managers (banks or other specialist institutions). When selecting portfolio managers, the inclusion of [ESG criteria](#) in the investment process is explicitly taken into account. All asset managers of the Substitute Occupational Benefit Institution have signed the [UN Principles for Responsible Investment \(UN-PRI\)](#).

Exercising shareholder rights, engaging in dialogue with the companies and excluding investments in exceptional cases are the most suitable measures for the Substitute Occupational Benefit Institution to take sustainability into account in the long term.



## ESG criteria

These are criteria for measuring sustainability that include environmental, social and governance aspects. The abbreviation ESG is made up of the terms environment, social and governance.

Fonte: ASIP

## 3.1 Voting: exercising voting rights

The exercise of voting rights is an important instrument for safeguarding the long-term interests of the beneficiaries of the pension assets. In addition to purely financial interests, the focus is on ESG factors. The Substitute Occupational Benefit Institution is guided by the [voting rights recommendations of the Ethos Foundation](#).

The voting rights are exercised in the long-term interest of the insured parties. The Ethos Foundation's voting rights recommendations are based on the annually revised [proxy voting guidelines](#). They specify in detail the circumstances under which proposals of the Board of Directors are approved or rejected. [ESG criteria](#), in particular corporate governance, but also CO<sub>2</sub> emissions, [form the basis](#) for the proxy voting recommendation.

Since 2011, the Substitute Occupational Benefit Institution has exercised its voting rights within all of the Swiss companies in which it is invested. For 2023, this meant that it cast its votes at the Annual General Meetings of [201 Swiss companies](#). The Substitute Occupational Benefit Institution publishes all of the [details](#) of how it voted on its website. In mid-2022, the Substitute Occupational Benefit Institution also began exercising its voting rights in the [foreign companies](#) in which it holds the largest number of shares. In 2023, it voted at 487 general meetings of foreign companies.

### Votes in Swiss shareholdings 2023

Annual General Meetings (AGM)	Number of proposals				
	Number	Total	For	Against	Abstention
Annual General Meeting	189	4'291	3'264	1'027	0
Extraordinary General Meeting	12	37	21	16	0
<b>Total</b>	<b>201</b>	<b>4'328</b>	<b>3'285</b>	<b>1'043</b>	<b>0</b>

### Votes in global shareholdings 2023

Annual General Meetings (AGM)	Number of proposals				
	Number	Total	For	Against	Abstention
Annual General Meeting	443	7'259	5'240	1'995	24
Extraordinary General Meeting	12	51	33	18	0
Annual and extraordinary General Meeting	32	708	520	188	0
<b>Total</b>	<b>487</b>	<b>8'018</b>	<b>5'793</b>	<b>2'201</b>	<b>24</b>

#### The Ethos Foundation

The [Ethos Foundation](#) brings together more than 250 Swiss pension funds and other tax-exempt institutions. It was established in 1997 to promote sustainable investment and a stable and healthy economic environment.

Source: Ethos

## 3.2 Commitment: dialogue with companies

The Substitute Occupational Benefit Institution exercises its commitment through the two Ethos Engagement Pools [Switzerland](#) and [International](#). By pooling resources, within the two pools, with other pension funds and investors, the dialogue with the companies is given more weight. This makes constructive dialogue an important element in promoting sustainability – particularly in the area of reducing CO<sub>2</sub> emissions. Constructive dialogue is an important element in promoting sustainability – particularly in the area of reducing CO<sub>2</sub> emissions.

Ethos seeks ongoing dialogue with companies' management bodies on behalf of its members, guided by the values of the [Ethos Charter and international standards](#) (Sustainable Development Goals, UN Global Compact and OECD Guidelines for Multinational Enterprises).

In 2023, the Ethos Engagement Pool Switzerland (EEP Switzerland ) engaged in dialogue with the 149 largest listed companies. The approximately 500 engagement activities carried out focussed on the topics of climate change, corporate governance, employment conditions, the observance of human rights, and sustainability reporting. The topics prioritised in the Ethos Engagement Pool International (EEP International) in 2023 were climate change, biodiversity, human and employee rights, shareholder rights and compensation. Engagement took place predominantly via investor initiatives and in selected cases in direct dialogue with companies. The Substitute Occupational Benefit Institution took part in 48 investor initiatives in 2023.

### EEP Switzerland

The Ethos Engagement Pool Switzerland actively engages in dialogue with the 150 largest listed companies on the basis of the dialogue topics determined annually by the pool members and records the results in a [report](#).

### EEP International

On the one hand, the Ethos Engagement Pool International conducts direct talks with listed companies abroad and, on the other hand, it gets its members involved in international investor initiatives (e.g. Carbon Disclosure Project). The focal points and the [summary of activities](#) are published in each case.

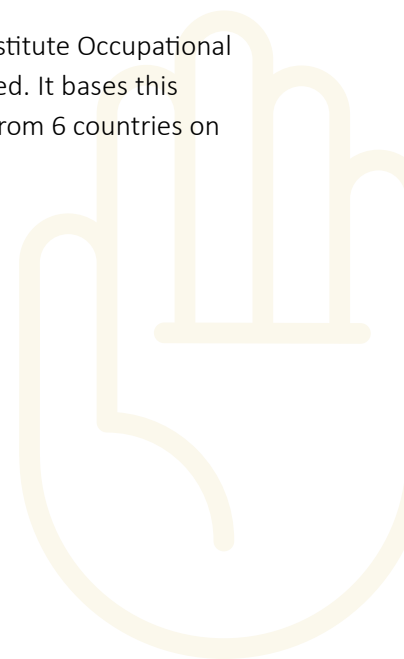
Source: Ethos



### 3.3 Exclusion: companies not taken into account

The Substitute Occupational Benefit Institution explicitly excludes from its investment portfolio companies that do not comply with the [Oslo conventions](#) on the prohibition of the manufacture and proliferation of cluster munitions and anti-personnel land mines and the New York Treaty on the Prohibition of Nuclear Weapons. In addition, the Substitute Occupational Benefit Institution adheres to any sanctions regimes imposed by Switzerland and the UN.

Once a year or if extraordinary events so require, the investment committee of the Substitute Occupational Benefit Institution makes a decision on the companies in which it should not be invested. It bases this decision on the [SVVK-ASIR+](#) exclusion list. There are currently a total of 21 companies from 6 countries on the exclusion list.



## 4 Climate indicators

Portfolio	Assets CHF million	Carbon intensity					BM Total
		tCO <sub>2</sub> e per CHF million sales/GDP					
		Portfolio	Scope 1	Scope 2	Scope 3	Total	
<b>Liquidity / short duration</b> FTSE CHF 3 Month EUR Deposit	10'111.4	6	6	311	323	-/-	
<b>Swiss bonds</b> SBI Domestic AAA – AA	4'996.3	8	3	327	338	311	
<b>Global bonds</b> Bloomberg Global Government AAA – AA Capped Bond Index	1'629.8	-/-	-/-	-/-	219	231	
<b>Global corporate bonds</b> 50% Bloomberg US Corporate 50% Bloomberg Euro Aggregate Corporate	1'357.1	166	27	702	895	881	
<b>Global high-yield bonds</b> ICE BofA BB-B Rated Developed Markets High Yield Constrained	54.8	231	34	929	1194	1818	
<b>Global infrastructure bonds</b> Bloomberg Global Aggregate Corporate	221.0	-/-	-/-	-/-	-/-	-/-	
<b>Swiss equities</b> Swiss Performance Index (SPI)	696.9	76	12	560	648	648	
<b>Global equities</b> MSCI World IMI ex CH	1'769.2	96	28	780	904	934	
<b>Emerging-market equities</b> MSCI Emerging Markets	238.6	229	88	659	976	1153	
		<b>Energy intensity</b>					
		kWH per m <sup>2</sup> / Scope 1 & 2					
		Portfolio				BM	
<b>Swiss real estate</b> 50% KGAST 50% SXI Swiss Real Estate Fund	1'125.0	100.5				96.4	
<b>Global real estate</b> n.a.	126.9	155.9				-/-	

Portfolio	Carbon footprint					Fossil energy		Transparency	
	tCO <sub>2</sub> e per CHF million investment					Share in %		Share in %	
	Portfolio		BM			Portfolio		Portfolio	
	Scope 1	Scope 2	Scope 3	Total	Total	Coal	Other	Portfolio	BM
<b>Liquidity / short duration</b> FTSE CHF 3 Month EUR Deposit	4	2	123	129	-/-	0.1%	2.4%	61%	-/-
<b>Swiss bonds</b> SBI Domestic AAA – AA	2	1	73	75	83	0.0%	0.0%	16%	6%
<b>Global bonds</b> Bloomberg Global Government AAA – AA Capped Bond Index	-/-	-/-	-/-	-/-	-/-	-/-	-/-	86%	90%
<b>Global corporate bonds</b> 50% Bloomberg US Corporate 50% Bloomberg Euro Aggregate Corporate	51	9	435	495	496	3.2%	15.6%	88%	94%
<b>Global high-yield bonds</b> ICE BofA BB-B Rated Developed Markets High Yield Constrained	97	15	360	472	468	-/-	-/-	100%	93%
<b>Global infrastructure bonds</b> Bloomberg Global Aggregate Corporate	-/-	-/-	-/-	-/-	-/-	-/-	-/-	-/-	-/-
<b>Swiss equities</b> Swiss Performance Index (SPI)	40	5	204	249	249	0.0%	5.7%	98%	98%
<b>Global equities</b> MSCI World IMI ex CH	38	10	380	428	437	1.3%	12.9%	99%	99%
<b>Emerging-market equities</b> MSCI Emerging Markets	110	33	478	621	677	0.9%	5.5%	78%	99%

	Carbon intensity				Energy mix		Transparency	
	kg CO <sub>2</sub> per m <sup>2</sup> / Scope 1 & 2				Share in % of non-fossil energy		Share in %	
	Portfolio		BM		Portfolio		Portfolio	
<b>Swiss real estate</b> 50% KGAST 50% SXI Swiss Real Estate Fund	14.6			15.8	36%	32%	87%	75%
<b>Global real estate</b> n.a.	37.4			-/-	14%	-/-	59%	-/-

## Glossary

**Benchmark (BM):** A benchmark (index) is a collection of investments that are representative of a particular market. The benchmark is used to reflect the general development of this market and, if necessary, to compare it with the company's own investments in this area.

**CO<sub>2</sub> equivalent:** CO<sub>2</sub> equivalents can be used, for example, to compare greenhouse gas emissions from different production processes or energy generation processes. In addition to carbon dioxide, this unit of measurement (CO<sub>2</sub>e) also includes emissions of the other greenhouse gases referred to in the Kyoto Protocol.

**Carbon footprint:** Provides information on the level of greenhouse gas risk of an installation and can be compared to other installations. The footprint is expressed in tonnes of CO<sub>2</sub> equivalent per million Swiss francs invested (tCO<sub>2</sub>e per CHF million investment) and indicates the greenhouse gases that the investor "co-owns".

**Intensity:** Provides information on the level of greenhouse gas-related market and regulatory risk of an installation. Emissions are aggregated based on their share of the installation and stated in tonnes of CO<sub>2</sub> equivalent per million Swiss francs of sales (tCO<sub>2</sub>e per CHF million of sales) for companies or per million Swiss francs of gross domestic product (tCO<sub>2</sub>e per CHF million of GDP) for countries.

**Scope 1:** Direct emissions from activities that can be attributed to a company or property. These include emissions from combustion processes in own or controlled facilities (e.g. heating, vehicles) or production facilities.

**Scope 2:** Indirect emissions from the consumption of purchased energy that can be attributed to a company or property. These include emissions from the generation of electricity or district heating.

**Scope 3:** Indirect emissions from sources that are not under the control of a company or property management company. This includes emissions from upstream and downstream value chains, i.e. from customers and suppliers.

**Transparency:** Describes the capital-weighted proportion of investments in % for which climate indicators are available.

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