

Nest Collective Foundation

Sustainability Report

2023



die ökologisch-ethische Pensionskasse

Highlights 2023	— 3
Preface	— 4
Brief Overview of Key Facts	— 4
What We Believe In – Sustainability Strategy	— 5
Nest’s approach to sustainability	5
How We Act – Implementation	— 7
Selection	— 7
Negative screening (exclusion)	— 7
Positive screening	— 8
Active ownership	— 10
Real estate	— 11
Portfolio-Highlight Neustark	— 12
How We Disclose Information – Reporting	— 13
Selection	— 13
UN Sustainable Development Goals (SDGs)	— 15
Greenhouse gas emissions (CO ₂)	— 18
Active ownership	— 19
Real estate	— 20
Portfolio-Highlight Pursuit	— 22
External Evaluations	— 23



Carbon intensity is 25 per cent lower than the standard market index despite integrated sustainability approach.



Independent exercise of voting rights relating to global equities in conjunction with Minerva as per Nest guidelines.



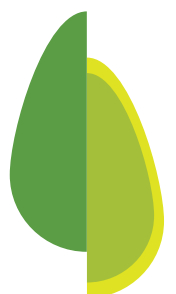
Nest-specific sustainability measures in private debt segment: introduction of subsector list, sustainability criteria and annual independent ESG controversy check.



New sustainability standards for construction of new property in Birmensdorf.



Investment in Neustark: innovative solution for permanent carbon binding.



Preface

Nest already adopted a sustainability profile at the time of its foundation over 40 years ago. The company's sustainability concept sets out its approach in the form of 15 principles. Alongside its investments, sustainability is also a key factor in its mandate to provide employee benefits and in the company itself. This report outlines our sustainability efforts in the area of investments.

Brief overview of key facts



Sustainability is firmly enshrined at the highest level since the company's foundation 40 years ago.



Basic principles: impact assessment and separation between sustainability and asset management.



Our goal for sustainable investing: promoting sustainable development of the economy and society (intergenerational equity).



100 percent sustainable investments: commitment to implementation across all asset classes through selection and active ownership.

What We Believe In – Sustainability Strategy

Nest's approach to sustainability

Our approach to sustainability is based on the Brundtland Commission's definition of sustainable development¹: "Sustainable development does not compromise the needs of future generations". This principle of intergenerational justice has been at the heart of our operations since our foundation in 1983.

Our investment strategy is designed to guarantee reliable pensions for current and future generations of retirees. We strive to construct a market-compliant portfolio with maximum sustainability that contributes to the sustainable development of the economy and society.

¹ The Brundtland Commission was set up by the United Nations in 1983 as the World Commission on Environment and Development. It was chaired by former Norwegian Prime Minister Gro Harlem Brundtland, who gave the Commission its name..

Involvement of beneficiaries and other stakeholders

Maintaining a dialogue with the affiliated companies is an undisputed cornerstone of our commitment. Open and transparent communication is conducted via various channels such as newsletters, webinars and our website, and we also consult delegates on important decisions at the Delegates' Assembly. In addition, we liaise with NGOs and the media to continuously improve sustainability. This allows us to promote dialogue on key topics relating to employee benefits schemes and sustainability while ensuring that our strategy is always in line with the interests of our beneficiaries.

Implementation of the strategy

Our sustainability strategy builds on a dual concept of selection and active ownership.

Selection: Investments are selected in two steps:

Negative screening (exclusion)

Nest uses exclusion criteria to rule out specific business activities that are incompatible with a sustainable economy. This includes companies that are involved in controversial business practices or manufacture products that cause significant environmental or social harm. The full list of our exclusion criteria is included in our investment policy.

Positives screening

We analyse companies, countries and projects to specifically identify investments that have a positive impact on the environment and society. Our analysis is based on a set of carefully defined assessment criteria and performed separately from our asset management activities. Only top sustainable companies and countries make it into the Nest portfolio.



Active ownership: We encourage companies to adopt more sustainable business practices through active engagement and the exercise of voting rights. This includes direct interaction with asset managers and participation in investor initiatives as well as collaboration and dialogue with other investors.

The following table summarises how we implement sustainability in the various asset classes.

Approaches to implementing sustainability in investments

Asset class	Active ownership		Selection			Climate action
	Exercise of voting rights	Engagement	Exclusion criteria (negative screening)	Best-in-service approach (positive screening)	Themes/project and impact investments	
Equities	●	●	●	●	○	Carbon reduction
Bonds	n.a.	n.a.	●	●	○	Carbon reduction
Real estate	n.a.	●	●	○	●	Carbon reduction
Private equity	●*	●	●	○	●	Climate-positive investments
Infrastructure	●*	●	●	○	●	Climate-positive investments

* indirectly via GPs

“Committed to intergenerational justice from day one.”

How We Act – Implementation

When it comes to implementing sustainability, Nest prioritises both selection and active ownership. We believe that these two approaches combined ensure that we can achieve a positive steering effect in our role as investor.

Selection

Selection is based on negative screening (exclusion) and positive screening. To avoid any conflicts of interest, the process is strictly separated from asset management. This is the only way to ensure an objective assessment of sustainability without any conflicts of interest.

Negative screening (exclusion)

Nest's exclusion criteria have been enshrined in the investment policy since its foundation and are implemented across all asset classes. These exclusion criteria are designed to rule out investments in companies, countries or projects whose products, business practices or activities are incompatible with sustainable development.

Overall responsibility

It is the responsibility of the highest governing body, the Board of Trustees, to define the exclusion criteria in the investment policy. The exclusions thus apply to all investments. More specifically, companies and countries whose products, practices or activities are related to the following areas will be ruled out:

- nuclear energy
- coal
- genetic engineering in agriculture
- controversial medical genetic engineering
- armaments
- support for violent regimes
- money laundering
- corruption
- violation of fundamental labour and human rights
- child and forced labour
- inadequate compensation for indigenous populations
- biopiracy
- alcohol, tobacco, pornography and gambling

Regular review

Our sustainability expert regularly reviews the exclusion criteria to ensure that they comply with current sustainability standards. Taking this approach helps us minimise sustainability risks and ensures that our investments always comply with our values.

“At Nest, we strictly separate sustainability from asset management to avoid financial conflicts of interest.”

Positives screening

The exclusions are followed by positive screening based on the best-in-service approach. Codeveloped by Nest, this approach analyses companies, projects and countries in terms of their impact on the environment and society. In contrast to the commonly used best-in-class approach, however, sector definitions are significantly broader, resulting in a stricter selection process.

Best-in-service approach

Developed specifically for Nest in collaboration with Inrate and Infrac, the best-in-service approach is embedded in the Nest-specific sustainability rating. This rating compares how companies offering similar services or products impact the environment and society. We refer to our sustainability approach as best-in-service on the grounds that the service sectors are categorised according to the needs of a functioning society. The “energy” service sector, for instance, includes fossil fuels, nuclear power, photovoltaics, wind power and hydropower. Companies operating in the fossil fuel or nuclear power industries perform worse in comparison and are therefore excluded from investment.



Assessment of the impact

What’s more, our assessment analyses the impact of products over their entire life cycle, from procurement through to production, use and disposal. We apply several hundred ecological and social indicators in our sustainability analysis, among them carbon emissions, water consumption, working conditions and corporate governance. To be eligible for investment, companies must score at least average on both the environmental and the social level in their service sector, and one of the two factors must be above average.

Another important element of our rating is the controversy analysis. Companies involved in controversies have their rating downgraded, or may be excluded where appropriate. Taking controversies into account is an important factor as it helps us detect previously unknown deficiencies.

As a result of this strict selection, our eligible investment universe is fairly limited. Generally speaking, Nest can only invest in around 50 per cent of all securities.

Equities



Securities listed in the benchmark index – Nest's own benchmark (CH 16 %, Global 73 %, EM 11 %)

No. of ratings or securities analysed	2889
Ineligible securities – exclusion criteria	88
Ineligible securities – sustainability rating and exclusion criteria	171
Ineligible securities – sustainability rating	1196



50 % of the benchmark index remain eligible for investment

1434

Bonds



Securities listed in the benchmark index – Nest's own benchmark (SBI 24 %, GLAG 76 %)

No. of ratings or securities analysed	1478
Ineligible securities – exclusion criteria	69
Ineligible securities – sustainability rating and exclusion criteria	108
Ineligible securities – sustainability rating	426



59 % of the benchmark index remain eligible for investment

875

Private markets

Due to the lack of data available on private markets, such as private equity or private debt, there are no company ratings to consult. Instead, we use service sector ratings to identify sectors that perform either positively or at least neutral from a sustainability perspective. These are the sectors asset managers can invest in. Moreover, Nest has defined strict sustainability criteria for asset managers. This ensures that rigorous, independent sustainability selection processes also apply in the private markets.

“Nest's selective approach results in a minimum of 50 % exclusions due to sustainability issues.”



Active ownership

Nest actively exercises its voting rights and engages in dialogue with companies to promote sustainable change (engagement). Together, these activities are commonly referred to as “active ownership”.

Exercise of voting rights

Nest exercises its voting rights with respect to both Swiss and global equities. A company-specific voting rights policy has been developed based on the same criteria that apply to the selection process. Execution is delegated to independent proxy advisors. For our voting at Swiss companies, Nest works with Inrate and for international companies with Minerva. Through our voting behaviour as a shareholder, we aim to improve the sustainability of the companies we invest in.

Engagement

For smaller pension funds, it makes sense to partner with other investors and form investment pools. This allows their voice to carry more weight. We have therefore joined the Responsible Shareholder Group (RSG) Inrate for Swiss equities and the Ethos Engagement Pool International for global equities. Engagement takes the form of direct dialogue with companies and global investor initiatives such as *Climate Action 100+* or *UN PRI Advance*. Beyond the Annual General Meetings, engagement can also lead to dialogue with companies on how to make their business practices and strategies more sustainable.

Alongside its involvement with portfolio companies, Nest works in industry associations to promote sustainability in the financial sector. In specific, we are an active member of the *Swiss Sustainable Finance* (SSF) association where we are involved in the “Active Ownership” working group and help shape the Swiss Stewardship Code in order to contribute our vision of sustainability.



Private markets

In the private markets, such as private equity and private debt, Nest uses the RepRisk tool to review the portfolios with regard to sustainability controversies once a year. This process aims to identify companies that pose an increased risk to our sustainability principles across various sustainability aspects. Where necessary, we actively seek dialogue with the responsible asset managers to ensure that these issues are addressed. In the worst-case scenario, our escalation process can lead to a divestment.

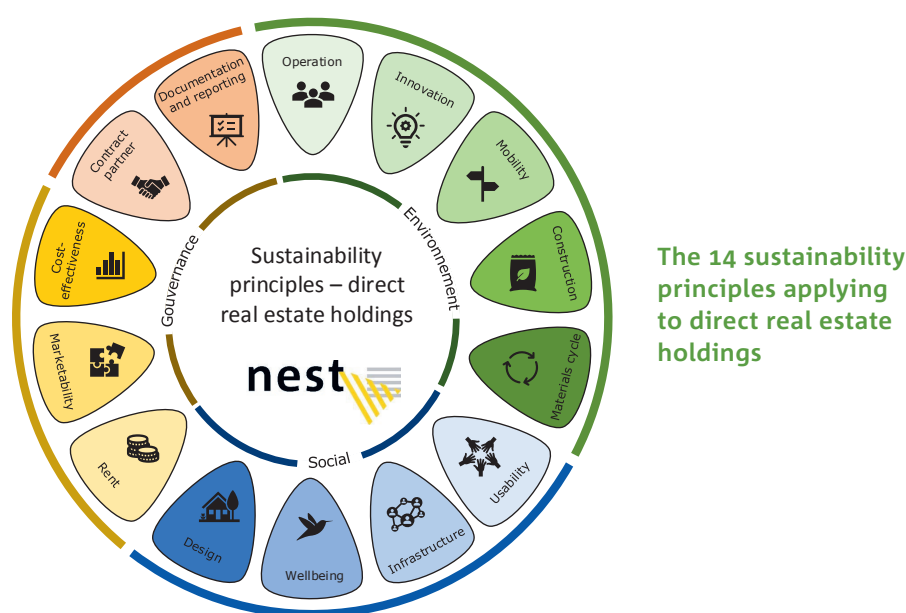
“Nest complements its selection process with a comprehensive active ownership strategy.”

Real estate

Direct real estate holdings

We also pursue an integrated approach to sustainability when it comes to our direct real estate holdings. Covering everything from construction, resources used for operation and use behaviour to the demolition of the properties, our approach aims to minimise the environmental and social impact of these activities. To this end, Nest has developed a separate sustainability concept for real estate, which sets out key requirements in the form of fourteen principles. These principles are implemented for each individual property in conjunction with an independent sustainability consultant.

In terms of the environment, Nest focuses on new buildings constructed to the highest sustainability standards, on energy-efficient construction methods and on sustainable, high-quality materials. We support the Swiss government's 2050 net-zero target and strive to reduce carbon emissions as far as financially feasible. To achieve this, we are steadily reducing the use of fossil fuels and aim to eliminate them completely by 2040. In the social sphere, we focus on convenient residential locations with good public transport connections, high living standards and high neighbourhood quality as well as moderate rent policies. In terms of governance, we prioritise fair and reliable partnerships and transparent reporting on the implementation of these principles.



Indirect real estate holdings

Nest also invests indirectly via collective investments and a mandate in Swiss and international real estate. In the context of this indirect investment approach, sustainability implementation focuses on the selection of investment products and asset managers as well as on engagement with existing asset managers. Data collection and availability is still one of the greatest challenges in this area. This is why we regularly conduct surveys and interviews to determine the extent to which sustainability efforts have improved. We are working with the responsible asset managers to develop and standardise the collection and reporting of portfolio data with a view to furthering the integration of sustainability aspects.

“Nest has developed a separate sustainability concept to underscore the importance of sustainability for real estate.”

Portfolio Highlight

Neustark

Neustark, a provider of innovative solutions in the field of climate change mitigation, is a prime example of our sustainable investments. Founded in 2019, the Swiss start-up Neustark is a spin-off from ETH Zurich. The company uses a revolutionary technology to permanently bind biogenic CO₂ as well as CO₂ removed from the atmosphere in demolition concrete. In addition to reducing carbon emissions, CO₂ must also be removed from the atmosphere and stored permanently to ensure that global climate targets are met. Having established itself as a leading provider in this field since 2019, Neustark now operates 19 capture and storage plants in Europe. Neustark thereby permanently removes CO₂ and generates significant negative emissions. This investment in our private equity portfolio illustrates how Nest contributes to solving global environmental problems through selective investments in innovative technologies.



Neustark is part of Nest's private equity portfolio. Through its business activities, our investment makes a positive contribution to SDGs 9, 11, 12 and 13.



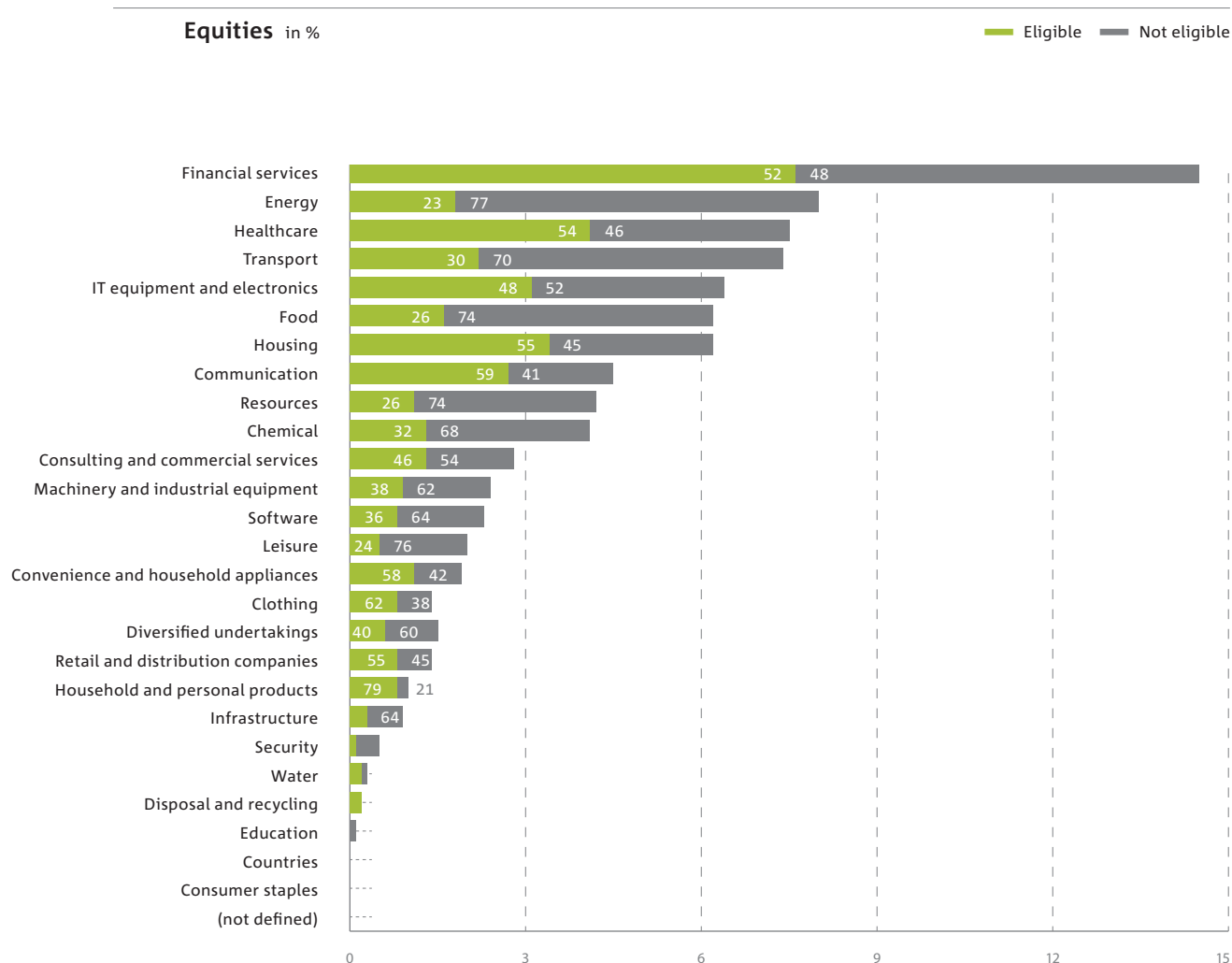
How We Disclose Information – Reporting

Nest places great emphasis on the transparent reporting of sustainability in its investments. This is why we measure the social and environmental compatibility of our portfolios and publish the results. Since last year, we have also been disclosing information on the sustainability indicators of the Swiss Pension Fund Association ASIP.

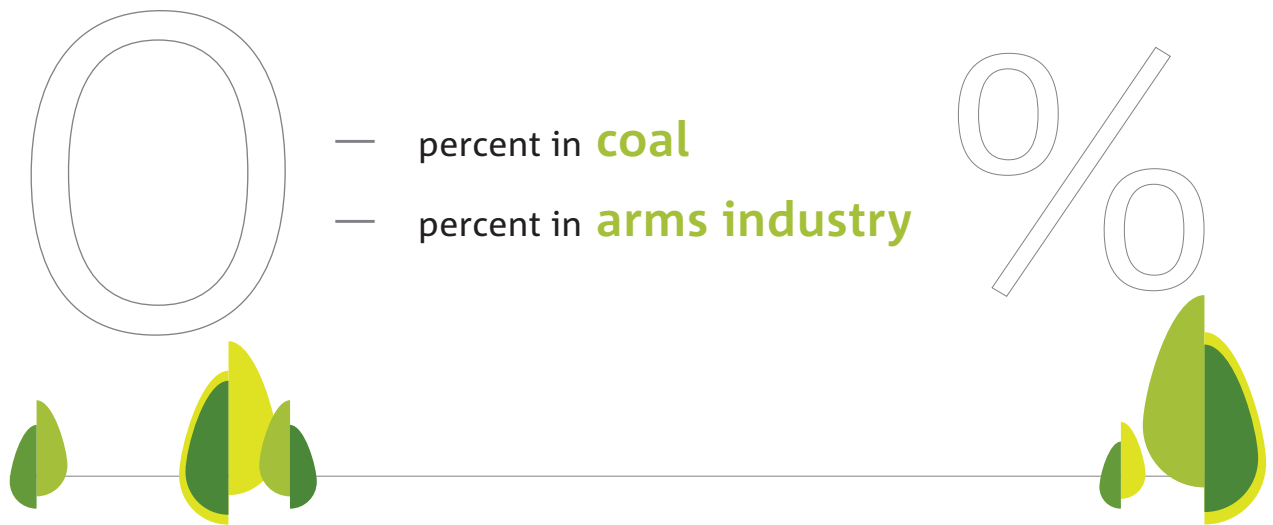
Selection

The following bar charts show the eligible equity and bond investments by sector and by number of securities. It clearly illustrates that the percentage of investable securities in certain sectors such as “Energy” is well below 50 per cent. This is because the majority of energy companies continue to have a significant negative impact on the environment and society. At present, very few companies in this sector operate on a sustainable basis. Essentially, the figures provide a clear picture of the rigour of Nest’s sustainability selection process.

“Nest follows a highly selective approach across all sectors.”

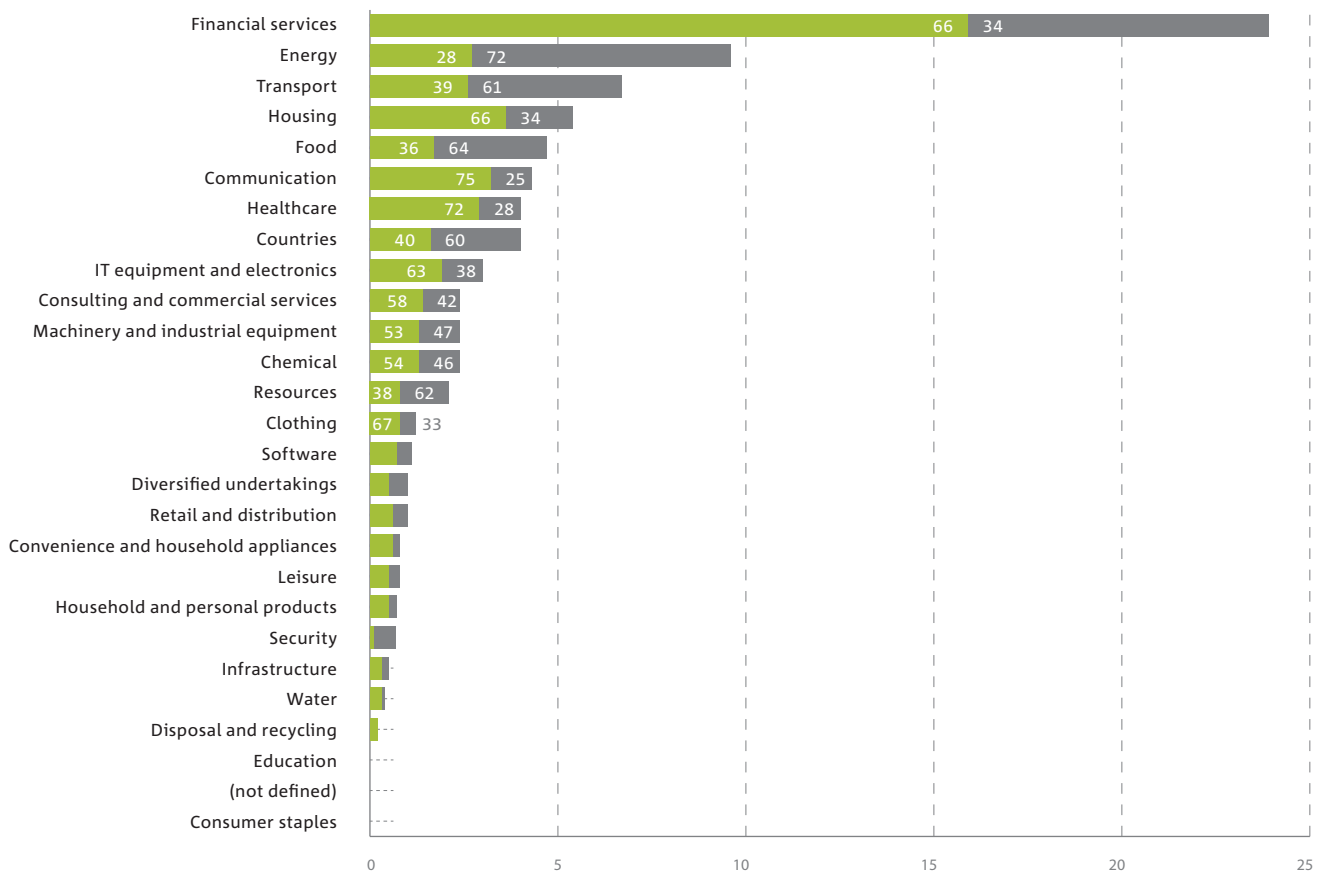


Investments



Bonds in %

Eligible Not eligible



The UN Sustainable Development Goals (SDGs)

In 2015, the UN adopted the 2030 Agenda including seventeen Sustainable Development Goals (SDGs) as a means of tackling global challenges. With institutional investors, such as pension funds, playing a key role in achieving the SDGs, these goals also put the spotlight on the financial market. Thanks to its sustainable investment approach, Nest is contributing to the realisation of the UN Sustainable Development Goals.

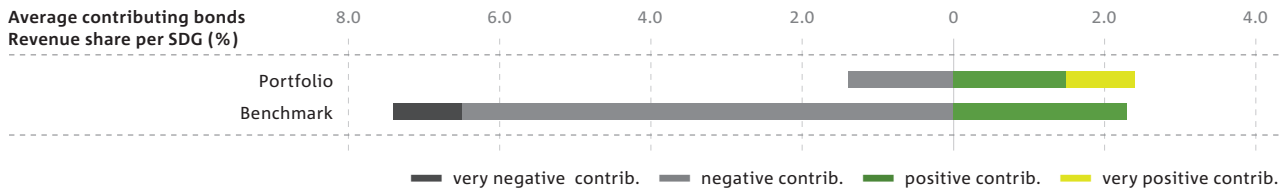
In our SDG reports, we analyse the impact of companies' products and services (or business activities) on the various SDGs, such as climate mitigation, affordable energy or sustainable cities and communities. All in all, our analysis shows that the current global economy (comparative index) still has a very negative impact on the environment and nature. However, compared to the benchmark index, the results for the Nest portfolios show that they reduce negative contributions to the SDGs by over 80 percent and 50 percent respectively. At the same time, they generally deliver slightly higher positive contributions, the majority of which are even in the very positive category. We are delighted with these results, which show that our sustainability approach is working across various dimensions.

“Nest’s sustainability approach works across all sustainability dimensions.”



Bonds

Average contributing bonds
Revenue share per SDG (%)

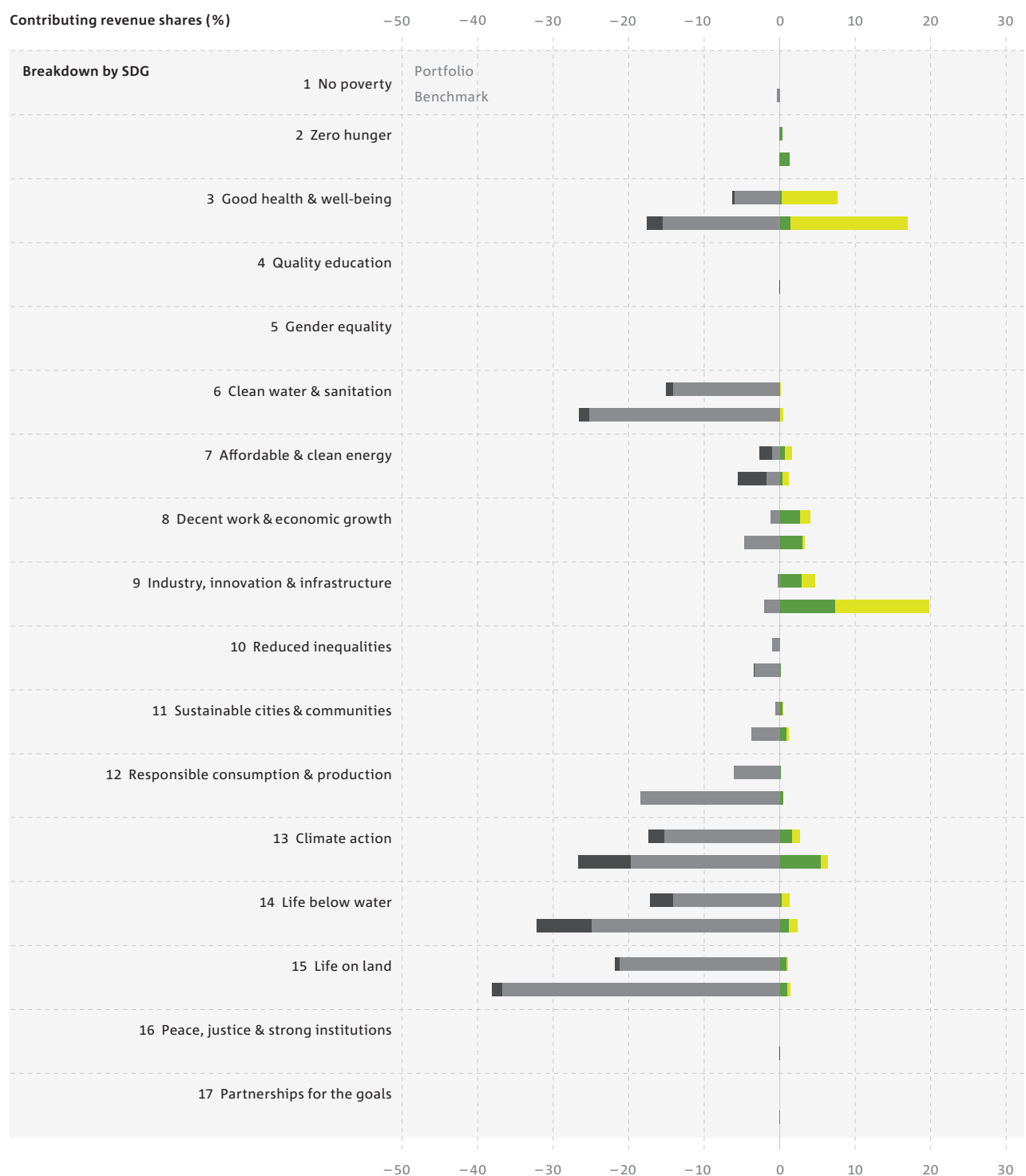
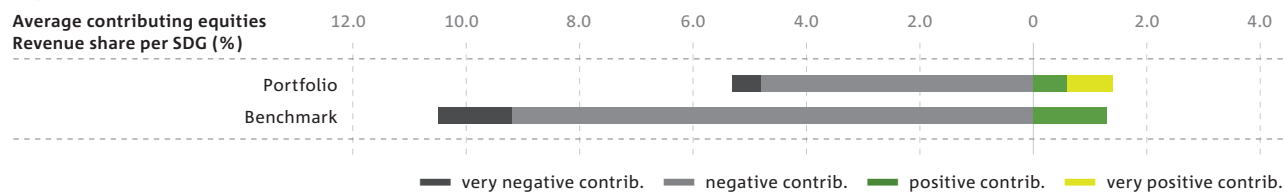


Contributing revenue shares (%)



Showing the average revenue shares (in %) of the portfolio companies that have a positive or negative impact on the various SDGs.

Equities



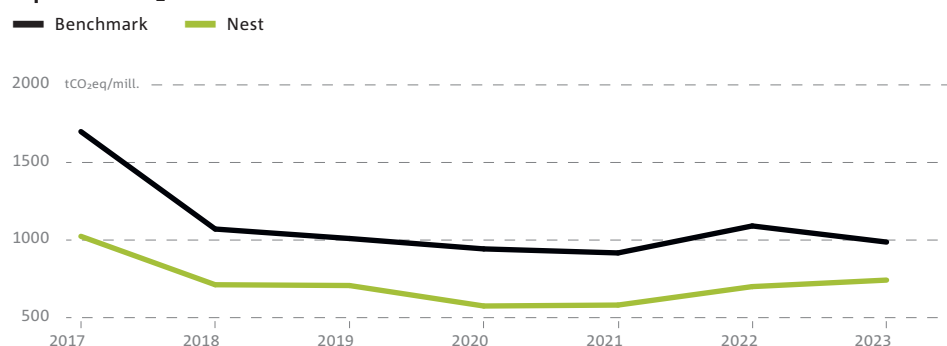
Showing the average revenue shares (in %) of the portfolio companies that have a positive or negative impact on the various SDGs.

Greenhouse gas emissions (CO₂)

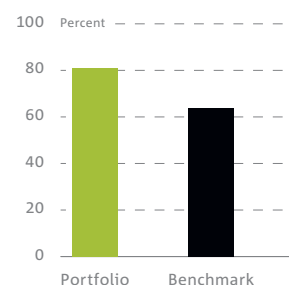
Climate compatibility plays a key role in our sustainability assessment, and we have made a commitment to measure, publicise and reduce the level of greenhouse gas intensity in our portfolio.

With our measurements covering both direct (Scope 1 and 2) and indirect (Scope 3) emissions in our equity and bond portfolios, the companies' greenhouse gas emissions are recorded over the entire life cycle, i.e., from suppliers to production and use. Our results show that Nest reduces Scope 1 and Scope 2 emissions by 26 percent and 45 percent respectively compared to the benchmark index. Considering Scope 3 emissions, the reductions amount to 25 and 22 per cent respectively. These figures confirm that our integrated sustainability assessment also bears fruit when it comes to the envisaged reduction in greenhouse gas emissions.

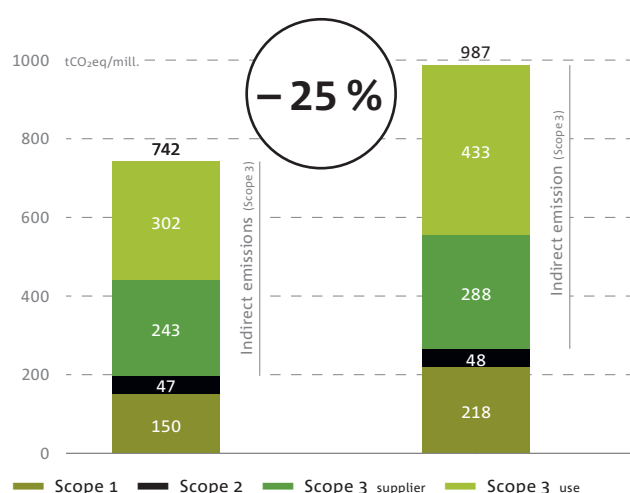
Equities: CO₂ reduction



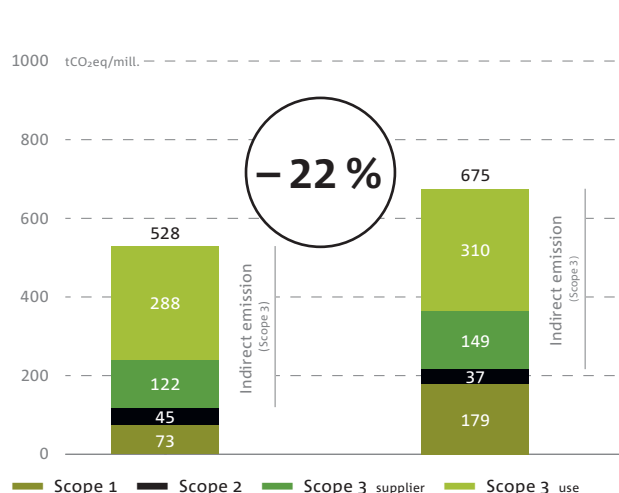
Equities: share of companies with a net-zero target



Equities Portfolio & benchmark



Bonds Portfolio & benchmark



The greenhouse gas intensity is stated in tonnes of CO₂ equivalents per million of turnover generated by the invested companies. The benchmark index consists of the asset-weighted benchmarks of the portfolios, i.e., the SPI, MSCI World and MSCI EM for equities and the SBI and Bloomberg Global Aggregate for bonds..

“Greenhouse gas emissions in the Nest portfolio are significantly reduced despite the integrated sustainability approach.”

Active ownership

Exercising our shareholder rights is part of our commitment to sustainability. The annual votes cast by our proxy advisors are in line with our sustainability principles. This is aimed at promoting structural change towards more sustainable business practices at the portfolio companies.



Voting behaviour in Switzerland in 2023

Number of companies for which votes were cast	41
as a percentage of the invested capital	100 %
Number of agenda items	1048
thereof in favour	83 %
against	17 %
abstained	0 %
Percentage of votes supported on sustainability topics	100 % (16 of 16)

As part of its engagement activities, Nest has joined the Responsible Shareholders Group for Swiss companies and the Ethos Engagement Pool International for global companies.



Engagement – Switzerland

Number of companies addressed	105
54 of 105 companies were confronted with several topics, including governance.	
Key areas	Scope 3 emissions
	Sustainable products and services
	Biodiversity
	Human rights
	Psychosocial risks in the workplace
	Expertise at the management level
	Sustainability criteria in the remuneration system



Engagement – global

No. of companies addressed	2,048 in 52 campaigns
26 of 52 campaigns relate to social issues, in particular compliance with human and labour rights.	
21 out of 52 campaigns relate to environmental issues such as climate change, biodiversity and deforestation.	
Key areas	Climate change
	Biodiversity
	Social
	Corporate governance

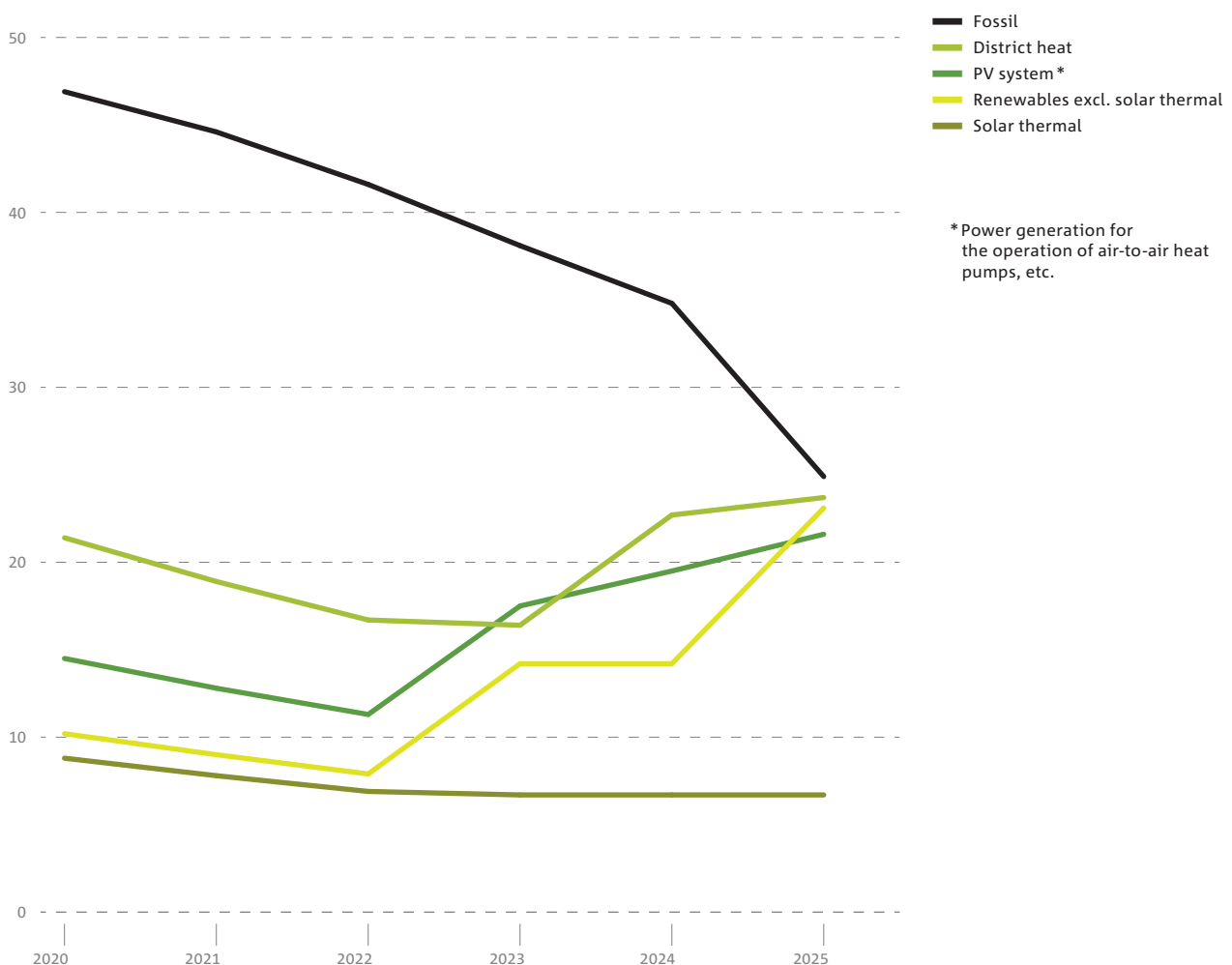
“Nest exercises its voting rights and addresses various sustainability issues through dialogue with the companies.”

Real estate

We are implementing our integrated sustainability approach in over thirty directly held properties. Based on our specific sustainability concept for refurbishments and new builds, we are paving the way for a more sustainable building stock in Switzerland.

One of our measures entails a gradual increase in the proportion of renewable energy used as the primary energy source for heating. By 2025, the proportion of fossil fuels should be down to just under thirty percent, which will be further reduced by 2050 in line with the net-zero target. This means that no fossil fuels should be used in the Nest property portfolio by 2040.

Breakdown of properties by main energy source for heating in percent



Panorama Birmensdorf – Nest’s first timber construction



100 percent Swiss wood: estimated CO ₂ savings of 4,000 tonnes over the life cycle compared to conventional construction methods	Full-surface PV systems on the roofs cover around 70 per cent of the electricity requirements	SNBS & ECO building standards	Optional charging stations in the underground car park	High-quality environment with special focus on biodiversity	Heating system based on geothermal probes and heat pumps
---	---	-------------------------------	--	---	--

Nest also works to step up reporting on indirect property investments, using questionnaires to survey asset managers’ sustainability efforts. Through dialogue with the relevant asset managers, we aim to arrive at more extensive data collection and greater comparability.

Indirect real estate holdings

Sustainability strategy in place	Yes
Measuring CO ₂ emissions	Scopes 1–2: all sub-portfolios Scope 3: one so far
Carbon reduction target in place	Yes for two, in planning for a third
Sustainability reporting in place	Yes

“Nest’s sustainability concept for refurbishments and new builds paves the way for a more sustainable building stock in Switzerland.”





Foto: fladendron/istock

Pursuit is part of Nest’s private equity portfolio. The organisation’s business activities make a positive contribution to SDGs 4, 8 and 17.

Pursuit

The NGO Pursuit is working to reduce wealth inequality by offering technology-focused training, staff development programmes and support for low-income earners in New York City. Career development is promoted through an intensive one-year programme and partnerships with companies. In the USA, participants typically finance tuition fees for such programmes through loans. Pursuit, on the other hand, only charges tuition fees in the event of success, which means that graduates only pay the fees if they obtain a well-paid job as a result of their training. Failure to succeed is therefore not penalised further with additional debt incurred as a result of the training.

4 QUALITY EDUCATION

8 DECENT WORK AND ECONOMIC GROWTH

17 PARTNERSHIPS FOR THE GOALS

External Evaluations


Objective and independent evaluations and comparisons are valuable indicators for a company when it comes to critically analysing its sustainability approach. They offer guidance and help develop the company's sustainability implementation. The results of these external assessments confirm the impact and results of our approach.

In its pension fund rating, Switzerland's "SonntagsZeitung" newspaper describes Nest as a pioneer in the field of sustainable investments that has incorporated ecological and ethical principles in its investment decisions for decades. The Climate Alliance Switzerland has always given Nest top marks in its pension fund rating – something we are particularly proud of.



“A visionary, all-round sustainable pension fund and a pioneer for decades.”

“In terms of the scientific basis, measurement and documentation of its securities portfolios, Nest is the most advanced of all sustainable and climate-compatible employee benefits institutions.”



“Nest's visionary climate action agenda gives its assets the best possible chance of achieving the Paris Climate Agreement's 1.5-degree target through net-zero financed greenhouse gas emissions well before 2050.”





Design: Clerici Partner Design, Zürich

Nest Collective Foundation
Molkenstrasse 21
8004 Zürich

T 044 444 57 57
F 044 444 57 99
info@nest-info.ch
www.nest-info.ch

Nest Fondation collective
10, rue de Berne, 1201 Genève
T 022 345 07 77
F 022 345 07 79