



CLIMATE TRANSPARENCY REPORT 2020

Pension Fund City of Zurich (PKZH)

About the Climate-related Disclosure Indicators

Climate has been identified as a top priority for PRI signatories, with over 70% of asset owners reporting this as the most important long-term trend they are acting on.

The FSB Task Force's guidance on climate-related financial disclosure aim to create a single framework for disclosure on assessment and management of climate-related risk. The recommendations, supported by investors representing US\$22 trillion, identify four main disclosures, Governance, Strategy, Risk Management, Metrics and Targets, and include specific guidance for asset owners and managers.

As a result, the PRI introduced climate-related disclosure indicators that can be used to align with the TCFD recommendations in the 2020 PRI Reporting Framework.

About this report

This report is an export of only the climate-related indicators from the 2020 Reporting Framework response. The full Public Transparency Report is available here (<https://reporting.unpri.org/surveys/PRI-reporting-framework-2020/-45B754BB-DB9D-44B7-B06B-F9666BB5177A/79894dbc337a40828d895f9402aa63de/html/2/?lang=en&a=1>). It shows the responses to all the completed climate indicators, even those you chose to keep private. It is designed for your internal review or – if you wish - to share with your stakeholders.

The PRI will not publish this report on its website if you have designated your 2020 climate reporting as “private”. Otherwise, you will be able to access the Climate Transparency Report of your organisation and that of other signatories on the [PRI website](#) and on the [Data Portal](#).

To easily locate information, there is a **Recommendation index** which summarises the indicators that signatories complete and disclose. The report presents information exactly as it was reported as per signatory preference. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory are presented in this report.

TCFD Recommendations Index

Strategy and Governance - CC			TCFD Recommendation			
Indicator	Reported	Disclosure	Governance	Strategy	Risk Management	Metrics & Targets
SG 01.6 CC	✓	Public				
SG 01.7 CC	✓	Public				
SG 01.8 CC	✓	Public				
SG 01.9 CC	✓	Public				
SG 01.10 CC	✓	Public				
SG 07.5 CC	✓	Public				
SG 07.6 CC	✓	Public				
SG 07.7 CC	✓	Public				
SG 07.8 CC	✓	Public				
SG 13.1	✓	Public				
SG 13.2	✓	Public				
SG 13.4 CC	✓	Public				
SG 13.5 CC	✓	Public				
SG 13.6 CC	✓	Public				
SG 13.7 CC	✓	Public				
SG 13.8 CC	✓	Public				
SG 14.1	✓	Public				
SG 14.2	✓	Public				
SG 14.3	✓	Public				
SG 14.6 CC	✓	Public				
SG 14.7 CC	-	Public				
SG 14.8 CC	✓	Public				
SG 14.9 CC	✓	Public				
SG 15.1	✓	Public				
SG 15.2	✓	Public				
SG 15.3	✓	Public				

Symbol	Status
✓	The signatory has completed this sub-indicator
-	The signatory did not complete this sub-indicator.
	This indicator is relevant to the named TCFD recommendation
Within the first column "Indicator", indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.	

ORGANISATIONAL OVERVIEW

This section provides an overview of your organisation. These characteristics are used to define your peer groups.

MAIN CHARACTERISTICS	
Name	Pension Fund City of Zurich (PKZH)
Signatory Category	Non-corporate pension or superannuation or retirement or provident fund or plan
Signatory Type	Asset Owner
Size	US\$ 10 - 29.99 billion AUM
Main Asset Class	Multi-Asset
Signed PRI Initiative	2011
Region	Europe
Country	Switzerland
Disclosure of Voluntary Indicators	24% from 38 Voluntary indicators

Pension Fund City of Zurich (PKZH)

Reported Information

Public version

Strategy and Governance

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

Investment policy

SG 01	Mandatory	Public	Core Assessed	General
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New selection options have been added to this indicator. Please review your prefilled responses carefully.

SG 01.1	Indicate if you have an investment policy that covers your responsible investment approach.
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SG 01 CC	Mandatory to Report Voluntary to Disclose	Public	Descriptive	General
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SG 01.6 CC	Indicate whether your organisation has identified transition and physical climate-related risks and opportunities and factored this into the investment strategies and products, within the organisation's investment time horizon.
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Yes

	Describe the identified transition and physical climate-related risks and opportunities and how they have been factored into the investment strategies/products.
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Die PKZH nimmt ihre treuhänderische Sorgfaltspflicht wahr und berücksichtigt in ihrer Anlagestrategie sämtliche Risiken, denen Unternehmen ausgesetzt sind.

Darunter fallen auch Klimarisiken. Unter Berücksichtigung ihrer allgemeinen Grundsätze der Vermögensverwaltung hat die PKZH beschlossen, die aus dem Übergang in eine Welt mit signifikant geringerem Kohlestoffverbrauch resultierenden Risiken zu diversifizieren.

Sie setzt sich zum Ziel, den CO₂-Fussabdruck des gesamten Aktienvermögens gegenüber dem MSCI All Countries World Index IMI (Stand 2016) bis 2024 um 50% zu reduzieren.

Die Klimastrategie wird schrittweise mit folgenden Massnahmen umgesetzt:
Aktives Aktionariat

Als Aktive Aktionärin übt die die PKZH ihre Aktienstimmrechte in der Schweiz und im Ausland aus und führt einen aktiven Dialog mit Unternehmen in der Schweiz und im Ausland zu Umwelt- und Klima-, sozialen sowie Corporate Governance-Themen. Schwergewichtig nimmt sie auf die Firmen in CO₂-intensiven Sektoren Einfluss, damit diese ihren CO₂-Ausstoss reduzieren. Die PKZH ist überzeugt, dass dies ein wirksamer Weg ist, um einen Beitrag an eine nachhaltige Entwicklung der Weltwirtschaft zu leisten. Demgegenüber glaubt sie nicht, dass mit dem Ausschluss von Firmen deren Verhalten beeinflusst werden kann.

Ausschluss von Kohle-Firmen

Kohleproduzenten sowie Versorger, deren Anteil an Kohle in der Stromproduktion mehr als zwei Drittel ausmacht, werden vom Anlageuniversum ausgeschlossen. Aufgrund des tiefen Wirkungsgrades von Kohle in der Stromproduktion werden die Risiken der Kohleindustrie als besonders hoch eingestuft.

Untergewichtung von Sektoren

Vom Dekarbonisierungsprozess in hohem Ausmass betroffene Sektoren (Erdöl und Erdgas, Versorger, Grundstoffe und Industrie) werden untergewichtet. Damit werden die Risiken in jenen Bereichen reduziert, welche von den Folgen der Klimaerwärmung am stärksten betroffen sind. Als Investorin in diese Sektoren kann und wird die PKZH auch in Zukunft einen aktiven Dialog mit den betroffenen Unternehmen führen.

Untergewichtung von Firmen mit einer hohen CO₂-Intensität

Damit werden hochgradig CO₂-ineffiziente Unternehmen untergewichtet. Mit den davon betroffenen Firmen wird der Dialog aufrechterhalten.

Aktive Mandate

Ein Teil des Aktienvermögens wird über aktive Mandate investiert, deren CO₂-Fussabdruck markant geringer ist als jener des Aktienindexes.

Die Umsetzung der PKZH-Klimastrategie erfolgt schrittweise und wird laufend überwacht sowie an neue Entwicklungen angepasst.

No

**SG 01.7
CC**

Indicate whether the organisation has assessed the likelihood and impact of these climate risks?

Yes

Describe the associated timescales linked to these risks and opportunities.

We assess the physical and transition risks for the equity portfolio with respect to realising a 2 degree scenario in 2050. Our goal is to reduce our carbon footprint by 50% till 2024 (compared to 2016).

No

**SG 01.8
CC**

Indicate whether the organisation publicly supports the TCFD?

Yes

No

**SG 01.9
CC**

Indicate whether there is an organisation-wide strategy in place to identify and manage material climate-related risks and opportunities.

Yes

Describe

PKZH has set the goal to reduce the carbon emissions by half compared to the MCSI IMI Index (2016) till 2014. To achieve that goal we have several provisions in place:

- active mandates with investments in low-carbon stocks
- exclusions of coal
- underweight of high carbon-emitting sectors and industries
- underweight of highly carbon-inefficient companies

Furthermore we measure the impact of our carbon reduction policy.

No

**SG 1.10
CC**

Indicate the documents and/or communications the organisation uses to publish TCFD disclosures.

- Public PRI Climate Transparency Report
- Annual financial filings
- Regular client reporting
- Member communications
- Other
- We currently do not publish TCFD disclosures

Governance and human resources

SG 07.5 CC	Indicate the roles in the organisation that have oversight, accountability and/or management responsibilities for climate-related issues.
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Board members or trustees

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Chief Executive Officer (CEO), Chief Investment Officer (CIO), Chief Risk Officer (CRO), Investment Committee

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Other Chief-level staff or heads of departments

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Portfolio managers

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Investment analysts

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Dedicated responsible investment staff
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- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

External managers or service providers
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- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

**SG 07.6
CC**

For board-level roles that have climate-related issue oversight/accountability or implementation responsibilities, indicate how these responsibilities are executed.

The Board is controlling, if and how the chief officers and all other management roles have executed the goals, the board level has set.

**SG 07.7
CC**

For management-level roles that assess and manage climate-related issues, provide further information on the structure and processes involved.

On management-level the carbon reduction goal is set as a yearly goal to define new low-carbon benchmarks for passiv mandates and to define rules how to underweight carbon-intensive companies.

**SG 07.8
CC**

Indicate how your organisation engages external investment managers and/or service providers on the TCFD recommendations and their implementation.

- Request that external managers and/or service providers incorporate TCFD into mainstream financial filings (annual financial reports, other regulatory reporting or similar)
- Request incorporation of TCFD into regular client reporting
- Request that external managers complete PRI climate indicator reporting
- Request responses to TCFD Fund Manager questions in the PRI Asset Owner Guide
- Other

Specify

We request our stewardship provider Hermes EOS to specifically address TCFD recommendations and their implementation as part of their engagement with companies invested.

- We do not engage with external managers and/or service providers on the TCFD recommendations and their implementation

ESG issues in asset allocation

SG 13

Mandatory

Public

Descriptive

PRI 1

SG 13.1

Indicate whether the organisation carries out scenario analysis and/or modelling, and if it does, provide a description of the scenario analysis (by asset class, sector, strategic asset allocation, etc.).

- Yes, in order to assess future ESG factors
- Yes, in order to assess future climate-related risks and opportunities

Describe

Pacta-Tool, BafU-Study

- No, our organisation does not currently carry out scenario analysis and/or modelling

SG 13.2

Indicate if your organisation considers ESG issues in strategic asset allocation and/or allocation of assets between sectors or geographic markets.

We do the following

- Allocation between asset classes
- Determining fixed income duration
- Allocation of assets between geographic markets
- Sector weightings
- Other, specify
- We do not consider ESG issues in strategic asset allocation

SG 13 CC	Mandatory to Report Voluntary to Disclose	Public	Descriptive	General
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SG 13.4 CC

Describe how your organisation is using scenario analysis to manage climate-related risks and opportunities, including how the analysis has been interpreted, its results, and any future plans.

- Initial assessment

Describe

We have participated in the BAFU- Study (pacta-tool) to asses the carbon footprint of our portfolio and the alignment with a 2 degree target. We plan to use this tool in the future to assess climate risks of our portfolio. We also worked with Southpole to assess both physical and transition risks on a industry level.

- Incorporation into investment analysis

Describe

Above mentioned Southpole analysis helped us to dertermin the underweights of highly carbon intensive sectors.

- Inform active ownership

Describe

Above mentioned Southpole analysis helped us to guide our engagement specialist towards most materiality in sectors and themes.

- Other

SG 13.5 CC

Indicate who uses this analysis.

- Board members, trustees, C-level roles, Investment Committee
- Portfolio managers
- Dedicated responsible investment staff
- External managers
- Investment consultants/actuaries
- Other

SG 13.6
CC

Indicate whether your organisation has evaluated the potential impact of climate-related risks, beyond the investment time horizon, on its investment strategy.

- Yes
- No

Please explain the rationale

above mentioned analysis tries to capture climate risks up to 2050.

SG 13.7
CC

Indicate whether a range of climate scenarios is used.

- Analysis based on a 2°C or lower scenario
- Analysis based on an abrupt transition, consistent with the Inevitable Policy Response
- Analysis based on a 4°C or higher scenario
- No, a range is not used

SG 13.8
CC

Indicate the climate scenarios your organisation uses.

Provider	Scenario used	
IEA	<input type="checkbox"/> Beyond 2 Degrees Scenario (B2DS)	
IEA	<input type="checkbox"/> Energy Technology Perspectives (ETP) 2 Degrees scenario	
IEA	<input type="checkbox"/> Sustainable Development Scenario (SDS)	
IEA	<input type="checkbox"/> New Policy Scenario (NPS)	
IEA	<input type="checkbox"/> Current Policy Scenario (CPS)	
IRENA	<input type="checkbox"/> RE Map	
Greenpeace	<input type="checkbox"/> Advanced Energy [R]evolution	
Institute for Sustainable Development	<input type="checkbox"/> Deep Decarbonisation Pathway Project (DDPP)	
Bloomberg	<input type="checkbox"/> BNEF reference scenario	
IPCC	<input type="checkbox"/> Representative Concentration Pathway (RCP) 8.5	
IPCC	<input type="checkbox"/> RPC 6	
IPCC	<input type="checkbox"/> RPC 4.5	
IPCC	<input type="checkbox"/> RPC 2.6	
Other	<input checked="" type="checkbox"/> Other (1)	<div style="background-color: #0070C0; color: white; padding: 2px;">Other (1) please specify:</div> Pacta Tool
Other	<input checked="" type="checkbox"/> Other (2)	<div style="background-color: #0070C0; color: white; padding: 2px;">Other (2) please specify:</div> IEA and ICCP via Southpole
Other	<input type="checkbox"/> Other (3)	

SG 14	Mandatory to Report Voluntary to Disclose	Public	Additional Assessed	PRI 1
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SG 14.1

Some investment risks and opportunities arise as a result of long term trends. Indicate which of the following are considered.

- Changing demographics
- Climate change
- Resource scarcity
- Technological developments
- Other, specify(1)
- Other, specify(2)
- None of the above

SG 14.2

Indicate which of the following activities you have undertaken to respond to climate change risk and opportunity

- Established a climate change sensitive or climate change integrated asset allocation strategy
- Targeted low carbon or climate resilient investments

Specify the AUM invested in low carbon and climate resilient portfolios, funds, strategies or asset classes.

	trillions	billions	millions	thousands	hundreds
Total AUM		13	660	000	000
Currency	CHF				
Assets in USD		13	689	427	616

Specify the framework or taxonomy used.

All public equity and our bond investments are considered. We implement the carbon reduction goal in all public equity holdings.

Our engagement service provider, Hermes EOS, engages companies specifically with a view to enhance disclosure and the management of climate-related risks within the equity and bond portfolio. We have a carbon reduction path in place on the real estate investments.

- Phase out your investments in your fossil fuel holdings
- Reduced portfolio exposure to emissions intensive or fossil fuel holdings
- Used emissions data or analysis to inform investment decision making
- Sought climate change integration by companies
- Sought climate supportive policy from governments
- Other, specify

other description

Our service provider EOS at Federated Hermes engages companies specifically with a view to enhance disclosure, integrate actions and policies around climate-related risks and investments.

- None of the above

SG 14.3

Indicate which of the following tools the organisation uses to manage climate-related risks and opportunities.

- Scenario analysis
- Disclosures on emissions risks to clients/trustees/management/beneficiaries
- Climate-related targets
- Encouraging internal and/or external portfolio managers to monitor emissions risks
- Emissions-risk monitoring and reporting are formalised into contracts when appointing managers
- Weighted average carbon intensity
- Carbon footprint (scope 1 and 2)
- Portfolio carbon footprint
- Total carbon emissions
- Carbon intensity
- Exposure to carbon-related assets
- Other emissions metrics
- Other, specify
- None of the above

SG 14 CC	Voluntary	Public		General
SG 14.6 CC	Provide further details on the key metric(s) used to assess climate-related risks and opportunities.			

Metric Type	Coverage	Purpose	Metric Unit	Metric Methodology
Climate-related targets	<input type="checkbox"/> All assets <input checked="" type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	Forward looking indicators on a Company Level used in the Engagement process	science based targets	SBT
Weighted average carbon intensity	<input type="checkbox"/> All assets <input type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets			
Carbon footprint (scope 1 and 2)	<input type="checkbox"/> All assets <input type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets			
Portfolio carbon footprint	<input type="checkbox"/> All assets <input checked="" type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	climate risk reduction	CO2-equivalent Tons	ISS Scope 1-3
Total carbon emissions	<input type="checkbox"/> All assets <input type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets			
Carbon intensity	<input type="checkbox"/> All assets <input checked="" type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	Company underweights	carbon intensity by revenue	ISS Scope 1-3
Exposure to carbon-related assets	<input type="checkbox"/> All assets <input type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets			

SG 14.7
CC

Describe in further detail the key targets.

Targettype	Baseline year	Target year	Description	Attachments
<input type="checkbox"/> Absolute target <input type="checkbox"/> Intensity target				
<input type="checkbox"/> Absolute target <input type="checkbox"/> Intensity target				
<input type="checkbox"/> Absolute target <input type="checkbox"/> Intensity target				
<input type="checkbox"/> Absolute target <input type="checkbox"/> Intensity target				
<input type="checkbox"/> Absolute target <input type="checkbox"/> Intensity target				

SG 14.8 CC Indicate whether climate-related risks are integrated into overall risk management and explain the risk management processes used for identifying, assessing and managing climate-related risks.

- Processes for climate-related risks are integrated into overall risk management

Please describe

our climate strategy is expected to reduce market risks by avoiding companies that could default because of climate risk or whose assets could become stranded.

- Processes for climate-related risks are not integrated into overall risk management

SG 14.9 CC Indicate whether your organisation, and/or external investment manager or service providers acting on your behalf, undertake active ownership activities to encourage TCFD adoption.

- Yes

Please describe

climate risk disclosure is one of the more important topics we discuss with companies via our engagement provider Hermes EOS and Ethos.

- No, we do not undertake active ownership activities.
- No, we do not undertake active ownership activities to encourage TCFD adoption.

SG 15	Mandatory to Report Voluntary to Disclose	Public	Descriptive	PRI 1
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SG 15.1 Indicate if your organisation allocates assets to, or manages, funds based on specific environmental and social themed areas.

- Yes

SG 15.2 Indicate the percentage of your total AUM invested in environmental and social themed areas.

%

2

SG 15.3 Specify which thematic area(s) you invest in, indicate the percentage of your AUM in the particular asset class and provide a brief description.

Area

Energy efficiency / Clean technology

Asset class invested

Listed equity

Percentage of AUM (+/-5%) per asset class invested in the area

2

Fixed income - SSA

Fixed income - Corporate (financial)

Percentage of AUM (+/-5%) per asset class invested in the area

2

Fixed income - Corporate (non-financial)

Fixed income - Securitised

Private equity

Percentage of AUM (+/-5%) per asset class invested in the area

1

Property

Percentage of AUM (+/-5%) per asset class invested in the area

1

Fund of hedge funds

Cash

Other (1)

Brief description and measures of investment

companies that are active in that field, underlying companies of PE-Partnerships we are invested in.

Renewable energy

Asset class invested

- Listed equity
- Fixed income - SSA
- Fixed income - Corporate (financial)
- Fixed income - Corporate (non-financial)
- Fixed income - Securitised
- Private equity

Percentage of AUM (+/-5%) per asset class invested in the area

1

- Property

Percentage of AUM (+/-5%) per asset class invested in the area

2

- Fund of hedge funds
- Cash
- Other (1)

Brief description and measures of investment

companies that are active in that, underlying companies of PE-Partnerships we are invested in. Properties using renewable energy.

- Green buildings

Asset class invested

- Listed equity
- Fixed income - SSA
- Fixed income - Corporate (financial)
- Fixed income - Corporate (non-financial)
- Fixed income - Securitised
- Private equity
- Property

Percentage of AUM (+/-5%) per asset class invested in the area

1

- Fund of hedge funds
- Cash
- Other (1)

Brief description and measures of investment

The managers of our property investments have specific construction guidelines which aim to develop/build energy efficient buildings.

- Sustainable forestry
- Sustainable agriculture
- Microfinance
- SME financing
- Social enterprise / community investing
- Affordable housing

Asset class invested

- Listed equity
- Fixed income - SSA
- Fixed income - Corporate (financial)
- Fixed income - Corporate (non-financial)
- Fixed income - Securitised
- Private equity
- Property

Percentage of AUM (+/-5%) per asset class invested in the area

1

- Fund of hedge funds
- Cash
- Other (1)

Brief description and measures of investment

Buying and building of houses to rent with affordable prices to people.

- Education
 - Global health
 - Water
 - Other area, specify
- No