

Swiss Life Asset Managers Responsible Investment Policy

February 2022

Contents

- Introduction 3
- Scope & purpose 3
- Responsible investment strategies 4
 - 1. Exclusion & divestment 4
 - 2. ESG integration 6
 - 3. Sustainable investment 7
 - 4. Position statement on Human Rights & Climate Change 8
- Risk Management 8
- Active stewardship 9
- Governance 10

Introduction

For over 160 years, Swiss Life Asset Managers has managed the assets of the Swiss Life Group as well as institutional and retail clients. As a European owner and manager of assets, we carry a responsibility towards society and the environment alongside our fiduciary obligations towards our clients. By assessing Environmental, Social and Governance (ESG) criteria along with financial metrics and risk factors, we generate a more sustainable outcome and increase the long-term quality of our investment portfolios, by addressing big market trends. Swiss Life is fully committed to the Principles for Responsible Investment (PRI) as an asset owner and our responsible investment approach is aligned with the PRI guidelines.

The foundation of Swiss Life Asset Managers' core values are: fiduciary duty, intergenerational responsibility and active stewardship. Dedicated to our fiduciary duty, our responsible investment approach intends to redirect capital flows towards sustainable development by seizing investment opportunities, while managing downside risk both for the issuer and the society and building lasting value for our clients. We also believe that we carry responsibility towards future generations to maintain a prosperous environment while pursuing our goals. We therefore aim to align our fiduciary duty and intergenerational responsibilities by focusing on solutions which reconcile the creation of economic, environmental and social value. Moreover, we consider active stewardship as an integral part of our ESG journey and support various initiatives, organisations and corporates to promote the progress of society towards greater sustainability.

To reconcile our responsibilities as an asset manager with current ESG mega trends, we have defined Swiss Life Asset Managers' sustainability ambition as follows: mitigate climate change and biodiversity loss while empowering people and fostering business integrity, which will serve as a compass throughout our sustainable journey.

And to act upon this ambition, we have built a Responsible Investment approach around five blocks: ESG data, sustainable assessment, sustainable product offering, active stewardship and reporting. For each block, concrete action plans have been defined to meet our ambition and deliver state-of-the-art sustainable solutions to our clients.

Scope & purpose

This policy covers all asset classes we manage (i.e. bonds, equities, real estate and infrastructure) and concerns all business functions (incl. portfolio management, risk management, sales) across all business regions (i.e. Switzerland, France, Luxembourg, UK, Germany, Nordic).

The purpose of the policy is to describe the various aspects of our responsible investment approach across the different asset classes in order to demonstrate its suitability towards market standards and regulation as well as consistency across the whole organization.

Responsible investment strategies

A responsible investor must deal with multiple challenges in terms of regulation, data availability, portfolio construction, risk management and client preferences. As a sustainable asset manager, we need to consider ESG factors in every aspect of our asset management activities. Hence, we are continuously looking for the most relevant sustainability data, to build a 360° sustainability assessment of our investments both in terms of risk and opportunities, which in turn will serve as a key input in the construction of our sustainable product offering ranging from ESG integration to responsible investment and impact investing, in order to meet the specific needs of our clients. And as a signatory of the PRI, we are constantly working to ensure our responsible approach is aligned with advanced standards like the UN Sustainable Development Goals (SDGs) or the Paris Climate Agreement, as well as compliant with the various regulations in the markets we operate.

1. Exclusion & divestment

We are aware that transitioning to a sustainable business model is a challenging process, and therefore we aim to actively support corporates we invest in throughout their sustainable journey. That is why we engage with clients, investee companies and investment stakeholders where we see an opportunity to have a sustainable impact.

Nonetheless, we are convinced that safeguarding long-lasting, sustainable values requires some exclusion rules, especially when it comes to the risk of stranded assets or companies that are not willing to transition to a more sustainable business model.

On one hand, exclusions by denying access to capital put pressure on sectors harmful to the environment or society to change their behaviour. On the other hand, exclusions are a very important tool to mitigate downside risks in our portfolios (e.g. reducing exposure to stranded assets), or as a last resort when engagement fails. As such, we have defined the following exclusion rules across the various asset classes we manage:

Securities

As for securities, the investment universe is restricted by the following exclusion rules:

- **ESG thresholds:** excluding positions with very low ESG rating and severe controversies on a case-by-case basis;
- **Blacklists:** excluding positions from recognised exclusion lists (e.g. Financial Action Task Force high risk jurisdictions, countries, issuers covered by certain sanction regimes);
- **United Nations Global Compact (UNGC) fails:** exclusion of issuers failing UNGC “Exclusion principles”¹;
- **Controversial weapons-based exclusions:** eliminate exposure to companies involved in the production of controversial weapons such as antipersonnel landmines, cluster munitions and chemical, biological, and nuclear weapons;

¹ Swiss Life Asset Managers distinguishes between UNGC “exclusion” and “engagement principles”, based on their proximity to Swiss Life’s core values.

- **Coal-based exclusions:** eliminate exposure to companies that derive 10% or more of their revenues from mining or trading of thermal coal.

Divestments are occurring based on the above-mentioned rules but can also occur as a result of non-satisfactory engagement outcomes

Real Estate

We rely on an extensive property and tenant due diligence to evaluate our investments on a case-by-case basis. The outcome of such due diligence may result in the exclusion of real estate investments or tenants that are not in line with our ESG criteria or that would expose our portfolio to high levels of sustainability-related financial risk (e.g. climate risks).

Infrastructure

Within our infrastructure operations, we have specified clear exclusion criteria, according to which new Swiss Life Asset Managers infrastructure funds do not invest

- more than 20% of asset under management in investments that are primarily active in the oil midstream sector;
- in any business that derives more than 10% of its value from nuclear power production;
- in any business that derives more than 10% of its value from handling or burning coal;
- in any business that is considered UNGC non-compliant;
- in any business that is involved in any clearly defined illicit or unsustainable methods².

² i.e. Swiss Life Asset Managers does not invest into any business that is involved in any of the following activities:

- production of cluster ammunition, land mines or similar weapons
- use of harmful or exploitative forms of forced labor and/or child labor
- production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements
- production or trade in wildlife or wildlife products regulated under the Convention on International Trade in Endangered Species or Wild Fauna and Flora (CITES)
- production or use of or trade in hazardous materials such as radioactive materials, unbounded asbestos fibers and products containing PCBs
- cross-border trade in waste and waste products unless compliant with the Basel Convention and the underlying regulations
- use of unsustainable fishing methods (i.e. drift net fishing in the marine environment using nets in excess of 2.5 km in length and blast fishing)
- production or trade in pharmaceuticals, pesticides/herbicides, chemicals, ozone depleting substances and other hazardous substances subject to international phase-outs or bans
- destruction of critical habitats
- production and distribution of racist, anti-democratic and/or neo-Nazi media
- use or breeding of live animals for scientific and experimental purposes
- purchase of logging equipment for use in tropical natural forests or high nature value forest in all regions; and activities that lead to clear cutting and/or degradation of tropical natural forests or high nature value forest
- commercial concessions over, and logging on tropical natural forest
- conversion of natural forest into a plantation
- any business relating to tobacco, provided that it forms a substantial part of a project's primary financed business activities
- any business relating to gambling, casinos and equivalent enterprises or hotels hosting such facilities, provided that it forms a substantial part of a project's primary financed business activities

2. ESG integration

We integrate ESG factors in our investment processes across all asset classes we manage. In this chapter, the specifics for each asset class are highlighted.

Securities

For securities, we have integrated both quantitative and qualitative ESG criteria derived from external ESG data provider and internal research, into our financial analysis and investment decisions. Most of Swiss Life Asset Managers' assets under management are invested in fixed income. Hence, ESG integration into the credit analysis is of material importance. The final analysis is documented in the internal credit sheets containing a summary of all credit-relevant information whether financial or not. The quantitative analysis is based on ESG ratings and an ESG controversies assessment provided by an external data provider. The qualitative ESG assessment forms the second part of our analysis, with a dedicated section in our internal credit sheets, presenting our own view of the issuer's ESG performance and assessing its potential impact on the bond issuer's credit quality next to traditional financial performance indicators.

In our optimised equity strategies, we mainly exclude issuers with the worst ESG performance while avoiding large tracking errors versus our replicated equity indices.

Real Estate

Given the important role that real estate plays in mitigating climate change and resources scarcity, we have integrated ESG aspects on both the strategic and operational levels of our real estate activities. To ensure an effective implementation of strategic concepts into the day-to-day operations at Swiss Life Asset Managers, a proprietary framework has been developed for responsible property investment. It specifies how our strategic objectives and priorities are implemented across the entire investment cycle of real estate management activities: from the investment level (via ESG due diligence), across the development level (via sustainable construction guidelines), to the operational level (via consumption and tenant satisfaction monitoring). With internal policies and procedures in place, we regularly verify our efforts by submitting selected portfolios to the GRESB³ assessment. The GRESB assessment not only provides us with an objective analysis of our ESG implementation but also gives us a comparative indication on where we stand against our peers and proposes suggestions on how to improve our ESG performance.

Enhancing energy efficiency across our extensive property portfolio has become one of the top priorities of our sustainability considerations in real estate. Swiss Life Asset Managers not only aims to acquire assets

- new palm oil plantations
- any business relating to pornography or prostitution
- corruption or any corrupt practices

³ Global Real Estate Sustainability Benchmark

that already have strong energy efficiency credentials and on-site renewable energy production but also seizes opportunities to improve less efficient new acquisitions or standing portfolio properties. Gathering data at asset level and monitoring of the relevant indicators constitutes a key component of our climate strategy. Among other indicators, we are closely monitoring the energy consumption and carbon emissions of our property portfolio in line with the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD) and with the Net Zero Commitment of Swiss Life.

Infrastructure

ESG is a firm part of our infrastructure investment process, in both the due diligence stage and the ongoing asset management. Alongside health and safety issues, we see climate-related risks and opportunities as the predominant sustainability aspects for infrastructure investments. Through both policy and process implementation and a focus on company engagement, we have established an internal responsible investment manual for our infrastructure operations at Swiss Life Asset Managers. The investment manual encompasses criteria from all three dimensions of ESG: environmental criteria such as resource consumption and waste management, social criteria such as employment and work environment and governance criteria such as management systems and financial reporting. We are placing a particular focus on low-carbon transition opportunities in our infrastructure activities – specifically also through our acquisition of Fontavis, an infrastructure asset management company specialising in clean energy. Renewable energy, energy efficiency services and clean tech are focus areas of our infrastructure investment ambitions. In line with our real estate operations, we also submit selected infrastructure portfolios to the annual GRESB assessment. GRESB assesses infrastructure investments on both fund and asset level, providing us with actionable information and tools to effectively manage our ESG investment objectives.

3. Sustainable investment

Beyond the integration of ESG considerations for all asset classes as a part of our fiduciary duty, we have developed advanced sustainable solutions on specific ESG themes, which are aligned with our sustainable ambitions. This allows us to address the needs of our most progressive clients by providing innovative solutions that addresses key sustainability challenges. Our investment processes rely on quantitative and qualitative data and aim to achieve positive sustainable outcomes while ensuring strong portfolio diversification and aiming at market returns. Those sustainable funds have a predefined focus and target specific key performance indicators (KPIs) and/or sustainable development goals (SDG). These funds also follow our exclusions and ESG integration principles. We intend to develop our sustainable investment offering across securities, real estate and infrastructure. In addition, we have also initiated a green bond programme aiming to increase our share of investments in green bonds to 2bn CHF , in line with the International Capital Market Association (ICMA) Green Bond Principles.

4. Position statement on Human Rights & Climate Change

In order to abide by the Swiss Life core values (fiduciary duty, intergenerational responsibility and active stewardship), our sustainability ambition includes following two important aspects: human rights and climate change.

Human Rights due diligence

Swiss Life Asset Managers is committed to respect human rights, including labour rights, as defined in the following principles:

- the International Bill of Human Rights;
- the core standards of the International Labour Organization (ILO);
- Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises

Being part of the Swiss Life Group who is a signatory to the UNGC, we seek to take appropriate measures to identify, prevent, mitigate and remediate human rights abuses. Such measures are integrated along the entire investment cycle for our securities and infrastructure activities, including pre-investment due diligence, continuous monitoring of held assets and post-investment engagement. Into our real estate activities they apply to our value chain management. Those measures may also lead to selling assets or terminating business relationships with some suppliers or service providers if mitigation and remediation actions are not satisfactory enough.

Addressing Climate Change

A key part of our responsible investment approach is working towards a more environmentally sustainable future and thereby taking intergenerational responsibility. Climate change is one of the greatest challenges faced globally. As such, it presents significant risks to assets, but can also mean new business opportunities. We believe these risks and opportunities will shape investment portfolios and the way assets are managed in the long term, which is why we support the targets of the Paris Climate Agreement and are committed to apply the recommendations of the TCFD⁴ since 2018.

Risk Management

Sustainability risks may affect the assets of the financial products managed by Swiss Life Asset Managers and thus negatively impact their financial performance as well as the reputation of Swiss Life Asset Managers. We have identified a spectrum of impacts that may be induced through ESG risks:

- Standalone impact: reduction of value and inability to meet growth or return targets
- Negative impact on other risks e.g. asset liquidity risk or reputational risk

Consequently, we embrace a broad set of ESG criteria throughout the entire investment process. The use of dedicated ESG indicators helps us monitor significant social, environmental, and governance aspects of

⁴ More detailed information is available in Swiss Life's [TCFD Report](#).

individual issuers or real assets. As part of our holistic risk management approach ESG factors are integrated in our risk control processes within our asset management. The reporting of ESG assessments is a standing agenda item in our risk governance bodies. To address the variety of sustainability risks, our ESG approach accommodates the needs of the respective asset classes. In the securities area, we integrate ESG data into investment analysis to identify ESG risks. For real estate assets, we proactively seek effective sustainability measures and implement them across the entire real estate life cycle. In infrastructure, we apply a predefined ESG framework to assess direct and indirect investments.

Active stewardship

As one of the core values of Swiss Life Asset Managers, active stewardship is also a key component of our responsible investment approach. This encompasses proxy voting and active engagement⁵ with both companies we are invested in as well as clients to help them in building their ESG journey. We exercise our ownership rights as part of our fiduciary duty by actively working with companies and relevant stakeholders to address ESG challenges while safeguarding the financial interests of our clients.

Active ownership

For our securities portfolio we have a process in place to actively exercise proxy voting rights. A key part of our proxy voting activity⁶ is the analysis of all voting items related to environmental or social topics. Additionally, we are conducting corporate dialogues with listed companies (for bond and equity holdings) to raise awareness on sustainability challenges the companies may face, encourage remediation actions and finally take into account the outcomes into our investment decisions.

For real assets, being an active owner is of particular importance, since these investments often reveal a big leverage in shaping the investees' behaviour. For infrastructure investments, Swiss Life Asset Managers ensures that the processes, the scope and the content of the engagement are appropriate to the investment level. This may include full management of the company, exercise of direct governance rights through board representation, direct dialogue with key decision-makers such as company managers or directors, or cooperation with other shareholders and key stakeholders such as joint venture partners. In our real estate investments, we engage with stakeholders such as tenants, suppliers, service providers and communities related to specific projects. We particularly emphasize the continuous dialogue with tenants since they are the actual users of the buildings and therefore directly in control of the operational footprint of the asset.

Collaborative engagement

In addition to our active ownership efforts, we promote responsible investment by providing resources and know-how to industry, clients and sustainability associations. We participate in governing boards and share our expertise in the working groups of selected associations such as the Swiss Insurance Association or the Sustainable Investment Forum (FNG). And we educate clients on sustainability issues to help them integrate

⁵ More detailed information on our active stewardship is available in our [Engagement Policy](#).

⁶ More detailed information on our voting activity is available [here](#).

ESG requirements in their strategy. By doing so, we actively contribute to the further development and standardization of industry practices.

Governance

The Executive Board of Swiss Life, chaired by the Group CEO, continuously develops the Swiss Life's sustainability strategy in cooperation with a team of specialists from all divisions. The Board of Directors – the supreme authority for strategic issues – is kept regularly informed about measures and progress in the area of sustainability. As part of the Executive Board, the Group Chief Investment Officer is responsible for ensuring sustainable investment management. The different ESG dedicated organs at Swiss Life Asset Managers are further outlined below.

ESG Board

Our responsible investment approach is based on the goal of implementing sustainability in all core processes across all business units and functions. To streamline the implementation and to create internal synergies, the Swiss Life Asset Managers ESG Board (ESG Board) has been established.

The ESG Board comprises ESG specialists from all business units, dedicated ESG managers as well as representatives from core functions and technical experts. It drafts and reviews the responsible investment strategy and approaches, guides the implementation, and encourages teams across departments to exchange insights on sustainability topics. Chaired by the Head ESG, who reports directly to the Group Chief Investment Officer, the board acts as an advisor to the Swiss Life Asset Managers Executive Committee and other management committees. Additionally, all members of the ESG Board and the Executive Committee have ESG targets integrated in their individual objectives to foster commitment towards ESG topics.

ESG committees

Members of the ESG Board also chair the corresponding business unit specific ESG committees, which meet monthly to deal with operational implementation and bottom-up idea generation. During the committee meetings, our experts take decisions around ESG integration into the investment or risk management process. They also decide how to deal with investments that other committees and processes have raised as controversial.

Dedicated ESG team

A dedicated ESG team is responsible for steering and implementing cross-departmental ESG initiatives and supports ESG integration in daily business activities. It implements the ESG strategy as lined out by the ESG Board and initiates bottom-up ESG projects. While doing so, the team provides specialist knowledge across the organization and promotes the integration of ESG aspects in the different departments.

ESG ambassadors

We want to achieve a cultural change into the day-to-day processes of all our teams from portfolio and asset managers, to risk management, marketing, sales and human resources. By encouraging and supporting our teams to ramp up ESG expertise in all areas of our business, we aim to bridge the gap between business knowledge and ESG expertise. To initiate this, we not only included a 5% ESG fraction to the individual annual target of employees but we also launched an ESG ambassadorship programme. The programme encourages employees from various business areas to take part in trainings and networking sessions related to ESG topics. These ESG ambassadors then subsequently pass the obtained knowledge on to their colleagues. This cascading principle aims to ensure knowledge sharing throughout the organisation, as well as foster innovation in all departments. Moreover, targeted events throughout the year help building a strong ESG community that fosters ESG as part of our culture.

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