This document is a translation.
In case of doubt, the German version is binding.

ESG Manual

Swiss Life Investment Foundation

Contents

1 ESG principles at the Swiss Life Investment Foundation

The Swiss Life Investment Foundation is a foundation within the meaning of Art. 80 et seq. of the Swiss Civil Code and Art. 53g et seq. of the Occupational Pensions Act (BVG). It is comprised of several investment groups that invest in various asset classes, such as equities, bonds, BVG mixes, real estate, alternative investments and infrastructure. The Swiss Life Investment Foundation has delegated the portfolio management of its investment groups to Swiss Life Asset Management Ltd. The basic understanding of "responsible investing" at the Swiss Life Investment Foundation is thus aligned with that of its asset manager, Swiss Life Asset Management Ltd.

Responsible investing at Swiss Life Asset Managers (SLAM[1]) means the integration of environmental, social and governance (ESG) criteria in the investment process as the basis for investing responsibly. SLAM is fully committed to the Principles for Responsible Investment (PRI). We invest responsibly in line with the PRI guidelines. The Swiss Life Investment Foundation is also committed to this basic understanding of sustainable investing in the orientation of its product offering. To this end, the Swiss Life Investment Foundation is guided by the ESG principles set out below. The two thrusts comprise (i) the consideration of ESG criteria in various forms for a large number of investment groups, and (ii) the ongoing expansion of forward-looking ESG investment opportunities by transforming existing investment groups and launching new ones.

Figure 1: ESG principles at the Swiss Life Investment Foundation

As an asset manager, Swiss Life Asset Management Ltd bears a responsibility towards society and the environment in addition to its fiduciary duties towards the Swiss Life Investment Foundation (including the consideration of ESG risks). It is therefore natural for Swiss Life Asset Management Ltd to include environmental, social and governance criteria in its investment process in addition to key financial figures and risk factors. On top of this, the investment groups of the Swiss Life Investment Foundation may also be geared towards supporting ESG considerations, for example in the areas of climate protection, protection of natural resources, enhancement of gender equality and human rights, and general socio-economic prosperity. Further information on responsible investment at SLAM can be found in the "Investment Guidelines for Responsible Investment" and "Responsible Investment at Swiss Life Asset Managers".

[1] Brand name under which the asset and real estate management companies of the individual Swiss Life national companies, namely Swiss Life Asset Management Ltd, Zurich, have been operating since 2012; however, SLAM is not an independent legal entity.

2 ESG categorisation of investment groups

The degree of sustainability of an investment group primarily depends on how its investment components are managed. If an investment group uses multiple investment components, the share of sustainable investment components determines the sustainability category of the investment group. The Swiss Life Investment Foundation bases the categorisation of its investment groups on the product categorisation of Swiss Life Asset Managers and divides it into three categories: traditional products, ESG products and sustainable impact products. The three sustainability categories differ in terms of ESG target and strategy and ESG reporting on the way in which ESG aspects are addressed. Swiss Life Asset Managers has defined a set of rules for each asset class in order to allocate the different product characteristics to a category. This defines the characteristics that a financial product requires in order to be classified as a traditional product, ESG product or sustainable impact product.

Swiss Life Asset Managers product categories

Figure 2: ESG categorisation by Swiss Life Asset Managers

Exclusions and active stewardship initiatives feature in all Swiss Life Asset Managers product categories. While traditional products do not take any other ESG aspects into account, ESG products integrate ESG criteria into risk management and the investment process. In addition to this fundamental ESG integration, ESG products take non-financial considerations into account in portfolio construction by defining and monitoring ESG targets with the aim of promoting ESG characteristics and reducing the sustainability risk. Furthermore, sustainable impact products have ambitious and measurable targets for their impact in the real world (sustainable investing) on top of fundamental ESG integration and the portfolio's financial targets. The main objective is to make a positive contribution to the common good.

Investment groups that pursue specific and measurable ESG targets and also report on them regularly, i.e. investment groups in the ESG category, have "ESG" in their name. Only these investment groups are explained in more detail in this document in order to provide a better understanding of the underlying ESG strategy.

The table below shows all the Swiss Life Investment Foundation investment groups and their sustainability category (as at 1 December 2023):

Investment group of the Swiss Life Investment Foundation	**Traditional products**	**ESG products**	**Sustainable impact products**
Equities Foreign **ESG**		●	
Equities Foreign **ESG** Indexed		●	
Equities Emerging Markets **ESG**		●	
Equities Global **ESG**		●	
Equities Global Protect Flex (CHF hedged)	●		
Equities Global Small Caps	●		
Equities Switzerland	●		
Equities Switzerland Large Caps Indexed	●		
Equities Switzerland Protect Flex	●		
Equities Switzerland Small & Mid Caps	●		
BVG-Mix 15	●		
BVG-Mix 25	●		
BVG-Mix 35	●		
BVG-Mix 45	●		
BVG-Mix 75	●		
Bonds CHF Foreign	●		
Bonds CHF Domestic	●		
Bonds Global Governments+ (CHF hedged)	●		
Bonds Global Corporates (CHF hedged)	●		
Bonds Global Corporates Short Term (CHF hedged)	●		
Bonds Emerging Markets Corporates (CHF hedged)	●		
Bonds Emerging Markets Short Term (CHF hedged)	●		
Bonds Global (CHF hedged)	●		
Mortgages Switzerland **ESG**		●	
Senior Secured Loans (CHF hedged)	●		
Real Estate Funds Switzerland	●		
Real Estate Switzerland **ESG**		●	
Commercial Real Estate Switzerland **ESG**		●	
Real Estate Switzerland Retirement and Healthcare **ESG**		●	
Real Estate Europe Industry and Logistics **ESG** (CHF)		●	
Real Estate Europe Industry and Logistics **ESG** (EUR)		●	
Infrastructure Global **ESG** (CHF hedged)		●	
Infrastructure Global **ESG** (EUR)		●	

Table 1: Sustainability categories of the investment groups

The set of rules used by Swiss Life Asset Managers for assigning groups to the three sustainability categories also serves as the basis for reviewing external asset managers and their products that are used by Swiss Life Asset Management Ltd as the delegated asset manager for the Swiss Life Investment Foundation. In particular, it comprises the minimum ESG criteria that the external asset manager and its products must fulfil (irrespective of whether these are classified as traditional products, ESG products or sustainable impact products):

Minimum ESG criteria at asset manager level

- Swiss Life Asset Management Ltd as the delegated asset manager of the Swiss Life Investment Foundation has undertaken to comply with the Principles for Responsible Investment (PRI) and has already had an ESG structure/governance system in place for more than three years.
- External asset managers must have signed the Principles for Responsible Investment (PRI) and have had an ESG structure/governance system in place for at least three years. The minimum criteria are reviewed as part of the initial process for selecting asset managers. In addition, the Investment Foundation's investment controller (PPCmetrics) regularly monitors the selected asset managers to ensure they comply with the criteria.

Minimum ESG criteria at target fund level

- As a rule, all target funds must comply with the rules for the intended sustainability category of the investment group. Example: if an investment group corresponds to the "ESG" category, its target funds should also meet the minimum criteria applicable to an "ESG" product. This applies to all aspects of the target fund with regard to ESG integration and exclusion.

3 ESG implementation at investment group level

The ESG strategies of those investment groups classified as ESG are explained in the following sections (see "Categorisation of investment groups").

3.1 Equities

3.1.1 Equities Global ESG

The investment group invests globally in equity securities of companies, taking ESG criteria into account. Companies are selected or excluded by means of both positive and negative screening. For example, companies with an ESG rating of CCC and a red controversy flag according to the MSCI methodology are excluded if they have no active stewardship. In addition, producers of controversial weapons, companies that generate more than 10% of their revenues from mining and trading in thermal coal, companies from countries that are blacklisted by the FATF (Financial Action Task Force) as well as those that are on the UN Global Compact failure list (if they have no active stewardship) are also excluded. In addition, up to a maximum of 35% of capital assets are invested in dedicated impact strategies comprising investments in companies that contribute to the achievement of various United Nations Sustainable Development Goals.

The investment group is set up as a fund-of-funds structure and managed according to a core-satellite approach. The investments are made via four target funds managed by Swiss Life Asset Managers that invest globally in public limited companies in accordance with ESG criteria and various "impact" themes.

Target fund	**ISIN**	**Target weighting**
Swiss Life Funds (LUX) Equity ESG Global	LU1681197551	70%
Swiss Life Funds (LUX) Equity Climate Impact	LU2349916804	10%
Swiss Life Funds (LUX) Equity Environment & Biodiversity Impact	LU2349917877	10%
Swiss Life Funds (LUX) Equity Green Buildings & Infrastructure Impact	LU2350031980	10%

The four target funds have the following sub-strategies:

a. <u>Target fund 1 – Swiss Life Funds (LUX) Equity ESG Global[2]:</u>

The Fund is subject to the disclosure requirements set out in Art. 8 of the European Sustainable Finance Disclosure Regulation (SFDR[3]).

The fund manages its investments in accordance with the responsible investment approach of Swiss Life Asset Managers and the portfolio manager's transparency code ("**transparency code**"). The transparency code can be obtained on request free of charge from the fund management company and/or is available on the website.

The fund applies additional negative screening to all investments in order to exclude specific sectors or companies based on ESG criteria. The following exclusions based on ESG criteria are applied:

---

[2] Equity ESG Global is a sub-fund of Swiss Life Funds (LUX).

[3] REGULATION (EU) 2019/2088 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 27 November 2019 on sustainability-related disclosures in the financial services sector

- Exclusion of companies involved in the construction, development and purchase of controversial weapons (nuclear, biological or chemical weapons; anti-personnel mines; cluster munitions);
- Exclusion of companies that generate more than 10% of their revenues from mining and trading in thermal coal;
- Exclusion of issuers exposed to serious controversies in connection with the United Nations Global Compact.

The fund also promotes environmental and social characteristics using an enhanced ESG rating approach. The fund's weighted average ESG rating must be higher than that of its reference universe (MSCI World), after eliminating 20% of the least well-rated securities. The aim of this method is to promote investments in issuers that are relatively advanced in ESG matters. ESG ratings must be applied to 90% of the portfolio, excluding cash, derivatives and investments in UCITS and/or UCI ("ESG-relevant assets").

The fund takes into account negative impacts on sustainability. This is reflected in the monitoring of two indicators:

- CO_2 footprint: The CO_2 footprint is defined as the absolute CO_2 emissions financed by the portfolio's investments in ESG-relevant assets (tCO_2/EUR million invested in the portfolio). Taking into account all direct and indirect CO_2 emissions (scopes 1, 2, 3), the financed CO_2 emissions must be lower than those of the reference universe;
- "Sustainability criteria taken into account in compensation" indicator: this indicator indicates whether companies have incorporated sustainability criteria into management compensation in order to reduce negative external effects and enhance positive external effects for all stakeholders. The percentage share of the fund's ESG-relevant assets invested in issuers that take sustainability criteria into account in compensation must be higher than that of the reference universe.

When conducting an ESG analysis of issuers, the portfolio manager relies on external research by the recognised rating agency MSCI ESG Research, which analyses and evaluates issuers on the basis of ESG criteria. Although the fund promotes environmental characteristics within the meaning of Article 8 of the SFDR, it does not currently undertake to invest in "sustainable investments" within the meaning of the SFDR or the Taxonomy Regulation[4]. Accordingly, it should be noted that the proportion of the fund's portfolio that is invested in economic activities that are deemed to be environmentally sustainable in accordance with Article 3 of the Taxonomy Regulation (including transitional and enabling activities) represents at least 0% of the fund's total assets. Nevertheless, pursuant to Article 6 of the Taxonomy Regulation, the fund must state that the "Do no significant harm" principle applies only to those investments underlying the fund that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this fund do not take into account EU criteria for environmentally sustainable economic activities.

b. Target funds 2-4 (sustainable impact funds)

The strategy of the target funds aims to make a significant contribution to the achievement of the relevant Sustainable Development Goals (SDGs) while at the same time ensuring that the investments do not significantly impair the other SDGs and that minimum social and governance-related safeguards are upheld. Specifically, this means that the following issuers are excluded:

[4] Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088

- Any issuer with an ESG rating of B or lower (based on the methodology of MSCI ESG Research)
- Any issuer with a very serious ESG controversy (based on the MSCI ESG Research methodology)
- Issuers with a cumulative negative contribution to an SDG of more than 5% of revenue
- Issuers on the SLAM exclusion lists (controversial weapons, thermal coal, non-compliance with United Nations Global Compact principles, Financial Advisory Task Force)

Swiss Life Funds (LUX) Equity Climate Impact:

The fund is subject to the disclosure requirements set out in Art. 9 SFDR.

The investment strategy aims to select companies that generate a large proportion of their revenue from products and services that support the achievement of the following SDGs in order to contribute to mitigating climate change:

- SDG 7: "Affordable and clean energy"
- SDG 13: "Climate action"

The objective of the fund is to ensure that at least 50% of the product and service portfolio's weighted average revenue share is attributable to economic activities contributing to climate change mitigation as described above.

Swiss Life Funds (LUX) Equity Environment and Biodiversity Impact:

The fund is subject to the disclosure requirements set out in Art. 9 SFDR.

The investment strategy aims to select companies that generate a large proportion of their revenue from products and services that support the achievement of the following SDGs in order to contribute to mitigating the deterioration of the environment and of biodiversity:

- SDG 12: "Responsible consumption and production"
- SDG 14: "Life below water"
- SDG 15: "Life on land"

The sustainable objective of this fund is to ensure that at least 30% of the product and service portfolio's weighted average revenue share is attributable to economic activities contributing to mitigating the deterioration of the environment and of biodiversity as described above.

Swiss Life Funds (LUX) Equity Green Building and Infrastructure Impact:

The fund is subject to the disclosure requirements set out in Art. 9 SFDR.

The investment strategy aims to invest in companies that generate a large proportion of their revenue from products and services that support the achievement of the following SDGs in order to contribute to the development of ecological construction and green infrastructure:

- SDG 9: "Industry, innovation and infrastructure"
- SDG 11: "Sustainable cities and communities"

The objective of this fund is to ensure that at least 40% of the product and service portfolio's weighted average revenue share is attributable to economic activities contributing to the development of ecological construction and green infrastructure as described above.

Further information on the investment policy of the target funds can be found at https://funds.swisslife-am.com/en.

3.1.2 Equities Emerging Markets ESG

The investment group's assets are primarily invested in equity securities of companies based in developing countries. ESG criteria must be taken into account.

The investment group invests in equity securities of companies based in developing countries via two target funds – one from Amundi – AMUNDI Emerging Markets Equity Focus Fund – and one from Robeco – Robeco Emerging Markets Equities.

The funds are subject to the disclosure requirements set out in Art. 8 SFDR. Sustainability aspects such as environmental, social and governance are systematically taken into account in the investment process.

The ESG approach of Robeco's target fund can be summarised as follows:

The fund limits investing in companies with an elevated sustainability risk based on ESG risk scores, whereby all such investments require separate approval by a dedicated committee that oversees that all investments are substantiated and eligible based on a fundamental review of the sustainability risk. The fund promotes certain minimum environmental and social safeguards by applying exclusion criteria in respect of products and business practices that Robeco believes are detrimental to society and incompatible with sustainable investment strategies. The fund promotes adherence to, and conduct of business in accordance with, the United Nations Universal Declaration of Human Rights, the International Labour Organisation (ILO) labour standards, the United Nations Guiding Principles on Business and Human Rights (UNGPs), the United Nations Global Compact (UNGC) and the OECD Guidelines for Multinational Enterprises by scrutinising companies that violate these principles. The fund uses proxy voting at annual general meetings to promote good governance and sustainable business practices, which contributes to long-term shareholder value creation. This includes taking an active stance on social and environmental issues through Robeco's proxy voting policy.[5]

The ESG approach of Amundi's target fund can be summarised as follows:

The sub-fund promotes environmental and/or social characteristics by aiming to have a higher ESG score than the ESG score of the MSCI Emerging Markets Index (the "benchmark"). In determining the ESG score of the sub-fund and the benchmark, ESG performance is assessed by comparing the average performance of a security against the security issuer's industry in respect of each of the three ESG characteristics of environmental, social and governance.[6]

3.1.3 Equities Foreign ESG Indexed

The investment group's assets are primarily invested in equity securities of companies based outside Switzerland. A maximum of 2% of assets may be invested in companies based in Switzerland. ESG criteria must be taken into account.

The investment group is passively managed and replicates the performance of the "MSCI World ex Switzerland ESG Leaders" index via a target fund – Swiss Life iFunds (CH) Equity ESG Global ex Switzerland (CHF).

The MSCI ESG Leaders methodology aims to identify 50% (by market capitalisation) of the securities in the parent index (MSCI World ex Switzerland) with the highest ESG rating. The MSCI ESG

[5] Source: rep_12_79121_1693483693203.pdf (robeco.com)
[6] Source:https://www.amundi.ch/privatanleger/dl/doc/website-sfdr-disclosure-summary/LU1808314444/ENG

Leaders index uses MSCI ESG ratings to identify companies that operate as efficiently and optimally as possible, taking into account their ESG risks and opportunities. Companies must have an MSCI ESG rating of at least “BB” to be included in the MSCI ESG Leaders index.

Furthermore, the MSCI ESG Leaders index uses MSCI’s ESG Controversy Scores to identify companies involved in serious environmental, social or governance controversies. Companies must have an MSCI ESG Controversy Score of 3 or higher on a scale of 0 to 10 (the lower the score, the more severe the controversy) in order to be included in the MSCI ESG Leaders index.

The MSCI ESG Leaders index also uses MSCI’s ESG-related “Business Involvement Screening Research” and “Climate Change Metrics” to identify companies with business activities that meet the “business involvement” criteria (e.g. tobacco, gambling, alcohol, coal, weapons etc.). Companies whose activities exceed a certain threshold in these areas (e.g. 5% of revenue) are excluded from the MSCI ESG Leaders index.

3.1.4 Equities Foreign ESG

The investment group’s assets are primarily invested via four target funds in equity securities of companies based outside Switzerland. A maximum of 2% of assets may be invested in companies based in Switzerland. ESG criteria must be taken into account.

The investment group’s ESG strategy is derived from the ESG approach of the relevant target fund, if such an approach is adopted:

Strategic weighting	Target fund	Comments
80.0%	Swiss Life iFunds (CH) Equity ESG Global ex Switzerland (CHF)	Identical target fund to that of the “Equities Foreign ESG Indexed” investment group (for details of the ESG criteria, see section 3.1.3).
7.5%	Invesco Global Small Cap Equity Fund	The fund is subject to the disclosure requirements set out in Art. 8 SFDR. The fund aims to promote environmental characteristics relating to the use of natural resources and pollution (by excluding companies involved in coal mining and production, unconventional oil and gas production in the Arctic, oil sands production or shale energy production). The fund also promotes social characteristics relating to human rights (by excluding companies that violate the principles of the UN Global Compact, based on third-party data and the investment manager’s own analysis and research) and by excluding issuers involved in tobacco production and tobacco products and services, recreational cannabis, controversial weapons or the production of nuclear warheads or whole nuclear missiles outside of the Non-Proliferation Treaty.[7]
7.5%	Dimensional Global Small Companies Fund	No dedicated ESG strategy is currently applied to this target fund.

[7] Source: Invesco, Invesco Funds, Extract Prospectus for Switzerland, 7 July 2023.

Strategic weighting	Target fund	Comments
2.5%	AMUNDI Emerging Markets Equity Focus Fund[8]	Identical target fund to that of the "Equities Emerging Markets ESG" investment group; for details of the ESG criteria, see section 3.1.2.
2.5%	Robeco Emerging Markets Equities[9]	Identical target fund to that of the "Equities Emerging Markets ESG" investment group; for details of the ESG criteria, see section 3.1.2

3.2 Real estate

The directly investing real estate investment groups Real Estate Switzerland ESG, Real Estate Switzerland Retirement and Healthcare ESG and Commercial Real Estate Switzerland ESG and the two indirectly investing real estate investment groups Real Estate Europe Industry and Logistics ESG (CHF) and Real Estate Europe Industry and Logistics ESG (EUR) take ESG criteria into account.

The following sustainability policy is applied to all real estate investment groups with "ESG" in the name:

Environmental, social and governance criteria are taken into account for investments and for the administration (development and management) of investments. The ESG approach comprises the integration of a thematically broad and continuously developed list of qualitative ESG criteria at the three value creation stages of investment, development and management (**ESG integration approach**):

- Investment: when reviewing new investments (purchases, third-party developments), a systematic and uniform ESG assessment is applied for all properties with which the key ESG-related risks are made transparent and, if necessary, subsequent improvement measures are strategically predefined at the time of the investment. To this end, ESG-relevant information is obtained via extended due diligence and processed into an ESG assessment according to a predefined grid. The reviewed ESG aspects are assessed in the grid based on their specification, weighted depending on their materiality for the ESG strategy and aggregated to an overall ESG score. The ESG assessments are reviewed by dedicated ESG specialists with regard to their quality and then serve as a decision-making basis for portfolio management and the corresponding decision-making bodies. Real estate investments that jeopardise the specifically measurable portfolio-wide objectives of the investment groups (see following sections), even after implementation of the predefined improvement measures, are not made unless it is possible for the objectives to be correspondingly overcompensated in other parts of the portfolio.
- Development: construction and development projects are geared to local or international sustainability standards. Building certifications are used across the board for new construction projects; for comprehensive renovations, certifications are obtained where possible depending on the level of intervention.
- Property management: ESG aspects are taken into account in the investment portfolio through corresponding management standards, for example in the area of monitoring or dealing with tenants.

Sustainability risks are taken into account in the investment decision process by integrating sustainability factors into the risk control, portfolio and asset management processes. Sustainability

[8] AMUNDI Emerging Markets Equity Focus Fund – a sub-fund of Amundi Funds SICAV
[9] Robeco Emerging Markets Equities – a sub-fund of Robeco Capital Growth Funds SICAV

risk is understood to mean environmental, social and governance events or conditions, the occurrence of which may have an actual or potential material negative impact on the value of investments. Climate change events in particular can have an impact on the value or usability of real assets. A distinction is made between physical risks and transition risks:

- Physical climate risks: describe risks physically impacting the real asset, such as extreme weather events like heat and cold waves, storms, floods, droughts, etc.
- Transition climate risks: describe risks affecting the real asset through regulatory or market mechanisms, such as stricter legal obligations of the owner to ensure energy efficiency or reduction of lettability due to rising ancillary rental costs from increased taxes on fossil fuels.

Both types of climate risk are assessed on the basis of location and energy consumption-related risk data from an external provider (MSCI Real Estate "Real Estate Climate Value-at-Risk"). The detailed methodology is available on request.

3.2.1 Real Estate Switzerland ESG and Commercial Real Estate Switzerland ESG

In addition to the ESG integration approach explained in the general section (see section 3.2), the following specifically measurable requirements and measures in the area of portfolio and construction project management that are identified as particularly significant are applied to the directly investing investment groups Real Estate Switzerland ESG and Commercial Real Estate Switzerland ESG with regard to defined ESG focus aspects:

c. <u>Reduction of climate impacts (environment – E)</u>

Buildings are CO_2-intensive and are among the causes of climate change. Reducing climate impacts is therefore the focus of the measurable requirements and measures in the area of "environment".

The portfolio management of the Real Estate Switzerland ESG and Commercial Real Estate Switzerland ESG investment groups aims to adhere to a CO_2 reduction path that corresponds to the 1.5 degree Celsius target of the Paris Agreement. The operational and measurable objectives are as follows:

Systematic CO_2-related optimisation of the existing portfolio:

- Assessment of the CO_2-related savings potential per property and derivation of systematic prioritisation for optimisation measures. The CO_2-related prioritisation value should be available for at least 60% of the gross floor area of the portfolio.
- Reduction of energy consumption and CO_2 emissions through operational optimisation (e.g. optimisation of existing building services systems as part of ongoing maintenance). At least 16 energy-related operational optimisations are scheduled between 2019 and 2023 in the Real Estate Switzerland ESG investment group. For the Commercial Real Estate Switzerland ESG investment group, the target value over the same period is nine energy-related operational optimisations.

CO_2-efficient renovation and new construction projects:

- Reduction of energy consumption and CO_2 emissions by buildings as part of renovations (e.g. repair and replacement of components for shell and building services, use of renewable energy sources, overall energy refurbishments). The aim of comprehensive refurbishments is to achieve an average CO_2 reduction of 50%.
- Use of renewable energy sources in replacement and new buildings (i.e. no oil or gas heating)

a. Improving health and wellbeing (social – S):

One way of actively assuming responsibility in the "social" category is to systematically record and analyse tenant needs. This allows the interests of tenants to be better understood and taken into account. The long-term value for the tenant, as one of the key stakeholders in real estate investments, is thus systematically increased. The following operational and measurable objectives are pursued for the Real Estate Switzerland ESG and Commercial Real Estate Switzerland ESG investment groups:

- Monitoring of tenant satisfaction through active tenant feedback processes: by means of recurring tenant surveys, around 30% of residential tenants and around 15% of business tenants are to be surveyed annually on topics relating to the rental contract and the rental property on a long-term average. The results help to better understand tenants' needs and are converted into optimisation measures at property and portfolio level.

b. Transparency and compliance (governance – G)

Among other things, good governance aims for transparency, which is perceived by stakeholders in the form of periodic reporting on investment decisions and the fulfilment of sustainability goals. The following operational and measurable objectives are pursued for the Real Estate Switzerland ESG and Commercial Real Estate Switzerland ESG investment groups:

- Membership and annual participation in the Global Real Estate Sustainability Benchmark ("GRESB"). The comprehensive GRESB rating is the central sustainability rating of the Real Estate Switzerland ESG and Commercial Real Estate Switzerland ESG investment groups. The results are publicly disclosed annually, analysed specifically by dimension and used as a basis for continuous improvement.

Information on the achievement of the specifically measurable objectives for the ESG focus aspects is published annually as part of the annual financial statements in the ESG report within the real estate report. The ESG report also includes the "environment-related key figures" as recommended by KGAST. The report is available at: www.swisslife.ch/investmentfoundation, "Downloads"

3.2.2 Real Estate Switzerland Retirement and Healthcare ESG

In addition to the ESG integration approach explained in the general section (see section 3.2), the following specifically measurable requirements and measures in the area of portfolio and construction project management that are identified as particularly significant are applied to the directly investing investment group Real Estate Switzerland Retirement and Healthcare ESG with regard to defined ESG focus aspects:

a. Reduction of climate impacts (environment – E)

Buildings are CO_2-intensive and are among the causes of climate change. Reducing climate impacts is therefore the focus of the measurable requirements and measures in the area of "environment".

The portfolio management of the Real Estate Switzerland Retirement and Healthcare ESG investment group aims to adhere to a CO_2 reduction path that corresponds to the 1.5 degree Celsius target of the Paris Agreement.

The real estate portfolio of the Real Estate Switzerland Retirement and Healthcare ESG investment group mainly consists of new properties with energy-efficient and CO_2-efficient construction and technical equipment. In order to safeguard the energy standard of the Real Estate Switzerland Retirement and Healthcare ESG investment group as it continues to grow and expand, the following target value is set:

- The proportion of the gross floor area of the existing portfolio that is primarily heated with renewable energy sources (i.e. not oil or gas heating) is to be at least 75%.

b. Improving health and wellbeing (social – S):

Active stewardship is achieved in the "social" category by systematically recording and analysing tenant needs, for example. This allows the interests of tenants to be better understood and taken into account. The long-term value for the tenant, as one of the key stakeholders in real estate investments, is thus systematically increased. The following operational and measurable objectives are pursued for the Real Estate Switzerland Retirement and Healthcare ESG investment group:

- Monitoring of tenant satisfaction through active tenant feedback processes: by means of recurring tenant surveys, around 30% of residential tenants and around 15% of business tenants are to be surveyed annually on topics relating to the rental contract and the rental property on a long-term average. The results help to better understand tenants' needs and are converted into optimisation measures at property and portfolio level.

As life expectancy increases, the proportion of older people in Switzerland is steadily growing. Health and wellbeing in old age also depend on the availability of suitable housing tailored to individual needs. The Real Estate Switzerland Retirement and Healthcare ESG investment group therefore additionally focuses in the social area on the provision of living space specially adapted to the requirements of older people. The various phases of life are taken into account – from self-determined living in mixed-generational properties to assisted living in retirement and care institutions. The following operational measurement parameter is defined:

- Provision of age-appropriate housing: the proportion of residential units with LEA ("Living Every Age") certification and/or with an operator specialising in senior housing and care should be at least 60%.

c. Transparency and compliance (governance – G)

Among other things, good governance aims for transparency, which is perceived by stakeholders in the form of periodic reporting on investment decisions and the fulfilment of sustainability goals. The following operational and measurable objectives are pursued for the Real Estate Switzerland Retirement and Healthcare ESG investment group:

- Membership and annual participation in the Global Real Estate Sustainability Benchmark ("GRESB"). The comprehensive GRESB rating is the central sustainability rating of the Real Estate Switzerland Retirement and Healthcare ESG investment group. The results are publicly disclosed annually, analysed specifically by dimension and used as a basis for continuous improvement.

Information on the achievement of the specifically measurable objectives for the ESG focus aspects is published annually as part of the annual financial statements in the ESG report within the real estate report. The ESG report also includes the "environment-related key figures" as recommended by KGAST. The report is available at: www.swisslife.ch/investmentfoundation, "Downloads"

3.2.3 Real Estate Europe Industry and Logistics ESG (CHF) / (EUR)

The investment groups take ESG criteria into account.

The aforementioned investment groups invest in the Swiss Life Real Estate Funds (LUX) S.A., SICAV-SIF – ESG European Industrial & Logistics fund. The fund is subject to the disclosure obligations set out in Art. 8 of the European Sustainable Finance Disclosure Regulation (SFDR) and promotes environmental and social characteristics. Furthermore, the fund takes into account the principal adverse impacts ("PAIs") of investment decisions on environment-related sustainability factors.

In addition to the qualitative ESG integration approach set out in section 3.2, the target fund defines ESG objectives in the following areas:

a. Climate change mitigation (E – environment)

- The target fund aims to reduce the intensity of greenhouse gas emissions by 15% by 2030 (based on 2020 emissions).

b. Management of sustainability risks and resilience (E – environment)

- By 2024, at least 75% of assets under management will be subject to a dedicated assessment of sustainability risks.

c. Improving transparency and stakeholder engagement (G – governance)

- Green leases will have been implemented for 50% of newly let gross floor space by 2024.
- The fund will participate in an external rating every year.

Further information on the investment objectives of the target fund can be found at *funds.swisslife-am.com*.

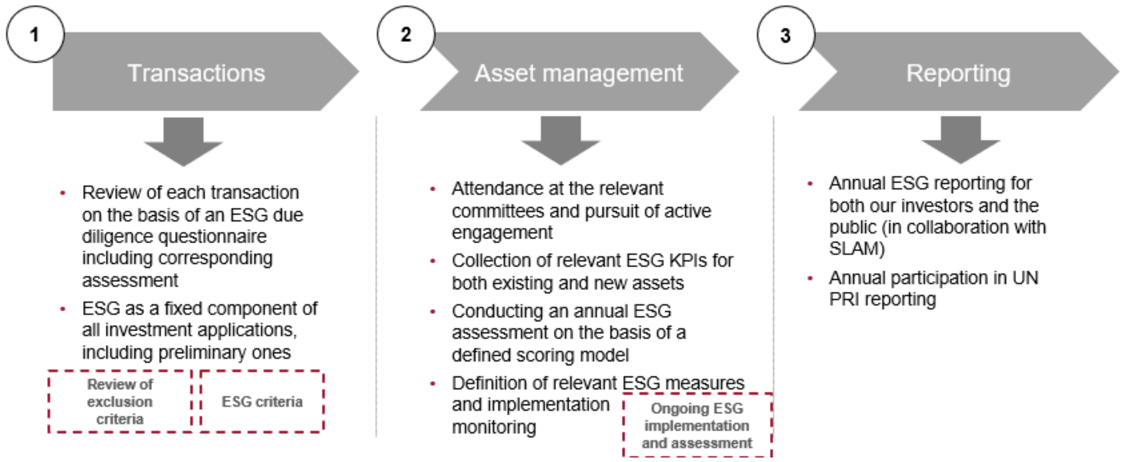
3.3 Investments in infrastructure

3.3.1 Infrastructure Global ESG (CHF hedged) / (EUR)

The Infrastructure Global ESG (EUR) investment group takes ESG criteria into account.

A clearly defined ESG policy is applied to the Infrastructure Global ESG (EUR) investment group based on the ESG approach of the infrastructure equity team at SLAM. It should be noted prior to the statements below that the criteria described are valid for both the Infrastructure Global ESG (EUR) investment group and the Infrastructure Global ESG (CHF hedged) investment group, as the infrastructure investments of the Infrastructure Global ESG (CHF hedged) investment group are made exclusively via the Infrastructure Global ESG (EUR) investment group.

ESG criteria are generally integrated during the investment decision process and during ongoing portfolio management. This is based on the SLAM infrastructure equity team's "Responsible Investment Manual Infrastructure", which defines the criteria at the "transactions", "asset management" and "reporting" levels:



The infrastructure equity team is committed to ensuring that the investment approach takes the ESG considerations into account at every stage, from the initial review during due diligence to the ongoing implementation and promotion of ESG standards after the investment within the framework of asset management.

Below is a detailed overview of how ESG is implemented in the investment approach of the infrastructure investment groups and the criteria set out in this context:

At least two thirds of capital commitments of the Infrastructure Global ESG (EUR) investment group for portfolio investments are made in collective investments that are subject to the disclosure requirements set out in Art. 8 or Art. 9 SFDR or the investments are made in direct investments together with collective investments that are subject to the disclosure requirements set out in Art. 8 or Art. 9 SFDR.

All capital commitments of the Infrastructure Global ESG (EUR) investment group are to be made on the basis of a positive ESG evaluation. Direct investments must have a minimum rating of 26 points and collective investments a minimum rating of 18 points in accordance with the ESG assessment scheme below.

The criteria to be reviewed for this ESG assessment and the subsequent quantification of the assessment are defined below:

a. ESG criteria to be assessed for the manager of a collective investment

- **ESG investment objectives:** Assessment of investment objectives and measures taken for implementation with regard to ESG: ESG criteria in the investment process, sector exclusion, measurability, proof of implementation etc.
- **ESG policies:** Assessment of the company's ESG guidelines. Are there clear guidelines on general sustainability, environmental, social and governance issues?
- **ESG commitment:** Is there a commitment to ESG standards or principles (e.g. PRI) and evidence of (public) reporting?
- **ESG responsibilities:** Identification and assessment of resources allocated to ESG management for the implementation of ESG goals.
- **Senior management:** Assessment of whether ESG decision-making takes place at senior management level. Does the company have a senior decision-maker responsible for ESG issues?

- **ESG risks and opportunities:** Does the manager of the potential target fund take ESG risks and/or opportunities into account in its investment processes? Is there evidence, e.g. in excerpts from investment notifications, due diligence reports or case studies?
- **Monitoring of ESG risks and opportunities:** Does the manager of the potential target fund take ESG risks and/or opportunities into consideration in its investment monitoring processes? Is there a regular review of ESG risks and/or opportunities? Are there reports for investors or the public?
- **Analysis of asset performance:** Assessment of the extent to which the defined ESG goals and criteria ("ESG performance") are monitored as part of ESG management.
- **ESG disclosure:** Disclosure of ESG measures and/or performance. How high is transparency and frequency in terms of ESG topics?
- **External ESG assessment:** Are ESG implementations reviewed by means of external assessments such as PRI and GRESB and are these published?
- **ESG misconduct, penalties and incidents:** Are there processes for monitoring and reporting incidents or breaches relating to environmental, social and/or governance guidelines?

A four-point system per question is used for managers of collective investments to evaluate the criteria, with four points awarded for "very good performance" and one point for "poor performance".

- Bandwidths for managers of collective investments
  - > 28 points (green)
  - 18-28 points (yellow, further questions and background)
  - < 18 points (red, investment not recommended)

b. <u>ESG criteria to be assessed for direct investments</u>

c. **Environmental policy and processes:** Assessment of whether environmental guidelines and processes are in place and clearly implemented and followed (possibly even environmental ISO certification). Are GHG emissions measured? Have there been negative environmental incidents in recent years?

- **Environmental initiative:** Are effects on the environment considered in daily business? Are environmental and sustainability goals pursued? Do GHG emissions need to be reduced? Are climate risks evaluated? Is media perception positive with respect to the environment and are there no complaints pending?
- **Resource consumption and waste management:** Assessment of energy, water and waste consumption and the amount of waste. Are initiatives being introduced to save water and energy and reduce waste? Are revenues generated by the mining, extraction, production, processing, storage, refining or distribution of fossil fuels? Do the company's site activities affect biodiversity-sensitive areas?

- **Environmental law:** Does the company have environmental protection guidelines and clear reporting mechanisms vis-à-vis the authorities or is it exempted from reporting by sector-specific environmental laws? Are any environment-related court proceedings, in which the company is involved as a party, pending?
- **Employment and working environment:** Is there a code of conduct that is consistently implemented? Assessment of work-life balance, working hours, staff turnover. Are there also social programmes, events, development initiatives or training courses? Is the company interested in employee feedback? Has the company breached OECD guidelines or UN Global Compact principles in the past three years? Does it have a diversity and inclusion policy?
- **Stakeholder engagement:** Image of the company among customers, clients and the general community. Evaluation of media perception. How does the company respond to complaints about ESG from customers, clients and the community? Is there a whistleblower policy?
- **Contribution to society:** Does the company regularly participate in or contribute to community/charity events? Are charitable donations based on clear and objective criteria? Are employee engagement, research initiatives and voluntary further training pursued and promoted?
- **Senior management / board of directors:** Are the managers competent and experienced and is there a significant proportion of independent members on the board of directors? Are the responsibilities of managers clearly defined? Is the compensation of senior management / the board of directors in line with the market? Are there ESG managers? Are ESG goals included in the goals defined for managers?
- **Management information systems:** Does the company have a well-implemented management information system and a risk mitigation plan based on this? Is there a quality and security policy and is it updated if necessary? Does this ensure that legislation is clearly and consistently applied and monitored within the company? Is ESG a component of the strategy? Is an ESG report compiled? Is there an anti-money laundering policy? Is there a health and safety policy? Is there a modern anti-slavery policy? Are occupational accidents actively prevented? Is absenteeism due to injuries measured and evaluated? Have there been no demonstrable violations of tax, money laundering or bribery standards in the past three years? Are human rights also respected and monitored in the company's supply chains?
- **External assessment (e.g. GRESB):** Is an external ESG assessment carried out on a regular basis? Are there ongoing efforts to improve the various key issues assessed?

A one-or-zero-point system per question is used to assess the criteria and questions for direct investments, whereby one point means "yes" and zero points "no".
The score is then added up and classified as follows:

- Bandwidths for direct investments
  - > 32 points (green)
  - 26-32 points (yellow, further questions and background, focus on improvement)
  - < 26 points (red, investment not recommended)

d. <u>Fundamental and generally applicable investment restrictions</u>

The following restrictions continue to apply to all investments of the SLAM infrastructure equity investment team and therefore also to the infrastructure investment groups:

- Not to invest more than 20% in assets primarily engaged in the midstream sector (i.e. transport, storage or refining of crude oil or related refinery products);

- Exclusion of companies that derive more than 10% of their value from oil and gas exploration and production;
- Exclusion of companies that derive more than 10% of their value from the handling or combustion of coal;
- Exclusion of companies that derive more than 10% of their value from nuclear energy production; and
- Exclusion of companies or issuers involved in the production, development and acquisition of controversial weapons (nuclear weapons, biological or chemical weapons, anti-personnel mines, cluster munitions).

In addition to these investment restrictions, there are further investment restrictions within the framework of SLAM's infrastructure equity ESG policy. The list is updated and expanded on an ongoing basis.
SLAM's infrastructure equity has a proactive asset management approach and the ESG orientation of its infrastructure investments is thus subject to continuous improvement.

3.4 Mortgages

3.4.1 Mortgages Switzerland ESG

The investment group's assets are invested mainly in sustainable Swiss mortgages via the collective investment (target fund) Swiss Life Mortgage Funds with the sub-fund Swiss Life ESG Mortgage Fund approved by FINMA.

The investment objective of the investment group is to achieve an appropriate return, primarily through investments in assets representing the credit risks of the Swiss mortgage market. The investment group pursues the environmental goals of mitigating climate change and environmental pollution as well as protecting ecosystems. The investment group pursues a thematic approach to sustainability through a combination of a best-in-class approach, the application of exclusions, and impact investing.

Mortgages can be described as sustainable if the secured property meets specific criteria in the area of environmental sustainability. A concept detailing sustainable selection criteria for mortgages has been derived for the investment group that ensures that the properties meet the stated objective. The requirements are divided into four main criteria:

- **Climate change mitigation**: Reduction of greenhouse gases in order to counter climate change;
- **Pollution:** No site pollution with harmful environmental effects.
- **Ecosystems**: Protection of nature reserves and biodiversity.
- **Physical climate risk assessment:** Exposure analysis for climate risks

For the most part, criteria such as the primary energy used, greenhouse gas emissions, possible contamination of the building site, risks to nature conservation or the location and thus exposure to extreme weather events are used to assess the sustainability of properties. For this reason, dedicated statements on the sustainability of the properties require different data on the energy requirements of the building and the energy source as well as additional information (e.g. data about the space). This type of data can be collected in different ways. The following data sources in particular – available mainly for Switzerland – are used to assess whether a mortgage purchased for the investment group is sustainable:

- CECB®[10]
- MINERGIE®
- Contaminated land register
- Geographical location and climate scenarios

Sustainability criteria for mortgage claims

The target fund pursues a thematic approach to sustainability through a combination of a best-in-class approach, the application of exclusions, and impact investing. The sustainability approaches are implemented by defining the following sustainability criteria in the four sustainability topic areas addressed which the secured properties must meet when the agreement for the acquisition of mortgage claims by the target fund is signed:

- Climate change mitigation
  - New buildings (< one-year-old buildings) have either a (provisional) Minergie® certificate (Minergie®, Minergie® P/A or Eco) or a CECB® or (provisional) new-build CECB® Level A or B or (provisional) equivalent (best-in-class approach);
  - Older properties (> one-year-old buildings) have either a Minergie® certificate (Minergie®, Minergie® P/A or Eco) or a CECB® Level A, B or C or equivalent (best-in-class approach);
  - Buildings with no (provisional) Minergie® certificate or CECB® or (provisional) new-build CECB® or (provisional) equivalent and buildings with a CECB® Level D or E are considered provided a financing application with CECB® Plus certificate or equivalent including a list of intended renovation measures is available and the renovation is completed and a CECB® certificate Level A, B or C or equivalent certificate is available no later than 24 months after the financing has been paid out (impact investing).
- Pollution

  The properties secured by the mortgage loans may not be listed as polluted sites in the cantonal register of contaminated sites or by the federal offices (FOT[11], DDPS[12] and FOCA[13]) responsible for implementing the Contaminated Sites Ordinance (CSO) in their respective areas (exclusion).
- Ecosystems

  This sustainability criterion aims to protect nature reserves and biodiversity. Buildings secured by the mortgage loans may not be located in areas designated by the Federal Office for the Environment FOEN for the protection and promotion of biodiversity in Switzerland (exclusion).

Finally, in order to fulfil the **Physical Climate Risk Assessment** criterion, a review of the building distribution and the exposure to climate risks for properties secured by the mortgage claims acquired by the target fund is required every five years. The initial review takes place two years after the launch of the investment group's target fund.

---

[10] Cantonal energy certificate for buildings.
[11] Federal Office of Transport
[12] Federal Department of Defence, Civil Protection and Sport
[13] Federal Office of Civil Aviation

4 ESG monitoring and reporting

Compliance with ESG criteria and implementation in line with the strategy are monitored by the Investment Compliance and Risk Management function of Swiss Life Asset Management Ltd, asset manager of the Swiss Life Investment Foundation.

Additional ESG monitoring is carried out for various securities investment groups by PPCmetrics AG, which acts as investment controller for the Investment Foundation. ESG monitoring by PPCmetrics AG serves to monitor the sustainability of the portfolios by means of a comprehensible and systematic process. In addition, a traffic light system determines the current status of implementation of the ESG objectives, which is reviewed quarterly and adjusted if necessary. The ESG status indicates which portfolios are deviating from the sustainability goals. In the event of deviations from the defined goals, PPCmetrics AG defines measures together with the Swiss Life Investment Foundation.

ESG reporting for the investment groups takes place in different formats depending on the asset class and ESG category. ESG long reports (quarterly) are prepared for the ESG securities investment groups, while an ESG product report (annual) and if necessary a GRESB report (annual) are prepared for the real estate and infrastructure investment groups.

Investment groups of the Swiss Life Investment Foundation	**ESG long Report**	**ESG product report**	**GRESB report**	**PPCmetrics ESG monitoring**
Equities Foreign **ESG**	●			●
Equities Foreign **ESG** Indexed	●			●
Equities Emerging Markets **ESG**	●			●
Equities Global **ESG**	●			●
Equities Global Protect Flex (CHF hedged)	●			●
Equities Global Small Caps	●			●
Equities Switzerland	●			●
Equities Switzerland Large Caps Indexed	●			●
Equities Switzerland Protect Flex	●			
Equities Switzerland Small & Mid Caps	●			●
BVG-Mix 15	●			
BVG-Mix 25	●			
BVG-Mix 35	●			
BVG-Mix 45	●			
BVG-Mix 75	●			
Bonds CHF Foreign	●			●
Bonds CHF Domestic	●			●
Bonds Global Governments+ (CHF hedged)	●			●
Bonds Global Corporates (CHF hedged)	●			●
Bonds Global Corporates Short Term (CHF hedged)	●			●
Bonds Emerging Markets Corporates (CHF hedged)	●			●
Bonds Emerging Markets Short Term (CHF hedged)	●			●
Bonds Global (CHF hedged)	●			●

Investment groups of the Swiss Life Investment Foundation	**ESG long report**	**ESG product report**	**GRESB report**	**PPCmetrics ESG monitoring**
Mortgages Switzerland **ESG**	●*			
Senior Secured Loans (CHF hedged)				●
Real Estate Switzerland **ESG**		●	●	
Commercial Real Estate Switzerland **ESG**		●	●	
Real Estate Switzerland Retirement and Healthcare **ESG**		●	●	
Real Estate Europe Industry and Logistics **ESG** (CHF)		●**		
Real Estate Europe Industry and Logistics **ESG** (EUR)		●**		
Infrastructure Global **ESG** (CHF hedged)		●***		
Infrastructure Global **ESG** (EUR)		●***		

Table 2: ESG reporting at investment group level

* ESG reporting as part of the investment group factsheet

** The target fund "Swiss Life Real Estate Funds (LUX) S.A. SICAV-SIF – ESG European Industrial & Logistics" is subject to the disclosure obligations set out in Art. 8 SFDR. Investors in the Real Estate Europe Industry and Logistics ESG (CHF) / (EUR) investment groups may request target fund reports from the Swiss Life Investment Foundation.

*** ESG reporting planned as part of the quarterly report

Disclaimer:

This publication has been produced with the greatest possible care and to the best of our knowledge and belief. It is not intended as a solicitation or recommendation to buy or sell investment instruments but is provided for information purposes only. All documents which form the legal basis for any investment decision can be obtained free of charge from the Swiss Life Investment Foundation, c/o Swiss Life Ltd, General-Guisan-Quai 40, 8002 Zurich, tel. 043 547 71 11 and at www.swisslife.ch/investmentfoundation.

The circle of investors of the Swiss Life Investment Foundation is limited to pillar 2 and pillar 3a institutions and other tax-exempt institutions domiciled in Switzerland set up for the purposes of occupational provisions as well as to persons who administer collective investments for such institutions, are supervised by the Swiss Financial Market Supervisory Authority (FINMA) and invest funds for these institutions exclusively with the foundation.

We enable people to lead a self-determined life.

Swiss Life Investment Foundation
General-Guisan-Quai 40
P. O. Box, 8022 Zurich
Telephone 043 547 71 11
anlagestiftung@swisslife-am.com
www.swisslife.ch/investmentfoundation

03.2024