



SwissLife
Asset Managers

Responsible Investment Report

*How we understand and
integrate ESG in our investments*

Foreword



Dear readers,

At Swiss Life Asset Managers we believe that the world economy is on the verge of a fundamental transformation towards greater sustainability. Requiring substantial investment, suchlike transformation is strongly dependent on a paradigm shift in the financial industry. After years of development, sustainable investing is gradually reshaping the financial industry. Escaping the niche, responsible investment approaches are substantially becoming mainstream in the universe of investment strategies.

To Swiss Life Asset Managers, responsible investment is a strong foundation on which we base our business activities, and not least, an essential requirement of our fiduciary duty. Apart from having integrated environmental, social and governance (ESG) considerations across all main business activities, we are undertaking various initiatives that go beyond standard integration.

To us as an asset manager devoted to its fiduciary duty, responsible investment is not only a means to redirect capital flows towards sustainable development but also an important instrument to seize investment opportunities and reduce respective risks for our investors. We trust that sound sustainable investment solutions are validating their efficiency in managing risks and delivering more resilient returns, precisely because they support and finance companies acting for the well-being of society and shareholders alike.

Although we are committed to account for all three dimensions of the ESG spectrum, we place a special focus on environmental considerations. As a supporter of the Task Force on Climate-related Financial Disclosures (TCFD) we are collaboratively fostering transparency and awareness on climate-related risks and opportunities. In our view, mitigating climate risk goes beyond applying strict exclusion methods.

Building on a robust framework of standards and international associations, we are dedicated to streamline and enhance the approach to responsible investment and are taking up the challenge of understanding the real-world outcomes of our investment portfolio. Our very first Responsible Investment Report summarises our understanding of responsible investment, indicates where we currently stand with our sustainability initiatives and outlines how we aim to tackle the challenges ahead. I hope you enjoy reading it.

A handwritten signature in black ink, appearing to read 'Stefan Mächler'. The signature is stylized and written in a cursive-like font.

Stefan Mächler
Group Chief Investment Officer Swiss Life

List of abbreviations

ACWI	All Country World Index
AGM	Annual General Meeting
AuM	Assets under management
CIO	Chief Investment Officer
CO₂	Carbon dioxide
DGNB	Deutsche Gesellschaft für Nachhaltiges Bauen
EPC	Energy Performance Certificate
ESG	Environmental, social, governance
EU	European Union
FNG	Forum Nachhaltige Geldanlagen
FOEN	Federal Office for the Environment
FTE	Full-time equivalent
GDP	Gross domestic product
GHG	Greenhouse gas
GRESB	Global Real Estate Sustainability Benchmark
HQE	Haute Qualité Environnementale
ICMA	International Capital Market Association
IDD	Insurance Distribution Directive
ILO	International Labour Organization
MiFID II	Markets in Financial Instruments Directive II
MW	Megawatt
NDC	Nationally determined contribution
NFRD	Non-Financial Reporting Directive
PACTA	Paris Agreement Capital Transition Assessment
PAM	Proprietary Insurance Asset Management
PAX	PAX for Peace
PRI	Principles for Responsible Investment
PV	Photovoltaic
RE	Real estate
SASB	Sustainability Accounting Standards Board
SDG	Sustainable Development Goal
SDT	Sustainable Development Target
SLHN	Swiss Life Holding Ltd
SSAs	Sovereigns, sub-sovereigns and agencies
SSF	Swiss Sustainable Finance
SVVK	Schweizer Verein für verantwortungsbewusste Kapitalanlagen
TCFD	Task Force on Climate-related Financial Disclosures
TPAM	Third-Party Asset Management

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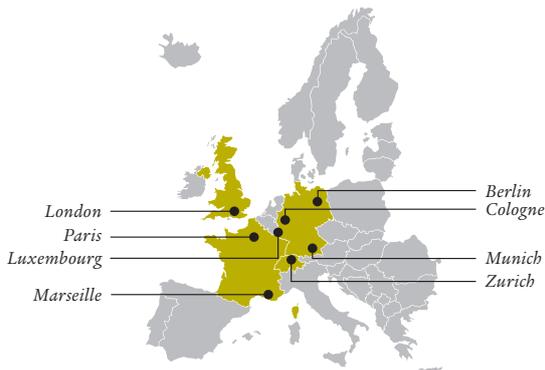
To provide clarification, a range of terms (marked with an arrow ↑ within the text) are defined in the glossary at the end of the report.



Key figures

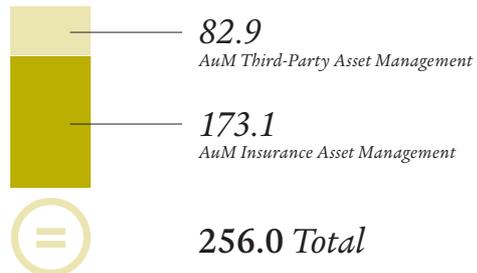
Swiss Life Asset Managers at a glance

Strong footprint in Europe – our key locations

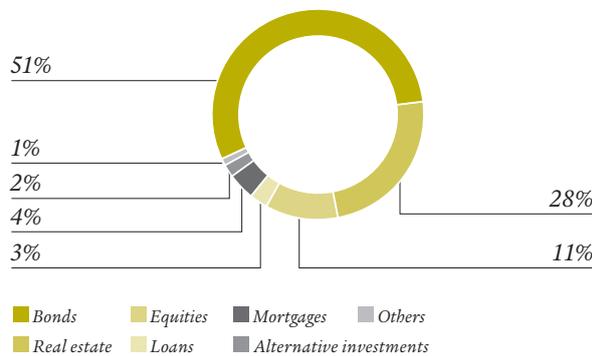


Assets under Management

(in CHF bn)



Assets under Management* – breakdown by asset classes



*Total AuM Insurance Mandates and third-party clients

Net new assets from third-party clients

(01.01.2020–30.06.2020)



What sets us apart

Among the top 3 Institutional Asset Managers in Switzerland*

Leading real estate manager in Europe**

One of the largest Asset Managers of corporate bonds in Switzerland (CHF > 50 bn)

Strong ALM investment expert for pension schemes and insurance companies

Risk-based investment philosophy for over 160 years

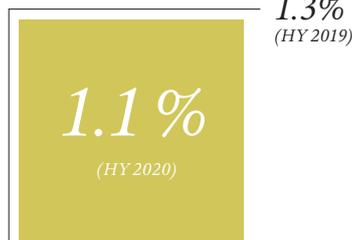
Combining quantitative and qualitative Risk and Asset Management

* IPE Survey 2020 Top 500 Asset Managers in Europe (AuM as of 31.12.2019)
** INREV Fund Manager Survey 2020 (AuM as of 31.12.2019)

All figures as of 30 June 2020 unless stated otherwise.

Net investment result

(Insurance Portfolio)



Follow us on LinkedIn, Twitter and XING.

Employees



www.swisslife-am.com

Source: Swiss Life Asset Managers

Executive summary

Swiss Life Asset Managers' responsible investment in eight figures.
Clustered based on the three pillars of our ESG concept.

FIDUCIARY DUTY

90%

90% of all assets under management are in scope of ESG integration strategy

A+

A+ accredited in the Strategy and Governance module of PRI

12

As of August 2020, 12 FTEs are fully dedicated to ESG, incl. 50 ambassadors

9 out of 12

9 out of 12 submitted real estate vehicles were Green Star-rated by GRESB

INTERGENERATIONAL RESPONSIBILITY

CHF 0

CHF 0 are invested in companies deriving more than 10% of their revenue from thermal coal

CHF 2 bn

CHF 2 bn are to be invested in green bonds by 2023

ACTIVE STEWARDSHIP

15

In 2019, we have initiated 15 ESG engagements* among our infrastructure assets

9%

In 9% of all votable AGM agenda items, we did not follow the management's proposition

* Examples of ESG engagements include triggering a GRESB rating, initiating a new ESG policy, or implementing GHG measurement processes.



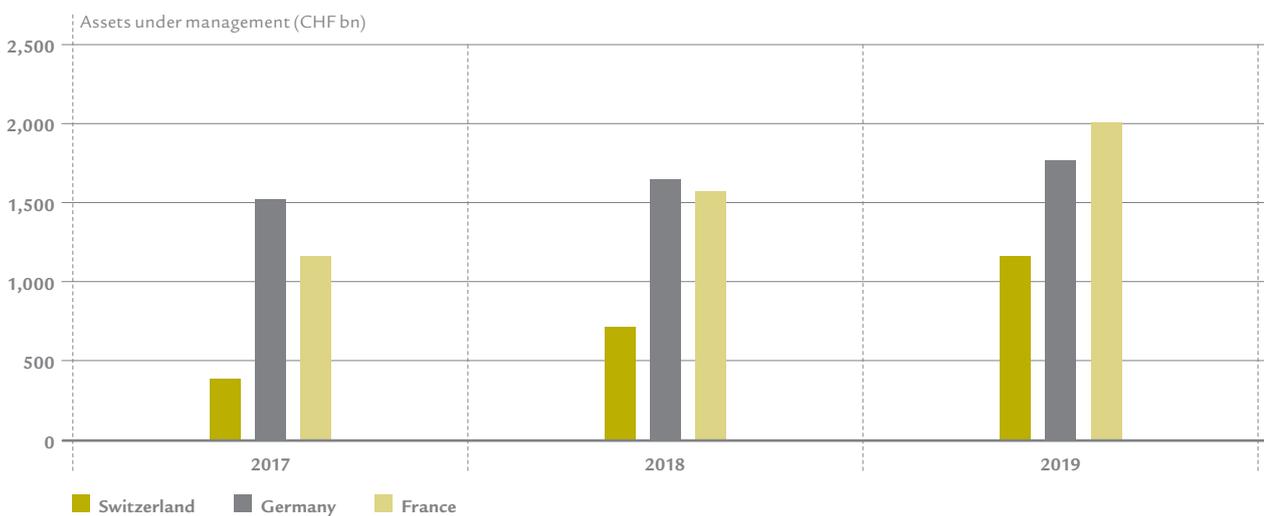
*Our view on an industry
on the move*

Responsible investing: momentum for change

With increasing customer demands and tightening regulatory requirements, responsible investing[†] has recently gained strong momentum. Exceeding a EUR 12 trillion¹ market volume, the European market for sustainable investments[†] is growing at a fast pace and is expected to multiply as market standards evolve and transparency requirements enter into force.

Not long ago, responsible investing was still considered a niche topic that accommodated ethics at the expense of economic success. But throughout the past decade, responsible investment strategies have experienced a remarkable upswing as financial market participants have understood the value proposition of incorporating ESG[†] aspects into investment decisions. Already in 2018, the proportion of sustainable investments relative to total assets under professional management amounted to almost 50%² in Europe. This high share may be attributed to an increasing number of large institutional investors such as pension funds picking up the trend across Europe.

Responsible investment volume in Swiss Life Asset Managers' core markets



Source: Swiss Sustainable Investment Market Study 2020 (SSF, 2020), Marktbericht Nachhaltige Geldanlagen 2020 (FNG, 2020), La gestion Investissement Responsable (AFG, 2020), La gestion Investissement Responsable (AFG, 2019), La gestion Investissement Responsable (AFG, 2018)

Exchange rate used: EUR/CHF 1.10

¹ 2018 Global Sustainable Investment Review (GSIA, 2019)

² 2018 Global Sustainable Investment Review (GSIA, 2019)

While institutional investors are clearly at the forefront of sustainable investments, accounting for about 70%³ of the invested assets under management in Europe, private investors are gradually increasing their stake. Securities still dominate the European sustainable investment market, with equities and bonds sharing the market almost equally at around 46% and 40%⁴ respectively. Other asset classes – such as real estate, with a 14%⁵ market share in Switzerland – are however increasingly emerging. In terms of investment volume, the European market for responsible investments has been growing at a relatively high and steady rate, as indicated by the recent developments in Swiss Life Asset Managers' core markets (see illustration on page 10).

Despite the overall remarkable upsurge, there is a lack of clarity in the parameters governing the integration of ESG factors. Depending on the degree of sophistication, ESG strategies can range from a rather inadequate tick-box approach to a well-defined integration strategy. This calls for a framework that defines clear categories of ESG integration † – a task that European policymakers are currently taking up in an extensive regulatory project called the Action Plan for Financing Sustainable Growth (EU Action Plan).

The EU Action Plan aims to trigger a shift of private capital towards sustainable investments to narrow the investment gap of the low-carbon transition. To this end, four objectives and ten actions were identified by the EU and are being built into the financial market regulatory framework as outlined in the illustration on page 12.

Legislative revisions are also underway in Switzerland, with the aim of significantly reducing greenhouse gas emissions †. The recently published draft of the Federal Act on the Reduction of CO₂ Emissions aims to embed the ratification of the Paris Climate Agreement † into national law. Additionally, the Swiss Federal Council has adopted a report and guidelines on sustainability in the financial industry, aiming to make Switzerland a leading location for sustainable finance.

3 European SRI Study 2018 (Eurosif, 2018)

4 European SRI Study 2018 (Eurosif, 2018)

5 Swiss Sustainable Investment Market Study 2020 (SSF, 2020)

The ten actions of the EU Action Plan and the corresponding objectives

Action	Objective
1 Taxonomy	Develop an EU classification system for environmentally sustainable economic activities
2 Standards and labels	Develop EU standards (such as the EU Green Bond Standard) and labels for sustainable financial products (via the Ecolabel) to protect the integrity of and trust in the sustainable finance market
3 Fostering investment in sustainable projects	Explore measures to improve the efficiency and impact of instruments aiming at investment support; mapping on investment gaps and financing
4 Incorporating sustainability in financial advice	Amend MiFID II and IDD delegated acts to ensure that sustainability preferences are taken into account in the suitability assessment
5 Developing sustainability benchmarks	Develop climate benchmarks and ESG disclosures for benchmarks
6 Sustainability in research and ratings	Explore how credit rating agencies could more explicitly integrate sustainability into their assessments
7 Disclosures by financial market participants	Enhance transparency to end investors on how financial market participants consider sustainability
8 Sustainability in prudential requirements	Explore the feasibility of reflecting sustainability in prudential rules (where justified from a risk perspective)
9 Strengthening sustainability disclosures and improving accounting	Enhance climate and sustainability-related information provided by corporations
10 Fostering sustainable corporate governance	Collect evidence of undue short-term pressures from capital markets on corporations and consider steps for promoting corporate governance that is more conducive to sustainable investments

Source: Communication from the European Commission, Action Plan: Financing Sustainable Growth, 08.03.2018, <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52018DC0097&from=EN>

Swiss Life Asset Managers provides asset management services to investors through several entities domiciled both inside and outside the EU. Even though EU regulations are not directly applicable to asset management companies domiciled outside of the EU, it is essential to achieve and maintain regulatory equivalence to the EU market. Hence, at Swiss Life Asset Managers, we closely monitor these dynamic regulatory developments and aim to continuously adapt internal processes and governance requirements. This dynamic process is handled by interdisciplinary working groups comprising ESG experts as well as business specialists. We aim to set out steps towards a future-proof business. As the implementation of these complex and sometimes highly technical regulations requires comprehensive know-how and the involvement of other specialists in addition to legal and compliance skills, we collaborate with diverse organisations and initiatives.

The megatrend impacts Swiss Life Asset Managers

The sustainability megatrend will have a strong influence on the way business is done in the future. As the asset manager of a life insurance company that is custodian to long-term obligations to our insurance clients, it is part of our ESG concept to assume social responsibility.

Aligning our organisation with ESG-related challenges by integrating sustainability aspects into all our core processes is an important step in adapting to new challenges. In particular, environmental issues and the way companies deal with them will be a key factor for future business success. Thus, we aim to offer our asset management clients a range of sustainability products and services related to energy efficiency and environment.

Understanding real-world outcomes with the SDG framework

The United Nations Sustainable Development Goals (SDGs) are at the heart of the 2030 Agenda for Sustainable Development (Agenda 2030⁶) adopted by all United Nations member states in 2015. The Agenda 2030 is going beyond simply taking up the Paris Climate Agreement targets. The SDGs are a collaborative framework of public and private institutions to promote social, environmental and economically stable and sustainable development. For Swiss Life Asset Managers, the SDG framework is a useful guideline by which to understand the real-world outcomes† of our investments.

United Nations Sustainable Development Goals



Source: United Nations

⁶ Transforming our world: the 2030 Agenda for Sustainable Development. A/RES/70/1

The 17 SDGs comprise a broad range of interconnected sustainability issues of global importance. On a granular level, each SDG consists of several sub-targets and descriptions to help the various stakeholders in the application of the framework.

Swiss Life Asset Managers perceives the SDGs as an important framework with which to align itself. These goals coincide with our corporate credo to design solutions which allow clients to reach their targets. Transparently assessing our impact on society and the environment enables us to fulfil our fiduciary duty and to ensure a future-proof business model. This is in our best interest as well as in the interest of our stakeholders. Swiss Life Asset Managers strives to understand and to measure the positive and negative impacts our investments have on the real world. Understanding these real-world outcomes not only allows us to steer dedicated sustainability-oriented investments, but is also important to satisfy various other demands such as:

- **Reporting/regulation:** We have noticed a rapid development in various associations and benchmarks (e.g. PRI[†] or GRESB) towards the integration of real-world outcomes in the reporting requirements. This trend is also reflected in the EU transparency regulation's[†] disclosure requirements on both entity and sustainable financial product level (see e.g. transparency regulation, section "Responsible investing: momentum for change").
- **Risk/return/impact profile:** We have observed a smooth transition from a pure risk/return profile to an extended profile with a third investment dimension: impact. In order to optimise all three dimensions and to consider the respective client's profile, the understanding of the real-world outcomes is necessary.

The Principles for Responsible Investment (PRI) publication "Investing with SDG outcomes: A five-part framework"⁷ defines an intuitive pathway to align the investment process to these goals. According to the framework, an investor needs to identify the real-world outcomes of a portfolio before setting targets and shaping the outcomes. Therefore, the PRI recommends using existing ESG integration tools such as screening in combination with standards like the EU taxonomy, to map the existing investments to the SDGs. At Swiss Life Asset Managers, we aim to pursue this path.

"Swiss Life Asset Managers aims to understand the positive and negative real-world outcomes of our investments."

Swiss Life Asset Managers

However, it is important to bear in mind that understanding and managing tangible, real-world impacts poses some significant challenges: several initiatives are currently

Allocation of relevant SDGs per asset class at Swiss Life Asset Managers



* Sovereigns, sub-sovereigns and agencies

Source: Swiss Life Asset Managers

7 Investing with SDG outcomes: A five-part framework. 2020. Principles for Responsible Investment

underway to simplify the measurement of these rather complex and mutually dependent impacts of investment portfolios.

A well-known approach is to look at the share of total revenue that an investee is generating with sustainable products and services. In our view, this procedure of determining impact does not do sufficient justice to the complexity of an investment portfolio. Identifying and measuring real-world outcomes of an investment portfolio is assumed to go far beyond purely revenue-based impacts. It is rather a combination of operational behaviours, ESG data, success stories and product revenues that are generating measurable, real-world impact.

At Swiss Life Asset Managers, we have selected the following approach: as a starting point, we allocated the SDGs to the different business activities, based on available data and our ESG concept (see illustration on page 15). The allocation is mainly based on the materiality of the underlying Sustainable Development Targets (SDTs) in the respective business activities. Using common standards, such as the SASB Materiality Map⁸, we seek to further challenge and verify the outcomes of our allocation.

In this report, the case studies are accompanied by SDGs illustrating the start of our journey to understanding the real-world outcomes of our assets in the portfolio.

⁸ The Sustainability Accounting Standards Board (SASB) Materiality Map: <https://materiality.sasb.org>



*Where climate meets our
responsible investment
approach and concept*

How responsible investment is anchored at Group level – Swiss Life’s sustainability approach

In the pursuit to act responsibly as part of society and with respect to the environment, Swiss Life Asset Managers seeks to integrate sustainability† across its entire value chain. While being a leading asset manager, our responsible investment† approach is at the heart of the Swiss Life Group’s sustainability approach.

“We enable people to lead a self-determined life.”

Swiss Life

Swiss Life is one of Europe’s leading comprehensive life insurance, pension and financial solutions providers. Sustainability or sustainable management is not a new concept: it has been at the centre of our activities since the company was founded in 1857. As our customer relationships often extend over decades, our long-term success is built on sustainable, far-sighted management. Our commitment to sustainability is also mirrored in our purpose of enabling people to lead a self-determined life.

Swiss Life has set out its corporate sustainability principles in a group-wide sustainability concept, which is subdivided into four areas: sustainability in daily business, as an employer, in society and with regard to the environment.

ESG † and responsible investment are an integral part of Swiss Life’s sustainability approach. As a large investor, Swiss Life is committed to ensuring that direct investments in its portfolio are in line with its fundamental standards and values. As a signatory to the UN Global Compact, Swiss Life is committed, among other things, to the fundamental principles for respecting human rights.

Swiss Life’s understanding of sustainability

In business activities	In society	As an employer	In the environment
<ul style="list-style-type: none"> • Good governance, diligence and responsible conduct form the basis for successful business operations and for long-term and sustainable customer and business relationships. • Swiss Life takes ESG criteria into account in the investment process and is, among other things, a signatory of the Principles for Responsible Investment (PRI) † and a member of the Global Real Estate Sustainability Benchmark (GRESB). 	<ul style="list-style-type: none"> • As a pension provider, Swiss Life assumes social and economic responsibility, and as an investor Swiss Life seeks to make investment decisions that support the well-being of our society. • With its own foundations, Swiss Life supports projects and institutions in the fields of culture, science, education and the environment and research that promote self-determination and confidence. 	<ul style="list-style-type: none"> • Swiss Life believes in the competence and engagement of its employees and promotes flexible working models and continuous development throughout all phases of life. • Swiss Life offers its employees a collaborative working environment in which they can act with personal responsibility. Diversity, an open feedback culture, appreciation and trustworthy cooperation are key in this regard. 	<ul style="list-style-type: none"> • As a property owner, Swiss Life supports energy-saving measures, renewable energy and the sparing use of resources, and as an investor Swiss Life is actively taking measures that reduce the ESG risks, such as for example climate change risks. • In its own operations, Swiss Life has set itself goals for the reduction of CO₂ and fossil fuels, among other things. They apply to the entire Swiss Life Group.

Source: Swiss Life

Organisation and governance

Strategic decisions concerning general sustainability topics lie with the Group Executive Board, chaired by the Group CEO. Within this board, the Group Chief Investment Officer is particularly responsible for ensuring sustainable investment management. A dedicated sustainability team at Group level leads and manages a cross-border and cross-divisional organisation and ensures the harmonised group-wide implementation. As a responsible asset owner and asset manager, responsible investing and responsible real estate management are key elements of the Swiss Life Group approach.

Reporting

Since March 2016, a dedicated sustainability report has been an integral part of the annual report of the Swiss Life Group. The report is prepared in accordance with the voluntary standards of the Global Reporting Initiative (GRI), recognised worldwide. Swiss Life seeks to continuously improve the communication and reporting aimed at its stakeholders and has continuously adapted its reporting to further requirements. Since 2018, Swiss Life has also reported in line with the European Non-Financial Reporting Directive (NFRD) and will from March 2021 also meet the requirements of the Sustainability Accounting Standards Board (SASB).



About the Swiss Life Group

Swiss Life Holding Ltd, registered in Zurich and listed on the SIX Swiss Exchange, was founded in 1857 as Schweizerische Rentenanstalt. Today it is a leading provider of life insurance, pension and financial solutions in Europe. For over 160 years we have been helping private and corporate clients prepare their financial future. We provide individual pension and financial advice to help companies and private persons to identify financial risks at an early stage and take corresponding measures.

As the Swiss Life Group we operate in Switzerland, Germany and France, and have competency centres in Luxembourg, Liechtenstein and Singapore. Overall, the Group employs a workforce of around 9,500 and has a distribution network of some 15,000 advisors at its disposal.

Swiss Life Asset Managers is among the various international subsidiaries of the Swiss Life Group and offers institutional and private investors access to investment and asset management solutions. Its subsidiaries Livit, Corpus Sireo, BEOS, Mayfair Capital and Fontavis are also part of the Swiss Life Group.

Our ESG concept in the light of climate change

In recent years Swiss Life Asset Managers has designed a comprehensive ESG concept and a responsible investment approach.

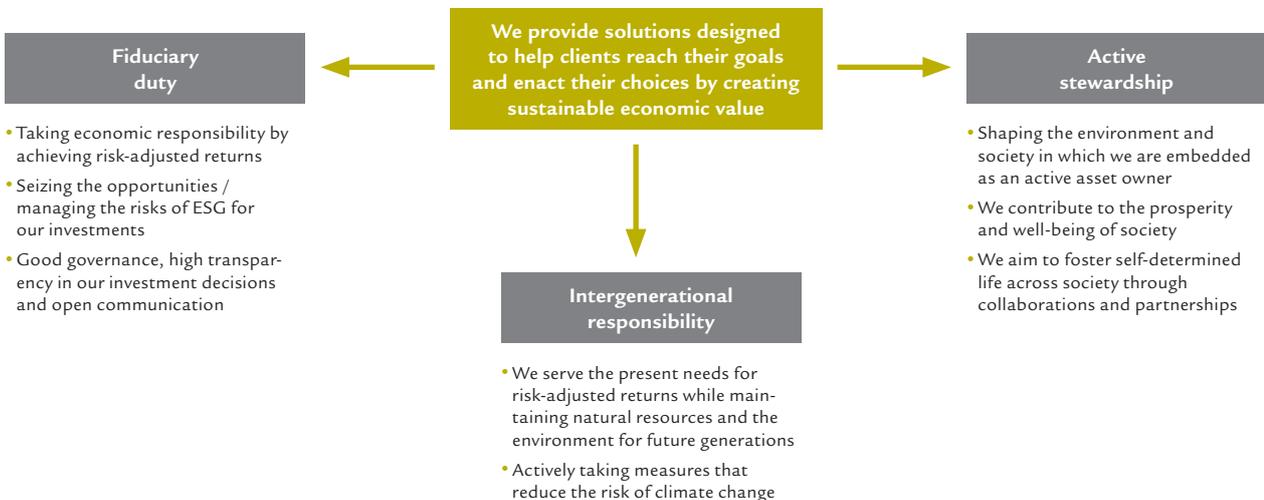
As a European asset manager, we can look back at a long-standing investment tradition of over 160 years. The sustainable management of risks and seizing of investment opportunities over different cycles are deeply rooted in our corporate DNA as well as condensed into our purpose: to help clients reach their goals and enact their choices; at the same time, we aim to continuously deliver sustainable performance across all market conditions.

We focus on an ESG concept based on three pillars of corporate responsibility: fiduciary duty, intergenerational responsibility and active stewardship[†].

Fiduciary duty

Throughout our long-standing history, Swiss Life Asset Managers is known for its targeted and focused way of doing business, closely aligned with its expertise. Our premise is to act in the best interest of our key stakeholders, and this constitutes the purpose of our business. The trust and confidence our shareholders and clients place in us is the hallmark of our fiduciary duty. We have an economic responsibility to create long-term sustainable economic value. Observing good corporate governance is one of our essential duties. Furthermore, we are committed to providing transparency across all invested asset classes as well as on their corresponding ESG benefits.

Swiss Life Asset Managers' ESG concept



Source: Swiss Life Asset Managers

Intergenerational responsibility

As the asset manager of a large insurance institution and third-party investors, it is our obligation to serve our clients’ present needs of achieving a risk-adjusted return. Nevertheless, we want to take responsibility to help maintain natural resources and the environment for future generations in the course of pursuing our goals, thus securing their claim to enact their choices. As such, we aim to align our fiduciary and intergenerational responsibilities by focusing on solutions which reconcile the creation of economic, environmental and social value. For example, investments into renewable energy infrastructure projects can create long-term economic value, enhance personal well-being and drive the energy transition towards renewable energy.

Active stewardship

Sustainable development is very achievable if done as a joint effort. In this context, we support various initiatives and organisations to further foster the progress of society towards greater sustainability. We achieve this not only by actively exercising our voting rights, but also by entering into dialogue with various stakeholders and organisations. We can offer our clients and stakeholders the greatest added value if we refrain from applying strict exclusion methods for all our products. Since we are aware that transitioning to a sustainable business model is a challenging process for our investees, we aim to actively support them along their way.

Our concept is the guiding principle for the structured and systematic integration of ESG aspects into the investment processes across all asset classes. In particular, we aim to incorporate climate action into our business activities, since tightening climate regulations not only bear the risk of assets becoming stranded, but may also provide promising investment opportunities. For this we aligned our approach with the recommendations of the TCFD.

“We serve present needs for risk-adjusted returns and take responsibility to maintain natural resources and the environment for future generations: this is our intergenerational responsibility.”

Swiss Life Asset Managers



Four main business activities at Swiss Life Asset Managers

With its companies in Switzerland, France, Germany, Luxembourg and the UK, Swiss Life Asset Managers enjoys a strong market position. More than 2,200 employees work for Swiss Life Asset Managers in Europe. They provide services and develop tailored investment strategies for our own insurance companies as well as for third-party clients, such as pension funds, investment foundations, asset managers and private clients. As illustrated in the table below, Swiss Life Asset Managers is structured in four main business activities: Proprietary Insurance Asset Management (PAM), Third-Party Asset Management (TPAM), Real estate and Infrastructure.

Securities	Proprietary Insurance Asset Management (PAM)	Managing the assets of the Swiss Life Group’s own insurance companies
	Third-Party Asset Management (TPAM)	Managing the assets of third-party clients such as pension funds, investment foundations or mutual funds
Real assets	Real estate	We maintain investments in real assets (real estate and infrastructure) on behalf of our insurance policyholders and also offer our third-party clients real assets fund solutions
	Infrastructure	

Embedding climate action in our responsible investment approach (TCFD)

Swiss Life Asset Managers started implementing its ESG concept in a structured and systematic way in the investment processes in 2018. The resulting responsible investment framework covers all its business activities and has been constantly evolving ever since. The most recent development is the integrated climate risk aspects in traditional governance, strategy and risk management. The newly introduced aspects allow better steering of our contribution towards the Paris Climate Agreement targets and the TCFD recommendations.

Our responsible investment approach

Our responsible investment approach underpins our commitment to responsible investing, by formalising the way we integrate ESG factors into our investment and risk management processes in accordance with the UN Principles for Responsible Investment (PRI).

Both Swiss Life Group and Swiss Life Asset Managers are fully committed to the PRI. All entities of Swiss Life Asset Managers are encompassed by this signatory, including Mayfair Capital, Swiss Life Asset Managers in France, BEOS, Corpus Sireo and Fontavis among others. For full transparency, the results of this year's PRI assessment are given below.

We pursue a two-pronged implementation strategy that is accompanied by a process of organisational change. This strategic approach is only possible if the organisational mindset is transformed towards greater ESG awareness and know-how. If each investment professional has enough ESG expertise applicable to their specific field of action, the business model can become future-proof. Therefore, we focus on a deep implementation of ESG and broad knowledge sharing within all teams of Swiss Life Asset Managers.

Results from the PRI assessment report 2019 and 2020

Environmental	Score 2019	Score 2020	Asset class share of total AuM (31.12.2019)
SG – Strategy and Governance	A+	A+	92%*
FI – Fixed income	A	A	51%
PR – Properties	A	A	27%
LEI – Listed equity	A	A	12%
INF – Infrastructure	A	A	2%

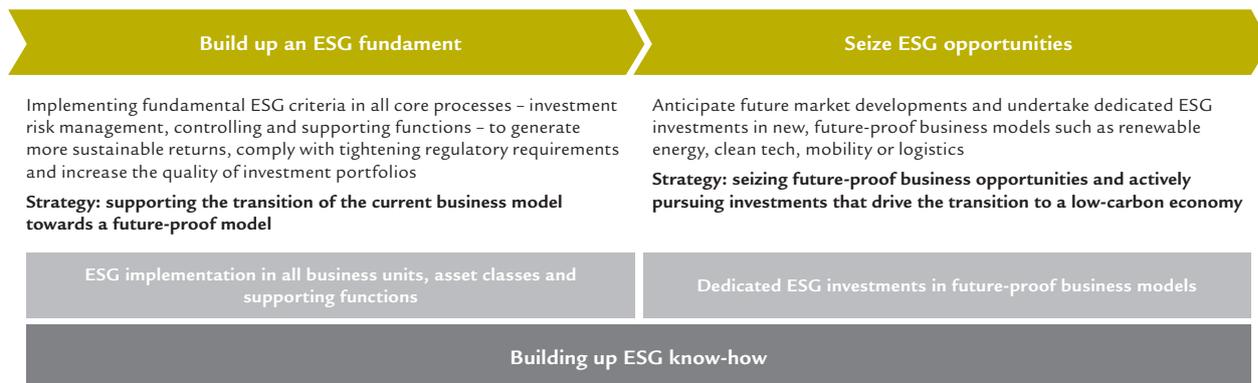
Signatory of:

PRI Principles for Responsible Investment

*The missing 8% encompass mortgages, loans and others and are due to the characteristics of these asset classes not yet covered by the responsible investment approach.

Source: Swiss Life Asset Managers

Seizing opportunities in the field of ESG stays on a strong fundament of ESG implementation



Source: Swiss Life Asset Managers

We aim to implement this strategy in the investment processes across all our asset classes. This is further explained in Swiss Life Asset Managers’ approach to responsible investment⁹. For example, in securities, we made the MSCI ESG data accessible for all investment professionals through a direct integration in our software systems. This ensures that ESG aspects are considered in daily investment decisions. For real estate, an overarching framework – the responsible property investment framework – provides tools to implement ESG in all levels of the investment cycle. To summarise, the overall approach aims to consistently implement ESG

How the different approaches to sustainable investment are applied within Swiss Life Asset Managers

For more details, please refer to the corresponding sections in the chapter “Responsible investment in our main business activities”

	Exclusions	Norms-based screening	Best in class/ positive screening	ESG integration↑	ESG voting	ESG engagement	Sustainable thematic investments	Impact investing
Securities	✓	(✓)		✓	(✓)		✓	
Real estate	(✓)			✓		✓	✓	✓
Infrastructure	✓			✓		✓	✓	✓
Mortgages								
Loans								

Degree of sustainability consideration and focus

Traditional investing

Sustainable investment approaches

Philanthropy

Source: Swiss Life Asset Managers

(✓) Partly implemented ✓ Currently implemented

⁹ See here for more details: https://www.swisslife-am.com/content/dam/slam/documents_publications/slam_approach_to_responsible_investment/ri-approach/Swisslife_AM_ESG_Approach_EN.pdf

in investment, risk and sales management according to the PRI. The illustration on page 23 visualises the degree of sustainability consideration across the business activities¹⁰.

Climate-related disclosure (TCFD)

Since climate change is one of the greatest challenges faced globally, it plays a significant part in our approach to responsible investment: in 2018, we committed to the framework of recommendations of the TCFD. For asset managers, the TCFD outlines 11 recommendations, encompassing all areas from strategy, governance and risk management to metrics. The following paragraphs outline the integration of climate aspects, particularly in governance, strategy and risk management.



Climate considerations embedded in ESG governance

The responsible investing approach is based on the goal of implementing sustainability issues in all core processes across all business units and functions. In order to streamline the implementation and to create internal synergies, the Swiss Life Asset Managers ESG Board was established. The ESG Board comprises ESG specialists from all business units, dedicated ESG managers as well as representatives from relevant functions and subject matter experts. The board is chaired by the Head ESG. At Swiss Life Asset Managers, currently an aggregate of 12 FTEs – accumulated by ESG experts, around 50 ESG ambassadors and other specialists – are dedicated to ESG.

The Swiss Life Asset Managers ESG Board drafts and reviews the responsible investment approach, guides the implementation and decides on ESG matters. The ESG Board encourages teams across the asset classes to exchange insights on sustainability topics. The board reports directly to the Group CIO and acts as an advisor to the Swiss Life Asset Managers Executive Committee and other management committees in our main business activities (see illustration on page 21). The illustration below provides an overview of the differences between these business activities.

The members of the ESG Board chair the corresponding business unit-specific ESG committees, which meet monthly to discuss specific sustainability topics. During the committee meetings, our experts make decisions around ESG integration into the investment or risk management process. They also decide how to progress with investments that other committees and processes have raised as controversial. In general, advisory is provided to the Swiss Life Asset Managers Executive Committee or other legally binding committees. The board also discusses ESG indicators and thresholds on a regular basis. Additionally, ESG targets are integrated into the personal annual targets of the members of both the ESG Board and the Executive Committee.

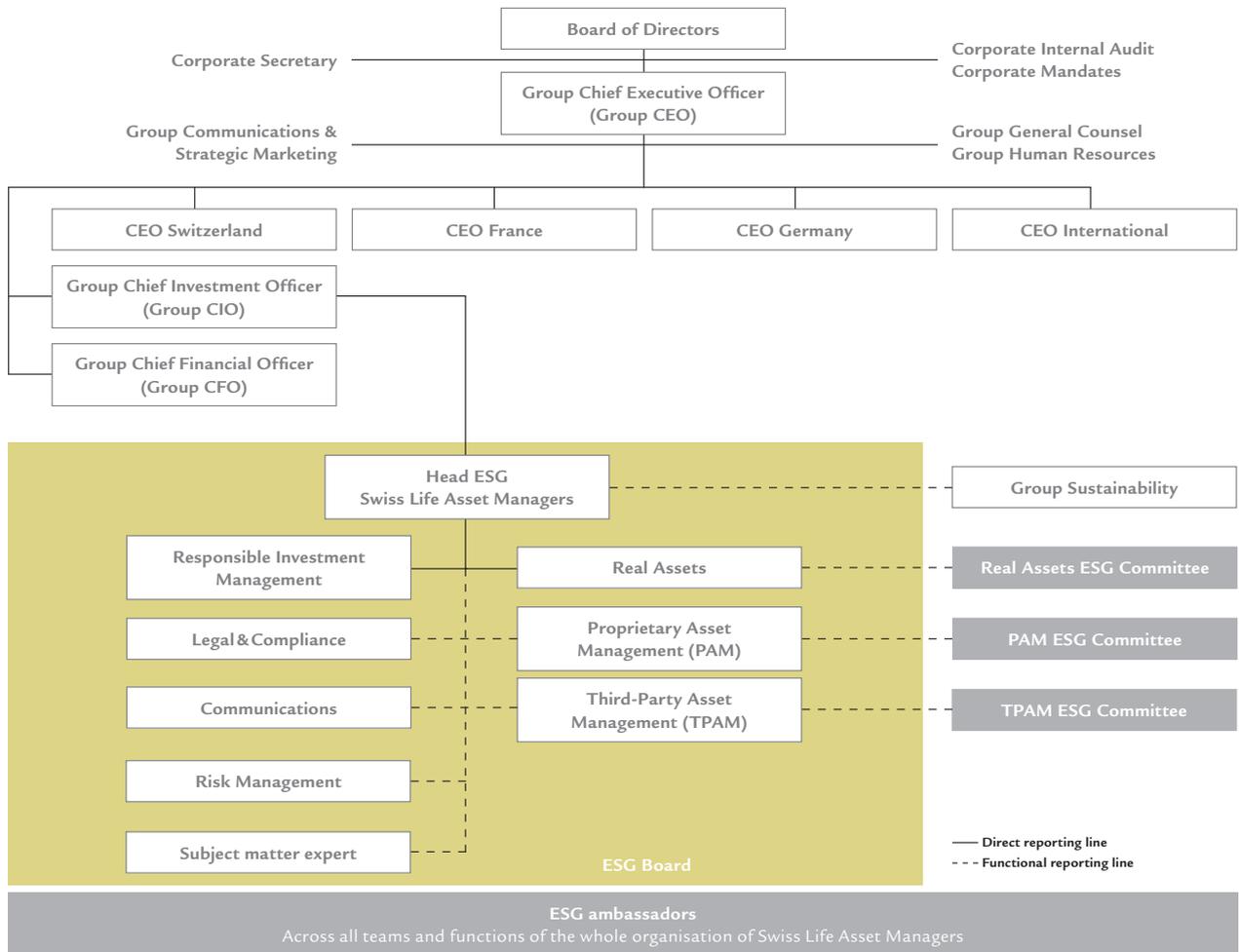
“12 FTEs are dedicated to ESG, including 50 ambassadors.”

Swiss Life Asset Managers

The Swiss Life Asset Managers Executive Committee, headed by the Swiss Life Group CIO, oversees overarching ESG, climate policy and strategy issues, such as green investment strategies and controversy analysis of the securities portfolio. The ultimate responsibility for corporate sustainability issues lies with the Group Executive Board of the Swiss Life Group, chaired by the Group CEO (see the section “How responsible investment is anchored at Group level – Swiss Life’s sustainability approach”).

¹⁰ Mortgages and loans remain out of scope for ESG implementation due to various reasons such as the lack of ESG data.

ESG and with it climate-related aspects are on one hand assigned to the traditional business units (e.g. Real Estate) and on the other hand embedded in new governance bodies (e.g. ESG committees)



Source: Swiss Life Asset Managers

We want to achieve the incorporation of ESG factors into the day-to-day processes of all our teams, from portfolio to fund, and risk to sales management. 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, an ESG ambassadors programme was launched. We appointed employees from various business areas to receive special training and education in the area of sustainability. For example, as part of their annual personal targets, ESG ambassadors take responsibility for applying and developing our approach to responsible investment in their area of business. Targeted events throughout the year help to build an ESG community that exchanges knowledge and encourages progression. Additionally, several external and internal trainings are conducted for ESG ambassadors. As such, all portfolio managers requiring substantial understanding of responsible investment are trained on ESG data management. In 2019, for example, 18.6% of all employees of Swiss Life Asset Managers underwent training on the topic of ESG. We are confident that the numbers will increase in the future.

The ESG ambassadors train their colleagues on the subject of sustainability. This cascading principle aims to ensure knowledge sharing throughout the organisation.

Climate strategy

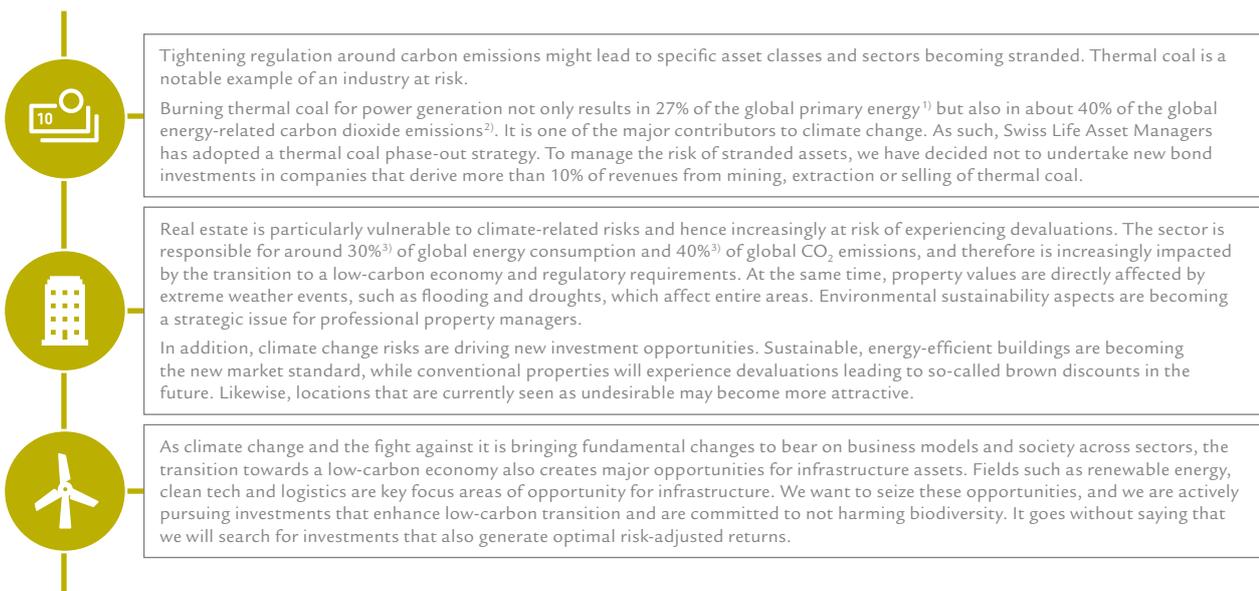
Being aware of our intergenerational responsibility means actively managing climate-related risks in our portfolio. Mitigating and adapting to climate change is a major challenge – as such, it presents significant risks to assets, but may also bring about new business opportunities. We believe these risks and opportunities will shape investment portfolios and the way assets are managed in the long term, which is why we fully support the targets of the Paris Climate Agreement. We are therefore seeking ways to build the resilience of our clients' investments in relation to climate change risks, particularly for real estate and infrastructure assets and bond investments. We are also identifying lower-carbon and energy efficiency-related investment opportunities (see the illustration below).

Climate risk management

By shedding light on climate-related risks, major challenges appear in the asset management industry. In the long term, heatwaves, flooding and other natural hazards are creating a substantial risk to physical assets. It is of utmost importance to manage the funds or portfolios entrusted to us in a manner that mitigates and manages transitional or physical risks due to climate change. As part of our fiduciary duty, these two risk models are playing a material role in our investment considerations.

To better understand the extent of climate-related risks of our portfolios, in 2017 we participated in the PACTA analysis, jointly hosted by the Federal Office for the Environment (FOEN) and the 2° Investing Initiative. In 2020 we participated once again and repeated the analysis. The PACTA analysis led to a better understanding of embedding climate risk aspects in our investment process, as well as exposing our lack of such tools in the daily business. Thus, we

Overview where we see major impacts of climate change on our business



¹⁾ Data and Statistics. 2020. International Energy Agency (IEA). <https://www.iea.org/data-and-statistics/charts/global-primary-energy-electricity-generation-final-consumption-and-co2-emissions-by-fuel-2018>, ²⁾ Coal 2019. 2019. IEA. <https://www.iea.org/reports/coal-2019>, ³⁾ 2014: Buildings. 2014. Intergovernmental Panel on Climate Change.

Source: Swiss Life Asset Managers.

decided to implement additional scenario assessment metrics in our ongoing risk management, allowing us a better understanding of forward-looking climate risks, as for example the physical and transitional climate values-at-risk (CVaR). Using the scenario assessment outcomes, we are able to define climate-related targets for our security portfolio and to implement measures as the green bond target or the carbon reduction pathway.



Physical risks

Climate change-induced physical risks materialise in two patterns: chronic and acute. Chronic climate change represents the slow, “creeping” manifestations of longer-term climate change over several decades, such as rising temperatures, changes in precipitation patterns, ocean temperatures and sea-level rise. Acute climate change can be seen in hazards like wildfires, flooding or increased severity of tropical storms. Climate change has a chronic impact, and acute events are having direct and indirect impacts on investments.

Transitional risks

More than 190 countries are committed to transitioning their economy to low-carbon outputs in order to significantly reduce greenhouse gas emission. To direct private capital towards this transition, several policies have been and will be implemented, bearing opportunities as well as risks to market participants.

Traditionally, in property investment much attention is given to the environmental aspects of a building, such as energy use or building materials. In particular, the type and amount of energy used could lead to substantial gains or losses of value in the mid or long term. These climate-related risks or opportunities arise mainly through either the current and future attractiveness of an asset or regulatory changes. However, traditional risk analysis extended by additional forward-looking scenario analysis supports long-sighted investment management. As an asset manager, we want to pursue ESG goals as well as protect our investors' capital.

Climate-related risk management starts during the acquisition of assets. On one hand, the big picture is gleaned through in-house research about lifestyle and economic changes, which might alter the way in which a property is used. On the other hand, building-specific energy use type and improvement measures are analysed. This enables us to select assets that will retain value and offer long-term potential.

Since acquisitions form only a minor part of our property portfolio, the climate risk management measures of standing portfolio assets are crucial. A variety of indicators (e.g. energy consumption, water consumption or heating system) have been introduced in order to monitor and steer the ESG performance of the real estate assets in the daily business. A specific focus is placed on climate-related indicators, since they are key to assessing the resilience of the portfolio to climate-induced risks.

By and large, analysing and understanding climate metrics are the basis on which we define the short- and long-term measures and targets needed to appropriately address the climate-related risks and opportunities within our investment portfolio.



*Responsible investment
in our main business
activities*

ESG in Proprietary Insurance Asset Management

In line with our responsible investment† policy, ESG† considerations have been systematically integrated into all investment processes at Proprietary Insurance Asset Management (PAM). Moreover, we have implemented three major climate-related measures: thermal coal exclusions, carbon intensity† monitoring and launch of a green investment programme.

Our ESG approach at PAM has come a long way since the initial systematic ESG integration † in 2018. Since then, we have conducted regular, periodic and independent monitoring of our investment portfolio for pre-defined ESG thresholds by multiple stakeholders: investment controlling, risk department, portfolio managers and their supervisors. In essence, ESG is integrated where our expertise lies: in all core Proprietary Insurance Asset Management processes.

ESG integration in credit analysis

Most of Swiss Life Asset Managers' AuM are invested in fixed income. ESG integration into the credit analysis is of material importance. It is understood that ESG considerations should take place where the highest expertise is located. Therefore, we integrated a quantitative and qualitative ESG assessment based on an external ESG data provider in our credit analysis. The final analysis is documented in a credit sheet which is a summary of credit-relevant information. Credit sheets must be written for each issuer if the holdings exceed a pre-defined minimum exposure level.

The quantitative data consists of ESG ratings and an ESG controversies assessment provided by MSCI ESG, an external data provider. Based on a proprietary bottom-up analysis, MSCI ESG evaluates a bond issuer's ESG performance using both qualitative and quantitative factors. In contrast, the controversies assessment reflects a company's significant adverse ESG issues by identifying its involvement in major ESG controversies, and the adherence to international norms and principles, such as the UN Global Compact or core standards of the International Labour Organization (ILO). The assessment evaluates the company's performance relative to these norms and principles.

The qualitative ESG assessment forms the second integral part of our bond issuer credit analysis, with a separate section in our credit sheets. This section presents our own view of the issuer's ESG performance and assesses its impact on the bond issuer's credit quality next to traditional

“We monitor the CO₂ intensity score of our portfolio thoroughly.”

Swiss Life Asset Managers

financial performance indicators. Based on the know-how of the analysts and the portfolio managers and their interpretation of the current ESG data, we also formulate an outlook on the expected future development of the bond issuer's ESG performance.

Integration into our investment cycle – ESG thresholds

Carbon dioxide is considered one of the main causes of global warming and climate change. Therefore, in addition to ESG assessment in credit analysis, we set thresholds to identify and mitigate ESG risks and reduce the carbon footprint of our PAM portfolio.

For equities, we generally follow a passive investment approach[†] either optimised or full replicating. In our optimised equity strategies, we mainly exclude the worst ESG performers¹¹, while avoiding large tracking errors versus our replicated equity indices. In more technical terms, we apply an ex ante filter to the investment universe to exclude positions with worst ESG rating and very severe controversies. While new and re-investments in issuers that meet these criteria should be avoided, existing investments in the concerned companies should be divested within 12 months, provided that we can still replicate the relevant index meaningfully without them.

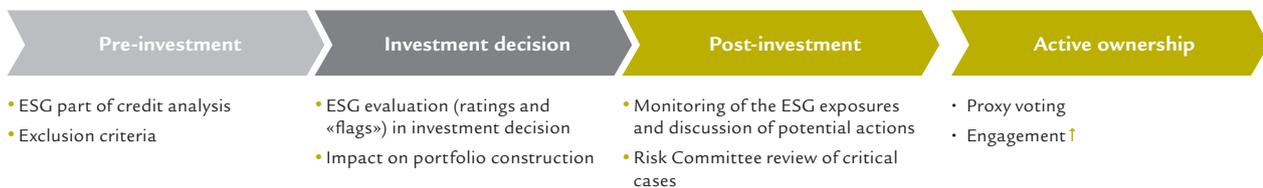
Our full replicating equity strategies are by contrast out of scope for this exclusion procedure. In these strategies – in total approximately 4.5% of the total PAM assets under management – we track indices with a relatively small number of constituents, whereby minimising tracking errors prevents us from strictly excluding certain companies.

In fixed-income securities, we also want to avoid bond issuers with low ESG performance and serious ESG controversies. In the case where a bond issuer falls into that category, the responsible portfolio manager needs, firstly, to update the credit sheet and, secondly, to justify the investment to the Risk Committee. A successful justification is mainly based on further research by the analyst, introducing ESG aspects that the standard ESG rating has not yet accounted for. If the justification is not deemed appropriate, the positions need to be divested.

ESG portfolio rating distribution

More than two-thirds of our PAM securities portfolio are rated above average according to MSCI ESG data, that is, either “good”, “very good” or even “best”. When it concerns the occurrence of ESG controversies, the situation looks similar. Only a negligible share of our portfolio is invested in companies with serious controversies. Since our external data provider does not

Investment process overview



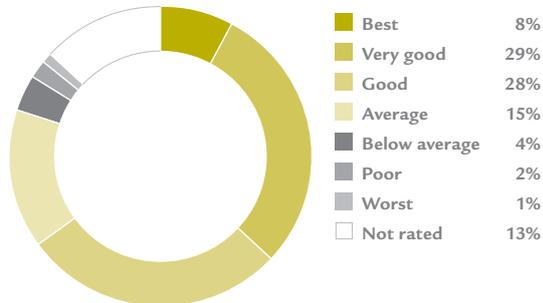
Exercise fiduciary duty and taking on our intergenerational responsibility

Source: Swiss Life Asset Managers

¹¹ With “worst” we mean the issuers that are in the bottom septile according to the ESG rating of our data provider.

Distribution of ESG performance in the PAM portfolio

The mentioned classifications are based on the ESG assessment of our data provider. Best issuers (AAA) are ranked in the top percentile of the whole investment universe (industry-adjusted). Data as of 30.06.2020.



Source: Swiss Life Asset Managers

assess controversies for SSAs¹², and our exposure in bonds from such issuers is rather significant, a large share of the portfolio remains without a flag.

A no-go: controversial weapons

In fixed income and equities, we eliminate exposure to companies substantially involved in the production of controversial weapons, at all times. This includes weaponry such as anti-personnel landmines, cluster munitions and chemical, biological and nuclear weapons. Using an extensive exclusion list based on data from MSCI ESG, PAX¹³ and the SVVK-ASIR¹⁴, we can effectively exclude corresponding issuers, closely monitored by our legal and compliance department.

ESG-dedicated governance bodies

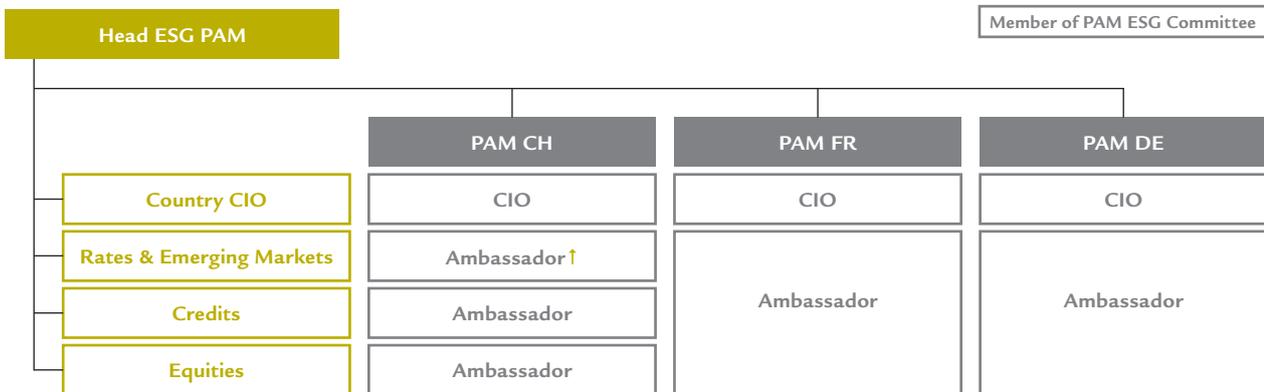
The integration of ESG factors in the investment process also requires appropriate ESG governance. As such, the PAM ESG Committee was established. The committee meets once a month to ensure a coordinated and consistent implementation of our ESG approach to ensure avoidance of investment and communication inconsistencies, monitoring of ESG thresholds, early flagging of potential issues and discussion of strategic ESG initiatives. The introduction of our ESG thresholds and exclusions required the set-up of detailed monthly ESG reports. The committee thoroughly tracks and analyses the outcome of these reports on a systematic basis. Another target is the accelerated learning and sharing of relevant ESG information across the dedicated ESG team and PAM asset class teams. In order to keep track with regulatory market requirements, we have a structured information flow on regulatory ESG topics.

¹² Sovereigns, sub-sovereigns and agencies

¹³ PAX for Peace, NGO: <https://www.paxforpeace.nl>

¹⁴ Schweizer Verein für verantwortungsbewusste Kapitalanlagen: <https://www.svkk-asir.ch/aktivitaeten/#c607>

ESG-dedicated governance bodies in Proprietary Insurance Asset Management



Source: Swiss Life Asset Managers

The setup, as visualised in the illustration above, ensures well-structured ESG know-how throughout all countries and teams. A crucial added value of spreading ESG responsibilities within the portfolio management teams is that ESG know-how is thereby placed at the heart of our investment expertise rather than isolated in a separate unit.

PAM’s commitment to climate action

Being committed to the goals of the Paris Climate Agreement ↑ of reducing global warming to below 2°C, we are dedicated to decrease our portfolio’s current warming potential. For that purpose, we have adopted three concrete initiatives, in alignment with the recommendations of the TCFD.

1 A thermal coal phase-out strategy for the bond portfolio has been formalised, in order to contribute to the transition towards a more sustainable and low-carbon economy as well as to avoid the risk of stranded assets. Throughout the past year, our exposure to companies that derive 10% or more of their revenues from thermal coal, either from mining or selling it to external parties, was reduced to 0%. Additionally, the phase-out strategy prohibits any new bond investments in such companies in the future.

In equities, we screen our index universe for the same thermal coal criteria as described above. As a result, the whole PAM portfolio is covered with these exclusions. Since we follow a passive investment approach on the equity side, which provides us with less flexibility to exclude certain companies (see above), some exceptions are required.

2 We pursue new bond investments in companies and countries with low overall carbon intensity in order to reduce the overall carbon emissions of our bond portfolio.

3 In accordance with the goals of the Paris Climate Agreement and EU Action Plan, we launched a green bond programme in order to promote sovereigns, institutions and compa-

panies willing to improve their carbon footprint and/or ESG performance, and finally, redirect capital flows to low-carbon economies and sustainable business models. To this end, the programme aims to increase the share of investments in green bonds to CHF 2 billion until the end of 2023, in line with the ICMA Green Bond Principles¹⁵. With roughly CHF 500 million invested as of June 2020, we are currently confident to reach our target in time.

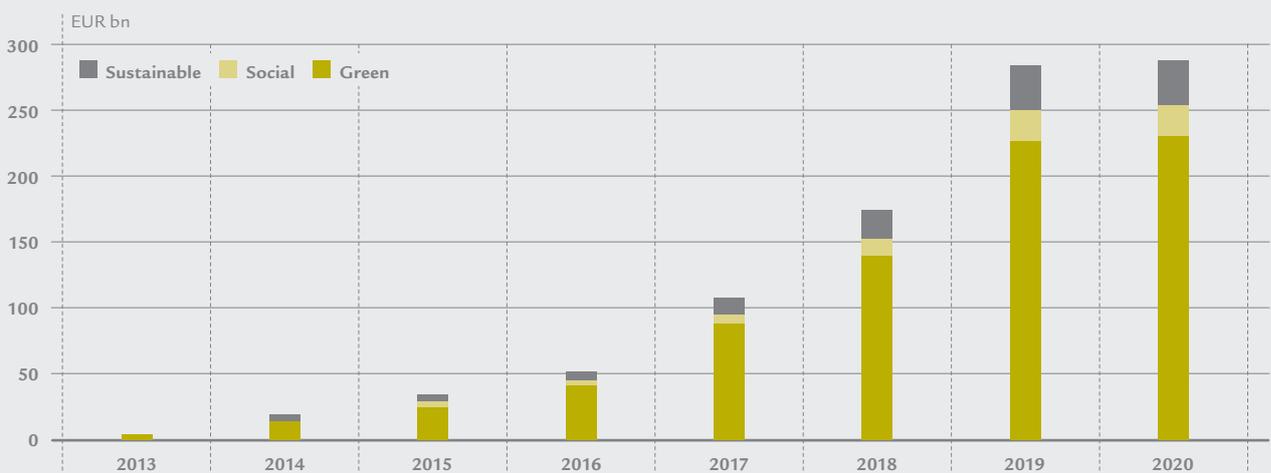


Case study: Green bonds

The global green bond universe

Currently, the global green bond universe is dominated by EUR bonds. The overall outstanding volume of EUR-denominated green bonds amounts to around EUR 300 billion as of early 2020, corresponding to roughly two-thirds of the global universe. Although the first green bond was issued in 2007 by the European Investment Bank (EIB), it was not until 2013 that the market began to show growth. Today, the EUR green bond market is dominated by French and German issuers with a 25% and 15% market share respectively¹⁶. In terms of sector distribution, corporates are leading the market with a 27% market share, closely followed by the financial and agency sectors with a 19% market share each.

The growth of the green, social and sustainable bond market over the last eight years



Source: Adapted from *Ein umfassender Überblick über das in EUR denominated Universum an Green, Social und Sustainability Bonds. 2020. Berenberg Fixed Income Research*

The PAM green bond portfolio

Green bonds aim to address some of the most material basic needs of human beings: clean energy, clean technology or low carbon transition. Hence, green bond investments are perfectly aligned with Swiss Life Asset Managers' corporate purpose to help clients reach their goals and enact their choices while delivering sustainable performance across all market conditions. In parallel, we see no significant difference on the returns of green bonds compared to traditional bonds. Together with the thermal coal exclusions and the carbon intensity monitoring, the green bond programme is intended to further reduce the overall carbon intensity score of our PAM bond portfolio and redirect capital flows towards future-proof business.

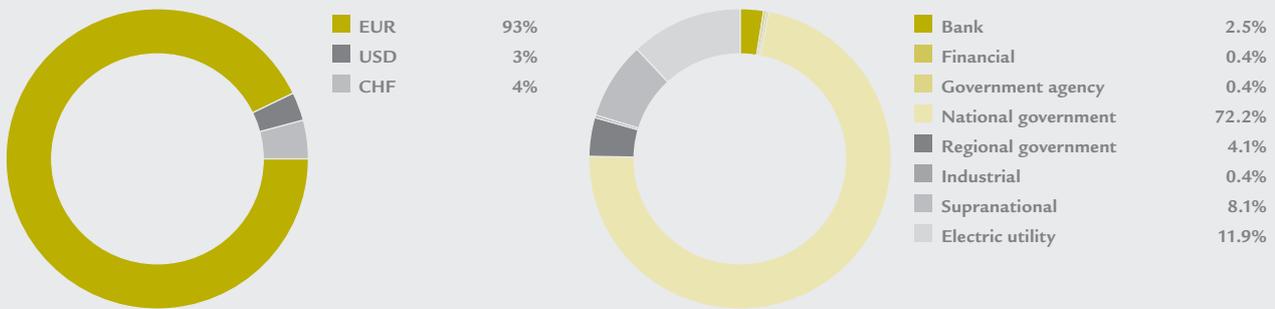
¹⁵ The ICMA Green Bond Principles can be found here: <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

¹⁶ Bloomberg

As one might expect from the green bond universe described above, our PAM green bond portfolio is also dominated by EUR-denominated green bonds. In terms of sectors, we mainly hold green bonds of SSAs, since they have a decent issue size (> EUR 1 billion), sufficient trading liquidity and a low carbon footprint. SSA issuers are using the means of green debt mostly for measures to attain compliance with the Paris Climate Agreement. As an example, France has decided that the proceeds of its green bonds will be used to finance and refinance Green Eligible Expenditures included in six explicit “green sectors”: buildings, transport, energy, living resources and biodiversity, adaptation, and pollution control and eco-efficiency. Electric utilities account for the second-largest sector, encompassing companies that aim to improve their carbon footprint through targeted investments in renewable energy or measures that reduce the emissions of their conventional power plants. Our green bond exposure currently accounts for less than 1% of our bond portfolio, though we plan to increase that share to more than 2%.



The PAM green bond portfolio as of 30.04.2020 aggregated on currency and issuer type



Source: Swiss Life Asset Managers / Bloomberg

Encompassing ESG offering in our Third-Party Asset Management

The sustainability requirements of our third-party clients are evolving at a tremendous speed. We understand the importance of satisfying these demands and assessing the risks and opportunities that come with the transition to a sustainable world. We continue to systematically integrate ESG into our investment process through exclusions, extensive analysis and continuous monitoring efforts.

As with our proprietary insurance asset managements, our main objective is to provide clients with attractive risk-adjusted returns over time. This requires a careful and forward-looking evaluation of both opportunities and risks. We want to be perceived as an asset manager who considers sustainability in their business model and seize new opportunities along the way. We therefore systematically integrate ESG factors into our investment process. Since sustainability is a constantly evolving process, we strive to continuously explore ways to further develop and improve sustainability in our investment decisions.

The systematic integration of ESG factors into our investment process

1 Exclusions

We start by excluding companies whose economic activities are clearly incompatible with our principles and our own ESG targets. Securities issued by companies on this exclusion list cannot be bought into the portfolios and existing holdings will need to be disposed of within 12 months.

The exclusion list is equivalent to that of PAM and encompasses companies involved in the production of controversial war materials or that have a significant share of their total revenues generated by thermal coal. Additionally, we exclude companies and countries appearing on various sanction and embargo lists.



2 Analysis and integration

The remaining universe is available to our analysts and portfolio managers for further financial and sustainability-related analysis. As we have different investment approaches for our bond and equity portfolios, the way ESG factors are considered in the investment process largely depends on the asset class.

- **Bonds**

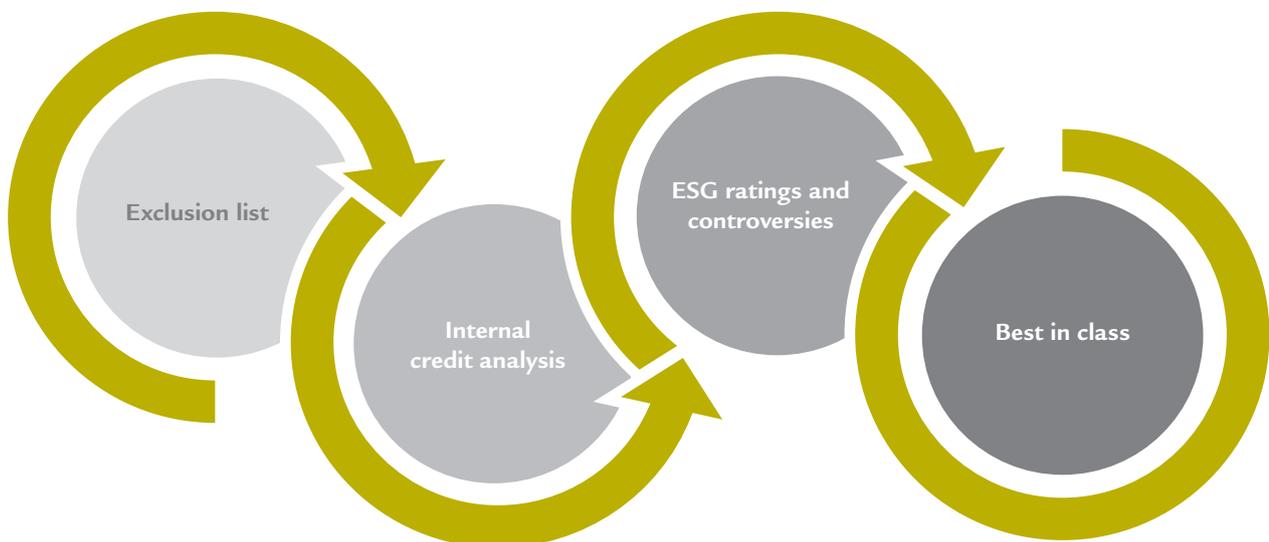
We manage bond portfolios by following a fundamental approach, rooted in the analysis of economic and credit fundamentals. We therefore integrate ESG aspects directly into our analysis of the issuers and securities. This means that the assessment of the credit quality of an issuer or security takes ESG criteria into account alongside other, more traditional financial indicators.

- **Equities**

Our equity portfolios are managed following a quantitative, factor model-based approach. The integration of ESG aspects into the stock selection process starts with applying an ex ante filter to the investment universe to exclude positions with worst¹⁷ ESG rating and very severe controversies. In the remaining universe a second filter is applied to eliminate the bottom decile of the ESG performance distribution.

The “Protect” family of funds¹⁸ is an exception to this process. Since these funds are characterised by a market hedging overlay, they require a high level of correlation between the portfolio and the derivatives. As a result, only the first filter is applied for most funds within this family.

Systematic analysis of ESG aspects for a better credit assessment



We exclude companies related to controversial weapons or thermal coal production. Further, sovereigns on the sanction lists are excluded.

We include ESG ratings and “controversy flags” in Swiss Life Asset Managers’ internal credit analysis.

The portfolio managers review and scrutinise the ESG ratings and “controversy flags” before each investment decision.

Total ESG scores of the portfolios are calculated and compared with the portfolio benchmarks.

Source: Swiss Life Asset Managers

¹⁷ With “worst” we mean the issuers that are in the bottom septile according to the ESG rating of our data provider.

¹⁸ “Protect” portfolios are equity portfolios that are broadly diversified (developed world) in combination with an option-based protection overlay.

- **Multi-asset**

Multi-asset portfolios combine the investment process applied to the specific asset classes they invest in with an asset allocation overlay, thus inheriting the ESG approach of the respective asset classes. Additionally, multi-asset portfolios may invest in funds managed by third parties. The selection of these funds is subject to a due diligence process which includes an assessment of how ESG factors are considered in their management. Only funds following a process consistent with our own ESG process are available for investments.

3 Ongoing monitoring

Our main governance body is the TPAM ESG Committee. It defines the overall ESG investment policy and monitors thresholds, indicators and the implementation of the overall TPAM ESG approach. This body is also responsible for identifying the overall business unit-specific needs for ESG-related operational infrastructure and initiates projects to support and accelerate the development and the implementation of the ESG approach. The adherence to our internal ESG framework is monitored at the four levels outlined in the following illustration.

4 Reporting and transparency

We believe that it is crucial to monitor and understand how ESG-related decisions impact portfolios and to actively share this information with our clients and stakeholders. In addition to various tools and reports for internal use, we therefore also produce dedicated ESG reports for most portfolios and funds managed by TPAM which are made available to our clients and stakeholders. The reports provide an overall ESG rating, a detailed outline of the portfolio's exposure to the main ESG factors and the main contributions to these exposures by the individual positions.

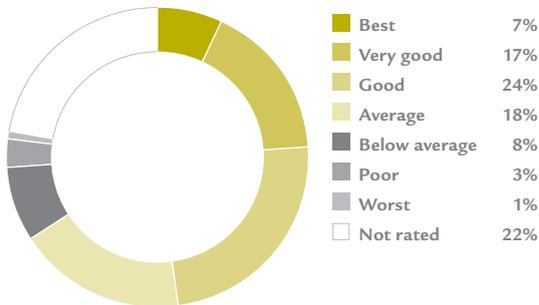
ESG is embedded manifold to appropriately monitor ESG consideration and processes



Source: Swiss Life Asset Managers

Distribution of ESG performance in the TPAM portfolio

The mentioned classifications are based on the ESG assessment of our data provider. Best issuers (AAA) are ranked in the top percentile of the whole investment universe (industry-adjusted). Data as of 30.06.2020.



Source: Swiss Life Asset Managers

As an illustration of how ESG influences TPAM portfolios, the illustration above displays the ESG performance distribution across our assets under management.

“We think that it is crucial to monitor and understand how ESG decisions impact portfolios and to actively share this information with our clients and stakeholders.”

Swiss Life Asset Managers

A short outlook: the way ahead

We are continuously working on integrating ESG considerations even more effectively into our investment analysis, investment strategies and portfolio construction processes, not only drawing from our own experience and analysis, but also following progress in scientific financial market research and regulations. We are aware that this fundamental trend poses challenges for the market. Transparency requirements and the comparability of the data provided will occupy us even more in the future. However, as markets and our processes evolve, we want to ensure that clients seeking more focused ESG solutions can benefit from our insights. We are preparing new funds and strategies across asset classes which will actively target specific ESG themes or will focus on issuers and companies that satisfy stringent ESG criteria. As it can be difficult for clients to understand how our responsible investment process affects their portfolios, we are working on two fronts to increase transparency. First, we are enhancing the ESG content in our reporting, aiming to offer a comprehensive overview of how ESG factors impact portfolios, in a clear and concise way. Further, we are in the process of obtaining the French ISR label for selected funds. Certification adds a layer of credibility and transparency to our engagement and helps our clients in their decision-making. We also plan to certify additional funds in the future.



Case study: Applied ESG integration

In addition to the ESG ratings from MSCI ESG, the integration of underlying ESG information into our standard processes is a key element of TPAM's strategy. Only in this way can we obtain a reliable judgment about the issuer and the effects of its ESG performance on its business and/or creditworthiness.

As such, we evaluate issuers from a holistic view that goes beyond traditional ESG rating. This entails assessing an issuer not only on its current ESG performance, but also bringing future potential into the equation. Although certain issuers may currently exhibit insufficient ESG performance, they can be interesting investment opportunities if they are expected to improve in the future. Such improvements may be initiated by issuers completely redesigning their business model or simply transforming their supply chain. If a utility corporate, for instance, pledges itself to a promising fossil fuel exit plan and can demonstrate a track record in reaching its carbon reduction targets, we may categorise it with high ESG credentials, despite its currently insufficient performance.

Alternatively, an issuer may have been ranked as an ESG leader in the past and demonstrate an impressive track record – but from a broad perspective, it becomes clear that the issuer is gradually deteriorating on the ESG front and must therefore be reconsidered. Such ESG deterioration may at first only become apparent implicitly before traditional rating is able to incorporate respective information in the assessment, thus underlying the importance of a holistic view in ESG evaluation.

Sustainable real estate management

The real estate industry is one of the major drivers for climate change and resource scarcity. Hence, sustainability aspects have become ever more important in professional real estate management. Similarly, “green buildings” are gradually becoming the new market standard, and responsible property management is no longer merely a means to risk reduction, but certainly a promising business opportunity.

Given the particular role that real estate plays in mitigating climate change and resource scarcity, this asset class presents a great opportunity to support the transition to a low-carbon economy. Swiss Life Asset Managers, as one of the largest real estate investors in Europe¹⁹, recognises its responsibility to contribute to this development.

Therefore, we have integrated ESG aspects on both the strategic and operational levels of our real estate activities. Our approach is based on the triangle of the ESG concept, the real estate materiality matrix and the responsible property investment framework. This overarching framework sets out our target direction. All locations of Swiss Life Asset Managers with real estate asset management activities have a responsibility to implement concrete measures in line with the framework and the local, country-specific requirements.

Nine strategic principles for ESG integration and their materiality

To ensure a holistic ESG integration in Swiss Life Asset Managers' real estate business, the company's overarching ESG concept has been elaborated into nine respective principles for real estate. These principles, as outlined in the illustration on page 41, help us to better understand how to achieve sustainable development and make it more tangible for our stakeholders.

To navigate the nine strategic principles and set a strategic direction, a materiality matrix has been drafted. The matrix outlines a range of aspects – each related to at least one of the strategic principles – and maps them in terms of their relevance to Swiss Life Asset Managers and its stakeholders. For better comprehension, the aspects have been clustered into categories in the illustration on page 42. The category “health and well-being” for instance encompasses aspects such as indoor air quality, subjective safety and natural daylight.

According to the materiality assessment matrix (see illustration on page 42), the six categories in the upper-right quartile are most relevant to us and our stakeholders. Looking after these aspects is of the highest priority, since they form the foundation on which we base our daily

¹⁹ INREV Fund Manager Survey 2020 (AuM as of 31.12.2019)

Swiss Life Asset Managers ESG concept principles for Real Estate



Climate impact reduction

Buildings, by their nature, are very carbon intensive and hence a major driver of climate change. Monitoring and improving the energy and carbon efficiency of our properties to reduce climate impacts is the core priority of our intergenerational responsibility.



Natural capital protection

With properties being physical assets that use, produce and influence resources, we understand our responsibility to protect natural capital such as water, soil or biodiversity not only during the planning and construction but also the operation of our properties.



Shaping the future

As a large and influential asset manager we also understand our intergenerational responsibility in shaping the future through developing, implementing and promoting innovative solutions that deliver a sustainable future for all our stakeholders.



Seizing opportunities

Our main fiduciary duty is to safeguard and optimise our clients' financial returns and invest in their best interest. By seizing opportunities which combine strong financial synergies with a positive ESG impact, we live up to our fiduciary duties in a sustainable manner.



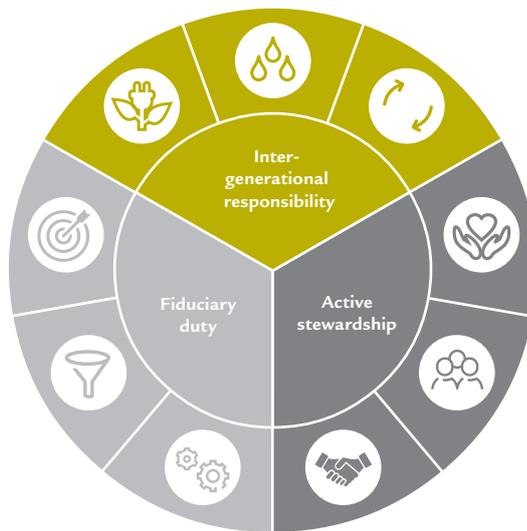
Risk resilience

To responsibly exercise our fiduciary duty, our clients' returns must be appropriately risk-adjusted. Since ESG-related risks become ever more significant, we proactively identify and address material ESG risk factors when acquiring, developing and operating assets.



Transparency and compliance

We understand that another crucial part of our fiduciary duty is to ensure high transparency in our investment decisions and communications as well as compliance with regulatory and legal requirements.



Enhancing tenant health and well-being

Properties are tangible assets that people visit, work in and live in. We understand it as our responsibility to acquire, develop and operate buildings that ensure and promote well-being, security and health for its occupiers.



Fostering socio-economic prosperity

As an active steward to society we understand our responsibility to promote and foster socio-economic prosperity for our occupiers, business partners and local communities by supporting social development and economic growth through our properties and corresponding projects.



Stakeholder engagement

To exercise our responsibility as an active steward, we recognise the importance of engaging with our stakeholders to gain a deeper understanding of their needs and interests and identify win-win opportunities which create shared and long-lasting value for our stakeholders.

Source: Swiss Life Asset Managers

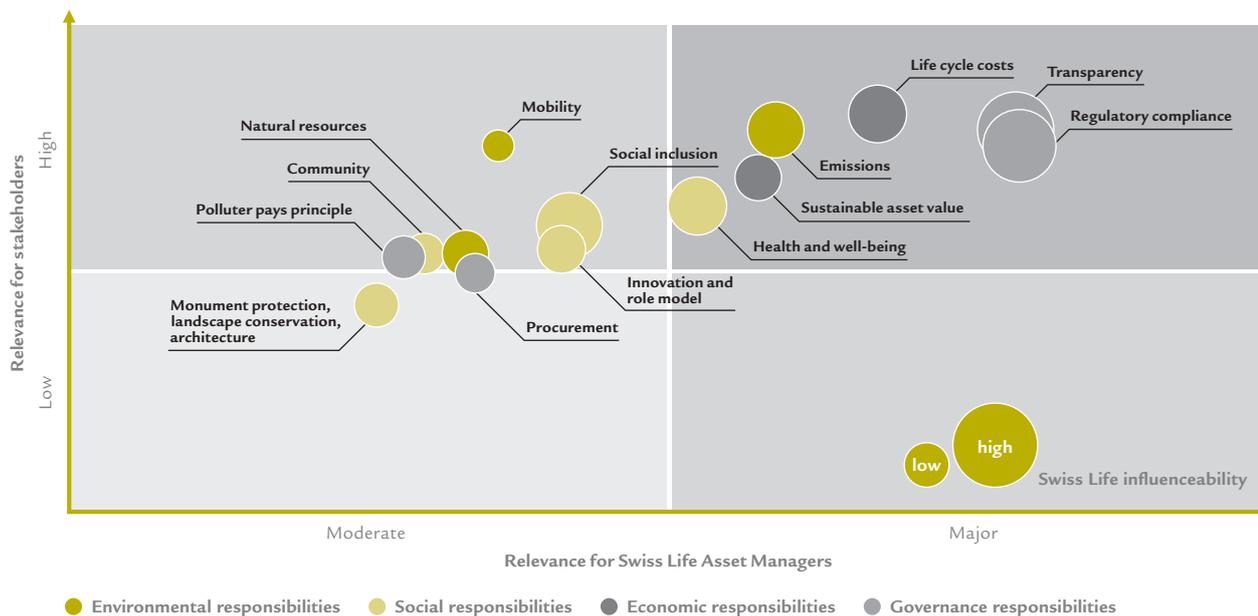
operations. Why compliance, transparency and life cycle costs are of high importance goes without saying. Reducing emissions and ensuring a sustainable asset value also rank among the most relevant aspects. The category “emissions” comprises a variety of aspects including energy efficiency, renewable energy supply or environmental impact of building materials – all of which are key elements in tackling climate change and are embedded for example in a due diligence checklist during acquisition. The category “sustainable asset value” encompasses topics related to the asset’s resilience to climate change and societal changes. Essentially, this category entails preserving the value of our assets by taking into account two risk dimensions: the risks associated with climate change, both physical and transitional, and the risks associated with demographic and industrial shifts and the resulting changing needs of residential and commercial tenants.

A responsible property investment framework

To ensure the effective implementation of the two foregoing strategic guiding concepts into the day-to-day operations at Swiss Life Asset Managers, a proprietary operationalisation policy has been developed: the responsible property investment framework. The framework specifies how our strategic objectives and priorities are implemented across the entire investment cycle of real estate management activities: from the investment level, where acquisitions and divestments are taking place, across the development level, where new construction, redevelopments and refurbishments are carried out, to the operational level, where the management and maintenance of the buildings occurs. The illustration on page 42 illustrates the responsible property investment framework.

Materiality matrix of Swiss Life Asset Managers Real Estate to navigate among our ESG concept

The size of the bubbles depicts the influenceability of Swiss Life Asset Managers – i.e. how well we can control/direct the aspects.



Source: Swiss Life Asset Managers

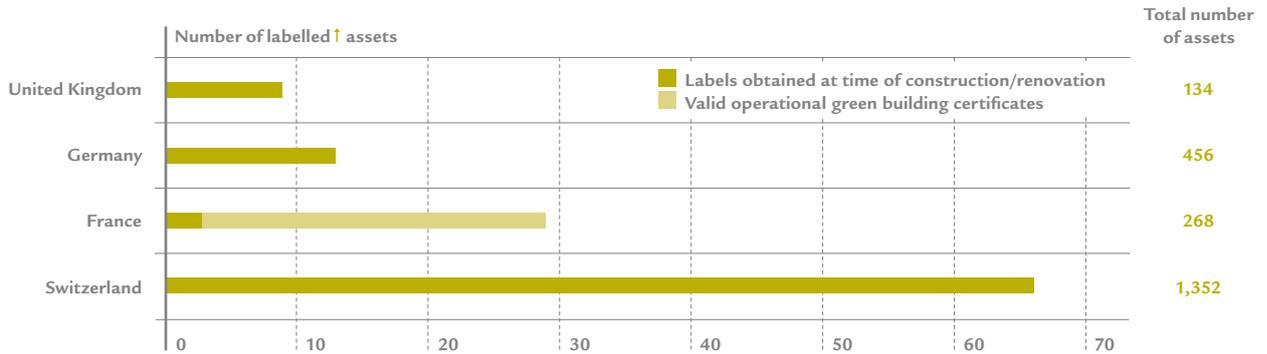
- On the investment level, we carry out rigorous pre-purchase due diligence, which includes numerous ESG criteria. We aim to collect ESG information relevant to the property and identify the potential to improve it, including environmental aspects such as renewable energy sources alongside social aspects like tenant satisfaction.
- On the development level, we seek to achieve best practice on ESG aspects for new developments and implement refurbishments that improve the sustainability performance of existing properties. An internal sustainable construction guideline ensures that all relevant environmental and social considerations are accounted for.

Overview of Swiss Life Asset Managers’ responsible property investment framework along the three investment levels

Strategic ESG principles and materiality matrix		
<p>Investment level Acquisitions and divestments</p> <p>Environmental criteria (e.g. environmental risks, renewable energy sources, mobility aspects) Social criteria (e.g. indoor environmental quality, tenant satisfaction survey, social initiatives)</p>	<p>Development level (Re)Developments and refurbishments</p> <p>Environmental criteria (e.g. selection of building parts and material, carbon and energy efficiency requirements) Social criteria (e.g. comfort / tenant well-being, socio-economic impact)</p>	<p>Operational level Operations and maintenance</p> <p>Environmental criteria (e.g. energy consumption monitoring and related optimisations) Social criteria (e.g. engagement with stakeholders, specifically tenants)</p>
<p>Governance criteria (e.g.)</p> <ul style="list-style-type: none"> • Promote the awareness of the responsible investment approach and its implementation towards all business partners – from investors, tenants, suppliers to the community • We want to ensure compliance with applicable regulation and legislation, while valuing our business partners and engaging in dialogues 		

Source: Swiss Life Asset Managers

Building certifications across Swiss Life Asset Managers



Source: Swiss Life Asset Managers

- On the operational level, Swiss Life Asset Managers pursues a reduction in the environmental impact and improvement of social aspects of properties through an integrated management approach. A key element of this process is gathering and recording ESG-related information such as consumption data or tenant satisfaction to identify measures for improvement.

The operationalisation framework strongly focuses on aspects deemed most relevant in our materiality matrix. The importance of compliance is reinforced throughout the entire framework, indicating specific processes during which it becomes a matter of critical importance such as during the choice of business partners along the supply chain. This way, the framework ensures that our assets are compliant with the country-specific regulations. For transparency, the framework aims to pursue the most accepted standards internationally in terms of building certifications, benchmarking and participation in associations. As visualised in the illustration above, most building certifications are currently attained in Switzerland (mostly Minergie certified) and in France (predominantly labelled by HQE or BREEAM). To ensure a sustainable asset value, the framework introduces a variety of aspects to be considered during the acquisition or development of a property – specifically in the evaluation of the asset's location and usability. As for health and well-being aspects, the framework ensures an examination of the building quality during the pre-acquisition due diligence and recommends continuous tenant satisfaction surveying as part of the regular operating procedures. Finally, and perhaps most importantly, the framework sets out extensive measures to assess the greenhouse gas emissions[†] of our properties, enabling the formulation of appropriate ESG targets in every country.

Contributing to the Paris Climate Agreement

With real estate contributing to up to 40% of global GHG emissions²⁰, the sector plays a crucial role in achieving the Paris Climate Agreement target of limiting global temperature rise to below 2°C above pre-industrial levels. By proactively integrating ESG according to the previously mentioned framework across the entire real estate investment life cycle, Swiss Life Asset Managers supports the goals of the Paris Climate Agreement.

²⁰ 2014: Buildings. 2014. Intergovernmental Panel on Climate Change

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 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.

Monitoring an extensive set of indicators constitutes another 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 TCFD.

Unfortunately, data coverage is still a big challenge in real estate asset management, since consumer data is often protected by data privacy laws and consumption data from energy providers are often connected to heterogeneous billing periods and time offsets. Data collection is further complicated by the large proportion of long-standing buildings, which require substantial and cost-intensive infrastructure renovations to facilitate accurate data collection. By integrating the necessary measures into our property renovation cycles and prompting our property managers to better integrate sustainability-related data collection within their processes, we strive to enhance data coverage in the future.

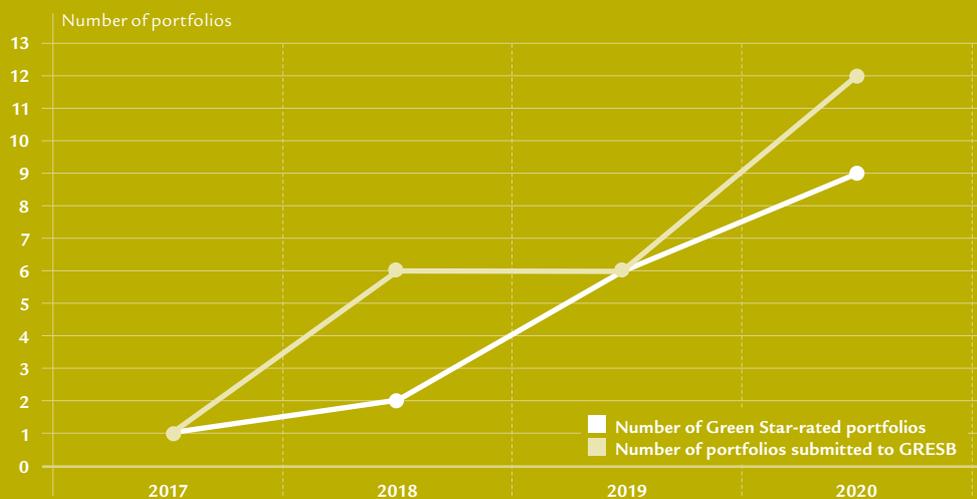


Robust verification of our ESG approach

Once internal policies and procedures are in place, external assessments are necessary to ensure an appropriate implementation of ESG integration. In 2014 we decided to submit the first fund to the external benchmarking organisation GRESB. At that time, we received an initial score of 29. This not only showed us that we had a long way to go, but also gave us clear indications and suggestions on how to improve. Upon improving and resubmitting our initial fund in 2018, it received a score of 70 and attained Green Star status. In the same year, we chose to submit five additional real estate vehicles, all of which were awarded a Green Star. In 2020, almost 60% of the total real estate assets under management and around 85% from the proprietary insurance asset management portfolio of Swiss Life Asset Managers have been submitted to GRESB.



Like-for-like monitoring of external verification with GRESB



Source: Swiss Life Asset Managers

Our real estate portfolio in Switzerland exhibits the highest energy consumption values – in absolute figures – despite its low coverage. This can be attributed to the large size of the Swiss portfolio (approx. CHF 35.7 billion AuM). In Germany, the high energy consumption – compared to the size of the portfolio – is related to the high proportion of light industrial properties, which typically have a higher energy consumption.

A common ground for multi-local implementation

Regardless of whether a property is located in Switzerland, the UK or the EU, all our real estate activities are subject to the overarching guidelines defined on the previous pages. These cross-border guidelines align all markets to one ESG goal and ensure comparability of overarching initiatives and strengthen our local expertise. The following country-specific sections provide some insights into how our ESG strategy is implemented in each of the four core markets of Swiss Life Asset Managers.



A brief journey to the beginning

“The increase in fixed assets [...] and the slow but certainly noticeable fall in the average interest rate suggest a desire to achieve a slightly greater diversity of investments and, if this is compatible with strict solidity, a slightly greater return. We have therefore examined the question of whether it would not be advisable to invest capital in well-situated, solidly built residential buildings. [...] The Board of Directors decided to make an attempt in this direction, and a plot of land was acquired in a sunny, beautiful location on the Grosse Schanze in Berne, five minutes from the railway station, on which eight houses with four apartments each are to be built, all of which will be apartments for the middle class; they will be healthy, bright, pleasant and comfortable, but avoid all luxury. Therefore, we emphasise that these are not advertising palaces, as individual life insurance companies have built in big cities, and neither are they speculative buildings, instead it is our intention to keep and manage these buildings as a permanent capital investment.[...]”

Extract from the Statement of Accounts of Swiss Life/Rentenanstalt of the year 1893 (under “Notes to the accounts and balance sheet”)



Grosse Schanze property in Berne, in 1893 (left) and today (right). The property is under management of Swiss Life Asset Managers until today. *Swiss Life Asset Managers and Burgerbibliothek Bern, FN.G.E.670*



Switzerland. Swiss Life Asset Managers in Switzerland has a long-standing tradition of investing into real estate and is managing the largest privately held real estate portfolio in Switzerland with 1,344 assets²¹ representing CHF 35.7 billion AuM. Not only are these assets vital and enduring from an internal financial perspective but also from an external societal view. Throughout a track record of 125 years, the sustainability of real estate has always been vital in pursuing the purpose of the company.

In 2016, we decided to give our sustainability aims a more explicit strategic and operational foundation and formulated a comprehensive sustainability strategy. In 2017, we created an implementation road map, in which we defined measures along three overarching objectives: first, to systematically incorporate ESG standards into all of our core processes along the real estate investment cycle, from acquisition and development to construction and building operation. Second, to leverage potential for ESG performance improvement not only as part of a process but also on a project basis – with a focus on energy and carbon-related potential. And third, to build up ESG monitoring and benchmarking to assist continuous ESG performance management.

Over the past two years, the integration of ESG aspects has been implemented in alignment with Swiss Life Asset Managers' responsible property investment framework. As such, a sustainable construction guideline has been fully developed and introduced into our day-to-day operations in Switzerland. Likewise, we optimised our understanding of the needs of one of our key stakeholders in Switzerland, by extending the tenant satisfaction survey to residential tenants. Additionally, a range of project-based ESG initiatives have been launched as elaborated below.

Reducing land use, increasing building quality

In mountainous areas and highly populated regions of Switzerland, usable land is a scarce resource. Meeting the growing space demand through densifying property developments is therefore a key element in building an ecologically, socially and economically sustainable environment.

Many of our long-standing properties today are situated in central, urban locations that are particularly suitable for densification projects. Thus, an important component of our sustainability programme is the structural densification and qualitative upgrading of existing properties. Similarly, with development projects we seek to achieve a careful use of land as a natural resource, while at the same time ensuring a high quality of life for our tenants.

Energetic optimisation

Owning the largest property portfolio in Switzerland, we consider initiatives on the operational level as the best approach to decreasing the energy consumption and carbon intensity of our portfolio. Thus, following a systematic energy-related portfolio analysis in 2018, we actively identified properties suitable for realising short-term improvements, beyond standard cyclic refurbishment planning. We optimised the energy performance of these properties through specific energy-related renovations including measures like replacing fossil fuel heating systems with renewable energy-based systems or replacing windows and improving insulation of facades and roofs.

After the launch of the analysis, six energy-related renovations were conducted in the same year. According to first indications, these renovations should exceed the targeted average carbon emission reduction of 50% per asset. In addition, we have initiated 14 initiatives to optimise the operational efficiency. Together, the renovations and the operational initiatives should result in energy savings of up to 10% per optimised asset.

Engaging with stakeholders

The transition to a low-carbon economy and sustainable future can only be achieved together. We therefore seek to sensitise tenants, users and operators to sustainability aspects. In 2019, Swiss Life Asset Managers Switzerland proactively informed over 23,000 residential tenants about ecologically beneficial user behaviour. A dedicated fact sheet for tenants disclosed how energy, electricity, and water can be saved in a sensible way.

Another way by which we try to engage tenants to pursue common ecological goals is our so-called Hot Water Challenge, conducted in 2019. This initiative was conceptualised and steered by a group of researchers from the Swiss Federal Institute of Technology (ETH) together with Swiss Life Asset Managers' Economic Research team. Serving as a scientific experiment by the institute, the goal of the initiative was to measure hot water savings in response to different incentives. More than 3,800 households have been enrolled in the initiative. The first results are promising, and final findings are planned to be published by the end of 2020.

ESG, digitalisation and innovation

In addition to these very specific and already running projects, we also continuously monitor innovations and new technologies in real estate management. A new team of four experts is dedicated to identifying and seizing opportunities in the fields of ESG and digitalisation – two trends which we expect to go hand in hand. For portfolio and property management, we have identified a set of potential approaches to be pursued in the future. These include technologies for which we see a high potential for economic, environmental and social impact, such as data analytics, smart building technologies and a tenant app for enhanced information, communication and service management.

²¹ Source: Swiss Life Asset Managers. As of June 2020



Case study: Greencity project and GreenLife – area development in Zurich South

The city of tomorrow: after decades of successful operations, the Sihl factory discontinued its paper production in 2007 and decided to transform the former factory premises to a sustainable urban quarter. Together with the city of Zurich, the former owner initiated an extensive development project in 2011. One year later, the project, which had in the meantime been given the name Greencity, was certified as the first “2000-Watt-Areal” in Switzerland – that is, a site at which every person can limit their energy consumption to a maximum of 2,000 watts. By 2020, a total of 735 apartments, a hotel and a school as well as office and retail space have been built on the eight-hectare site. Thanks to its central location and the excellent connection to public transport with its own S-Bahn station, the city centre can be reached in just a few minutes.

Due to the development’s energy-optimised and certified buildings as well as its well-functioning urban development context, Swiss Life Asset Managers acquired two building plots under construction in 2014. The development of the acquired plots, providing around 1,000 m² of commercial space and 204 residential units, was finalised by the former owner in 2018.

The two acquired plots, today referred to as GreenLife, are truly living up to our expectations. Except for an area of around 100 m² of commercial space, the buildings are currently fully let and have become a future-proof quarter with mixed use. The residential buildings are built according to the Minergie-P-Eco standard, which stands for ultra-low-energy buildings with high comfort, renewable energy use and ecological building materials. The whole area is supplied with energy from renewable energy sources.



MINERGIE-P-ECO®



Greencity, Zurich. Swiss Life Asset Managers



France. France is a leading country for sustainable business transformation. Among other factors, this may be attributed to robust regulation in terms of transparency and climate-related risks, such as “Article 173” or “Loi PACTE”. This is one reason why Swiss Life Asset Managers actively promotes sustainable real estate asset management. Another is the very early conviction that sustainability is the only path for a future-proof business. Already in 2009, Swiss Life Asset Managers in France (formerly Swiss Life REIM France) established a responsible investment charter to frame the pathway towards ESG integration. Moreover, it allowed our clients to understand our core beliefs in terms of responsible property investment. This policy was the starting point of the overarching responsible property investment framework used today. After Swiss Life REIM France became a PRI[†] signatory in 2009, the PRI have additionally guided the ESG implementation via the responsible investment charter.

ESG implementation in real estate – on the investment and operational level

After signing the PRI, ESG governance structures have been set up in France. A Sustainable Development Committee, consisting of members from various real estate functions, was assigned the task to propose and align actions towards sustainable development across all teams and to steer and meet local ESG demands. Today, the committee is led by the French ESG Real Estate Manager, who is closely linked to the cross-border Real Assets ESG Committee.

In 2011, Swiss Life Asset Managers in France developed a proprietary ESG grid to assess the ESG data of their portfolio. At its core, the grid is a questionnaire, applied in due diligence procedures (investment level) and monitoring activities (operational level). This questionnaire assesses various aspects of all dimensions of ESG. The assessment is conducted initially by the acquisition team and is thereafter repeated annually by the asset manager of the respective asset. Besides increasing both transparency and understanding of the asset’s ESG performance, the ESG questionnaire helps to identify tailor-made improvement measures. The framework was initially designed for office buildings but has now also been adapted to all other use types such as residential and healthcare properties. In 2019, the digital transformation of the ESG questionnaire was initiated. A new online tool simplifies data collection, minimises the risk of poor data quality and enables proper and efficient consolidation of ESG data. This enhancement offers continuous and dynamic access to the data collected by internal teams and investors. One particular example of how the ESG grid is used in the daily business is illustrated below.

Both the Sustainable Development Committee and the ESG questionnaire enable our teams in France to manage the portfolios in a way that is fully aligned with the overarching triangle: real estate materiality matrix, ESG concept, and responsible property investment framework.



Case study: HQE certification in downtown Paris

In 2019, Swiss Life Asset Managers in France led a major renovation project concerning a property situated at 131 avenue de Choisy. The office building in Paris comprising 1,200 m² across five floors was renovated to offer a high-quality workspace area for tenants. The project had to meet a range of targets to be labelled with the desired HQE Rénovation certification – a French and international ESG certification broadly recognised by real estate professionals and investors. The initiative to attain the HQE certification for this property was a result of the high potential for energy efficiency measures, identified by the annual ESG grid assessment.

The HQE certification rates properties in terms of their environmental performance, including a building's energy performance and a range of health and well-being factors. The refurbishment project obtained the HQE certificate "excellent", adding to Swiss Life Asset Managers' ambition for a full integration of the environmental, social and governance (ESG) principles.

For the HQE certification, the project team undertook a dedicated course of action, including the encouragement of low-carbon mobility, such as equipping 20% of the car parks with electric charging stations. Furthermore, they took various measures to contribute to ecological continuity and to preserve biodiversity in cooperation with experts on ecology. Attention was also paid to energy consumption: thanks to the installation of an active energy consumption monitoring system and the set-up of a building management system, we are able to monitor consumption data and evaluate respective energy efficiency improvements.



Computer animation of the renovation project in Paris. *Swiss Life Asset Managers*



Germany. With Corpus Sireo and BEOS, Swiss Life Asset Managers has two very specialised real estate asset management entities located in Germany. Even though this is a fairly new constellation, with BEOS having been acquired in 2018, some impressive developments, guided by the overarching responsible property investment framework, have already been achieved.

Since the number of ESG initiatives within Swiss Life Asset Managers in Germany had grown significantly, like in France, a dedicated ESG Real Estate Manager was appointed in 2019 to steer national implementation projects, harmonise German ESG activities with those of the other countries, and represent Germany in the cross-border Real Assets ESG Committee.

Investment and development level

In 2019, we implemented an ESG questionnaire as part of the due diligence process, which encompassed energy efficiency, environmental pollution and potential ESG improvement measures. We ensured proper ESG analysis from the beginning, through embedding the questionnaire in the traditional investment processes rather than creating new processes. At the same time, ESG is also part of our strategic processes: in late 2019, BEOS took the lead in defining an ESG strategy at company level and for their main asset class, light industrial. Involving their employees in the strategy-building process was well perceived and promoted consciousness and engagement around ESG topics among their staff. The whole strategy aims to locally enrich the overarching triangle of the ESG concept, the real estate materiality matrix and the responsible property investment framework with country-specific targets and measures. Covering all levels of the investment cycle, the ESG strategy includes several aspects, from corporate ecology and construction to employees and values.

With respect to our investment activities, we have implemented a set of measures to strengthen our portfolio. In the healthcare sector, we have enlarged the product range with a focus on investments which meet high energy efficiency standards and ensure affordable care for senior citizens. Additionally, Swiss Life Asset Managers is developing a new training centre in Hanover as a place of lifelong learning for employees. The construction started in 2019 and will be certified with the DGNB Gold label. After having been awarded the DGNB Platinum certificate for a development project in Berlin, Swiss Life Asset Managers decided to prepare selected real estate funds for a GRESB assessment submission. The case study below provides an example of how we deal with ESG aspects at the operational level.



Case study: Increased tenant satisfaction in Zeughof

In Berlin's Kreuzberg district, BEOS redeveloped a centrally located former Deutsche Telephonwerke site built between 1950 and 1982. The conversion, which was accompanied by a change of use, took account of the strong demand for warehouse and office space in Kreuzberg and the neighbouring districts. At the same time, densification – in the form of adding new storeys to existing buildings – positively contributed to the sustainable use of space in an urban environment and additionally enabled reduction in new construction on green spaces in other areas. A total of 38 new tenants are active on the new Zeughof site and around 1,250 new jobs have been created. And thanks to a public kindergarten integrated into the campus, the residents of the neighbourhood can benefit from this revitalised location.



Zeughof, Berlin. Swiss Life Asset Managers



United Kingdom. Mayfair Capital, Swiss Life Asset Managers' real estate asset management company domiciled in the UK, has implemented the responsible property investment framework by focusing on the investment and operational levels. Development activities are not yet part of the real estate management business in the UK.

Investment level

In undertaking our acquisitions, ESG elements are carefully considered throughout the transaction process. We look to acquire efficient, flexible assets in sustainable locations that have a long-term future. These are likely to be established commercial locations that are supported by strong infrastructure and are well placed to serve clients, accessible by staff and close to supporting businesses. Environmental factors such as physical climate-related risks (for example flooding) and contamination are also given detailed consideration. However, provided there is a clear plan as to how a property can be improved, acquiring and refurbishing inefficient properties can also be an attractive proposition. It is, of course, all about understanding and managing the risks.

Operational level

Following acquisition, we monitor the energy, waste and water usage of our multi-let assets. We seek to find ways to improve the fabric of the building and its mechanical and electrical installations through refurbishment activity. Tenant engagement is also key when seeking to develop a more sustainable portfolio. For us, this journey begins as soon as a property is acquired, and we provide assistance to our tenants to help them use their building in a sustainable fashion. Reducing the environmental impact of our assets is also very important and we look to enhance our assets through new building management systems and mechanical plants to ensure energy-efficient operation.

Considering social aspects, the use of our assets is important, and some funds apply stringent ethical policies governing what types of tenants are acceptable – excluding, for example, those involved in tobacco or armament manufacturing. The social side of ESG can also extend beyond the confines of the buildings that we own and operate. Mayfair Capital's staff are keen to devote time to the community and charitable organisations.



Case study: Major refurbishment at Trinity Park

A prime example of Mayfair Capital's ESG efforts in real estate development is the 3,000 m² office building at Trinity Park in Solihull. The property was acquired in 2016 with a remaining lease term of only around 2.5 years and has been refurbished to provide modern office space through extensive renovation. Mayfair Capital's objective was to improve the sustainability performance through energy efficiency and health and well-being for tenants. This included new shower facilities throughout the building, new lockers and cycle storage areas, improved disabled access, four charging stations for electric vehicles, and a new external terrace which offers tenants attractive recreational opportunities with a view of the adjacent lake. The renovated office building also has an energy-efficient VRF air conditioning system, suspended ceilings with energy-efficient LED lighting and motion sensors, and highly efficient water-saving sanitary facilities.

On completion of the refurbishment work, the energy efficiency of the building was upgraded to an EPC rating of B-45, corresponding to annual energy savings of around 180,000 kWh and annual cost savings of circa £20,000.



Trinity Park, Solihull. *Swiss Life Asset Managers*

Responsible infrastructure investment

Alongside health and safety issues, we see climate-related risks and opportunities as the predominant sustainability aspects for infrastructure investments. ESG is a firm part of our investment process, in both the due diligence stage and the ongoing asset management.

Through both policy and process implementation and a focus on company engagement, we have established a comprehensive responsible investment manual for our infrastructure operations at Swiss Life Asset Managers. Building upon this framework, we have focused on seizing low-carbon transition opportunities with the recent acquisition of Fontavis – an infrastructure investment company specialising in clean energy. As such, we are placing increasing focus on the second of our three overarching ESG pillars, inter-generational responsibility.

“The infrastructure team has a dedicated specialist focusing on ESG-related procedures during the investment process and especially during the ongoing asset management.”

Swiss Life Asset Managers

ESG integration in processes and policies for infrastructure investments at Swiss Life Asset Managers

We integrate ESG considerations, including a systematic ESG analysis, into the due diligence process of infrastructure investments. Depending on the area of business and outcome of initial discussions with management and the vendor, additional external environmental, social or entire ESG audits may be initiated. Each investment recommendation includes an ESG section showing the scoring for 12 ESG dimensions and an aggregated total ESG score. The scoring is based on a systematic and self-developed ESG questionnaire which assesses indicators in various topics, encompassing all dimensions of ESG as visualised in the illustration on page 55. In addition to this scoring process, the final ESG analysis includes a description for each dimension and potential recommendations on how to improve the ESG performance.

Swiss Life Asset Managers also monitors ESG criteria and relevant developments on a quarterly basis as part of the regular monitoring processes of our underlying investments. In ongoing asset management, the full analysis, which was conducted in the due diligence assessment as described above, is reviewed on an annual basis and ESG improvement measures are identified on a quarterly basis. In order to coordinate all current initiatives, the infrastructure team has appointed a dedicated specialist focusing on ESG-related procedures during the investment process. Particular weight is given in this quarterly monitoring to climate-related issues and

The 12 indicators used for the scoring in the ESG analysis for both the due diligence and the yearly reassessment

Environmental	Social	Governance	External ESG assessment / third-party review
Environmental policy and procedures	Employment and work environment	Board of directors	External ESG assessment / third-party review
Environmental initiatives	Involvement with stakeholders	Senior management	
Resource consumption and waste management	Contribution to society	Management systems (occupational health and safety, risk register, and quality assurance)	
Environmental legislation		Financial reporting	

Source: Swiss Life Asset Managers

health and safety aspects, since they are both key considerations in the field of infrastructure investments.

Furthermore, we have defined a list of applicable investment limits and exclusions for new Swiss Life Asset Managers infrastructure funds, according to which we will not invest:

- more than 20% of AuM 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 UN Global Compact non-compliant;
- in any business that is involved in any clearly defined illicit or unsustainable methods.

Although these exclusion criteria have been specified for new funds, it is important to state that none of the previous infrastructure funds have been in violation of these limits and exclusions.

Contributing to targets of the Paris Climate Agreement



As an infrastructure investor, we see two main ways of contributing to the targets of the Paris Climate Agreement: firstly, by investing in sources



GRESB

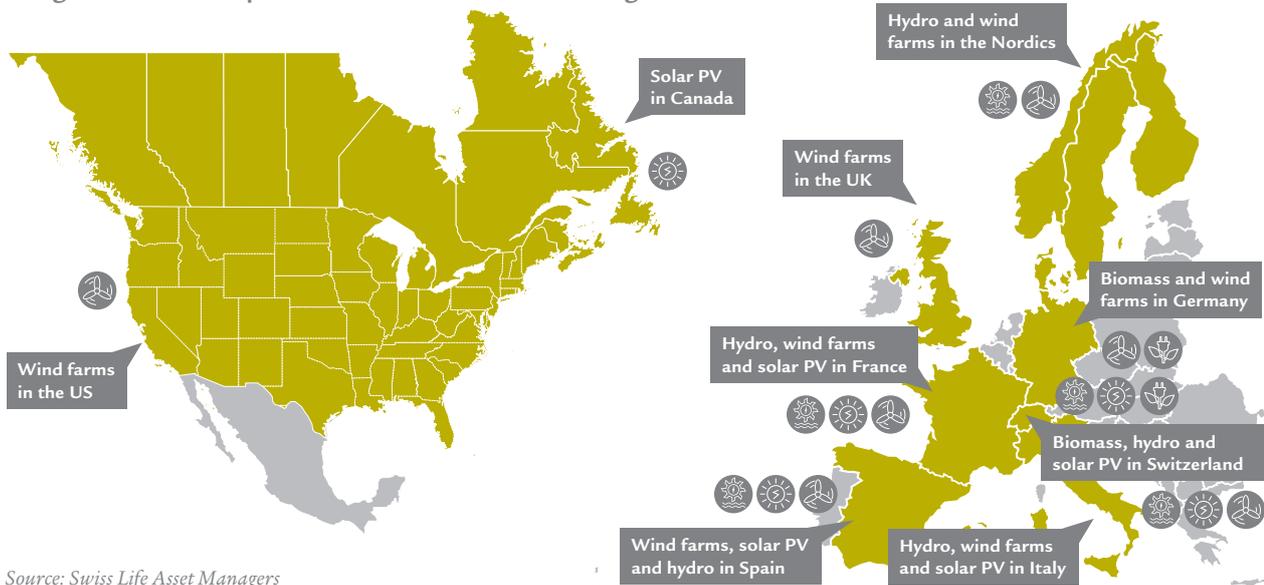
With internal policies and procedures in place, we have decided to verify our efforts by submitting our second main infrastructure fund to the GRESB assessments – the leading infrastructure ESG benchmark. Originally a real estate ESG benchmarking service, over the last few years GRESB has become ever more respected in infrastructure, and we consider it the best sector-wide benchmark available. GRESB assesses ESG at fund and asset level separately; whereas the fund score assesses the fund manager based on its processes and policies, the asset score evaluates the individual assets in the fund.



The assessment results of our first participation in 2019 were encouraging. Whereas the fund rating was in line with industry average, the asset rating was lagging due to only partial participation and revealed potential for improvement. In 2020, the fund has been awarded a score of 26/30, which confirms that we have excellent ESG practices in place for our infrastructure products. Looking at the underlying portfolio assets and the corresponding score of 35/70, whilst this is an encouraging improvement on the previous year's score, it has given us a clear indication that there is room to intensify the ESG dialogue with our portfolio companies moving forward. In total, the fund's final GRESB score of 61/100 is very much in line with industry average and reveals a good second year result.

We are satisfied with these GRESB results and will continue our participation next year. The GRESB assessments are also a good guidepost to show us how we can continuously improve our ESG performance.

The global renewable portfolio of Swiss Life Asset Managers and Fontavis



Source: Swiss Life Asset Managers

of renewable energy and, secondly, by closely measuring and reducing the carbon footprint of our infrastructure portfolio.

Renewable energy investments

We have been investing in sources of renewable energy for a long time. The infrastructure funds managed by Swiss Life Asset Managers hold several renewable energy infrastructure assets as direct investments. Geographically, the assets are widely distributed. As visualised in the illustration above, Swiss Life Asset Managers invests in solar energy assets in Italy, Spain, Canada and additionally in global markets (approximately 100 MW), in wind energy assets in the United Kingdom and the United States (approximately 425 MW), and hydropower facilities in northern Europe (approximately 425 MW).

Specifically, by acquiring Fontavis in 2019 and thereby enhancing our offering of clean energy infrastructure investment products, we have considerably strengthened our contribution to climate action. Fontavis invests in biomass, hydropower and solar energy, as well as waste recycling management assets in Switzerland; biomass and wind energy in Germany; wind and hydropower in northern Europe; and wind, solar energy and hydropower in southern and western Europe. With this strategic acquisition, we paved the way to enhance investments in the clean energy sector and thus seized opportunities in an established but fast-growing market.

Carbon monitoring

An increasing number of the infrastructure assets in our portfolio have processes in place by which their respective carbon footprint can be measured and reduced. Additionally, some portfolio companies have a full carbon measurement (in accordance with the GHG Protocol Standard²²) and corresponding reduction policies in place. To facilitate better carbon measurement throughout our portfolio, we have been engaging with the companies, alone or with

²² Greenhouse Gas Protocol: <https://ghgprotocol.org>

Key figures on our investments in renewables within the funds managed by Swiss Life Asset Managers and Fontavis (data pro rata and as of 31.12.2019)

	Fontavis	Swiss Life Asset Managers	Total
AuM in renewables [CHF million]	623.0	476.0	1,099.0
Number of assets producing renewable energy	24	7	31
Renewable power generated by portfolio companies [GWh]	730	1,660	2,390
Number of households potentially supplied by this energy ¹	140,385	319,231	459,615
GHG mitigated compared to traditional energy mix [t CO ₂] ²	315,360	717,120	1,032,480
Renewable heat generated by portfolio companies [GWh]	130	–	730
GHG mitigated compared to traditional heat production [t CO ₂]	70,000	–	70,000
Total GHG mitigated [t CO₂]	385,360	717,120	1,102,480
Number of Swiss citizens with corresponding annual carbon footprint ³	80,781	150,326	231,107

¹ Calculation based on data from Jürg Nipkow, Schweizerische Agentur für Energieeffizienz S.A.F.E., Zurich, December 2013. ² Calculation based on OECD data. 2020. CO₂ from electricity generation (g/kWh). ³ Calculation based on data from the World Bank.

Source: Swiss Life Asset Managers



co-investors. More specifically, we are actively encouraging them to implement the TCFD recommendations.

The table above provides an overview of the renewable energy produced and respective GHG mitigated by the infrastructure assets of Swiss Life Asset Managers and Fontavis. Their combined renewable energy portfolio mitigates a total of 1.1 megatonnes of CO₂. Based on the average annual carbon emission of a single Swiss citizen, this corresponds to the carbon footprint of approximately 310,000 citizens – roughly the equivalent of the population of Geneva.

Fostering the transition to sustainability

Our aim is to promote and enhance sustainable impact at our portfolio companies and therefore continue to encourage them by applied asset management throughout the lifetime of the investments. We see great opportunities in infrastructure assets which are currently not considered as sustainable but show positive tides and which have a clear pathway towards a sustainable future.

Case study: Fontavis – insights from two portfolio companies

SonnenPool AG

Switzerland: SonnenPool AG provides solar energy solutions for self-consumption – a business model creating value for all involved parties. Whereas tenants benefit from lower electricity costs and the certainty of the origin of the ecological electricity, property owners receive a rent for providing the roof on which the solar panels are installed. At the same time, SonnenPool can operate profitably with a 100% ecological product that makes an important contribution to achieving the Energy Strategy 2050, even without the inclusion of government subsidies.



Trianel Windpark Borkum

Germany: The Trianel wind farm Borkum II is the second development stage of the offshore wind farm (formerly Borkum West) and is located 45 km northwest of the islands of Borkum and Juist, surrounded by more than a dozen other wind farms. It has 32 wind turbines of 6.33 MW each and a total capacity of around 200 MW. Various municipal utilities are involved in the project. The total capacity of 200 MW brings power to more than 200,000 households and mitigates more than half a million tonnes of CO₂ per year.



Trianel Windpark Borkum II. *Swiss Life Asset Managers*



Case study: Swiss Life Asset Managers – success stories of two portfolio companies

Thames Tideway Tunnel

London's Victorian sewerage system was built in the 1860s, when London's population was around two million. While the sewers are still in excellent condition, they can no longer cope with today's population, and even a small amount of rain can cause sewage to overflow into the River Thames. On average, this happens once a week.

The 25 km Thames Tideway Tunnel has been designed to intercept the Victorian sewers, collecting the sewage that would otherwise overflow into the River Thames and transfer it for treatment. Construction is well underway, with four of the six tunnel boring machines now working deep beneath London and more than 9 km of tunnels now built. Once complete, the super sewer will prevent tens of millions of tonnes of raw sewage polluting the river each year. The main benefit of the tunnel is to hinder pollution and improve biodiversity in the tidal River Thames. However, during the eight-year construction period the project is addressing several sustainability areas, such as:

- enhancing gender diversity by supporting women's careers in engineering and construction;
- using the river for transportation and thereby reducing the number of road vehicle journeys needed;
- employing people living in the area affected by the works;
- employing apprentices and ex-offenders.



Cadent Gas

Natural gas is considered an important transition fuel in the gradual shift to renewable energies.²³ Even though it is a fossil fuel, large quantities of carbon emissions can be saved by switching from dirtier sources of energy such as coal to natural gas. Until renewables and new technologies can reliably take over base load electricity and heat production, we are convinced that natural gas has an important role to play in our energy system. However, what will happen to these large, expensive gas grids once conventional natural gas has played out its role as a transition fuel?

Cadent Gas – the largest gas distribution company in the United Kingdom – is looking directly into the potential of hydrogen as an alternative use of the current gas grids in the future. To this end, the company has started two interesting initiatives in recent years: HyNet and HyDeploy. HyNet is a hydrogen energy and carbon capture, utilisation and storage (CCUS) project based on the production of hydrogen from natural gas. The hydrogen will be produced in bulk at a central plant using established, proven technology. It will then be blended with natural gas and delivered to clients in the region. In HyDeploy, Cadent Gas has been working with Keele University, Northern Gas Networks and a host of technical experts to supply a blend of hydrogen and natural gas to 100 homes and 30 faculty buildings in a first stage. As the first ever live demonstration of hydrogen in homes, HyDeploy aims to prove that blending up to 20% volume of hydrogen with natural gas is a safe and greener alternative to the currently widespread fossil fuels.



²³ The International Energy Agency (IEA)



*Responsible investing:
active stewardship*

Active ownership: from proxy voting to dialogue in all asset classes

Dedicated to the active stewardship† principle of our ESG† concept, Swiss Life Asset Managers considers engagement† as an integral part of its approach to responsible investment†. We exercise our ownership rights as part of our fiduciary duty: a prudent and responsible management of the entrusted assets. We actively seek to work with companies and relevant stakeholders to address ESG challenges while safeguarding the financial interests of our clients. This encompasses active ownership† and collaborative enhancements†.

Corporate dialogue and proxy voting are currently among the ESG strategies that show a significant increase in usage. The Swiss Sustainable Investment Market Study²⁴ for example shows that the importance of these strategies has more than doubled from 2018 to 2019. Overall, we consider constructive engagement, including proxy voting and dialogue with companies and with relevant stakeholders, to be more effective in improving sustainability† performance than excluding companies from the investment universe. The following principles guide our engagement activities in all asset classes:

- Engagement activities aim at securing and enhancing the safety and the long-term value of investments.
- We support activities that enhance shareholder rights, foster transparency, contribute to the reduction of climate change impacts or improve the general sustainability performance while safeguarding the financial interests of clients and investors in our products.
- Participation in collaborative external platforms strengthens our engagement capacity.
- Engagement activities shall not entail undue costs, neither direct costs nor asset depreciation.
- We follow the recommendations of best practice codes such as the Global Stewardship Principles of the International Corporate Governance Network (ICGN) or the Principles for Responsible Investment of the PRI† Association.
- Swiss Life Asset Managers expects companies to respect the Universal Declaration of Human Rights, the Guiding Principles on Business and Human Rights and the core standards of the International Labour Organization (ILO).

“An active and transparent dialogue with our tenants, the companies we invest in and our co-investors is a powerful tool for reducing risk while fostering readiness for a more sustainable future.”

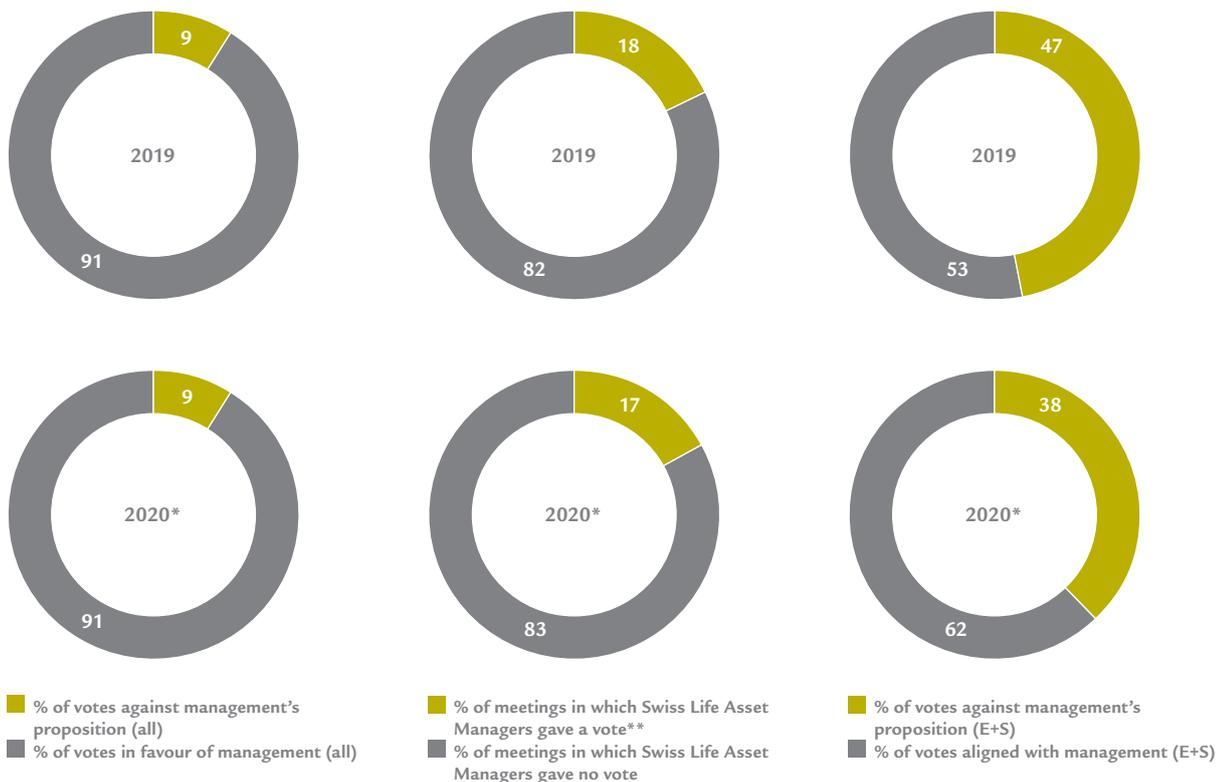
Swiss Life Asset Managers

24 SSF Swiss Sustainable Investment Market Study 2020: https://www.sustainablefinance.ch/upload/cms/user/2020_06_08_SSF_Swiss_Sustainable_Investment_Market_Study_2020_E_final_Screen.pdf

Key figures on proxy voting

	2019	2020*
Total meetings in which Swiss Life Asset Managers gave a vote**	269	244
Total agenda items where Swiss Life Asset Managers gave a vote	6,448	4,548

*01.01.2020–30.06.2020. ** Votes are counted if for, against or withhold. Do not vote instructions are counted as no vote. *** Environmental and social topics.



Source: ISS

Securities

Swiss Life Asset Managers has a process in place to systematically exercise proxy voting rights. This process takes the volume of the investment as well as content-related criteria into consideration. A key part of our proxy voting activity is the analysis of all voting items related to environmental or social topics such as climate change, gender equality and human rights. Our responsible investment management team, part of our ESG team, assesses the votes and makes a recommendation to the voting entity. When exercising voting rights, we support our internal decision by analyses and services provided by the external voting rights consultant Institutional Shareholder Services Europe S.A. (ISS). Additionally, we use other sources such as ESG data from our service provider or our own research.

Since our investment strategies for listed equities majorly focus on a quantitative approach, we use proxy voting as a primary engagement strategy thus far. In near future, active engagement will most likely play an increasingly important role for Swiss Life Asset Managers. Therefore, the first systematic implementation of the corporate dialogue with listed companies commenced in 2020 for selected portfolios.

Real assets

Being an active owner is of importance for the real assets, 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 emphasise 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. For example, in Switzerland, the Hot Water Challenge²⁵ brought three types of stakeholders together (academia, tenants and asset managers) in order to increase awareness for resource use and improve energy efficiency. Additionally, we strongly focus on dialogue with policymakers – directly or via associations. Because of the fast-evolving European regulations, we foster collaboration with our peers and associations such as the Association française des Sociétés de Placement Immobilier (ASPIM) in France and the Bundesfachverband der Immobilienverwalter (BVI) in Germany. However, for large developments, dialogue on local level with politicians, neighbours, initiatives and various other stakeholders is a standard tool and effective way to shape communities and take active responsibility. With this we aim to align diverse interests and increase the acceptance among stakeholders.

A good ESG performance of the portfolio companies is mainly driven by ongoing engagement with the portfolio company or the co-investors. In 2019, we raised 15 initiatives to strengthen ESG topics within our infrastructure investments through proposals to the boards or by collaborating with joint investors to foster ESG transparency through a sustainability report or a GRESB infrastructure assessment.



Case study: Voting for transparency on climate-related risks

Within the first six months of 2020, Swiss Life Asset Managers supported 21 proposals requesting companies to enhance transparency on climate-related risks and their respective management. We, for example, voted for an alignment of the GHG targets to the Paris Climate Agreement[†] where a global logistics company was not only lagging behind peers but also showed conflicting goals between CO₂ reduction and growing business due to e-commerce. We also supported more transparency with companies in heavily exposed sectors with growing customer and regulatory pressure such as aviation and oil extraction. In this context, we supported a proposal which requested a large oil company to align its effective reduction targets to its public commitment to the Paris Climate Agreement.

By contrast, we denied support for 24 proposals which directly conflict with the operational management or which risk producing highly negative or incalculable impacts on the business value.



²⁵ Please refer to the section “Sustainable real estate management” for more details.

Making strides through collaboration, another pillar of active stewardship

In addition to our active ownership efforts, we promote responsible investment by providing resources and know-how to industry and sustainability associations. We participate in governing boards and share our expertise in the working groups of various associations such as the Swiss Insurance Association or the Sustainable Investment Forum known as the FNG. By doing so, we actively contribute to the further development of the industry. Alongside the active ownership efforts described in the earlier paragraphs, these collaborative enhancements[†] form our engagement framework.

The transparency demonstrated in this report is our interpretation of principle six of the PRIs. At the interface of the fifth PRI principle[†] and our understanding of active stewardship, we are an active member of various associations which aid the development of sustainable investments[†] through collaboration and knowledge sharing.

Member of the board at FNG

Since we saw complementary benefits to being a member of Swiss Sustainable Finance and Forum Nachhaltige Geldanlagen, we joined them both. Going beyond simple membership, we pursue active collaboration in both associations. In terms of the FNG, this is via our seat in the board, aiming to give insights from the perspective of an institutional investor.

Consultations with the PRI

The PRI is the fundament that our approach to responsible investment relies upon. It is in our major interest to support the PRI with the development of their reporting framework and their publications. Therefore, we actively joined several consultation loops.

Signatory of:





Closing remarks

Wrap-up and outline

Encompassing a comprehensive ESG integration in all asset classes and a well-founded engagement approach, we see ourselves in a strong position for the challenges ahead. Besides enhancing our responsible investment approach with climate scenario analysis and reduction pathways, we seek to strengthen our products in terms of sustainability.

The growing awareness of sustainability in the real economy and the financial markets involves several challenges. Integrating ESG ↑ into investment decisions is more than simply a matter of adjusting standardised processes, but is in fact also subject to employee know-how. Our responsible investment framework ↑ elaborates exactly this type of know-how in all teams across the investment cycle. Becoming familiar with ESG aspects, being able to judge the inputs of different data providers and integrating this information alongside traditional financial terms are part of our fiduciary duty.

Approximately 90% of our assets under management have fully integrated the ESG aspect. Of course, such figures alone don't provide proof of quality of ESG processes and governance. That's why we trust in the assessments of the PRI ↑, which awarded our ESG efforts in strategy and governance an A+, the top mark, in 2020. The public transparency report of the PRI was the starting point of our disclosure. Today we aim to enhance transparency by providing a deep dive into our ESG-integrated processes.

The challenges of a low-carbon transition are material. Whereas real assets are facing tremendous physical risks, many companies and sovereigns are dealing with transitional risks. Embedding climate aspects in our business was crucial to understanding the future-proofness of our investment portfolio. Seizing long-term opportunities while mitigating long-term risks is a key part of our intergenerational responsibility.

The framework and processes illustrated in this report are the results of many steps in the right direction. Many resources and much brainwork have been used to generate an understanding of the effects of ESG and what is needed to be ready for the low-carbon transition. Since ESG is evolving, we are eager to augment Swiss Life Asset Managers' approach to responsible investment in all dimensions. Some material steps have already been initiated.

To conclude, the sustainable investment market is rapidly changing and is very dynamic. Besides the regulatory challenges from the EU Action Plan, climate risk management and advanced client requirements will be keeping us busy for the foreseeable future. With the processes described in this report, the introduced measures and our overall expertise in responsible investment, we look forward to tackling the most recent as well as the future developments.

Glossary

As definitions in the field of sustainability evolve, a common understanding of the main terms of this report is vital.

The following glossary provides definitions and clarifications to all terms marked with an arrow ↑ throughout the report.

Term	Definition
Active investment approach	In TPAM/PAM: equities or bonds which are actively selected for investment. Whether quantitatively driven or manually selected, the portfolio constituents are selected actively.
Active ownership	As an asset owner and manager, we have the responsibility to guide assets in the journey towards a low-carbon future and the transition to sustainability in general. Being active means in our terms: exercising our shareholder voting rights, conducting direct company dialogue and engaging with direct stakeholders of our assets such as tenants or co-investors.
Active stewardship	One part of our ESG concept is to carry out active stewardship. This is the principle that underlies our engagement framework and means that we take care of entrusted assets and positively act for / influence our social environment.
Collaborative enhancement	Collaborative enhancement stands alongside active ownership, the other pillar of our engagement framework. We seek to expand responsible investment in the industry and society. Therefore, we are part of various collaboration schemes, working groups and associations in order to promote responsible investment.
Engagement	The concrete measure to carry out active stewardship. Currently consisting of two major aspects: active ownership (see above) and collaborative enhancement, the collaboration with associations and policymakers.
ESG	Environmental, social and governance (ESG) criteria are a set of standards for a company's operations that we use to screen and assess our potential and current investments. Environmental criteria consider how a company performs as a steward of nature. Social criteria examine how it manages relationships with employees, suppliers, clients and the communities where it operates. Governance deals with a company's leadership, executive pay, audits, internal controls and shareholder rights.
ESG ambassador community	Swiss Life Asset Managers has appointed a number of colleagues from all areas who will receive special training and education in the area of sustainability. These so-called ambassadors seek to spread the know-how of responsible investment throughout all teams of Swiss Life Asset Managers.
ESG integration	The most common approach to responsible investment and the fundament of sustainable investing. It aims to accompany the traditional investment processes with ESG considerations, while avoiding creating new processes and reporting lines. It is an advantage to implement ESG know-how in conjunction with the know-how of investment management. A disadvantage may be the resources used to implement ESG in the various and sometimes complex (historical) established processes.

Term	Definition
ESG-dedicated products	Products which have ESG integration deeply embedded and ESG aspects as a core purpose of the fund's strategy. Further, "impact" products are also ESG-dedicated products, but with a deeply embedded focus on generating impact with the investment.
GHG emissions / GHG emission scopes	The GHG Protocol Corporate Standard classifies a company's GHG emissions into three "scopes". Scope 1 emissions are direct emissions from owned or controlled sources. Scope 2 emissions are indirect emissions from the generation of purchased energy. Scope 3 emissions are all indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions.
Labelled products	(Mostly) ESG-dedicated products that contain a sustainability label: e.g. FNG, ISR, LuxFLAG, etc.
Paris Climate Agreement	The agreement within the United Nations Framework Convention on Climate Change (UNFCCC) which was negotiated during the Conference of the Parties (COP) 25 in Paris. The Paris Climate Agreement target is to keep the increase in global average temperature to well below 2°C above pre-industrial levels. Further, it pursues efforts to limit the increase to 1.5°C, recognising that this would substantially reduce the risks and impacts of climate change.
Passive investment approach	In TPAM/PAM: equity investments which are invested in index replications. Thus, the portfolio passively follows the index.
PRI (Principles for Responsible Investment)	Six aspirational investment principles dealing with how to incorporate ESG issues into investment practices: Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes. Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices. Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest. Principle 4: We will promote acceptance and implementation of the Principles within the investment industry. Principle 5: We will work together to enhance our effectiveness in implementing the Principles. Principle 6: We will each report on our activities and progress towards implementing the Principles.
Real-world outcomes	Real-world outcomes – often called impact – are measurable positive or negative changes in the real world which are triggered through an investment. Currently, this concept includes several different approaches: e.g. impact can be the amount of GWh renewable energy generated with one USD invested, or more commonly the percentage of an investment portfolio that is gaining revenue in the field of recycling.
Responsible investment / Sustainable investment	Responsible investment (analogous to sustainable investment) refers to any investment approach integrating environmental, social and governance factors (ESG) into the selection and management of investments. There are many different forms of responsible investing, such as best-in-class investments, ESG integration, exclusionary screening, thematic investing and impact investing. They are all components of responsible investments and have played a part in the concept's history and evolution.

Term	Definition
Sustainability	According to Brundtland, “development which meets the needs of current generations without compromising the ability of future generations to meet their own needs.” ²⁶ As applied by Swiss Life Asset Managers, this means enabling future generations to lead a self-determined life by creating long-term value.
EU transparency regulation	The Sustainable Finance Disclosure Regulation (SFDR) will introduce obligations for institutional investors and asset managers to disclose how they integrate ESG factors in their risk processes. Requirements to integrate ESG factors in investment decision-making processes, as part of their duties towards investors and beneficiaries, will be further specified through delegated acts.

²⁶ Brundtland, G. (1987). Report of the World Commission on Environment and Development: Our Common Future. United Nations General Assembly document A/42/427.

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