Statement pursuant to Article 3 of Regulation (EU) 2019/2088 on sustainability risks

Swiss Life Asset Managers Funds AS

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Swiss Life Asset Managers Funds AS (“**SLAM Funds”**) is a long-term asset manager and is committed to acting in the best interests of its investors and other stakeholders. SLAM Funds is convinced that the pro-active integration of relevant Environmental, Social and Governance (“ESG”) factors into the investment decision-making processes SLAM Funds manages will reduce sustainability related risks[1].

Definition of Sustainability Risks

Sustainability risk means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment[2]. In addition to that, SLAM Funds distinguishes sustainability risks in accordance with the concept of “double materiality”: The outside-in perspective focuses on our investment’s exposure to sustainability risks, for example harmful physical effects of climate change on our invested assets. The inside-out perspective considers the impact of our investments to public sustainable goals such as for example the Paris Agreement.

While ESG factors can have a positive or negative impact on the value of linked the assets managed, SLAM Funds focuses on the latter in line with the prudential approach to risk management. Consequently, the identification of ESG factors that may have a negative impact on the invested assets as well as the determination of the impact is part of SLAM Fund’s fiduciary duties as an asset manager.

Sustainability risks can materialize on an asset/investment level, on the portfolio level as well as up to the investment manager level, and therefore may have a considerable financial and/or reputational impact on the portfolio’s investments.

Sustainability risks may occur as a stand-alone risk, they also may have a significant impact on known risk types, such as market, credit/counterparty and liquidity risk and contribute as a factor to the materiality of these risk types. The relationship of sustainability risks to established risk categories shall

[1] For a few products managed by SLAM Funds, ESG factors and sustainability risks are not integrated into the investment decision making process. Reasons are, for example insufficient date coverage, lack of relevance for certain investment instruments or for certain investment structures.

[2] Art. 2 (22) Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (“SFDR”).

therefore be understood in the investment decision-making process and lead to an integrated view on sustainability risk management.

Sustainability Risk Factors

Sustainability risks shall be categorized and assessed along environmental, social and governance factors.

- **Environmental**

Environmental factors are related to the quality and functioning of the natural environment and of natural systems, and include factors such as climate change, biodiversity, energy consumption, pollution, water and waste management.

While any environmental factor that may impose a material risk on our investments must be managed to the best of our knowledge and ability, it is of importance to manage the funds or portfolios entrusted to us in a manner that mitigates the financial impact of the transitional and physical risks due to climate change i.e. financial risks stemming from (i) the transition to an environmentally sustainable economy driven by policy, technology, and consumer preferences, (ii) the physical effects of climate change and environmental degradation both from acute events (weather-related affects like floods, storms, etc.) or chronical effects from progressive shifts in climate or gradual loss of ecosystem patterns (e.g. biodiversity loss, temperature rise).

- **Social**

For social risk various drivers can be identified. For example, they can be driven by environmental risks (e.g. water stress), changes in social policy (e.g. labor rights) and changes in market sentiments (e.g. transformation to a more inclusive and equitable society (labor rights)).

- **Governance**

Poor governance practices and/or significant social issues may also have material financial impact if the probability of occurrence is not sufficiently priced into the valuation of the affected assets or liabilities. The risk identification should cover the factors (but is not limited to) corporate governance, corporate behaviors, and business resilience.

As a signatory to the UN Global Compact, Swiss Life is committed, amongst other things to the fundamental principles of respecting Human Rights, Labor Rights, Environment and Corruption.

Sustainability Risk Management in the Investment Process

As part of our holistic risk management approach sustainability risk and appropriate ESG factors are integrated in our overarching risk management framework. The approach is built on the three lines of defense model, supported by formal governance processes, individual responsibilities, and senior management oversight, ensuring independent risk monitoring and control activities.

To address the variety of sustainability risks, our ESG approach accommodates the specific needs of the different business lines and asset classes.

Methods to identify, assess and mitigate Sustainability Risks

SLAM Funds considers sustainability risks in the asset class it manages. Consequently, ESG-related risk indicators are integrated in the risk framework using for example targets, limits and exclusions for material sustainability risks on portfolio and entity level. Portfolio management and risk management must assess such risks according to the specific aspects of real estate and define appropriate measures to identify, prevent, mitigate and remediate such issues. These measures are integrated along the entire investment cycle, including pre-investment due diligence, continuous monitoring of held assets and post-investment engagement.

In order to mitigate or avoid unintended exposure in sustainability risks, the following measures can be taken depending on the asset class and/or product:

- Continuous ESG monitoring: Identifying assets with severe or systematic breach of defined norms, involvement in severe controversies or with a low overall ESG performance.
- Exclusions: Restricting investments into assets associated with controversial activities and/or below SL AM's minimum expectations regarding ESG performance.
- Alignment: Taking active measures to align the investments with sustainability-related goals either by reallocating portfolio investments or by actively managing the respective assets towards such targets (e.g. replacement of carbon-intensive heating systems in properties).
- Active Stewardship: Engagement through direct dialogue with issuers or stakeholders, proxy voting, investor coalitions and collaborative enhancements via platforms, memberships or policy making.
- Exit: Selling assets or terminating business relationships if appropriate risk reduction or remediation fail to deliver appropriate improvements.

- **Real Estate**

Real estate is particularly vulnerable to climate-related risks. Whereas extreme weather events as flooding affects the value directly, low-carbon transition measures may induce indirect costs. SLAM Funds proactively looks for effective sustainability measures and implement them across the entire real estate life cycle. Especially climate-related risks are typically analyzed throughout all stages of the property investment cycle. Example include considering climate risks during the purchasing process, energy-efficient renovation and repair and choosing developments suitable for the handicapped and the elderly. SLAM Funds also aims to increase tenants' awareness of the need to use resources efficiently.