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

Swiss Life Asset Managers Funds AS

Date of first publication: 10.11.2021

Date of last update: 27.08.2024

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 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]. From this perspective, SLAM Funds understand sustainability risks in accordance with the concept of "double materiality": The outside-in perspective focuses on SLAM Funds' investment's exposure to sustainability risks, for example harmful physical effects of climate change negatively impacting the value of the invested assets. The inside-out perspective considers the adverse impact of our investments to ESG factors, e.g. investments with deficient controls in terms of environment protection standards or poor social practices resulting into an outside-in risk such as reputational risk or non-fulfillment of our public commitments.

While ESG factors can have a positive or negative impact on the value of 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 Funds' 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 "traditional" 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 therefore be understood in the investment decision-making process and lead to an integrated view on sustainability risk management.

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[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").

ESG Factors

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

As Swiss Life is a signatory to the UN Global Compact, SLAM Funds is committed amongst other things, to respect the fundamental principles of human rights, labor rights, environment and anti-corruption.

- **Environmental factors**

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

While any environmental factor that may generate 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 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 factors**

Social factors are related to evolution in the society in terms of social standards and practices. Their monitoring can be done through analysis including factors such as diversity, equality and inclusion, respect for human rights and labor rights.

- **Governance factors**

Poor governance practices and corporate behavior 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.

Governance practices can also directly lead to good or poor environmental and/or social aspects, which reinforce the importance in understanding decision drivers within a company.

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.

- First Line of Defense: Operational Business Lines (“risk taker”) are responsible for identification, assessment, controlling and mitigation of sustainability risks on a day-to-day basis.
- Second Line of Defense: Responsible for oversight and guidance on Sustainability Risks (risk measurement & monitoring) and reporting of such risks.
- Third Line of Defense: Independent assurance of effectiveness and efficiency of risk management process on Sustainability Risk (audit functions).

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 risk

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 to sustainability risks, the following measures can be taken depending on the asset class and/or product:

- Monitoring: Identifying assets with severe or systematic breach of defined norms, behavior going against sustainability safeguards and involvement in controversies.

- Exclusions: Restricting investments into assets associated with controversial activities and/or below Swiss Life Asset Managers’ minimum expectations regarding sustainability safeguards.

- Alignment: Taking active measures to align the investments with sustainability-related targets 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: If appropriate, engagement through direct dialogue with corporates or stake-holders, proxy voting, investor coalitions and collaborative initiatives via platforms, memberships or policy making.

- Termination: Exiting assets or terminating business relationships if appropriate risk reduction or remediation fail to deliver appropriate improvements.

- **Real Estate**

ESG factors are embedded in a pre- and post-trade phase, in order to ensure a holistic risk approach.

Before a new investment, ESG factors are part of the regular checks. The due diligence process and the ESG assessment form the basis for identifying risk levels and raising risk awareness.

Due to the illiquid nature of the asset class, pre-trade checks are of utmost importance, and each transaction is cautiously assessed in order to ensure the appropriateness of the exposure regarding the desired sustainability profile.

When considering a broad range of real estate-related ESG factors, special attention must be paid to assessing climate-related risks, i.e. physical and transition risks, including the impact of an investment on decarbonization pathways.

Post-trade monitoring of the ESG factors is performed as part of the regular portfolio risk review, at least annually. Special attention is given to the following aspects:

(1) Analysis of the development of the sustainability risk positions and their consistency with defined sustainability targets.

(2) Assessment of transition risk and progress on the decarbonization pathway (risk of stranded assets) as well as assessment of physical climate risk through the analysis of the risk exposure of the location and the vulnerability of the asset.

(3) Identifying the need for additional mitigation and/or adaption measures.