

Comprehensive ESG Inclusion of our Asset Management

Our customers' sustainability requirements are evolving at an enormous pace. We understand the importance of meeting these requirements and assessing the risks and opportunities associated with the transition to a sustainable world. We systematically integrate ESG aspects into our investment process, through exclusions, intensive analysis incorporating ESG characteristics, and continuous monitoring measures.

To achieve savings and pension objectives, the main purpose of our activities is to offer customers attractive, risk-adjusted returns over time. This requires a careful and forward-looking assessment of opportunities and risks. We want to be perceived as an asset manager that incorporates sustainability into its investment approach while seizing new opportunities. We therefore systematically integrate ESG factors into decision-making and portfolio construction. As sustainability is a constantly evolving process, we strive to continuously seek ways to further develop sustainability in our investment decisions and to improve sustainability in our investment decisions.

The systematic integration of ESG factors into our investment process

Our main steering body is the SRAM ESG Committee, headed by our Chief Investment Officer. It defines the overall ESG investment policy and monitors its implementation. The ESG Committee also defines thresholds, indicators, exceptions and the practical implementation of the overall SRAM ESG approach. This committee is also responsible for identifying unit-specific needs for ESG-related operational infrastructure and initiates projects to support and accelerate the development and implementation of the ESG approach.

1. exclusions

First, we exclude companies whose economic activities are clearly not compatible with our principles and ESG objectives. Securities of companies on this exclusion list cannot be purchased into the portfolios and existing holdings must be divested. The exclusion list includes companies that are involved in the production of controversial war materials or that derive a significant portion of their total revenues from coal-fired power generation. In addition, we take into account various sanctions and embargo lists that may lead to further exclusions of companies and countries.

2. analysis and integration

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

- **Bonds**

We manage bond portfolios using a fundamental approach based on the analysis of economic and credit fundamentals. Therefore, we integrate ESG aspects directly into our analysis of issuers and securities. This means that in order to assess the credit quality of an issuer or security, ESG criteria are considered alongside other more traditional financial indicators.

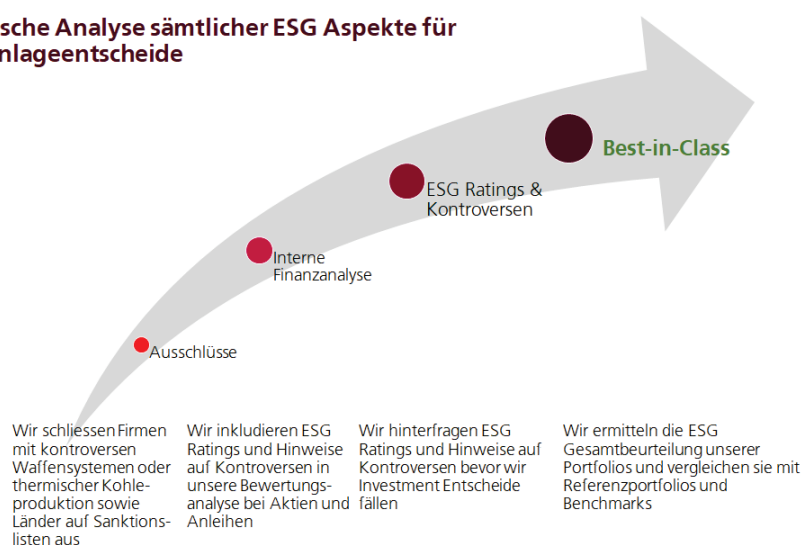
- **Shares**

Our equity portfolios are managed using a quantitative, factor model-based approach. The integration of ESG aspects into the stock selection process starts with the application of an ex-ante filter to the investment universe to exclude positions with extremely poor ESG ratings and/or very strong controversies. In the remaining universe, additional ESG metrics and derived factors are used as part of the portfolio construction process if they are expected to lead to a better expected risk/return/ESG profile of the portfolio.

In rare cases, there are exceptions to this process:

- If the customer promise is to hedge or protect against strong negative stock movements, then a high correlation between the portfolio and the hedging instruments (derivatives) is required. In such cases, justified exceptions can be applied
- If compliance with strict ESG criteria is not in line with the investment strategy specified by the client (e.g. investments in energy stocks)

Systematische Analyse sämtlicher ESG Aspekte für bessere Anlageentscheide



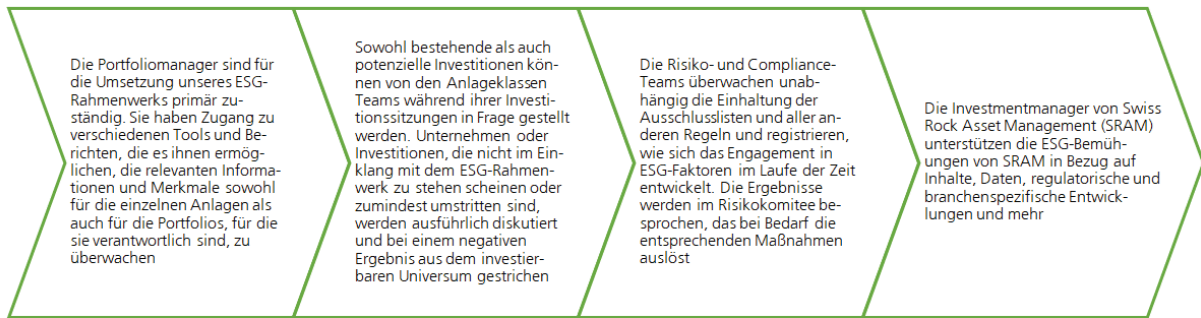
▪ **Balanced & Multi-Asset**

Balanced and multi-asset portfolios invest in specific asset classes within which individually optimized investment approaches are implemented. As part of the investment process, the asset composition is tactically varied with a so-called asset allocation overlay. In this way, they indirectly adopt the ESG approach of the respective asset classes. In addition, multi-asset portfolios can invest in funds managed by third parties. The selection of such funds is subject to a due diligence process that takes into account ESG characteristics of the third-party products. Only funds that follow a similar ESG approach are available for investment.

3. continuous monitoring

Compliance with our internal ESG framework is monitored at four levels outlined in the following figure. Monitoring is integrated into the existing risk and compliance process.

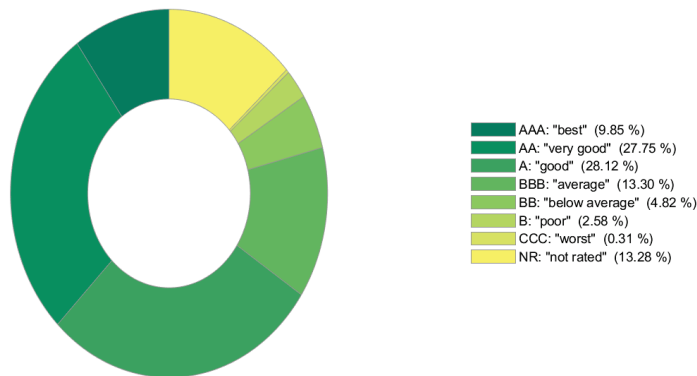
ESG ist vielfältig eingebettet, um ESG-Betrachtungen und Prozesse angemessen zu überwachen



4. reporting and transparency

We believe it is critical to monitor and understand how ESG-related decisions impact portfolios and to actively share this information with our clients and stakeholders. Therefore, in addition to various tools and reports for internal use, we also produce dedicated ESG reports for most SRAM managed portfolios and funds, which we make available to our clients and stakeholders. The reports include an overall ESG rating, a detailed overview of the portfolio's exposure to key ESG factors and the main contributions of each position to these exposures.

The following chart illustrates how ESG impacts SRAM portfolios. The best performing issuers (AAA) are ranked in the top percentile of the overall investment universe (industry-adjusted). Survey date February 2021



A brief outlook: the way forward

"We believe it is critical to monitor and understand how ESG decisions impact portfolios and actively share this information with our clients and stakeholders"

We are continuously working to integrate ESG aspects even more effectively into our investment analysis, investment strategies and portfolio construction processes, drawing not only on our own experience and analysis, but also following advances in scientific financial market research and regulation. We recognize that this fundamental evolution presents challenges to the market. Transparency requirements and the comparability of the data provided will be of even

greater concern to us in the future. However, as markets and our processes evolve, we want to ensure that clients seeking more targeted ESG solutions can benefit from our insights.

As it can be difficult for clients to understand how our responsible investment process impacts their portfolios, we are working on several fronts to increase transparency. We are improving the ESG content in our reporting to provide a comprehensive overview of the impact of ESG factors on portfolios in a clear and concise way.

Zurich, January 2021