Sustainability Report 2021

asga pensionskasse

As a pension fund, we think in generations. For us, the sustainability of our investments and our operations is not just part of our day-to-day work, but also a fundamental pillar of our long-term success – and thus of secure pensions for our insured members.

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Foreword

Dear reader

Asga Pensionskasse Genossenschaft is delighted to publish its first Sustainability Report. Our 2021 report is an expression of our values and the concomitant responsibility we feel towards future generations as well as a reflection of the hard work we have done over the past four years to establish a credible sustainability policy. Asga's Board of Directors and Executive Board are driven not only by a determination to achieve our business objectives but also by a desire to contribute to wider society.

A Sustainability Report for all stakeholders

Accordingly, this report is aimed at various stakeholders with very different interests and starting points. Finding the right balance between clarity and in-depth information was challenging. The glossary provided at the end of the report is designed to ease understanding by translating complicated jargon into clear information.

Stefan Bodmer,
Chairman of the Board of Directors

An important objective for Asga is to be rated by independent institutions on a regular basis. This is beneficial not only for our continuous improvement but above all for the credibility of our endeavours to be among the best in terms of the sustainability of our business activities too.

Naturally, we are pleased when our efforts are appreciated by all of our target audiences. We nonetheless accept that there will be readers who would like an even more ambitious plan for carbon reduction, for example. And yet, notwithstanding all the demands on Asga, I would emphasise that we – and indeed the entire pension-fund world – are talking about a relatively young discipline in which only minimal research has been undertaken to date. Empirical values and measuring tools are the subject of lively debate. The quality of the data will continue to improve, while the impact of our efforts has yet to be proven. Even so, it can already be said with certainty that the financial markets cannot save the climate on their own. It is also up to every individual to modify – and in some cases abandon – the habits of a lifetime.

We have mapped out the direction of our action on the sustainability front. Going forward, we will provide you with regular transparent information on the progress we are making.

I hope you will find our Sustainability Report an enjoyable read.

Stefan Bodmer,
Chairman of the Board of Directors

Sustainable investments

"The volume of sustainable investments in Switzerland has grown by 30% to CHF 1,982.7 billion"

Swiss Sustainable Finance,
Swiss Sustainable Investment
Market Study 2022

2021 saw Asga forge ahead as planned with the implementation of its sustainable investment policy and associated climate policy. We are driven by our goal firstly to use our assets not only to achieve our financial objectives but also make a big impact, and secondly to ensure adequate monitoring of current as well as future risks.

As an investor, Asga pursues various approaches in relation to the sustainability of its investments. These approaches are set out in the >Asga sustainability policy:

• Normative screening

Asga's sustainability policy is geared towards globally accepted norms rather than subjective values and sentiments. For Asga, globally accepted norms include Swiss law, the international conventions ratified by Switzerland as well as the Ten Principles of the //United Nations Global Compact.

Normative screening comprises two elements. Investments in companies whose **products** violate our //normative basis are excluded (prohibited weapons). We maintain a dialogue with companies that, due to their **conduct**, seriously and repeatedly fail to observe the norms of the //United Nations Global Compact, for example. If this dialogue proves unsuccessful, the company may be excluded as a last resort. The current exclusions list of the SVVK – ASIR is a dynamic document that is periodically updated.

Asga's climate policy has consequently led to the exclusion of investments in coal producers since 2021, given that we classify them as //stranded assets due to the disproportionate risk.

• Exercising of voting rights / engagement dialogue

We include the exercising of voting rights as one of our responsibilities as an active shareholder. We cast our votes in line with our sustainability policy and in the interests of our beneficiaries.

Through direct dialogue with the companies in which we invest, we seek to influence any firms that violate our //normative basis and persuade them to switch to a more sustainable footing. The engagement dialogue is maintained in cooperation with the *Swiss Association for Responsible Investments* (SVVK – ASIR). Our membership of the SVVK – ASIR gives us access to a network of pooled resources and exchange with like-minded investors. We work together to further the demands of shareholders and thus achieve greater leverage.

SVVK – ASIR

The Swiss Association for Responsible Investments (SVVK – ASIR) was established in December 2015 by leading Swiss institutional investors (currently 11 members). The Association's purpose is to provide services to its members, to ensure they can take investment decisions that fully reflect their responsibility towards the environment, society and the economy.
Sustainability is a very extensive topic. At the same time, regulatory efforts to establish standards are still in their infancy – at least in Switzerland. Intensive exchange with other like-minded market participants in the same arena is therefore very helpful and beneficial for our endeavours.
For Asga, membership of the SVVK – ASIR is a strategic pillar for implementing its sustainability policy. Through pooled resources, we are able to define and efficiently pursue the objectives we share with other major pension funds.
The SVVK – ASIR has particular strengths in identifying violations of the normative basis as well as coordination of our engagements. A range of other sustainability topics are also discussed, and members receive further specific training.

• **ESG integration**
Asga integrates ESG via the asset managers it appoints: When choosing our asset managers, we demand specific minimum standards within the investment process through mandatory signing of the *Principles for Responsible Investment* (PRI).

• **Climate policy**
In the case of properties we manage ourselves, we undertake environmental measures (e.g. installation of photovoltaic systems) and implement a plan for reducing //CO2emissions. In terms of bond and equity investments too, we stipulate decarbonisation targets for our external mandate holders. >Asga's climate policy has been in place since July 2021.

73 %

The latest market study by Swiss Sustainable Finance finds that exclusion is the most commonly used ESG approach among Swiss investors at 73%. The increase is mainly due to the fact that exclusions of coal have doubled compared with last year's study.

Source: Swiss Sustainable Finance, Swiss Sustainable Investment Market Study 2022

Climate risk	Climate impact	Engagement and voting rights
Consideration of climate risks (physical and transition risks) as well as exclusion of //stranded assets	Reduction in //carbon emissions to support the objectives of the Paris Climate Agreement	Dialogue for improving climate footprint with support through exercising of voting rights
Transparent reporting of climate risks via Climate VaR (MSCI) and emissions (ISS) Exclusion of coal as a //stranded asset with specific visibility	Step-by-step process for decarbonisation of -5% p.a.	Engagement via SVVK – ASIR, including indirect membership of Climate Action 100+. Alignment of the way we vote through dialogue with SVVK – ASIR and Climate Action 100+

Normative screening

Application of the SVVK – ASIR exclusions list has no major bearing on Asga's investment universe. At the end of 2021 it concerned foreign equities with a 0.28% share of the index and global corporate bonds accounting for 0.26% of the index. Asga's portfolio therefore remains broadly diversified.

In terms of investment performance in 2021, the SVVK – ASIR exclusions list had no effect on the foreign equities investment category, i.e. the impact on returns was neutral. For the global corporate bonds investment category, the impact on returns was -0.02%.

SVVK – ASIR exclusions in Asga investment universe

Investment category	% share of investment universe (index)
CHF bonds	0,00 %
Global corporate bonds	0,26 %
Swiss equities	0,00 %
Foreign equities	0,28 %

Source: own data, as at 31 December 2021

Voting policy

As part of its responsibilities as an active shareholder, Asga exercises its voting and election rights in relation to all Swiss public limited companies. As for foreign public limited companies, we focus on the largest firms in which we invest and additionally on companies where we have a specific engagement via our membership of the SVVK – ASIR. The dialogue and exercising of voting rights are closely aligned, i.e. we support the engagement through the way we vote.

In the 2021 reporting season, Asga exercised its shareholder rights at over 400 general meetings.

The average share was around 0.15% in the case of Swiss companies and 0.01% in the case of foreign companies. Our highest share of the vote was reached in the case of Orior Ltd, at 0.48%.

Through the new engagement focus on climate themes, which we are implementing as part of our membership of the SVVK – ASIR, Asga will exercise additional voting rights in 2022.

>Detailed reports on how we exercise our vote are posted on the Asga website.

Voting record

Voting by Asga	Swiss equities	Foreign equities
Voted in line with management	85.90%	88.80%
Voted against management	14.10%	11.20%
Average share of voting rights	0.15%	0.01%

Results of general meetings	Swiss equities	Foreign equities
Total number of proposals voted upon	1,578	4,328
Voted in favour of management recommendations	98.40%	99.00%
Voted in favour of shareholder proposals	1.60%	1.00%

Source: ISS Proxy Voting, 31.12.2021

Engagement dialogue

In coordination with the SVVK – ASIR, Asga maintains a dialogue with the companies in which it invests. On behalf of its members, the SVVK – ASIR undertakes a half-yearly review of the investments with regard to controversial ESG topics. This involves looking at ESG incidents such as environmental damage, discrimination, occupational health and safety incidents, strained relations with local communities and anti-competitive practices. Serious and recurring events result in the opening of an engagement dialogue with the companies involved. This engagement dialogue is undertaken based on a structured process and seeks to exert a positive impact on the company, the aim being to ensure that the company gives greater consideration to its ESG risks. If this proves unsuccessful, the SVVK – ASIR may recommend that a company be excluded.

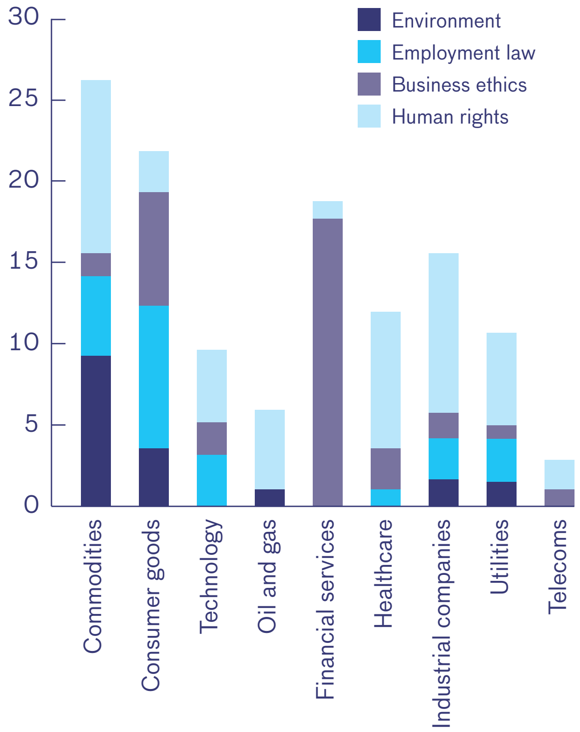
Via the SVVK – ASIR, we participated in engagements on the topics of business ethics, environment, human rights and employment law in the case of 122 companies in 2021.

The breakdown by region and focus on respective sectors is as follows:

The SVVK – ASIR pursues various focal themes as part of its engagement dialogue. In 2021, for instance, the SVVK – ASIR undertook 27 engagements on the topics of decarbonisation in the steel and cement sectors as well as child labour in the cocoa industry.

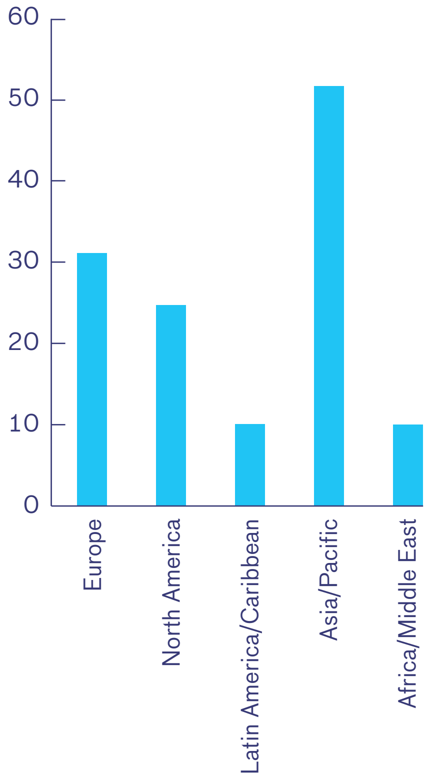
The theme of climate risks was included for the first time in summer 2021, with two different focal points explored: Global companies with particularly high emissions are addressed, as are Swiss companies that have an impact on the climate. As an SVVK – ASIR member, we participate directly in the engagement meetings with companies on a case-by-case basis. This has two advantages: Companies also have an opportunity to meet their shareholders in person, while we – as investors – can be actively involved.

Cases – sector breakdown



Source: SVVK – ASIR, 31.12.2021

Cases – regional breakdown



ESG integration

The *Principles for Responsible Investment (PRI)* serve as the basis for considering ESG risks. This investor initiative is the world's leading representative for responsible investment and acts totally independently, though with the support of the United Nations.

The six Principles for Responsible Investment provide a series of potential measures for putting ESG criteria into practice in investment terms. We require that our asset managers sign these minimum standards.

As of the end of 2021, around 99% of our externally managed investments were handled by asset managers that are PRI signatories. In terms of the number of mandates, around 91% of the external mandates were managed by PRI signatories.

99 %

As of the end of 2021, around 99% of our externally managed investments were handled by asset managers that are PRI signatories.

The *Global Real Estate Sustainable Benchmark (GRESB)* is another standard that is chiefly used in relation to indirectly owned foreign property investments as well as infrastructure investments. The GRESB provides a standard framework for measuring the ESG performance of individual assets and portfolios based on self-disclosure. The data reported in the context of GRESB valuations are validated and assessed by a third party; consequently, they are well suited to use as a benchmark for evaluating the current situation as well as progress in relation to these investments.

We require the asset managers that conduct our investments in these categories to adhere to this standard and provide us with the relevant data.

Principles for Responsible Investment (PRI)

1. We will incorporate ESG themes into our investment analysis and decision-making processes.
2. We will be active shareholders and incorporate ESG themes in our investment policy and practice.
3. We will urge companies and bodies in which we invest to provide adequate disclosure on ESG themes.
4. We will promote acceptance and implementation of these principles within the investment industry.
5. We will work together to increase our effectiveness in the implementation of these principles.
6. We will report on our activities and progress in implementing these principles.

Source: PRI

Climate policy

"Decarbonisation of investment portfolios in line with achieving Paris climate targets by 2050 is a key component of a net zero investment strategy."

The Institutional Investors Group on Climate Change (IIGCC)

Through our climate policy, we focus in particular on addressing the E in ESG: environmental risks. The Paris Agreement was ratified by Switzerland in 2017 and constitutes the basis of our climate policy.

Climate risk – measurement and exclusion of coal

Climate risk addresses the risks associated with climate change as part of our fiduciary duty. This involves monitoring the //transition risks and //physical risks resulting from climate change.

Measurement

The //carbon emissions in our portfolio are measured with the help of external databases and based on an aggregation of the individual securities held within each investment category.

Greenhouse gas emissions (also known as CO_2e) are divided by the //Greenhouse Gas (GHG) Protocol – the most commonly used international calculation tool – into three categories or “Scopes”. Scope 1 covers direct emissions from internal or controlled sources. Scope 2 covers indirect emissions from the production of purchased electricity, steam, heat and cooling consumed by the company concerned. Scope 3 includes all other indirect emissions arising within a company’s value chain.

The table below shows the absolute emissions in our portfolios. These do not serve as a control tool, as they are influenced by various factors such as the size of our investments. Nonetheless, the overview shows that our portfolios had a significantly lower carbon output versus the broad market in 2021 – a consequence of our climate policy in the case of foreign equities in particular.

Extreme risks in relation to climate change are calculated via the //Climate Value at Risk (“Climate VaR”).

The Climate VaR for the Swiss equities in our portfolio, for example, corresponds to a loss of 9.23% on this investment category – slightly lower than the estimated loss for the equity index (benchmark). In the case of the other investment categories, too, there would be a smaller loss if the climate scenario assumed in the methodology occurred. What matters to us is that the portfolios outperformed their respective benchmark indices as a result of our climate policy.

Climate VaR for equities and bonds

Climate VaR	Asga portfolio	Benchmark
CHF bonds	-0.29%	-0.97%
Global corporate bonds	-1.25%	-1.65%
Swiss equities	-9.23%	-9.99%
Foreign equities	-13.24%	-13.81%

Source: MSCI, as at 31.12.2021 Scenario AIM CGE 1.5°C Advance (see >IPCC)

Carbon emissions

CO_2 emissions (in t/CO_2e)	CHF bonds	Benchmark comparison in %	Global corporate bonds	Benchmark comparison in %	Swiss equities	Benchmark comparison in %	Foreign equities	Benchmark comparison in %
Scope 1+2	155,818	-61.70%	205,509	-0.10%	167,121	-13.40%	305,093	-33.10%
Scope 3	1,612,187	-48.10%	1,117,716	-3.30%	383,276	-7.00%	2,010,002	-6.20%
Total	**1,768,005**	**-49.60%**	**1,323,225**	**-2.80%**	**550,397**	**-9.00%**	**2,315,095**	**-10.90%**

Source: MSCI, 31 December 2021

Exclusion of coal (//stranded assets)

Coal companies are excluded for risk reasons. Based on the climate strategies of various countries, it is becoming increasingly apparent that certain fossil fuels such as coal will be among the "//stranded assets" that many developed countries will exit by 2030.

The exclusion of coal companies has a relatively limited bearing on the investment universe for the affected investment categories. Nonetheless, we are already achieving substantial positive effects on emission intensity as a result of the exclusion of coal. In the case of foreign equities, for example, we are seeing almost a one-third reduction in the weighted average carbon intensity.

As the climate policy is extended to other investment categories, Asga is taking an additional step towards achieving the Paris climate targets. We now also exclude coal in the case of Swiss equities, global corporate bonds and CHF bonds.

Exclusion of coal	Bonds CHF	Global corporate bonds	Swiss equities	Foreign equities
Number of securities	6	690	0	104
Weighting in benchmark	0.20%	3.43%	0%	2.75%
Reduction in CO_2e intensity	-4.60%	-30.60%	0%	-29.40%

Source: MSCI, 31.12.2021

Climate impact – carbon reduction

The aim of Asga's climate policy is to reduce the carbon footprint of its investments in accordance with the requirements of the Paris Agreement by 2050. Based on measurement of the emissions of the different portfolios, we define decarbonisation targets which are then implemented by the asset managers.

To measure the targets, we use the weighted average carbon intensity – a recognised international reporting standard. We have defined a decarbonisation target of 5% annually by 2025, following which new targets will be evaluated.

Asga began implementing its decarbonisation strategy in the 2021 reporting year and introduced a step-by-step reduction plan in the foreign equities investment category. The annual interim target was achieved. If we compare the carbon intensity of our portfolio with the broad equity index of the MSCI, we are around 30% lower. The reason is that we took the benchmark ex coal as our initial value and decarbonised on that basis. Our portfolios are performing in line with our target.

The decarbonisation strategy for bonds was initiated at the start of 2022.

PACTA climate compatibility test (PACTA = Paris Agreement Capital Transition Assessment)

The voluntary PACTA climate compatibility test of the Federal Office for the Environment (FOEN) measures progress in the Swiss financial sector with regard to achievement of the Paris climate targets for alignment of financial flows with the Paris Climate Agreement. It compares the production plans of companies and renovation plans for properties in the relevant portfolios with the pathway required for maximum warming to 1.5° Celsius and in that way creates comparable, meaningful climate compatibility indicators.

The test was conducted in 2017 and 2020, with Asga participating for the first time in 2020. Through its participation, Asga obtained a tailored assessment of the impact of climate-relevant economic sectors – that is, sectors making a significant contribution to global greenhouse gas emissions – on its portfolio.

Asga is to participate in the climate compatibility test again in 2022, when it will be able to arrive at a better assessment of the 2020 results.

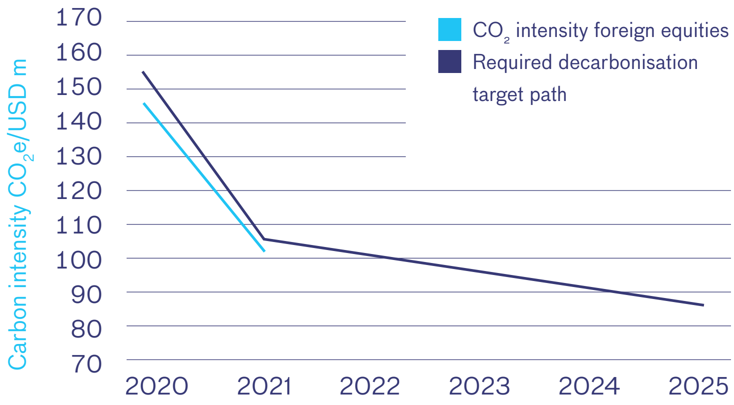
Climate impact on real estate

Asga owns and self-manages over 100 properties in Switzerland. As the owner, we can exert a direct influence on sustainability and implement environmental measures. Given that the profitability of these properties likewise remains essential, Asga implements its ecological investments as part of a lifecycle analysis centred on the overall lifecycle of the individual property. Heating systems that use fossil fuels are no longer considered in the case of new buildings. In terms of construction standards, consideration is given to environmentally friendly building materials and their reusability at the end of the lifecycle.

We are motivated by the need to adhere to the requirements of the Paris Agreement in relation to self-managed properties, too, with the aim of decarbonising the real estate portfolio on a step-by-step basis. Here we use carbon intensity as a benchmarking tool (as kg CO_2/m² in relation to the // energy reference area (ERA)).

With the support of an external partner, we measured the CO_2 consumption of the properties we manage ourselves with real consumption data in 2021 for the first time. With a value of 16.7 kg CO_2/m² ERA, our properties are well below the overall Swiss average (22.9 kg CO_2/m² ERA). On this basis, a plan was drawn up for reducing CO_2 by around 20% by 2025. Although our target reduction plan follows a linear pattern, our portfolio is unlikely to develop on quite the same straight-line basis. We already achieved initial reductions in 2021 by replacing heating systems based on fossil fuels and investing in photovoltaic systems at several properties.

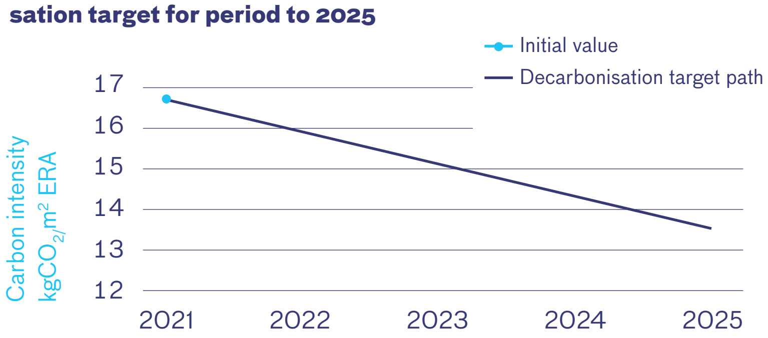
Foreign equities investment category – decarbonisation target for period to 2025



Source: MSCI, 31.12.2021

One example of our efforts on the sustainability front is our “Lineaar” property, located in the centre of Aarau. Developed by Asga itself in 2011, the complex comprises 48 rental apartments and around 2,350 m² of office and commercial space. We upgraded the buildings with a photovoltaic system in 2021, installing a feed for general electricity as well as heat pumps. At 99.28 kWp, the photovoltaic system has a module surface totalling 484 m² and an annual output of approximately 94,000 kWh.

Self-managed real estate – decarbonisation target for period to 2025



“Lineaar” complex in Aarau

Asga – a carbon-neutral co-operative

> "Changing perceptions in society is perhaps the greatest achievement."
>
> ClimatePartner on climate protection

As an employer and organisation, Asga – like many of our insured affiliated companies – is a medium-sized co-operative that is firmly embedded within society as well as its environment. To address environmental issues within its operations, Asga drew up a climate protection strategy and implemented it in mid-2022.

An initial stock-taking of the carbon footprint of our operations was undertaken in respect of 2021. Although this is likely to have been positively influenced by the Covid-19 lockdowns (in particular the requirement to work from home), it does provide an initial value for our defined climate protection strategy as we move towards becoming a carbon-neutral entity. The figure based on full-time equivalents (FTEs) – 2.31 t CO_2/FTE – is used to measure the impact in relation to employee growth as well as other factors of influence.

The interim targets – which are based on the Paris Agreement – for the period to 2025 are as follows:

- Measures to reduce Scope 1 (examples: refrigerants, fleet of vehicles) and Scope 2 (examples: purchased electricity and heat) emissions by 50%.
- Incentives for reducing Scope 3 (in particular commuting by employees as well as business trips).
- Annual measurement of the carbon footprint of our operations and offsetting of non-reduced emissions.

The heating system at the head office in St. Gallen was converted from gas to district heating at the end of 2021. In addition, we use a photovoltaic system to produce our own electricity – almost all of which is used internally. Further reductions are planned in 2022, the focus being firstly on switching the energy supply to green electricity and secondly on switching company vehicles to electric.

Asga CO_2 footprint by source of emissions (direct, indirect, upstream and downstream)

Emission sources	Emissions (t CO_2)	Share in %
Scope 1	15.50	5.60%
Scope 2	36.90	13.30%
Scope 3	225.30	81.10%
Overall result	**277.70**	**100.00%**

Source: ClimatePartner as at 31.12.2021

To directly minimise our footprint as well as our environmental impact, Asga will offset the remaining CO_2 emissions in full with immediate effect. Offsets are achieved by supporting the following certified climate protection projects:

Mountain woodland Switzerland	Maintenance and preservation of native forest at 40 different locations.
D.R. Congo (Virunga)	Sustainable energy through run-of-river hydropower plant, supplying four million residents with electricity for the first time.
Colombia (Mataven)	Protection of tropical rainforest and biodiversity.

Source: ClimatePartner

Further details can be found on our >website.

ClimatePartner

Certificate

Partner in
climate action

Asga Pensionskasse

as a customer of ClimatePartner, is actively engaged in climate protection with the following activities:

- Calculation of a Corporate Carbon Footprint
- Determination of reduction potentials
- Implementation of a climate action and reduction strategy
- Offsetting the CO_2 emissions of the company (products not included)

Issued on: **24.06.2022**
Valid until: **23.06.2023**

Moritz Lehmkuhl
Chairman of the board
ClimatePartner Switzerland AG

Klimaneutral
Geschäftsbetrieb
ClimatePartner.com/18692-2206-1001

//Glossary

Climate Value at Risk (Climate VaR)

The >Climate-Value-at-Risk was developed to create a forward-looking, earnings-based tool for measuring climate-related risks and opportunities in an investment portfolio. This entirely quantitative model provides an in-depth insight into the possible effects of climate change on company valuations.

Carbon emissions

Any references to carbon emissions are generally a reference to CO_2 equivalents (CO_2e). They are a measurement unit for standardising the climate impact of various greenhouse gases. In addition to carbon dioxide (CO_2), the main greenhouse gas caused by humans, there are other greenhouse gases such as methane and nitrous oxide.

Energy reference area (ERA)

The energy reference area is equal to the total gross floor area of all above-ground and below-ground spaces that lie within the thermal envelope of the building and require heating or air-conditioning for their use.

ESG criteria

Environmental, social and governance (ESG) criteria are a series of standards for the conduct of a company and are used by investors to examine potential investments. Environmental criteria refer to how a company protects the environment, including the company's guidelines on the subject of climate change, for example. Social criteria examine how the company structures relationships with employees, suppliers, customers and the municipalities in which it operates. Governance criteria refer to how a company is managed, as well as to executive pay, auditing, internal controls and shareholder rights.

Greenhouse Gas (GHG) Protocol

The >GHG Protocol divides a company's greenhouse gas emissions into three "Scopes". Scope 1 emissions are direct emissions from internal or controlled sources. Scope 2 emissions are indirect emissions from the production of purchased energy. Scope 3 emissions are all indirect emissions (not in Scope 2) that arise within the value chain of the reporting company, including upstream and downstream emissions.

Normative basis

Investments are examined using minimum standards for business practices based on national or international standards and norms. In the case of Switzerland, the Federal Constitution constitutes the normative basis. This is followed by the sustainability-related international conventions ratified and implemented by Switzerland. Lastly, the laws and ordinances enacted by the Federal Council and Parliament in the context of sustainability are also complied with.

Physical risks

Physical risk drivers are changes in the weather and climate that affect the business. They can refer to extreme weather events, for example, but also to gradual changes in climate. These physical risks can cause floods, for example, and thus disrupt production.

Stranded assets

Stranded assets refer to physical assets, as shown in the company's balance sheet, where the investment value cannot be recovered and which have to be written down. Their loss of value may be down to official regulations making it impossible to use them, changes in market trends making them superfluous, or the fact that they have been rendered obsolete by superior technologies.

Transition risks

Transition risks refer to the switch to a low-carbon economy. These are primarily driven by changes in policy, technology, market environment and customer preferences. Legal risks due to improper conduct by companies as well as resulting reputation risks are also conceivable.

United Nations Global Compact

Corporate sustainability begins with a company's value system. The UN has defined >Ten Principles designed not only to enable companies to meet their fundamental responsibility towards people and the planet but also to create the conditions for long-term success.

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