Sustainability Report 2022

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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asga pensionskasse

Foreword

Dear reader

What a year it was for Asga Pensionskasse Genossenschaft!
Yet our anniversary year of 2022 wasn't only a time of celebration: Given the very tough backdrop, our 60-year-old co-operative faced a variety of challenges.

But rather than switching into crisis management mode, we continued to make progress on our strategic initiatives despite the difficult conditions. That was especially true in the case of our sustainability policy. In particular, we have now extended our normative screening process to include countries. The coal exclusion policy was implemented in the Swiss franc bond as well as foreign-currency corporate bond investment categories. At the same time, we are pleased to report that we are on track with our reduction path for the period to 2025.

Stefan Bodmer,
Chairman of the Board of Directors

There were also some setbacks, however. These include the significantly negative impact on returns on foreign equities following the exclusion of coal in the 2022 financial year, as well as the decision by the Klima-Allianz organisation to put us on its "red" list in terms of real estate. The latter was justified by Klima-Allianz on the basis that Asga had not yet set out a path for achieving net zero by 2050. Finally, it should be noted that the Swiss pension fund association ASIP has established an industry standard for sustainability reporting and that this standard will apply from the 2023 financial year. Asga Pensionskasse welcomes the move, as it creates an element of order and therefore transparency within the pension fund industry. We will consequently be aligning our reporting with this industry standard on a gradual basis.

Financial markets can't save the climate on their own

So, what does the future hold for us? Without wishing to gaze into the crystal ball, 2022's biggest crisis may add fresh momentum to the reduction of greenhouse gases. The Russian Federation's brutal invasion of Ukraine laid bare the vulnerability of our fossil fuel-based energy supply, with energy prices having risen across the board. This has led not only to the rapid installation of solar panels but also to a political debate on the expansion of hydroelectric power and the construction of wind farms, for example. We can all hope that forgetfulness – one of humanity's most defining features – does not occur on this occasion. Because one thing remains certain: The financial markets cannot save the climate on their own. First and foremost, it will require a change of behaviour on the part of consumers as well as greater output of alternative energy sources.

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

Stefan Bodmer,
Chairman of the Board of Directors

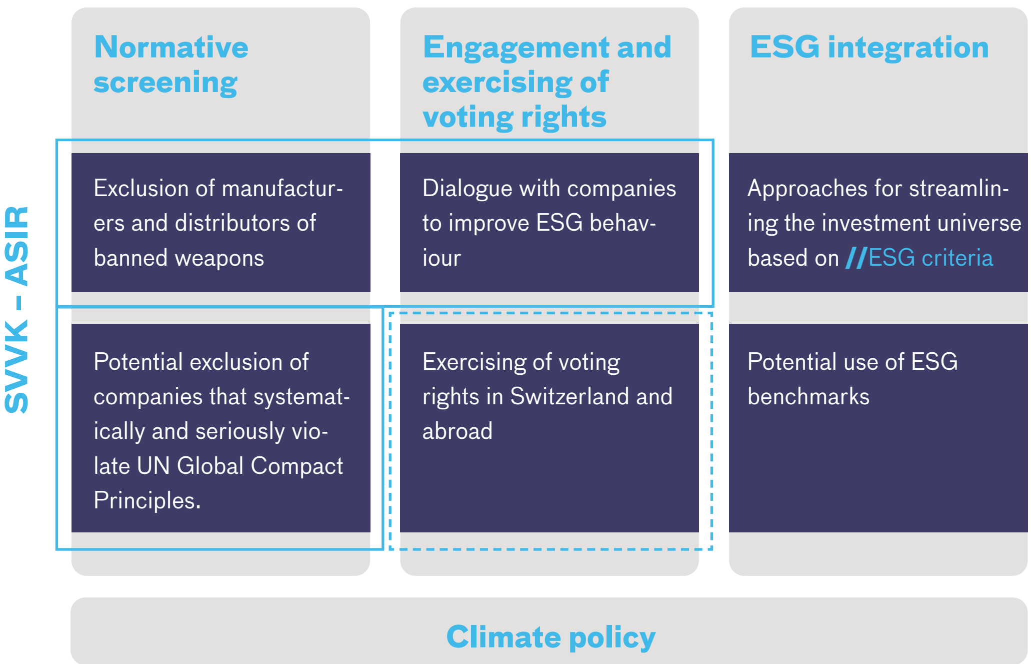
Sustainability at Asga: Making progress – greater breadth, greater depth.

» 2022 saw us achieve our ambitious targets and additional milestones of our sustainability policy. «

Asga's current sustainability policy has been in place since 2020. Approved by the Board of Directors, this policy is refined from time to time and is also embedded in Asga's Fund Regulation. 2021 saw us publish the first edition of our Sustainability Report, the aim being to provide greater transparency in relation to our principles and activities. Further development of our sustainability policy is constantly evaluated and discussed among our governing bodies.

Asga's sustainability efforts are organised on a thematic basis across various different pillars (see illustration).

Asga sustainability policy



We are making good progress in terms of putting the requirements into practice: The 2022 reporting year saw us further expand the breadth and depth of our sustainability implementation in the case of various activities and measures.

We delivered on our objectives by the end of 2022 and are pleased to report that we achieved the following milestones:

- **Extended exercising of voting rights on equities:** Following the further extension of our universe and associated engagement, Asga now casts its vote at the general meetings of over 500 investee companies. In all cases, voting instructions are issued by Asga itself. Shareholder requests may also be examined and supported, as required.
- **Exclusions list expanded to include sanctioned countries:** We now exclude investments in securities of sanctioned countries such as the Russian Federation, in addition to manufacturers of banned weapons.
- **Extension of dialogue with companies:** Our engagement covers over 160 positions as well as more than 10 Swiss companies. Substantive discussions take place across the ESG spectrum.
- **Investments in green, social and sustainable bonds:** The bond portfolio now includes CHF 250 million in such investments, which are used either for specific environmental purposes or social projects, or are earmarked for particular sustainability objectives. As we do not issue any guidelines in this regard, this is purely based on the risk/return considerations of our asset managers. This is a perfect example of how ESG and the ability to generate market-level returns can go hand in hand.
- **Decarbonisation of equity and bond portfolios:** Our investments more than comply with the 5% annual CO_2 reduction path and are well placed to achieve our medium-term targets.

- **Inclusion of ESG criteria in the investment practices of external asset managers:** 99% of our externally managed investments are handled by asset managers that are signatories of the >Principles for Responsible Investment (PRI) in their own right. 72% of the asset managers have signed the >Net Zero Asset Managers (NZAM) initiative.
- **Improved energy intensity of directly owned, self-managed real estate:** By replacing fossil fuel sources with renewable energy and energy-related renovation measures, we are cutting the greenhouse gas emissions of our properties and here too we are ahead of the CO_2 reduction target.
- **Climate certification of Asga's business operations:** The CO_2 footprint of our business operations is measured and offset through climate protection projects. Asga has been awarded the "certified business operations" label by >ClimatePartner and is implementing measures such as awareness-raising workshops for employees in order to reduce its CO_2 footprint on a lasting basis.

On the regulatory side we saw a number of new developments regarding sustainability reporting for Swiss pension funds: The >Swiss pension fund association ASIP has developed a standard for ESG reporting. Content-wise, the primary focus of the requirements is on climate-related topics; in the years ahead, however, these may be extended to other areas of interest within the sustainability space. The ASIP standard serves as a recommendation, with first-time publication based on the 2023 financial year planned for 2024. The >Swiss Climate Scores, which have been created by the >State Secretariat for International Finance (SIF) are another new development. The aim of the Swiss Climate Scores is to create transparency regarding the climate-friendly focus of financial investments. As with the ASIP, here too the focus is on the climate.

Timeline of sustainability development at Asga

2013
- Exercising of voting rights on Swiss equities

2019
- Development of sustainability policy (implemented 2020)
- Sustainability guidelines serve as complement to Asga Code of Conduct

2020
- Joined SVVK – ASIR
- Development of voting rights policy, including expanding exercising of voting rights to international equities (implemented 2021)

2021
- Development of climate policy
- Implementation of climate policy for foreign equities and Swiss equities (partial)

2022
- Development of climate policy for CHF bonds and foreign-currency corporate bonds
- Expansion of exclusions list to countries
- Expansion of engagement efforts via SVVK – ASIR
- Development of operational ecology, including climate neutrality in operations

2022 reporting year: Expanding our activities

> «We favour norm-based, objective measures and avoid ideological preferences.»

In line with our fiduciary duty to consider all risks within the investment process and achieve a risk-adjusted market-level return, the Asga sustainability programme covers a comprehensive range of activities. Here, Asga favours norm-based, objective measures and avoids ideological preferences. ~~in~~ many areas, sustainability is implemented internally by Asga. Our external asset managers, as well as internal portfolio management in the case of our self-managed real estate, are given specific targets to meet. Based on the databases of the most commonly used ESG data providers, we calculate key portfolio and benchmark data ourselves and validate the objectives of the asset managers. This is designed to ensure that our activities are undertaken in concordance with the requirements of the Board of Directors and our agreed sustainability policy as well as in the interests of our insureds. It also enables further refinements of our sustainability policy to be developed internally and allows us to assess the extent of new measures.

In developing its sustainability and climate policy, Asga takes account of various approaches depending on the investment category. Feasibility (practical possibility, data availability), relevance (relative size within the investment portfolio) and financial viability (ensuring an adequate risk/return assessment) are the key factors here. Challenges remain in terms of illiquid investments in particular: In the case of indirect real estate and private market investments (private equity and infrastructure), the main challenges undoubtedly lie in the limited availability of data as well as the difficulty of exerting any influence over these collective investments. These matters are considerably simpler in the case of the directly held shares and bonds in single-investor funds.

The following is an overview of the sustainability activities within Asga's asset structure:

- Currently being implemented
- Implementation being considered
- Implementation currently not being considered
- Implementation not possible

As at 31.12.2022	Portfolio weighting	Sustainability policy: Norm-based screening (SVVK – ASIR)	Sustainability policy: Exercising of voting rights	Sustainability policy: Engagement	Sustainability policy: //ESG criteria (PRI)	Climate policy: Climate risk (exclusion of coal)	Climate policy: Climate impact (CO_2 reduction path)	Climate policy: Climate engagement	Climate policy: Exercising of voting rights (climate universe)
Government bonds CHF / emerging markets	5.0%	Currently being implemented	Implementation not possible	Implementation currently not being considered	Currently being implemented	Implementation being considered	Implementation being considered	Currently being implemented	Implementation not possible
Corporate bonds CHF / developed countries / emerging markets	20.8%	Currently being implemented	Implementation not possible	Currently being implemented	Currently being implemented	Currently being implemented / Implementation being considered	Currently being implemented / Implementation currently not being considered	Currently being implemented	Implementation not possible
Swiss/foreign equities	29.9%	Currently being implemented	Currently being implemented	Currently being implemented	Currently being implemented	Currently being implemented	Implementation currently not being considered / Currently being implemented	Currently being implemented	Currently being implemented
Directly owned, self-managed Swiss real estate	9.0%	Implementation not possible	Implementation not possible	Implementation not possible	Implementation currently not being considered	Implementation not possible	Currently being implemented	Implementation not possible	Implementation not possible
Other real estate	17.5%	Implementation not possible	Implementation not possible	Implementation currently not being considered	Currently being implemented	Implementation not possible	Implementation being considered	Implementation currently not being considered	Implementation not possible
Alternative investments: senior loans, private equity, infrastructure, timber & agriculture	11.1%	Currently being implemented	Implementation not possible	Implementation currently not being considered	Currently being implemented	Implementation currently not being considered	Implementation currently not being considered	Implementation currently not being considered	Implementation not possible
Alternative investments: drawdown management portfolio	2.9%	Currently being implemented	Implementation not possible	Implementation not possible	Currently being implemented / Implementation being considered	Implementation not possible	Implementation not possible	Implementation not possible	Implementation not possible

Not shown: liquidity 1.9%, mortgages (under construction) 0.5%, currency management 1.4%

Exclusions (negative screening on normative basis)
Asga does not invest in companies whose business activities comprise the production, storage or distribution of banned or nuclear weapons. These companies are excluded based on the >SVVK – ASIR exclusions list. As a member of the SVVK – ASIR, Asga is directly involved in drawing up the exclusions list. The latest exclusions list is available on the SVKK – ASIR website.

2022 saw a new development in normative screening, with exclusion now extended to sanctioned countries. Based on the SVVK – ASIR recommendations, Asga now excludes securities issued by such countries.

Below are the three investment categories within the Asga portfolio, where the norm-based exclusions list has a bearing on the Asga investment universe. The exclusions do not impose any significant constraints on the management of the investments. The exclusions list does not result in any restrictions on CHF bonds or Swiss equities.

Investment categories with normative exclusions	% share of index as at 31.12.2022
Foreign-currency corporate bonds	0.26%
Emerging market bonds	0.44%
Foreign equities	0.26%

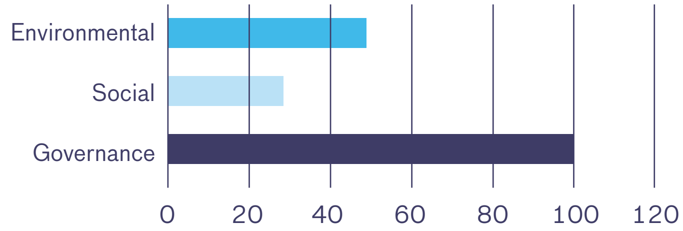
The share price of some companies in the arms industry rose sharply in response to Russia's invasion of Ukraine, whereas the market as a whole moved in the opposite direction. These exclusions resulted in a slightly negative performance contribution from equity investments in 2022. No such effect was identifiable in the case of the bond categories.

Active shareholders (exercising of voting rights and engagement)
Systematic dialogue with companies with which Asga is involved via the SVKK – ASIR constitutes a key focal point of our sustainability efforts. Through dialogue, we aim to support companies as investors, define shared objectives, as well as promote the change that is needed. Successful dialogue leads to better, more transparent communication between company and investor. Specific, step-by-step measures are defined and can be reviewed at a subsequent stage. In this way, investors can contribute to effective engagement, bring about improvements, as well as help a company reduce its reputation risk, for example.

From the investor's point of view, joining an engagement pool can be worthwhile in terms of improved effectiveness. Membership of the SVVK – ASIR is crucially important to Asga in this respect. The association organises cooperation with engagement pools and promotes cooperation with providers from the asset management industry. An engagement report is published every two years. Members are directly involved in dialogue with companies on an increasing basis. For example, Asga participates in every engagement meeting with Swiss company Alcon (climate engagement). Initial successes were achieved following several contacts over the course of a year or so (disclosure of Scope 3 greenhouse gas emissions, >TCFD section in Sustainability Report).

Our engagement via the SVVK – ASIR was broadened out on a thematic basis in 2022 and its scope extended. We are also part of another engagement initiative (>PRI Advance) and have concluded the engagement with cocoa producers. In overall terms, this led to an increase in the number of company engage-

Number of engagements 2022



Source: SVVK – ASIR

ments covering all three ESG areas. Thematic engagements are currently focused on the climate topic and are subject to periodic reassessment.

In the case of governance, the themes cover issues such as bribery and corruption or dubious business ethics; in the case of environment, contamination and pollution or climate change; in the case of human rights, fundamental labour rights and workplace safety or child labour in cocoa farming.

Environmental

- Contamination and pollution
- Controversial large-scale projects
- Deforestation
- Climate change (thematic engagement)

~~Human~~ Social

- Involvement in violations of rights by countries
- Security of products and services
- Violation of rights of local population
- Fundamental labour rights and workplace safety
- Child labour in cocoa farming (thematic engagement)

Governance

- Accounting and taxes
- Bribery and corruption
- Consumer interest Governance
- Governance
- Money laundering

Source: SVVK – ASIR

Voting rights

For Asga, the exercising of voting rights means living up to our responsibilities as an active shareholder. Rather than leaving the exercising of voting rights to the external asset managers entrusted with equity portfolios, we communicate our votes directly to our custodian bank with the help of an external proxy advisor. Asga follows predetermined sustainability guidelines (>ISS Sustainability Policy), which are then given additional attributes to ensure they are aligned as closely as possible to our sustainability policy. To also reflect the findings from engagement dialogue with individual companies, Asga uses an additional proxy advisor as engagement overlay (Sustainalytics engagement signal). Any conflicting voting recommendations in relation to specific agenda items are then discussed and voted upon by Asga's Voting Rights Committee.

Climate policy

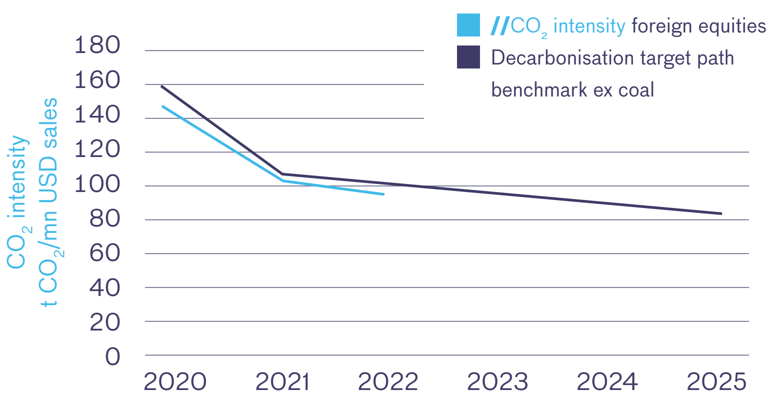
In addition to climate engagements, Asga's climate policy includes consideration of climate risks, on the one hand, and climate impact, on the other ("Double materiality", see page 19). Climate risks are incurred in connection with climate change and for Asga result in the exclusion of //stranded assets whose commercial future is jeopardised by the climate strategies of various countries. In this respect //stranded assets exhibit excessive risk versus their potential income. We are currently seeing this risk in the case of companies in the coal industry, given that it is virtually impossible for them to change their business model. However, the war in Ukraine has also raised awareness that the exclusion of coal companies does not always have a positive performance impact: Due to the absence of coal companies, the 2022 energy shortage resulted in a noticeably poorer portfolio performance in the case of foreign equities.

Climate impact includes the step-by-step decarbonisation of our portfolios. Asga's target is to reduce the //CO_2 intensity of investments in selected categories by 5% annually from the baseline (31.12.2020). The aim is to ensure a high probability of achieving the interim target of the >Net Zero Asset Owner Alliance (NZAOA) for 2025. Measurement is based on the //weighted average carbon intensity (WACI) of individual portfolios. The progressive target corresponds to a CO_2 reduction path based on absolute values and starts after the coal exclusions have already had their impact. The targets are also reflected in the mandate guidelines of our external asset managers, which also have to take account of the emission intensities of companies in their investment decisions.

Step-by-step implementation of Asga's climate policy (coal exclusion and decarbonisation/reduction path) began in 2021 with foreign equities and in 2022 was also implemented for the first time in the case of corporate bonds in Swiss francs as well as global corporate bonds in foreign currency. Implementation will also take place in the case of emerging-market corporate bonds from 2023.

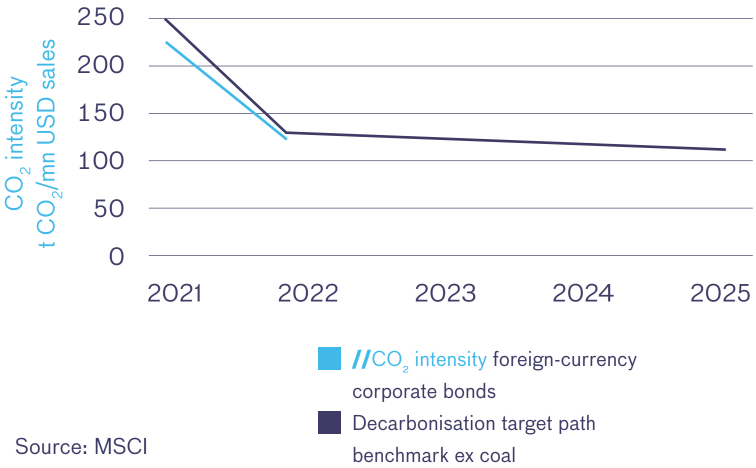
The self-managed real estate is also subject to a CO_2 reduction path; indeed the focal topic in this report explores activities in this area in greater depth.

Foreign equities – decarbonisation target for period to 2025



Source: MSCI

Foreign-currency corporate bonds – decarbonisation target for period to 2025



Source: MSCI

ESG integration by external asset managers

Over 80% of our total assets are managed by externally mandated asset managers. The external asset managers also have resources and guidelines for measuring and managing sustainability risks. Asga requires its external asset managers to be (or become) signatories of the PRI initiative and therefore incorporate various ESG principles into their investment practices. Thus 99% of externally managed investments are currently managed by asset managers that are PRI signatories. In addition, around 72% of externally managed investments are mandated by asset managers that are signatories of the Net Zero Asset Managers initiative out of their own motivation. The fact that some asset managers go above and beyond not only the PRI minimum standard but also Asga's sustainability requirements is also beneficial to Asga's investments.

99 %

As of the end of 2022, around 99% of our externally managed investments were handled by asset managers that are PRI signatories.

PACTA (Paris Agreement Capital Transition Assessment)

After initial tests were conducted in 2017 and 2020, the >Federal Office for the Environment (FOEN) and the State Secretariat for International Finance (SIF) in 2022 initiated a third comprehensive test for analysing the climate compatibility of financial portfolios. All Swiss banks, asset managers, pension funds and insurers can have their portfolios (equities and corporate bonds) tested on a voluntary, anonymous basis. This was the second time Asga had participated since 2020.

The key objective of >PACTA is to show the portfolio composition in relation to climate-damaging sectors as well as the exposure to climate-friendly sectors. Through the focus on climate-relevant sectors (10% share of the portfolio on average), the results cover 75% of the greenhouse gas emissions of a portfolio on average. Based on an extensive, climate-related financial database, the PACTA tool aggregates global, forward-looking company data (such as production plans for a particular site over the next five years) through to parent-company level, to mention just a few methodological specifications. The results confirm our current approach. Through the coal exclusion, risks in relation to climate-harming sectors within the equity portfolio are reduced. Asga considers the results to be complementary to the other analyses and discusses them within its Board of Directors. In addition, the results serve as a basis for the selection of certain thematic engagements within the SVVK – ASIR.

Operational ecology

The ecological footprint – also termed the Corporate Carbon Footprint (CCF) – of Asga as a business was reduced by 0.3% in 2022 (a reduction of 4–5% on a full-time-equivalent basis). Following initial measurement of CO_2 emissions in 2021, in 2022 we devised a series of measures that positively impacted our CO_2 footprint for 2022.

Even though our main emission drivers as a service business do not feature among Scope 1 or Scope 2 emissions, these are the factors we can have a direct influence over. The decision to only purchase green electricity from the second half of 2022 led to a reduction in Scope 2 emissions of around 50%. On the other hand, increased //leakage within the cooling system at our head office building led to a higher value for Scope 1 emissions. This system is being upgraded in 2023, which will bring further emission savings that will probably be reflected in the CCF 2023.

The biggest contribution to our emissions comes from indirectly caused Scope 3 emissions. In 2020 and 2021, which were impacted by the Covid-19 measures, a very large proportion of employees worked from home; this resulted in a significantly reduced volume of commuting to and from Asga's offices. With the full return to normal operations, this effect was no longer of significance in 2022. Even though working from home still accounts for a large number of working hours, the positive impact of compulsory working from home was one-off: Due to commuting, the return to the office naturally resulted in higher //CO_2 emissions. The development of measures to make commuting more climate-efficient is one of the topics we are addressing in 2023. This will also be based on the preferences of employees, which are obtained via an employee survey on the topic of operational ecology.

After a slightly extended delivery period, Asga will also be able to deploy its first fully electric company car in 2023. This marks the start of the creation of a fleet that is as climate-efficient as possible.

Employee involvement and the feedback loop are also important areas for the future development of operational ecology. An information workshop was held in December 2022 to create an initial point of contact with all Asga employees on the topic of operational ecology. ClimatePartner – our external advisors – presented the external environmental developments, and the internal project team on ecology-related developments within Asga. To actively involve employees and inform them of the next steps, we are endeavouring to create regular points of contact on the topic as well as increase awareness. Our compensation projects for 2022 and the new Climate-ID can be viewed here: >climate-id.com/en-gb/1QY69X.

Corporate Carbon Footprint 2022

tCO_2	2022	2021	% change
Scope 1	18.10	15.50	+16.80%
Scope 2	17.90	36.90	-51.50%
Scope 3	240.90	225.30	+6.90%
Total	**276.90**	**277.70**	**-0.30%**

Source: ClimatePartner

Focal topic: Directly owned, self-managed Swiss real estate

«Thanks to a solid database, we refined the sustainability targets for our directly owned, self-managed real estate and made concrete steps measurable.»

With our 2021 Sustainability Report having focused on the decarbonisation target for the period to 2025, in this year's issue we take the opportunity to demonstrate our more far-reaching efforts in terms of the consideration given to additional environmental criteria in an //ESG context. When formulating our qualitative sustainability targets for our real estate portfolio at the start of 2020, it soon became evident that the lack of any systematic consideration of energy data was the main problem when pursuing these targets. This shortfall was systematically made up and the continually updated data now constitute the basis for forging ahead with various sustainability-related projects. The alignment of our efforts with the internationally applicable standards of the Asga sustainability policy is complemented by nationally applicable standards such as consideration of the ESG roadmap of the Swiss pension fund association ASIP and the disclosure of key environmental data as required by the >AMAS Asset Management Association. This is primarily in order to facilitate comparison of our ambitions with those of other market participants. In addition, we will this year be joining the >REIDA Real Estate Investment Data Association, which publishes a CO_2 benchmark, in order to create Switzerland-wide transparent comparisons and points of reference for measuring the CO_2 emissions and //CO_2 intensity of investment properties. For the first time, the data for our portfolio will be included with the publication of the REIDA benchmark at the end of 2023. Internally, CO_2 emissions as well as energy intensity data are collected annually, set out in sustainability reporting for the directly owned, self-managed Swiss real estate investment category, and used to pursue the defined targets.

Sustainability targets and associated measures

Through the efforts to create a solid database, six sustainability targets were defined using materiality analysis, and packages of measures developed on that basis.

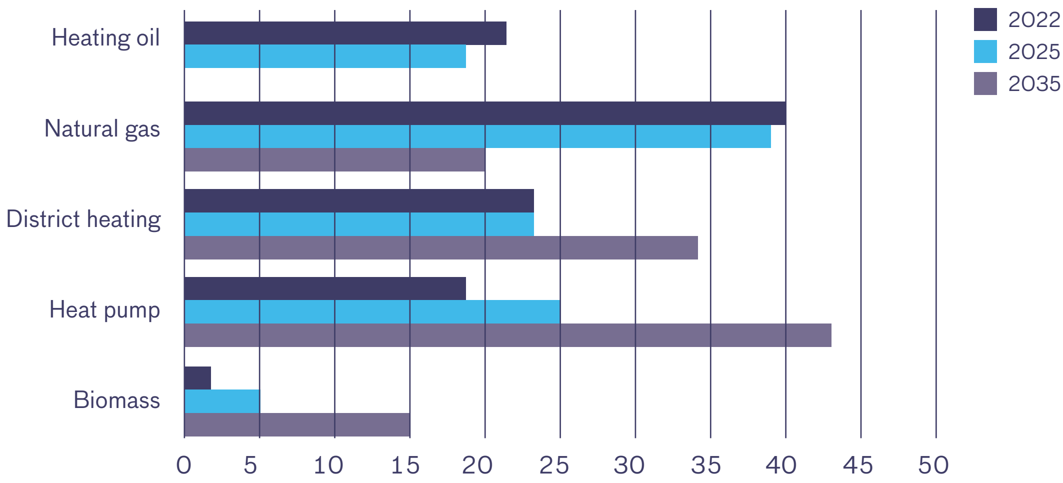
Objective	Measures
Reduction in greenhouse gas emissions	• Replacing fossil energy sources with renewable energy • Energy-related renovation measures • Expanding photovoltaic systems
Reduction in energy and water requirements	• Energy-related renovation measures • Operational optimisation • Evaluation and installation of water-saving fittings
Reduction in operating costs	• Optimising data collection including cost benchmarking • Operational optimisation • Standardising energy procurement and management
Expansion of sustainable mobility	• Analysing need for e-mobility and sharing concepts • Expanding electric parking bays for cars and cycles as required • Encouraging non-motorised travel
Increase in user satisfaction	• Designing real estate portfolio around user demand • Conducting employee satisfaction surveys (every three years) • Individual tenant campaigns on sustainability awareness
Strengthening of stakeholder communication	• Communication geared to target groups • Annual sustainability reporting • Participation in nationally recognised sustainability ratings

The above sustainability targets are systematically applied to the real estate portfolio. The most important aspects are also incorporated into the annual review of the property strategy and risk assessment for the real estate portfolio. Sustainability criteria are therefore an important component in all lifecycle phases such as planning, construction (newbuild as well as refurbishment), operation and demolition, but also acquisition and/or divestment decisions.

Portfolio developments

Accordingly, measures to achieve the sustainability targets are implemented on a continuous basis. The focus here is also on economic criteria, the aim being to use easy-to-implement measures to achieve the greatest possible impact on individual environmental criteria. Thus operational optimisation measures, such as regulation of the optimal heating curve in properties that will retain fossil fuel heating sources in the medium term, will be put to tender and implemented in the coming year. Four energy sources have already been switched from fossil to non-fossil over the past two years. For instance, the Asga head office building at 16 Rosenbergstrasse in St. Gallen was switched from gas to district heating; meanwhile, a property in Abtwil (Canton of St. Gallen) was converted from oil to wood pellets. The proposed development of the energy mix (number of heat sources) based on current maintenance planning is shown in the following chart.

Number of energy sources 2022/2025/2035



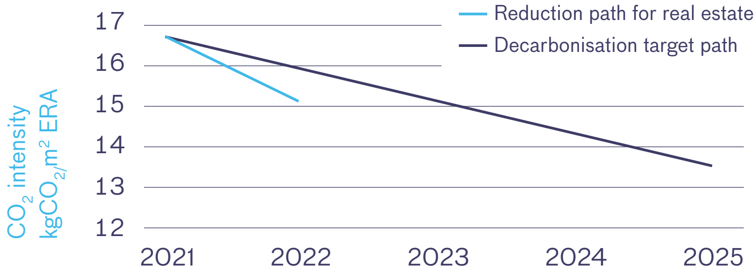
A sustainable, optimal cost/benefit ratio is central to the achievement of targets. Thus the CO_2 reduction path is based on the lifecycle of the properties as well as their components. Most of the planned energy-saving measures are therefore in line with the identified building renovation measures and geared towards the stated net zero 2050 target. Annual external monitoring of our portfolio with regard to CO_2 and energy intensity helps us pursue and adhere to the defined targets. With a //CO_2 intensity of 15.1 kg CO_2 per m² //energy reference area (ERA) on the reference date of 31.12.2022, we are on track to meeting our end-2025 decarbonisation target of 13.5 kg CO_2/m² ERA.

Measurement of energy intensity goes hand in hand with data collection and decarbonisation monitoring processes. Here too, the aim is to reduce the energy requirements of each property. Using effective consumption data and based on the same assumptions as those used for the CO_2 reduction path, actual and future development can be modelled. Energy intensity was already reduced by 20% in 2022 compared with the initial measurement undertaken two years previously. Current planning includes further reduction targets of around 15% in the period to 2025 and 45% in the period to 2035.

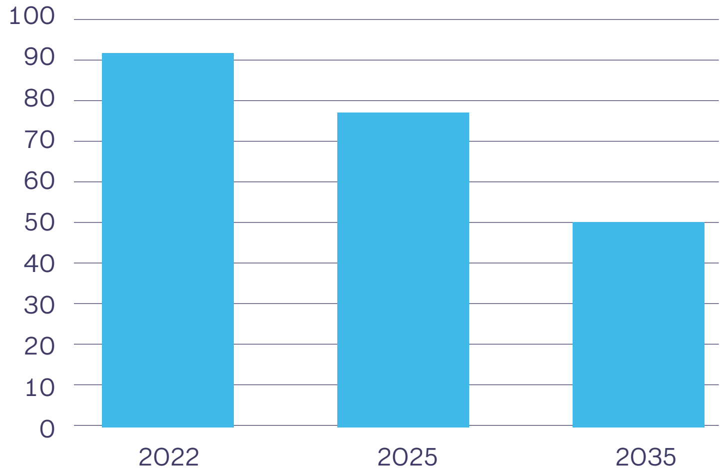
Expansion of photovoltaic systems contributes to an independent, environment-friendly electricity supply for our building stock. In 2023, a further six systems will be added to the systems installed at eight properties in 2022. The locations with greatest potential were identified based on the previously carried out external portfolio analysis into the efficiency of internally used solar power systems. The aim is to continue to pursue the current direction in regard to completed systems and supply the identified properties with internally produced solar power on a step-by-step basis. A fivefold increase in the current figure of around 580 //kilowatt peak (kWp) in the period to 2035 is the interim target.

In the case of new buildings in particular, management of our ZEV models – where occupants of properties with solar systems pool their consumption of self-generated electricity and benefit from low costs – is being centralised, with billing organised by two external service providers. Our tenants benefit from these scale effects.

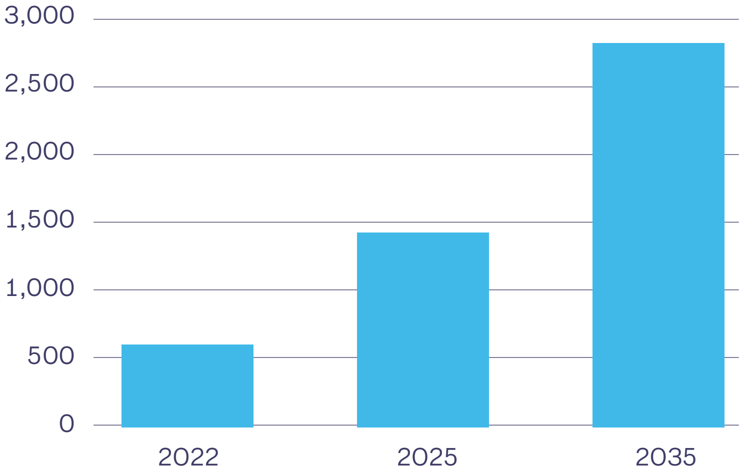
Directly owned, self-managed real estate – decarbonisation target for period to 2025



Energy intensity (kWh/m² ERA) 2022/2025/2035



Photovoltaics (total kWp) 2022/2025/2035



Together with the ongoing installation of electric car parking bays at our properties, the key figures shown above, which are based on effective data and projected figures, are primarily aimed at meeting environmental targets. The aim of increasing user satisfaction in relation to social and governance criteria was tackled in depth in 2022 based on the first employee satisfaction survey to be carried out. The tenant survey was conducted in cooperation with an external market research institute. In the case of residential tenants, over 2,000 surveys were sent out electronically and – with a 51% response rate – a very encouraging, above-average participation rate was achieved. For each survey completed, Asga donated a small sum to three individually chosen charitable organisations. As well as the highly encouraging tenant participation rate, the overall satisfaction with the tenancy relationship was exactly in line with the benchmark of other major institutional real estate owners. Tenants also had the opportunity to submit individual comments as well as suggest improvements. A total of 980 responses were received and were qualified together with the affected management companies via an online feedback platform. The resulting measures selected will contribute to improving the attractiveness of the properties in the medium term and therefore (hopefully) further increasing the satisfaction of our tenants. The next tenant satisfaction survey will take place in 2025.

Conclusions and next steps

With its self-managed properties, the Asga real estate operation has begun moving towards a portfolio that is more sustainable in many respects. Internally formulated sustainability targets as well as the current monitoring of data and key figures serve as a guide to the increasingly dense jungle of sustainability requirements, providers, newly emerging sustainability labels, and countless other aspects of the topic. The resulting, highly ambitious reduction or expansion targets need to be systematically pursued based on defined and additional accompanying measures. New trends need to be critically examined, selected and, if applicable, adapted. Ongoing optimisation of processes and data as well as standardisation of reporting on the creation of additional transparency in the market and comparability of other real estate actors remain important.

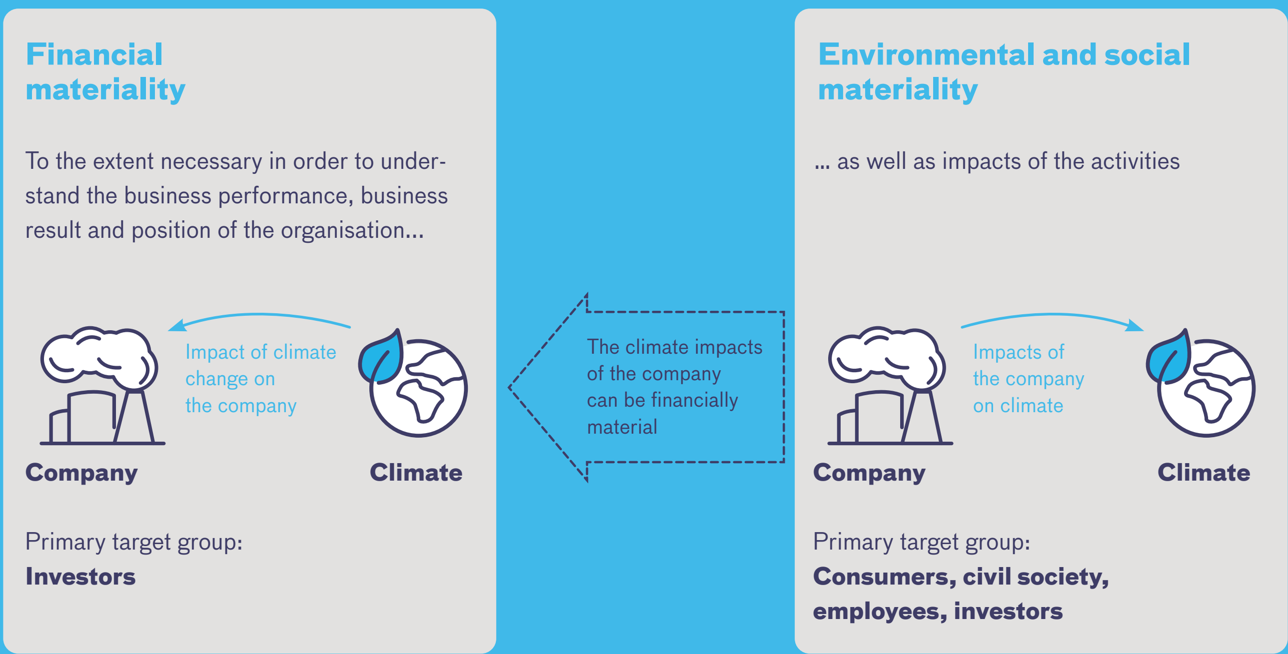
E-mobility at an Asga property
in Frauenfeld

Double materiality

"Double materiality" is a term that shows two material effects in relation to sustainability impact. To date, financial materiality has been the main topic; this means the influence or impact of the effect on companies and our investments (equities, bonds, etc.). The inclusion of sustainability impacts in investment considerations is part of our fiduciary duty and has become standard practice.

But not only does sustainability behaviour have an impact on companies: Company activities also have an influence on ESG factors (environmental and social materiality). An increase or decrease in the volume of CO_2 we emit has an effect on the climate. Investors are asked to understand this cycle and choose their investments with appropriate care.

Asga's climate policy is founded on double materiality. The first pillar (climate risk) is financial materiality, while the second pillar (climate impact) reflects environmental and social materiality. Climate policy is supported through our influence as an investor via voting rights and engagement.



Source: Guidelines on non-financial reporting: Supplement on reporting climate-related information (2019/C 209/01), page 5, Official Journal of the European Union

Key quantitative figures 2022

Engagement dialogues	
Number of companies	163
Number of cases	176
on environmental topics	*49*
on social topics	*99*
on corporate governance topics	*28*
Completed cases	17

Voting rights	
Number of votes cast in Switzerland	
Number of companies in which votes were cast	*94*
Number of agenda items voted upon	*1,870*
Voted in line with board of directors	*82.10%*
Climate (E) votes	*5*
Results in Switzerland	
Voted in favour	*82.00%*
Voted against	*18.00%*
Other	*0%*
International votes	
Number of companies in which votes were cast	*462*
Number of agenda items voted upon	*6,585*
Voted in line with board of directors	*88.40%*
Climate (E) votes	*104*
Results international	
Voted in favour	89.70%
Voted against	8.40%
Other	1.90%

//Normative basis (exclusions)	
Investment category (as % of benchmark)	
Liquidity	0%
CHF bonds	0%
Foreign-currency corporate bonds	0.26%
Emerging market bonds	0.44%
Senior loans	0%
Swiss equities	0%
Foreign equities	0.26%
Private equity	0%

Climate risk

Coal exclusions (as % of benchmark)	
CHF bonds	0.20%
Foreign-currency corporate bonds	3.23%
Swiss equities	0%
Foreign equities	3.04%
//Climate Value at Risk (Climate VaR) (as % of investment category)	
CHF bonds	-0.60%
Benchmark	*-1.00%*
Foreign-currency corporate bonds	-1.50%
Benchmark	*-2.30%*
Emerging market bonds	-11.10%
Benchmark	*-21.10%*
Swiss equities	-12.30%
Benchmark	*-12.30%*
Foreign equities	-18.80%
Benchmark	*-17.10%*

Climate impact

Weighted average carbon intensity tonnes CO_2e / mn USD sales (Scope 1 & 2)	
CHF bonds (corporate bonds)	25.40
Comparison with benchmark	*-55.10%*
Foreign-currency corporate bonds	132.10
Comparison with benchmark	*-41.90%*
Swiss equities	116.40
Comparison with benchmark	*-0.90%*
Foreign equities	94.40
Comparison with benchmark	*-42.00%*
Weighted average carbon intensity tonnes CO_2e / mn USD GDP (Scope 1 & 2)	
CHF bonds (government bonds)	82.20
Comparison with benchmark	*+25.30%*

External asset managers

PRI signatories	
PRI signatories: Number / total number of external asset managers	29 / 32
Share (volume-weighted)	99.10%
Net Zero Asset Manager initiative	
Number Net Zero Asset Manager initiative: Number / total number of external asset managers	11 / 32
Share (volume-weighted)	72.00%
Independent engagements of external asset managers	
CHF bonds	81
Foreign-currency corporate bonds	49
Emerging-market bonds	141
Swiss equities	44
Foreign equities	309
Green, social, sustainability and sustainability-linked (GSSS) bonds, market value in CHF	
Green bonds	236.70 mn
Social bonds	6.10 mn
Sustainability bonds	8.10 mn
Sustainability-linked bonds	33.40 mn
Share of investments in coal (more than 5% of their revenues)	
CHF bonds	0.00%
Foreign-currency corporate bonds	0.00%
Emerging-market bonds	0.40%
Swiss equities	0.00%
Foreign equities	0.00%
Share of investments in other fossil fuels (more than 5% of their revenues)	
CHF bonds	0.00%
Foreign-currency corporate bonds	2.70%
Emerging-market bonds	5.60%
Swiss equities	0.00%
Foreign equities	3.90%

Memberships/initiatives/partnerships

Direct memberships	Year of joining
SVVK – ASIR	2020
Indirectly via SVVK – ASIR	
Swiss Sustainable Finance	2020
Climate Action 100+ (participant)	2021
PRI Advance	2022

//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.

CO_2 intensity (real estate)

The intensity of greenhouse gas (GHG) emissions is defined as GHG emissions as a proportion of the reference area (m^2 ERA) according to the degree of coverage. GHG emissions are all emissions (CO_2 and other GHG) resulting from energy consumption according to the definition of the degree of coverage, expressed as kilograms of CO_2 equivalent (kg CO_2-eq). GHG emissions are calculated by multiplying energy consumption by energy-specific emission factors.

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.

Energy intensity (real estate)

Energy consumption is measured at property level, i.e. for completed buildings whose consumption is measured or calculated. Energy intensity is defined as energy consumption as a proportion of the reference area according to the degree of coverage. The energy consumption of completed buildings for heating/cooling purposes and general electricity for building systems, calculated or measured in kilowatt hours (kWh), is the determining factor. Energy consumption is adjusted based on heating degree days and vacancies.

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 with Scope 1–3

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.

Kilowatt peak (kWp)

Kilowatt peak (kWp) is a special measurement that is exclusively used to measure the output of photovoltaic systems. It shows the maximum output in kilowatts (kW) that a photovoltaic system can produce. This is because in different conditions, such as different external temperatures, a photovoltaic module produces a different output. Um sicherzustellen, dass Module mit derselben angegebenen Leistung in Watt auch gleichwertig sind, wird die Leistung eines Photovoltaikmoduls von den Herstellern stets unter festgelegten Bedingungen, den sogenannten Standard-Testbedingungen, gemessen und im Datenblatt ausgewiesen.

Leakage (refrigerants)

Emissions from refrigerants are included in Scope 1. In the case of air conditioning systems, this includes greenhouse gas emissions that arise on initial filling, refilling and leakages of refrigerants.

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.

Weighted Average Carbon Intensity (WACI)

WACI is a metric used to measure exposure within the portfolio to carbon-intensive companies, expressed in tonnes of CO_2e / USD million sales. Scope 1 and 2 GHG emissions are measured based on the portfolio weighting, i.e. the current value of the investment as a proportion of the current portfolio value.

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